SOUTHWEST POWER POOL
FINANCE COMMITTEE MEETING

April 15, 2021
Videoconference

MINUTES

ADMINISTRATIVE ITEMS

SPP Chair Susan Certoma called the meeting to order at 8:00 a.m. The following members were in attendance:

Susan Certoma	SPP Director
Julian Brix	SPP Director
Sandra Bennett	AEP
Sarah Stafford	OG&E
Mike Wise	Golden Spread Electric Coop
Al Tamimi	Sunflower Electric Coop
Matt Pawlowski	NextEra
Tom Dunn	SPP

Others in attendance: See attached roster

A quorum was present.

Minutes from the January 14 and January 21 meetings were reviewed. Matt Pawlowski made a motion to accept the minutes. The motion was seconded by Julian Brix and approved by unanimous voice vote.

2020 FINANCIAL AUDIT REPORT

Dianne Branch and Chad Moore presented the results of the 2020 financial audit. Dianne Branch covered highlights on the financial statements and related footnotes. Chad Moore presented the audit opinion letter and the management letter. The audit opinion was unmodified and no exceptions were noted in the management letter.

The committee convened a brief executive session with the auditor.

Sarah Stafford made the following motion: Recommend the SPP Board of Directors accept in its entirety the 2020 audit report and findings of BKD, LLC. The motion was seconded by Mike Wise and approved by unanimous voice vote.

2021 BENEFIT PLAN FUNDING

The committee received a recommendation from SPP staff to contribute $5.10 million to the SPP Retirement Plan in 2021 and to contribute $0 to the SPP Post-retirement Healthcare Plan in 2021.

Al Tamimi made the following motion: Approve 2021 funding of the SPP Retirement Plan of $5.10 million. Approve 2021 funding of the SPP Post-retirement Healthcare Plan of $0. The motion was seconded by Julian Brix and approved by unanimous voice vote.

Two questions were asked regarding detail in the actuary report. One was the addition of someone to the "Retired" status with the reason of "other". A second question was why the actuary used 4.5% for compensation growth for purposes of calculation of the contribution when 4.0% compensation growth was used elsewhere. The actuary responded that a retired employee became divorced and the ex-spouse was added to the retired roster in accordance with a qualified domestic relations order. The actuary stated 4.5% compensation growth was used to be more in-line with the inflation assumption used in the contribution calculations consistent with prior years.

2021 DEBT ISSUANCES

SPP staff discussed utilizing the private placement market to provide funding for 2021 and 2022 capital expenditures. This market would allow SPP to obtain term debt at attractive and competitive rates while also structuring principal retirements to occur in 2026-28. This structure of principal retirements will allow SPP to maintain the amount of principal and interest that needs to be recovered in future rates at a level consistent with those included in 2021 rates. Staff proposed utilizing U.S. Bank as its placement agent for this issuance as U.S. Bank has developed a strong record in placements and serves as SPP's bank for liquidity financing and treasury management services. U.S. Bank also provides a $30 million revolving line of credit to SPP to supplement short-term liquidity needs. This line of credit is scheduled to mature in October 2021. U.S. Bank has proposed to extend the maturity of the line of credit to October 2023 retaining all other terms.

Mike Wise made the following motions: Authorize the issuance of $28 million in senior unsecured term notes with scheduled principal retirements not occurring until 2026 and final maturities of 2028 or prior. The notes will be issued as a private placement, utilizing the services of USB as the sole placement agent. Authorize appropriate regulatory filings for the issuance of up to $28 million in senior unsecured term notes to be issued within 12 months of receiving regulatory approval. Authorize the SPP Finance Committee to oversee negotiation, final approval of terms and conditions, and authorizations to execute up to $28 million in senior unsecured term notes with final maturities of 2028 or prior. Authorize the SPP President and Chief Financial Officer to jointly execute notes and agreements for the issuance of up to $28 million of senior unsecured term notes with final maturities of 2028 or prior.

Authorize the extension of maturity date of $30 million revolving credit facility to October 2023 with all other terms and conditions remaining unchanged. Authorize appropriate regulatory filings for the extension of the maturity of the existing $30 million revolving credit facility to October 2023. Authorize the SPP President to execute notes and agreements to effectuate the extension of the maturity date of the existing $30 million revolving credit facility to October 2023.

The motions were seconded by Matt Pawlowski and approved by unanimous voice vote.

CREDIT PRACTICES WORKING GROUP

Scott Smith presented a recommendation from the Credit Practices Working Group to clarify a requirement in the credit policy that requires undercapitalized market participants to provide financial security equal to at least 2 times their market exposure, including exposure related to transmission congestion rights products.

Sandra Bennett made the following motion: The CPWG recommends revising section 3.1.1.8.2(e) and section 4.4 to include references to TCR exposure to help clarify the intent of the language and Financial Security Requirements. The motion was seconded by Julian Brix and approved by unanimous voice vote.

CORPORATE LIABILITY INSURANCE REVIEW

SPP staff summarized the results of the renewal of the company's corporate liability insurance program. Premiums increased in line with the guidance provided by Stephens Insurance LLC in January 2021. Cyber risks and the fallout from the February 2021 winter storm weighed on the renewals.

REVIEW OF FEBRUARY 13-19 INTEGRATED MARKETPLACE

SPP staff provided a summary of the operational and financial events from the winter storm which hit the SPP region in mid-February 2021. The committee was informed of the comprehensive review effort being led by the SPP board of directors and the committee's role to provide oversight of the financial section of the report. The committee was provided with a draft outline of the financial report and was requested to reply back to staff regarding any items a committee member felt should be added, enhanced, deleted, or other.

CONTRACT SERVICES REVIEW

SPP staff responded to a question from the January meeting of the committee regarding the shared overhead collected under the contracts which serves to reduce the administrative fee collected under schedule 1A of the SPP regional tariff.

FUTURE MEETINGS

The next meeting of the SPP finance committee is scheduled for July 15, 2021 from 8:00am – noon CDT. The committee members will review the draft agenda prior to determining if the meeting will be virtual or offer an in-person option.

Respectfully Submitted,

Tom Dunn

Secretary

FirstName	LastName	Company
Jared	Barker	
Sandra	Bennett	AEP
Dianne	Branch	Southwest Power Pool
Julian	Brix	SPP
Denise	Buffington	Evergy Companies
Susan	Certoma	SPP
Jason	Chaplin	OCC
Keith	Collins (MMU)	Southwest Power Pool
Tom	Dunn	SPP
Tom	Hestermann	Sunflower Electric Power Corporation
Jim	Jacoby (AEP)	AEP/PSO
Ryan	Kirk	AEPSC
Heather	Knies	Altus Power, LLC
Emily	Koenig	Lincoln Electric System
Bernie	Liu	Xcel Energy
Jason	Mazigian	Basin Electric Power Cooperative
Chad	Moore	BKD LLP
Jeff	Parkison	CUS
Matt	Pawlowski	NextEra Energy Resources, LLC
Charles	Ross	why do I have to enter this every time?
SCOTT	SMITH	SPP
Sarah	Stafford	OG&E
Heather	Starnes	MJMEUC/KMEA
Al	Tamimi	Sunflower Electric
Will	Vestal	SPP_MMU
MICHAEL	WISE	Golden Spread Electric Cooperative

Southwest Power Pool

SOUTHWEST POWER POOL, INC.
FINANCE COMMITTEE MEETING

April 15, 2021
Video Conference

AGENDA

8:00 a.m. – 12:00 p.m.

1. Administrative Items..Susan Certoma
    - Roll call
    - Minutes (**ACTION**)
2. 2020 Financial Audit Report (**ACTION**).............Chad Moore, BKD LLC / Dianne Branch, SPP
3. 2021 Benefit Plan Funding (**ACTION**) (*15 minutes*) ....Tom Dunn
4. 2021 Capex Funding (**ACTION**) (*15 minutes*)..Tom Dunn
5. Credit Practices Working Group (**ACTION**) (*15 minutes*)...........................Scott Smith
6. Corporate Liability Insurance Report (*30 minutes*) ....Tom Dunn
7. Review of February 13-19 Integrated Marketplace (*60 minutes*).......................Tom Dunn
8. Contract Services Review (*20 minutes*)...Tom Dunn
9. Written Reports..
    - Financial Results (YTD February 2021)
10. Future Meetings..Tom Dunn

SOUTHWEST POWER POOL
FINANCE COMMITTEE MEETING

January 14, 2021
Videoconference

MINUTES

ADMINISTRATIVE ITEMS

SPP Chair Susan Certoma called the meeting to order at 8:00 a.m. The following members were in attendance:

Susan Certoma	SPP Director
Julian Brix	SPP Director
Sandra Bennett	AEP
Sarah Stafford	OG&E
Mike Wise	Golden Spread Electric Coop
Laura Kapustka	Lincoln Electric System
Al Tamimi	Sunflower Electric Coop
Matt Pawlowski	NextEra
Tom Dunn	SPP

Others in attendance: See attached roster

A quorum was present.

Minutes from the October 12 and October 22 meetings were reviewed. Mike Wise made a motion to accept the minutes. The motion was seconded by Sandra Bennett and approved by unanimous voice vote.

CORPORATE LIABILITY INSURANCE STEWARDSHIP REPORT

Representatives from Stephens Insurance, LLC provided an overview of the property & casualty, professional liability, cyber, and director and officer insurance markets. The report highlighted that insurance underwriters are seeking meaningful increases in premiums across all coverage lines. Excess liability, D&O, and cyber lines are seeing the most significant increases and also a general desire by underwriters to curtail limits and, in cyber, significantly change the scope of coverage. SPP's program generally renews at the end of March. Based on the guidance provided by Stephens Insurance, LLC, SPP anticipates renewal premiums of more than 20%

greater than budgeted in 2021. Staff discussed the potential impacts of reducing limits both in terms of meeting budget but also in consequences should claims occur. Staff will provide the committee an update on the renewal process in mid-March once proposals are received. Stephens Insurance, LLC was encouraged to issue a request for proposal for the renewal of the cyber insurance policy.

IDENTITY AND ACCESS MANAGEMENT BUDGET

SPP staff presented a request for unbudgeted funding for the IAM project. Following a thorough assessment and redesign effort it was determined the capital requirements to successful build and implement the initiative will increase to $1,940,000 versus $500,000 identified in the approved 2021 capital budget. The re-scoping of the project and identification of required funding was endorsed by the SPP Oversight Committee on October 26, 2020.

The committee's discussion centered around two issues: i) why wasn't this change noted in the 2021 budget that was approved by the committee on October 12, 2020, and ii) what capital spending is SPP going to eliminate to fund unbudgeted expenditures the committee might approve. Additionally, the committee was advised SPP would be funding the capital expenditures primarily with new debt issued in 2021 under which scheduled principal payments would not begin until 2026 (and not be recovered in SPP's rates until 2026).

Julian Brix made a motion to approve SPP's IAM approach, including the use of unbudgeted capital funds in 2021 of $390,000 to implement the IAM program. The motion was seconded by Laura Kapustka and approved by unanimous voice vote.

The committee requested SPP management to report back to the committee with its plan to reduce other capital spending in 2021 to offset the unbudgeted amount approved.

ACUTARIAL ASSUMPTIONS FOR DEFINED BENEFIT PENSION PLAN

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 4.00% 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%, and iv) staff recommended utilizing the IRS-2021 mortality tables in accordance with Finance Committee directives from December 2015.

Mike Wise made a motion to accept the assumptions presented by staff. The motion was seconded by Sarah Stafford and approved by unanimous voice vote.

2021 CAPITAL EXPENDITURES FUNDING PLAN

SPP staff provided the committee with the status of negotiations with the banks currently providing an $80,000,000 capital expenditures borrowing facility; whereby SPP is seeking to restructure the amortization period to delay any retirements for funds borrowed in 2021-22 until 2026. The banks have agreed to a deferral of scheduled retirements for funds borrowed in 2021 until 2023. No deferral was agreed to for funds borrowed in 2022 but the banks expressed a willingness to favorably entertain that request closer to 2022. Staff also indicated it had started outreach to the institutional market and received favorable interest in meeting its deferral request under a new note. Staff will continue its efforts and bring a formal recommendation to the committee in April 2021.

The meeting was adjourned at noon. The meeting will continue on January 21 at 12:30pm.

January 21, 2021
Videoconference

ADMINISTRATIVE ITEMS

SPP Chair Susan Certoma called the meeting to order at 12:30 p.m. The following members were in attendance:

Susan Certoma	SPP Director
Julian Brix	SPP Director
Sandra Bennett	AEP
Sarah Stafford	OG&E
Mike Wise	Golden Spread Electric Coop
Laura Kapustka	Lincoln Electric System
Al Tamimi	Sunflower Electric Coop
Matt Pawlowski	NextEra
Tom Dunn	SPP

Others in attendance: See attached roster

A quorum was present.

CREDIT PRACTICES WORKING GROUP

The committee was informed that progress on allowing surety bonds as financial security for tariff transactions has paused following the FERC's action on a similar request filed by PJM Interconnection, LLC. The FERC had a litany of concerns in its response to the PJM filing which the credit practices working group is now researching to ensure SPP can adequately address the issues raised by the FERC. A re-filing of the request is expected from PJM in the near future.

The committee was also advised that work on the phase II credit policy enhancements are ongoing, though no date has been set to bring the policy changes to the finance committee for approval.

2020 BUDGET DOCUMENT EVALUATION

Committee members were asked to share their ideas on opportunities to improve the annual budget document to enhance its usefulness to the committee members. Several of the major themes were as follows:

- Document is very long, could use some condensing
- Eliminate the value sections, maybe add a sentence or two pointing to annual report, etc
- High value in the executive summary section – maybe look into expanding this section
- Suggestion to move the standard/routine items in capex foundation to an appendix and just reference the new initiatives
- Suggestion to remove references to numbers in the tables from the commentary
- Expand capex project section to be more consistent in identifying the “what would happen if we didn’t do this project” for each one
- Provide more details on allocating/costing SPP overhead to contracts
- Need an additional meeting after posting for shareholder feedback and before the official budget review/approval meeting

CONTRACT SERVICES REVIEW

SPP staff provided a brief review of SPP’s contract services activities, focusing first on the basic terms of the contracts and next the 2020 and 2021 financials. Due to time limitations, this review was cut short. It will be presented again at the next regularly scheduled meeting and will contain additional insights on the allocation of existing overhead to the contracts.

Respectfully Submitted,

Tom Dunn

Secretary

Southwest Power Pool

Southwest Power Pool, Inc.

FINANCE COMMITTEE

Recommendation to the Board of Directors

April 27, 2021

2020 Financial Audit Acceptance

Organizational Roster

The following persons are members of the Finance Committee:

Susan Certoma	SPP Director
Julian Brix	SPP Director
Darcy Ortiz	SPP Director
Sarah Stafford	OG&E
Matt Pawlowski	NextEra
Sandra Bennett	AEP
Al Tamimi	Sunflower
Mike Wise	Golden Spread

Background

SPP annually engages a Certified Public Accounting firm to audit its financial statements and accounting controls. SPP has engaged BKD, LLC to perform audits of its financial reports since fiscal year 2004. SPP last performed a request for proposal for the financial audit engagement in July 2020.

Analysis

BKD, LLC has completed and published its audit of SPP's 2020 financial statements. The Finance Committee, at its April 15, 2021 meeting met with representatives of BKD, LLC and discussed their findings, specifically focusing on: 1) adequacy of SPP's accounting policies and procedures, 2) adequacy of internal control procedures and the extent tested, and 3) any areas of weakness or concern that SPP should address going forward.

BKD's opinion will be unqualified. No issues or material/significant weaknesses were noted during the audit. BKD informed the Committee of upcoming changes in accounting standards.

Recommendation

The Finance Committee recommends the SPP Board of Directors accept in its entirety the 2020 audit report and findings of BKD, LLC.

Approved: SPP Finance Committee

Action Requested: Approve Recommendation

Southwest Power Pool, Inc.

Independent Auditor's Report and Financial Statements

December 31, 2020 and 2019

Southwest Power Pool, Inc.

December 31, 2020 and 2019

Contents

Independent Auditor's Report

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

We have audited the accompanying financial statements of Southwest Power Pool, Inc., which comprise the balance sheets as of December 31, 2020 and 2019, and the related statements of income, members' deficit, and cash flows for the years then ended, 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 these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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 these 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 audit 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 have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Southwest Power Pool, Inc. as of December 31, 2020 and 2019, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Little Rock, Arkansas
April 15, 2021

Southwest Power Pool, Inc.

Balance Sheets (*in Thousands*)

December 31, 2020 and 2019

Assets

	2020	2019
Current Assets		
Cash and cash equivalents	$ 76,128	$ 48,694
Restricted cash deposits	445,550	401,478
Accounts receivable	85,251	74,285
Prepaid expenses and other	11,883	11,714
Total current assets	618,812	536,171
Property and Equipment, at Cost		
Land	4,812	4,812
Building and improvements	68,373	68,373
Furniture and fixtures	10,538	10,328
Equipment and machinery	61,459	56,025
Software	169,976	185,622
Software in development	4,298	7,081
	319,456	332,241
Less accumulated depreciation and amortization	250,329	258,151
	69,127	74,090
Investments (*Note 2*)	29,160	35,276
Other Assets, Net	8,337	6,349
	$ 725,436	$ 651,886

Liabilities and Members' Deficit

		2020		2019
Current Liabilities				
Accounts payable	$	78,204	$	60,811
Customer deposits		445,550		401,478
Current maturities of long-term debt (*Note 4*)		27,260		22,596
Accrued expenses		86,878		79,569
Deferred revenue		8,243		5,203
Total current liabilities		646,135		569,657
Line of Credit *(Note 3)*		12,090		12,760
Long-term Debt (*Note 4*)		154,871		169,603
Less unamortized debt issuance costs		(518)		(613)
		154,353		168,990
Other Long-term Liabilities		45,980		44,241
Members' Deficit		(133,122)		(143,762)
	$	725,436	$	651,886

Southwest Power Pool, Inc.
Statements of Income (*in Thousands*)
Years Ended December 31, 2020 and 2019

	2020	2019
Operating Income		
Tariff fees and member assessments	$ 197,235	$ 188,518
Other member services	16,367	7,171
	213,602	195,689
Operating Expenses		
Salaries and benefits	110,578	101,221
Employee travel	375	1,907
Administrative	5,081	4,865
Regulatory assessment	22,324	20,591
Meetings	274	933
Communications system	4,754	4,449
Maintenance	15,686	16,308
Consulting services	15,861	14,909
Depreciation and other	18,480	16,930
	193,413	182,113
Operating Income	20,189	13,576
Other Income (Expense)		
Investment income	576	665
Interest expense	(8,210)	(8,550)
Change in fair market value of interest rate swaps	(196)	(322)
Other income (expense)	2,583	(744)
	(5,247)	(8,951)
Income Before Unrealized Gain and Change in Funded Status of Employee Benefit Plans	14,942	4,625
Unrealized Gain on Investments	144	2,552
Change in Funded Status of Employee Benefit Plans	(4,446)	(845)
Net Income	$ 10,640	$ 6,332

See Notes to Financial Statements

Southwest Power Pool, Inc.

Statements of Members' Deficit (*in Thousands*)

Years Ended December 31, 2020 and 2019

	2020	2019
Balance, Beginning of Year	$ (143,762)	$ (150,094)
Net income	10,640	6,332
Balance, End of Year	$ (133,122)	$ (143,762)

See Notes to Financial Statements

Southwest Power Pool, Inc.

Statements of Cash Flows (*in Thousands*)

Years Ended December 31, 2020 and 2019

	2020	2019
Operating Activities		
Net income	$ 10,640	$ 6,332
Items not requiring cash		
Depreciation, amortization and other	18,582	17,036
Change in funded status of employee benefit plans	4,446	845
Unrealized gain on investments	(144)	(2,552)
Loss on disposal of fixed assets	-	46
Change in fair market value of interest rate swaps	(196)	(322)
Changes in assets and liabilities		
Accounts receivable	(10,966)	(8,743)
Prepaid expenses and other	(169)	743
Other assets	(1,996)	288
Accounts payable	17,326	(16,495)
Accrued expenses and other liabilities	9,692	(12,519)
Other current liabilities	44,072	56,573
Other long-term liabilities	(2,511)	3,617
Net cash provided by operating activities	88,776	44,849
Investing Activities		
Acquisition of property and equipment	(12,792)	(14,056)
Purchase of investments	(70,761)	(55,859)
Proceeds from investment maturities	66,372	47,042
Proceeds from sale of investments	10,648	1,526
Net cash used in investing activities	(6,533)	(21,347)
Financing Activities		
Repayments of long-term debt	(25,767)	(22,281)
Repayments of capital lease obligation	-	(1,966)
Repayment of borrowings under lines of credit	(44,087)	(76,583)
Borrowings under lines of credit	43,417	89,003
Issuance of long-term debt	15,700	-
Net cash used in financing activities	(10,737)	(11,827)
Increase in Cash, Cash Equivalents, and Restricted Cash	71,506	11,675
Cash, Cash Equivalents, and Restricted Cash, Beginning of Year	450,172	438,497
Cash, Cash Equivalents, and Restricted Cash, End of Year	$ 521,678	$ 450,172
Supplemental Cash Flows Information		
Interest paid on long-term debt (net of interest capitalized of $0 and $209 in 2020 and 2019, respectively)	$ 8,093	$ 8,474
Property and equipment purchases in accounts payable and accrued liabilities	$ 3,156	$ 2,431

Southwest Power Pool, Inc.

Statements of Cash Flows (*in Thousands*)

Years Ended December 31, 2020 and 2019

	2020	2019
Cash and cash equivalents	$ 76,128	$ 48,694
Restricted cash deposits	445,550	401,478
Total cash, cash equivalents and restricted cash shown on the balance sheet	$ 521,678	$ 450,172

Southwest Power Pool, Inc.
Notes to Financial Statements (*in Thousands*)
December 31, 2020 and 2019

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

Nature of Operations

Southwest Power Pool, Inc. (the Company) is a not-for-profit entity formed in 1941 and incorporated in 1994. The Company is a Federal Energy Regulatory Commission (FERC)-approved regional transmission organization (RTO) serving more than 19 million ultimate customers across all or parts of 17 states. The Company's membership consists of investor-owned utilities, municipal systems, generation and transmission cooperatives, state authorities, federal agencies, independent power producers, contract participants, power marketers, independent transmission companies, alternative power/public interest companies and large retail customers.

Major services provided by the Company to its members and customers include tariff administration, reliability coordination, regional scheduling, market operations and regional transmission expansion planning. Market operations encompass day-ahead and real-time markets, transmission congestion rights, reliability unit commitment, operating reserve market and consolidated balancing authority.

Use of Estimates

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

Cash and Cash Equivalents and Deposits

The Company considers all highly liquid interest-earning investments with stated maturities and coupon rate reset dates of no more than three months to be cash equivalents. At December 31, 2020 and 2019, the Company's cash and cash equivalents, including restricted deposits, are invested primarily in money market funds, mutual funds and commercial paper. These investments are typically revalued to the market each day. The Company's cash and cash equivalents consist primarily of funds accumulated for general operating purposes. Restricted cash deposits consist primarily of customer security deposits, amounts deposited for engineering studies and funds set aside for disputed invoices.

Investments

The Company's investments include equity and fixed income mutual funds and government securities. These investments are recorded at fair value, with unrealized gains and losses reported as nonoperating income. Dividends, interest income and realized gains and losses are reported as investment income. The Company's investments are intended to be utilized in funding benefits associated with the Company's postretirement health care plan and maintaining collections under Schedule 12 to be utilized for the annual FERC assessment.

Income Taxes

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

Notes to Financial Statements (*in Thousands*)

Accounts Receivable

Accounts receivable are stated at the amount of consideration from members, customers, and others of which the Company has an unconditional right to receive plus any accrued and unpaid interest. The Company provides an allowance for doubtful accounts, which is based upon a review of outstanding receivables, historical collection information and existing economic conditions. Accounts that are unpaid after the due date are subject to interest at a rate set by FERC. During the years ended December 31, 2020 and 2019, no allowance for doubtful accounts was recorded.

Property and Equipment

Property and equipment over $5 are recorded at cost and depreciated on a straight-line basis over the estimated useful life of each asset. The estimated useful lives are as follows:

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

The Company capitalizes interest cost incurred on funds used to construct property, plant and equipment. The capitalized interest is recorded as part of the asset to which it relates and is amortized over the asset's estimated useful life. Interest cost capitalized was $0 and $209 in 2020 and 2019, respectively.

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

Long-Lived Asset Impairment

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

In 2020, the Company recorded an impairment loss of $379 for implementation cost associated with customized software held in work in progress. No asset impairment was recognized during the year ended December 31, 2019. The amount is recorded as an impairment loss in the accompanying statements of income and is included in the line item Depreciation and other.

Revenue Recognition

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

Customer Deposits

Customers may be required to make deposits with the Company prior to the performance of transmission services, market transactions and engineering studies. An offsetting liability equal to the deposit balance is recorded in current liabilities. Funds set aside for any disputed invoices are also recorded as customer deposits under current liabilities.

Tariff Fees and Member Assessments

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

Members are assessed monthly based on their prior year average 12-month peak demand multiplied by the total hours in a month and by the monthly assessment rate as established by the board of directors.

A member's monthly assessment is offset dollar for dollar for qualifying tariff administrative fees collected from a member in any given assessment period.

The Company collects a membership fee from each member annually. The amount of the membership fee is established by the board of directors of the Company. For 2020 and 2019, all members paid a $6 membership fee.

The Company also bills transmission customers a charge under Schedule 12 on all energy delivered under point-to-point transmission service and network integration transmission service. This provides a mechanism for recovering the annual charges the Company pays to FERC.

Deferred Revenue

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

Other Member Services

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

Withdrawing Members

Prior to December 2019, members wishing to withdraw their membership from the Company must provide 24 months' written notice and were responsible for their portion of the Company's existing obligations as defined in the bylaws, which included unpaid membership fees, any assessments imposed prior to the effective withdrawal date, any costs or expenses imposed upon the Company as a direct consequence of the member's withdrawal and the member's share of long-term obligations and related interest. Additionally, withdrawing members were responsible for all financial obligations incurred and costs allocated to its load for transmission facilities approved prior to their withdrawal. As a result of a complaint, FERC ordered the Company in its ruling dated December 19, 2019 to revise its membership agreement and bylaws to eliminate for non-transmission owners the membership exit fee comprised of member's share of long-term obligations and related interest. FERC also ordered the Company to revise its exit fee formula to ensure that the Company's debt is fully covered by the continued application of the exit fee to transmission-owning members. As of December 31, 2020, the Company had not been notified by any member of their intent to withdraw their membership from the Company.

Concentration of Credit Risk

The Company is exposed to credit risk primarily through accounts receivable and uninsured cash balances. During 2020 and 2019, the Company maintained cash balances, including transaction accounts and short-term investment accounts that are not insured by the Federal Deposit Insurance Corporation. At December 31, 2020, the Company had one transaction account exceeding the federal insurance limit by $245. The Company did not have transaction accounts exceeding federal insurance limits at December 31, 2019. The Company's investment accounts were primarily invested in highly liquid short-term investments such as money market funds, mutual funds, and commercial paper. The Company also requires the financial institutions holding its cash balances to be rated A or better by nationally recognized rating agencies.

The Company considers its accounts receivable to be highly probable of collection. No allowance for doubtful accounts was recorded for 2020 and 2019.

The Company requires its customers to meet certain minimum standards of financial condition and creditworthiness to receive unsecured credit from the Company. If these standards cannot be met by a customer, the Company requires the posting of defined financial security instruments to cover potential liabilities.

Economic Uncertainties

As a result of the spread of the SARS-CoV-2 virus and the incidence of COVID-19, economic uncertainties have arisen which may negatively affect the financial position, results of operations and cash flows of the Company. The duration of these uncertainties and the ultimate financial effects cannot be reasonably estimated at this time

Southwest Power Pool, Inc.
Notes to Financial Statements (*in Thousands*)
December 31, 2020 and 2019

Note 2: Investment and Investment Returns

Investments at December 31 consisted of the following:

	2020	2019
Mutual Funds		
Equity	$ 2,523	$ 10,354
Fixed income	1,292	3,737
Total mutual funds	3,815	14,091
U.S. Government Securities		
Treasury Notes	25,345	21,185
Total Government Securities	25,345	21,185
	$ 29,160	$ 35,276

Total investment return is comprised of the following:

	2020	2019
Interest and dividends reported at fair value	$ 576	$ 665
Unrealized gains on investments reported at fair value	144	2,552
	$ 720	$ 3,217

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

Note 3: Lines of Credit

The Company has a $30,000 revolving line of credit with a commercial bank expiring in 2021. At December 31, 2020 and 2019, no amounts were borrowed against this line. The agreement has a variable interest rate equal to the 2020 and 2019 London Interbank Offered Rate (LIBOR) plus a 1.00% credit margin. The interest rate at December 31, 2020 and 2019, was 1.19% and 2.75%, respectively. The Company's line of credit requires compliance with certain financial and non-financial covenants as well as periodic reporting requirements. The Company was in compliance with the covenant and reporting requirements throughout and at December 31, 2020.

Notes to Financial Statements (in Thousands)

The Company has a $80,000 revolving line of credit expiring in 2023. At December 31, 2020 and 2019, $12,090 and $12,760, respectively, was borrowed against this line. The agreement has a variable interest rate equal to London Interbank Offered Rate (LIBOR) plus a 1.5 % credit margin, with a floor of 2.75%. The interest rate at December 31, 2020 and 2019, was 2.75% and 3.19%, respectively. The Company's line of credit requires compliance with certain financial and non-financial covenants as well as periodic reporting requirements. The Company was in compliance with the covenant and reporting requirements throughout and at December 31, 2020.

Note 4: Long-term Debt and Interest Rate Swaps

Long-term Debt

	2020	2019
Variable Rate Term Note due 2027 (A)	$ 2,313	$ 2,519
4.82% Series 2010-A and B Senior Notes due 2042 (B)	55,540	56,930
3.55% Series 2010-C Senior Notes due 2024 (C)	22,750	29,750
3.00% Series 2012-D-1 Senior Notes due 2024 (D)	16,250	21,250
3.25% Series 2012-D-2 Senior Notes due 2024 (E)	18,750	23,750
3.80% Series 2014-E Senior Notes due 2025 (F)	37,000	37,000
Floating Series Note - 2024 (G)	17,000	21,000
2.875% Fixed Rate Note due 2023 (H)	3,497	-
2.875% Fixed Rate Note due 2024 (I)	9,031	-
	182,131	192,199
Less unamortized debt issuance costs	518	613
Less current maturities	27,260	22,596
	$ 154,353	$ 168,990

(A) Due February 1, 2027; principal and interest are payable quarterly based on a 25-year amortization. Payments commenced on May 1, 2007. The interest rate adjusts quarterly based on LIBOR plus 0.85%. At December 31, 2020 and 2019, the interest rate was 1.13% and 2.81%, respectively. The note is secured by a first mortgage on the Company's operation facility.

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

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

Notes to Financial Statements (*in Thousands*)

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

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

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

(G) Due March 30, 2024; principal and interest are payable monthly based on an eight-year amortization. Payments commenced on June 30, 2016. The interest rate adjusts monthly based on LIBOR plus 1.75%. At December 31, 2020 and 2019, the interest rate was 1.90% and 3.46%, respectively. The note is unsecured.

(H) Due December 31, 2023; principal and interest are payable quarterly based on a 4-year amortization. Payments commenced on June 30, 2020. The interest rate is fixed at 2.875%. The note is unsecured.

(I) Due March 30, 2024; principal and interest are payable quarterly based on a 4-year amortization. Payments commenced on June 30, 2020. The interest rate is fixed at 2.875%. The note is unsecured.

Aggregate annual maturities of long term debt at December 31, 2020, are:

2021	$	27,260
2022		27,694
2023		28,558
2024		25,865
2025		23,972
Thereafter		48,782
	$	182,131

Certain of the Company's term notes require compliance with financial and nonfinancial covenants, as well as periodic reporting requirements. The Company was in compliance with the covenant and reporting requirements throughout and at December 31, 2020.

In an April 2019 Order, FERC directed the Company to eliminate the membership exit fee from non-transmission owners and revise the exit fee formula to ensure that the continued application to transmission owners ensures that the Company's debt is fully secured. In August 2019, the Company submitted a Section 206 compliance filing to FERC, which amends the Company's Membership Agreement and Bylaws to clearly establish an exit fee that only applies to transmission owning members in compliance with the FERC order.

Notes to Financial Statements (in Thousands)

The Company notified its debt holders of a potential event of default under the agreements as a result of the April 2019 Order. During 2020, the Company executed amendments to all of its note agreements to bring the terms of the agreements in line with the requirements imposed on the Company by the FERC order, thereby eliminating the potential event of default.

Variable-to-Fixed Interest Rate Swap

As a strategy to maintain acceptable levels of exposure to the risk of changes in future cash flows due to interest rate fluctuations, the Company enters into interest rate swap agreements. On September 15, 2006, the Company entered into an interest rate swap agreement with U.S. Bank National Association. The agreement provides for the Company to receive interest from the counterparty at LIBOR and to pay interest to the counterparty at a fixed rate of 5.51% on notional amounts of $2,295 and $2,499 at December 31, 2020 and 2019, respectively. Under the agreement, the Company pays or receives the net interest amount quarterly, with the quarterly settlements included in interest expense. The swap was established to hedge interest rate risk on its floating rate debt obligation (Loan A).

The Company entered into another interest rate swap agreement on March 10, 2014, with Regions Bank. The agreement provides for the Company to receive interest from the counterparty at LIBOR and to pay interest to the counterparty at a fixed rate of 3.225% on notional amounts of $17,000 and $21,000 at December 31, 2020 and 2019, respectively. Under the agreement, the Company pays or receives the net interest amount monthly, with the monthly settlements included in interest expense. The swap was established to hedge interest rate risk on its floating rate debt obligation (Loan G).

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

	2020	2019
Fair value of interest rate swap agreements	$ 1,510	$ 1,314
Balance sheet location of fair value amounts	Other Long-term Liabilities	Other Long-term Liabilities
Loss recognized in statement of income	$ (196)	$ (322)
Location of loss recognized in statement of income	Change in Fair Market Value of Interest Rate Swaps	Change in Fair Market Value of Interest Rate Swaps

Note 5: Capital Lease Obligation

The Company entered into a capital lease obligation on February 1, 2015, in the amount of $6,901 to finance data storage equipment. The term of the financing was five years and expired on November 1, 2019.

Notes to Financial Statements (in Thousands)

Note 6: Employee Benefit Plans

Pension and Other Postretirement Benefit Plans

The Company has a noncontributory defined benefit pension plan covering all employees meeting eligibility requirements. The Company's funding policy is to make the minimum annual contribution that is required by applicable regulations, plus such amounts as the Company may determine to be appropriate from time to time. The Company expects to contribute approximately $5,100 to the plan in 2021.

The Company has a noncontributory defined benefit postretirement health care plan that was partially terminated in 2020, leaving only current retirees drawing benefits in the plan. The plan covered eligible retirees, including those retiring between the ages of 55–65 and hired prior to January 1, 1996. Employees hired after June 1, 2006 were not eligible to participate in the plan. As a result of the partial termination of the plan, the Company paid eligible non-vested employees and eligible vested employees lump sum payments in the amount of $3,516 in lieu of future benefits. The Company also recorded a settlement gain of $4,475 as a result of partial termination of the plan which is reported under Other Income (Expense) in the statements of income. Current retirees remaining in the plan are provided monies through a tax-free health reimbursement account to pay for individual Medicare supplemental health insurance plans or other eligible health care expenses.

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

	Pension Benefits		Postretirement Health Care Benefits	
	2020	2019	2020	2019
Benefit obligation	$ 138,422	$ 115,547	$ 3,890	$ 11,476
Fair value of plan assets	102,489	87,657	-	-
Funded status	$ (35,933)	$ (27,890)	$ (3,890)	$ (11,476)

Amounts recognized in the balance sheets:

	Pension Benefits		Postretirement Health Care Benefits	
	2020	2019	2020	2019
Other long-term liabilities	$ (35,933)	$ (27,890)	$ (3,890)	$ (11,476)

Notes to Financial Statements (*in Thousands*)

Amounts recognized in members' deficit not yet recognized as components of net periodic benefit cost as of December 31, 2020 and 2019, consist of:

	Pension Benefits		Postretirement Health Care Benefits	
	2020	**2019**	**2020**	**2019**
Net loss	$ 26,119	$ 21,291	$ 1,018	$ 4,553
Prior service credit	(26)	(25)	-	(1,157)
Transition obligation	-	16	-	4
	$ 26,093	$ 21,282	$ 1,018	$ 3,400

The accumulated benefit obligation for the defined benefit pension plan was $110,573 and $93,595 at December 31, 2020 and 2019, respectively.

Other significant balances and costs are:

	Pension Benefits		Postretirement Health Care Benefits	
	2020	**2019**	**2020**	**2019**
Employer contributions	$ 5,000	$ 5,400	$ -	$ -
Benefits paid	1,265	3,341	136	139
Benefit costs	8,232	7,633	770	1,050

No amounts for the postretirement plan were funded by the Company into the investment account intended to be utilized in providing benefits for eligible retirees in 2020 and 2019.

The following amounts have been recognized in the Statements of Income for the years ended December 31, 2020 and 2019:

	Pension Benefits		Postretirement Health Care Benefits	
	2020	**2019**	**2020**	**2019**
Amounts arising during the period				
Net gain (loss)	$ 7,381	$ 8,757	$ 1,190	$ 677
Amounts recognized as benefit components of net periodic cost of the period				
Net loss	695	775	171	187
Net prior service cost (credit)	1	1	(48)	(83)
Net transition obligation	16	16	3	4

Notes to Financial Statements (*in Thousands*)

The components of net periodic benefit cost other than the service cost component are included in the line item Other Expense in the statements of income and shown below:

Pension Benefits		Postretirement Health Care Benefits	
2020	**2019**	**2020**	**2019**
$ (30)	$ 778	$ 501	$ 642

The estimated net loss, prior service cost and transition obligation for the defined benefit pension plan that will be amortized from members' equity into net period benefit credit over the next fiscal year are $877, $1 and $0, respectively. The estimated net loss, prior service credit and net obligation for the defined benefit postretirement health care plan that will be amortized from members' equity into net periodic benefit cost over the next fiscal year are $105, $0 and $0, respectively.

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

	Pension Benefits		Postretirement Health Care Benefits	
	2020	**2019**	**2020**	**2019**
Discount rate benefit obligation	4.0%	4.5%	4.0%	4.5%
Expected return on plan assets	7.0%	7.0%	N/A	N/A
Rate of compensation increase	4.0%	4.0%	N/A	N/A

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

For measurement purposes, a 9% annual rate of increase in the per capita cost of covered health care benefits in the next year was assumed for 2020 and 2019. The rate was assumed to decrease gradually to 5% by the year 2025 and remain at that level thereafter.

Notes to Financial Statements (*in Thousands*)

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

	Pension Benefits	Postretirement Health Care Benefits
2021	$ 1,661	$ 168
2022	1,970	191
2023	2,207	213
2024	2,510	240
2025	2,921	250
2026-2030	22,833	1,241

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

At December 31, 2020 and 2019, plan assets by category are as follows:

	Pension Plan Assets	
	2020	2019
Fixed income securities	29%	30%
Equity securities	69	65
Cash and equivalents	2	5
	100%	100%

Pension Plan Assets

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

Notes to Financial Statements (in Thousands)

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

In certain cases where Level 1 or Level 2 inputs are not available, plan assets are classified within Level 3 of the hierarchy. At December 31, 2020 and 2019, the Company does not hold any plan assets valued using Level 3 inputs.

The fair values of the Company's pension plan assets at December 31, 2020 and 2019, by asset category are as follows:

		Fair Value Measurements Using		
2020	**Fair Value**	**Quoted Prices in Active Markets for Identical Assets (Level 1)**	**Significant Other Observable Inputs (Level 2)**	**Significant Unobservable (Level 3)**
Money market mutual funds	$ 1,907	$ 1,907	$ -	$ -
Mutual funds				
Equity funds	59,954	41,061	18,893	-
Fixed income funds	26,829	19,510	7,319	-
Other Funds	1,018	-	1,018	-
	87,801	60,571	27,230	-
Domestic common stock				
Financials	4,673	4,673	-	-
Industrials	2,490	2,490	-	-
Healthcare	1,988	1,988	-	-
Real Estate	748	748	-	-
Telecommunications	465	465	-	-
Other	211	211	-	-
	10,575	10,575	-	-
Corporate debt obligations	2,206	-	2,206	-
Total	$ 102,489	$ 73,053	$ 29,436	$ -

Notes to Financial Statements (in Thousands)

2019	Fair Value	Fair Value Measurements Using: Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Money market mutual funds	$ 3,987	$ 3,987	$ -	$ -
Mutual funds				
Equity funds	45,828	30,342	15,486	-
Fixed income funds	23,314	16,878	6,436	-
Other funds	523	-	523	-
	69,665	47,220	22,445	-
Domestic common stock				
Financials	4,170	4,170	-	-
Healthcare	2,146	2,146	-	-
Industrials	2,271	2,271	-	-
Telecommunications	632	632	-	-
Other	765	765	-	-
Energy	1,294	1,294	-	-
	11,278	11,278	-	-
Corporate debt obligations	2,727	-	2,727	-
Total	$ 87,657	$ 62,485	$ 25,172	$ -

Defined Contribution Plans

The Company has a 401(k) defined contribution plan covering substantially all employees. The Company matches contributions at 4.75% for those employees deferring 6% of compensation, with the match fluctuating from 1% to 4.75% for each percentage of compensation contributed under 6%. Contributions to the plan were $3,264 and $3,035 for 2020 and 2019, respectively.

The Company has a 457(b) non-qualified tax-deferred compensation plan. This plan is an unfunded plan maintained for the purpose of providing deferred compensation for a select group of management or highly compensated employees and, therefore, is intended to be exempt from the participation, vesting, funding and fiduciary requirements of Title I of the *Employee Retirement Income Security Act of 1974* (ERISA). Accumulated contributions and earnings of $4,426 and $3,561 are recorded in other long-term liabilities at December 31, 2020 and 2019, respectively. The Company also offers a 457(f) non-qualified tax-deferred compensation plan to a select group of executive management. The 457(f) plan was intended to be exempt from the participation, vesting, funding and fiduciary requirements of Title I of ERISA and serves to further supplement benefits lost due to IRS limits on compensation and benefits. There were accrued benefits of $221 and $554 recorded in other long-term liabilities for the 457(f) plan participants December 31, 2020 and 2019, respectively.

Notes to Financial Statements (in Thousands)

Note 7: *Revenue from Contracts with Customers*

In 2020 and 2019, the Company's revenues were derived from a number of sources including tariff administration fees, FERC fees, engineering studies, contract services, and other miscellaneous income sources. The table below presents a complete breakdown of the Company's revenues:

	2020	2019
Tariff administration fees (Schedule 1A)	$ 172,377	$ 157,997
FERC fees (Schedule 12)	24,240	29,927
Engineering studies	7,896	4,902
Contract services	6,247	669
Virtual market participation fees	816	691
Membership dues	618	594
Other miscellaneous income	1,404	909
	$ 213,598	$ 195,689

The Company recovers its costs of operating through the Schedule 1-A tariff administration fee that is billed to transmission customers on a monthly basis. With this fee, the Company seeks to recover the costs associated with providing tariff administration, reliability coordination, regional scheduling, expansion planning, and integrated marketplace services. A per MWh fee is charged based on each customer's prior year average 12 month peak demand multiplied by the total hours in a month. The fee is established by the board of directors annually. The Company also bills transmission customers a charge under Schedule 12 to recover the annual fees the Company pays to FERC. The rate is determined by the Company annually and applied monthly to all energy delivered under point-to-point transmission service and network integration transmission service. Revenues are recognized, customers are billed, and payments are collected on a monthly basis for both Schedule 1A and Schedule 12 revenues.

The Company performs engineering studies for its customers, mainly for long-term transmission service and generator interconnection requests. Prior to commencement of studies, customers sign contracts with the Company and are responsible for actual costs of the study which are generally comprised of staff time of internal and external resources. The Company recognizes revenues on a monthly basis as costs are incurred for such resources. Deposits are required from customers when they register for the studies. Actual costs are applied against such deposits at the conclusion of studies and customers are refunded their excess deposits. Customers will be invoiced at the end of or during a study if their deposit is not sufficient to cover the actual costs.

The Company provides reliability, tariff administration, scheduling and other administrative and billing services for non-members on a contract basis. Similar to engineering studies, revenues are determined based on actual costs of providing such services and recognized on a monthly basis evenly over the service period which is usually one year. Customers are generally billed and payments collected from customers prior to the service period.

The Company collects a membership fee from each member annually. The amount of the membership fee is established by the board of directors. For 2020 and 2019, all members paid a $6 fee which is billed and recognized in January of each year.

The Company charges financial-only market participants a transaction fee of $0.05 per virtual energy bid and virtual energy offer in the day-ahead market. Invoicing, settlements, and revenue recognition occur on a weekly basis.

Other miscellaneous income is comprised of various pass-thru costs, purchase and tax rebates, small administrative service fees, and sales of maps.

The Company elected the following practical expedient: Measuring Progress for Revenue Recognized Over Time (606-10-55-18). The Company elected to use the right to invoice practical expedient. This practical expedient allows an entity to recognize revenue in the amount of consideration to which the entity has the right to invoice when the amount that the entity has the right to invoice corresponds directly to the value transferred to the customer.

Note 8: Related Party Transactions

General disbursements of the Company are apportioned to members based on the formula described in the bylaws of the Company (see *Note 1*). The Company's receivables from members totaled $80,539 and $23,756 as of December 31, 2020 and 2019, respectively. The Company recognized revenues $167,269 and $146,574, including assessments and tariff administrative fees, from members for the years ended December 31, 2020 and 2019, respectively.

The Southwest Power Pool Regional State Committee (RSC) was incorporated on April 7, 2004, in the state of Arkansas. The RSC is comprised of commissioners from public service commissions or equivalent, having regulatory authority over Company members. FERC, in its February 20, 2004 order regarding the Company's RTO application, stated, "the RSC should have primary responsibility for determining regional proposals and the transition process for funding of regional transmission enhancements, rate structure for a regional access charge and allocation of transmission rights." The RSC prepares budgets annually for the expected costs of its operations. This budget is submitted to the Company's board of directors for approval. The Company includes in its annual budget funds sufficient to cover 100% of the operating costs of the RSC. During 2020 and 2019, the Company incurred $81 and $301, respectively, in expenses attributable to the RSC operations. Management of the Company expects such expenditures for 2021 to be approximately $498.

Note 9: Open Access Transmission and Market Operations

The Company provides short- and long-term firm and non-firm point-to-point transmission services and network integration transmission service across 47 providers in 17 states. The Company is responsible for the billing of the transmission customers for the respective services and the remittance of the subsequent collections to the transmission owners on a monthly basis. Billings for these transmission services are not included in the statements of income. The Company receives a fee for facilitating the transmission process, which is recorded as tariff fees in the Company's Statements of Income.

For the years ended December 31, 2020 and 2019, the Company billed transmission customers $2,354,384 and $2,325,085, respectively. For the years ended December 31, 2020 and 2019, the Company remitted to transmission owners and upgrade sponsors $2,148,230 and $2,086,986, respectively. At December 31, 2020 and 2019, the Company was due to collect from transmission customers and remit to transmission owners and upgrade sponsors transmission service charges of $182,075 and $172,920, respectively.

The Company's Integrated Marketplace includes a day-ahead market with transmission congestion rights, a reliability unit commitment process, a real-time balancing market, an operating reserve market and a consolidated balancing authority. Weekly settlements of market participants' energy transactions are not reflected in the Company's Statements of Income since they do not represent revenues or expenses of the Company, as the Company merely acts as an intermediary in the settlement process. In this role, the Company receives and disburses funds to/from market participants on a weekly basis. At December 31, 2020 and 2019, the Company held $34,758 and $35,494, respectively, in cash collections from the settlement of auction revenue rights in accordance with terms of the Company's tariff. These funds are disbursed annually in June for collections from the previous twelve months. A corresponding liability is reflected in accrued expenses on the Balance Sheets.

Note 10: Commitments and Contingencies

Litigation and Regulatory Matters

The Company is engaged in various legal and regulatory proceedings at both the federal and state levels. The Company is also subject to claims and lawsuits that arise primarily in the ordinary course of business.

It is the opinion of management that the disposition or ultimate resolution of such proceedings, claims and lawsuits will not have a material adverse effect on the financial position, results of operations and cash flows of the Company.

Note 11: Disclosures About Fair Value of Financial Instruments

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

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

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

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

Notes to Financial Statements (in Thousands)

		Fair Value Measurements Using		
	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
December 31, 2020				
Mutual funds				
Equity	$ 2,523	$ -	$ 2,523	$ -
Fixed income	1,292	-	1,292	-
U.S. Government Securities				
Treasury Notes	25,345	25,345	-	-
Interest rate swap agreements	(1,510)	-	(1,510)	-

		Fair Value Measurements Using		
	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
December 31, 2019				
Mutual funds				
Equity	$ 10,354	$ -	$ 10,354	$ -
Fixed income	3,737	-	3,737	-
U.S. Government Securities				
Treasury Notes	21,185	21,185	-	-
Interest rate swap agreements	(1,314)	-	(1,314)	-

Following is a description of the valuation methodologies used for assets and liabilities measured at fair value on a recurring basis and recognized in the accompanying Balance Sheets, as well as the general classification of such assets and liabilities pursuant to the valuation hierarchy. There have been no significant changes in the valuation techniques during the year ended December 31, 2020.

Investments

Where quoted market prices are available in an active market, securities are classified within Level 1 of the valuation hierarchy. If quoted market prices are not available, then fair values are estimated by using quoted prices of securities with similar characteristics or independent asset pricing services and pricing models, the inputs of which are market-based or independently sourced market parameters, including, but not limited to, yield curves, interest rates, volatilities, prepayments, defaults, cumulative loss projections and cash flows. Such securities are classified in Level 2 of the valuation hierarchy. In certain cases where Level 1 or Level 2 inputs are not available, securities are classified within Level 3 of the hierarchy. At December 31, 2020 and 2019, the Company does not hold any assets valued using Level 3 inputs.

Interest Rate Swap Agreements

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

Cash Equivalents

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

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

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

Restricted Cash Deposits

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

Customer Deposits

The carrying amount is a reasonable estimate of fair value.

Line of Credit

The carrying amount is a reasonable estimate of fair value.

Long-term Debt and Capital Lease Obligations

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

Notes to Financial Statements (*in Thousands*)

The following table presents estimated fair values of the Company's financial instruments at December 31, 2020 and 2019:

	2020		2019	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Financial assets				
Cash and cash equivalents	$ 76,128	$ 76,128	$ 48,694	$ 48,694
Restricted cash deposits	$ 445,550	$ 445,550	$ 401,478	$ 401,478
Investments	$ 29,160	$ 29,160	$ 35,276	$ 35,276
Financial liabilities				
Customer deposits	$ 445,550	$ 445,550	$ 401,478	$ 401,478
Line of credit	$ 12,090	$ 12,090	$ 12,760	$ 12,760
Long-term debt	$ 182,131	$ 197,763	$ 192,199	$ 199,412
Swap agreements	$ 1,510	$ 1,510	$ 1,314	$ 1,314

Note 12: Subsequent Events

Subsequent events have been evaluated through April 15, 2021, which is the date the financial statements were available to be issued.

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

As part of our audit of the financial statements of Southwest Power Pool, Inc. (the Company) as of and for the year ended December 31, 2020, we wish to communicate the following to you.

AUDIT SCOPE AND RESULTS

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

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

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

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

Qualitative Aspects of Significant Accounting Policies and Practices

Significant Accounting Policies

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

Alternative Accounting Treatments

No matters are reportable.

Management Judgments and Accounting Estimates

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

- Pension and postretirement health benefits liabilities
- Interest rate swaps

Financial Statement Disclosures

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

- Pension and other postretirement benefit plans
- Fair value measurements
- Revenue recognition
- Commitments and contingencies

Audit Adjustments

No matters are reportable.

Auditor's Judgments About the Quality of the Entity's Accounting Principles

No matters are reportable.

Significant Issues Discussed with Management

Prior to Retention

No matters are reportable.

During the Audit Process

No matters are reportable.

Other Material Communications

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

- Management representation letter (attached)
- We orally communicated to management a deficiency in internal control identified during our audit that is not considered a material weakness or significant deficiency.

FUTURE ACCOUNTING PRONOUNCEMENTS

New Lease Accounting Standard

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

Under the new ASU, lessees will recognize lease assets and liabilities on their balance sheet for all leases with terms of more than 12 months. The new lessee accounting model retains two types of leases and is consistent with the lessee accounting model under existing GAAP.

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

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

For nonpublic entities, the final leases standard will be effective for fiscal years beginning after December 15, 2021, and interim periods beginning after December 15, 2022. Early application is permitted.

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

April 15, 2021

Enclosures

Southwest Power Pool, Inc.

FINANCE COMMITTEE

Recommendation to the Board of Directors

April 27, 2021

2021 Funding for Pension and Post-retirement Healthcare Plans

Organizational Roster

The following persons are members of the Finance Committee:

Susan Certoma	SPP Director
Julian Brix	SPP Director
Darcy Ortiz	SPP Director
Sarah Stafford	OG&E
Sandra Bennett	American Electric Power
Al Tamini	Sunflower Electric
Matt Pawlowski	NextEra
Mike Wise	Golden Spread

Background

The SPP Finance Committee is charged with reviewing reports from the plan's actuary, establishing funding policies, and recommending annual funding levels for the plans to the SPP Board of Directors. SPP engaged Osborn, Carreiro & Associates ("the Actuary") to prepare actuarial valuation reports of the SPP Defined Benefit Retirement Plan and SPP Post-retirement Benefits Plan as of January 1, 2021.

Analysis

SPP Defined Benefit Retirement Plan

The report identifies 2021 accounting expense for this plan as well as minimum and maximum contributions for the plan. The Actuary determined 2021's minimum contribution level to be $0.00 and suggested level to be $5.50. SPP's 2021 budget anticipated contributions to the defined benefit pension plan of $5.00.

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

	2017	**2018**	**2019**	**2020**	**2021**
Maximum Contribution (tax deductible)	$61.01	$69.18	$86.13	$89.66	$126.65
Minimum Contribution	$0.00	$0.00	$0.00	$0.00	$0.00
Actuary Suggested Contribution	5.20	4.59	5.44	5.00	5.50
Actual Contribution	5.20	4.50	5.44	5.00	
Projected Benefit Obligation (PBO)	$85.89	$96.52	$115.55	$138.42	
Accumulated Benefit Obligation (ABO)	68.96	78.42	93.60	110.73	
Fair Value of Plan Assets	70.18	71.59	87.66	102.49	
Discount Rate	5.00%	5.00%	4.50%	4.00%	
Plan Assets vs. PBO	-$15.71	-$24.93	-$27.89	-$35.93	
Plan Assets vs. ABO	-1.22	-6.83	-5.94	-8.24	
Total Participants	796	819	824	858	
Benefits Paid	$0.79	$0.94	$3.34	$1.26	

SPP Southwest Power Pool

SPP Defined Benefit Retirement Plan Fund Status as of December 31, 2020

The fund had total assets of $102.49 versus an Accumulated Benefit Obligation of $110.57, Projected Benefit Obligation of $138.42 and termination value of approximately $103.00. The Actuary estimates participants active on January 1, 2021 will accrue $5.10 in benefits during fiscal year 2021. Finally, the value of the early retirement feature of the Defined Benefit Retirement Plan is estimated to be $2.00.

SPP Post-retirement Benefits Plan

In 1995, the Board of Directors approved retiree medical coverage for all SPP employees who retire at their Normal Retirement Date as defined in the SPP Defined Benefit Retirement Plan. The Board also awarded benefits under this plan to those employees of record on January 1, 1996 who retire between the ages of 55 - 65. The SPP Board acted in 2006 to limit benefits from this plan to only those employees hired prior to June 1, 2006. The SPP Board acted in 2020 to terminate the plan for unvested eligible participants. As of January 1, 2021 SPP had 28 retirees covered by this plan.

The Actuary estimated 2021 net periodic post-retirement benefit cost to be $0.77. This computation is based on a 4.00% discount rate and retirement at age 65. The health care cost trend was assumed to increase 9% next year, 8% the year after and so on down to 5% and remain there thereafter.

If the plan were a funded plan and the assets SPP has set aside to cover benefits were considered in the actuarial calculations; the actuary would suggest SPP fund an additional $0.00 during 2021. SPP's 2021 budget allocates $0.00 in funding for post-retirement benefits. Assets SPP has set aside to cover benefits are below the accumulated benefit obligation as of year-end 2020 by approximately $0.09.

	2017	2018	2019	2020	2020
Actual Contribution	$0.00	$0.00	$0.00	$0.00	
Pension Cost	$1.11	$1.02	$1.05	$1.10	$0.77
Accumulated Benefit Obligation (ABO)	$9.47	$10.34	$11.48	$3.89	
Fair Value of Plan Assets[1]	11.96	11.58	14.09	3.80	
Funded Status vs. ABO	2.49	1.24	2.61	-0.09	
Plan Participants – Active	105	100	96	0	
Plan Participants – Retired	22	23	24	28	

Recommendation

Approve 2021 funding of the SPP Retirement Plan of $5.10

Approve 2021 funding of the SPP Post-retirement Healthcare Plan of $0.00

Approved: SPP Finance Committee

Action Requested: Approve Recommendation

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

SOUTHWEST POWER POOL
RETIREMENT PLAN

ACTUARIAL VALUATION
AS OF JANUARY 1, 2021

Osborn, Carreiro & Associates, Inc.

ACTUARIES · CONSULTANTS · ANALYSTS

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

April 5, 2021

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

Dear Mr. Dunn:

This report presents the results of our actuarial valuation of the assets and liabilities of the Southwest Power Pool, Inc. Retirement Plan as of January 1, 2021.

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

	1/01/2019	1/01/2020	1/01/2021
Individuals included	819	824	858
Total Salary	$ 58,782,615	$ 62,954,125	$ 66,097,584
Net Plan Assets	$ 71,577,630	$ 87,657,117	$ 102,489,547
Contribution Levels	2019	2020	2021
Maximum tax deductible under Pension Protection Act '06	$ 86,129,564	$ 89,656,988	$ 126,650,592
"Old" Maximum/Intermediate	5,438,549	4,955,718	5,134,207
Minimum required	0	0	0
Pension "expense" under accounting rules	$ 7,632,876	$ 8,231,838	$ 9,187,403

Current Status of the Plan

The contribution for the 2021 Plan Year must be between $ 0 and $126,650,592.

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

		Intermediate Contribution	Pension Expense
(1)	2020 Amount	$ 4,955,000	$ 8,232,000
(2)	Change due to:		
	(a) 2020 Investment Gain	0*	- 683,000
	(b) More participants	97,000	164,000
	(c) Change in Life Expectancy Table	-4,000	-23,000
	(d) Change in Discount Rate	0	1,849,000
	(e) Other	86,000	-352,000
(3)	2021 Amount	$ 5,134,000	$9,187,000

*Since there is no Unfunded Actuarial Accrued Liability, the "Intermediate Contribution" is basically the cost of benefits accruing in 2021 (at a 7% discount rate). The investment gain doesn't change the cost of benefits accruing in the year.

Some Considerations for Determining Contribution Levels

It is often helpful to review the status of a retirement plan in terms of how much money would be required if the plan were terminated. If your plan were terminated on January 1, 2021, I estimate that the total liability would be about $103 million (using a 4.00% discount rate). This compares to assets of about $102 million. However, be aware of three items:

(1) During the 2021 year, employees will accrue additional benefits worth about $5.1 million (at a 7% discount rate) to $9.7 million (at a 4% discount rate).

(2) These numbers DO NOT include the value of the subsidized early retirement feature. This subsidy applies when an active employee retires after age 55 (provided the employee was age 45 and had 5 years of service by December 31, 2006 – current 17 people). It does not apply when an employee terminates before age 55. The current value of this subsidy is about $2 million.

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

For the past several years, you decided to contribute the "Old" Maximum (i.e., before the Pension Protection Act of 2006), plus the cost for anticipated new hires. Following that same methodology, the contribution for 2021 would be $5.5 million (the "intermediate" amount rounded up).

Top-Heavy Status

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

Pension Cost for Accounting Purposes

Exhibit 3 contains a calculation of "pension cost", as defined by Financial Accounting Standards Board Accounting Standards Codification 715-30 ("FASB ASC 715-30"), for 2019. Pension cost is the cost of the plan as recorded in the sponsor's GAAP (Generally Accepted Accounting Principles) financial statements. This accounting pension cost will almost always differ from the actual cash contribution to the plan under this accounting guideline. Let me emphasize that FASB ASC 715-30 only dictates the cost shown in the sponsor's GAAP financial statements. Sound actuarial projections should be used to determine the actual cash contribution requirements.

The 2021 Net Periodic Pension Cost is $9,187,403.

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

(1) Different assumptions: FASB ASC 715-30 prescribes certain guidelines for the assumptions used in that calculation.

(2) Different actuarial cost method: The FASB ASC 715-30 calculation uses the Projected Unit Credit method, while the recommended contribution is based on another method.

(3) Different amortization techniques: The FASB ASC 715-30 calculation generally uses straight-line amortization. The funding calculation uses a principal and interest amortization as required by ERISA.

Report Format

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

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

I am a member of the American Academy of Actuaries and I meet their Qualification Standards to render this actuarial opinion. The actuarial assumptions and methods used to calculate the minimum and maximum contribution are prescribed by the Internal Revenue Service. In my opinion, each other assumption is reasonable, taking into account the experience of the plan and reasonable expectations, and offer my best estimate of anticipated experience under the plan.

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

Sincerely,

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

TABLE OF CONTENTS

EXHIBIT 1

Executive Summary

		1/1/2019	1/1/2020	1/1/2021
1.	Individuals included in report			
	a. Active	590	620	635
	b. Inactive	229	204	223
	c. Covered Payroll	$ 58,782,615	$ 62,954,125	$ 66,097,584
2.	Normal Cost Amount	$ 4,637,961	$ 4,955,718	$ 5,134,207
	Normal Cost Rate	7.89%	7.87%	7.77%
3.	Assets	$ 71,577,630	$ 87,657,117	$ 102,489,547
	Investment Return for year	- 3.0%	19.2%	12.4%
4.	Funding Levels			
	Maximum under Pension Protection Act	$ 86,129,564	$ 89,656,988	$ 126,650,592
	Suggested	$ 5,438,549	$ 4,955,718	$ 5,134,207
	Minimum	$ 0	$ 0	$ 0
5.	Accounting Information (for use in auditor's report)			
	a. Present Value of Vested Benefits	$ 70,011,271	$ 83,668,659	$ 103,238,325
	b. Present Value of Non-Vested Benefits	8,406,219	9,926,496	7,334,733
	c. Present Value of Accumulated Benefits	$ 78,417,490	$ 93,595,155	$ 110,573,058
	d. Pension Cost per SFAS No. 87	$ 7,632,876	$ 8,231,838	$ 9,187,403
6.	Top-Heavy Ratio	23.0%	23.0%	22.3%

EXHIBIT 2

Summary of Financial Information

	Plan Year Ending December 31,		
	2018	2019	2020
A. INCOME			
1. Contributions			
Employee	$ 0	$ 0	$ 0
Employer	4,500,004	5,439,998	5,000,000
Other	814	0	0
2. Investment Income			
a. Interest and Dividends	1,843,636	2,124,510	1,920,221
b. Realized Gains	683,601	923,658	- 1,165,249
c. Unrealized Appreciation	- 4,513,837	11,075,052	10,606,840
d. Investment Expenses	- 179,013	- 142,643	- 264,540
e. Subtotal	- 2,165,613	13,980,577	11,097,272
TOTAL	$ 2,335,205	$ 19,420,575	$ 16,097,272
B. EXPENSES			
1. Administrative	$ 0	$ 0	$ 0
2. Monthly Benefits	940,633	1,085,663	1,264,842
3. Lump Sum Benefits	0	2,255,425	0
TOTAL	$ 940,633	$ 3,341,088	$ 1,264,842

Exhibit 2 - Continued

	12/31/2018	12/31/2019	12/31/2020
C. ASSETS (Market Basis)			
1. Short Term			
Cash	$ 0	$ 0	$ 0
Money Market Funds	8,443,238	3,979,463	1,906,688
2. U.S. Treasury Bills	0	0	0
3. Fixed Income Assets			
Government	0	0	0
Corporate	5,256,636	2,685,795	2,170,728
4. Common Stock	5,825,738	11,264,080	10,548,472
5. Mutual Funds			
Fixed Income	17,630,232	23,836,512	27,843,490
Equity	34,310,203	45,792,404	59,920,133
6. Other			
Contribution Receivable	0	0	0
Benefits payable	0	0	0
Accrued Interest	111,583	98,863	100,036
Other	0	0	0
TOTAL	$ 71,577,630	$ 87,657,117	$ 102,489,547
D. Net Investment Return:	- 3.0%	19.2%	12.4%

Exhibit 2 - Continued

E. INFORMATION FOR PBGC FORM 1 SCHEDULE A:

	1/1/2019	1/1/2020	1/1/2021
1. Participant count	819	824	858
2. Per person rate	80	83	86
3. (1) x (2)	$ 65,520	$ 68,392	$ 73,788
4. Interest Assumption	3.38% 4.32% 4.69%	2.02% 3.06% 3.59%	0.51% 2.26% 3.01%
5. Present Value of Vested Benefits	$ 74,428,836	$ 100,813,322	$ 132,782,897
6. Adjusted Market Value of Assets	71,577,630	87,657,117	102,489,547
7. Unfunded Vested Benefits	$ 2,851,206	$ 13,156,205	$ 30,293,350
8. Rounded to next higher $1,000	2,852,000	13,157,000	30,294,000
9. Variable Rate Premium Percentage	4.3%	4.5%	4.6%
10. Variable Rate Premium = (8) x (9)	$ 122,636	$ 592,065	$ 1,393,524
11. Per person cap	541	561	582
12. Variable rate premium cap = (1) x (11)	443,079	462,264	499,356
13. Minimum of (10) and (12)	122,636	462,264	499,356
14. Total PBGC premium = (3) + (13)	$ 188,156	$ 530,656	$ 573,144

EXHIBIT 3

Accounting Information

This Exhibit is included to provide information according to FASB ASC 715-30 disclosure requirements.

Statement of Accumulated Plan Benefits

	1/01/2020	1/01/2021
Investment Return Assumption	4.50%	4.00%
Actuarial present value of accumulated plan benefits		
Vested Benefits		
Participants currently receiving benefits	$ 13,863,009	$ 19,072,902
Other Participants	69,805,650	84,165,423
	$ 83,668,659	$ 103,238,325
Non-Vested Benefits	9,926,496	7,334,733
Total actuarial present value of accumulated plan benefits	$ 93,595,155	$ 110,573,058

Statement of Changes in Accumulated Plan Benefits

Actuarial present value of accumulated plan benefits at beginning of year	$ 78,417,490	$ 93,595,155
Increase (Decrease) attributable to:		
Plan Amendment	0	0
Benefits Accumulated*	11,036,185	9,024,745
Benefits Paid	- 3,341,088	- 1,264,842
Change in Assumptions	7,482,568	9,218,000
Actuarial present value of accumulated plan benefits at end of year	$ 93,595,155	$ 110,573,058

* Includes effect of interest and actuarial gains and losses.

Exhibit 3 - Continued

FASB ASC 715-30 Pension Cost for 2021

A. Reconciliation of Funded Status		1/01/2021		Projected 12/31/2021
1. Actuarial present value of accumulated benefit obligations				
a. Vested portion	$	(103,238,325)	$	-
b. Non-Vested portion		(7,334,733)		-
2. Accumulated Benefit Obligation	$	(110,573,058)	$	-
3. Effect of estimated future pay growth		(27,849,088)		-
4. Projected Benefit Obligation	$	(138,422,146)	$	(152,576,007)
5. Plan assets at fair value		102,489,547		113,833,681
6. Funded status: (4)+(5)	$	(35,932,599)	$	(38,742,326)
7. Unrecognized net (gain) or loss		26,119,263		25,242,331
8. Unrecognized prior service cost		(26,114)		(26,858)
9. Unrecognized net obligation		0		0
10. Accum. Comp. Other Income		26,093,149		25,215,473
11. Total: (6) + (10)	$	(9,839,450)	$	(13,526,853)

B. Determination of Pension Cost		2021
1. Service Cost	$	9,728,406
2. Interest Cost (on A(4) and B(1))		5,896,599
3. Expected return on assets		(7,315,278)
4. Amortization of		
a. Unrecognized net (gain) or loss		876,932
b. Unrecognized prior service cost		744
c. Unrecognized net obligation		0
5. Net Periodic Pension Cost	$	9,187,403

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

D. Prior Service of $708,682 added 1/1/98 is amortized over 25 years. Prior service of $(469,257) added 1/1/07 is amortized over 17 years. 10% corridor used for unrecognized net (gain) or loss.

Exhibit 4

Employee Profile

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

Actives

		Years of Service							
Age		0-4.9	5-9.9	10-14.9	15-19.9	20-24.9	25-29.9	30 and Over	Total
Under 25	Count	26	0	0	0	0	0	0	**26**
	Salary	1,786,689	0	0	0	0	0	0	**1,786,689**
25-29	Count	42	4	0	0	0	0	0	**46**
	Salary	3,034,793	317,879	0	0	0	0	0	**3,352,672**
30-34	Count	32	35	12	0	0	0	0	**79**
	Salary	2,320,744	3,078,067	1,174,617	0	0	0	0	**6,573,428**
35-39	Count	29	22	29	5	0	0	0	**85**
	Salary	2,244,509	2,051,711	3,152,894	629,225	0	0	0	**8,078,339**
40-44	Count	15	20	46	9	4	0	0	**94**
	Salary	1,492,349	1,872,106	5,366,680	1,065,721	506,878	0	0	**10,303,734**
45-49	Count	11	21	31	6	5	0	0	**74**
	Salary	873,457	2,441,113	3,351,256	716,023	597,292	0	0	**7,979,141**
50-54	Count	13	30	35	7	1	3	0	**89**
	Salary	1,438,195	3,059,264	4,068,874	822,467	133,600	815,608	0	**10,338,008**
55-59	Count	9	22	35	8	1	1	5	**81**
	Salary	903,690	2,460,319	4,002,646	1,314,234	90,500	214,800	1,419,477	**10,405,666**
60-64	Count	6	9	21	2	3	1	5	**47**
	Salary	480,206	894,182	2,632,465	221,800	491,720	105,200	724,160	**5,549,733**
65 & Over	Count	3	3	5	2	0	0	1	**14**
	Salary	290,633	319,206	611,450	348,685	0	0	160,200	**1,730,174**
Unknown Age	Count	0	0	0	0	0	0	0	**0**
	Salary	0	0	0	0	0	0	0	**0**
Total	Count	**186**	**166**	**214**	**39**	**14**	**5**	**11**	635
	Salary	**14,865,265**	**16,493,847**	**24,360,882**	**5,118,155**	**1,819,990**	**1,135,608**	**2,303,837**	66,097,584

Exhibit 4 - Continued

Participant Data as of January 1, 2021

	Active	Retired	Terminated Vested	Total
Number of Participants at 1/1/2020	620	68	136	824
New during year	+ 44	0	0	+ 44
Rehired	0	0	0	0
Terminated Vested	- 11	0	+ 11	0
Terminated nonvested	- 11	0	0	- 11
Cashed out	0	0	0	0
Retired	- 7	+ 8	- 1	0
Died	0	0	0	0
Other	0	+ 1	0	+ 1
Number of Participants at 12/31/2020	635	77	146	858
New Entrants on 1/1/2021	0	0	0	0
Number of Participants 1/1/2021*	635	77	146	858

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

EXHIBIT 5

Principle Provisions of the Plan

EFFECTIVE DATE:	January 1, 1996, adopted May 15, 1996. Restatement effective January 1, 1997, adopted December 19, 2001. Restatement effective January 1, 2008. Restatement effective January 1, 2013, adopted December 11, 2013.
PARTICIPATION:	Employees at January 1, 1996, who were in the Entergy Corporation Retirement Plan for Non-Bargaining Employees are eligible on January 1, 1996. Any other employee is eligible to participate on the first day of the month after date of hire, or attainment of age 21, whichever is later.
PLAN YEAR:	January 1 to December 31.
COMPENSATION:	Base pay during the calendar year.
FINAL AVERAGE MONTHLY EARNINGS:	Average of the Participant's Compensation over the sixty consecutive completed calendar months, out of the last 120, that produces the highest average.
SERVICE:	A period of employment with Southwest Power Pool, Inc. For those Participants who were previously employed by a member company of Southwest Power Pool immediately prior to their being hired by Southwest Power Pool, such previous employment is also Service. (a) Benefit Service is all Service after age 21. (b) Vesting Service is all Service after age 18.
ACCRUED BENEFIT:	Benefit based on Final Average Monthly Earnings and Benefit Service to date.

Exhibit 5 - Continued

NORMAL RETIREMENT:	
Eligibility:	The first of the month on or after age 65.
Benefit:	1.5% of Final Average Monthly Earnings, times Benefit Service not in excess of 40 years. This benefit is offset by the amount due at age 65 from any Southwest Power Pool member company defined benefit plan for which Service is granted under this plan. However, the net benefit cannot be less than the benefit based on Southwest Power Pool service only.
Form:	Life Annuity.
EARLY RETIREMENT:	
Eligibility:	Age 55 with 10 years of Service.
Benefit:	Accrued Benefit (unreduced for any prior plan benefits), reduced by a percentage for each year that the Early Retirement Date precedes the Normal Retirement Date, and then reduced for any member company defined benefit plan benefits payable at the Early Retirement Date. The percentage reduction is: a) 2% for those who were age 45 with 5 years of service by December 31, 2006; b) 6% for all others, except that the percentage is 2% for that part of the benefit accrued to December 31, 2006.
DEATH:	
Eligibility:	Death prior to the commencement of benefits.
Benefit:	The Pre-Retirement Joint and 50% Survivors Annuity
VESTING:	
Eligibility:	A Participant is 100% vested after 5 years of Service (3 years for those hired before 2014) and 0% before.
Benefit:	Accrued Benefit times the Vested Percentage, payable at Normal Retirement Age. Reduced amounts are payable if eligible for Early Retirement.

APPENDIX A

Calculation of Contributions

		2020	2021
A.	Maximum tax-deductible contribution (IRC 404(o)(2))		
1.	Funding Target	$ 90,380,485	$ 116,021,212
2.	Target Normal Cost	8,427,384	7,311,627
3.	Cushion Amount		
	a) 50% of Funding Target	45,190,243	58,010,606
	b) Amount Funding Target increases due to pay growth	33,315,993	47,796,694
4.	Actuarial value of plan assets	87,657,117	102,489,547
5.	Funding Target IF plan were "At Risk"	90,380,485	116,021,212
6.	Maximum = (1)+(2)+(3)-(4), but not less than (5)+(2)-(4)	$ 89,656,988	$ 126,650,592
B.	Intermediate contribution		
1.	Normal Cost for current group	$ 4,955,718	$ 5,134,207
2.	Partial years cost for expected new people	0	0
3.	Amortization of Unfunded Actuarial Accrued Liability	0	0
4.	Interest	0	0
5.	Suggested contribution	$ 4,955,718	$ 5,134,207
C.	Minimum required contribution (IRC 430)		
1.	Target Normal Cost	$ 6,060,350	$ 4,945,890
2.	Shortfall amortization charges (App E)	1,311,028	1,600,443
3.	Waiver amortization charges (App E)	0	0
4.	Subtotal (1)+(2)+(3)	$ 7,371,378	$ 6,546,333
5.	Excess of actuarial value of asset (less credit balances) over Funding Target	0	0
6.	Minimum (beginning of year) = (4), or if (5) is greater than 0, then (1)-(5), but not less than $0.	$ 7,371,378	$ 6,546,333
7.	Minimum reflecting pre-funding balance	$ 0	$ 0

APPENDIX B

Costs and Liabilities

		1/1/2020		1/1/2021
1. Present Value of Future Benefits				
A. Active Lives	$	117,262,694	$	121,317,954
B. Inactive Lives		16,017,559		20,975,542
C. Total Present Value	$	133,280,253	$	142,293,496
2. Actuarial Accrued Liability	$	84,755,278	$	92,023,035
3. Assets		87,657,117		102,489,547
4. Unfunded Actuarial Accrued Liability (2 - 3)	$	-2,901,839	$	- 10,466,512
5. Entry Age Normal Cost	$	4,955,718	$	5,134,207
6. Total Covered Salary		62,954,125		66,097,584
7. Normal Cost Rate (5 / 6)		.078720		.077676

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

APPENDIX C

Development of Unfunded Actuarial Accrued Liability

	2020	2021
(1) Unfunded Actuarial Accrued Liability beginning of year	$ 5,813,145	$ - 2,901,839
(2) Normal Cost for year	4,637,961	4,955,718
(3) Contributions for year	5,439,998	5,000,000
(4) Interest on (1), (2), and (3)	378,849	- 204,679
(5) Other adjustments	0	0
(6) Expected Unfunded Actuarial Accrued Liability at end of year: (1)+(2)-(3)+(4)+(5)	$ 5,389,957	$ - 3,150,800
(7) Gain/loss during year	-8,192,118	- 7,267,241
(8) Effect of changes in assumptions	- 99,678	- 48,471
(9) Unfunded Actuarial Accrued Liability at end of year	$ -2,901,839	$ - 10,466,512
(10) Amortization period	10	10
(11) Amortization of Unfunded Actuarial Accrued Liability	$ 0	$ 0

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

APPENDIX D

IRC 430 Calculations

			2020		2021
A.	Segment Rates		3.64/5.21/5.94		3.32/4.79/5.47
	Equivalent rate		5.62%		5.18%
B.	Asset Information				
	1. Market Value of assets on valuation date	$	87,657,117	$	102,489,547
	2. Actuarial Value of assets on valuation date		87,657,117		102,489,547
	3. Carryover balance on valuation date		0		0
	4. Pre-funding balance on valuation date		24,428,576		24,611,188
	5. Security pledges & annuity purchases on non HCE's within last two years		0		0
C.	Funding Target (IRC 430(d)(1))	$	69,040,093	$	84,374,966
D.	Target Normal Cost	$	6,060,350	$	4,945,890
E.	"At Risk" calculations (IRC 430 (i))				
	1. Present value of accrued benefits under alternate assumptions	$	71,563,294	$	84,502,999
	2. Loads				
	a) $700 times number of participants		576,800		600,600
	b) 4% of (1)		2,862,532		3,380,120
	3. Was plan "at risk" in 2 of last 4 years?		NO		NO
	4. Funding target (1, +2 if 3=yes, and not less than C)		71,563,294		84,502,999
	5. Target normal cost under alternate assumptions		6,060,350		4,945,890
	6. 4% load		242,414		197,836
	7. Target normal cost (5, +6 if 3=yes, and not less than D)		6,060,350		4,945,890

Appendix D - Continued

			2020	2021
F.	Various percentages			
	1.	Funding Target Attainment Percentage for Year		
		a. B(2) divided by C	126.96%	121.46%
		b. B(2)-B(3)-B(4), divided by C	91.58%	92.30%
		c. If a is greater than 100% then a, else b.	126.96%	121.46%
	2.	Adjusted Funding Target Attainment Percentage for Year B(2)-B(3)-B(4)+B(5), divided by C+B(5) [if 1(a) is greater than 100%, then 1(a)]	126.96%	121.46%
	3.	At Risk Funding Target Attainment Percentage for Year B(2)-B(3)-B(4), divided by E(1)	88.35%	92.16%
G.	"At Risk" test for next year			
	1.	Minimum required Funding Target Attainment Percentage	80%	80%
	2.	Minimum required At Risk Funding Target Attainment Percentage	70%	70%
	3.	Does Plan have more than 500 participants?	YES	YES
	4.	Is plan "At Risk" for the next year? (If F1(c) > 80%, then "NO")	NO	NO

APPENDIX E

Amortization of Shortfalls

Item	Initial Amount	Date Added To Costs	1/1/2021 Outstanding Balance	Amortization Period	Amortization Amount
1) 2018 Shortfall	$ 5,818,695	1/1/2018	$ 3,620,356	4	$ 949,901
2) 2019 Shortfall	7,056,667	1/1/2019	5,376,314	5	1,146,622
3) 2020 Shortfall	- 4,849,619	1/1/2020	- 4,304,699	6	- 785,495
4) 2021 Shortfall	1,804,636	1/1/2021	1,804,636	7	289,415
			$ 6,496,607		$ 1,600,443

Shortfall amortization base for this year

1.	Funding Shortfall		
	a) Funding Target from Appendix D	$	84,374,966
	b) Actuarial value of assets less carryover and prefunding balances		77,878,359
	c) Funding shortfall = (a)-(b), not less than $0	$	6,496,607
2.	Present value of remaining shortfall amortization installments		4,691,971
3.	Shortfall amortization base = (1)-(2), or $0 if (1)(b) is greater than Funding Target from Appendix B	$	1,804,636

APPENDIX F

Contributions and Funding Balances

Contributions for 2020:		CARRYOVER BALANCE	PRE-FUNDING BALANCE	TOTAL
1)	Minimum required contribution for 2020			$ 7,371,378
2)	Balances used to offset minimum	$ 0	$ 2,487,360	2,487,360
3)	Additional cash requirement (1) – (2)			4,884,018
4)	Contributions discounted to 1/1/2020			4,884,018
5)	Excess contributions (4) – (3)			$ 0

Carryover and Pre-funding Balances:		CARRYOVER BALANCE	PRE-FUNDING BALANCE	TOTAL
1)	Balance at 1/1/2020	$ 0	$ 24,428,576	$ 24,428,576
2)	Portion used to offset 2020 funding requirement*	0	2,532,501	2,532,501
3)	Amount Remaining	0	21,896,075	21,896,075
4)	Interest at 12.40%	0	2,715,113	2,715,113
5)	Subtotal	0	24,611,188	24,611,188
6)	Prior year's excess contributions		0	0
7)	Interest on (6) at 5.62%		0	0
8)	Subtotal (6) + (7)		0	0
9)	Portion of (8) to be added to prefunding balance		0	0
10)	Voluntary reduction	0	0	0
11)	Balance at 1/1/2021 (5) + (9) + (10)	$ 0	$ 24,611,188	$ 24,611,188

*includes interest penalty for late quarterly contributions

APPENDIX G

Top-Heavy Test for 2021 Plan Year

Determination Date: 12/31/2020
Valuation Date: 1/01/2021

Present Value of Accrued Benefits at 7% interest – Actives

1)	Key Employees (22)	$	7,771,487
2)	Non-key Employees (613)		35,106,648
3)	Total	$	42,878,135

Present Value of Accrued Benefits at 7% interest for new Inactives during year

1)	Key Employees (3)	$	2,826,643
2)	Non-key Employees (15)		2,053,929
3)	Total	$	4,880,572

Benefit Payments Since 1/1/2020 for new Retirees during year

1)	Key Employees (1)	$	72,117
2)	Non-key Employees (5)		48,934
3)	Total	$	121,051

Totals

1)	Key Employees	$	10,670,247
2)	Non-key Employees		37,209,511
3)	Total	$	47,879,758

Top-Heavy Ratio = Key / Total 22.3%

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

APPENDIX H

Actuarial Cost Methods and Assumptions

COST METHOD:

The "entry age normal" cost method has been used in your plan.

PRE-RETIREMENT MORTALITY:

Deaths have been projected on the basis of the IRS annuitant and non-annuitant tables for 2021. Mortality rates at a few sample ages are:

AGE	MORTALITY RATE PER 1,000	
	Male	Female
25	.356	.129
30	.397	.175
35	.515	.258
40	.611	.354
45	.830	.505
50	1.307	.789
55	2.133	1.314
60	3.850	2.140

POST-RETIREMENT MORTALITY:

The IRS annuitant and non-annuitant tables for 2021 were used. The life expectancy according to the annuitant table is as follows:

Age	Males	Females
55	29.43 years	31.70 years
65	20.36 years	22.25 years

ASSUMED INVESTMENT RETURN: 7.00% annually before retirement, and 7.00% after retirement. For purposes of the accounting calculation in Exhibit 3, a discount rate of 4.00% and a long-range return on assets of 7.00% were used.

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

rates were used:	Min	Max
1st segment (1-5 years)	3.32%	1.75%
2nd segment (5-20 years)	4.79%	3.04%
3rd segment (20+ years)	5.47%	3.65%

The equivalent rate is 5.18%.

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

DISABILITIES: None assumed.

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

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

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

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

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

ASSET VALUATION: Market Value

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

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

Osborn, Carreiro & Associates, Inc.

ACTUARIES · CONSULTANTS · ANALYSTS

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

February 23, 2021

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

RE: Retiree Medical Coverage

Dear Mr. Dunn:

I have calculated the 2021 net periodic postretirement benefit cost per Financial Accounting Standards Board Accounting Standards Codification 715-60.

The results are shown on the attached sheets. The 2021 net periodic post-retirement benefit cost will be $286,593. All those retired by July 2020 who were already on the post-retirement medical program are entitled to a $300 ($600 for family) monthly HSA payment toward the purchase of their own Medicare supplement coverage. All employees who are part of the "original group" are eligible for postretirement medical coverage upon retirement.

The expense was $770,708 for this program in 2020. In addition, there was a $2,219,878 settlement gain in 2020 due to the cash out of most participants in July. This July cash out also lowered the expense for the last five months of 2020.

The calculations incorporate various actuarial assumptions. In particular, I assumed a 4.00% discount rate and a 7.0% investment return on plan assets. The health care cost trend rate assumption has a significant effect on the amounts reported. To illustrate, increasing the health care cost trend rate by one percentage point each year would increase the accumulated post-retirement benefit obligation as of January 1, 2021 by $480,777, and the 2021 net periodic postretirement benefit cost by $96,178.

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

Sincerely,

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

Attachments

EXHIBIT 1

FASB ASC 715-60 FOR 2019, 2020, and 2021

		1/1/2019	1/1/2020	1/1/2021
A.	Reconciliation of Funded Status			
1.	Actuarial present value of accumulated post-retirement benefit obligations			
	a. Retirees	$ (2,854,321)	$ (3,038,435)	$ (3,050,414)
	b. Fully eligible active employees	(1,412,445)	(1,355,485)	(840,073)
	c. Other active employees	(6,072,351)	(7,082,257)	(0)
	d. Subtotal	$ (10,339,117)	$ (11,476,177)	(3,890,487)
2.	Plan assets at fair value	0	0	0
3.	Funded Status: (1)+(2)	$ (10,339,117)	$ (11,476,177)	$ (3,890,487)
4.	Unrecognized net (gain) or loss	4,405,552	4,552,622	1,018,354
5.	Unrecognized prior service cost	(1,239,662)	(1,157,018)	0
6.	Unrecognized net obligation or (net asset)	8,856	4,433	0
7.	Subtotal (4) + (5) + (6)	3,174,746	3,400,037	1,018,354
10.	Total: (3) + (7)	$ (7,164,371)	$ (8,076,140)	$ (2,872,133)

SOUTHWEST POWER POOL
RETIREMENT PLAN

FASB ASC 715-60 Items

		Post-Retirement Medical Asset on Balance Sheet	Accumulated Other Comp. Income (loss) Post-Retirement Medical Part	Total
B.	Reconciliation			
1.	Balance 12/31/2019	$ (11,476,177)	$ 3,400,037	$ (8,076,140)
2.	Change in assumption			
	a) Discount Rate	(1,111,237)	1,111,237	0
	b) Mortality Table	25,791	(25,791)	0
3.	Net periodic post-retirement benefit cost for 1/1/2020 to 7/31/2020 ($1,096,245 prorated for 7 months)	(568,261)	(71,215)	(639,476)
4.	Cash contribution 1/1/2020 to 7/31/2020	74,034	0	74,034
5.	Gains	1,090,319	(1,090,319)	0
6a.	2020 Cash Out	3,618,895	0	3,618,895
6b.	Settlement Gain	4,372,208	(2,152,330)	2,219,878
7.	Balance 7/31/2020	$ (3,974,428)	$ 1,171,619	$ (2,802,809)
8.	Net periodic post-retirement benefit cost for 8/1/2020 to 12/31/2020 ($314,956 prorated for 5 months)	(77,469)	(53,763)	(131,232)
9.	Cash contribution 8/1/2020 to 12/31/2020	61,908	0	61,908
10.	Gains	99,502	(99,502)	
11.	Balance 12/31/2020	(3,890,487)	1,018,354	(2,872,133)

Note: The above does not include any tax effects.

FASB ASC 715-60 Implementation

C. Disclosure of FASB ASC 715-60 Benefit Cost	2019	2020*
1. Service Cost	$ 408,299	$ 269,904
2. Interest Cost	533,096	375,826
3. Actual Return on Assets	(0)	(0)
4. Net amortization and deferral		
a. Deferral	0	0
b. Net loss recognition	187,313	170,601
c. Prior service cost amort.	(82,644)	(48,209)
d. Transition (asset) amort.	4,423	2,586
e. Subtotal	109,092	124,978
5. Net Periodic Postretirement Benefit Cost	$ 1,050,487	$ 770,708

D. Determination of Cost for next year	2019	2020*	2021
1. Service Cost	$ 408,299	$ 269,904	$ 28,317
2. Interest Cost (on A(4) and D(1))	533,096	375,826	153,392
3. Expected return on assets	(0)	(0)	(0)
4. Amortization of			
a. Unrecognized net (gain) or loss	187,313	170,601	104,884
b. Unrecognized prior service cost	(82,644)	(48,209)	0
c. Unrecognized net obligation or (net asset)	4,423	2,586	0
5. Net Periodic Postretirement Benefit Cost	$ 1,050,487	$ 770,708	$ 286,593

* See detail calculation in F.

FASB ASC 715-60 Implementation

E. Determination of Settlement Gain for 2020

1.	Maximum gain/(loss) is outstanding unamortized amounts (excluding transition asset or obligation) in accumulated other comprehensive income before settlement	$	3,323,949
2.	Program was not 100% settled, so the maximum amount is prorated on the change in the accumulated post-retirement benefit obligation.		
	Accumulated post-retirement benefit obligation:		
	a) After settlement $ 3,974,428		
	b) Before settlement 11,965,531		
	c) Percentage settled = 1-(a)/(b)		66.7844%
3.	Settlement Gain = 1 X 2	$	2,219,878

F. Detail of 2020 Net Periodic Post Retirement Benefit Cost

			Annual Cost before Settlement	Annual Cost after Settlement		Prorated For July Settlement
1.	Service Cost	$	441,877	29,143	$	269,904
2.	Interest Cost		532,285	156,783		375,826
3.	Expected Return on Assets		(0)	(0)		(0)
4.	Amortization of					
	a. Unrecognized net (gain) or loss		200,294	129,030		170,601
	b. Unrecognized prior service cost		(82,644)	0		(48,209)
	c. Unrecognized net obligation		4,433	0		2,586
5.	Net Periodic Post Retirement Benefit Cost	$	1,096,245	314,956	$	770,708

EXHIBIT 2

PARTICIPANT DATA

A. The following participant data was used:

	January 1 2020	January 1 2021
Number of Active Employees covered	96	4
Number of Retirees Covered	24	24

B. Projected premium payment

	January 1 2020	January 1 2021
1st year	$ 179,000	$ 168,000
2nd year	221,000	191,000
3rd year	262,000	213,000
4th year	306,000	240,000
5th year	355,000	250,000
6th through 10th year	2,365,000	1,241,000

EXHIBIT 3

ACTUARIAL ASSUMPTIONS

DISCOUNT RATE: A discount rate of 4.00% was used for the 2021 Benefit Cost, the August 1, 2020 to December 31, 2020 Benefit Cost, and the July 31, 2020 and December 31, 2020 disclosures. 4.50% was used for the January 1, 2020 to July 31, 2020 Benefit Cost and the December 31, 2019 disclosures. The expected return on assets was assumed to be 7.00%.

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

BASE CLAIM COSTS: The following monthly base claim costs were assumed for retirees for 2021:

	Total	Paid by Employee
Single, with Medicare	$ 300.00	$ 0.00
Family, with Medicare	600.00	0.00
Single, no Medicare	1,121.58	120.00
Family, no Medicare	2,473.12	266.00

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

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

PRE-RETIREMENT MORTALITY: Deaths have been projected on the basis of the table used by the IRS for 2021, under IRC 430 (the 2020 table was used last year). Mortality rates at a few sample ages are:

	MORTALITY RATE PER 1,000	
AGE	MALE	FEMALE
25	.356	.129
30	.397	.175
35	.515	.258
40	.611	.354
45	.830	.505
50	1.307	.789
55	2.133	1.314
60	3.850	2.140

Exhibit 3 (continued)

POST-RETIREMENT MORTALITY: The table used by the IRS for 2021, under IRC 430 was used (the 2020 table was used last year). The life expectancy according to this table is as follows:

AGE	MALES	FEMALES
55	29.43 years	31.70 years
65	20.36 years	22.25 years

DISABILITIES: None assumed.

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

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

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

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

Southwest Power Pool, Inc.

FINANCE COMMITTEE

Recommendation to the Board of Directors

April 27, 2021

2021 Private Placement

Organizational Roster

The following persons are members of the Finance Committee:

Susan Certoma	SPP Director
Julian Brix	SPP Director
Darcy Ortiz	SPP Director
Sarah Stafford	OG&E
Matt Pawlowski	NextEra
Sandra Bennett	AEP
Al Tamimi	Sunflower
Mike Wise	Golden Spread

Background

Issuance	Rate	Balances ($MM) Original	Current	Funding Year	Lender	Primary Purpose
2024 Sr. Notes (C)	3.55%	$70	$23	2011	Insurance	Integrated Marketplace
2024 Sr. Notes (D1)	3.00%	$50	$16	2012	Insurance	Integrated Marketplace
2024 Sr. Notes (D2)	3.25%	$50	$19	2012	Insurance	Capital expenditures
2024 Sr. Notes (Region)	4.98%	$33	$17	2014	Bank	Capital expenditures/refinance
2024 Sr. Notes (Arvest)	2.88%	$11	$9	2020	Bank	Capital expenditures
2025 Sr. Notes (E1)	3.80%	$37	$37	2014	Insurance	Capital expenditures
2025 Sr. Notes (Arvest)	2.88%	$5	$5	2021	Bank	Capital expenditures
2025 Sr. Notes (Arvest)	2.88%	$5	$3	2020	Bank	RC West project
2027 Sr. Notes	6.36%	$5	$2	2007	Bank	Maumelle Ops Center
2042 Sr. Notes (A & B)	4.82%	$65	$56	2010	Insurance	Corporate Campus
Totals		**$331**	**$187**			

SPP's term debt structure at the end of February 2021 was as follows:

All notes are unsecured except for the 2027 Sr. Notes, which are secured by a mortgage on SPP's Maumelle, AR operations facility. SPP has a $30 million unsecured revolving line of credit maturing in October 2021. The revolving line currently has $0 advanced. Pricing of draws against the line of credit are variable based on LIBOR + 1.00%. SPP has an $80 million committed guidance line of credit to fund capital expenditures from a group of three commercial banks, this facility matures in October 2023. Draws under the guidance line are priced at LIBOR + 1.50% and are convertible into term notes at a rate fixed at the then existing 5 year U.S. Treasury rate plus 1.85% with a floor rate of 2.875%. As of March 1, 2021, SPP had $52 million available under the guidance facility.

SPP's 2021-22 capital expenditure program identifies expenditures of $27.8 million which require funding. In an effort to minimize the expected increase in 2022 and 2023 schedule 1A administrative fee expense, SPP's Finance Committee recommended extending the retirement of future term debt issuances to 2025 and beyond.

Analysis

Term Debt Issuance

SPP staff unsuccessfully negotiated with the lenders providing the existing $80 million guidance line facility to commit to allowing capital expenditure draws during 2021 and 2022 to delay principal retirements to 2025 and beyond. The lenders were unable to provide that commitment but did offer a 1 year delay in principal retirements accompanied by an increase in interest rate and unused commitment fees.

SPP staff visited with private placement agents at both Bank of America Merrill Lynch ("BofAML") and U.S. Bank ("USB") about leading a placement of the delayed principal retirement notes preferred by SPP. Both indicated the offering in the private placement market should be fully subscribed and receive attractive fixed rate pricing off of the implied yield on a 6 year average life treasury note plus a credit spread of 90-100 basis points. Presently, the 6 year implied yield is just under 1.20%, so pricing today would be no worse than a 2.20% coupon.

SPP has used BofAML as its placement agent for all private placements dating back to 2010. SPP has no other business relationship with BofAML. The selection of BofAML at the time was based on their dominant position in the private placement market. USB is currently the #3 placement agent in domestic private placements in 2020 in terms of transaction size and number of transactions.

2020 Domestic League Table

Agent	# of Deals	Volume ($B)	
BofAML	60	$	12.7
JP Morgan	47	$	9.5
USB	38	$	4.3
Mitsubishi	23	$	3.5

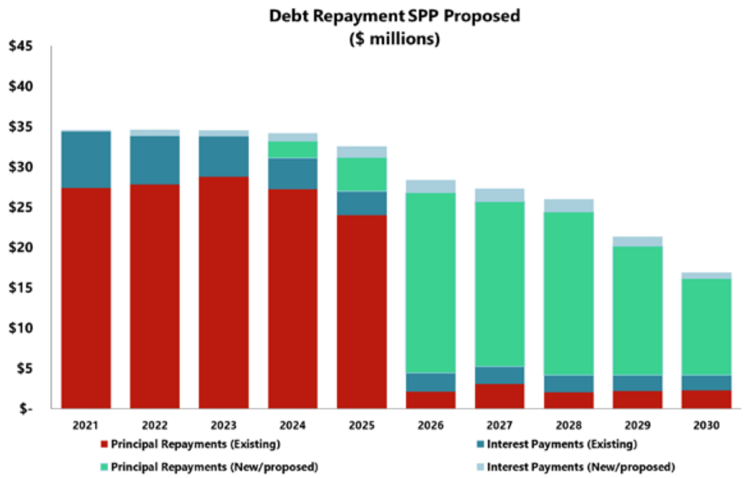
USB has been involved in over 375 transaction raising over $75 billion in financing for private placement customers since starting its private placement services in 2009. The senior members of the USB team have been lead managers in over 500 transactions and has over 50 years of aggregate experience in the private placement markets. USB has served as sole or joint lead in over 18 transactions for utility issuers since 2019 indicating strong experience representing utility issuers to the institutional market.

Execution of the private placement, following approval for the note issuance by the SPP board of directors and the Federal Energy Regulatory Commission, would be fairly quick. SPP can obtain a funding deferral of several months after the rate is set to help manage its cash flow and interest costs.

SPP is currently forecasting annual scheduled payments of principal and interest to peak at just over $40 million in 2023 and 2024 and then fall to just over $15 million in 2026 and remain relatively flat through 2030. Utilizing the flexibility inherent in the private placement market, SPP can manage its scheduled payments of principal and interest to remain at $35 million through 2025, then gradually decline through 2030. Proposed funding and repayment is as follows:

Funding September 2021	$28,000,000
Principal Retirement December 2026	-$14,000,000
Principal Retirement December 2027	-$8,000,000
Principal Retirement September 2028	-$6,000,000

The resulting schedule of all scheduled principal and interest payments is reflected in the graph below:



Revolving Line of Credit Renewal

SPP maintains a $30 million revolving credit facility with a commercial bank which is used to support liquidity needs and general corporate purposes. During 2020, average daily outstanding balances under the facility were $0.8 million with a high balance of $12 million and a low balance of $0. SPP uses an automatic sweep service with the bank to draw and repay as funds are needed or available, respectively.

SPP has negotiated with the commercial bank to extend the maturity to October 2023 while retaining all other terms and conditions.

Recommendation

1) Authorize the issuance of $28 million in senior unsecured term notes with scheduled principal retirements not occurring until 2026 and final maturities of 2028 or prior. The notes will be issued as a private placement, utilizing the services of USB as the sole placement agent. Authorize appropriate regulatory filings for the issuance of up to $28 million in senior unsecured term notes to be issued within 12 months of receiving regulatory approval. Authorize the SPP Finance Committee to oversee negotiation, final approval of terms and conditions, and authorizations to execute up to $28 million in senior unsecured term notes with final maturities of 2028 or prior. Authorize the SPP President and Chief Financial Officer to jointly execute notes and agreements for the issuance of up to $28 million of senior unsecured term notes with final maturities of 2028 or prior.
2) Authorize the extension of maturity date of $30 million revolving credit facility to October 2023 with all other terms and conditions remaining unchanged. Authorize appropriate regulatory filings for the extension of the maturity of the existing $30 million revolving credit facility to October 2023. Authorize the SPP President execute notes and agreements to effectuate the extension of the maturity date of the existing $30 million revolving credit facility to October 2023.

Approved: SPP Finance Committee

Action Requested: Approve Recommendation

Southwest Power Pool

Southwest Power Pool, Inc.
CREDIT PRACTICES WORKING GROUP
Recommendation to the Finance Committee
April 15, 2021
Market Exposure Clarification

Organizational Roster

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

Caleb Head	Northeast Texas Electric Coop
Mark Breese	Xcel Energy
Malcolm Booker	OMPA
Tom Hestermann	Sunflower Electric
Mark Holler	Tenaska Power Services
Mary Meier	OPPD
Terri Wendlandt	Evergy
Jeffrey Parkison	City Utilities of Springfield
Matthew Simon	Basin Electric Power Coop

Background

Attachment X, Section 3.1.1.8.2(e) is intended to provide an alternative method for a Credit Customer, who can't or won't meet SPP's Minimum Capitalization Requirements, to participate in the Integrated Marketplace with certain stipulations. During enhancement of the Credit Policy for the Integrated Marketplace development period, the intent was to include Transmission Congestion Rights ("TCR") credit exposure calculations in the Financial Security requirements. However, the inclusion of TCR credit exposure is not clearly stated within Section 3.1.1.8.2 (e).

Analysis

The relevant portion of Section 3.1.1.8.2(e) is: "Pursuant to election of this alternative, if the anticipated activity at time of application or actual market activity as determined in Article Five, of the Market Participant exceeds One Hundred Thousand Dollars ($100,000) in Market Exposure, the Market Participant shall provide SPP twice the amount of Financial Security that would otherwise be required of the Market Participant pursuant to Section 4.4."

This section of Attachment X was present before the Integrated Marketplace. During Integrated Marketplace development, the definition of "Market Exposure" in Section 5.2 was updated to include calculated credit exposures associated with "all Real-Time Balancing Market and Day-Ahead Market, including virtual transaction activity." Real-Time, Day-Ahead, and Virtual exposures can all be secured with an unsecured credit allowance. Per FERC order 741, TCR exposures must be covered by Financial Security (i.e. cash or letter of credit) therefore an entirely new section, Section 5A, was added to address TCR exposures. When Section 5A was added during Integrated Marketplace development, Section 3.1.1.8.2(e) was not updated to include TCR exposure as was intended.

To add clarity to the language and provide clear instruction on Financial Security requirements, the language in section 3.1.1.8.2(e) and section 4.4 needs to be updated to include references to TCR exposure. The updated language (new language shown in italics) would read as follows: "Pursuant to election of this alternative, if the anticipated activity at time of application or actual market activity as determined in Article Five *and Article Five A,* of the Market Participant exceeds One Hundred Thousand Dollars ($100,000) in Market Exposure *and/or Total TCR Credit Requirement*, the Market Participant shall provide SPP twice the amount of Financial Security that would otherwise be required of the Market Participant pursuant to Section 4.4."

Recommendation

The CPWG recommends revising section 3.1.1.8.2(e) and section 4.4 to include references to TCR exposure to help clarify the intent of the language and Financial Security Requirements.

Approved: CPWG January 29, 2021

In Favor: 8; Opposed: 0; Abstained: 1 (Sunflower)

Action Requested: Approve Recommendation

Southwest Power Pool

Revision Request Form

SPP STAFF TO COMPLETE THIS SECTION	
RR #: 446	**Date: 1/22/2021**
RR Title: Collateral Requirements for Alternative Capitalization	
System Changes ☒ No ☐ Yes **Process Changes?** ☒ No ☐ Yes **Impact Analysis Required?** ☒ No ☐ Yes | **If no, but system or process changes are expected please explain why an Impact Analysis will not be performed** (e.g. FERC Order, work included in another Impact Analysis for a related RR):	

SUBMITTER INFORMATION	
Name: Scott Smith	**Company:** Southwest Power Pool
Email: ssmith@spp.org	**Phone:** 501-614-3339
Only Qualified Entities may submit Revision Requests. ***Please select <u>at least</u> one applicable option below, as it applies to the named submitter(s).***	
☒ **SPP Staff** ☐ **SPP Market Participant** ☐ **SPP Member** ☐ **An entity designated by a Qualified Entity to submit a Revision Request "on their behalf"**	☐ **SPP Market Monitor** ☐ **Staff of government authority with jurisdiction over SPP/SPP member** ☐ **Rostered individual of SPP Committee, Task Force or Working Group** ☐ **Transmission Customers or other entities that are parties to transactions under the Tariff**

REVISION REQUEST DETAILS

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

Reason for Expedited/Urgent Resolution: Need clarification to ensure compliance with SPP's Credit Policy.

Type of Revision (select all that apply):

☐ Correction *(i.e., revising erroneous language or language that needs clean-up for grammatical errors or inconsistency across governing documents - no changes to intent or policy)*

☒ Clarification *(i.e., revising language to better represent existing intent, no changes to functionality or policy)*

☐ Enhancement *(i.e., revising language to expand upon existing intent or functionality)*

☐ New Protocol, Business Practice, Criteria, Tariff *(i.e, new language to accommodate new functionality or policy not existing today)*

☐ NERC Standard Impact *(Specifically state if revision relates to/or impacts NERC Standards, list standard(s))*

☐ FERC Mandate *(List order number(s))*

REVISION REQUEST RISK DRIVERS

Are there existing risks to one or more SPP Members or the BES driving the need for this RR? ☐ Yes ☒ No

If yes, provided details to explain the risk and timelines associated:

☐ Compliance (Tariff, NERC, Other)

☐ Reliability/Operations

☐ Financial

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

☐ **Market Protocols**	**Section(s):**	**Protocol Version:**
☐ **Operating Criteria**	**Section(s):**	**Criteria Date:**
☐ **Planning Criteria**	**Section(s):**	**Criteria Date:**
☒ **Tariff (OATT)**	**Section(s):** Attachement X, Section 3.1.1.8.2(e), Section 4.4	
☐ **Business Practice**	**Business Practice Number:**	
☐ **Integrated Transmission Planning (ITP) Manual**	**Section(s):**	
☐ **Revision Request Process**	**Section(s):**	
☐ **Minimum Transmission Design Standards for Competitive Upgrades (MTDS)**	**Section(s):**	
☐ **Reliability Coordinator and Balancing Authority Data Specifications (RDS)**	**Section(s):**	
☐ **SPP Communications Protocols**	**Section(s):**	

OBJECTIVE OF REVISION

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

Attachment X, Section 3.1.1.8.2(e) is intended to provide an alternative method for a Credit Customer, who can't or won't meet SPP's Minimum Capitalization Requirements, to participate in the Integrated Marketplace with certain stipulations. During enhancement of the Credit Policy for the Integrated Marketplace development period, the intent was to include Transmission Congestion Rights ("TCR") credit exposure calculations in the Financial Security requirements. This revision to Section 3.1.1.8.2(e) provides necessary clarity in the Financial Security requirements to show the inclusion of TCR credit exposure calculations.

The relevant portion of Section 3.1.1.8.2(e) is: "Pursuant to election of this alternative, if the anticipated activity at time of application or actual market activity as determined in Article Five, of the Market Participant exceeds One Hundred Thousand Dollars ($100,000) in Market Exposure, the Market Participant shall provide SPP twice the amount of Financial Security that would otherwise be required of the Market Participant pursuant to Section 4.4."

In this instance, "Market Exposure" is a defined term in Section 5.2 and includes calculated credit exposures associated with "all Real-Time Balancing Market and Day-Ahead Market, including virtual transaction activity." Section 5A was added during the Integrated Marketplace development and describes the complex calculations of TCR exposures. "Total TCR Credit Exposure" is the defined term that sums all TCR-related exposures. Section 5A was added independently of Section 5 since all TCR-related exposures must be collateralized with Financial Security (i.e. cash or letter of credit) per FERC Order 741 (other market exposures can be secured with an unsecured credit allowance).

Describe the benefits that will be realized from this revision.

The revisions to section 3.1.1.8.2(e) and section 4.4 to include references to TCR exposure will add clarity to the language and provide clear instruction on Financial Security requirements.

REVISIONS TO SPP DOCUMENTS

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

ARTICLE THREE
Credit Assessment

3.1 Minimum Criteria for Market Participation and Initial Credit Assessment.

3.1.1 Credit Application and Credit Information. A Credit Customer must submit a completed and duly executed Credit Application. A completed Credit Application includes submission of the Credit Application form (Appendix "A"), all information required under Section 3.1.1, and additional information that SPP may request. The Credit Customer must submit the following information with its Credit Application.

3.1.1.1 Audited Financial Statements and Related Information. All annual Financial Statements submitted must be audited. Financial Statements are the following.

a. If the Credit Customer is subject to SEC reporting requirements, Financial Statements are:

i. Annual Reports on Form 10-K for the three fiscal years most recently ended, together with any amendments thereto;
ii. Quarterly Reports on Form 10-Q for each completed fiscal quarter of the then current fiscal year, together with any amendments thereto; and
iii. Form 8-K reports, if any, filed after the most recent Form 10-K.

b. If the Credit Customer is not subject to SEC reporting requirements, Financial Statements are:

i. For each of the three fiscal years most recently ended, the Report of Independent Accountants (for each of the three fiscal years most recently ended); and audited financial statements, including balance sheet, income statement, statement of cash flow, and statement of stockholder's equity;
ii. For each completed fiscal quarter of the then current fiscal year; financial statements as described in (i) above. Unaudited quarterly financial statements are acceptable.
iii. Notes to financial statements; and
iv. Management's discussion and analysis, if any.

c. The Credit Customer may submit Financial Statements by informing SPP, in writing, where the Financial Statements can be retrieved through the internet. Successful retrieval by SPP will satisfy the Financial Statements submission requirements of this Section. If SPP is not satisfied with the retrieval through the internet, it may require the Credit Customer to submit Financial Statements in hard copy form.

d. In the event any parts of the Financial Statements required under this Section are inapplicable to the Credit Customer, SPP may specify alternate requirements. SPP may request additional Financial Statements and related information at its sole discretion.

e. For Not-For-Profit Credit Customers, some of the above financial submittals may not be applicable, and alternate requirements may be specified by SPP.

f. In the credit evaluation of Not-For-Profit Credit Customers, SPP may request additional information as part of the overall financial review process and will consider other relevant factors in determining financial strength and creditworthiness.

3.1.1.2 **References.** The Credit Customer must provide at least one bank reference and at least three references from entities that have significant commercial relationships with the Credit Customer.

3.1.1.3 **Loss Contingencies.** The Credit Customer must fully and accurately identify and describe each of the following, or state that there are no such matters applicable to the Credit Customer:

a. known pending or, to the Credit Customer's knowledge, threatened, court actions, arbitration proceeding, investigations, commitments, claims, contingencies, or existing or potential liabilities that are or would be Material if determined adversely to the Credit Customer;

b. ongoing investigations by the SEC, the FERC, or of any other governing, regulatory, or standards body that is Material or would be Material if determined adversely to the Credit Customer;

c. prior bankruptcy declarations or petitions, voluntary or involuntary, by or against the Credit Customer, its predecessors, subsidiaries or Affiliates; and

d. Material defalcations or fraud by or involving the Credit Customer, its predecessors, subsidiaries or Affiliates, or any of their respective assets.

3.1.1.4 **Affiliates.** The Credit Customer must identify all Affiliates that are Credit Customers.

3.1.1.5 **Total Potential Exposure Information.** The Credit Customer shall provide an estimate of its current or anticipated transaction activity for all services under the Tariff or otherwise over the succeeding twelve months, excluding Transmission Congestion Rights activity, sufficient to permit SPP to determine the Credit Customer's Total Potential Exposure.

3.1.1.6 **Attestation Minimum Criteria for Market Participation and of Risk Management Capabilities.** Each applying Market Participant shall submit to SPP a notarized statement signed by an authorized officer in the form attached as "Appendix E" to this Attachment X, attesting that:

a. The officer has signature authority to make the statement;

b. Employees or agents transacting in markets and services provided pursuant to the Tariff on behalf of the applying Market Participant have received, or will receive, applicable training with regard to their participation under this Tariff as a condition of being authorized to transact on behalf of the Market Participant;

c. The applying Market Participant will maintain current written risk management policies and procedures that address those risks that could materially affect the applying Market Participant's ability to pay its SPP invoices when due;

d. The applying Market Participant has available appropriate personnel resources, operating procedures, and technical abilities to promptly and effectively respond to SPP communications and directions related to, but not limited to, settlements, billing, credit requirements and other financial matters;

e. The applying Market Participant will maintain the minimum capitalization or alternate capitalization requirements set forth in Section 3.1.1.8 of this Attachment X; and

f. Certifying that the Market Participant meets the minimum criteria for market participation set forth in Section 3.1.1.8.

Such attestation shall be renewed and updated for each successive year of market participation, and shall be submitted to SPP no later than April 30 of each year.

The applying Market Participant shall be declined participation in all SPP markets if: (i) the risk management capabilities of the applying Market Participant are deemed insufficient by SPP for the type of service that will be undertaken, (ii) SPP determines that the applying Market Participant does not meet the minimum criteria for market participation, (iii) the attestation is deemed insufficient by SPP to determine the risk management capabilities of the applying Market Participant, or (iv) the attestation is deemed insufficient by SPP to determine whether the applying Market Participant meets the minimum criteria for market participation. An applying Market Participant will have two (2) Business Days from receipt of notice from SPP that its attestation was deemed insufficient to cure any deficiency identified by SPP prior to being declined participation in SPP markets.

3.1.1.7 **Additional Information.** At any time and from time to time, SPP may request such additional information as SPP determines is necessary and appropriate for the Credit Assessment and the Credit Customer shall timely provide such additional information. At any time, the Credit Customer may provide SPP with additional information that the Credit Customer considers relevant to the Credit Assessment.

3.1.1.8 **Minimum Criteria for Market Participation.**

3.1.1.8.1 **Minimum Eligibility Requirements**

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

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

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

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

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

If a Market Participant is unable to meet the minimum eligibility requirements for market participation set forth in this Section 3.1.1.8.1, the Market Participant shall immediately notify SPP and immediately cease conducting transactions in the Integrated Marketplace. When SPP receives such notification from a Market Participant or determines that a Market Participant does not meet the minimum eligibility requirements set forth in this Section 3.1.1.8.1, SPP shall immediately terminate that Market Participant's transaction rights in the Integrated Marketplace.

In the event that a Market Participant is no longer able to demonstrate that it meets the minimum eligibility requirements set forth in this Section 3.1.1.8.1, and possesses, obtains, or has rights to possess or obtain any open or forward position in the Integrated Marketplace, SPP may take any action it deems necessary with respect to such open or forward positions. Such action may include but is not limited to, liquidation, transfer, assignment, or sale. The Market Participant will be entitled to any positive market value of such positions, net of any obligations due to SPP, notwithstanding its ineligibility to participate in the Integrated Marketplace. Nothing in this paragraph shall restrict SPP's ability to enforce SPP's rights to pursue and collect any amounts Market Participants may owe to SPP.

3.1.1.8.2 **Minimum Capitalization Requirements**

Each Market Participant that meets the minimum eligibility requirements in Section 3.1.1.8.1 shall also, at a minimum, possess:

a. A Tangible Net Worth of One Million Dollars ($1,000,000) as shown in the most recent fiscal year end audited financial statements as described in Section 3.1.1.1; or
b. Ten Million Dollars ($10,000,000) in assets as shown in the most recent fiscal year end audited financial statement as described in Section 3.1.1.1; or
c. A Credit Rating of, or equivalent to, BBB-; or
d. A Guaranty as described in Article Six of this Attachment X, and approved by SPP, through which the audited financials or Credit Rating of the Guarantor is used to meet at least one of the alternatives specified in (a) through (c) above; or
e. In the event a Market Participant cannot meet at least one of the alternatives specified in (a) through (d) above, the Market Participant shall, at a minimum, deposit with SPP Two Hundred Thousand Dollars ($200,000) in Financial Security to be segregated and unavailable to secure any market or transmission activity. Pursuant to election of this alternative, if the anticipated activity at time of application or actual market activity as determined in Article Five and Article Five A, of the Market Participant exceeds One Hundred Thousand Dollars ($100,000) in Market Exposure ~~plus~~and/or Total TCR Credit Requirement, the Market Participant shall provide SPP twice the amount of Financial Security that would otherwise be required of the Market Participant pursuant to Section 4.4.

If the applying Market Participant is unable to meet the minimum capitalization requirements in this Section 3.1.1.8.2, the applying Market Participant shall be declined participation in all SPP markets.

Failure at any time of a Market Participant to continue to satisfy these minimum capitalization requirements in this Section 3.1.1.8.2 shall be deemed a Material Adverse Change pursuant to Section 3.2.7.

3.1.1.9 Minimum Criteria and Risk Management Verification Process

Through a periodic compliance verification process, SPP shall review and verify Market Participants' eligibility for market participation based upon SPP's minimum criteria for market participation, risk management policies, practices, and procedures pertaining to the Market Participants' activities in the SPP markets. Such review shall include verification that:

1. The risk management framework is documented in a risk policy addressing market, credit, and liquidity risks;
2. The Market Participant maintains an organizational structure with clearly defined roles and responsibilities that clearly segregates trading and risk management functions;
3. There is clarity of authority specifying the types of transactions into which traders are allowed to enter;

4. The Market Participant has requirements that traders have adequate training or expertise relative to their authority in the systems and SPP markets in which they transact;
5. As appropriate, risk limits are in place to control risk exposures;
6. Reporting is in place to ensure that risks and exceptions are adequately communicated throughout the organization;
7. Processes are in place for qualified independent review of trading activities; and
8. As appropriate, there is periodic valuation or mark-to-market of risk positions.
9. The Market Participant meets the minimum participation criteria, including capitalization requirements, set forth in Section 3.1.1.8.

SPP may select Market Participants for review on a random basis and/or based on identified risk factors such as, but not limited to, the SPP markets in which the Market Participant is transacting, the magnitude of the Market Participant's transactions, or the volume of the Market Participant's open positions. Those Market Participants notified by SPP that they have been selected for review shall, upon fourteen (14) calendar days notice, provide a copy of their current governing risk control policies, procedures, and controls applicable to their SPP market activities and shall also provide such further information or documentation pertaining to the Market Participants' activities in the SPP markets as SPP may reasonably request. Market Participants selected for risk management verification through a random process and satisfactorily verified by SPP shall be excluded from such verification process based on a random selection for the subsequent two years. SPP shall annually randomly select for review no more than twenty percent (20%) of the Market Participants.

Each selected Market Participant's continued eligibility to participate in the SPP markets is conditioned upon SPP notifying the Market Participant of successful completion of SPP's verification, provided, however, that if SPP notifies the Market Participant in writing that it could not successfully complete the verification process, SPP shall allow such Market Participant fourteen (14) calendar days to provide sufficient evidence for verification prior to declaring the Market Participant as ineligible to continue to participate in SPP's markets, which declaration shall be in writing with an explanation of why SPP could not complete the verification. If, prior to the expiration of such fourteen (14) calendar days, the Market Participant demonstrates to SPP that it has filed with the Federal Energy Regulatory Commission an appeal of SPP's risk management verification determination, then the Market Participant shall retain its transaction rights, pending the Commission's determination on the Market Participant's appeal. SPP may retain outside expertise to perform the review and verification function described in this section. SPP and any third party it may retain will treat as confidential the documentation provided by a Market Participant under this section, consistent with the applicable provisions of the Tariff.

3.1.2 Rating Agency Information. In the initial Credit Assessment and in subsequent and ongoing assessments, SPP will consider Rating Agency reports applicable to the Credit Customer. This review will be focused on the Credit Customer's unsecured, senior long-term debt ratings. If these ratings are not available, SPP will consider issuer ratings.

3.1.3 Power Supply Agent Disclosure Requirements. A Not-For-Profit Credit Customer may request that its suggested Unsecured Credit Allowance calculation reflect as equity the outstanding balance of revenue bonds issued by the Not-For-Profit Credit Customer when such revenue bonds are issued solely in support of the Not-For-Profit Credit Customer's role as power supply agent for not-for-profit electric distribution utilities. In support of such request, the Not-For-Profit Credit Customer must provide SPP with the following information:

(a) Management representation letter stating:
  (i) Principal amount, in dollars, of revenue bonds outstanding;
  (ii) Prior to default and after default, debt service on the revenue bonds is payable only after operating expenses are paid;
  (iii) Amounts payable to SPP under this Tariff are operating expenses for purposes of the revenue bonds; and
  (iv) The trustee for the revenue bonds has a valid and binding security interest in the revenues or net revenues from the power supply contracts to secure payment of the revenue bonds and the Not-For-Profit Customer has not granted any lien thereon prior to the lien of the bond resolution.

(b) Opinion of counsel stating:
  (i) The power supply contracts are binding obligations of the Not-For-Profit Credit Customer enforceable in accordance with their terms;
  (ii) The trustee of the revenue bonds has a valid and binding security interest in, or assignment and pledge of, the revenues or net revenues from the power supply contracts to secure payment of the revenue bonds;
  (iii) The resolution or other document creating the security interest or pledge and providing for the priority of payment is enforceable in accordance with its terms;
  (iv) Prior to default and after default, debt service on the revenue bonds is payable only after operating expenses are paid; and
  (v) All amounts payable to SPP arising from transactions under this Tariff are operating expenses for purposes of the revenue bonds.

(c) All Rating Agency ratings on revenue bond(s).

The opinion of counsel referenced above shall be provided to SPP together with copies of the most recent written opinions of counsel, if any, for each member of the Not-For-Profit Credit Customer that relate to the enforceability of the power supply contract(s).

3.1.4 Guaranties. If the Credit Customer proposes a Guaranty to establish, contribute to, or maintain an Unsecured Credit Allowance, Credit Information required under Section 3.1.1 must be submitted with respect to both the Credit Customer and the proposed Guarantor.

3.2. Annual and Other Ongoing Credit Assessments.

3.2.1 Purpose of Annual and Other Ongoing Credit Assessments. At least once annually, SPP will review and update its Credit Assessment for each Credit Customer. This will include a review of the Credit Customer's creditworthiness and consideration of revisions of the Credit Customer's

(a) Unsecured Credit Allowance; (b) Financial Security requirements; and (c) Total Credit Limit. In its sole discretion, SPP may conduct additional reviews and updates, including reviews in response to new facts or occurrences that may bear upon the Credit Customer's creditworthiness. Unless otherwise stated, all annual information required under Section 3.2 shall be provided to SPP no later than 120 days after the end of the Credit Customer's fiscal year.

3.2.2 **Procedures for Posting Additional Financial Security or Taking Other Corrective Measures.** In the event a Credit Customer experiences a Material Adverse Change, SPP may invoke its right to require the Credit Customer to post additional Financial Security, cease one or more transactions, or take other measures to restore confidence in the Credit Customer's ability to transact safely. In addition, based upon the annual or other Credit Assessment, SPP may, at any time, revise any (a) Unsecured Credit Allowance; (b) Financial Security requirements; and (c) Total Credit Limit, applicable to the Credit Customer. If SPP has upwardly revised the required amount of Financial Security, the Credit Customer will have two (2) Business Days from receipt of the notice from SPP to provide the required Financial Security, in an amount and form acceptable to SPP. Failure to provide additional required Financial Security shall be a Default under this Credit Policy and a default under the Tariff.

3.2.3 **Rating Agency Information.** The Credit Customer will give notice to SPP of any changes to its Credit Ratings within five (5) Business Days of the announcement of the change.

3.2.4 **Financial Statements.** On an annual basis, and except as otherwise stated with respect to quarterly reports, each Credit Customer must provide SPP with updated Financial Statements within ten (10) days after they become available, and in no event later than 120 days after the end of the Credit Customer's fiscal year. Quarterly reports must be provided quarterly, within ten (10) days after they become available. Financial Statements may be submitted in the manner provided under Section 3.1.1.1.

3.2.5 **Power Supply Agent Disclosure Requirements.** A Not-For-Profit Credit Customer that initially qualified to have its suggested Unsecured Credit Allowance calculation reflect as equity the outstanding balance of revenue bonds issued by the Not-For-Profit Credit Customer, and is requesting to continue to have its suggested Unsecured Credit Allowance calculation reflect as equity the outstanding balance of revenue bonds issued by the Not-For-Profit Credit Customer when such revenue bonds are issued solely in support of the Not-For-Profit Credit Customer's role as power supply agent for not-for-profit electric distribution utilities, must at all times comply with the following information reporting requirements:

(a) The Not-For-Profit Credit Customer must advise SPP of the principal amount of revenue bonds outstanding on an annual basis;

(b) The Not-For-Profit Credit Customer must advise SPP within ten (10) days if the principal amount of the revenue bonds outstanding is reduced by more than twenty percent (20%) from the amount last certified by the Not-For-Profit Credit Customer;

(c) The Not-For-Profit Credit Customer must advise SPP immediately if the security interest of the trustee is released or the Not-For-Profit Credit Customer grants any lien prior to the lien of the bond resolution; and

(d) The Not-For-Profit Credit Customer must advise SPP within ten (10) days of any downgrade of any of the Not-For-Profit Credit Customer's revenue bond ratings issued by a Rating Agency.

3.2.6 Other Credit Information. On an annual basis, each Credit Customer must provide SPP with the information specified in Section 3.1.1.3 (Loss Contingencies), 3.1.1.4 (Affiliates), 3.1.1.6 (Additional Information).

3.2.7 Material Adverse Changes. Each Credit Customer must give SPP notice of any Material Adverse Change in its financial condition (and, as applicable, the financial condition of its Guarantor) within two (2) Business Days of the occurrence of the Material Adverse Change. If a Credit Customer or Guarantor files a Form 10-K, Form 10-Q, or Form 8-K with the SEC, notice of such filing, timely delivered to SPP in accordance herewith, will suffice on the condition that such notice states that the filing addresses a Material Adverse Change.

A Material Adverse Change in financial condition includes any Material change in operations or financial condition that a reasonable examiner of creditworthiness would deem material to decisions concerning the extension of credit, including but not limited to, any of the following ("Material Adverse Change"):

a. A downgrade of any debt rating or issuer rating, or change in the outlook of any Credit Rating, including debt rating or issuer rating;

b. Any placement on a credit watch with negative implication by a Rating Agency;

c. The filing of a lawsuit or initiation of an arbitration, investigation or other proceeding (including regulatory proceeding) which if decided adversely could have a Material effect on any current or future financial results or financial condition;

d. The merger, acquisition or any other form of business combination involving the credit customer.

e. Any adverse changes in financial condition which, individually, or in the aggregate, are Material;

f. Any adverse changes, events or occurrences which, individually or in the aggregate, could affect the ability of the Credit Customer to pay its debts as they become due or could have a Material adverse effect on any current or future financial results or financial condition;

g. Discovery or disclosure of conflict of interest issues;

h. Resignation or removal of a key officer or director;

i. Any action requiring the filing of a Form 8-K;

j. Any report of a quarterly or annual loss or a decline in earnings of ten (10) percent or greater compared to the prior period;

k. Any restatement of prior financial statements; and

l. Failure of a Market Participant to continue to satisfy the minimum capitalization criteria for market participation specified in 3.1.1.8.2.

3.2.7.1 Notification of a Material Adverse Change by SPP to a Credit Customer. Upon the occurrence of a Material Adverse Change and prior to SPP compelling a Credit Customer to post additional Financial Security, cease one or more transactions, or take other measures to restore confidence in the Credit Customer's ability to transact business safely as a result of any Material Adverse Change, SPP shall provide, when feasible, reasonable advance notice in writing, by fax, electronic mail, hand delivery, reputable overnight courier, or first-class mail, to the Credit Contact designated by the Credit Customer pursuant to Section 9.1 of this Credit Policy. If delivery to the Credit Contact fails, then SPP may effect delivery to any officer, executive, or manager of the Credit Customer. Such notice shall identify the reasoning behind the invocation of the Material Adverse Change clause and be signed by an authorized representative of SPP.

3.2.8 Affiliates. Each Credit Customer must identify all Affiliates that are Credit Customers.

3.2.9 Additional Information. At any time and from time to time, SPP may request such additional information as SPP determines is necessary and appropriate for the Credit Assessment and the Credit Customer shall timely provide such additional information. At any time, the Credit Customer may provide SPP with additional information that the Credit Customer considers relevant to the Credit Assessment.

3.2.10 Guaranties. If the Credit Customer relies upon a Guaranty to maintain an Unsecured Credit Allowance, Credit Information required under Section 3.2 must be submitted with respect to both the Credit Customer and the Guarantor.

3.2.11 Alternate Requirements. For Not-For-Profit Credit Customers, some of the above financial submittals may not be applicable, and alternate requirements may be specified by SPP.

3.2.12 In the credit evaluation of Not-For-Profit Credit Customers, SPP may request additional information as part of the overall financial review process and will consider other relevant factors in determining financial strength and creditworthiness.

3.3 SPP Rights to Use Other Information. Notwithstanding any provision of this Credit Policy, SPP shall have the right to utilize, in a Credit Assessment, any information of which it is aware concerning the Credit Customer.

3.4 Positive Material Change in Financial Condition of the Credit Customer. If there is a positive Material change in the financial condition of the Credit Customer, a significant reduction in the Total Potential Exposure of the Credit Customer, or any other change that the Credit Customer believes may warrant an increase in the Credit Customer's Unsecured Credit Allowance and/or a reduction in the Financial Security required of the Credit Customer, the Credit Customer may make a written request to SPP to update the Credit Assessment and include or refer to any supporting information. SPP may request any Credit Information described in Section 3.2 to evaluate the merit of the Credit Customer's request. SPP anticipates that it will respond to the Credit Customer's request within a reasonable period of time, generally within ten (10) Business Days after receiving all information that is required for an ongoing review as required in this Article.

ARTICLE FOUR

Creditworthiness and Total Credit Limit

4.1 Creditworthiness Overview. SPP will establish a Total Potential Exposure for each Credit Customer based on the Credit Customer's estimated cumulative financial obligation arising under the Tariff or otherwise to SPP, excluding Transmission Congestion Rights activity, as provided in Article 5. The Total Potential Exposure is the amount that the Credit Customer must support with credit. Transmission Congestion Rights activity must be supported with Financial Security as provided in Article 5A. The credit will consist of a combination of the Unsecured Credit Allowance and Financial Security, or either of them. SPP will determine the Credit Customer's Unsecured Credit Allowance based upon the Composite Credit Score. The Composite Credit Score, as defined herein, is a determination of financial strength and creditworthiness, based upon the Credit Assessment. Where Credit Customers are Affiliates of each other, an aggregate Unsecured Credit Allowance will be established for the Affiliates, as provided below. Financial Security is an Irrevocable Letter of Credit or other collateral in accordance with this Credit Policy. If the Credit Customer's Unsecured Credit Allowance is less than its Total Potential Exposure, the Credit Customer will be required either to establish additional credit in the amount of the difference by posting Financial Security or to decrease its Total Potential Exposure. A Credit Customer's total credit with SPP, consisting of the Unsecured Credit Allowance and any Financial Security, is the Credit Customer's Total Credit Limit. A Credit Customer may provide additional Financial Security at any time to increase or maintain its Total Credit Limit, for example, in order to increase its Total Potential Exposure or to compensate for a reduction in its Unsecured Credit Allowance.

4.2 Composite Credit Score. The "Composite Credit Score" is the numerical result of SPP's scoring process based upon various quantitative and qualitative predictors of creditworthiness as set forth in this Section. The results are scaled from one (1) to six (6) with one (1) being the strongest score and six (6) being the weakest. Key factors in the scoring process include financial ratios, years in business, and Credit Ratings. SPP will apply all measures used to determine Composite Credit Scores in a consistent manner. The respective models SPP will use to determine the Composite Credit Score for Large Company Credit Customers, Small Company Credit Customers, and Not-For-Profit Credit Customers are set forth in this Section.

4.2.1 Large Company Credit Scoring. The Large Company Credit Customer model will be utilized for Credit Customers with net fixed assets equal to or in excess of $250 million ("Large Company Credit Customers" or "Large Company"). The Large Company Credit Score will be comprised of a Quantitative Score and a Qualitative Score. Each score is then weighted as shown below to build a Composite Credit Score.

Large Company Analysis	**Weight**
Quantitative Score	70%
Qualitative Score	30%

4.2.1.1 Quantitative Score. The Quantitative Score is based on the financial ratios below. These measures will be calculated for each Large-Company Credit

Customer and compared with benchmarks to assign a score of one (1) to six (6) for each measure. A score of one (1) indicates that the Credit Customer has a strong financial health with regard to the measure, while a score of six (6) indicates poor financial health with regard to the measure. The following measures are used:

a. Current Ratio—Current Assets/Current Liabilities

b. EBIT Interest Coverage—(Interest Expense + Income Taxes + Net Income) / Interest Expense

c. Total Debt to Total Capitalization ("TD/TC")—(Long Term Debt + Current Portion + Other Short Term Borrowings) / (Total Debt + Preferred Equity + Common Equity)

d. Funds from Operations ("FFO") to Total Debt—(Cash from Operating Activities - Changes in Operating Assets and Liabilities) / (Long Term Debt + Current Portion + Other Short Term Borrowings)

The measures are then assessed as follows to calculate the total Quantitative Score:

Scale	**Current**	**EBIT Interest**	**TD/TC**	**FFO to Total Debt**
1	>1.34	>4.99	<.30	>.350
2	1.15 – 1.34	3.50 – 4.99	.30 - .39	.271 - .350
3	1.00 – 1.14	2.50 – 3.49	.40 - .49	.181 - .270
4	0.85 – 0.99	2.00 – 2.49	.50 - .59	.120 - .180
5	0.70 – 0.84	1.25 – 1.99	.60 - .69	.070 - .119
6	<0.70	<1.25	>.69	<.070

The measures are weighted as follows:

Large Company Financial Ratios	**Weight**
Current Ratio	10%
EBIT Interest Coverage	25%
Total Debt to Total Capitalization	25%
FFO to Total Debt	40%
	100%

If one or more ratios cannot be calculated due to insufficient data to calculate the ratio, the weight that would have been assigned to that ratio or ratios will be allocated equally among the remaining ratios.

4.2.1.2 **Qualitative Score.** The Qualitative Score, also on a scale of one (1) to six (6), will assess non-financial measure information about a Credit Customer's creditworthiness. A score of one (1) indicates that the Credit Customer has strong qualitative measures, while a score of six (6) indicates poor qualitative measures. The qualitative analysis will take into account a variety of information, but at a minimum will include the assessment of the following characteristics:

-Management
-Regional / Commodity Diversity
-Physical Liquidity
-Financial Liquidity
-Quality of Equity
-Volatility of Earnings
-Regulation/Rates
-Senior Unsecured Debt Rating
-SPP Payment Record
-Risk Procedures

4.2.1.3 **Composite Credit Score.** The Composite Credit Score is the weighted average of the Quantitative Score and the Qualitative Score. To illustrate, assume the following:

Large Company Qualitative Score = 4.0

Large Company Financial Measures:

	Value	Score	Weight
Current Ratio	.82	5	10%
EBIT Interest Coverage	2.08	4	25%
Total Debt to Total Capitalization	.63	5	25%
FFO to Total Debt	.17	4	40%

Large Company Quantitative Score =
(5 x 10%) + (4 x 25%) + (5 x 25%) + (4 x 40%) = 4.35

Large Company Credit Score = (4.35 x 70%) + (4 x 30%) = 4.25

4.2.2 Small Company Credit Scoring. The Small Company model will be utilized for Credit Customers with net fixed assets less than $250 million ("Small Company Credit Customers" or "Small Company"). The Small Company Composite Credit Score will be comprised of a Quantitative Score and a Qualitative Score. Each score is then weighted as shown below to build a Composite Credit Score.

Small Company Analysis	Weight
Quantitative Score	70%
Qualitative Score	30%

4.2.2.1 **Quantitative Score.** The Quantitative Score is based on the financial ratios below. These measures will be calculated for each Small Company Credit Customer and compared with benchmarks to assign a score of one (1) to six (6) for each measure. A score of one (1) indicates that the Credit Customer has a strong financial health with regard to the measure, while a score of six (6) indicates poor financial health with regard to the measure. The following measures are used:

a. Current Ratio—Current Assets/Current Liabilities

b. EBIT Interest Coverage—(Interest Expense + Income Taxes + Net Income) / Interest Expense

c. Total Liabilities to Total Net Worth (“TL/TNW”)—(Total Liabilities) / (Total Equity-Intangibles-Treasury Stock)

d. Funds from Operations (“FFO”) to Total Debt—(Cash from Operating Activities - Changes in Operating Assets and Liabilities) / (Long Term Debt + Current Portion + Other Short Term Borrowings)

e. Return on Assets (“ROA”)—Net Income / Total Assets

The values are then assessed as follows to calculate the total Quantitative Score:

Scale	**Current**	**EBIT Interest**	**TL/TNW**	**FFO to Total Debt**	**ROA**
1	>2.50	>4.99	<0.40	>.350	>.120
2	1.75 – 2.50	3.50 – 4.99	0.40 - 0.70	.271-.350	.100 - .120
3	1.40 – 1.74	2.50 – 3.49	0.71 – 1.49	.181 - .270	.075 - .099
4	1.15 – 1.39	2.00 – 2.49	1.50 – 2.25	.120 - .18	.045 - .074
5	1.00 – 1.14	1.25 – 1.99	2.26 – 4.00	.070 - .119	.015 - .044
6	<1.00	<1.25	>4.00	<.070	<.015

The measures are weighted as follows:

Small Company Financial Ratios	**Weight**
Current Ratio	25%
EBIT Interest Coverage	10%
Total Liabilities / Total Net Worth	25%
FFO to Total Debt	15%
ROA	25%
	100%

If one or more ratios cannot be calculated due to insufficient data to calculate the ratio, the weight that would have been assigned to that ratio or ratios will be allocated equally among the remaining ratios.

4.2.2.2 **Qualitative Score.** The Qualitative Score, also on a scale of one (1) to six (6), will assess non-financial measure information about a Credit Customer’s creditworthiness. A score of one (1) indicates that the Credit Customer has strong qualitative measures, while a score of six (6) indicates poor qualitative measures. The qualitative analysis will take into account a variety of information, but at a minimum will include the assessment of the following characteristics:

-Management
-Regional / Commodity Diversity
-Physical Liquidity
-Financial Liquidity
-Quality of Equity
-Volatility of Earnings
-Regulation/Rates

-Peer Comparison using SIC codes
-Senior Unsecured Debt Rating
-SPP Payment Record

4.2.2.3 **Composite Credit Score.** The Composite Credit Score is the weighted average of the Quantitative Score and the Qualitative Score. To illustrate, assume the following:

Small Company Qualitative Score = 4

Small Company Financial Measures:

	Value	Score	Weight
Current Ratio	1.10	5	25%
EBIT Interest Coverage	1855.00	1	10%
Total Liabilities / Total Net Worth	2.47	5	25%
FFO to Total Debt	0.03	6	15%
ROA	0.02	5	25%

Small Company Quantitative Score =
(5 x 25%) + (1 x 10%) + (5 x 25%) + (6 x 15%) + (5 x 25%) = 4.75

Small Company Credit Score =
(4.75 x 70%) + (4 x 30%) = 4.53

4.2.3 **Not-For-Profit Credit Scoring.** The Not-For-Profit model will be utilized for Credit Customers who are not structured to generate profits for investors ("Not-For-Profit Credit Customers" or "Not-For-Profit"), including electric cooperatives, municipalities, and government agencies. The Not-For-Profit Composite Credit Score will be comprised of a Quantitative Score and a Qualitative Score. The lower of the Composite Credit Score calculated using two alternative weights for the Quantitative Score and the Qualitative Score as shown below shall be used in determining the allocation of the Not-For-Profit Credit Customer's Unsecured Credit Allowance.

Not For Profit Credit Customer Analysis	Weight	
	Alternative 1	Alternative 2
Quantitative Score	40%	50%
Qualitative Score	60%	50%

4.2.3.1 **Quantitative Score.** The Quantitative Score is based on the financial ratios below. These measures will be calculated for each Not-For-Profit Credit Customer and compared with benchmarks to assign a score of one (1) to six (6) for each measure. A score of one (1) indicates that the Credit Customer has a strong financial health with regard to the measure, while a score of six (6) indicates poor financial health with regard to the measure. The following measures, or their substantive equivalents for not-for-profit entities, are used:

a. Current Ratio ("CR")—Current Assets / Current Liabilities

b. Debt Service Coverage ("DSC")—(Operating Income + Interest Expense + Depreciation + Interest Income + Cash Portion of Capital Credits - Onetime Charges)/(Interest Expense + Debt Amortization)

c. Times Interest Earned Ratio ("TIER")—(Interest Expense + Patronage Capital or Margins or Changes in Net Assets) / (Interest Expense)

d. Total Debt to Total Capitalization ("TD/TC")—(Long Term Debt + Current Portion + Other Short Term Borrowings) / (Total Debt + Preferred Equity + Common Equity). Members' Equity could also be called Net Assets or Patronage Capital.

The values are then assessed as follows to calculate the total Quantitative Score:

Not-For-Profit Credit Customer Model Ratio Scales

Scale	**CR**	**DSC**	**TIER**	**TD/TC**
1	>1.34	>1.99	>2.00	<.50
2	1.15 – 1.34	1.50 – 1.99	1.50 – 2.00	.51 - .74
3	1.00 – 1.14	1.00 – 1.49	1.00 – 1.49	.75 - .85
4	0.85 – 0.99	0.80 – 0.99	0.80 – 0.99	.86 - .93
5	0.70 – 0.84	0.60 – 0.79	0.50 – 0.79	.94 - .99
6	<0.70	<0.60	<0.50	>.99

The measures are weighted as follows:

Not-For-Profit Credit Customer Financial Ratios	**Weight**
Current Ratio	15%
Debt Service Coverage	35%
Times Interest Earned Ratio	20%
Total Debt / Total Capitalization	30%
	100%

If one or more ratios cannot be calculated due to insufficient data to calculate the ratio, the weight that would have been assigned to that ratio or ratios will be allocated equally among the remaining ratios.

4.2.3.2 **Qualitative Score.** The Qualitative Score, also on a scale of one (1) to six (6), will assess non-financial measure information about a Credit Customer's creditworthiness. A score of one (1) indicates that the Credit Customer has strong qualitative measures, while a score of six (6) indicates poor qualitative measures. The qualitative analysis will take into account a variety of information, but at a minimum will include the assessment of the following characteristics:

-Regulation/Rates
-Terms of wholesale power contracts
-Customer count served
-Power supply portfolio (e.g., contracts, assets, etc)

-Management
-Ability to access short-term capital
-Senior Unsecured Debt Rating
-SPP Payment Record

4.2.3.3 **Composite Credit Score**. The Composite Credit Score is the weighted average of the Quantitative Score and the Qualitative Score. To illustrate, assume the following:
Not-For-Profit Qualitative Score = 2

Not-For-Profit Financial Measures:

	Value	Score	Weight
Current Ratio	1.42	1	15%
Debt Service Coverage	1.17	3	35%
Times Interest Earned Ratio	0.73	5	20%
Total Debt / Total Capitalization	1.50	6	30%

Not-For-Profit Quantitative Score =
(1 x 15%) + (3 x 35%) + (5 x 20%) + (6 x 30%) = 4.00

Not-For-Profit Credit Score =
(4.00 x 40%) + (2.0 x 60%) = 2.80 using Alternative 1, or;

(4.00 x 50%) + (2.0 x 50%) = 3.00 using Alternative 2.

The lower Composite Credit Score resulting from utilizing the two alternatives is 2.80, so it will be the Composite Credit Score used in allocating this Not-For-Profit Credit Customer's Unsecured Credit Allowance as described in Section 4.3 below.

4.3 Unsecured Credit Allowance.

The Composite Credit Score is converted into an "Unsecured Credit Allowance," which is a percentage of Tangible Net Worth. (Tangible Net Worth = Total Equity – Intangibles – Treasury Stock). The Composite Credit Score is a numeric value on a scale of one (1) to six (6) with one (1) indicating stronger creditworthiness and six (6) indicating weaker creditworthiness. The conversion into an Unsecured Credit Allowance is based on the percentage values stated in Table 1.

Table 1

Composite Credit Score	% Tangible Net Worth Small Company Model	% Tangible Net Worth Large Company Model	% Tangible Net Worth Not For Profit Model
1.00 - 1.99	5.00%	5.00%	7.500%
2.00 - 2.99	3.00%	3.00%	4.500%
3.00 - 3.59	2.00%	2.00%	3.000%
3.60 - 4.39	0.75%	0.75%	1.125%
4.40 - 4.99	0.25%	0.25%	0.375%
5.00 - 6.00	0%	0%	0.000%

To illustrate, a Large Company Credit Customer with a Composite Credit Score of 4.36 and Tangible Net Worth of $501,468,000 would have a suggested Unsecured Credit Allowance calculated as follows:

Unsecured Credit Allowance = Table 1 Percentage x Tangible Net Worth

= 0.75% x $501,468,000

= $3,761,010

4.3.1 Revenue Bond Adjustment to Tangible Net Worth Value for Power Supply Agents. For Not-For-Profit Credit Customers that issue revenue bonds solely in support of their role as power supply agent for not-for-profit electric distribution utilities and meet: (a) the disclosure requirements in: (i) Section 3.1.3 of this Credit Policy and (ii) Section 3.2.5 of this Credit Policy; and (b) have a revenue bond rating or revenue bond ratings equal to or better than Baa1 issued by Moody's Investor Services or BBB+ issued by Standard & Poor's, the calculation of the suggested Unsecured Credit Allowance shall be based on an adjusted value for Tangible Net Worth. The adjusted value for Tangible Net Worth shall include the outstanding balance of revenue bonds as of the date of the calculation.

To illustrate, if the Not-For-Profit Credit Customer met all of the disclosure requirements for power supply agents, had a Tangible Net Worth of $2,000,000, and had $8,000,000 principal amount of revenue bonds outstanding, the adjusted Tangible Net Worth to be used in computing the suggested Unsecured Credit Allowance would be $10,000,000 (the sum of the adjusted Tangible Net Worth and the principal amount of revenue bonds outstanding as of the date of the calculation).

4.3.2 Maximum and Minimum Unsecured Credit Allowances. Notwithstanding the calculation under Section 4.3:

4.3.2.1 No Credit Customer shall have an Unsecured Credit Allowance in excess of $50 million; and

4.3.2.2 On the condition that a Not-For-Profit provides all required Credit Information and executes all documents required under this Credit Policy, and subject to the Default provisions of this Credit Policy, a Not-For-Profit Credit Customer shall have a minimum Unsecured Credit Allowance in the amount of $250 thousand.

4.3.3 Guaranty. In the event that the Credit Customer has a Guaranty, the Unsecured Credit Allowance will be based on the Credit Assessments of the Credit Customer and the Guarantor.

4.3.4 Unsecured Credit Allowance for Affiliates.

4.3.4.1 Determination of Creditworthiness of Combined Affiliates. If two or more Credit Customers are Affiliates, and each is granted an Unsecured Credit Allowance and a corresponding Total Credit Limit, SPP will consider the overall creditworthiness of the Affiliated Credit Customers when determining the Unsecured Credit Allowances in order not to grant more unsecured credit than the overall group of affiliated entities could support. SPP will work with Affiliated Credit Customers to allocate the total Unsecured Credit Allowance among the Affiliates while assuring that no individual Credit Customer, nor common guarantor, exceeds the Unsecured Credit Allowance appropriate for its credit strength. A $50 million maximum Unsecured Credit Allowance shall apply to all Affiliates as though the Affiliates are a single Credit Customer.

Example: Credit Customers A and B each have a $10.0 million Guaranty from their common parent, a holding company with an Unsecured Credit Allowance calculation of $12.0 million. SPP may limit the Unsecured Credit Allowance for each Credit Customer to $6.0 million, so the total Unsecured Credit Allowance does not exceed the corporate total of $12.0 million.

4.3.4.2 **Guaranty.** If the Guaranty is applicable to Affiliates (i.e., more than one Credit Customer), then the Unsecured Credit Allowance of the Guarantor shall be allocated among such Affiliates and the applicable allocation shall be utilized in determining each Affiliated Credit Customer's Unsecured Credit Allowance.

4.3.5 **Continuous Right to Modify.** SPP has the right at any time to modify any Unsecured Credit Allowance and/or require additional Financial Security as may be reasonably necessary to support the Credit Customer's ability to pay for Transmission Service and any market services SPP may provide. If the modification results in a reduction or revocation of Unsecured Credit Allowance and the reduction or revocation results in the need to provide Financial Security, then the rights and duties of SPP and the Credit Customer shall be as set forth in Section 3.2.2.

4.4 **Financial Security Requirement.** If a Credit Customer (i) is denied an Unsecured Credit Allowance, or (ii) is granted an Unsecured Credit Allowance that is below its Total Potential Exposure calculated pursuant to Article 5, then the Credit Customer may submit Financial Security to cover or exceed the difference in the amount of the Unsecured Credit Allowance granted to the Credit Customer and the amount of its Total Potential Exposure. A Credit Customer electing to satisfy the alternative criteria for market participation specified in Section 3.1.1.8.2(e) and whose anticipated or actual market activity, as determined in Article Five and Article Five A, exceeds One Hundred Thousand Dollars ($100,000) in Market Exposure ~~plus~~and/or Total TCR Credit Requirement shall provide Financial Security that is twice the amount calculated to satisfy its Financial Security Requirement pursuant to this Section 4.4. Any Credit Customer may provide Financial Security in lieu of or in addition to the Unsecured Credit Allowance it was granted. Upon the Credit Customer's request, SPP shall provide a written explanation of how it determined the amount of required Financial Security for that Credit Customer. A Credit Customer also is required to submit Financial Security to cover or exceed its Total TCR Credit Requirement pursuant to Section 5A.8.

4.5 **Total Credit Limit.** The "Total Credit Limit" is the amount of any Unsecured Credit Allowance approved by SPP for the Credit Customer, plus the amount of any Financial Security the Credit Customer has provided to SPP. SPP shall determine the Total Credit Limit for each Credit Customer. Upon the Credit Customer's request, SPP shall provide a written explanation of how it determined the Unsecured Credit Allowance and the amount of required Financial Security for that Credit Customer. SPP will respond to the Credit Customer's request within five (5) Business Days.

SPP Southwest Power Pool

2021 CORPORATE INSURANCE RENEWAL

Helping our members work together to keep the lights on... today and in the future.

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INSURANCE RENEWAL

DIRECTOR AND OFFICER LIABILITY

EXPIRING

Limits	
$5MM XS $55MM	Old Republic
$5MM XS $50MM	Ironshore
$5MM XS $45MM	Axis
$5MM XS $40MM	AIG
$10MM XS $30MM	Zurich
$10MM XS $20MM	Chubb/ACE
$10MM XS $10MM	RSUI
$5MM XS $5MM	Travelers
$5MM Primary	Chubb

RENEWAL

Limits	
$5MM XS $55MM	Old Republic
$5MM XS $50MM	Great Midwest
$5MM XS $45MM	Axis
$5MM XS $40MM	AIG
$5MM XS $35MM	Star
$5MM XS $30MM	Zurich
$5MM XS $25MM	AWAC
$5MM XS $20MM	C N A
$5MM XS $15MM	AIG/Lexington
$5MM XS $10MM	RSUI
$5MM XS $5MM	Travelers
$5MM Primary	Chubb

- Premium increase 17%
- Increased retention on primary
- New exclusion for data breach and professional services
- Travelers provided notice of non-renewal at 2022 expiration

INSURANCE RENEWAL

CYBER LIABILITY

EXPIRING Limits	EXPIRING	RENEWAL Limits	RENEWAL
$10MM XS $10MM	Beazley/Lloyds	$10MM XS $10MM	London
$10MM Primary	AIG	$10MM Primary	AEGIS
$1MM Retention	SPP	$1MM Retention	SPP

- Premium increase 98%
- AIG quoted reduced limits and higher premium
- Underwriters view SPP as utility, same as a utility with retail customers
- Increased coverage:
    - Media liability
    - Payment card demand
    - Failure to supply
    - Breach costs
    - Computer damage (bricking)
- Decreased coverage
    - Non-IT dependent business income loss
- Increase retention:
    - Breach costs

INSURANCE RENEWAL

GENERAL/EXCESS LIABILITY

EXPIRING

Limits		
$20MM XS $35MM	EIM	
$35MM XS	AEGIS	
$1MM XS $1MM	Torus	Professional
$1MM Primary	Everest - Auto, EPL, GL	SIR

RENEWAL

Limits		
$20MM XS $35MM	EIM	
$35MM XS	AEGIS	
$1MM XS $1MM	Starstone	Professional
$1MM Primary	Everest - Auto, EPL, GL	SIR

- Premium increase 10%
- Exclusions added for communicable disease (EIM specific to coronavirus)
- EIM added exclusion for electronic data (covered by cyber policy)

WINTER WEATHER REPORT

FINANCE

Published on 05/01/2021

Version 1.0

REVISION HISTORY

DATE OR VERSION NUMBER	AUTHOR	CHANGE DESCRIPTION	COMMENTS
0.1		Initial Draft	

CONTENTS

WINTER WEATHER REPORT: FINANCE

FACTS AND ANALYSIS

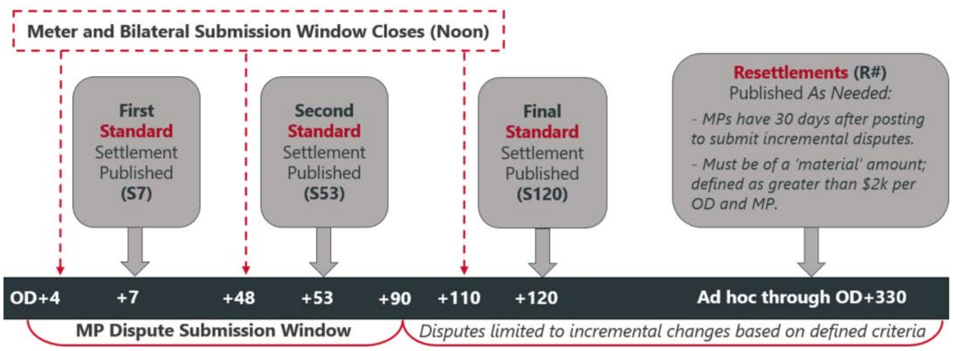
This section will contain factual data about the winter events.

Need to include data comparing the settlement dollars during this events to a 'normal' settlement.

- Overall Settlement Dollars, MWP, RNU, LMP, etc. Perhaps in relation to averages in 2020?
    - Explanation of MWP (Steve White)
- Need to make it clear that the settlement calculations were not changed or updated for these events; only the input data was effected/changed.

SETTLEMENT TIMELINE

Settlement statements are produced and posted for each operating day (OD) according to the settlement timeline established in the Tariff & Integrated Marketplace Protocols.



There are three 'standard' settlement postings for each operating day. Settlement calculations are performed for each posting using the input data available at that time. Each settlement posting is financially binding and invoiced weekly on Thursdays (for the previous Wednesday through current Tuesday postings).

Commented [DB1]: I have pulled the charge type values per AO for the winter weather dates in 2021 and the same data for same dates in 2020 to perform some comparisons. Data is saved here: S:\Analytics_Reporting\WeatherEvent_Feb2021\Winter Weather Report.

Commented [DB2]: There were scenarios encountered during the winter weather events that weren't addressed in the original 831 compliance filing that may need to be considered further. (Steve White)

Commented [DB3]: May want to add an 'invoice timeline' to this section as well? State there were no short pays, etc.

WINTER EVENT SETTLEMENT POSTINGS

The 'standard' settlement postings for the operating days impacted by the winter storm events are as follows:

Operating Day	S7 Settlement Posting	S53 Settlement Posting	S120 Settlement Posting
February 13, 2021	**Wednesday, February 24, 2021	Wednesday, April 7, 2021	*Monday, June 14, 2021
February 14, 2021	**Wednesday, February 24, 2021	Thursday, April 8, 2021	Monday, June 14, 2021
February 15, 2021	**Wednesday, February 24, 2021	Friday, April 9, 2021	Tuesday, June 15, 2021
February 16, 2021	**Wednesday, February 24, 2021	*Monday, April 12, 2021	Wednesday, June 16, 2021
February 17, 2021	Wednesday, February 24, 2021	*Monday, April 12, 2021	Thursday, June 17, 2021
February 18, 2021	Thursday, February 25, 2021	Monday, April 12, 2021	Friday, June 18, 2021
February 19, 2021	Friday, February 26, 2021	Tuesday, April 13, 2021	*Monday, June 21, 2021

** Per Tariff/Protocols, Settlements scheduled to post on weekend/holidays post on the next available business day.*

*** SPP submitted a waiver to FERC that was approved and allowed posting of these S7 Settlements on Wednesday, February 24th. This allowed additional days for analysis and validation without impact to the invoice scheduled to post on Thursday, February 25th (ODs 2/13 through 2/16).*

In addition to the three 'standard' settlement postings, Resettlements can be scheduled *as needed* following the S120 settlement posting for a given operating day. Specific criteria is provided in the Tariff/Protocols regarding when a resettlement may be needed:

- Granted dispute(s) submitted within 90 days of the OD that were <u>not</u> included in the S53 or S120.
- Granted dispute(s) of *material incremental amounts* submitted within 30 days of the settlement posting and not included in the S120.
  - Material incremental amount must be for at least $2k per operating day per market participant.
  - *FERC Waiver was submitted and approved for the winter weather operating dates to remove the 'incremental' clause which means any amount can be disputed up to 30 days following the S120 posting. The $2k requirement will still apply.*
- Limited to 330 days following the OD, allowing for a dispute period following the relevant resettlement statement, prior to reaching the 365 day limit set by the Tariff. *Note: The SPP Tariff requires all settlement to be final 365 days after the OD; settlement beyond this timeline require FERC approval.*

WINTER EVENT INVOICE TIMELINE

May need to add a section with invoice details for the events

- State there were no short pays, etc.

WINTER EVENT DISPUTE TIMELINE

A market participant may dispute items included in a settlement statement (or invoice) according to the following criteria established in the Tariff/Protocols:

- Disputes must be submitted within 90 days of the impacted operating day.
- Disputes after the 90 day period are limited to *material incremental* changes that occur between subsequent settlement postings and must be filed within 30 days of the posting:
    - Material is defined as a dispute for more than *$2k per market participant for the impacted operating day. The participant must submit documentation supporting the materiality of the dispute for consideration.
- Due to the FERC waiver submitted and approved for the winter weather operating dates, disputes of the S120 are not limited to *incremental* changes. The $2k limit still applies after the 90 day period following the operating day.

The following dispute deadlines apply to the operating days impacted by the winter events:

Operating Day	90 Day Dispute Period	Incremental Dispute Window Closes		
		S120* Disputes	R180** Disputes	R240** Disputes
February 13, 2021	May 14, 2021	July 14, 2021	September 11, 2021	November 10, 2021
February 14, 2021	May 15, 2021	July 14, 2021	September 12, 2021	November 11, 2021
February 15, 2021	May 16, 2021	July 15, 2021	September 15, 2021	November 12, 2021
February 16, 2021	May 17, 2021	July 16, 2021	September 15, 2021	November 13, 2021
February 17, 2021	May 18, 2021	July 17, 2021	September 15, 2021	November 14, 2021
February 18, 2021	May 19, 2021	July 18, 2021	September 16, 2021	November 17, 2021
February 19, 2021	May 20, 2021	July 21, 2021	September 17, 2021	November 17, 2021

** Due to the FERC Waiver, S120 disputes are not limited to incremental amounts, but are still bound by the $2k requirement.*

***These are proposed dates for resettlement of the operating dates impacted by the winter storm events. These could still change or be removed depending on the resettlement needs for these operating days.*

SETTLEMENT ISSUES

There are two distinct periods of time to consider when reviewing the settlement issues related to the weather events:

- February 13th through 14th
- February 15th through 19th

Below is a summary of the issues that impacted each of these time periods.

FEBRUARY 13TH AND 14TH OPERATING DAYS

MULTI-DAY RELIABILITY COMMITMENTS

This is a process used for long lead resources (those taking several days to start-up). When commitments are awarded they are based on offers at that time.

- MDRA (Multi Day Reliability Assessment) software error locked in resources for multiple days. DA Market should have been updating offers based on the updated DA offers, not using the offers from the MDRA.
- Software changes allowed offers to be updated starting with the 15th.

DA REPRICE

- Settlements consumed the new Day Ahead prices but new quantities were not sent to settlements based on tariff interpretation at the time.
- Not including new quantities has caused many questions/disputes and now the belief is new quantities should have been sent to settlements.
- Capped offer component was used in the setting of LMPs for the DA repricing.
- SPP currently evaluating potential new DA prices for 13th and 14th, updated startup for 13th, possible new limits for 13th and 14th.
    - Settlement of these days will be drastically different once this change is approved; re-clearing will impact everyone.

EMERGENCY SCHEDULES

- These were settled at LMP. No additional dollars needed for these operating days.

ORDER 831 (OFFER CAPS)

- Settlements used unapproved, approved, and cancelled offers for MWPs on S7.
    - Cancelled and incorrect offers need to be cleaned up prior to the S53 or S120.
    - Start-up Offers – Updated Startup offers for MDRA Commitments were not sent to Settlements.
    - No Load Offers – Updated No Load offers were sent to Settlement to be used in the S7. This data needs to be verified since we have some disputes for this data.

- As a result, SPP settled to the 'as offered' amount, and resources have been made whole to their offer.
- Verified offers from MMU will be used on subsequent runs.
  - Member submission of verified cost extended from 35 days to 75 days; MMU verification deadline extended from 45 to 105 days.
  - Any offer that is not verified prior to the cutoff for the S53 will have to wait until the S120 to be made whole.
  - Current MMU interpretation is that the verification of offers can only drive the dollar amount of the offer **down**.
    - As MMU verifies the offers, they will be sent to settlements and we expect to claw back some of the MWPs that were settled on the S7.
    - If that interpretation changes, there could be more MWPs for these two days.

FEBRUARY 15TH AND 19TH OPERATING DAYS

EMERGENCY SCHEDULES

Settlement dollars will be charged to the market via RNU (pro rata for anyone who has activity for those days). RNU could be significant due to these emergency events:

- MISO (February 17th)
  - MISO has provided documentation and will bill SPP $134k on 4/13; SPP will need to create a miscellaneous adjustment for these amounts. Need to determine timeline for this billing.
- AECI (February 15th through 19th)
  - AECI believe SPP owes them $32M. No terms or conditions established for these schedules.
  - Working Groups, FERC, and MMU will most likely need to review and agree to these terms and conditions once determined. A timeline needs to be established for this.

ORDER 831 (OFFER CAPS)

- Process worked as designed. Settlements used approved & capped offers for MWPs on the S7s.

    - Some resources were made whole to the capped offers unless they were approved prior to the DAMKT running.

- Verified offers from MMU will be used on subsequent runs.
    - Member submission of verified cost extended from 35 days to 75 days; MMU verification deadline extended from 45 to 105 days.
    - Any offer that is not verified prior to the cutoff for the S53 will have to wait until the S120 to be made whole.
    - Concern is any offers not approved by MMU in time for the S53 means MPs could be waiting another 2 months for millions of MWP dollars.

MULTI-DAY RELIABILITY COMMITMENTS

- SPP Operations believe the software issues resulting from the MDRA was resolved beginning on February 15th. However, there could still be offers that were updated and shouldn't have been or vice versa. More analysis is being done to determine possible issues with MDRA for these days.

CREDIT ISSUES

Placeholder for details on the credit issues related to these operating days

MEMBER & STAKEHOLDER IMPACTS

This section will include member/stakeholder perceptions of the event for both SPP-centric impacts and effects from non-SPP interactions.

Possibly include metrics on RMS tickets? Disputes? Dollar impacts of disputes.

How did we engage working groups? Credit Practices, Settlement User Forum?

- Any surveys or results we want to show here?
    - Credit survey sent out; due next week?
- Maybe include a 'timeline' of communications to stakeholders regarding the events?

RECOMMENDATIONS

Commented [DB4]: Could maybe split these into strategic items versus near term if there are several ideas?

This section will contain any Tariff or process change recommendations. Any areas of conflicting or ambiguous language? Any areas to target for potential policy changes? Also could contain what went well?

PROPOSED RESETTLEMENTS

Two *planned* resettlements in 60 day increments following the S120 have been proposed for the operating days impacted by the winter storm events: R180 and R240.

Operating Day	*Proposed* **R180 Settlement**	*Proposed* **R240 Settlement**
February 13, 2021	Thursday, August 12, 2021	Monday, October 11, 2021
February 14, 2021	Friday, August 13, 2021	Tuesday, October 12, 2021
February 15, 2021	*Monday, August 16, 2021	Wednesday, October 13, 2021
February 16, 2021	*Monday, August 16, 2021	Thursday, October 14, 2021
February 17, 2021	Monday, August 16, 2021	Friday, October 15, 2021
February 18, 2021	Tuesday, August 17, 2021	*Monday, October 18, 2021
February 19, 2021	Wednesday, August 18, 2021	*Monday, October 18, 2021

** Per Tariff/Protocols, Settlements scheduled to post on weekend/holidays post on the next available business day.*

ORDER 831 – OFFER DATA

For the winter storm events, a waiver was filed to adjust the timelines around Order 831 submission and verification of final costs on offers over $1k. This was needed to align the timing with generators receiving their final gas invoices. Consideration should be given to if these timelines need to be updated in the Tariff.

OFFER VERIFICATION TIMELINE

As market participants submit updated offers and the SPP Market Monitoring Unit (MMU) verifies and approves them, Settlements will include them in a future settlement posting. Below are the deadlines established for those updated and verified offers per the FERC Waiver approved on March 17, 2021.

Operating Day	Deadline for Submission of Verified Costs (MP)	Deadline for Verification of Submitted Costs (MMU)	S120 Settlement Posting
February 13, 2021	Thursday, April 29, 2021	Saturday, May 29, 2021	Monday, June 14, 2021
February 14, 2021	Friday, April 30, 2021	Sunday, May 30, 2021	Monday, June 14, 2021
February 15, 2021	Saturday, May 1, 2021	Monday, May 31, 2021	Tuesday, June 15, 2021
February 16, 2021	Sunday, May 2, 2021	Tuesday, June 1, 2021	Wednesday, June 16, 2021

Operating Day	Deadline for Submission of Verified Costs (MP)	Deadline for Verification of Submitted Costs (MMU)	S120 Settlement Posting
February 17, 2021	Monday, May 3, 2021	Wednesday, June 2, 2021	Thursday, June 17, 2021
February 18, 2021	Tuesday, May 4, 2021	Thursday, June 3, 2021	Friday, June 18, 2021
February 19, 2021	Wednesday, May 5, 2021	Friday, June 4, 2021	Monday, June 21, 2021

SETTLEMENT CALCULATIONS

There were scenarios encountered during the winter weather events that weren't addressed in terms of the settlement calculations in the original 831 compliance filing that may need to be considered further. SPP Settlements will need to work with the MMU to understand these impacts and potential need for further changes to both the language and calculations.

Commented [DB5]: Needs further review/discussion

Consider possible changes to allow the capping levels to be different based on emergency status of the RTO (would be a FERC request)

Commented [DB6]: This was just an idea and needs further vetting

COMMUNICATION

- Need someone taking the lead on managing the issues as they unfold and communicating with impacted groups/parties (internally)
- Establish a group of SMEs to work together on a consistent basis as issues are prioritized and addressed until all issues are resolved.
- Need consistent legal engagement and oversight during the events
- Need dedicated staff to address customer questions in RMS in a timely manner

TRAINING / EDUCATION

Commented [DB7]: Include details on the April 1st training here

- Lots of confusion and misunderstanding around how Settlements works in production today; terminology issues; settlement timeline

INTERIM RESETTLEMENT OPTION

Commented [DB8]: This may not be something we want to recommend.

Should we consider an option to produce an 'interim' resettlement in the event of emergency conditions?

- Would mean we could schedule an R25 for example between S7 and S53. Requires Tariff & Protocol changes; member feedback needed.
- Both SPP and Member system changes would be needed.

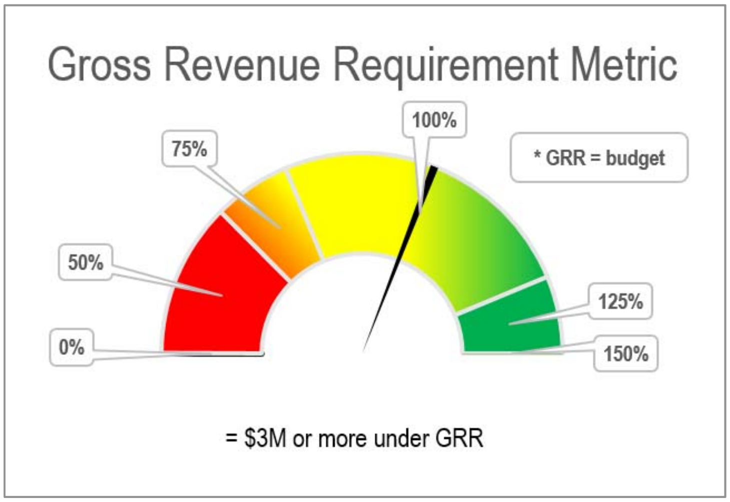
Monthly Financial Reporting Package

February 2021

2020 Preliminary & Unaudited

Southwest Power Pool

SPP Executive Summary – February

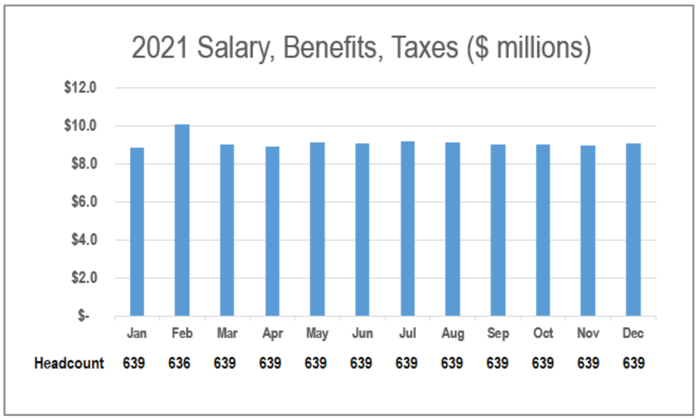


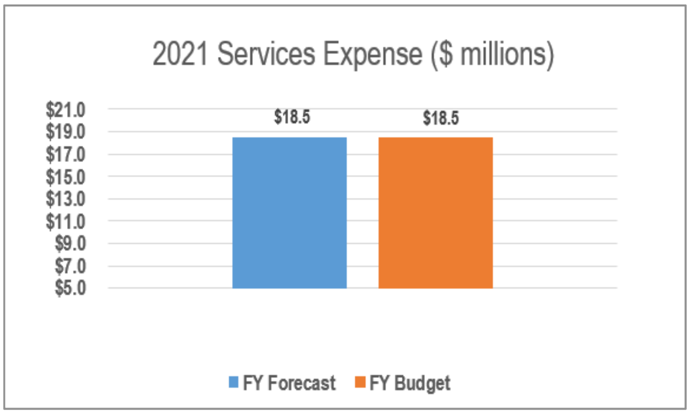
2021 Over / (Under) Recovery

Cost Recovery ($ millions)	2021 Fcst	2021 Budget	Fav/ (Unfav)
Gross Revenue Requirement (GRR) *	$177.3	$177.3	($0.0)
Net Revenue Requirement (NRR)	150.5	151.3	0.9
Admin Fee Revenue	148.2	151.3	(3.1)
Over / (Under) Recovery	($2.3)	($0.0)	($2.3)

* GRR for HR metric excludes FERC fee expense

Compensation and Outside Services Expenses





Southwest Power Pool
2021 Financial Commentary
February 28, 2021
(in thousands)

Summary

	2021 FY Forecast	2021 FY Budget	Fav/(Unfav) Variance	
Revenues	$190,889	$196,510	($5,622)	(2.9%)
Expenses	201,854	200,867	(987)	(0.5%)
Net Income/(Loss)	($10,965)	($4,356)	($6,609)	151.7%

Revenue

	2021 FY Forecast	2021 FY Budget	Fav/(Unfav) Variance	
Tariff Administration Service	$148,188	$151,337	($3,150)	(2.1%)
FERC Fees	19,695	22,467	(2,772)	(12.3%)
Engineering Studies	9,969	9,504	465	4.9%
Contract Services	10,567	10,585	(17)	(0.2%)
Miscellaneous	1,809	1,951	(142)	(7.3%)
Annual Non-Load Dues	660	666	(6)	(0.9%)
Total Revenue	$190,889	$196,510	($5,622)	(2.9%)

The annual billing determinants assumed in the 2021 budget for Tariff Administration Service revenues for the market rate schedules were based on actual data from August 2019 - July 2020. The current projections are based on the most recent 2020 actual data that is slightly lower and results in a projected unfavorable variance to budget.

FERC Fees & Assessments revenue reflects the actual rate to be charged under Schedule 12 for 2021, which is $0.072 as compared to $0.083 assumed in the budget.

SPP billable staff time for engineering studies is expected to increase throughout the year and result in a projected favorable variance to budget in Engineering Studies revenues.

Miscellaneous Income primarily includes revenues associated with various sources such as FERC Order 1000 pass-thru consulting costs, joint operating agreement fees, miscellaneous rebates, reserve sharing, and circuit reimbursements. The variance is driven primarily by the FERC Order 1000 revenues that are offset by lower consulting expenses.

Southwest Power Pool
2021 Financial Commentary
February 28, 2021
(in thousands)

Expense

	2021 FY Forecast			2021 FY Budget			Fav/(Unfav)	
	SPP RTO	Contract Services	Total SPP	SPP RTO	Contract Services	Total SPP	Variance	
Salary & Benefits	$105,057	$4,299	$109,357	$103,457	$4,346	$107,803	($1,554)	(1.4%)
Assessments & Fees	22,476	-	22,476	22,474	-	22,474	(2)	(0.0%)
Communications	4,411	511	4,923	4,440	485	4,925	2	0.0%
Maintenance	16,401	347	16,748	17,471	385	17,856	1,108	6.2%
Outside Services & RSC	18,419	310	18,728	18,667	307	18,974	245	1.3%
Administrative	5,335	1	5,336	5,422	1	5,423	87	1.6%
Travel & Meetings	555	59	614	1,345	59	1,404	790	56.3%
Depreciation	16,590	1,215	17,805	16,776	1,336	18,112	307	1.7%
Interest Expense	7,332	315	7,647	7,588	308	7,896	249	3.2%
Other (Income)/Expenses	(1,780)	-	(1,780)	(4,000)	-	(4,000)	(2,220)	
Total Expense	$194,796	$7,058	$201,854	$193,641	$7,226	$200,867	($987)	(0.5%)

Other (Income)/Expenses include swap valuation, investment income, unrealized gain/loss on investments, and other miscellaneous income and expense amounts. These expense and income items are highly unpredictable and therefore are not included in the budget.

The Other (Income)/Expenses budget contains a $4 million reduction in overall costs as recommended by SPP management and approved by the Finance Committee and Board of Directors. The recommendation was proposed to reduce total controllable expenditures in an attempt to maintain a 2021 GRR more equally aligned with the 2020 GRR. As no specific reductions were proposed to attain the $4 million reduction, an offset to expenses was budgeted under (Other Income)/ Expenses. SPP staff has proposed cost reductions in Maintenance, Outside Services and Travel & Meetings. These reductions are reflected in the 2021 forecast at the account level, although the savings in outside services are partially offset by out-of-budget items in 2021. Some of the services were carried over from late in 2020 and were originally covered in the 2020 budget.

In addition to these net expense reductions, debt payments are forecasted to be favorable to budget due to lower 2020 capital expenditures and the early conversion of term notes. At this time, $1.6 million of the $4 million reductions remain unidentified.

Southwest Power Pool
Monthly Financial Overview
February 28, 2021
(in thousands)

	Actual Jan-20	Actual Feb-20	Forecast Mar-20	Forecast Apr-20	Forecast May-20	Forecast Jun-20	Forecast Jul-20	Forecast Aug-20	Forecast Sep-20	Forecast Oct-20	Forecast Nov-20	Forecast Dec-20	FY 2021 Forecast	FY 2021 Budget	Variance Fav/(Unfav)	FY 2020 Actual	Variance Fav/(Unfav)
Income																	
Tariff Administrative Service	$10,282	$11,599	$11,914	$11,218	$11,564	$12,948	$14,146	$13,956	$11,998	$12,051	$11,676	$14,835	$148,188	$151,337	($3,150)	$172,377	($24,189)
FERC Fees	2,498	1,526	1,877	1,626	1,485	1,288	1,585	1,965	1,799	1,525	1,530	1,651	20,355	23,133	(2,778)	24,858	(4,503)
Contract Services	476	869	1,010	1,010	885	885	1,007	885	885	885	885	885	10,567	10,585	(17)	6,247	4,320
Engineering Studies Income	769	947	825	825	825	825	825	825	825	825	825	825	9,969	9,504	465	7,843	2,126
Miscellaneous	141	65	152	152	152	152	152	233	152	152	152	152	1,809	1,951	(142)	2,272	(463)
Total Income	14,165	15,007	15,778	14,832	14,912	16,099	17,715	17,865	15,659	15,438	15,069	18,349	190,889	196,510	(5,622)	213,598	(22,710)
Expense																	
Salary & Benefits	8,826	10,083	9,035	8,902	9,129	9,058	9,154	9,123	9,011	8,998	8,956	9,082	109,357	107,803	(1,554)	110,578	1,221
Employee Travel	(1)	0	-	-	-	-	29	68	70	81	82	74	403	969	566	375	(28)
Administrative	234	328	301	457	438	485	439	898	318	795	305	338	5,336	5,423	87	5,081	(255)
Assessments & Fees	1,873	1,873	1,770	1,770	1,770	1,770	1,840	2,282	2,075	1,771	1,777	1,903	22,476	22,474	(2)	22,324	(152)
Meetings	7	3	0	0	0	0	106	0	29	36	3	27	211	435	224	275	64
Communications	417	414	409	409	409	409	409	409	409	409	409	409	4,923	4,925	2	4,754	(169)
Maintenance	1,200	1,152	1,345	1,372	1,357	1,381	1,378	1,494	1,350	1,311	1,402	2,006	16,748	17,856	1,108	15,686	(1,062)
Services	947	1,237	1,452	1,623	1,509	1,531	1,962	1,490	1,644	1,772	1,475	1,836	18,479	18,475	(4)	15,795	(2,684)
Regional State Committee	-	-	-	-	-	-	-	-	125	-	-	125	249	498	249	65	(184)
Depreciation	1,363	1,346	1,502	1,484	1,478	1,491	1,508	1,528	1,550	1,504	1,524	1,527	17,805	18,112	307	18,100	295
Total Expense	14,866	16,436	15,815	16,019	16,092	16,126	16,824	17,293	16,580	16,676	15,933	17,327	195,987	196,971	984	193,034	(2,953)
Other Income/(Expense)																	
Investment Income	25	27	-	-	-	-	-	-	-	-	-	-	52	-	52	576	(524)
Interest Expense	(652)	(651)	(663)	(647)	(644)	(648)	(628)	(630)	(632)	(617)	(618)	(616)	(7,647)	(7,896)	249	(8,210)	563
Capitalized Interest	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Change in Valuation of Swap	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(196)	196
Other Income/Expense	(3)	111	-	-	-	-	-	-	-	540	540	540	1,728	4,000	(2,272)	2,203	(476)
Unrealized Gain on Investment	(49)	50	-	-	-	-	-	-	-	-	-	-	0	-	0	144	(144)
Net Other Income (Expense)	(679)	(464)	(663)	(647)	(644)	(648)	(628)	(630)	(632)	(77)	(78)	(77)	(5,867)	(3,896)	(1,971)	(9,928)	4,061
Net Income (Loss)	($1,380)	($1,894)	($700)	($1,834)	($1,824)	($674)	$262	($58)	($1,553)	($1,315)	($942)	$945	($10,965)	($4,356)	($6,609)	$10,637	($21,602)
2021 Headcount																	
Approved Budgeted Positions	652	654	654	654	654	654	653	653	653	653	653	653	653	653		656	
Actual Headcount (Incl. Vacancy)	639	636	639	639	639	639	639	639	639	639	639	639	639			636	
Actual Positions (Excl. Vacancy)	652	654	654	654	654	654	653	653	653	653	653	653	653			656	
Headcount Vacancy Run rate	2.0%	2.8%	2.3%	2.3%	2.3%	2.3%	2.1%	2.1%	2.1%	2.1%	2.1%	2.1%	2.2%	3.5%			
NRR Over / (Under) Recovery	$1,845	$889	($4,671)	$990	$1,132	($4,273)	$3,278	$2,988	($5,318)	$1,685	$2,027	($2,868)	($2,297)				

Southwest Power Pool
Contract Services Breakout
February 28, 2021
(in thousands)

	SPP RTO			Contract Services			Total SPP		
	2021 FY Forecast	2021 FY Budget	Variance Fav/(Unfav)	2021 FY Forecast	2021 FY Budget	Variance Fav/(Unfav)	2021 FY Forecast	2021 FY Budget	Variance Fav/(Unfav)
Income									
Tariff Administrative Service	$148,188	$151,337	($3,150)	-	-	-	$148,188	$151,337	($3,150)
Fees & Assessments	20,355	23,133	(2,778)	-	-	-	20,355	23,133	(2,778)
Contract Services Revenue	310	312	(3)	10,258	10,272	(15)	10,567	10,585	(17)
Miscellaneous Income	11,778	11,455	323	-	-	-	11,778	11,455	323
Total Income	$180,631	$186,238	($5,607)	$10,258	$10,272	($15)	$190,889	$196,510	($5,622)
Expense									
Salary	68,099	67,057	(1,043)	3,186	3,232	46	71,285	70,289	(997)
Benefits & Taxes	36,446	35,760	(686)	1,090	1,087	(3)	37,536	36,846	(689)
Continuing Education	512	641	128	23	28	4	536	668	132
Salary & Benefits	105,057	103,457	(1,600)	4,299	4,346	47	109,357	107,803	(1,554)
Employee Travel	356	922	566	47	47	-	403	969	566
Administrative	5,335	5,422	87	1	1	()	5,336	5,423	87
Assessments & Fees	22,476	22,474	(2)	-	-	-	22,476	22,474	(2)
Meetings	199	423	224	12	12	-	211	435	224
Communications	4,411	4,440	29	511	485	(26)	4,923	4,925	2
Maintenance	16,401	17,471	1,070	347	385	38	16,748	17,856	1,108
Services	18,170	18,169	(1)	310	307	(3)	18,479	18,475	(4)
Regional State Committee	249	498	249	-	-	-	249	498	249
Depreciation	16,590	16,776	186	1,215	1,336	120	17,805	18,112	307
Total Expense	189,244	190,053	808	6,743	6,918	176	195,987	196,971	984
Net Other Income (Expense)	(5,552)	(3,588)	(1,963)	(315)	(308)	(8)	(5,867)	(3,896)	(1,971)
Net Income (Loss)	($14,165)	($7,403)	($6,762)	$3,200	$3,047	$153	($10,965)	($4,356)	($6,609)
2021 Headcount	620	620	-	33	33	-	653	653	-

Southwest Power Pool
Current Month Financial Overview
February 28, 2021
(in thousands)

	Current Month Compared to Forecast			YTD Actual Compared to YTD Budget			FY Forecast Compared to FY Budget			
	Feb-2021 Actual	Feb-2021 Forecast	Variance Fav/(Unfav)	Feb-2021 Actual	Feb-2021 Budget	Variance Fav/(Unfav)	FY 2021 Forecast	FY 2021 Budget	Variance Fav/(Unfav)	
Income										
Tariff Administrative Service	$11,599	$11,762	($163)	$21,881	$25,420	($3,539)	$148,188	$151,337	($3,150)	(2%)
FERC Fees	1,526	1,956	(430)	4,024	4,480	(456)	20,355	23,133	(2,778)	(12%)
Contract Services	869	885	(16)	1,345	1,362	(17)	10,567	10,585	(17)	(0%)
Engineering Studies	947	825	122	1,716	1,584	132	9,969	9,504	465	5%
Miscellaneous	65	152	(87)	206	304	(98)	1,809	1,951	(142)	(7%)
Total Income	15,007	15,581	(574)	29,172	33,151	(3,979)	190,889	196,510	(5,622)	(3%)
Expense										
Salary & Benefits	10,083	9,709	(373)	18,908	17,899	(1,010)	109,357	107,803	(1,554)	(1%)
Employee Travel		-	()	()	-		403	969	566	58%
Administrative	328	386	59	562	723	161	5,336	5,423	87	2%
Assessments & Fees	1,873	1,956	83	3,747	3,862	116	22,476	22,474	(2)	(0%)
Meetings	3		(2)	10	20	10	211	435	224	51%
Communications	414	409	(5)	831	821	(10)	4,923	4,925	2	0%
Maintenance	1,152	1,433	281	2,353	2,976	623	16,748	17,856	1,108	6%
Services	1,237	1,547	310	2,184	3,142	958	18,479	18,475	(4)	(0%)
Regional State Committee	-	42	42	-	83	83	249	498	249	50%
Depreciation	1,346	1,507	161	2,709	3,016	307	17,805	18,112	307	2%
Total Expense	16,436	16,990	554	31,302	32,541	1,239	195,987	196,971	984	0%
Other Income/(Expense)										
Investment Income	27	-	27	52	-	52	52	-	52	
Interest Expense	(651)	(658)	7	(1,304)	(1,316)	12	(7,647)	(7,896)	249	(3%)
Capitalized Interest	-	-	-	-	-	-	-	-	-	
Change in Valuation of Swap	-	-	-	-	-	-	-	-	-	
Other Income/Expense	111	-	111	108	-	108	1,728	4,000	(2,272)	(57%)
Unrealized Gain on Investment	50	-	50	0	-		0	-		
Net Other Income (Expense)	(464)	(658)	194	(1,143)	(1,316)	173	(5,867)	(3,896)	(1,971)	
Net Income (Loss)	($1,894)	($2,067)	$173	($3,273)	($707)	($2,567)	($10,965)	($4,356)	($6,609)	
Headcount	636	636	-	636	654	18	653	653	-	

Southwest Power Pool
Balance Sheet
February 28, 2021
(in thousands)

	2/28/2021	12/31/2020	Net Change
ASSETS			
Current Assets			
Cash & Equivalents	$156,683	$76,128	$80,554
Restricted Cash Deposits	569,185	445,550	123,635
Accounts Receivable (net)	910,231	81,528	828,703
Other Current Assets	19,807	11,883	7,924
Total Current Assets	$1,655,906	$615,089	$1,040,816
Total Fixed Assets	67,684	69,127	(1,444)
Total Other Assets	4,579	8,337	(3,757)
Investments	30,739	29,160	1,579
Total Assets	$1,758,908	$721,713	$1,037,195
LIABILITIES & EQUITY			
Liabilities			
Current Liabilities			
Accounts Payable	$844,431	$73,789	$770,642
Customer Deposits	626,555	445,550	181,005
Current Maturities of LT Debt	28,515	27,260	1,256
Other Current Liabilities	173,215	87,575	85,640
Deferred Revenue	7,194	8,243	(1,050)
Total Current Liabilities	1,679,909	642,416	1,037,493
Line of Credit	10,340	12,090	(1,750)
Long Term Liabilities			
Long-Term Debt	158,302	154,353	3,949
Other Long Term Liabilities	46,756	45,980	776
Total Long Term Liabilities	205,058	200,333	4,725
Net Income	(3,273)	10,637	(13,910)
Members' Equity	(133,126)	(143,763)	10,637
Total Members' Equity	(136,399)	(133,126)	(3,273)
TOTAL LIABILITIES & EQUITY	$1,758,908	$721,713	$1,037,195

NOTE: The spike in accounts receivable, accounts payable, cash and restricted cash accounts is due to the impact of the extreme winter weather event on the integrated marketplace transactions.

Southwest Power Pool
Headcount Analysis
February 28, 2021

	Current Month Actual vs. Budget			Year End Forecast vs. Budget		
	Actual Feb-21	Budget Feb-21	Over/(Under) Budget	2021 Forecast	2021 Budget	Over/(Under) Budget
Information Technology	164	168	(4)	168	168	0
Operations	162	171	(9)	167	171	(4)
Engineering	92	100	(8)	98	100	(2)
Process Integrity	55	56	(1)	56	56	0
Administration	55	56	(1)	57	56	1
HR & Administrative Services	22	24	(2)	23	24	(1)
Regulatory Policy & General Counsel	27	28	(1)	27	27	0
Market Monitoring	16	16	0	16	16	0
Communications & Gov't Affairs	8	8	0	8	8	0
Contract Services	35	33	2	33	33	0
Budgeted Attrition		(6)	6		(6)	6
Total Positions	636	654	(18)	653	653	0

Headcount summary	2021 Forecast	2021 Budget
2020 Total positions at year-end	656	659
2020 attrition / eliminations	0	(3)
2021 attrition / eliminations	(3)	(3)
2021 Headcount	653	653

-

Note: The 2021 budget included the elimination of three unidentified positions from 2020 (that had not occurred at the time the budget was proposed) and an additional three unidentified eliminations for 2021. Three positions were eliminated in late 2020 and three in January 2021.

SPP Southwest Power Pool

CONSOLIDATED FINANCE COMMITTEE REPORT

APRIL 15, 2021

Helping our members work together to keep the lights on... today and in the future.

SouthwestPowerPool SPPorg southwest-power-pool

PROJECT OVERVIEW

6

ACTIVE PROJECTS

1

DEFERRED, CONTINGENT, OR CANCELED PROJECTS

1

COMPLETED PROJECTS

LINK TO STRATEGIC PLAN

2 Reliability Assurance

1 Maintain an Economical, Optimized Transmission System

1 Enhance Member Value & Affordability

4 Enhance & Optimize Interdependent Systems

SPP

MRTS (TTSE DTS) UPGRADE - PHASE 2B

Strategic Plan Link: Reliability Assurance

OWNER	DESCRIPTION	BUDGET	STATUS
Rew	Enhancement to the Dispatcher Training Simulator (DTS) to construct an integrated simulator that allows SPP to construct and reuse training scenarios that simulate the interactions between the EMS and MOS in production and allow for the simultaneous training of reliability and market operators.	• Approved: \$2.2M • Estimated cost at completion: \$2.2M	Active

Upcoming milestones:

- Implementation to Production for testing 05/01/2021
- Testing and validation complete 06/30/2021

Comments: The vendor continues to make progress in coding the Markets & Reliability Training Simulator (MRTS). Vendor had limited resources available for markets-related work in Phase 2B-2. The team took advantage of the resultant delay to pull in design details that would otherwise have waited until Phase 2B-3; these details are being incorporated into development work now under way to achieve the needed functionality. As a result, Phase 2B-3 is no longer necessary. The budget forecast indicates we should finish the project on budget, including enough dollars to cover final testing and fixes that may be needed.

SPP

RAMP CAPABILITY PRODUCT

Strategic Plan Link: Enhance Member Value and Affordability

OWNER	DESCRIPTION	BUDGET	STATUS
Rew	To provide a market-based approach for ramp management that leverages existing operational experiences to (1) systematically pre-position resources with ramp capability to manage net load variations and uncertainties and (2) provide transparent price signals to incent resource flexibility and economic investment.	• Approved: $0.79M • Estimated cost at completion: $0.79M	Active

Upcoming milestones:

- Development complete 06/11/21

Comments: Project was originally approved in the 2020-2022 budget for $0.2M. During the 2021-2023 budget cycle, the project cost was revised and approved for a total of $790,000.

FERC ORDER 841

Strategic Plan Link: Enhance and Optimize Interdependent Systems

OWNER	DESCRIPTION	BUDGET	STATUS
Rew	FERC Order 841 was issued to remove barriers to participation of electric storage resources (ESRs) in the capacity, energy and ancillary service markets operated by RTOs and ISOs. SPP has completed the first phase of this project, which was to file tariff changes needed to establish a participation model consisting of market rules that facilitate ESR participation. The remaining Phase 2 work, required to be completed by August 2021, will be to update modeling and dispatch software as needed to implement the tariff provisions.	• Approved: $0.4M • Estimated cost at completion: $1.1M • The program has received approval for additional funding of $714k in the January MOPC meeting (out of budget).	In Process

Upcoming milestones:

- Member testing start 05/17/21
- Member testing finish 07/20/21
- Go-live 08/05/21

Comments: On 02/27/20, FERC directed SPP to meet an effective date of 08/05/21 for complying with new tariff provisions required by Order 841.

IDENTITY & ACCESS MANAGEMENT

Strategic Plan Link: Enhance and Optimize Interdependent Systems

OWNER	DESCRIPTION	BUDGET	STATUS
Ellis	SPP Oversight approved additional scope for a multi-phased approach to establish and support an identity and access management (IAM) program at SPP. Requested funding (not approved): $1.9M. Phase 1: AD assessment and remediation – separate 2021 project Phase 2: Identity IQ installation and certification – 2021 start Phases 3-5: Self-service password management, user lifecycle management, ticketing integration – 2022 Phase 6: Iterative integration of applications into IIQ – start 2021 (Finance Committee approved $390k out of budget)	• Approved for Phase 2: $500k • Estimated cost at completion for Phase 2: $607k (vendor costs came in higher than anticipated) • Estimated cost of all phases: $1.9M.	Active

Upcoming milestones: TBD pending formal project kickoff

Comments: The 2021 project (Phase 2) will need to be completed before work can begin on the 2022 project (Phases 3-5). Phase 6 will begin concurrent with the latter stages of Phase 2. The Finance Committee has approved $.4M out-of-budget spend for 2021.

TRAC (TAGIT/SCERT REWRITE)

Strategic Plan Link: Enhance and Optimize Interdependent Systems

OWNER	DESCRIPTION	BUDGET	STATUS
Lucas	Creation of a new TRAC (TAGIT/SCERT) platform that will allow operators to focus on data analysis, remove potential barriers for additional operators to cross-train, and improve data integrity. These changes will help streamline the tools and provide more consistent and higher quality NTC letters and project tracking reports.	• Approved: $0.3M • Estimated cost at completion: $0.1M	Active

Upcoming milestones:

- Project closeout 05/14/2021

Comments: The Transmission Reporting and Communications (TRAC) tool went into production for member use on 2/5/21. The project will remain active through April 2021 for the addition of SPP internal reports and functions. The project will complete under budget due to use of staff development resources with one staff augmentation contract resource.

EMS, CMT & MARKETS SOFTWARE UPGRADE

Strategic Plan Link: Reliability Assurance

OWNER	DESCRIPTION	BUDGET	STATUS
Ellis	This project addresses the hardware refresh and software upgrade required to continue operations of the EMS, CMT and Markets applications. Both the system software and the hardware used for the systems are due for refresh by December 2022.	• Approved: \$3.5M • Estimated cost at completion: \$3.5M	Active

Upcoming milestones:
- Development start Q2 2021

Comments: The upgrade of the EMS, CMT and Markets MKTNET components to GE's version 3.3 of EMS and CMT software (and the associated hardware refresh) better positions SPP for reliability. Upgrading to a modern version of EMS brings SPP up to date on the latest GE functionality offerings and reduces our level of customization, which allows greater standardization of tools and processes. Business users will benefit from new features, and IT can better address CIP requirements (both existing and new requirements as a result of CIP 10 and CIP 13) with fewer manual processes.

ENERGY STORAGE RESOURCES

Strategic Plan Link: Maintain an Economical, Optimized Transmission System

OWNER	DESCRIPTION	BUDGET	STATUS
Lucas	As a result of direction from FERC Order 841, Energy Storage Resources (ESRs) for Engineering is a project related to integrated transmission planning. The SPP solution will model and study ESRs as generation or as load, or as generation and load. This project will develop policy and revision request language that allows SPP to select ESRs.	• Approved: $0.1M • Estimated cost at completion: $0.1M	Canceled

Upcoming milestones:

- N/A – Project has been canceled; the Electric Storage Resource Steering Committee has been formed to develop policy that would have been considered in the scope of this project.

HUMAN RESOURCES MGMT SYSTEM

Strategic Plan Link: Enhance and Optimize Interdependent Systems

OWNER	DESCRIPTION	BUDGET	STATUS
See	UKG's cloud-based software replaces Sage as the SPP HR management system. The prior system had ongoing compatibility and maintenance issues because multiple components from multiple vendors comprised the total HR software system. The issues resulted in inefficient work flows and ongoing IT support for patches and updates.	• No capital expenditures associated with this project • Annual license expense: $0.2M	Complete; project closed

Unbudgeted Report
Year to Date
As of 3/31/21

PO Number	Project Name	Scope of Work/Item Description	Total Amount	Budgeted	Unbudgeted	Notes
PO2021-1142	Identity Access Management Deployment	Identity IQ Tool Deployment	$ 607,940	$ 500,000	$ 107,940	(A)
PO2021-1068	FERC Order 841	Amendment 1 to RR323 Market Storage SOW	$ 691,750	$ -	$ 691,750	(B)
PO2021-1010	2021 Foundation General	HITT M1 - Study of Congestion Hedging Process	$ 385,000	$ -	$ 385,000	(C)
			$ 1,684,690	**$ 500,000**	**$ 1,184,690**	

Notes

A Original project budget of $500,000.

B Initial SOW was for $210,210 (budgeted).

C Engagement with independent, third party consulting firm to study SPP's Congestion Hedging process