

**Southwest Power Pool
FINANCE COMMITTEE MEETING**

September 23, 2014

**SPP Corporate Office
Little Rock, AR**

• Summary of Action Items •

1. Approve clarifications to the FERC Order 1000 competitive bidding process tariff language addressing financial requirements when submitting a bid and the period subject to financial review when evaluating bidders
2. Approved format for recovery of the development costs incurred by SPP to develop its FERC Order 1000 competitive bidding process. The development costs will be recognized at a rate of \$2,000/bid until fully recovered.

• Schedule of Follow-up Items •

1. Establish a scorecard for presentation to MOPC, SPC, and BOD indicating costs associated with member required projects/services.
2. Develop schedule of items that require Committee approval, items that require Committee monitoring, and items that require Committee input.
3. Review of ARR exposures after July 2014.
4. Review SPP's status when a market participant declares bankruptcy.
5. Review any other alternatives to netting ARRs which can mitigate the short window of ARR exposure.
6. Review of credit metrics in September 2014.
7. Investigate potential to increase the exposure calculation for transmission service beyond 50 days.
8. Create comparison of level of financial disclosures contained in RTO annual reports

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• M I N U T E S •

Administrative Items

SPP Chair Harry Skilton called the meeting to order at 8:30 a.m. The following members of the Finance Committee were in attendance:

Harry Skilton	SPP Director
Larry Altenbaumer	SPP Director
Patrick Smith (proxy for Kelly Harrison)	Westar Energy
Sandra Bennett	AEP
Mike Wise	Golden Spread Electric Coop
Tom Dunn	SPP

Others attending included:

Jason Fortik	Lincoln Electric
Gretchen Holloway	ITC
Traci Bender	NPPD
Nick Brown	SPP
Carl Monroe	SPP
Ricky Bittle	Arkansas Electric Cooperative
Bruce Cude	SPS

FERC Order 1000

Ricky Bittle, chair of the SPP Strategic Planning Committee, requested the Finance Committee provide clarification on three issues related to the Order 1000 Competitive Bidding Process:

- 1) Financial Requirements for bid submissions: The Finance Committee had previously recommended that bidders who did not possess an investment grade credit rating (or have a guarantor with an investment grade credit rating) would be required to demonstrate the ability to obtain either a letter of credit or performance bond in the minimum amount of their bid plus 30%. The SPP tariff, as drafted, states the l/c or bond must be provided with the bid.

Sandra Bennett made the following motion: Re-engage the Regional Tariff Working Group to make clarifications in tariff language to only require bidders provide conclusive evidence of their ability to obtain satisfactory l/c or bonding. A letter from bank or bonding agent (who meet SPP's credit requirements as detailed in Attachment X section 7.1.3.2 in the case of a bank, or has a "Financial Strength Rating" of Superior or Excellent from A.M.Best and a policyholder surplus in excess of \$500,000,000 in the case of a bonding company. The motion was seconded by Patrick Smith and approved by unanimous voice vote

- 2) Time Frame for Finance Review: The RFP scoring criteria requires metrics related to liquidity and cash flow be evaluated when reviewing the individual bids. Tariff language didn't specify the period which would be reviewed.

Sandra Bennett made the following motion: The time frame for review of project financial metrics should be limited to the greater of the expected construction period for the specific facility being

evaluated or 5 years. The motion was seconded by Mike Wise and approved by unanimous voice vote.

- 3) Recover of Order 1000 Development Costs: The tariff provides for full recovery of the costs to administer the Order 1000 Competitive Bidding Process but does not outline the time period for recovery of development costs.

Larry Altenbaumer made the following motion: Development costs should be included in the annual competitive bidding process costs at a rate equal to \$2,000 per bid received until such time as development costs have been fully recovered. The motion was seconded by Mike Wise and approved by unanimous voice vote.

2015 Budget Outlook

SPP staff led a detailed discussion of the SPP 2015 operating and capital budgets. The presentation followed the following main areas:

- Highlighting the value generated by the services provided by SPP; 10:1 benefit to cost ratio
- Review of major capital expenditure programs with deeper dive into ongoing IT spending
- 2015 billing determinant forecast
- 2015 costs by major category
- Existing debt structure and contribution to required recovery

SPP staff next reviewed its responses to the questions and information requested at the September 11, 2014 Finance Committee meeting. Significant discussion surrounded the options presented for administrative fee rate for 2015. The Finance Committee members reached consensus that SPP should strive to reduce its costs to not exceed the administrative fee rate cap of 39¢/MWh in 2015.

Future Meetings

The next meeting of the Finance Committee is scheduled for October 13, 2014 at the DFW Hyatt Regency hotel in Dallas, TX beginning at 10:30am and concluding at 3:00pm.

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

Respectfully Submitted,

Thomas P. Dunn
Secretary