



**Southwest Power Pool
FINANCE COMMITTEE MEETING**

April 5, 2016

Dallas, TX

• M I N U T E S •

Administrative Items

SPP Chair Harry Skilton called the meeting to order at 7:30 a.m. The following members of the Finance Committee participated:

Harry Skilton	SPP Director
Larry Altenbaumer	SPP Director
John Olsen (proxy for K. Harrison)	Westar Energy
Sandra Bennett	AEP
Laura Kapustka	Lincoln Electric
Mike Wise	Golden Spread Electric Cooperative
Tom Dunn	SPP

Others attending included:

Bruce Scherr	SPP Director
Dianne Branch	SPP
Traci Bender	NPPD
Barrett Breeding	BKD
Steve Osborn	Osborn, Carreiro & Associates, Inc.
Jason Bailey (phone)	OG&E

Minutes from the March 11, 2016 meeting were reviewed. Larry Altenbaumer motioned to approve the minutes. The motion was seconded by Mike Wise and approved by unanimous voice vote with an abstention by Laura Kapustka.

Capital Asset Funding Plan Review

The Committee discussed the merits of different options to fund the acquisition of fixed assets. Following the discussion, the Committee achieved consensus on establishing a guideline of funding 80% of new fixed assets with new debt and the remaining 20% would be funded through the administrative fee. This guideline is consistent with the funding utilized in the 2016 SPP budget.

Finance Committee Scope Document

Upon review of the draft scope document, several changes were recommended. Most of the changes involved actions of the Committee which should be presented to the SPP Board of Directors for final approval as opposed to the Committee approving the actions with no Board of Director actions. SPP staff will edit the draft scope document for review by the Committee at its July meeting.

2015 Financial Audit

Dianne Branch and Barrett Breeding presented the results of the 2015 financial report audit. Dianne Branch covered highlights on the financial statement and the statement footnotes. The Committee directed SPP staff to review the footnote describing SPP's Nature of Operations, focusing in the paragraph describing SPP's function as a Regional Entity under a delegation agreement with the North American Electric Reliability Corporation. Barrett Breeding presented the audit opinion letter and the management letter. Following this presentation, SPP staff was dismissed from the meeting as the Committee went into executive session with Barrett Breeding.

Following executive session, Sandra Bennett made a motion to accept the audit report as presented and recommend approval of the audit report to the SPP Board of Directors. The motion was seconded by Laura Kapustka and approved by unanimous voice vote.

The Committee next discussed continuing the engagement of BKD for the 2016 financial audit. The Committee requested SPP obtain the following information; i) quote from BKD for 2016 financial audit, ii) information from peer ISO/RTO groups on their auditors and favorable impressions, iii) investigate opportunities to engage SPP internal

audit department to reduce workload (and fees) from BKD, iv) address any changes SPP would like in the audit scope.

2016 Benefit Plan Funding

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 reducing the discount rate by 50 basis points and adopting the IRS annuitant and non-annuitant tables for 2016.

SPP staff recommended \$5.38 million in contributions to the SPP Retirement Plan in 2016, consistent with the recommendation of Steve Osborn. The SPP 2016 budget included \$3.76 million in funding.

SPP staff recommended \$0.25 million in contributions to the SPP Post-retirement Healthcare Plan in 2016, consistent with the recommendation of Steve Osborn. The SPP 2016 budget did not include any funding for this plan.

Sandra Bennett made a motion to contribute \$5.38 million to the SPP Retirement Plan and \$0.25 million to the SPP Post-retirement Healthcare Plan during 2016. The motion was seconded by Laura Kapustka and approved by unanimous voice vote.

Internal Audits

Harry Skilton discussed his participation in a recent meeting of the SPP Oversight Committee. A topic reviewed by the Oversight Committee is the work of SPP's Internal Audit department where the Committee reviews the work product. Two internal audit reports captured the attention of Mr. Skilton as the reports addressed aspects of credit and purchasing. The Finance Committee requested staff address the comments from the audit reports. Related to the audit of credit, the staff indicated the suggestion from Internal Audit to reconcile collateral balances against credit limits was implemented with the reconciliation occurring on a 6 month cycle. The suggestion regarding purchasing involved establishing a checklist for a responsible party to complete and deliver to Accounting prior to paying an invoice has not been implemented. The current controls already require affirmative direction from the responsible party prior to Accounting issuing payment.

Compliance Costs

SPP staff discussed the background of a CIP compliance audit which was begun in 2013 by SERC Reliability Corp. and the impacts resulting from that audit. The audit highlighted several areas where SPP was weak in performing compliance activities. SPP has restructured internally and engage external resources to develop a plan to address the weaknesses. The Finance Committee was presented with an estimate of \$631,000 in one-time operating expenditures, \$1,552,000 in recurring operating expenditures, and \$1,000,000 in estimated fixed asset expenditures to address the issue. Each expenditure is unbudgeted though SPP management intends to incur those expenditures without requiring a change to the budget.

Larry Altenbaumer made a motion to approve the unbudgeted expenditures as presented without a change in the budget. The motion was seconded by Sandra Bennett and approved by unanimous voice vote.

Several utility members indicated they had an internal committee, generally lead by the CEO, that reviewed all audit and compliance related issues and responses; and strongly encouraged SPP to establish a similar group. Larry Altenbaumer indicated he would visit with the chair of the SPP Oversight Committee and suggest the Oversight Committee consider recommending establishment of a similar committee within SPP.

SPP Rate Structure

The Committee discussed SPP rate structure for recovery of SPP's costs of operation, using historical 2015 data as a foundation. The Committee asked SPP staff to provide additional information on the value the financial only market participants add to the market compared to the profits they extract from the market. Additionally, SPP staff was asked to illustrate the impact of charging Schedule 1A costs to network service customers based on prior year energy flow while continuing to charge point-to-point customers based on reserved capacity.

Written Reports

The Committee reviewed the written reports provided for the meeting.

Future Meetings

The next meeting of the Finance Committee is scheduled for July 6, 2016 at the DFW Hyatt Regency hotel in Dallas, TX beginning at 7:30 a.m. and ending at 2:00 p.m. There will be a dinner meeting the night prior to the scheduled meeting.

Finance Committee
April 5, 2016

There being no further business, Harry Skilton adjourned the meeting at 2:00 p.m.

Respectfully Submitted,

Thomas P. Dunn
Secretary



Southwest Power Pool, Inc.
FINANCE COMMITTEE
Action Items Status Report
April 5, 2016

	Action Item	Date Originated	Status	Comments
1.	Full review of corporate liability insurance	12/07/2015	Incomplete	Scheduled for July 2016 meeting
2.	Prepare a graph of historical member deficit	April 5, 2016	New	
3.	Report each meeting on significant legal issues	April 5, 2016	New	
4.	Determine requirement for SPP to fund RSC	April 5, 2016	New	
5.	Review description of RE function in financial audit footnotes	April 5, 2016	New	Removed any mention of RE from footnotes
6.	Engage firm to review work of actuary on benefit plans	April 5, 2016	New	
7.	Provide documentation of control activities on credit security refunds	April 5, 2016	New	
8.	Re-review controls on approving invoices for payment	April 5, 2016	New	
9.	Document value added by financial only market participants compared to profits earned by those participants in SPP markets	April 5, 2016	New	
10.	Illustrate impact of charging NITS based on energy and PtP based on reserved capacity	April 5, 2016	New	
11.	Direct Credit Practice Working Group to reevaluate practice of using positive value TCR as collateral for TCR portfolio	April 5, 2016	New	
12.	Provide information on December 2015 settlement dispute activity	April 5, 2016	New	Description sent on afternoon of April 5, 2016
13.	Add Settlement and Credit metrics to Committee materials	3/11/2016	Complete	Scheduled for April 2016 meeting
14.	Revisit SPP's rate design	11/10/2015	Complete	Scheduled for April 2016 meeting
15.	Prepare document outlining capital expenditures and funding options	7/17/2015	Complete	Scheduled for April 2016 meeting

Finance Committee
April 5, 2016

16.	Establish a scorecard for presentation to MOPC, SPC, and BOD indicating costs associated with member required projects/services.	10/11/2012	Complete	Presented at March 11, 2016 meeting
17.	Create checklist of committee duties	7/09/2015	Complete	Presented at March 11, 2016 meeting

To: [Shaun Scott](#)
Subject: PROXY - John Olsen for Kelly Harrison - SPP Finance Committee Meeting - 4/5/16
Date: Wednesday, March 23, 2016 2:55:56 PM

Shaun,

John Olsen will be attending on my behalf and I am delegating my vote to him for this meeting. He is also planning on attending dinner the night before and I believe he is scheduled to arrive around 6pm at DFW.

Kelly Harrison
Westarenergy



**Southwest Power Pool, Inc.
FINANCE COMMITTEE MEETING
April 5, 2016
DFW Hyatt Regency Hotel
Dallas, TX**

• A G E N D A •

7:30 a.m. – 2:00 p.m.

1. Administrative Items (*15 minutes*)..... Harry Skilton
2. Finance Committee Scope Document (*15 minutes*)..... Tom Dunn
3. 2015 Financial Audit (*60 minutes*) ****ACTION**** Dianne Branch / Barrett Breeding (BKD)
 - a. Financial Report, Auditor Opinion, Management Letter, Executive Session
 - b. Auditor Engagements For 2016
4. 2016 Benefit Plan Funding (*45 minutes*) ****ACTION****..... Tom Dunn / Steve Osborn
5. Compliance Costs (*60 minutes*) Tom Dunn
6. Capital Asset Funding Plan Review (*30 minutes*) Tom Dunn
7. SPP Rate Structure Introduction (*60 minutes*) Tom Dunn
8. Other Items
9. Written Reports
 - a. February 2016 Financial Report (unaudited)
 - b. SPP Portfolio Report
 - c. Finance, Settlements, Credit Metrics
10. Adjourn Harry Skilton

*Relationship-Based • Member-Driven • Independence Through Diversity
Evolutionary vs. Revolutionary • Reliability & Economics Inseparable*



**Southwest Power Pool
FINANCE COMMITTEE MEETING**

March 11, 2016

Dallas, TX

• M I N U T E S •

Administrative Items

SPP Chair Harry Skilton called the meeting to order at 10:00 a.m. The following members of the Finance Committee participated:

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

Others attending included:

Bruce Scherr	SPP Director
Carl Monroe (phone)	SPP
Barbara Sugg	SPP
Don Shipley	SPP
Larry Middleton	Stephens Capital Management
Jason Bailey	OG&E

Minutes from the December 7, 2015 meeting were reviewed. Larry Altenbaumer motioned to approve the minutes. The motion was seconded by Mike Wise and approved by unanimous voice vote.

SPP staff briefly reviewed the status of the Action Items list. The Committee will perform a thorough review of its Organization Scope document at the April meeting to ensure the checklist SPP staff prepared encompasses all of the duties the Committee should be performing. The Committee also reviewed the "Member-facing, Member-impacting Work report" which led to a wide-ranging discussion on project management, timelines, how work is approved, etc.

SPP Settlements

Don Shipley, SPP's Director of Settlements, reported on the status and issues facing Settlements. The presentation reviewed feedback SPP receives from stakeholders on the Settlements function, work volume, organization structure, opportunities for improvement, and actions SPP is undertaking.

The Committee requested SPP include Settlements and Credit metrics in meeting materials for future Finance Committee meetings.

Z2 Credit Stacking Project

Barbara Sugg, SPP's Vice President of Information Technology, reported on the Z2 credit stacking project. Following a thorough review of the project history, the Committee focused on SPP's practices of not including contingency when budgeting for projects and not capitalizing staff costs in the projects. Staff was directed to re-review these practices and to ensure the cost of the projects reported in creating the project budget includes disclosure of the cost of SPP staff working on the project (even if that cost isn't capitalized as part of the project).

Revolving Line of Credit Renewal

SPP's \$30 million revolving credit facility expires in June 2016. The current provider of the facility has agreed to renew the facility for another three year term at the same pricing and conditions as the expiring facility. SPP staff recommends proceeding forward with the renewal.

Kelly Harrison motions to approve SPP staff's recommendation. The motion was seconded by Larry Altenbaumer and approved by unanimous voice vote.

Pension Investment Management

Larry Middleton of Stephens Capital Management briefed the Committee on the performance of the SPP Retirement Plan funds during 2015. The performance of the fund was below benchmark due to continued weakness in commodity and natural gas sectors. The portfolio allocation in these sectors has significantly underperformed the broader market indexes. Stephens continues to believe these sectors have growth potential from their current values and expects to maintain the allocation to these sectors in the near term.

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.

There being no further business, Harry Skilton adjourned the meeting at 2:15 p.m.

Respectfully Submitted,

Thomas P. Dunn
Secretary



Southwest Power Pool, Inc.
 FINANCE COMMITTEE
Action Items Status Report
 March 11, 2016

	Action Item	Date Originated	Status	Comments
1.	Prepare document outlining capital expenditures and funding options	7/17/2015	Incomplete	Scheduled for April 2016 meeting
2.	Revisit SPP's rate design	11/10/2015	Incomplete	Scheduled for April 2016 meeting
3.	Full review of corporate liability insurance	12/07/2015	Incomplete	Scheduled for July 2016 meeting
4.	Add Settlement and Credit metrics to Committee materials	3/11/2016	New	Scheduled for April 2016 meeting
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12.				
13.				
14.	Establish a scorecard for presentation to MOPC, SPC, and BOD indicating costs associated with member required projects/services.	10/11/2012	Complete	Presented at March 11, 2016 meeting
15.	Create checklist of committee duties	7/09/2015	Complete	Presented at March 11, 2016 meeting

**Southwest Power Pool
FINANCE COMMITTEE
Organizational Group Scope Statement**

Purpose

The purpose of the Finance Committee is to oversee all aspects of SPP's financial operations, primarily insure appropriate controls, policies and procedures are documented and adhered to allowing SPP to report accurate financial reports, access external capital as required, while not exposing the company or its membership to undue risks.

Scope of Activities

The Committee, in discharging its oversight role, is empowered to study or investigate any matter of interest or concern that the Committee deems appropriate. In this regard, the Committee shall have the authority to retain outside legal, accounting or other advisors for this purpose, including the authority to approve the fees payable to such advisors and any other terms of retention. The Committee is directly responsible for the compensation and oversight of the work (including both audit and non-audit services) of the independent auditors and for recommending engagement of the independent auditors for Board of Directors approval. The Committee shall be given full access to the corporation's accounting staff, Board of Directors, corporate executives and independent accountants as necessary to carry out these responsibilities.

Specific tasks include:

1. Review and discuss with management and the independent auditors, prior to public dissemination, the corporation's annual audited financial statements with primary focus on the quality and integrity of the statements.
2. The Committee shall annually recommend for Board of Directors approval engagement of independent auditors.
3. Develop, in conjunction with management, a schedule for the preparation and development of the annual operating budget, capital budget and each special budget that provides sufficient time for preliminary development by management, review by the Committee, consideration of the proposed budget by the Board of Directors, and final approval of the proposed budget by the Board of Directors, in accordance with the overall budget cycle established by the Board of Directors.
4. Monitor the methodology of cost recovery to insure continuing equity for Members.
5. Develop policies for management of the company's capitalization, financing and long-term contracts.
6. Review periodically, with the corporation's counsel, any legal matter that could have a significant impact on the corporation's financial statements.
7. Discuss with management and the independent auditors the corporation's guidelines and policies with respect to risk assessment and risk management. The Committee should discuss the corporation's major financial risk exposures and the steps management has taken to monitor and control such exposures.
8. Report regularly to the full Board of Directors including:

- a. any issues that arise with respect to the quality or integrity of the corporation's financial statements, the corporation's compliance with legal or regulatory requirements, the performance and independence of the corporation's independent auditors;
 - b. actual financial results in comparison to budgeted results;
 - c. following all meetings of the Committee; and
 - d. with respect to such other matters as are relevant to the Committee's discharge of its responsibilities.
9. Review with management and the independent auditors their assessments of the adequacy of internal financial controls and the resolution of any identified material weaknesses or reportable conditions.
10. Review reports of actuaries and provide input to the assumptions used to develop the actuarial reports.
11. Report to the Board of Directors on the financial status of the defined benefit and retiree healthcare plans and recommend any funding requirements/strategies for the plans.
12. Review annually, the Investment Policy Statements for the Company's retirement plan, 401(k) plan, post-retirement healthcare plan, and all other similar plans, to ensure the Investment Policy Statements continue to be appropriate for the goals of the plans.
13. Engage and monitor the performance of Investment Managers who have discretionary investment powers for any of the Company's ERISA and non-ERISA plans.
14. Review and approve annually significant financial and compliance policies which fall under the purview of the Committee.
15. The Committee shall perform a review and evaluation, at least annually, of the performance of the Committee and its members, including reviewing the compliance of the Committee with this Charter.

The Committee is not responsible for certifying the corporation's financial statements or guaranteeing the auditor's report. The fundamental responsibility for the corporation's financial statements and disclosures rests with management.

Representation

The Finance Committee shall be comprised of six members. Two representatives shall be members of the Board of Directors and one of these will be the chairperson. Two representatives from the Transmission Owning Member sector as nominated by the Corporate Governance Committee and two representatives from the Transmission Using Member sector as nominated by the Corporate Governance Committee. The Board of Directors shall appoint their representatives at the regular meeting of the Board of Directors immediately following the Annual Meeting of Members. Persons designated as representatives on the Finance Committee will continue to serve until their successors have been appointed. Where a vacancy occurs, the Corporate Governance Committee will fill the vacancy in accordance with SPP Bylaws.

**Duration**

The Finance Committee is a permanent committee. The Committee shall meet a minimum of two times per fiscal year and at other times as called by the Chair. A quorum will constitute at least half of the members of the committee but no less than three members. Proxies are allowed if reported to the Chair prior to the meeting. All meetings of the Finance Committee shall be open to all interested parties unless closed by the Chair of the Committee.

Reporting

The Finance Committee reports directly to the Board of Directors.



Southwest Power Pool
FINANCE COMMITTEE
Organizational Group Scope Statement

Purpose:

The purpose of the Finance Committee is to oversee all aspects of SPP's financial operations, primarily insuring appropriate controls, policies and procedures are documented and adhered to allowing SPP to report accurate financial reports, access external capital as required, while not exposing the company or its membership to undue risks.

Scope of Activities:

The Committee, in discharging its oversight role, is empowered to study or investigate any matter of interest or concern that the Committee deems appropriate. In this regard, the Committee shall have the authority to retain outside legal, accounting or other advisors for this purpose, including the authority to approve the fees payable to such advisors and any other terms of retention. The Committee is directly responsible for the engagement, compensation and oversight of the work (including both audit and non-audit services) of the independent financial, controls, and benefit plan auditors. The Committee shall be given full access to the corporation's accounting staff, Board of Directors, corporate executives and independent accountants as necessary to carry out these responsibilities.

The Committee will have responsibility to approve, monitor/review, recommend, and report, as follows:

Approve:

- Annually, the corporation's audited financial statements as the corporate record of financial results for the prior fiscal year.
Annually, the engagement of independent auditors to audit the corporation's annual financial statements
Annually, significant financial and compliance policies which fall under the purview of the Committee
Annually, the basic assumptions used by SPP's actuary to determine the financial status and funding requirements of SPP's pension and post-retirement healthcare plans.
Annually, contributions to SPP's pension and post-retirement healthcare plans
Engage Investment Managers who have discretionary investment powers for any of the Company's benefit plan or other funds

Review/Monitor:

- The methodology of cost recovery to insure continuing equity for Members
Any legal matter that could have a significant impact on the corporation's financial statements
The adequacy of internal financial controls and the resolution of any identified material weaknesses or reportable conditions
The corporation's guidelines and policies with respect to risk assessment and risk management focusing on the corporation's major financial risk exposures and the steps management has taken to monitor and control such exposures

Commented [TD1]: Removed 'recommending engagement of the independent auditors for BOD approval'

Commented [TD2]: New sentence, replaced 'Specific tasks include'

Commented [TD3]: Changed from recommend to engage.

Commented [TD4]: Prior language was review and provide input. New language is approve assumptions

Commented [TD5]: Now approves contributions, prior was recommend to BOD

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Revised March 11, 2016

Old
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- Annually, the Investment Policy Statements for the Company's retirement plan and post-retirement healthcare plan to ensure the Investment Policy Statements continue to be appropriate for the goals of the plans

Commented [TD6]: Removed references to 401(k) plan

13

- Annually, the performance of Investment Managers who have discretionary investment powers for the pension and/or post-retirement healthcare plan assets

Commented [TD7]: Specified the plans, may want to make this broader in case Committee engages Investment Manager for other plans

5

- Policies for management of the company's capitalization, financing and long-term contracts

15

- At least annually, the performance of the Committee and its members, including reviewing the compliance of the Committee with this Charter

3

Recommend to the Board of Directors:

- Annually, an operating budget, capital budget and each special budget for the upcoming fiscal year
- Annually, rates to be charged under Schedule 1A and for the assessment of members
- As needed, issuance of notes to fund capital expenditures, liquidity, and other general corporate purpose

Commented [TD8]: Significantly shortened this versus the prior version

Commented [TD9]: New

Commented [TD10]: New

NEW
NEW

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Report to the Board of Directors:

- All actions taken by the Committee
- Any issues regarding the quality or integrity of the corporation's financial statements, compliance with legal or regulatory requirements, or the performance and independence of the corporation's independent **financial and controls** auditors
- Financial results with comparisons to budget
- Any other matters relevant to the Committee's discharge of its responsibilities

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The Committee is not responsible for certifying the corporation's financial statements or guaranteeing the auditor's report. The fundamental responsibility for the corporation's financial statements and disclosures rests with management.

Representation:

The Finance Committee shall be comprised of six members. Two representatives shall be members of the Board of Directors and one of these will be the chairperson. Two representatives from the Transmission Owning Member sector as nominated by the Corporate Governance Committee and two representatives from the Transmission Using Member sector as nominated by the Corporate Governance Committee. The Board of Directors shall appoint their representatives at the regular meeting of the Board of Directors immediately following the Annual Meeting of Members. Persons designated as representatives on the Finance Committee will continue to serve until their successors have been appointed. Where a vacancy occurs, the Corporate Governance Committee will fill the vacancy in accordance with SPP Bylaws.

Duration:

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Reporting:

The Finance Committee reports directly to the Board of Directors.



Southwest Power Pool, Inc.
FINANCE COMMITTEE
April 5, 2016
2015 Financial Audit

Organizational Roster

The following persons are members of the Finance Committee:

Harry Skilton, Director
Laura Kapustka, Lincoln Electric
Sandra Bennett, AEP

Larry Altenbaumer, Director
Mike Wise, Golden Spread
Kelly Harrison, Westar

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 2004. 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 2015 financial results. The Finance Committee, at its April 5, 2016 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.

Recommendation

The Finance Committee accepts, in its entirety, the 2015 financial audit report and findings of BKD, LLC.

Approved: Finance Committee April 5, 2016
[Vote Count (for example: x For, y Against or Passed Unopposed)]

Action Requested:

Southwest Power Pool, Inc.

Independent Auditor's Report and Financial Statements

December 31, 2015 and 2014

Southwest Power Pool, Inc.
December 31, 2015 and 2014

Contents

Independent Auditor’s Report..... 1

Financial Statements

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Statements of Members’ Deficit..... 5
Statements of Cash Flows 6
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Southwest Power Pool, Inc.

Balance Sheets

(in Thousands)

December 31, 2015 and 2014

Assets

	2015	2014
Current Assets		
Cash and cash equivalents	\$ 42,003	\$ 57,534
Restricted cash deposits	196,918	222,285
Accounts receivable, net	39,790	41,826
Prepaid expenses and other	8,420	7,204
	<hr/>	<hr/>
Total current assets	287,131	328,849
	<hr/>	<hr/>
Property and Equipment, at Cost		
Land	4,812	4,812
Building	66,615	66,354
Furniture and fixtures	10,208	10,016
Equipment and machinery	49,549	44,822
Software	167,876	206,237
Software in development	3,396	12,458
Equipment under capital lease	4,876	-
	<hr/>	<hr/>
	307,332	344,699
Less accumulated depreciation and amortization	170,852	167,818
	<hr/>	<hr/>
	136,480	176,881
	<hr/>	<hr/>
Investments (Note 2)	9,352	10,099
	<hr/>	<hr/>
Other Assets, Net	6,051	5,184
	<hr/>	<hr/>
	\$ 439,014	\$ 521,013
	<hr/> <hr/>	<hr/> <hr/>

Liabilities and Members' Deficit

	<u>2015</u>	<u>2014</u>
Current Liabilities		
Line of credit	\$ 2,000	\$ -
Accounts payable	30,609	31,417
Customer deposits	196,918	222,285
Current maturities of long-term debt <i>(Note 4)</i>	21,353	24,299
Current maturities of obligations under capital lease <i>(Note 5)</i>	591	-
Accrued expenses	44,092	57,943
Deferred revenue	5,318	5,895
	<hr/>	<hr/>
Total current liabilities	300,881	341,839
Long-term Debt <i>(Note 4)</i>	226,608	247,961
Obligation Under Capital Lease <i>(Note 5)</i>	5,674	-
Other Long-term Liabilities	35,267	18,159
Members' Deficit	<hr/>	<hr/>
	(129,416)	(86,946)
	<hr/>	<hr/>
	\$ 439,014	\$ 521,013
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Southwest Power Pool, Inc.
Statements of Operations
(in Thousands)
Years Ended December 31, 2015 and 2014

	<u>2015</u>	<u>2014</u>
Operating Income		
Tariff fees and member assessments	\$ 171,717	\$ 158,735
Other member services	7,016	4,802
	<u>178,733</u>	<u>163,537</u>
Operating Expenses		
Salaries and benefits	84,043	85,575
Employee travel	1,903	1,924
Administrative	4,928	4,399
Regulatory assessment	13,939	16,323
Meetings	825	833
Communications system	3,758	3,745
Leases	123	180
Maintenance	13,553	15,149
Consulting services	12,528	16,319
Depreciation and amortization	59,285	51,046
	<u>194,885</u>	<u>195,493</u>
Operating Loss	<u>(16,152)</u>	<u>(31,956)</u>
Other Income (Expense)		
Investment income	1,768	459
Interest expense	(10,522)	(12,554)
Change in fair market value of interest rate swaps	(726)	(1,528)
Other income (expense)	(1,097)	75
	<u>(10,577)</u>	<u>(13,548)</u>
Loss Before Unrealized Gain (Loss) and Change in Funded Status of Employee Benefit Plans	(26,729)	(45,504)
Unrealized Gain (Loss) on Investments	(2,011)	251
Change in Funded Status of Employee Benefit Plans	<u>(13,730)</u>	<u>(797)</u>
Net Loss	<u>\$ (42,470)</u>	<u>\$ (46,050)</u>

Southwest Power Pool, Inc.
Statements of Members' Deficit
(in Thousands)
Years Ended December 31, 2015 and 2014

	<u>2015</u>	<u>2014</u>
Balance, Beginning of Year	\$ (86,946)	\$ (40,896)
Net loss	<u>(42,470)</u>	<u>(46,050)</u>
Balance, End of Year	<u>\$ (129,416)</u>	<u>\$ (86,946)</u>

Southwest Power Pool, Inc.
Statements of Cash Flows
(in Thousands)
Years Ended December 31, 2015 and 2014

	<u>2015</u>	<u>2014</u>
Operating Activities		
Net loss	\$ (42,470)	\$ (46,050)
Items not requiring cash		
Depreciation and amortization	59,285	51,046
Change in funded status of employee benefit plans	13,730	797
Unrealized loss (gain) on investments	2,011	(251)
Realized gain on investments	(1,576)	-
Loss (gain) on disposal of fixed assets	5	(23)
Impairment loss	349	-
Change in fair market value of interest rate swaps	726	1,528
Changes in assets and liabilities		
Accounts receivable	2,036	(17,692)
Prepaid expenses and other	809	(227)
Other assets	(962)	(2,472)
Accounts payable	(808)	15,464
Accrued expenses	(14,428)	28,880
Other long-term liabilities	2,652	1,414
	<u>21,359</u>	<u>32,414</u>
Net cash provided by operating activities		
	<u>21,359</u>	<u>32,414</u>
Investing Activities		
Acquisition of property and equipment	(14,267)	(23,554)
Purchase of investments	(9,764)	(590)
Proceeds from sale of investments	10,076	-
	<u>(13,955)</u>	<u>(24,144)</u>
Net cash used in investing activities		
	<u>(13,955)</u>	<u>(24,144)</u>
Financing Activities		
Repayments of long-term debt	(24,299)	(22,998)
Repayments of capital lease obligation	(636)	-
Repayment of borrowings under line of credit	(9,000)	-
Borrowings under line of credit	11,000	-
Issuance of long-term debt	-	37,000
	<u>(22,935)</u>	<u>14,002</u>
Net cash provided by (used in) financing activities		
	<u>(22,935)</u>	<u>14,002</u>
Increase (Decrease) in Cash and Cash Equivalents	<u>(15,531)</u>	<u>22,272</u>
Cash and Cash Equivalents, Beginning of Year	<u>57,534</u>	<u>35,262</u>
Cash and Cash Equivalents, End of Year	<u>\$ 42,003</u>	<u>\$ 57,534</u>
Supplemental Cash Flows Information		
Interest paid on long-term debt (net of interest capitalized of \$102 and \$363 in 2015 and 2014, respectively)	\$ 10,326	\$ 10,576
Assets purchased under capital lease obligations	\$ 4,876	\$ -
Property and equipment purchases in accounts payable and accrued liabilities	\$ 1,548	\$ 2,788

Southwest Power Pool, Inc.

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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 18 million ultimate customers across all or parts of 14 states. The Company's membership consists of investor-owned utilities, municipal systems, generation and transmission cooperatives, state authorities, federal agencies, 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, reliability coordination, regional scheduling, market operations and regional transmission expansion planning. Effective March 1, 2014, the energy imbalance service (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, 2015 and 2014, 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.

Southwest Power Pool, Inc.

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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 2012.

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. At December 31, 2015, the Company had recorded \$822 as an allowance for doubtful accounts. No allowance was recorded for 2014.

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 \$102 and \$363 in 2015 and 2014, respectively.

Southwest Power Pool, Inc.

Notes to Financial Statements

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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 its fair value.

In 2015, management of the Company made the decision to switch vendors for the system development associated with the Z2 project. The Z2 project implements Attachment Z2 of the tariff, which provides for payments of credits for use by others of sponsored transmission upgrades. Previously capitalized development costs of \$349 were written off in 2015. The amount was recorded as an impairment loss in the accompanying Statements of Operations and is included in other income (expense).

No asset impairment was recognized during the year ended December 31, 2014.

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, market transactions and engineering studies. 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.

Southwest Power Pool, Inc.

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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 2015 and 2014, 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.

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 requests.

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 2015 and 2014, the Company maintained cash balances, including transaction accounts and short-term investment accounts that are not insured by the Federal Deposit Insurance Corporation. At December 31, 2015 and 2014, the Company did not have transaction accounts exceeding federal insurance limits. 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.

Southwest Power Pool, Inc.

Notes to Financial Statements

(in Thousands)

December 31, 2015 and 2014

The Company considers its accounts receivable to be highly probable of collection. At December 31, 2015, the Company had recorded \$822 as an allowance for doubtful accounts. No allowance was recorded for 2014.

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.

Note 2: Investment and Investment Returns

Investments at December 31 consisted of the following:

	<u>2015</u>	<u>2014</u>
Mutual Funds		
Equity	\$ 6,536	\$ 3,186
Fixed income	2,816	2,732
Financials	-	610
Alternative assets	-	271
	<u>9,352</u>	<u>6,799</u>
Domestic Common Stock		
Consumer discretionary	-	417
Consumer staples	-	393
Energy	-	229
Financial	-	452
Health care	-	456
Industrials	-	404
Information technology	-	574
Materials	-	172
Telecommunication	-	37
Utilities	-	125
	<u>-</u>	<u>3,259</u>
Foreign Stocks		
Industrials	-	41
	<u>\$ 9,352</u>	<u>\$ 10,099</u>

Southwest Power Pool, Inc.
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Total investment return is comprised of the following:

	2015	2014
Interest and dividends reported at fair value	\$ 192	\$ 242
Net realized and unrealized gains (losses) on investments reported at fair value	(435)	468
	\$ (243)	\$ 710

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

Note 3: Line of Credit

The Company has a \$30,000 revolving line of credit expiring in 2016. At December 31, 2015, \$2,000 was borrowed against this line. No amounts were borrowed against this line at December 31, 2014. 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, 2015.

Southwest Power Pool, Inc.

Notes to Financial Statements

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December 31, 2015 and 2014

Note 4: Long-term Debt and Interest Rate Swaps

Long-term Debt

	2015	2014
Variable Rate Term Note due 2027 (A)	\$ 3,341	\$ 3,547
5.45% Senior Notes due 2016 (B)	3,000	9,000
4.82% Series 2010-A Senior Notes due 2042 (C)	28,555	29,060
4.82% Series 2010-B Senior Notes due 2042 (D)	33,315	33,903
3.55% Series 2010-C Senior Notes due 2024 (E)	57,750	64,750
3.00% Series 2012-D-1 Senior Notes due 2024 (F)	41,250	46,250
3.25% Series 2012-D-2 Senior Notes due 2024 (G)	43,750	48,750
3.80% Series 2014-E Senior Notes due 2025 (H)	37,000	37,000
	247,961	272,260
Less current maturities	21,353	24,299
	\$ 226,608	\$ 247,961

- (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 LIBOR plus 0.85%. At December 31, 2015 and 2014, the interest rate was 1.28% and 1.02%, respectively. The note is secured by a first mortgage on the Company's operation facility.
- (B) 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.
- (C) 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.
- (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 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.

Southwest Power Pool, Inc.

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- (F) 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.
- (G) 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.
- (H) 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, 2015, are:

2016	\$	21,353
2017		18,410
2018		18,469
2019		18,531
2020		18,596
Thereafter		<u>152,602</u>
	\$	<u>247,961</u>

On March 10, 2014, the Company obtained a \$33,000 senior unsecured term note facility. This facility remains undrawn at December 31, 2015, 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, 2015.

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 \$3,315 and \$3,519 at December 31, 2015 and 2014, 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).

Southwest Power Pool, Inc.

Notes to Financial Statements

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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 a notional amount 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 remained undrawn at December 31, 2015.

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

	<u>2015</u>	<u>2014</u>
Fair value of interest rate swap agreements	\$ 3,188	\$ 2,462
Balance sheet location of fair value amounts	Other Long-term Liabilities	Other Long-term Liabilities
Loss recognized in statement of operations	\$ (726)	\$ (1,528)
Location of loss recognized in statement of operations	Change in Fair Market Value of Interest Rate Swaps	Change in Fair Market Value of Interest Rate Swaps

Note 5: Capital Lease Obligation

The Company entered into a capital lease obligation on February 1, 2015, to finance data storage equipment. The term of the financing is five years and expires on November 1, 2019. At December 31, 2015, accumulated depreciation for equipment purchased under the capital lease was \$1,490. Future minimum payments on the capital lease obligation at December 31, 2015, are:

2016	\$ 830
2017	2,015
2018	2,015
2019	<u>2,015</u>
Total minimum lease payments	6,875
Less: Amount representing interest	<u>610</u>
Present value of minimum lease payments	<u>\$ 6,265</u>

Southwest Power Pool, Inc.

Notes to Financial Statements

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December 31, 2015 and 2014

Note 6: Operating Leases

The Company had noncancellable operating leases for certain office equipment that expired in 2015. The Company incurred lease expense related to these operating leases of \$123 and \$180 in 2015 and 2014, respectively.

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 \$5,400 to the plan in 2016.

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.

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	
	2015	2014	2015	2014
Benefit obligation	\$ 68,088	\$ 50,702	\$ 9,289	\$ 8,900
Fair value of plan assets	<u>47,735</u>	<u>45,903</u>	<u>-</u>	<u>-</u>
Funded status	<u>\$ (20,353)</u>	<u>\$ (4,799)</u>	<u>\$ (9,289)</u>	<u>\$ (8,900)</u>

Southwest Power Pool, Inc.
Notes to Financial Statements
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December 31, 2015 and 2014

Amounts recognized in the balance sheets:

	Pension Benefits		Postretirement Health Care Benefits	
	2015	2014	2015	2014
Noncurrent assets	\$ -	\$ -	\$ -	\$ -
Noncurrent liabilities	<u>(20,353)</u>	<u>(4,799)</u>	<u>(9,289)</u>	<u>(8,900)</u>
	<u>\$ (20,353)</u>	<u>\$ (4,799)</u>	<u>\$ (9,289)</u>	<u>\$ (8,900)</u>

Amounts recognized in members' equity not yet recognized as components of net periodic benefit cost as of December 31, 2015 and 2014, consist of:

	Pension Benefits		Postretirement Health Care Benefits	
	2015	2014	2015	2014
Net loss	\$ 21,588	\$ 6,746	\$ 6,599	\$ 6,113
Prior service credit	(22)	(22)	(1,487)	-
Transition obligation	<u>82</u>	<u>99</u>	<u>22</u>	<u>26</u>
	<u>\$ 21,648</u>	<u>\$ 6,823</u>	<u>\$ 5,134</u>	<u>\$ 6,139</u>

The accumulated benefit obligation for the defined benefit pension plan was \$53,754 and \$40,001 at December 31, 2015 and 2014, respectively.

Other significant balances and costs are:

	Pension Benefits		Postretirement Health Care Benefits	
	2015	2014	2015	2014
Employer contributions	\$ 3,760	\$ 3,660	\$ -	\$ 441
Benefits paid	612	433	90	83
Benefit costs	4,488	4,199	1,485	1,435

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.

Southwest Power Pool, Inc.
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The following amounts have been recognized in the statements of operations for the years ended December 31, 2015 and 2014:

	Pension Benefits		Postretirement Health Care Benefits	
	2015	2014	2015	2014
Amounts arising during the period				
Net gain (loss)	\$ (3,791)	\$ (1,403)	\$ 881	\$ 143
Amounts recognized as benefit components of net periodic cost of the period				
Net loss	105	58	275	303
Net prior service credit	1	1	-	-
Net transition obligation	16	16	4	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 \$985, \$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 \$315, \$83 and \$4, respectively.

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

	Pension Benefits		Postretirement Health Care Benefits	
	2015	2014	2015	2014
Discount rate benefit obligation	5.0%	5.5%	5.0%	5.5%
Expected return on plan assets	7.0%	7.0%	N/A	N/A
Rate of compensation increase	4.0%	4.0%	N/A	N/A

The Company changed the discount rate and mortality table used in its actuarial calculation of the pension benefit obligation for the defined benefit plan as of December 31, 2015. The decrease in the discount rate and increase in life expectancy assumptions each increased the pension benefit obligation by \$5,570 and \$5,585, respectively. Additionally, the actual return on plan assets was significantly lower than the actuarial assumption. The loss from this difference has been deferred and increased the funded status by \$4,630. Effective October 1, 2015, eligible retirees no longer participate in the company sponsored medical plan. Eligible retirees are now provided monies through a tax-free health reimbursement account to pay for individual Medicare supplement health insurance plans or other eligible health care expenses. This change resulted in a decrease to the benefit obligation for the postretirement health care plan of \$1,487.

Southwest Power Pool, Inc.

Notes to Financial Statements

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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 9% and 10% annual rate of increase in the per capita cost of covered health care benefits in the next year was assumed for 2015 and 2014, respectively. 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	Postretirement
	Benefits	Health Care
	Benefits	Benefits
2016	\$ 720	\$ 105
2017	852	141
2018	1,041	183
2019	1,211	219
2020	1,341	243
2021–2025	11,741	1,860

Southwest Power Pool, Inc.

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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, 2015 and 2014, plan assets by category are as follows:

	Pension Plan Assets	
	2015	2014
Fixed income securities	24%	23%
Equity securities	68	72
Cash and equivalents	8	5
	<u>100%</u>	<u>100%</u>

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, 2015 and 2014, the Company does not hold any plan assets valued using Level 3 inputs.

Southwest Power Pool, Inc.

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The fair values of the Company's pension plan assets at December 31, 2015 and 2014, by asset category are as follows:

	2015			
	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	3,637	3,637	-	-
Mutual funds				
Alternative assets	583	-	583	-
Equity funds	24,088	16,615	7,473	-
Fixed income funds	5,833	4,311	1,522	-
	<u>30,504</u>	<u>20,926</u>	<u>9,578</u>	<u>-</u>
Domestic common stock				
Consumer discretionary	62	62	-	-
Energy	3,573	3,573	-	-
Financials	1,316	1,316	-	-
Healthcare	2,019	2,019	-	-
Industrials	450	450	-	-
Materials	416	416	-	-
Telecommunication services	616	616	-	-
	<u>8,452</u>	<u>8,452</u>	<u>-</u>	<u>-</u>
Foreign stocks				
Energy	148	148	-	-
Materials	193	193	-	-
	<u>342</u>	<u>342</u>	<u>-</u>	<u>-</u>
Corporate debt obligations	4,281	-	4,281	-
Foreign government securities	519	-	519	-
Total	<u>\$ 47,735</u>	<u>\$ 33,357</u>	<u>\$ 14,378</u>	<u>\$ -</u>

Southwest Power Pool, Inc.

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December 31, 2015 and 2014

	2014			
	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	-
	<u>27,298</u>	<u>18,098</u>	<u>9,200</u>	<u>-</u>
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	-	-
	<u>9,450</u>	<u>9,450</u>	<u>-</u>	<u>-</u>
Foreign stocks				
Energy	407	407	-	-
Materials	285	285	-	-
	<u>692</u>	<u>692</u>	<u>-</u>	<u>-</u>
Corporate debt obligations	4,734	-	4,734	-
Foreign debt obligations	774	-	774	-
Foreign government securities	598	-	598	-
Total	<u>\$ 45,903</u>	<u>\$ 30,597</u>	<u>\$ 15,306</u>	<u>\$ -</u>

Southwest Power Pool, Inc.

Notes to Financial Statements

(in Thousands)

December 31, 2015 and 2014

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 \$2,473 and \$2,466 for 2015 and 2014, 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 \$1,557 and \$1,584 are recorded in other long-term liabilities at December 31, 2015 and 2014, respectively. The Company also offers 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. At December 31, 2015, there were no active agreements under the current 457(f) plan.

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 \$26,541 and \$31,590 as of December 31, 2015 and 2014, respectively. The Company recognized revenues of \$161,949 and \$149,170, including assessments and tariff administrative fees, from members for the years ended December 31, 2015 and 2014, 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 2015 and 2014, the Company incurred \$233 and \$248, respectively, in expenses attributable to RSC operations. Management of the Company expects such expenditures for 2016 to be approximately \$313.

Southwest Power Pool, Inc.

Notes to Financial Statements

(in Thousands)

December 31, 2015 and 2014

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 43 providers in 14 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, 2015 and 2014, the Company billed transmission customers \$1,672,796 and \$1,505,561, respectively. For the years ended December 31, 2015 and 2014, the Company remitted to transmission owners \$1,509,656 and \$1,358,434, respectively. At December 31, 2015 and 2014, the Company was due to collect from customers and remit to owners transmission service charges of \$144,843 and \$110,019, 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, 2015 and 2014, the Company held \$13,494 and \$28,102, respectively, in cash collections from the settlement of auction revenue rights in accordance with terms of the Company's tariff. These funds are disbursed annually in June for collections from the previous twelve months. A corresponding liability is reflected in accrued expenses on the Balance Sheets.

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.

Southwest Power Pool, Inc.

Notes to Financial Statements

(in Thousands)

December 31, 2015 and 2014

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

	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, 2015				
Cash equivalents	\$ 13,942	\$ 13,942	\$ -	\$ -
Mutual funds				
Equity	6,536	-	6,536	-
Fixed income	2,816	-	2,816	-
Interest rate swap agreements	(3,188)	-	(3,188)	-

Southwest Power Pool, Inc.

Notes to Financial Statements

(in Thousands)

December 31, 2015 and 2014

	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, 2015 and 2014

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, 2015.

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, 2015 and 2014, 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.

Southwest Power Pool, Inc.
Notes to Financial Statements
(in Thousands)
December 31, 2015 and 2014

Long-term Debt and Capital Lease Obligations

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, 2015 and 2014:

	2015		2014	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Financial assets				
Cash and cash equivalents	\$ 42,003	\$ 42,003	\$ 57,534	\$ 57,534
Restricted cash deposits	\$ 196,918	\$ 196,918	\$ 222,285	\$ 222,285
Investments	\$ 9,352	\$ 9,352	\$ 10,099	\$ 10,099
Financial liabilities				
Customer deposits	\$ 196,918	\$ 196,918	\$ 222,285	\$ 222,285
Capital lease obligations	\$ 6,265	\$ 6,400	\$ -	\$ -
Long-term debt	\$ 247,961	\$ 247,531	\$ 272,260	\$ 274,271
Swap agreements	\$ 3,188	\$ 3,188	\$ 2,462	\$ 2,462

Note 12: Subsequent Events

On March 30, 2016, the Company drew \$33,000 from its senior term note. Principal amounts are payable quarterly and commence on June 30, 2016. Interest is payable monthly based on LIBOR plus 1.75%. The maturity date is March 30, 2024. The note is unsecured.

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.

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, 2015, 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 post-retirement 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 post-retirement benefit plans
- Fair value
- 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 that, in its judgment, are required to prevent the financial statements from being materially misstated.

- No matters are reportable.

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)

OTHER MATTERS

Although not considered material weaknesses, significant deficiencies or deficiencies in internal control over financial reporting, we observed the following matters and offer these comments and suggestions with respect to matters that came to our attention during the course of the audit of the financial statements. Our audit procedures are designed primarily to enable us to form an opinion on the financial statements and, therefore, may not bring to light all weaknesses in policies and procedures that may exist. However, these matters are offered as constructive suggestions for the consideration of management as part of the ongoing process of modifying and improving financial and administrative practices and procedures. We can discuss these matters further at your convenience and may provide implementation assistance for changes or improvements.

FASB Issues New Lease Accounting Standard

On February 25, 2016, FASB issued Accounting Standards Update (ASU) 2016-02, *Leases (Topic 842)*, the long-awaited new standard on lease accounting.

Under the new ASU, lessees will recognize lease assets and liabilities on their balance sheet for all leases with terms of more than 12 months. The new lessee accounting model retains two types of leases, and is consistent with the lessee accounting model under existing GAAP. One type of lease (finance leases) will be accounted for in substantially the same manner as capital leases are accounted for today.

The other type of lease (operating leases) will be accounted for (both in the income statement and statement of cash flows) in a manner consistent with today's operating leases. Lessor accounting under the new standard is fundamentally consistent with existing GAAP.

Lessees and lessors would be required to provide additional qualitative and quantitative disclosures to help financial statement users assess the amount, timing, and uncertainty of cash flows arising from leases. These disclosures are intended to supplement the amounts recorded in the financial statements so that users can understand more about the nature of an organization's leasing activities.

For public business entities, the final leases standard will be effective for fiscal years beginning after December 15, 2018, including interim periods within those fiscal years. For all other entities, the final leases standard will be effective for fiscal years beginning after December 15, 2019, and interim periods thereafter. Early application is permitted.

This communication is intended solely for the information and use of management, the finance committee and the board of directors and is not intended to be, and should not be, used by anyone other than these specified parties.

April xx, 2016

Attachments



Southwest Power Pool, Inc.

FINANCE COMMITTEE

April 5, 2016

2016 Financial & Benefit Plan Audit Engagements

Organizational Roster

The following persons are members of the Finance Committee:

Harry Skilton, Director
Laura Kapustka, Lincoln Electric
Sandra Bennett, AEP

Larry Altenbaumer, Director
Mike Wise, Golden Spread
Kelly Harrison, Westar

Background and Analysis

2013 Request for Proposal Process

SPP annually engages Certified Public Accounting (CPA) firms to perform audits of its financial statements and employee benefit plans (401(k) Savings Plan, Retirement Plan and Medical Plan). Historically, the continuing engagement of the current auditor is formally evaluated every three years by this Committee. The last evaluation was performed in 2013.

During the 2013 process, SPP distributed a request for proposal (RFP) for all of the regularly scheduled external audit engagements referenced above plus the SSAE 16 controls audit, recognizing that “bundling” external audits with one firm might produce cost savings. After completing the evaluation, it was determined that “bundling” the audits would not produce meaningful cost savings for SPP.

Ultimately, the Committee made the decision to retain the current auditors (BKD – financial, Thomas & Thomas – benefit plans) after careful evaluation of the staff’s analysis of the proposals. It should also be noted that many of the firms solicited during the 2013 process did not submit a proposal for the financial and/or plan audits. Most of the firms that submitted a proposal for the financial and benefit plan audits were small, local/regional firms. Of the larger firms solicited during the 2013 process, only one submitted a bid for the financial and plan audits. The proposed fees were over two times that of BKD’s proposal for the financial audit and over three times that of Thomas & Thomas’s audit for the benefit plans.

Additionally, during the 2013 RFP process, the Committee debated the requirement for audit partners to rotate periodically within the firms engaged to perform audits on behalf of SPP. In conclusion, the Committee voted to adopt an audit partner rotation policy consistent with that required by the Securities and Exchange Commission of their jurisdictional entities (i.e. every five years). To date, both BKD and Thomas & Thomas have complied with that policy.

Staff is of the opinion that the performance of a formal RFP process would render results similar to that of 2013 as described in the preceding paragraphs.



Fee Analysis

As noted in the table below, we have seen modest increases in the combined audit fees for BKD and Thomas & Thomas over the last six years, averaging 3.0% year over year from 2010-2015. The combined fee history over the last six years for both BKD and Thomas & Thomas are as follows-

	2010	2011	2012	2013	2014	2015
Total Audit Fees	\$ 105,965	\$ 109,525	\$ 111,997	\$ 113,141	\$ 117,840	\$ 122,215
Annual Increase		3%	2%	1%	4%	4%
Average Annual Increase 2010-2015						3%

Staffing Continuity

Both firms have historically provided consistency in their staffing of the audits which provides greater efficiency in the execution of fieldwork. While it is impossible to get an entire engagement staff back year over year, SPP has benefited from having continuity of staff, especially in the more senior positions of the audit teams.

Recommendation

Based on the preceding background information and the proven track record for both firms' ability to meet our reporting deliverables over the years, it is staff's recommendation to retain both BKD and Thomas & Thomas as SPP's financial and plan auditors, respectively.

Approved: Finance Committee April 5, 2016
 [Vote Count (for example: x For, y Against or Passed Unopposed)]

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



Southwest Power Pool, Inc.

FINANCE COMMITTEE

Recommendation to the Board of Directors

April 26, 2016

2016 Funding for Pension and Post-retirement Healthcare Plans

Organizational Roster

The following persons are members of the Finance Committee:

Harry Skilton, Director
 Laura Kapustka, Lincoln Electric
 Sandra Bennett, AEP

Larry Altenbaumer, Director
 Mike Wise, Golden Spread
 Kelly Harrison, Westar

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, 2016.

Analysis

SPP Defined Benefit Retirement Plan

The report identifies 2016 accounting expense for this plan as well as minimum and maximum contributions for the plan. The Actuary determined 2016’s minimum contribution level to be \$3.49 and maximum suggested level to be \$5.38. SPP’s 2016 budget anticipated contributions to the defined benefit pension plan of \$3.76.

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

	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
Maximum Contribution (tax deductible)	\$16.88	\$26.59	\$32.11	\$37.20	\$50.29
Minimum Contribution	\$1.33	\$2.33	\$2.50	\$3.31	3.49
Actuary Suggested Contribution	3.89	4.01	3.66	3.76	5.38
Actual Contribution	3.89	4.01	3.66	3.76	
Projected Benefit Obligation (PBO)	\$38.01	\$44.09	\$50.70	68.09	
Accumulated Benefit Obligation (ABO)	29.58	34.67	40.00	53.75	
Fair Value of Plan Assets	31.30	41.16	45.90	47.74	
Discount Rate ¹	6.25%	5.50%	5.50%	5.00%	
Plan Assets vs. PBO	-\$6.71	-\$2.93	-\$4.80	-\$20.35	
Plan Assets vs. ABO	1.72	6.49	5.90	-6.01	
Total Participants	643	672	698	732	
Benefits Paid	\$0.18	\$0.26	\$0.43	\$0.61	

SPP Defined Benefit Retirement Plan Fund Status as of December 31, 2015

The fund had total assets of \$47.74 versus an Accumulated Benefit Obligation of \$53.75, Projected Benefit Obligation of \$68.09 and termination value of approximately \$54.00. The Actuary estimates participants active on January 1,

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.



2016 will accrue \$4.20 in benefits during fiscal year 2016. 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, 2016 SPP had 124 active employees covered by this plan and 12 retirees.

The Actuary estimated 2016 net periodic post-retirement benefit cost to be \$1.21. This computation is based on a 5.00% 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 2016 budget allocates \$0.00 in funding for post-retirement benefits. During preparation of the 2016 SPP Operating Budget, SPP forecast the plan to be appropriately funded and did not require additional cash contributions during 2016. If the plan were a funded plan, the assets SPP has set aside to cover benefits would result in the 2016 pension cost being \$0.25.

	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
Actual Contribution ²	\$0.45	\$0.54	\$0.41	\$0.00	
Pension Cost	\$0.45	\$1.47	\$1.44	\$1.48	\$1.21
Accumulated Benefit Obligation (ABO)	\$7.35	\$8.00	\$8.90	\$9.29	
Fair Value of Plan Assets ²	7.96	9.66	10.68	9.35	
Funded Status vs. ABO	0.61	1.66	1.78	0.06	
Plan Participants – Active	146	133	124	117	
Plan Participants – Retired	5	7	12	15	

Recommendation

Approve 2016 funding of the SPP Retirement Plan of \$5.38

Approve 2016 funding of the SPP Post-retirement Healthcare Plan of \$0.25

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"]

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, 2016**

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 7, 2016

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, 2016.

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

	<u>1/01/2014</u>	<u>1/01/2015</u>	<u>1/01/2016</u>
Individuals included	672	698	732
Total Salary	\$ 49,768,723	\$ 51,420,945	\$ 52,868,882
Net Plan Assets	\$ 41,157,249	\$ 45,902,853	\$ 47,735,144
Contribution Levels	<u>2014</u>	<u>2015</u>	<u>2016</u>
Maximum tax deductible under Pension Protection Act '06	\$ 32,109,973	\$ 37,197,151	\$ 50,285,037
“Old” Maximum/Suggested	3,657,939	3,760,931	5,382,931
Minimum required	2,496,718	3,312,746	3,489,357
Pension “expense” under accounting rules	\$ 4,198,833	\$ 4,488,016	\$ 7,181,807

Mr. Thomas P. Dunn – p 2
 March 7, 2016

Current Status of the Plan

The contribution for the 2016 Plan Year must be between \$ 3,489,357 and \$ 50,285,037. At least the minimum must be paid by September 15, 2017.

The minimum contribution has gone up primarily due to the 2015 investment loss and the change in life expectancy table.

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

	<u>Suggested Contribution</u>	<u>Pension Expense</u>
(1) 2015 Amount	\$ 3,761,000	\$ 4,488,000
(2) Change due to:		
(a) 2015 Investment Loss	+ 1,091,000	+ 632,000
(b) More participants	- 7,000	- 9,000
(c) Change in Life Expectancy Table	+ 856,000	+ 1,190,000
(d) Change in Discount Rate	+ 0	+ 920,000
(e) Other	- 318,000	- 39,000
(3) 2016 Amount	\$ 5,383,000	\$ 7,182,000

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, 2016, I estimate that the total liability would be about \$54 million (using a 5.00% discount rate). This compares to assets of about \$48 million. However, be aware of three items:

- (1) During the 2016 year, employees will accrue additional benefits worth about \$4.2 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.

Mr. Thomas P. Dunn – p 3
March 7, 2016

For the past five 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 2016 would be \$5,383,000 (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 2016. 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 2016 Net Periodic Pension Cost is \$7,181,807.

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.

Mr. Thomas P. Dunn – p 4
March 7, 2016

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, the 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, F.S.A., M.A.A.A.
Enrolled Actuary 3095

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EXHIBIT 1

Executive Summary

	<u>1/1/2014</u>	<u>1/1/2015</u>	<u>1/1/2016</u>
1. Individuals included in report			
a. Active	566	570	573
b. Inactive	106	128	159
c. Covered Payroll	\$ 49,768,723	\$ 51,420,945	\$ 52,868,882
2. Normal Cost Amount	\$ 3,647,939	\$ 3,750,931	\$ 4,158,961
Normal Cost Rate	7.33%	7.29%	7.87%
3. Assets	\$ 41,157,249	\$ 45,902,853	\$ 47,735,144
Investment Return for year	18.4%	3.6%	- 2.7%
4. Funding Levels			
Maximum under Pension Protection Act	\$ 32,109,973	\$ 37,197,151	\$ 50,285,037
Suggested	\$ 3,657,939	\$ 3,760,931	\$ 5,382,931
Minimum	\$ 2,496,718	\$ 3,312,746	\$ 3,489,357
5. Accounting Information (for use in auditor's report)			
a. Present Value of Vested Benefits	\$ 29,974,536	\$ 35,160,537	\$ 47,305,214
b. Present Value of Non-Vested Benefits	4,698,056	4,840,608	6,448,683
c. Present Value of Accumulated Benefits	\$ 34,672,592	\$ 40,001,145	\$ 53,753,897
d. Pension Cost per SFAS No. 87	\$ 4,198,833	\$ 4,488,016	\$ 7,181,807
6. Top-Heavy Ratio	18.2%	21.1%	22.7%

EXHIBIT 2

Summary of Financial Information

	<u>Plan Year Ending December 31,</u>		
	<u>2013</u>	<u>2014</u>	<u>2015</u>
A. <u>INCOME</u>			
1. <u>Contributions</u>			
Employee	\$ 0	\$ 0	\$ 0
Employer	4,010,000	3,660,000	3,760,000
Other	0	0	0
2. <u>Investment Income</u>			
a. Interest and Dividends	696,636	1,075,389	1,221,162
b. Realized Gains	1,417,708	4,576,954	206,982
c. Unrealized Appreciation	4,185,932	- 4,004,715	- 2,614,432
d. Investment Expenses	- 192,520	- 129,485	- 117,086
e. Subtotal	<u>6,107,756</u>	<u>1,518,143</u>	<u>- 1,303,374</u>
TOTAL	<u>\$ 10,117,756</u>	<u>\$ 5,178,143</u>	<u>\$ 2,456,626</u>
B. <u>EXPENSES</u>			
1. <u>Administrative</u>	\$ 0	\$ 0	\$ 12,085
2. <u>Monthly Benefits</u>	256,291	432,539	612,250
3. <u>Lump Sum Benefits</u>	<u>0</u>	<u>0</u>	<u>0</u>
TOTAL	<u>\$ 256,291</u>	<u>\$ 432,539</u>	<u>\$ 624,335</u>

Exhibit 2 - Continued

	<u>12/31/2013</u>	<u>12/31/2014</u>	<u>12/31/2015</u>
C. <u>ASSETS (Market Basis)</u>			
1. <u>Short Term</u>			
Cash	\$ 5,005	\$ 1,476	\$ 9,495
Money Market Funds	874,530	2,356,443	3,627,717
2. <u>U.S. Treasury Bills</u>	1,999,670	0	0
3. <u>Fixed Income Assets</u>			
Government	0	0	0
Corporate	6,806,391	6,051,828	4,763,598
4. <u>Common Stock</u>	13,988,246	10,131,176	8,783,811
5. <u>Mutual Funds</u>			
Fixed Income	0	4,172,080	6,412,958
Equity	17,388,240	23,093,826	24,059,306
5. <u>Other</u>			
Contribution Receivable	0	0	0
Benefits payable	0	0	0
Accrued Interest	95,167	96,024	78,259
Other	0	0	0
TOTAL	\$ 41,157,249	\$ 45,902,853	\$ 47,735,144
D. <u>Net Investment Return:</u>	18.4%	3.6%	- 2.7%

Exhibit 2 - Continued

	<u>1/1/2014</u>	<u>1/1/2015</u>	<u>1/1/2016</u>
E. <u>INFORMATION FOR PBGC</u>			
<u>FORM 1 SCHEDULE A</u>			
1. Interest Assumption	1.25%	1.48%	1.82%
	4.57%	3.77%	4.12%
	5.60%	4.79%	5.01%
2. Present Value of Vested Benefits	\$ 32,840,296	\$ 44,467,105	\$ 49,012,050
3. Adjusted Market Value of Assets	<u>41,157,249</u>	<u>45,902,853</u>	<u>47,735,144</u>
4. Unfunded Vested Benefits	\$ 0	\$ 0	\$ 1,276,906
5. Rounded to next higher \$1,000	0	0	1,277,000
6. Variable Rate Premium Percentage	1.4%	2.4%	3.0%
7. Variable Rate Premium = (5) x (6)	\$ <u>0.00</u>	\$ <u>0.00</u>	\$ <u>38,310.00</u>

EXHIBIT 3

Accounting Information

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

Statement of Accumulated Plan Benefits

	<u>1/01/2015</u>	<u>1/01/2016</u>
Investment Return Assumption	5.50%	5.00%
Actuarial present value of accumulated plan benefits		
Vested Benefits		
Participants currently receiving benefits	\$ 6,293,564	\$ 7,740,638
Other Participants	<u>28,866,973</u>	<u>39,564,576</u>
	\$ <u>35,160,537</u>	\$ <u>47,305,214</u>
Non-Vested Benefits	4,840,608	6,448,683
Total actuarial present value of accumulated plan benefits	\$ <u>40,001,145</u>	\$ <u>53,753,897</u>

Statement of Changes in Accumulated Plan Benefits

Actuarial present value of accumulated plan benefits at beginning of year	\$ 34,672,592	\$ 40,001,145
Increase (Decrease) attributable to:		
Plan Amendment	0	0
Benefits Accumulated*	5,761,092	6,191,449
Benefits Paid	- 432,539	- 612,250
Change in Assumptions	<u>0</u>	<u>8,173,553</u>
Actuarial present value of accumulated plan benefits at end of year	\$ <u>40,001,145</u>	\$ <u>53,753,897</u>

* Includes effect of interest and actuarial gains and losses.

Exhibit 3 - Continued

SFAS No. 87 Pension Cost for 2016

A. Reconciliation of Funded Status	<u>1/01/2016</u>	<u>Projected 12/31/2016</u>
1. Actuarial present value of accumulated benefit obligations		
a. Vested portion	\$ (47,305,214)	\$ (53,571,506)
b. Non-Vested portion	(6,448,683)	(7,302,909)
2. Accumulated Benefit Obligation	\$ (53,753,897)	\$ (60,874,415)
3. Effect of estimated future pay growth	(14,333,880)	(16,232,620)
4. Projected Benefit Obligation	\$ (68,087,777)	\$ (77,107,035)
5. Plan assets at fair value	47,735,144	55,975,107
6. Funded status: (4)+(5)	\$ (20,352,633)	\$ (21,131,928)
7. Unrecognized net (gain) or loss	21,588,313	20,603,011
8. Unrecognized prior service cost	(22,394)	(23,138)
9. Unrecognized net obligation	82,341	65,875
10. Accum. Comp. Other Income	<u>21,648,260</u>	<u>20,645,748</u>
11. Total: (6) + (10)	\$ <u>1,295,627</u>	\$ <u>(486,180)</u>
B. Determination of Pension Cost	<u>2016</u>	
1. Service Cost	\$ 5,978,950	
2. Interest Cost (on A(4) and B(1))	3,687,165	
3. Expected return on assets	(3,486,820)	
4. Amortization of		
a. Unrecognized net (gain) or loss	985,302	
b. Unrecognized prior service cost	744	
c. Unrecognized net obligation	<u>16,466</u>	
5. Net Periodic Pension Cost	\$ <u>7,181,807</u>	
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 12/31/16 assumes a 2016 contribution of \$5,400,000 and net periodic pension cost of \$7,181,807.		

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

		<i>Years of Service</i>							
<i>Age</i>		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	5	0	0	0	0	0	0	5
	Salary	287,071	0	0	0	0	0	0	287,071
25-29	Count	43	20	0	0	0	0	0	63
	Salary	2,641,555	1,457,357	0	0	0	0	0	4,098,912
30-34	Count	29	35	6	0	0	0	0	70
	Salary	1,974,746	2,927,006	611,544	0	0	0	0	5,513,296
35-39	Count	27	54	11	7	0	0	0	99
	Salary	1,908,415	4,817,592	1,027,164	757,343	0	0	0	8,510,514
40-44	Count	28	36	9	4	0	0	0	77
	Salary	2,284,075	3,289,570	869,786	392,505	0	0	0	6,835,936
45-49	Count	30	41	8	1	3	0	0	83
	Salary	2,501,648	3,957,946	781,858	116,815	574,925	0	0	7,933,192
50-54	Count	28	39	9	1	1	3	2	83
	Salary	2,871,583	3,677,359	1,180,400	82,000	176,583	629,900	314,104	8,931,929
55-59	Count	11	28	5	4	1	1	6	56
	Salary	938,022	3,044,993	537,404	482,820	92,400	124,200	1,131,735	6,351,574
60-64	Count	8	15	4	2	0	2	3	34
	Salary	667,325	1,581,726	580,016	336,700	0	303,380	569,920	4,039,067
65 & Over	Count	1	1	0	1	0	0	0	3
	Salary	73,391	104,000	0	190,000	0	0	0	367,391
Unknown Age	Count	0	0	0	0	0	0	0	0
	Salary	0	0	0	0	0	0	0	0
Total	Count	210	269	52	20	5	6	11	573
	Salary	16,147,831	24,857,549	5,588,172	2,358,183	843,908	1,057,480	2,015,759	52,868,882

Exhibit 4 - Continued

Participant Data as of January 1, 2016

	<u>Active</u>	<u>Retired</u>	<u>Terminated Vested</u>	<u>Total</u>
Number of Participants at 1/1/2015	570	31	97	698
New during year	+ 34	0	0	+ 34
Rehired	0	0	0	0
Terminated Vested	- 27	0	+ 27	0
Terminated nonvested	- 2	0	0	- 2
Cashed out	0	0	0	0
Retired	- 4	+ 7	- 3	0
Died	- 1	0	0	- 1
Other	0	0	0	0
Number of Participants at 12/31/2015	570	38	121	729
New Entrants on 1/1/2016	+ 3	0	0	+ 3
Number of Participants 1/1/2016*	573	38	121	732

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

EXHIBIT 5

Principle Provisions of the Plan

<u>EFFECTIVE DATE:</u>	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.
<u>PARTICIPATION:</u>	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.
<u>PLAN YEAR:</u>	January 1 to December 31.
<u>COMPENSATION:</u>	Base pay during the calendar year.
<u>FINAL AVERAGE MONTHLY EARNINGS:</u>	Average of the Participant's Compensation over the sixty consecutive completed calendar months, out of the last 120, that produces the highest average.
<u>SERVICE:</u>	<p>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.</p> <p>(a) <u>Benefit Service</u> is all Service after age 21. (b) <u>Vesting Service</u> is all Service after age 18.</p>
<u>ACCRUED BENEFIT:</u>	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:

A Participant is 100% vested after 5 years of Service (3 years for those hired before 2014) and 0% before.

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

	<u>2015</u>	<u>2016</u>
A. Maximum tax deductible contribution (IRC 404(o)(2))		
1. Funding Target	\$ 42,529,768	\$ 50,467,887
2. Target Normal Cost	4,757,138	5,042,072
3. Cushion Amount		
a) 50% of Funding Target	21,264,884	25,233,944
b) Amount Funding Target increases due to pay growth	14,548,214	17,276,278
4. Actuarial value of plan assets	45,902,853	47,735,144
5. Funding Target IF plan were "At Risk"	<u>47,546,141</u>	<u>55,109,534</u>
6. Maximum = (1)+(2)+(3)-(4), but not less than (5)+(2)-(4)	\$ <u>37,197,151</u>	\$ <u>50,285,037</u>
B. Suggested contribution		
1. Normal Cost for current group	\$ 3,750,931	\$ 4,158,961
2. Partial years cost for expected new people	10,000	0
3. Amortization of Unfunded Actuarial Accrued Liability	0	1,182,580
4. Interest	0	41,390
5. Suggested contribution	\$ <u>3,760,931</u>	\$ <u>5,382,931</u>
C. Minimum required contribution (IRC 430)		
1. Target Normal Cost	\$ 3,312,746	\$ 3,489,357
2. Shortfall amortization charges (App E)	0	0
3. Waiver amortization charges (App E)	<u>0</u>	<u>0</u>
4. Subtotal (1)+(2)+(3)	\$ 3,312,746	\$ 3,489,357
5. Excess of actuarial value of asset (less credit balances) over Funding Target	<u>0</u>	<u>0</u>
6. Minimum (beginning of year) = (4), or if (5) is greater than 0, then (1)-(5), but not less than \$0.	\$ 3,312,746	\$ 3,489,357

APPENDIX B

Costs and Liabilities

	<u>1/1/2015</u>	<u>1/1/2016</u>
1. Present Value of Future Benefits		
A. Active Lives	\$ 77,776,131	\$ 89,004,046
B. Inactive Lives	<u>8,062,385</u>	<u>9,932,087</u>
C. Total Present Value	\$ 85,838,516	\$ 98,936,133
2. Actuarial Accrued Liability	\$ 44,945,832	\$ 54,554,539
3. Assets	45,902,853	47,735,144
4. Unfunded Actuarial Accrued Liability (2 - 3)	\$ - 957,021	\$ 6,819,395
5. Entry Age Normal Cost	\$ 3,750,931	\$ 4,158,961
6. Total Covered Salary	51,420,945	52,868,882
7. Normal Cost Rate (5 / 6)	.072946	.078666

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

	<u>2014</u>	<u>2015</u>
(1) Unfunded Actuarial Accrued Liability beginning of year	\$ - 2,430,854	\$ - 957,021
(2) Normal Cost for year	3,647,939	3,750,931
(3) Contributions for year	3,660,000	3,760,000
(4) Interest on (1), (2), and (3)	- 170,582	- 67,308
(5) Other adjustments	0	0
(6) Expected Unfunded Actuarial Accrued Liability at end of year: (1)+(2)-(3)+(4)+(5)	\$ - 2,613,497	\$ - 1,033,398
(7) Gain/loss during year	1,656,476	4,020,158
(8) Effect of changes in assumptions	0	3,832,635
(9) Unfunded Actuarial Accrued Liability at end of year	\$ - 957,021	\$ 6,819,395
(10) Amortization period	5	7
(11) Amortization of Unfunded Actuarial Accrued Liability	\$ 0	\$ 1,182,580

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

	<u>2015</u>	<u>2016</u>
A. Segment Rates	4.72/6.11/6.81	4.43/5.91/6.65
Equivalent rate	6.51%	6.33%
B. Asset Information		
1. Market Value of assets on valuation date	\$ 45,902,853	\$ 47,735,144
2. Actuarial Value of assets on valuation date	45,902,853	47,735,144
3. Carryover balance on valuation date	2,062,275	2,005,562
4. Pre-funding balance on valuation date	14,268,529	14,236,825
5. Security pledges & annuity purchases on non HCE's within last two years	0	0
C. Funding Target (IRC 430(d)(1))	\$ 31,255,596	\$ 36,965,867
D. Target Normal Cost	\$ 3,312,746	\$ 3,489,357
E. "At Risk" calculations (IRC 430 (i))		
1. Present value of accrued benefits under alternate assumptions	\$ 36,340,536	\$ 42,008,311
2. Loads		
a) \$700 times number of participants	488,600	512,400
b) 4% of (1)	1,453,621	1,680,332
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)	36,340,536	42,008,311
5. Target normal cost under alternate assumptions	3,743,004	3,857,312
6. 4% load	149,720	154,292
7. Target normal cost (5, +6 if 3=yes, and not less than D)	3,743,004	3,857,312

Appendix D - Continued

	<u>2015</u>	<u>2016</u>
F. Various percentages		
1. Funding Target Attainment Percentage for Year		
a. B(2) divided by C	146.86%	129.13%
b. B(2)-B(3)-B(4), divided by C	94.61%	85.19%
c. If a is greater than 100% then a, else b.	146.86%	85.19%
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)]	146.86%	85.19%
3. At Risk Funding Target Attainment Percentage for Year B(2)-B(3)-B(4), divided by E(1)	81.37%	74.96%
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

<u>Item</u>	<u>Initial Amount</u>	<u>Date Added To Costs</u>	<u>1/1/2016 Outstanding Balance</u>	<u>Amortization Period</u>	<u>Amortization Amount</u>
2) 2016 Shortfall	\$ 0	1/1/2016	\$ 0	7	\$ 0

Shortfall amortization base for this year

Funding Shortfall	
a) Funding Target from Appendix D	\$ 36,965,867
b) Actuarial value of assets less carryover and prefunding balances	<u>31,492,757</u>
c) Funding shortfall = (a)-(b), not less than \$0	\$ 5,473,110

Exemption from establishing a base for 2016:

1. Plan Assets	47,735,144
2. Prefunding Balances used to reduce contributions for the plan year	0
3. Net Assets	47,735,144
4. Funding Target from Appendix B	36,965,867
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 2015:	<u>CARRYOVER BALANCE</u>	<u>PRE- FUNDING BALANCE</u>	<u>TOTAL</u>
1) Minimum required contribution for 2015			\$ 3,312,746
2) Balances used to offset minimum	\$ 0	\$ 0	0
3) Additional cash requirement (1) – (2)			<u>3,312,746</u>
4) Contributions discounted to 1/1/15			3,651,381
5) Excess contributions (4) – (3)			\$ <u>338,635</u>

Carryover and Pre-funding Balances:	<u>CARRYOVER BALANCE</u>	<u>PRE- FUNDING BALANCE</u>	<u>TOTAL</u>
1) Balance at 1/1/2015	\$ 2,062,275	\$ 14,268,529	\$ 16,330,804
2) Portion used to offset 2015 funding requirement	0	0	0
3) Amount Remaining	<u>2,062,275</u>	<u>14,268,529</u>	<u>16,330,804</u>
4) Interest at -2.75%	- 56,713	- 392,384	- 449,097
5) Subtotal	<u>2,005,562</u>	<u>13,876,145</u>	<u>15,881,707</u>
6) Prior year's excess contributions		338,635	338,635
7) Interest on (6) at 6.51%		22,045	22,045
8) Subtotal (6) + (7)		<u>360,680</u>	<u>360,680</u>
9) Portion of (8) to be added to prefunding balance		360,680	360,680
10) Voluntary reduction	0	0	0
11) Balance at 1/1/2016 (5) + (9) + (10)	\$ <u>2,005,562</u>	\$ <u>14,236,825</u>	\$ <u>16,242,387</u>

APPENDIX G

Top-Heavy Test for 2016 Plan Year

Determination Date: 12/31/15

Valuation Date: 1/01/16

Present Value of Accrued Benefits at 7% Interest - Actives

1) Key Employees (20)	\$ 5,796,292
2) Non-key Employees (553)	<u>18,123,307</u>
3) Total	\$ 23,919,599

Present Value of Accrued Benefits at 7% Interest – Inactives

1) Key Employees (0)	\$ 0
2) Non-key Employees (31)	<u>1,548,097</u>
3) Total	\$ 1,548,097

Benefit Payments Since 1/1/2015

1) Key Employees (0)	\$ 0
2) Non-key Employees (4)	<u>46,980</u>
3) Total	\$ 46,980

Totals

1) Key Employees	\$ 5,796,292
2) Non-key Employees	<u>19,718,384</u>
3) Total	\$ 25,514,676

Top-Heavy Ratio = Key / Total 22.7%

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 IRS annuitant and non-annuitant tables for 2016. Mortality rates at a few sample ages are:

<u>AGE</u>	<u>MORTALITY RATE PER 1,000</u>	
	<u>Male</u>	<u>Female</u>
25	.275	.134
30	.380	.193
35	.662	.337
40	.841	.442
45	1.005	.682
50	1.217	.985
55	1.671	1.969
60	2.959	3.365

POST-RETIREMENT MORTALITY:

The IRS annuitant and non-annuitant tables for 2016 were used. The life expectancy according to the table is as follows:

<u>Age</u>	<u>Males</u>	<u>Females</u>
55	28.68 years	30.29 years
65	19.36 years	21.11 years

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 5.00% 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:

	<u>Min</u>	<u>Max</u>
1 st segment (1-5 years)	4.43%	1.41%
2 nd segment (5-20 years)	5.91%	3.96%
3 rd segment (20+ years)	6.65%	4.97%

The equivalent rate is 6.33%.

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:

<u>Age</u>	<u>Termination Rate per 1,000</u>
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:

<u>Age</u>	<u>Retirement Rate</u>
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 16, 2016

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

RE: Retiree Medical Coverage - FASB ASC 715-60

Dear Tom:

Attached is my report on the 2016 net periodic postretirement benefit cost per Financial Accounting Standards Board Accounting Standards Codification 715-60, for the retiree medical coverage.

The attached report assumes a 5.00% discount rate and the IRS mortality table for 2016. The 2016 expense is \$1,209,592. The 2016 benefit cost using a 5.50% discount rate and the prior life expectancy table would be \$980,547.

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

Sincerely,



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 16, 2016

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 2016 net periodic postretirement benefit cost per Financial Accounting Standards Board Accounting Standards Codification 715-60.

The results are shown on the attached sheets. The 2016 net periodic post-retirement benefit cost will be \$1,209,592. All employees hired before June 1, 2006 are entitled to a \$300 (\$600 for family) monthly HSA payment toward the purchase of their own Medicare supplement coverage, once they reach normal retirement age and 10 years of vested service with Southwest Power Pool. 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 5.00% discount rate and a 7.0% investment return on plan assets. The health care cost trend rate was assumed to increase 9% next year, 8% the following year, and so on, decreasing to an ultimate 5% assumption in four 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, 2016 by \$2,157,274, and the 2016 net periodic postretirement benefit cost by \$355,759.

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

Sincerely,



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

Attachments

EXHIBIT 1

FASB ASC 715-60 FOR 2014, 2015, and 2016

A. Reconciliation of Funded Status	<u>1/1/14</u>	<u>1/1/15</u>	<u>1/1/16</u>
1. Actuarial present value of accumulated post-retirement benefit obligations			
a. Retirees	\$ (837,002)	\$ (1,673,785)	\$ (1,776,806)
b. Fully eligible active employees	(1,256,737)	(1,042,224)	(795,826)
c. Other active employees	<u>(5,901,647)</u>	<u>(6,183,963)</u>	<u>(6,716,685)</u>
d. Subtotal	\$ <u>(7,995,386)</u>	\$ <u>(8,899,972)</u>	<u>(9,289,317)</u>
2. Plan assets at fair value	<u>0</u>	<u>0</u>	<u>0</u>
3. Funded Status: (1)+(2)	\$ (7,995,386)	\$ (8,899,972)	\$ (9,289,317)
4. Unrecognized net (gain) or loss	6,558,525	6,112,564	6,599,288
5. Unrecognized prior service cost	0	0	(1,487,594)
6. Unrecognized net obligation or (net asset)	<u>30,971</u>	<u>26,548</u>	<u>22,125</u>
7. Subtotal (4) + (5) + (6)	6,589,496	6,139,112	5,133,819
10. Total: (3) + (7)	\$ <u>(1,405,890)</u>	\$ <u>(2,760,860)</u>	\$ <u>(4,155,498)</u>

SOUTHWEST POWER POOL
RETIREMENT PLAN

FASB ASC 715-60 Items

	<u>Post-Retirement Medical Asset on Balance Sheet</u>	<u>Accumulated Other Comp. Income (loss) Post-Retirement Medical Part</u>	<u>Total</u>
B. Reconciliation			
1. Balance 12/31/14	\$ (8,899,972)	\$ 6,139,112	\$ (2,760,860)
2. Program change	1,487,594	(1,487,594)	0
3. Change in assumption			
a) Discount Rate	(760,823)	760,823	0
b) Mortality Table	(881,500)	881,500	0
4. Net periodic post-retirement benefit cost for 2015	(1,205,646)	(279,295)	(1,484,941)
5. Cash contribution in 2015	90,303	0	90,303
6. Gains	880,727	(880,727)	0
7. Balance 12/31/15	\$ (9,289,317)	\$ 5,133,819	\$ (4,155,498)

Note: The above does not include any tax effects.

FASB ASC 715-60 Implementation

C. Disclosure of FASB ASC 715-60 Benefit Cost	<u>2014</u>	<u>2015</u>	
1. Service Cost	\$ 652,085	\$ 678,813	
2. Interest Cost	475,611	526,833	
3. Actual Return on Assets	(0)	(0)	
4. Net amortization and deferral			
a. Deferral	0	0	
b. Net loss recognition	303,105	274,872	
c. Prior service cost amort.	0	0	
d. Transition (asset) amort.	4,423	4,423	
e. Subtotal	<u>307,528</u>	<u>279,295</u>	
5. Net Periodic Postretirement Benefit Cost	<u>\$ 1,435,224</u>	<u>\$ 1,484,941</u>	
D. Determination of Cost for next year	<u>2014</u>	<u>2015</u>	<u>2016</u>
1. Service Cost	\$ 652,085	\$ 678,813	\$ 486,621
2. Interest Cost (on A(4) and D(1))	475,611	526,833	486,172
3. Expected return on assets	(0)	(0)	(0)
4. Amortization of			
a. Unrecognized net (gain) or loss	303,105	274,872	315,020
b. Unrecognized prior service cost	0	0	(82,644)
c. Unrecognized net obligation or (net asset)	4,423	4,423	4,423
5. Net Periodic Postretirement Benefit Cost	<u>\$ 1,435,224</u>	<u>\$ 1,484,941</u>	<u>\$ 1,209,592</u>

EXHIBIT 2

PARTICIPANT DATA

A. The following participant data was used:

	<u>January 1 2015</u>	<u>January 1 2016</u>
Number of Active Employees	124	117
Number of Retirees Covered	12	15

B. Projected premium payment

1 st year	\$ 117,000	\$ 105,000
2 nd year	155,000	141,000
3 rd year	191,000	183,000
4 th year	244,000	219,000
5 th year	287,000	243,000
6 th through 10 th year	2,040,000	1,860,000

EXHIBIT 3

ACTUARIAL ASSUMPTIONS

DISCOUNT RATE: A discount rate of 5.00% was used for the 2016 Benefit Cost and the December 31, 2015 disclosures. A rate of 5.50% was used for the 2015 Benefit Cost and the December 31, 2014 disclosures. The expected return on assets was assumed to be 7.00%.

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

BASE CLAIM COSTS: The following monthly base claim costs were assumed for 2016:

	<u>Total</u>	<u>Paid by Employee</u>
Single, with Medicare	\$ 300.00	\$ 0.00
Family, with Medicare	600.00	0.00
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 table used by the IRS for 2016, under IRC 430 (the 1994 UP was used last year). Mortality rates at a few sample ages are:

<u>AGE</u>	<u>MORTALITY RATE PER 1,000</u>	
	<u>MALE</u>	<u>FEMALE</u>
25	.275	.134
30	.380	.193
35	.662	.337
40	.841	.442
45	1.005	.682
50	1.217	.985
55	1.671	1.969
60	2.959	3.365

Exhibit 3 (continued)

POST-RETIREMENT MORTALITY:

The table used by the IRS for 2016, under IRC 430 was used (the 1994 UP was used last year). The life expectancy according to this table is as follows:

<u>AGE</u>	<u>MALES</u>	<u>FEMALES</u>
55	28.68 years	30.29 years
65	19.36 years	21.11 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:

<u>AGE</u>	<u>TERMINATION RATE PER 1,000</u>
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:

<u>AGE</u>	<u>RETIREMENT RATE</u>
55 – 61	.10
62	.25
63	.15
64	.15
65	1.00

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March 7, 2016

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

RE: Retiree Medical Coverage – Cash Contribution for 2016

Dear Mr. Dunn:

I have calculated the 2016 net periodic postretirement benefit cost per Financial Accounting Standards Board Accounting Standards Codification 715-60. Those results are shown in my report to you dated February 16, 2016.

There are some assets (about \$9.4 million) that are currently being used to “fund” the postretirement health benefits. You asked me to calculate a “contribution” for this program, reflecting these assets.

The contribution for 2016, consistent with the FASB ASC 715-60 calculations except reflecting the assets, would be \$245,569.

The calculation incorporates the same actuarial assumptions used in my February 16, 2016 report.

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

Sincerely,



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



Memorandum

To: SPP Finance Committee
From: Tom Dunn
CC:
Date: April 5, 2016
Re: Financial Impacts of 2016 Compliance Efforts

SPP is dedicating financial resources, beyond those budgeted, to improve its compliance posture, specifically with respect to the North American Electric Reliability Corporation (“NERC”) standards. SPP is working through its mitigation efforts related to a Critical Infrastructure Protection (“CIP”) audit administered by the SERC Reliability Corporation in 2013 and identified several areas which were lacking focus and resources necessary to ensure compliance. The financial impact of the efforts underway to correct compliance deficiencies is being reported to the SPP Finance Committee because these resources are unbudgeted. SPP is not currently contemplating a need to amend the 2016 budget.

Background

SPP was audited by SERC Reliability Corporation in 2013 with the audit focused on SPP’s compliance with the CIP version 3 standards. The audit report noted 19 violations of the standards. SERC Reliability Corporation issued its final audit report and Notice of Alleged Violations in late 2015. SERC required mitigation for the alleged violations and subsequently, after approving the mitigation plans, commenced settlement discussions. Prior to these settlement discussions, SPP’s senior management was apprised that SERC, NERC and FERC’s perception of SPP’s internal compliance focus was insufficient to ensure ongoing compliance with NERC standards and exposed SPP to future penalties and potential adverse impacts of operating events.

SPP must also comply with the CIP version 5 standards effective July 1, 2016. SPP has been building its capabilities to comply with the CIP version 5 standards throughout 2015 and into 2016. The discussions with SERC, NERC, and the Federal Energy Regulatory Commission regarding their findings in the CIP version 3 audit, has raised doubts within SPP that its actions currently underway will be adequate to meet the interpretation of the standards by those charged with auditing for compliance.

SPP Actions

SPP undertook several measures to restore its compliance reputation including a Compliance Demonstration project. As a component of that effort, SPP engaged two firms, KPMG and The Anfield Group, to perform independent assessments of SPP’s internal compliance culture, specifically:

- Assess the design of SPP’s corporate-level compliance program, including a gap analysis against applicable legal and regulatory standards that apply to the structure of an organization’s compliance program, as well as practices that companies with mature compliance programs have found to be effective;
- Assess the implementation of the program; and,
- Identify considerations for improvement for program enhancement.

SPP received reports from both firms in February, 2016. Both reports identified SPP’s lack of compliance expertise and focus, immature and/or deficient processes, and lack of monitoring tools as inhibitors to SPP’s success. SPP senior management in the areas of Operations, Engineering, IT, Compliance, Facilities, and Legal received the reports from both firms and developed SPP’s approach to correct its deficiencies.



SPP implemented the following actions to address the findings of the KPMG and The Anfield Group reports:

- Moving the Reliability Standards group under the oversight of the Director of Compliance – designed to increase coordination and monitoring between compliance and business
- Added Manager position in Compliance department to increase focus on and direction of conducting NERC compliance monitoring and enforcement program activities
 - Authorized additional staff in Compliance department focused on CIP compliance and transmission planning compliance Added a compliance engineer/analyst in Compliance Department to augment current planning/engineering staff
 - Added a CIP compliance analysts in Compliance Department to augment CIP standards development and other CIP compliance efforts
- Established Quality Control and Process Improvement functions within the IT (3 additional FTEs) and Engineering (2 additional FTEs) departments to map and track regulatory responsibilities, document and assess internal controls, and coordinate and support compliance activities for business functions
- Suspended provision of staff service of providing standards evidence reviews outreach to SPP membership
- Evaluating implementation of a Governance, Risk, and Compliance tool to realize efficiencies in implementing compliance processes, including accurate and timely tracking and monitoring of compliance controls and related activities.

SPP has also implemented the following actions in response to concerns its compliance with CIP version 5 would not be adequate:

- Centralize cyber-security planning and monitoring within a single group in IT. This action will enhance the likelihood SPP not only meets the reporting and implementation requirements of CIP version 5 but also is able to protect its cyber assets and respond quickly to an intrusion
- Added three incremental staff positions within the cyber security group in IT. This ensures SPP has the capacity and expertise to address cyber security issues both proactively and as events occur.
- Engaged SASpoint Consulting to ensure CIP 5 RSAW development, compliance process development and compliance readiness.

Financial Impact

Costs incurred to strengthen SPP's compliance posture are not insignificant and are not included in the 2016 operating and capital budgets. The following table outlines the expenditures incurred already and expected to be incurred going forward.



<u>Items (\$000)</u>	<u>One-time Expense</u>	<u>Ongoing Annual Expense</u>
Consulting		
Assessment	\$ 222	
Process dev & documentation	\$ 300	
Mock Audits	\$ 55	
Operating Expenses		
Staffing (fully loaded)		\$ 1,352
Maintenance		\$ 200
Other	\$ 54	
Capital Expenditures		
GRC Tool	\$ 1,000	
TOTAL	<u>\$ 1,631</u>	<u>\$ 1,552</u>

Conclusion

SPP will proceed forward with the actions outlined above. There are several audits of SPP expected to occur during 2016, results from those audits may result in changes to the approach and costs outlined.



Memorandum

To: SPP Finance Committee
From: Tom Dunn
CC:
Date: April 5, 2016
Re: Capital Asset Funding

The SPP Finance Committee, over the past twelve months, has discussed SPP's practices around funding capital assets. The objectives of the discussions has been to identify possible improvements to SPP's practice which can provide benefits to the operation of the business. The Committee identified three key principles to guide the thought process around setting and managing the SPP administrative fee rate. These principles can be impacted by the capital asset funding decision. The principles are as follows:

- Maintaining generational equity. This means ensuring future customers are not paying for assets no longer in use and ensuring current customers aren't paying 100% for assets that will be used by future customers
- Minimize volatility of the administrative fee rate. Small incremental changers year over year are acceptable. Changes which reduce the rate are better than changes increasing the rate.
- Maintain SPP's financial strength as measured by its credit rating and compliance with financial covenants in its debt agreements.

SPP has utilized two practices to fund its capital assets since its incorporation. Initially, SPP would assess its membership monthly the full cost of any asset acquired. This practice clearly would not fare well when viewed through the lens of generational equity or minimal volatility. SPP began using debt in earnest to construct its Energy Imbalance Service market in 2001 and used debt as the sole funding mechanism for capital asset acquisition beginning in 2004. This practice was implemented to address generational equity and volatility. SPP changed its practice slightly for the 2016 budget year when it included approximately 20% of its capital expenditure spending in the calculation of its administrative fee rate.

SPP forecasts its capital spending for the 2016 – 2018 period in its 2016 budget. Total spending for the period is expected to exceed \$73 million, with actual cash outlays expected to occur somewhat evenly over the period. Significant projects include Enhance Combined Cycle, Settlements Upgrade, EMS Upgrade, and Training Simulator. Absent any meaningful changes required to meet legislative or regulatory mandates, and absent directives from SPP's membership for significant new services or changes to existing services, SPP appears to be settling into a period where capital expenditures will be approximately \$20 million annually.

The table below illustrates three options for funding capital assets and the impact each option has on SPP's administrative fee rate. The three options illustrated are:

1. Fund all capital expenditures from the SPP administrative fee rate. This option yields the lowest long-term rate impact. This option also presents the highest near term rate impact and is not consistent with the generational equity principle desired by the Committee.
2. Fund all capital expenditures with new debt. This option yields the highest long-term rate impact. This option has the lowest near-term rate impact and is the methodology SPP has generally followed
3. Fund 80% of capital expenditures with new debt. This option provides slightly lower long-term rate impacts than option 2 above and also has slightly higher near-term rate impacts as option 2. This option is representative of SPP's practice for 2016 where the administrative fee was set to collect approximately \$4 million in revenue above SPP's traditional net revenue requirement.



Capital Asset Funding - Initial Options

(all data in thousands except rate data)

Assumptions	2017	2018	2019	2020	2021	2022
Annual Capital Expenditure	\$20,000	\$20,000	\$20,000	\$20,000	\$20,000	\$20,000
Load	407,200	407,200	407,200	407,200	407,200	407,200

Option A

Fund all Capital Expenditures From Admin Fee

Admin Fee Rate Impact	\$0.0491	\$0.0491	\$0.0491	\$0.0491	\$0.0491	\$0.0491
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Option B

Fund all Capital Expenditures With New Debt

Debt Issued	\$20,000	\$20,000	\$20,000	\$20,000	\$20,000	\$20,000
New Debt Outstanding	20,000	35,000	50,000	65,000	80,000	80,000
Principal Retirements	-	5,000	10,000	15,000	20,000	20,000
Interest Payments (assume 5% interest)	1,000	1,750	2,500	3,250	4,000	4,000
Admin Fee Rate Impact	\$0.0025	\$0.0166	\$0.0307	\$0.0448	\$0.0589	\$0.0589

Option C

Fund 80% of Capital Expenditures From New Debt

Debt Issue	\$16,000	\$16,000	\$16,000	\$16,000	\$16,000	\$16,000
New Debt Outstanding	16,000	28,000	40,000	52,000	64,000	64,000
Principal Retirements	-	4,000	8,000	12,000	16,000	16,000
Interest Payments (assume 5% interest)	800	1,400	2,000	2,600	3,200	3,200
Equity Contribution	4,000	4,000	4,000	4,000	4,000	4,000
Admin Fee Rate Impact	\$0.0118	\$0.0231	\$0.0344	\$0.0457	\$0.0570	\$0.0570



Memorandum

To: SPP Finance Committee
From: Tom Dunn
CC:
Date: April 5, 2016
Re: Rate Structure Report – Follow-Up

The SPP Finance Committee, at its April 5, 2011 meeting, reviewed information regarding the cost recovery methods SPP used to cover its operating costs, structures in place at other RTO/ISO entities, and a simplified example of how SPP may unbundle its costs in advance of the implementation of its Integrated Marketplace. The Committee determined to retain SPP's existing rate structure which recovers the majority of SPP's operating costs from transmission customers.

The following data is an update of the Simple Comparison outlined in the April 5, 2011 memo. SPP can use its actual results from the 2015 fiscal year to illustrate the potential change in who paid SPP's administrative costs in 2015 compared to who would have paid if the market services costs were recovered from participants in the Integrated Marketplace instead of solely from transmission customers.

Simple Comparison – SPP's 2010 Actual vs. Alternative Rate Structure

The following simple example compares SPP's actual 2015 Administrative Fee collections with a very simple unbundled rate structure which collects administrative costs associated with operation of the Integrated Marketplace from the market participants¹.

SPP charged a Tariff Administration Fee and Assessment rate of 39.0¢/MWh during 2015 resulting in collections of approximately \$145 million. In compliance with FERC Order 668, SPP reports its Tariff Administrative Fee and Assessment rate allocated across three services, as follows:

	<u>2015 Rate</u>	<u>2015 Collections</u>
561.4 Scheduling (31%)	12.09 cents per MWh	\$45 million
561.8 Reliability Services (12%)	4.68 cents per MWh	\$17 million
575.7 Market Services (57%)	22.23 cents per MWh	\$83 million

The Alternative rate structure for our example would recover costs for Scheduling and Reliability from transmission customers just as it is done today by SPP. Costs for Market services would be recovered from all participants in SPP's Integrated Marketplace based on the volume of energy transacted in the market. Therefore, SPP would collect \$62 million from transmission customers based on usage of network or point to point transmission service. Market service costs of \$83 million would be recovered from the entities responsible for the 1,045,000,000 MWh of energy transacted during 2015 in the Integrated Marketplace on a pro rata basis (\$0.08/MWh of energy transacted). The following table highlights entities whose total fee paid to SPP would change by at least \$0.5 million under this Alternative rate structure for 2015.

¹ In compliance with FERC Order 668, SPP reported its administrative fee costs allocated across three functional services. Based on this allocation, SPP collected \$27.6 million for "market" services during 2010. In the example above, SPP uses this amount as a proxy for recoverable "market" costs that would be collected in the alternative rate structure.



Entities With Increased Costs		Entities With Decreased Costs	
The Energy Authority	\$ 6.3	NPPD	\$ (4.1)
Westar	\$ 1.5	KCPL & KCPL-GMO	\$ (1.6)
OPPD	\$ 1.0	Northeast Texas Electric Coop	\$ (1.2)
SPS	\$ 0.8	City Utilities of Springfield	\$ (1.1)
Tenaska	\$ 0.8	DC Transco, LLC	\$ (0.9)
GRDA	\$ 0.8	Southern Company	\$ (0.8)
Exelon	\$ 0.8	KepCO	\$ (0.7)
Oneta Power	\$ 0.7	Arkansas Electric	\$ (0.7)
Missouri Joint Electric Utility Commission	\$ 0.7	Mid-Kansas Electric	\$ (0.7)
Sunflower	\$ 0.7	Golden Spread Electric Coop	\$ (0.5)
OG&E	\$ 0.6		

The reductions in cost forecast for several entities is because those entities have other parties represent their load in the SPP Integrated Marketplace. For example, NPPD and City Utilities of Springfield are represented in the market by The Energy Authority, Westar and Tenaska represents numerous municipalities and coops,

Based on results from the Alternative Rate Structure, the utilities paying the most for SPP’s services remains relatively unchanged.

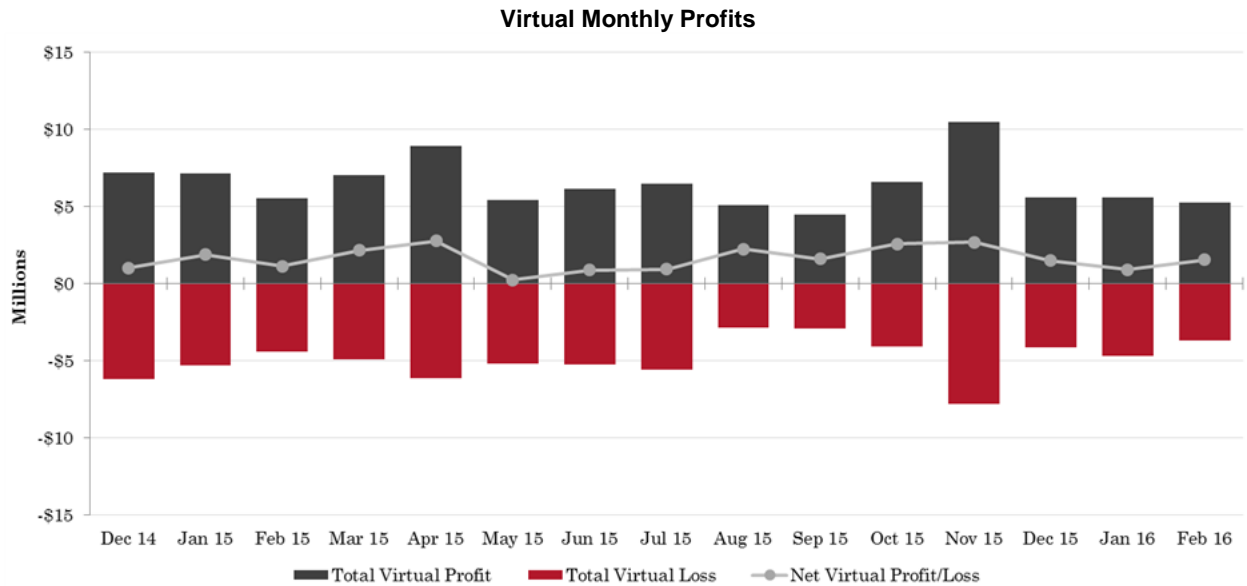
Top 10 Admin Fee Payers		
Existing Structure	Alternative Structure	
1	1	AEP
2	3	KCPL & KCPL-GMO
3	2	OG&E
4	4	Westar
5	5	SPS
6	10	NPPD
7	6	OPPD
8	8	Western Farmers
9	13	Arkansas Electric
10	11	Empire District
46	7	The Energy Authority
13	9	GRDA

Financial Only Market Participants

The value of financial only market participants is their willingness to offer a hedge to those who want more price certainty. Virtual participants only receive benefits if they correctly guess price differential between day-ahead and real-time. Financial-only market participants do not receive any of the \$300 million annual benefits derived from the production cost reduction of an efficient market. Those benefits are passed on to the physical asset owners; generation and load. Financial only market participants grossed just over \$14 million in profits from transactions in the SPP Integrated Marketplace during 2015. SPP has 158 registered financial only market participants with only 54 of them being active during 2015.



The chart below (MMU Quarterly Report) shows monthly Virtual Profits (black) and Losses (red) for virtual participants in each month. Daily numbers would be even more volatile because some daily positive and negative values offset each other whereas we are only looking at the monthly total for each market participant. The chart illustrates that a large percent of the positions result in negative monthly profits. This is a high risk activity. The line represents the net total of all positions for the month. The average monthly net for the year was about \$1.6 million/month with May the lowest month with only \$0.2 million net profit.



Memorandum

To: Finance Committee
From: SPP Staff
Date: April 5, 2011
Re: SPP Rate Structure

SPP's administrative costs are recoverable through assessments of Members and charges under Schedule 1A of the SPP Open Access Transmission Tariff (Tariff), which charges customers for transmission service received from facilities that are under the Tariff. Schedule 1A is billed to all transmission customers based on the type of service purchased:

1. Network transmission service is charged based on the 12-month average of the customer's coincident zonal demands, multiplied by the number of all hours of the applicable month.
2. Point-to-Point transmission service is charged for all reserved transmission capacity.

SPP implemented its Energy Imbalance Services Market (EIS Market) in early 2007, which allowed participants to acquire or sell at a market-based rate the energy used to balance schedules. Participants can transact in the EIS Market without paying a separate fee associated with the market service.

SPP expects to implement its Integrated Marketplace ("Marketplace") on March 1, 2014. The Marketplace will allow participants to hedge energy price risk a day in advance of delivery, acquire energy in real-time at market rates, protect against costs associated with transmission congestion, and acquire operating reserves to support their service requirements.

SPP functions as a consensus-oriented, member-driven organization. SPP's rate structure has been designed to support that focus. SPP has avoided implementation of activity-based rate structures and unbundled rate structures as they can undermine the consensus and regional focus which has been a hallmark of SPP through the years. An excellent example of this was when SPP subjected itself to SAS70 audits. Though the audits were designed to meet the regulatory needs of SPP's SEC jurisdictional members, the benefits of undergoing the audits benefitted the entire SPP membership. As a result, the costs of the audits have been funded by SPP's Administrative Fee collected from the customers and members of the entire region instead of just from the SEC jurisdictional members.

While the rate structure currently in place has benefitted SPP, many factors are changing which call for a review of SPP's rate structure. Most significantly, with the implementation of the Marketplace in 2014, the scope of services provided by SPP will increase. These services are expected to result in new entities becoming active in SPP and their activities are not necessarily focused on SPP's core priority of keeping the lights on (Reliability). Additionally, SPP may see changes to its membership whereby load-serving utilities desire to be members but do not desire to have their transmission assets managed under the SPP Tariff. Although participation in SPP by these entities may serve SPP's ultimate reliability mission, it must be determined whether SPP's existing rate structure appropriately allocates the costs of SPP's services or if another rate structure better meets the needs of the SPP region.

SPP's Finance Committee and Board of Directors reaffirmed the load-based fee structure in 2007 because the EIS Market service was beneficial to all load in the region. With the expected advent of the Marketplace and the issues discussed above, it is appropriate for the Finance Committee and the Board of Directors to again review the rate structure. SPP staff provides the following background information to assist the Members, Finance Committee and Board of Directors in deliberations on this topic:

Funding Today

SPP has several funding mechanisms today. Capital expenditures are funded via term borrowings from banks and institutional investors. SPP's operating expenditure funding is more complex because there are a number of funding sources:

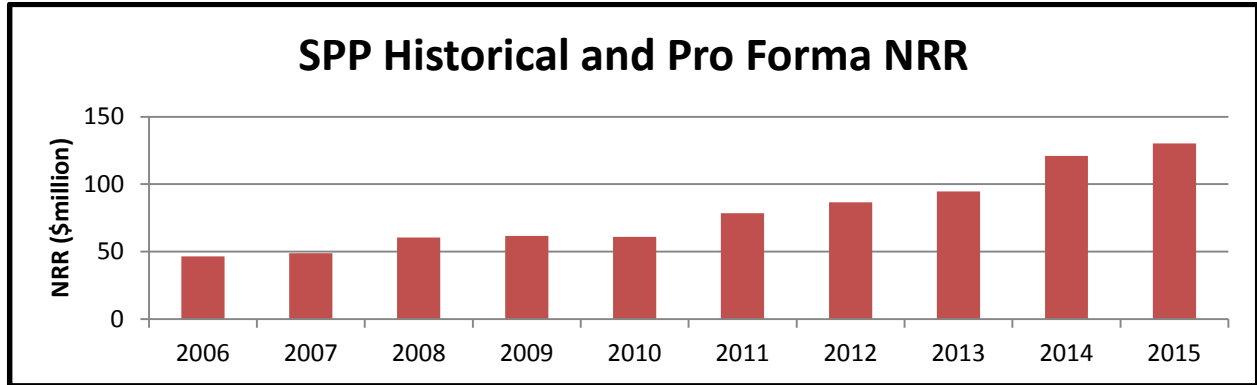
1. **North American Electric Reliability Corporation (NERC)** – SPP has a Delegation Agreement with NERC under which SPP receives funding from NERC for SPP's provision of Regional Entity services. The funding received is based on the Regional Entity's annual budget, which is prepared by SPP and approved by NERC.
2. **Schedule 12** – Each month SPP charges Tariff customers under Schedule 12 of the Tariff, which funds SPP's obligations to the Federal Energy Regulatory Commission (FERC). Schedule 12 rates are based on expected assessments from FERC, plus or minus under/over recoveries from prior years.
3. **Contract Services** – SPP provides services to several entities under fixed price contracts.
4. **Miscellaneous Income** – Primarily consists of compensation SPP receives for its generation interconnection engineering studies.
5. **Tariff Fees & Assessments** – Each month SPP assesses its load-serving members whose load can be served by transmission assets under the SPP Tariff based on their 12-month average coincident zonal demands, multiplied by the number of all hours of the applicable month, multiplied by the assessment rate established annually by the SPP Board of Directors. Since 2004, this rate has been equivalent to the rate charged under Schedule 1A of the Tariff.

Load-serving members receive a credit against their monthly assessment for charges paid under Schedule 1A. In addition to the monthly assessment, this revenue category contains all Schedule 1A charges not credited against member's monthly assessments.

SPP also collects a \$6,000 annual membership fee from each member.

Historic and Future Costs (funded from Tariff Fees & Assessments)

As SPP's operations have matured and expanded, its costs, which are funded from Tariff Fees & Assessments revenue, have gradually increased. Design, development and implementation of the EIS Market was the significant contributor to expenditure growth into 2008. Since then, expenditure growth has been driven by expanded transmission planning services, compliance focus, and the design and development of the Marketplace.



Alternative Rate Structures

SPP’s current rate structure allocates its net cost to customers and members based on transmission usage by load. The rationale behind this structure is that load is ultimately charged for all recoverable costs. Despite the theory that load is ultimately charged, other regional organizations have developed rate structures which recover the regional organization’s costs from each market participant based on determinants other than load. The following data, prepared by Accenture, summarizes rate structures of three other ISOs/RTOs in the United States.

ISO-New England

Schedule	Name	Description	Who Pays
Schedule 1	Scheduling, System Control, and Dispatch	Service required to schedule at the regional level the movement of power through, out of, within, or into the New England Control Area.	<ul style="list-style-type: none"> Regional Network Service Customers Transmission Customer receiving Through or Out Service
Schedule 2	Energy Administration Service	Service provided by ISO to administer the Energy Market.	Market Participants
Schedule 3	Reliability Administration Service	Service provided to administer Reliability Markets and associated transactions along with providing other reliability and information services.	Market and Non-market participants
Schedule 5	Collection of New England States' Committee on Electricity (NESCOE) Budget	Assessed to each customer that is obligated to pay the Regional Network Service Rate	<ul style="list-style-type: none"> Generators Transmission owners Suppliers Municipal utilities Alternative resources End-user customers

Midwest ISO

Schedule	Name	Description	Who Pays
Schedule 1	Scheduling, System Control, and Dispatch	Service required to schedule the movement of power through, out of, within or into the Midwest ISO Balancing Authority.	Transmission Customers
Schedule 10	FERC Annual Charges Recovery	This fee represents the total amount of FERC Annual Charge collected from the Transmission Customers by the Transmission Provider	Transmission Customers
Schedule 10	ISO Recover Adder	Recovery of costs associated with building and operating the Security Center, including capital costs and operating expenses; and costs associated with administering the Tariff.	Transmission Customers Transmission Owners
Schedule 16	Financial Transmission Rights Administrative Service Cost Recover Adder	Service provided by the Transmission Provider to all MPs that are primary holders of FTRs through allocation, assignments, or auction.	FTR Holders
Schedule 17	Energy and Operating Reserve Markets Support Administrative Cost Recovery Adder	Service provided by the Transmission Provider to all MPs that participate in Transactions using the Transmission System or Energy and Operating Reserve Markets	Market Participants
Schedule 31	Reliability Coordinator Cost Recover Adder	Transmission Provider will recover its costs to provide Reliability Coordination Service pursuant to the terms of this Schedule 31 from Reliability Coordination Customers	Reliability Coordination Customers

PJM Interconnection

Schedule	Name	Description	Who Pays
Schedule 9 - 1	Control Area Administration Service	Comprises all the activities of PJM associated with preserving the reliability of the PJM region and administering Point-to-Point Transmission Service and Network Integration Transmission Service	Users of the Control Area Administrative Service
Schedule 9 - 2	Financial Transmission Rights Administration Service	Includes all activities of PJM associated with administering FTRs	FTR Holders
Schedule 9 - 3	Market Support Service	Comprises all the activities of PJM associated with supporting the operation of the PJM Interchange Energy Market and related functions	<ul style="list-style-type: none"> •Point-to-Point Customers •Network Integration Transmission Service to Generation Providers, •Entities that submit offers to sell or bids to buy energy in the PJM Interchange Energy Market.
Schedule 9 - 4	Regulation and Frequency Response Administrative Service	Ensures continuous balancing of resources (generation and interchange) with load and for maintaining scheduled Interconnection frequency at 60Hz.	<ul style="list-style-type: none"> •Load Serving Entities •Generators

Schedule 9 - 5	Capacity Resource and Obligation Management Service	Comprises the activities of PJM associated with (a) assuring that customers have arranged for sufficient generating capacity (b) processing Network Integration Transmission Service; (c) administering the Reliability Pricing Model auctions for the PJM Region; and (d) administering or providing technical support for the RAA	<ul style="list-style-type: none"> • Load-Serving Entities • Owners of Capacity Resources.
Schedule 9 - 6	Formula Rate for Costs of Advanced Second Control Center	Recovery of the costs of the planned advanced second control center (AC2)	<ul style="list-style-type: none"> • Users of PJM System
Schedule 9	Organization of PJM States, Inc. ("OPSI")	Recovers PJM's payments to OPSI .	<ul style="list-style-type: none"> • Point – to Point Customers • Network Integration Transmission Service Customers
Schedule 9	FINCON – Finance Committee Retained Outside Consultant	Assessed based on the engagement of one or more consultants to the Finance Committee.	
Schedule 9	MMU Funding	Recovers the costs of providing the market monitoring functions to the PJM region.	<ul style="list-style-type: none"> • Point – to Point Customers • Network Integration Transmission Service Customers • Generation Providers • Entities that submit offers/bids

Lessons From Other Regions

Discussions with ISO-NE and PJM regarding their rate structures yielded a few central themes and guiding thoughts:

- Load serving entities generally pay 70%+ of ISO-NE and PJM's administrative costs. SPP estimated its load-serving entities would pay 93% of SPP's administrative costs in an unbundled rate environment, which appears consistent with the predominantly integrated structure of utilities within the SPP region.
- In ISO-NE and PJM, rates are charged at a stated rate then "trued-up" after the fact (either quarterly or annually). This structure ensures known rates for market participants, generally provides appropriate cash flow for RTO operations, and limits the volume of regulatory interactions once the structure is approved.
- The administrative burden of performing actual billing under an unbundled rate structure is relatively insignificant; however, it takes meaningful effort from staff and stakeholders to create an unbundled rate structure. Depending on the style of the structure, additional recurring regulatory work could be expected.
- Rate designs should be as simple as possible and utilize billing determinants the regional organization already uses and tracks.
- One regional organization indicated that a significant aspect of its rate design was enforcing a modest charge to enter bids. This charge helps control the volume of bids the regional organization needs to process, and ensures participants have some financial stake in their bids and offers.

Simple Comparison – SPP’s 2010 Actual vs. Alternative Rate Structure

The following simple example compares SPP’s 2010 Tariff Fee and Assessment collections by entity, using an Alternative rate structure which recovers “market” costs¹. SPP charged a Tariff Fee and Assessment rate of 19.5¢/MWh during 2010 resulting in collections of approximately \$65 million. In compliance with FERC Order 668, SPP reports its Tariff Fee and Assessment rate allocated across three services, as follows:

	<u>2010 Rate</u>	<u>2010 Collections</u>
561.4 Scheduling (49%)	9.59 cents per MWh	\$32 million
561.8 Reliability Services (9%)	1.68 cents per MWh	\$ 5 million
575.7 Market Services (42%)	8.23 cents per MWh	\$28 million

The Alternative rate structure for our example would recover costs for Scheduling and Reliability from all load just as it is done today in SPP. Costs for Market services would be recovered from all participants in SPP’s EIS market based on the volume of energy transacted in the market. Therefore, SPP would collect \$32 million from the load for Scheduling services and \$5 million from load for Reliability services in the same ratios as done today (no cost shift for these services). Market service costs of \$28 million would be recovered from the entities responsible for the 12.3 million MWh of energy transacted during 2010 in the EIS market on a pro rata basis (\$2.28/MWh of energy transacted). The following table highlights entities whose total fee paid to SPP would change by at least \$0.5 million under this Alternative rate structure for 2010.

Entities With Increased Costs		Entities With Decreased Costs	
<u>Name</u>	<u>\$ Change</u>	<u>Name</u>	<u>\$ Change</u>
NPPD	\$ 549	WESTAR	\$ (1,982)
WFEC	\$ 618	OGE	\$ (1,099)
SUNFLOWER	\$ 786	UTILICORP	\$ (1,019)
KCPL & GMOC	\$ 799	SPS	\$ (689)
NOBLE GREAT PLAINS WIND	\$ 844		
GSEC	\$ 1,046		
OPPD	\$ 2,503		

The Alternative rate structure example illustrates the impact of shifting costs to participants in the EIS market rather than allocating across all loads in the SPP region. For illustration, OPPD represented approximately 5% of transmission service sold by SPP during 2010 and thus paid approximately 5% of SPP’s administrative costs during the year. However, OPPD represented 14% of all transactions settled by SPP’s EIS market in 2010 which, under the Alternative rate structure, would have resulted in OPPD paying \$2.5 million more of SPP’s administrative costs since OPPD’s participation in the SPP EIS market exceeded its load ratio share of the SPP footprint. Conversely, Westar represented nearly 11% of SPP’s transmission service sales but only 3.5% of its EIS market sales; therefore, under the Alternative rate structure, Westar would be responsible for a smaller portion of SPP’s administrative costs.

Extending this example to 2015 (the first full year of Marketplace operations) illustrates even greater shifting of costs among customers and members. In 2010, 42% of SPP’s net revenue requirement was allocated to “market” costs. A very rough estimate indicates “market” costs

¹ In compliance with FERC Order 668, SPP reported its administrative fee costs allocated across three functional services. Based on this allocation, SPP collected \$27.6 million for “market” services during 2010. In the example above, SPP uses this amount as a proxy for recoverable “market” costs that would be collected in the alternative rate structure.

may comprise 56%² of SPP’s 2015 net revenue requirement.

If 2015 Integrated Marketplace participation follows 2010 EIS Market activity, there would be a significant shift in costs towards active market participants. This assumption illustrates the shift in costs from a fully load ratio share to “market” costs being fully recovered from market participants based on their potential use of services. The example is not intended to be an exact representation of how SPP believes the Marketplace activity will be, merely representation of a possible outcome.

Top 10 Admin Fee Current Method			Top 10 Admin Fee Alternative Method		
	2015 Spend			2015 Spend	
AEP	\$	20,027	AEP	\$	20,377
OGE	\$	16,461	OGE	\$	13,534
SPS	\$	14,328	OPPD	\$	13,360
WESTAR	\$	14,046	KCPL & GMOC	\$	12,520
KCPL & GMOC	\$	10,392	SPS	\$	12,492
OPPD	\$	6,694	WESTAR	\$	8,766
NPPD	\$	6,634	NPPD	\$	8,097
UTILICORP	\$	4,844	WFEC	\$	5,799
WFEC	\$	4,151	GSEC	\$	3,799
EMPIRE	\$	3,106	SUNFLOWER	\$	3,251

Clearly this is a very simplistic example based on historical data and doesn’t account for the breadth of transactions which may occur in the Marketplace. Additionally, this example does not account for potential changes in customers’ behavior if an alternative rate structure had been in place during 2010.

Other Considerations

SPP Bylaws

SPP’s Bylaws prescribe its assessment policy and process; specifically, that SPP will assess certain members all costs not otherwise collected. Changes to the Bylaws, if necessary, would need further approval from SPP’s lenders.

Annual Membership Fee

SPP currently charges each member an annual \$6,000 membership fee. Certain members whose load is served by transmission assets not under the SPP Tariff can use some SPP services for only the cost of the annual membership fee. These services, such as regional reliability coordination, have values we believe are well in excess of the annual membership fee.

Benefits

As a corporation, SPP would realize little direct benefit from changing its rate structure. Under the current methodology or any potential alternative methodologies, SPP’s rates would be designed to fully cover the cost of its operations. Customers and Members, depending on how they use SPP’s services, would see shifts in their portion of SPP’s administration fees under different rate structures. If SPP advocates a change in its rate structure, consideration must be given to whether or not an unbundled rate structure would more appropriately allocate SPP’s administrative costs

² Assumes 62 staff additions at annual burden of \$120,000, principal and interest associated with known financing, 2010 “market” allocation growing at 5% per year, and additional \$20 million in annual overhead allocation (totals \$73.6 million versus net revenue requirement of \$131.2 million).

Monthly Financial Reporting Package
February 2016

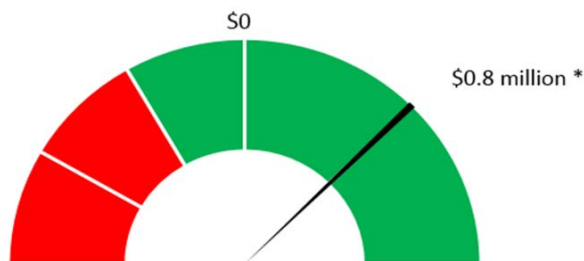
SPP Executive Summary – February 2016

2016 Over / (Under) Recovery and Cash Balances

<u>Cost Recovery (\$ millions)</u>	2016 Forecast	2016 Budget	Fav/ (Unfav)
Gross Revenue Requirement (GRR) *	\$156.5	\$155.7	(\$0.8)
Net Revenue Requirement (NRR)	151.3	150.5	(0.9)
Admin Fee Revenue	144.9	150.4	(5.5)
Over / (Under) Recovery	(\$6.4)	(\$0.0)	(\$6.4)

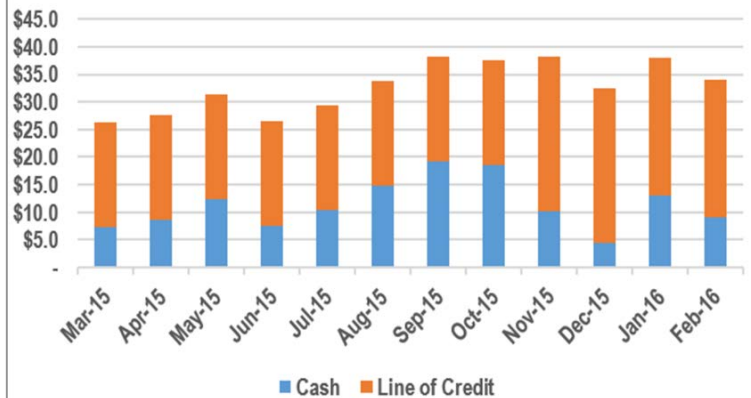
* GRR for HR metric excludes FERC fees and Regional Entity expenses

Gross Revenue Requirement Metric



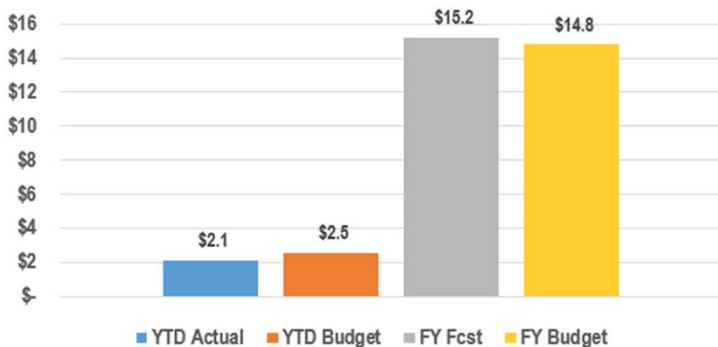
* Between = \$2M under GRR to <= \$2M over GRR = 125%

Available Cash (\$ millions)

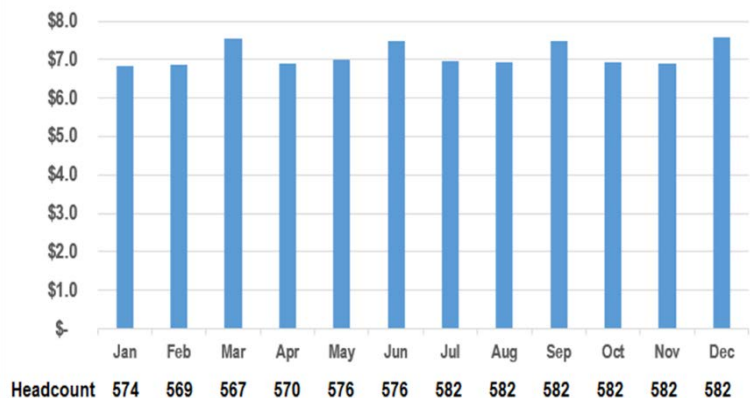


Salary, Benefits, Taxes and Outside Services Expenses

2016 Services Expense (\$ millions)



2016 Salary, Benefits, Taxes (\$ millions)



Southwest Power Pool
2016 Financial Commentary
February 29, 2016
(in thousands)

Summary				
	2016 FY Forecast	2016 FY Budget	Fav/(Unfav) Variance	
Revenues	\$174,782	\$182,079	(\$7,297)	(4.0%)
Expenses	217,726	217,092	(633)	(0.3%)
Net Income/(Loss)	<u>(\$42,944)</u>	<u>(\$35,013)</u>	<u>(\$7,931)</u>	(22.7%)

Revenue				
	2016 FY Forecast	2016 FY Budget	Fav/(Unfav) Variance	
Tariff Administration Service	\$145,147	\$150,660	(\$5,513)	(3.7%)
FERC Fees & Assessments	15,266	16,500	(1,234)	(7.5%)
NERC ERO Regional Entity Rev	9,796	10,432	(636)	(6.1%)
Miscellaneous Income	3,509	3,400	109	3.2%
Contract Services Revenue	499	498	1	0.1%
Annual Non-Load Dues	564	588	(24)	(4.1%)
Total Revenue	<u>\$174,782</u>	<u>\$182,079</u>	<u>(\$7,297)</u>	(4.0%)

Tariff Administrative Service trails budget as a result of differences in expected coincident peak load in 2015 for both IS (4.2 million MWh) and SPP legacy utilities (8.8 million MWh). Coincident peak 2015 load is the basis for the 2016 invoices for Schedule 1A revenues and was budgeted at 407.2 million MWh. The actual load is 394.2 million MWh and results in an unfavorable revenue variance of \$5.5 million.

FERC Fees Assessments revenue reflects the current rate charged under Schedule 12 for 2016, which is \$0.064 as compared to \$0.074 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 two positions are vacant with an additional opening beginning in March due to turnover. These positions are expected to remain open through June causing RE expenses and associated NERC revenues to trail budget. The net impact is \$230 unfavorable.

Southwest Power Pool
2016 Financial Commentary
February 29, 2016
(in thousands)

Expense				
	2016 FY Forecast	2016 FY Budget	Fav/(Unfav) Variance	
Salary & Benefits	\$85,417	\$85,153	(\$264)	(0.3%)
Assessments & Fees	17,000	17,000	0	0.0%
Communications	4,074	4,091	16	0.4%
Maintenance	16,727	16,847	120	0.7%
Outside Services (Including RSC)	15,487	15,066	(421)	(2.8%)
Administrative & Leases	5,161	5,198	37	0.7%
Travel & Meetings	3,298	3,433	134	3.9%
Depreciation & Amortization	59,616	59,736	119	0.2%
Other Expenses	10,945	10,569	(375)	(3.6%)
Total Expense	<u>\$217,726</u>	<u>\$217,092</u>	<u>(633)</u>	(0.3%)

As part of SPP's compliance demonstration project, two separate firms were selected to provide independent assessments of SPP's internal compliance program. After careful analysis of the recommendations of each firm, 11 incremental out-of-budget positions were vetted and approved by SPP's officer team for inclusion in the forecast beginning mid-year 2016. Although headcount and compensation were added to the forecast for these positions, a material increase is not recognized in Salaries and Benefits due to the fact that the vacancy run-rate is higher than expected in the budget. Compensation added to the forecast for 6 months for the incremental positions was partially offset with an average vacancy rate forecast of 5% as compared to 4% in the budget.

The unfavorable variance in Outside Services is primarily related to additional costs associated with staff augmentation in Compliance, IT and PMO departments for CIP (critical infrastructure protection) compliance. Costs related to the RCAR (Regional Cost Allocation Review) were \$500 as compared to \$750 anticipated in the budget and therefore partially offset the unfavorable variances.

Other Income / Expense includes interest expense, capitalized interest, investment income, SWAP valuation adjustments, and various other income and expense amounts. Due to the unpredictability, the only amounts budgeted in this category include interest expense and capitalized interest. The current variance is primarily due to unrealized losses on retiree healthcare investments.

Southwest Power Pool
Monthly Overview
February 29, 2016
2015 Preliminary and Unaudited
(in thousands)

	Actual Jan-16	Actual Feb-16	Fcst Mar-16	Fcst Apr-16	Fcst May-16	Fcst Jun-16	Fcst Jul-16	Fcst Aug-16	Fcst Sep-16	Fcst Oct-16	Fcst Nov-16	Fcst Dec-16	FY 2016 Fcst	FY 2016 Budget	Variance Fav/(Unfav)	FY 2015 Actual	Variance Fav/(Unfav)
Income																	
Tariff Administrative Service Fees & Assessments	\$12,294	\$11,208	\$12,082	\$11,620	\$12,259	\$12,149	\$12,205	\$12,419	\$12,234	\$12,213	\$12,227	\$12,239	\$145,147	\$150,660	(\$5,513)	\$143,826	\$1,320
Contract Services Revenue	40	40	42	42	42	42	42	42	42	42	42	42	499	498	1	975	(476)
Miscellaneous Income	348	370	296	296	221	329	221	221	541	221	221	221	3,509	3,400	109	6,040	(2,531)
Total Income	15,492	13,794	14,425	13,884	14,363	14,410	14,586	15,020	15,088	14,597	14,561	14,563	174,782	182,079	(7,297)	178,733	(3,951)
Expense																	
Salary & Benefits	6,833	6,856	7,542	6,913	6,998	7,493	6,971	6,926	7,471	6,938	6,888	7,588	85,417	85,153	(264)	84,043	(1,375)
Employee Travel	130	139	190	206	204	211	202	203	224	215	201	195	2,321	2,449	128	1,903	(419)
Administrative	187	238	266	696	248	693	626	248	391	980	250	339	5,161	5,198	37	4,928	(233)
Assessments & Fees	1,417	1,417	1,417	1,417	1,417	1,417	1,417	1,417	1,417	1,417	1,417	1,417	17,000	17,000	()	13,939	(3,061)
Meetings	108	44	49	103	99	57	114	58	65	165	91	24	977	983	7	825	(152)
Communications	324	337	334	334	334	334	346	346	346	346	346	346	4,074	4,091	16	3,758	(316)
Leases	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	123	123
Maintenance	1,056	1,067	1,161	1,209	1,201	1,209	1,584	1,878	1,584	1,593	1,585	1,598	16,727	16,847	120	13,553	(3,173)
Services	586	1,522	1,346	1,362	1,262	1,278	1,423	1,361	1,287	1,440	1,209	1,157	15,234	14,803	(431)	12,329	(2,906)
Regional State Committee	10	24	22	22	22	22	22	22	22	22	22	22	253	263	10	200	(53)
Depreciation & Amortization	4,896	4,799	4,917	4,943	4,966	4,987	5,033	5,046	5,068	5,056	5,061	4,844	59,616	59,736	119	59,285	(332)
Total Expense	15,547	16,442	17,244	17,206	16,751	17,702	17,737	17,504	17,875	18,171	17,070	17,531	206,781	206,523	(258)	194,886	(11,895)
Other Income/(Expense)																	
Investment Income	3	3	-	-	-	-	-	-	-	-	-	-	6	-	6	1,768	(1,762)
Interest Expense	(811)	(819)	(947)	(926)	(926)	(926)	(903)	(902)	(902)	(886)	(885)	(885)	(10,719)	(10,731)	12	(10,623)	(95)
Capitalized Interest	-	-	22	-	-	34	-	-	46	-	-	59	162	162	-	102	60
Change in Valuation of Swap	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(726)	726
Other Income/Expense	(82)	(2)	-	-	-	-	-	-	-	-	-	-	(85)	-	(85)	(1,097)	1,012
Unrealized Gain on Investment	(303)	(6)	-	-	-	-	-	-	-	-	-	-	(309)	-	(309)	(2,011)	1,702
Net Other Income (Expense)	(1,193)	(824)	(924)	(926)	(926)	(892)	(903)	(902)	(856)	(886)	(885)	(826)	(10,945)	(10,569)	(375)	(26,317)	15,373
Net Income (Loss)	(\$1,248)	(\$3,472)	(\$3,743)	(\$4,249)	(\$3,314)	(\$4,184)	(\$4,055)	(\$3,387)	(\$3,644)	(\$4,460)	(\$3,395)	(\$3,794)	(\$42,944)	(\$35,013)	(\$7,931)	(\$42,470)	(\$474)
2016 Headcount																	
Approved Budgeted Positions	600	600	600	600	600	599	599	599	599	599	599	599	599				
Forecast Including Vacancy	574	569	567	570	576	576	582	582	582	582	582	582	582				
Total Forecast Positions	574	569	567	570	576	602	612	612	612	612	612	612	612				
Headcount Vacancy	-5%	-5%	-6%	-5%	-4%	-4%	-5%	-5%	-5%	-5%	-5%	-5%	-5%				
NRR Over / (Under) Recovery	\$3,813	\$1,139	(\$4,686)	\$907	\$1,757	(\$5,714)	\$1,013	\$1,283	(\$3,985)	\$622	\$1,564	(\$4,157)	(\$6,444)				

Southwest Power Pool
Current Month Overview
February 29, 2016
2015 Preliminary and Unaudited
(in thousands)

	Current Month Compared to Forecast			YTD Actual Compared to YTD Budget			FY Forecast Compared to FY Budget		
	Feb-2016 Actual	Feb-2016 Forecast	Variance Fav/(Unfav)	Feb-2016 Actual	Feb-2016 Budget	Variance Fav/(Unfav)	FY 2016 Forecast	FY 2016 Budget	Variance Fav/(Unfav)
Income									
Tariff Administrative Service	\$11,208	\$11,021	\$187	\$23,501	\$25,110	(\$1,609)	\$145,147	\$150,660	(\$5,513)
Fees & Assessments	2,176	2,249	(73)	4,987	5,087	(100)	25,627	27,520	(1,894)
Contract Services Revenue	40	40	-	80	79	1	499	498	1
Miscellaneous Income	370	351	19	718	927	(209)	3,509	3,400	109
Total Income	13,794	13,661	133	29,286	31,203	(1,917)	174,782	182,079	(7,297)
Expense									
Salary & Benefits	6,856	6,843	(12)	13,689	13,988	299	85,417	85,153	(264)
Employee Travel	139	196	57	269	400	131	2,321	2,449	128
Administrative	238	270	32	425	707	282	5,161	5,198	37
Assessments & Fees	1,417	1,417	(0)	2,833	2,833	(0)	17,000	17,000	(0)
Meetings	44	54	11	152	176	25	977	983	7
Communications	337	334	(3)	661	682	21	4,074	4,091	16
Maintenance	1,067	1,161	94	2,123	2,808	685	16,727	16,847	120
Services	1,522	1,498	(24)	2,109	2,545	437	15,234	14,803	(431)
Regional State Committee	24	22	(2)	33	44	10	253	263	10
Depreciation & Amortization	4,799	4,906	107	9,695	9,815	119	59,616	59,736	119
Total Expense	16,442	16,702	260	31,989	33,998	2,009	206,781	206,523	(258)
Other Income/(Expense)									
Investment Income	3	-	3	6	-	6	6	-	6
Interest Expense	(819)	(826)	8	(1,630)	(1,642)	12	(10,719)	(10,731)	12
Capitalized Interest	-	-	-	-	-	-	162	162	-
Change in Valuation of Swap	-	-	-	-	-	-	-	-	-
Other Income/Expense	(2)	-	(2)	(85)	-	(85)	(85)	-	(85)
Unrealized Gain on Investment	(6)	-	(6)	(309)	-	(309)	(309)	-	(309)
Net Other Income (Expense)	(824)	(826)	3	(2,017)	(1,642)	(375)	(10,945)	(10,569)	(375)
Net Income (Loss)	(\$3,472)	(\$3,867)	\$395	(\$4,720)	(\$4,437)	(\$282)	(\$42,944)	(\$35,013)	(\$7,931)
Headcount	569	569	-	569	600	(31)	582	599	(17)

Southwest Power Pool
Balance Sheet
February 29, 2016
2015 Preliminary and Unaudited
(in thousands)

	<u>2/29/2016</u>	<u>12/31/2015</u>	<u>Net Change</u>
ASSETS			
Current Assets			
Cash & Equivalents	\$61,744	\$42,003	\$19,741
Restricted Cash Deposits	196,382	196,918	(536)
Accounts Receivable (net)	27,237	39,789	(12,552)
Other Current Assets	17,359	8,420	8,939
Total Current Assets	\$302,723	\$287,131	\$15,592
Total Fixed Assets	128,470	136,480	(8,011)
Total Other Assets	2,462	6,051	(3,589)
Investments	9,049	9,352	(303)
Total Assets	\$442,703	\$439,014	\$3,689
Liabilities & Equity			
Liabilities			
Current Liabilities			
Accounts Payable (net)	\$29,205	\$30,609	(1,404)
Customer Deposits	196,294	196,918	(624)
Current Maturities of LT Debt	22,246	21,944	302
Other Current Liabilities	57,902	46,092	11,810
Deferred Revenue	4,214	5,318	(1,104)
Total Current Liabilities	309,861	300,881	8,980
Long Term Liabilities			
US Bank Maumelle Mortgage - 2027	3,084	3,135	(51)
Campus 4.82% Senior Notes - 2042	60,722	60,722	-
Integrated Marketplace 3.55% Senior Note - 2024	50,750	50,750	-
Senior Notes - 2024	75,000	75,000	-
Senior Notes - 2025	37,000	37,000	-
Capital Lease Obligation	5,226	5,674	(448)
Other Long Term Liabilities	35,195	35,267	(72)
Total Long Term Liabilities	266,977	267,548	(571)
Net Income	(4,720)	(42,470)	37,751
Members' Equity	(129,415)	(86,945)	(42,470)
Total Members' Equity	(134,135)	(129,415)	(4,720)
Total Liabilities & Equity	\$442,703	\$439,014	\$3,689

**Southwest Power Pool
Headcount Analysis
February 29, 2016**

	<u>Current Month Actual vs. Budget</u>			<u>Year End Forecast vs. Budget</u>		
	<u>Actual Feb-2016</u>	<u>Budget Feb-2016</u>	<u>Over/(Under) Budget</u>	<u>2016 Forecast</u>	<u>2016 Budget</u>	<u>Over/(Under) Budget</u>
Officers	11	11	0	11	11	0
Accounting	10	11	(1)	11	11	0
Credit	4	4	0	5	4	1
Settlements	23	24	(1)	23	24	(1)
Administration	48	50	(2)	50	50	0
Interregional Affairs	4	4	0	2	4	(2)
Compliance	9	11	(2)	13	11	2
Project Management	12	14	(2)	13	14	(1)
Training	11	11	0	11	11	0
Customer Service	9	9	0	9	9	0
Process Management	3	4	(1)	0	3	(3)
Internal Audit	6	6	0	7	6	1
Process Integrity	54	59	(5)	55	58	(3)
Operations	155	161	(6)	161	161	0
Information Technology	142	146	(4)	155	146	9
Engineering	67	76	(9)	78	76	2
Regulatory Policy & General Counsel	37	40	(3)	41	40	1
Corporate Services	28	28	0	28	28	0
Market Design	6	7	(1)	7	7	0
Interregional Relations	3	3	0	3	3	0
Communications & Gov't Affairs	4	5	(1)	6	5	1
SPP Regional Entity	25	28	(3)	28	28	0
Open Positions / Adjustments	0	(3)	3	(30)	(3)	(27)
Total Headcount	569	600	(31)	582	599	(17)
Headcount changes:						
2016 Approved positions		602				
Unidentified positions to be eliminated		(3)				
2016 Budgeted positions		599				
Incremental out-of-budget positions		11				
Remaining unidentified eliminations		2				
2016 Current total positions		612				
Vacancy factor (open positions)		(30)				
2016 Forecast including vacancy		582				

Southwest Power Pool
2016-2018 Capital Project Forecast
February 29, 2015
(in thousands)

	Prior Year(s)	2015 Actual	2016 Forecast	2017 Forecast	2018 Forecast	Total Forecast	Total Budget	Over / (Under)	
2016 New Projects									
EMS Software & OS Upgrade	\$ -	\$ -	\$ -	\$ 2,800	\$ 2,400	\$ 5,200	\$ 5,162	\$ 38	1%
TTSE Dispatcher Training Simulator			210	3,207	400	3,817	3,817	(0)	0%
PMU Data Exchange			446	116	1,326	1,888	1,888	(0)	0%
Z2 Crediting P2 and P3			349	200	200	749	749	(0)	0%
Identity and Access Management System			469	100	100	669	692	(23)	-3%
Local Reliability Assessment			-	500	-	500	500	-	0%
2-Factor Authentication (Part 2 of 2 - Software Development)			194	-	-	194	194	(0)	0%
FERC 676-H NITS Web Oasis Modification			123	-	-	123	108	15	14%
Liferay Portal Replacement			100	-	-	100	100	(0)	0%
Circuit Redesign			80	8	8	96	96	0	0%
ICCP Software & OS Upgrade			-	35	-	35	62	(27)	-43%
Voltage Stability Tools			10	-	-	10	30	(20)	-66%
ProLaw Upgrade			23	1	1	24	24	(0)	0%
Total 2016 New Projects	\$ -	\$ -	\$ 2,004	\$ 6,967	\$ 4,435	\$ 13,405	\$ 13,422	\$ (16)	
Carryover Projects									
Enhanced Combined Cycle - Gas Day	\$ 1,301	\$ 436	\$ 5,378	\$ 650	\$ -	\$ 7,765	\$ 7,708	\$ 57	1%
Transmission Settlements Upgrade ETSE3	-	-	-	2,936	900	3,836	3,836	-	0%
Z2 Crediting P1 ⁽¹⁾	351	1,247	201	-	-	1,800	1,643	156	9%
Total Carryover Projects	\$ 1,652	\$ 1,683	\$ 5,580	\$ 3,586	\$ 900	\$ 13,401	\$ 13,188	\$ 213	

Notes:

(1) The project for Z2 Crediting P1 was established in early 2012 at an estimated cost of \$295. Ongoing challenges in establishing requirements resulted in an impairment loss (\$351) and additional expense to settle with the previous vendor in 2015. A new vendor was selected to move forward with the project. Minimal expense for phase 1 was expected to continue into 2016, thus the project was included in the 2016 budget under Carryover Projects.

Southwest Power Pool
2016-2018 Capital Project Forecast
February 29, 2015
(in thousands)

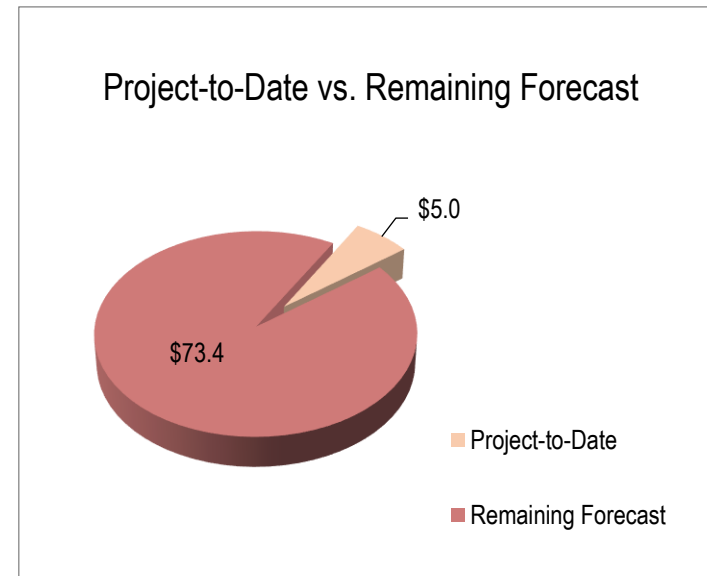
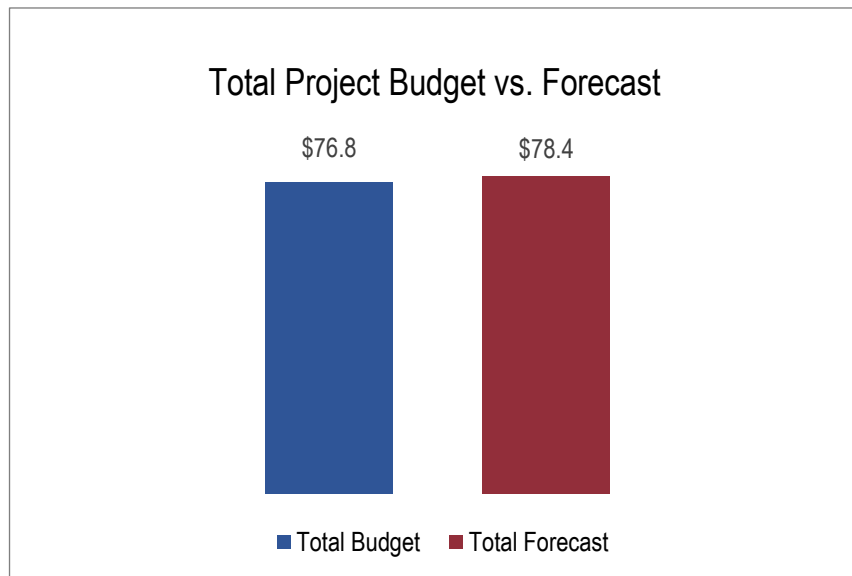
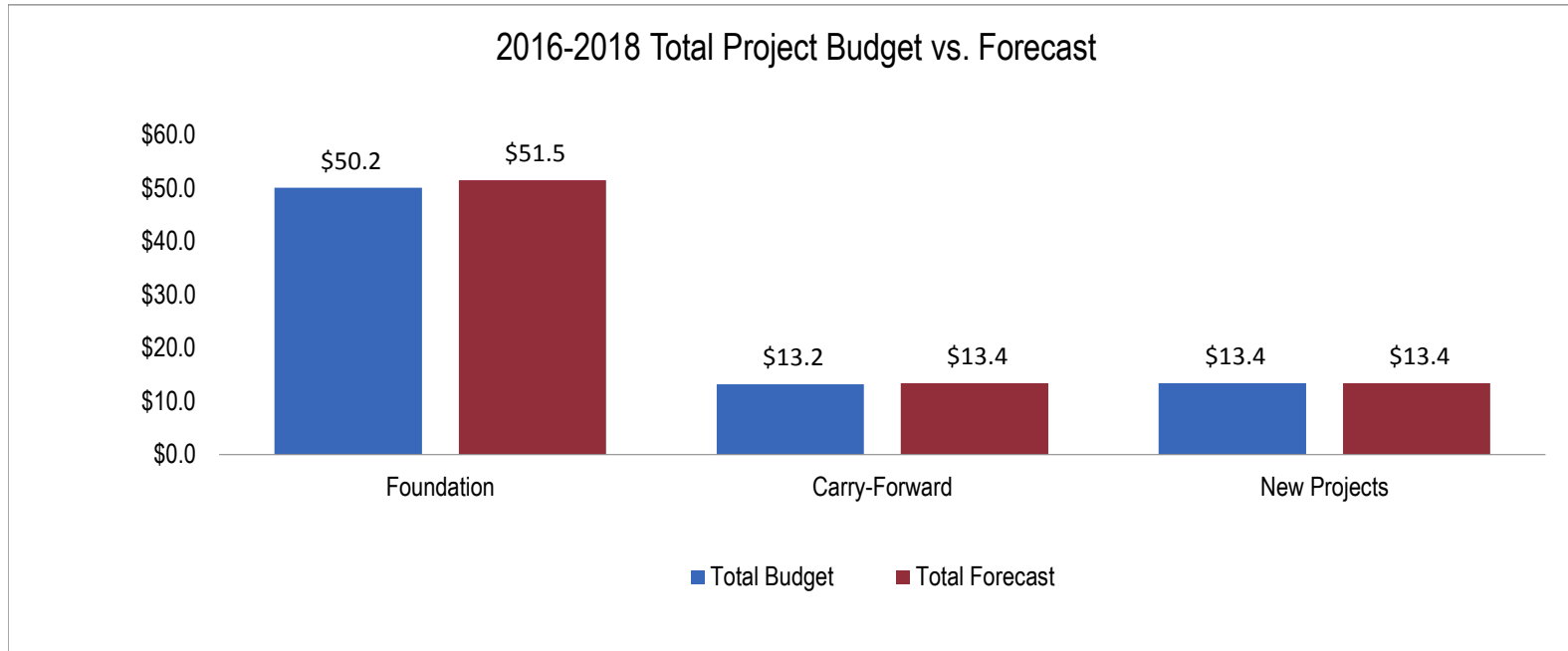
	Prior Year(s)	2015 Actual	2016 Forecast	2017 Forecast	2018 Forecast	Total Forecast	Total Budget	Over / (Under)	
Foundation									
IT Foundation ⁽²⁾	\$ -	\$ -	\$ 10,893	\$ 14,675	\$ 11,005	\$ 36,573	\$ 35,160	\$ 1,413	4%
Other (Non-IT) Department Foundation			2,200	1,230	1,130	4,560	4,560	-	0%
Ops Foundation			2,798	2,818	3,043	8,659	8,494	165	2%
Facilities Foundation			718	220	250	1,188	1,193	(5)	0%
Settlements Foundation ⁽³⁾			65	250	250	565	750	(185)	-25%
Total Foundation	\$ -	\$ -	\$ 16,674	\$ 19,193	\$ 15,678	\$ 51,545	\$ 50,157	\$ 1,388	
Total Capital Project Expense	\$ 1,652	\$ 1,683	\$ 24,258	\$ 29,746	\$ 21,013	\$ 78,352	\$ 76,767	\$ 1,585	2%

Notes:

2) The timing of receipt/recording of IT equipment purchases causes a variance of approximately \$1.4 million in the IT Foundation budget for 2016, however these purchases were expected to be received in 2015 and were included in the 2015 budget.

3) A portion of the Settlements Foundation and Operations Foundation is covered by a two-year vendor contract with shared resources. The majority of Settlements enhancements were complete in 2015 therefore the funds budgeted for Settlements in 2016 will instead be allocated for Operations enhancements.

**Southwest Power Pool
2016-2018 Capital Project Forecast
February 29, 2015
(in millions)**





SPP Member-Facing Member-Impacting Portfolio Report Summary

REVISION REQUESTS	
In Flight/Current Release	15
Pending	6
Estimated Cost of Pending Items	\$484,050

ENHANCEMENT REQUESTS	
In Flight/Current Release	17
Pending	98
Estimated Cost of Pending Items	\$3,430,000

PROJECTS	
In Flight/Current Release	14
Pending	7
Estimated Cost of Pending Items	\$14,625,000

Notes and Qualifications

- This list is not all inclusive of all SPP planned Revision Requests, enhancement requests or portfolio projects. Specific criteria was used for this report to only include MI and MF items, RRs with system or process changes and large technology projects.
- For any item in flight or in a current release, the cost estimates are not included.
- For any project or RR, any cost estimates given are the internal impact assessment provided (which includes SPP resource estimates as well as external costs).
- For enhancements, any cost estimates given are a high-level estimate in a dollar range and include internal costs.
- Items shaded in blue in the enhancements requests section indicate items that are new since the last quarterly report was published.

Revision Requests - Open

RR#	RR Name	Primary Working Group	Cost Estimate
1_MPRR101	Combined Cycle Enhanced Design	MWG	Current Release
16_MPRR190	MWP Start-Up Offer Recovery Eligibility Clarifications	MWG	Current Release
18_MPRR196	Ancillary Service SPP Manual Override on Regulation	MWG	Current Release
25_MPRR211	Self-Commit Run Time Make Whole Payment Exemption	MWG	Current Release
29_MPRR215	Product Substitution Cost Calculation	MWG	Current Release
40_MPRR227	LTCR Compliance	MWG	Current Release
77	Regulation Compensation Clarification - Change Dispatch Interval to Hour	MWG	Current Release
82	Modification of Make-Whole Payment Grace Period	MWG	\$52,000
91	Annual Allocation Percent Change	MWG	Current Release
98	Expanding the Use of SPP CROW	ORWG	Current Release
100	Gas-Electric Coordination Market Timeline Changes	GECTF	Current Release
106	Outage Deviation	MWG	\$9,000
112	ECC Cleanup	MWG	Current Release
113	Node Connectivity Requirement Enhancement	ORWG	\$10k-25k
116	Quick-Start Real-Time Commitment	MWG	\$200,000
118	RUC MWP Start-Up Offer Recovery Eligibility Clarifications	MWG	included in MPRR190
119	LTCR Compliance Filing	MWG	Current Release
126	Netting of TCR Credit Portfolio	Credit Practices Working Group	Current Release
127	JOU Combined Option - Aggregate Energy Offer Curve	MWG	\$148,050
129	Settlement Clean-Up	MWG	RR29_MPRR215 and RR18_MPRR196
130	Commitment Notification Enhancement	MWG	\$25k-50k

Open Enhancements - All

Enhancement Description	Priority Grouping	Level of Complexity	Cost Estimate	Requesting Party
MP requests Schedule Data earlier than 7 days out. Would prefer to have it within 2 to 3 days of Operating Day. This schedule data is for MP's Shadow Settlements purposes and not for Real time Operations. MPs have access to their own hourly Schedule data via Web Trans anytime they wish to access the system. Web Trans has an excel download feature that the MP may use to get the Real time hourly Schedule data and upload it themselves to their Shadow Settlement systems. This MP does not want to do the upload themselves, they want the data to be made available and posted preferably via the Marketplace Portal.	Release +1	Medium	\$50k - 100k	SPS, KCPL, AEP, OGE
Recall TSRs entered into webTrans need a reference in Seller comments.	Unplanned C	Low	Up to \$10k	SPP
Enable MPs to view their Credit Limit Report from the Portal <=7days before their effective date.	Unplanned C	Medium	\$25k - 50k	SPP
The PPOR Heat Rate curve graph in the MMDD tool is not large enough to show a MW range that is useful for polynomial curves. The size of the graph needs to be increased to provide meaningful value.	Unplanned C	High	Over \$100k	SPP
The MMDD tool should allow multiple submissions of OCC data up until the deadline just like the market systems which allows corrections and changes to be made until the market closes. At midnight the OCC should take the latest submitted values to use in its calculations.	Unplanned C	Unknown	Over \$100k	AEP
Create a read-only user role in the MMDD tool.	Unplanned C	High	Over \$100k	AEP
The current method of determining state estimator data for MPs is by using the 5 minute snapshot taken by RTBM. By doing this, depending on when the snapshot was taken, state estimator may not accurately represent the actual scada values. This has a direct impact when Settlements profiles meter data which could lead to receiving distribution charges using the less accurate bill meter data. The method that will be used going forward will take the weighted average of the 4 second scada data over the 5 minute interval which will give a more accurate representation of the resource's actual scada output.	Unplanned A	Low	Up to \$10k	GSEC
Programmatic interface to alert members of Repricing Notifications. This would be in lue of the email currently sent out and would be fashioned after the notifications for Settlement Statement publications. Specifically, the intent of the enhancement is to create the following: 1. A web service that sends a notification to Market Participant listeners to notify that the repricing data is ready 2. A web service to accept requests and return repricing data to Market Participants	Unplanned C	High	Up to \$10k	MCG Energy Solutions
Requested enhancement to the Market Systems notification process to also send emails to a specific distribution list when there is a DA market close delay or other related items.	Unplanned A	Low	Up to \$10k	SPSM
Summary: Prior to inserting the MP XML listener endpoints in the Markets database, the Markets code should remove any spaces from the endpoint URL. This should apply when MPs register their listener endpoints via the UI or API. Leading and trailing spaces result in invalid URL endpoints. Requires MP Code Changes: No.	Current Release	Current Release	Current Release	SPP

Open Enhancements - All

Enhancement Description	Priority Grouping	Level of Complexity	Cost Estimate	Requesting Party
Summary: In the Markets UI, change the Notification URL Registration page to allow sorting by Effective Time, Termination Time, and Description. Requires MP Code Changes: No. The Notification URL Registration page also needs to be fixed because when sorting the information by the endpoint it does not sort correctly.	Current Release	Current Release	Current Release	Westar Energy Generation and Marketing (WRGS)
Summary: In the Markets UI, the XML listener registration page (Notifications tab) should be enhanced to include upload/download functionality to allow users to upload XML listeners via an Excel spreadsheet. Requires MP Code Changes: No.	Current Release	Current Release	Current Release	Westar
Summary: The Markets UI/API should be enhanced to include a list of any RTBM intervals that did not solve for a specified Operating Day. Participants would like a way to programmatically retrieve all intervals not solved by the system. Requires MP Code Changes: No. This would be a new, optional API operation that would not require MP code changes.	Current Release	Current Release	Current Release	Grand River Dam Authority (GRDA)
Summary: The Markets system should terminate any active MP XML Listeners where the Notify service the endpoint is registered to has expired. Requires MP Code Changes: No.	Current Release	Current Release	Current Release	SPP
Summary: In the Markets UI, Energy Dispatch instructions should be displayed in interval ending ascending order and by modified date ascending. Requires MP Code Changes: No.	Current Release	Current Release	Current Release	SPP
Summary: In the Markets UI, highlight Real-Time dispatch intervals with an active OOME. Requires MP Code Changes: No.	Current Release	Current Release	Current Release	SPP
Summary: Provide "ByDay" API operations for Real-Time LMP. This API operation would return LMPs by Settlement Location for all intervals in the specified Operating Day. Requires MP Code Changes: No. This would be a new, optional API operation that would not require MP code changes.	Current Release	Current Release	Current Release	Ventyx
Summary: In the Markets UI, add a time stamp on the message bar for successful and failed messages. It is difficult to tell if several successful actions in a row are actually being recorded. Requires MP Code Changes: No.	Current Release	Current Release	Current Release	Westar Energy Generation and Marketing (WRGS)
Summary: Add new API operation to allow participants to query Real-Time LMP for a specific set of Settlement Locations. Requires MP Code Changes: No. This would be a new, optional API operation which would not require MP code changes.	Current Release	Current Release	Current Release	Sesco SPP Trading, LLC (SESP)
The overrides display in Markets UI does not show when an override was entered by an operator. It only shows the intervals that were overridden. If an operator makes an override at 1550 for the current hour and the next 2 hours, the Markets UI only displays that an override was entered for 1500-1800. This is misleading and the display should display a timestamp of when the override occurred.	Release +1	Low	\$10k - 25k	
Summary: In the Markets UI, provide members with a visual timeline of their commitments. Requires MP Code Changes: No.	Release +1	High	\$25k - 50k	SPP

Open Enhancements - All

Enhancement Description	Priority Grouping	Level of Complexity	Cost Estimate	Requesting Party
Summary: Allow users to use Virtual Bids/Offers post API operations to delete Virtual Bids or Offers . Today, participants must delete Virtual Bids or Offers using a separate API. Requires MP Code Changes: Yes. Participants using the Virtual Service would be required to make code changes.	Release +1	High	\$25k - 50k	XO Energy SW, LP (XOSW)
Summary: Add all Contingency Reserve Deployments to the Markets UI displays, API operations and XML notifications. Currently, there are no CRD specific notifications for spinning and supplemental reserve deployments (only for BDRs). Requires MP Code Changes: Yes. Participants using the ReserveService and/or ReserveNotifyService (XML Notifications) would be required to make code changes.	Release +1	High	\$25k - 50k	Southwestern Public Service Company (SPS)
Summary: Improve data structure for Overrides in Markets API and Notification to help with parsing data. Currently, resource offer overrides are communicated to participants in a single text field in the API and XML notification. The text field includes multiple pieces of information (e.g. resource name, operating hour, overridden parameter) which cannot easily be parsed programmatically. Requires MP Code Changes: Yes. All participants using the EnergyService and/or EnergyNotifyService (XML Notifications) will be required to make code changes.	Release +1	High	\$25k - 50k	Southwestern Public Service Company (SPSM-MP)
Summary: Add ConstraintType and ContingentFacility to the Binding Limits APIs and Markets UI screens to have it match public data. Requires MP Code Changes: Yes. Participants using the MarketService and MarketNotifyService will be required to make code changes.	Release +1	High	\$25k - 50k	Tenaska Power Services Co. (TNSK)
Summary: Overrides that span multiple days should be returned in the Market Energy Web Service API. The information is displayed correctly in the UI and XML Notifications. Requires MP Code Changes: No.	Release +1	Medium	\$10k - 25k	The Energy Authority (TEA)
New business process regarding reason code #1 for contingency reserve & #3 missing or bad resource SCADA under the XmptDev5minFlg.	Release +1	High	\$25k - 50k	SPSM
Summary: The Markets UI Transaction Log page and associated API operation, should include the endpoint address. In the UI, this column should be added with filtering capabilities. Requires MP Code Changes: Yes. Participants using the TransactionService will be required to make code changes.	Release +1	Medium	\$10k - 25k	Rainbow Energy Marketing Corporation (REMC)
Summary: Add a unique ID to all Markets XML notifications to provide the ability to determine if duplicate messages are being sent to multiple endpoints. Requires MP Code Changes: Yes. Participants receiving XML notifications would need to modify their code to consume the new element.	Release +1	High	\$25k - 50k	Rainbow Energy Marketing Corporation (REMC)

Open Enhancements - All

Enhancement Description	Priority Grouping	Level of Complexity	Cost Estimate	Requesting Party
Currently the Markets UI/API allows updates to offer parameters of resources that have already been committed for that date(Manual Commitments or Local Commitments). Although the UI/API will accept the change this is not used as an input to the study. This is confusing to MPs that update their DAMKT offers before 11am because they expect the changes to show up in their results. There should be a warning message, similar to overrides, that indicates the offer that was effective at the time of commitment will be used. Adding this functionality would prevent confusion when MPs attempt to update their DAMKT offers.	Release +1	Medium	\$10k - 25k	SPP
Currently, participants are not easily able to determine when a resource offer becomes effective and terminates in the Markets system. Understanding these dates will allow participants to see how far the offer data will roll-forward to future Operating Days/Operating Hours.	Release +1	Low	\$10k - 25k	SPP
Summary: The Markets UI should allow users to save preferences such as filtering options (e.g the # of Operating Days) for each tab and not have to reset them every time they log into the Markets UI. Requires MP Code Changes: No.	Release +1	Medium	\$10k - 25k	(SPSM-MP)/American Electric Power (AEPM-MP)
Summary: Currently in the Market UI, the messages/filtering options are located at the bottom. Please move messages and filtering options to the top of the display. Requires MP Code Changes: No.	Release +1	Low	Up to \$10k	Southwestern Public Service Company (SPSM-MP)
Summary: The Markets UI commitment page and corresponding API operation should clearly identify which commitments were a result of the MP Self Commits vs. Market Commitment. The current design does not easily distinguish the difference. Requires MP Code Changes: Yes. Participants using the EnergyService and/or EnergyNotifyService (XML Notification) will be required to make code changes.	Release +1	High	\$25k - 50k	(SPSM-MP)/American Electric Power
Summary: Add Advanced filters or "quick pick" list in the Markets UI for frequently used operations. This is needed to reduce the amount of mouse clicks required to navigate to various pages in the UI. Requires MP Code Changes: No.	Release +1	High	\$25k - 50k	American Electric Power (AEPM-MP)
Summary: Create a screen in the Markets UI that lists all of the Settlement Locations that have a Virtual Bid and/or Offer with the ability to link to the Virtual Bid/Offer Requires MP Code Changes: No.	Release +1	High	\$25k - 50k	Sesco Trading
Summary: Add Settlements Bid ID to the Cleared Virtual Bids and Cleared Virtual Offers results in the Markets UI and API. Requires MP Code Changes: Yes. Participants using the VirtualService will be required to make code changes.	Unplanned A	High	\$25k - 50k	Power Cost (PCI)
Summary: Add indicator to Emergency Limit notifications, API operations and UI displays to specify whether the minimum or maximum limit will be exercised. Requires MP Code Changes: Yes. Participants using the EnergyService API and/or EnergyNotifyService XML Notification service will be required to make code changes.	Unplanned A	High	\$25k - 50k	Southwestern Public Service Company (SPS)
Summary: In the Markets UI, add a transaction type column to identify if the transaction is a Submission, Query or Notification. This column should be filterable. Requires MP Code Changes: No.	Unplanned A	Medium	\$10k - 25k	SPP

Open Enhancements - All

Enhancement Description	Priority Grouping	Level of Complexity	Cost Estimate	Requesting Party
Summary: Add new API operations and UI display to provide aggregated wind forecast. Requires MP Code Changes: No. This is a new, optional API operation that does not require MP code changes.	Unplanned A	Medium	\$10k - 25k	Southwestern Public Service Company (SPSM-MP)
Summary: Create a new XML notification to inform participants their Virtual Bids or Offers have been deleted from the Markets system as the result of Credit Default or Market Monitoring Virtual Block event. Requires MP Code Changes: No. This would be a new, optional Notification that will not require MP code changes.	Unplanned A	Medium	\$10k - 25k	SPP
Summary: Add reserve zone to the Day-Ahead and Real-Time Cleared Operating Reserve offers in the Markets UI, API and applicable XML notifications. Requires MP Code Changes: Yes. Participants using the ReserveService and/or ReserveNotifyService (XML Notifications) will be required to make system changes.	Unplanned A	High	\$25k - 50k	Kansas City Power & Light, Co.
Summary: Allow participants to limit user access to the GetMarketMessageSetbyDay operation and corresponding UI page. Currently there is a possibility that a market operator can send an AO specific message that could be retrieved using the GetMarketMessageSetbyDay operation or UI. Since some vendors are given access to Market webservice to download general market data and should not be privy to any AO specific information, participants need a way to restrict access to this data. Requires MP Code Changes: No. A new role will be created specifically for this operation to allow participants to further restrict access to this information. Participants LSAs would need to grant users access to view the GetMarketMessageSetByDay and UI information.	Unplanned A	Medium	\$10k - 25k	AEP
Summary: Create a Markets UI display and API operation to show SPP defined non-cost resource mitigation parameters in hourly intervals. Requires MP Code Changes: Yes. Participants using the EnergyService API will be required to make code changes.	Unplanned A	Medium	\$10k - 25k	SPP
Summary: XML Download (Reports) functionality in the Markets UI needs to support both CSV and XML formats. Currently, the UI only supports XML file format. Requires MP Code Changes: No.	Unplanned A	Medium	\$10k - 25k	SPP
Summary: In the Markets UI, add Modified Date and User ID of user who made the last change to all Resource Offer screens. Requires MP Code Changes: No.	Unplanned A	High	\$25k - 50k	Southwestern Public Service Company (SPSM-MP)
Summary: Clearly highlight the type of Market case (RTBM, DA, or Mitigation) for which the Market Participant is entering offer curve data so as to be readily visible to the user. Requires MP Code Changes: No.	Unplanned A	Medium	\$10k - 25k	Google Energy, LLC
Summary: Modify XML download reports available in the Markets UI to include ModifiedBy and ModifiedDate. This will help Market Participants distinguish when an update was made via API submittal versus a manual Markets UI submission. Requires MP Code Changes: No.	Unplanned A	High	\$25k - 50k	Southwestern Public Service Company (SPS)
Summary: Enhance Markets UI to allow right click feature to view or edit Requires MP Code Changes: No.	Unplanned A	Medium	\$10k - 25k	Southwestern Public Service Company (SPS)

Open Enhancements - All

Enhancement Description	Priority Grouping	Level of Complexity	Cost Estimate	Requesting Party
Summary: Create a Markets UI display and API operations to show the total output (Energy+Reg Up/Down+Spin/Supp) of a generation plant. Requires MP Code Changes: No. The new API operations would be added as optional which would not require participant code changes.	Unplanned A	High	\$10k - 25k	Arkansas Electric Cooperative Corporation (AECC)
Summary: Provide UI page and API operations to retrieve historical Reserve Cap notifications. The goal is to allow participants to review the stream of notifications that may have been delivered in the past. Requires MP Code Changes: No. The new API operations would be optional operations which would not require participant system modifications.	Unplanned A	High	\$10k - 25k	SPP
Summary: Add a Markets UI page and API operation to show total Real-Time LMP per hour. Requires MP Code Changes: No. There would be new, optional API operations added. Participants would not be required to make code changes.	Unplanned A	High	\$10k - 25k	Arkansas Electric Cooperative Corporation (AECC)
Summary: Allow users to submit, delete and query Virtual Bids/Offer within the same API operation. Today, participants must submit, delete and query Virtual Bids separately from Virtual Offers. Requires MP Code Changes: No. This change would result in new, optional API operations which would not require MPs to make code changes.	Unplanned C	High	\$25k - 50k	XO Energy SW, LP (XOSW)
A member requested that historical Markets data be available for more than 7 days via the Market UI/API.	Other			CRGL
This enhancement is to change the effective max and min logic in RTBM to no longer relax to initial mw for non-wind resources. For example if a Hydro resource has a scadamw of 110 MW and it has a submitted ecomax of 100 MW then RTBM will dispatch to resource to 100 MW or lower. For Wind resource, however, no logic needs to be changed. Their effective max can be set to SCADA MW if SCADA MW is above submitted max.	Current Release	Medium	\$10k - 25k	
MP's are requesting the SPP 5 minute interval data be rolled up into a separate hourly data file. There are three specific requests for data: Obtain time series settlement prices for a particular node over a time period, as a single time series data set. The Day-Ahead and Real-Time On-Peak LMP and Off-Peak LMP for by each Trading Hub for all Trading Hubs be available on the Portal. Hourly RTBM pricing files to facilitate easier analysis between the DAM and RTBM.	Current Release	Current Release	Current Release	SNL Financial
Extend out the SPP LOAD & Wind Forecast that is in the portal from a day and a half to 6 or 7 days. This is useful to allow MP's to know SPP net needs, so that they could make more informed decisions regarding self-committing their coal Units.	Current Release	Current Release	Current Release	Empire District
Provide historical load information at the hourly level by Settlement Area, but preferably by Load Settlement Location	Current Release	Current Release	Current Release	Invenergy Energy Mgmt (INVM)
LMP Annual Roll Up	Current Release	Current Release	Up to \$10k	SPP
Public Data request to provide more granular data - Actual/Forecast Load	Release +1	Medium	Up to \$10k	WoodMac
Add the RTBM/DA delta information to the Price Contour Map	Release +1	Medium	Up to \$10k	SPP
Post Total Congestion Dollars in DAMKT by Month and Constraint	Release +1	Low	Up to \$10k	SPP

Open Enhancements - All

Enhancement Description	Priority Grouping	Level of Complexity	Cost Estimate	Requesting Party
Remove "hour/minute" from file names of files representing an entire day	Release +1	Medium	Up to \$10k	SPP
Provide a table of SPP generating stations' fuel types broken down by SPP FTR case PSS/E bus numbers	Release +1	Medium	Up to \$10k	XO Energy
Revise vendor contract to provide Actual wind resource and Day Ahead forecast wind output by control area	Release +1	Medium	Up to \$10k	DC Energy Midwest LLC
Separate SLMP/SMCP Data File	Release +1	Low	Up to \$10k	SPSM
Price Contour Map - Weather and Transmission overlay	Release +1	Medium	Up to \$10k	OGE
Create "Look Ahead" report on day ahead total generation outage.	Release +2	High	Up to \$10k	Trumpet Trading
Add Resource-Zone Level Load Information	Release +2	Low	Up to \$10k	Tungston Power LP
Replace all GMT and Local timestamp columns with ISO-8601 compliant timestamp	Release +2	High	Up to \$10k	SPP
Consolidate Short Term Wind and Short Term Load Forecast files into daily folders	Release +2	Medium	Up to \$10k	SPP
Post DA & RT public Load data by zone	Release +2	Medium	Up to \$10k	Westar (WRGS)
Request that wind data be publicly posted in DA and RT markets by zone	Release +2	Medium	Up to \$10k	Westar (WRGS)
Expanding the Use of SPP CROW - The expectations are mostly on the members to submit, so we'll need tracking to ensure they are all submitting the new equipment (are able to for implementation, as well as maintain submission moving forward	Current Release	Low	Current Release	
Why does CROW not show the Implemented and Completed dates/times when you export them to Excel? I would like to use this for Compliance evidence but it only shows the Planned Start/End Date/Time. (submitted via RMS from GRDA on 1/5/2016 Currently the automatic "Export to Gantt" and "Export to Excel" do not include any information regarding the Request Type. I would use those features if it included the Request Type because without that column it is not known if it is a derate or an outage just by looking at the exported reports.	Unplanned C	Low	Up to \$10k	BASIN & GRDA
Westar requests an SPP modeling enhancement to either make CROW line/xfmr names consistent with EMS/TCR comment names for line/xfmrs or vice versa. The line/xfmrs names need to be the consistent between CROW and EMS/TCR .raw comment names.	Unplanned C	Low	Up to \$10k	WRGS
SPP would like a display that lists all of the generator and load shift factors per flowgate defined in RTLODF. The shift factors would need to be calculated based on the topology of the model in DTSPSM NETMOM.	Unplanned C	Unknown	Up to \$10k	
This functionality is standard in EMP 2.6 with a patch. SPP would like to backport this functionality to its EMP 2.5 system.	Unplanned C	Unknown	Up to \$10k	
SPP would like a way to more easily control an island's frequency during restoration in DTSPSM. One possibility is to have a way to input a target frequency and have the units in the island respond as needed. SPP would also like more information on the group-funded project for Blackstart Enhancements that has been mentioned in recent Users' Group meetings.	Unplanned C	Unknown	\$10k - 25k	
Currently during restoration drills a unit can generate well over its maximum MW. SPP would like for the DTSPSM to stop adding additional load MW to a generator if it reaches its maximum MW limit. SPP would also like for the DTSPSM solution to respect a unit's MW minimum output. While trying to solve for a high frequency the solution will cause a unit to motor with a negative MW output.	Unplanned C	Unknown	\$10k - 25k	

Open Enhancements - All

Enhancement Description	Priority Grouping	Level of Complexity	Cost Estimate	Requesting Party
SPP would like the ability to truly "fix" a unit's MW output with no frequency response. Currently in the DTS when you remove the frequency control of the unit it will still respond to changes in load.	Unplanned C	Unknown	Up to \$10k	
This project will add functionality to enable SPP Operations to calculate the legacy BA actual loads after SPP is the BA. The existing BAs will continue to calculate and submit actual loads for SPP only in the short term, but have requested SPP take this requirement over shortly after Marketplace go-live since it is a function of a BA and SPP will be the BA.	Unplanned C	High	\$50k - 100k	SPP
Per an ORWG request (action item56) we need to download and parse this file from NOAA and make the current index available on an ICCP point. We're asking MISO if they make the data available as well; if they do this request can be canceled.	Current Release	Current Release	Current Release	
Could SPP support a website for serving Next-day studies? Other RCs have implemented share space where next -day studies can be posted and reviewed by entity members. Currently, SPP members are emailing studies to other members. If SPP has been established to facilitate collaboration and coordination, a platform for next-day studies would be a step in the right direction.	Unplanned C	Low	\$10k - 25k	NPPD
Change to the Bilateral interface to limit the amount of profile data which can be retrieved during one search. Currently, all data is returned if the operating day is null. The changes will include a start and stop date range to restrict the amount of data returned.	Unplanned C	Low	Up to \$10k	ETEC
MP requested enhancement to auto-approve BSS profiles on subsequent re-submissions. Currently only the first submission of a BSS profile set to auto-approve will auto-approve, while subsequent changes require re-approval.	Unplanned C	Low	Up to \$10k	Tenaska
Multiple MPs have requested enhancement to add a date/last updated time stamp to BSS Profiles to assist in determining which profiles need to be validated when multiple profiles have been submitted for a single OD.	Unplanned C	Low	\$10k - 25k	SPSM, PCI, KCPL, KMEA, GRDA, Tenaska
In order to prevent typos and assist customers in determining the appropriate acronym for their counter parties, we would like to have an enhancement for BSS to include drop down menus for Buyer and Seller. We have a list we currently are providing to customers located at http://www.spp.org/publications/SMT%20FAQ%2010-1-2013.pdf that can be leveraged to create the dropdown. Model management team will have to provide the updated listing as it is updated.	Unplanned C	Low	Up to \$10k	KCPL

Open Enhancements - All

Enhancement Description	Priority Grouping	Level of Complexity	Cost Estimate	Requesting Party
<p>Request a change that BSS profiles allow NULL values rather than forcing a value of 0 when no schedule is needed.</p> <p>Having '0' and 'null' is an industry understanding. "0" might actually be a real numerical value; where as "null" is an understanding that there shouldn't be any value for a particular hour or set of hours on a particular BSS. "0" vs "NULL" also can prevent clerical errors from being made since there is a distinguished understanding that nothing is purposely scheduled (ie unit outage), oppose to actually representing purposely a couple potential hours where no flow occurred (ie no load on a particular unit during a couple of off peak hours).</p> <p>Priority Grouping of O-Other: When developing the Market a business decision was made to not allow "NULL" values. If we were to allow "NULL" values we would not know if the Null value was intended or if the MP missed imputing data. Settlements is reaching out to the MP in regards to this request.</p>	Other	Unknown	\$10k - 25k	TEA
<p>MP and MA need the ability to see/validate submitted meter data and calibration between Initial and Final meter windows.</p> <p>Currently, the reports are locked and not updated between Initial and Final Meter Windows. Some MPs have requested a way to view what has been submitted and calibration that is continually updated and not stopped, but at a minimum, they need additional time for validation prior to close of Final.</p>	Unplanned C	High	\$50k - 100k	KMEA, WFEC, GRDA, KCPL
<p>Current Meter Agent Report Card displays detail information. We have had requests to show a summarized approach at the hourly interval.</p>	Unplanned C	Medium	\$25k - 50k	GRDA
<p>Currently, you get ALL meter locations for a Meter Agent and some have around 100. It would be more functional to be able to filter specific ones via a drop down box with available Meter Locations based on Meter Agent/MP logged in.</p>	Unplanned C	Medium	\$25k - 50k	GRDA
<p>Create a report that summarizes the submitted data and indicates when meter data has not been submitted. This report needs to be available to both a Meter Agent Level Role and also a MP/AO Level Role.</p>	Unplanned C	Medium	\$25k - 50k	Westar Energy
<p>Members have requested the ability to know when the last time an OD has been updated for meter processing via the portal. Since the meter process runs every 30 - 60 - minutes, we are requesting that the report show the last time the meter file has processed for that given day to display on report output and if window is open/closed.</p>	Unplanned C	Low	Up to \$10k	WFEC
<p>Add the ability to the GUI for processing Meter Requests within Soap Envelopes. This would allow the same file to be processed both via API or GUI without any changes. Currently, API requires the envelope and Portal requires it NOT be there. It would be much simpler if the same format could be used for both.</p> <p>Priority Group O - Other: Need further explanation of the benefits of this request. Need to understand the added value, this would only change the way this is currently done. Settlements reaching out to MP to see if this is still needed.</p>	Other	Unknown	Up to \$10k	SPS
<p>Currently we only pass through the Auction ID attribute through to the customers on their Bill Determinant Report. In the future we would like to have the Auction Name and the Peak/off peak auction type as attributes on TCR/ARR determinants that currently use the AID attribute.</p> <p>Priority Grouping of O-Other: Need further explanation of the benefits of this request.</p>	Other	Unknown	\$50k - 100k	

Open Enhancements - All

Enhancement Description	Priority Grouping	Level of Complexity	Cost Estimate	Requesting Party
Market Participant Vendor request to make Settlements notifications smart enough to know when there are multiple runs required for the OD, and only send 1 notification on all associated runs that are posted.	Unplanned C	Medium	\$25k - 50k	MCG Energy Solutions
Settlements notifications are currently the only type of notification from the Marketplace systems that don't include a MP/AO name in the actual message XML. All other notifications that we are aware of have the MP/AO name in the message. For consistency purposes and to make sure that all messages from SPP contain all the information they need for their context, we would like the MP/AO identifier to be added to the Settlements Notification XSD and messages, rather than leaving it to the vendor/MP's system to add that information as metadata when the messages are persisted on our side	Unplanned C	Low	Up to \$10k	Tenaska
The settlement notifications being delivered to the MP's include the settlement type. This causes multiple notifications to be issued at the same time. One for Initial, one for Final, and one for each resettlement. As a consequence, processes that automatically download statements when a notification is received are repeatedly downloading the data. We need a single notification to the MP's when the statement is ready.	Unplanned C	Medium	\$25k - 50k	PCI, MCG Energy Solutions
Would it be possible to provide the IM settlements calendar in XML format? Our meter submission is automatic and being able to import the "due dates" to compare against would be very handy, especially during the holiday adjusted schedules. I'm doing this with the Excel version, but due to the nature of Excel, it's a semi-manual process."	Unplanned C	High	\$50k - 100k	WFEC
A report to provide the Market Participants the costs allocated to the market caused by the GFA Carve Outs and the hourly/monthly deviations associated with the GFA Carve Out Schedules'	Unplanned C	Low	\$10k - 25k	
MP requesting the following data be added to the EQR reports. FERC Tariff reference; Contract service agreement; Transaction unique identifier; Type of rate; Term name; Increment name; Increment Peaking name; Product name; Transaction quantity; Transaction price; Product name; Combined 03-949 with this ticket as the requests were duplicates. 03-949 requested all of the data required by FERC to be included on the EQR report. Internal Design Discussions have started with requirements from the EQR Task Force, however this has not been assigned a release yet.	Unplanned A	High	\$50k - 100k	HQ Energy Services
Request for the FERC EQR data to be a month long, instead of the current 7 days	Unplanned A	High	Up to \$10k	AEP
Enhance the current Meter Agent Report Card to work similar to the MP Meter Report to improve performance and usability for the MPs.	Unplanned C	Low	\$10k - 25k	

Open Enhancements - All

Enhancement Description	Priority Grouping	Level of Complexity	Cost Estimate	Requesting Party
<p>Make additional market-wide determinants available to Settlement determinant Report. The attributes for Market by Hour for DA and 5 min for RT requested are:</p> <p>DA RegUp Cleared Volume DA RegDn Cleared Volume DA Spin Cleared Volume DA Supp Cleared Volume DA RegUp Distribution Volume DA RegDn Distribution Volume DA Spin Distribution Volume DA Supp Distribution Volume RT RegUp Cleared Volume RT RegDn Cleared Volume RT Spin Cleared Volume RT Supp Cleared Volume RT RegUp Distribution Volume RT RegDn Distribution Volume RT Spin Distribution Volume RT Supp Distribution Volume</p> <p>Action Item from 12/2015 SPQM: Gary Cate Provided XCEL Energy Public Data URLs where to find this information on 12/11/15. SPP followed up on 12/18/15 and 2/3/16 and they have not had time to review the information. This ticket will remain open until they have reviewed the information provided to determine if it fits their needs.</p>	Unplanned C	Unknown	\$50k - 100k	SPSM
<p>Market Participant requested the ability for the Settlement Reports - View Settlement Statements role to be specified at the Asset Owner level, as opposed to only the Market Participant level. Priority Grouping of O-Other: Need further explanation of the benefits of this request. This data is already available to AOs in the determinant report. Settlements reaching out to MP to show where this data can be found.</p>	Other	Unknown	\$25k - 50k	Tenaska, TEA
<p>Market Participant requests to add GMT offset to the Operating Date and Invoice Date fields in the Settlement Statement Report. Their internal systems operate at GMT the offset is important to parsing of the file. Priority Grouping O-Other: Need further explanation of the benefits of this request. The Invoice date and Operating date are not time specific.</p>	Other	Unknown	\$10k - 25k	APX
<p>Currently the settlement billing determinant file is available at the AO level only and we would like to see it also available at the MP level. Priority Grouping of O-Other: This can only be done for the API, Data Volume would be too large through the UI. Settlements reaching out to MP.</p>	Other	Unknown	\$25k - 50k	Tenaska
Publish nomination caps during Verification period	Release +2	Medium	\$10k - 25k	SPP
Make Round cap , Round Nomination, and Round allocation information downloadable in the ARR Nomination Editor and via API	Unplanned A	Medium	\$25k - 50k	Customized Energy Solutions
Make the entitlement MW column of the downloadable Nomination Editor file available via API.	Unplanned B	Low	\$10k - 25k	Customized Energy Solutions
Have ARR nomination process directly mirror the TCR bid process (create portfolio, enter nominations, save, and submit portfolio).	Unplanned C	High	\$25k - 50k	OGE
Create a Public Download and API call for the list of Electrically Equivalent Settlement Locations (EESL) associated with each market in the TCR Markets UI API. UPDATE 2/19/2016: The files will be accessible via FTP which will serve the same purpose as an API.	Release +2	Medium	\$25k - 50k	MSWF, XO Energy, Saracen Energy
Addition of a "Submit" button inside the portfolio editor.	Release +2	Low	Up to \$10k	AEPM

Open Enhancements - All

Enhancement Description	Priority Grouping	Level of Complexity	Cost Estimate	Requesting Party
Append bus names as a comment in .raw file to facilitate MP processes.	Unplanned B	Medium	\$25k - 50k	Westar Energy, SPS

ADDENDUM to February Portfolio Report				
<p>AEP would like to request an enhancement to the SPP Portal where AEP manually uploads XML files for MVAR data related to Schedule 2 Reactive Supply and Voltage Control. The upload run-time is excessive (approximately 4 hours) and the website often crashes which causes us to have to break-up the files into smaller sizes. AEP is requesting that SPP enhance its portal to streamline the upload process to meaningfully decrease up-load run-time and increase stability. Attached are screenshots illustrating where AEP uploads the MVAR XML files and the source MVAR data itself.</p>	<p>Other: Internal Discussions are underway to determine the best approach to address this issue. Once a solution is determined we will update the Priority Grouping and Complexity and will provide a more accurate cost</p>	<p>Unknown</p>	<p>\$100k+</p>	<p>AEP</p>

Legend:

Blue: Items which were not listed on the last Quarterly Portfolio Report

Projects

Project Name	Project Description	Cost Estimate	Targeted Implementation Date
MSS2.7	<ul style="list-style-type: none"> •RR29_MPRR 215 Product Substitution •RR77 - Reg Comp Clarification; 5-min to hourly change for DA regup and regdn offers •MPRR 196 Ancillary Service Manual Override on Regulation •RR16 - MPRR 190 MWP Start-up Offer Recover * RR25_MPRR211 - Self-Commit Run Time Make Whole Payment Exemption 	In flight	Q2 2016
Ratings Submission Tool	SPP Operations has identified a need to formalize the submittal of line rating changes that are submitted by Transmission Owners per NERC standard FAC-008-3. These line ratings are used in SPP's reliability function and the network model used by markets. This project is to create an SPP-hosted tool with a web-based user interface, which will allow the appropriate TOs to submit line ratings.	In flight	05/24/16
Schedule Data API	Four MPs (SPS, KCPL, AEP, OGE) request Schedule Data earlier than 7 days out -- within 2 to 3 days of Operating Day (for shadowing)* Balancing issue #328	\$50-100k	Q3 2016
Markets Release 1.18	This release includes changes for Hot Start, ECC Performance improvements, and several enhancements and defects.	In flight	06/01/16
Markets Release 1.19	This release includes all remaining ECC functionality as well as member requested enhancements to the User Interfaces and APIs.	In flight	11/01/16
RR126 Netting of TCR Credit Portfolio	Current credit exposure calculations, as found in Article 5A of Attachment X (Credit Policy), may result in excess Financial Security (cash or letter of credit) required for certain TCR bids/offers and ARR self-conversions during a TCR auction. The CPWG proposes to change the Credit Policy 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.	In flight	Q2 2016
TCR 2.7 Release	MPRR227/RR119	In flight	05/26/16
Z2 Crediting Process	The Crediting Process project will deliver a process for analyzing the stack list of long-term and short-term transmission service requests that impact creditable facilities/upgrades under the tariff.	In flight	11/04/16
CIP Version 5 Compliance Readiness	The scope of this Project includes all work associated with efforts to build new processes or enhance existing processes, as needed, which will support compliance with the CIP Version 5 Standards, as defined by the North American Electric Reliability Corporation (NERC). The effective date of these standards is 1 Apr 2016. This Project applies to those processes managed by the SPP Compliance Department. It is acknowledged that this Project is part of a Program which consists of other projects associated with efforts to support compliance.	In flight	03/01/16
CIP Version 5 EMBCReadiness	The scope of this Project includes all work associated with efforts to build new processes or enhance existing processes, as needed, which will support compliance with the CIP Version 5 Standards, as defined by the North American Electric Reliability Corporation (NERC). The effective date of these standards is 1 April 2016. This Project applies to those processes managed by the Business Process Improvement Department, namely those processes that support emergency management and business continuity.	In flight	03/31/16

Projects

Project Name	Project Description	Cost Estimate	Targeted Implementation Date
CIP Version 5 Facilities Readiness	The scope of this Project includes all work associated with efforts to build new processes or enhance existing processes, as needed, which will support compliance with the CIP Version 5 Standards, as defined by the North American Electric Reliability Corporation (NERC). The Project Team is now focused on the management of Physical Access Control Systems (PACS) and the deployment of the second authentication factor for the Physical Security Perimeter (PSP).	In flight	03/31/16
CIP Version 5 IT Readiness	The scope of this Project (CIP Version 5 IT Readiness) includes all work associated with efforts to build new processes or enhance existing processes, as needed, which will support compliance with the CIP Version 5 Standards, as defined by the North American Electric Reliability Corporation (NERC). This Project applies to those processes managed by the SPP IT Organization, including both the IT Operations and IT Applications Departments.	In flight	03/31/16
Enhanced Combined Cycle - Gas Day	This project will deliver two large areas of functionality related to Enhanced Combined Cycle (RR1- MPRR101, RR5-MPRR140, and RR112) and Gas Electric Harmonization (RR100).	In flight	03/01/17
FERC 676-H NITS Web Oasis Modification	Change to OATI systems caused by FERC Order 676-H NITS upgrade. The OATI webOASIS and webTrans data modules will be updated to incorporate all necessary structures to represent NITS requests via electronic templates.	In flight	03/01/16
TTSE Dispatcher Training Simulator	Phased approach to develop a more realistic simulator environment dedicated to SPP Operations Training by: Enhancing the current Dispatcher Training Simulator (DTS) Incorporating a Market System & Data Feeds Creating a Training and Testing Simulated Environment (TTSE). Adding Visualization Tools-Genview, Flowgate Explorer, etc.	\$4,835,000	
2-Factor Authentication	The Marketplace UIs and APIs use certificate based single factor of authentication mechanism. This project proposes adding a 2nd factor of authentication (like password) to the authentication process. While there is no 100% security, the 2-factor authentication will lower the Marketplace UI and API security vulnerability and reduce the risk to the Marketplace systems. Most of the other ISOs use 2-factor authentication with their UIs and APIs.	\$551,000	
Identity and Access Management System	This project is to purchase and deploy an automated IAM System and supporting processes. Currently, SPP is incurring significant cyber security and compliance risk as well as reduced efficiency due to continued use of manual Identity and Access Management processes.	\$1,112,000	
Z2 Crediting P2 and P3	The objectives of the Z2 Crediting Tool P2 and P3 project are to implement the priority 2 and 3 functional requirements of the Credit Stacking System to (1) enable SPP to reliably and consistently comply with the provisions of Attachment Z2 of the SPP Tariff, (2) to enhance efficiency and accuracy of the revenue crediting process, and (3) reduce the risk of inaccurate settlements and resulting customer disputes.	\$349,000	

Projects

Project Name	Project Description	Cost Estimate	Targeted Implementation Date
PMU Data Exchange	SPP has a need to install the applicable components for Synchrophasor (aka Phasor measurement Unit PMU) data exchange and analytics. PMU devices can capture voltage, frequency, current, and angle for the 3 phases at a substation as fast as 60 measurements a second. This granularity of data would greatly enhance our after-the-fact event analysis. Along with event analysis, the data would assist in our real-time situational awareness. While the data could aid in identifying generator trips and island situations, it could also aid in our State Estimator accuracy. This aligns with the Operations strategic plan to expand our operations capabilities in the dynamic evaluation of the real-time operations.	In flight	
Liferay Portal Replacement	Existing Liferay version 6.1 needs to be upgraded and the new 6.2 version revealed changes to the Liferay GUI and compatibility with our existing SPP themes that would require changes to the look and feel of the Integrated Marketplace Portal. Liferay Portal usage has changed and therefore its infrastructure's value has diminished, leading to an opportunity to eliminate use of Liferay and save maintenance expenses.	\$237,000	
EMS Software Upgrade	Upgrade to a supported version of EMS software (Alstom e-terraplatform) running on a compatible and supported operating system in accordance with industry and SPP standards. The upgrade will also include server and operating system upgrades.	\$6,900,000	
ICCP Software and OS Upgrade	Upgrade to a supported version of ICCP (Alstom e-terracomm) software running on a compatible and supported operating system in accordance with industry and SPP standards. The 32 bit to 64 bit software upgrade will also allow more permissions to be granted to data items without reaching memory limitations. This upgrade will match the existing architecture of 6 production servers and 4 ITE servers.	\$541,000	

How to Read this Report

The SPP Portfolio Report, published quarterly, is a report reflecting the latest available inventory of revision requests, enhancements, defects and projects that are subject to prioritization. Each of these areas are reported on a tab within the report.

Revision Requests: Revisions Requests (RRs) are requests to make additions, edits, deletions, revisions or clarifications to the SPP Market Protocols, SPP Business Practices, SPP Criteria, or SPP Open Access Transmission Tariff, except for Appendix F of the Market Protocols. The Portfolio Report includes all system and/or process-impacting revision requests which have been approved by the primary working group and are not yet implemented. The report does not include those RRs which are postponed, held, rejected, withdrawn, or other status which is not subject to prioritization. A complete list of RRs regardless of status is available on SPP.org here:

[SPP Revision Requests - RR Master List](#)

Enhancements: The items on the Enhancement tabs are requests for new or changed system functionality that do not require updates to SPP Market Protocols, SPP Business Practices, SPP Criteria, or SPP Open Access Transmission Tariff. The tab marked “Open Enhancements-New” reflects any enhancements that have been requested since the last quarterly report was published. The tab marked “Open Enhancements-All” includes both the new enhancement requests and the enhancements that were existing on the last quarterly report.

Defects: A defect is a deviation between the expected and actual results of a system component, service component, or approved artifact. The SPP Portfolio Report includes both stakeholder and staff-reported member-facing and member-impacting defects.

Projects: The items on this tab are a list of active and planned projects that are Member-facing, Member-Impacting or Major Technology projects.

Summary

Items included in the SPP Portfolio Report are evaluated with consideration for several key factors. For Revision Requests and Enhancements, the “Priority Grouping” for an item (defined below), is determined based on Cost Estimates, Level of Complexity and Severity. Other factors including resource availability, Tariff/FERC status, other areas impacted, and correlation to other work may be considered in prioritization. For Projects, prioritization is reflected via “Priority”. The priority of a project is similarly determined based on factors such as a score calculated using the SPP Scoring Tool and a cost estimate. And as with other items, other factors may be considered in prioritization. For more information on the Stakeholder Prioritization process and quarterly meeting process, please see the SPP Stakeholder Prioritization Process document located in the Stakeholder Center of SPP.org.

[SPP Stakeholder Prioritization Process Document](#)

How to Submit a Comment

Comments may be submitted for any: **Revision Request, Enhancement or Project**

To submit comments on Projects, Enhancements, RRs, please use RMS with the “Quarterly Stakeholder Prioritization Feedback” Quick Pick.

[SPP's Request management System](#)

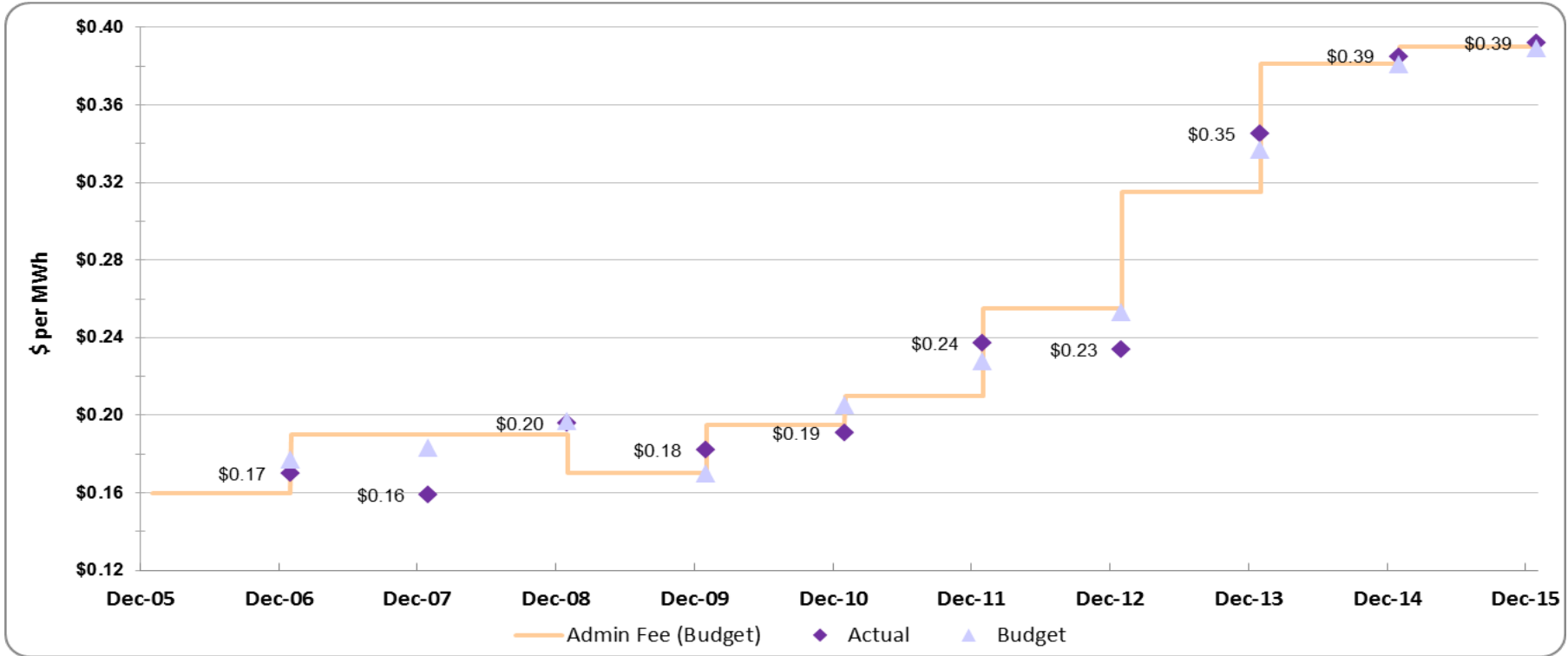
Glossary

Revision Requests Report		
Column Header	Purpose	Filter Key Points/Notes
RR #	Tracking number assigned for the Revision Request. Each Rr is assigned a unique number by the Primary Working Group staff secretary.	Use filter to locate revision requests by RR#
RR Name	Revision Request Title	Use filter to locate revision requests by Title
Primary Working Group	The working group owing overall responsibility for the document impacted by the RR. <ul style="list-style-type: none"> • MWG – Market Protocols • RTWG – Tariff • ORWG – Criteria • BPWG – Business Practices 	Use filter to locate revision requests by Primary Working Group
Priority Grouping	Assessment by SPP Staff of the priority group: <ul style="list-style-type: none"> • Current Release – Those items for which system changes or process/procedure changes are in progress. The in-service date will vary depending on the length of development and implementation effort <ul style="list-style-type: none"> • Release+1 – Items that are planned for inclusion in upcoming release(s). Release+1 may also include items with a longer-term implementation date due to their complexity, which are being worked as a higher priority. • Release+2 – Items that are planned for inclusion in the next release after Release+1 items. • Unplanned-A, B or C – Items in the queue not yet planned for a specific release. The sub-classification of A, B or C indicates priority within Unplanned, A being the higher, B being middle and C being the lowest priority of the Unplanned items. • Other – Items which a) need clarification, b) need further explanation of the benefits of the request, or c) cannot be placed in the queue for another reason. 	Use to filter by Priority grouping
Level of Complexity	Staff's assessment of how complex the item is to implement, taking all factors into consideration (High, Medium, Low or Unknown)	Use to filter by Level of Complexity
Severity (Ranked by Primary WG)	Defines the criticality, according to a scale. <ul style="list-style-type: none"> • Critical 	

	<ul style="list-style-type: none"> • High • Medium • Low 	Use to sort by urgency, critical to low or low to critical
Cost Estimate	High-level cost estimation of work	Use filter to locate RR by RR cost estimate
Targeted Implementation Date	If known, the date the revision request is expected to be implemented	
Enhancement and Defect Reports		
Column Header	Purpose	Filter Key Points
Enhancement/Issue ID#	Tracking number assigned for the enhancement or defect	Use filter to locate enhancements/defects by IDR#
Primary Functional Area	SPP Business/System most impacted by the requested enhancement or defect.	Use to filter by functional area to view issues by SPP business areas and/or major systems.
Component	System and/or component of the system affected.	Use to filter by system component. The Component field may be blank if the solution has not been determined.
Enhancement/Defect Description	Brief description of the enhancement request or defect.	
Priority Grouping	<p>Assessment by SPP Staff of the priority group:</p> <ul style="list-style-type: none"> • Current Release – Those items for which system changes or process/procedure changes are in progress. The in-service date will vary depending on the length of development and implementation effort <ul style="list-style-type: none"> • Release+1 – Items that are planned for inclusion in upcoming release(s). Release+1 may also include items with a longer-term implementation date due to their complexity, which are being worked as a higher priority. • Release+2 – Items that are planned for inclusion in the next release after Release+1 items. • Unplanned-A,B or C – Items in the queue not yet planned for a specific release. The sub-classification of A, B or C indicates priority within Unplanned, A being the higher, B being middle and C being the lowest priority of the Unplanned items. • Other – Items which a) need clarification, b) need further explanation of the benefits of the request, or c) cannot be placed in the queue for another reason. 	Use to filter by Priority grouping
Level of Complexity	Staff's assessment of how complex the item is to implement, taking all factors into consideration (High, Medium, Low or Unknown)	Use to filter by Level of Complexity
Severity	<p>Defines the criticality, according to the scale.</p> <ul style="list-style-type: none"> • Critical • High • Medium • Low 	Use to sort by severity, critical to low or low to critical
Cost Estimate	High-level estimated cost of work based on internal and external man hours	Use filter to locate projects by projected cost estimate
Targeted Release ID	ID associated with the system release, patch, or change that is expected to contain the issue fix.	Filter by all, omitting "blanks", to view all issues that are expected in a planned (future) release. Blank Release ID fields indicate the issue has not yet been associated with a planned release.
Associated ID	Any identifier external to SPP's issue tracking ID, which is the originator of the issue, (e.g. MPRR, MCRR, RMS...).	Filter to view issues that originated from an RMS inquiry, MPRR, MCRR, etc. Use this filter to view data previously provided on the Revision Requests report by selecting all MPRR options in the filter.
Requesting/Identifying Party	Name of company (or companies) submitting the request/identifying the issue.	Filter to view items based on requesting party.
Issue Description	Describes the enhancement from the Market Participant's point of view.	
Date Created	Date on which the issue was opened in SPP's issue tracking system.	
Notes	Text field for any additional information about the issue.	
Project Report		
Column Header	Purpose	Filter Options
Project Number	Project ID within the SPP project portfolio for project identification and tracking	Use filter to locate projects by number
Project Category	The type of project (Marketplace systems, Major Membership Expansion, Major Technology, Other)	Use to filter by project category
Project Description	Brief description of the scope of the work in business terms	Use filter to locate projects by project description/name
Status	<p>Status of the project, as defined by SPP's PMO:</p> <ul style="list-style-type: none"> • Active: Initiated, • Pending: Awaiting Initiation • Suspended: Put on hold • Closed: Completed/delivered 	Use filter to view projects by status
Phase	Current Phase of project: Example, Planning, Execution, Closing	Use filter to view projects by project phase

Priority	Priority for the project. Initial priority (High, Medium, Low, TBD) set by SPP Staff	Use filter to sort by priority
Score	Scores are calculated using the SPP Scoring Tool, which considers alignment with foundational strategies and strategic initiatives defined by the 2014 SPP Strategic Plan, as well as operational and technical efficiencies. (Initial priority score set by SPP Staff)	Use filter to locate projects by score
Cost Estimate	High-level estimated cost of work based on internal and external man hours, as well as other line item costs	Use filter to locate projects by projected cost estimate
Targeted Implementation Date	Planned implementation date	Use filter to locate projects by date range

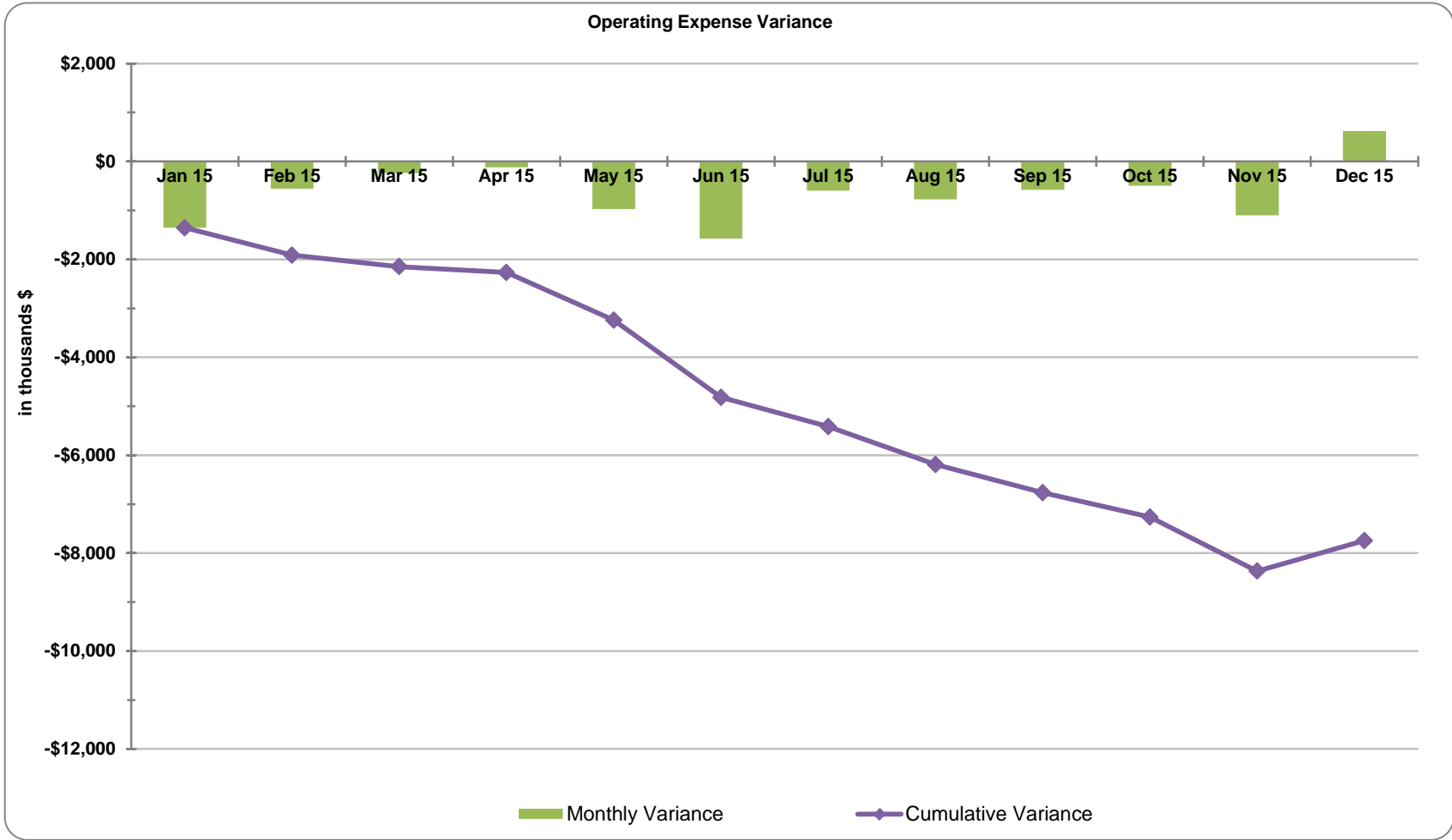
6. SPP Admin Fee Performance



	2007	2008	2009	2010	2011	2012	2013	2014	2015
Budgeted Net Revenue Required (\$000s)	\$ 52,819	\$ 61,462	\$ 56,478	\$ 68,358	\$ 78,368	\$ 89,560	\$ 121,800	\$ 132,600	\$ 141,208
Budgeted Load (000's)	288,649	312,496	331,324	333,458	343,000	353,453	360,915	348,178	363,500
Budgeted NRR / Budget Load	\$ 0.183	\$ 0.197	\$ 0.170	\$ 0.205	\$ 0.228	\$ 0.253	\$ 0.337	\$ 0.381	\$ 0.389
Approved Admin Fee	0.190	0.190	0.170	0.195	0.210	0.255	0.315	0.381	0.390
Actual Net Revenue Required (\$000's)	\$47,998	\$58,081	\$59,837	\$63,497	\$80,841	\$84,776	\$123,336	\$136,959	\$140,512
Actual Load (000's)	301,098	296,135	328,175	331,610	341,438	361,686	357,535	350,976	374,306
Actual NRR / Actual Load	\$ 0.159	\$ 0.196	\$ 0.182	\$ 0.191	\$ 0.237	\$ 0.234	\$ 0.345	\$ 0.390	\$ 0.375
Actual Load Growth	5.12%	-1.65%	10.82%	1.05%	2.96%	5.93%	-1.15%	-1.83%	6.04%

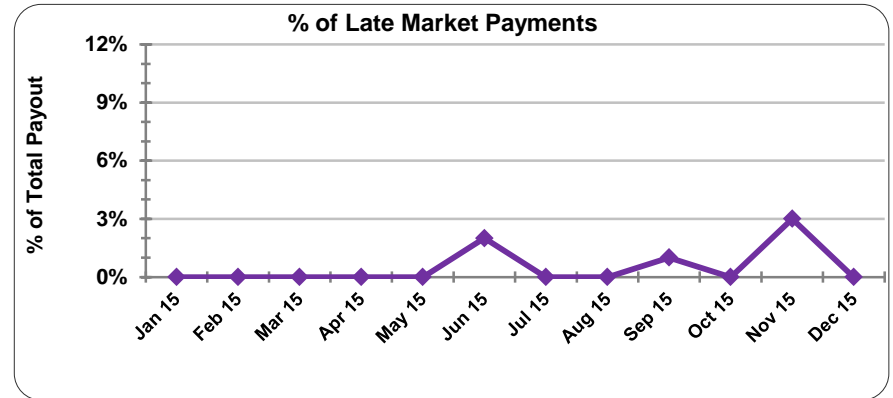
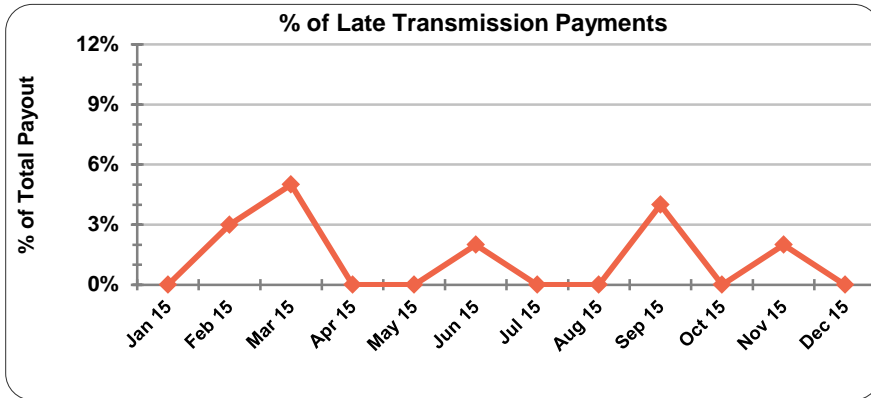
Note: Budgeted 2015 figures cover the entire 2015 calendar year, while actual 2015 figures cover the period through the date of this report.

7. Budget Performance Monitor



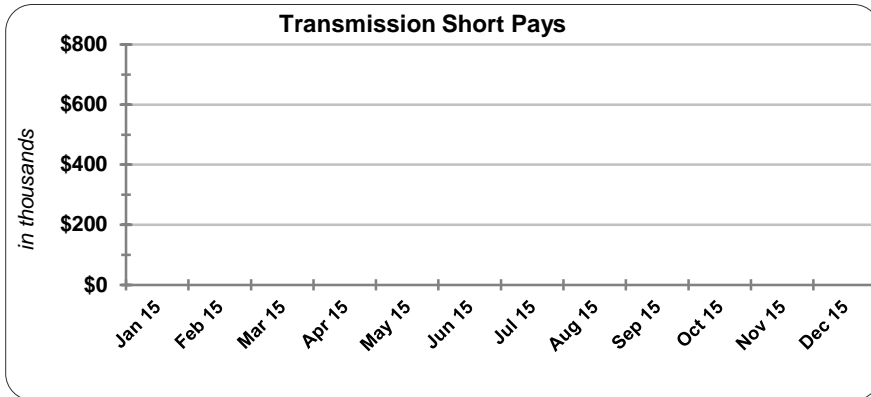
<i>in thousands \$</i>	Jan 15	Feb 15	Mar 15	Apr 15	May 15	Jun 15	Jul 15	Aug 15	Sep 15	Oct 15	Nov 15	Dec 15
Budgeted Operating Expense	16,526	16,359	16,795	17,206	16,846	16,981	16,646	16,615	16,622	17,142	16,552	16,696
Actual Operating Expense	15,171	15,800	16,560	17,086	15,874	15,403	16,050	15,841	16,045	16,644	15,450	17,318
Monthly Variance: Over Budget / (Under Budget)	(1,355)	(559)	(235)	(120)	(972)	(1,578)	(596)	(774)	(577)	(498)	(1,102)	622
12 month Cumulative Variance: Over Budget / (Under Budget)	(1,355)	(1,914)	(2,149)	(2,269)	(3,241)	(4,819)	(5,415)	(6,189)	(6,766)	(7,264)	(8,366)	(7,744)

8. Financial Settlement Index



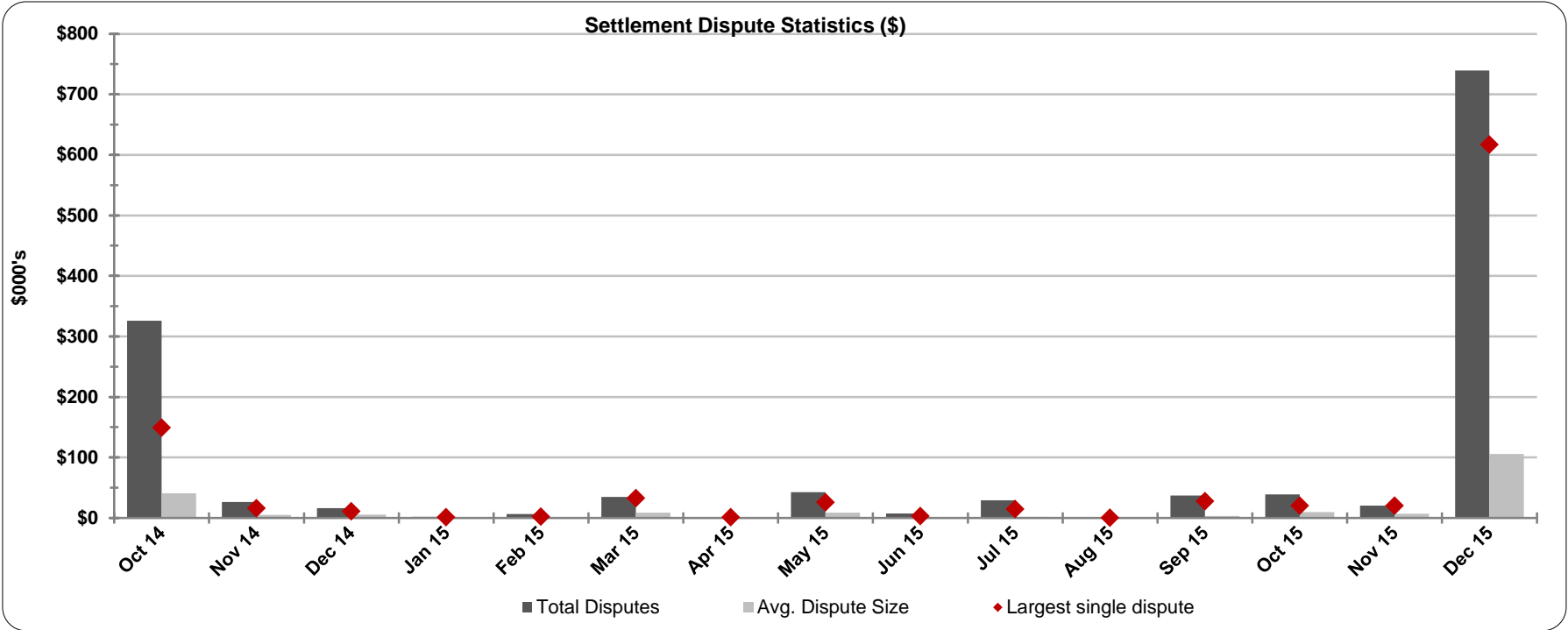
<i>in thousands</i>	Jan 15	Feb 15	Mar 15	Apr 15	May 15	Jun 15	Jul 15	Aug 15	Sep 15	Oct 15	Nov 15	Dec 15	12 mo
Late Transmission Payments	\$33	\$948	\$1,613	\$64	\$0	\$579	\$54	\$-	\$1,289	\$-	\$996	\$47	\$5,623
Total Transmission Payments	\$35,089	\$36,626	\$35,488	\$41,098	\$39,967	\$28,523	\$40,179	\$42,699	\$32,757	\$43,120	\$43,984	\$60,945	\$480,475
% Late Payments	0%	3%	5%	0%	0%	2%	0%	0%	4%	0%	2%	0%	1.2%

<i>in thousands</i>	Jan 15	Feb 15	Mar 15	Apr 15	May 15	Jun 15	Jul 15	Aug 15	Sep 15	Oct 15	Nov 15	Dec 15	12 mo
Late Market Payments	\$186	\$11	\$197	\$38	\$88	\$200	\$8	\$4	\$563	\$2	\$1,439	\$34	\$2,770
Total Market Payments	\$65,577	\$41,049	\$106,625	\$64,205	\$51,558	\$12,662	\$72,598	\$62,588	\$53,268	\$64,394	\$50,835	\$63,801	\$709,160
% Late Payments	0%	0%	0%	0%	0%	2%	0%	0%	1%	0%	3%	0%	0.4%



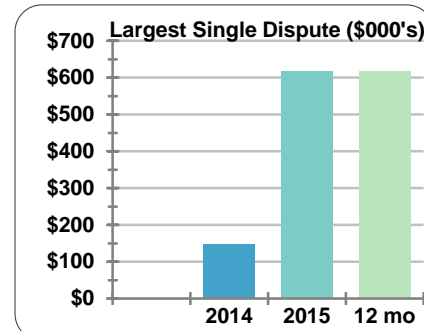
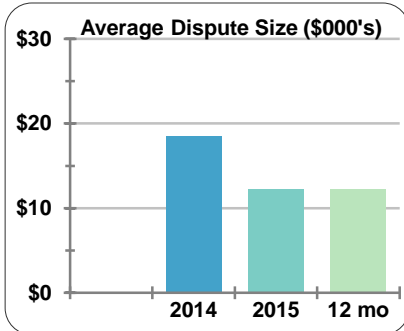
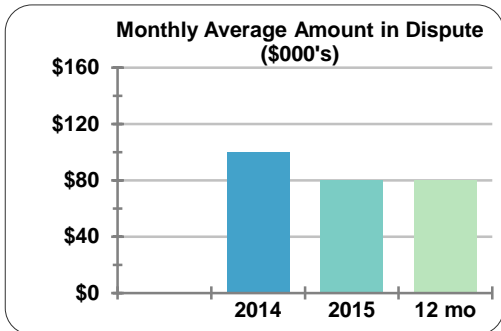
<i>in thousands</i>	Jan 15	Feb 15	Mar 15	Apr 15	May 15	Jun 15	Jul 15	Aug 15	Sep 15	Oct 15	Nov 15	Dec 15	12 mo
Transmission Short Pays	\$-	\$-	\$-	\$-	\$-	\$-	\$-	\$-	\$-	\$-	\$-	\$-	\$0
Market Short Pays	\$24	\$-	\$-	\$-	\$-	\$-	\$-	\$-	\$-	\$-	\$-	\$14	\$38

9a. Financial Disputes Index - \$ Integrated Marketplace



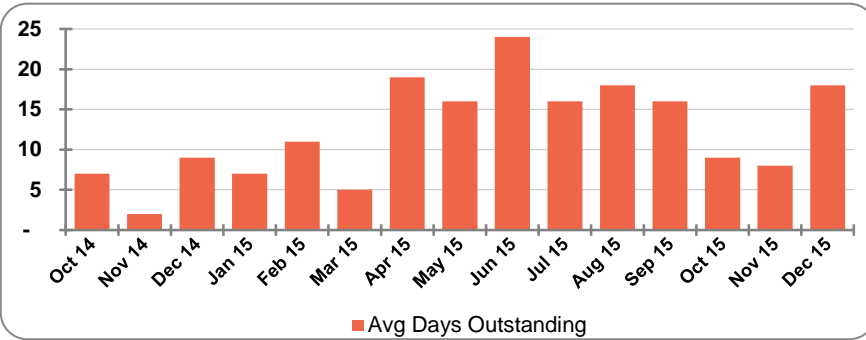
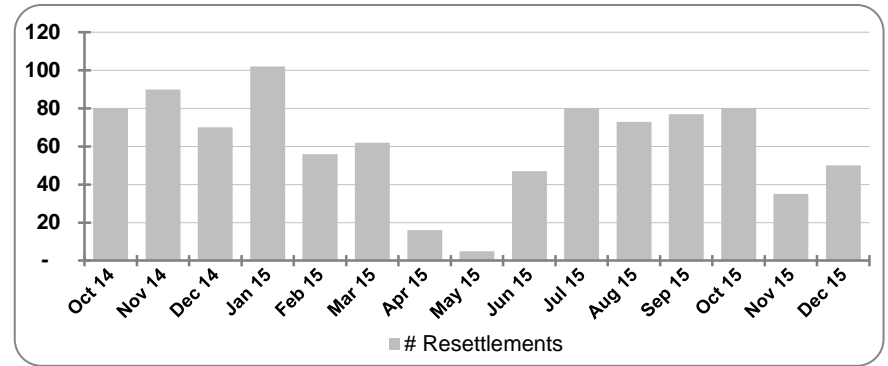
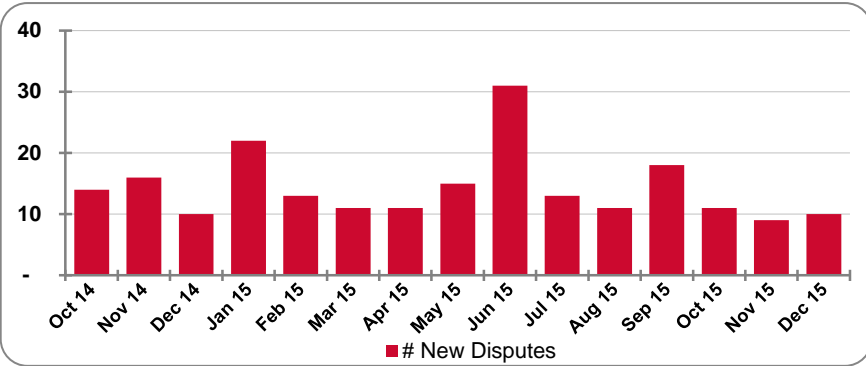
(Figures in \$000's)	Oct 14	Nov 14	Dec 14	Jan 15	Feb 15	Mar 15	Apr 15	May 15	Jun 15	Jul 15	Aug 15	Sep 15	Oct 15	Nov 15	Dec 15
Total Disputes	\$326.1	\$26.3	\$16.1	\$1.9	\$6.6	\$34.7	\$0.9	\$42.8	\$7.5	\$29.0	\$0.1	\$36.8	\$38.7	\$20.3	\$739.4
Avg. Dispute Size	\$40.8	\$5.3	\$5.4	\$0.1	\$0.9	\$8.7	\$0.3	\$8.6	\$0.8	\$1.8	\$0.0	\$3.3	\$9.7	\$6.8	\$105.6
Largest single dispute	\$149.2	\$16.2	\$11.0	\$1.0	\$2.2	\$32.6	\$0.9	\$25.8	\$3.0	\$14.5	\$0.1	\$27.8	\$20.3	\$20.3	\$616.8

	2014	2015	12 mo
Total Disputes	\$100.0	\$79.9	\$79.9
Avg. Dispute Size	\$18.5	\$12.2	\$12.2
Largest single dispute	\$149.2	\$616.8	\$616.8 *
Average			



* Annual maximum

9b. Financial Disputes Index - Integrated Marketplace



(Figures in \$000's)	Oct 14	Nov 14	Dec 14	Jan 15	Feb 15	Mar 15	Apr 15	May 15	Jun 15	Jul 15	Aug 15	Sep 15	Oct 15	Nov 15	Dec 15
# New Disputes	14	16	10	22	13	11	11	15	31	13	11	18	11	9	10
# Resettlements	80	90	70	102	56	62	16	5	47	80	73	77	80	35	50
Avg Days Outstanding	7	2	9	7	11	5	19	16	24	16	18	16	9	8	18

	2014	2015	12 mo
# New Disputes	19	15	31
# Resettlements	40	57	57
Avg Days Outstanding	6	14	14
Monthly Average			

