



**Southwest Power Pool**  
**FINANCE COMMITTEE MEETING**  
**December 7, 2015**  
**Little Rock, Arkansas**

**• 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 participated:

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

Others attending included:

Josh Martin	SPP Director
Jim Eckelberger	SPP Director
Phyllis Bernard	SPP Director
Julian Brix	SPP Director
Carl Monroe	SPP
Michael Desselle	SPP
Scott Noble	SPP
Scott Smith	SPP
Lauren Krigbaum	SPP
Steve Osborn	Osborn, Carreiro & Associates
Stan Payne	Stephens Insurance
Kevin McBride	Stephens Insurance
Jim Goss	Stephens Insurance
Matt Jones	Stephens Insurance
Barrett Breeding	BKD, LLC
Rick Hannmann	KPMG
Eddie Holt	KPMG
Schoen Hertell	KPMG
Chin Modha	KPMG

Minutes from the November 10, 2015 meeting were reviewed. The Committee requested the minutes be edited to include the discussion on the Z2 Credit Stack project and also note the email vote the Committee had to approve unbudgeted expenditures on the Z2 Credit Stack project. With the preceding addition, Sandra Bennett motioned to approve the minutes. The motion was seconded by Kelly Harrison and approved by unanimous voice vote.

SPP staff briefly reviewed the status of the Action Items list.

Harry Skilton briefly reviewed the Finance Committee data from the SPP Organizational Group survey. The Finance Committee's overall effectiveness score dropped from the prior year and Mr. Skilton encouraged all members and stakeholders to reach out to him to share any insights they have on how to improve the Committee's effectiveness.

### **Continuous Improvement Review**

Michael Desselle, SPP's Vice President of Process Integrity and Chief Compliance Officer, and Scott Noble, SPP's Director of Business Process Improvement, reported on SPP's business process improvement program results for the year-to-date 2015 period. The report highlighted historical and forecast improvement initiative volumes, staff participation and engagement metrics. The report highlight a completed initiative and the estimated financial impact as well as an in-process initiative. Finally, the report addressed the "Future State of Business Process Improvement" at SPP highlighting the structure of the program as well as the success metrics SPP staff will report on in the future.

### **Corporate Liability Insurance Stewardship Report**

Representatives from Stephens Insurance, LLC provided an overview of the property & casualty, professional liability and Director and 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 decreases in premiums for all lines except Errors and Omissions and Directors and Officer coverage; on both of those lines Stephens is projecting a 5%+ increase in premiums.

Stephens was asked to explore increases in retentions as a means to reduce premiums. Stephens indicated retentions are reviewed annually against premiums and likelihood of claims to find an acceptable balance. Several lines are already at minimum premium levels and therefore would not produce lower premiums if retentions were increased.

The Committee indicated a desire to perform a full review of the insurance structure during 2016 including determining if it is still appropriate to carry any insurance for certain risks.

### **Pension Assumptions**

SPP staff discussed its recommendations for the three primary assumptions required for pension accounting and valuation: i) discount rate – staff recommended reducing the rate to 5.00% from 5.50% in accordance with SPP's process for determining the discount rate assumption; ii) investment rate of return – staff recommends remaining at 7.00% long-term rate of return; iii) rate of compensation change – staff recommends remaining at 4.00%. The Committee asked Steve Osborn if he agreed with the recommendations (Mr. Osborn stated he agreed with the recommended assumptions).

Mr. Osborn discussed the mortality tables he uses in his work on SPP's pension plan (currently UP1994) and the opportunity to change tables to a more current table: RP 2000, RP 2000 adj 2020, or RP 2014. Mr. Osborn stated he believed RP 2014 tends to overstate life expectancy, particularly beyond 80 years of age. Mr. Osborn recommended SPP adopt RP 2000 adj 2020 for its future calculations. The U.S. Internal Revenue Service currently uses RP 2000 adj 2016 for calculations of minimum cash contributions. The Committee directed Mr. Osborn to use RP2000 adj 2016 for SPP's future calculations.

### **2015 Financial Audit**

Barrett Breeding of BKD, LLC presented the 2015 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.

The Committee dismissed SPP staff and convened a brief executive session with BKD, LLC.

### **2015 Controls Audit**

Representatives from KPMG presented the results of SPP's SSAE 16 Controls Audit completed as of October 31, 2015 covering the period November 1, 2014 through October 31, 2015. The audit report will be issued with an unqualified opinion and no noted exceptions.

Finance Committee  
December 7, 2015

**SPP Internal Signature Authorities**

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

**Future Meetings**

The next meeting of the Finance Committee is scheduled for April 5, 2016 at the DFW Hyatt Regency hotel in Dallas, TX beginning at 7:30 a.m. and ending at 2:00 p.m.

SPP is working to schedule a meeting during the first 2 weeks of March when the Committee will review the performance of the investment manager of SPP's pension fund and discuss its strategy to manage and fund capital expenditures in the future.

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

Respectfully Submitted,

Thomas P. Dunn  
Secretary



Southwest Power Pool, Inc.

FINANCE COMMITTEE

Action Items Status Report

December 7, 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	Present at March 11, 2016 meeting
2.	Create checklist of committee duties	7/09/2015	incomplete	Present at March 11, 2016 meeting
3.	Prepare document outlining capital expenditures and funding options	7/17/2015	incomplete	
4.	Revisit SPP's rate design	11/10/2015	New	
5.	Full review of corporate liability insurance	12/07/2015	New	
6.				
7.				
8.				
9.				
10.				
11.				
12.				
13.				
14.				
15.				



**Southwest Power Pool, Inc.  
FINANCE COMMITTEE MEETING  
December 7, 2015  
SPP Office  
Little Rock, Arkansas**

**• A G E N D A •**

2:00 p.m. – 6:00 p.m.

1. Administrative Items (*5 minutes*) ..... Harry Skilton
2. Continuous Improvement Review (*90 minutes*) ..... Michael Desselle
3. Corporate Liability Insurance Stewardship Report (*30 minutes*) ..... Stan Payne – Stephens Insurance
4. Pension Assumption (*30 minutes*) ..... Tom Dunn / Steve Osborn – Osborn Carreiro & Associates, Inc.
5. 2015 Financial Audit – Pre-audit meeting (*30 minutes*) ..... Barrett Breeding – BKD, LLC
6. 2015 Controls Audit (*60 minutes*) ..... Rick Hannmann - KPMG
7. Written Reports
  - a. October 2015 Financial Report
  - b. SPP Signature Authority Levels
8. Adjourn ..... Harry Skilton



**Southwest Power Pool  
FINANCE COMMITTEE MEETING**

**November 10, 2015**

**Dallas, Texas**

**• M I N U T E S •**

**Administrative Items**

SPP Chair Harry Skilton called the meeting to order at 10:30 a.m. The following members of the Finance Committee participated:

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:

Traci Bender	NPPD
Jim Eckelberger	SPP Director
Nick Brown	SPP
Carl Monroe	SPP
Dianne Branch (phone)	SPP
Zeynep Vural (phone)	SPP
Sheri Dunn (phone)	SPP
Jason Bailey (phone)	OG&E

Minutes from the October 27, 2015 meeting were reviewed. Kelly Harrison suggested additional language covering comments made around focusing and monitoring efficiencies achieved within SPP and development of metrics to measure the results. With the addition of the suggested comments, Kelly Harrison motioned to approve the minutes. The motion was seconded by Larry Altenbaumer and approved by unanimous voice vote.

**2015 Reconciliation of Forecast Results to Budget**

SPP staff provided a review of the 2015 net revenue requirement forecast via comparison to the 2015 budgeted net revenue requirement. The review highlighted significant factors that have had either a positive or negative impact on the forecast 2015 net revenue requirement. SPP staff also provided an update on its progress towards achieving its 2015 cost-savings initiatives. Finally, staff provided a few comparisons to its RTO/ISO peers looking at staffing levels, outstanding debt, load, and cost of operation.

The Committee requested staff also provide a comparison of capital expenditures, by RTO, for the past several years.

**2016 Budget and Administrative Fee Rate**

SPP staff provided a summary of the major components of the 2016 budget and administrative fee including; i) salary and benefit expenses; ii) maintenance expense; iii) outside services expense; iv) load assumptions; and v) other administrative expenses. In addition to the usual expenditures, the recommended 2016 budget also includes collection of \$4.3 million to be used to fund capital expenditures which will reduce the amount of future borrowings.

Committee members expressed their desire for SPP to develop a strategy to deal with flat to reducing load which will result in increased administrative fees in future years absent any meaningful changes in expenditures. The Committee will review rate design options in 2016 and suggest the SPP Strategic Planning Committee include rate design as a topic during its 2016 planning retreat.

Kelly Harrison made a motion for the Committee to recommend the 2016 Budget to the SPP Board of Directors for approval. The 2016 budget consists of total expenses of \$217.1 million, debt repayment of \$24.2 million, and capital expenditures of \$22.2 million. The motion was seconded by Sandra Bennett and approved by unanimous voice vote.

Sandra Bennett made a motion for the Committee to recommend to the SPP Board of Directors a 2016 administrative fee rate of 37¢/MWh, based on the net revenue requirement within the 2016 Budget of \$150.5 million and estimated billing determinants of 407.2 million MWhs. The motion was seconded by Laura Kapustka and approved by unanimous voice vote.

### **Netting of TCR Portfolio w/ Auction Submissions**

The Credit Practices Working Group submitted a recommendation to allow a Credit Customer's positively-valued TCR portfolio to offset their credit requirements for TCR bids, offers, and ARR self-converts during a current auction period. This recommendation was approved unanimously by the Credit Practices Working Group, the Market Working Group, and the Regional Tariff Working Group. Committee members sought clarification on the frequency of valuation of TCRs which staff confirmed occurred daily.

Larry Altenbaumer made a motion to approve the recommendation as submitted. The motion was seconded by Kelly Harrison and approved by unanimous voice vote.

### **Z2 Credit Stack Project**

Subsequent to the October 27, 2015 meeting, the Finance Committee was presented with a recommendation from SPP management to approve and additional \$256,000 of unbudgeted expenditures to complete the project. Approval was sought via an email vote process; 5 of the 6 members of the Committee submitted affirmative votes to approve the unbudgeted expenditures, 1 member of the Committee did not submit any vote.

Committee members indicated concerns with the project, SPP's management of the project, and lack of visibility internally on the project's status. SPP staff replied with the steps undertaken to address the deficiencies the Committee noted.

### **Post-retirement Healthcare Fund Investment Management**

SPP staff presented a recommendation to terminate the active management of the fund and invest the account in a portfolio of Vanguard S&P500 Index mutual fund (VFIAX) and Vanguard Short-term Bond Index (VBIRX). The portfolio would be invested 70% in the S&P Index and 30% in the Bond Index and would be rebalanced annually.

The Committee suggested opening the account directly with Vanguard to eliminate any account or transaction fees.

Larry Altenbaumer motioned to approve the recommendation with the provision that the account be opened with Vanguard directly. The motion was seconded by Kelly Harrison and approved by unanimous voice vote.

Finance Committee  
November 10, 2015

**Future Meetings**

The next meeting of the Finance Committee is scheduled for December 7, 2015 at SPP's offices in Little Rock, AR beginning at 2:00 p.m. and ending at 6:00 p.m.

There being no further business, Harry Skilton adjourned the meeting at 2:05 p.m.

Respectfully Submitted,

Thomas P. Dunn  
Secretary





Southwest Power Pool, Inc.

FINANCE COMMITTEE

Action Items Status Report

November 10, 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	Stakeholder Prioritization Review Process initiates in November with first full report in mid-January 2016.
2.	Develop schedule of items that require Committee approval, items that require Committee monitoring, and items that require Committee input.	12/20/2013	complete	Presented at 7/09/15 meeting
3.	Create comparison of level of financial disclosures contained in RTO annual reports	7/10/2014	complete	Presented at 7/09/15 meeting
4.	Develop schedule for review of annual operating plan	4/2/2015	complete	Presented at 7/09/15 meeting
5.	Update financial models	4/2/2015	complete	Presented at 7/09/15 meeting
6.	Prepare new financial models with different load growth assumptions	7/09/2015	complete	Presented at 7/17/15 meeting
7.	Advise on appropriate metrics for evaluating success of business process improvement program	7/09/2015	incomplete	December 7, 2015 meeting topic
8.	Evaluate passive investment management option for post-retirement healthcare fund	7/09/2015	complete	Presented at 11/10/15 meeting
9.	Obtain quarterly written report from investment manager of pension plan	7/09/2015	complete	Presented at 11/10/15 meeting
10.	Add more granularity and detail to future meeting schedule	7/09/2015	complete	Presented at 11/10/15 meeting
11.	Create checklist of committee duties	7/09/2015	incomplete	December 7, 2015 meeting topic
12.	Prepare schedule of current year load	7/09/2015	complete	Presented at 11/10/15 meeting
13.	Prepare document outlining capital expenditures and funding options	7/17/2015	incomplete	
14.	Prepare schedule of RTO peer capital	11/10/2015	New	

Finance Committee  
November 10, 2015

	expenditures			
15.	Revisit SPP's rate design	11/10/2015	New	



# Agenda

## Current State of BPI

2015 Initiative Activity

2015 Engagement Levels

2015 Mini-Case Studies



## Future State of BPI

Distributed Model Details

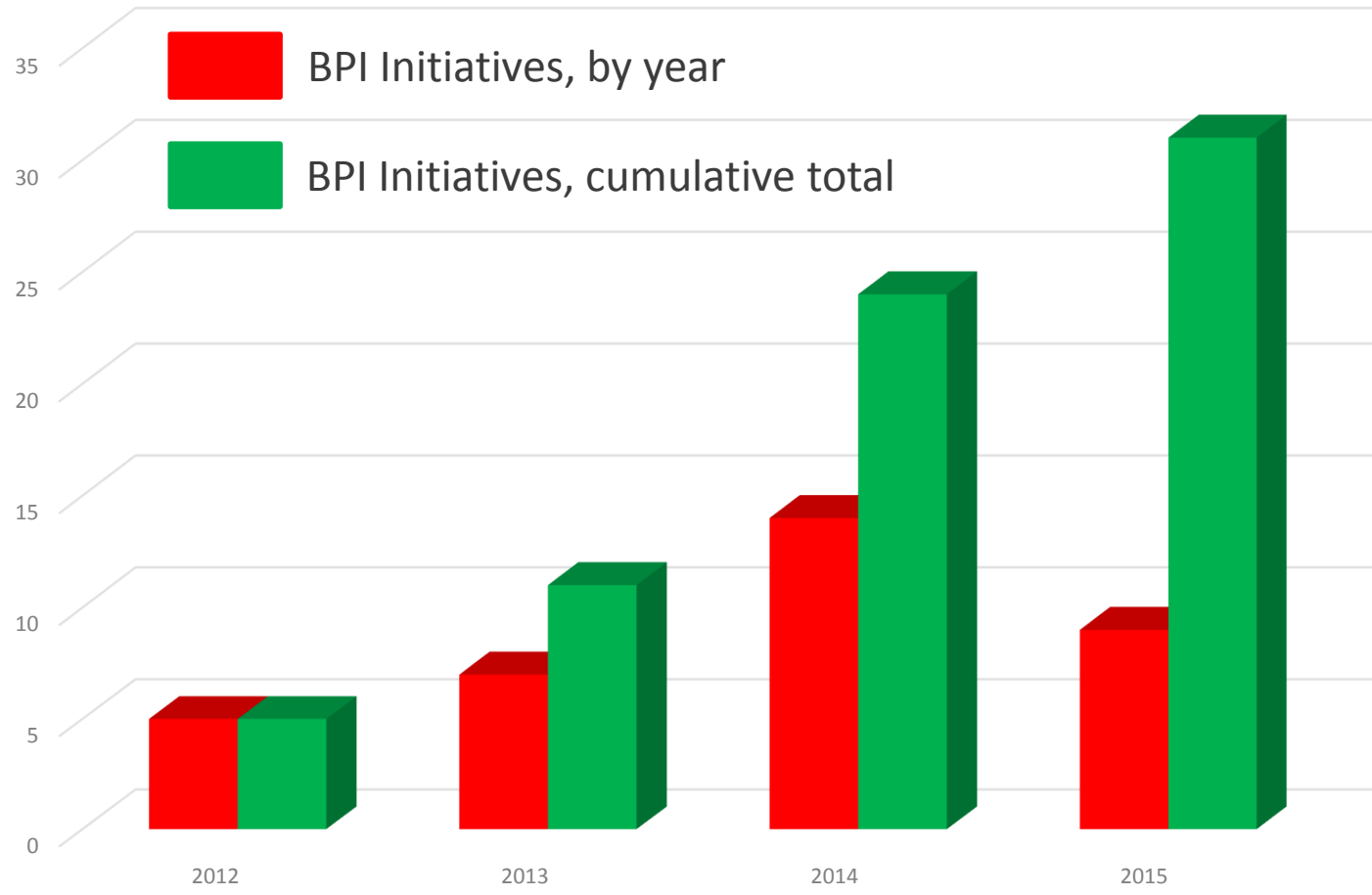
Distributed Model Timeline

Assessing BPI Value

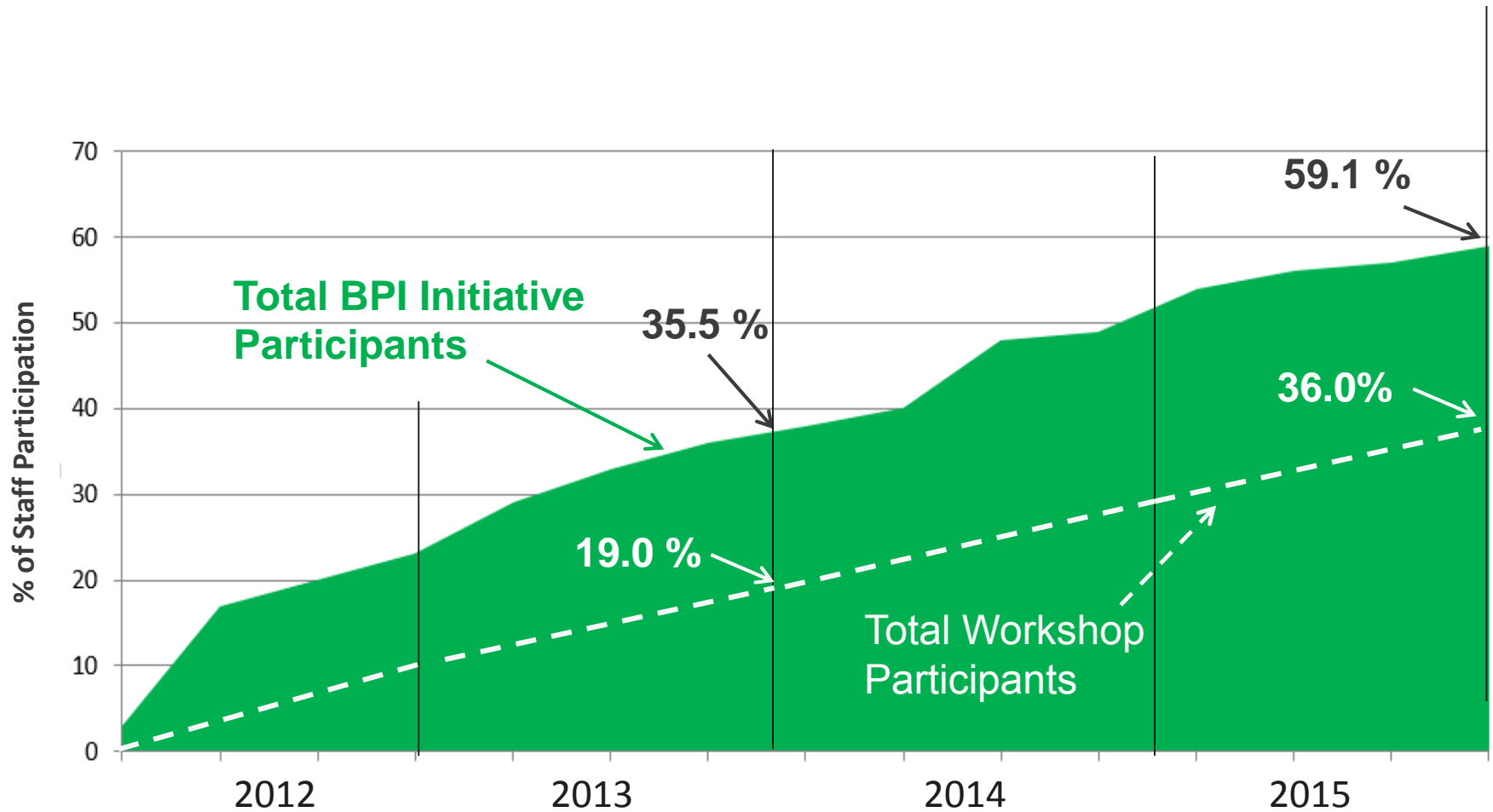
## Section 1

# CURRENT STATE OF BPI

# BPI Program Activity Levels



# BPI Staff Engagement Levels



# 2015 Business Process Improvement Initiatives

## Completed

Corporate Working Group Efficiency  
Grandfathered Agreement On-Boarding  
Settlements Testing  
Operations Ratings Quality  
Operations Document Review Process  
Operations Analyst Efficiency\*  
Stakeholder Transparency Processes\*  
Transmission Process Improvement  
Task Force\*

## Active

Engineering Model Builds  
IT Service Requests  
Requisition Workflow Automation  
Settlements Strategy Development

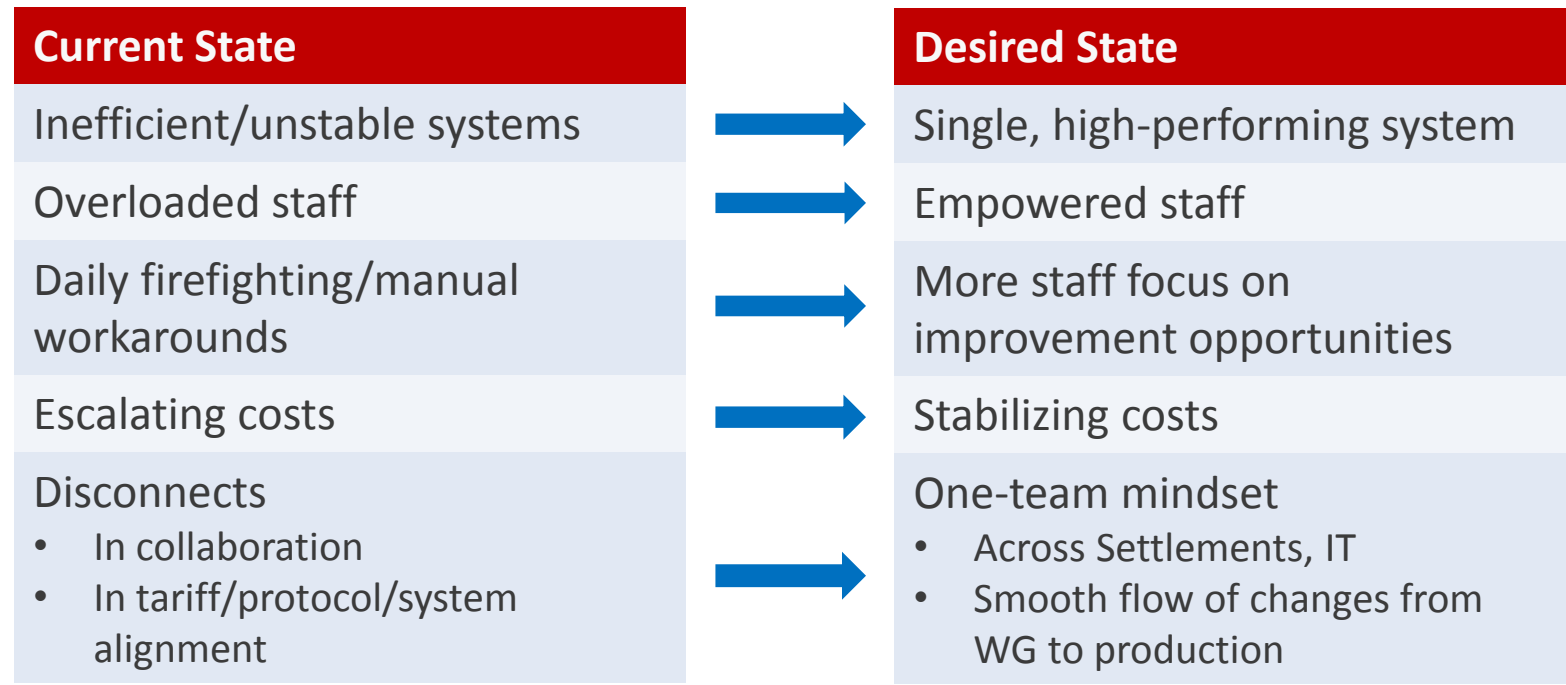
## On Hold Pending Resources

IT Procurement  
Rates & Revenue Requirements File

*\*Limited-scope BPI engagements such as A3 problem framing and stakeholder process development facilitation*



# Case Study: Settlements Strategy



### BPI's Role

Facilitation & Process Mapping  
A3 Development  
Program Management

# Settlements Strategy Teams

- Strategy Steering Committee: promotes one-team approach across Settlements and IT COS
- Sub-teams: define near-term objectives and long-term, strategic goals

## Systems Performance Team

Consolidate around a single, high-performance system



Rebecca

## Cost Management Team

Develop strategies for effective budget and resource management



Tony

## Staff Enablement Team

Create an environment for staff to feel empowered and successful



Brent

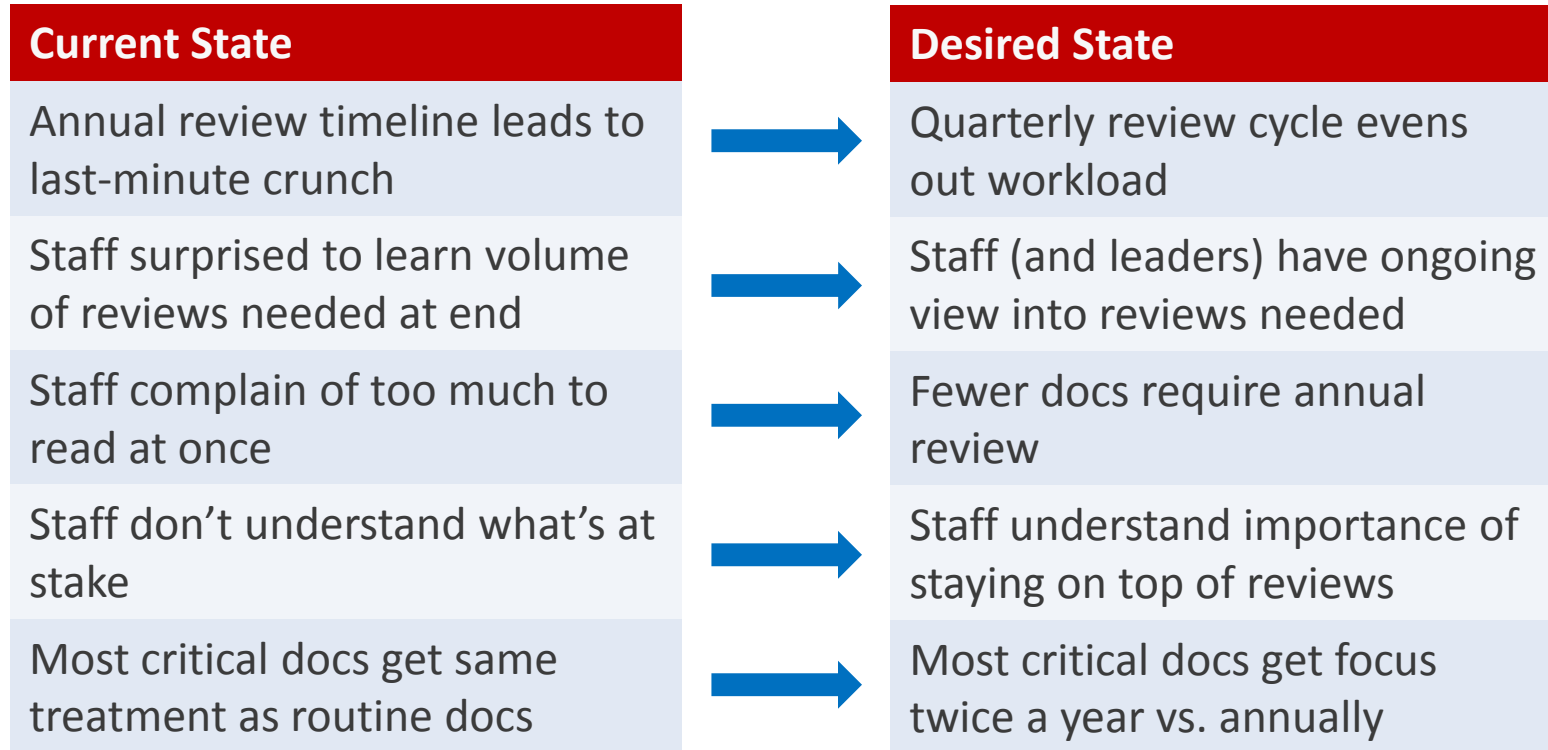
## Settlements Governance Team

Create better handoffs from upstream processes to downstream users



John

# Case Study: Operations Document Reviews



## BPI's Role

- Facilitation/Process Mapping
- Program Management
- Drive for metrics

# Document Review Teams



B. Wood



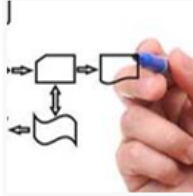
**Review Time Reduction**

GOAL: Minimize time needed to complete reviews by reducing the amount of reading material



K. Myhand

**Process & Tool Revisions**



GOAL: Implement process and tool revisions to facilitate improved adherence to required reviews



H. Bitely



**Education & Communication**

GOAL: Implement an education/communication plan to facilitate improved performance

# Document Review Initiative Impacts

## Wins for Staff

- Time savings**
  - Quicker reviews due to red-lined changes
  - Fewer docs to read in year's time
  - Reviews spread out (quarterly vs. year-end crunch)
- User-friendly process**
  - Single place to go for all types of reviews
  - Emails targeted only to those who should get them
  - Ops Log display (operators) of outstanding reviews

## Wins for SPP/Members

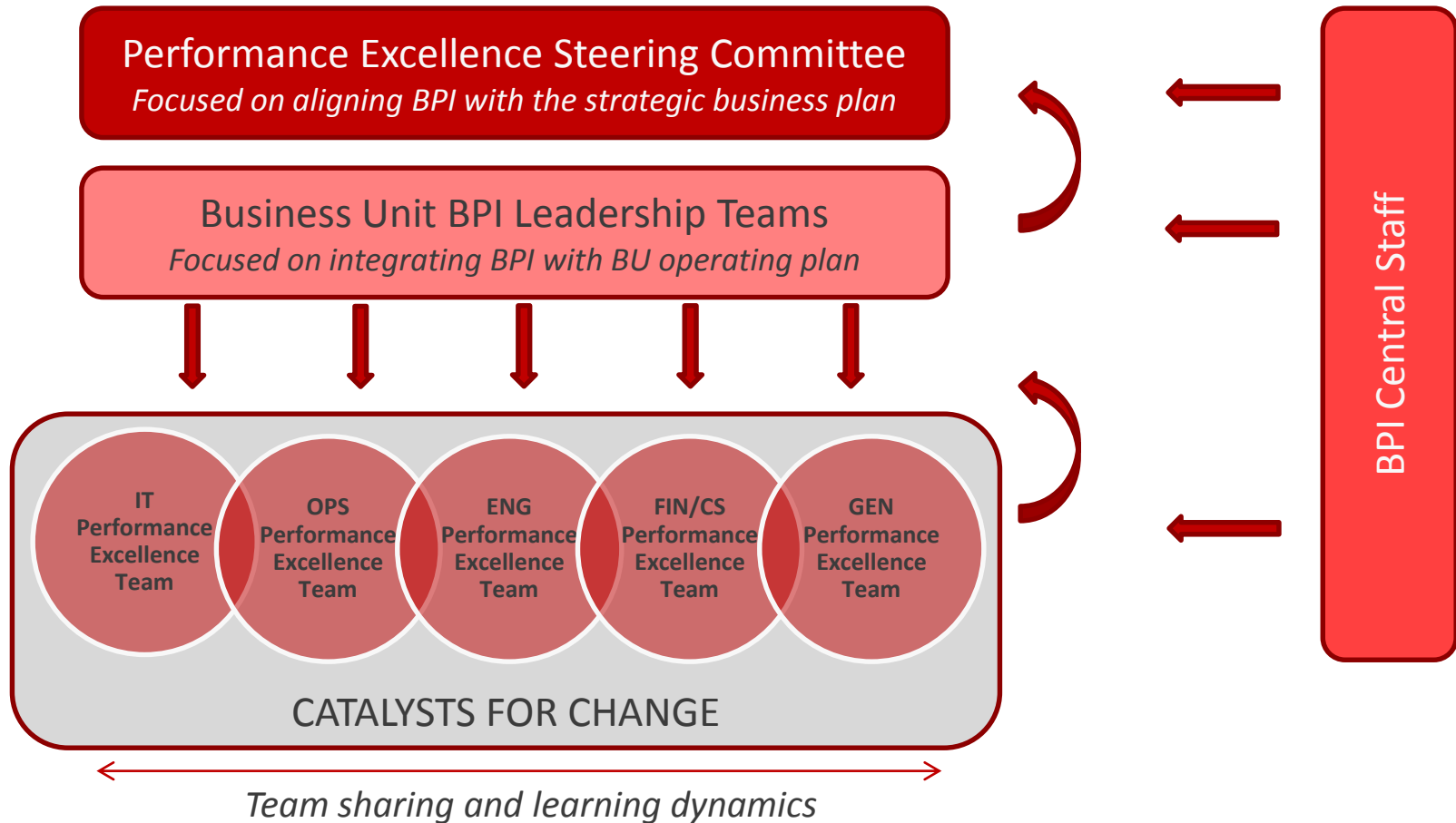
- Efficiency**
  - Higher staff productivity
  - Easier to track and manage process adherence
- Risk reduction**
  - Easier to maintain compliance
- Quality**
  - Greater emphasis on most critical procedures

Ops Document Reviews BPI Initiative Savings				
9/24/2015				
<b>Tiering Annual Review Reduction</b>		<b>Redline Review Time Reduction</b>		
# of Docs Reduced	1490	# of Revised Doc Reviews (9/23/14 - 9/23/15)	5818	
Time (Minutes)/Review	25	79 PCD/PCS docs revised in time period		
Total Hours Saved/Yr	620.83	Time Saved (Minutes)/Review	10	
Estimated Savings	<b>\$55,875</b>	Total Hours Saved/Yr	969.67	507.5
		Estimated Savings	<b>\$87,270</b>	45,675
<b>Total Estimated Savings*</b>	<b>\$143,145</b>			

## Section 2

# FUTURE STATE OF BPI

# Future of BPI: Business Unit Accountability



# Development of SPP Distributed Model

## Initiation



### Design in BU accountability

- Own resources; why not the implementation?
- Link BPI to business strategy
- Identify goals; track and report results

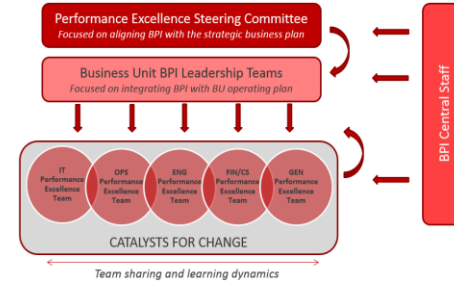
## Validation



### Benchmark others

- Other RTOs
- Members

## Pilot

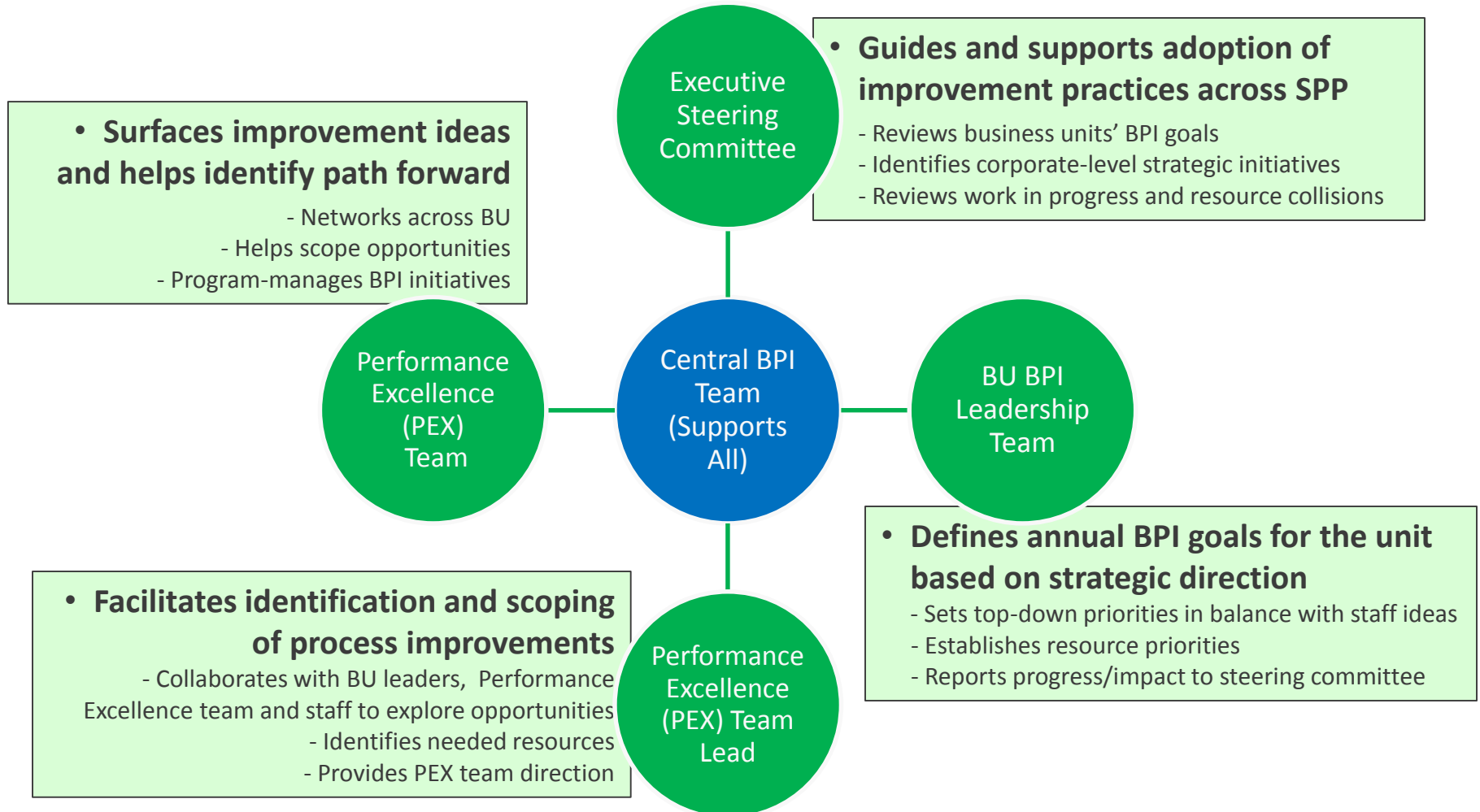


### Learn/adapt as we go

- Executive-level support for BU ownership and accountability
- Pave way for goal setting and results measurement
- Tailor model to fit each BU
- Positioning Performance Excellence Team role as path to advancement



# Performance Excellence: A Shared Responsibility



# Implementation Timeline

	SEPT	OCT	NOV	DEC	JAN	FEB	MAR	APR
<b>Distributed Model Implementation by Business Unit</b>								
<b>Information Technology (Pilot)</b>								
Phase 1 - Initiation		Initiation						
Phase 2 - PEX Team Readiness Mentoring			Mentoring					
Phase 3 - Goal Setting					Goals			
Phase 4 - Opportunity Identification, Scoping, Initiation						Opportunities		
<b>Engineering</b>								
Phase 1 - Initiation		Initiation						
Phase 2 - PEX Team Readiness Mentoring			Mentoring					
Phase 3 - Goal Setting						Goals		
Phase 4 - Opportunity Identification, Scoping, Initiation							Opportunities	
<b>Operations</b>								
Phase 1 - Initiation			Initiation					
Phase 2 - PEX Team Readiness Mentoring					Mentoring			
Phase 3 - Goal Setting							Goals	
Phase 4 - Opportunity Identification, Scoping, Initiation								Opportunities
<b>Finance and Corporate Services</b>								
Settlements Strategy								
Purchasing Workflow								
<b>Other Business Units</b>								
General Support, etc.							TBD	

# Assessing Distributed Model Success

## 2016 Goals

- All BUs to **adopt** distributed model
- All BUs set goals and **implement** the model in full
- All BUs to begin reporting on BPI project **results**

### Adopt

- PEX teams in place
- BU goals identified
- Staff ideas surfacing
- Mentoring under way

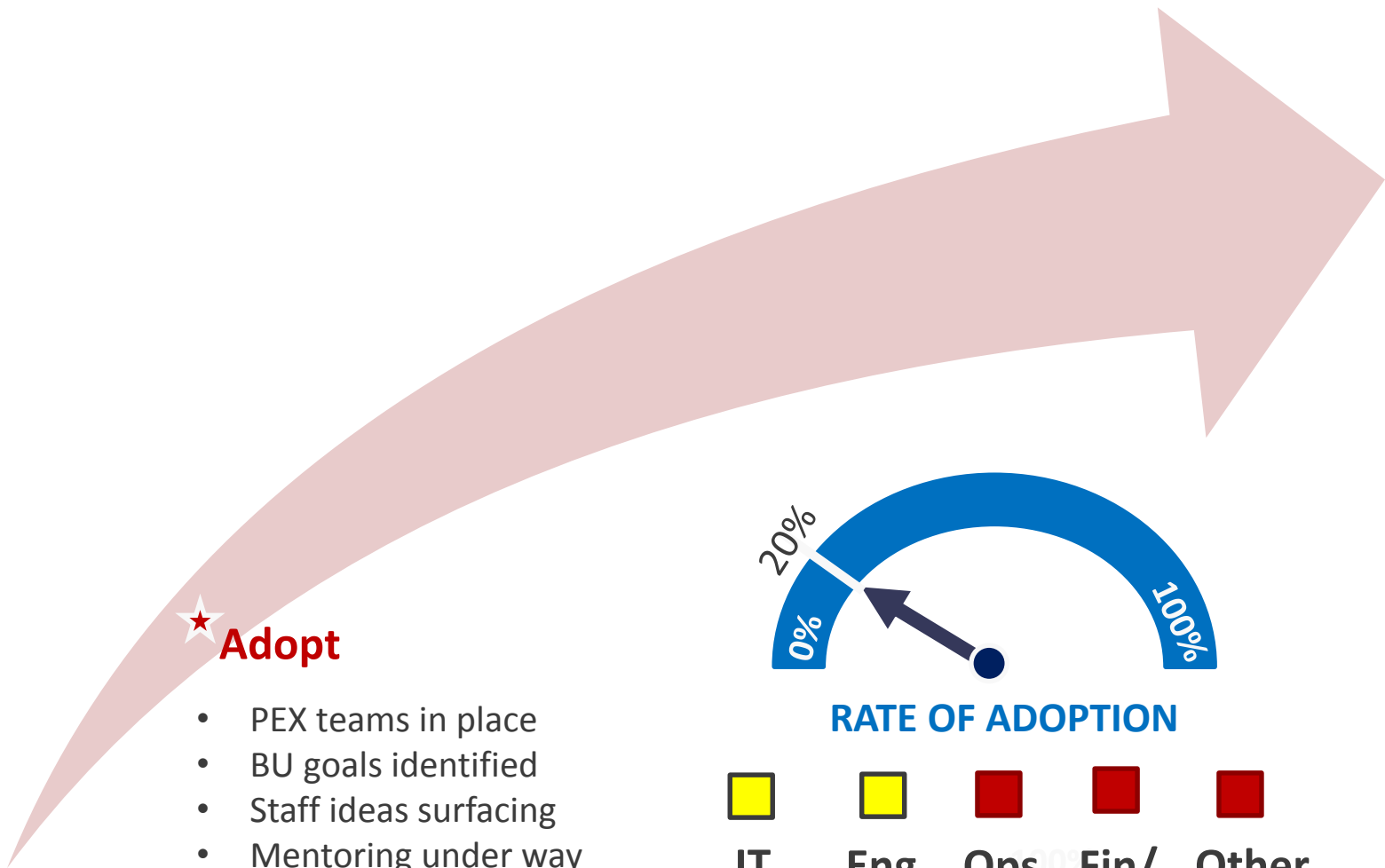
### Implement

- PEX teams actively:
  - Scoping opportunities
  - Resourcing projects
  - Prioritizing/scheduling
  - Closing out initiatives

### Achieve Results

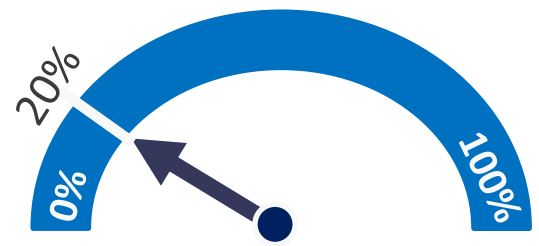
- BUs reaping benefits
  - Measuring impacts
  - Sharing successes
  - Standardizing
  - Checking & adjusting

# Assessing Distributed Model Success



★ **Adopt**

- PEX teams in place
- BU goals identified
- Staff ideas surfacing
- Mentoring under way



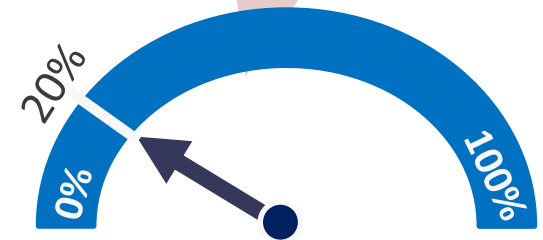
**RATE OF ADOPTION**



# Assessing Distributed Model Success

## ★ Implement

- PEX teams actively:
  - Scoping opportunities
  - Resourcing projects
  - Prioritizing/scheduling
  - Closing out initiatives



### GOAL ATTAINMENT



IT



Eng



Ops



Fin/  
GS



Other

# Assessing Distributed Model Success

*Benefits tracking reports to be customized to objectives of each improvement initiative*



## Achieve Results

- BUs reaping benefits
  - Measuring impacts
  - Sharing successes
  - Standardizing

<p><b>Clarity</b></p> <p>Big-picture view of end-to-end process (internal and external)</p>	<p><b>Cost</b></p> <p>Improved productivity and/or capacity creation</p>	<p><b>Satisfaction</b></p> <p>Improved experience, greater transparency</p>	<p><b>Quality</b></p> <p>Improved outputs, increased reliability</p>	<p><b>Risk</b></p> <p>Improved risk identification and mitigation (SPP, members)</p>	<p><b>Staff Impact</b></p> <p>Empowered, engaged employees</p>

## Section 3

# QUESTIONS?

# 2015 STEWARDSHIP REPORT

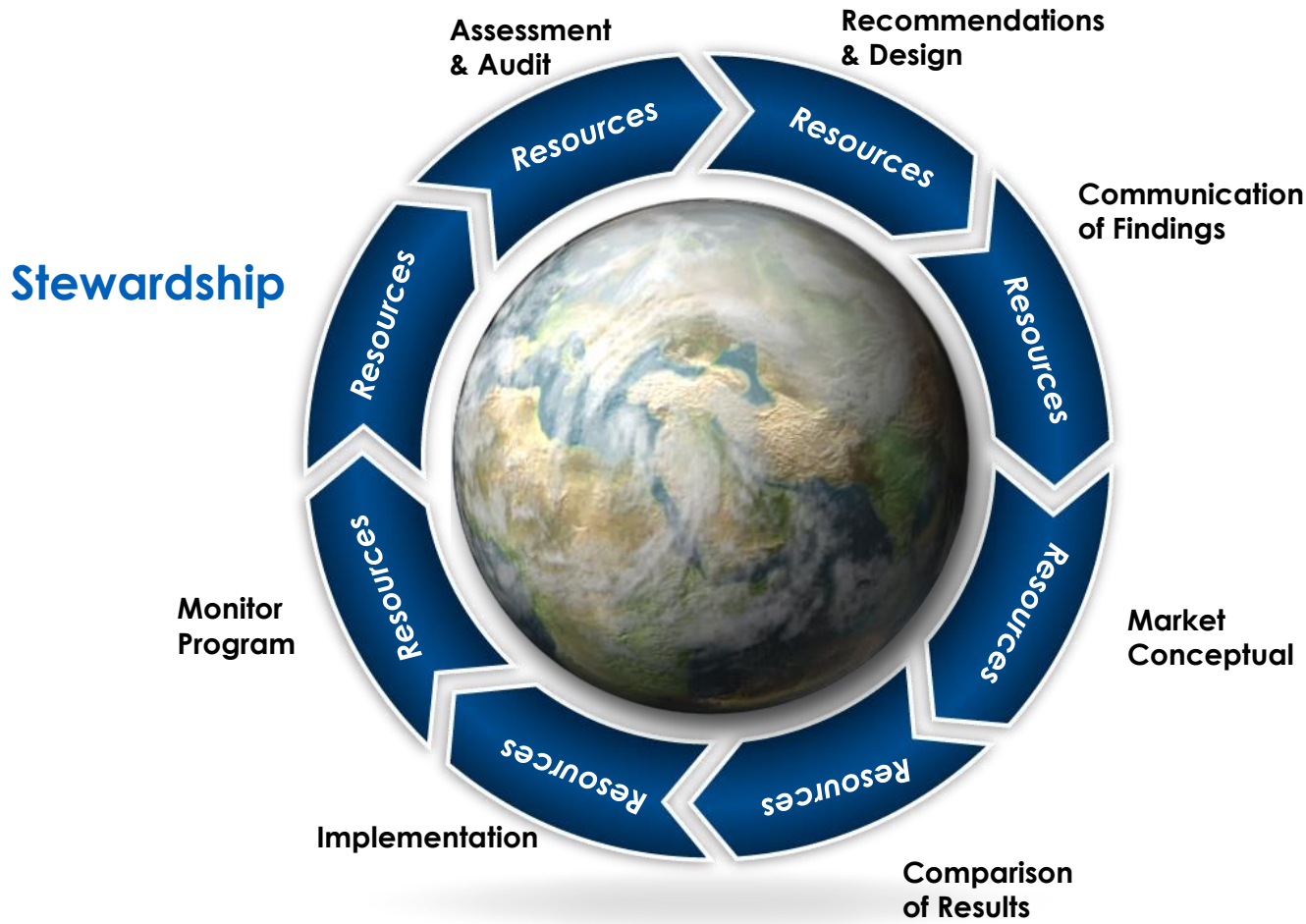


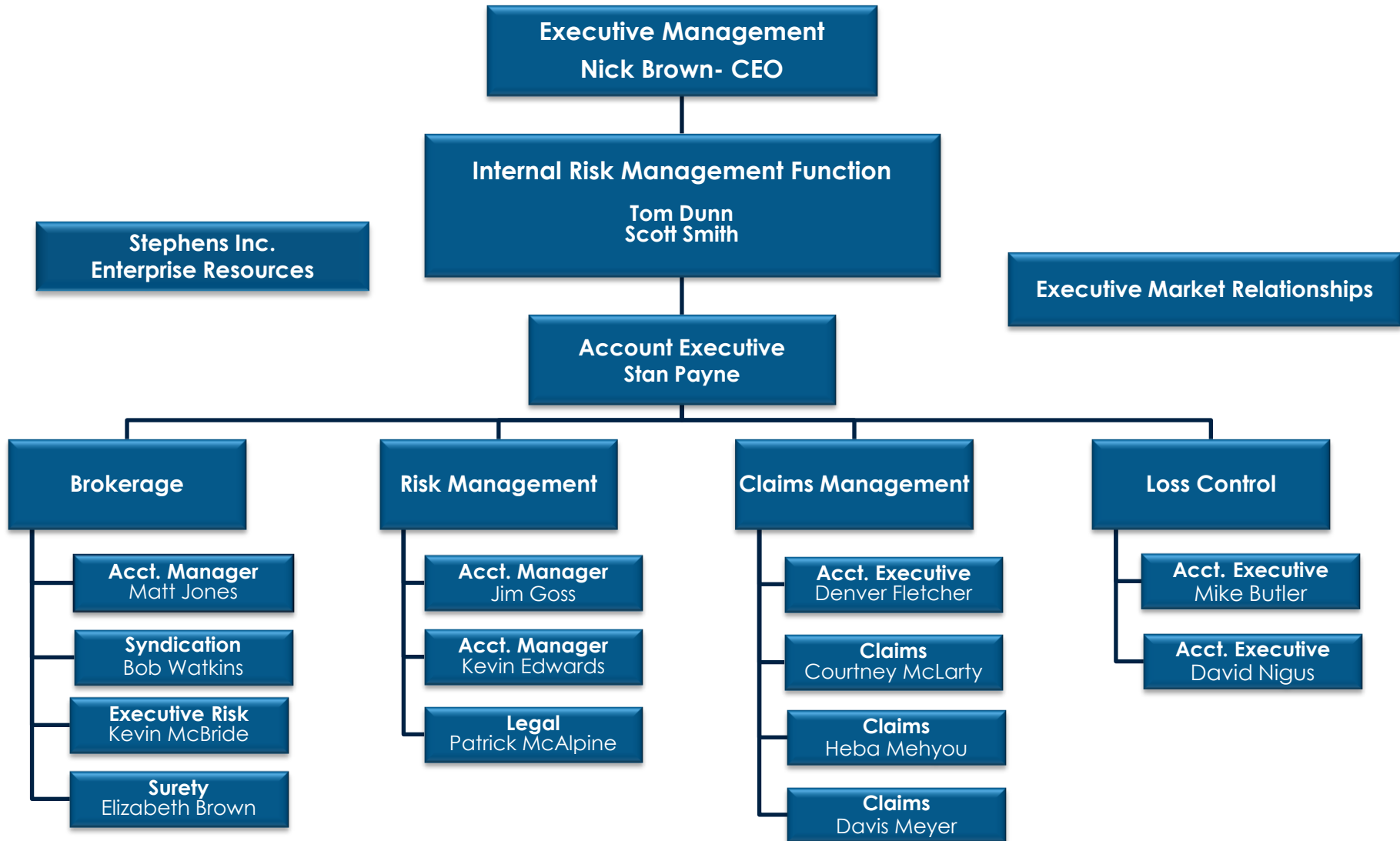
Stephens  
Stephens Insurance, LLC

December 7, 2015



# OUR PROCESS





## **Melissa Krebs, JD, Special Counsel, Privacy Officer- Little Rock Office**



Melissa Krebs is Special Counsel and the Privacy Officer for Stephens Insurance, LLC. She earned a Bachelor of Arts degree from Ouachita Baptist University, summa cum laude, in 1995, as well as certification in Secondary Education. She earned a Juris Doctor degree with high honors from the University of Arkansas at Little Rock in 1998. Melissa served as Notes Editor for the UALR Law Review in 1997-1998.

Melissa is admitted to practice law in Arkansas and before the United States District Courts for the Eastern and Western Districts of Arkansas and the United States Court of Appeals for the Eighth Circuit.

Prior to joining Stephens Insurance, Melissa was General Counsel and Director of Human Resources for Premier Staffing, Inc. and was in private practice with the Bogoslavsky Law Firm, PLLC and Cross, Gunter, Witherspoon & Galchus, PC.

## **Courtney McLarty, JD –Vice President, Claims Management**



Ms. McLarty joined Stephens Insurance, LLC as Vice President in the Claims Management Department in 2015. She earned a Bachelor of Arts degree in Classical Greek from the University of Georgia in 1994 and a Juris Doctor degree from the University of Arkansas at Fayetteville in 1997. Prior to joining Stephens Insurance, Ms. McLarty was engaged in private practice with the Little Rock firm of Wright, Lindsey and Jennings LLP with a focus on insurance defense, trucking and transportation defense, and insurance coverage dispute litigation.

Ms. McLarty is active in the community through organizations such as the Junior League of Little Rock (President 2009-2010), the 20th Century Club of Little Rock, and currently serves on the Board of the Pulaski County Bar Foundation. She graduated as a Fellow of the American Board of Trial Advocates Trial College held at Harvard Law School in 2014 and has been a member of the William R. Overton Inn of Court since 1999.

# ACTIVITIES & ACCOMPLISHMENTS



Stephens appreciates the opportunity to continue to serve Southwest Power Pool in the role of insurance and risk management advisor.

## **Overall**

- Reviewed D&O program in depth and provided options to move this coverage to Aegis.
- Separated Employment Practices Liability from Directors/Officers Liability program by moving to Aegis, which resulting in premium savings
- Reduction of Wind/Hail deductible from \$50,000 to \$25,000 with CNA.
- Increase of Earthquake & Flood Sub limits from \$25,000,000 to \$50,000,000

## **Risk Management**

- Coordinated Affiliated FM (Property Insurer) loss engineering visit and & reviewed recommendations, including recommendation to remove spray foam insulation.
- Research and review of how employee usage of Transportation Network Companies (TNCs) like Uber may impact insurance.

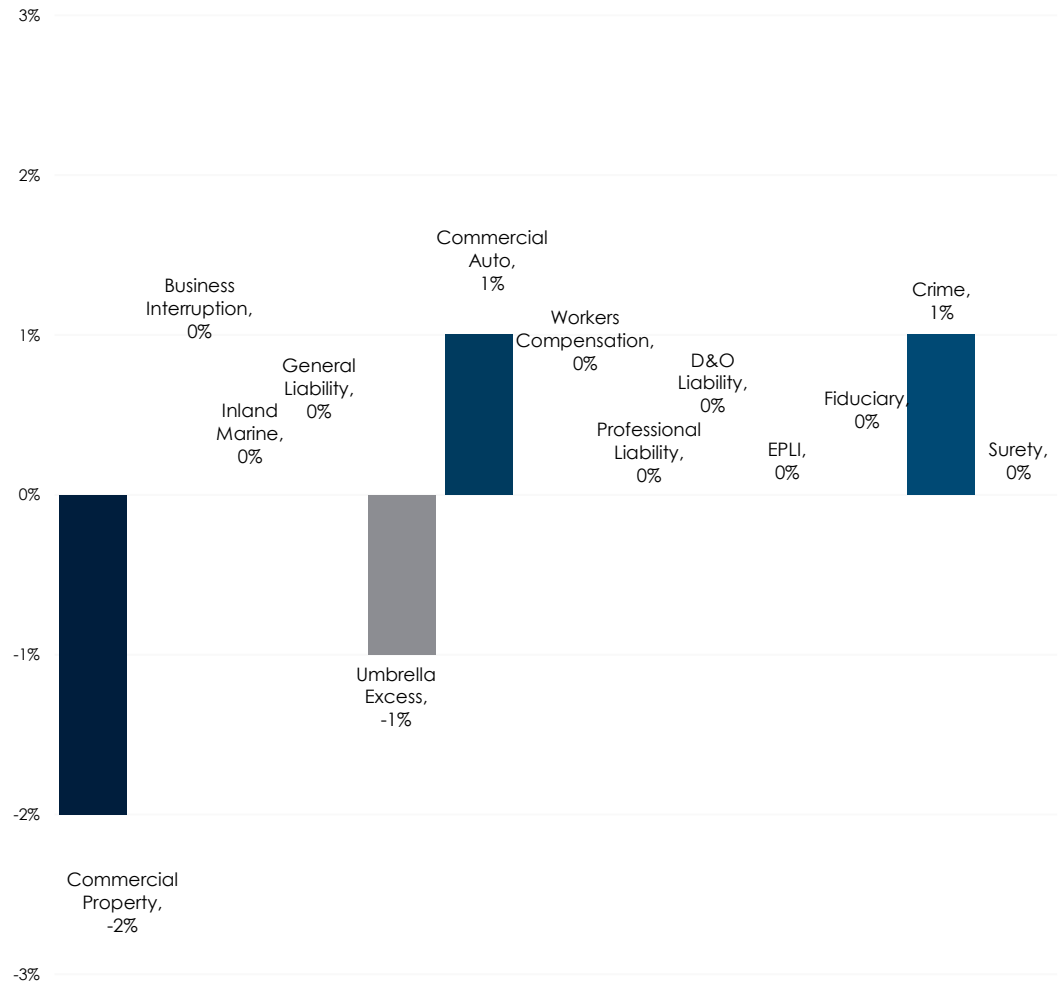
# MARKET UPDATE



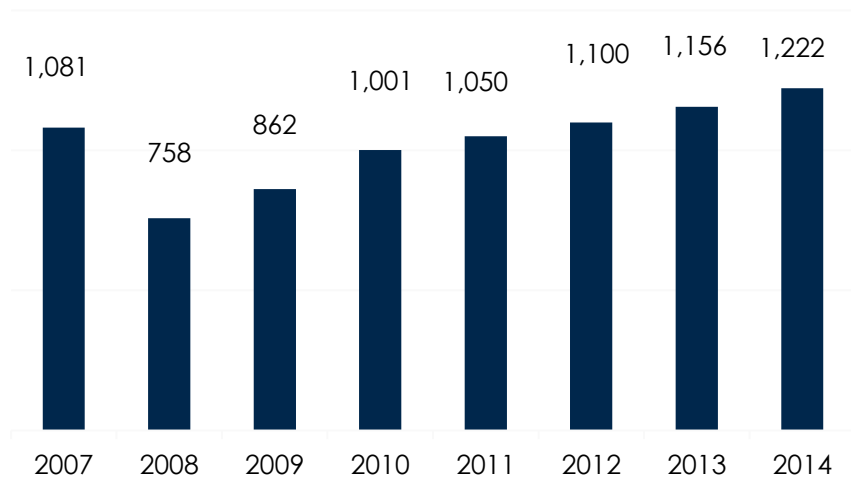
## Premium Trends by Coverage Class

- Commercial Property Down 2%
- Business Interruption Flat
- Inland Marine Flat
- General Liability Flat
- Umbrella /Excess Down 1%
- Commercial Automobile Flat
- Workers Compensation Flat
- Professional Liability Flat
- D&O Liability Flat
- EPLI Flat
- Fiduciary Flat
- Crime Up 1%
- Surety Flat

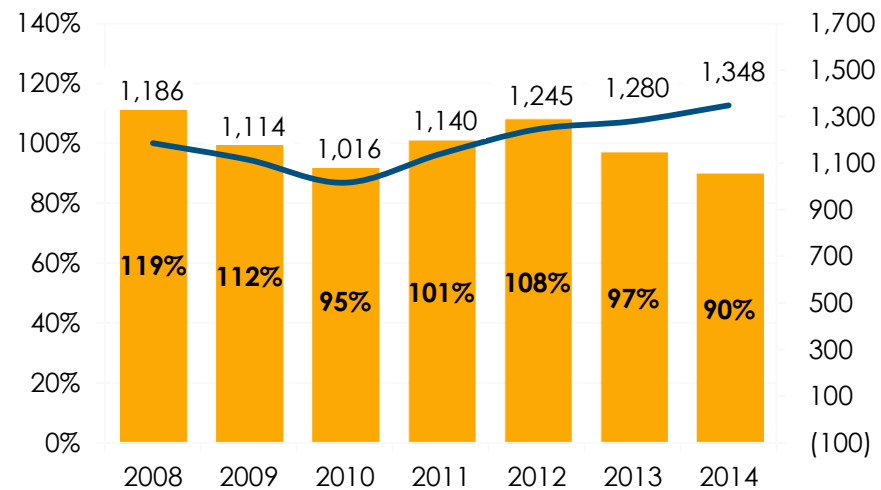
## Premium Trends By Coverage Class October 2015



**Total Surplus**  
 December 31 (millions of U.S. Dollars)



**Gross Premiums Written and Combined Ratio**  
 For the years ended December 31 (millions of U.S. dollars)





## Renewal expectations for SPP

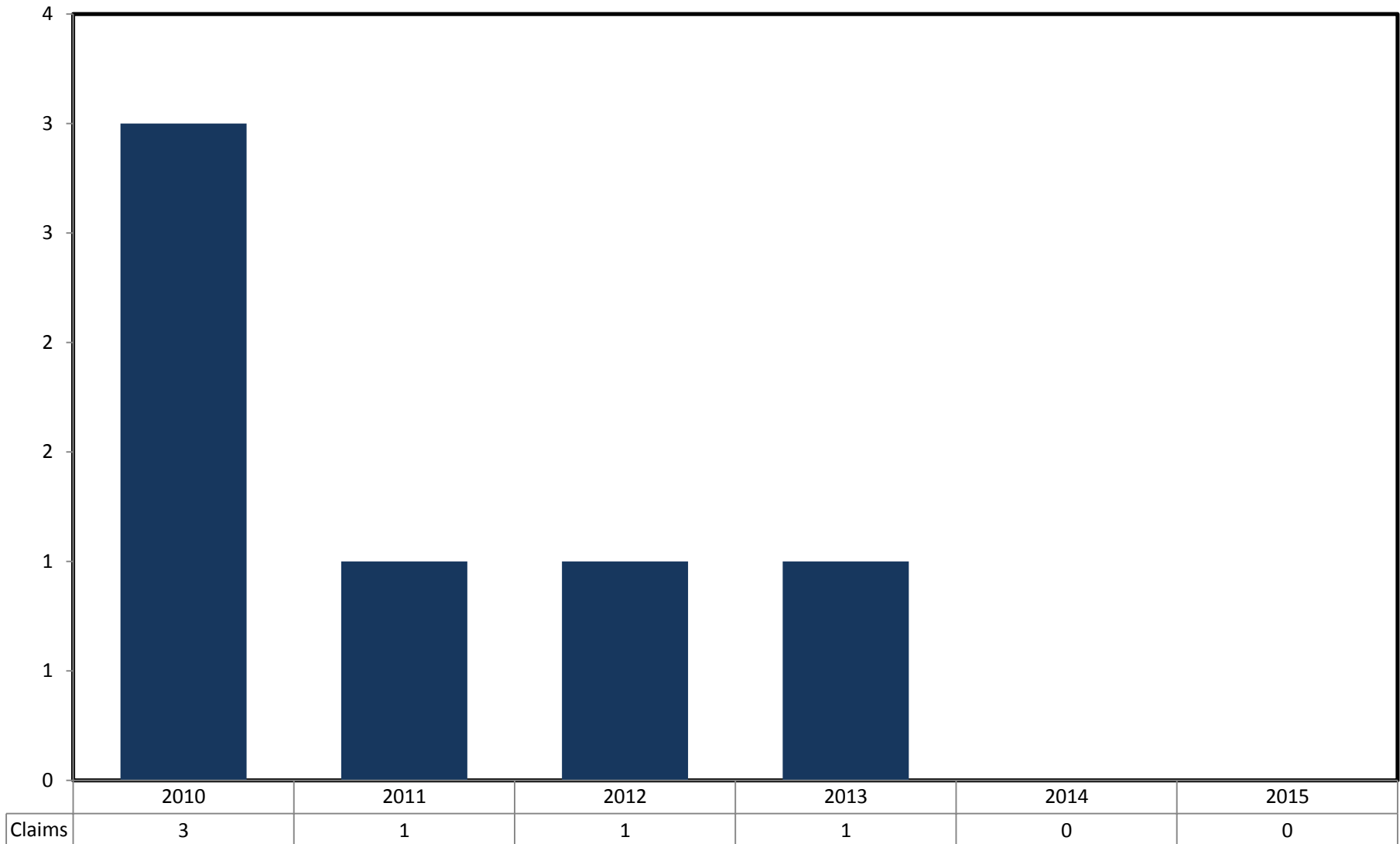
- ❑ **Workers Compensation - Flat to -10%**
  - ❑ **Casualty - Flat to -10%**
  - ❑ **Umbrella/Excess +5% (Aegis)**
  - ❑ **Property – Flat to -10%**
  - ❑ **Management Liability - +5% to 10%**
- 
- ❑ **Deliver Primary Proposal by March 1, 2015**

Stephens  
Stephens Insurance, LLC

# CLAIMS SUMMARY



# EMPLOYMENT PRACTICES HISTORY (NUMBER) (LOSSES VALUED 11-15)

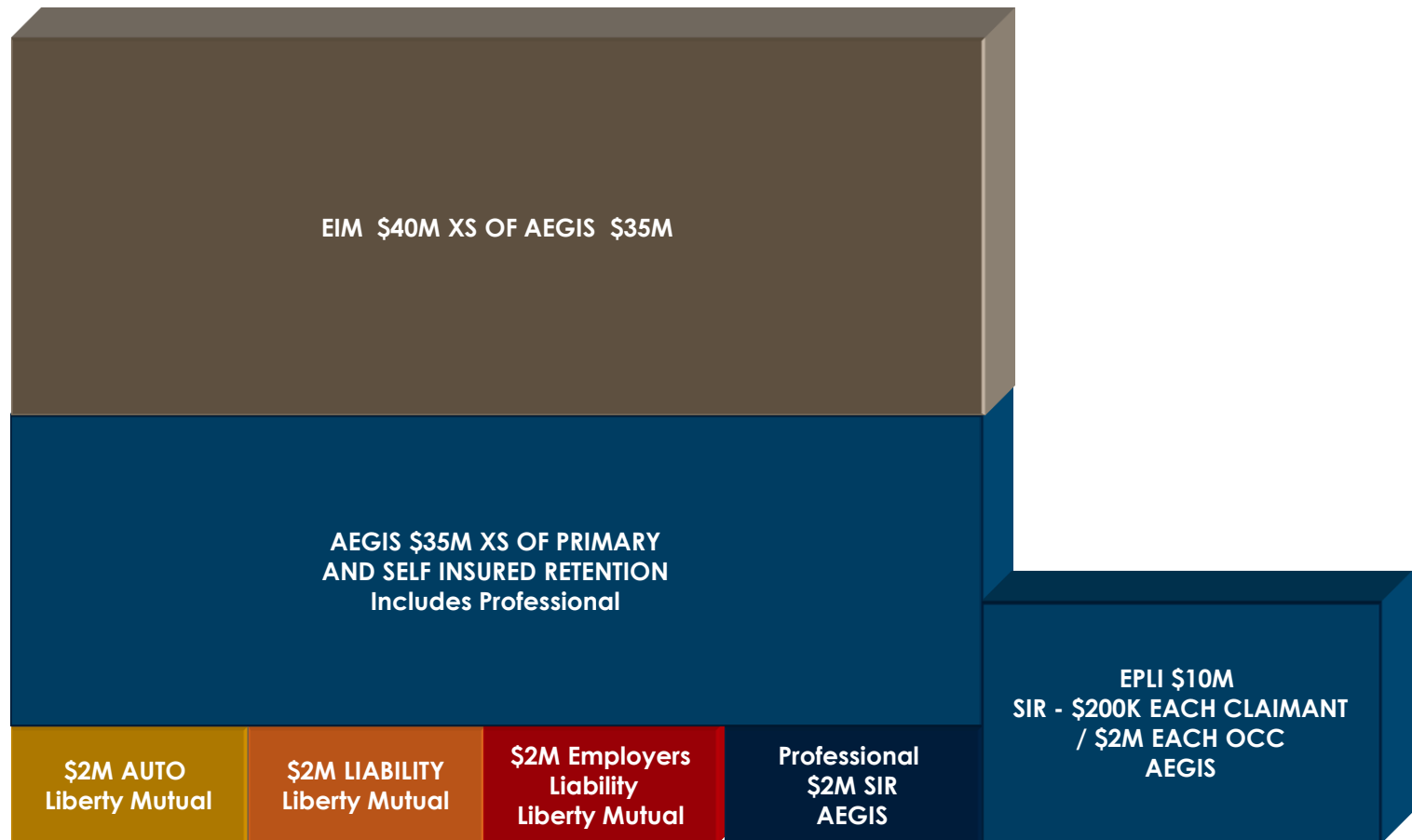


Stephens  
Stephens Insurance, LLC

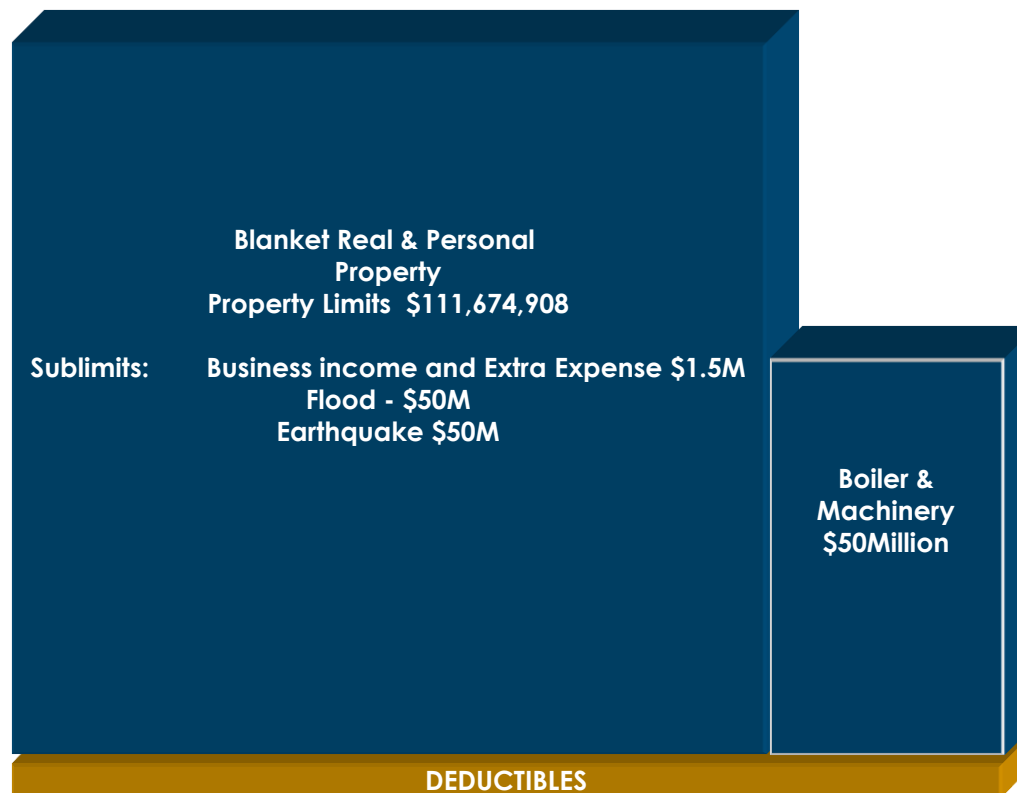
# PROGRAM REVIEW



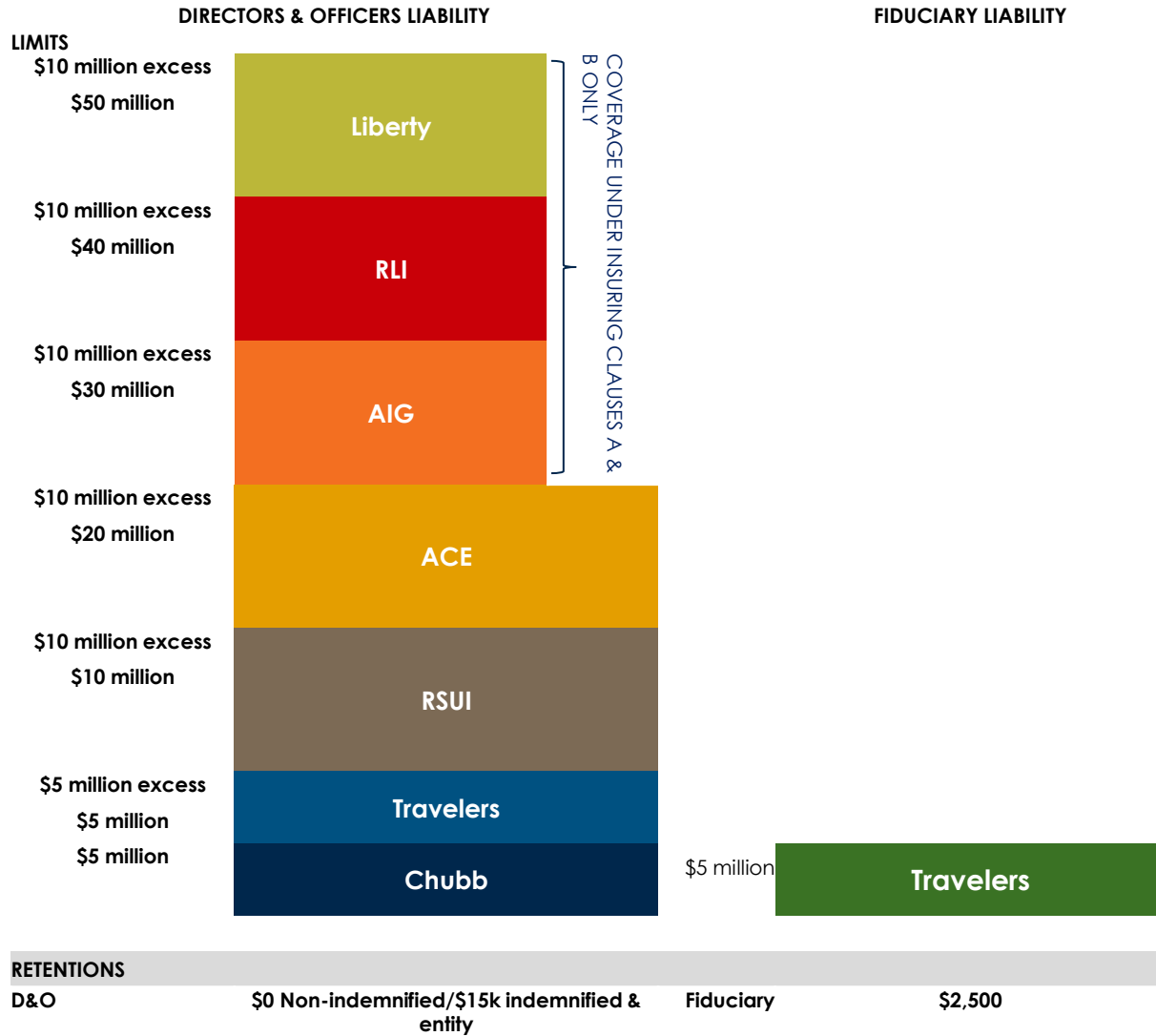
\$75M Excess of Primary



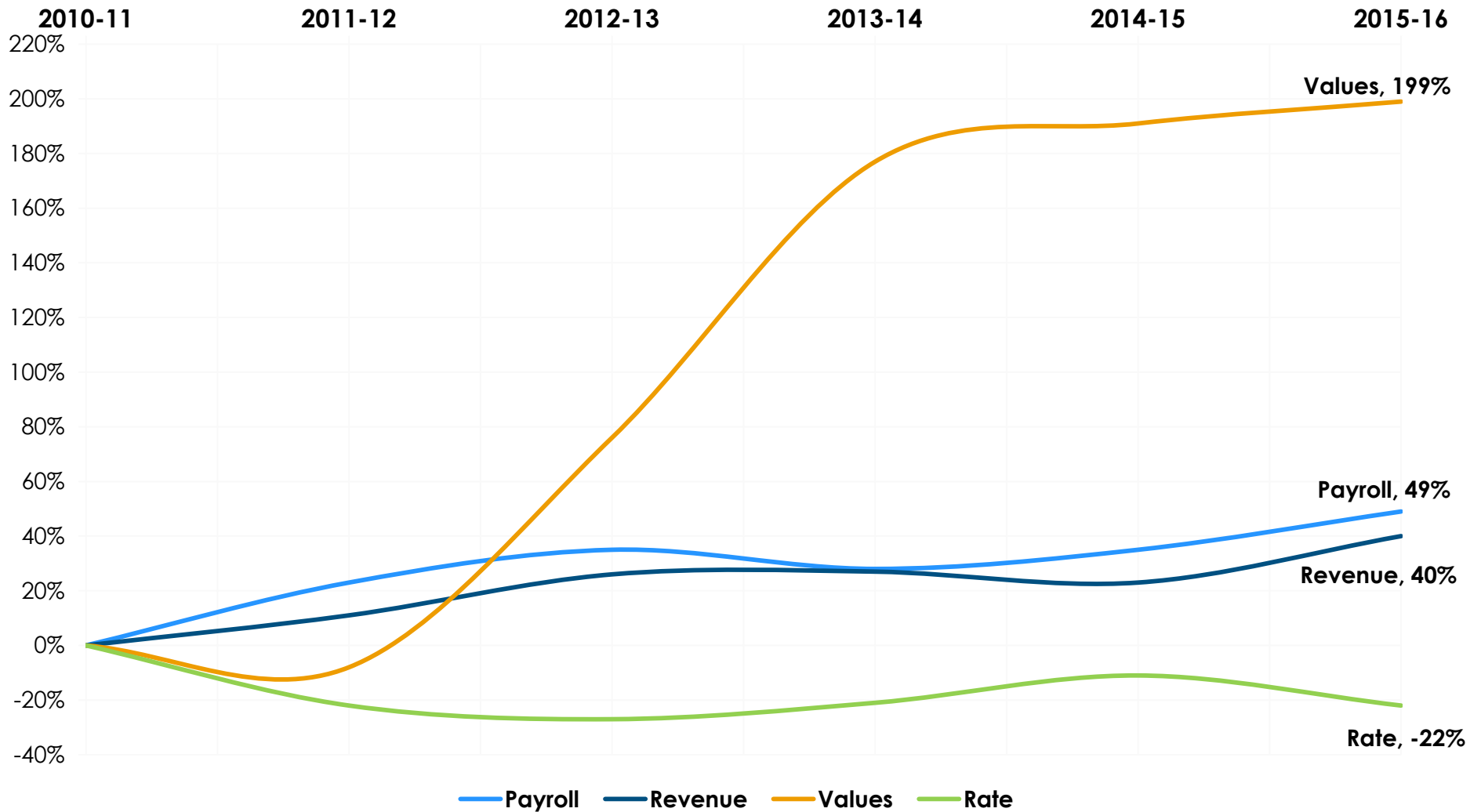
# PROPERTY LIMITS



Deductibles:	
All Perils	\$10,000
Flood	\$50,000
Quake	\$50,000
Named Storm	\$50,000
Other Wind/Hail	\$25,000
Time Element	\$50,000
Machinery	\$10,000



# PREMIUM BASE CHANGE VERSUS RATE CHANGE

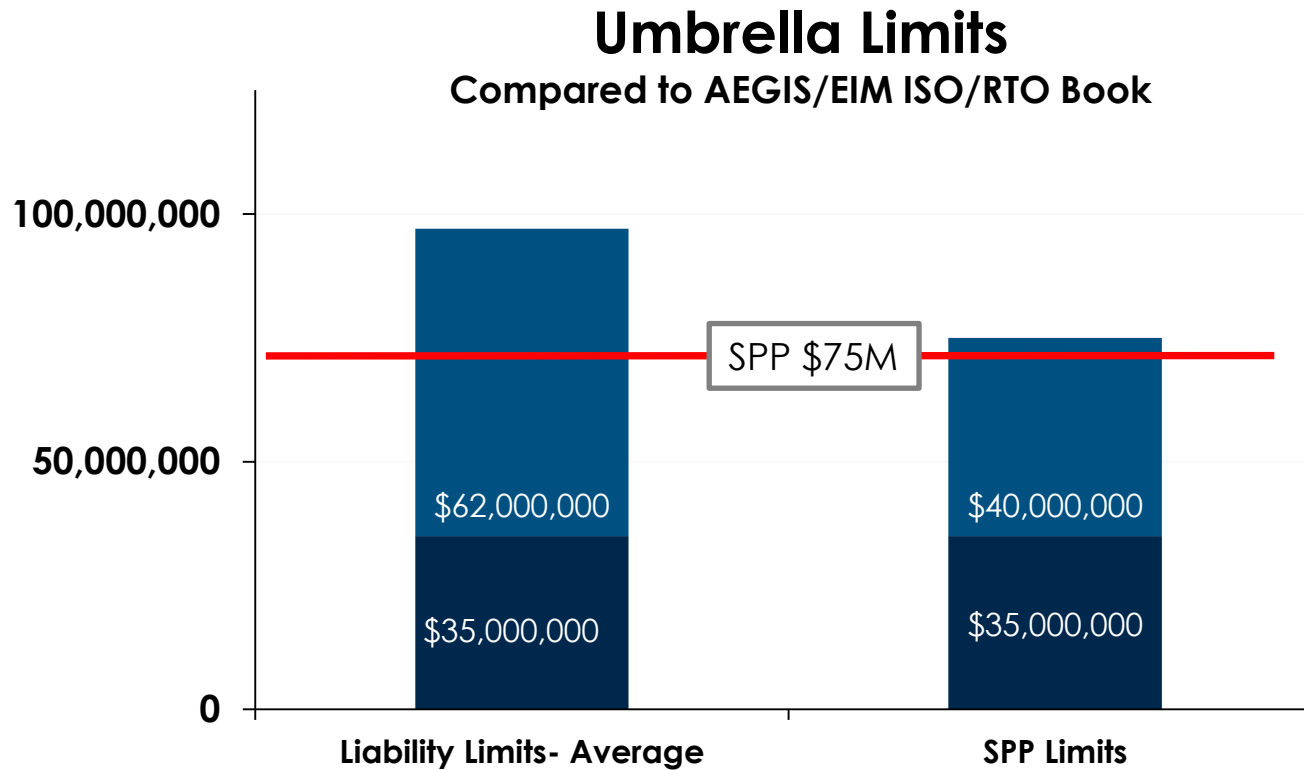




Stephens  
Stephens Insurance, LLC

# BENCHMARKS

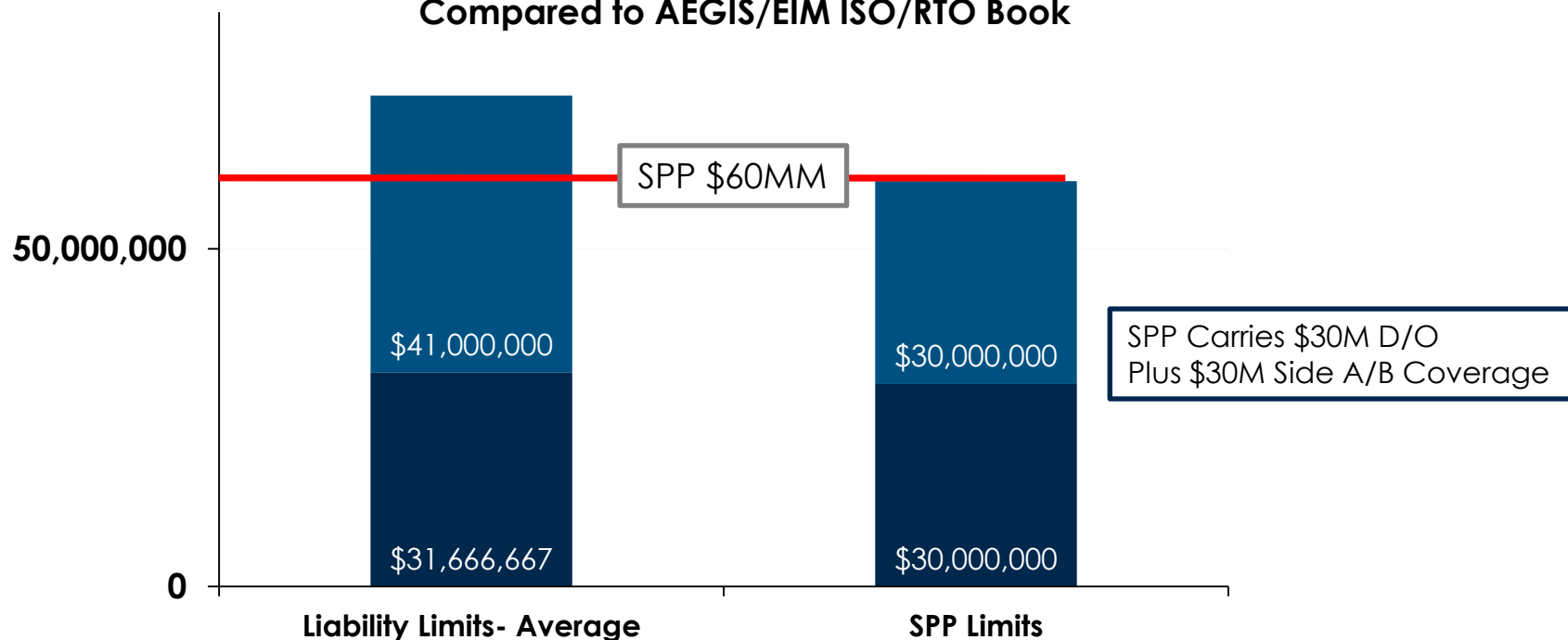




AEGIS insures nine RTO/ISO's. All carry \$35M limits (primary GL/Professional).

EIM insures eight RTO/ISO's. Limits carried vary from \$15M to \$100M. The average carried is \$62M

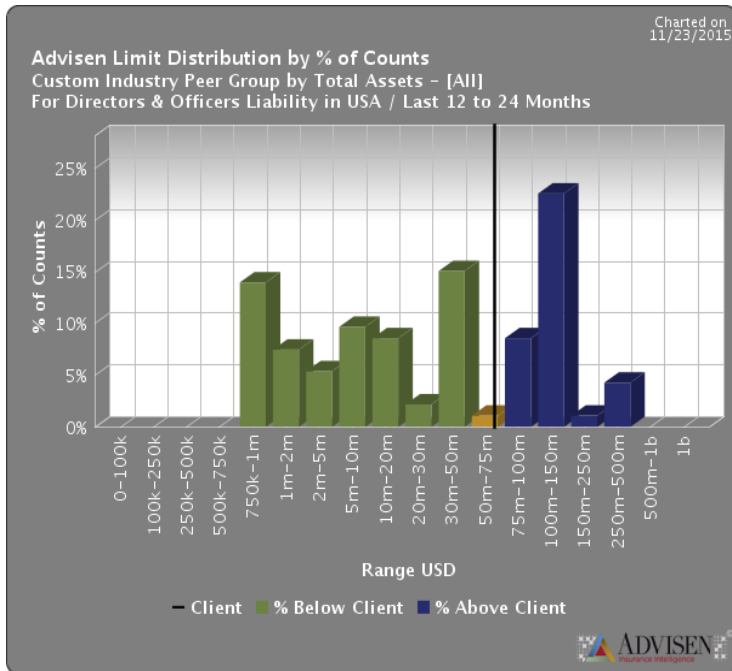
## Directors/Officers Limits Compared to AEGIS/EIM ISO/RTO Book



AEGIS insures three RTO/ISO's. Two \$35M limits and one buys \$25M.

EIM insures five RTO/ISO's. Limits carried vary from \$25M to \$50M. The average carried is \$41M.

## Directors & Officers Liability All Utilities - Limits



**Advisen Limit Distribution by % of Counts**  
Custom Industry Peer Group by Total Assets - [All]  
For Directors & Officers Liability in USA / Last 12 to 24 Months

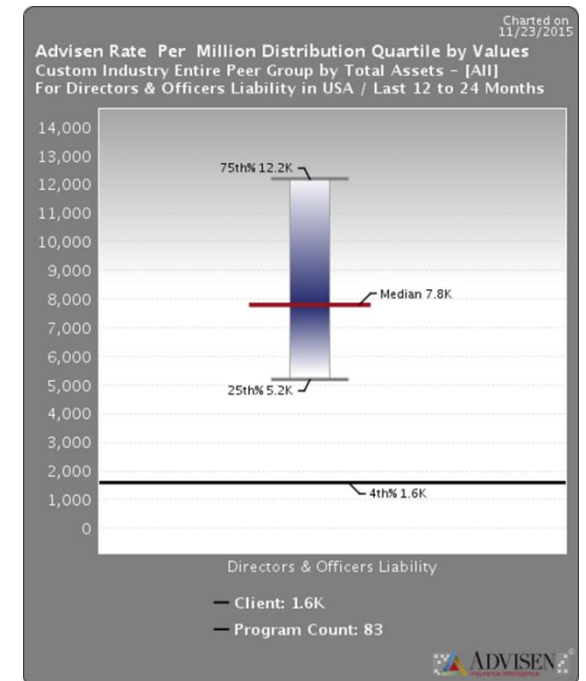
<b>Client:</b> 60M
<b>% Below or Equal to Client:</b> 62.4
<b>% Above Client:</b> 37.6

Range USD	% of Counts	Cumulative %
250m-500m	4.3	100.2
150m-250m	1.1	95.9
100m-150m	22.6	94.8
75m-100m	8.6	72.2
50m-75m	1.1	63.6
30m-50m	15.1	62.5
20m-30m	2.2	47.4
10m-20m	8.6	45.2
5m-10m	9.7	36.6
2m-5m	5.4	26.9
1m-2m	7.5	21.5
750k-1m	14.0	14.0

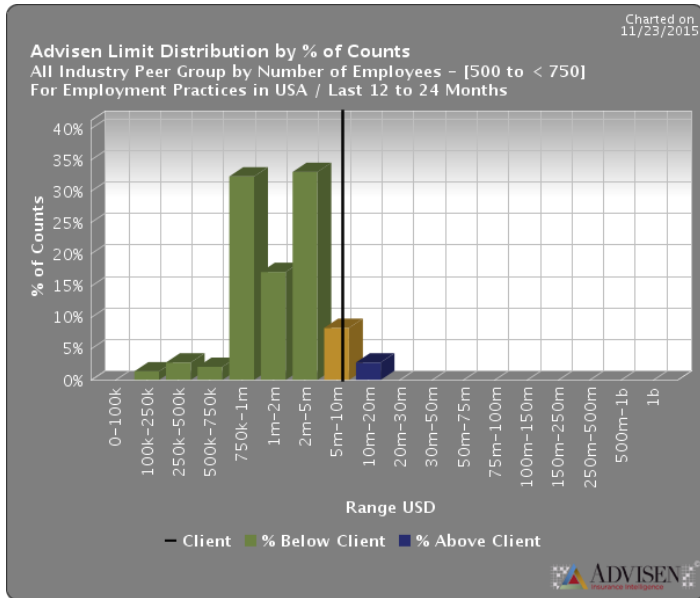
**Program Count: 93**

ADVISEN

## Directors & Officers Liability All Utilities - Premium



## Employment Practices Liability All Companies - Limits



**Advisen Limit Distribution by % of Counts**  
All Industry Peer Group by Number of Employees - [500 to < 750]  
For Employment Practices in USA / Last 12 to 24 Months

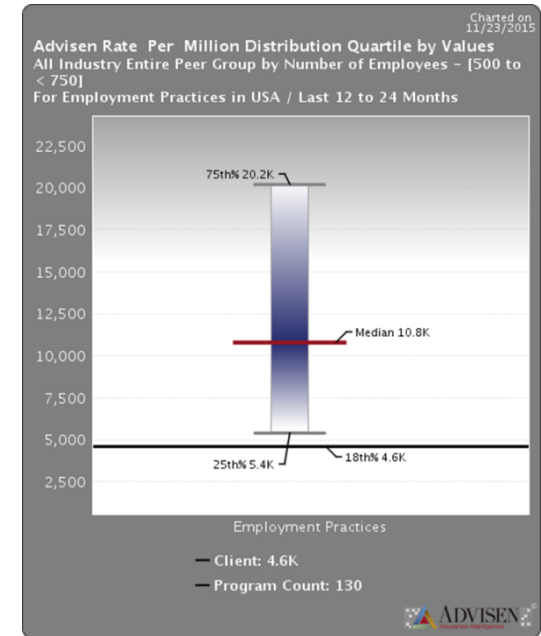
Range USD	% of Counts	Cumulative %
10m-20m	2.8	100.1
5m-10m	8.3	97.3
2m-5m	33.1	89.0
1m-2m	17.2	55.9
750k-1m	32.4	38.7
500k-750k	2.1	6.3
250k-500k	2.8	4.2
100k-250k	1.4	1.4

Client: 10M  
% Below or Equal to Client: 97.2  
% Above Client: 2.8

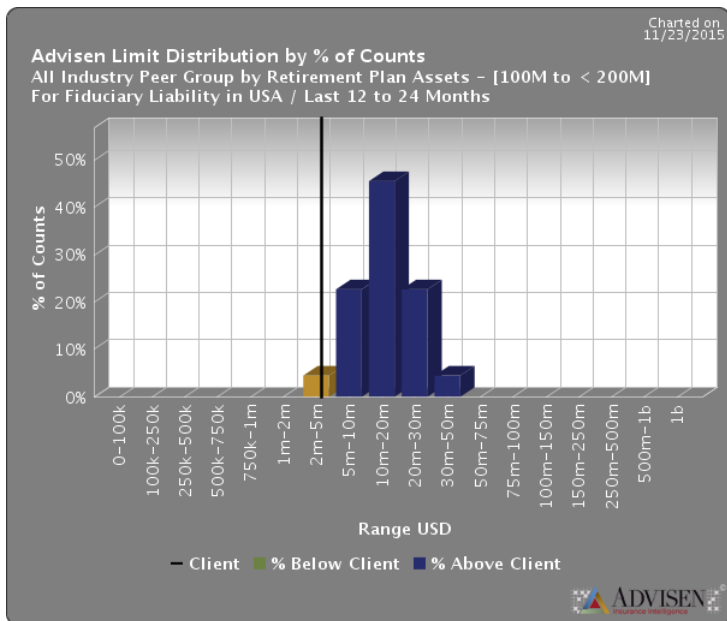
Program Count: 145

ADVISEN Insurance Intelligence

## Employment Practices Liability All Companies - Premium



## Fiduciary Liability All Companies - Limits



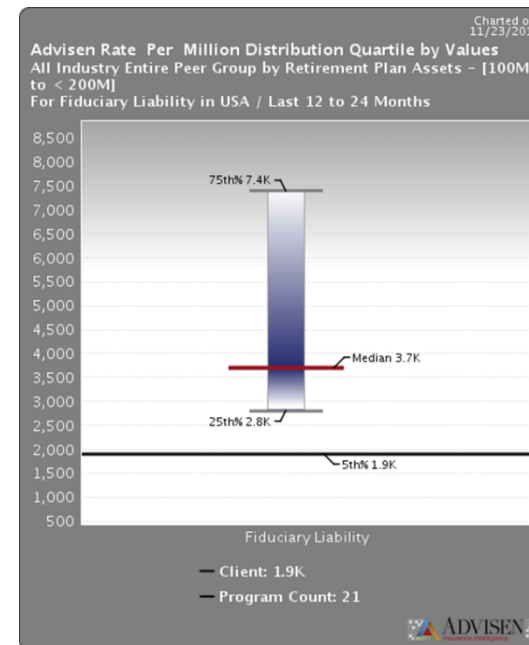
### Advisen Limit Distribution by % of Counts

All Industry Peer Group by Retirement Plan Assets - [100M to < 200M]  
For Fiduciary Liability in USA / Last 12 to 24 Months

Client: 5M		
% Below or Equal to Client: 4.5		
% Above Client: 95.5		
Range USD	% of Counts	Cumulative %
30m-50m	4.5	99.9
20m-30m	22.7	95.4
10m-20m	45.5	72.7
5m-10m	22.7	27.2
2m-5m	4.5	4.5
Program Count: 22		








## Fiduciary Liability All Companies - Premium



# CONTACT INFORMATION

Name	Ext.	Cell
 <a href="mailto:Stan.Payne@stephens.com">Stan.Payne@stephens.com</a>	501.377.2616	501.680.2890
 <a href="mailto:Jim.Goss@stephens.com">Jim.Goss@stephens.com</a>	501.377.2625	501.690.6900
 <a href="mailto:Matt.Jones@stephens.com">Matt.Jones@stephens.com</a>	501.377.3442	501.515.8664
 <a href="mailto:Denver.Fletcher@stephens.com">Denver.Fletcher@stephens.com</a>	501.377.3431	501.352.0116
 <a href="mailto:Mike.Butler@tephens.com">Mike.Butler@tephens.com</a>	501.377.2049	501.350.5100
 <a href="mailto:Bob.Watkins@stephens.com">Bob.Watkins@stephens.com</a>	501.377.8201	501.772.2428

Name	Ext.	Cell
 <a href="mailto:Kevin.McBride@stephens.com">Kevin.McBride@stephens.com</a>	501.377.2745	972.740.8038
 <a href="mailto:Patrick.McAlpine@stephens.com">Patrick.McAlpine@stephens.com</a>	501.377.8141	501.650.1807
 <a href="mailto:David.Nigus@stephens.com">David.Nigus@stephens.com</a>	501.377.8245	501.283.4347
 <a href="mailto:courtney.McLarty@stephens.com">courtney.McLarty@stephens.com</a>	501.377.8378	501.519.4430
 <a href="mailto:Kevin.Edwards@stephens.com">Kevin.Edwards@stephens.com</a>	501.377.8323	501.517.2241

Stay up to the minute on news from Stephens Inc.

Follow us on:

-  [facebook.com/about.stephens](https://facebook.com/about.stephens)
-  [linkedin.com/company/stephens-inc.](https://linkedin.com/company/stephens-inc.)
-  [twitter.com/Stephens\\_Inc](https://twitter.com/Stephens_Inc)



INVESTMENT BANKING • PRIVATE WEALTH MANAGEMENT  
INSURANCE • RESEARCH • SALES & TRADING  
CAPITAL MANAGEMENT • PUBLIC FINANCE • PRIVATE EQUITY  
MEMBER NYSE, SIPC STEPHENS.COM

# Stephens

Capitalize on Independence<sup>®</sup>



# Memorandum

**To:** SPP Finance Committee  
**From:** Tom Dunn  
**CC:**  
**Date:** December 7, 2015  
**Re:** Actuarial Assumptions for Pension Valuation

---

The SPP Finance Committee, at its April 2013 meeting, requested SPP staff provide an early look at assumptions utilized in valuation of SPP's pension plan and post-retirement healthcare plan. This memo provides that look at the four major assumptions: discount rate, long-term rate of return, compensation change rate, and mortality tables.

Discount Rate: The SPP Finance Committee, at its April 2008 meeting, concurred on a process to set the discount rate used in valuing pension liabilities. In general, the method used to set the discount rate follows the framework described in the Pension Protection Act of 2006. Section 102 of Title I of the Pension Protection Act of 2006 defines interest rates for determining the funding targets of covered plans. These interest rates are 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 (the top three rating tranches).

Also described in the Pension Protection Act of 2006 are three Segment Rates that can be used for the purpose of assigning a discount rate. These rates are differentiated based on the maturities of the corporate bonds underlying the yield curves used to determine each rate. The segments are broken down as follows:

1. First – zero through five years
2. Two – six through fifteen years and
3. Three – greater than fifteen years

The final issue to address is the selection of a Segment Rate for the SPP plan. One of the most pertinent demographic points to consider here is that the average age of the participants in the SPP retirement plan is less than 45 years. This would indicate that major distributions from the plan should not begin occurring, on average, for another twenty years.

The Moving Ahead for Progress in the 21st Century Act (MAP-21), a funding and authorization bill to govern U.S. federal surface transportation spending, contained a pension stabilization feature which reduced required contributions for single-employer pension plans substantially, especially for plan years 2012 and 2013. Unless interest rates rise, however, required contributions will return to pre-MAP-21 levels in a few years.

MAP-21 allows plan sponsors to measure pension liability using the 25-year average of segment rates plus or minus a corridor. The corridor started at plus or minus 10% for 2012, and increases by 5% each year until it reaches plus or minus 30% for 2016 and later. This will increase segment interest rates by 100 – 320 basis points, which will significantly lower plan liabilities and thus required contributions for plan years 2012 to 2016. Over time, the pension funding stabilization effect will decline as projected segment rates fall within the corridors.

On August 8, 2014, the Highway and Transportation Funding Act of 2014 ("HAFTA") was signed into law. HAFTA adjusted the pension smoothing timeline whereby the 25 year average segment rate plus or minus the 10% corridor would be in effect through 2017, thereafter the corridor rates would adjust 5% per year.

The Internal Revenue Service publishes periodic updates to segment rates throughout the year. The most recent update, published November 13, 2015 indicated 24-month average segment rates of 1.36%/3.99%/5.02% and adjusted rates consistent



with the MAP-21 and HAFTA directives of 4.72%/6.11%/6.81%. SPP used a discount rate of 5.50% in 2015. SPP staff recommends consideration of reducing the discount rate to 5.00% going forward, in line with the 3<sup>rd</sup> segment discount rate

Long-term Rate of Return: The SPP Finance Committee, at its April 2008 meeting, concurred on a process to set the discount rate used in pension valuation. The method used by SPP to assign the long-term rate of return is based upon an analysis of the long-term returns of widely recognized benchmark investments similar in asset allocation to the investments held in the pension plan trust. The benchmark returns are weighted based on SPP’s desired asset allocation described in the Investment Policy Statement.

The Russell 3000 Index measures the performance of the largest 3000 U.S. companies representing approximately 98% of the investable U.S. equity market. The Russell 3000 Index is constructed to provide a comprehensive, unbiased, and stable barometer of the broad market and is completely reconstituted annually to ensure new and growing equities are reflected. The Barclays Government/Credit Bond Index is a non-securitized component of the Barclays U.S. Aggregate Index. The U.S. Government/Credit Index includes U.S. Treasury with remaining maturities of more than one year, U.S. government-related issues (agency, sovereign, local authority, supranational) and corporate issues.

		Barclays Gov't/Credit <u>Ind</u> <u>ex</u>
15 Year Return (11/1/2000 – 10/31/2015)	<u>Russell 3000</u> 5.12%	5.32
Target Allocation	70%	30%
Weighted Avg. Return	3.58%	1.60%
<b>Historical Expected Portfolio Return</b>	<b>5.18%</b>	

SPP used a long-term rate of return assumption of 7.00% in 2014.

Compensation Change Rate: SPP’s year over year growth rate in compensation has significantly exceeded the long-term growth rate of 4% SPP has used in its pension valuation. SPP expects compensation growth to slow absent unforeseen growth in total staffing levels. A 4% long-term growth rate is consistent with that used by many of SPP’s members in their pension plan evaluations. This rate appears to be a reasonable assumption and provides a buffer for potential inflation in the future.

Pension Mortality Table: The Society of Actuaries (“SOA”) finalized pension mortality tables in October 2014 that will in most cases significantly increase reported pension liabilities. Updating to the new mortality tables (“RP-2014”) increases the lifetime expectancy of plan participants, which results in an increase in a pension plan’s total expected benefit payments and lengthens the plan’s time horizon. These changes manifest themselves financially in the form of i) lower balance sheet funded status; ii) higher contribution requirements; iii) and higher Pension Benefit Guaranty Corp. variable-rate premiums.

Adoption of RP-2014 mortality table rates appear as a one-time reduction in funded status, nothing about the plan itself has changed. This update just trues up the actuary’s best estimate of the liabilities. Put differently: Whether the actuary recognizes the liability increase now or in the future, the plan sponsor will eventually need to pay out the same annuity amounts.

Calculation of SPP’s pension liabilities relies on the 1994 Uninsured Pensioners Mortality Table (“1994 UP”). SPP has a rather small pool of pensioners and has limited experience with participant fatalities to base a decision on changing or not changing. The U.S. Internal Revenue Service will not adopt RP-2014 until 2017, at the earliest.

Southwest Power Pool - Impact of alternate actuarial assumptions on:  
 Defined Benefit Retirement Plan, and  
 Post-employment medical benefits

	Current	
	UP 94	RP 2000
Life Expectancy Table	UP 94	RP 2000
Assumed discount rate for cash contribution requirement	7.00%	7.00%
Assumed annual salary growth for cash contribution requirement	4.50%	4.50%
Assumed discount rate for financial statement	5.50%	5.50%
Assumed annual salary growth for financial statement	4.00%	4.00%
A. Recommended Cash Contribution for 2015	\$ 3,760,931	\$ 3,846,859
B. Reconciliation of Funded Status at December 31, 2014, for defined benefit retirement plan		
1. Actuarial present value of post-retirement benefit obligations	(50,701,803)	(51,692,807)
2. Plan Assets	45,902,853	45,902,853
3. Funded status (1) + (2)	(4,798,950)	(5,789,954)
4. Unrecognized net (gain) or loss	6,745,436	7,736,440
5. Unrecognized net prior service cost	(21,650)	(21,650)
6. Unrecognized net transition obligation	98,807	98,807
7. Accum Comprehensive Other Income: (4) + (5) + (6)	6,822,593	7,813,597
8. Total: (3) + (7)	2,023,643	2,023,643
C. Net Periodic Postretirement Benefit Cost for 2015 for Retirement Plan	4,488,016	4,718,690
D. Reconciliation of Funded Status at December 31, 2014, for post-retirement medical benefits		
1. Actuarial present value of post-retirement benefit obligations	(7,412,378)	(7,623,850)
2. Plan Assets	-	-
3. Funded status (1) + (2)	(7,412,378)	(7,623,850)
4. Unrecognized net (gain) or loss	6,112,564	6,324,036
5. Unrecognized net prior service cost	(1,487,594)	(1,487,594)
6. Unrecognized net transition obligation	26,548	26,548
7. Accum Comprehensive Other Income: (4) + (5) + (6)	4,651,518	4,862,990
8. Total: (3) + (7)	(2,760,860)	(2,760,860)
E. Net Periodic Postretirement Benefit Cost for 2015 for Post-retirement medical benefits	1,056,560	1,093,820

See report dated February 11, 2015 for actuarial assumptions and methods. Assumptions include a 5.50% discount rate, the 1994 UP Life Expectancy Table, and a Health Care Cost Trend Rate of 10% next year, grading down to an ultimate rate of 5% in the sixth and subsequent years.

9/4/2015



# Memorandum

To: SPP Officers / Directors / Managers  
From: Sheri Dunn / Cindy Goodwin  
Date: November 25, 2015  
RE: October 2015 Financial Package

Attached are the [October 2015](#) monthly financial reports.

	Page
1) <b>Financial Commentary:</b> FY Forecast to Budget Variances	1
2) <b>Financial Overview:</b> FY Forecast by month compared to Budget and Prior Year	3
3) <b>Income Statement Actual Results Overview:</b> Current Month Actual compared to Forecast, FY Forecast compared to Budget and FY Forecast compared to Prior Year	4
4) <b>Balance Sheet:</b> Current Month compared to Year End	5
5) <b>Capital Projects Summary:</b> Project-to-Date and Remaining Forecast compared to Total Capital Project Budget	6
5) <b>Headcount Analysis:</b> Forecast compared to Budget	9
6) <b>Unbudgeted Purchases</b>	10



2015 Financial Commentary  
October 31, 2015  
(in thousands)

Summary				
	2015 FY Forecast	2015 FY Budget	Fav/(Unfav) Variance	
Revenues	\$179,678	\$174,595	\$5,083	2.9%
Expenses	206,228	209,982	3,754	1.8%
Net Income/(Loss)	<u>(\$26,551)</u>	<u>(\$35,387)</u>	<u>\$8,837</u>	25.0%

Revenue				
	2015 FY Forecast	2015 FY Budget	Fav/(Unfav) Variance	
Tariff Administration Service	\$146,294	\$141,149	\$5,145	3.6%
FERC Fees & Assessments	17,214	15,460	1,754	11.3%
NERC ERO Regional Entity Rev	9,891	11,693	(1,802)	(15.4%)
Miscellaneous Income	4,740	5,338	(598)	(11.2%)
Contract Services Revenue	975	475	500	105.3%
Annual Non-Load Dues	564	480	84	17.5%
Total Revenue	<u>\$179,678</u>	<u>\$174,595</u>	<u>\$5,083</u>	2.9%

Tariff Administrative Service exceeds budget as a result of slightly higher coincident peak loads in 2014, which is the basis for the 2015 invoices for Schedule 1A. Correction of billing error for 1A credits also contributes to the favorable variance. These corrections are subject to active disputes.

FERC Fees Assessments revenue was adjusted to reflect the current rate charged under Schedule 12, which is \$0.074 as compared to \$0.066 assumed in the budget.

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. 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 the forecast was subsequently reduced based on the decreasing trend of violations experienced since the budget was finalized in early 2014. The net impact to SPP is an unfavorable variance of \$114.

Miscellaneous Income forecast was reduced for Order 1K Industry Expert Panel (IEP) pass-thru revenues given that only one RFP was issued. An offsetting favorable variance is reflected in Outside Services associated with the reduction of expenses for the panel.

Contract Services forecast includes revenue for the WAPA reliability coordination services agreement, which was not included in the budget.



2015 Financial Commentary  
October 31, 2015  
(in thousands)

Expense				
	2015 FY Forecast	2015 FY Budget	Fav/(Unfav) Variance	
Salary & Benefits	\$83,167	\$80,020	(\$3,147)	(3.9%)
Assessments & Fees	13,939	16,400	2,461	15.0%
Communications	3,771	4,307	536	12.4%
Maintenance	13,437	14,670	1,233	8.4%
Outside Services (Including RSC)	12,191	16,137	3,945	24.4%
Administrative & Leases	5,108	5,113	5	0.1%
Travel & Meetings	2,787	3,092	305	9.9%
Depreciation & Amortization	59,834	61,247	1,413	2.3%
Other Expenses	11,994	8,996	(2,999)	(33.3%)
Total Expense	<u>\$206,228</u>	<u>\$209,982</u>	<u>\$3,754</u>	1.8%

Salary & Benefits reflect current active staff and timing of new hires based on estimates from HR. Benefit expense exceeds budget by \$3,000 as a result of reporting retirement benefits based on actuarial accruals versus the budget which is based on cash contributions. Other offsetting factors are associated with a decrease in healthcare expense due to fewer claims and a decrease in continuing education costs partially attributed to lower staffing levels.

Assessments and Fees is considerably less than the original budget. SPP received its annual assessment invoice from FERC in June and recognized a true-up for the prior year over-accrual. The forecast has been adjusted to reflect the lower FERC costs expected for 2015.

The FY favorable variance in Outside Services is largely related to i) lower consulting costs in the RE (Regional Entity) due to a decreasing trend in the number of violations, ii) a significant reduction in Order 1K industry expert panel (IEP) pass-thru costs (due to the issuance of only one RFP), iii) staff augmentation mostly associated with Integrated Systems (IS), and iv) lower expenses related to wind forecasting.

The impact of Integrated Systems (IS) on Communications expenses is lower than originally estimated and results in a favorable variance to budget. The budget assumed increases to both frame relay and circuit costs related to onboarding the IS; however only frame relay costs were actually impacted by the integration.

Meetings expense also trails budget in various areas, with the largest departmental variance in Training with cost savings associated with reducing expenses for various external meetings and conferences (\$48) and eliminating restoration drill meeting expenses (\$17). Savings in Travel and Meetings are recognized in other areas as a result of reducing the number of meeting days for face-to-face meetings and sending fewer SPP employees to attend the meetings that occur on a regular basis. Encouraging the use of the SPP corporate campus or American Electric Power Co (AEP) facilities also contributes to lower meeting costs given that SPP has a fixed contract with AEP.

The budget in Other Income / Expense includes a \$1.2 million expense reduction placeholder assigned by the Board, which has been removed from the forecast in order to show a more accurate representation of expected expenses for the remainder of the year. The SWAP valuation adjustment is not included in the budget due to unpredictability and results in an unfavorable variance year-to-date. Also contributing to the unfavorable variance to budget is additional Interest Expense for IT storage equipment that was financed through a capital lease. A partial offset to this can be seen in the favorable maintenance expense variance as a result of lower maintenance costs associated with the related equipment. Other items impacting the unfavorable variance include the Z2 Credit write-off, unrealized losses on investments (non-cash) and capitalized interest on the ECC project.



Southwest Power Pool  
Monthly Overview  
October 31, 2015  
(in thousands)

	Actual Jan-15	Actual Feb-15	Actual Mar-15	Actual Apr-15	Actual May-15	Actual Jun-15	Actual Jul-15	Actual Aug-15	Actual Sep-15	Actual Oct-15	Fcst Nov-15	Fcst Dec-15	FY 2015 Forecast	FY 2015 Budget	Variance Fav/(Unfav)	FY 2014 Actual	Variance Fav/(Unfav)
<b>Income</b>																	
Tariff Administrative Service	\$11,866	\$10,867	\$12,014	\$12,796	\$11,977	\$11,500	\$12,033	\$11,991	\$11,528	\$13,204	\$13,227	\$13,291	\$146,294	\$141,149	\$5,145	\$133,722	\$12,572
Fees & Assessments	2,407	2,528	2,096	2,095	1,889	2,148	2,534	2,823	2,449	2,159	2,210	2,332	27,669	27,633	36	25,013	2,656
Contract Services Revenue	38	38	40	40	40	165	165	165	165	40	40	40	975	475	500	453	523
Miscellaneous Income	88	283	602	312	228	480	409	196	409	1,183	247	304	4,740	5,338	(598)	4,350	390
<b>Total Income</b>	<b>14,398</b>	<b>13,716</b>	<b>14,751</b>	<b>15,242</b>	<b>14,134</b>	<b>14,293</b>	<b>15,141</b>	<b>15,174</b>	<b>14,550</b>	<b>16,586</b>	<b>15,725</b>	<b>15,967</b>	<b>179,678</b>	<b>174,595</b>	<b>5,083</b>	<b>163,537</b>	<b>16,141</b>
<b>Expense</b>																	
Salary & Benefits	6,699	6,722	6,933	7,483	6,631	7,415	6,542	6,508	7,153	6,655	6,608	7,817	83,167	80,020	(3,147)	85,575	2,408
Employee Travel	99	160	173	179	207	172	155	143	161	193	181	175	1,997	2,094	97	1,924	(72)
Administrative	249	275	422	445	281	661	346	490	211	836	401	369	4,985	4,921	(64)	4,399	(586)
Assessments & Fees	1,363	1,363	1,363	1,363	1,363	(244)	1,228	1,228	1,228	1,228	1,228	1,228	13,939	16,400	2,461	16,323	2,384
Meetings	78	75	46	49	70	84	68	74	105	83	37	21	790	998	208	833	43
Communications	294	308	310	351	319	318	279	322	318	316	318	319	3,771	4,307	536	3,745	(26)
Leases	15	16	14	14	17	14	17	16	(2)	1	-	-	123	192	69	180	57
Maintenance	1,111	1,079	1,035	1,122	1,121	1,121	1,115	1,130	1,052	1,147	1,094	1,309	13,437	14,670	1,233	15,149	1,712
Services	583	989	1,211	992	819	833	1,265	1,007	920	1,221	860	1,303	12,002	15,849	3,846	16,128	4,126
Regional State Committee	7	19	9	20	16	21	12	18	17	13	18	18	189	288	99	191	2
Depreciation & Amortization	4,672	4,795	5,045	5,069	5,029	5,007	5,022	4,905	4,883	4,951	5,168	5,289	59,834	61,247	1,413	51,046	(8,788)
<b>Total Expense</b>	<b>15,171</b>	<b>15,800</b>	<b>16,560</b>	<b>17,086</b>	<b>15,874</b>	<b>15,403</b>	<b>16,050</b>	<b>15,841</b>	<b>16,045</b>	<b>16,644</b>	<b>15,913</b>	<b>17,848</b>	<b>194,234</b>	<b>200,987</b>	<b>6,752</b>	<b>195,493</b>	<b>1,259</b>
<b>Other Income/(Expense)</b>																	
Investment Income	-	-	70	12	17	33	12	46	36	11	-	-	237	-	237	459	(222)
Interest Expense	(1,007)	(801)	(938)	(830)	(936)	(931)	(882)	(874)	(860)	(891)	(851)	(858)	(10,658)	(10,496)	(162)	(12,916)	2,257
Capitalized Interest	-	-	102	-	-	-	-	-	-	-	-	9	111	241	(130)	363	(252)
Change in Valuation of Swap	-	-	(659)	-	-	478	-	-	(886)	-	-	-	(1,067)	-	(1,067)	(1,528)	461
Other Income/Expense	(24)	90	(1)	14	5	(353)	19	(79)	(35)	103	-	-	(260)	1,260	(1,520)	74	(334)
Unrealized Gain on Investment	-	-	69	42	25	(193)	(3)	(510)	(238)	451	-	-	(357)	-	(357)	251	(608)
<b>Net Other Income (Expense)</b>	<b>(1,031)</b>	<b>(711)</b>	<b>(1,357)</b>	<b>(763)</b>	<b>(889)</b>	<b>(966)</b>	<b>(854)</b>	<b>(1,417)</b>	<b>(1,983)</b>	<b>(325)</b>	<b>(851)</b>	<b>(849)</b>	<b>(11,994)</b>	<b>(8,996)</b>	<b>(2,999)</b>	<b>(14,093)</b>	<b>2,099</b>
<b>Net Income (Loss)</b>	<b>(\$1,803)</b>	<b>(\$2,795)</b>	<b>(\$3,166)</b>	<b>(\$2,606)</b>	<b>(\$2,629)</b>	<b>(\$2,075)</b>	<b>(\$1,763)</b>	<b>(\$2,084)</b>	<b>(\$3,478)</b>	<b>(\$383)</b>	<b>(\$1,040)</b>	<b>(\$2,730)</b>	<b>(\$26,551)</b>	<b>(\$35,387)</b>	<b>\$8,837</b>	<b>(\$46,050)</b>	<b>\$19,499</b>
2015 Headcount Forecast	576	576	570	570	573	570	570	570	571	571	574	572	572				
2015 Headcount Budget	595	595	598	598	598	598	598	598	598	598	598	598	598				
<b>Over / (Under) Budget</b>	<b>(19)</b>	<b>(19)</b>	<b>(28)</b>	<b>(28)</b>	<b>(25)</b>	<b>(28)</b>	<b>(28)</b>	<b>(28)</b>	<b>(27)</b>	<b>(27)</b>	<b>(24)</b>	<b>(26)</b>	<b>(26)</b>				
Headcount Vacancy	-3%	-3%	-5%	-5%	-4%	-5%	-5%	-5%	-5%	-5%	-4%	-4%	-4%				
NRR Over / (Under) Recovery	\$2,839	\$1,310	(\$3,783)	\$2,312	\$2,395	(\$4,895)	\$2,511	\$2,380	(\$4,219)	\$3,708	\$3,728	(\$4,088)	\$4,197				



Southwest Power Pool  
Actual Results Overview  
October 31, 2015  
(in thousands)

	Current Month Compared to Forecast			YTD Actual Compared to YTD Budget			YTD 2015 Compared to YTD 2014		
	Oct-2015 Actual	Oct-2015 Forecast	Variance Fav/(Unfav)	Oct-2015 Actual	Oct-2015 Budget	Variance Fav/(Unfav)	Oct-2015 Current Year	Oct-2014 Prior Year	Variance Fav/(Unfav)
<b>Income</b>									
Tariff Administrative Service	\$13,204	\$11,804	\$1,400	\$119,776	\$115,450	\$4,326	\$119,776	\$111,951	\$7,825
Fees & Assessments	2,159	2,193	(34)	23,126	23,314	(188)	23,126	20,974	2,152
Contract Services Revenue	40	165	(125)	895	396	500	895	377	519
Miscellaneous Income	1,183	1,025	158	4,189	3,982	207	4,189	3,133	1,056
<b>Total Income</b>	<b>16,586</b>	<b>15,187</b>	<b>1,398</b>	<b>147,986</b>	<b>143,141</b>	<b>4,845</b>	<b>147,986</b>	<b>136,434</b>	<b>11,552</b>
<b>Expense</b>									
Salary & Benefits	6,655	6,663	\$7	68,743	66,700	(\$2,042)	68,743	70,163	\$1,420
Employee Travel	193	181	(12)	1,641	1,763	122	1,641	1,671	30
Administrative	836	838	2	4,215	4,286	72	4,215	3,939	(276)
Assessments & Fees	1,228	1,228	-	11,483	13,667	2,184	11,483	13,597	2,114
Meetings	83	115	32	732	879	147	732	743	11
Communications	316	334	18	3,134	3,589	455	3,134	3,153	19
Leases	1	-	(1)	123	160	37	123	147	24
Maintenance	1,147	1,262	114	11,033	12,228	1,195	11,033	12,307	1,273
Services	1,221	1,122	(99)	9,839	13,435	3,596	9,839	13,088	3,249
Regional State Committee	13	18	5	153	240	87	153	148	(5)
Depreciation & Amortization	4,951	5,150	199	49,377	50,790	1,413	49,377	41,319	(8,059)
<b>Total Expense</b>	<b>16,644</b>	<b>16,910</b>	<b>266</b>	<b>160,473</b>	<b>167,738</b>	<b>7,265</b>	<b>160,473</b>	<b>160,274</b>	<b>(199)</b>
<b>Other Income/(Expense)</b>									
Investment Income	11	-	11	237	-	237	237	-	237
Interest Expense	(891)	(848)	(43)	(8,950)	(8,765)	(184)	(8,950)	(9,113)	163
Capitalized Interest	-	-	-	102	179	(77)	102	289	(187)
Change in Valuation of Swap	-	-	-	(1,067)	-	(1,067)	(1,067)	108	(1,175)
Other Income/Expense	103	-	103	(260)	1,050	(1,310)	(260)	95	(355)
Unrealized Gain on Investment	451	-	451	(357)	-	(357)	(357)	-	(357)
<b>Net Other Income (Expense)</b>	<b>(325)</b>	<b>(848)</b>	<b>523</b>	<b>(10,294)</b>	<b>(7,536)</b>	<b>(2,758)</b>	<b>(10,294)</b>	<b>(8,621)</b>	<b>(1,673)</b>
<b>Net Income (Loss)</b>	<b>(\$383)</b>	<b>(\$2,570)</b>	<b>\$2,187</b>	<b>(\$22,781)</b>	<b>(\$32,133)</b>	<b>\$9,352</b>	<b>(\$22,781)</b>	<b>(\$32,461)</b>	<b>\$9,680</b>
Headcount	571	570	1	571	598	(27)	571	569	2





Southwest Power Pool  
Balance Sheet  
October 31, 2015  
(in thousands)

	<u>10/31/2015</u>	<u>12/31/2014</u>	<u>Net Change</u>
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash & Equivalents	\$45,043	\$57,534	(\$12,491)
Restricted Cash Deposits	237,361	222,285	15,075
Accounts Receivable (net)	28,344	41,826	(13,482)
Other Current Assets	13,756	7,204	6,552
<b>Total Current Assets</b>	<b>\$324,504</b>	<b>\$328,850</b>	<b>(4,346)</b>
Total Fixed Assets	143,567	176,881	(33,314)
Total Other Assets	2,520	5,183	(2,663)
Investments	9,261	10,099	(838)
<b>TOTAL ASSETS</b>	<b>\$479,852</b>	<b>\$521,013</b>	<b>(\$41,162)</b>
<b>LIABILITIES &amp; EQUITY</b>			
<b>Liabilities</b>			
<b>Current Liabilities</b>			
Accounts Payable (net)	\$14,579	\$31,417	(16,838)
Customer Deposits	241,332	222,285	19,046
Current Maturities of LT Debt	23,425	24,299	(875)
Other Current Liabilities	47,302	57,943	(10,641)
Deferred Revenue	5,043	5,895	(852)
<b>Total Current Liabilities</b>	<b>331,681</b>	<b>341,840</b>	<b>(10,159)</b>
<b>Long Term Liabilities</b>			
US Bank 5.45% Senior Notes - 2016	-	3,000	(3,000)
US Bank Maumelle Mortgage - 2027	3,187	3,341	(154)
Campus 4.82% Senior Notes - 2042	61,014	61,869	(856)
Integrated Marketplace 3.55% Senior Note - 2024	52,500	57,750	(5,250)
Senior Notes - 2024	77,500	85,000	(7,500)
Senior Notes - 2025	37,000	37,000	-
Capital Lease Obligation	5,824	-	5,824
Other Long Term Liabilities	20,872	18,158	2,715
<b>Total Long Term Liabilities</b>	<b>257,897</b>	<b>266,118</b>	<b>(8,221)</b>
Net Income	(22,781)	(46,050)	23,268
Members' Equity	(86,945)	(40,895)	(46,050)
<b>Total Members' Equity</b>	<b>(109,726)</b>	<b>(86,945)</b>	<b>(22,781)</b>
<b>TOTAL LIABILITIES &amp; EQUITY</b>	<b>\$479,852</b>	<b>\$521,013</b>	<b>(\$41,162)</b>

## 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)
<b>Post Go-Live</b>								
Project Pinnacle	\$457.4	\$10,473.1	\$1,603.4	\$0.0	\$0.0	\$12,534.0	\$15,371.8	(\$2,837.9)
Phase 1 Deferred Enhancements	0.0	1,087.3	0.0	0.0	0.0	1,087.3	1,000.0	87.3
TCR Enhancements (included in Project Pinnacle budget)	0.0	0.0	258.3	122.9	0.0	381.2	0.0	381.2
Enhanced Combined Cycle / Gas Day (Combined)	143.9	1,157.2	493.5	5,263.9	650.0	7,708.5	8,708.4	(999.9)
<b>Total Market Post Go-Live Projects</b>	<b>\$601.3</b>	<b>\$12,717.6</b>	<b>\$2,355.2</b>	<b>\$5,386.8</b>	<b>\$650.0</b>	<b>\$21,711.0</b>	<b>\$25,080.3</b>	<b>(\$3,369.3) a)</b>
<b>Carry-forward projects</b>								
Netezza	\$2,156.0	\$490.3	\$172.0	\$0.0	\$0.0	\$2,818.3	\$2,818.0	\$0.3
Transmission Settlements Upgrade ETSE3.0	0.0	0.0	19.4	0.0	3,817.0	3,836.4	4,187.0	(350.6)
EMS Upgrade (covered by IT Foundation)	0.0	0.0	0.0	0.0	0.0	0.0	1,497.7	(1,497.7)
Sonic ESB and Sonic MQ Replacement	0.0	1.4	252.7	0.0	0.0	254.0	475.0	(221.0)
IssueTrak Integration with Remedy (covered by SPP staff)	0.0	0.0	0.0	0.0	0.0	0.0	150.0	(150.0)
Cost Allocation SQL Database (cancelled)	0.0	0.0	0.0	0.0	0.0	0.0	50.0	(50.0)
Z2 Crediting Process (orig budget \$295 in 2012) *	348.9	2.2	1,118.2	23.9	0.0	1,493.2	295.0	1,198.2 b)
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
<b>Total Carry-forward Projects</b>	<b>\$2,504.9</b>	<b>\$788.3</b>	<b>\$1,585.5</b>	<b>\$23.9</b>	<b>\$3,817.0</b>	<b>\$8,719.7</b>	<b>\$9,952.7</b>	<b>(\$1,233.0)</b>
* The TOTAL BUDGET for the Carry Forward projects that were expected to be complete in 2014 were not included in the 2015-2017 budget (\$78,861).								
<b>2015 New Projects</b>								
IS Integration			412.3	0.0	0.0	412.3	1,027.0	(614.7)
Local Reliability Assessment			0.0	0.0	500.0	500.0	500.0	0.0
2-Factor Authentication (1 of 2 - Infrastructure build)			0.0	0.0	0.0	0.0	250.0	(250.0)
Vaadin 6 to 7 Upgrade			110.4	0.0	0.0	110.4	180.0	(69.6)
Tie Line Meter Checkout			33.0	0.0	0.0	33.0	66.0	(33.0)
<b>Total 2015 New Projects</b>			<b>\$555.7</b>	<b>\$0.0</b>	<b>\$500.0</b>	<b>\$1,055.7</b>	<b>\$2,023.0</b>	<b>(\$967.3)</b>

Project	Prior Year(s)	2014 Actual	2015 Forecast	2016 Forecast	2017 Forecast	TOTAL FORECAST	TOTAL BUDGET	Variance Over/(Under)
<b>Foundation</b>								
IT Foundation			\$13,513.9	\$9,940.2	\$11,026.0	\$34,480.0	\$33,073.1	\$1,406.9 c)
Operations Marketplace Enhancements			2,167.1	2,110.0	2,200.0	6,477.1	5,968.0	509.1
Operations Legacy Applications Foundation			221.5	523.0	618.0	1,362.5	2,009.0	(646.5)
Settlements Enhancements			367.8	250.0	250.0	867.8	750.0	117.8
Miscellaneous Facilities			270.2	723.0	220.0	1,213.2	580.0	633.2
CMS Enhancements (covered by SPP IT staff)			0.0	0.0	0.0	0.0	200.0	(200.0)
<b>Total Foundation</b>			<b>\$16,540.5</b>	<b>\$13,546.2</b>	<b>\$14,314.0</b>	<b>\$44,400.7</b>	<b>\$42,580.1</b>	<b>\$1,820.6</b>
<b>Unbudgeted Projects</b>								
Corporate Website Replacement Project	\$0.0	\$182.8	\$184.2	\$0.0	\$0.0	\$367.0	\$0.0	\$367.0 d)
V&R Energy Systems Research	0.0	0.0	27.0	0.0	0.0	27.0	0.0	27.0
<b>Total Unbudgeted Projects</b>	<b>\$0.0</b>	<b>\$182.8</b>	<b>\$211.2</b>	<b>\$0.0</b>	<b>\$0.0</b>	<b>\$394.0</b>	<b>\$0.0</b>	<b>\$394.0</b>
<b>Total Capital Project Expense</b>	<b>\$3,106.3</b>	<b>\$13,688.7</b>	<b>\$21,248.2</b>	<b>\$18,956.9</b>	<b>\$19,281.0</b>	<b>\$76,281.0</b>	<b>\$79,636.1</b>	<b>(\$3,355.0)</b>

Notes on material variances to budget:

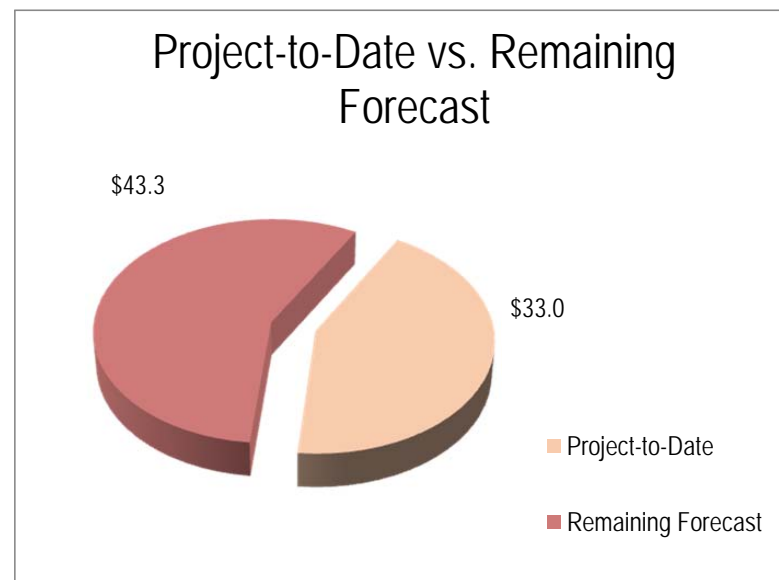
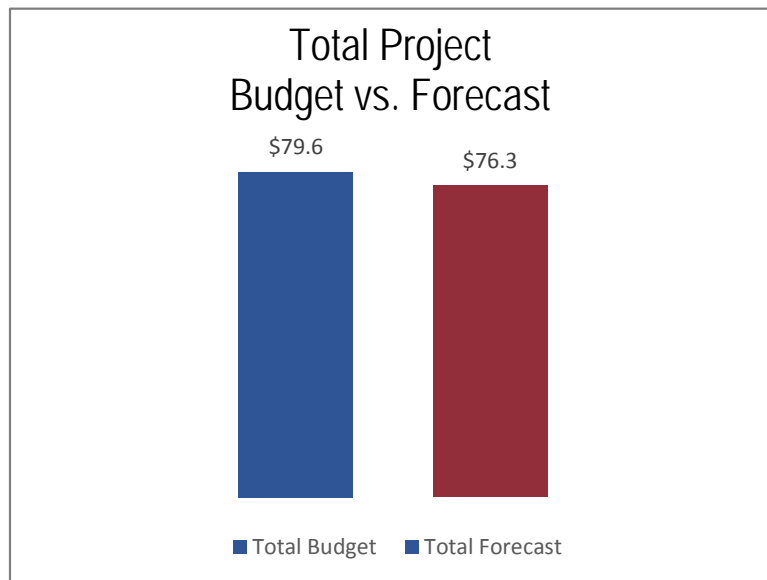
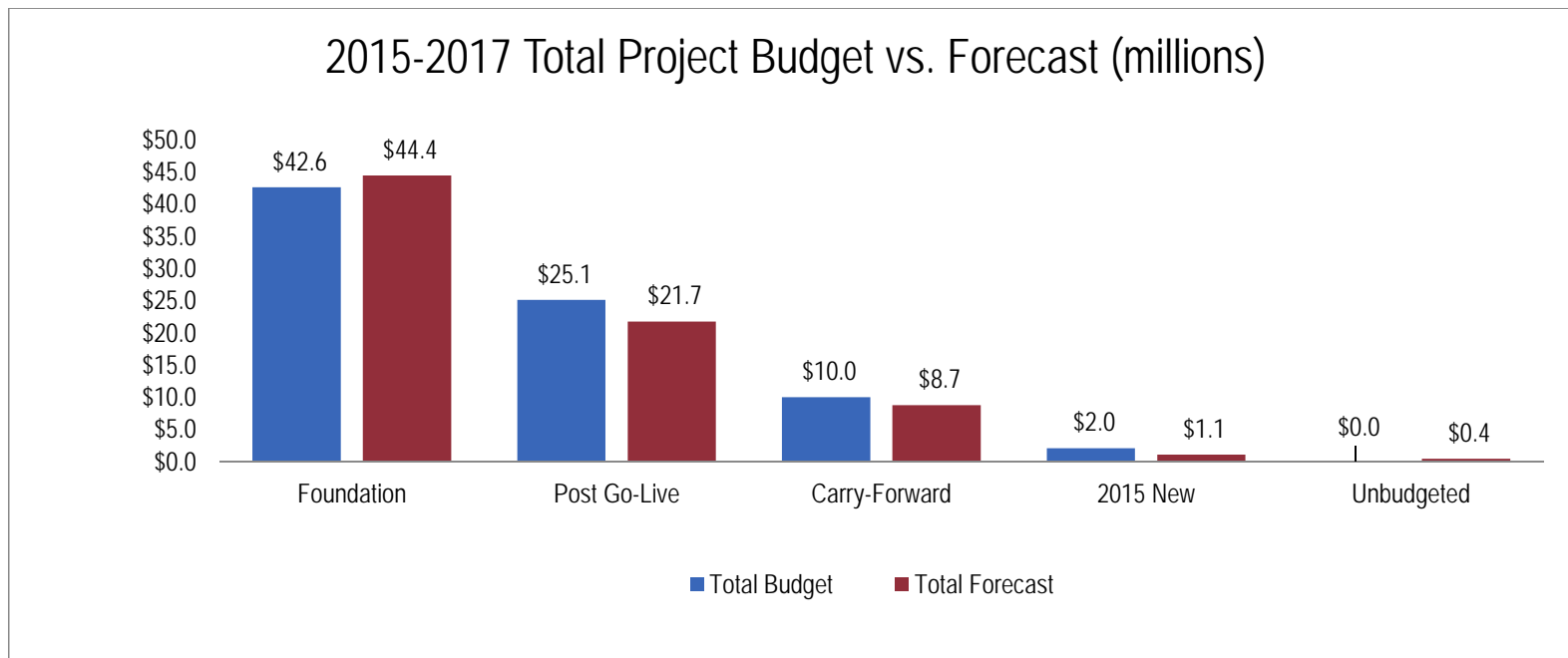
a) The actual costs of the Pinnacle projects were less than the initial budget estimates, which were developed in fall of the 2013. Some contractors who were funded through the Pinnacle project budget also performed activities that were not categorized as development work (e.g. planning and staff augmentation). As such, the contractor charges incurred for those activities were included under operating expense and not included in the Pinnacle projects capital costs. TCR Enhancements forecast of \$500 was broken out of the Pinnacle budget.

The Gas / Electric Harmonization forecast (now referred to as Gas Day) has been combined with the Enhanced Combined Cycle forecast. The original estimate for the Gas Day project was reduced from \$2,000 to \$1,000.

b) The initial project budget for Z2 Crediting Process was established in early 2012. Since 2012, there have been ongoing challenges in establishing common understanding of requirements and system functionality. The current project cost forecast is based on the recently approved requirements and the decision to utilize a new vendor to complete the project. As a result, an impairment loss (\$351) and additional expense to settle with the previous vendor (\$200) were recognized as operating expense, resulting in total project cost of \$1,693.

c) 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 .

d) The total project cost for the corporate website replacement includes expense of \$182.8 in 2014 for work that did not provide adequate enhancements. A new vendor was selected in 2015 to complete the project.





Southwest Power Pool  
Headcount Analysis  
September 30, 2015

	Current Month Actual vs. Budget			Full Year Forecast vs. Budget		
	Actual Oct-2015	Budget Oct-2015	Over/(Under) Budget	FY 2015 Positions	FY 2015 Budget	Over/(Under) Budget
Officers	11	10	1	11	10	1
Accounting	11	10	1	11	10	1
Credit	4	4	0	4	4	0
Settlements	23	24	(1)	24	24	0
Administration	49	48	1	50	48	2
Corporate Services	27	29	(2)	28	29	(1)
Interregional Affairs	4	4	0	4	4	0
SPP Compliance	10	11	(1)	12	11	1
Project Management	11	13	(2)	13	13	0
Training	10	11	(1)	11	11	0
Customer Service	9	10	(1)	9	10	(1)
Process Management	3	3	0	3	3	0
Internal Audit	6	6	0	6	6	0
Process Integrity	53	58	(5)	58	58	0
Information Technology	141	146	(5)	145	146	(1)
Markets	7	7	0	7	7	0
Interregional Relations	3	3	0	3	3	0
Operations	154	160	(6)	160	160	0
Engineering	68	73	(5)	73	73	0
Regulatory Policy & General Counsel	38	40	(2)	39	40	(1)
Communications & Gov't Affairs	5	4	1	5	4	1
SPP Regional Entity	26	30	(4)	28	30	(2)
Vacancy Allowance	0	0	0	(24)	0	(24)
<b>TOTAL HEADCOUNT</b>	<b>571</b>	<b>598</b>	<b>(27)</b>	<b>572</b>	<b>598</b>	<b>(26)</b>

\* The forecast includes a negative headcount adjustment of 24 positions to reflect an average vacancy of 4% as compared to the budgeted vacancy rate of 5%. Due to removing two open positions in the RE and delaying hire dates for three positions to 2016, total positions in the forecast is 596 as compared to the budget of 598.

2015 Budgeted positions	598
Net positions eliminated from forecast	(2)
2015 Total positions	596
Vacancy factor	(24)
2015 Forecast	572

**Unbudgeted Purchases  
> \$100k**

<b>PO Number</b>	<b>Project Name</b>	<b>Vendor</b>	<b>Scope of Work</b>	<b>Total Amount</b>	<b>Budgeted</b>	<b>Unbudgeted</b>
2015-1432	Foundation	Business World, Inc.	Copier/Printer Purchase	\$ 215,000	-	\$ 215,000
2015-1470	CIP 5 Readiness	Accenture	CIP 5 Readiness Program/Project Mgmt	222,813	-	222,813
2015-1518	Foundation	Russell Reynolds Associates	Board Search	81,100	-	81,100
2015-1531	Z2 Credit Stacking	Accenture	Completion of Z2 Credit Stacking Project	1,259,818	-	1,259,818 <b>(1)</b>
				<u>\$ 1,778,731</u>	<u>-</u>	<u>\$ 1,778,731</u>

**(1) Represents revised total for completion of the Z2 Credit Stacking Project. Original PO was for \$996,723 (\$263,095 incremental)**

## CURRENT APPROVAL LEVELS - BUDGETED EXPENDITURES

### Single Signing Authority Limits

TIER Level	Position	Signing Limit
A	Supervisor, Meeting Planner	\$5K
B	Manager	\$10K
C	Director	\$100K
D	Vice President, COO	\$500K
E	President	\$1M

### Dual Signing Authority Limits

Multi	COO/CFO + VP *	\$1M
Multi	VP* + President	Within Budget Limits

\*Must include VP that oversees the department incurring the expenditure. For VP Information Technology, VP Engineering, and VP Operations, approval must include both the COO and CFO. The combination of approvals can only be used in the event the President is out on an extended basis due to illness or other unforeseen circumstances.

## CURRENT APPROVAL LEVELS - UNBUDGETED EXPENDITURES

### Single Signing Authority Limits

TIER Level	Position	Signing Limit
A	Supervisor	\$0
B	Manager	\$0
C	Director	\$10K
D	Vice President, COO	\$100K
E	President	\$500K

### Dual Signing Authority Limits

Multi	President+COO+CFO	\$500K + *
Multi	Finance Committee	\$1M + *

\* Unbudgeted expenditures greater than \$1M will require Finance Committee approval prior to the expense being incurred. Once approved, purchase can be internally processed with the stated combination of executive staff. All unbudgeted expenditures in excess of \$100k will be reported to the Finance Committee at their next regularly scheduled meeting.