



**Southwest Power Pool
FINANCE COMMITTEE MEETING**

July 17, 2015

Teleconference

• M I N U T E S •

Administrative Items

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

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

Others attending included:

Denise Buffington	KCPL
Jeff Bieker	Sunflower Electric Power Cooperative
Candace Thomazin	OG&E

Minutes from the July 9, 2015 meeting were reviewed. Kelly Harrison motioned to approve the minutes. The motion was seconded by Sandra Bennett and approved by unanimous voice vote.

2016 Administrative Fee Rate Forecast

The Committee deliberated on i) the appropriate administrative fee forecast to communicate to the SPP Board of Directors at the July 28, 2015 board meeting and ii) the role of debt in funding capital expenditures and serving to manage the administrative fee rate. To assist in the deliberations SPP staff update the financial models from the prior meeting to incorporate lower growth in load, \$0 cash target, and clear up an issue with accrual levels. Additionally, staff prepared six additional financial models requested by the Committee at its July 9, 2015 meeting.

The Committee will continue its discussions around the role of debt in funding capital expenditures at future meetings. SPP staff was asked to create a document which generally defines what is deemed maintenance capital expenditures (in terms of assets acquired, total cost, expected useful life, etc.), describe how maintenance capital expenditures differ from expansion or project capital expenditures, and describe when operating cash should be used to fund capital expenditures and when new term debt should be utilized.

The discussion on 2016 administrative fee forecast hinged on any changes identified since the publication of SPP's 2015 budget which included an outlook for 2016. SPP staff identified several additional costs expected in 2016 which were not included in the 2015 budget document. SPP's work on the 2016 budget is not far enough along to provide any meaningful input over what was published in 2015's budget. Several Committee members discussed reductions in real energy and monthly peak load their companies are experiencing in 2015 which may materially impact the amount of budgeted billing determinants SPP will charge its administrative fee rate against.

Larry Altenbaumer made a motion to advise the SPP Board of Directors that the current 2016 administrative fee forecast is between 37¢/MWh and 38¢/MWh with an expectation the rate will be closer

Finance Committee
July 9, 2015

to 37¢/MWh unless the load data is lower than previously forecast. The motion was seconded by Kelly Harrison and approved by unanimous voice vote.

Future Meetings

The next meeting of the Finance Committee is scheduled for September 29, 2015 at the DFW Hyatt Regency hotel in Dallas, TX

There being no further business, Harry Skilton adjourned the meeting at 9:05am.

Respectfully Submitted,

Thomas P. Dunn
Secretary



Southwest Power Pool, Inc.

FINANCE COMMITTEE

Pending Action Items Status Report
July 17, 2015

	Action Item	Date Originated	Status	Comments
1.	Establish a scorecard for presentation to MOPC, SPC, and BOD indicating costs associated with member required projects/services.	10/11/2012	incomplete	Absence of member required projects during Integrated Marketplace development and implementation
2.	Develop schedule of items that require Committee approval, items that require Committee monitoring, and items that require Committee input.	12/20/2013	complete	Presented at 7/09/15 meeting
3.	Create comparison of level of financial disclosures contained in RTO annual reports	7/10/2014	complete	Presented at 7/09/15 meeting
4.	Develop schedule for review of annual operating plan	4/2/2015	complete	Presented at 7/09/15 meeting
5.	Update financial models	4/2/2015	complete	Presented at 7/09/15 meeting
6.	Prepare new financial models with different load growth assumptions	7/09/2015	complete	Presented at 7/17/15 meeting
7.	Advise on appropriate metrics for evaluating success of business process improvement program	7/09/2015	incomplete	
8.	Evaluate passive investment management option for post-retirement healthcare fund	7/09/2015	incomplete	
9.	Obtain quarterly written report from investment manager of pension plan	7/09/2015	incomplete	
10.	Add more granularity and detail to future meeting schedule	7/09/2015	incomplete	
11.	Create checklist of committee duties	7/09/2015	incomplete	
12.	Prepare schedule of current year load	7/09/2015	incomplete	
13.	Prepare document outlining capital expenditures and funding options	7/17/2015	New	



**Southwest Power Pool, Inc.
FINANCE COMMITTEE MEETING
July 17, 2015
Teleconference**

• A G E N D A •

1. Administrative Items (*5 minutes*) Harry Skilton
 - a. Minutes
2. 2016 Admin Fee Forecast (*55 minutes*) All
3. Adjourn Harry Skilton

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

**Southwest Power Pool
FINANCE COMMITTEE MEETING**

July 9, 2015

DFW Hyatt Regency Hotel
Dallas, TX

• M I N U T E S •

Administrative Items – July 8, 2015

Members of the SPP Finance Committee gathered for dinner the evening of July 8, 2015. During dinner the committee members heard reports on performance of SPP’s pension and post-retirement healthcare fund managers and from Ben Bright, SPP’s manager of regulatory processes, on SPP’s Order 1000 cost recovery processes.

Investment Performance – Managers of both the pension and post-retirement healthcare funds underperformed the broad equity market indexes as well as underperformed against the committee member’s expectations. The committee members requested the following actions be undertaken by SPP staff:

- Pension Fund – Request the investment manager provide a quarterly written report to the committee members including a narrative discussion of actions the investment manager has taken and/or plans to take for the benefit of the fund.
- Post-retirement Healthcare Fund – Investigate termination of manager and move funds to index strategy.

The Committee intends to move its annual meeting with the investment managers to the first quarter of each fiscal year to align with calendar year reporting. SPP staff will ensure a meeting is scheduled in first quarter of 2016 for the investment manager reports.

Order 1000 – Ben Bright, SPP’s manager of regulatory processes, discussed the processes utilized by SPP to capture its costs for administering the competitive bidding process required by FERC Order 1000. Mr. Bright also provided the committee members with an example of expected costs and deposit levels for a sample project.

Administrative Items – July 9, 2015

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

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

Others attending included:

Denise Buffington	KCPL
Davis Rooney	Sunflower Electric Power Cooperative
Cassandra Strange (phone)	OG&E
Mark Holler (phone)	Tenaska
Nick Brown	SPP
Michael Desselle	SPP

Minutes from the April 2, 2015 meeting were reviewed. Kelly Harrison motioned to approve the minutes. The motion was seconded by Sandra Bennett and approved by unanimous voice vote.

SPP staff advised the committee members on completion of 2 “follow-up” items from prior meetings:

- Schedule of items requiring approval, monitoring, or input from the committee. Staff shared a red-lined copy of the Finance Committee Scope Statement document which outlines the duties and structure of the committee. Committee members questioned the deleted section addressing review of business continuity and disaster recovery programs related to financial and MIS risks and significant information security matters. This section had been deleted following prior reviews with the expectation it would become the responsibility of the SPP Oversight Committee. The SPP Bylaws continue to indicate responsibility for risk management rests with the Finance Committee. Nick Brown, chair of SPP’s Corporate Governance Committee, indicated the Corporate Governance Committee will review all committee scopes and the Bylaws to ensure consistency, lack of overlap, and appropriate delegation of responsibilities.

SPP staff suggested a checklist could be prepared which lists all of the duties of the Committee and would be included with the materials for each meeting. As the Committee accomplished its duties the checklist would be updated to indicate the date the duty was completed.

- Comparison of RTO financial disclosures in annual reports. Staff presented a table indicating which RTOs publish annual reports, which include their financial audits in the annual reports, and which include a MD&A section with the financial audits.

The Committee reviewed the updated schedule of meetings for the remainder of 2015. The schedule was updated to account for documentation and review of the requested 2016 Operating Plan. The Committee Chair requested the schedule contain greater detail and granularity around the planned agenda for each future meeting.

Continuous Improvement Review

Michael Desselle, SPP’s Vice President of Process Integrity and Chief Compliance Officer, reported on SPP’s business process improvement program results for the year-to-date 2015 period. The report highlighted historical and forecast improvement initiative volumes, staff participation and engagement metrics, and the achieved value of completed initiatives. Three process improvement initiatives were presented in a case study style to highlight different types of achieved improvement objectives and scopes.

Several committee members individually indicated they were pleased with the report and the progress SPP is attaining towards process improvement. The Committee requested SPP staff suggest and present metrics the Committee should review to assist the Committee in determining the success and progress of process improvement going forward. Staff will present these metrics at the December 2015 meeting of the Committee.

YTD 2015 Financial Review and Full Year Forecast

SPP staff provided a thorough review of SPP’s financial performance for the 5 months ended May 31, 2015 and the forecast for the 2015 fiscal year. Areas of extended discussion included:

- 1A revenue: above budget due in part to a change in process of crediting 1A charges against monthly membership assessments. Representatives from KCPL indicated they were disputing the change in process and were following the appropriate procedures to do so.
- Contract service revenue: above budget due to new contract to provide reliability coordination service to utilities in the Integrated System.
-

- Salary and benefits expense: above budget due to pension and post-retirement healthcare plan expense exceeding cash contributions to the plans (budget only assumes cash contribution), lower vacancy in staffing levels.
- Over/under recovery in 2015: current forecast indicates over-recovery of \$1.8 million in 2015 largely resulting from increased 1A revenue.
- Cost savings versus 2014: SPP is tracking expense areas identified in the 2015 budget where it will reduce costs versus 2014 actual spending.

Administrative Fee Rate Strategy

SPP staff reviewed several financial models intended to provide insight on the impact to key financial metrics of decisions regarding administrative fee rate setting, capital expenditure financing, and operating cash management. SPP staff discussed a recommendation to begin funding routine “maintenance” capital expenditures from operating cash flow as opposed to SPP’s existing practice of funding all capital expenditures with new debt issuances. The Committee identified several principles it felt were important to consider, including:

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

SPP staff was directed to create a few more models which illustrated the impact of changes in billing determinants of -1%, 0%, +1%, and resulted in a cash position of approximately \$0 annually.

2016 Administrative Fee Rate Forecast

The Committee reviewed three rate forecast options:

- 37¢/MWh – rate published in the 2015 budget as the expectation for 2016
- 39¢/MWh – existing rate cap published in the SPP tariff which SPP is not expected to exceed in 2016
- Range of 37¢ MWh - 38¢MWh – suggested by SPP staff as an achievable goal at this point in the 2016 planning process.

The Committee determined to defer decision on this issue until July 17 when it will have had an opportunity to review the additional financial models it requested earlier in the meeting.

Future Meetings

The next meeting of the Finance Committee is scheduled for July 17, 2015 as a teleconference

There being no further business, Harry Skilton adjourned the meeting at 2:20 pm.

Respectfully Submitted,

Thomas P. Dunn
Secretary

Southwest Power Pool, Inc.
FINANCE COMMITTEE
Pending Action Items Status Report
July 9, 2015

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8.	Evaluate passive investment management option for post-retirement healthcare fund	7/09/2015	New	
9.	Obtain quarterly written report from investment manager of pension plan	7/09/2015	New	
10.	Add more granularity and detail to future meeting schedule	7/09/2015	New	
11.	Create checklist of committee duties	7/09/2015	New	
12.	Prepare schedule of current year load	7/09/2015	New	
13.				

By the end of the day today you should receive the Pro Forma projections with the modifications we had asked Tom to incorporate.

Given the limited time I have set out the issues and options as I see them, below:

First priority is determining the forecast administrative fee rate for 2016 that will be presented to the members and board at the meeting on July 28.

Secondly, I would like to, at minimum, frame the question of the admin management and debt policy; to do that I have developed statements which I will put to a straw vote to determine the sense of the committee.

Forecast: 2016 admin fee (a) 39 cents (b) 37 to 38 weighted to the 38

Policy views: (a) the committee reiterated that the members principle criteria and desire is that the administrative fee be predictable over the near term (1 to 2 years) and not subject to abrupt variability especially on the upside: Agree / Disagree

(b) The policy of using debt to finance capital expenditures has served SPP well and allows for the matching of retirement of the debt over the expected life of the assets. It should be continued with possible modification to expense short term (life) capex assets (short term capex coludidos be classified as under 5 or 3 years). I am in favor of:

(i) ALL capex to be funded by debt

(ii) Funding only long term capex with debt:

Greater than 3 years?

Greater than 5 years?

(c) Should debt be used (as a tool) to finance/fund debt repayments, as required, to smooth-out debt retirements and avoid or reduce administrative fee volatility so long it doesn't grossly distort the asset life matching principle. Yes / No

(d) Prudent debt capacity is considered to be such that SPPs credit rating will higher than the average of its members and where interest coverage levels be projected to be over 1.5 x. Operating expenses will not be funded by debt. Agree / Disagree

	BASE MODEL									
	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Income Statement Highlights (000s)										
Calculated NRR / MWh	\$ 0.387	0.371	0.367	0.382	0.382	0.380	0.380	0.377	0.376	0.371
Admin Fee Rate (\$/MWh)	\$ 0.387	0.371	0.367	0.382	0.382	0.380	0.380	0.377	0.376	0.371
Net Revenue Requirement (\$millions)	\$ 141	148	146	154	155	156	157	158	159	158
Operating Cash (\$millions)	\$ 19	(1)	(15)	(28)	(41)	(54)	(66)	(79)	(92)	(105)
Net Fixed Assets (\$millions)	\$ 145	101	81	77	74	71	69	67	66	65
Outstanding Debt (\$millions)	\$ 281	257	236	215	192	170	146	122	98	74
Capital Expenditures (\$millions)	\$ 29	19	15	15	15	15	15	15	15	15
Scheduled Principal Payments (\$millions)	\$ 24	24	21	21	23	23	24	24	25	24
Net Fixed Assets/Outstanding Debt	0.515	0.394	0.345	0.360	0.384	0.419	0.471	0.548	0.672	0.873
Fixed Charge Coverage	2.334	1.985	2.214	2.038	2.374	2.689	3.268	3.937	5.228	6.542

Assumptions

Admin fee equals calculated rate
No borrowings to fund cash shortfalls
Load is flat through 2017, then grows at 1%/year
Annual capex is \$15/year starting in 2017

	MODEL I									
	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Income Statement Highlights (000s)										
Calculated NRR / MWh	\$ 0.387	0.371	0.367	0.382	0.382	0.380	0.380	0.377	0.373	0.371
Admin Fee Rate (\$/MWh)	\$ 0.390	0.390	0.390	0.390	0.390	0.390	0.390	0.390	0.390	0.390
Net Revenue Requirement (\$millions)	\$ 141	148	146	154	155	156	157	158	158	158
Operating Cash (\$millions)	\$ 19	10	5	(6)	(16)	(24)	(33)	(40)	(45)	(50)
Net Fixed Assets (\$millions)	\$ 145	101	81	77	74	71	69	67	66	65
Outstanding Debt (\$millions)	\$ 281	257	236	215	192	170	146	122	98	74
Capital Expenditures (\$millions)	\$ 29	19	15	15	15	15	15	15	15	15
Scheduled Principal Payments (\$millions)	\$ 24	24	21	21	23	23	24	24	25	24
Net Fixed Assets/Outstanding Debt	0.515	0.394	0.345	0.360	0.384	0.419	0.471	0.548	0.672	0.873
Fixed Charge Coverage	2.334	2.733	3.146	2.330	2.690	3.170	3.836	4.816	8.646	8.602

Changes From Base Model

Rate remains at 39¢/MWh throughout period

	MODEL III									
	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Income Statement Highlights (000s)										
Calculated NRR / MWh	\$ 0.387	0.355	0.357	0.367	0.356	0.342	0.341	0.338	0.334	0.332
Admin Fee Rate (\$/MWh)	\$ 0.390	0.360	0.370	0.390	0.390	0.390	0.380	0.360	0.370	0.370
Net Revenue Requirement (\$millions)	\$ 141	141	142	148	144	140	141	141	141	142
Operating Cash (\$millions)	\$ 19	10	2	(2)	(2)	4	5	(2)	(0)	2
Net Fixed Assets (\$millions)	\$ 145	101	81	77	74	71	69	67	66	65
Outstanding Debt (\$millions)	\$ 281	266	242	217	192	170	146	122	98	74
Capital Expenditures (\$millions)	\$ 29	19	15	15	15	15	15	15	15	15
Scheduled Principal Payments (\$millions)	\$ 24	24	24	25	25	23	24	24	25	24
Net Fixed Assets/Outstanding Debt	0.515	0.381	0.337	0.356	0.384	0.419	0.471	0.548	0.672	0.873
Fixed Charge Coverage	2.334	2.237	3.061	3.120	3.844	4.790	5.202	5.171	10.365	10.352

Changes From Base Model

Admin fee rate set at 39¢/MWh or less to provide breakeven cash position
Salary & Benefits reduce 1%/year through 2020
Services reduce 1%/year through 2020

	MODEL III (a)									
	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Income Statement Highlights (000s)										
Calculated NRR / MWh	\$ 0.387	0.355	0.357	0.364	0.349	0.332	0.328	0.322	0.315	0.310
Admin Fee Rate (\$/MWh)	\$ 0.387	0.355	0.357	0.364	0.349	0.332	0.328	0.322	0.315	0.310
Net Revenue Requirement (\$millions)	\$ 141	141	142	148	144	140	141	141	141	142
Operating Cash (\$millions)	\$ 19	7	(6)	(21)	(36)	(52)	(66)	(80)	(95)	(109)
Net Fixed Assets (\$millions)	\$ 145	101	81	77	74	71	69	67	66	65
Outstanding Debt (\$millions)	\$ 281	266	242	217	192	170	146	122	98	74
Capital Expenditures (\$millions)	\$ 29	19	15	15	15	15	15	15	15	15
Scheduled Principal Payments (\$millions)	\$ 24	24	24	25	25	23	24	24	25	24
Net Fixed Assets/Outstanding Debt	0.515	0.381	0.337	0.356	0.384	0.419	0.471	0.548	0.672	0.873
Fixed Charge Coverage	2.334	2.054	2.550	2.295	2.453	2.545	3.093	3.716	6.441	6.141

Changes From Base Model

Admin fee rate equals calculated NRR/MWh
Salary & Benefits reduce 1%/year through 2020
Services reduce 1%/year through 2020

	MODEL III (b)									
	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Income Statement Highlights (000s)										
Calculated NRR / MWh	\$ 0.387	0.355	0.357	0.369	0.378	0.372	0.372	0.382	0.373	0.371
Admin Fee Rate (\$/MWh)	\$ 0.387	0.355	0.357	0.369	0.378	0.372	0.372	0.382	0.373	0.371
Net Revenue Requirement (\$millions)	\$ 141	141	142	148	154	153	154	160	158	158
Operating Cash (\$millions)	\$ 19	7	(6)	(0)	2	2	(0)	2	2	3
Net Fixed Assets (\$millions)	\$ 145	101	81	77	74	71	69	67	66	65
Outstanding Debt (\$millions)	\$ 281	266	242	237	219	201	178	152	128	104
Capital Expenditures (\$millions)	\$ 29	19	15	15	15	15	15	15	15	15
Scheduled Principal Payments (\$millions)	\$ 24	24	24	25	33	34	35	41	40	39
Net Fixed Assets/Outstanding Debt	0.515	0.381	0.337	0.326	0.337	0.354	0.387	0.440	0.514	0.621
Fixed Charge Coverage	2.334	2.054	2.550	2.195	2.911	3.255	3.759	5.138	7.441	7.221

Changes From Base Model

Admin fee rate equals calculated NRR/MWh
Salary & Benefits reduce 1%/year through 2020
Services reduce 1%/year through 2020
New borrowings to fund shortfalls on 5 year terms

	MODEL IV									
	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Income Statement Highlights (000s)										
Calculated NRR / MWh	\$ 0.387	0.371	0.367	0.382	0.382	0.380	0.380	0.377	0.373	0.371
Admin Fee Rate (\$/MWh)	\$ 0.387	0.371	0.367	0.382	0.382	0.380	0.380	0.377	0.373	0.371
Net Revenue Requirement (\$millions)	\$ 141	148	146	154	155	156	157	158	158	158
Operating Cash (\$millions)	\$ 28	15	6	0	(6)	(12)	(17)	(23)	(29)	(35)
Net Fixed Assets (\$millions)	\$ 136	85	60	55	50	47	44	41	39	38
Outstanding Debt (\$millions)	\$ 281	257	236	215	192	170	146	122	98	74
Capital Expenditures (\$millions)	\$ 20	12	10	8	8	8	8	8	8	8
Scheduled Principal Payments (\$millions)	\$ 24	24	21	21	23	23	24	24	25	24
Net Fixed Assets/Outstanding Debt	0.483	0.331	0.256	0.255	0.262	0.275	0.299	0.338	0.404	0.514
Fixed Charge Coverage	2.334	1.985	2.214	2.038	2.374	2.689	3.268	3.937	6.825	6.542

Changes From Base Model

Maintenance capex reduced to \$8 from \$15
No borrowings to fund cash shortfalls

	MODEL VI									
	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Income Statement Highlights (000s)										
Calculated NRR / MWh	\$ 0.387	0.371	0.368	0.387	0.394	0.397	0.401	0.397	0.394	0.391
Admin Fee Rate (\$/MWh)	\$ 0.387	0.371	0.368	0.387	0.394	0.397	0.401	0.397	0.394	0.391
Net Revenue Requirement (\$millions)	\$ 141	148	146	156	160	163	166	166	166	167
Operating Cash (\$millions)	\$ 19	(3)	(2)	(2)	(1)	(2)	0	2	3	5
Net Fixed Assets (\$millions)	\$ 145	101	81	77	74	71	69	67	66	65
Outstanding Debt (\$millions)	\$ 281	257	243	228	209	188	164	140	116	92
Capital Expenditures (\$millions)	\$ 29	19	15	15	15	15	15	15	15	15
Scheduled Principal Payments (\$millions)	\$ 24	24	21	23	27	29	32	31	32	31
Net Fixed Assets/Outstanding Debt	0.515	0.394	0.331	0.336	0.352	0.375	0.418	0.475	0.567	0.703
Fixed Charge Coverage	2.334	1.985	2.885	2.654	3.183	3.711	4.577	5.316	8.275	8.047

Changes from Base Model

New borrowings to fund 50% of annual capex
 New borrowings have 5 year term
 50% of annual capex funded through admin fee rate
 Annual capex is \$15MM beginning in 2017

	MODEL VII									
	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Income Statement Highlights (000s)										
Calculated NRR / MWh	\$ 0.387	0.371	0.376	0.397	0.405	0.408	0.412	0.409	0.408	0.403
Admin Fee Rate (\$/MWh)	\$ 0.387	0.371	0.376	0.397	0.405	0.408	0.412	0.409	0.408	0.403
Net Revenue Requirement (\$millions)	\$ 141	148	150	159	164	167	171	171	172	172
Operating Cash (\$millions)	\$ 19	0	2	0	3	1	(2)	1	3	(0)
Net Fixed Assets (\$millions)	\$ 145	101	81	77	74	71	69	67	66	65
Outstanding Debt (\$millions)	\$ 281	257	248	232	216	194	168	147	125	99
Capital Expenditures (\$millions)	\$ 29	19	15	15	15	15	15	15	15	15
Scheduled Principal Payments (\$millions)	\$ 24	24	24	26	31	33	36	36	38	36
Net Fixed Assets/Outstanding Debt	0.515	0.394	0.329	0.333	0.341	0.367	0.410	0.455	0.527	0.652
Fixed Charge Coverage	2.334	2.054	2.462	2.308	2.827	3.284	4.099	4.768	7.261	6.873

Changes From Base Model

Fund cash shortfalls with new debt on 5 year terms

MODEL VIII

	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Income Statement Highlights (000s)										
Calculated NRR / MWh	\$ 0.387	\$ 0.371	\$ 0.367	\$ 0.388	\$ 0.396	\$ 0.402	\$ 0.413	\$ 0.425	\$ 0.432	\$ 0.438
Admin Fee Rate (\$/MWh)	\$ 0.390	\$ 0.390	\$ 0.390	\$ 0.390	\$ 0.390	\$ 0.390	\$ 0.390	\$ 0.390	\$ 0.390	\$ 0.390
Net Revenue Requirement (\$millions)	\$ 141	\$ 148	\$ 146	\$ 156	\$ 161	\$ 165	\$ 171	\$ 178	\$ 183	\$ 187
Operating Cash (\$millions)	\$ 19	\$ 10	\$ 5	\$ 2	\$ 1	\$ (2)	\$ (4)	\$ (1)	\$ (2)	\$ (4)
Net Fixed Assets (\$millions)	\$ 145	\$ 101	\$ 81	\$ 77	\$ 74	\$ 71	\$ 69	\$ 67	\$ 66	\$ 65
Outstanding Debt (\$millions)	\$ 281	\$ 257	\$ 236	\$ 223	\$ 210	\$ 195	\$ 179	\$ 167	\$ 151	\$ 132
Capital Expenditures (\$millions)	\$ 29	\$ 19	\$ 15	\$ 15	\$ 15	\$ 15	\$ 15	\$ 15	\$ 15	\$ 15
Scheduled Principal Payments (\$millions)	\$ 24	\$ 24	\$ 21	\$ 23	\$ 28	\$ 31	\$ 36	\$ 42	\$ 47	\$ 49
Net Fixed Assets/Outstanding Debt	0.515	0.394	0.345	0.347	0.351	0.365	0.385	0.401	0.436	0.489
Fixed Charge Coverage Ratio	2.334	2.733	3.146	2.259	2.423	2.639	2.939	3.251	4.461	4.155

Changes From Base Model

Keep admin fee at 39¢/MWh
 Maintain compliance with debt covenant
 Borrow to fund cash shortfalls on 5 year terms

MODEL IX

	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Highlights										
Calculated NRR / MWh	\$ 0.387	\$ 0.371	\$ 0.376	\$ 0.408	\$ 0.428	\$ 0.450	\$ 0.481	\$ 0.504	\$ 0.523	\$ 0.546
Admin Fee Rate (\$/MWh)	\$ 0.370	\$ 0.370	\$ 0.370	\$ 0.370	\$ 0.370	\$ 0.370	\$ 0.370	\$ 0.370	\$ 0.370	\$ 0.370
Net Revenue Requirement (\$millions)	\$ 141	\$ 148	\$ 150	\$ 164	\$ 174	\$ 184	\$ 199	\$ 211	\$ 221	\$ 233
Operating Cash (\$millions)	\$ 19	\$ (1)	\$ (2)	\$ (1)	\$ (3)	\$ (3)	\$ (2)	\$ (5)	\$ (8)	\$ (5)
Net Fixed Assets (\$millions)	\$ 145	\$ 101	\$ 81	\$ 77	\$ 74	\$ 71	\$ 69	\$ 67	\$ 66	\$ 65
Outstanding Debt (\$millions)	\$ 281	\$ 257	\$ 248	\$ 248	\$ 244	\$ 242	\$ 241	\$ 235	\$ 230	\$ 230
Capital Expenditures (\$millions)	\$ 29	\$ 19	\$ 15	\$ 15	\$ 15	\$ 15	\$ 15	\$ 15	\$ 15	\$ 15
Scheduled Principal Payments (\$millions)	\$ 24	\$ 24	\$ 24	\$ 30	\$ 39	\$ 48	\$ 61	\$ 71	\$ 81	\$ 90
Net Fixed Assets/Outstanding Debt	0.51	0.39	0.33	0.31	0.30	0.29	0.29	0.28	0.29	0.28
Fixed Charge Coverage	2.33	2.00	2.23	1.32	1.29	1.28	1.26	1.27	1.55	1.28

Changes From Base Model

Maintain rate at 37¢ until FCC covenant is reached
 Borrow to fund cash shortfalls on 5 year amortizations

1% LOAD GROWTH CAPEX IN FEE

	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
\$ Calculated NRR / MWh	0.387	0.371	0.401	0.415	0.415	0.412	0.412	0.408	0.408	0.402
\$ Admin Fee Rate (\$/MWh)	0.387	0.371	0.401	0.415	0.415	0.412	0.412	0.408	0.408	0.402
\$ Net Revenue Requirement (\$millions)	141	148	161	169	170	171	172	173	174	173
\$ Operating Cash (\$millions)	19	(1)	(6)	(4)	(2)	0	2	4	6	8
\$ Net Fixed Assets (\$millions)	145	101	81	77	74	71	69	67	66	65
\$ Outstanding Debt (\$millions)	281	257	236	215	192	170	146	122	98	74
\$ Capital Expenditures (\$millions)	29	19	15	15	15	15	15	15	15	15
\$ Scheduled Principal Payments (\$millions)	24	24	21	21	23	23	24	24	25	24
\$ Net Fixed Assets/Outstanding Debt	0.515	0.394	0.345	0.360	0.384	0.419	0.471	0.548	0.672	0.873
Fixed Charge Coverage	2.334	2.054	3.740	3.392	3.875	4.384	5.234	6.298	8.224	10.427

Assumptions

1% annual load growth
 Capex funded through administrative fee
 Annual capex is \$15/year starting in 2017

1% LOAD GROWTH CAPEX FUNDED WITH NEW DEBT

	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
\$ Calculated NRR / MWh	0.387	0.371	0.365	0.391	0.402	0.404	0.411	0.408	0.405	0.402
\$ Admin Fee Rate (\$/MWh)	0.387	0.371	0.365	0.391	0.402	0.404	0.411	0.408	0.405	0.402
\$ Net Revenue Requirement (\$millions)	141	148	147	159	165	167	172	173	173	173
\$ Operating Cash (\$millions)	19	(2)	(1)	2	(1)	(2)	2	1	0	1
\$ Net Fixed Assets (\$millions)	145	101	81	77	74	71	69	67	66	65
\$ Outstanding Debt (\$millions)	281	257	252	243	220	200	179	154	130	106
\$ Capital Expenditures (\$millions)	29	19	15	15	15	15	15	15	15	15
\$ Scheduled Principal Payments (\$millions)	24	24	21	25	31	33	37	37	37	37
\$ Net Fixed Assets/Outstanding Debt	0.515	0.394	0.323	0.318	0.335	0.356	0.385	0.434	0.506	0.609
Fixed Charge Coverage	2.334	1.985	2.067	2.143	2.718	3.191	3.985	4.578	5.511	6.618

Assumptions

1% annual load growth
 New borrowings for capex on 5 year terms
 Annual capex is \$15/year starting in 2017

0% LOAD GROWTH CAPEX IN FEE

	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
\$ Calculated NRR / MWh	0.387	0.371	0.405	0.423	0.428	0.429	0.433	0.434	0.437	0.436
\$ Admin Fee Rate (\$/MWh)	0.387	0.371	0.405	0.423	0.428	0.429	0.433	0.434	0.437	0.436
\$ Net Revenue Requirement (\$millions)	141	148	161	169	170	171	172	173	174	173
\$ Operating Cash (\$millions)	19	(1)	(6)	(4)	(2)	0	2	4	6	8
\$ Net Fixed Assets (\$millions)	145	101	81	77	74	71	69	67	66	65
\$ Outstanding Debt (\$millions)	281	257	236	215	192	170	146	122	98	74
\$ Capital Expenditures (\$millions)	29	19	15	15	15	15	15	15	15	15
\$ Scheduled Principal Payments (\$millions)	24	24	21	21	23	23	24	24	25	24
\$ Net Fixed Assets/Outstanding Debt	0.515	0.394	0.345	0.360	0.384	0.419	0.471	0.548	0.672	0.873
\$ Fixed Charge Coverage	2.334	2.054	3.740	3.392	3.875	4.384	5.234	6.298	8.224	10.427

Income Statement Highlights (000s)

Calculated NRR / MWh
Admin Fee Rate (\$/MWh)
Net Revenue Requirement (\$millions)
Operating Cash (\$millions)
Net Fixed Assets (\$millions)
Outstanding Debt (\$millions)
Capital Expenditures (\$millions)
Scheduled Principal Payments (\$millions)
Net Fixed Assets/Outstanding Debt
Fixed Charge Coverage

Assumptions

Zero load growth
 Capex funded through administrative fee
 Annual capex is \$15/year starting in 2017

0% LOAD GROWTH CAPEX FUNDED WITH NEW DEBT

	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
\$ Calculated NRR / MWh	0.387	0.371	0.369	0.399	0.414	0.421	0.432	0.433	0.434	0.436
\$ Admin Fee Rate (\$/MWh)	0.387	0.371	0.369	0.399	0.414	0.421	0.432	0.433	0.434	0.436
\$ Net Revenue Requirement (\$millions)	141	148	147	159	165	167	172	173	173	173
\$ Operating Cash (\$millions)	19	(2)	(1)	2	(1)	(2)	2	1	0	1
\$ Net Fixed Assets (\$millions)	145	101	81	77	74	71	69	67	66	65
\$ Outstanding Debt (\$millions)	281	257	252	243	220	200	179	154	130	106
\$ Capital Expenditures (\$millions)	29	19	15	15	15	15	15	15	15	15
\$ Scheduled Principal Payments (\$millions)	24	24	21	25	31	33	37	37	37	37
\$ Net Fixed Assets/Outstanding Debt	0.515	0.394	0.323	0.318	0.335	0.356	0.385	0.434	0.506	0.609
\$ Fixed Charge Coverage	2.334	1.985	2.067	2.143	2.718	3.191	3.985	4.578	5.511	6.618

Income Statement Highlights (000s)

Calculated NRR / MWh
Admin Fee Rate (\$/MWh)
Net Revenue Requirement (\$millions)
Operating Cash (\$millions)
Net Fixed Assets (\$millions)
Outstanding Debt (\$millions)
Capital Expenditures (\$millions)
Scheduled Principal Payments (\$millions)
Net Fixed Assets/Outstanding Debt
Fixed Charge Coverage

Assumptions

Zero load growth
 New borrowings for capex on 5 year terms
 Annual capex is \$15/year starting in 2017

	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Income Statement Highlights (000s)										
Calculated NRR / MWh	\$ 0.387	0.371	0.409	0.432	0.441	0.446	0.455	0.460	0.469	0.472
Admin Fee Rate (\$/MWh)	\$ 0.387	0.371	0.409	0.432	0.441	0.446	0.455	0.460	0.469	0.472
Net Revenue Requirement (\$millions)	\$ 141	148	161	169	170	171	172	173	174	173
Operating Cash (\$millions)	\$ 19	(1)	(6)	(4)	(2)	0	2	4	6	8
Net Fixed Assets (\$millions)	\$ 145	101	81	77	74	71	69	67	66	65
Outstanding Debt (\$millions)	\$ 281	257	236	215	192	170	146	122	98	74
Capital Expenditures (\$millions)	\$ 29	19	15	15	15	15	15	15	15	15
Scheduled Principal Payments (\$millions)	\$ 24	24	21	21	23	23	24	24	25	24
Net Fixed Assets/Outstanding Debt	0.515	0.394	0.345	0.360	0.384	0.419	0.471	0.548	0.672	0.873
Fixed Charge Coverage	2.334	2.054	3.740	3.392	3.875	4.384	5.234	6.298	8.224	10.427

Assumptions

1% annual load reduction
 Capex funded through administrative fee
 Annual capex is \$15/year starting in 2017

	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Income Statement Highlights (000s)										
Calculated NRR / MWh	\$ 0.387	0.371	0.369	0.399	0.414	0.421	0.432	0.433	0.434	0.436
Admin Fee Rate (\$/MWh)	\$ 0.387	0.371	0.369	0.399	0.414	0.421	0.432	0.433	0.434	0.436
Net Revenue Requirement (\$millions)	\$ 141	148	147	159	165	167	172	173	173	173
Operating Cash (\$millions)	\$ 19	(2)	(1)	2	(1)	(2)	2	1	0	1
Net Fixed Assets (\$millions)	\$ 145	101	81	77	74	71	69	67	66	65
Outstanding Debt (\$millions)	\$ 281	257	252	243	220	200	179	154	130	106
Capital Expenditures (\$millions)	\$ 29	19	15	15	15	15	15	15	15	15
Scheduled Principal Payments (\$millions)	\$ 24	24	21	25	31	33	37	37	37	37
Net Fixed Assets/Outstanding Debt	0.515	0.394	0.323	0.318	0.335	0.356	0.385	0.434	0.506	0.609
Fixed Charge Coverage	2.334	1.985	2.067	2.143	2.718	3.191	3.985	4.578	5.511	6.618

Assumptions

1% load reduction
 New borrowings for capex on 5 year terms
 Annual capex is \$15/year starting in 2017