Southwest Power Pool

Southwest Power Pool

FINANCE COMMITTEE MEETING

April 2, 2015

DFW Hyatt Regency Hotel
Dallas, TX

• M I N U T E S •

Administrative Items

SPP Chair Harry Skilton called the meeting to order at 8:00 a.m. The following members of the Finance Committee were in attendance:

Harry Skilton	SPP Director
Larry Altenbaumer	SPP Director
Kelly Harrison	Westar Energy
Sandra Bennett (phone)	AEP
Laura Kapustka	Lincoln Electric
Mike Wise	Golden Spread Electric Cooperative
Tom Dunn	SPP

Others attending included:

Gretchen Holloway	ITC
Traci Bender	NPPD
Cassandra Strange (phone)	OG&E
Mark Holler (phone)	Tenaska
Nick Brown	SPP
Michael Desselle	SPP
Dianne Branch	SPP
Barrett Breeding	BKD, LLC
Steve Osborn	Osborn, Carreiro & Associates, Inc.

Minutes from the December 8, 2014 meeting were reviewed. Kelly Harrison motioned to approve the minutes. The motion was seconded by Laura Kapustka and approved by unanimous voice vote.

2016 Operating and Capital Budget Planning and Reporting Process

Harry Skilton began by summarizing relevant take-aways from a 1-day facilitated planning meeting of the SPP Board of Directors held in late January 2015. The items highlighted were:

- Review financial performance measurement parameters for performance compensation funding
- Document “operational plan” which aligns with Strategic Plan and focuses budgeting and staff planning
- Finance Committee should monitor fiscal year financial performance consistently throughout the year
- SPP staff will report on continuous improvement program to the Finance Committee twice annually with a focus on qualitative and quantitative results.

The Committee discussion centered on the development of the operating plan, specifically the Performance section which addresses each Foundational Strategy from the 2014 SPP Strategic Plan identifying i) changes in 2016, ii) key investments in 2016, iii) metrics to monitor performance, and iv) answers the question of “why is SPP doing this”.

The Committee members expressed a desire to ensure the timeline for approval of the operating plan worked in concert with the development of the annual operating and capital budgets. SPP staff was tasked with drafting a timeline for operating plan development, review and approval by Finance

Committee and Strategic Planning Committee, review by MOPC, and approval by the SPP Board of Directors. Initial discussions supported FC and SPC approval in September, BOD approval in October, which would push approval of the annual budgets to December.

Finally, the Committee reached consensus that SPP doesn't need to use a zero-based budget approach every year. Therefore, SPP's 2016 operating budget will not be prepared using a zero-based methodology.

Capital Expenditure Funding

SPP staff presented a preliminary recommendation whereby SPP would include in the calculation of its administrative fee a placeholder to collect funds which would be used for capital expenditures in the next year. The recommendation was designed to address three issues: 1) provide a level rate for SPP's transmission customers, 2) create additional capital expenditure funding options beyond debt issuance, 3) reduce long-term interest expense.

During the discussion several concerns were raised: 1) not all transmission customers desire a level rate, some might prefer a lower rate, 2) if SPP staff had excess cash on its balance sheet it would reduce SPP's staff's commitment to lower costs, 3) SPP likely is able to borrow at rates more favorable than many of its members and more favorable than most end-use customers.

The Committee requested SPP model three additional scenarios: 1) annual maintenance capital expenditures equal to $15MM/year, 2) reduce salary and benefits and outside services expenditures by 1%/year each year for the next 5 years while holding the administrative fee flat at 39¢/MWh, 3) use a 50/50 split between debt and administrative fee to fund annual capital expenditures.

Finally, the Committee desired additional input from SPP membership on administrative fee management; specifically on whether a flat fee is more or less desirable than a fee that moves up or down as costs move. Harry Skilton will request this feedback from SPP members committee representatives at the April 2015 SPP Board of Directors meeting.

2014 Financial Review

SPP staff provided a review of the 2014 fiscal year including comparisons with both the 2013 fiscal year and the 2014 budget. Additionally, staff reviewed the final over/under recovery results for 2014. The Committee requested future reviews also include a summary of SPP's capital expenditure projects.

CPWG Report

Mark Holler, chair of SPP's Credit Practices Working Group, presented a recommendation to allow market participants who prepare their audited financial statements using International Financial Reporting Standards to use those audited financial statements in satisfaction of the audited financial statement requirements in the Minimum Criteria for Market Participation under section 3.1.1.8 of the SPP Credit Policy. Sandra Bennett motioned to approve the recommendation as presented. The motion was seconded by Mike Wise and approved by unanimous voice vote.

2014 Financial Audit Report

Barrett Breeding of BKD, LLC advised the Committee on the results of BKD's audit of SPP's 2014 financial statements. BKD determined the financial statements present fairly, in all material respects, the financial position of Southwest Power Pool, Inc. as of December 31, 2014 and 2013, and the results of operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America. The financial results for 2013 were restated to correct an error in presentation related to SPP's post-retirement healthcare plan. The Committee dismissed SPP staff and convened an executive session with the auditor. Following the executive session, Larry Altenbaumer made a motion to accept the audit report of BKD. The motion was seconded by Laura Kapustka and approved by unanimous voice vote.

2015 Benefit Plan Reports

Steve Osborn of Osborn, Carreiro & Associates presented actuary reports on both the SPP Retirement Plan and the SPP Post-retirement Healthcare Plan. Steve spent some time discussing the impact of adoption of the 2014 Actuary Mortality tables on the SPP Retirement Plan and suggested he didn't recommend SPP adopt those tables this year. He indicated SPP would likely want to adopt the 2014 tables within the next two years.

SPP staff recommended $3MM in contributions to the SPP Retirement Plan in 2015, consistent with the approved SPP 2015 budget. The actuary report for the SPP Retirement Plan includes a recommendation for sponsor contributions in 2015 of $3.76MM. Larry Altenbaumer made a motion to contribute $3.76MM to the SPP Retirement Plan during 2015. The motion was seconded by Kelly Harrison and approved by unanimous voice vote.

SPP staff recommended $0 in contributions to the SPP Post-retirement Healthcare Plan in 2015, consistent with the approved SPP 2015 budget. Kelly Harrison made a motion to contribute $0 to the SPP Post-retirement Healthcare Plan during 2015. The motion was seconded by Laura Kapustka and approved by unanimous voice vote.

Future Meeting Locations

The Committee discussed some options for locations to conduct future meetings in an effort to make attendance at the meetings more convenient. Consideration was given to locations outside of SPP's service area which offer low costs meeting and lodging space as well as numerous non-stop airline flight options (Orlando, Denver, Las Vegas). Additionally, based on the residences of many Committee members Kansas City was suggested as a possible meeting location. SPP staff will review options and may propose some changes to the meeting schedule going forward.

Future Meetings

The next meeting of the Finance Committee is scheduled for July 9, 2015 at the DFW – Hyatt Regency Hotel in Dallas, TX beginning at 8:00 am and concluding at 2:30pm.

Additionally, SPP's Human Resources Committee will hold a meeting in Little Rock on June 10 where the Committee will receive "fiduciary training". Since the Finance Committee is a fiduciary to the SPP Retirement Plan, Finance Committee members were encouraged to attend the June 10 Human Resources Committee meeting.

There being no further business, Harry Skilton adjourned the meeting at 1:45 pm.

Respectfully Submitted,

Thomas P. Dunn
Secretary

Southwest Power Pool, Inc.

FINANCE COMMITTEE

Pending Action Items Status Report
April 2, 2015

	Action Item	Date Originated	Status	Comments
1.	Establish a scorecard for presentation to MOPC, SPC, and BOD indicating costs associated with member required projects/services.	10/11/2012	incomplete	Absence of member required projects during Integrated Marketplace development and implementation
2.	Develop schedule of items that require Committee approval, items that require Committee monitoring, and items that require Committee input.	12/20/2013	incomplete	
3.	Create comparison of level of financial disclosures contained in RTO annual reports	7/10/2014	incomplete	
4.	Develop schedule for review of annual operating plan	4/2/2015		
5.	Update financial models	4/2/2015		
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Southwest Power Pool, Inc.
FINANCE COMMITTEE MEETING
April 2, 2015
DFW – Hyatt Regency Hotel
Dallas, Texas

• A G E N D A •

8:00 a.m. – 2:30 p.m.

1. Administrative Items *(15 minutes)* .... Harry Skilton
   a. Minutes
2. 2016 Operating and Capital Budget Planning and Reporting Process (90 minutes) .... All
   a. BOD Direction
   b. Membership Direction
3. Capital Expenditure Funding *(60 minutes)* .... Tom Dunn
4. 2014 Financial Review (*30 minutes*) .... Tom Dunn
5. CPWG Report (*20 minutes*) .... Mark Holler - Tenaska
6. 2014 Financial Audit Report ****ACTION**** (*45 minutes*) .... Barrett Breeding – BKD
7. 2015 Benefit Plan Reports (*30 minutes*) ....
   a. Actuary Report .... Steve Osborn – Osborn, Carreiro & Associates
   b. 2015 Plan Funding ****ACTION**** .... Tom Dunn
8. Future Meeting Locations (*15 minutes*) .... Harry Skilton
9. Written Reports
   a. February 2015 Financial Report
   b. CPWG Report
10. Adjourn .... Harry Skilton

Southwest Power Pool

FINANCE COMMITTEE MEETING

December 8, 2014

SPP Corporate Office
Little Rock, AR

• M I N U T E S •

Administrative Items

SPP Chair Harry Skilton called the meeting to order at 2:00 p.m. The following members of the Finance Committee were in attendance:

Harry Skilton	SPP Director
Larry Altenbaumer	SPP Director
Kelly Harrison	Westar Energy
Sandra Bennett	AEP
Laura Kapustka	Lincoln Electric
Tom Dunn	SPP

Others attending included:

Gretchen Holloway (phone)	ITC
Traci Bender (phone)	NPPD
Kristine Schmidt	ITC – Great Plains
Nick Brown	SPP
Carl Monroe	SPP
Lauren Krigbaum	SPP
Michael Desselle	SPP
Scott Smith	SPP
Phyllis Bernard	SPP Director
Julian Brix	SPP Director
Josh Martin	SPP Director
Barrett Breeding	BKD, LLC
Rick Hannmann	KPMG
Schoen Hertell	KPMG
Stan Payne	Stephens Insurance
Kevin McBride	Stephens Insurance
Jim Goss	Stephens Insurance
Matt Jones	Stephens Insurance

Minutes from the October 13, 2014 meeting were reviewed. Kelly Harrison motioned to approve the minutes. The motion was seconded by Larry Altenbaumer and approved by unanimous voice vote.

The Chair requested future meeting minutes include the “action items” scheduled utilized by the SPP Oversight Committee

The Committee encouraged SPP to broaden the financial disclosures published in the SPP annual report.

2014 Financial Audit

Barrett Breeding of BKD, LLC presented the 2014 financial audit plan identifying significant focus areas for the audit and seeking input from the Committee on other areas which the Committee would like audited.

2014 Controls Audit Results and Progress

Lauren Krigbaum, Director of Internal Audit at SPP and Rick Hannmann and Schoen Hertell from KPMG presented the results of SPP's SSAE 16 Controls Audit completed as of October 31, 2014 covering the period March 1, 2014 through October 31, 2014. The audit report will be issued with an unqualified opinion and no noted exceptions.

SPP Credit Practices Working Group Report

Scott Smith, Director of Treasury and Risk Management at SPP, provided a broad report on SPP's credit practices. The report covered the following areas:

- Review of collateral and exposure metrics
- ARR self-conversions and TCR auction results
- Alternatives to ARR netting during auction open window period
- Protections/mitigations when credit customers declare bankruptcy
- Transmission exposure window

Corporate Insurance Stewardship Report

Stephens Insurance, LLC provided an overview of the property & casualty, professional liability and Director & Officer insurance markets. In general, the marketplace is softening which results in underwriters being more competitive on renewal quotes. Stephens indicated SPP could expect flat to single digit increases in premiums at renewal. Stephens expects SPP's existing underwriters to be interested in continuing coverage. All of SPP's underwriters are ranked "Secure" by A.M. Best.

SPP Internal Signature Authorities

The Committee reviewed SPP's schedule of internal signature authorities and YTD 2014 approvals. No changes to the schedule of internal signature authorities were recommended.

Other Items

SPP staff discussed the following items

- Negotiations with Northwest Power Pool for development and operation of an imbalance energy market
- Disclosure by Omaha Public Power District that it has been over-reporting its load for schedule 1A billing purposes since joining SPP
- The Market-to-Market functionality required by FERC to be implemented no later than March 1, 2015 will put SPP into a position whereby it is disbursing funds to market participants prior to collecting funds from market participants.

Future Meetings

The next meeting of the Finance Committee is scheduled for April 2, 2015 at the DFW – Hyatt Regency Hotel in Dallas, TX beginning at 8:30 am and concluding at 3:00pm.

The Committee also suggested scheduling a meeting in late February/early March to facilitate meaningful strategic discussion on important issues. SPP staff will work to schedule that meeting and identify the issues to be discussed.

There being no further business, Harry Skilton adjourned the meeting at 6:00 pm.

Respectfully Submitted,

Thomas P. Dunn
Secretary

Southwest Power Pool, Inc.

FINANCE COMMITTEE

Pending Action Items Status Report

December 8, 2014

	Action Item	Date Originated	Status	Comments
1.	Establish a scorecard for presentation to MOPC, SPC, and BOD indicating costs associated with member required projects/services.	10/11/2012	incomplete	Absence of member required projects during Integrated Marketplace development and implementation
2.	Develop schedule of items that require Committee approval, items that require Committee monitoring, and items that require Committee input.	12/20/2013	incomplete	
3.	Create comparison of level of financial disclosures contained in RTO annual reports	7/10/2014	incomplete	
4.	Provide line item detail of expenses expected to be recovered from bidders in the competitive bidding process under Order 1000	10/13/2013	Complete	Posted with minutes from December 8, 2014 meeting
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Southwest Power Pool, Inc. 2016 Operating Plan

General Purpose:	Document 2016 tactical scope
Specific Purpose:	Provide forum to generate broad understanding of SPP's 2016 plans, environment, assumptions, and costs

EXECUTIVE SUMMARY

I. Who is SPP

A. Summary of SPP (maybe 2 paragraphs)

B. Values

1. Relationship based
2. Member driven
3. Reliability and Economics are inseparable
4. Independence through diversity
5. Evolutionary vs Revolutionary

II. 2014 Strategic Plan

Summary of strategic plan (think Desselle has already assembled some really good summary graphics)

III. Performance

Outline on how SPP will measure its performance against the operating plan

IV. Financial

2016 budget forecast from the 2015 budget document

BODY

I. SPP

A. Purpose
B. Regulation
C. Organization Structure
D. Funding
E. Planning and Reporting

II. Strategic Plan

A. Business Environment

a. What are the main factors expected to influence SPP's business environment during 2016 and what are the expected implications of those factors

B. Strategy

a. What is primary objective, corporate strategies, stakeholder priorities, operational strategies, and enabling strategies

C. Priorities

   a. U.S. electric priorities
   b. Electric industry priorities
   c. SPP region priorities
   d. SPP corporate priorities: balance of existing obligations with demand for additional services

D. Process

   a. How does SPP differentiate high priority initiatives and allocate resources to satisfy while considering the demands of existing obligations

III. Performance – Detail each Foundational Strategy expected activities in 2016

   a. Optimize Interdependent Systems

      i. Key changes in 2016
      ii. Key investments in 2016
      iii. Metrics to monitor performance

   b. Reliability Assurance

      i. Key changes in 2016
      ii. Key investments in 2016
      iii. Metrics to monitor performance

   c. Maintain an Economical Optimized Transmission System

      i. Key changes in 2016
      ii. Key investments in 2016
      iii. Metrics to monitor performance

   d. Enhance Member Value and Affordability

      i. Key changes in 2016
      ii. Key investments in 2016
      iii. Metrics to monitor performance

   e. Ongoing Business Requirements

      i. Document “enabling” legislation: tariff, NERC, FERC, legal, etc.
      ii. Key changes in 2016 (include eliminated work)
      iii. Key investments in 2016 (include investment in IT, staff, etc.)
      iv. Metrics to monitor performance
      v. Enabling business functions – key internal departments and their plans to support strategic objectives (PRPC and other efforts)

IV. Financial

   a. Revenues

b. Expenditures

   i. Incremental related to strategic initiatives
   ii. Ongoing commitments
   iii. Liquidity and Capital Access

Southwest Power Pool, Inc.

FINANCE COMMITTEE

Recommendation to the Board of Directors

April 2, 2015

Capital Expenditure Reserve

Organizational Roster

The following persons are members of the Finance Committee:

Harry Skilton	Director
Larry Altenbaumer	Director
Kelly Harrison	Westar Energy
Sandra Bennett	AEP
Mike Wise	Golden Spread Electric Coop
Laura Kapustka	Lincoln Electric System

The following stakeholders participated in group discussions:

[Type Name of Participant, Company] [Type Name of Participant, Company]

Background

SPP has long followed a policy of funding the capital expenditure program through issuance of notes with terms somewhat consistent with the expected useful life of the assets acquired. This policy was designed to best recover the cost of the assets from the customers who were benefiting from the assets. SPP's outstanding term notes have grown from $25MM at FYE'03 when SPP's services were primarily provision of point-to-point and network transmission, to over $272MM at FYE'14 following implementation of the Integrated Marketplace.

SPP continues to have access to the institutional and commercial debt markets at favorable rates and terms. Fitch Ratings maintains an "A" rating on SPP's unsecured notes and an "A+" rating on its secured mortgage note. SPP's most recent issuances, $37MM term note placed with Thrivent Financial for Lutherans and $33MM multi-advance term note placed with Region's Financial, are expected to fund SPP's capital expenditure programs to the end of 2016.

Scheduled principal retirements and interest payments on SPP's outstanding debt are a significant factor in the increase in SPP's schedule 1A administrative fee. Total principal and interest payments in 2014 were $34MM, representing over 25% of the costs recovered through the schedule 1A administrative fee. Debt related payments are forecast to peak in 2015 at over $35MM then decrease to approximately $30MM/year beginning in 2018 and continuing at this level through 2023, absent issuance of any new notes.

SPP's capital expenditure program has been significant over the past several years, dominated by the Integrated Marketplace and Corporate Campus projects. Looking forward, SPP's capital expenditure requirements are forecast to diminish from recent levels to about $15MM-$20MM/year. SPP's 2015 budget totals $29MM and includes capital expenditures associated with network, storage, and security requirements.

Analysis

SPP is exploring the benefits of creating a capital expenditure account which will be funded as a line item in the annual SPP operating budget and collected from customers through the schedule 1A administrative fee. The fund would be created, and collections under schedule 1A would begin, with the 2016 fiscal year. The balance of the fund would be used to pay for capital expenditures incurred in fiscal year 2017 and beyond. The capital expenditures would generally be replacements and minor upgrades to existing capital assets and would exclude significant projects (i.e. Integrated Marketplace type projects). SPP retains the ability to issue notes for significant capital expenditure projects in the future, but should realize significant reductions in the need to do so.

SPP projects a meaningful increase in its transmission system load in 4Q'2015. When load growth exceeds the growth in net revenue requirement, SPP's schedule 1A administrative rate will decline. Alternatively, SPP could retain the schedule 1A administrative fee at its 2015 level of 39¢/MWh and include in its 2016 budget a line item for capital expenditure reserve fund which represents the expected difference between the 39¢/MWh rate and what the rate would have been with the increase in load. The capital expenditure reserve fund proceeds would then be utilized to fund 2017 capital expenditures.

SPP's 2015 budget projects a schedule 1A administrative fee of 37¢/MWh in 2016 and load of 398,000,000 MWh. Maintaining a schedule 1A administrative fee of 39¢/MWh in 2016 would be expected to generate $8.2MM in excess cash which can be used to fund 2017 capital expenditures. Unfortunately, SPP's capital expenditure spend for 2017 is expected to be nearly $15MM, meaning this approach would leave a significant shortfall and still necessitate SPP obtaining additional capital through issuance of new term debt (though at a lower amount).

Benefits of this alternative are as follows:

1) Reduce interest expense over the long term which will directly reduce the schedule 1A administrative fee long term
2) Create flexibility in funding capital expenditures which will reduce SPP's long-term risk
3) Allows SPP to de-leverage its balance sheet
4) Creates a funding constraint which can assist SPP in prioritizing its capital expenditure projects
5) Can serve to even out fluctuations in the schedule 1A administrative fee

A few disadvantages of this alternative are as follows:

1) Initially, the schedule 1A administrative fee will be higher than it would be otherwise
2) Inefficient use of capital
3) Funding constraint may limit SPP's approach to necessary but non-critical capital expenditures

Recommendation

[Click here and type statement of the intent or recommendation of this report]

Approved: [Name of Group] [Date]

[Vote Count (for example: x For, y Against or Passed Unopposed]

Action Requested: [Simple action statement, such as "Approve Recommendation"]

Southwest Power Pool - Financial Projections
Balance Sheet ($million)

	Historical	Projected									
	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Cash - Operating	10	(4)	(25)	(39)	(47)	(55)	(64)	(72)	(80)	(88)	(96)
Cash - Tariff	47	47	47	47	47	47	47	47	47	47	47
Cash - Restricted	222	222	222	222	222	222	222	222	222	222	222
Accounts Receivable	42	24	25	25	25	26	26	27	27	27	28
Other Current Assets	7	7	7	7	7	7	7	7	7	7	7
Current Assets	329	296	277	263	255	247	239	231	223	216	208
Property, Plant, & Equipment	345	374	393	408	418	428	438	448	458	468	478
(Accum. Depreciation)	(168)	(229)	(291)	(326)	(345)	(361)	(376)	(391)	(404)	(417)	(429)
Net PP&E	177	145	101	81	73	67	61	57	54	51	49
Other Non-Current Assets	15	15	15	15	15	15	15	15	15	15	15
Other Assets	15	15	15	15	15	15	15	15	15	15	15
Total Assets	**$521**	**$456**	**$393**	**$359**	**$343**	**$329**	**$316**	**$304**	**$292**	**$282**	**$272**
Accounts Payable	31	17	17	17	18	18	18	19	19	19	19
Accrued Expenses	58	35	36	36	37	38	38	39	39	40	40
Customer Deposits	222	222	222	222	222	222	222	222	222	222	222
CMLTD	0	24	21	21	23	23	24	24	25	24	24
Current Liabilities	312	298	297	297	300	301	302	303	305	305	305
Long-Term Debt - Historical	272										
Revolver		0	0	0	0	0	0	0	0	0	0
2016 Senior Notes		3	0	0	0	0	0	0	0	0	0
2012 Issuance (Series D-1 & D-2)		85	75	65	55	45	35	25	15	5	0
2014 Issuance Series E		37	37	37	37	37	37	37	37	37	22
Maumelle Mortgage		3	3	3	3	3	2	2	2	2	1
Regions		33	31	28	25	21	17	12	7	1	1
SPP Campus (series A&B)		62	61	60	58	57	56	54	53	51	50
Future Markets (series C)		58	51	44	37	30	23	16	9	2	(0)
Other Capex Projects		0	0	0	0	0	0	0	0	0	0
Subtotal	272	281	257	236	215	192	170	146	122	98	74
Less: CMLTD	0	(24)	(21)	(21)	(23)	(23)	(24)	(24)	(25)	(24)	(24)
Total Long-Term Debt	272	257	236	215	192	170	146	122	98	74	50
Deferred Revenues	6	6	6	6	6	6	6	6	6	6	6
Other Liabilities	18	18	18	18	18	18	18	18	18	18	18
Total Liabilities	608	579	557	536	516	494	472	450	427	403	380
Common Stock & APIC	0	0	0	0	0	0	0	0	0	0	0
Retained Earnings	(87)	(123)	(164)	(176)	(172)	(165)	(156)	(146)	(134)	(121)	(108)
Treasury Stock	0	0	0	0	0	0	0	0	0	0	0
Total Capital	(87)	(123)	(164)	(176)	(172)	(165)	(156)	(146)	(134)	(121)	(108)
Total Liabilities & Capital	**$521**	**$456**	**$394**	**$360**	**$344**	**$329**	**$316**	**$304**	**$293**	**$282**	**$272**

Southwest Power Pool - Financial Projections
Income Statement ($ million)

	Historical	Projected									
	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Revenues											
Assessment / Tariff Fees	159	142	147	146	154	155	156	157	158	158	158
Membership Fees/NERC	0	12	12	13	13	14	15	15	16	17	18
FERC Fees	0	15	17	17	18	19	20	21	22	23	24
Contract Services Revenue	5	6	5	5	1	1	1	1	1	1	1
Total Revenues	164	175	181	181	185	188	191	194	196	198	201
Assessment & Tariff / MWh	$0.177	$0.392	$0.370	$0.367	$0.378	$0.375	$0.369	$0.365	$0.359	$0.352	$0.347
Gross Profit	**164**	**175**	**181**	**181**	**185**	**188**	**191**	**194**	**196**	**198**	**201**
Operating Expenses											
Salaries & Benefits	86	80	84	85	87	89	91	92	94	96	98
Outside Services	16	16	18	16	16	16	16	16	16	17	17
Leases & Maintenance	15	15	17	19	20	20	20	20	20	21	21
Communication Systems	4	4	4	4	4	4	5	5	5	5	5
Travel and Meetings	3	3	3	3	3	3	4	4	4	4	4
Regulatory Assessments	16	16	18	16	17	18	18	19	20	21	22
Administrative & Other	4	5	5	5	5	5	5	5	5	5	5
Depreciation	51	61	62	35	18	17	15	14	13	13	12
Other Non-Cash Charges	2	0	0	0	0	0	0	0	0	0	0
Total Operating Expenses	198	200	211	183	170	171	173	176	178	181	184
Interest Expense											
Total Existing Debt	13										
Revolver		0	0	0	0	0	0	0	0	0	0
2016 Senior Notes		0	0	0	0	0	0	0	0	0	0
2012 Issuance (Series D-1 & D-2)		3	3	2	2	2	1	1	1	0	0
2014 Issuance Series E		1	1	1	1	1	1	1	1	0	1
Maumelle Mortgage		0	0	0	0	0	0	0	0	0	0
Regions		1	2	2	3	3	2	2	1	0	0
SPP Campus (series A&B)		3	3	3	3	3	3	3	3	3	2
Future Markets (series C)		2	2	2	1	1	1	1	0	0	0
Other Capex Projects		0	0	0	0	0	0	0	0	0	0
Subordinated Debt		0	0	0	0	0	0	0	0	0	0
Subordinated Debt		0	0	0	0	0	0	0	0	0	0
Total Interest Expense	13	11	11	10	11	10	9	8	6	4	4
Other (Income) Expense	(1)	0	0	0	0	0	0	0	0	0	0
Pretax Income (Loss)	(46)	(36)	(41)	(13)	4	7	8	11	12	13	13
Income Tax Expense (Benefit)	0	0	0	0	0	0	0	0	0	0	0
Deferred Tax Expense (Benefit)	0	0	0	0	0	0	0	0	0	0	0
Net Income (Loss)	**($46)**	**($36)**	**($41)**	**($13)**	**$4**	**$7**	**$8**	**$11**	**$12**	**$13**	**$13**
EBITDA	**7**	**25**	**22**	**22**	**23**	**24**	**24**	**25**	**25**	**26**	**25**
EBIT	**($33)**	**($25)**	**($30)**	**($3)**	**$15**	**$17**	**$17**	**$18**	**$18**	**$17**	**$17**

Southwest Power Pool - Financial Projections
Cash Flow Statement ($million)

	Projected									
	2015	**2016**	**2017**	**2018**	**2019**	**2020**	**2021**	**2022**	**2023**	**2024**
Net Income (Loss)	(36)	(41)	(13)	4	7	8	11	12	13	13
Depreciation	61	62	35	18	17	15	14	13	13	12
Amortization	0	0	0	0	0	0	0	0	0	0
Other	0	0	0	0	0	0	0	0	0	0
Net Changes - Revenue	25	22	22	23	24	24	25	25	26	25
Accounts Receivable	18	(1)	0	(1)	(0)	(0)	(0)	(0)	(0)	(0)
Other Current Assets	0	0	0	0	0	0	0	0	0	0
Accounts Payable	(15)	1	(0)	0	0	0	0	0	0	0
Accrued Expenses	(23)	1	(0)	1	1	0	1	0	0	1
Other Current Liabilities	0	0	0	0	0	0	0	0	0	0
Net Changes - Working Capital	(20)	1	(0)	1	1	0	1	0	0	0
Changes in Other Assets	0	0	0	0	0	0	0	0	0	0
Changes in Other Liabilities	0	0	0	0	0	0	0	0	0	0
Net Changes - Other	0	0	0	0	0	0	0	0	0	0
Capital Expenditures FF&E	(29)	(19)	(15)	(10)	(10)	(10)	(10)	(10)	(10)	(10)
Other	0	0	0	0	0	0	0	0	0	0
Net Changes - Investment	(29)	(19)	(15)	(10)	(10)	(10)	(10)	(10)	(10)	(10)
Total Debt Payments	(24)	(24)	(21)	(21)	(23)	(23)	(24)	(24)	(25)	(24)
New Debt Issued	33	0	0	0	0	0	0	0	0	0
Dividends Paid	0	0	0	0	0	0	0	0	0	0
Net Changes - Financing	9	(24)	(21)	(21)	(23)	(23)	(24)	(24)	(25)	(24)
Total Net Changes to Cash	(14)	(20)	(14)	(8)	(8)	(8)	(8)	(8)	(8)	(8)
Beginning Cash Balance	10	(4)	(25)	(39)	(47)	(55)	(64)	(72)	(80)	(88)
Ending Cash Balance - Unrestricted	(4)	(25)	(39)	(47)	(55)	(64)	(72)	(80)	(88)	(96)

BASE MODEL

Income Statement Highlights (000s)	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Calculated NRR / MWh	$ 0.387	$ 0.371	$ 0.367	$ 0.378	$ 0.375	$ 0.369	$ 0.365	$ 0.359	$ 0.352	$ 0.347
Net Revenue Requirement	$ 141	$ 148	$ 146	$ 154	$ 155	$ 156	$ 157	$ 158	$ 158	$ 158
Admin Fee - NRR (Excess Cash/Year Collected)	2	(1)	(0)	-	-	-	-	-	-	-
Operating Cash	(4)	(25)	(39)	(47)	(55)	(64)	(72)	(80)	(88)	(96)
Capital Expenditures	29	19	15	10	10	10	10	10	10	10
New Debt Issued	33	-	-	-	-	-	-	-	-	-

MODEL I

Income Statement Highlights (000s)	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Calculated NRR / MWh	$ 0.387	$ 0.371	$ 0.367	$ 0.378	$ 0.375	$ 0.369	$ 0.365	$ 0.359	$ 0.352	$ 0.347
Net Revenue Requirement	$ 141	$ 148	$ 146	$ 154	$ 155	$ 156	$ 157	$ 158	$ 158	$ 158
Admin Fee - NRR (Excess Cash/Year Collected)	2	7	9	5	6	9	11	14	17	20
Operating Cash	(4)	(15)	(20)	(24)	(26)	(24)	(22)	(15)	(6)	6
Capital Expenditures	29	19	15	10	10	10	10	10	10	10
New Debt Issued	33	-	-	-	-	-	-	-	-	-

Changes From Base Model
Rate remains at 39¢/MWh throughout period

MODEL II

Income Statement Highlights (000s)	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Calculated NRR / MWh	$ 0.387	$ 0.373	$ 0.384	$ 0.403	$ 0.401	$ 0.396	$ 0.394	$ 0.378	$ 0.373	$ 0.368
Net Revenue Requirement	$ 141	$ 149	$ 153	$ 163	$ 166	$ 167	$ 170	$ 166	$ 167	$ 168
Admin Fee - NRR (Excess Cash/Year Collected)	2	-	-	-	-	-	-	-	-	-
Operating Cash	(4)	0	0	(0)	(0)	(1)	(1)	(0)	(0)	(1)
Capital Expenditures	29	19	15	10	10	10	10	10	10	10
New Debt Issued	33	24	13	7	8	8	8	9	8	8

Changes From Base Model
Borrow annually on 5 year term to fund shortfalls

MODEL III

Income Statement Highlights (000s)	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Calculated NRR / MWh	$ 0.387	$ 0.355	$ 0.357	$ 0.364	$ 0.349	$ 0.332	$ 0.322	$ 0.310	$ 0.298	$ 0.287
Net Revenue Requirement	$ 141	$ 141	$ 142	$ 148	$ 144	$ 140	$ 139	$ 136	$ 133	$ 131
Admin Fee - NRR (Excess Cash/Year Collected)	2	14	13	11	17	25	29	35	41	47
Operating Cash	(4)	0	(0)	1	8	24	44	70	102	140
Capital Expenditures	29	19	15	10	10	10	10	10	10	10
New Debt Issued	33	-	-	-	-	-	-	-	-	-

Changes From Base Model
Rate stays at $0.39/MWh for entire period
Salary & Benefits reduce 1%/year for entire period
Services reduce 1%/year for entire period

MODEL IV

Income Statement Highlights (000s)	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Calculated NRR / MWh	$ 0.387	$ 0.371	$ 0.367	$ 0.378	$ 0.375	$ 0.369	$ 0.365	$ 0.359	$ 0.352	$ 0.347
Net Revenue Requirement	$ 141	$ 148	$ 146	$ 154	$ 155	$ 156	$ 157	$ 158	$ 158	$ 158
Admin Fee - NRR (Excess Cash/Year Collected)	2	(1)	(0)	-	-	-	-	-	-	-
Operating Cash	5	(8)	(18)	(24)	(30)	(37)	(43)	(49)	(55)	(61)
Capital Expenditures	20	12	10	8	8	8	8	8	8	8
New Debt Issued	33	-	-	-	-	-	-	-	-	-

Changes From Base Model
Reduced Capex spend; maintenance capex is $8

MODEL V

Income Statement Highlights (000s)	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Calculated NRR / MWh	$ 0.387	$ 0.373	$ 0.383	$ 0.395	$ 0.404	$ 0.397	$ 0.391	$ 0.383	$ 0.377	$ 0.359
Net Revenue Requirement	$ 141	$ 149	$ 153	$ 160	$ 167	$ 168	$ 168	$ 168	$ 169	$ 164
Admin Fee - NRR (Excess Cash/Year Collected)	2	7	3	(2)	(6)	(3)	(0)	3	6	14
Operating Cash	(4)	9	(2)	12	(2)	7	(1)	(0)	(2)	4
Capital Expenditures	29	19	15	10	10	10	10	10	10	10
New Debt Issued	33	25	-	25	-	20	-	5	-	-

Changes From Base Model
Rate remains at 39¢/MWh throughout period
New borrowings to fund shortfalls

Results of Operations for 2014

SPP's total revenue increased $20.8 million or 14.5% to $163.5 million from 2013 to 2014. The growth in revenue was primarily attributable to an increase in SPP's administrative fee rate to $0.381/MWh from $0.315/MWh. Transmission volume was 351 terra-watt hours in 2014, down 1.8% from the prior year totals. Mild summer temperatures and lower electricity usage by several large commercial customers in the region drove the lower transmission volume. Revenue levels were in-line with SPP's 2014 budget. Lower than expected reimbursements for SPP's Regional Entity activities were countered by slightly higher than projected transmission volumes.

Total expenses, excluding regulatory assessments, increased $55.0 million or 39.8% in 2014 compared to 2013. The increase primarily resulted from the following four factors: a) a $31.6 million increase in depreciation expense as SPP began depreciation of the Integrated Marketplace assets which were put into service in March 2014; b) $14.0 million increase in other expenses, primarily a $6.0 million reduction in the change in funded status of employee benefit plans, a $4.8 million increase in interest expense and a $2.4 million reduction in the change in fair market value of interest derivatives; c) a $5.0 million increase in compensation expense resulting from a one-time performance payout related to successful completion of a significant corporate project; and d) a $3.8 million increase in maintenance expense as SPP engaged full maintenance of its Integrated Marketplace software.

Total 2014 expenses, excluding regulatory assessments, exceeded SPP's budget by $7.9 million. The causes for the variance are largely consistent with the items noted above. Salary and benefit expense exceeded budget by $3.4 million, other expenses exceeded budget by $3.1 million (primarily interest expense related to fully paying interest in generation interconnection study deposits consistent with the requirements of the SPP regional tariff, swap valuation adjustments, and changes in benefit plan funded status). Additionally, SPP's outside services expenditures exceeded budget by $1.8 million due to expensing support engagements during the first several months of operation of the Integrated Marketplace.

SPP's 2014 administrative fee rate was designed to fully recover cash expenditures during 2014 with no recovery of prior year under-recovery. SPP's actual results yielded an under-recovery of $3.3 million for the year. Factors adversely impacting SPP's recovery reflect the same themes discussed earlier: a) $1.8 million in additional cash outflows for salary and benefits resulting from performance compensation awards for 2014 above expected levels; b) $1.7 million in consultant engagements related to post go-live support of the Integrated Marketplace; and c) $1.5 million in interest payments largely related to payments due to generation interconnection study customers.

Liquidity and Capital Resources

On January 29, 2014, the FERC approved SPP's application to enter into a $37 million private placement master note agreement. On March 10, 2014, SPP issued senior unsecured notes with a twelve-year term totaling $37 million. At December 31, 2014 the outstanding borrowings were $37 million. SPP used the proceeds to fund ongoing capital expenditure projects, most notably its Project Pinnacle program. SPP expects to make $0 in principal payments during 2015.

On January 29, 2014, the FERC approved SPP's application to enter into a $33 million loan agreement with a local commercial bank. On March 21, 2014, SPP executed a loan agreement with a ten-year maturity with advances under the agreement allowed through February 2016. At December 31, 2014, outstanding borrowings were $0. SPP is expected to make $0 of principal payments during 2015.

Issuance	Origination Date	Original Amount	12/31/2014 Balance	2015 Retirements	Use of Proceeds
		FUNDED OBLIGATIONS			
Senior Bank Notes due 2016	7/23/2009	30.0	9.0	6.0	Ongoing capital expenditures
Series 2010C Notes due 2024	3/31/2011	70.0	64.8	7.0	Integrated Marketplace
Series 2012 D1 & D2 Notes due 2024	3/20/2012 11/30/2012	100.0	95.0	10.0	Integrated Marketplace
Series 2014E Notes due 2025	3/10/2014	37.0	37.0	-	Project Pinnacle
Mortgage Note due 2027	3/23/2007	5.1	3.5	0.2	Maumelle Ops Center
Series 2010A&B Notes due 2042	10/28/2010 12/29/2010	65.0	63.0	1.1	Corporate Campus
		UNFUNDED OBLIGATIONS			
Revolving Line of Credit	3/18/2011	30.0	-	-	short-term cash needs
Senior Bank Notes due 2024	3/21/2014	33.0	-	-	Ongoing capital expenditures

Under the loan agreements, SPP is required to provide unaudited financial statements within 45 days of the end of the calendar quarter and audited financial statements within 120 of the fiscal year end. Additionally, at each fiscal year end, SPP must maintain a fixed charge coverage ratio of no less than 1:1. SPP was in compliance with the financial covenants at December 31, 2014.

SPP requires deposits from various parties in connection with services to be performed or as collateral for services provided under the SPP regional tariff. SPP held credit deposits of $222 million and $77 million as of fiscal year end 2014 and 2013, respectively. The growth in deposits held is directly attributable to collateral requirements for services provided through SPP's Integrated Marketplace. SPP also holds approximately $260 million in letters of credit to secure transactions under the tariff.

SPP's capital expenditures during 2014 totaled $23.5 million. Project Pinnacle which was a combination of several enhancements and additions to the Integrated Marketplace consumed the majority of the capital expenditure funding. Other capital projects were associated with ongoing upgrades to equipment and software for reliability purposes.

AUDITED INCOME STATEMENT COMPARISON

($million)

	2014 Audit	2013 Audit	Variance Fav/(UnFav) $	Variance Fav/(UnFav) %
Income				
Tariff Administration Service	$ 133.70	$ 112.62	$ 21.08	18.7%
Fees & Assessments	25.00	25.19	(0.19)	-0.7%
Contract Services Revenue	0.50	0.43	0.08	17.6%
Miscellaneous Income	4.30	4.50	(0.20)	-4.5%
Total Income	$ 163.50	$ 142.74	$ 20.76	14.5%
Expense				
Salary & Benefits	$ 85.60	$ 80.60	$ (5.00)	-6.2%
Employee Travel	1.90	1.90	-	0.0%
Administrative	4.40	4.00	(0.40)	-10.0%
Assessments & Fees	16.30	14.70	(1.60)	-10.9%
Meetings	0.80	0.90	0.10	11.1%
Communications	3.80	3.70	(0.10)	-2.7%
Leases	0.20	0.40	0.20	50.0%
Maintenance	15.10	11.30	(3.80)	-33.6%
Services	16.10	15.60	(0.50)	-3.2%
Regional State Committee	0.20	0.30	0.10	33.3%
Depreciation & Amortization	51.00	19.40	(31.60)	-162.9%
Other	14.10	0.10	(14.00)	-14000.0%
Total Expense	$ 209.50	$ 152.90	$ (56.60)	-37.0%
Net Income (Loss)	$ (46.00)	$ (10.16)	$ (35.84)	-352.6%

2014 AUDIT TO BUDGET COMPARISON

($million)

	2014 Audit	2014 Budget	Variance Fav/(UnFav) $	Variance Fav/(UnFav) %
Income				
Tariff Administration Service	$ 133.70	$ 132.60	$ 1.10	0.8%
Fees & Assessments	25.00	26.80	(1.80)	-6.7%
Contract Services Revenue	0.50	0.50	-	0.0%
Miscellaneous Income	4.30	3.40	0.90	26.5%
Total Income	$ 163.50	$ 163.30	$ 0.20	0.1%
Expense				
Salary & Benefits	$ 85.60	$ 82.20	$ (3.40)	-4.1%
Employee Travel	1.90	2.20	0.30	13.6%
Administrative	4.40	4.70	0.30	6.4%
Assessments & Fees	16.30	15.30	(1.00)	-6.5%
Meetings	0.80	0.90	0.10	11.1%
Communications	3.80	3.90	0.10	2.6%
Leases	0.20	0.20	-	0.0%
Maintenance	15.10	15.90	0.80	5.0%
Services	16.10	14.30	(1.80)	-12.6%
Regional State Committee	0.20	0.30	0.10	33.3%
Depreciation & Amortization	51.00	49.70	(1.30)	-2.6%
Other	14.10	11.00	(3.10)	-28.2%
Total Expense	$ 209.50	$ 200.60	$ (8.90)	-4.4%
Net Income (Loss)	$ (46.00)	$ (37.30)	$ (8.70)	-23.3%

2014 RECOVERY COMPARISON

($million)

	2014 Actual	2014 Budget	Variance Fav/(Unfav)
Expense			
Salary & Benefits	84.04	82.20	(1.84)
Employee Travel	1.92	2.20	0.28
Administrative	4.40	4.70	0.30
Assessments & Fees 16.3 and	16.32	15.30	(1.02)
Meetings	0.83	0.90	0.07
Communications	3.75	3.90	0.16
Leases	0.18	0.20	0.02
Maintenance	15.15	15.90	0.75
Services	16.32	14.60	(1.72)
Interest Expense	12.54	11.00	(1.54)
Debt Retirement	13.00	13.00	0.00
Gross Revenue Requirements	168.45	163.90	(4.55)
Revenue Offsets			
NERC Reimbursements	9.82	11.80	(1.98)
FERC Expenses	16.32	15.30	1.02
Contract Service Revenue	0.45	0.45	-
Membership Dues	0.48	0.48	-
Misc Income	4.40	3.27	1.13
Subtotal	31.47	31.30	0.17
Net Revenue Requirement	136.98	132.60	(4.38)
Admin Fee Collections	133.72	132.70	1.02
Over/(Under) Recovery	(3.26)	0.10	(3.36)

Southwest Power Pool, Inc.

CREDIT PRACTICES WORKING GROUP

Recommendation to the Finance Committee

February 19, 2015

Acceptance Of IFRS Financial Statements To Meet Minimum Participation Requirements

Organizational Roster

The following persons are members of the Credit Practices Working Group:

Mark Holler, Tenaska
Terri Wendlandt, Westar
Cassandra Strange, OGE
Paul Krebs, KCPL
Malcolm Booker, OMPA
Gina Wilson, ITC Holdings
James Goforth, Southwestern Public Service
Bill Thompson, AEP

The following stakeholders participated in group discussions:

Nathan Case, ACES
Christi Nicolay, Macquarie
Brenden Sager, NRG
Jeff Bieker, Sunflower
Jamie Johnson, MEAN
Michael Erbrick, DHastCo
Bryan Willnerd, LES

Background

Many foreign entities prepare their financial statements using International Financial Reporting Standards ("IFRS") as opposed to United States Generally Accepted Accounting Principles ("US GAAP"). Use of IFRS financial statements are not explicitly acceptable under the SPP credit policy, though many entities using IFRS are well capitalized and would otherwise meet the Minimum Criteria for Market Participation.

Analysis

Members determined that corporations with foreign ownership typically use IFRS. Other ISO/RTOs such as MISO and PJM allow the use of financials prepared according to IFRS. The Group was given an opportunity to review a white paper from KPMG, SPP's auditors, to evaluate differences between the accounting methods and is in agreement that the differences are acceptable and that financial statements prepared according to IFRS should be accepted to meet Minimum Criteria for Market Participation as required in Section 3.1.1.8 of the SPP Credit Policy.

Recommendation

The recommendation of the Credit Practices Working Group is that the recommendation be approved.

Approved:	Credit Practices Working Group	**February 19, 2015**
	Passed Unopposed	
Action Requested:	Approve Recommendation	

SPP Southwest Power Pool

Revision Request Form

SPP STAFF TO COMPLETE THIS SECTION	
RR #: 73	**Date:** 3/26/2015
RR Title: Credit Policy and the use of IFRS	
Impact Analysis Required? ☐ No ☐ Yes	

SUBMITTER INFORMATION	
Name: Scott Smith	**Company:** Southwest Power Pool, Inc.
Email: ssmith@spp.org	**Phone:** 501-614-3339

REVISION REQUEST DETAILS

Requested Resolution Timing: ☒ **Normal** ☐ **Expedited** ☐ **Urgent Action**

Reason for Expedited/Urgent Resolution:

Type of Revision (select all that apply):

☐ Correction ☐ Design Enhancement ☐ Regulatory Mandate (describe)
☒ Clarification ☐ New Protocol, Business Practice, Criteria, Tariff

SPP Documents Requiring Revision:
Please select your primary intended document(s) as well as all others known that could be impacted by the requested revision (e.g. a change to a protocol that would necessitate a criteria or business practice revision).

☐ **Market Protocols**	**Protocol Section(s):**	**Protocol Version:**
☐ **Criteria**	**Criteria Section(s):**	**Criteria Date:**
☒ **Tariff (OATT)**	**Tariff Section(s):** Section 3.1.1.8.1 of Attachment X (SPP Credit Policy)	
☐ **Business Practice**	**Business Practice Number:**	

Objectives of Revision Request:
Describe the problem/issue this revision request will resolve.

Provide clarification on the use of IFRS financial statements for meeting minimum capitalization criteria. The Credit Practices Working Group approved the changes to the Credit Policy (below) on February 19, 2015. The vote was unopposed.

Describe the benefits that will be realized from this revision.

Definitive clarification on the use of IFRS will provide efficiencies and transparency to SPP staff and current/potential Credit Holders.

REVISIONS TO SPP DOCUMENTS

In the appropriate sections below, please provide the language from the current document(s) for which you are requesting revision(s), with all edits redlined.

Market Protocols

3.1.1.8 Minimum Criteria for Market Participation.

3.1.1.8.1 **Minimum Eligibility Requirements**

In order to be eligible to transact in the Integrated Marketplace, each Market Participant must demonstrate to SPP that it qualifies as one of the following:

a. An "appropriate person," as defined under Section 4(c)(3)(A) through (J) of the Commodity Exchange Act (7 U.S.C. § 6(c)(3)(A) through (J)). A Market Participant may qualify as an "appropriate person" by providing: (i) an unlimited Corporate Guaranty in a form acceptable to SPP as described in Article 6 of this Attachment X and Appendix D of this Attachment X from an entity that demonstrates to SPP that it has in excess of $1million of total net worth or in excess of $5 million of total assets per Market Participant for which that guarantor has issued an unlimited Corporate Guaranty, or (ii) a letter of credit in excess of $5 million in a form acceptable to SPP that the Market Participant acknowledges is separate from, and cannot be applied to meet, its credit requirements under this Attachment X.

b. An "eligible contract participant," as defined in Section 1a(18) of the Commodity Exchange Act (7 U.S.C. § 1a(18)) and in the Commodity Futures Trading Commission's regulation 1.3(m) (17 C.F.R. § 1.3(m))

c. A person or entity that is in the business of: (1) generating, transmitting or distributing electric energy or (2) providing electric services that are necessary to support the reliable operation of the transmission system (78 Fed. Reg. 19880, page 19914).

For purposes of meeting the minimum criteria for market participation under this Credit Policy, SPP shall accept annual audited Financial Statements prepared according to either United States Generally Accepted Accounting Principles (US GAAP) or International Financial Reporting Standards (IFRS).

If a Market Participant is unable to meet the minimum eligibility requirements for market participation set forth in this Section 3.1.1.8.1, the Market Participant shall immediately notify SPP and immediately cease conducting transactions in the Integrated Marketplace. When SPP receives such notification from a Market Participant or determines that a Market Participant does not meet the minimum eligibility requirements set forth in this Section 3.1.1.8.1, SPP shall immediately terminate that Market Participant's transaction rights in the Integrated Marketplace.
In the event that a Market Participant is no longer able to demonstrate that it meets the minimum eligibility requirements set forth in this Section 3.1.1.8.1, and possesses, obtains, or has rights to possess or obtain any open or forward position in the Integrated Marketplace, SPP may take any action it deems necessary with respect to such open or forward positions. Such action may include but is not limited to, liquidation, transfer, assignment, or sale. The Market Participant will be entitled to any positive market value of such positions, net of any obligations due to SPP, notwithstanding its ineligibility to participate in the Integrated Marketplace. Nothing in this paragraph shall restrict SPP's

ability to enforce SPP's rights to pursue and collect any amounts Market Participants may owe to SPP.

SPP Business Practices

Southwest Power Pool, Inc.

FINANCE COMMITTEE

Recommendation to the Board of Directors

April 2, 2015

2014 Financial Audit Acceptance

Organizational Roster

The following persons are members of the Finance Committee:

Harry Skilton	Director
Larry Altenbaumer	Director
Kelly Harrison	Westar Energy
Sandra Bennett	AEP
Mike Wise	Golden Spread Electric Coop
Laura Kapustka	Lincoln Electric System

Background

SPP annually engages a Certified Public Accounting firm to audit its financial statements and accounting controls. SPP has engaged BKD, LLC to perform audits of its financial reports since fiscal year 2014. SPP last performed a request for proposal for the financial audit engagement in July 2013.

Analysis

BKD, LLC has completed and published its audit of SPP's 2014 financial results. The Finance Committee, at its April 2, 2015 meeting met with representatives of BKD, LLC and discussed their findings, specifically focusing on: 1) adequacy of SPP's accounting policies and procedures, 2) adequacy of internal control procedures and the extent tested, and 3) any areas of weakness or concern that SPP should address going forward. Additionally, the Committee discussed the restatement of 2013's results.

Recommendation

The Finance Committee recommends the SPP Board of Directors accept in its entirety the 2014 audit report and findings of BKD, LLC.

Approved: Finance Committee

Action Requested: Approve Recommendation

Southwest Power Pool, Inc.

Independent Auditor's Report and Financial Statements

December 31, 2014 and 2013

BKD LLP
CPAs & Advisors

Southwest Power Pool, Inc.

December 31, 2014 and 2013

Contents

Southwest Power Pool, Inc.
Balance Sheets
(*in Thousands*)
December 31, 2014 and 2013

Assets

	2014	2013 (Restated – Note 2)
Current Assets		
Cash and cash equivalents	$ 57,534	$ 35,262
Restricted cash deposits	222,285	76,713
Accounts receivable	41,826	24,134
Prepaid expenses and other	7,204	6,977
Total current assets	328,849	143,086
Property and Equipment, at Cost		
Land	4,812	4,812
Building	66,354	66,225
Furniture and fixtures	10,016	10,026
Equipment and machinery	44,822	41,647
Software	206,237	93,720
Software in development	12,458	106,895
	344,699	323,325
Less accumulated depreciation and amortization	167,818	119,065
	176,881	204,260
Investments (*Note 3*)	10,099	9,258
Other Assets, Net	5,184	2,802
	$ 521,013	$ 359,406

See Notes to Financial Statements

Liabilities and Members' Deficit

	2014	2013 (Restated – Note 2)
Current Liabilities		
Accounts payable	$ 31,417	$ 15,953
Customer deposits	222,285	76,713
Current maturities of long-term debt (*Note 5*)	24,299	22,998
Accrued expenses	57,943	29,039
Deferred revenue	5,895	5,919
Total current liabilities	341,839	150,622
Long-term Debt (*Note 5*)	247,961	235,260
Other Long-term Liabilities	18,159	14,420
Members' Deficit	(86,946)	(40,896)
	$ 521,013	$ 359,406

Southwest Power Pool, Inc.
Statements of Operations
(*in Thousands*)
Years Ended December 31, 2014 and 2013

	2014	2013 (Restated – Note 2)
Operating Income		
Tariff fees and member assessments	$ 158,735	$ 137,811
Other member services	4,802	4,926
	163,537	142,737
Operating Expenses		
Salaries and benefits	85,575	80,615
Employee travel	1,924	1,868
Administrative	4,399	3,967
Regulatory assessment	16,323	14,699
Meetings	833	930
Communications system	3,745	3,666
Leases	180	432
Maintenance	15,149	11,300
Consulting services	16,319	16,114
Depreciation and amortization	51,046	19,398
	195,493	152,989
Operating Loss	(31,956)	(10,252)
Other Income (Expense)		
Investment income	459	731
Interest expense	(12,554)	(7,763)
Change in fair market value of interest rate swaps	(1,528)	923
Other income	75	258
	(13,548)	(5,851)
Loss Before Unrealized Gain and Change in Funded Status of Employee Benefit Plans	(45,504)	(16,103)
Unrealized Gain on Investments	251	710
Change in Funded Status of Employee Benefit Plans	(797)	5,225
Net Loss	$ (46,050)	$ (10,168)

Southwest Power Pool, Inc.
Statements of Members' Deficit
(*in Thousands*)
Years Ended December 31, 2014 and 2013

	2014	2013
Balance, Beginning of Year	$ (40,896)	$ (30,728)
Net loss	(46,050)	(10,168)
Balance, End of Year	$ (86,946)	$ (40,896)

Southwest Power Pool, Inc.

Statements of Cash Flows

(*in Thousands*)

Years Ended December 31, 2014 and 2013

	2014	2013 (Restated – Note 2)
Operating Activities		
Net loss	$ (46,050)	$ (10,168)
Items not requiring cash		
Depreciation and amortization	51,046	19,398
Change in funded status of employee benefit plans	797	(5,225)
Unrealized gain on investments	(251)	(710)
Realized gain on investments	-	(157)
(Gain)/loss on disposal of fixed assets	(23)	2
Change in fair market value of interest rate swaps	1,528	(923)
Changes in assets and liabilities		
Accounts receivable	(17,692)	(6,211)
Prepaid expenses and other	(227)	(1,560)
Other assets	(2,472)	(674)
Accounts payable	15,464	6,122
Accrued expenses	28,880	(70)
Other long-term liabilities	1,414	2,696
Net cash provided by operating activities	32,414	2,520
Investing Activities		
Acquisition of property and equipment	(23,554)	(49,818)
Purchase of investments	(590)	(1,657)
Proceeds from sale of investments	-	766
Net cash used in investing activities	(24,144)	(50,709)
Financing Activities		
Repayments of long-term debt	(22,998)	(12,700)
Issuance of long-term debt	37,000	-
Net cash provided by (used in) financing activities	14,002	(12,700)
Increase/(Decrease) in Cash and Cash Equivalents	22,272	(60,889)
Cash and Cash Equivalents, Beginning of Year	35,262	96,151
Cash and Cash Equivalents, End of Year	$ 57,534	$ 35,262
Supplemental Cash Flow Information		
Interest paid on long-term debt (net of interest capitalized of $363 and $2,777 in 2014 and 2013, respectively)	$ 10,576	$ 7,932

Southwest Power Pool, Inc.

Notes to Financial Statements

(*in Thousands*)

December 31, 2014 and 2013

Note 1: Nature of Operations and Summary of Significant Accounting Policies

Nature of Operations

Southwest Power Pool, Inc. (the Company) is a not-for-profit entity formed in 1941 and incorporated in 1994. The Company is a Federal Energy Regulatory Commission (FERC)-approved regional transmission organization (RTO) serving more than six million ultimate customers across all or parts of nine states. The Company's membership consists of investor-owned utilities, municipal systems, generation and transmission cooperatives, state authorities, independent power producers, contract participants, power marketers and independent transmission companies.

Major services provided by the Company to its members and customers include tariff administration, electric reliability coordination, regional transmission scheduling, energy imbalance service (EIS) market operations and regional transmission expansion planning. Effective March 1, 2014, the EIS market was replaced with Integrated Marketplace which includes day-ahead and real time markets, transmission congestion rights, reliability unit commitment, operating reserve market, and consolidated balancing authority.

The Company also serves as the Regional Entity (RE) for its region. The primary responsibility of the RE is the enforcement of North American Electric Reliability Corporation (NERC)-approved reliability standards for users, owners and operators of the bulk power system within the region.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents and Deposits

The Company considers all highly liquid interest-earning investments with stated maturities and coupon rate reset dates of no more than three months to be cash equivalents. At December 31, 2014 and 2013, the Company's cash and cash equivalents, including restricted deposits, are invested primarily in money market funds, mutual funds and repurchase agreements. These investments are typically revalued to the market each day and, in the case of repurchase agreements, are collateralized by U.S. government and federal agency securities. The Company's cash and cash equivalents consist primarily of funds accumulated for general operating purposes. Restricted cash deposits consist primarily of customer security deposits, amounts deposited for engineering studies and funds held in escrow for disputed invoices.

Investments

The Company's investments include domestic and foreign issued stock and equity and fixed income mutual funds. These investments are recorded at fair value, with unrealized gains and losses reported as non-operating income. Dividends, interest income, and realized gains and losses are reported as investment income. The Company's investments are intended to be utilized in funding benefits associated with the Company's postretirement health care plan.

Income Taxes

The Company is exempt from income taxes under Section 501c(6) of the Internal Revenue Code and a similar provision of state law. However, the Company is subject to federal income tax on any unrelated business taxable income.

The Company files tax returns in the U.S. federal jurisdiction. With a few exceptions, the Company is no longer subject to U.S. federal examinations by tax authorities for years before 2011.

Accounts Receivable

Accounts receivable are stated at the amount billed to members, customers and others plus any accrued and unpaid interest. The Company provides an allowance for doubtful accounts, when necessary, which is based upon a review of outstanding receivables, historical collection information and existing economic conditions. Accounts that are unpaid after the due date are subject to interest at a rate set by FERC. No allowance for doubtful accounts has been recorded for 2014 and 2013.

Property and Equipment

Property and equipment are recorded at cost and depreciated on a straight-line basis over the estimated useful life of each asset. The estimated useful lives are as follows:

Building	20 years
Building improvements	Shorter of useful life or remaining life of building
Furniture and fixtures	5 years
Vehicles	5 years
Equipment and machinery	3 years
Software	3 years

The Company capitalizes interest cost incurred on funds used to construct property, plant and equipment. The capitalized interest is recorded as part of the asset to which it relates and is amortized over the asset's estimated useful life. Interest cost capitalized was $363 and $2,777 in 2014 and 2013, respectively.

The Company capitalizes development costs, including interest, for internal use software costs. These costs are included in software in development. Management of the Company is of the opinion that all costs capitalized in association with the software in development are fully recoverable over the anticipated life of the asset.

Long-lived Asset Impairment

The Company evaluates the recoverability of the carrying value of long-lived assets whenever events or circumstances indicate the carrying amount may not be recoverable. If a long-lived asset is tested for recoverability and the undiscounted estimated future cash flows expected to result from the use and eventual disposition of the asset is less than the carrying amount of the asset, the asset cost is adjusted to fair value and an impairment loss is recognized as the amount by which the carrying amount of a long-lived asset exceeds it fair value.

No asset impairment was recognized during the years ended December 31, 2014 and 2013.

Revenue Recognition

Revenues, consisting of member assessments, tariff administrative fees, contract services and miscellaneous revenues are recognized when earned, and expenses are recognized when incurred.

Customer Deposits

Customers may be required to make deposits with the Company prior to the performance of transmission services and engineering studies. These amounts are typically held for the duration of the service and applied to the customer's final invoice. An offsetting liability equal to the deposit balance is recorded in current liabilities. Funds held in escrow related to disputed invoices are also recorded as a customer deposit under current liabilities.

Tariff Fees and Member Assessments

An administrative charge is applied to all transmission service under the Company's tariff to cover the expenses related to the administration of the tariff. The charge is calculated in accordance with the terms of the Company's Open Access Transmission Tariff. The administrative rate used for the calculation is established by the board of directors.

Members are assessed monthly based on their prior year average 12-month peak demand multiplied by the total hours in a month and by the monthly assessment rate as established by the board. A member's monthly assessment is offset dollar for dollar for qualifying tariff administrative fees collected from a member in any given assessment period.

The Company collects a membership fee from each member annually. The amount of the membership fee is established by the board of directors of the Company. For 2014 and 2013, all members paid a $6 membership fee.

The Company also bills transmission customers and transmission owners a charge under Schedule 12 on all energy delivered under point-to-point transmission service and network integration transmission service. This provides a mechanism for recovering from transmission customers and transmission owners the annual charges the Company pays to FERC. The rate is developed by FERC in the prior calendar year and applied to energy transmitted in the second prior calendar year.

Deferred Revenue

Revenues for contract services received in advance are recognized over the periods to which the revenues relate.

Other Member Services

The Company provides reliability, tariff administration and scheduling for non-members on a contract basis. The Company also provides engineering study services for long-term transmission service and generation interconnection studies.

Withdrawing Members

Members wishing to withdraw their membership from the Company must provide 24 months written notice and are responsible for their portion of the Company's existing obligations as defined in the bylaws, which include unpaid membership fees, any assessments imposed prior to the effective withdrawal date, any costs or expenses imposed upon the Company as a direct consequence of the member's withdrawal, and the member's share of long-term obligations and related interest. Withdrawing members may also be responsible for all financial obligations incurred and costs allocated to its load for transmission facilities approved prior to their withdrawal.

Concentration of Credit Risk

The Company is exposed to credit risk primarily through accounts receivable and uninsured cash balances. During 2014 and 2013, the Company maintained cash balances, including transaction accounts and short-term investment accounts that are not insured by the Federal Deposit Insurance Corporation. The Company did not have transaction accounts exceeding federal insurance limits at December 31, 2014. The Company's transaction accounts exceeded federal limits by $9,758 at December 31, 2013. The Company's investment accounts were primarily invested in highly liquid short-term investments such as money market funds, mutual funds and repurchase agreements. The Company also requires the financial institutions holding its cash balances to be rated A or better by nationally recognized rating agencies.

Because the Company considers all accounts receivable to be highly probable of collection, an allowance for doubtful accounts is currently not maintained. The Company requires its customers to meet certain minimum standards of financial condition and creditworthiness to receive unsecured credit from the Company. If these standards cannot be met by a counterparty, the Company requires the posting of defined financial security instruments to cover potential liabilities.

Reclassifications

Certain reclassifications have been made to the 2013 financial statements to conform to the 2014 financial statement presentation. These reclassifications had no effect on net earnings.

(*in Thousands*)

Note 2: Restatement of Prior Years' Financial Statements

In 2014, the Company corrected an error in presenting its Post-retirement Healthcare Plan. The assets intended to fund the benefits are held in an agency account at a trust company and not in a formally established trust. The impacts of this correction are: 1) the assets could no longer be considered plan assets for financial reporting purposes, 2) the return on these assets could no longer be factored into the calculation of the actuarially computed pension cost, and 3) the earnings and related expenses associated with the agency assets must be recorded in the statement of operations.

Based on this correction, assets and liabilities of the Company's noncontributory defined benefit postretirement health care plan as of December 31, 2014 are recorded on a gross basis as long term assets and liabilities, respectively. The Company previously reported these assets and liabilities on a net basis. Reclassification of the balances as of December 31, 2013 to conform to the 2014 presentation had no impact on equity.

Earnings and related expenses associated with the agency assets are reflected in the statement of operations for the year ended December 31, 2014. The addition of the incremental benefit cost and earnings and expenses of the agency assets for the year ended December 31, 2013 resulted in an offsetting adjustment to the change in funded status of employee benefit plans with no impact to net loss previously reported.

	As Restated	As Previously Reported	Effect of Change
Balance Sheet			
Cash	$ 35,262	$ 34,874	$ 388
Prepaid expenses and other	6,977	6,967	10
Investments	9,258	-	9,258
Other assets	2,802	4,463	(1,661)
Total assets	359,406	351,411	7,995
Other long-term liabilities	14,420	6,425	7,995
Statement of Operations			
Salaries and benefits	80,615	79,661	954
Consulting services	16,114	16,077	37
Investment income	731	223	508
Unrealized gains	710	-	710
Change in funded status of employee benefit plans	5,225	5,452	(227)
Statement of Cash Flows			
Cash flow provided by operations	2,520	1,699	821
Cash used in investing activities	50,709	49,818	891
Beginning cash balance	96,151	95,693	458
Ending cash balance	35,262	34,874	388

Southwest Power Pool, Inc.
Notes to Financial Statements
(*in Thousands*)
December 31, 2014 and 2013

Note 3: Investment and Investment Returns

Investments at December 31 consisted of the following:

	2014	2013 (Restated – Note 2)
Mutual Funds		
Equity	$ 3,186	$ 3,149
Fixed Income	2,732	2,282
Financials	610	498
Alternative Assets	271	333
Total Mutual Funds	6,799	6,262
Domestic Common Stock		
Consumer discretionary	417	365
Consumer staples	393	351
Energy	229	260
Financial	452	405
Health care	456	384
Industrials	404	385
Information technology	574	512
Materials	172	163
Telecommunication	37	39
Utilities	125	94
Total Common Stock	3,259	2,959
Foreign Stocks		
Industrials	41	38
	$ 10,099	$ 9,258

(in Thousands)

Total investment return is comprised of the following:

	2014	2013 (Restated – Note 2)
Interest and dividends reported at fair value	$ 242	$ 204
Net realized and unrealized gains on investments reported at fair value	468	1,013
	$ 710	$ 1,217

Interest, dividends, and realized gains are reported as investment income while unrealized gains are reported separately in the statement of operations.

Note 4: Line of Credit

The Company has a $30,000 revolving line of credit expiring in 2016. At December 31, 2014 and 2013, no amounts were borrowed against this line. The agreement has a variable interest rate equal to the London Interbank Offered Rate (LIBOR) plus a credit margin. The Company's line of credit requires compliance with certain financial and non-financial covenants as well as periodic reporting requirements. The Company was in compliance with the covenant and reporting requirements throughout and at December 31, 2014.

Note 5: Long-term Debt and Interest Rate Swaps

Long-term Debt

	2014	2013
Variable Rate Term Note due 2027 (A)	$ 3,547	$ 3,752
Variable Rate Term Note due 2014 (B)	—	5,500
5.45% Senior Notes due 2016 (C)	9,000	15,000
4.82% Series 2010-A Senior Notes due 2042 (D)	29,060	29,541
4.82% Series 2010-B Senior Notes due 2042 (E)	33,903	34,465
3.55% Series 2010-C Senior Notes due 2024 (F)	64,750	70,000
3.00% Series 2012-D-1 Senior Notes due 2024 (G)	46,250	50,000
3.25% Series 2012-D-2 Senior Notes due 2024 (H)	48,750	50,000
3.80% Series 2014-E Senior Notes Due 2025 (I)	37,000	—
	272,260	258,258
Less current maturities	24,299	22,998
	$ 247,961	$ 235,260

(*in Thousands*)

(A) Due February 1, 2027; principal and interest are payable quarterly based on a 25-year amortization. Payments commenced on May 1, 2007. The interest rate adjusts monthly based on the London Interbank Offered Rate (LIBOR) plus 0.85%. The note is secured by a first mortgage on the Company's operation facility.

(B) Due December 25, 2014; interest is payable monthly and principal is payable quarterly based on a seven-year amortization. Payments commenced on March 25, 2008. The interest rate adjusts monthly based on the LIBOR plus 0.30%. The note is unsecured.

(C) Due July 23, 2016; principal and interest are payable quarterly based on a seven-year amortization. Payments commenced on September 30, 2011. The interest rate is fixed at 5.45%. The note is unsecured.

(D) Due December 30, 2042; principal and interest are payable quarterly based on a 32-year amortization. Principal payments commenced on March 30, 2013. The interest rate is fixed at 4.82%. The note is unsecured.

(E) Due December 30, 2042; principal and interest are payable quarterly based on a 32-year amortization. Principal payments commenced on March 30, 2013. The interest rate is fixed at 4.82%. The note is unsecured.

(F) Due March 30, 2024; principal and interest are payable quarterly based on 13-year amortization. Principal payments commenced on June 30, 2014. The interest rate is fixed at 3.55%. The note is unsecured.

(G) Due March 30, 2024; principal and interest are payable quarterly based on 10-year amortization. Principal payments commenced on June 30, 2014. The interest rate is fixed at 3.00%. The note is unsecured.

(H) Due September 30, 2024; principal and interest are payable quarterly based on 10-year amortization. Principal payments commenced on December 30, 2014. The interest rate is fixed at 3.25%. The note is unsecured.

(I) Due December 30, 2025; principal and interest are payable quarterly based on an 11 year and 9 months amortization. Principal payments commence on March 30, 2024. The interest rate is 3.80%. The note is unsecured.

Aggregate annual maturities of long term debt at December 31, 2014, are:

2015	$	24,299
2016		23,603
2017		21,409
2018		21,469
2019		22,281
Thereafter		159,199
	$	272,260

On March 10, 2014, the Company obtained a $33,000 senior unsecured term note facility. This facility remains undrawn at December 31, 2014, but allows the Company to obtain advances as needed during a two year draw period, after which it will convert into an amortizing term loan with escalating principal payments through 2024. Interest will be payable monthly at LIBOR plus 1.75%.

Certain of the Company's term notes require compliance with financial and non-financial covenants, as well as periodic reporting requirements. The Company was in compliance with the covenant and reporting requirements throughout and at December 31, 2014.

Variable-to-Fixed Interest Rate Swap

As a strategy to maintain acceptable levels of exposure to the risk of changes in future cash flows due to interest rate fluctuations, the Company enters into interest rate swap agreements.

On September 15, 2006, the Company entered into an interest rate swap agreement with U.S. Bank National Association. The agreement provides for the Company to receive interest from the counterparty at LIBOR and to pay interest to the counterparty at a fixed rate of 5.51% on notional amounts of $3,519 and $3,723 at December 31, 2014 and 2013, respectively. Under the agreement, the Company pays or receives the net interest amount quarterly, with the quarterly settlements included in interest expense. The swap was established to hedge interest rate risk on its floating rate debt obligation (Loan A).

The Company entered into another interest rate swap agreement on August 23, 2007, with U.S. Bank National Association. The agreement provided for the Company to receive interest from the counterparty at LIBOR and to pay interest to the counterparty at a fixed rate of 5.31% on notional amounts of $5,500 at December 31,2013. This swap matured December 25, 2014. Under the agreement, the Company paid or received the net interest amount monthly, with the monthly settlements included in interest expense. The swap was established to hedge interest rate risk on its floating rate debt obligation (Loan B).

The Company entered into another interest rate swap agreement on March 10, 2014, with Regions Bank. The agreement provides for the Company to receive interest from the counterparty at LIBOR and to pay interest to the counterparty at a fixed rate of 3.225% on notional amounts of $33,000. Under the agreement, the Company pays or receives the net interest amount monthly, commencing on March 30, 2016, with the monthly settlements included in interest expense. The swap was established to hedge interest rate risk on its floating rate debt obligation associated with the $33,000 note that remains undrawn at December 31, 2014.

(*in Thousands*)

The table below presents certain information regarding the Company's interest rate swap agreements.

	2014	2013
Fair value of interest rate swap agreements	$ 2,462	$ 934
Balance sheet location of fair value amounts	Other Long-term Liabilities	Other Long-term Liabilities
Gain/(loss) recognized in statement of operations	$ (1,528)	$ 923
Location of gain recognized in statement of operations	Change in Fair Market Value of Interest Rate Swaps	Change in Fair Market Value of Interest Rate Swaps

Note 6: Operating Leases

The Company has noncancellable operating leases for certain office equipment which expire on June 30, 2015. The lease for office space expired in early 2013. The Company incurred lease expense related to these operating leases of $180 and $432 in 2014 and 2013, respectively. Future minimum lease payments at December 31, 2014, were $69 for contracts expiring in 2015.

Note 7: Employee Benefit Plans

Pension and Other Postretirement Benefit Plans

The Company has a noncontributory defined benefit pension plan covering all employees meeting eligibility requirements. The Company's funding policy is to make the minimum annual contribution that is required by applicable regulations, plus such amounts as the Company may determine to be appropriate from time to time. The Company expects to contribute approximately $3,000 to the plan in 2015.

The Company has a noncontributory defined benefit postretirement health care plan covering eligible retirees, including those retiring between the ages of 55–65 and hired prior to January 1, 1996. Employees hired after June 1, 2006, are not eligible to participate in the defined postretirement health care plan.

(in Thousands)

The Company uses a December 31 measurement date for the plans. Information about the plans' funded status is as follows:

	Pension Benefits		Postretirement Health Care Benefits	
	2014	**2013**	**2014**	**2013 (Restated – Note 2)**
Benefit obligation	$ 50,702	$ 44,090	$ 8,900	$ 7,995
Fair value of plan assets	45,903	41,157	—	—
Funded status	$ (4,799)	$ (2,933)	$ (8,900)	$ (7,995)

Amounts recognized in the balance sheets:

	Pension Benefits		Postretirement Health Care Benefits	
	2014	**2013**	**2014**	**2013 (Restated – Note 2)**
Noncurrent assets	$ —	$ —	$ —	$ —
Noncurrent liabilities	(4,799)	(2,933)	(8,900)	(7,995)
	$ (4,799)	$ (2,933)	$ (8,900)	$ (7,995)

Amounts recognized in members' equity not yet recognized as components of net periodic benefit cost as of December 31, 2014, consist of:

	Pension Benefits	Postretirement Health Care Benefits
Net loss	$ 6,746	$ 6,113
Prior service credit	(22)	—
Transition obligation	99	26
	$ 6,823	$ 6,139

The accumulated benefit obligation for the defined benefit pension plan was $40,001 and $34,673 at December 31, 2014 and 2013, respectively.

(*in Thousands*)

Other significant balances and costs are:

	Pension Benefits		Postretirement Health Care Benefits	
	2014	2013	2014	2013
Employer contributions	$ 3,660	$ 4,010	$ 441	$ 540
Benefits paid	433	256	83	35
Benefit costs	4,199	4,625	1,435	1,466

Contributions to the postretirement health care plan represent funding to the agency account holding assets intended to be utilized in providing benefits for eligible retirees.

The following amounts have been recognized in the statements of operations for the year ended December 31, 2014:

	Pension Benefits	Postretirement Health Care Benefits
Amounts arising during the period		
Net gain/(loss)	$ (1,403)	$ 143
Amounts recognized as components of net periodic benefit cost of the period		
Net loss	58	303
Net prior service credit	1	—
Net transition obligation	16	4

The estimated net loss, prior service cost and transition obligation for the defined benefit pension plan that will be amortized from members' equity into net period benefit cost over the next fiscal year are $105, $1 and $16, respectively. The estimated net gain, prior service cost, and net obligation for the defined benefit postretirement health care plan that will be amortized from members' equity into net periodic benefit cost over the next fiscal year are $275, $0, and $4, respectively.

Weighted-average assumptions used to determine benefit obligations and costs:

	Pension Benefits		Postretirement Health Care Benefits	
	2014	2013	2014	2013
Discount rate benefit obligation	5.5%	5.5%	5.5%	5.5%
Expected return on plan assets	7.0%	7.0%	—	—
Rate of compensation increase	4.0%	4.0%	—	—

(*in Thousands*)

The Company has estimated the long-term rate of return on plan assets based primarily on historical returns on plan assets, adjusted for changes in target portfolio allocations and recent changes in long-term interest rates based on publicly available information.

For measurement purposes, a 10% annual rate of increase in the per capita cost of covered health care benefits was assumed for 2014 and 2013. The rate was assumed to decrease gradually to 5% by the year 2020 and remain at that level thereafter.

On December 8, 2003, the *Medicare Prescription Drug, Improvement and Modernization Act of 2003* (the Act) was signed into law. The Act introduces a prescription drug benefit under Medicare Part D, as well as a federal subsidy to sponsors of retiree health care benefit plans that provide benefits at least actuarially equivalent to Medicare Part D. The Company has not determined whether its plan provides benefits that are actuarially equivalent to Medicare Part D.

Financial Accounting Standards Board Staff Position 106-2, *Accounting and Disclosure Requirements Related to the Medicare Prescription Drug, Improvement and Modernization Act of 2003*, subsequently incorporated into FASB Accounting Standards Codification (ASC) 715-60, requires federal subsidies, if any, attributable to past service to be accounted for as an actuarial gain and federal subsidies, if any, attributable to current service to be accounted for as a reduction of net periodic benefit cost. The measures of projected benefit obligation and periodic benefit costs do not reflect any amounts associated with the subsidy because the Company has been unable to conclude whether the benefits provided by the plan are actuarially equivalent to Medicare Part D. The effect of adopting the provisions of ASC 715-60, if and when the Company makes such a determination, is not expected to be material.

The following benefit payments, which reflect expected future service, as appropriate, are expected to be paid as of December 31:

	Pension Benefits	Postretirement Health Care Benefits
2015	$ 628	$ 117
2016	732	155
2017	839	191
2018	1,041	244
2019	1,224	287
2020–2024	9,859	2,040

(*in Thousands*)

The Company's investment strategy is based on an expectation that equity securities will outperform fixed income securities over the long-term. Accordingly, the composition of the Company's plan assets is broadly characterized as a 70/30 allocation between equity and fixed income securities. The strategy utilizes indexed and actively managed mutual fund instruments as well as direct investment in individual equity and fixed income securities. Investments in the plan must adhere to the Investment Policy Statement developed by the Company. The Investment Policy Statement limits investments in foreign securities to 20% of the total fair value of plan assets. The Investment Policy Statement is reviewed annually. At December 31, 2014 and 2013, plan assets by category are as follows:

	Pension Plan Assets	
	2014	**2013**
Fixed income securities	23%	17%
Equity securities	72	76
Cash and equivalents	5	7
	100%	100%

Pension Plan Assets

Following is a description of the valuation methodologies used for the pension plan assets measured at fair value on a recurring basis and recognized in the accompanying balance sheets, as well as the general classification of the assets pursuant to the valuation hierarchy.

Where quoted market prices are available in an active market, plan assets are classified within Level 1 of the valuation hierarchy. Level 1 plan assets include cash, money market accounts, closed- end mutual funds and common and foreign company stock. If quoted market prices are not available, then fair values are estimated by using pricing models, quoted prices of plan assets with similar characteristics or discounted cash flows. Level 2 plan assets include open-end mutual funds, corporate debt obligations, foreign corporate debt obligations, government securities and foreign government securities.

In certain cases where Level 1 or Level 2 inputs are not available, plan assets are classified within Level 3 of the hierarchy. At December 31, 2014 and 2013, the Company does not hold any plan assets valued using Level 3 inputs.

(*in Thousands*)

The fair values of the Company's pension plan assets at December 31, 2014, by asset category are as follows:

		Fair Value Measurements Using		
	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Cash Equivalents	$ 1	$ 1	$ -	$ -
Money Market Mutual Funds	2,356	2,356	-	-
Mutual Funds				
Alternative Assets	596	-	596	-
Equity Funds	23,118	16,029	7,089	-
Fixed Income Funds	3,584	2,069	1,515	-
	27,298	18,098	9,200	-
Domestic Common Stock				
Consumer Discretionary	68	68	-	-
Energy	4,269	4,269	-	-
Financials	1,376	1,376	-	-
Healthcare	2,068	2,068	-	-
Industrials	432	432	-	-
Materials	624	624	-	-
Telecommunication Services	613	613	-	-
	9,450	9,450	-	-
Foreign Stocks				
Energy	407	407	-	-
Materials	285	285	-	-
	692	692	-	-
Corporate Debt Obligations	4,734	-	4,734	-
Foreign Debt Obligations	774	-	774	-
Foreign Government Securities	598	-	598	-
Total	$ 45,903	$ 30,597	$ 15,306	$ 0

Southwest Power Pool, Inc.
Notes to Financial Statements
(*in Thousands*)
December 31, 2014 and 2013

The fair values of the Company's pension plan assets at December 31, 2013, by asset category are as follows:

		Fair Value Measurements Using		
	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Cash Equivalents	$ 5	$ 5	$ -	$ -
Money Market Mutual Funds	875	875	-	-
Mutual Funds				
Advantage Equity Funds	2,627	-	2,627	-
Equity Funds Small Cap	1,780	-	1,780	-
Equity Funds Mid Cap	3,172	-	3,172	-
Equity Funds Large Cap	8,813	-	8,813	-
International Funds	996	-	996	-
	17,388	-	17,388	-
Domestic Common Stock				
Consumer Discretionary	109	109	-	-
Energy	3,185	3,185	-	-
Financial	1,136	1,136	-	-
Healthcare	2,297	2,297	-	-
Industrials	518	518	-	-
Materials	867	867	-	-
Telecommunication	1,124	1,124	-	-
	9,236	9,236	-	-
Foreign Common Stocks				
Energy	1,685	1,685	-	-
Financial	1,136	1,136	-	-
Healthcare	327	327	-	-
Industrials	124	124	-	-
Materials	1,331	1,331	-	-
Telecommunication	175	175	-	-
	4,778	4,778	-	-
Corporate Debt Obligations	5,298	-	5,298	-
Foreign Debt Obligations	930	-	930	-
U. S. Government Securities	2,000	-	2,000	-
Foreign Government Securities	647	-	647	-
Total	$ 41,157	$ 14,894	$ 26,263	$ 0

Defined Contribution Plans

The Company has a 401(k) defined contribution plan covering substantially all employees. The Company contributes funds to the plan on behalf of plan participants equal to 75% of the participants' elective deferrals up to 6% of deferred compensation. Contributions to the plan were $2,466 and $2,334 for 2014 and 2013, respectively.

The Company has a 457(b) non-qualified tax-deferred compensation plan. This plan is an unfunded plan maintained for the purpose of providing deferred compensation for a select group of management or highly-compensated employees and, therefore, is intended to be exempt from the participation, vesting, funding and fiduciary requirements of Title I of the *Employee Retirement Income Security Act of 1974* (ERISA). Accumulated contributions and earnings of $1,584 and $1,305 are recorded in other long-term liabilities at December 31, 2014 and 2013, respectively. The Company also offered a 457(f) non-qualified tax-deferred compensation plan to a select group of executive management. The 457(f) plan was intended to be exempt from the participation, vesting, funding and fiduciary requirements of Title I of ERISA and serves to further supplement benefits lost due to IRS limits on compensation and benefits. All accrued benefits associated with this plan were paid out in 2014. There were accrued benefits of $1,253 recorded in other long-term liabilities for the 457(f) plan participants at December 31, 2013.

Note 8: Related Party Transactions

General disbursements of the Company are apportioned to members based on the formula described in the bylaws of the Company (see *Note 1*). The Company's receivables from members totaled $31,590 and $17,571 as of December 31, 2014 and 2013, respectively. The Company recognized revenues of $149,170 and $128,486, including assessments and tariff administrative fees, from members for the years ended December 31, 2014 and 2013, respectively.

The Southwest Power Pool Regional State Committee (RSC) was incorporated on April 7, 2004, in the State of Arkansas. The RSC is comprised of commissioners from public service commissions or equivalent, having regulatory authority over Company members. FERC, in its February 20, 2004, order regarding the Company's RTO application, stated, "the RSC should have primary responsibility for determining regional proposals and the transition process for funding of regional transmission enhancements, rate structure for a regional access charge and allocation of transmission rights." The RSC prepares budgets annually for the expected costs of its operations. This budget is submitted to the Company's board of directors for approval. The Company includes in its annual budget funds sufficient to cover 100% of the operating costs of the RSC. During 2014 and 2013, the Company incurred $248 and $226, respectively, in expenses attributable to RSC operations. Management of the Company expects such expenditures for 2015 to be approximately $338.

Note 9: Open Access Transmission and Market Operations

The Company provides short- and long-term firm and non-firm point-to-point transmission services and network integration transmission service across 29 providers in nine states. The Company is responsible for the billing of the transmission customers for the respective services and the remittance of the subsequent collections to the transmission owner on a monthly basis. Billings for these transmission services are not included in the statements of operations. The Company receives a fee for facilitating the transmission process, which is recorded as tariff fees in the Company's statements of operations. For the years ended December 31, 2014 and 2013, the Company billed transmission customers $1,505,561 and $1,290,757, respectively. For the years ended December 31, 2014 and 2013, the Company remitted to transmission owners $1,358,434 and $1,171,133 respectively. At December 31, 2014 and 2013, the Company was due to collect from customers and remit to owners transmission service charges of $110,019 and $101,106, respectively.

In March 2014, the Company launched the Integrated Marketplace which includes a day-ahead market with transmission congestion rights, a reliability unit commitment process, a real-time balancing market replacing the EIS market, an operating reserve market, and a consolidated balancing authority. Weekly settlements of market participants' energy transactions are not reflected in the Company's statements of operations since they do not represent revenues or expenses of the Company, as the Company merely acts as an intermediary in the settlement process. In this role, the Company receives and disburses funds to/from market participants on a weekly basis. At December 31, 2014, the Company held $28,102 in cash collections from the settlement of auction revenue rights in accordance with terms of the Company's tariff. These funds will be disbursed annually in June for collections from the previous twelve months. A corresponding liability is reflected in accrued expenses on the balance sheet.

Note 10: Commitments and Contingencies

Litigation and Regulatory Matters

The Company is engaged in various legal and regulatory proceedings at both the federal and state levels. The Company is also subject to claims and lawsuits that arise primarily in the ordinary course of business. It is the opinion of management that the disposition or ultimate resolution of such proceedings, claims and lawsuits will not have a material adverse effect on the financial position, results of operations and cash flows of the Company.

Commitments

In December 2014, the Company committed to buy $6,900 in IT equipment which was received in January 2015 and financed with a capital leasing arrangement. Payments are due quarterly commencing on March 1, 2015.

Note 11: Disclosures About Fair Value of Financial Instruments

ASC Topic 820, *Fair Value Measurements*, defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Topic 820 also specifies a fair value hierarchy, which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The standard describes three levels of inputs that may be used to measure fair value:

Level 1 Quoted prices in active markets for identical assets or liabilities

Level 2 Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities

Level 3 Unobservable inputs that are supported by little or no market activity and are significant to the fair value of the assets or liabilities

Southwest Power Pool, Inc.
Notes to Financial Statements
(*in Thousands*)
December 31, 2014 and 2013

		Fair Value Measurements Using		
	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
December 31, 2014				
Cash Equivalents	$ 11,241	$ 11,241	$ -	$ -
Mutual Funds				
Equity	3,186	1,075	2,111	-
Fixed Income	2,732	332	2,400	-
Financials	610	-	610	-
Alternative Assets	271	271	-	-
Domestic Common Stock				
Consumer discretionary	417	417	-	-
Consumer staples	393	393	-	-
Energy	229	229	-	-
Financial	452	452	-	-
Healthcare	456	456	-	-
Industrials	404	404	-	-
Information technology	574	574	-	-
Materials	172	172	-	-
Telecommunication	37	37	-	-
Utilities	125	125	-	-
Foreign Stocks				
Industrials	41	41	-	-
Interest Rate Swap Agreements	(2,462)	-	(2,462)	-

Southwest Power Pool, Inc.
Notes to Financial Statements
(*in Thousands*)
December 31, 2014 and 2013

		Fair Value Measurements Using		
	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
December 31, 2013				
Cash Equivalents	$ 14,238	$ 14,238	$ -	$ -
Mutual Funds				
Equity	3,149	1,023	2,126	-
Fixed Income	2,282	345	1,937	-
Financials	498	-	498	-
Alternative Assets	333	333	-	-
Domestic Common Stock				
Consumer discretionary	365	365	-	-
Consumer staples	351	351	-	-
Energy	260	260	-	-
Financial	405	405	-	-
Healthcare	384	384	-	-
Industrials	385	385	-	-
Information technology	512	512	-	-
Materials	163	163	-	-
Telecommunication	39	39	-	-
Utilities	94	94	-	-
Foreign Stocks				
Industrials	38	38	-	-
Interest Rate Swap Agreements	(934)	-	(934)	-

Following is a description of the valuation methodologies used for assets and liabilities measured at fair value on a recurring basis and recognized in the accompanying balance sheets, as well as the general classification of such assets and liabilities pursuant to the valuation hierarchy. There have been no significant changes in the valuation techniques during the year ended December 31, 2014.

Investments

Where quoted market prices are available in an active market, securities are classified within Level 1 of the valuation hierarchy. If quoted market prices are not available, then fair values are estimated by using quoted prices of securities with similar characteristics or independent asset pricing services and pricing models, the inputs of which are market-based or independently sourced market parameters, including, but not limited to, yield curves, interest rates, volatilities, prepayments, defaults, cumulative loss projections and cash flows. Such securities are classified in Level 2 of the valuation hierarchy. In certain cases where Level 1 or Level 2 inputs are not available, securities are classified within Level 3 of the hierarchy. At December 31, 2014 and 2013, the company does not hold any assets valued using Level 3 inputs.

Interest Rate Swap Agreements

The fair value is estimated using forward-looking interest rate curves and discounted cash flows that are observable or that can be corroborated by observable market data and, therefore, are classified within Level 2 of the valuation hierarchy.

Cash Equivalents

The fair value of money market mutual funds included in cash equivalents are estimated using quoted prices in active markets for identical assets or liabilities and, therefore, are classified within level 1 of the valuation hierarchy.

The Company has no assets or liabilities measured and recognized in the accompanying balance sheets on a nonrecurring basis.

The following methods were used to estimate the fair value of all other financial instruments recognized in the accompanying balance sheets at amounts other than fair value.

Restricted Cash Deposits

For these short-term instruments, the carrying amount is a reasonable estimate of fair value.

Customer Deposits

The carrying amount is a reasonable estimate of fair value.

(*in Thousands*)

Long-term Debt

Fair value is estimated based on the borrowing rates currently available to the Company for bank loans with similar terms and maturities.

The following table presents estimated fair values of the Company's financial instruments at December 31, 2014 and 2013.

	2014		2013	
	Carrying Amount	**Fair Value**	**Carrying Amount**	**Fair Value**
Financial assets				
Cash and cash equivalents	$ 57,534	$ 57,534	$ 35,262	$ 35,262
Restricted cash deposits	$ 222,285	$ 222,285	$ 76,713	$ 76,713
Investments	$ 10,099	$ 10,099	$ 9,258	$ 9,258
Financial liabilities				
Customer deposits	$ 222,285	$ 222,285	$ 76,713	$ 76,713
Long-term debt	$ 272,260	$ 274,271	$ 258,258	$ 264,200
Swap agreements	$ 2,462	$ 2,462	$ 934	$ 934

Note 12: Subsequent Events

Subsequent events have been evaluated through the date of the Independent Auditor's Report, which is the date the financial statements were available to be issued.

BKD LLP
CPAs & Advisors

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Finance Committee and Board of Directors
Southwest Power Pool, Inc.
Little Rock, Arkansas

As part of our audit of the financial statements of Southwest Power Pool, Inc. (the Company) as of and for the year ended December 31, 2014, we wish to communicate the following to you:

AUDIT SCOPE AND RESULTS

Auditor's Responsibility Under Auditing Standards Generally Accepted in the United States of America

An audit performed in accordance with auditing standards generally accepted in the United States of America is designed to obtain reasonable, rather than absolute, assurance about the financial statements. In performing auditing procedures, we establish scopes of audit tests in relation to the financial statements taken as a whole. Our engagement does not include a detailed audit of every transaction. Our engagement letter more specifically describes our responsibilities.

These standards require communication of significant matters related to the financial statement audit that are relevant to the responsibilities of those charged with governance in overseeing the financial reporting process. Such matters are communicated in the remainder of this letter or have previously been communicated during other phases of the audit. The standards do not require the auditor to design procedures for the purpose of identifying other matters to be communicated with those charged with governance.

An audit of the financial statements does not relieve management or those charged with governance of their responsibilities. Our engagement letter more specifically describes your responsibilities.

Qualitative Aspects of Significant Accounting Policies and Practices

Significant Accounting Policies

The Company's significant accounting policies are described in *Note 1* of the audited financial statements.

Alternative Accounting Treatments

We had discussions with management regarding alternative accounting treatments within accounting principles generally accepted in the United States of America for policies and practices for material items, including recognition, measurement and disclosure considerations related to the accounting for specific transactions as well as general accounting policies, as follows:

- No matters are reportable.

Management Judgments and Accounting Estimates

Accounting estimates are an integral part of financial statement preparation by management, based on its judgments. The following areas involve significant estimates for which we are prepared to discuss management's estimation process and our procedures for testing the reasonableness of those estimates:

- Pension and postretirement health benefits liabilities
- Recoverability of property and equipment (Depreciation)
- Fair value
- Interest rate swaps

Financial Statement Disclosures

The following areas involve particularly sensitive financial statement disclosures for which we are prepared to discuss the issues involved and related judgments made in formulating those disclosures:

- Pension and other postretirement benefit plans
- Fair value
- Restatement of prior years' financial statements
- Commitments and contingencies

Audit Adjustments

During the course of any audit, an auditor may propose adjustments to financial statement amounts. Management evaluates our proposals and records those adjustments which, in its judgment, are required to prevent the financial statements from being materially misstated. Some adjustments proposed were not recorded because their aggregate effect is not currently material; however, they involve areas in which adjustments in the future could be material, individually or in the aggregate.

- Attached is a summary of uncorrected misstatements we aggregated during the current engagement and pertaining to the latest period presented that were determined by management to be immaterial, both individually and in the aggregate, to the financial statements as a whole.

Disagreements with Management

- Management agrees with the amounts reported in the correction of error for the Post-retirement Healthcare Plan, and with the presentation of those amounts in the 2013 balance sheet, statement of operations and statement of cash flows. However, management believes the amounts are immaterial and considers these changes as a reclassification and not a restatement.

Significant Issues Discussed with Management

Prior to Retention

- No matters are reportable.

During the Audit Process

- No matters are reportable.

Other Material Written Communications

Listed below are other material written communications between management and us related to the audit:

- Management representation letter (attached)

This communication is intended solely for the information and use of management, the Finance Committee and Board of Directors and is not intended to be, and should not be, used by anyone other than these specified parties.

April xx, 2015

Southwest Power Pool, Inc.
ATTACHMENT

This analysis and the attached "Schedule of Uncorrected Misstatements (Adjustments Passed)" reflects the effects on the financial statements if the uncorrected misstatements identified were corrected.

QUANTITATIVE ANALYSIS

	Before Misstatements	Misstatements	Subsequent to Misstatements	% Change
Current Assets	328,849,000	0	328,849,000	0.00%
Non-Current Assets	192,164,000	0	192,164,000	0.00%
Current Liabilities	(341,839,000)	0	(341,839,000)	0.00%
Non-Current Liabilities	(266,120,000)	0	(266,120,000)	0.00%
Current Ratio	0.96		0.96	0.00%
Total Assets	521,013,000	0	521,013,000	0.00%
Total Liabilities	(607,959,000)	0	(607,959,000)	0.00%
Members' Deficit	86,946,000	0	86,946,000	0.00%
Revenues & Income	(164,322,000)	0	(164,322,000)	0.00%
Costs & Expenses	210,372,000	(1,717,873)	208,654,127	-0.82%
Net Loss	46,050,000	(1,717,873)	44,332,127	-3.73%

Client: Southwest Power Pool, Inc.
Period Ending: December 31, 2014

SCHEDULE OF UNCORRECTED MISSTATEMENTS (ADJUSTMENTS PASSED)

Description	Location or Business Unit	Financial Line Item	Factual (F), Judgmental (J), or Projected (P)	Assets Current DR (CR)	Assets Non-Current DR (CR)	Liabilities Current DR (CR)	Liabilities Non-Current DR (CR)	(X) Non Tax	Revenues & Income DR (CR)	Costs & Expenses DR (CR)	Members' Deficit DR (CR)	Net Effect on Following Year Net Loss DR (CR)	Net Effect on Following Year Members' Deficit DR (CR)
Interest expense related to PY was recorded in the current year			F	0	0	0	0		0	(1,717,873)	1,717,873	0	0
		Interest Expense								(1,717,873)			
		Retained Earnings									1,717,873		
				0	0	0	0		0	0	0	0	0
				0	0	0	0		0	0	0	0	0
				0	0	0	0		0	0	0	0	0
				0	0	0	0		0	0	0	0	0
				0	0	0	0		0	0	0	0	0
		Taxable passed adjustments							0	(1,717,873)	1,717,873	0	0
		Times (1 - effective tax rate of 00%)							100%	100%	100%		
		Taxable passed adjustments net of tax impact				0			0	(1,717,873)	1,717,873		
		Nontaxable passed adjustments		0	0	0	0		0	0	0		
		Total passed adjustments, net of tax impact (if an		0	0	0	0		0	(1,717,873)	1,717,873		

Impact on Net Loss	**(1,717,873)**
Impact on Members' Deficit	**0**

SPP Southwest Power Pool

Southwest Power Pool, Inc.

FINANCE COMMITTEE

Recommendation to the Board of Directors

April 2, 2015

2015 Benefit Plan Funding

Organizational Roster

The following persons are members of the Finance Committee:

Harry Skilton	Director
Larry Altenbaumer	Director
Kelly Harrison	Westar Energy
Sandra Bennett	AEP
Mike Wise	Golden Spread Electric Coop
Laura Kapustka	Lincoln Electric System

Background

The SPP Finance Committee is charged with reviewing reports from the plan's actuary, establishing funding policies, and recommending annual funding levels for the plans to the SPP Board of Directors. SPP engaged Osborn, Carreiro & Associates ("the Actuary") to prepare actuarial valuation reports of the SPP Defined Benefit Retirement Plan and SPP Post-retirement Benefits Plan as of January 1, 2015.

Analysis

SPP Defined Benefit Retirement Plan

The report identifies 2015 accounting expense for this plan as well as minimum and maximum contributions for the plan. The Actuary determined 2015's minimum contribution level to be $3.31 and maximum suggested level to be $3.76. SPP's 2015 budget anticipated contributions to the defined benefit pension plan of $3.00.

The schedule below illustrates the historical funding of the SPP Defined Benefit Retirement Plan:

	2011	2012	2013	2014	2015
Maximum Contribution (tax deductible)	$9.21	$16.88	$26.59	$32.11	$37.20
Minimum Contribution	$2.23	$1.33	$2.33	$2.50	$3.31
Actuary Suggested Contribution	3.13	3.89	4.01	3.66	3.76
Actual Contribution	3.13	3.89	4.01	3.66	
Projected Benefit Obligation (PBO)	$28.92	$38.01	$44.09	$50.70	
Accumulated Benefit Obligation (ABO)	22.32	29.58	34.67	40.00	
Fair Value of Plan Assets	25.26	31.30	41.16	45.90	
Discount Rate[1]	6.50%	6.25%	5.50%	5.50%	
Plan Assets vs. PBO	-$3.66	-$6.71	-$2.93	-$4.80	
Plan Assets vs. ABO	2.95	1.72	6.49	5.90	
Total Participants	583	643	672	698	
Benefits Paid	$0.14	$0.18	$0.26	$0.43	

[1] Based on the Corporate Bond Yield Curve prescribed by the U.S. Treasury Department and reflect the twenty four month average of investment grade corporate bonds with maturities of greater than 15 years all as defined in Section 102, Title I of the Pension Protection Act of 2006.

SPP Southwest Power Pool

SPP Defined Benefit Retirement Plan Fund Status as of December 31, 2014

The fund had total assets of $45.90 versus an Accumulated Benefit Obligation of $40.00, Projected Benefit Obligation of $50.70 and termination value of approximately $40.00. The Actuary estimates participants active on January 1, 2015 will accrue $3.80 in benefits during fiscal year 2015. Finally, the value of the early retirement feature of the Defined Benefit Retirement Plan is estimated to be $5.00.

SPP Post-retirement Benefits Plan

In 1995, the Board of Directors approved retiree medical coverage for all SPP employees who retire at their Normal Retirement Date as defined in the SPP Defined Benefit Retirement Plan. The Board also awarded benefits under this plan to those employees of record on January 1, 1996 who retire between the ages of 55 - 65. The SPP Board acted in 2006 to limit benefits from this plan to only those employees hired prior to June 1, 2006. As of January 1, 2015 SPP had 124 active employees covered by this plan and 12 retirees.

The Actuary estimated 2015 net periodic post-retirement benefit cost to be $1.48. This computation is based on a 5.50% discount rate and retirement at age 65. The health care cost trend was assumed to increase 10% next year, 9% the year after and so on down to 5% and remain there thereafter. SPP's 2015 budget allocates $0.00 in funding for post-retirement benefits. Prior to 2015, SPP has used the net periodic post-retirement benefit cost as a proxy for determining the amount of contribution to the plan annually. During preparation of the 2015 SPP Operating Budget, SPP determined the plan was appropriately funded and did not require additional cash contributions during 2015.

	2011	2012	2013	2014	2015
Actual Contribution[2]	$0.51	$0.45	$0.54	0.41	
Pension Cost	0.51	0.45	1.47	1.44	1.48
Accumulated Benefit Obligation (ABO)	$5.30	$5.95	$7.35	$8.00	$8.90
Fair Value of Plan Assets[2]	6.44	6.75	7.96	9.66	
Funded Status vs. ABO	1.14	0.80	0.61	1.66	
Plan Participants – Active	149	146	133	124	
Plan Participants – Retired	4	5	7	12	

Recommendation

Approve 2015 funding of the SPP Post-retirement Benefits Plan at $0.00.

Approve 2015 funding of the SPP Retirement plan at $3.00.

Approved: Finance Committee

Action Requested: Approve Recommendation

[2] The Post-retirement Healthcare plan is an unfunded plan and therefore has no plan assets. The plan sponsor has set aside specific assets with the intent to use those assets to pay benefits under the plan.

SOUTHWEST POWER POOL
RETIREMENT PLAN

ACTUARIAL VALUATION
AS OF JANUARY 1, 2015

Osborn, Carreiro & Associates, Inc.

ACTUARIES · CONSULTANTS · ANALYSTS

One Union National Plaza, Suite 1690
124 West Capitol Avenue
Little Rock, Arkansas 72201
(501) 376-8043
FAX (501) 376-7847

March 17, 2015

Mr. Thomas P. Dunn
Vice President
Southwest Power Pool
201 Worthen Drive
Little Rock, AR 72223

Dear Mr. Dunn:

This report presents the results of our actuarial valuation of the assets and liabilities of the Southwest Power Pool, Inc. Retirement Plan as of January 1, 2015.

A brief summary of the more important figures developed in this valuation, with comparable results from prior reports, follows:

	1/01/2013	1/01/2014	1/01/2015
Individuals included	643	672	698
Total Salary	$ 47,968,748	$ 49,768,723	$ 51,420,945
Net Plan Assets	$ 31,295,784	$ 41,157,249	$ 45,902,853
Contribution Levels	2013	2014	2015
Maximum tax deductible under Pension Protection Act '06	$ 26,593,540	$ 32,109,973	$ 37,197,151
"Old" Maximum/Suggested	4,009,487	3,657,939	3,760,931
Minimum required	2,332,645	2,496,718	3,312,746
Pension "expense" under accounting rules	$ 4,624,575	$ 4,198,833	$ 4,488,016

Current Status of the Plan

The contribution for the 2015 Plan Year must be between $ 3,312,746 and $ 37,197,151. At least the minimum must be paid by September 15, 2016.

The minimum contribution has gone up primarily due to a decrease in the discount rates prescribed for its calculation.

The "suggested contribution" and the pension expense have both increased since last year:

	Suggested Contribution	Pension Expense
(1) 2014 Amount	$ 3,658,000	$ 4,199,000
(2) Change due to:		
(a) 2014 Investment Loss	+ 348,000	+ 196,000
(b) More participants	+ 12,000	+ 14,000
(c) Other	- 257,000	+ 79,000
(3) 2015 Amount	$ 3,761,000	$ 4,488,000

Some Considerations for Determining Contribution Levels

It is often helpful to review the status of a retirement plan in terms of how much money would be required if the plan were terminated. If your plan were terminated on January 1, 2015, I estimate that the total liability would be about $40 million (using a 5.00% discount rate). This compares to assets of about $46 million. However, be aware of three items:

(1) During the 2015 year, employees will accrue additional benefits worth about $3.8 million.

(2) These numbers DO NOT include the value of the subsidized early retirement feature. This subsidy applies when an active employee retires after age 55 (provided the employee was age 45 and had 5 years of service by December 31, 2006 – current 35 people). It does not apply when an employee terminates before age 55. The current value of this subsidy is about $5 million.

(3) The discount rate of 5.00% changes over time with the markets. If the rate goes down, the termination liability will go up.

For the past four years, you decided to contribute the "Old" Maximum (i.e., before the Pension Protection Act of 2006), plus the cost for anticipated new hires. Following that same methodology, the contribution for 2015 would be $3,761,000 (the "suggested" amount).

Top-Heavy Status

Appendix E contains a "top-heavy" test. In 1982, Congress passed a law containing the top-heavy rules. Basically, a plan under which the "key employees" benefit the most is considered top-heavy. A top-heavy plan must accelerate its vesting and provide certain minimum retirement benefits. The Plan is not currently top-heavy.

Pension Cost for Accounting Purposes

Exhibit 3 contains a calculation of "pension cost", as defined by Statement of Financial Accounting Standards No. 87 ("SFAS 87"), for 2014. Pension cost is the cost of the plan as recorded in the sponsor's GAAP (Generally Accepted Accounting Principles) financial statements. This accounting pension cost will almost always differ from the actual cash contribution to the plan under this accounting guideline. Let me emphasize that SFAS 87 only dictates the cost shown in the sponsor's GAAP financial statements. Sound actuarial projections should be used to determine the actual cash contribution requirements.

The 2015 Net Periodic Pension Cost is $4,488,016.

The cash funding requirement is different from the pension cost for basically three different reasons:

1. Different assumptions: SFAS 87 prescribes certain guidelines for the assumptions used in that calculation.

2. Different actuarial cost method: The SFAS 87 calculation uses the Projected Unit Credit method, while the recommended contribution is based on another method.

3. Different amortization techniques: The SFAS 87 calculation generally uses straight-line amortization. The funding calculation uses a principal and interest amortization as required by ERISA.

Report Format

The report is been broken into five "Exhibits" and eight "Appendices". The Appendices contain certain technical information that we feel is necessary to meet professional actuarial standards. However, the information in these Appendices may not be particularly useful to you. We've endeavored to put the important information into the five Exhibits.

This report is based on the participant and financial data supplied by the plan sponsor. We did not audit this data, although we did review it for reasonableness and consistency. We have relied on the data provided to us. If any of the data provided to us is incorrect or incomplete, he results of our calculations could be materially different. The purpose of this report is to help the plan sponsor evaluate the plan status and funding requirements for an on-going plan, and to present certain actuarial items required for disclosure purposes. This report is not intended for any other purpose or for use by persons who are not familiar with such matters.

If you have any questions or comments about this report or about your plan, please let me know.

Sincerely,

Steve Osborn

Steve Osborn, F.S.A., M.A.A.A.
Enrolled Actuary 3095

TABLE OF CONTENTS

Exhibit 1

Executive Summary

		1/1/2013	1/1/2014	1/1/2015
1.	Individuals included in report			
	a. Active	562	566	570
	b. Inactive	81	106	128
	c. Covered Payroll	$ 47,968,748	$ 49,768,723	$ 51,420,945
2.	Normal Cost Amount	$ 3,541,141	$ 3,647,939	$ 3,750,931
	Normal Cost Rate	7.38%	7.33%	7.29%
3.	Assets	$ 31,295,784	$ 41,157,249	$ 45,902,853
	Investment Return for year	8.5%	18.4%	3.6%
4.	Funding Levels			
	Maximum under Pension Protection Act	$ 26,593,540	$ 32,109,973	$ 37,197,151
	Suggested	$ 4,009,487	$ 3,657,939	$ 3,760,931
	Minimum	$ 2,332,645	$ 2,496,718	$ 3,312,746
5.	Accounting Information (for use in auditor's report)			
	a. Present Value of Vested Benefits	$ 25,513,501	$ 29,974,536	$ 35,160,537
	b. Present Value of Non-Vested Benefits	4,063,111	4,698,056	4,840,608
	c. Present Value of Accumulated Benefits	$ 29,576,612	$ 34,672,592	$ 40,001,145
	d. Pension Cost per SFAS No. 87	$ 4,624,575	$ 4,198,833	$ 4,488,016
6.	Top-Heavy Ratio	19.1%	18.2%	21.1%

Exhibit 2

Summary of Financial Information

	Plan Year Ending December 31,		
	2012	2013	2014
A. INCOME			
1. Contributions			
Employee	$ 0	$ 0	$ 0
Employer	3,892,000	4,010,000	3,660,000
Other	0	0	0
2. Investment Income			
a. Interest and Dividends	590,152	696,636	1,075,389
b. Realized Gains	443,878	1,417,708	4,576,954
c. Unrealized Appreciation	1,447,840	4,185,932	- 4,004,715
d. Investment Expenses	- 163,798	- 192,520	- 129,485
e. Subtotal	2,318,071	6,107,756	1,518,143
TOTAL	$ 6,210,072	$ 10,117,756	$ 5,178,143
B. EXPENSES			
1. Administrative	$ 246	$ 0	$ 0
2. Monthly Benefits	177,164	256,291	432,539
3. Lump Sum Benefits	0	0	0
TOTAL	$ 177,410	$ 256,291	$ 432,539

Exhibit 2 - Continued

		12/31/2012		12/31/2013		12/31/2014
C. ASSETS (Market Basis)						
1. Short Term						
Cash	$	4,712	$	5,005	$	1,476
Money Market Funds		657,741		874,530		2,356,443
2. U.S. Treasury Bills		3,699,083		1,999,670		0
3. Fixed Income Assets						
Government		126,485		0		0
Corporate		4,253,927		6,806,391		6,051,828
4. Common Stock		10,507,308		13,988,246		10,131,176
5. Mutual Funds						
Fixed Income		0		0		4,172,080
Equity		11,971,230		17,388,240		23,093,826
5. Other						
Contribution Receivable		0		0		0
Benefits payable		0		0		0
Accrued Interest		75,298		95,167		96,024
Other		0		0		0
TOTAL	$	31,295,784	$	41,157,249	$	45,902,853
D. Net Investment Return:		8.5%		18.4%		3.6%

Exhibit 2 - Continued

	1/1/2013	1/1/2014	1/1/2015
E. INFORMATION FOR PBGC FORM 1 SCHEDULE A			
1. Interest Assumption	1.00% 3.57% 4.77%	1.25% 4.57% 5.60%	1.48% 3.77% 4.79%
2. Present Value of Vested Benefits	$ 32,649,658	$ 32,840,296	$ 44,467,105
3. Adjusted Market Value of Assets	31,295,784	41,157,249	45,902,853
4. Unfunded Vested Benefits	$ 1,353,874	$ 0	$ 0
5. Rounded to next higher $1,000	1,354,000	0	0
6. 0.9% of (5)	$ 12,186.00	$ 0.00	$ 0.00

Exhibit 3

Accounting Information

This Exhibit is included to provide information according to SFAS No. 35 disclosure requirements.

Statement of Accumulated Plan Benefits

	1/01/2014	1/01/2015
Investment Return Assumption	5.50%	5.50%
Actuarial present value of accumulated plan benefits		
Vested Benefits		
Participants currently receiving benefits	$ 3,667,485	$ 6,293,564
Other Participants	26,307,051	28,866,973
	$ 29,974,536	$ 35,160,537
Non-Vested Benefits	4,698,056	4,840,608
Total actuarial present value of accumulated plan benefits	$ 34,672,592	$ 40,001,145

Statement of Changes in Accumulated Plan Benefits

Actuarial present value of accumulated plan benefits at beginning of year	$ 29,576,612	$ 34,672,592
Increase (Decrease) attributable to:		
Plan Amendment	0	0
Benefits Accumulated*	5,352,271	5,761,092
Benefits Paid	- 256,291	- 432,539
Change in Assumptions	0	0
Actuarial present value of accumulated plan benefits at end of year	$ 34,672,592	$ 40,001,145

* Includes effect of interest and actuarial gains and losses.

Exhibit 3 - Continued

SFAS No. 87 Pension Cost for 2015

A. Reconciliation of Funded Status	1/01/2015	Projected 12/31/2015
1. Actuarial present value of accumulated benefit obligations		
a. Vested portion	$ (35,160,537)	$ (40,112,401)
b. Non-Vested portion	(4,840,608)	(5,522,339)
2. Accumulated Benefit Obligation	$ (40,001,145)	$ (45,634,740)
3. Effect of estimated future pay growth	(10,700,658)	(12,207,694)
4. Projected Benefit Obligation	$ (50,701,803)	$ (57,842,434)
5. Plan assets at fair value	45,902,853	52,477,382
6. Funded status: (4)+(5)	$ (4,798,950)	$ (5,365,052)
7. Unrecognized net (gain) or loss	6,745,436	6,640,732
8. Unrecognized prior service cost	(21,650)	(22,394)
9. Unrecognized net obligation	98,807	82,341
10. Accum. Comp. Other Income	6,822,593	6,700,679
11. Total: (6) + (10)	$ 2,023,643	$ 1,335,627

B. Determination of Pension Cost	2015
1. Service Cost	$ 4,663,090
2. Interest Cost (on A(4) and B(1))	3,029,880
3. Expected return on assets	(3,326,868)
4. Amortization of	
a. Unrecognized net (gain) or loss	104,704
b. Unrecognized prior service cost	744
c. Unrecognized net obligation	16,466
5. Net Periodic Pension Cost	$ 4,488,016

C. The assumptions are the same as those shown in Appendix E.

D. Unrecognized net obligation of $411,661 added 1/1/96, is amortized on a straight line basis over 25 years. Prior Service of $708,682 added 1/1/98 is amortized over 25 years. Prior service of $(469,257) added 1/1/07 is amortized over 17 years. 10% corridor used for unrecognized net (gain) or loss. Projected 12/31/15 assumes a 2015 contribution of $3,800,000 and net periodic pension cost of $4,488,016.

Exhibit 4

Employee Profile

Employee data needed for the valuation was obtained from the records furnished by the administrator. The following table shows a detailed breakdown of the present participants by the number of participants and current salary rate.

Actives

		Years of Service							
Age		0-4.9	5-9.9	10-14.9	15-19.9	20-24.9	25-29.9	30 and Over	Total
Under 25	Count	14	0	0	0	0	0	0	14
	Salary	789,581	0	0	0	0	0	0	789,581
25-29	Count	40	16	0	0	0	0	0	56
	Salary	2,511,958	1,167,407	0	0	0	0	0	3,679,365
30-34	Count	33	46	0	0	0	0	0	79
	Salary	2,192,920	3,666,700	0	0	0	0	0	5,859,620
35-39	Count	29	50	11	3	0	0	0	93
	Salary	2,223,471	4,463,973	1,068,622	289,112	0	0	0	8,045,178
40-44	Count	29	39	8	2	0	0	0	78
	Salary	2,509,721	3,351,888	773,246	220,720	0	0	0	6,855,575
45-49	Count	35	44	9	1	3	0	0	92
	Salary	3,163,697	4,078,492	963,894	114,775	564,200	0	0	8,885,058
50-54	Count	24	33	6	1	3	1	4	72
	Salary	2,032,792	3,053,459	948,932	80,000	664,167	128,100	511,245	7,418,695
55-59	Count	15	19	5	3	1	2	5	50
	Salary	1,238,970	2,091,445	585,870	334,815	90,900	259,780	1,223,600	5,825,380
60-64	Count	6	17	3	2	1	0	2	31
	Salary	558,249	1,731,974	457,517	327,350	160,000	0	210,820	3,445,910
65 & Over	Count	1	0	2	2	0	0	0	5
	Salary	68,224	0	215,541	332,818	0	0	0	616,583
Unknown Age	Count	0	0	0	0	0	0	0	0
	Salary	0	0	0	0	0	0	0	0
Total	Count	226	264	44	14	8	3	11	570
	Salary	17,289,583	23,605,338	5,013,622	1,699,590	1,479,267	387,880	1,945,665	51,420,945

Exhibit 4 - Continued

Participant Data as of January 1, 2015

	Active	Retired	Terminated Vested	Total
Number of Participants at 1/1/2014	566	18	88	672
New during year	+ 22	0	0	+ 22
Rehired	+ 10	0	- 3	+ 7
Terminated Vested	- 18	0	+ 18	0
Terminated nonvested	- 6	0	0	- 6
Cashed out	0	0	0	0
Retired	- 7	+ 13	- 6	0
Died	0	0	0	0
Other	0	0	0	0
Number of Participants at 12/31/2014	567	31	97	695
New Entrants on 1/1/2015	+ 3	0	0	+ 3
Number of Participants 1/1/2015*	570	31	97	698

*Does not include 0 employees who failed to meet the age or service requirements for participation.

Exhibit 5

Principle Provisions of the Plan

EFFECTIVE DATE:	January 1, 1996, adopted May 15, 1996. Restatement effective January 1, 1997, adopted December 19, 2001. Restatement effective January 1, 2008. Restatement effective January 1, 2013.
PARTICIPATION:	Employees at January 1, 1996, who were in the Entergy Corporation Retirement Plan for Non-Bargaining Employees are eligible on January 1, 1996. Any other employee is eligible to participate on the first day of the month after date of hire, or attainment of age 21, whichever is later.
PLAN YEAR:	January 1 to December 31.
COMPENSATION:	Base pay during the calendar year.
FINAL AVERAGE MONTHLY EARNINGS:	Average of the Participant's Compensation over the sixty consecutive completed calendar months, out of the last 120, that produces the highest average.
SERVICE:	A period of employment with Southwest Power Pool, Inc. For those Participants who were previously employed by a member company of Southwest Power Pool immediately prior to their being hired by Southwest Power Pool, such previous employment is also Service. (a) Benefit Service is all Service after age 21. (b) Vesting Service is all Service after age 18.
ACCRUED BENEFIT:	Benefit based on Final Average Monthly Earnings and Benefit Service to date.

Exhibit 5 - Continued

NORMAL RETIREMENT:	
Eligibility:	The first of the month on or after age 65.
Benefit:	1.5% of Final Average Monthly Earnings, times Benefit Service not in excess of 40 years. This benefit is offset by the amount due at age 65 from any Southwest Power Pool member company defined benefit plan for which Service is granted under this plan. However, the net benefit cannot be less than the benefit based on Southwest Power Pool service only.
Form:	Life Annuity.
EARLY RETIREMENT:	
Eligibility:	Age 55 with 10 years of Service.
Benefit:	Accrued Benefit (unreduced for any prior plan benefits), reduced by a percentage for each year that the Early Retirement Date precedes the Normal Retirement Date, and then reduced for any member company defined benefit plan benefits payable at the Early Retirement Date. The percentage reduction is: a) 2% for those who were age 45 with 5 years of service by December 31, 2006; b) 6% for all others, except that the percentage is 2% for that part of the benefit accrued to December 31, 2006.
DEATH:	
Eligibility:	Death prior to the commencement of benefits.
Benefit:	The Pre-Retirement Joint and 50% Survivors Annuity
VESTING:	
Eligibility:	The vesting schedule is as follows:

Service	Vested Percentage
Under 3 years	0%
3 years or more	100%

Benefit:	Accrued Benefit times the Vested Percentage, payable at Normal Retirement Age. Reduced amounts are payable if eligible for Early Retirement.

Appendix A

Calculation of Contributions

		2014	2015
A.	Maximum tax deductible contribution (IRC 404(o)(2))		
1.	Funding Target	$ 37,269,362	$ 42,529,768
2.	Target Normal Cost	4,457,689	4,757,138
3.	Cushion Amount		
	a) 50% of Funding Target	18,634,681	21,264,884
	b) Amount Funding Target increases due to pay growth	12,905,490	14,548,214
4.	Actuarial value of plan assets	41,157,249	45,902,853
5.	Funding Target IF plan were "At Risk"	42,343,703	47,546,141
6.	Maximum = (1)+(2)+(3)-(4), but not less than (5)+(2)-(4)	$ 32,109,973	$ 37,197,151
B.	Suggested contribution		
1.	Normal Cost for current group	$ 3,647,939	$ 3,750,931
2.	Partial years cost for 3 expected new people	10,000	10,000
3.	Amortization of Unfunded Actuarial Accrued Liability	0	0
4.	Interest	0	0
5.	Suggested contribution	$ 3,657,939	$ 3,760,931
C.	Minimum required contribution (IRC 430)		
1.	Target Normal Cost	$ 2,919,049	$ 3,312,746
2.	Shortfall amortization charges (App E)	0	0
3.	Waiver amortization charges (App E)	0	0
4.	Subtotal (1)+(2)+(3)	$ 2,919,049	$ 3,312,746
5.	Excess of actuarial value of asset (less credit balances) over Funding Target	422,331	0
6.	Minimum (beginning of year) = (4), or if (5) is greater than 0, then (1)-(5), but not less than $0.	$ 2,496,718	$ 3,312,746

Appendix B

Costs and Liabilities

		1/1/2014		1/1/2015
1. Present Value of Future Benefits				
A. Active Lives	$	73,067,145	$	77,776,131
B. Inactive Lives		5,836,103		8,062,385
C. Total Present Value	$	78,903,248	$	85,838,516
2. Actuarial Accrued Liability	$	38,726,395	$	44,945,832
3. Assets		41,157,249		45,902,853
4. Unfunded Actuarial Accrued Liability (2 - 3)	$	- 2,430,854	$	- 957,021
5. Entry Age Normal Cost	$	3,647,939	$	3,750,931
6. Total Covered Salary		49,768,723		51,420,945
7. Normal Cost Rate (5 / 6)		.073298		.072946

Note: The "liabilities" shown on this page are not liabilities in the usual sense. These numbers are simply mathematical values derived in determining the maximum and minimum funding levels for the plan.

Appendix C

Development of Unfunded Actuarial Accrued Liability

	2013	2014
(1) Unfunded Actuarial Accrued Liability beginning of year	$ 2,219,398	$ - 2,430,854
(2) Normal Cost for year	3,541,141	3,647,939
(3) Contributions for year	4,010,000	3,660,000
(4) Interest on (1), (2), and (3)	138,948	- 170,582
(5) Other adjustments	0	0
(6) Expected Unfunded Actuarial Accrued Liability at end of year: (1)+(2)-(3)+(4)+(5)	$ 1,889,487	$ - 2,613,497
(7) Gain/loss during year	- 4,230,341	1,656,476
(8) Effect of changes in assumptions	0	0
(9) Unfunded Actuarial Accrued Liability at end of year	$ - 2,430,854	$ - 957,021
(10) Amortization period	6	5
(11) Amortization of Unfunded Actuarial Accrued Liability	$ 0	$ 0

Note: The "liabilities" shown on this page are not liabilities in the usual sense. These numbers are simply mathematical values derived in determining the maximum and minimum funding levels for the plan.

Appendix D

IRC 430 Calculations

		2014	2015
A.	Segment Rates	4.99/6.32/6.99	4.72/6.11/6.81
	Equivalent rate	6.69%	6.51%
B.	Asset Information		
	1. Market Value of assets on valuation date	$ 41,157,249	$ 45,902,853
	2. Actuarial Value of assets on valuation date	41,157,249	45,902,853
	3. Carryover balance on valuation date	1,991,574	2,062,275
	4. Pre-funding balance on valuation date	12,688,134	14,268,529
	5. Security pledges & annuity purchases on non HCE's within last two years	0	0
C.	Funding Target (IRC 430(d)(1))	$ 26,055,210	$ 31,255,596
D.	Target Normal Cost	$ 2,919,049	$ 3,312,746
E.	"At Risk" calculations (IRC 430 (i))		
	1. Present value of accrued benefits under alternate assumptions	$ 31,078,884	$ 36,340,536
	2. Loads		
	a) $700 times number of participants	470,400	488,600
	b) 4% of (1)	1,243,155	1,453,621
	3. Was plan "at risk" in 2 of last 4 years?	NO	NO
	4. Funding target (1, +2 is 3=yes, and not less than C)	31,078,884	36,340,536
	5. Target normal cost under alternate assumptions	2,919,049	3,743,004
	6. 4% load	116,762	149,720
	7. Target normal cost (5, +6 if 3=yes, and not less than D)	2,919,049	3,743,004

Appendix D - Continued

		2014	2015
F.	Various percentages		
	1. Funding Target Attainment Percentage for Year		
	a. B(2) divided by C	157.96%	146.86%
	b. B(2)-B(3)-B(4), divided by C	101.62%	94.61%
	c. If a is greater than 100% then a, else b.	157.96%	146.86%
	2. Adjusted Funding Target Attainment Percentage for Year B(2)-B(3)-B(4)+B(5), divided by C+B(5) [if 1(a) is greater than 100%, then 1(a)]	157.96%	146.86%
	3. At Risk Funding Target Attainment Percentage for Year B(2)-B(3)-B(4), divided by E(1)	85.19%	81.37%
G.	"At Risk" test for next year		
	1. Minimum required Funding Target Attainment Percentage	80%	80%
	2. Minimum required At Risk Funding Target Attainment Percentage	70%	70%
	3. Does Plan have more than 500 participants?	YES	YES
	4. Is plan "At Risk" for the next year? (If F1(c) > 80%, then "NO")	NO	NO

Appendix E

Amortization of Shortfalls

Item	Initial Amount	Date Added To Costs	1/1/2015 Outstanding Balance	Amortization Period	Amortization Amount
2) 2015 Shortfall	$ 0	1/1/2015	$ 0	7	$ 0

Shortfall amortization base for this year

Funding Shortfall		
a) Funding Target from Appendix D	$	31,255,596
b) Actuarial value of assets less carryover and prefunding balances		29,572,049
c) Funding shortfall = (a)-(b), not less than $0	$	1,683,547

Exemption from establishing a base for 2015:

1.	Plan Assets	45,902,853
2.	Prefunding Balances used to reduce contributions for the plan year	0
3.	Net Assets	45,902,853
4.	Funding Target from Appendix B	31,255,596
5.	Is plan exempt from establishing a shortfall base? If (3)>(4), then YES otherwise NO.	YES

Appendix F

Contributions and Funding Balances

Contributions for 2014:	CARRYOVER BALANCE	PRE-FUNDING BALANCE	TOTAL
1) Minimum required contribution for 2014			$ 2,496,718
2) Balances used to offset minimum	$ 0	$ 0	0
3) Additional cash requirement (1) – (2)			2,496,718
4) Contributions discounted to 1/1/14			3,555,830
5) Excess contributions (4) – (3)			$ 1,059,112

Carryover and Pre-funding Balances:	CARRYOVER BALANCE	PRE-FUNDING BALANCE	TOTAL
1) Balance at 1/1/2014	$ 1,991,574	$ 12,688,134	$ 14,679,708
2) Portion used to offset 2014 funding requirement	0	0	0
3) Amount Remaining	1,991,574	12,688,134	14,679,708
4) Interest at 3.55%	70,701	450,429	521,130
5) Subtotal	2,062,275	13,138,563	15,200,838
6) Prior year's excess contributions		1,059,112	1,059,112
7) Interest on (6) at 6.69%		70,854	70,854
8) Subtotal (6) + (7)		1,129,966	1,129,966
9) Portion of (8) to be added to prefunding balance		1,129,966	1,129,966
10) Voluntary reduction	0	0	0
11) Balance at 1/1/2015 (5) + (9) + (10)	$ 2,062,275	$ 14,268,529	$ 16,330,804

Appendix G

Top-Heavy Test for 2015 Plan Year

Determination Date: 12/31/14
Valuation Date: 1/01/15

Present Value of Accrued Benefits at 7% Interest - Actives

1)	Key Employees (18)	$	4,557,703
2)	Non-key Employees (552)		15,327,341
3)	Total	$	19,885,044

Present Value of Accrued Benefits at 7% Interest – Inactives

1)	Key Employees (1)	$	105,137
2)	Non-key Employees (24)		2,104,565
3)	Total	$	2,209,704

Benefit Payments Since 1/1/2014

1)	Key Employees (1)	$	8,038
2)	Non-key Employees (6)		84,505
3)	Total	$	92,543

Totals

1)	Key Employees	$	4,670,880
2)	Non-key Employees		17,516,411
3)	Total	$	22,187,2961

Top-Heavy Ratio = Key / Total 21.1%

Note: These results should be combined with top-heavy test for 401(k) plan to determine whether the combined plans are top-heavy. If neither plan is top-heavy, the combined plans will not be top-heavy.

Appendix H

Actuarial Cost Methods and Assumptions

COST METHOD:

The "frozen initial liability method" has been used in your plan.

PRE-RETIREMENT MORTALITY:

Deaths have been projected on the basis of the 1994 Uninsured Pensioners Mortality Table ("1994 UP"). Mortality rates at a few sample ages are:

AGE	MORTALITY RATE PER 1,000
25	.711
30	.862
35	.915
40	1.153
45	1.697
50	2.773
55	4.758
60	8.576

For the Minimum and Maximum Contributions, we used the IRS annuitant and non-annuitant tables for 2015.

POST-RETIREMENT MORTALITY:

The 1994 Uninsured Pensioners Mortality Table was used. The life expectancy according to this table is as follows:

Age	Males	Females
55	25.49 years	29.53 years
65	17.26 years	20.69 years

For the Minimum and Maximum Contributions, we used the IRS annuitant and non-annuitant tables for 2015.

ASSUMED INVESTMENT RETURN:

7.00% annually before retirement, and 7.00% after retirement. For purposes of the accounting calculation in Exhibit 3, a discount rate of 5.50% and a long-range return on assets of 7.00% were used.

Appendix H (continued)

For purposes of calculating the Minimum and Maximum Contributions, the following segment rates were used:

	Min	Max
1st segment (1-5 years)	4.72%	1.22%
2nd segment (5-20 years)	6.11%	4.11%
3rd segment (20+ years)	6.81%	5.20%

The equivalent rate is 6.51%.

SALARY GROWTH: Salaries were assumed to increase 4.00% per year, (4.50% for the suggested contribution).

DISABILITIES: None assumed.

VOLUNTARY TERMINATIONS: For the suggested contribution, rates under the T-1 table in the Actuary's Handbook, minus mortality rates per the GA-51 table, but not less than 1%. Assumed termination rates at a few sample ages are:

Age	Termination Rate per 1,000
25	49.1
30	36.6
35	22.9
40	10.4
45	10.0
50	10.0
55	10.0
60	10.0

EXPECTED RETIREMENT PATTERN: For the suggested contribution, we have assumed the following rates of retirement:

Age	Retirement Rate
55 – 61	.10
62	.25
63	.15
64	.15
65	1.00

ADMINISTRATIVE EXPENSES: These were assumed to be paid by the Sponsor.

ASSET VALUATION: Market Value

Appendix H (continued)

CONSIDERATION OF FUTURE MORTALITY IMPROVEMENTS:

The minimum and maximum contribution requirements are determined using mortality assumptions specified by the Internal Revenue Service. These assumptions do include anticipated mortality improvements up to the valuation date but not beyond.

Future mortality improvements were not considered in developing the suggested contribution or the financial statement items in Exhibit 3. A change in the life expectancy table would normally have the greatest impact on current retirees. This plan has few retirees and a relatively low average age. Thus, the liabilities are significantly more volatile with regards to the other assumptions (i.e., investment return, salary growth, retirement age and turnover) than mortality.

Osborn, Carreiro & Associates, Inc.

ACTUARIES · CONSULTANTS · ANALYSTS

One Union National Plaza, Suite 1690
124 West Capitol Avenue
Little Rock, Arkansas 72201
(501) 376-8043
FAX (501) 376-7847

February 11, 2015

Mr. Tom Dunn
Southwest Power Pool
201 Worthen Drive
Little Rock, AR 72223-4936

RE: Retiree Medical Coverage - SFAS No. 106

Dear Tom:

Attached is my report on the 2015 net periodic postretirement benefit cost per Statement of Financial Accounting Standards Nos. 106, for the retiree medical coverage.

The attached report assumes a 5.50% discount rate. The 2015 net periodic postretirement benefit cost using a 5.50% discount rate is $1,484,941.

Please let me know if you have any questions or comments.

Sincerely,

Steve Osborn

Steve Osborn, F.S.A., M.A.A.A.
Actuary

Attachment

Osborn, Carreiro & Associates, Inc.

ACTUARIES · CONSULTANTS · ANALYSTS

One Union National Plaza, Suite 1690
124 West Capitol Avenue
Little Rock, Arkansas 72201
(501) 376-8043
FAX (501) 376-7847

February 11, 2015

Mr. Thomas P. Dunn
Southwest Power Pool
201 Worthen Drive
Little Rock, AR 72223-4936

RE: Retiree Medical Coverage

Dear Mr. Dunn:

I have calculated the 2015 net periodic postretirement benefit cost per Statement of Financial Accounting Standards No. 106 and No. 158.

The results are shown on the attached sheets. The 2015 net periodic post-retirement benefit cost will be $1,484,941. All employees hired before June 1, 2006 are entitled to postretirement medical coverage upon reaching normal retirement age and 10 years of vested service with Southwest Power Pool, while those employees hired before January 1, 1996 are eligible for postretirement medical coverage upon reaching age 55 and accruing 10 years of vested service with Southwest Power Pool.

The calculations incorporate various actuarial assumptions. In particular, I assumed a 5.50% discount rate and a 7.0% investment return on plan assets. The health care cost trend rate was assumed to increase 10% next year, 9% the following year, and so on, decreasing to an ultimate 5% assumption in five years.

The health care cost trend rate assumption has a significant effect on the amounts reported. To illustrate, increasing the health care cost trend rate by one percentage point each year would increase the accumulated post-retirement benefit obligation as of January 1, 2015 by $1,944,256, and the 2015 net periodic postretirement benefit cost by $383,062.

Please let me know if you have any questions or comments.

Sincerely,

Steve Osborn

Steve Osborn, F.S.A., M.A.A.A.
Actuary

Attachments

EXHIBIT 1

SFAS NO. 106 COST FOR 2013, 2014, and 2015

A. Reconciliation of Funded Status	1/1/13	1/1/14	1/1/15
1. Actuarial present value of accumulated post-retirement benefit obligations			
a. Retirees	$ (633,399)	$ (837,002)	$ (1,673,785)
b. Fully eligible active employees	(1,203,057)	(1,256,737)	(1,042,224)
c. Other active employees	(5,516,607)	(5,901,647)	(6,183,963)
d. Subtotal	$ (7,353,063)	$ (7,995,386)	(8,899,972)
2. Plan assets at fair value	0	0	0
3. Funded Status: (1)+(2)	$ (7,353,063)	$ (7,995,386)	$ (8,899,972)
4. Unrecognized net (gain) or loss	7,347,849	6,558,525	6,112,564
5. Unrecognized prior service cost	0	0	0
6. Unrecognized net obligation or (net asset)	35,394	30,971	26,548
7. Subtotal (4) + (5) + (6)	7,383,243	6,589,496	6,139,112
10. Total: (3) + (7)	$ 30,180	$ (1,405,890)	$ (2,760,860)

SOUTHWEST POWER POOL
RETIREMENT PLAN

SFAS No. 158 Items

		Post-Retirement Medical Asset on Balance Sheet	Accumulated Other Comp. Income (loss) Post-Retirement Medical Part	Total
B1.	Reconciliation for 2013			
	1. Balance 12/31/12	$ 609,988	$ (579,808)	$ 30,180
	2. Remove plan assets	(7,963,051)	7,963,051	0
	3. Revised 12/31/12 balance	$ (7,353,063)	$ 7,383,243	$ 30,180
	4. Change in assumption	0	0	0
	5. Net periodic post-retirement benefit cost for 2013	(1,113,864)	(352,452)	(1,466,316)
	6. Cash contribution in 2013	30,246	0	30,246
	7. Gains	441,295	(441,295)	0
	8. Balance 12/31/13	$ (7,995,386)	$ 6,589,496	$ (1,405,890)

Note: The above does not include any tax effects.

B2.	Reconciliation for 2014			
	1. Balance 12/31/13	$ (7,995,386)	$ 6,589,496	$ (1,405,890)
	2. Change in assumption	0	0	0
	3. Net periodic post-retirement benefit cost for 2014	(1,127,696)	(307,528)	(1,435,224)
	4. Cash contribution in 2014	80,254	0	80,254
	5. Gains	142,856	(142,856)	0
	6. Balance 12/31/14	$ (8,899,972)	$ 6,139,112	$ (2,760,860)

SFAS No. 158 Implementation

C. Disclosure of SFAS 106 Benefit Cost		2013	2014
1.	Service Cost	$ 672,460	$ 652,085
2.	Interest Cost	441,404	475,611
3.	Actual Return on Assets	(0)	(0)
4.	Net amortization and deferral		
	a. Deferral	0	0
	b. Net loss recognition	348,029	303,105
	c. Prior service cost amort.	0	0
	d. Transition (asset) amort.	4,423	4,423
	e. Subtotal	352,452	307,528
5.	Net Periodic Postretirement Benefit Cost	$ 1,466,316	$ 1,435,224

D. Determination of SFAS 106 Cost for next year		2013	2014	2015
1.	Service Cost	$ 672,460	$ 652,085	$ 678,813
2.	Interest Cost (on A(4) and D(1))	441,404	475,611	526,833
3.	Expected return on assets	(0)	(0)	(0)
4.	Amortization of			
	a. Unrecognized net (gain) or loss	348,029	303,105	274,872
	b. Unrecognized prior service cost	0	0	0
	c. Unrecognized net obligation or (net asset)	4,423	4,423	4,423
5.	Net Periodic Postretirement Benefit Cost	$ 1,466,316	$ 1,435,224	$ 1,484,941

EXHIBIT 2

PARTICIPANT DATA

A. The following participant data was used:

	January 1 2014	January 1 2015
Number of Active Employees	133	124
Number of Retirees Covered	7	12

B. Projected premium payment

	January 1 2014	January 1 2015
1st year	$ 78,000	$ 117,000
2nd year	128,000	155,000
3rd year	159,000	191,000
4th year	197,000	244,000
5th year	249,000	287,000
6th through 10th year	1,801,000	2,040,000

EXHIBIT 3

ACTUARIAL ASSUMPTIONS

DISCOUNT RATE: A discount rate of 5.50% was used for the 2015 Benefit Cost and the December 31, 2014 disclosures. A rate of 5.50% was used for the 2014 Benefit Cost and the December 31, 2013 disclosures. The expected return on assets was assumed to be 7.00%.

HEALTH CARE COST TREND RATE: "Medical inflation" was assumed to be 10.0% for the next year, 9.0% in the second year, 8.0% in the third year, 7.0% in the fourth year, 6.0% in the fifth year, and 5.0%/year thereafter.

BASE CLAIM COSTS: The following monthly base claim costs were assumed for 2015:

	Total	Paid by Employee
Single, with Medicare	$ 453.56	$ 110.34
Family, with Medicare	997.82	246.08
Single, no Medicare	490.42	110.34
Family, no Medicare	1,093.71	246.08

SELECTION OF COVERAGE: We assumed that 100% of eligible retirees would select the coverage.

DATA USED: We received a census listing from the company. The data is summarized in Exhibit 2.

PRE-RETIREMENT MORTALITY: Deaths have been projected on the basis of the 1994 Uninsured Pensioners Mortality Table ("1994 UP"). Mortality rates at a few sample ages are:

AGE	MORTALITY RATE PER 1,000
25	.711
30	.862
35	.915
40	1.153
45	1.697
50	2.773
55	4.758
60	8.576

Exhibit 3 (continued)

POST-RETIREMENT MORTALITY: The 1994 Uninsured Pensioners Mortality Table was used. The life expectancy according to this table is as follows:

AGE	MALES	FEMALES
55	25.49 years	29.53 years
65	17.26 years	20.69 years

DISABILITIES: None assumed.

VOLUNTARY TERMINATIONS: Rates under the T-1 table in *The Actuary's Handbook*, minus mortality rates per the Ga51 table, but not less than 1%. Assumed termination rates at a few sample ages are:

AGE	TERMINATION RATE PER 1,000
25	49.1
30	36.6
35	22.9
40	10.4
45	10.0
50	10.0
55	10.0
60	10.0

EXPECTED RETIREMENT PATTERN: We have assumed the following rates of retirement:

AGE	RETIREMENT RATE
55 – 61	.10
62	.25
63	.15
64	.15
65	1.00

SPP Southwest Power Pool

Memorandum

To: **Finance Committee Members**

From: **Tom Dunn**

CC: **Shaun Scott**

Date: **April 13, 2015**

Re: **2015 Meeting Schedule**

Detailed below is a schedule for face-to-face meetings of the Finance Committee for 2014 along with suggested agenda items to be covered at the meetings.

Meeting Date	Time	Meeting Location	Major Agenda Items
April 2, 2015	8:30	Dallas, TX	Financial Audit Review
July 9, 2015	8:30	Dallas, TX	BPI Review Mid Year Review Operating Plan - 2016
Sept 10, 2015	3:00	Teleconference	2016 Budget Preview
Sept 29, 2015 (LK – oot)	8:30	Dallas, TX	2016 Budget Review Internal Audit Report Auditor Engagements
Oct 13, 2015	10:30	Dallas, TX	2016 Budget
Dec 7, 2015	2:00	Little Rock, AR	SSAE-16 Audit Report Corp Ins Review BPI Review

SPP Southwest Power Pool

Memorandum

To: **SPP Finance Committee**

From: **Tom Dunn**

CC:

Date: **February 6, 2015**

Re: **FYE 2014 Financial Results**

All,

The SPP Human Resources Committee annually makes a recommendation to the SPP Board of Directors regarding funding of the SPP Performance Compensation Plan. The recommendation includes evaluation of quantitative metrics (financial expense performance, customer satisfaction, operating performance) as well as qualitative evaluation of the year. The evaluation of financial expense performance compares SPP's expenditures against budget using the following scale:

Actual Foundation/Foundation Budget Percentage	Multiplier
>115%	-1.0
110% – 115%	0.0
105% – 109%	0.50
95% – 104%	1.0
86% – 94%	1.25
<85%	1.50

SPP's expenditures during 2014 fell within the 95%-104% band resulting in an "at target" multiplier in the performance compensation calculation.

For purposes of the performance compensation calculation, we deviate from a traditional GAAP presentation by removing depreciation expense from the presentation and replacing it with principal payments on SPP's debt. This adjustment is done to ensure the expense performance measured is consistent with SPP's rate structure (i.e. SPP does not recover depreciation in its rates, instead SPP recovers principal retirements on its debt in its rates).

Following is a side by side comparison of the FY'14 forecasted financials presented to the SPP Finance Committee at its October 13, 2014 meeting and the unaudited FY'14 financials reviewed by the SPP Human Resources Committee at its January 20, 2015 meeting.

SPP Southwest Power Pool

Expense ($000)	FY'2014 Actuals	FY'2014 Forecast as of Aug-14	Inc/(Dec)
Salary & Benefits	$81,691	$83,916	(2,225)
Employee Travel	1,924	2,002	(78)
Administrative	4,399	4,490	(91)
Assessments & Fees	16,323	16,323	(0)
Meetings	831	831	(0)
Communications	3,745	3,754	(9)
Leases	180	176	4
Maintenance	15,149	15,182	(33)
Services	15,619	15,310	309
Regional State Committee	191	212	(21)
Principal Payments and Interest Expense	35,790	35,262	528
Gross Revenue Requirement	**$175,842**	**$177,458**	**($1,616)**

The table above illustrates a significant reduction in Salary & Benefits expenses between the August 2014 forecast and the actual YTD data presented to the SPP Human Resources Committee. The vast majority of this reduction results from a reduction in 2014 performance compensation accruals by $1.8 million which was also presented to, and accepted by, the SPP Finance Committee at its October 13, 2014 meeting. The remainder of the reduction in Salary & Benefits expenses results from delayed hiring of open positions.

Areas where the actuals increased above the August 2014 forecast include "Principal Payments and Interest Expense" (full recognition of interest owed to deposits for generation interconnections studies) and Services (increased engagement of external engineer consultants).

The Human Resources Committee recommended funding for performance compensation for 2014 at 15% of salaries paid during the year. This recommendation was approved by the SPP Board of Directors. SPP will increase its 2014 performance compensation accrual by $2.1 million so that the accrual for the year is consistent with the funding amount approved by the Board of Directors.

SPP's financial expense performance versus budget if SPP had not reduced its performance compensation accrual would not have changed the metric scoring for 2014 performance compensation. SPP's 2014 expense budget totaled $174 million versus actual expenses of $175.8 million, or 101% of budget. 2014 actual expenses based on performance compensation funding at the 15% level were $177.9 million or 102% of budget. The financial performance metric would still have been in the range to earn a 1.0 multiplier as referenced in the table above.

UPDATED WITH FINAL 2014 AUDITED DATA

Expense ($000)	Audit 2014	FY'2014 Actuals	Inc/(Dec)
Salary & Benefits	$ 85,575	$ 81,691	$ 3,884
Employee Travel	1,924	1,924	-
Administrative	4,399	4,399	-
Assessments & Fees	16,323	16,323	-
Meetings	833	831	2
Communications	3,745	3,745	-
Leases	180	180	-
Maintenance	15,149	15,149	-
Services	16,319	15,619	700
Regional State Committee		191	(191)
Principal Payments and Interest Expense	35,790	35,790	-
	$180,237	$175,842	

The above table compares the financial expenditures presented to the SPP Human Resources Committee at its January 20, 2015 meeting with the final expenditures contained in SPP's 2014 audited financial statements. Very clearly, the unaudited results presented to the Human Resources Committee underreported Salary & Benefits expense and Outside Services expense. Following is a reconciliation of the expense variance.

Salary & Benefits: The increase in expense in this category is attributable to one cash adjustment and 2 non-cash adjustments, as follows:

- Cash Adjustment: The HR Committee recommended, and the SPP Board of Directors and Regional Entity trustees approved, funding for 2014 performance compensation equal to $8,015. SPP's preliminary financials included an accrual for performance compensation equal to $6,104.
- Non-cash Adjustments:
  - Throughout the year SPP accrues pension expenses equal to the cash contributed to the pension during the year. Following year-end, SPP's actuary updates the pension expense calculation and SPP enters an adjustment to its accrual. Cash contributed to the pension plan during 2014 totaled $3,660 compared to the final pension expense calculation of $4,199
  - Historically, SPP has funded the post-retirement healthcare plan equal to the calculated post-retirement healthcare expense calculated by SPP's actuary. SPP, in consultation with its financial and benefit plan auditors, determined it was more accurate to present the post-retirement healthcare plan as an unfunded plan for financial reporting purposes beginning with the 2014 financial reports. As such, the expense of this plan is no longer reported net of earnings on plan assets. Cash contributed to the post-retirement healthcare plan during 2014 totaled $441 compared to the final post-retirement healthcare expense of $1,435.

Salary & Benefits @ Jan 20, 2015 Report		$ 81,691
Adjustments:		
Performance Comp	2,136	
Taxes on Performance Comp	132	
Non-cash Pension Expense	539	
Non-cash Post-Retirement Expense	994	
Other	83	
		3,884
Salary & Benefits in 2014 Audit Report		$ 85,575

Outside Services: SPP estimates accruals for expenses incurred in 2014 where SPP has not received an invoice prior to reporting financials. This process extends through most of the month of January and includes not only estimates but also true-up of accruals when invoices are finally received. Subsequent to reporting 2014 results to the SPP Human Resources Committee, SPP identified an additional $500 in expenses incurred in 2014. The vast majority of these expenses relate to ongoing engineering impact studies being conducted by third parties. Additionally, for cleaner presentation, the expenses associated with the Regional State Committee are consolidated into the Outside Services category for the audit report.

Memorandum

To:	SPP Officers / Directors / Managers
From:	Sheri Dunn / Cindy Goodwin
Date:	March 20, 2015
RE:	Febuary 2015 Financial Package

Attached are the Febuary 2015 monthly financial reports.

Southwest Power Pool

2014 Financial Commentary
February 28, 2015
(in thousands)

Summary

	2015 FY Actual	2015 FY Budget	Fav/(Unfav) Variance	
Revenues	$174,763	$174,595	$168	0.1%
Expenses	209,219	209,982	763	0.4%
Net Income/(Loss)	($34,456)	($35,387)	$931	2.6%

Revenue

	2015 FY Actual	2015 FY Budget	Fav/(Unfav) Variance	
Tariff Administration Service	$141,090	$141,149	($59)	(0.0%)
FERC Fees & Assessments	17,181	15,460	1,721	11.1%
NERC ERO Regional Entity Rev	10,307	11,693	(1,386)	(11.9%)
Miscellaneous Income	5,206	5,338	(132)	(2.5%)
Contract Services Revenue	456	475	(19)	(3.9%)
Annual Non-Load Dues	522	480	42	8.8%
Total Revenue	$174,763	$174,595	$168	0.1%

FERC Fees Assessments revenue was adjusted to reflect the current rate provided by Settlements, which is $0.074 as compared to $0.066 assumed in the budget. The budget anticipated a conservative increase of 3% over the prior year; however, the newly calculated rate includes prior year adjustments resulting in a 15% increase over the prior year.

NERC ERO Regional Entity revenue is based on Regional Entity (RE) budgeted expenditures and anticipated pass-thru expenses for SPP resources outside the RE. The primary drivers of the variance reside in compensation and outside services expenses. Although the budget assumed the RE would be fully staffed at the beginning of the year, currently 4 out of the 30 budgeted positions remain vacant with 2 of the positions eliminated from the forecast. Staffing levels and external consulting costs were reassessed and subsequently reduced based on the decreasing trend of violations experienced since the budget was finalized.

Miscellaneous Income is unfavorable due to a change in the forecast for QRP fees (related to Order 1000), which were originally budgeted to include fees from SPP members (who are not required to pay).

Southwest Power Pool

2014 Financial Commentary
February 28, 2015
(in thousands)

Expense

	2015 FY Actual	2015 FY Budget	Fav/(Unfav) Variance	
Salary & Benefits	$80,793	$80,020	($773)	(1.0%)
Assessments & Fees	16,393	16,400	7	0.0%
Communications	4,149	4,307	158	3.7%
Maintenance	14,268	14,670	401	2.7%
Outside Services (Including RSC)	15,238	16,137	899	5.6%
Administrative & Leases	5,030	5,113	83	1.6%
Travel & Meetings	2,933	3,092	159	5.1%
Depreciation & Amortization	61,088	61,247	159	0.3%
Other Expenses	9,327	8,996	(332)	(3.7%)
Total Expense	$209,219	$209,982	$763	0.4%

Salary & Benefits were adjusted to reflect current active staff and timing of new hires based on estimates from HR. The budget assumed a vacancy rate of 5%; however, the vacancy forecast is now 4% based on current projections.

Despite the significant variance YTD, the forecast for Outside Services expense has been adjusted to reflect anticipated costs for the remainder of the year and reflects a 5% reduction from original budget. The main driver of the decrease relates to lower staffing cost in the Regional Entity (RE). The 2015 RE budget was finalized in April of 2014 and was based on staffing needs associated with the number violations experienced during 2013, which have since significantly decreased. RE management assessed staffing levels based on this trend, which resulted in eliminating two open positions and reducing outside consulting costs. The NERC funding, which is revenues SPP receives to offset operating costs of the RE, was also reduced. The net impact to SPP is an unfavorable variance of $200.

Other areas remaining favorable to budget for the year in Outside Services are related to i) removing Legislative Outreach/Consulting expense (which was replaced with two full-time staff) and ii) the decision to remove consulting costs for ERAG (Eastern Interconnection Reliability Assessment Group).

Regional Entity makes up $40 of the favorable variance in Travel expense, followed by Process Integrity ($20), and Engineering ($10). Meetings also trail budget in various areas, with the largest variance in the Training department, as the forecast reflects cost savings associated with eliminating restoration drill meetings expenses ($10) and reducing expenses related to various other external meetings and conferences ($20).

The variance in Other Expenses is primarily related to interest expense for IT storage equipment that was financed though a capital lease.

Southwest Power Pool
Monthly Overview
February 28, 2015
(in thousands)

	Actual Jan-15	Actual Feb-15	Fcst Mar-15	Fcst Apr-15	Fcst May-15	Fcst Jun-15	Fcst Jul-15	Fcst Aug-15	Fcst Sep-15	Fcst Oct-15	Fcst Nov-15	Fcst Dec-15	FY 2015 Forecast	FY 2015 Budget	Variance Fav/(Unfav)	FY 2014 Unaudited	Variance Fav/(Unfav)
Income																	
Tariff Administrative Service	11,866	10,867	11,396	11,396	11,396	11,396	11,396	11,396	11,396	12,888	12,888	12,811	$141,090	141,149	($59)	133,722	$7,368
Fees & Assessments	2,407	2,528	2,222	2,085	2,188	2,362	2,481	2,570	2,293	2,238	2,255	2,377	28,010	27,633	377	25,013	2,998
Contract Services Revenue	38	38	38	38	38	38	38	38	38	38	38	38	456	475	(19)	453	4
Miscellaneous Income	88	283	564	194	194	344	497	497	497	497	497	1,057	5,206	5,338	(132)	4,350	857
Total Income	14,398	13,716	14,220	13,713	13,816	14,140	14,412	14,501	14,224	15,661	15,678	16,283	174,763	174,595	168	163,537	11,226
Expense																	
Salary & Benefits	6,699	6,722	6,897	6,708	6,595	6,555	6,744	6,714	6,726	6,783	6,792	6,858	80,793	80,020	(773)	85,575	4,782
Employee Travel	99	160	175	181	167	189	173	173	190	176	163	166	2,012	2,094	82	1,924	(88)
Administrative	249	275	332	558	567	361	294	309	342	868	294	392	4,839	4,921	82	4,399	(439)
Assessments & Fees	1,363	1,363	1,367	1,367	1,367	1,367	1,367	1,367	1,367	1,367	1,367	1,367	16,393	16,400	7	16,323	(70)
Meetings	78	75	60	110	68	82	92	57	59	117	76	47	921	998	77	833	(88)
Communications	294	308	317	319	335	335	369	369	369	369	369	393	4,149	4,307	158	3,745	(404)
Leases	15	16	16	16	16	16	16	16	16	16	16	16	191	192	1	180	(11)
Maintenance	1,111	1,079	1,191	1,179	1,195	1,199	1,206	1,181	1,190	1,238	1,236	1,263	14,268	14,670	401	15,149	880
Services	583	989	1,388	1,022	1,069	945	1,363	1,357	1,406	1,545	1,441	1,924	15,030	15,849	818	16,128	1,097
Regional State Committee	7	19	18	18	18	18	18	18	18	18	18	18	207	288	81	191	(16)
Depreciation & Amortization	4,672	4,795	5,133	5,153	5,174	5,175	5,115	5,115	5,149	5,150	5,168	5,289	61,088	61,247	159	51,046	(10,042)
Total Expense	15,171	15,800	16,894	16,631	16,571	16,242	16,756	16,676	16,831	17,647	16,940	17,733	199,892	200,987	1,095	195,493	(4,399)
Other Income/(Expense)																	
Gain or Loss on Sale of Fixed Asset	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	23	(23)
Other Income/Expense	(28)	85	-	133	133	133	133	133	133	133	133	133	1,256	1,260	(4)	(534)	1,790
Interest Income	5	5	-	-	-	-	-	-	-	-	-	-	9	-	9	499	(490)
Interest Expense	(1,007)	(801)	(902)	(873)	(938)	(894)	(864)	(927)	(884)	(854)	(914)	(875)	(10,733)	(10,496)	(237)	(12,916)	(2,183)
Capitalized Interest	-	-	102	-	-	-	-	-	15	-	-	22	140	241	(101)	363	223
Change in Valuation of Swap	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(1,528)	(1,528)
Net Other Income (Expense)	(1,031)	(711)	(800)	(740)	(804)	(761)	(731)	(794)	(735)	(721)	(781)	(720)	(9,327)	(8,996)	(332)	(14,093)	(2,211)
Net Income (Loss)	($1,803)	($2,795)	($3,474)	($3,658)	($3,560)	($2,863)	($3,075)	($2,969)	($3,342)	($2,706)	($2,042)	($2,170)	($34,456)	($35,387)	$931	($46,051)	$11,595
2015 Headcount Forecast	576	576	572	568	574	577	577	577	577	577	577	577	577				
2015 Headcount Budget	595	595	598	598	598	598	598	598	598	598	598	598	598				
Over / (Under) Budget	(19)	(19)	(26)	(30)	(24)	(21)	(21)	(21)	(21)	(21)	(21)	(21)	(21)				
Headcount Vacancy	-3%	-3%	-4%	-5%	-4%	-4%	-4%	-4%	-4%	-4%	-4%	-4%	-4%				
NRR Over / (Under) Recovery	$3,011	$1,597	($4,480)	$1,657	$1,621	($3,971)	$1,806	$1,771	($4,413)	$2,477	$3,066	($3,188)	($5,616)				

Southwest Power Pool
Actual Results Overview
February 28, 2015
(in thousands)

	Current Month Compared to Forecast			YTD Actual Compared to YTD Budget			YTD 2015 Compared to YTD 2014 (unaudited)		
	Feb-2015 Actual	Feb-2015 Forecast	Variance Fav/(Unfav)	Feb-2015 Actual	Feb-2015 Budget	Variance Fav/(Unfav)	Feb-2015 Current Year	Feb-2014 Prior Year	Variance Fav/(Unfav)
Income									
Tariff Administrative Service	$10,867	$11,396	($529)	$22,733	$22,791	($59)	$22,733	$21,878	$855
Fees & Assessments	$2,528	$2,804	(276)	4,935	5,135	(200)	4,935	4,605	330
Contract Services Revenue	$38	$40	(2)	76	79	(3)	76	72	4
Miscellaneous Income	466	$564	(98)	370	796	(426)	370	571	(200)
Total Income	13,899	14,803	(904)	28,114	28,802	(688)	28,114	27,126	988
Expense									
Salary & Benefits	6,722	6,736	$14	13,422	13,242	($179)	13,422	13,226	($196)
Employee Travel	160	168	8	259	345	85	259	241	(18)
Administrative	275	296	22	523	669	146	523	532	8
Assessments & Fees	1,363	1,367	4	2,726	2,733	7	2,726	2,600	(126)
Meetings	75	68	(7)	153	192	39	153	163	10
Communications	308	320	12	602	718	116	602	691	89
Leases	16	16	(0)	31	32	1	31	25	(7)
Maintenance	1,079	1,169	90	2,190	2,428	238	2,190	2,025	(165)
Services	989	1,558	569	1,571	2,851	1,280	1,571	2,098	527
Regional State Committee	19	18	()	25	48	23	25	26	
Depreciation & Amortization	4,795	4,824	29	9,467	9,626	159	9,467	3,486	(5,981)
Total Expense	15,800	16,540	740	30,970	32,885	1,915	30,970	25,113	(5,857)
Other Income/(Expense)									
Gain or Loss on Sale of Fixed Asset	-	-	-	-	-	-	-	-	-
Other Income/Expense	85	-	85	56	210	(154)	56	17	39
Interest Income	5	-	5	9	-	9	9	5	5
Interest Expense	(801)	(896)	96	(1,808)	(1,751)	(57)	(1,808)	(1,723)	(85)
Capitalized Interest	-	-	-	-	-	-	-	-	-
Change in Valuation of Swap	-	-	-	-	-	-	-	-	-
Net Other Income (Expense)	(711)	(896)	185	(1,742)	(1,541)	(201)	(1,742)	(1,701)	(41)
Net Income (Loss)	($2,612)	($2,633)	$21	($4,598)	($5,624)	$1,026	($4,598)	$312	($4,910)
Headcount	576	576	-	576	595	(19)	576	570	6

Southwest Power Pool
Balance Sheet
February 28, 2015
(in thousands)

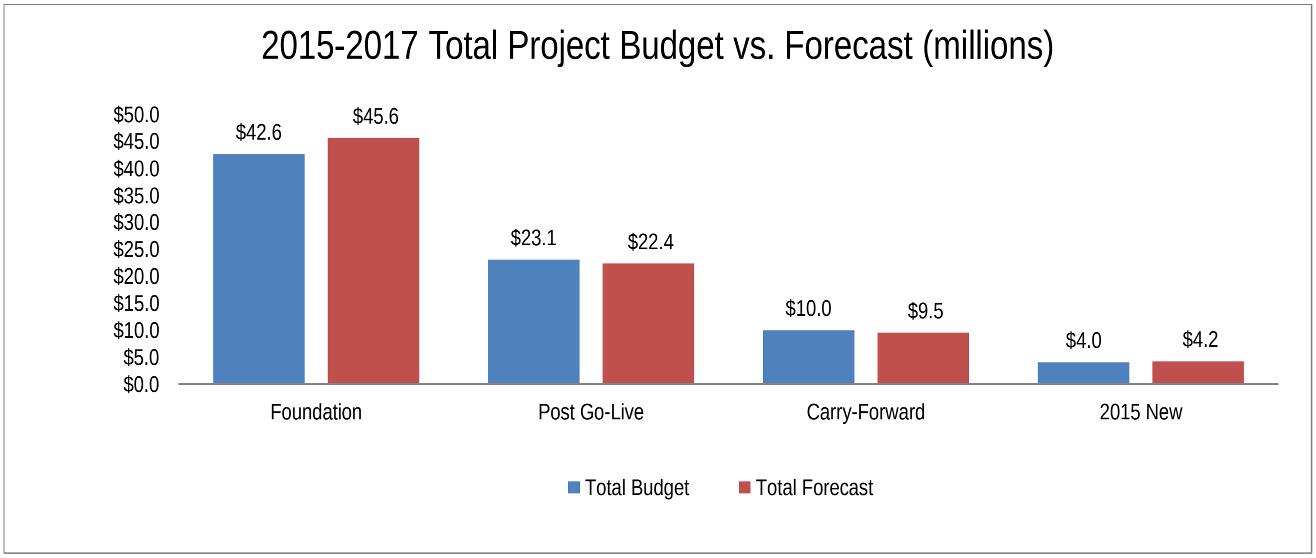
	2/28/2015	Unaudited 12/31/2014	Net Change
ASSETS			
Current Assets			
Cash & Equivalents	$103,268	$57,534	$45,734
Restricted Cash Deposits	223,372	222,285	1,086
Accounts Receivable (net)	24,220	41,826	(17,606)
Other Current Assets	16,826	7,204	9,621
Total Current Assets	$367,685	$328,850	$38,835
Total Fixed Assets	173,476	176,881	(3,405)
Total Other Assets	2,733	5,183	(2,450)
Investments	9,099	10,099	(1,000)
TOTAL ASSETS	$552,993	$521,013	$31,980
LIABILITIES & EQUITY			
Liabilities			
Current Liabilities			
Accounts Payable (net)	$12,509	$31,417	(18,908)
Customer Deposits	248,221	222,285	25,937
Current Maturities of LT Debt	24,887	24,299	588
Other Current Liabilities	82,119	57,943	24,176
Deferred Revenue	4,341	5,895	(1,555)
Total Current Liabilites	372,077	341,839	30,239
Long Term Liabilities			
US Bank 5.45% Senior Notes - 2016	3,000	3,000	-
US Bank Maumelle Mortgage - 2027	3,290	3,341	(51)
Campus 4.82% Senior Notes - 2042	61,869	61,869	-
Integrated Marketplace 3.55% Senior Note - 2024	57,750	57,750	-
Senior Notes - 2024	85,000	85,000	-
Senior Notes - 2025	37,000	37,000	-
Capital Lease Obligation	6,313	-	6,313
Other Long Term Liabilities	18,236	18,158	78
Total Long Term Liabilities	272,458	266,118	6,340
Net Income	(4,598)	(46,050)	41,452
Members' Equity	(86,945)	(40,895)	(46,050)
Total Members' Equity	(91,543)	(86,945)	(4,598)
TOTAL LIABILITIES & EQUITY	$552,993	$521,013	$31,980

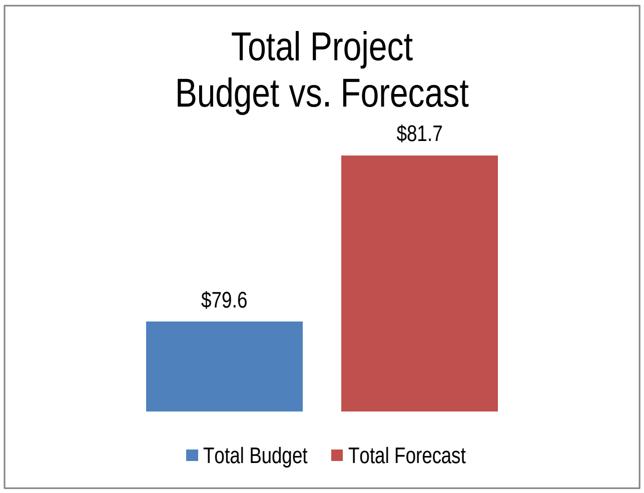
2015 - 2017 Capital Project Forecast ($0,000)

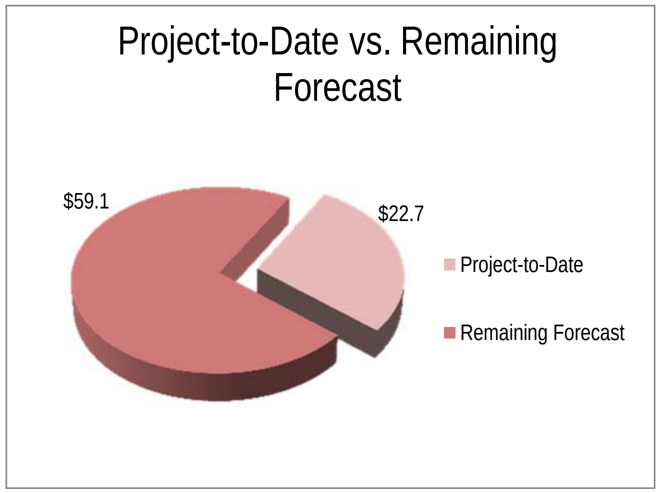
Project	Prior Year(s)	2014 Actual	2015 Forecast	2016 Forecast	2017 Forecast	TOTAL FORECAST	TOTAL BUDGET	Variance Over/(Under)
Post Go-Live								
Project Pinnacle	$457.7	$10,473.1	$3,641.0	$0.0	$0.0	$14,571.8	$15,371.8	($800.0)
Enhanced Combined Cycle (suspended thru Oct 2015)	143.9	1,157.2	1,407.4	3,500.0	500.0	6,708.4	6,708.4	0.0
Phase I Deferred Enhancements	0.0	1,087.3	0.0	0.0	0.0	1,087.3	1,000.0	87.3
Total Market Post Go-Live Projects	**$601.6**	**$12,717.6**	**$5,048.4**	**$3,500.0**	**$500.0**	**$22,367.6**	**$23,080.2**	**($712.7)**
Carry-forward projects included in 2015 Budget								
Netezza	$2,156.0	$490.3	$171.7	$0.0	$0.0	$2,818.0	$2,818.0	$0.0
Transmission Settlements Upgrade ETSE3.0	0.0	0.0	3,035.0	1,152.0	0.0	4,187.0	4,187.0	0.0
EMS Upgrade	0.0	0.0	0.0	1,042.5	455.2	1,497.7	1,497.7	0.0
Aurea ESB Replacement	0.0	1.4	173.6	0.0	0.0	175.0	475.0	(300.0)
IssueTrak Integration with Remedy	0.0	0.0	150.0	0.0	0.0	150.0	150.0	0.0
Cost Allocation SQL Database	0.0	0.0	50.0	0.0	0.0	50.0	50.0	0.0
Total Other Projects	**$2,156.0**	**$491.7**	**$3,580.3**	**$2,194.5**	**$455.2**	**$8,877.7**	**$9,177.7**	**($300.0)**
2015 New Projects								
Gas / Electric Harmonization			$2,000.0	$0.0	$0.0	$2,000.0	$2,000.0	$0.0
IS Integration			1,027.0	0.0	0.0	1,027.0	1,027.0	0.0
Local Reliability Assessment			500.0	0.0	0.0	500.0	500.0	0.0
2-Factor Authentication (1 of 2 - Infrastructure build)			0.0	250.0	0.0	250.0	250.0	0.0
Vaadin 6 to 7 Upgrade			120.0	60.0	0.0	180.0	180.0	0.0
Tie Line Meter Checkout			66.0	0.0	0.0	66.0	66.0	0.0
Total 2015 New Projects			**$3,713.0**	**$310.0**	**$0.0**	**$4,023.0**	**$4,023.0**	**$0.00**
Foundation								
IT Systems Admin Foundation *			$8,164.2	$2,592.0	$4,222.0	$14,978.2	$12,217.2	$2,761.0
IT Network-Telecom Foundation *			5,113.1	5,015.0	3,666.0	13,794.1	13,685.0	109.1
IT Applications Foundation *			1,380.7	1,790.3	2,670.0	5,840.9	5,756.3	84.7
IT Service Management Foundation *			250.8	542.9	467.6	1,261.3	1,214.7	46.6
IT Environmental Ops Foundation			200.0	0.0	0.0	200.0	200.0	0.0
Operations Marketplace Enhancements			2,000.0	2,125.0	1,843.0	5,968.0	5,968.0	0.0
Operations Legacy Applications Foundation			708.0	663.0	638.0	2,009.0	2,009.0	0.0
Settlements Enhancements			250.0	250.0	250.0	750.0	750.0	0.0
Miscellaneous Facilities			269.8	180.0	170.0	619.8	580.0	39.8
CMS Enhancements			100.0	50.0	50.0	200.0	200.0	(0.0)
Total Foundation			**$18,436.5**	**$13,208.2**	**$13,976.6**	**$45,621.2**	**$42,580.1**	**$3,041.13**
Capital Project Forecast (compared to Original Budget)	**$2,757.6**	**$13,209.3**	**$30,778.2**	**$19,212.7**	**$14,931.8**	**$80,889.5**	**$78,861.1**	**$2,028.5**
Carry Forward Projects (expected to be complete in 2014)								
Z2 Crediting Process (budget $295 in 2012)	$348.9	$2.2	$0.0	$0.0	$0.0	$351.1	$295.0	$56.1
Project Server 2013 Upgrade	0.0	104.0	22.3	0.0	0.0	126.4	300.0	(173.6)
QA ICCP Buildout	0.0	190.4	1.0	0.0	0.0	191.4	180.0	11.4
Total Additional Carry Forward Projects	**$348.9**	**$296.6**	**$23.3**	**$0.0**	**$0.0**	**$668.8**	**$775.0**	**($106.2)**
Unbudgeted Projects								
Website Upgrades	$0.0	$0.0	$180.5	$0.0	$0.0	$180.5	$0.0	$180.5
Total Unbudgeted Projects	**$0.0**	**$0.0**	**$180.5**	**$0.0**	**$0.0**	**$180.5**	**$0.0**	**$180.5**
Total Capital Project Expense	**$3,106.6**	**$13,505.9**	**$30,981.9**	**$19,212.7**	**$14,931.8**	**$81,738.9**	**$79,636.1**	**$2,102.8**

Notes on material variances to budget

* The timing of receipt/recording of IT equipment purchases (primarily storage equipment) causes a variance in the IT foundation budget, however these purchases were expected to be received in 2014 and were included in the 2014 budget .


2015-2017 Total Project Budget vs. Forecast (millions)
$50.0
$45.0
$40.0
$35.0
$30.0
$25.0
$20.0
$15.0
$10.0
$5.0
$0.0
$42.6
$45.6
$23.1
$22.4
$10.0
$9.5
$4.0
$4.2
Foundation
Post Go-Live
Carry-Forward
2015 New
Total Budget
Total Forecast


Total Project
Budget vs. Forecast
$81.7
$79.6
Total Budget
Total Forecast


Project-to-Date vs. Remaining
Forecast
$59.1
$22.7
Project-to-Date
Remaining Forecast

Southwest Power Pool
Headcount Analysis
February 28, 2015

	Current Month Actual vs. Budget			Full Year Forecast vs. Budget		
	Actual Feb-2015	Budget Feb-2015	Over/(Under) Budget	FY 2015 Forecast	FY 2015 Budget	Over/(Under) Budget
Administration	0	0	0	(20)	0	(20)
Officers	11	10	1	12	10	2
Accounting	10	10	0	10	10	0
Credit	4	4	0	4	4	0
Settlements	24	24	0	24	24	0
Administration	49	48	1	30	48	(18)
Corporate Services	29	29	0	28	29	(1)
Interregional Affairs	4	4	0	4	4	0
Project Management	13	13	0	13	13	0
Training	11	11	0	11	11	0
Customer Service	10	10	0	10	10	0
Process Management	3	3	0	3	3	0
Internal Audit	6	6	0	6	6	0
Process Integrity	47	47	0	47	47	0
SPP Compliance	10	11	(1)	11	11	0
Market Monitoring	13	14	(1)	14	14	0
Compliance & Market Monitoring	23	25	(2)	25	25	0
SPP Regional Entity	26	30	(4)	28	30	(2)
Information Technology	143	146	(3)	146	146	0
Markets	6	7	(1)	7	7	0
Interregional Relations	3	3	0	3	3	0
Operations	153	157	(4)	160	160	0
Engineering	68	73	(5)	73	73	0
Regulatory Policy & General Counsel	29	30	(1)	30	30	0
TOTAL HEADCOUNT	576	595	(19)	577	598	(21) *

* Two positions were added after the budget was approved, resulting in 600 positions as compared to the budget of 598. The forecast includes removing two positions within the Regional Entity and one position in the Regulatory department. These positions remained vacant since 2014, and the workload was assumed by existing staff. The forecast also includes a vacancy factor of 20 positions which reflects a vacancy of 4%.

Unbudgeted Purchases
>$100k

1st Qtr 2015						
PO Number	Project Name	Vendor	Scope of Work/Resource	Total Amount	Budgeted	Unbudgeted
PO2015-1144	2015 Foundation General	GDH Consulting, Inc.	Project Management Consulting Services/Marlene Wallace	$ 113,880	$ -	$ 113,880
PO2015-1143	2015 IS Integration	Nexant, Inc.	iHedge System Dev. ARR Allocation Process	$ 165,600	$ -	$ 165,600
PO2015-1117	2015 Corporate Website Replacement	Aristotle, Inc.	Corporate Website Replacement Project	$ 180,500	$ -	$ 180,500
						$ 459,980