



Southwest Power Pool
FINANCE COMMITTEE MEETING

February 24, 2017

Ponte Vedra Beach, Florida

• M I N U T E S •

Administrative Items

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

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

Others attending included:

Patrick Clarey (phone)	FERC
Traci Bender (phone)	NPPD
Jerry Peace	OG&E
Brett Leopold	ITC Great Plains
Michael Desselle	SPP
Scott Smith (phone)	SPP
Nick Brown	SPP

Minutes from the December 5, 2016 meeting were reviewed. Kelly Harrison motioned to approve the minutes. The motion was seconded by Larry Altenbaumer and approved by unanimous voice vote.

Fiduciary Review: Pension Fund

Larry Middleton, EVP of Stephens, Inc., presented a report on the 2016 performance of the plan assets. The portfolio was up 10.62% in 2016 compared to an actuary assumed rate of return of 7.00%. Strong performance was seen in both equities (portfolio return of 14.12% vs Russell 3000 index return of 12.74%) and fixed income (portfolio return of 4.12% vs Barclays US Aggregate index return of 2.02%). The weighted average expense ratio for the portfolio was 23 bps during 2016.

Mr. Middleton identified investment themes in the areas of commodities, gas pipeline limited partnerships, and high yield fixed income as opportunities for continued outperformance in 2017. Mr. Middleton also indicated there have been no significant organizational changes at Stephens or in the investment process used by Stephens.

The Committee also reviewed the Investment Policy Statement ("IPS"). Two changes were proposed by staff to i) eliminate the differentiation between targeted investments in growth and value equities; and ii) correct a reference to the Named Fiduciary which should refer to the Plan Sponsor. Additionally, Mr. Middleton requested the Committee consider two additional changes, as follows: i) allow investments in non-investment grade debt issuances up to 15% of the portfolio; and, ii) increase the target allocation for fixed income investments to 40% (also results in a reduction of the target equity investment to 60%).

Larry Altenbaumer motioned to approve the changes to the IPS proposed by SPP staff and to approve an increase allowed investment in non-investment grade debt securities to 15% of the portfolio. The motion was seconded by Bruce Scherr and approved by unanimous voice vote.

The Committee requested two additional items from Stephens; i) a copy of their efficient decision frontier; and, ii) a copy of their “quilt” chart which illustrates, by year, performance of numerous investment vehicles. Additionally, SPP staff was asked to work with Stephens to revise their reporting to clearly demonstrate performance versus benchmarks and to add documentation to the IPS detailing the benchmarks which will be used to measure relative performance. The Committee would like to meet again with Stephens in June of 2017 to view and discuss the items mentioned above.

\$50MM Unsecured Credit Allowance

Scott Smith, SPP’s director of Treasury and Risk Management, presented a recommendation from the Credit Practices Working Group to increase the unsecured credit allowance available to customers of SPP to \$50 million. Larry Altenbaumer motioned to approve the recommendation as presented. The motion was seconded by Kelly Harrison and approved by unanimous voice vote.

2016 Financial Review

Tom Dunn, SPP’s chief financial officer, presented a review of the 2016 financial results. The major themes were: i) revenue shortfall due to lower than expected network service billings; ii) spending levels were at budget; iii) capital expenditures were delayed primarily due to resource limitations which also served to reduce maintenance expenditures. Operationally, SPP experienced a very successful year highlighted by its ability to reliably operate the grid with significant variable generation, approval of reduced reserve margins, and favorable order regarding jurisdiction of the Commodities Futures Trading Commission.

The Committee discussed the controls around the significant amount of customer deposits held by SPP. SPP staff will provide additional information regarding reconciliation processes, Internal Audit department reviews, and appropriateness of SPP holding deposits for transmission construction.

Finally, the Committee requested a copy of SPP’s 10-year financial forecast. SPP staff will distribute the financial model to the Committee following completion of the 2016 audit.

Strategic Plan/Operating Plan/Budget Linkage

Larry Altenbaumer, member of the SPP Board of Directors, presented to the Committee a framework to ensure clearer communication and linkage in the planning process. SPP staff was asked to create a formal response to the framework identifying opportunities to adopt aspects to improve the linkages in the planning processes.

Other Items

Larry Altenbaumer, on behalf of the entire Committee, staff, and membership, thanked Harry Skilton for his 14 years of service as chair of the Finance Committee. Mr. Skilton is rotating off of the Finance Committee at the close of this meeting.

Future Meetings

The next meeting of the Finance Committee is scheduled for April 5, 2017 at the Atlanta Airport Marriott beginning at 7:30 a.m. and ending at 2:30 p.m.

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
February 24, 2017

	Action Item	Date Originated	Status	Comments
1.	Investigate alternative metrics to use in allocating SPP's costs to the region	July 6, 2016	In Process	
2.	Evaluate inclusion of credit process controls in SSAE 16 audit scope	July 6 ,2016	New	
3.	Investigate how SPP member utilities insure against cyber liabilities	July 6, 2016	In Process	To be presented at April 2017 meeting
4.	Engage firm to review work of actuary on benefit plans	April 5, 2016	New	
5.	Distribute 10-year financial model	Feb 24, 2017	New	Will be distributed following completion of 2016 audit
6.	Customer deposit recon processes, internal audit reviews, construction deposits	Feb 24, 2017	New	
7.	Staff response to planning linkage framework	Feb 24, 2017	New	
8.	Efficient decision frontier and quilt chart from Stephens	Feb 24, 2017	New	
9.	IPS – adopt performance benchmarks, report on fund performance vs. benchmarks	Feb 24, 2017	New	Present at June 14 2017 meeting
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Southwest Power Pool, Inc.
FINANCE COMMITTEE MEETING
February 24, 2017
Plantation Club – Ponta Vedra Beach, FL

• A G E N D A •

8:00 a.m. – 2:30 p.m.

- 1. Administrative Items Harry Skilton
 - a. Review of Past Action Items Tom Dunn
- 2. Fiduciary Reviews.....
 - a. Investment Policy Statement Review..... Tom Dunn
 - b. Pension Fund Investment Performance..... Larry Middleton – Stephens, Inc.
- 3. \$50MM Unsecured Credit Allowance Scott Smith
- 4. 2016 Financial Review Tom Dunn
- 5. Strategic Plan/Operating Plan/Budget Linkage Larry Altenbaumer
- 6. Org Group Survey Results
 - a. Recurring Items Review Tom Dunn
- 7. Written Reports.....
 - a. Financial, Settlements, and Credit Metrics
 - b. Credit Practices Working Group Report
- 8. Future Meetings.....

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



Southwest Power Pool
FINANCE COMMITTEE MEETING

December 5, 2016

Little Rock, Arkansas

• M I N U T E S •

Administrative Items

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

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

Others attending included:

Jason Fortek (phone)	Lincoln Electric
Traci Bender (phone)	NPPD
Jerry Peace	OG&E
Josh Martin	SPP Director
Bruce Scherr	SPP Director
Phyllis Bernard	SPP Director
Julian Brix (phone)	SPP Director
Graham Edwards	SPP Director
Carl Monroe	SPP
Michael Desselle	SPP
Richard Dillon	SPP
Jim Gunnell	SPP
Scott Smith	SPP
Jared Barker	SPP
Lauren Krigbaum	SPP
Stan Payne	Stephens Insurance
Kevin McBride	Stephens Insurance
Matt Jones	Stephens Insurance
Barrett Breeding	BKD, LLC
Eddie Holt (phone)	KPMG
Chin Modha (phone)	KPMG

Minutes from the November 10, 2016 meeting were reviewed. Kelly Harrison motioned to approve the minutes. The motion was seconded by Mike Wise and approved by unanimous voice vote.

SPP staff reviewed the status of the Action Items list and provided the Committee with presentations covering two issues:

- 1) Credit Practice Working Group re-review of the appropriateness of allowing netting between TCR positions to create a net exposure. The Credit Practice Working Group determined continuation of this practice was appropriate due to the conservative methodology used to determine potential TCR exposure.
- 2) SPP Market Design department analysis of the value provided to SPP's market by financial only market participants. The analysis performed was unable to document any consistent value

provided to SPP's markets by financial only participants. SPP will discuss this report with peers within the ISO/RTO council.

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

Continuous Improvement Review

Michael Desselle, SPP's Vice President of Process Integrity and Chief Compliance Officer, and Jim Gunnell, SPP's Director of Stakeholder Services, reported on SPP's business process improvement program results for the year-to-date 2016 period. In general, SPP continues to see benefits of the formalized process, though 2016 was less productive than prior years due to focus on rectifying compliance shortfalls and staff turnover. SPP staff will make an annual report to the Committee going forward.

Corporate Liability Insurance Stewardship Report

Representatives from Stephens Insurance, LLC provided an overview of the property & casualty, professional liability and Director and Officer insurance markets. In general, the marketplace has generally been experiencing premium reductions with isolated areas of premium increases in executive liability and excess liability products. Stephens indicated SPP could expect flat to low/single digit increases in premiums for all lines except Errors and Omissions and Directors and Officer coverage; on both of those lines Stephens is projecting up to 7% increase in premiums.

Stephens provided a briefing on they cyber liability insurance marketplace. Presently, SPP's excess liability policies seem to provide some protection against third party claims. First party claims (damage to SPP assets or data) fall under SPP's property coverages and only has minimal protection.

2016 Financial Audit

Barrett Breeding of BKD, LLC presented the 2016 financial audit plan identifying significant focus areas for the audit and seeking input from the Committee on other areas which the Committee would like audited.

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

2016 Controls Audit

Representatives from KPMG presented the results of SPP's SSAE 16 Controls Audit completed as of October 31, 2016 covering the period November 1, 2015 through October 31, 2016. The audit report will be issued with an unqualified opinion and no noted exceptions.

Pension Assumptions

SPP staff discussed its recommendations for the four primary assumptions required for pension accounting and valuation: i) discount rate – staff recommended a discount rate of 5.00% in accordance with SPP's process for determining the discount rate assumption; ii) investment rate of return – staff recommends remaining at 7.00% long-term rate of return; iii) rate of compensation change – staff recommends remaining at 4.00% iv) staff recommended utilizing the current IRS mortality tables in accordance with Finance Committee directives from December 2015.

Future Meetings

Finance Committee
December 5, 2016

The next meeting of the Finance Committee is scheduled for February 24, 2017 at the Plantation Club in Ponte Vedra Beach, FL beginning at 8:00 a.m. and ending at 2:00 p.m.

There being no further business, Harry Skilton adjourned the meeting at 5:53 p.m.

Respectfully Submitted,

Thomas P. Dunn
Secretary

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

	Action Item	Date Originated	Status	Comments
1.	Investigate alternative metrics to use in allocating SPP's costs to the region	July 6, 2016	In Process	
2.	Evaluate inclusion of credit process controls in SSAE 16 audit scope	July 6, 2016	New	
3.	Investigate how SPP member utilities insure against cyber liabilities	July 6, 2016	In Process	To be presented at April 2017 meeting
4.	Engage firm to review work of actuary on benefit plans	April 5, 2016	New	
5.	Quantify liquidity provided to Integrated Marketplace by virtual transactions	July 6, 2016	Complete	Presented at December 5, 2016 meeting
6.	Direct Credit Practice Working Group to reevaluate practice of using positive value TCR as collateral for TCR portfolio	April 5, 2016	Complete	Presented at December 5, 2016 meeting
7.	Full review of corporate liability insurance	12/07/2015	Complete	Presented at July 7, 2016 meeting
8.	Prepare a graph of historical member deficit	April 5, 2016	Complete	Presented at July 7, 2016 meeting
9.	Report each meeting on significant legal issues	April 5, 2016	Complete	Presented at July 7, 2016 meeting
10	Determine requirement for SPP to fund RSC	April 5, 2016	Complete	Presented at July 7, 2016 meeting
11	Review description of RE function in financial audit footnotes	April 5, 2016	Complete	Removed any mention of RE from footnotes
12	Provide documentation of control activities on credit security refunds	April 5, 2016	Complete	Presented at July 7, 2016 meeting
13	Re-review controls on approving invoices for payment	April 5, 2016	Complete	Presented at July 7, 2016 meeting
14	Document value added by financial-only market participants compared to profits earned by those participants in SPP markets	April 5, 2016	Complete	Presented at July 7, 2016 meeting

15	Illustrate impact of charging NITS based on energy and PtP based on reserved capacity	April 5, 2016	Complete	Presented at July 7, 2016 meeting
16	Provide information on December 2015 settlement dispute activity	April 5, 2016	Complete	Description sent on afternoon of April 5, 2016
17	Add Settlement and Credit metrics to Committee materials	3/11/2016	Complete	Scheduled for April 2016 meeting
18	Revisit SPP's rate design	11/10/2015	Complete	Scheduled for April 2016 meeting
19	Prepare document outlining capital expenditures and funding options	7/17/2015	Complete	Scheduled for April 2016 meeting
20	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
21	Create checklist of committee duties	7/09/2015	Complete	Presented at March 11, 2016 meeting

SOUTHWEST POWER POOL RETIREMENT PLAN

INVESTMENT POLICY STATEMENT

~~September 23, 2014~~ February 24, 2017

1.01 PURPOSE OF THIS STATEMENT

The Finance Committee (“the Named Fiduciary”) of the Southwest Power Pool, Inc. Board of Directors, on behalf of Southwest Power Pool, Inc. (“the Plan Sponsor”), hereby establishes the following policy for administering the Southwest Power Pool Retirement Plan (“the Plan”) investment program. The Investment Policy Statement (“the Statement”) sets forth the investment objectives and guidelines that will be applied within the investment program to insure the assets of the Plan are managed in a manner consistent with the Plan document and applicable statutory requirements. In addition, the Statement is to provide a framework for management of the assets of the Plan within levels of risk acceptable to the Named Fiduciary. The Statement provides the investment manager(s) with a written statement of specific quality, quantity and rate of return standards.

This Statement is based on the “prudent expert rule” to ensure all fiduciaries under the Plan act with skill, care, prudence, and diligence. It is expected that decisions related to management of the Plan and its assets will follow a careful, skillful, prudent and diligent process.

1.02 AMENDMENTS TO THE STATEMENT

The Named Fiduciary reserves the right to amend this Statement at any time as deemed prudent or necessary. Should any amendment to this Statement be required due to changes in the Plan document or a change in applicable law, the Named Fiduciary shall have due time to review such changes and prepare and implement an appropriate amendment. Because of the dynamic nature of the economic environment, developments in financial theories, and advances in technology, this Statement will be examined by the Named Fiduciary from time to time on a formal or informal basis and may, as a result of such examination, be revised by the Named Fiduciary.

1.03 BACKGROUND OF THE FUND

The Plan was established by the Southwest Power Pool, Inc. Board of Directors effective January 1, 1996. The purpose of the Plan is to provide annuity payments to qualified retirees of the Plan Sponsor.

1.04 PLAN PROFILE

The Plan was established to receive assets from the Plan Sponsor. Thereafter, assets in the Plan are used to provide annuity payments to retired employees of the Plan Sponsor meeting the qualification guidelines detailed in the Plan. The Plan is regulated by the Employee Retirement Income Security Act (“ERISA”). Earnings or losses of the Plan are

not subject to taxation. Distributions of benefits to retirees are taxable to the retiree/beneficiary.

1.05 PLAN FUNDING

The Plan Sponsor contributes periodic funds to the Plan based on guidance provided by the Plan's actuary and decisions made by the Named Fiduciary and accepted by the Southwest Power Pool, Inc. Board of Directors. It is expected that the Plan Sponsor will continue to make periodic contributions to the Plan into the foreseeable future.

2.01 INVESTMENT OBJECTIVES

The overall objective of this Statement is to provide guidance for the investment of contributions and other Plan assets and to help maintain adequate funding for Plan liabilities. It is crucial the investment philosophy follow the guidelines of ERISA, primarily that the funds are managed solely in the interest of plan participants. The Named Fiduciary will utilize a portfolio approach when evaluating Plan return, risk, and cost.

2.02 RETURN OBJECTIVES

The primary goal is to obtain a return annualized over the preceding five calendar years equal to or exceeding the actuarially assumed rate of return (currently 7%). Long-term returns above the actuarially assumed rate may serve to reduce the periodic funding required of the Plan Sponsor.

2.03 RISK OBJECTIVES

The Plan assets will be managed with an average to above average risk profile. Currently the pension liabilities are relatively long-term in nature with minimal near term liquidity requirements, allowing for volatility above what one would expect from a portfolio with shorter term investment horizon.

Investments held by the Plan should at all times have readily available prices and sufficient trading volume so that investments can be bought and sold easily without significantly impacting the price of the investments.

2.04 COST OBJECTIVES

The Named Fiduciary will strive to minimize the costs of managing Plan assets while maintaining risk and return at a reasonable level and consistent with market costs for engaging qualified professionals to provide asset management and administration services.

2.05 ASSET ALLOCATION

The assets of the Plan will be invested in one or more of the following asset classes:

Cash: Comprised of demand deposit accounts, savings accounts, money market accounts, debt instruments with maturities of 3 months or less

Debt Securities: U.S. Dollar denominated fixed income securities with maturities in excess of 3 months including, but not limited to, Government and Agency issues, mortgage and asset backed securities, and corporate issues, or investment in professionally managed funds, including Exchange Traded Funds (“ETF”) investing in the previously mentioned types of securities. Although fixed income investments rated less than investment grade are permitted, the average credit quality of the aggregate fixed income allocation should be investment grade. At no time will investments in debt securities rated below investment grade exceed 5% of the total portfolio value.

U.S. Equities: Common and preferred equity securities of companies domiciled in the United States or in professionally managed funds, including ETFs, investing primarily in the previously mentioned securities

International Securities: Direct investment or investment in professionally managed funds, including ETFs, investing in common and preferred equity securities and debt securities of companies domiciled outside of the United States. Security issues of non U.S. domiciled entities may be acquired either through U.S. exchange traded American Depository Receipts or directly through non U.S. based exchanges. In no event will the market value of International Securities holdings exceed 20% of the market value of the Plan Assets. The Named Fiduciary will review the total international security holdings of the plan annually and determine if the level of holdings is appropriate. The Named Fiduciary may direct the investment managers to increase or reduce international security holdings at any time.

Derivative Instruments: No direct investment in derivative instruments is permitted, although investment is permitted in professionally managed funds that do use derivatives. Funds making use of derivatives must specifically prohibit the use of derivatives to achieve leverage.

In aggregate, the assets of the Plan shall target the asset allocation ranges listed below:

<u>Security Description</u>	<u>Lower Limit</u>	<u>Target</u>	<u>Upper Limit</u>
Cash	0%	5%	15%
Debt Securities	15%	25%	35%
Equity Securities (growth)	36 0%	35 70%	
	480%		
Equity Securities (value)	30%	35%	40%

The Named Fiduciary will take appropriate action should the invested assets of the Plan stray more than 10% outside of the established allocation range.

2.06 PROHIBITED INVESTMENTS

The assets of the Plan shall not be used to invest in any investment not specifically permitted by this Statement. Direct investments to short securities are also prohibited. The Named Fiduciary does not limit investments in specific entities except as noted above. Investment managers are allowed to invest in electric utilities, including members

of the Named Fiduciary, should they wish without restrictions. The Named Fiduciary shall not be permitted to direct any investment manager to invest in any particular individual security nor require the investment manager to provide notice to the Named Fiduciary prior to making investments permitted by this Statement.

3.01 SELECTION OF INVESTMENT MANAGER(S)

The Named Fiduciary shall select investment managers and, where appropriate, investment options based on the evaluation of qualitative and quantitative factors. The manager selection process will focus on the following five key aspects of an investment management firm and investment option:

1. **Organization** – evaluate the key elements of an efficient and successful investment management organization such as stable firm ownership, clear business objectives, industry reputation, and experienced and talented investment staff.
2. **Investment Philosophy and Process** – evaluate the key elements of a valid and well-defined investment approach such as unique sources of information, disciplined buy/sell decisions, systematic portfolio construction, and adequate risk controls.
3. **Resources** – evaluate the state of current and proposed resources supporting the investment process including the quality and depth of research and the adequacy of information management, compliance and trading systems.
4. **Performance** – evaluate historical returns and risks relative to passive indexes, peer groups, and other competing firms.
5. **Management Fees** – evaluate the proposed fee structure relative to the industry and other competing candidates.

These factors are chosen to insure manager/option selections are made with a prudent degree of care, and excessive risk is avoided. Notwithstanding the above, the Named Fiduciary may also include other factors that may be appropriate to a specific manager/option selection exercise.

3.02 ACKNOWLEDGEMENT OF FIDUCIARY RESPONSIBILITY

Any and all investment managers selected to invest the assets of the Plan will be required, as a condition of their selection, to acknowledge their fiduciary status and responsibility to the Plan, in writing. This requirement shall not require the investment manager of a mutual fund in which the Plan invests to acknowledge fiduciary status.

3.03 MONITORING THE INVESTMENT MANAGER

The objective of the investment manager monitoring process is to identify on a timely basis any adverse changes to the investment manager's organization or investment process by periodically evaluating a number of qualitative and quantitative factors. In

addition, once adverse changes are identified, the monitoring process shall also dictate the timing and manner of response.

The Named Fiduciary shall evaluate the investment managers/options at least annually using the framework in 3.01 above, in addition to using any other factors the Named Fiduciary believes are appropriate to the inquiry. These factors are intended to insure that decisions to retain investment managers/options are made with a prudent degree of care and excessive risk is avoided.

If results from the monitoring process indicate substandard investment performance or a potentially adverse change in the investment manager's organization or investment process, the Named Fiduciary may choose one of several courses of action including assigning the investment manager/option a temporary probationary status known as the Watch List, undertaking an in-depth review, or terminating the investment manager/option.

Being placed on the Watch List is meant to convey the Named Fiduciary's increased level of concern about a particular issue or event, which if left unresolved, could endanger the future relationship. An in-depth review may be undertaken as a result of the manager/option failing to rectify the issues that led to their placement on the Watch List, or in response to a major adverse change in the investment manager's organization or investment process to the extent the Named Fiduciary seriously questions the firm's ability to manage the portfolio going forward. The purpose of the in-depth review is to determine whether terminating the manager/option is an appropriate course of action.

3.04 TERMINATION/REPLACEMENT OF INVESTMENT MANAGERS

The Named Fiduciary may eliminate or replace the investment manager/option any time the Named Fiduciary deems it in the best interests of the Plan.

Southwest Power Pool, Inc.
CREDIT PRACTICES WORKING GROUP
Recommendation to the Finance Committee
February 16, 2017
Unsecured Credit Allowance

Organizational Roster

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

Mark Holler, Tenaska
Malcolm Booker, OMPA
William Thompson, AEP
Gina Wilson, ITC Holdings

Terri Wendlandt, Westar
Ronnie Hall, KCPL
Cassandra Strange, OGE

Background

Article Four of Attachment X in the Open Access Transmission Tariff (Credit Policy) addresses creditworthiness of SPP's Credit Customers. It states that "no Credit Customer shall have an Unsecured Credit Allowance in excess of \$25MM".

Analysis

Certain SPP credit customers are eligible for the extension of an unsecured credit allowance (UCA). The UCA allows the customers to transact in SPP's markets without posting financial security (or reduced security) to meet their potential exposure requirements. This eligibility is determined by the customer's capacity to meet SPP's capitalization criteria and their financial health. The Credit Policy determines the specific amount of UCA for each credit customer based upon a composite credit score; both quantitative and qualitative data is considered.

The Credit Policy imposes a maximum UCA of \$25MM regardless of the customer's ability to qualify for more. The cap was put in place before the launch of SPP's Energy Imbalance Market and was readdressed, without change, prior to the launch of the Integrated Marketplace. This \$25MM cap represents an aggregate amount per corporate family including all affiliates.

Recent corporate mergers and additions to SPP's markets have highlighted the need to revisit the cap. FERC Order 741 imposes a maximum UCA of \$50MM per corporate family, however SPP is the only ISO/RTO with a day-ahead market using less than the FERC maximum. At the direction of the CPWG, staff estimated an increase to the current \$25MM cap would affect approximately 15 credit customers. These customers tend to be larger, vertically-integrated utilities or cooperatives which rely on the transmission and energy markets to satisfy their load-serving obligations. Increasing this cap from \$25MM to \$50MM would reduce the costs of capital for these utilities while exposing SPP's customers to minimal additional credit default risk.

Recommendation

The Credit Practices Working Group recommends the Finance Committee approve the increase of the UCA from \$25MM to \$50MM.

Approved: Credit Practices Working Group February 16, 2017
Passed Unopposed

Action Requested: Approve Recommendation

Company	Rating	Company Credit Line	Cap Increased to \$50M
EXELON GENERATION COMPANY LLC	A+	25,000,000	50,000,000
MONTANA DAKOTA UTILITIES CO A DIVISION OF MDU RESOURCES GROU	A+	25,000,000	50,000,000
Alexander Wind Farm, LLC	A-	25,000,000	29,000,000
OKLAHOMA GAS & ELECTRIC CO	A-	25,000,000	50,000,000
MIDAMERICAN ENERGY COMPANY	BBB+	25,000,000	50,000,000
INTERSTATE POWER AND LIGHT CO	BBB+	25,000,000	45,000,000
WESTAR ENERGY INC	BBB+	25,000,000	50,000,000
KANSAS CITY POWER & LIGHT CO	BBB+	25,000,000	50,000,000
SOUTHERN COMPANY SERVICES, INC	BBB	25,000,000	50,000,000
CONOCO PHILLIPS COMPANY	BBB-	25,000,000	50,000,000
ROYAL BANK OF CANADA	B	25,000,000	50,000,000
NEBRASKA PUBLIC POWER DISTRICT	AA-	25,000,000	50,000,000
OMAHA PUBLIC POWER DISTRICT	A+	25,000,000	50,000,000
CITY UTILITIES OF SPRINGFIELD	A+	25,000,000	45,000,000
GRAND RIVER DAM AUTHORITY	A-	25,000,000	25,000,000
BASIN ELECTRIC POWER COOPERATIVE INC	A-	25,000,000	50,000,000
AMERICAN ELECTRIC POWER SERVICE COR	BBB+	24,000,000	49,000,000
SOUTHWESTERN PUBLIC SERVICE CO	BBB	24,500,000	37,000,000
WESTERN AREA POWER ADMINISTRATION - UGP Marketing	AA-	24,750,000	50,000,000
ARKANSAS ELECTRIC COOPERATIVE	A-	24,462,000	25,000,000
ASSOCIATED ELECTRIC COOPERATIVE	A-	24,529,000	27,000,000
CARGILL POWER MARKETS LLC	A+	20,000,000	20,000,000

2016 Financial Review

2016 Highlights

- ü Approved reserve margin reduction to 12%
- ü Reliable integration of wind (15% of generation capacity)
- ü Exemption from CFTC regulation
- ü Completion of FERC audit (no findings), 693 audit (no findings), SSAE 16 audit (7th year unqualified)
- ü Integrated Marketplace savings top \$1 billion
- ü Implemented Z2, processed historical period

2016 Financial Highlights

GOALS:

- Investment grade credit rating
- Liquidity
- Appropriate costs

RESULTS:

- ü “A” rated by Fitch, stable outlook
- ü Renegotiated \$30MM revolver, reduced fees
- ü Funded \$33MM in term notes, no new financing expected through 2017
- ü Spending discipline, tracked budget

SPP INCOME STATEMENT ANALYSIS (\$ million)

Income	2016 Forecast	2016 Actual	Variance		2016 Budget	2016 Actual	Variance	
Tariff Admin Rev	\$144.8	\$143.9	(\$.8)	-0.6%	\$150.7	\$143.9	(\$6.8)	-4.5%
Schedule 12	\$16.7	\$16.9	\$.2	1.3%	\$16.5	\$16.9	\$.4	2.4%
NERC	\$9.4	\$9.3	(\$.1)	-1.0%	\$10.4	\$9.3	(\$1.1)	-10.7%
Other	\$5.3	\$5.7	\$.4	7.2%	\$4.5	\$5.7	\$1.2	26.8%
Total Income	<u>\$176.2</u>	<u>\$175.8</u>	<u>(\$.3)</u>	<u>-0.2%</u>	<u>\$182.1</u>	<u>\$175.8</u>	<u>(\$6.3)</u>	<u>-3.5%</u>
Expense								
Salary & Benefits	\$88.6	\$90.2	(\$1.6)	-1.8%	\$85.2	\$90.2	(\$5.0)	-5.8%
FERC Fees	\$18.6	\$18.6	-	0.0%	\$17.0	\$18.6	(\$1.6)	-9.7%
Maintenance	\$14.5	\$14.8	(\$.3)	-1.9%	\$16.8	\$14.8	\$2.0	12.1%
Services	\$14.9	\$15.1	(\$.2)	-1.1%	\$15.1	\$15.1	(\$.0)	0.0%
Depreciation	\$58.4	\$58.1	\$.3	0.5%	\$59.7	\$58.1	\$1.6	2.6%
Other	\$12.1	\$11.6	\$.6	4.6%	\$12.8	\$11.6	\$1.2	9.6%
Total Expense	<u>\$207.2</u>	<u>\$208.4</u>	<u>(\$1.1)</u>	<u>-0.5%</u>	<u>\$206.6</u>	<u>\$208.4</u>	<u>(\$1.8)</u>	<u>-0.9%</u>
Other Income/(Expense)								
Interest	(\$10.7)	(\$10.7)	-	0.0%	(\$10.6)	(\$10.7)	(\$.1)	1.1%
SWAP Valuation	(\$.7)	\$.7	\$1.4	192.5%	-	\$.7	\$.7	n/a
Other	\$.9	\$1.2	\$.2	24.5%	-	\$1.2	\$1.2	n/a
Total Other Income/(Expense)	<u>(\$10.5)</u>	<u>(\$8.9)</u>	<u>(\$1.6)</u>	<u>15.6%</u>	<u>(\$10.6)</u>	<u>(\$8.9)</u>	<u>(\$1.7)</u>	<u>16.3%</u>
Net Income (Loss)	<u><u>(\$41.6)</u></u>	<u><u>(\$41.4)</u></u>	<u><u>(\$.2)</u></u>	<u><u>0.4%</u></u>	<u><u>(\$35.0)</u></u>	<u><u>(\$41.4)</u></u>	<u><u>\$6.4</u></u>	<u><u>-18.1%</u></u>

2016 CAPITAL EXPENDITURES ANALYSIS (\$millions)

	2016 Budget	2016 Actual	Status	Total Budget	Spend To Date
Enhanced Combined Cycle - Gas Day	\$ 5.0	\$ 3.2	Mar-17	\$ 7.7	\$ 4.9
Z2 Crediting (phase I)	-	0.2	Complete	1.6	1.8
TTSE Dispatcher Training Simulator (phase I)	0.2	0.2	Complete	0.2	0.2
PMU Data Exchange (phase I)	0.4	0.8		1.4	0.8
Z2 Crediting P2 and P3	0.3	-	Not Started		
Identity and Access Management System	0.5	-	Not Started		
Other	0.5	0.3	N/A		
IT Foundation	9.5	6.9			
Other (Non-IT) Department Foundation	2.2	0.7			
Ops Foundation	2.6	0.8			
Facilities Foundation	0.7	0.8			
Settlements Foundation	0.3	0.2			
Total Capital Expenditures	\$ 22.2	\$ 14.1			

Monthly Financial Reporting Package
December 2016

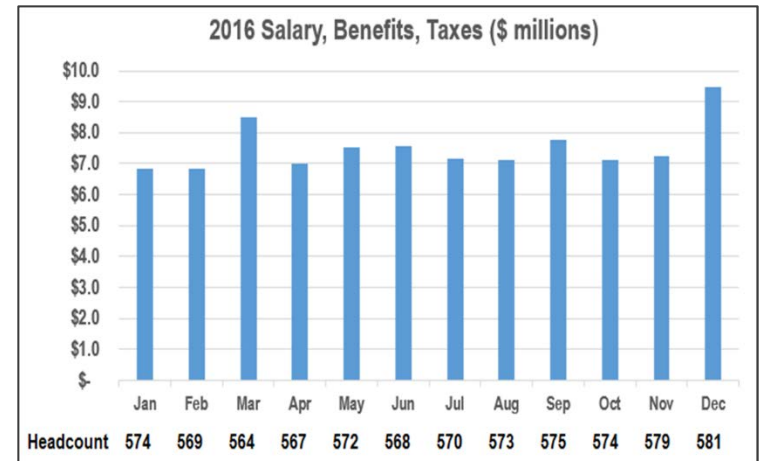
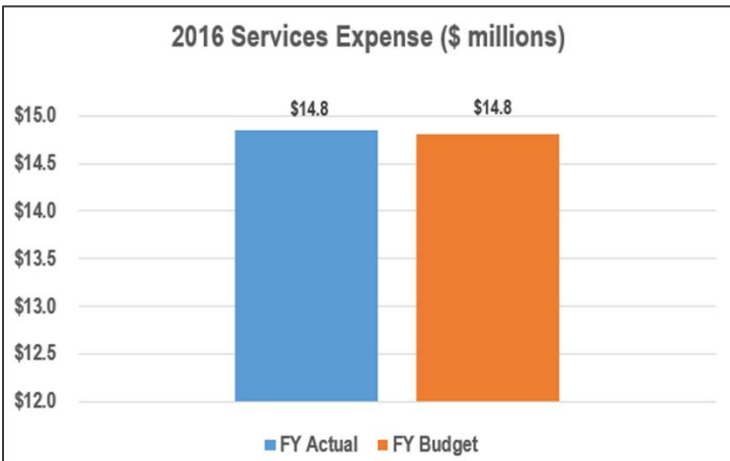
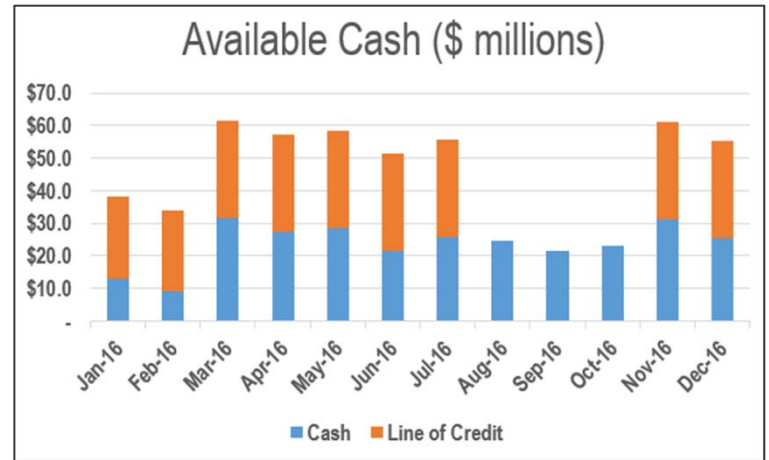
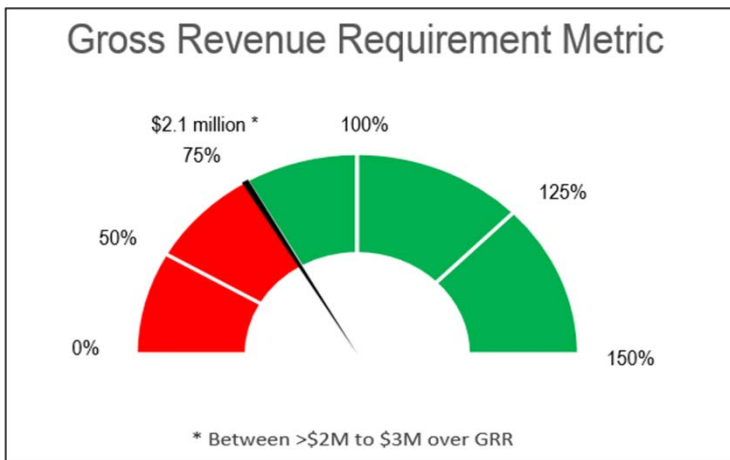
SPP Executive Summary – December 2016

2016 Over / (Under) Recovery and Cash Balances

<u>Cost Recovery (\$ millions)</u>	2016 Actual	2016 Budget	Fav/ (Unfav)
Gross Revenue Requirement (GRR) *	\$157.8	\$155.7	(\$2.1)
Net Revenue Requirement (NRR)	151.8	150.5	(1.3)
Admin Fee Revenue	143.9	150.4	(6.5)
Over / (Under) Recovery	(\$7.8)	(\$0.1)	(\$7.7)

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

GRR & Available Cash, Compensation and Outside Services Expenses



**Southwest Power Pool
2016 Financial Commentary
December 31, 2016**

*Preliminary and Unaudited
(in thousands)*

Summary				
	2016 FY Actual	2016 FY Budget	Fav/(Unfav) Variance	
Revenues	\$175,829	\$182,079	(\$6,249)	(3.4%)
Expenses	217,234	217,092	(142)	(0.1%)
Net Income/(Loss)	<u>(\$41,405)</u>	<u>(\$35,013)</u>	<u>(\$6,391)</u>	(18.3%)

Revenue				
	2016 FY Actual	2016 FY Budget	Fav/(Unfav) Variance	
Tariff Administration Service	\$143,933	\$150,660	(\$6,727)	(4.5%)
FERC Fees & Assessments	16,895	16,500	395	2.4%
NERC ERO Regional Entity Rev	9,313	10,432	(1,120)	(10.7%)
Miscellaneous Income	4,602	3,400	1,202	35.3%
Contract Services Revenue	529	498	31	6.2%
Annual Non-Load Dues	558	588	(30)	(5.1%)
Total Revenue	<u>\$175,829</u>	<u>\$182,079</u>	<u>(\$6,249)</u>	(3.4%)

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 load for 2015 is the basis for 2016 Schedule 1A revenues and was budgeted at 407 million MWh. The 2016 load is 393 million MWh and results in an unfavorable revenue variance of \$6.7 million.

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, three to four positions have remained vacant throughout most of the year. These vacancies contribute to RE expenses and associated NERC revenues trailing budget. The net impact is \$0.3 million unfavorable.

MISO settlement agreement revenues were budgeted in Tariff Administrative Service account, but are recorded in Miscellaneous Income (\$0.3 million). Engineering studies revenue exceeds budget to date and also contributes to the favorable variance (\$0.7 million).

**Southwest Power Pool
2016 Financial Commentary
December 31, 2016**

*Preliminary and Unaudited
(in thousands)*

Expense				
	2016 FY Actual	2016 FY Budget	Fav/(Unfav) Variance	
Salary & Benefits	\$90,176	\$85,153	(\$5,023)	(5.9%)
Assessments & Fees	18,648	17,000	(1,648)	(9.7%)
Communications	3,915	4,091	176	4.3%
Maintenance	14,775	16,847	2,072	12.3%
Outside Services (Including RSC)	15,067	15,066	()	(0.0%)
Administrative & Leases	4,764	5,198	433	8.3%
Travel & Meetings	2,892	3,433	540	15.7%
Depreciation & Amortization	58,120	59,736	1,616	2.7%
Other Expenses	8,877	10,569	1,692	16.0%
Total Expense	\$217,234	\$217,092	(142)	(0.1%)

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 during mid-year 2016. Although headcount and compensation were added for these positions, a material increase is not visible in Salaries due to an offsetting variance attributable to the vacancy run-rate (average 5% actual as compared to the budgeted rate of 4%).

Pension and Retiree Healthcare Benefits expense was adjusted in early 2016 to reflect the most recent actuarial calculations for pension costs. This represented an increase of \$2.4 million over the budget, which was based on the 2015 actuarial calculations. The actual approved funding for 2016 creates a \$1.9 million unfavorable variance to the cash funding assumed in the budget. Employee healthcare expense exceeds budget by \$0.6 million due to several large claims in the current year.

Assessments and Fees is considerably higher than the original budget. SPP received its annual assessment invoice from FERC in June and recognized a true-up for the prior year under-accrual. The 2016 actual amount reflects the increased FERC costs based on the assumed rate of increase in FERC's charge factor (3%) as well as the expected change in SPP's transmission sales (11%). The increase is driven by the full-year impact of the addition of the Integrated Systems into the SPP footprint.

Procurement of budgeted hardware and software (IT Foundation refresh and various capital projects) was delayed due to a shift in priorities driven by CIP (critical infrastructure protection) initiatives and the mitigation of compliance findings. As a result, the actual amounts for the associated Maintenance expense was lower than budget due to the delay in the procurement of these assets.

The variance in Outside Services is the result of various offsetting factors. Favorable variances are related to lower expenses in the Regional Entity and Engineering (\$0.7), plus various other areas which trail budget but are individually immaterial. The Engineering variance is based on efficiencies gained in Order 1000 processing, synergy within internal staff for economic and reliability planning, and internal study process improvements. The Regional Entity variance is attributed to lower consulting costs due to a downward trend in the number of violations. Offsetting unfavorable variances are related to additional costs associated with staff augmentation and consulting services in Compliance, IT and PMO departments primarily related to CIP compliance (\$0.8 million), and legal services in Legal and MMU departments for FERC-related matters (\$0.9).

Travel expenses trail budget across most divisions with the largest variances found in the Regional Entity (\$0.3 million) and Operations (\$0.1 million). The RE variance is partially attributed to higher vacancies and fewer audits early in the year. Hosting of various stakeholder meetings in more economical locations contributes to lower travel costs in Operations and throughout other divisions as well.

Other Income / Expense includes interest expense, capitalized interest, investment income, interest rate swap valuation adjustments, and various other income and expense amounts. Due to the unpredictability of these items, the only amounts budgeted in this category are interest expense and capitalized interest. The current variance is primarily related to investment income (realized /unrealized) on deposits and investments, and favorable swap valuation adjustments.

Southwest Power Pool
Monthly Financial Overview
December 31, 2016
2016 Preliminary and Unaudited
(in thousands)

	Actual Jan-16	Actual Feb-16	Actual Mar-16	Actual Apr-16	Actual May-16	Actual Jun-16	Actual Jul-16	Actual Aug-16	Actual Sep-16	Actual Oct-16	Actual Nov-16	Actual Dec-16	FY 2016 Actual	FY 2016 Budget	Variance Fav/(Unfav)	FY 2015 Actual	Variance Fav/(Unfav)
Income																	
Tariff Administrative Service Fees & Assessments	\$12,294	\$11,208	\$12,035	\$11,792	\$12,229	\$12,273	\$12,167	\$12,087	\$12,001	\$12,252	\$11,997	\$11,600	\$143,933	\$150,660	(\$6,727)	\$143,826	\$107
Contract Services Revenue	40	40	42	42	42	42	42	62	44	44	44	44	529	498	31	975	(446)
Miscellaneous Income	348	370	369	402	466	320	362	692	133	227	287	626	4,602	3,400	1,202	6,040	(1,439)
Total Income	15,492	13,794	14,441	14,462	14,046	14,812	14,796	15,491	14,582	14,778	14,377	14,759	175,829	182,079	(6,249)	178,733	(2,903)
Expense																	
Salary & Benefits	6,833	6,856	8,493	7,002	7,521	7,564	7,156	7,136	7,754	7,131	7,245	9,486	90,176	85,153	(5,023)	84,043	(6,133)
Employee Travel	130	139	162	192	190	189	148	150	181	177	173	87	1,919	2,449	531	1,903	(16)
Administrative	187	238	280	560	233	574	194	332	533	1,065	302	267	4,764	5,198	433	4,928	164
Assessments & Fees	1,417	1,417	1,417	1,417	1,417	1,977	2,051	1,507	1,507	1,507	1,507	1,507	18,648	17,000	(1,648)	13,939	(4,709)
Meetings	108	44	61	71	77	93	90	65	68	189	89	19	974	983	10	825	(149)
Communications	324	337	323	317	305	336	330	328	331	332	325	327	3,915	4,091	176	3,758	(156)
Leases	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	123	123
Maintenance	1,056	1,067	1,171	1,223	1,163	1,132	1,156	1,274	1,353	1,388	1,224	1,566	14,775	16,847	2,072	13,553	(1,221)
Services	586	1,522	1,347	1,171	1,140	1,261	1,237	1,312	1,142	1,124	1,311	1,692	14,847	14,803	(44)	12,329	(2,518)
Regional State Committee	10	24	21	20	25	12	21	26	12	12	28	10	220	263	43	200	(20)
Depreciation & Amortization	4,896	4,799	4,747	4,534	5,035	4,950	4,798	4,800	4,902	4,782	5,118	4,760	58,120	59,736	1,616	59,285	1,165
Total Expense	15,547	16,442	18,022	16,507	17,107	18,088	17,181	16,931	17,783	17,706	17,323	19,720	208,357	206,523	(1,834)	194,886	(13,471)
Other Income/(Expense)																	
Investment Income	3	3	39	3	4	38	4	4	36	4	4	51	191	-	191	1,768	(1,577)
Interest Expense	(811)	(819)	(817)	(949)	(1,003)	(930)	(903)	(910)	(907)	(887)	(889)	(886)	(10,712)	(10,731)	19	(10,623)	(89)
Capitalized Interest	-	-	-	17	-	26	-	-	36	-	-	42	121	162	(41)	102	19
Change in Valuation of Swap	-	-	(919)	-	-	(213)	-	-	395	-	-	1,419	682	-	682	(726)	1,408
Other Income/Expense	(82)	(2)	87	26	37	20	70	12	26	(17)	53	(36)	192	-	192	(1,097)	1,289
Unrealized Gain on Investment	(303)	(6)	396	26	115	9	256	(1)	(28)	(143)	232	96	649	-	649	(2,011)	2,660
Net Other Income (Expense)	(1,193)	(824)	(1,215)	(878)	(848)	(1,052)	(573)	(896)	(442)	(1,043)	(600)	686	(8,877)	(10,569)	1,692	(26,317)	17,440
Net Income (Loss)	(\$1,248)	(\$3,472)	(\$4,796)	(\$2,923)	(\$3,909)	(\$4,328)	(\$2,959)	(\$2,336)	(\$3,643)	(\$3,971)	(\$3,546)	(\$4,274)	(\$41,405)	(\$35,013)	(\$6,391)	(\$42,470)	\$1,066
2016 Headcount																	
Approved Budgeted Positions	600	600	600	600	600	599	599	599	599	599	599	599	599				
2016 Active Headcount	574	569	564	567	572	568	570	573	575	574	579	581	581				
Total 2016 Positions (Active/Open)	604	605	613	615	612	612	612	611	611	611	610	610	610				
Headcount Vacancy	5%	6%	8%	8%	7%	7%	7%	6%	6%	6%	5%	5%	5%				
NRR Over / (Under) Recovery	\$3,856	\$1,183	(\$5,438)	\$1,390	\$1,553	(\$5,319)	\$1,986	\$1,962	(\$4,670)	\$946	\$1,225	(\$6,510)	(\$7,835)				

Southwest Power Pool
Current Month Financial Overview
December 31, 2016
(in thousands)

	Current Month Compared to Forecast			FY Forecast Compared to FY Budget		
	Dec-2016 Actual	Dec-2016 Forecast	Variance Fav/(Unfav)	FY 2016 Actual	FY 2016 Budget	Variance Fav/(Unfav)
Income						
Tariff Administrative Service	\$11,600	\$12,239	(\$639)	\$143,933	\$150,660	(\$6,727)
Fees & Assessments	2,489	2,514	(25)	26,765	27,520	(755)
Contract Services Revenue	44	44	(0)	529	498	31
Miscellaneous Income	626	194	433	4,602	3,400	1,202
Total Income	14,759	14,991	(231)	175,829	182,079	(6,249)
Expense						
Salary & Benefits	9,486	7,913	(1,573)	90,176	85,153	(5,023)
Employee Travel	87	155	69	1,919	2,449	531
Administrative	267	306	39	4,764	5,198	433
Assessments & Fees	1,507	1,507	-	18,648	17,000	(1,648)
Meetings	19	26	7	974	983	10
Communications	327	337	10	3,915	4,091	176
Maintenance	1,566	1,664	98	14,775	16,847	2,072
Services	1,692	1,242	(450)	14,847	14,803	(44)
Regional State Committee	10	22	12	220	263	43
Depreciation & Amortization	4,760	4,844	84	58,120	59,736	1,616
Total Expense	19,720	18,016	(1,704)	208,357	206,523	(1,834)
Other Income/(Expense)						
Investment Income	51	-	51	191	-	191
Interest Expense	(886)	(885)	(1)	(10,712)	(10,731)	19
Capitalized Interest	42	59	(17)	121	162	(41)
Change in Valuation of Swap	1,419	-	1,419	682	-	682
Other Income/Expense	(36)	-	(36)	192	-	192
Unrealized Gain on Investment	96	-	96	649	-	649
Net Other Income (Expense)	686	(826)	1,512	(8,877)	(10,569)	1,692
Net Income (Loss)	(\$4,274)	(\$3,851)	(\$423)	(\$41,405)	(\$35,013)	(\$6,391)
Headcount	581	583	(2)	581	599	(18)

Southwest Power Pool
Balance Sheet
December 31, 2016
2016 Preliminary and Unaudited
(in thousands)

	12/31/2016	12/31/2015	Net Change
ASSETS			
Current Assets			
Cash & Equivalents	\$76,108	\$42,003	\$34,106
Restricted Cash Deposits	223,964	196,918	27,046
Accounts Receivable (net)	63,702	39,789	23,912
Other Current Assets	9,291	8,420	871
Total Current Assets	\$373,065	\$287,131	\$85,935
Total Fixed Assets	92,690	136,480	(43,790)
Total Other Assets	5,526	6,051	(526)
Investments	10,442	9,352	1,090
Total Assets	\$481,723	\$439,014	\$42,709
LIABILITIES & EQUITY			
Liabilities			
Current Liabilities			
Accounts Payable (net)	\$66,927	\$30,609	\$36,318
Customer Deposits	223,964	196,918	27,046
Current Maturities of LT Debt	23,227	21,944	1,283
Other Current Liabilities	54,310	44,092	10,218
Line of Credit	-	2,000	(2,000)
Deferred Revenue	5,279	5,318	(39)
Total Current Liabilities	373,707	300,881	72,825
Long Term Liabilities			
US Bank Mortgage - 2027	2,930	3,135	(206)
4.82% Series-A Senior Notes - 2042	27,470	28,025	(556)
4.82% Series-B Senior Notes - 2042	32,048	32,696	(648)
3.55% Series-C Senior Notes - 2024	43,750	50,750	(7,000)
3.00% Series-D-1 Senior Notes - 2024	31,250	36,250	(5,000)
3.25% Series-D-2 Senior Notes - 2024	33,750	38,750	(5,000)
3.8% Series-E-1 Senior Notes - 2025	37,000	37,000	-
Floating Series Regions Note - 2024	27,750	-	27,750
Capital Lease Obligation	3,856	5,674	(1,817)
Other Long Term Liabilities	39,032	35,267	3,765
Total Long Term Liabilities	278,836	267,548	11,288
Net Income	(41,405)	(42,470)	1,066
Members' Equity	(129,415)	(86,945)	(42,470)
Total Members' Equity	(170,820)	(129,415)	(41,405)
TOTAL LIABILITIES & EQUITY	\$481,723	\$439,014	\$42,709

Southwest Power Pool
Headcount Analysis
December 31, 2016

	Current Month Actual vs. Budget			Year End Actual vs. Budget		
	Actual Dec-2016 *	Budget Dec-2016 *	Over/(Under) Budget	2016 Year-End *	2016 Budget	Over/(Under) Budget
Officers	11	11	0	11	11	0
Accounting	11	11	0	11	11	0
Credit	5	4	1	5	4	1
Settlements	23	24	(1)	23	24	(1)
Administration	50	50	0	50	50	0
Interregional Affairs	2	4	(2)	2	4	(2)
Compliance	12	11	1	13	11	2
Project Management	12	14	(2)	12	14	(2)
Training	10	11	(1)	10	11	(1)
Customer Service	9	9	0	9	9	0
Process Management	0	3	(3)	0	3	(3)
Internal Audit	6	6	0	6	6	0
Process Integrity	51	58	(7)	52	58	(6)
Operations	154	161	(7)	159	161	(2)
Information Technology	146	146	0	154	146	8
Engineering	73	76	(3)	80	76	4
Regulatory Policy & General Counsel	24	25	(1)	26	25	1
Corporate Services	28	28	0	30	28	2
Market Monitoring	15	15	0	15	15	0
Market Design	6	7	(1)	7	7	0
Interregional Relations	3	3	0	3	3	0
Communications & Gov't Affairs	6	5	1	6	5	1
SPP Regional Entity	25	28	(3)	28	28	0
Open Positions / Adjustments	0	(3)	3	0	(3)	3
Total Headcount	581	599	(18)	610	599	11

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
Operations reduction (2017)	(2)
2016 Current total positions	610

* The December actual headcount represents positions on-staff at the end of the year. The year-end headcount number represents total positions (active and open) and does not include a factor for vacancy. The budget included a reduction of 3 unidentified for 2016; however only one of these positions was identified. Total 2016 positions is 610 as compared to the budget of 599. Operations committed to reducing headcount by 2 positions beginning in 2017 and identified both during 2016. This is the result of no backfill for internal transfers to fill other open requisitions. Although a number of other positions were eliminated throughout the year, the positions were reallocated to other areas to fulfill critical needs related primarily to security and CIP requirements. Due to two remaining 2016 unidentified eliminations, total positions by year end should have been 608 instead of 610. This reduction is carried forward to the net headcount for 2017.

Southwest Power Pool
2016-2018 Capital Project Forecast
December 31, 2016
Preliminary and Unaudited
(in thousands)

	Prior Year(s)	2015 Actual	2016 Actual	2017 Forecast	2018 Forecast	Total Forecast	Total Budget	Over / (Under)	
<u>2016 New Projects</u>									
EMS Software & OS Upgrade ⁽¹⁾	\$ -	\$ -	\$ -	\$ 242	\$ -	\$ 242	\$ 5,162	\$ (4,921)	-95%
TTSE Dispatcher Training Simulator ⁽¹⁾			219	426	3,000	3,644	3,817	(173)	-5%
PMU Data Exchange ⁽¹⁾			807	724	1,792	3,323	1,888	1,435	76%
Z2 Crediting P2 and P3 ⁽¹⁾			-	500	-	500	749	(249)	-33%
Identity and Access Management System			-	600	100	700	692	8	1%
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			62	54	-	116	108	7	7%
Liferay Portal Replacement			21	87	-	108	100	8	8%
Circuit Redesign			65	24	8	97	96	1	1%
ICCP Software & OS Upgrade			-	62	-	62	62	(0)	0%
Voltage Stability Tools			7	-	-	7	30	(23)	-76%
ProLaw Upgrade			19	1	1	20	24	(4)	-16%
Total 2016 New Projects	\$ -	\$ -	\$ 1,199	\$ 3,412	\$ 4,901	\$ 9,512	\$ 13,422	\$ (3,910)	
<u>Carryover Projects</u>									
Enhanced Combined Cycle - Gas Day ⁽²⁾	\$ 1,301	\$ 436	\$ 3,202	\$ 388	\$ -	\$ 5,327	\$ 7,708	\$ (2,381)	-31%
Settlement Systems Replacement ⁽³⁾	-	-	-	2,043	3,038	5,081	3,836	1,245	32%
Z2 Crediting P1 ⁽⁴⁾	351	1,247	213	-	-	1,812	1,643	168	10%
Total Carryover Projects	\$ 1,652	\$ 1,683	\$ 3,415	\$ 2,431	\$ 3,038	\$ 12,220	\$ 13,188	\$ (968)	

Notes:

(1) The 2017 - 2018 forecasts for these multi-year projects have been updated to reflect the proposed forecast during the 2017-2019 budget cycle. Total Budget represents numbers from the 2016 - 2018 budget cycle which were estimates from mid-year 2015. The EMS Software & OS Upgrade was changed to reflect an upgrade for multiple products running on compatible and supported operating systems (EMS/CMT/Markets GE/Alstom e-Terra) and results in significant cost savings over the prior budget estimate for only EMS. The prior year budget estimate included hardware costs that were already included in the IT Foundation budget. The EMS Hardware is now only included in the forecast for server refresh in IT Foundation. The revised PMU project forecast reflects incremental hardware costs in 2019 (included in the 2018 Forecast for this report) for anticipated software upgrades and for CIP and high availability requirements.

(2) A portion of contingency expense was removed from the Enhanced Combined Cycle - Gas Day (ECC) project forecast based on executed SOWs. This change is the main driver in the favorable variance to budget.

(3) During the 2017 - 2019 budget planning process, the Settlement Systems Replacement project has been changed to a total replacement of the Settlements systems (market and transmission). The name of the project has modified to reflect the change (formerly Transmission Settlements Upgrade).

(4) 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 at a total projected cost of approximately \$1.8 million.

**Southwest Power Pool
2016-2018 Capital Project Forecast
December 31, 2016
Preliminary and Unaudited
(in thousands)**

<u>Foundation</u>	Prior Year(s)	2015 Actual	2016 Actual	2017 Forecast	2018 Forecast	Total Forecast	Total Budget	Over / (Under)	
IT Foundation ⁽⁵⁾	\$ -	\$ -	\$ 6,906	\$ 7,900	\$ 13,341	\$ 28,147	\$ 35,160	\$ (7,013)	-20%
Other (Non-IT) Department Foundation ⁽⁶⁾			729	1,232	1,379	3,340	4,560	(1,220)	-27%
Ops Foundation ⁽⁷⁾			844	2,358	2,533	5,735	8,494	(2,759)	-32%
Facilities Foundation ⁽⁸⁾			817	486	250	1,553	1,193	360	30%
Settlements Foundation ⁽⁹⁾			148	250	250	648	750	(102)	-14%
Total Foundation	\$ -	\$ -	\$ 9,444	\$ 12,226	\$ 17,753	\$ 39,423	\$ 50,157	\$ (10,734)	
Total Capital Project Expense	\$ 1,652	\$ 1,683	\$ 14,059	\$ 18,069	\$ 25,692	\$ 61,155	\$ 76,767	\$ (15,612)	-20%

5) The 2017 and 2018 forecasts now reflect additional reductions made for the 2017 - 2019 budget cycle. System refresh costs associated with various systems were re-evaluated and some were either eliminated or delayed until 2018-2019 in efforts to reduce costs during the 2017 budget planning. In addition, capital expense reductions were made to the 2016 forecast related to the deferral of various initiatives due to time constraints, hardware infrastructure review, and review of alternative solutions. Impacted initiatives include refresh of ESX hosts, cloud-based infrastructure, and Netezza racks.

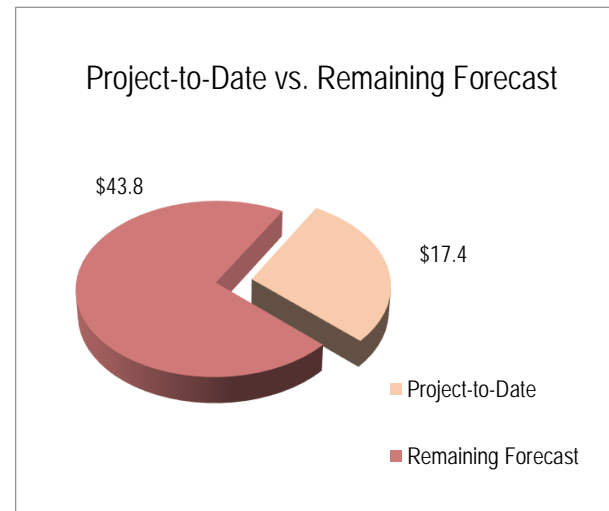
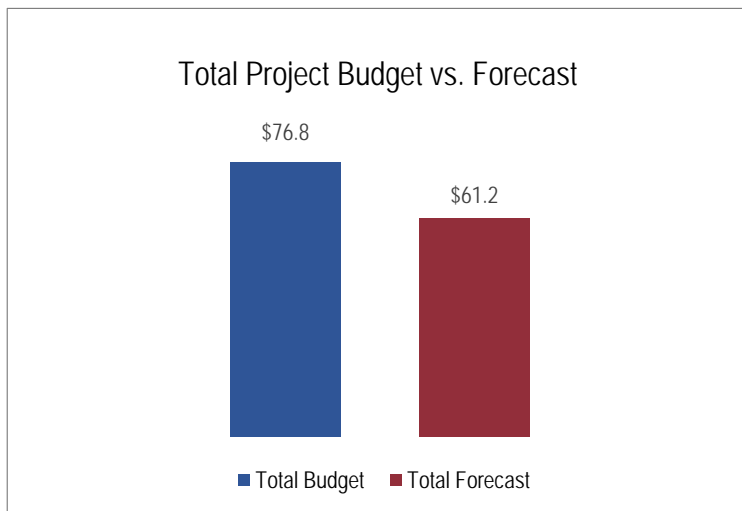
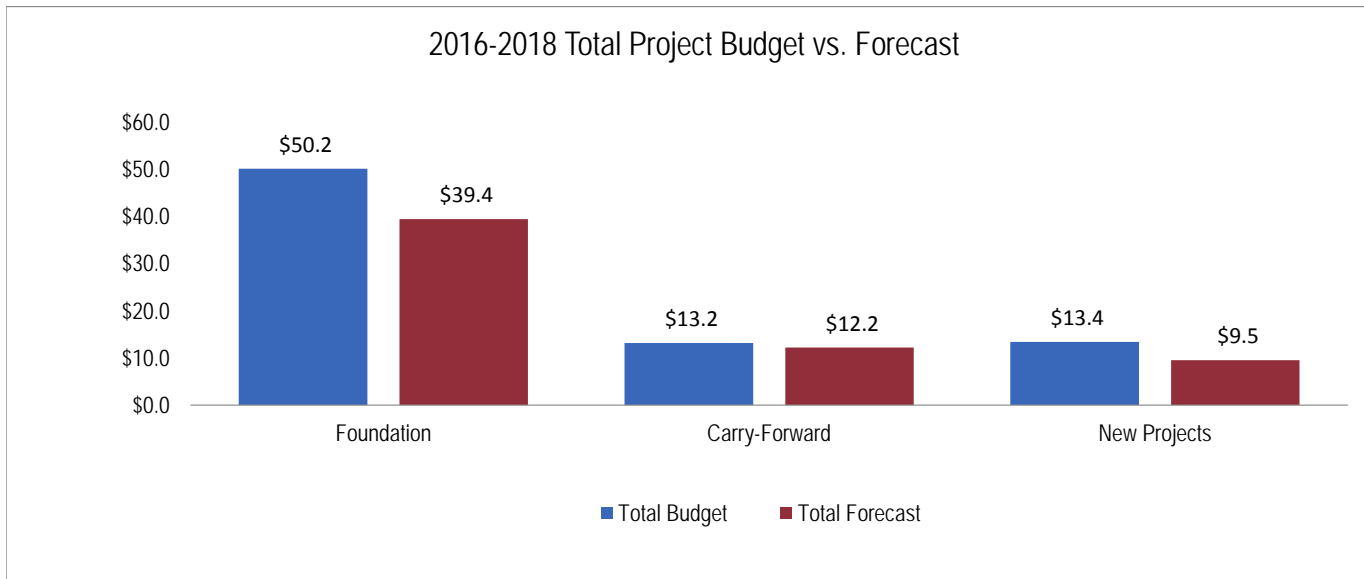
6) The 2016-2018 Other (Non-IT) Foundation is forecasted under budget due to the deferral, elimination or reduction of several initiatives based on the review of current needs and time constraints. Some examples include reductions in the following areas: HR & Training (new environments utilized with no capital costs involved), Market Monitoring (enhancements eliminated), and Corporate Communications (implemented fixes / small enhancements for SPP.org that were expensed). Additional savings were realized for other items that are projected to come in under budget do to various reasons such as scope changes, more work completed in-house, etc. Examples include the Documentum upgrade, various engineering initiatives, and Splunk (SPP Compliance initiative).

7) Workload for anticipated marketplace enhancements has been delayed due to vendor staffing constraints related to a shift in focus to ECC. This results in a favorable variance in Operations Foundation; however, the ECC project does not reflect the same overage compared to budget because the original ROM budget reflected contingency of \$1.2 million. The 2017 and 2018 forecasts now reflect additional reductions made for the 2017 - 2019 budget cycle.

8) Changes were made to the 2017 and 2018 forecast for additional Facility Foundation improvements as reflected in the 2017 - 2019 budget cycle.

9) 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.

Southwest Power Pool
 2016-2018 Capital Project Forecast
 December 31, 2016
(in millions)



October 7, 2016

SPP Operating Plan / Budget Process

Harry Skilton
Michael Desselle

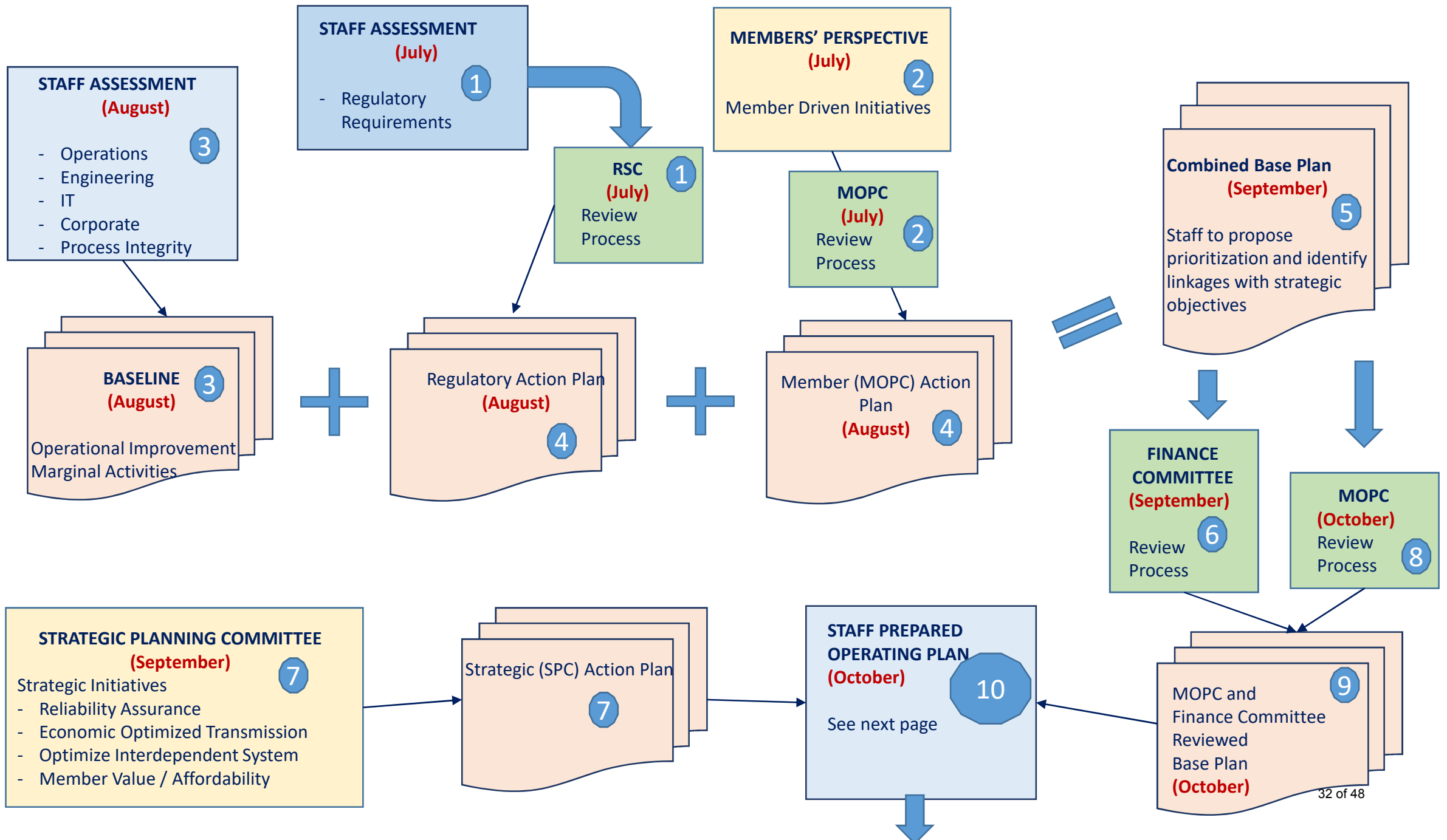
I have attached a diagram I developed following our recent joint meeting of the Finance Committee and the Strategic Planning Committee. As I have mentioned to both of you, I am very pleased with the progress we have achieved over the past two years in improving the process of developing a budget through the use of an operating plan. Michael's presentation at our meeting and the resultant discussion led me to think how we can further refine this process; this is what I have attempted to depict on the diagram. The discussion of the relevant steps follows. Please note: I have indicated suggested dates for certain steps of the process- but recognize these may need to be adjusted to better correspond to meetings that are already scheduled or process development requirements that might impact the suggested target dates.

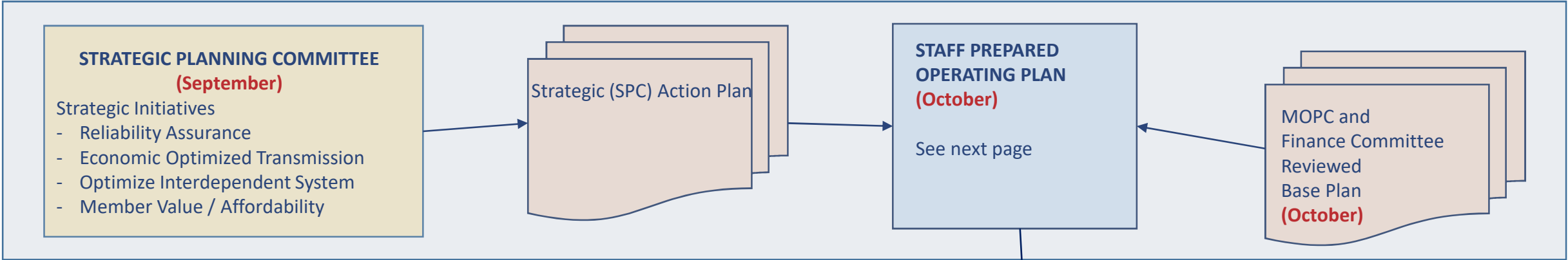
In developing the outline depicted on the diagram, I have attempted to capture four parallel and interdependent key drivers of the budget: 1) the ongoing baseline activities of the organization; 2) regulatory requirements; 3) member-driven initiatives; and 4) strategy driven activities.

Description:

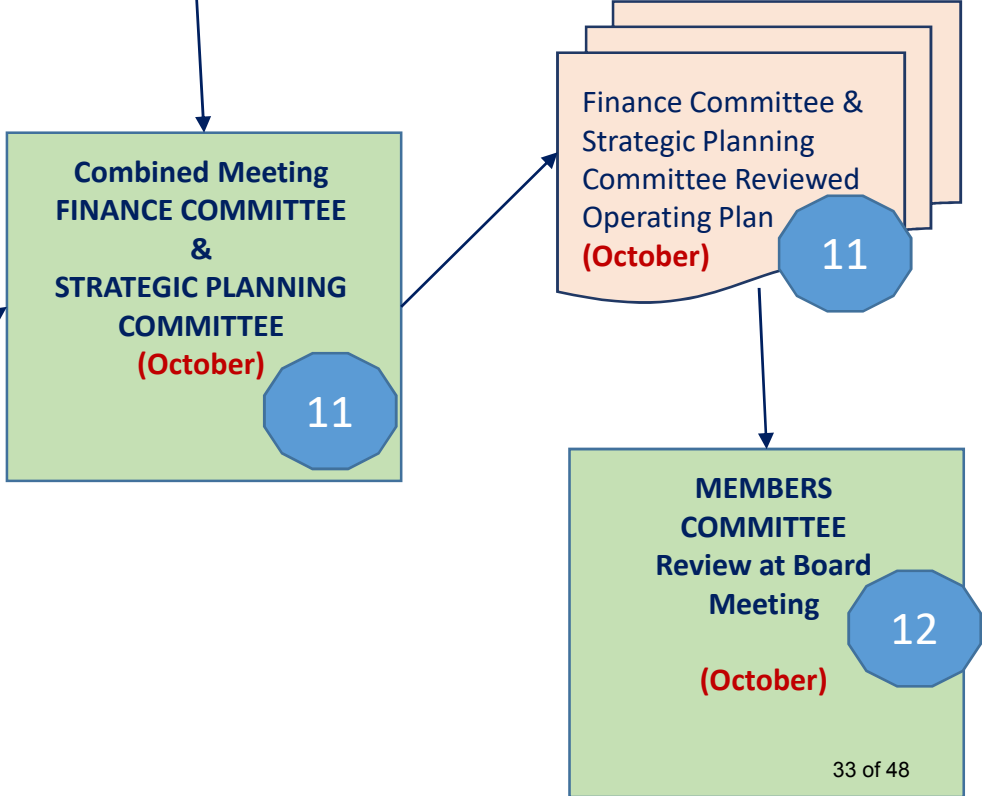
1. July – Staff conducts an assessment of existing and expected regulatory requirements and develops a plan for meeting those requirements in the upcoming budget cycle. An updated 'cost of regulation' report is prepared. This report and the organization's proposed implementation plan is previewed with the Regulatory State Committee at its July meeting.
2. July – Staff develops for review at the July MOPC meeting a list of active and proposed member-driven initiatives broken down by key business group (e.g., operations, engineering, IT, etc.). Where appropriate, detail for each member-driven initiative is provided outlining the underlying justification or cost-benefit analysis.
3. August – Staff develops its baseline plan for the ongoing operations of the organization segmented by key business groups (e.g., operations, engineering, IT, etc.). As part of this plan, staff also highlights what is being done from an ongoing operational improvement program and identifies what staff would suggest are its most marginal activities that should be reviewed for prospective reduction, refinement or elimination. A designated percent of total costs should be captured in this marginal activity list.
4. August – As a follow-up to the RSC meeting (Step 1) and the MOPC meeting (Step 2), Staff develops standalone regulatory action plan and member action plan. Resource requirements are reflected for each of these components to show how resources are being provided by specific SPP business groups (e.g., operations, engineering, IT, etc.).

5. September – Staff develops a preliminary base plan showing the individual components derived from the operations baseline (Step 3) and the regulatory action plan (Step 4) and the member driven action plan (Step 4). Staff also addresses whether there are ways to provide resources in a manner that absorbs what would otherwise be standalone requirements by structuring these efforts within the context of the larger organization.
6. September – The combined base plan (Step 5) is reviewed with the Finance Committee
7. September – Based on the Strategic Planning Retreat and Staff’s subsequent development of corresponding initiatives, the Strategic Planning Committee provides guidance necessary to allow Staff to develop a Strategic Action Plan. Resource requirements are shown by SPP business group.
8. October – The combined base plan, incorporating questions and proposed refinements from the Finance Committee is reviewed by MOPC in its October meeting. Comments and recommendations are provided at this meeting.
9. October – Staff prepares an updated base operating plan based on feedback from the Finance Committee (Step 6) and feedback from the MOPC (Step 8).
10. October – Staff develops a combined operating plan representing the Finance Committee / MOPC reviewed plan (Step 9) and the Strategic Action Plan (Step 7).
11. October – Joint meeting of the Finance Committee and the Strategic Planning Committee to review comprehensive operating plan
12. October – Combined Operating Plan is presented to the Board for its approval. A segment of the meeting is set aside to allow for specific member representatives to review and act on the overall plan.





- Staff to determine how best to integrate strategic initiatives into the various functional units of the organization to optimize staffing requirements
- Staff to reconcile how various initiatives, strategic and member-driven link to overall corporate and strategic objectives
- Staff to develop basic benefit / cost assessments and propose sequencing and duration of various projects to be undertaken
- Multi-year projects should be presented in a manner that shows what has been spent historically and what is estimated to be spent beyond the proposed budget year
- This information should be combined into an overall operating plan.



Finance Committee		2016	2015	2014	2013	2012	2011	2010
Number of members		7	7	7	7	7	7	7
Number of responses		6	6	4	6	6	6	6
Response rate		86%	86%	57%	86%	86%	86%	86%
Overall effectiveness score		4.7	4.0	4.8	4.8	4.8	4.5	4.2
Lowest score								
Highest score								
Question	Average score							
	2016	2015	2014	2013	2012	2011	2010	
The agenda reflects the actions to be taken during the meeting.	4.8	4.8	5.0	4.8	4.8	4.7	4.5	
Meeting materials are provided in a timely manner.	4.5	4.3	4.2	4.8	4.0	4.2	4.2	
The information provided prior to the meeting is utilized during the meeting.	4.3	4.7	4.8	4.8	4.5	4.3	4.0	
The information presented in meetings is clear.	4.3	4.2	4.4	4.5	4.7	n/a	n/a	
Meeting minutes are an accurate reflection of the meeting.	4.5	4.5	4.6	5.0	4.7	4.7	4.2	
Additional comments:								
materials and analysis has improved steadily over time								
Over the past year, I believe the quality of engagement of the members has improved.								

Membership represents the diversity of the SPP organization.	4.3	4.3	4.4	4.0	4.2	4.3	4.2	
Membership has the necessary expertise and/or skills to accomplish its goals.	4.8	4.7	4.8	4.8	4.3	4.3	4.5	
Members come prepared to meetings.	4.3	4.0	4.2	4.7	4.3	4.0	3.8	
Members are committed to participate and accomplish the group's goals.	4.5	4.6	4.6	4.7	4.8	4.5	4.0	
Members are supportive and respectful of the individual needs and differences of group members.	4.8	4.7	4.6	4.7	4.5	4.7	4.2	
Additional comments:								
Very competent and involved group								
There have been some changes in the composition of the committee... and this does affect continuity; at the same time, I believe the current membership does a very effective job- is well-prepared and fully engaged.								

Members are engaged during the meeting.	4.5	4.8	4.8	4.8	4.8	4.3	4.2	
Decisions are identified and action is recommended.	4.2	4.7	4.4	4.8	4.7	4.7	4.0	
Facilitation is sufficient to guide discussion.	4.3	4.7	4.4	4.5	4.7	4.3	4.0	
Dissenting voices are heard.	4.7	4.5	4.8	4.8	4.8	4.6	4.5	
I depart with a feeling that we have accomplished something.	4.3	4.2	4.4	4.8	4.8	4.2	4.0	
Additional comments:								
I believe the committee has become more action oriented over the past year or so. There is good quality discussion helping drive towards reaching consensus and decisions.								

The chair seeks input, and organizational group members are able to influence key decisions and plans.	4.5	4.7	4.8	4.8	4.8	4.7	4.7	
The chair is supportive and respectful of the individual needs and differences of group members.	4.8	4.7	4.8	4.8	4.8	4.8	4.7	
The chair keeps the group on task to achieve appropriate outcomes.	4.2	4.2	3.8	4.5	4.3	3.7	3.5	
The chair ensures follow-through on questions and commitments.	5.0	4.3	4.6	4.5	4.7	4.6	4.2	
Additional comments:								
The chair does a very good job in insuring that all voices are heard. He does a very good job of insuring the agenda is followed. And, in general, does an effective job of keeping discussions on topic and moving the meetings along. This can be a challenge at times.								

Please provide three or more recommendations for improvement of this particular group and/or SPP's overall organizational group structure.								
Save money by meeting at a less expensive location like Little Rock. We need to establish a risk analysis, and review. For example: A heat map of risks being managed and reviewed by the Committee. Issues could be identified in a matrix of 1) ability of SPP to influence 2) impact to the SPP financial status.								
Continue to provide materials timely including presentations that will be made at the meeting. Continue to highlight areas of concern by staff with respect to our financials. Continue to provide areas where we have achieved efficiencies and quantify the dollar amount.								
I believe there are certain agenda items that have historically been part of the annual cycle of Finance Committee review that simply may not rise to the level of needing Finance Committee attention. Accordingly, I believe we should spend some time as a committee to review the annual schedule of topics we address and freshly assess the level of review that should be conducted by the Finance Committee.								

Please provide three or more recommendations for improvement of this particular group and/or SPP's overall organizational group structure								
I appreciate the Committee Members showing a high level of concern for the end use customer, and the fact they are paying for the costs of the SPP. Committee Members show great respect for each other, and this helps the Committee achieve very good results.								
The joint SPC/FC mtg was helpful to me.								

SPP Organizational Group Self-Evaluation/Assessment
(August 2015 – July 2016)

GROUP NAME: Finance Committee

CHARTER/SCOPE UPDATE: Attached Charter/Scope has been reviewed: **Y or N**

MEMBER ROSTER/ATTENDANCE:

Member	Company	Sector	# Present	# Absent
Skilton, Harry (Chair)	Director	N/A	7	0
Altenbaumer, Larry	Director	N/A	7	0
Bennett, Sandra	American Electric Power	Investor-owned (TO)	7	0
Harrison, Kelly	Westar Energy, Inc.	Investor-owned (TO)	6	1 (1 Proxy)
Kapustka, Laura	Lincoln Electric, Inc.	Municipal (TU)	6	1 (1 Proxy)
Wise, Mike	Golden Spread Electric	Cooperative (TU)	6	1
Dunn, Tom	Staff Secretary		7	0

*Only on Committee for part of the assessment period.

List the number of members represented in the following areas:

Transmission/Owners	Transmission/Users	Director(s)
2	2	2

Investor Owned Utility	Sectors								
	Cooperative	Municipal	State	Federal	Independent Power Producer/Marketer	Independent Transmission Company	Alt Power/Public Interest	Large Retail	Small Retail
2	1	1							

AVERAGE OVERALL ATTENDANCE (INCLUDING NON-GROUP MEMBERS): 17

MEETINGS HELD TO DATE: **Live:** 6 **Teleconference:** 1

AVERAGE LENGTH OF MEETINGS: 4:36

NUMBER OF VOTES TAKEN: 17

***MEETING COST(S):** \$60,217.65'

* Meeting costs include hotel expenses (room rental, A/V, food and beverage), estimate of teleconference expenses, and Director fees for attendance.

MAJOR ACCOMPLISHMENTS/ISSUES ADDRESSED BY THE GROUP:

1. Implemented practice to fund 20% of budget capital expenditures via administrative fee
2. Approved passive investment strategy for post-retirement healthcare fund
3. Implemented practice to use current year IRS mortality tables for actuary analysis of pension and post-retirement healthcare liabilities
4. Oversaw documentation of 2016 SPP Operating Plan, which was reviewed and approved by the Committee and the BOD and serves as the basis for the annual budget preparation

MAJOR PENDING ISSUES BEFORE THE GROUP:

1. SPP cost recovery mechanism
2. Evaluation of non-asset participants in SPP markets

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

Purpose:

The purpose of the Finance Committee is to oversee all aspects of SPP's finances and 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 oversight of the work (including both audit and non-audit services) of the independent financial, controls, and benefit plan auditors. The Committee will recommend engagement and compensation of the independent auditors to the SPP Board of Directors. 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, 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. These basic assumptions include, but are not limited to, discount rate, investment rate of return, rate of compensation change, and mortality tables utilized. The Committee will report these assumptions to the SPP Board of Directors.
- 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
- The structure of the Company's corporate liability insurance program, including review of retentions, insurance limits and exceptions, quality of underwriters, and activities of the broker(s) engaged to represent the Company to the insurance markets
- 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

- Annually, the performance of Investment Managers who have discretionary investment powers for the pension and/or post-retirement healthcare plan assets
- Policies for management of the company's capitalization, financing and long-term contracts
- At least annually, the performance of the Committee and its members, including reviewing the compliance of the Committee with this Charter

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
- Annually, the corporation's audited financial statements as the corporate record of financial results for the prior fiscal year. The Committee shall 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
- Annually, the engagement of independent auditors to audit the corporation's annual financial statements
- Annually, contributions to SPP's pension and post-retirement healthcare plans
- As needed, issuance of notes to fund capital expenditures, liquidity, and other general corporate purpose

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

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 up to 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.

RESPONSIBILITY	FREQUENCY	LAST
APPROVAL		
Assumptions for pension plan actuary calculations	Annually	Dec-16
Significant financial and compliance policies under FC purview	Annually	Apr-16
MONITOR		
Cost recovery methodology ensuring equity for members	As Needed	
Legal matters impacting corporate financial statements	As Needed	
Major financial risk exposures and mitigation actions	As Needed	
Adequacy of internal controls and resolution of identified weaknesses	Annually	Dec-16
Investment policy statement for pension plan	Annually	Mar-16
Pension plan and post-retirement healthcare plan fund performance	Annually	Mar-16
RECOMMEND TO BOARD OF DIRECTORS		
Issuance of notes	As Needed	Dec-13
Annual operating, capital and other budgets	Annually	Dec-16
Rates for Schedule 1A and member assessments	Annually	Dec-16
Approval of Annual Financial Statement Audit Report	Annually	Apr-16
Funding for pension and post-retirement healthcare plans	Annually	Apr-16
Engagement of independent financial auditors	Annually	Jul-16
REPORT TO BOARD OF DIRECTORS		
Issues of quality or integrity of corporate financial statements	As Needed	
Legal or regulatory compliance matters	As Needed	
Independent auditor performance	Annually	Apr-16
Financial results compared to budget	Each Meeting	Dec-16
Financial status of defined benefit and post-retirement healthcare plans	Annually	Apr-16

F.1.1. ADMIN FEE MEASUREMENT

SPP Administrative Fee, Net Revenue Requirement & Load Metric
 FY Actual vs. Budget Variance
(millions)

	FY Forecast vs. Budget Variance as of:		
	Oct-16	Nov-16	Dec-16
Gross Revenue Requirement (GRR)	\$0.1 ■	(\$0.0) ■	(\$0.4) ■
Net Revenue Requirement (NRR)	\$0.2 ■	\$0.0 ■	\$0.1 ■
Admin Fee Revenue Collected	(\$5.6) ■	(\$5.8) ■	(\$5.9) ■
Over/(Under) Recovery	(\$5.5) ■	(\$5.8) ■	(\$5.8) ■
MWh Load	(15.8) ■	(16.5) ■	(14.3) ■

F.1.2. ADMIN FEE MEASUREMENT

SPP Administrative Fee, Net Revenue Requirement & Load Metric
 FY Actual as of December 31, 2016
 (millions)

	2016 Actual	2016 Budget	Fav /(Unfav)	
Gross Revenue Requirement (GRR)	\$164.9	\$164.6	(\$0.4)	■
Net Revenue Requirement (NRR)	\$150.4	\$150.5	\$0.1	■
Admin Fee Revenue Collected	\$144.5	\$150.4	(\$5.9)	■
Over/(Under) Recovery	(\$5.8)	(\$0.1)	(\$5.8)	■
MWh Load	392.9	407.2	(14.3)	■

Legend

	NRR	MWh	Admin Fee
2016 Budget	\$150.5	407.2	\$0.37
1¢ Unfavorable NRR Threshold	\$152.8	407.2	\$0.38
1¢ Unfavorable Load Threshold	\$150.5	401.3	\$0.38
1¢ Unfavorable Impact Factor	(\$2.3)	(5.9)	(\$0.01)

Revenues

- Red ■ > = \$2.3 unfavorable
- Yellow ■ between \$1.1 and \$2.2 unfavorable
- Green ■ < = \$1.0 unfavorable

MWh Load

- Red ■ > = 5.9 unfavorable
- Yellow ■ between 3.1 and 5.8 unfavorable
- Green ■ < = 3.0 unfavorable

F.1.3 ADMIN FEE MEASUREMENT

SPP Net Revenue Requirement Components

FY Actual as of December 31, 2016

(millions)

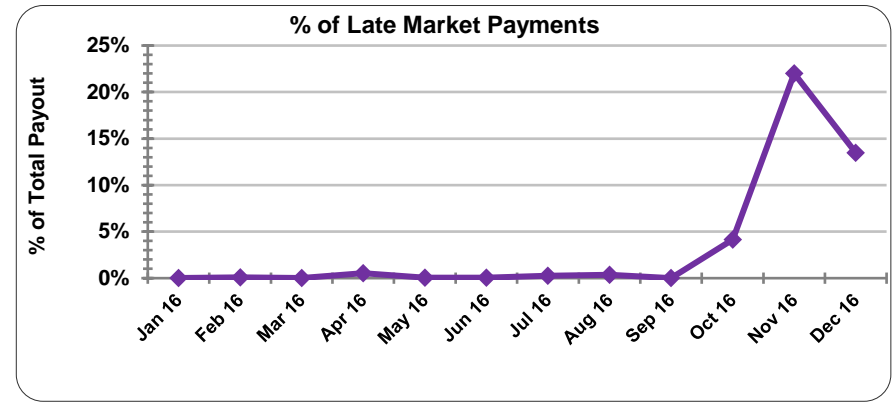
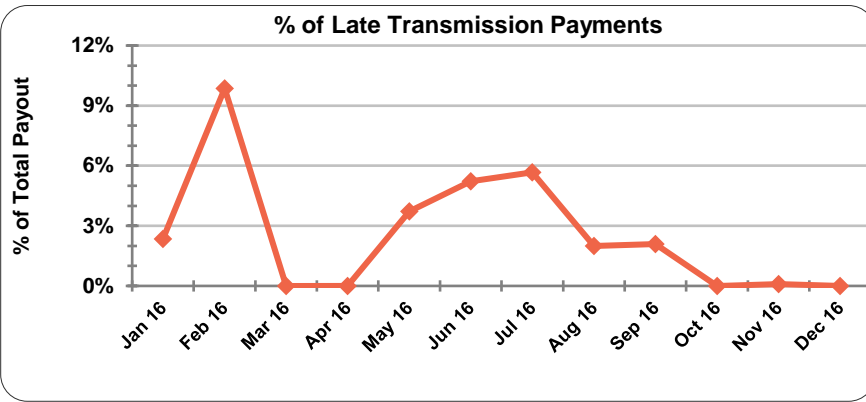
<u>Expenses</u>	<u>2016 Forecast</u>	<u>2016 Budget</u>	<u>Fav /(Unfav)</u>	
Salary & Benefits	\$88.8	\$85.2	(\$3.6)	(4.3%)
Debt Service (Principal & Interest)	34.8	34.8	(0.0)	(0.1%)
Communications & Maintenance	18.7	20.9	2.2	10.7%
Outside Services & RSC	15.1	15.1	(0.0)	(0.0%)
Administrative	4.7	5.2	0.5	9.0%
Travel & Meetings	2.9	3.4	0.6	16.0%
Gross Revenue Requirement (GRR)	\$164.9	\$164.6	(\$0.4)	(0.2%)
<u>Revenue & Other Adjustments</u>				
NERC Revenues *	(\$9.3)	(\$10.4)	(\$1.1)	(10.7%)
Other Revenues	(5.8)	(4.7)	1.0	21.6%
NRR Adjustments	0.5	1.1	0.6	(52.1%)
Net Revenue Requirement (NRR)	\$150.4	\$150.5	\$0.1	0.1%
<i>* Net Impact RE Expense & NERC Funding</i>	\$3.9	\$4.2	(\$0.3)	(6.1%)

F.1.4. ADMIN FEE MEASUREMENT

SPP Administrative Fee Performance										
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
<u>Approved Budget</u>										
Net Revenue Required (millions)	\$52.8	\$61.5	\$56.5	\$68.4	\$78.4	\$89.6	\$121.8	\$132.6	\$141.2	\$150.5
MWh Load (millions)	288.6	312.5	331.3	333.5	343.0	353.5	360.9	348.2	363.5	407.2
NRR / MWh Load	\$0.183	\$0.197	\$0.170	\$0.205	\$0.228	\$0.253	\$0.337	\$0.381	\$0.389	\$0.370
Approved Admin Fee	\$0.190	\$0.190	\$0.170	\$0.195	\$0.210	\$0.255	\$0.315	\$0.381	\$0.390	\$0.370
<u>Actual / Forecast</u>										
Net Revenue Required (millions)	\$48.0	\$58.1	\$59.8	\$63.5	\$80.8	\$84.8	\$123.3	\$137.0	\$142.6	\$150.4
MWh Load (millions)	301.1	296.1	328.2	331.6	341.4	361.7	357.5	351.0	373.6	392.9
NRR / MWh Load	\$0.159	\$0.196	\$0.182	\$0.191	\$0.237	\$0.234	\$0.345	\$0.390	\$0.382	\$0.383
Calculated Rate Over/(Under) Budget	(\$0.024)	(\$0.001)	\$0.012	(\$0.014)	\$0.008	(\$0.019)	\$0.007	\$0.009	(\$0.008)	\$0.013
Load Growth	5.12%	(1.65%)	10.82%	1.05%	2.96%	5.93%	(1.15%)	(1.83%)	6.46%	5.14%
NRR (calculated rate times load)	\$48.0	\$58.1	\$59.8	\$63.5	\$80.8	\$84.8	\$123.3	\$137.0	\$142.6	\$150.4
Admin fee collected *	\$57.2	\$56.3	\$55.8	\$64.7	\$71.7	\$92.2	\$112.6	\$133.7	\$145.7	\$145.4
Difference Over/(Under)	\$9.2	(\$1.8)	(\$4.0)	\$1.2	(\$9.1)	\$7.5	(\$10.7)	(\$3.2)	\$3.1	(\$5.0)

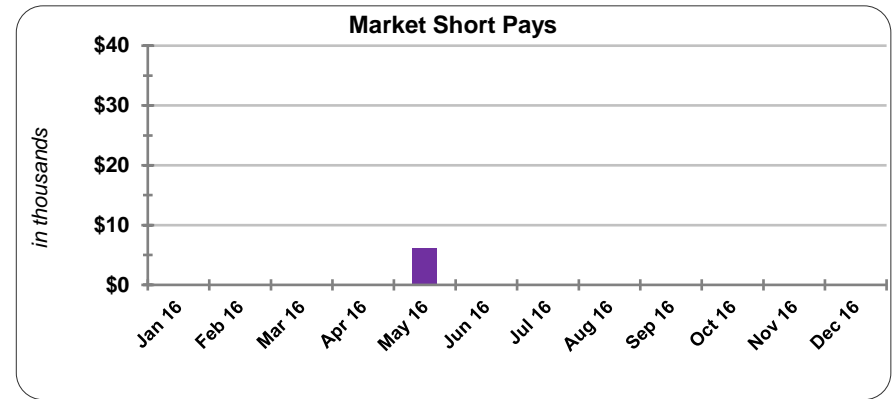
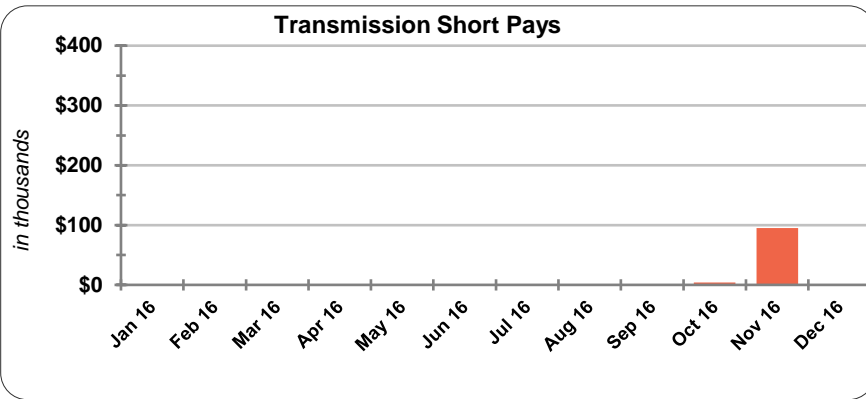
* Admin fee collected excludes adjustments for monthly assessment refunds to reflect actual load.

F.2. CREDIT



Transmission (\$000s)	Jan 16	Feb 16	Mar 16	Apr 16	May 16	Jun 16	Jul 16	Aug 16	Sep 16	Oct 16	Nov 16	Dec 16	12 mo
Late Payments	\$932	\$3,666	\$1	\$0	\$1,921	\$2,350	\$2,537	\$874	\$998	\$0	\$103	\$0	\$13,381
Total Payments	\$39,754	\$37,179	\$41,435	\$42,375	\$51,579	\$44,964	\$44,785	\$43,852	\$47,756	\$48,750	\$112,249	\$42,535	\$597,212
% Late Payments	2%	10%	0%	0%	4%	5%	6%	2%	2%	0%	0%	0%	2%

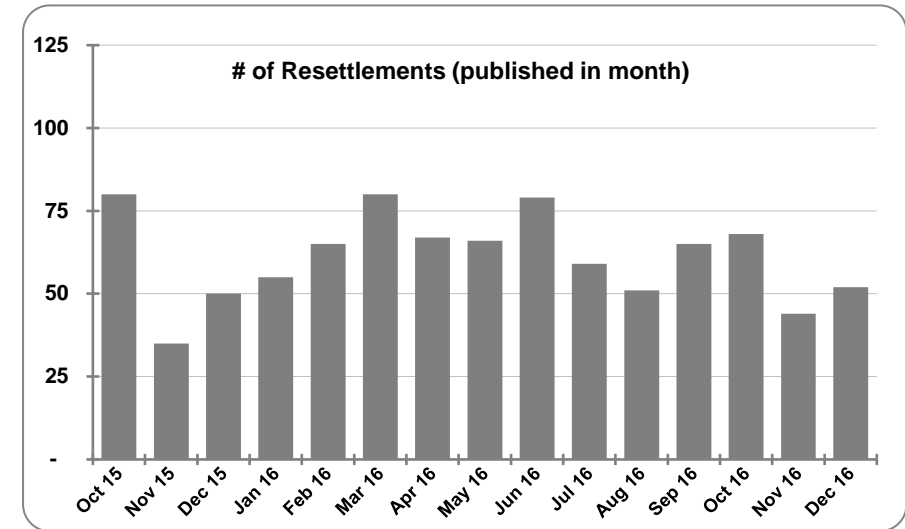
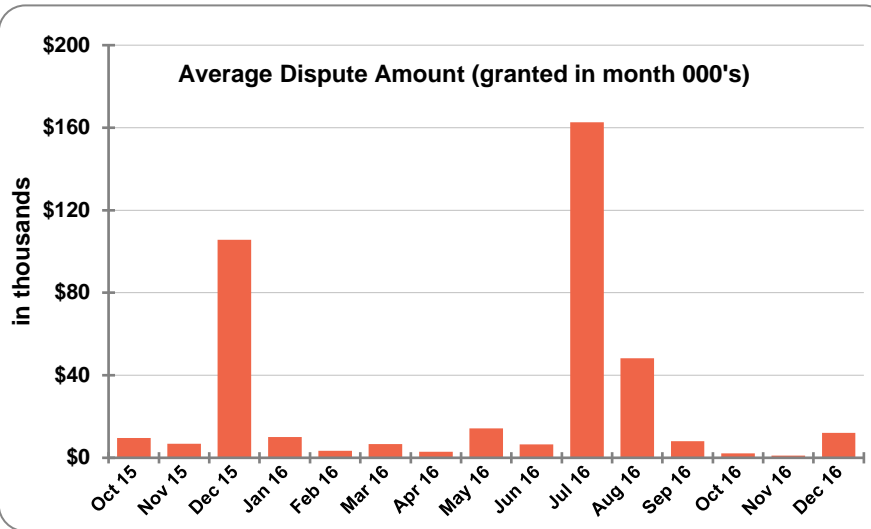
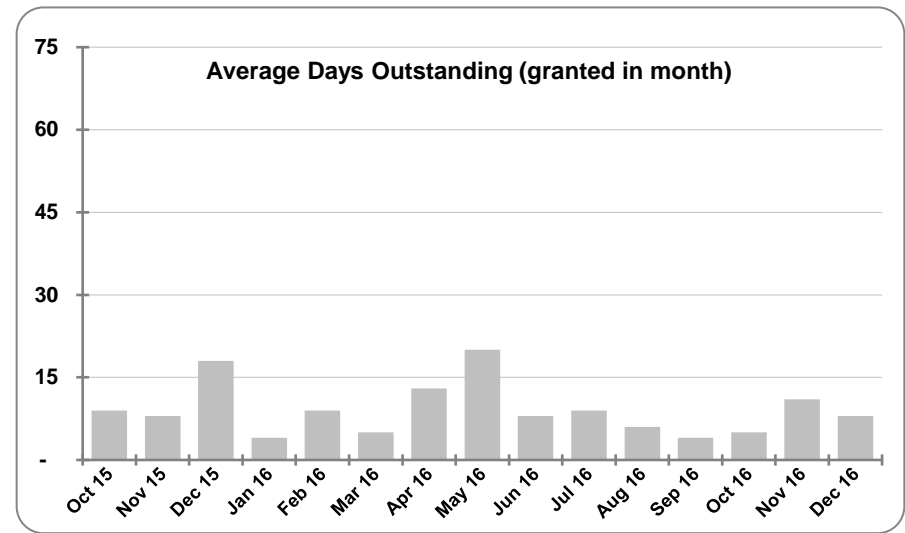
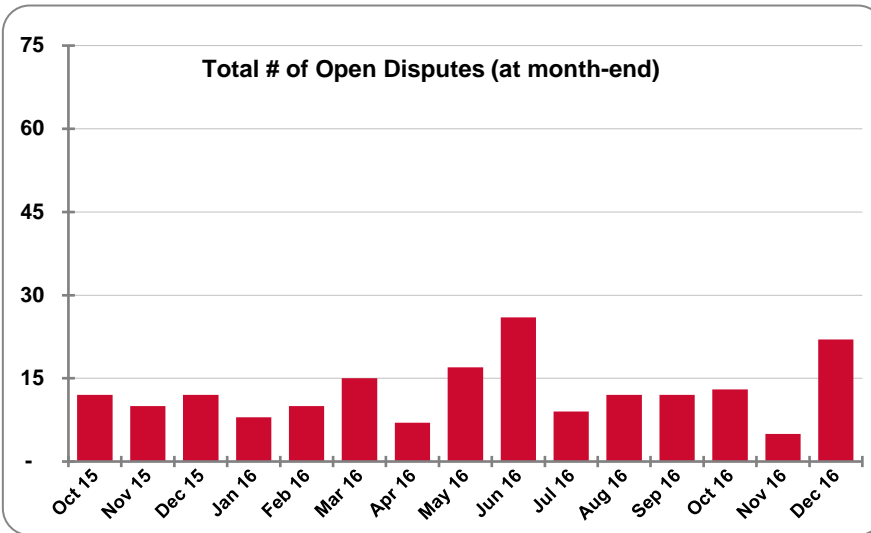
Market (\$000s)	Jan 16	Feb 16	Mar 16	Apr 16	May 16	Jun 16	Jul 16	Aug 16	Sep 16	Oct 16	Nov 16	Dec 16	12 mo
Late Payments	\$17	\$35	\$10	\$252	\$29	\$20	\$173	\$202	\$4	\$3,634	\$14,704	\$9,514	\$28,594
Total Payments	\$52,889	\$44,721	\$38,378	\$47,759	\$50,799	\$42,172	\$71,358	\$54,674	\$64,779	\$87,813	\$66,822	\$70,656	\$692,820
% Late Payments	0%	0%	0%	1%	0%	0%	0%	0%	0%	4%	22%	13%	4%



Short Pays (\$000s)	Jan 16	Feb 16	Mar 16	Apr 16	May 16	Jun 16	Jul 16	Aug 16	Sep 16	Oct 16	Nov 16	Dec 16	12 mo
Transmission	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$4	\$95	\$0	\$99
Market	\$0	\$0	\$0	\$0	\$6	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$6

Uncollectible (\$000s)	Jan 16	Feb 16	Mar 16	Apr 16	May 16	Jun 16	Jul 16	Aug 16	Sep 16	Oct 16	Nov 16	Dec 16	12 mo
Transmission	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$3	\$0	\$3
Market	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0

F.3. SETTLEMENT DISPUTES



	Oct 15	Nov 15	Dec 15	Jan 16	Feb 16	Mar 16	Apr 16	May 16	Jun 16	Jul 16	Aug 16	Sep 16	Oct 16	Nov 16	Dec 16
Total # of Open Disputes (at month-end)	12	10	12	8	10	15	7	17	26	9	12	12	13	5	22
Average Days Outstanding (granted in month)	9	8	18	4	9	5	13	20	8	9	6	4	5	11	8
Average Dispute Amount (granted in month 000's)	\$9.7	\$6.8	\$105.6	\$10.1	\$3.4	\$6.7	\$3.0	\$14.2	\$6.5	\$162.6	\$48.3	\$8.0	\$2.2	\$1.0	\$12.0
# of Resettlements (published in month)	80	35	50	55	65	80	67	66	79	59	51	65	68	44	52

Memorandum

To: Tom Dunn
From: Phil McCraw
CC: Scott Smith
Date: 2/16/17
Re: Credit Practices Working Group First Quarter 2017 Activities

During the first quarter of 2017, the Credit Practices Working Group (CPWG) addressed the following issues:

- FERC TCR Auction Netting—the Group has been discussing the way forward after FERC has twice denied SPP’s filings. It has been decided to work on other areas and possibly revisit this issue at a later time.
- Unsecured Credit Allowance Limit – The Group voted to proceed to change the credit policy to increase the maximum Unsecured Credit Allowance to \$50 million from \$25 million. Analysis shows a limited number of entities that would actually utilize the increased limit.
- TCR Items for Further Discussion—the Group is compiling a list of areas to review concerning TCRs. One possible avenue is that of changing the way reference prices are calculated.

Memorandum

To: **Finance Committee Members**
 From: **Tom Dunn**
 CC: **Shaun Scott**
 Date: **February 17, 2017**
 Re: **2016 - 17 Meeting Schedule**

Detailed below is a schedule for face-to-face meetings of the Finance Committee for 2016/2017 along with suggested agenda items to be covered at the meetings.

<u>Meeting Date</u>	<u>Time</u>	<u>Meeting Location</u>	<u>Major Agenda Item</u>
December 5, 2016	2:00	Little Rock, AR	SSAE-16 Audit Report, BPI Review Corporate Insurance Review, Authority Review, Actuary Assumption Review
February 24, 2017	8:00	Ponte Vedra Beach, FL	2016 Investment Manager performance
April 5, 2017	7:30	Atlanta, GA	Financial Audit Review (dinner 4/4) 2017 New Debt Issuance Ongoing Auditor Engagement Process
June 14, 2017	7:30	Little Rock, AR	BPI Review Mid-Year Review 2018 Admin Fee Forecast Financial Audit Engagement
August 23, 2017	10:00	Dallas, TX	FC, SPC, & MOPC Chair meeting
September 26, 2017	8:30	Dallas, TX (AEP Office)	Joint FC/SPC Meeting to review 2018 Operating Plan
October 31, 2017	3:00	Teleconference	Preliminary 2018 Budget Review
November 9, 2017	7:30	Little Rock, AR	2018 Budget Review (dinner 11/8)
November 21, 2017	10:30	Dallas, TX	2018 Budget
December 4, 2017	2:00	Little Rock, AR	SSAE-16 Audit Report, BPI Review Corporate Insurance Review, Authority Review, Actuary Assumption Review