1. CALL TO ORDER

2. PRELIMINARY MATTERS
   a. Roll Call and Declaration of a Quorum
   b. Adoption of April 17, 2017 Meeting Minutes
   c. Review of Past Action Items

3. UPDATES
   a. RSC Second Quarter 2017 Financial Report
   b. SPP
   c. FERC
   d. SPC Retreat

4. BUSINESS MEETING
   a. RSC Audit Report [Voting Item]

5. CAWG REPORT AND VOTING ITEMS
   a. CAWG Report…………………………………………………………………………………………………Adam Mckinnie
      This report provides an update on CAWG activity.
      i. Aggregate Study Safe Harbor Criteria Update……………………………………………………………..[Voting Item]
         This report will update the RSC on the revised calculation and process.
      ii. Annual Review of Safe Harbor Criteria Update…………………………………………………………..[Voting Item]
         This report will update the RSC on the frequency and depth of reviews.
      iii. Reviewing Revision Requests……………………………………………………………………………….[Possible Voting Item]
         This report will update the RSC on reviewing revision requests.
      iv. Derating Facilities and Cost Allocation ………………………………………………………………..Adam Mckinnie, Lanny Nickell
         This report will update the RSC on derating facilities and cost allocation.

6. REPORTS/PRESENTATIONS
   a. Integrated Transmission Planning (ITP) and Transmission Planning Improvement Update…………………..Lanny Nickell
      This report will update the RSC on the 2017 ITP Assessment and Report.
      i. Potential High Priority Study Update……………………………………………………………………………
         This report will update the RSC on the potential High Priority Study.
b. **Z2 Task Force Update**………………………………………………………………………. Denise Buffington
   This report will update the RSC on the activities of the Z2 Task Force.

c. **Integrated Marketplace and Operations Update**………………………………………. Bruce Rew
   This report will update the RSC on the Integrated Marketplace.

d. **Export Pricing Task Force**................................................................................. Mike Wise
   This report will update the RSC on the activities of the Export Pricing Task Force.

e. **Seams Update** ........................................................................................................ Carl Monroe
   This report will update the RSC on Seams issues.

7. **OTHER RSC MATTERS**
   a. **ACTION ITEMS**

8. **SCHEDULING OF NEXT REGULAR MEETINGS, SPECIAL MEETINGS OR EVENTS**
   a. **RSC Meetings:**
      - October 30, 2017 – Little Rock, AR
      - January 29, 2018 – Oklahoma City, OK
      - April 23, 2018 – Kansas City, MO
      - July 30, 2018 – Omaha, NE
      - October 29, 2018 – Little Rock, AR

9. **ADJOURN**

* NOTE: ADDITIONAL INFORMATIONAL MATERIAL ATTACHED

Attached to the RSC’s meeting agenda and background material is additional material that is either for informational or reporting purposes.
Members of the
Southwest Power Pool Regional State Committee
Management of Southwest Power Pool, Inc.

We have audited the statement of cash receipts and disbursements of Southwest Power Pool Regional State Committee (the Organization) for the year ended December 31, 2016, and have issued our report thereon dated July 17, 2017. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, as well as certain information related to the planned scope and timing of our audit. We have communicated such information to you in our letter dated January 16, 2017. Professional standards also require that we communicate to you the following information related to our audit.

**Significant Audit Findings**

*Qualitative Aspects of Accounting Practices*

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Organization are described in Note 1 to the financial statement. No new accounting policies were adopted and the application of existing policies was not changed during 2016. We noted no transactions entered into by the Organization during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statement in the proper period in accordance with the cash receipts and disbursements basis of accounting.

Accounting estimates are an integral part of the financial statement prepared by management and are based on management’s knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statement and because of the possibility that future events affecting them may differ significantly from those expected. We noted no particularly sensitive accounting estimates applicable to the Organization’s December 31, 2016 financial statement.

The financial statement disclosures are neutral, consistent and clear.

*Difficulties Encountered in Performing the Audit*

We encountered no significant difficulties in dealing with management in performing and completing our audit.

*Corrected and Uncorrected Misstatements*

Professional standards require us to accumulate all misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. We did not identify any misstatements to report.
Members of the  
Southwest Power Pool Regional State Committee  
Management of Southwest Power Pool, Inc.  
Page Two

**Significant Audit Findings (Continued)**

*Disagreements with Management*

For purposes of this letter, a disagreement with management is a financial accounting, reporting or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statement or the auditor’s report. We are pleased to report that no such disagreements arose during the course of our audit.

*Management Representations*

We have requested certain representations from management that are included in the management representation letter dated July 17, 2017, a copy of which is included in Attachment A.

*Management Consultations with Other Independent Accountants*

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a “second opinion” on certain situations. If a consultation involves application of an accounting principle to the Organization’s financial statement or a determination of the type of auditor’s opinion that may be expressed on the statement, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

*Other Audit Findings or Issues*

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Organization’s auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

* * * *

This information is intended solely for the use of the members and management of the Organization and is not intended to be, and should not be, used by anyone other than these specified parties.

Certified Public Accountants

July 17, 2017  
Little Rock, Arkansas
July 17, 2017

Thomas & Thomas LLP
Heritage West Building
201 East Markham, Suite 500
Little Rock, Arkansas  72201

This representation letter is provided in connection with your audit of the financial statements of the Southwest Power Pool Regional State Committee (the Organization) which comprise the statements of cash receipts and disbursements for the years then ended December 31, 2016 and 2015, and the related notes to the financial statements, for the purpose of expressing an opinion as to whether the financial statements are presented fairly, in all material respects, in accordance with the cash receipts and disbursements basis of accounting.

Certain representations in this letter are described as being limited to matters that are material. Items are considered material, regardless of size, if they involve an omission or misstatement of accounting information that, in light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would be changed or influenced by the omission or misstatement. An omission or misstatement that is monetarily small in amount could be considered material as a result of qualitative factors.

We confirm, to the best of our knowledge and belief, as of July 17, 2017, the following representations made to you during your audit.

Financial Statements

- We have fulfilled our responsibilities, as set out in the terms of the audit engagement letter dated January 16, 2017, including our responsibility for the preparation and fair presentation of the financial statements in accordance with the cash receipts and disbursements basis of accounting.

- The financial statements referred to above are fairly presented in conformity with the cash receipts and disbursements basis of accounting.

- We acknowledge our responsibility for the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

- We acknowledge our responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud.
Financial Statements (Continued)

- Significant assumptions we used in making accounting estimates, including those measured at fair value, are reasonable.

- Related party relationships and transactions have been appropriately accounted for and disclosed in accordance with the cash receipts and disbursements basis of accounting.

- There are no events subsequent to the date of the financial statements and for which the cash receipts and disbursements basis of accounting requires adjustment or disclosure.

- We are not aware of any pending or threatened litigation, claims, or assessments or unasserted claims or assessments that are required to be disclosed in the financial statements in accordance with the cash receipts and disbursements basis of accounting and we have not consulted a lawyer concerning litigation, claims or assessments.

- Material concentrations have been properly disclosed in accordance with the cash receipts and disbursements basis of accounting.

- There are no guarantees, whether written or oral, under which the Organization is contingently liable that must be recorded or disclosed in the financial statements in accordance with the cash receipts and disbursements basis of accounting.

Information Provided

- We have provided you with:
  - Access to all information, of which we are aware, that is relevant to the preparation and fair presentation of the financial statements, such as records, documentation and other matters.
  - Additional information that you have requested from us for the purpose of the audit.
  - Unrestricted access to persons within the Organization from whom you determined it necessary to obtain audit evidence.

- All material transactions have been recorded in the accounting records and are reflected in the financial statements.

- We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.

- We have no knowledge of any fraud or suspected fraud that affects the Organization and involves:
  - Management,
  - Other administrative officers who have significant roles in internal control or
  - Others where the fraud could have a material effect on the financial statements.
Information Provided (Continued)

- We have no knowledge of any allegations of fraud or suspected fraud affecting the Organization’s financial statements communicated by regulators or others.

- We have no knowledge of any instances of noncompliance or suspected noncompliance with laws and regulations whose effects should be considered when preparing financial statements.

- We are not aware of any pending or threatened litigation, claims, or assessments or unasserted claims or assessments that are required to be disclosed in the financial statements in accordance with the cash receipts and disbursements basis of accounting, and we have not consulted a lawyer concerning litigation, claims or assessments.

- We have disclosed to you the identity of the Organization’s related parties and all the related party relationships and transactions of which we are aware.

- We are responsible for compliance with the laws, regulations and provisions of contracts and grant agreements applicable to us.

- Southwest Power Pool Regional State Committee is an exempt organization under Section 501(c)(4) of the Internal Revenue Code. We are not aware of any activities that would jeopardize the Organization’s tax-exempt status, and there have been no activities that would incur unrelated business income or excise tax or other tax. All required filings with tax authorities are up-to-date.

- We understand that you prepared the draft financial statements and related notes from the general ledger which we provided. We have reviewed and approved the financial statements and related notes and believe they are adequately supported by the books and records of the Organization.

- In regards to the tax preparation services and financial statement preparation services performed by you, we have:
  
  o Assumed all management responsibilities.
  o Overseen the services by designating an individual with suitable skill, knowledge or experience.
  o Evaluated the adequacy and results of the services performed.
  o Accepted responsibility for the results of the services.

Steve Stoll, President
Southwest Power Pool Regional State Committee

Paul Suskie, Executive Vice President Regulatory Policy and General Counsel
Southwest Power Pool, Inc.
Southwest Power Pool Regional State Committee

STATEMENTS OF CASH RECEIPTS AND DISBURSEMENTS
Years Ended December 31, 2016 and 2015

(With Independent Auditor’s Report Thereon)
INDEPENDENT AUDITOR’S REPORT

Members of the
Southwest Power Pool Regional State Committee

We have audited the accompanying statements of cash receipts and disbursements of Southwest Power Pool Regional State Committee (the Organization) for the years ended December 31, 2016 and 2015, and the related notes to the financial statements.

Management’s Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the cash basis of accounting described in Note 1; this includes determining that the cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible for the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor’s Responsibility

Our responsibility is to express an opinion on the financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor’s judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity’s preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity’s internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we obtained is sufficient and appropriate to provide a basis for our audit opinion.
Members of the
Southwest Power Pool Regional State Committee
Page Two

Opinion

In our opinion, the financial statements referred to in the first paragraph present fairly, in all material respects, the statements of cash receipts and disbursements of the Organization for the years ended December 31, 2016 and 2015, in accordance with the cash basis of accounting described in Note 1.

Basis of Accounting

We draw attention to Note 1 of the financial statements, which describes the basis of accounting. These financial statements are prepared on the cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Certified Public Accountants

July 17, 2017
Little Rock, Arkansas
Southwest Power Pool Regional State Committee

STATEMENTS OF CASH RECEIPTS AND DISBURSEMENTS
Years Ended December 31, 2016 and 2015

<table>
<thead>
<tr>
<th></th>
<th>2016</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>CASH RECEIPTS</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Reimbursements</td>
<td>$257,195</td>
<td>$236,431</td>
</tr>
<tr>
<td><strong>CASH DISBURSEMENTS</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Administrative</td>
<td>2,440</td>
<td>2,325</td>
</tr>
<tr>
<td>Meetings</td>
<td>37,171</td>
<td>33,135</td>
</tr>
<tr>
<td>Travel</td>
<td>216,278</td>
<td>203,877</td>
</tr>
<tr>
<td><strong>Total Cash Disbursements</strong></td>
<td>255,889</td>
<td>239,337</td>
</tr>
<tr>
<td><strong>INCREASE (DECREASE) IN CASH</strong></td>
<td>1,306</td>
<td>(2,906)</td>
</tr>
<tr>
<td><strong>(NEGATIVE CASH) CASH, BEGINNING OF YEAR</strong></td>
<td>(2,906)</td>
<td>-</td>
</tr>
<tr>
<td><strong>NEGATIVE CASH, END OF YEAR</strong></td>
<td>$1,600</td>
<td>$2,906</td>
</tr>
</tbody>
</table>

See accompanying notes to financial statement.
NOTE 1: NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) General
Southwest Power Pool Regional State Committee (the Organization) is a public-benefit corporation incorporated in the State of Arkansas. The primary purpose of the Organization is to provide collective state regulatory agency input to Southwest Power Pool, Inc. (SPP) on matters of regional importance related to the development and operation of bulk electric transmission. The Organization is comprised of retail regulatory commissioners from agencies in Arkansas, Iowa, Kansas, Missouri, Nebraska, New Mexico, North Dakota, Oklahoma, South Dakota and Texas.

All general and administrative functions related to the operation of the Organization are performed by employees of SPP at no charge to the Organization. In addition, SPP provides all financial support necessary to cover costs incurred by the Organization.

(b) Basis of Accounting
The accompanying financial statements have been prepared on the cash receipts and disbursements basis of accounting. Under this method, the only asset recognized is cash, and no liabilities are recognized. Non-cash transactions are not recognized. All transactions are recorded as either cash receipts or disbursements.

(c) Cash
These financial statements reflect all receipts and disbursements attributable to the Organization’s operating bank account maintained at a financial institution. Negative cash presented on the financial statements represents reimbursements due from SPP for operating costs incurred and paid by the Organization. These reimbursements are received the next business day.

(d) Income Taxes
The Organization is exempt from income taxes under Section 501(c)(4) of the Internal Revenue Code.

The Organization may be subject to audit by the Internal Revenue Service; however there are currently no audits for any tax periods in progress.

NOTE 2: SUBSEQUENT EVENTS

Management has evaluated subsequent events through July 17, 2017, the date that the financial statements were available to be issued.
Integrated Marketplace Update

Bruce Rew, PE
Vice President, Operations
SPP Integrated Marketplace Update

• Marketplace Highlights Over Last 12 Months
• Marketplace Statistical Information
• Marketplace Wind Highlights and Records
• Enhancements under development
• TCR Funding Update
Marketplace Over Last 12 Months

• 191 Market Participants
  • 125 financial only and 66 asset owning
  • One less MP over the last quarter (financial only entity)

• SPP BA has successfully maintained NERC control performance standards (BAAL & CPS)

• High System availability
  • Day-Ahead Market has not been delayed from posting in the last 12 months
  • Real-Time Balancing Market has successfully solved 99.95% of all intervals
Fuel on the Margin in Real-Time
Real-Time versus Day-Ahead Pricing

![Graph showing the comparison between Real-Time (RT) LMP, Day-Ahead (DA) LMP, and Gas Cost from April 2016 to June 2017. The graph illustrates the fluctuations in LMP and Gas Cost over time.]
Marketplace Operational Highlights

- Total of 16,280 MW of installed and operational wind capacity to date
  - As of July 10th, there is approximately 100 MW of wind registered, but not yet operational

- Slightly expanded wind penetration record to 54.47% on 4/24 (from previous record 54.45% on 3/19)
  - Before 12/25/16, SPP had not averaged 40% wind penetration for an entire day
    - 1st Quarter of 2017 SPP averaged >40% wind penetration for seven different days
    - SPP averaged >40% wind penetration for seven days in April 2017 alone
Wind Output: April - June 2017

Wind output represents the total real-time output of all wind generators in the SPP market at a point in time.

Max wind output: 13,099 MW 6/12 @22:52
- Approximate generation mix at time:
  - Coal - 39% (34% Self)  Hydro - 4%  Nuclear - 5%  Nat. Gas - 16%  Wind - 36%
- SPP load @35,600 MW at the time

Min wind output: 317MW 6/4 @01:38
- Approximate generation mix at time:
  - Coal - 66% (53% Self)  Hydro - 4%  Nuclear - 8%  Nat. Gas - 21%  Wind - 1%
- SPP load @24,700 MW at the time

Q2 Average daily wind output: 6,917 MW
- 2017 Q1 Average daily wind output: 7,199 MW
- All-Time Max: 13,342 MW 2/9 @21:34
- All-Time Min*: 30 MW 3/1/2015

*Since Integrated Marketplace Go-Live 3/1/2014
Wind Penetration: April - June 2017

- Wind penetration represents the instantaneous wind output divided by the total load. (Wind Gen/SPP Load)

- Max % penetration: 54.47% of load  4/24 @02:12
  - Approximate generation mix at time:
    - Coal - 20% (17% Self)  Hydro – 4%  Nuclear – 9%  Nat. Gas - 17%  Wind – 49%
    - SPP load @21,150 MW and wind @11,520 MW at the time

- Min % penetration: 1.3% of load  6/4 @00:33
  - Approximate generation mix at time:
    - Coal - 66% (53% Self)  Hydro – 4%  Nuclear – 8%  Nat. Gas - 21%  Wind – 1%
    - SPP load @25,950 MW and wind @330 MW at the time

- Q2 Average daily % penetration: 25.2% of load
- 2017 Q1 Average % penetration: 26.5% of load
- All-Time Max: 54.47% of load  4/24 @02:12
- All-Time Min*: 0.1% of load   3/1/2015

*Since Integrated Marketplace Go-Live 3/1/2014
April - June 2017
April - June 2017 Summary

<table>
<thead>
<tr>
<th>Wind Output</th>
<th>Wind Penetration (% of Load)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Max</td>
<td>13,099 MW 6/12 @25:52</td>
</tr>
<tr>
<td>Min</td>
<td>317 MW 6/4 @01:38</td>
</tr>
<tr>
<td>Average</td>
<td>6,917 MW</td>
</tr>
</tbody>
</table>
Min and Max Percent of Generation Mix Per Fuel Type

2\textsuperscript{nd} Quarter - 2017

- **Coal**: 65.7%
- **Wind**: 49.5%
- **Natural Gas**: 40.1%
- **Nuclear**: 10.0%
- **Hydro**: 8.2%
Recently Implemented:

• RR175 – Compliance with FERC Order 825 on Shortage Pricing

On The Way:

• MP approved revision requests and enhancements including:
  • RR127 – JOU Combined Option – Aggregate Energy Curve
  • RR130 – Commitment Notification Enhancement
  • RR188 – Headroom in DA Market

Future:

• RR116 - Quick Start Real-Time Commitment design enhancements

• RR198 – Variable Demand Curve
  • On hold pending FERC approval

Integrated Marketplace Enhancements
TCR Funding Update

- RR91 Design:
  - Adjust capacity made available in Annual ARR Allocation to match capacity available in Annual TCR Auction

- Desired impacts were to help address:
  - Limit expansion
  - Underfunding
  - Mismatch of ARR/TCR system capabilities being allocated/awarded
Limit Expansion Totals

• 2015-2016
  • 62 GWs of expansion
  • 28 % average expansion per constraint

• 2016-2017
  • 12 GWs of expansion
  • 15 % average expansion per constraint
Cumulative TCR Funding Percentages
Congestion vs. TCR Payments

- **2015-2016**
  - DA Congestion Rents: 89%
  - TCR Payments: 11%

- **2016-2017**
  - DA Congestion Rents: 5%
  - TCR Payments: 94%

Dollars

M

M

100M

200M

300M

400M

500M

600M
TCR Summary

• RR91 implementation 2016-2017 TCR Year:
  • Greatly improved limit expansion
  • Provided 94% funding (back in the Tariff implied 90% to 100% target range)
  • Matched Allocation and Auction available system capabilities

• RR91 was successful in aiding SPP Congestion Hedging market’s funding percentage