



**Southwest Power Pool  
FINANCE COMMITTEE MEETING**

**April 5, 2017**

**Atlanta, GA**

**• M I N U T E S •**

**Administrative Items**

Chair Larry Altenbaumer called the meeting to order at 7:30 a.m. The following members of the Finance Committee participated:

Larry Altenbaumer	SPP Director
Bruce Scherr	SPP Director
Kelly Harrison	Westar Energy
Laura Kapustka	Lincoln Electric
Mike Wise	Golden Spread Electric Cooperative
Tom Dunn	SPP
Others attending included:	
Sandra Bennett (phone)	AEP
Jerry Peace	OG&E
Dianne Branch	SPP
Scott Smith	SPP
Don Shipley (phone)	SPP
Barrett Breeding	BKD
Steve Osborn (phone)	Osborn, Carreiro & Associates

Minutes from the February 24, 2017 meeting were reviewed. Kelly Harrison motioned to approve the minutes. The motion was seconded by Laura Kapustka and approved by unanimous voice vote.

SPP staff reviewed the past action items list. It was determined to have SPP's Internal Audit department perform an audit of SPP's credit process controls and provide a report to the Committee in 2018 with their findings.

**2017 Benefit Plan Funding**

Steve Osborn of Osborn, Carreiro & Associates presented actuary reports on both the SPP Retirement Plan and the SPP Post-retirement Healthcare Plan.

SPP staff recommended \$5.20 million in contributions to the SPP Retirement Plan in 2017, consistent with the suggested contribution calculation of the actuary. The SPP 2017 budget included \$5.70 million in funding.

SPP staff recommended \$0.12 million in contributions to the SPP Post-retirement Healthcare Plan in 2017, consistent with the contribution calculation of the actuary. The SPP 2017 budget included \$0.25 million in funding. The Committee discussed whether to provide any additional funding for this plan since the market value of the assets SPP has set aside to fund future benefits exceeds the calculated accumulated benefit obligation by over \$1 million (10.7%) as of year-end 2016.

Mike Wise made a motion to contribute \$5.20 million to the SPP Retirement Plan and \$0.00 million to the SPP Post-retirement Healthcare Plan during 2017. The motion was seconded by Kelly Harrison and approved by unanimous voice vote.

**2016 Financial Audit**

Dianne Branch and Barrett Breeding presented the results of the 2016 financial report audit. Dianne Branch covered highlights on the financial statements and related footnotes. Barrett Breeding presented the audit opinion letter and the management letter. Following this presentation, SPP staff was dismissed from the meeting as the Committee went into executive session with Barrett Breeding.

Finance Committee  
April 5, 2017

Following executive session, Kelly Harrison made a motion to accept the audit report as presented and recommend approval of the audit report to the SPP Board of Directors. The motion was seconded by Laura Kapustka and approved by unanimous voice vote. SPP staff was directed to provide the Committee a report on SPP's Fraud Hotline detailing the process used when calls are received and efforts to create awareness of the hotline. Additionally, staff was informed that BKD was open to using SPP's Internal Audit staff to assist with the financial statement audit for fiscal year 2017 and staff should investigate the capacity of Internal Audit staff to assist and what role they can play to help reduce SPP's audit fees.

The Committee next discussed continuing the engagement of BKD for the 2017 financial audit. Bruce Sherr made a motion to engage BKD to perform an audit of SPP's 2017 financial statements and Thomas & Thomas to perform audits of SPP's benefit plans for 2017. The motion was seconded by Mike Wise and approved by unanimous voice vote. SPP staff was directed to provide a report to the Committee illustrating the auditors used by other ISO/RTO organizations.

### **Year to Date 2017 Financial Review**

Tom Dunn, SPP's chief financial officer, presented a review of the year to date 2017 financial results. The major themes were: i) projected over-recovery due to higher than budgeted NITS billing units, lower projected interest expense, and lower projected benefit plan funding; ii) projected over-spend in personnel costs due to eight incremental out of budget positions added in early 2017 and additional study costs related to membership expansion. Also identified were factors which could adversely impact the current forecast. These factors related to various legal and compliance issues as well as decisions by others to join SPP.

### **SPP Settlement System Replacement Project**

Don Shipley, SPP's director of settlements, provided the Committee with a report on the process SPP used to develop the project and select a vendor to build the system. Some Committee members expressed concern over integration risk, scope creep, training, and project management capability. Don Shipley and Barbara Sugg, SPP's VP of IT, were asked to provide a progress report at the June meeting of the Finance Committee.

### **Cyber Risk Insurance**

Scott Smith, SPP's director of treasury and risk management, presented information on SPP's approach to cyber risk identification and prevention processes and on SPP's efforts to determine if this risk should be insured. The insurance market is evolving to satisfy identified cyber risks beyond loss of personally identifiable information. The Committee requested a follow-up report in December 2017.

### **Committee Scope/Meeting Schedule**

Larry Altenbaumer reviewed a proposed annual work schedule for the Committee. The intent of the proposal was to focus the Committee's efforts on work that needed to be completed and potentially reduce the number of Committee meetings. The proposal included delegating responsibility for direct engagement and oversight of investment managers for SPP's ERISA benefit plans to SPP's Administrative Committee (comprised of SPP's CEO, General Counsel, CFO, and VP of Corporate Services). This change was reflected in an amended organizational group scope document for the Finance Committee.

Mike Wise made a motion to accept the changes to the scope document. The motion was seconded by Laura Kapustka and approved by unanimous voice vote.

### **Future Meetings**

The next meeting of the Finance Committee is scheduled for June 13-14, 2017 at the SPP corporate office in Little Rock, Arkansas beginning at 2:00 p.m. and ending at 12:00 p.m. on June 14th.

There being no further business, Larry Altenbaumer adjourned the meeting at 1:00 p.m.

Respectfully Submitted,

Thomas P. Dunn  
Secretary



Southwest Power Pool, Inc.  
**FINANCE COMMITTEE**  
**Action Items Status Report**  
**April 5, 2017**

	<b>Action Item</b>	<b>Date Originated</b>	<b>Status</b>	<b>Comments</b>
1.	Investigate alternative metrics to use in allocating SPP's costs to the region	July 6, 2016	In Process	Present at June 13 2017 meeting
2.	Engage firm to review work of actuary on benefit plans	April 5, 2016	New	
3.	Distribute 10-year financial model	Feb 24, 2017	Complete	Sent April 17, 2017
4.	Customer deposit recon processes, internal audit reviews, construction deposits	Feb 24, 2017	New	
5.	Staff response to planning linkage framework	Feb 24, 2017	New	
6.	Efficient decision frontier and quilt chart from Stephens	Feb 24, 2017	New	Present at June 13 2017 meeting
7.	IPS – adopt performance benchmarks, report on fund performance vs. benchmarks	Feb 24, 2017	New	Present at June 13 2017 meeting
8.	Provide report of audit firms used for other ISO/RTO financial audits	April 5, 2017	New	Submitted with meeting minutes
9.	Fraud Hotline report (process and awareness)	April 5, 2017	New	Present at June 13 2017 meeting
10	Determine capability, capacity, and financial impact for Internal Audit to assist BKD on 2017 financial statement audit	April 5, 2017	New	
11	Evaluate inclusion of credit process controls in SSAE 16 audit scope	July 6, 2016	New	
12	Investigate how SPP member utilities insure against cyber liabilities	July 6, 2016	In Process	To be presented at April 2017 meeting
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**Southwest Power Pool, Inc.**  
**FINANCE COMMITTEE MEETING**  
**April 4-5, 2017**  
**Atlanta Airport Marriott – Atlanta, GA**

**• A G E N D A •**

**April 4, 2017**  
**6:30 p.m. – 9:30 p.m.**

- 1. Dinner at Bentley’s Steakhouse (in the hotel) .....

  - a. Admin Fee Billing Units Update

**April 5, 2017**

**7:30 a.m. - 1:00 p.m.**

- 1. Administrative Items ..... Larry Altenbaumer
  - a. Review of Past Action Items ..... Tom Dunn
  - b. Settlements System Replacement Project (15 minutes) .....Don Shipley
- 2. 2017 Benefit Plan Funding (45 minutes) **\*\*ACTION\*\*** ..... Steve Osborn/Tom Dunn
- 3. 2016 Financial Audit (60 minutes) **\*\*ACTION\*\*** ..... Dianne Branch / Barrett Breeding (BKD)
  - a. Financial Report, Auditor Opinion, Management Letter, Executive Session
  - b. Auditor Engagement For 2017
- 4. Year to Date Financial Review (30 minutes) ..... Tom Dunn
- 5. Cyber Risk Insurance (60 minutes) .....Scott Smith
- 6. Committee Scope/Meeting Schedule (30 minutes) ..... Larry Altenbaumer / Tom Dunn
- 7. Written Reports.....
  - a. February 2017 Financials
  - b. Financial, Settlements, and Credit Metrics
  - c. SPP Portfolio Report
- 8. Future Meetings.....

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



**Southwest Power Pool**  
**FINANCE COMMITTEE MEETING**  
**February 24, 2017**  
**Ponte Vedra Beach, Florida**

**• M I N U T E S •**

**Administrative Items**

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

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

Others attending included:

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

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

**Fiduciary Review: Pension Fund**

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

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

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

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

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

#### **\$50MM Unsecured Credit Allowance**

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

#### **2016 Financial Review**

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

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

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

#### **Strategic Plan/Operating Plan/Budget Linkage**

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

#### **Other Items**

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

#### **Future Meetings**

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

There being no further business, Harry Skilton adjourned the meeting at 2:00 p.m.

Respectfully Submitted,

Thomas P. Dunn  
Secretary



Southwest Power Pool, Inc.  
**FINANCE COMMITTEE**  
**Action Items Status Report**  
**February 24, 2017**

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1.	Investigate alternative metrics to use in allocating SPP's costs to the region	July 6, 2016	In Process	
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**Southwest Power Pool, Inc.**  
**FINANCE COMMITTEE**  
**Recommendation to the Board of Directors**  
**April 25, 2017**

**2017 Funding for Pension and Post-retirement Healthcare Plans**

**Organizational Roster**

The following persons are members of the Finance Committee:

Larry Altenbaumer	SPP Director
Bruce Scherr	SPP Director
Kelly Harrison	Westar
Laura Kapustka	Lincoln Electric
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, 2017.

**Analysis**

SPP Defined Benefit Retirement Plan

The report identifies 2017 accounting expense for this plan as well as minimum and maximum contributions for the plan. The Actuary determined 2017’s minimum contribution level to be \$3.03 and maximum suggested level to be \$5.20. SPP’s 2017 budget anticipated contributions to the defined benefit pension plan of \$5.70. The schedule below illustrates the historical funding of the SPP Defined Benefit Retirement Plan:

	<b><u>2013</u></b>	<b><u>2014</u></b>	<b><u>2015</u></b>	<b><u>2016</u></b>	<b><u>2017</u></b>
Maximum Contribution (tax deductible)	\$26.59	\$32.11	\$37.20	\$50.29	\$61.01
Minimum Contribution	\$2.33	\$2.50	\$3.31	3.49	3.03
Actuary Suggested Contribution	4.01	3.66	3.76	5.38	5.20
Actual Contribution	4.01	3.66	3.76	5.38	
Projected Benefit Obligation (PBO)	\$44.09	\$50.70	\$68.09	\$76.97	
Accumulated Benefit Obligation (ABO)	34.67	40.00	53.75	61.48	
Fair Value of Plan Assets	41.16	45.90	47.74	57.74	
Discount Rate <sup>1</sup>	5.50%	5.50%	5.00%	5.00%	
Plan Assets vs. PBO	-\$2.93	-\$4.80	-\$20.35	-\$19.23	
Plan Assets vs. ABO	6.49	5.90	-6.01	-3.74	
Total Participants	672	698	732	764	
Benefits Paid	\$0.26	\$0.43	\$0.61	\$0.71	

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<sup>1</sup> Based on the Corporate Bond Yield Curve prescribed by the U.S. Treasury Department and reflect the twenty four month average of investment grade corporate bonds with maturities of greater than 15 years all as defined in Section 102, Title I of the Pension Protection Act of 2006.

SPP Defined Benefit Retirement Plan Fund Status as of December 31, 2016

The fund had total assets of \$57.74 versus an Accumulated Benefit Obligation of \$61.48, Projected Benefit Obligation of \$76.97 and termination value of approximately \$62.00. The Actuary estimates participants active on January 1, 2016 will accrue \$4.40 in benefits during fiscal year 2017. Finally, the value of the early retirement feature of the Defined Benefit Retirement Plan is estimated to be \$4.00.

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. As of January 1, 2017 SPP had 111 active employees covered by this plan and 18 retirees.

The Actuary estimated 2017 net periodic post-retirement benefit cost to be \$1.11. This computation is based on a 5.00% 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 \$0.12 during 2017. SPP's 2017 budget allocates \$0.25 in funding for post-retirement benefits.

	<b><u>2013</u></b>	<b><u>2014</u></b>	<b><u>2015</u></b>	<b><u>2016</u></b>	<b><u>2017</u></b>
Actual Contribution <sup>2</sup>	\$0.54	\$0.41	\$0.00	\$0.25	
Pension Cost	\$1.47	\$1.44	\$1.48	\$1.21	\$1.11
Accumulated Benefit Obligation (ABO)	\$8.00	\$8.90	\$9.29	\$9.43	
Fair Value of Plan Assets <sup>2</sup>	9.66	10.68	9.35	10.44	
Funded Status vs. ABO	1.66	1.78	0.06	1.01	
Plan Participants – Active	133	124	117	111	
Plan Participants – Retired	7	12	15	18	

**Recommendation**

Approve 2016 funding of the SPP Retirement Plan of \$5.20

Approve 2016 funding of the SPP Post-retirement Healthcare Plan of \$0.12

**Approved:** SPP Finance Committee

**Action Requested:** Approve Recommendation

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<sup>2</sup> 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, 2017**

# **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

March 17, 2017

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, 2017.

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

	<u>1/01/2015</u>	<u>1/01/2016</u>	<u>1/01/2017</u>
Individuals included	698	732	764
Total Salary	\$ 51,420,945	\$ 52,868,882	\$ 55,030,469
Net Plan Assets	\$ 45,902,853	\$ 47,735,144	\$ 57,738,806
Contribution Levels	<u>2015</u>	<u>2016</u>	<u>2017</u>
Maximum tax deductible under Pension Protection Act '06	\$ 37,197,151	\$ 50,285,037	\$ 61,013,950
“Old” Maximum/Suggested	3,760,931	5,382,931	5,196,455
Minimum required	3,312,746	3,489,357	3,034,422
Pension “expense” under accounting rules	\$ 4,488,016	\$ 7,181,807	\$ 7,048,718

Mr. Thomas P. Dunn – p 2  
March 17, 2017

### Current Status of the Plan

The contribution for the 2017 Plan Year must be between \$ 3,034,422 and \$ 61,013,950. At least the minimum must be paid by September 15, 2018.

The minimum contribution has gone down primarily due to the 2016 investment gain.

The “suggested contribution” and the pension expense have both decreased since last year:

	<u>Suggested Contribution</u>	<u>Pension Expense</u>
(1) 2016 Amount	\$ 5,383,000	\$ 7,182,000
(2) Change due to:		
(a) 2016 Investment Gain	- 372,000	-259,000
(b) More participants	46,000	66,000
(c) Change in Life Expectancy Table	31,000	34,000
(d) Change in Discount Rate	0	0
(e) Other	108,000	26,000
(3) 2017 Amount	\$ 5,196,000	\$ 7,049,000

### 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, 2017, I estimate that the total liability would be about \$62 million (using a 5.00% discount rate). This compares to assets of about \$58 million. However, be aware of three items:

- (1) During the 2017 year, employees will accrue additional benefits worth about \$4.4 million.
- (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 28 people). It does not apply when an employee terminates before age 55. The current value of this subsidy is about \$4 million.
- (3) The discount rate of 5.00% changes over time with the markets. If the rate goes down, the termination liability will go up.

Mr. Thomas P. Dunn – p 3  
March 17, 2017

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 2017 would be \$5,196,000 (the “suggested” amount).

### 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 2017. 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 2017 Net Periodic Pension Cost is \$7,048,718.

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.

Mr. Thomas P. Dunn – p 4  
March 17, 2017

Report Format

The report is 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, the 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.

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

Sincerely,



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

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### **APPENDICES:**

Appendix A	Calculation of Contributions
Appendix B	Costs and Liabilities
Appendix C	Development of the Unfunded Actuarial Accrued Liability
Appendix D	IRC 430 Calculations
Appendix E	Amortization of Short Falls
Appendix F	Contributions and Funding Balances
Appendix G	Top-Heavy Test
Appendix H	Actuarial Cost Methods and Assumptions

## EXHIBIT 1

### Executive Summary

	<u>1/1/2015</u>	<u>1/1/2016</u>	<u>1/1/2017</u>
1. Individuals included in report			
a. Active	570	573	580
b. Inactive	128	159	184
c. Covered Payroll	\$ 51,420,945	\$ 52,868,882	\$ 55,030,469
2. Normal Cost Amount	\$ 3,750,931	\$ 4,158,961	\$ 4,354,448
Normal Cost Rate	7.29%	7.87%	7.91%
3. Assets	\$ 45,902,853	\$ 47,735,144	\$ 57,738,806
Investment Return for year	3.6%	- 2.7%	10.7%
4. Funding Levels			
Maximum under Pension Protection Act	\$ 37,197,151	\$ 50,285,037	\$ 61,013,950
Suggested	\$ 3,760,931	\$ 5,382,931	\$ 5,196,455
Minimum	\$ 3,312,746	\$ 3,489,357	\$ 3,034,422
5. Accounting Information (for use in auditor's report)			
a. Present Value of Vested Benefits	\$ 35,160,537	\$ 47,305,214	\$ 54,313,250
b. Present Value of Non-Vested Benefits	4,840,608	6,448,683	7,163,184
c. Present Value of Accumulated Benefits	\$ 40,001,145	\$ 53,753,897	\$ 61,476,434
d. Pension Cost per SFAS No. 87	\$ 4,488,016	\$ 7,181,807	\$ 7,048,718
6. Top-Heavy Ratio	21.1%	22.7%	23.2%

## EXHIBIT 2

### Summary of Financial Information

	<u>Plan Year Ending December 31,</u>		
	<u>2014</u>	<u>2015</u>	<u>2016</u>
A. <u>INCOME</u>			
1. <u>Contributions</u>			
Employee	\$ 0	\$ 0	\$ 0
Employer	3,660,000	3,760,000	5,380,000
Other	0	0	0
2. <u>Investment Income</u>			
a. Interest and Dividends	1,075,389	1,221,162	1,267,923
b. Realized Gains	4,576,954	206,982	237,979
c. Unrealized Appreciation	- 4,004,715	- 2,614,432	3,956,708
d. Investment Expenses	- 129,485	- 117,086	- 125,851
e. Subtotal	<u>1,518,143</u>	<u>- 1,303,374</u>	<u>5,336,759</u>
TOTAL	\$ <u>5,178,143</u>	\$ <u>2,456,626</u>	\$ <u>10,716,759</u>
B. <u>EXPENSES</u>			
1. <u>Administrative</u>	\$ 0	\$ 12,085	\$ 0
2. <u>Monthly Benefits</u>	432,539	612,250	708,474
3. <u>Lump Sum Benefits</u>	<u>0</u>	<u>0</u>	<u>4,623</u>
TOTAL	\$ <u>432,539</u>	\$ <u>624,335</u>	\$ <u>713,097</u>

Exhibit 2 - Continued

	<u>12/31/2014</u>	<u>12/31/2015</u>	<u>12/31/2016</u>
C. <u>ASSETS (Market Basis)</u>			
1. <u>Short Term</u>			
Cash	\$ 1,476	\$ 9,495	\$ 0
Money Market Funds	2,356,443	3,627,717	3,516,661
2. <u>U.S. Treasury Bills</u>	0	0	0
3. <u>Fixed Income Assets</u>			
Government	0	0	0
Corporate	6,051,828	4,763,598	6,405,951
4. <u>Common Stock</u>	10,131,176	8,783,811	9,104,324
5. <u>Mutual Funds</u>			
Fixed Income	4,172,080	6,412,958	9,896,443
Equity	23,093,826	24,059,306	28,221,469
6. <u>Other</u>			
Contribution Receivable	0	0	0
Benefits payable	0	0	0
Accrued Interest	96,024	78,259	93,958
Other	0	0	0
	<u>0</u>	<u>0</u>	<u>0</u>
TOTAL	\$ <u>45,902,853</u>	\$ <u>47,735,144</u>	\$ <u>57,738,806</u>
D. <u>Net Investment Return:</u>	3.6%	- 2.7%	10.7%

Exhibit 2 - Continued

	<u>1/1/2015</u>	<u>1/1/2016</u>	<u>1/1/2017</u>
E. <u>INFORMATION FOR PBGC</u> <u>FORM 1 SCHEDULE A</u>			
1. Interest Assumption	1.48%	1.82%	2.04%
	3.77%	4.12%	4.03%
	4.79%	5.01%	4.82%
2. Present Value of Vested Benefits	\$ 44,467,105	\$ 49,012,050	\$ 57,866,215
3. Adjusted Market Value of Assets	<u>45,902,853</u>	<u>47,735,144</u>	<u>57,738,809</u>
4. Unfunded Vested Benefits	\$ 0	\$ 1,276,906	\$ 127,406
5. Rounded to next higher \$1,000	0	1,277,000	128,000
6. Variable Rate Premium Percentage	2.4%	3.0%	3.4%
7. Variable Rate Premium = (5) x (6)	\$ <u>0</u>	\$ <u>38,310</u>	\$ <u>4,352</u>

## EXHIBIT 3

### Accounting Information

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

#### Statement of Accumulated Plan Benefits

	<u>1/01/2016</u>	<u>1/01/2017</u>
Investment Return Assumption	5.00%	5.00%
Actuarial present value of accumulated plan benefits		
Vested Benefits		
Participants currently receiving benefits	\$ 7,740,638	\$ 8,878,623
Other Participants	<u>39,564,576</u>	<u>45,434,627</u>
	\$ 47,305,214	\$ 54,313,250
Non-Vested Benefits	6,448,683	7,163,184
Total actuarial present value of accumulated plan benefits	\$ <u>53,753,897</u>	\$ <u>61,476,434</u>

#### Statement of Changes in Accumulated Plan Benefits

Actuarial present value of accumulated plan benefits at beginning of year	\$ 40,001,145	\$ 53,753,897
Increase (Decrease) attributable to:		
Plan Amendment	0	0
Benefits Accumulated*	6,191,449	8,301,519
Benefits Paid	- 612,250	- 713,097
Change in Assumptions	<u>8,173,553</u>	<u>134,115</u>
Actuarial present value of accumulated plan benefits at end of year	\$ <u>53,753,897</u>	\$ <u>61,476,434</u>

\* Includes effect of interest and actuarial gains and losses.

Exhibit 3 - Continued

FASB ASC 715-30 Pension Cost for 2017

A. Reconciliation of Funded Status	<u>1/01/2017</u>	<u>Projected 12/31/2017</u>
1. Actuarial present value of accumulated benefit obligations		
a. Vested portion	\$ (54,313,250)	\$ (61,156,581)
b. Non-Vested portion	( 7,163,184)	( 8,065,727)
2. Accumulated Benefit Obligation	\$ (61,476,434)	\$ (69,222,308)
3. Effect of estimated future pay growth	(15,492,150)	(17,444,121)
4. Projected Benefit Obligation	\$ (76,968,485)	\$ (86,666,429)
5. Plan assets at fair value	57,738,806	66,389,715
6. Funded status: (4)+(5)	\$ (19,229,778)	\$ (20,296,714)
7. Unrecognized net (gain) or loss	18,680,861	17,896,289
8. Unrecognized prior service cost	( 23,138)	( 23,882)
9. Unrecognized net obligation	65,875	49,409
10. Accum. Comp. Other Income	<u>18,723,598</u>	<u>17,921,816</u>
11. Total: (6) + (10)	\$ <u>( 506,180)</u>	\$ <u>( 2,354,898)</u>

B. Determination of Pension Cost	<u>2017</u>
1. Service Cost	\$ 6,299,768
2. Interest Cost (on A(4) and B(1))	4,144,751
3. Expected return on assets	(4,197,583)
4. Amortization of	
a. Unrecognized net (gain) or loss	784,572
b. Unrecognized prior service cost	744
c. Unrecognized net obligation	<u>16,466</u>
5. Net Periodic Pension Cost	\$ <u>7,048,718</u>

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

D. Unrecognized net obligation of \$411,661 added 1/1/96, is amortized on a straight line basis over 25 years. 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. Projected 12/31/17 assumes a 2017 contribution of \$5,200,000 and net periodic pension cost of \$7,048,718.

## 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

		<i>Years of Service</i>							
<i>Age</i>		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	6	0	0	0	0	0	0	6
	Salary	344,246	0	0	0	0	0	0	344,246
25-29	Count	36	20	1	0	0	0	0	57
	Salary	2,242,942	1,462,097	71,000	0	0	0	0	3,776,039
30-34	Count	27	38	8	0	0	0	0	73
	Salary	1,760,615	3,176,645	793,563	0	0	0	0	5,730,823
35-39	Count	22	39	22	6	0	0	0	89
	Salary	1,675,385	3,519,610	2,314,686	638,908	0	0	0	8,148,589
40-44	Count	20	43	11	8	0	0	0	82
	Salary	1,687,654	3,794,027	1,114,037	746,120	0	0	0	7,341,838
45-49	Count	26	35	19	1	4	0	0	85
	Salary	2,219,597	3,560,139	1,890,555	91,750	707,732	0	0	8,469,773
50-54	Count	21	40	12	4	1	2	0	80
	Salary	1,858,574	3,962,298	1,314,324	554,375	181,600	511,884	0	8,383,055
55-59	Count	12	22	12	8	1	2	7	64
	Salary	1,187,351	2,100,926	1,699,422	990,971	94,600	259,100	1,444,534	7,776,904
60-64	Count	6	16	4	4	0	1	5	36
	Salary	430,893	1,594,798	562,603	617,400	0	168,750	868,858	4,243,302
65 & Over	Count	2	3	2	1	0	0	0	8
	Salary	142,624	296,930	181,846	194,500	0	0	0	815,900
Unknown Age	Count	0	0	0	0	0	0	0	0
	Salary	0	0	0	0	0	0	0	0
Total	Count	<b>178</b>	<b>256</b>	<b>91</b>	<b>32</b>	<b>6</b>	<b>5</b>	<b>12</b>	<b>580</b>
	Salary	<b>13,549,881</b>	<b>23,467,470</b>	<b>9,942,036</b>	<b>3,834,024</b>	<b>983,932</b>	<b>939,734</b>	<b>2,313,392</b>	<b>55,030,469</b>

Exhibit 4 - Continued

Participant Data as of January 1, 2017

	<u>Active</u>	<u>Retired</u>	<u>Terminated Vested</u>	<u>Total</u>
Number of Participants at 1/1/2016	573	38	121	732
New during year	+ 37	0	0	+ 37
Rehired	0	0	0	0
Terminated Vested	- 21	0	+ 21	0
Terminated nonvested	- 9	0	0	- 9
Cashed out	0	0	- 1	- 1
Retired	- 4	+ 9	- 5	0
Died	0	0	0	0
Other	0	+ 1	0	+ 1
Number of Participants at 12/31/2016	576	48	136	760
New Entrants on 1/1/2017	+ 4	0	0	+ 4
Number of Participants 1/1/2017*	580	48	136	764

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

## EXHIBIT 5

### Principle Provisions of the Plan

<u>EFFECTIVE DATE:</u>	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.
<u>PARTICIPATION:</u>	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.
<u>PLAN YEAR:</u>	January 1 to December 31.
<u>COMPENSATION:</u>	Base pay during the calendar year.
<u>FINAL AVERAGE MONTHLY EARNINGS:</u>	Average of the Participant's Compensation over the sixty consecutive completed calendar months, out of the last 120, that produces the highest average.
<u>SERVICE:</u>	<p>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.</p> <p>(a) <u>Benefit Service</u> is all Service after age 21.</p> <p>(b) <u>Vesting Service</u> is all Service after age 18.</p>
<u>ACCRUED BENEFIT:</u>	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

	<u>2016</u>	<u>2017</u>
A. Maximum tax deductible contribution (IRC 404(o)(2))		
1. Funding Target	\$ 50,467,887	\$ 60,155,750
2. Target Normal Cost	5,042,072	4,427,512
3. Cushion Amount		
a) 50% of Funding Target	25,233,944	30,077,875
b) Amount Funding Target increases due to pay growth	17,276,278	24,091,619
4. Actuarial value of plan assets	47,735,144	57,738,806
5. Funding Target IF plan were "At Risk"	<u>55,109,534</u>	<u>63,800,305</u>
6. Maximum = (1)+(2)+(3)-(4), but not less than (5)+(2)-(4)	\$ <u>50,285,037</u>	\$ <u>61,013,950</u>
B. Suggested contribution		
1. Normal Cost for current group	\$ 4,158,961	\$ 4,354,448
2. Partial years cost for expected new people	0	0
3. Amortization of Unfunded Actuarial Accrued Liability	1,182,580	813,533
4. Interest	<u>41,390</u>	<u>28,474</u>
5. Suggested contribution	\$ <u>5,382,931</u>	\$ <u>5,196,455</u>
C. Minimum required contribution (IRC 430)		
1. Target Normal Cost	\$ 3,489,357	\$ 3,034,422
2. Shortfall amortization charges (App E)	0	0
3. Waiver amortization charges (App E)	<u>0</u>	<u>0</u>
4. Subtotal (1)+(2)+(3)	\$ 3,489,357	\$ 3,034,422
5. Excess of actuarial value of asset (less credit balances ) over Funding Target	<u>0</u>	<u>0</u>
6. Minimum (beginning of year) = (4), or if (5) is greater than 0, then (1)-(5), but not less than \$0.	\$ 3,489,357	\$ 3,034,422

## APPENDIX B

### Costs and Liabilities

	<u>1/1/2016</u>	<u>1/1/2017</u>
1. Present Value of Future Benefits		
A. Active Lives	\$ 89,004,046	\$ 92,754,660
B. Inactive Lives	<u>9,932,087</u>	<u>11,019,717</u>
C. Total Present Value	\$ 98,936,133	\$ 103,774,377
2. Actuarial Accrued Liability	\$ 54,554,539	\$ 61,887,986
3. Assets	47,735,144	57,738,806
4. Unfunded Actuarial Accrued Liability (2 - 3)	\$ 6,819,395	\$ 4,149,180
5. Entry Age Normal Cost	\$ 4,158,961	\$ 4,354,448
6. Total Covered Salary	52,868,882	55,030,469
7. Normal Cost Rate (5 / 6)	.078666	.079128

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

	<u>2015</u>	<u>2016</u>
(1) Unfunded Actuarial Accrued Liability beginning of year	\$ - 957,021	\$ 6,819,395
(2) Normal Cost for year	3,750,931	4,158,961
(3) Contributions for year	3,760,000	5,380,000
(4) Interest on (1), (2), and (3)	- 67,308	434,622
(5) Other adjustments	0	0
(6) Expected Unfunded Actuarial Accrued Liability at end of year: (1)+(2)-(3)+(4)+(5)	\$ - 1,033,398	\$ 6,032,978
(7) Gain/loss during year	4,020,158	- 1,997,669
(8) Effect of changes in assumptions	3,832,635	113,871
(9) Unfunded Actuarial Accrued Liability at end of year	\$ 6,819,395	\$ 4,149,180
(10) Amortization period	7	6
(11) Amortization of Unfunded Actuarial Accrued Liability	\$ 1,182,580	\$ 813,533

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

	<u>2016</u>	<u>2017</u>
A. Segment Rates	4.43/5.91/6.65	4.16/5.72/6.48
Equivalent rate	6.33%	6.15%
B. Asset Information		
1. Market Value of assets on valuation date	\$ 47,735,144	\$ 57,738,806
2. Actuarial Value of assets on valuation date	47,735,144	57,738,806
3. Carryover balance on valuation date	2,005,562	2,219,355
4. Pre-funding balance on valuation date	14,236,825	17,587,439
5. Security pledges & annuity purchases on non HCE's within last two years	0	0
C. Funding Target (IRC 430(d)(1))	\$ 36,965,867	\$ 43,763,989
D. Target Normal Cost	\$ 3,489,357	\$ 3,034,422
E. "At Risk" calculations (IRC 430 (i))		
1. Present value of accrued benefits under alternate assumptions	\$ 42,008,311	\$ 48,671,755
2. Loads		
a) \$700 times number of participants	512,400	543,800
b) 4% of (1)	1,680,332	1,946,870
3. Was plan "at risk" in 2 of last 4 years?	NO	NO
4. Funding target (1, +2 is 3=yes, and not less than C)	42,008,311	48,671,755
5. Target normal cost under alternate assumptions	3,857,312	3,256,020
6. 4% load	154,292	130,241
7. Target normal cost (5, +6 if 3=yes, and not less than D)	3,857,312	3,256,020

Appendix D - Continued

	<u>2016</u>	<u>2017</u>
F. Various percentages		
1. Funding Target Attainment Percentage for Year		
a. B(2) divided by C	129.13%	131.93%
b. B(2)-B(3)-B(4), divided by C	85.19%	86.67%
c. If a is greater than 100% then a, else b.	129.13%	131.93%
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)]	129.13%	131.93%
3. At Risk Funding Target Attainment Percentage for Year B(2)-B(3)-B(4), divided by E(1)	74.96%	77.93%
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

<u>Item</u>	<u>Initial Amount</u>	<u>Date Added To Costs</u>	<u>1/1/2017 Outstanding Balance</u>	<u>Amortization Period</u>	<u>Amortization Amount</u>
1) 2017 Shortfall	\$ 0	1/1/2017	\$ 0	7	\$ 0

Shortfall amortization base for this year

Funding Shortfall	
a) Funding Target from Appendix D	\$ 43,763,989
b) Actuarial value of assets less carryover and prefunding balances	<u>37,932,012</u>
c) Funding shortfall = (a)-(b), not less than \$0	\$ 5,831,977

Exemption from establishing a base for 2017:

1. Plan Assets	57,738,806
2. Prefunding Balances used to reduce contributions for the plan year	0
3. Net Assets	57,738,806
4. Funding Target from Appendix B	43,763,989
5. Is plan exempt from establishing a shortfall base? If (3)>(4), then YES otherwise NO.	YES

## APPENDIX F

### Contributions and Funding Balances

Contributions for 2016:	<u>CARRYOVER BALANCE</u>	<u>PRE- FUNDING BALANCE</u>	<u>TOTAL</u>
1) Minimum required contribution for 2016			\$ 3,489,357
2) Balances used to offset minimum	\$ 0	\$ 0	0
3) Additional cash requirement (1) – (2)			<u>3,489,357</u>
4) Contributions discounted to 1/1/16			5,213,206
5) Excess contributions (4) – (3)			\$ <u>1,723,849</u>

Carryover and Pre-funding Balances:	<u>CARRYOVER BALANCE</u>	<u>PRE- FUNDING BALANCE</u>	<u>TOTAL</u>
1) Balance at 1/1/2016	\$ 2,005,562	\$ 14,236,825	\$ 16,242,387
2) Portion used to offset 2016 funding requirement	0	0	0
3) Amount Remaining	<u>2,005,562</u>	<u>14,236,825</u>	<u>16,242,387</u>
4) Interest at 10.66%	213,793	1,517,645	1,731,438
5) Subtotal	<u>2,219,355</u>	<u>15,754,470</u>	<u>17,973,825</u>
6) Prior year's excess contributions		1,723,849	1,723,849
7) Interest on (6) at 6.33%		109,120	109,120
8) Subtotal (6) + (7)		<u>1,832,969</u>	<u>1,832,969</u>
9) Portion of (8) to be added to prefunding balance		1,832,969	1,832,969
10) Voluntary reduction	0	0	0
11) Balance at 1/1/2017 (5) + (9) + (10)	\$ <u>2,219,355</u>	\$ <u>17,587,439</u>	\$ <u>19,806,794</u>

## APPENDIX G

### Top-Heavy Test for 2017 Plan Year

Determination Date: 12/31/16

Valuation Date: 1/01/17

#### Present Value of Accrued Benefits at 7% Interest - Actives

1) Key Employees (20)	\$ 6,739,279
2) Non-key Employees (560)	<u>21,182,917</u>
3) Total	\$ 27,922,196

#### Present Value of Accrued Benefits at 7% Interest – Inactives

1) Key Employees (0)	\$ 0
2) Non-key Employees (25)	<u>1,048,760</u>
3) Total	\$ 1,048,760

#### Benefit Payments Since 1/1/2016

1) Key Employees (0)	\$ 0
2) Non-key Employees (4)	<u>30,069</u>
3) Total	\$ 30,069

#### Totals

1) Key Employees	\$ 6,739,279
2) Non-key Employees	<u>22,261,746</u>
3) Total	\$ 29,001,025

Top-Heavy Ratio = Key / Total 23.2%

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 "frozen initial liability 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 2017. Mortality rates at a few sample ages are:

<u>AGE</u>	<u>MORTALITY RATE PER 1,000</u>	
	<u>Male</u>	<u>Female</u>
25	.273	.132
30	.378	.191
35	.658	.333
40	.834	.435
45	.992	.671
50	1.196	.968
55	1.639	1.953
60	2.911	3.348

POST-RETIREMENT MORTALITY:

The IRS annuitant and non-annuitant tables for 2017 were used. The life expectancy according to the table is as follows:

<u>Age</u>	<u>Males</u>	<u>Females</u>
55	28.75 years	30.34 years
65	19.44 years	21.16 years

Appendix H (continued)

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 5.00% 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:

	<u>Min</u>	<u>Max</u>
1 <sup>st</sup> segment (1-5 years)	4.16%	1.57%
2 <sup>nd</sup> segment (5-20 years)	5.72%	3.77%
3 <sup>rd</sup> segment (20+ years)	6.48%	4.73%

The equivalent rate is 6.15%.

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:

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

Appendix H (continued)

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

<u>Age</u>	<u>Retirement Rate</u>
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 13, 2017

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

RE: Retiree Medical Coverage - FASB ASC 715-60

Dear Tom:

Attached is my report on the 2017 net periodic postretirement benefit cost per Financial Accounting Standards Board Accounting Standards Codification 715-60, for the retiree medical coverage.

The attached report assumes a 5.00% discount rate and the IRS mortality table for 2017. The 2017 expense is \$1,108,392.

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

Sincerely,



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

Attachment

# **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 13, 2017

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 2017 net periodic postretirement benefit cost per Financial Accounting Standards Board Accounting Standards Codification 715-60.

The results are shown on the attached sheets. The 2017 net periodic post-retirement benefit cost will be \$1,108,392. All employees hired before June 1, 2006 are entitled to a \$300 (\$600 for family) monthly HSA payment toward the purchase of their own Medicare supplement coverage, once they reach normal retirement age and 10 years of vested service with Southwest Power Pool. Those employees hired before January 1, 1996 are eligible for postretirement medical coverage upon reaching age 55 and accruing 10 years of vested service with Southwest Power Pool.

The calculations incorporate various actuarial assumptions. In particular, I assumed a 5.00% discount rate and a 7.0% investment return on plan assets. The health care cost trend rate was assumed to increase 9% next year, 8% the following year, and so on, decreasing to an ultimate 5% assumption in four years.

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, 2017 by \$2,135,742, and the 2017 net periodic postretirement benefit cost by \$341,589.

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 2015, 2016, and 2017**

A. Reconciliation of Funded Status	<u>1/1/15</u>	<u>1/1/16</u>	<u>1/1/17</u>
1. Actuarial present value of accumulated post-retirement benefit obligations			
a. Retirees	\$ (1,673,785)	\$ (1,776,806)	\$ (2,181,539)
b. Fully eligible active employees	(1,042,224)	( 795,826)	(1,077,636)
c. Other active employees	<u>(6,183,963)</u>	<u>(6,716,685)</u>	<u>(6,166,527)</u>
d. Subtotal	\$ <u>(8,899,972)</u>	\$ <u>(9,289,317)</u>	<u>(9,425,702)</u>
2. Plan assets at fair value	<u>0</u>	<u>0</u>	<u>0</u>
3. Funded Status: (1)+(2)	\$ (8,899,972)	\$ (9,289,317)	\$ (9,425,702)
4. Unrecognized net (gain) or loss	6,112,564	6,599,288	5,538,537
5. Unrecognized prior service cost	0	(1,487,594)	(1,404,950)
6. Unrecognized net obligation or (net asset)	<u>26,548</u>	<u>22,125</u>	<u>17,702</u>
7. Subtotal (4) + (5) + (6)	6,139,112	5,133,819	4,151,289
10. Total: (3) + (7)	\$ <u>(2,760,860)</u>	\$ <u>(4,155,498)</u>	\$ <u>(5,274,413)</u>

**SOUTHWEST POWER POOL**  
**RETIREMENT PLAN**

**FASB ASC 715-60 Items**

	Post-Retirement Medical Asset on <u>Balance Sheet</u>	Accumulated Other Comp. Income (loss) Post-Retirement <u>Medical Part</u>	<u>Total</u>
B. Reconciliation			
1. Balance 12/31/15	\$ (9,289,317)	\$ 5,133,819	\$ (4,155,498)
2. Change in assumption			
a) Discount Rate	( 0)	0	0
b) Mortality Table	( 37,554)	37,554	0
3. Net periodic post-retirement benefit cost for 2016	( 972,793)	( 236,779)	(1,209,592)
4. Cash contribution in 2016	90,677	0	90,677
5. Gains	783,285	( 783,285)	0
6. Balance 12/31/16	\$ (9,425,702)	\$ 4,151,289	\$ (5,274,413)

Note: The above does not include any tax effects.

**FASB ASC 715-60 Implementation**

C. Disclosure of FASB ASC 715-60 Benefit Cost	<u>2015</u>	<u>2016</u>	
1. Service Cost	\$ 678,813	\$ 486,621	
2. Interest Cost	526,833	486,172	
3. Actual Return on Assets	( 0)	( 0)	
4. Net amortization and deferral			
a. Deferral	0	0	
b. Net loss recognition	274,872	315,020	
c. Prior service cost amort.	0	( 82,644)	
d. Transition (asset) amort.	4,423	4,423	
e. Subtotal	<u>279,295</u>	<u>236,799</u>	
5. Net Periodic Postretirement Benefit Cost	<u>\$ 1,484,941</u>	<u>\$ 1,209,592</u>	
D. Determination of Cost for next year	<u>2015</u>	<u>2016</u>	<u>2017</u>
1. Service Cost	\$ 678,813	\$ 486,621	\$ 441,163
2. Interest Cost (on A(4) and D(1))	526,833	486,172	490,118
3. Expected return on assets	( 0)	( 0)	( 0)
4. Amortization of			
a. Unrecognized net (gain) or loss	274,872	315,020	255,332
b. Unrecognized prior service cost	0	( 82,644)	( 82,644)
c. Unrecognized net obligation or (net asset)	4,423	4,423	4,423
5. Net Periodic Postretirement Benefit Cost	<u>\$ 1,484,941</u>	<u>\$ 1,209,592</u>	<u>\$ 1,108,392</u>

**EXHIBIT 2**

**PARTICIPANT DATA**

A. The following participant data was used:

	<u>January 1 2016</u>	<u>January 1 2017</u>
Number of Active Employees covered	117	111
Number of Retirees Covered	15	18

B. Projected premium payment

1 <sup>st</sup> year	\$ 105,000	\$ 129,000
2 <sup>nd</sup> year	141,000	160,000
3 <sup>rd</sup> year	183,000	179,000
4 <sup>th</sup> year	219,000	187,000
5 <sup>th</sup> year	243,000	195,000
6 <sup>th</sup> through 10 <sup>th</sup> year	1,860,000	1,881,000

**EXHIBIT 3**

**ACTUARIAL ASSUMPTIONS**

**DISCOUNT RATE:** A discount rate of 5.00% was used for the 2017 and 2016 Benefit Cost and the December 31, 2016 and December 31, 2015 disclosures. A rate of 5.50% was used for the 2015 Benefit Cost and the December 31, 2014 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 2016:

	<u>Total</u>	<u>Paid by Employee</u>
Single, with Medicare	\$ 300.00	\$ 0.00
Family, with Medicare	600.00	0.00
Single, no Medicare	490.42	110.34
Family, no Medicare	1,093.71	246.08

**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 2017, under IRC 430 (the 2016 table was used last year). Mortality rates at a few sample ages are:

	<u>MORTALITY RATE PER 1,000</u>	
<u>AGE</u>	<u>MALE</u>	<u>FEMALE</u>
25	.273	.132
30	.378	.191
35	.658	.333
40	.834	.435
45	.992	.671
50	1.196	.968
55	1.639	1.953
60	2.911	3.348

Exhibit 3 (continued)

POST-RETIREMENT MORTALITY:

The table used by the IRS for 2017, under IRC 430 was used (the 2016 table was used last year). The life expectancy according to this table is as follows:

<u>AGE</u>	<u>MALES</u>	<u>FEMALES</u>
55	28.76 years	30.33 years
65	19.44 years	21.16 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:

<u>AGE</u>	<u>TERMINATION RATE PER 1,000</u>
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:

<u>AGE</u>	<u>RETIREMENT RATE</u>
55 – 61	.10
62	.25
63	.15
64	.15
65	1.00

# 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 14, 2017

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

RE: Retiree Medical Coverage – Cash Contribution for 2017

Dear Mr. Dunn:

I have calculated the 2017 net periodic postretirement benefit cost per Financial Accounting Standards Board Accounting Standards Codification 715-60. Those results are shown in my report to you dated February 13, 2017.

There are some assets (about \$10.4 million) that are currently being used to “fund” the postretirement health benefits. You asked me to calculate a “contribution” for this program, reflecting these assets.

The contribution for 2017, consistent with the FASB ASC 715-60 calculations except reflecting the assets, would be \$122,136.

The calculation incorporates the same actuarial assumptions used in my February 13, 2017 report.

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

Sincerely,



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



**Southwest Power Pool, Inc.**  
**FINANCE COMMITTEE**  
**Recommendation to the Board of Directors**  
**April 25, 2017**  
**2016 Financial Audit Acceptance**

**Organizational Roster**

The following persons are members of the Finance Committee:

Larry Altenbaumer	SPP Director
Bruce Scherr	SPP Director
Kelly Harrison	Westar
Laura Kapustka	Lincoln Electric
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 2013.

**Analysis**

BKD, LLC has completed and published its audit of SPP's 2016 financial statements. The Finance Committee, at its April 5, 2017 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 related to treatment of operating leases and revenue recognition.

**Recommendation**

The Finance Committee recommends the SPP Board of Directors accept in its entirety the 2016 audit report and findings of BKD, LLC.

**Approved:** SPP Finance Committee

**Action Requested:** Approve Recommendation

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, 2016, 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

We had discussions with management regarding alternative accounting treatments within accounting principles generally accepted in the United States of America for policies and practices for material items, including recognition, measurement and disclosure considerations related to the accounting for specific transactions as well as general accounting policies, as follows:

- 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
- Recoverability of property and equipment (depreciation)
- Fair value of long-term debt
- 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
- Commitments and contingencies

### Audit Adjustments

During the course of any audit, an auditor may propose adjustments to financial statement amounts. Management evaluates our proposals and records those adjustments that, in its judgment, are required to prevent the financial statements from being materially misstated.

- 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 Written Communication**

Listed below is other material written communication between management and us related to the audit:

- Management representation letter (attached)

### **OTHER MATTERS**

We observed the following matters and offer these comments and suggestions with respect to matters that came to our attention during the course of the audit of the financial statements. Our audit procedures are designed primarily to enable us to form an opinion on the financial statements and, therefore, may not bring to light all weaknesses in policies and procedures that may exist. However, these matters are offered as constructive suggestions for the consideration of management as part of the ongoing process of modifying and improving financial and administrative practices and procedures. We can discuss these matters further at your convenience and may provide implementation assistance for changes or improvements.

### **FASB Issues New Lease Accounting Standard**

On February 25, 2016, FASB issued Accounting Standards Update (ASU) 2016-02, *Leases (Topic 842)*, the long-awaited 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 public business entities, the final leases standard will be effective for fiscal years beginning after December 15, 2018, including interim periods within those fiscal years. For all other entities, the final leases standard will be effective for fiscal years beginning after December 15, 2019, and interim periods thereafter. Early application is permitted.

#### **FASB Issues New Revenue Recognition Standard**

The model for revenue recognition is changing with FASB's release on May 28, 2014, of ASU 2014-09, *Revenue from Contracts with Customers* (the ASU). Since 2008, FASB and the International Accounting Standards Board (IASB) have been working jointly on developing a single principles-based model for recognizing revenue. The goal of the final standard is to improve consistency of requirements, comparability of revenue recognition practices and usefulness of disclosures.

The ASU applies to all contracts with customers, other than those within the scope of other standards, such as leases, insurance, financing arrangements, financial instruments and guarantees (other than product or service warranties). The ASU does not apply to other parties to a contract who are not customers.

The core principle of the new model is that an entity would recognize revenue as it transfers goods or services to customers in an amount that reflects the consideration it expects to receive. In order to achieve that core principle, an entity would apply a five-step model.

The five-step application is as follows:

- Step 1: Identify the contract with a customer
- Step 2: Identify the separate performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the separate performance obligations in the contract
- Step 5: Recognize revenue when (or as) performance obligations are satisfied

The table below outlines the significant changes to expect from the new revenue recognition standard.

Under the Current Guidance	Under the New Guidance
There are several requirements for recognizing revenue, including many that are industry specific.	There will be consistent principles, regardless of industry, for recognizing revenue.
Most companies provide little disclosure information about revenue contracts; disclosures usually relate to accounting policies and segment reporting.	There is now a cohesive set of disclosure requirements. These disclosures will provide users of the financial statements with quantitative and qualitative information regarding revenue recognition policies and how they are applied.
Some goods or services promised to a customer in a contract might represent separate obligations to the customer but could be determined to not be distinct revenue generating transactions.	Organizations will need to go through the five-step process outlined above.
In a multiple deliverable arrangement, the amount of consideration allocated to a delivered item is limited to the amount that is not contingent on the future delivery of goods or services.	Organizations will determine the transaction price. The transaction price will then be allocated to each performance obligation, except when a discount or some sort of variable consideration can be attributed entirely to one or more performance obligations in the contract.
Accounting for variable consideration varies from industry to industry.	Variable consideration will be included in the transaction price as long as it is deemed probable that a significant reversal of revenue will not occur. The new model includes consideration for various types of variable consideration, such as rebates, discounts bonuses or a right of return.

Entities can apply the new standard using either the full retrospective method—including the optional application of certain practical expedients—or use an alternative transition method. The alternative transition method requires an entity to apply the new guidance only to contracts in process under legacy U.S. generally accepted accounting principles (GAAP) at the date of initial application and recognize the cumulative effect of adoption as an adjustment to the opening balance of retained earnings in the year of initial application.

An entity choosing to apply the alternative transition method would not restate comparative years, but it would be required to provide additional disclosures in the initial year of adoption.

The standard will be effective for annual reporting periods beginning on or after December 15, 2018, and interim and annual reporting periods thereafter. Early application is permitted only as of annual reporting periods beginning after December 31, 2016, including interim reporting periods within that period.

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 XX, 2017

Attachment

DRAFT 3/29/2017

# **Southwest Power Pool, Inc.**

Independent Auditor's Report and Financial Statements

December 31, 2016 and 2015



**Southwest Power Pool, Inc.**  
December 31, 2016 and 2015

**Contents**

**Independent Auditor's Report..... 1**

**Financial Statements**

Balance Sheets..... 3  
Statements of Operations..... 4  
Statements of Members' Deficit..... 5  
Statements of Cash Flows ..... 6  
Notes to Financial Statements ..... 7

## **Independent Auditor's Report**

**Southwest Power Pool, Inc.**  
**Balance Sheets (in Thousands)**  
**December 31, 2016 and 2015**

**Assets**

	<b>2016</b>	<b>2015</b>
<b>Current Assets</b>		
Cash and cash equivalents	\$ 75,715	\$ 42,003
Restricted cash deposits	223,964	196,918
Accounts receivable, net	63,702	39,790
Prepaid expenses and other	9,291	8,420
Total current assets	372,672	287,131
 <b>Property and Equipment, at Cost</b>		
Land	4,812	4,812
Building	67,338	66,615
Furniture and fixtures	10,211	10,208
Equipment and machinery	46,210	49,549
Software	170,701	167,876
Software in development	5,205	3,396
Equipment under capital lease	4,876	4,876
	309,353	307,332
Less accumulated depreciation and amortization	216,663	170,852
	92,690	136,480
 <b>Investments (Note 2)</b>	10,835	9,352
 <b>Other Assets, Net</b>	4,628	5,059
	\$ 480,825	\$ 438,022

## Liabilities and Members' Deficit

	<u>2016</u>	<u>2015</u>
<b>Current Liabilities</b>		
Line of credit	\$ -	\$ 2,000
Accounts payable	66,927	30,609
Customer deposits	223,964	196,918
Current maturities of long-term debt ( <i>Note 4</i> )	21,410	21,353
Current maturities of obligations under capital lease ( <i>Note 5</i> )	1,817	591
Accrued expenses	54,310	44,092
Deferred revenue	5,127	5,318
	<u>373,555</u>	<u>300,881</u>
<b>Long-term Debt (<i>Note 4</i>)</b>	235,948	226,608
Less unamortized debt issuance costs	(898)	(992)
	<u>235,050</u>	<u>225,616</u>
<b>Obligation Under Capital Lease (<i>Note 5</i>)</b>	<u>3,856</u>	<u>5,674</u>
<b>Other Long-term Liabilities</b>	<u>35,044</u>	<u>35,267</u>
<b>Members' Deficit</b>	<u>(166,680)</u>	<u>(129,416)</u>
	<u>\$ 480,825</u>	<u>\$ 438,022</u>

**Southwest Power Pool, Inc.**  
**Statements of Operations (*in Thousands*)**  
**Years Ended December 31, 2016 and 2015**

	<u>2016</u>	<u>2015</u>
<b>Operating Income</b>		
Tariff fees and member assessments	\$ 171,464	\$ 171,717
Other member services	5,131	7,016
	<u>176,595</u>	<u>178,733</u>
<b>Operating Expenses</b>		
Salaries and benefits	90,186	84,043
Employee travel	1,919	1,903
Administrative	4,764	4,928
Regulatory assessment	18,648	13,939
Meetings	974	825
Communications system	3,915	3,758
Leases	-	123
Maintenance	14,775	13,553
Consulting services	15,065	12,529
Depreciation	58,025	59,190
	<u>208,271</u>	<u>194,791</u>
<b>Operating Loss</b>	<u>(31,676)</u>	<u>(16,058)</u>
<b>Other Income (Expense)</b>		
Investment income	191	1,768
Interest expense	(10,687)	(10,616)
Change in fair market value of interest rate swaps	682	(726)
Other expense	(431)	(1,097)
	<u>(10,245)</u>	<u>(10,671)</u>
<b>Loss Before Unrealized Loss and Change in Funded Status of Employee Benefit Plans</b>	(41,921)	(26,729)
<b>Unrealized Gain (Loss) on Investments</b>	659	(2,011)
<b>Change in Funded Status of Employee Benefit Plans</b>	<u>3,998</u>	<u>(13,730)</u>
<b>Net Loss</b>	<u>\$ (37,264)</u>	<u>\$ (42,470)</u>

**Southwest Power Pool, Inc.**  
**Statements of Members' Deficit (*in Thousands*)**  
**Years Ended December 31, 2016 and 2015**

	2016	2015
<b>Balance, Beginning of Year</b>	\$ (129,416)	\$ (86,946)
Net loss	(37,264)	(42,470)
<b>Balance, End of Year</b>	\$ (166,680)	\$ (129,416)

**Southwest Power Pool, Inc.**  
**Statements of Cash Flows (in Thousands)**  
**Years Ended December 31, 2016 and 2015**

	2016	2015
<b>Operating Activities</b>		
Net loss	\$ (37,264)	\$ (42,470)
Items not requiring cash		
Depreciation and amortization	58,120	59,285
Change in funded status of employee benefit plans	(3,998)	13,730
Unrealized loss (gain) on investments	(659)	2,011
Realized gain on investments	-	(1,576)
Loss on disposal of fixed assets	-	5
Impairment loss	82	349
Change in fair market value of interest rate swaps	(682)	726
Changes in assets and liabilities		
Accounts receivable	(23,912)	2,036
Prepaid expenses and other	(871)	809
Other assets	431	(962)
Accounts payable	36,318	(808)
Accrued expenses	10,027	(14,428)
Other long-term liabilities	4,456	2,652
	42,048	21,359
Net cash provided by operating activities	42,048	21,359
<b>Investing Activities</b>		
Acquisition of property and equipment	(14,317)	(14,267)
Purchase of investments	(825)	(9,764)
Proceeds from sale of investments	-	10,076
	(15,142)	(13,955)
Net cash used in investing activities	(15,142)	(13,955)
<b>Financing Activities</b>		
Repayments of long-term debt	(23,603)	(24,299)
Repayments of capital lease obligation	(591)	(636)
Repayment of borrowings under line of credit	(16,000)	(9,000)
Borrowings under line of credit	14,000	11,000
Issuance of long-term debt	33,000	-
	6,806	(22,935)
Net cash provided by (used in) financing activities	6,806	(22,935)
<b>Increase (Decrease) in Cash and Cash Equivalents</b>	33,712	(15,531)
<b>Cash and Cash Equivalents, Beginning of Year</b>	42,003	57,534
<b>Cash and Cash Equivalents, End of Year</b>	\$ 75,715	\$ 42,003
<b>Supplemental Cash Flows Information</b>		
Interest paid on long-term debt (net of interest capitalized of \$121 and \$102 in 2016 and 2015, respectively)	\$ 10,591	\$ 10,326
Assets purchased under capital lease obligations	\$ -	\$ 4,876
Property and equipment purchases in accounts payable and accrued liabilities	\$ 1,991	\$ 1,548

**Southwest Power Pool, Inc.**  
**Notes to Financial Statements (*in Thousands*)**  
**December 31, 2016 and 2015**

**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 18 million ultimate customers across all or parts of 14 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 and independent transmission companies.

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, 2016 and 2015, the Company's cash and cash equivalents, including restricted deposits, are invested primarily in money market funds, mutual funds and repurchase agreements. These investments are typically revalued to the market each day and, in the case of repurchase agreements, are collateralized by U.S. government and federal agency securities. 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 held in escrow for disputed invoices.

***Investments***

The Company's investments include equity and fixed income mutual funds. These investments are recorded at fair value, with unrealized gains and losses reported as non-operating 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 457f deferred compensation plan.

***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.

**Southwest Power Pool, Inc.**  
**Notes to Financial Statements (*in Thousands*)**  
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***Accounts Receivable***

Accounts receivable are stated at the amount billed to members, customers and others plus any accrued and unpaid interest. The Company provides an allowance for doubtful accounts, when necessary, 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. At December 31, 2016 and 2015, the Company had recorded an allowance for doubtful accounts of \$822.

***Property and Equipment***

Property and equipment 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 \$121 and \$102 in 2016 and 2015, 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 its fair value.

In 2016, the Company recorded an impairment loss of \$82 for previously capitalized costs associated with the development of an engineering software tool. In 2015, management of the Company made the decision to switch vendors for the system development associated with the Z2 project. The Z2 project implements Attachment Z2 of the tariff, which provides for payments of credits for use by others of sponsored transmission upgrades. Previously capitalized development costs of \$349 were determined to be impaired and an impairment loss was recorded in 2015. The amounts are recorded as an impairment loss in the accompanying Statements of Operations and are included in other income (expense).

***Revenue Recognition***

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

**Southwest Power Pool, Inc.**  
**Notes to Financial Statements (*in Thousands*)**  
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***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 held in escrow related to disputed invoices are also recorded as a customer deposit 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 2016 and 2015, all members paid a \$6 membership fee.

The Company also bills transmission customers and transmission owners 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 from transmission customers the annual charges the Company pays to FERC.

***Deferred Revenue***

Revenues for contract 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***

Members wishing to withdraw their membership from the Company must provide 24 months' written notice and are responsible for their portion of the Company's existing obligations as defined in the bylaws, which include 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. Withdrawing members may also be responsible for all financial obligations incurred and costs allocated to its load for transmission facilities approved prior to their withdrawal. As of December 31, 2016 and 2015, the Company had not been notified by any member of their intent to withdraw their membership from the Company.

**Southwest Power Pool, Inc.**  
**Notes to Financial Statements (in Thousands)**  
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***Concentration of Credit Risk***

The Company is exposed to credit risk primarily through accounts receivable and uninsured cash balances. During 2016 and 2015, 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, 2016 and 2015, the Company did not have transaction accounts exceeding federal insurance limits. The Company's investment accounts were primarily invested in highly liquid short-term investments such as money market funds, mutual funds and repurchase agreements. 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. At December 31, 2016 and 2015, the Company had \$822 recorded as allowance for doubtful accounts.

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.

***Reclassifications***

Certain reclassifications have been made to the 2015 financial statements for the adoption of Accounting Standards Update 2015-03, *Interest – Imputation of Interest (Subtopic 835-30): Simplifying the Presentation of Debt Issuance Costs*, that were deemed to be immaterial. These reclassifications had no effect on net loss.

**Note 2: Investment and Investment Returns**

Investments at December 31 consisted of the following:

	<u>2016</u>	<u>2015</u>
<b>Mutual Funds</b>		
Equity	\$ 7,789	\$ 6,536
Fixed income	<u>3,046</u>	<u>2,816</u>
Total mutual funds	<u>10,835</u>	<u>9,352</u>
	<u>\$ 10,835</u>	<u>\$ 9,352</u>

**Southwest Power Pool, Inc.**  
**Notes to Financial Statements (in Thousands)**  
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Total investment return is comprised of the following:

	<b>2016</b>	<b>2015</b>
Interest and dividends reported at fair value	\$ 191	\$ 192
Net realized and unrealized gains (losses) on investments reported at fair value	659	(435)
	\$ 850	\$ (243)

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

**Note 3: Line of Credit**

In October 2016, the Company established a new \$30,000 revolving line of credit expiring in 2019. At December 31, 2016, no amounts were borrowed against this line. At December 31, 2015, \$2,000 was borrowed against the previous \$30,000 revolving line of credit. Both agreements had a variable interest rate equal to the London Interbank Offered Rate (LIBOR) plus a credit margin. 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, 2016.

**Southwest Power Pool, Inc.**  
**Notes to Financial Statements (in Thousands)**  
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**Note 4: Long-term Debt and Interest Rate Swaps**

*Long-term Debt*

	<b>2016</b>	<b>2015</b>
Variable Rate Term Note due 2027 (A)	\$ 3,136	\$ 3,341
5.45% Senior Notes due 2016 (B)	-	3,000
4.82% Series 2010-A and B Senior Notes due 2042 (C)	60,722	61,870
3.55% Series 2010-C Senior Notes due 2024 (D)	50,750	57,750
3.00% Series 2012-D-1 Senior Notes due 2024 (E)	36,250	41,250
3.25% Series 2012-D-2 Senior Notes due 2024 (F)	38,750	43,750
3.80% Series 2014-E Senior Notes due 2025 (G)	37,000	37,000
Floating Series Note - 2024 (H)	30,750	-
	257,358	247,961
Less unamortized debt issuance costs	898	992
Less current maturities	21,410	21,353
	\$ 235,050	\$ 225,616

- (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, 2016 and 2015, the interest rate was 1.75% and 1.18%, respectively. The note is secured by a first mortgage on the Company's operation facility.
- (B) Due July 23, 2016; principal and interest are payable quarterly based on a seven-year amortization. Payments commenced on September 30, 2011. The interest rate is fixed at 5.45%. The note is unsecured.
- (C) 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 note is unsecured.
- (D) 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 note is unsecured.
- (E) 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 note is unsecured.
- (F) 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 note is unsecured.

**Southwest Power Pool, Inc.**  
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- (G) 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 3.80%. The note is unsecured.
- (H) Due March 30, 2024; principal and interest are payable monthly based on an 8-year amortization. Payments commenced on June 30, 2016. The interest rate adjusts monthly based on LIBOR plus 1.75%. At December 31, 2016, the interest rate was 2.37%. The note is unsecured.

Aggregate annual maturities of long term debt at December 31, 2016, are:

2017	\$	21,410
2018		21,469
2019		22,281
2020		22,596
2021		23,208
Thereafter		146,394
	\$	257,358

Certain of the Company's term notes require compliance with 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, 2016.

***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 \$3,111 and \$3,315 at December 31, 2016 and 2015, 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 a notional amount of \$30,750 at December 31, 2016. 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 I).

**Southwest Power Pool, Inc.**  
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The table below presents certain information regarding the Company's interest rate swap agreements.

	<b>2016</b>	<b>2015</b>
Fair value of interest rate swap agreements	\$ 2,506	\$ 3,188
Balance sheet location of fair value amounts	Other Long-term Liabilities	Other Long-term Liabilities
Gain/(Loss) recognized in statement of operations	\$ 682	\$ (726)
Location of loss recognized in statement of operations	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 is five years and expires on November 1, 2019. At December 31, 2016 and 2015, accumulated depreciation for equipment purchased under the capital lease was \$3,115 and \$1,490, respectively. Future minimum payments on the capital lease obligation at December 31, 2016, are:

2017	\$ 2,015
2018	2,015
2019	2,015
Total minimum lease payments	6,045
Less: Amount representing interest	372
Present value of minimum lease payments	\$ 5,673

**Note 6: Operating Leases**

The Company had noncancellable operating leases for certain office equipment that expired in 2015. The Company incurred lease expense related to these operating leases of \$123 in 2015.

**Southwest Power Pool, Inc.**  
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**Note 7: 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 \$5,200 to the plan in 2017.

The Company has a noncontributory defined benefit postretirement health care plan covering eligible retirees, including those retiring between the ages of 55–65 and hired prior to January 1, 1996. Employees hired after June 1, 2006, are not eligible to participate in the noncontributory defined postretirement health care plan.

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

	<b>Pension Benefits</b>		<b>Postretirement Health Care Benefits</b>	
	<b>2016</b>	<b>2015</b>	<b>2016</b>	<b>2015</b>
Benefit obligation	\$ 76,969	\$ 68,088	\$ 9,426	\$ 9,289
Fair value of plan assets	<u>57,739</u>	<u>47,735</u>	<u>-</u>	<u>-</u>
Funded status	<u>\$ (19,230)</u>	<u>\$ (20,353)</u>	<u>\$ (9,426)</u>	<u>\$ (9,289)</u>

Amounts recognized in the balance sheets:

	<b>Pension Benefits</b>		<b>Postretirement Health Care Benefits</b>	
	<b>2016</b>	<b>2015</b>	<b>2016</b>	<b>2015</b>
Noncurrent liabilities	\$ (19,230)	\$ (20,353)	\$ (9,426)	\$ (9,289)

Amounts recognized in members' equity not yet recognized as components of net periodic benefit cost as of December 31, 2016 and 2015, consist of:

	<b>Pension Benefits</b>		<b>Postretirement Health Care Benefits</b>	
	<b>2016</b>	<b>2015</b>	<b>2016</b>	<b>2015</b>
Net loss	\$ 18,681	\$ 21,588	\$ 5,538	\$ 6,599
Prior service credit	(23)	(22)	(1,405)	(1,487)
Transition obligation	<u>66</u>	<u>82</u>	<u>18</u>	<u>22</u>
	<u>\$ 18,724</u>	<u>\$ 21,648</u>	<u>\$ 4,151</u>	<u>\$ 5,134</u>

**Southwest Power Pool, Inc.**  
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The accumulated benefit obligation for the defined benefit pension plan was \$61,476 and \$53,754 at December 31, 2016 and 2015, respectively.

Other significant balances and costs are:

	Pension Benefits		Postretirement Health Care Benefits	
	2016	2015	2016	2015
Employer contributions	\$ 5,380	\$ 3,760	\$ -	\$ -
Benefits paid	713	612	91	90
Benefit costs	7,182	4,488	1,210	1,485

During 2016, the Company transferred \$250 into the investment account holding assets intended to be utilized in providing benefits for eligible retirees.

The following amounts have been recognized in the statements of operations for the years ended December 31, 2016 and 2015:

	Pension Benefits		Postretirement Health Care Benefits	
	2016	2015	2016	2015
Amounts arising during the period				
Net gain (loss)	\$ 2,092	\$ (3,791)	\$ 783	\$ 881
Amounts recognized as benefit components of net periodic cost of the period				
Net loss	985	105	315	275
Net prior service credit	1	1	(83)	-
Net transition obligation	16	16	4	4

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 cost over the next fiscal year are \$785, \$1 and \$16, respectively. The estimated net loss, prior service cost, 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 \$255, \$83 and \$4, respectively.

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

	Pension Benefits		Postretirement Health Care Benefits	
	2016	2015	2016	2015
Discount rate benefit obligation	5.0%	5.0%	5.0%	5.0%
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

**Southwest Power Pool, Inc.**  
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The Company changed the discount rate and mortality table used in its actuarial calculation of the pension benefit obligation for the defined benefit plan as of December 31, 2015. The decrease in the discount rate and increase in life expectancy assumptions each increased the pension benefit obligation by \$5,570 and \$5,585, respectively as of December 31, 2015. Additionally, the actual return on plan assets was significantly lower than the actuarial assumption. The loss from this difference has been deferred and increased the negative position of the funded status by \$4,630 as of December 31, 2015. Effective October 1, 2015, eligible retirees no longer participate in the Company sponsored medical plan. Eligible retirees are now provided monies through a tax-free health reimbursement account to pay for individual Medicare supplemental health insurance plans or other eligible health care expenses. This change resulted in a decrease to the benefit obligation for the postretirement health care plan of \$1,487 as of December 31, 2015.

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 2016 and 2015. The rate was assumed to decrease gradually to 5% by the year 2021 and remain at that level thereafter.

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

	<b>Pension Benefits</b>	<b>Postretirement Health Care Benefits</b>
2017	\$ 842	\$ 129
2018	1,040	160
2019	1,187	179
2020	1,294	187
2021	1,505	195
2022–2026	13,382	1,881

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.

**Southwest Power Pool, Inc.**  
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At December 31, 2016 and 2015, plan assets by category are as follows:

	<b>Pension Plan Assets</b>	
	<b>2016</b>	<b>2015</b>
Fixed income securities	27%	24%
Equity securities	67	68
Cash and equivalents	6	8
	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.

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, government securities 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, 2016 and 2015, the Company does not hold any plan assets valued using Level 3 inputs.

**Southwest Power Pool, Inc.**  
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The fair values of the Company's pension plan assets at December 31, 2016 and 2015, by asset category are as follows:

	2016			
	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)
<b>Money market mutual funds</b>	\$ 3,518	\$ 3,518	\$ -	\$ -
<b>Mutual funds</b>				
Equity funds	28,500	19,766	8,734	-
Fixed income funds	8,795	5,785	3,010	-
Other funds	1,363	255	1,109	-
	<u>38,658</u>	<u>25,805</u>	<u>12,853</u>	<u>-</u>
<b>Domestic common stock</b>				
Energy	3,456	3,456	-	-
Financials	1,536	1,536	-	-
Healthcare	1,961	1,961	-	-
Other	1,858	1,858	-	-
	<u>8,811</u>	<u>8,811</u>	<u>-</u>	<u>-</u>
<b>Foreign stocks</b>	303	303	-	-
<b>Corporate debt obligations</b>	5,945	-	5,945	-
<b>Foreign government securities</b>	505	-	505	-
<b>Total</b>	<u>\$ 57,739</u>	<u>\$ 38,436</u>	<u>\$ 19,302</u>	<u>\$ -</u>

	2015			
	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)
<b>Cash equivalents</b>	\$ 1	\$ 1	\$ -	\$ -
<b>Money market mutual funds</b>	3,637	3,637	-	-
<b>Mutual funds</b>				
Equity funds	24,088	16,615	7,473	-
Fixed income funds	5,833	4,311	1,522	-
Other Funds	583	-	583	-
	<u>30,504</u>	<u>20,926</u>	<u>9,578</u>	<u>-</u>
<b>Domestic common stock</b>				
Energy	3,573	3,573	-	-
Financials	1,316	1,316	-	-
Healthcare	2,019	2,019	-	-
Other	1,543	1,543	-	-
	<u>8,452</u>	<u>8,452</u>	<u>-</u>	<u>-</u>
<b>Foreign stocks</b>	342	342	-	-
<b>Corporate debt obligations</b>	4,281	-	4,281	-
<b>Foreign government securities</b>	519	-	519	-
<b>Total</b>	<u>\$ 47,735</u>	<u>\$ 33,357</u>	<u>\$ 14,378</u>	<u>\$ -</u>

**Southwest Power Pool, Inc.**  
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***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 \$2,600 and \$2,473 for 2016 and 2015, 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 \$1,924 and \$1,557 are recorded in other long-term liabilities at December 31, 2016 and 2015, 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 \$460 recorded in other long-term liabilities for the 457(f) plan participants at December 31, 2016. At December 31, 2015, there were no active agreements under the current 457(f) plan.

**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 \$19,661 and \$26,541 as of December 31, 2016 and 2015, respectively. The Company recognized revenues of \$124,652 and \$129,021, including assessments and tariff administrative fees, from members for the years ended December 31, 2016 and 2015, 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 2016 and 2015, the Company incurred \$257 and \$233, respectively, in expenses attributable to RSC operations. Management of the Company expects such expenditures for 2017 to be approximately \$322.

**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 43 providers in 14 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 owner on a monthly basis. Billings for these transmission services are not included in the statements of operations. The Company receives a fee for facilitating the transmission process, which is recorded as tariff fees in the Company's statements of operations. For the years ended December 31, 2016 and 2015, the Company billed transmission customers \$2,009,809 and \$1,672,796, respectively. For the years ended December 31, 2016 and 2015, the Company remitted to transmission owners \$1,850,198 and \$1,509,656, respectively. At December 31, 2016 and 2015, the Company was due to collect from customers and remit to owners transmission service charges of \$161,852 and \$144,843, respectively.

**Southwest Power Pool, Inc.**  
**Notes to Financial Statements (*in Thousands*)**  
**December 31, 2016 and 2015**

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 operations 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, 2016 and 2015, the Company held \$19,694 and \$13,494, 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

**Southwest Power Pool, Inc.**  
**Notes to Financial Statements (in Thousands)**  
**December 31, 2016 and 2015**

	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)
<b>December 31, 2016</b>				
Cash equivalents	\$ 15,073	\$ 15,073	\$ -	\$ -
Mutual funds				
Equity	7,789	-	7,789	-
Fixed income	3,046	-	3,046	-
Interest rate swap agreements	(2,506)	-	(2,506)	-

	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)
<b>December 31, 2015</b>				
Cash equivalents	\$ 13,942	\$ 13,942	\$ -	\$ -
Mutual funds				
Equity	6,536	-	6,536	-
Fixed income	2,816	-	2,816	-
Interest rate swap agreements	(3,188)	-	(3,188)	-

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, 2016.

***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, 2016 and 2015, 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.

**Southwest Power Pool, Inc.**  
**Notes to Financial Statements (in Thousands)**  
**December 31, 2016 and 2015**

***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 or liabilities 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.

***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.

The following table presents estimated fair values of the Company's financial instruments at December 31, 2016 and 2015:

	2016		2015	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
<b>Financial assets</b>				
Cash and cash equivalents	\$ 75,715	\$ 75,715	\$ 42,003	\$ 42,003
Restricted cash deposits	\$ 223,964	\$ 223,964	\$ 196,918	\$ 196,918
Investments	\$ 10,835	\$ 10,835	\$ 9,352	\$ 9,352
<b>Financial liabilities</b>				
Customer deposits	\$ 223,964	\$ 223,964	\$ 196,918	\$ 196,918
Capital lease obligations	\$ 5,673	\$ 5,791	\$ 6,265	\$ 6,400
Long-term debt	\$ 257,358	\$ 256,665	\$ 247,961	\$ 247,531
Swap agreements	\$ 2,506	\$ 2,506	\$ 3,188	\$ 3,188

**Note 12: Subsequent Events**

Subsequent events have been evaluated through the date of the Independent Auditor's Report, which is the date the financial statements were available to be issued.



**Southwest Power Pool, Inc.**  
**FINANCE COMMITTEE**  
**Recommendation to the Board of Directors**  
**April 25, 2017**  
**Auditor Engagements**

**Organizational Roster**

The following persons are members of the Finance Committee:

Larry Altenbaumer	SPP Director
Bruce Scherr	SPP Director
Kelly Harrison	Westar
Laura Kapuskatka	Lincoln Electric
Mike Wise	Golden Spread

**Background**

SPP annually engages Certified Public Accounting (CPA) firms to perform audits of its control activities, financial statements and employee benefit plans (401(k) Savings Plan, Retirement Plan and Medical Plan). The current slate of auditors and their tenure on the SPP audits are as follows:

Controls Audit (3 yr exp 10/19)	KPMG	3 years
Financial Audit	BKD	13 years
Benefit Plan Audits	Thomas & Thomas	12 years

The Committee, in 2016, established a guideline to formally put the audit work out for bid every 6 years, unless the Committee determined, at its own discretion, to accelerate or delay the timing of a formal bid process. The last RFP issued for SPP's audit work occurred in 2013, therefore, SPP would expect to perform a formal bid process for the audit work in 2019.

**Analysis**

**Audit Fee Analysis for Financial and Benefit Plans**

SPP has seen modest increases in the combined audit fees for BKD and Thomas & Thomas over the last six years, averaging 3.0% year over year from 2011-2016. The combined fee history over the last six years for both BKD and Thomas & Thomas are as follows:

	2011	2012	2013	2014	2015	2016
Total Audit Fees	\$109,525	\$111,997	\$113,141	\$117,840	\$122,215	\$124,679
Annual Increase		2%	1%	4%	4%	2%

Based on discussion with audit partners from both BKD and Thomas & Thomas, projected audit fees thru 2018 are estimated to be as follows:

	2016	2017	2018
Total Audit Fees	\$124,679	\$129,050	\$133,655
Annual Increase		4%	4%

**Audit Staffing Continuity for Financial and Benefit Plans**

Both firms have historically provided consistency in their staffing of the audits which provides greater efficiency in the execution of fieldwork. While it is impossible to get an entire engagement staff back year over year, SPP has benefited from having continuity of staff, especially in the more senior positions of the audit teams.

**Recommendation**

The Finance Committee recommends the engagement of BKD to perform an audit of SPP's 2017 financial statements and Thomas & Thomas to perform an audit of SPP's 2017 employee benefit plan financial statements.

**Approved:** SPP Finance Committee

**Action Requested:** Approve Recommendation

# SPP's Cyber Risk

Finance Committee

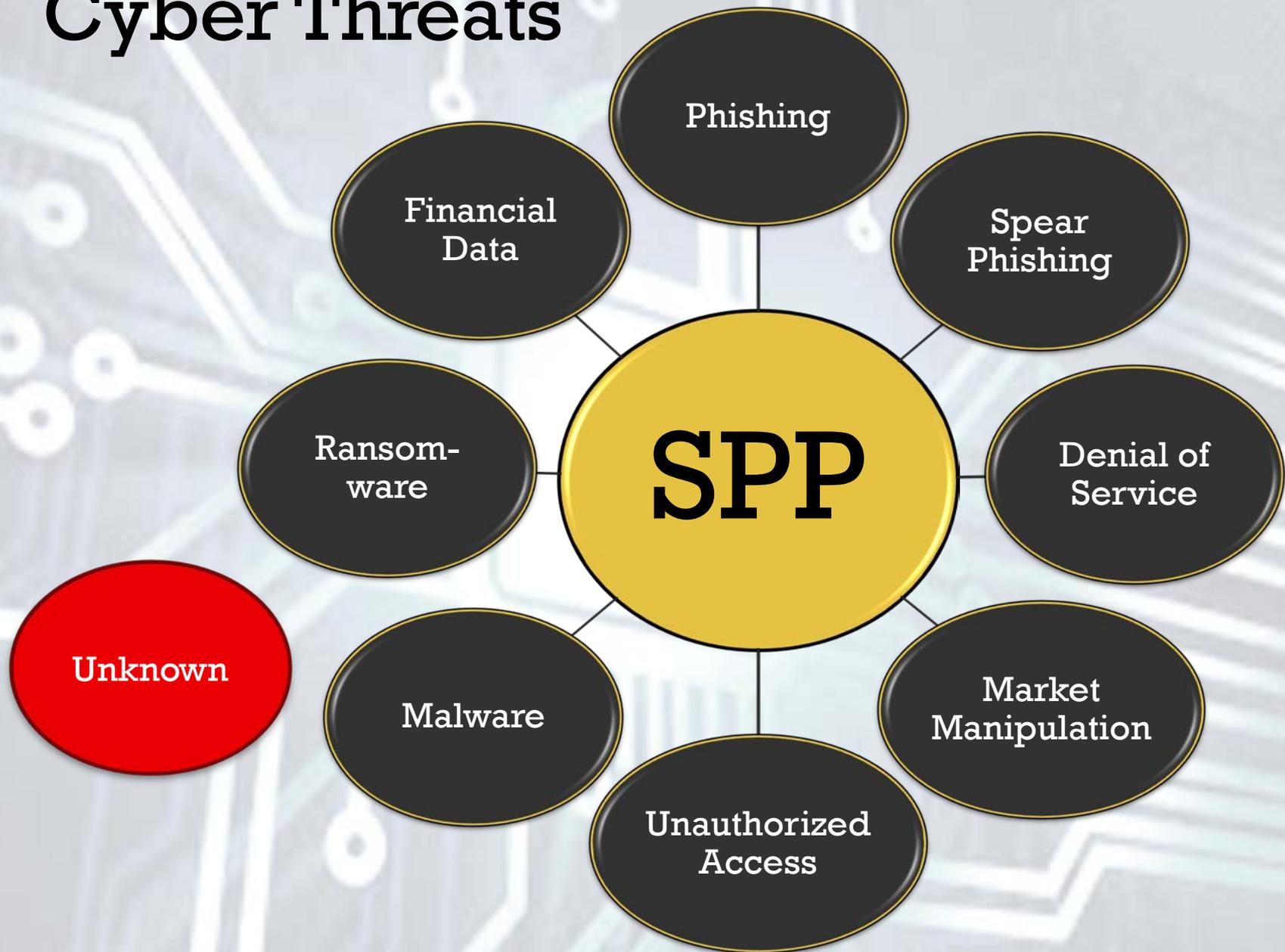
April 5, 2017

# Discussion Items

*Action Item: Investigate how SPP member utilities insure against cyber liabilities*

- **Cyber Threats**
- **Proactive Claim Preventions**
- **Likely Claims**
- **Member Interviews**
- **Next Steps**

# Cyber Threats



# Proactive Claim Preventions

## Systematic

Technology Investment

24/7 Monitoring

Physical Security

Strong Passwords

2-Factor Authentication

Release Update

## Process

NERC Compliance

Staff Education

Emergency & Restoration Plans

Business Controls

Signature Authority

Mutual Aid Partners

# Likely Claims for SPP, Inc.

## Corporate System Breach

Ransomware

Personnel Info

Accounting Data

System Restoration

## Market Manipulation

3<sup>rd</sup> Party  
*(Defense)*

2<sup>nd</sup> Party  
Vendors

Regulatory Fines

System Restoration

## Reliability System Breach

3<sup>rd</sup> Party  
*(Defense)*

2<sup>nd</sup> Party  
Vendors

Regulatory Fines

System Restoration

Potential Severity of Claim



# Member Interviews

	Risk Manager #1	Risk Manager #2
<b>Primary Coverages</b>	<ul style="list-style-type: none"> <li>• Customer Information</li> <li>• Control Systems</li> <li>• Ransomware</li> </ul>	<ul style="list-style-type: none"> <li>• Customer Information</li> <li>• Viruses &amp; Attacks</li> <li>• Ransomware</li> </ul>
<b>Hdwr &amp; Sfwr Damages</b>	Control Systems, Relays, & Communications	Yes
<b>Other Coverages</b>	<ul style="list-style-type: none"> <li>• Business Interruption</li> <li>• Some</li> </ul>	<ul style="list-style-type: none"> <li>• Business Interruption</li> <li>• Some 2<sup>nd</sup> Party and Non-Affiliate</li> </ul>
<b>Limits</b>	\$75MM (\$40 for PI)	\$30MM ( <i>likely to incr.</i> )
<b>Coverage Adequacy</b>	Broad coverage due to recent form enhancements	Comfortable with benchmarking against other products
<b>Broker Value</b>	Broker utility & cyber groups; uses analytics	Broker used workshops to aid coverage needs; cyber expertise
<b>Other</b>	Physical damage covered under property	Has not had a thorough audit of current policies & practices

# Next Steps

- **Calculation of potential claims**
  - Defense of 3<sup>rd</sup> & 2<sup>nd</sup> party claims
  - True cost of system restoration
  - Possibility of regulatory penalties
- **Dialogue with underwriters**
  - *RTOs with cyber policies use one of two underwriters*
- **Assess premiums, retentions and coverages for SPP needs**

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

**Purpose:**

The purpose of the Finance Committee is to oversee all aspects of SPP's finances and financial operations, primarily insuring appropriate controls, policies and procedures are documented and adhered to allowing SPP to report accurate financial reports, access external capital as required, while not exposing the company or its membership to undue risks.

**Scope of Activities:**

The Committee, in discharging its oversight role, is empowered to study or investigate any matter of interest or concern that the Committee deems appropriate. In this regard, the Committee shall have the authority to retain outside legal, accounting or other advisors for this purpose, including the authority to approve the fees payable to such advisors and any other terms of retention. The Committee is directly responsible for oversight of the work (including both audit and non-audit services) of the independent financial, controls, and benefit plan auditors. The Committee will recommend engagement and compensation of the independent auditors to the SPP Board of Directors. The Committee shall be given full access to the corporation's accounting staff, Board of Directors, corporate executives and independent accountants as necessary to carry out these responsibilities.

The Committee will have responsibility to approve, monitor/review, recommend, and report, as follows:

**Approve:**

- Annually, significant financial and compliance policies which fall under the purview of the Committee
- Annually, the basic assumptions used by SPP's actuary to determine the financial status and funding requirements of SPP's pension and post-retirement healthcare plans. These basic assumptions include, but are not limited to, discount rate, investment rate of return, rate of compensation change, and mortality tables utilized. The Committee will report these assumptions to the SPP Board of Directors.
- Annually, the Investment Policy Statements for the Company's retirement plan and post-retirement healthcare plan to ensure the Investment Policy Statements continue to be appropriate for the goals of the plans
- ~~Engage Investment Managers who have discretionary investment powers for any of the Company's benefit plan or other funds~~

**Review/Monitor:**

- The methodology of cost recovery to insure continuing equity for Members
- Any legal matter that could have a significant impact on the corporation's financial statements
- The adequacy of internal financial controls and the resolution of any identified material weaknesses or reportable conditions
- The corporation's guidelines and policies with respect to risk assessment and risk management focusing on the corporation's major financial risk exposures and the steps management has taken to monitor and control such exposures
- The structure of the Company's corporate liability insurance program, including review of retentions, insurance limits and exceptions, quality of underwriters, and activities of the broker(s) engaged to represent the Company to the insurance markets

- ~~• Annually, the Investment Policy Statements for the Company's retirement plan and post-retirement healthcare plan to ensure the Investment Policy Statements continue to be appropriate for the goals of the plans~~
- Annually, the investment performance of Investment Managers who have discretionary investment powers for the pension and/or post-retirement healthcare plan assets and compliance with the approved Investment Policy Statements for the plans
- Policies for management of the company's capitalization, financing and long-term contracts
- At least annually, the performance of the Committee and its members, including reviewing the compliance of the Committee with this Charter

**Recommend to the Board of Directors:**

- Annually, an operating budget, capital budget and each special budget for the upcoming fiscal year
- Annually, rates to be charged under Schedule 1A and for the assessment of members
- Annually, the corporation's audited financial statements as the corporate record of financial results for the prior fiscal year. The Committee shall review and discuss with management and the independent auditors, prior to public dissemination, the corporation's annual audited financial statements with primary focus on the quality and integrity of the statements
- Annually, the engagement of independent auditors to audit the corporation's annual financial statements, benefit plan financial statements, and controls environments.
- Annually, contributions to SPP's pension and post-retirement healthcare plans
- As needed, issuance of notes to fund capital expenditures, liquidity, and other general corporate purpose

**Report to the Board of Directors:**

- All actions taken by the Committee
- Any issues regarding the quality or integrity of the corporation's financial statements, compliance with legal or regulatory requirements, or the performance and independence of the corporation's independent financial and controls auditors
- Financial results with comparisons to budget
- Any other matters relevant to the Committee's discharge of its responsibilities

The Committee is not responsible for certifying the corporation's financial statements or guaranteeing the auditor's report. The fundamental responsibility for the corporation's financial statements and disclosures rests with management.

**Representation:**

The Finance Committee shall be comprised of up to six members. Two representatives shall be members of the Board of Directors and one of these will be the chairperson. Two representatives from the Transmission Owning Member sector as nominated by the Corporate Governance Committee and two representatives from the Transmission Using Member sector as nominated by the Corporate Governance Committee. The Board of Directors shall appoint their representatives at the regular meeting of the Board of Directors immediately following the Annual Meeting of Members. Persons designated as representatives on the Finance Committee will continue to serve until their successors have been appointed. Where a vacancy occurs, the Corporate Governance Committee will fill the vacancy in accordance with SPP Bylaws.

**Duration:**

The Finance Committee is a permanent committee. The Committee shall meet a minimum of two times per fiscal year and at other times as called by the Chair. A quorum will constitute at least half of the



members of the Committee but no less than three members. Proxies are allowed if reported to the Chair prior to the meeting. All meetings of the Finance Committee shall be open to all interested parties unless closed by the Chair of the Committee.

**Reporting:**

The Finance Committee reports directly to the Board of Directors.

Suggested General Meeting Schedule  
SPP Finance Committee

April Meeting (with dinner)

- Financial Audit Review
- Benefit Plan Funding
- Auditor Engagement
- Annual Review of Benefit Plan Performance (Staff report)

June Meeting (usually following SPP BOD education meeting)

- Review of Committee Performance
- Committee Development
- Special Topics

July Meeting (chair and vice chair of FC, chair of SPC, chair of MOPC; follows SPC meeting)

- Operating Plan Process Launch

July Teleconference Meeting (follows meetings of the chairs of the FC, SPC and MOPC)

- Admin Fee Forecast

September Meeting - Dallas

- Mid-year Review
- Joint FC / SPC Meeting to Review Operating Plan
  - Address BPI initiatives

October – November Meeting (with dinner) – Little Rock

- Budget Review

November Meeting (tentative) – Little Rock

- Follow-up Budget Meeting

December Meeting – Little Rock

- SSAE-16 Audit Report
- Corporate Insurance Review (Staff report)
- Authority Review
- Actuary Assumption Review (w/actuary)

Periodic as needed

- Debt Financing Authorization

# Memorandum

To: **Finance Committee Members**  
 From: **Tom Dunn**  
 CC: **Shaun Scott**  
 Date: **March 29, 2017**  
 Re: **2016 - 17 Meeting Schedule**

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

<u>Meeting Date</u>	<u>Time</u>	<u>Meeting Location</u>	<u>Major Agenda Item</u>
April 5, 2017	7:30	Atlanta, GA	Financial Audit Review (dinner 4/4) Benefit Plan Funding Auditor Engagement Cyber Risk
June <del>13</del> -14, 2017	<del>7:30</del> <u>2:00</u>	Little Rock, AR	<del>BPI Review</del> <del>Mid-Year Review</del> <del>2018 Admin Fee Forecast</del> <del>Financial Audit Engagement</del> <del>Admin Fee Billing Units</del>
<del>August 23, 2017</del> <del>July 13, 2017</del>	<del>10:00</del> <del>3:00</del>	<del>Dallas, TX</del> <del>Denver, CO</del>	FC, SPC, & MOPC Chair meeting
September 26, 2017	8:30	Dallas, TX (AEP Office)	Joint FC/SPC Meeting to review 2018 Operating Plan <u>Mid-year Review</u>
<del>October 31, 2017</del>	<del>3:00</del>	<del>Teleconference</del>	<del>Preliminary 2018 Budget Review</del>
November <del>9</del> <u>1</u> , 2017	7:30	Little Rock, AR	2018 Budget Review (dinner <del>11/8</del> <u>10/31</u> )
November 21, 2017	10:30	<del>Dallas, TX</del> <u>Teleconference</u>	2018 Budget ( <b>IF NEEDED</b> )
December 4, 2017	2:00	Little Rock, AR	SSAE-16 Audit Report, BPI Review Corporate Insurance Review, Authority Review, Actuary Assumption Review

Monthly Financial Reporting Package  
February 2017

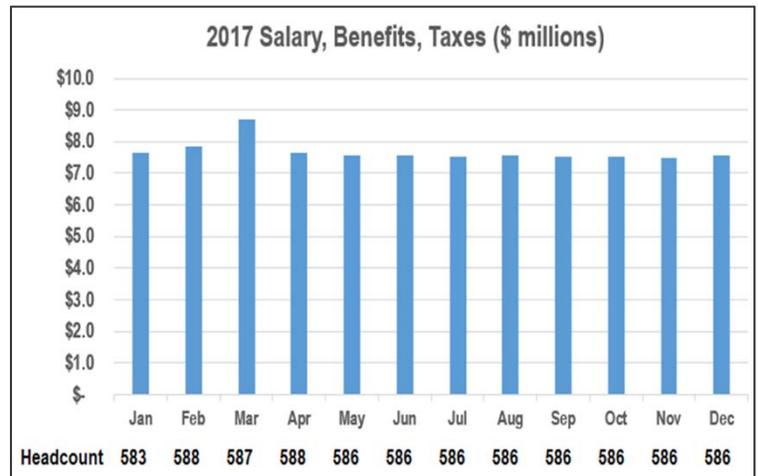
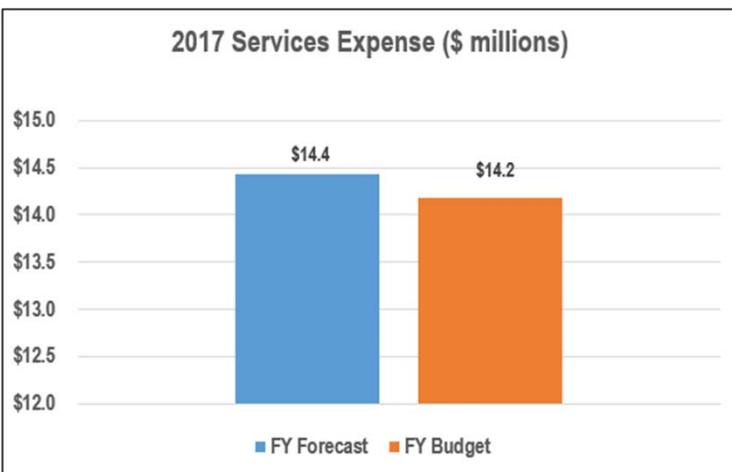
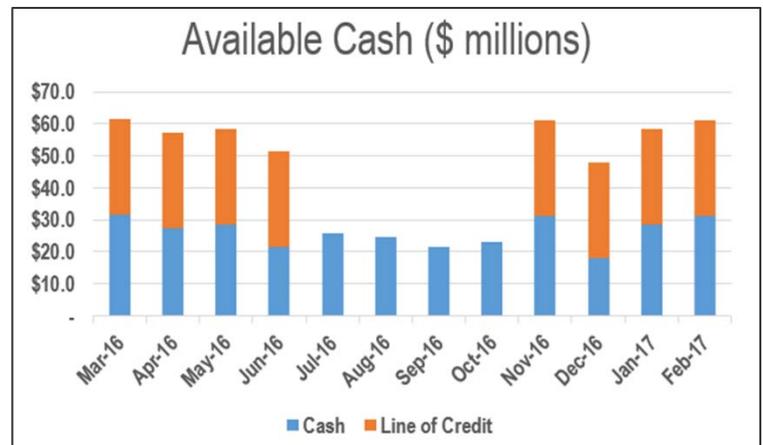
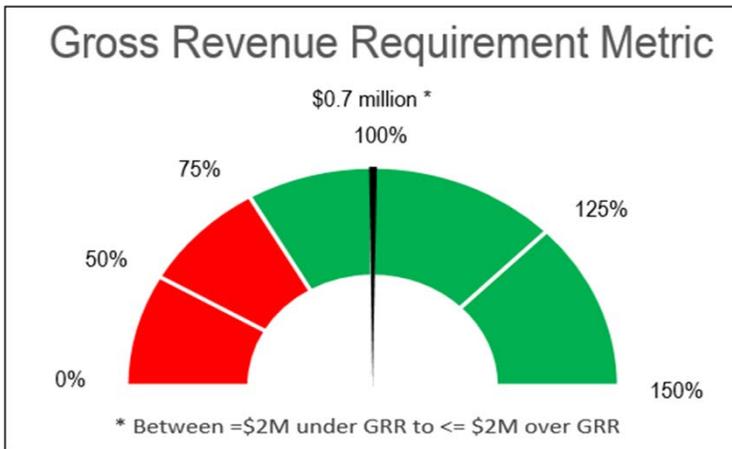
# SPP Executive Summary – February 2017

## 2017 Over / (Under) Recovery

<u>Cost Recovery (\$ millions)</u>	2017 Forecast	2017 Budget	Fav/ (Unfav)
Gross Revenue Requirement (GRR) *	\$161.9	\$161.3	(\$0.7)
Net Revenue Requirement (NRR)	160.9	160.5	(0.4)
Admin Fee Revenue	162.2	160.5	1.7
Over / (Under) Recovery	\$1.3	(\$0.0)	\$1.3

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

## GRR & Available Cash, Compensation and Outside Services Expenses



**Southwest Power Pool**  
**2017 Financial Commentary**  
**February 28, 2017**  
*(in thousands)*

<b>Summary</b>				
	2017 FY Actual	2017 FY Budget	Fav/(Unfav) Variance	
Revenues	\$196,220	\$194,103	\$2,117	1.1%
Expenses	195,505	196,360	854	0.4%
Net Income/(Loss)	<u>\$714</u>	<u>(\$2,257)</u>	<u>\$2,972</u>	131.6%

<b>Revenue</b>				
	2017 FY Forecast	2017 FY Budget	Fav/(Unfav) Variance	
Tariff Administration Service	\$162,188	\$160,482	\$1,706	1.1%
FERC Fees & Assessments	16,137	16,750	(613)	(3.7%)
NERC ERO Regional Entity Rev	10,594	10,790	(196)	(1.8%)
Miscellaneous Income	6,204	4,959	1,244	25.1%
Contract Services Revenue	533	533	-	-
Annual Non-Load Dues	564	588	(24)	(4.1%)
Total Revenue	<u>\$196,220</u>	<u>\$194,103</u>	<u>\$2,117</u>	1.1%

Coincident peak load for 2016 is the basis for 2017 Schedule 1A revenues. The 2017 annual billing determinants were based on year-to-date actual data as of September 2016, with the year-to-date growth rate applied to the actual 2015 peak demand data for the remaining months in 2016. Tariff Administrative Service revenue was budgeted based on 383 million MWh. Due to slight increases as compared to the original estimates for the fourth quarter of 2016, the 2016 coincident peak load is now forecasted at 387 million MWh and results in a favorable variance.

FERC Fees Assessments revenue reflects the current rate charged under Schedule 12 for 2017, which is \$0.062 as compared to \$0.064 assumed in the budget.

Miscellaneous Income includes revenue associated with studies administered by the Engineering department, MISO settlement revenues, and projected revenues related to the pass-thru costs of the FERC Order 1000 process. According to the agreement reached with the transmission owners regarding allocation of MISO revenues, SPP was allocated an additional \$0.7 million as a result of the resettlement of historical periods prior to 2016. Engineering study activities have steadily increased and are also expected to exceed budget (\$0.1 million). Revenue for purchase and sales tax rebates are reflected in the forecast but were not included in the budget (\$0.2 million).

**Southwest Power Pool**  
**2017 Financial Commentary**  
**February 28, 2017**  
*(in thousands)*

<b>Expense</b>				
	2017 FY Actual	2017 FY Budget	Fav/(Unfav) Variance	
Salary & Benefits	\$91,852	\$91,316	(\$536)	(0.6%)
Assessments & Fees	18,600	18,600	0	0.0%
Communications	4,168	4,207	39	0.9%
Maintenance	18,043	17,964	(79)	(0.4%)
Outside Services (Including RSC)	14,683	14,455	(228)	(1.6%)
Administrative & Leases	5,177	5,263	85	1.6%
Travel & Meetings	3,144	3,257	113	3.5%
Depreciation	30,244	30,485	241	0.8%
Other Expenses	9,594	10,813	1,219	11.3%
Total Expense	\$195,505	\$196,360	\$854	0.4%

Overall expenses remain relatively consistent with the budget at this time.

Five incremental, out-of-budget compliance positions were vetted and approved by SPP Officers and Board of Directors in January 2017. This change has been included in the forecast and contributes to the unfavorable variance in Salary & Benefits. The annual true-up of the employer 401K match also contributes to this variance.

Other Expense includes interest expense, capitalized interest, investment income, interest rate swap valuation adjustments, and various other income and expense amounts. Due to the unpredictability, the only amounts budgeted in this category are interest expense and capitalized interest. Interest expense is associated with debt issuances used for capital expenditures. The budget assumed new debt issuances in 2017 to meet SPP's capital spending needs; however, the latest cash flow projections indicate no need for additional funding until 2018, resulting in a favorable variance in interest expense for 2017.

**Southwest Power Pool**  
**Monthly Financial Overview**  
**February 28, 2017**  
**2016 Preliminary and Unaudited**  
*(in thousands)*

	Actual Jan-17	Actual Feb-17	Forecast Mar-17	Forecast Apr-17	Forecast May-17	Forecast Jun-17	Forecast Jul-17	Forecast Aug-17	Forecast Sep-17	Forecast Oct-17	Forecast Nov-17	Forecast Dec-17	FY 2017 Forecast	FY 2017 Budget	Variance Fav/(Unfav)	FY 2016 Actual	Variance Fav/(Unfav)
<b>Income</b>																	
Tariff Administrative Service	\$13,528	\$12,923	\$13,393	\$13,570	\$13,768	\$13,213	\$13,693	\$13,782	\$13,532	\$13,587	\$13,440	\$13,759	\$162,188	\$160,482	\$1,706	\$144,546	\$17,642
Fees & Assessments	2,718	2,212	2,134	2,249	1,863	2,087	2,366	2,575	2,503	2,322	2,168	2,097	27,295	28,128	(833)	26,918	377
Contract Services Revenue	44	44	44	44	44	44	44	44	44	44	44	44	533	533	-	529	4
Miscellaneous Income	430	1,296	325	458	470	512	452	452	452	452	452	452	6,204	4,959	1,244	4,602	1,602
<b>Total Income</b>	<b>16,720</b>	<b>16,477</b>	<b>15,896</b>	<b>16,322</b>	<b>16,145</b>	<b>15,857</b>	<b>16,556</b>	<b>16,853</b>	<b>16,532</b>	<b>16,406</b>	<b>16,104</b>	<b>16,352</b>	<b>196,220</b>	<b>194,103</b>	<b>2,117</b>	<b>176,595</b>	<b>19,625</b>
<b>Expense</b>																	
			(13,393)	(13,570)	(13,768)	(13,213)	(13,693)	(13,782)	(13,532)	(13,587)	(13,440)	(13,759)					
Salary & Benefits	7,669	7,866	8,703	7,668	7,583	7,554	7,546	7,555	7,534	7,511	7,504	7,560	92,252	91,316	(936)	90,186	(2,066)
Employee Travel	101	177	195	189	185	190	190	186	186	192	187	181	2,158	2,245	87	1,919	(240)
Administrative	229	346	268	562	260	597	328	301	411	1,119	327	430	5,177	5,263	85	4,764	(413)
Assessments & Fees	1,550	1,550	1,550	1,550	1,550	1,550	1,550	1,550	1,550	1,550	1,550	1,550	18,600	18,600	-	18,648	48
Meetings	44	124	67	82	121	75	73	89	106	90	68	46	986	1,012	26	974	(12)
Communications	313	315	334	334	334	334	368	368	367	367	367	368	4,168	4,207	39	3,915	(254)
Leases	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Maintenance	1,117	1,223	1,391	1,553	1,468	1,463	1,542	1,515	1,504	1,579	1,798	1,890	18,043	17,964	(79)	14,775	(3,268)
Services	771	1,302	1,128	1,240	1,296	1,236	1,536	1,133	1,159	1,270	1,109	1,249	14,428	14,184	(245)	14,847	418
Regional State Committee	9	20	23	23	23	23	23	23	23	23	23	23	255	272	17	220	(35)
Depreciation	4,724	4,705	1,872	2,066	2,078	2,094	2,035	2,072	2,115	2,161	2,177	2,145	30,244	30,485	241	58,025	27,781
<b>Total Expense</b>	<b>16,528</b>	<b>17,628</b>	<b>15,530</b>	<b>15,266</b>	<b>14,897</b>	<b>15,115</b>	<b>15,190</b>	<b>14,791</b>	<b>14,955</b>	<b>15,862</b>	<b>15,110</b>	<b>15,440</b>	<b>186,311</b>	<b>185,547</b>	<b>(764)</b>	<b>208,272</b>	<b>21,960</b>
<b>Other Income/(Expense)</b>																	
Investment Income	4	4	-	-	-	-	-	-	-	-	-	-	8	-	8	191	(183)
Interest Expense	(874)	(882)	(880)	(860)	(862)	(858)	(846)	(844)	(840)	(828)	(822)	(826)	(10,223)	(10,871)	648	(10,807)	584
Capitalized Interest	-	-	49	-	-	-	-	-	-	-	-	-	49	58	(9)	121	(72)
Change in Valuation of Swap	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	682	(682)
Other Income/Expense	61	73	-	-	-	-	-	-	-	-	-	-	134	-	134	(421)	555
Unrealized Gain on Investment	143	294	-	-	-	-	-	-	-	-	-	-	438	-	438	649	(211)
<b>Net Other Income (Expense)</b>	<b>(666)</b>	<b>(511)</b>	<b>(831)</b>	<b>(860)</b>	<b>(862)</b>	<b>(858)</b>	<b>(846)</b>	<b>(844)</b>	<b>(840)</b>	<b>(828)</b>	<b>(822)</b>	<b>(826)</b>	<b>(9,594)</b>	<b>(10,813)</b>	<b>1,219</b>	<b>(5,588)</b>	<b>(4,006)</b>
<b>Net Income (Loss)</b>	<b>(\$473)</b>	<b>(\$1,662)</b>	<b>(\$465)</b>	<b>\$196</b>	<b>\$386</b>	<b>(\$116)</b>	<b>\$520</b>	<b>\$1,218</b>	<b>\$737</b>	<b>(\$285)</b>	<b>\$172</b>	<b>\$86</b>	<b>\$314</b>	<b>(\$2,257)</b>	<b>\$2,572</b>	<b>(\$37,265)</b>	<b>\$37,579</b>
<b>2017 Headcount</b>																	
Approved Budgeted Positions	609	609	610	611	610	610	610	610	610	610	610	610	610	612		599	
Headcount (Incl. Vacancies)	583	588	587	588	586	586	586	586	586	586	586	586	586	581		581	
Total Positions (Active/Open)	617	617	617	617	617	617	617	617	617	617	617	617	617	610		609	
<b>Vacancy Run rate</b>	<b>5%</b>	<b>4%</b>	<b>5%</b>	<b>5%</b>		<b>5%</b>											
NRR Over / (Under) Recovery	\$3,024	(\$3,060)	\$1,058	\$1,798	\$1,883	(\$3,623)	\$1,975	\$1,993	(\$3,168)	\$1,340	\$1,454	(\$3,387)	\$1,286	-		(\$7,079)	

**Southwest Power Pool**  
**Current Month Financial Overview**  
**February 28, 2017**  
*(in thousands)*

	Current Month Compared to Forecast			YTD Actual Compared to YTD Budget			FY Forecast Compared to FY Budget		
	Feb-2017	Feb-2017	Variance	Feb-2017	Feb-2017	Variance	FY 2017	FY 2017	Variance
	Actual	Forecast	Fav/(Unfav)	Actual	Budget	Fav/(Unfav)	Forecast	Budget	Fav/(Unfav)
<b>Income</b>									
Tariff Administrative Service	\$12,923	\$12,295	\$628	\$26,452	\$26,747	(\$295)	\$162,188	\$160,482	\$1,706
Fees & Assessments	2,212	2,273	(61)	4,930	5,178	(248)	27,295	28,128	(833)
Contract Services Revenue	44	44	-	89	89	-	533	533	-
Miscellaneous Income	1,296	1,033	264	1,726	827	899	6,204	4,959	1,244
<b>Total Income</b>	<b>16,477</b>	<b>15,645</b>	<b>831</b>	<b>33,197</b>	<b>32,840</b>	<b>356</b>	<b>196,220</b>	<b>194,103</b>	<b>2,117</b>
<b>Expense</b>									
Salary & Benefits	7,866	7,590	(276)	15,535	15,191	(344)	92,252	91,316	(936)
Employee Travel	177	185	8	278	371	93	2,158	2,245	87
Administrative	346	353	6	575	657	82	5,177	5,263	85
Assessments & Fees	1,550	1,550	-	3,100	3,100	-	18,600	18,600	-
Meetings	124	114	(10)	169	202	33	986	1,012	26
Communications	315	334	19	628	701	73	4,168	4,207	39
Maintenance	1,223	1,425	202	2,340	3,130	789	18,043	17,964	(79)
Services	1,302	1,140	(162)	2,072	2,385	312	14,428	14,184	(245)
Regional State Committee	20	23	3	29	45	17	255	272	17
Depreciation	4,705	4,790	85	9,430	9,592	162	30,244	30,485	241
<b>Total Expense</b>	<b>17,628</b>	<b>17,503</b>	<b>(126)</b>	<b>34,156</b>	<b>35,373</b>	<b>1,217</b>	<b>186,311</b>	<b>185,547</b>	<b>(764)</b>
<b>Other Income/(Expense)</b>									
Investment Income	4	-	4	8	-	8	8	-	8
Interest Expense	(882)	(867)	(15)	(1,756)	(1,733)	(23)	(10,223)	(10,871)	648
Capitalized Interest	-	-	-	-	58	(58)	49	58	(9)
Change in Valuation of Swap	-	-	-	-	-	-	-	-	-
Other Income/Expense	73	-	73	134	-	134	134	-	134
Unrealized Gain on Investment	294	-	294	438	-	438	438	-	438
<b>Net Other Income (Expense)</b>	<b>(511)</b>	<b>(867)</b>	<b>357</b>	<b>(1,176)</b>	<b>(1,675)</b>	<b>499</b>	<b>(9,594)</b>	<b>(10,813)</b>	<b>1,219</b>
<b>Net Income (Loss)</b>	<b>(\$1,662)</b>	<b>(\$2,725)</b>	<b>\$1,062</b>	<b>(\$2,136)</b>	<b>(\$4,208)</b>	<b>\$2,072</b>	<b>\$314</b>	<b>(\$2,257)</b>	<b>\$2,572</b>
Headcount	588	589	(1)	588	609	(21)	617	610	7

**Southwest Power Pool**  
**Balance Sheet**  
**February 28, 2017**  
*(in thousands)*

	2/28/2017	(Unaudited) 12/31/2016	Net Change
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash & Equivalents	\$90,850	\$75,715	\$15,135
Restricted Cash Deposits	240,931	223,964	16,967
Accounts Receivable (net)	21,613	63,702	(42,089)
Other Current Assets	15,266	9,291	5,975
<b>Total Current Assets</b>	<b>\$368,660</b>	<b>\$372,671</b>	<b>(4,011)</b>
Total Fixed Assets	83,643	92,690	(9,048)
Total Other Assets	2,053	4,628	(2,575)
Investments	11,187	10,835	351
<b>Total Assets</b>	<b>\$465,543</b>	<b>\$480,825</b>	<b>(\$15,282)</b>
<b>LIABILITIES &amp; EQUITY</b>			
<b>Liabilities</b>			
<b>Current Liabilities</b>			
Accounts Payable (net)	\$17,090	\$66,927	(49,837)
Customer Deposits	247,211	223,964	23,247
Current Maturities of LT Debt	23,245	23,227	18
Other Current Liabilities	69,064	54,310	14,754
Line of Credit	-	-	-
Deferred Revenue	3,719	5,127	(1,408)
<b>Total Current Liabilities</b>	<b>360,328</b>	<b>373,554</b>	<b>(13,226)</b>
<b>Long Term Liabilities</b>			
7.50% Senior Notes - 2008	-	-	0
4.78% Senior Notes - 2011	-	-	0
US Bank Floating Senior Note - 2014	-	-	-
US Bank 5.45% Senior Notes - 2016	-	-	-
US Bank Mortgage - 2027	2,878	2,930	(51)
4.82% Series-A Senior Notes - 2042	27,470	27,470	-
4.82% Series-B Senior Notes - 2042	32,048	32,048	-
3.55% Series-C Senior Notes - 2024	43,750	43,750	-
3.00% Series-D-1 Senior Notes - 2024	31,250	31,250	-
3.25% Series-D-2 Senior Notes - 2024	33,750	33,750	-
3.8% Series-E-1 Senior Notes - 2025	37,000	37,000	-
Floating Series Regions Note - 2024	27,750	27,750	-
Long-Term Debt	235,896	235,948	(51)
Capital Lease Obligation	2,509	2,959	(450)
Other Long Term Liabilities	35,625	35,044	581
<b>Total Long Term Liabilities</b>	<b>274,030</b>	<b>273,951</b>	<b>80</b>
Net Income	(2,136)	(37,265)	35,129
Members' Equity	(166,680)	(129,415)	(37,265)
<b>Total Members' Equity</b>	<b>(168,816)</b>	<b>(166,680)</b>	<b>(2,136)</b>
<b>TOTAL LIABILITIES &amp; EQUITY</b>	<b>\$465,543</b>	<b>\$480,825</b>	<b>(15,282)</b>

**Southwest Power Pool  
Headcount Analysis  
February 28, 2017**

	Current Month Actual vs. Budget			Year End Forecast vs. Budget		
	Actual Feb-17	Budget Feb-17	Over/(Under) Budget	2017 Forecast	2017 Budget	Over/(Under) Budget
Officers	11	11	0	11	11	0
Accounting	11	11	0	11	11	0
Credit	5	5	0	5	5	0
Settlements	22	23	(1)	22	23	(1)
Administration	49	50	(1)	49	50	(1)
Interregional Affairs	2	2	0	2	2	0
Compliance	12	13	(1)	14	13	1
Project Management	12	12	0	12	12	0
Training	10	10	0	10	10	0
Customer Service	9	9	0	9	9	0
Process Management	0	0	0	0	0	0
Internal Audit	6	6	0	6	6	0
Process Integrity	51	52	(1)	53	52	1
Operations	154	159	(5)	158	158	0
Information Technology	150	154	(4)	161	156	5
Engineering	75	80	(5)	80	80	0
Regulatory Policy & General Counsel	25	26	(1)	26	26	0
Corporate Services	29	30	(1)	30	30	0
Market Monitoring	14	16	(2)	16	16	0
Market Design	7	7	0	7	7	0
Interregional Relations	3	3	0	3	3	0
Communications & Gov't Affairs	6	6	0	6	6	0
SPP Regional Entity	25	28	(3)	28	28	0
Open Positions / Adjustments	0	(2)	2	0	(2)	2
<b>Total Headcount</b>	<b>588</b>	<b>609</b>	<b>(21)</b>	<b>617</b>	<b>610</b>	<b>7</b>

**Headcount changes:**

2017 Approved positions	612
Unidentified positions to be eliminated	(2)
<b>2017 Budgeted positions</b>	<b>610</b>
Incremental out-of-budget positions	5
Remaining unidentified eliminations	2
<b>2016 Current total positions</b>	<b>617</b>

Notes: The 2017 budget included two unidentified eliminations carried over from the 2016 budget. Five incremental out-of-budget positions in IT and compliance were approved in early 2017. Headcount for year-end should be equal to 615 once the unidentified positions are eliminated.

## Unbudgeted Report YTD Thru 3/28/17

PO Number	Project Name	Vendor Name	Scope of Work:	Total Amount	Budgeted	Unbudgeted	Notes	
PO2017-1163	2017 Identity & Access Mgmt	PathMaker Group LP	PathMaker Work Order No.1 - Selection of IAMS Solution	\$152,775	-	152,775	(A)	
PO2017-1057	2017 Foundation General	Glarus Group, Inc.	Consulting Services for Mountain West	\$100,000	-	100,000		
PO2017-1056	2016 Foundation General	MRGH LLC	MRGH Work Order 2 - Development of MM Data Depository	\$168,000	-	168,000	(B)	
PO2017-1018	2017 IT Outside Services	Monitoring Analytics	Market Monitoring Data Depository-Support Renewal	\$115,250		115,250	(C)	
						<b>Unbudgeted Total</b>	<b>536,025</b>	

(A) Total project was budgeted as a Capital Expenditure, but this Phase 1 work covers only the selection of the solution which is not a capitalizable expense

(B) Represents the costs associated with the development of the in-house solution that will provide the functionality that is currently provided by Monitoring Analytics

(C) Represents the costs associated with ongoing services required from Monitoring Analytics until the in-house solution is completed by MRGH

## F.1.1. ADMIN FEE MEASUREMENT

SPP Administrative Fee, Net Revenue Requirement & Load Metric FY Actual vs. Budget Variance (millions)			
	FY Forecast vs. Budget Variance as of:		
	Oct-16	Nov-16	Dec-16
Gross Revenue Requirement (GRR)	\$0.1 <span style="color: green;">■</span>	(\$0.0) <span style="color: green;">■</span>	(\$0.4) <span style="color: green;">■</span>
Net Revenue Requirement (NRR)	\$0.2 <span style="color: green;">■</span>	\$0.0 <span style="color: green;">■</span>	\$0.1 <span style="color: green;">■</span>
Admin Fee Revenue Collected	(\$5.6) <span style="color: red;">■</span>	(\$5.8) <span style="color: red;">■</span>	(\$5.9) <span style="color: red;">■</span>
Over/(Under) Recovery	(\$5.5) <span style="color: red;">■</span>	(\$5.8) <span style="color: red;">■</span>	(\$5.8) <span style="color: red;">■</span>
MWh Load	(15.8) <span style="color: red;">■</span>	(16.5) <span style="color: red;">■</span>	(14.3) <span style="color: red;">■</span>

## F.1.2. ADMIN FEE MEASUREMENT

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

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

Legend

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

Revenues

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

MWh Load

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

### F.1.3 ADMIN FEE MEASUREMENT

SPP Net Revenue Requirement Components  
FY Actual as of December 31, 2016  
(millions)

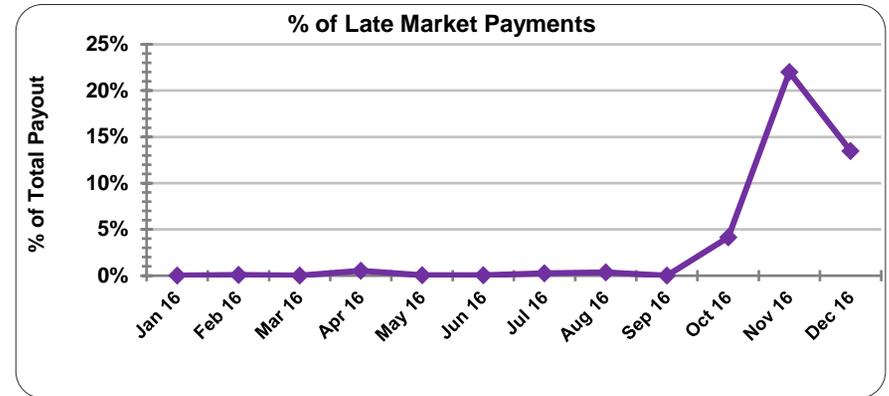
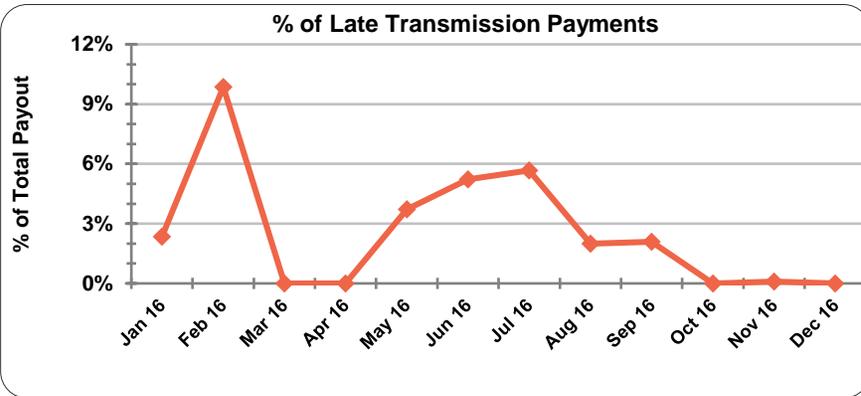
<u>Expenses</u>	2016 Forecast	2016 Budget	Fav /(Unfav)	
Salary & Benefits	\$88.8	\$85.2	(\$3.6)	(4.3%)
Debt Service (Principal & Interest)	34.8	34.8	(0.0)	(0.1%)
Communications & Maintenance	18.7	20.9	2.2	10.7%
Outside Services & RSC	15.1	15.1	(0.0)	(0.0%)
Administrative	4.7	5.2	0.5	9.0%
Travel & Meetings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

## F.1.4. ADMIN FEE MEASUREMENT

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

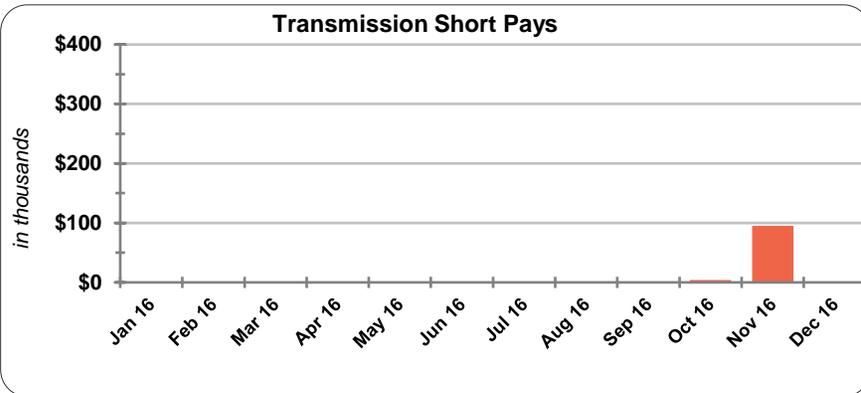
\* Admin fee collected excludes adjustments for monthly assessment refunds to reflect actual load.

## F.2. CREDIT



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

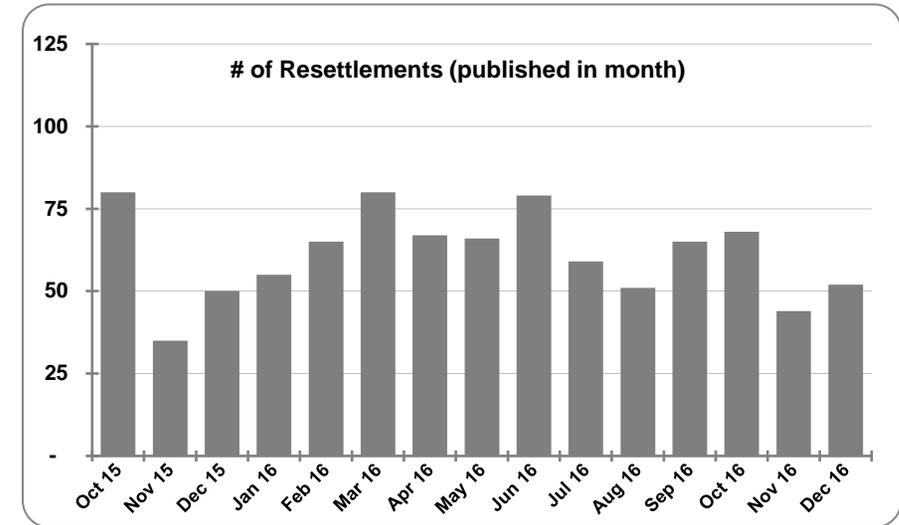
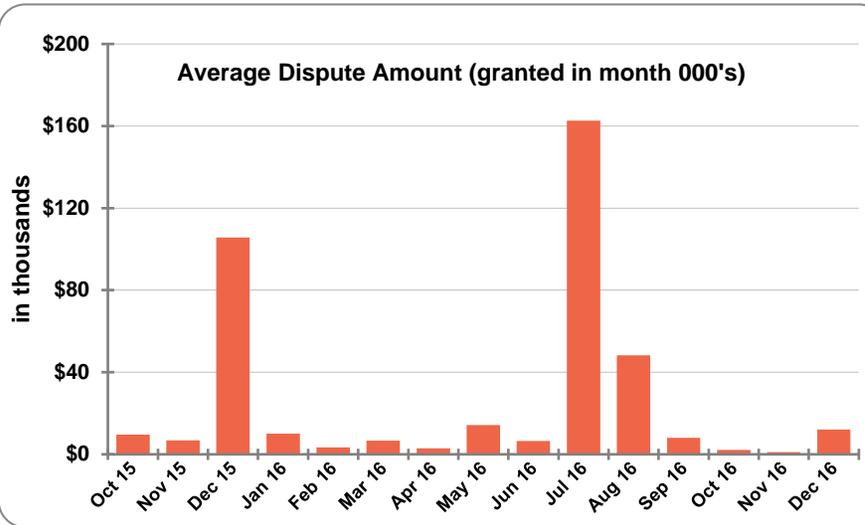
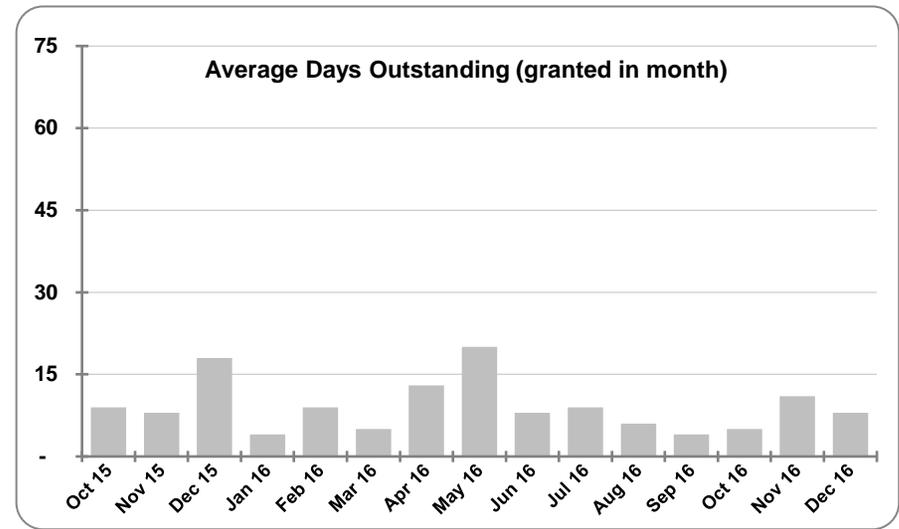
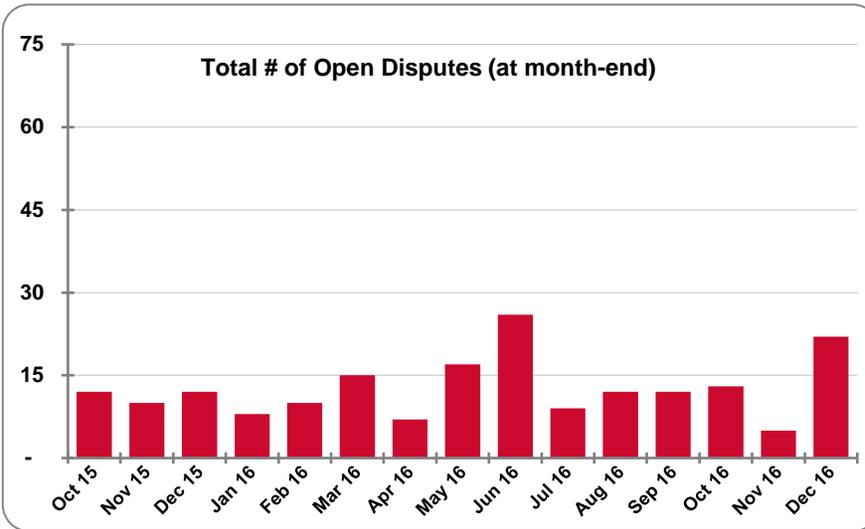
Market (\$000s)	Jan 16	Feb 16	Mar 16	Apr 16	May 16	Jun 16	Jul 16	Aug 16	Sep 16	Oct 16	Nov 16	Dec 16	12 mo
Late Payments	\$17	\$35	\$10	\$252	\$29	\$20	\$173	\$202	\$4	\$3,634	\$14,704	\$9,514	\$28,594
Total Payments	\$52,889	\$44,721	\$38,378	\$47,759	\$50,799	\$42,172	\$71,358	\$54,674	\$64,779	\$87,813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



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

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

### F.3. SETTLEMENT DISPUTES



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



## SPP Member-Facing Member-Impacting Portfolio Report Summary

REVISION REQUESTS	CURRENT QUARTER	PREVIOUS QUARTER	CHANGE
In Flight/Current Release	4	1	3
Pending	15	10	5
Estimated Cost of Pending Items	\$735,000	\$320,000	\$415,000
<b>ENHANCEMENT REQUESTS</b>			
In Flight/Current Release	7	9	-2
Pending	92	116	-24
Estimated Cost of Pending Items	\$3,285,000	\$3,745,000	-\$460,000
<b>PROJECTS</b>			
In Flight/Current Release	16	11	5
Pending	5	2	3
Estimated Cost of Pending Items	\$7,863,000	\$1,461,000	\$6,402,000

### Notes and Qualifications

- This list is not all inclusive of all SPP planned Revision Requests, enhancement requests or portfolio projects. Specific criteria was used for this report to only include MI and MF items, RRs with system or process changes and large technology projects.
- For any item in flight or in a current release, the cost estimates are not included.
- For any project or RR, any cost estimates given are the internal impact assessment provided (which includes SPP resource estimates as well as external costs).

- For enhancements, any cost estimates given are a high-level estimate in a dollar range and include internal costs.
- Items shaded in blue in the enhancements requests section indicate items that are new since the last quarterly report was published.

## Revision Requests - Open

RR#	RR Name	Primary Working Group	Cost Estimate
RR0001_MPRR101, RR0005_MPRR140, RR0112, RR0161, RR0199	Combined Cycle Enhanced Design Mitigated Transition State Offers ECC Cleanup Commitment Level Cost Recovery and MCR Settlement Design Enhancements Settlement Clarification and Corrections	MWG	current release
RR0002_MPRR116	Settlement Area Tie-Line Meter Data	MWG	\$10k - 25k
RR0082	Modification of Make-Whole Payment Grace Period	MWG	\$10k - 25k
RR0088	Release of Unscheduled Firm Timing Modification	BPWG	Up to \$10k
RR0106, RR0184	Outage Deviation	MWG	Current Release
RR0113	Node Connectivity Requirement Enhancement	ORWG	\$10k - 25k
RR0116, RR0137, RR0142	Quick-Start Real-Time Commitment Quick-Start Appendix G and ECC Clean-up Quick-Start Multi-Configuration	MWG	\$10k - 25k
RR0127, RR0205	JOU Combined Option - Aggregate Energy Offer Curve Correction to RR127 for Regulation Limit Requirements	MWG	\$10k - 25k
RR0130	Commitment Notification Enhancement	MWG	\$25k - 50k
RR0153	Offer Database Roll Forward	MWG	\$10k - 25k
RR0162	PMU for New Generator Interconnections	RTWG	N/A

## Open Enhancements - All

Enhancement Description	Priority Grouping	Level of Complexity	Cost Estimate	Requesting Party
Provide API for checking Credit Limit Information as an alternative to the Portal Web page	Release +2	Medium	\$10k - 25k	
Return user-friendly "Disapproved" reason from Credit to Markets Markets UI API for Virtual transactions that are not Approved.	Unplanned A	Low	Up to \$10k	SPP Internal
Enable MPs to view their Credit Limit Report from the Portal <=7days before their effective date.	Unplanned C	Medium	\$25k - 50k	SPP
The PPOR Heat Rate curve graph in the MMDD tool is not large enough to show a MW range that is useful for polynomial curves. The size of the graph needs to be increased to provide meaningful value.	Unplanned C	High	Over \$100k	SPP
The MMDD tool should allow multiple submissions of OCC data up until the deadline just like the market systems which allows corrections and changes to be made until the market closes. At midnight the OCC should take the latest submitted values to use in its calculations.	Unplanned C	Unknown	Over \$100k	AEP
Create a read-only user role in the MMDD tool.	Unplanned C	High	Over \$100k	AEP
Settlements & MMU received a request from an MP to breakdown the Day-Ahead Must Offer penalty by Settlement Location.	Unplanned C	Low	Up to \$10k	

## Open Enhancements - All

Enhancement Description	Priority Grouping	Level of Complexity	Cost Estimate	Requesting Party
<p>Programmatic interface to alert members of Repricing Notifications. This would be in lue of the email currently sent out and would be fashioned after the notifications for Settlement Statement publications.</p> <p>Specifically, the intent of the enhancement is to create the following:</p> <ol style="list-style-type: none"> <li>1. A web service that sends a notification to Market Participant listeners to notify that the repricing data is ready</li> <li>2. A web service to accept requests and return repricing data to Market Participants</li> </ol>	Unplanned C	High	Up to \$10k	MCG Energy Solutions
Requested enhancement to the Market Systems notification process to also send emails to a specific distribution list when there is a DA market close delay or other related items.	Unplanned A	Low	Up to \$10k	SPSM
Provide a table of SPP generating stations' fuel types broken down by SPP FTR case PSS/E bus numbers	Current Release	Medium	Up to \$10k	XO Energy
Posting MW volume of Head-room and Floor-room utilized as an input for each hour of the Day-Ahead Market and RUC process.	Current Release	Low	Up to \$10k	SPP
RR175 Display MW/Price/Factor for OR, Reg Up, Reg Down, and Energy	Current Release	Low	Up to \$10k	FERC
Price Contour Map - Weather and Transmission overlay	Release +1	Medium	Up to \$10k	OGE
Expand SPP posting of EMS cases to include 4 cases instead of a single 17:00 case	Release +1	Low	Up to \$10k	Westar Energy
Transmission POD & SINK Locations Mapping Report	Release +1	Low	Up to \$10k	Tenaska Power Services
Create "Look Ahead" report on day ahead total generation outage.	Release +2	High	Up to \$10k	Trumpet Trading
Post DA & RT public Load data by zone	Release +2	Medium	Up to \$10k	Westar (WRGS)

## Open Enhancements - All

Enhancement Description	Priority Grouping	Level of Complexity	Cost Estimate	Requesting Party
Request that wind data be publicly posted in DA and RT markets by zone	Release +2	Medium	Up to \$10k	Westar (WRGS)
For both DA and RTBM markets, require SPP to post hourly load and wind forecasts (DA MTLF and wind forecasts for next day actuals)	Release +2	Low	Up to \$10k	Westar Energy
Replace all GMT and Local timestamp columns with ISO-8601 compliant timestamp	Unplanned A	High	Up to \$10k	SPP
Remove "hour/minute" from file names of files representing an entire day	Unplanned A	Low	Up to \$10k	SPP
Revise vendor contract to provide Actual wind resource and Day Ahead forecast wind output by control area	Unplanned A	Low	Up to \$10k	DC Energy Midwest LLC
API to download data published to the Public FTP site	Unplanned A	High	\$10k - 25k	Monterey SW (MOSW_X)
Change file folder structure for hourly data to change "00" named folders to "24"	Unplanned A	Low	Up to \$10k	Monterey SWF LLC
Update "Day-Ahead Wind Forecast" under Operational Data to include the 7 day forecast used for "Forecast vs. Actual"	Unplanned A	Low	Up to \$10k	NRG Power Marketing LLC
Create summary file for market constraint data	Unplanned A	Low	Up to \$10k	AEP
Publish NSI interval data for the following operating day at 0600 of current day	Unplanned A	Low	Up to \$10k	Google Energy, LLC
Capacity of Generation on Outage Pie Chart	Unplanned A	Low	Up to \$10k	OGE
Include 5 minute Actual Load in "Gen Mix" files	Unplanned A	Low	Up to \$10k	KCPL
Summary: Add reserve zone to the Day-Ahead and Real-Time Cleared Operating Reserve offers in the Markets UI, API and applicable XML notifications.  Requires MP Code Changes: Yes. Participants using the ReserveService and/or ReserveNotifyService (XML Notifications) will be required to make system changes.	Release +1	High	\$25k - 50k	Kansas City Power & Light, Co.

## Open Enhancements - All

Enhancement Description	Priority Grouping	Level of Complexity	Cost Estimate	Requesting Party
<p>Summary: Add all Contingency Reserve Deployments to the Markets UI displays, API operations and XML notifications. Currently, there are no CRD specific notifications for spinning and supplemental reserve deployments (only for BDRs).</p> <p>Requires MP Code Changes: Yes. Participants using the ReserveService and/or ReserveNotifyService (XML Notifications) would be required to make code changes.</p> <p>Priority changed to Release +2 on 12/04/2015 based on SPQM discussion.</p>	Release +1	High	\$25k - 50k	Southwestern Public Service Company (SPS)
<p>Currently the Markets UI/API allows updates to offer parameters of resources that have already been committed for that date(Manual Commitments or Local Commitments). Although the UI/API will accept the change this is not used as an input to the study. This is confusing to MPs that update their DAMKT offers before 11am because they expect the changes to show up in their results. There should be a warning message, similar to overrides, that indicates the offer that was effective at the time of commitment will be used. Adding this functionality would prevent confusion when MPs attempt to update their DAMKT offers.</p>	Release +1	Medium	\$10k - 25k	SPP
<p>Summary: Add indicator to Emergency Limit notifications, API operations and UI displays to specify whether the minimum or maximum limit will be exercised.</p> <p>Requires MP Code Changes: Yes. Participants using the EnergyService API and/or EnergyNotifyService XML Notification service will be required to make code changes.</p>	Release +2	High	\$25k - 50k	Southwestern Public Service Company (SPS)

## Open Enhancements - All

Enhancement Description	Priority Grouping	Level of Complexity	Cost Estimate	Requesting Party
<p>Summary: In the Markets UI, add a transaction type column to identify if the transaction is a Submission, Query or Notification. This column should be filterable.</p> <p>Requires MP Code Changes: No.</p>	Release +2	Medium	\$10k - 25k	SPP
<p>Summary: Add new API operations and UI display to provide aggregated wind forecast.</p> <p>Requires MP Code Changes: No. This is a new, optional API operation that does not require MP code changes.</p>	Release +2	Medium	\$10k - 25k	Southwestern Public Service Company (SPSM- MP)
<p>Summary: Create a new XML notification to inform participants their Virtual Bids or Offers have been deleted from the Markets system as the result of Credit Default or Market Monitoring Virtual Block event.</p> <p>Requires MP Code Changes: No. This would be a new, optional Notification that will not require MP code changes.</p>	Release +2	Medium	\$10k - 25k	SPP

## Open Enhancements - All

Enhancement Description	Priority Grouping	Level of Complexity	Cost Estimate	Requesting Party
<p>Summary: Allow participants to limit user access to the GetMarketMessageSetbyDay operation and corresponding UI page. Currently there is a possibility that a market operator can send an AO specific message that could be retrieved using the GetMarketMessageSetbyDay operation or UI. Since some vendors are given access to Market webservice to download general market data and should not be privy to any AO specific information, participants need a way to restrict access to this data.</p> <p>Requires MP Code Changes: No. A new role will be created specifically for this operation to allow participants to further restrict access to this information. Participants LSAs would need to grant users access to view the GetMarketMessageSetByDay and UI information.</p>	Release +2	Medium	\$10k - 25k	AEP
<p>Summary: In the Markets UI, provide members with a visual timeline of their commitments.</p> <p>Requires MP Code Changes: No.</p>	Release +2	High	\$25k - 50k	SPP
<p>Summary: Add ConstraintType and ContingentFacility to the Binding Limits APIs and Markets UI screens to have it match public data.</p> <p>Requires MP Code Changes: Yes. Participants using the MarketService and MarketNotifyService will be required to make code changes.</p>	Release +2	High	\$25k - 50k	Tenaska Power Services Co. (TNSK)

## Open Enhancements - All

Enhancement Description	Priority Grouping	Level of Complexity	Cost Estimate	Requesting Party
<p>Summary: Create a Markets UI display and API operation to show SPP defined non-cost resource mitigation parameters in hourly intervals.</p> <p>Requires MP Code Changes: Yes. Participants using the EnergyService API will be required to make code changes.</p>	Release +2	Medium	\$10k - 25k	SPP
<p>New business process regarding reason code #1 for contingency reserve &amp; #3 missing or bad resource SCADA under the XmptDev5minFlg.</p>	Release +2	High	\$25k - 50k	SPSM
<p>Summary: Add effective and termination times to all Resource Offer UI pages</p> <p>Currently, participants are not easily able to determine when a resource offer becomes effective and terminates in the Markets system. Understanding these dates will allow participants to see how far the offer data will roll-forward to future Operating Days/Operating Hours. To address this request, SPP would like the Markets UI resource offer pages listed below to be modified to include the effective and termination dates stored in the Markets system.</p> <p>Requires MP Code Changes: No.</p>	Release +2	Low	\$10k - 25k	SPP
<p>Summary: XML Download (Reports) functionality in the Markets UI needs to support both CSV and XML formats. Currently, the UI only supports XML file format.</p> <p>Requires MP Code Changes: No.</p>	Release +2	Medium	\$10k - 25k	SPP
<p>Summary: In the Markets UI, add Modified Date and Modified By of user who made the last change to all Resource Offer screens.</p> <p>Requires MP Code Changes: No.</p>	Release +2	High	\$25k - 50k	Southwestern Public Service Company (SPSM- MP)

## Open Enhancements - All

Enhancement Description	Priority Grouping	Level of Complexity	Cost Estimate	Requesting Party
<p>Summary: Modify XML download reports available in the Markets UI to include ModifiedBy and ModifiedDate. This will help Market Participants distinguish when an update was made via API submittal versus a manual Markets UI submission.</p> <p>Requires MP Code Changes: No.</p>	Release +2	High	\$25k - 50k	Southwestern Public Service Company (SPS)
<p>Summary: Enhance Markets UI to allow right click feature to view or edit</p> <p>Requires MP Code Changes: No.</p>	Release +2	Medium	\$10k - 25k	Southwestern Public Service Company (SPS)
<p>Summary: Provide UI page and API operations to retrieve historical Reserve Cap notifications. The goal is to allow participants to review the stream of notifications that may have been delivered in the past.</p> <p>Requires MP Code Changes: No. The new API operations would be optional operations which would not require participant system modifications.</p>	Release +2	High	\$10k - 25k	SPP
<p>Summary: Add a Markets UI page and API operation to show total Real-Time LMP per hour.</p> <p>Requires MP Code Changes: No. There would be new, optional API operations added. Participants would not be required to make code changes.</p>	Release +2	High	\$10k - 25k	Arkansas Electric Cooperative Corporation (AECC)
<p>Summary: Add Advanced filters or "quick pick" list in the Markets UI for frequently used operations. This is needed to reduce the amount of mouse clicks required to navigate to various pages in the UI.</p> <p>Requires MP Code Changes: No.</p>	Release +2	High	\$25k - 50k	American Electric Power (AEP-MP)

## Open Enhancements - All

Enhancement Description	Priority Grouping	Level of Complexity	Cost Estimate	Requesting Party
A member requested that historical Markets data be available for more than 7 days via the Market UI/API.	Unplanned A	Low	\$25k - 50k	CRGL
The following request was made by a participant in regards to freezing the hours column with the information displayed on the screen requires user to scroll to see all the information.	Unplanned A	Low	\$10k - 25k	Carrie Dixon - SPSM
Summary: Create a screen in the Markets UI that lists all of the Settlement Locations that have a Virtual Bid and/or Offer with the ability to link to the Virtual Bid/Offer.  Requires MP Code Changes: No.  Priority changed to Unplanned B on 03/25/2016 based on SPQM discussion.	Unplanned B	High	\$25k - 50k	Sesco Trading
Request to add Total MWs to all pages in the UI containing 24 hours of MW data. This includes both submitted and result data pages.	Unplanned C	Medium	\$10k - 25k	
Summary: Clearly highlight the type of Market case (RTBM, DA, or Mitigation) for which the Market Participant is entering offer curve data so as to be readily visible to the user.  Requires MP Code Changes: No.  Priority changed to Unplanned C on 03/25/2016 based on SPQM discussion	Unplanned C	Medium	\$10k - 25k	Google Energy, LLC

## Open Enhancements - All

Enhancement Description	Priority Grouping	Level of Complexity	Cost Estimate	Requesting Party
<p>Summary: Allow users to submit, delete and query Virtual Bids/Offers within the same API operation. Today, participants must submit, delete and query Virtual Bids separately from Virtual Offers.</p> <p>Requires MP Code Changes: No. This change would result in new, optional API operations which would not require MPs to make code changes.</p>	Unplanned C	High	\$25k - 50k	XO Energy SW, LP (XOSW)
<p>Summary: Create a Markets UI display and API operations to show the total output (Energy+Reg Up/Down+Spin/Supp) of a generation plant.</p> <p>Requires MP Code Changes: No. The new API operations would be added as optional which would not require participant code changes.</p>	Unplanned C	High	\$10k - 25k	Arkansas Electric Cooperative Corporation (AECC)
<p>This change is proposed to enable the Market to handle unit/load contingency constraints in a more accurate manner. The primary member impact will be that if a unit or load is expected to be disconnected during the contingency of the flowgate (based on flowgate definition/modeling), then it will no longer receive a Marginal Congestion Component added to their LMP for that flowgate.</p>	Release +2	Medium	\$25k - 50k	SPP
<p>This project will add functionality to enable SPP Operations to calculate the legacy BA actual loads after SPP is the BA. The existing BAs will continue to calculate and submit actual loads for SPP only in the short term, but have requested SPP take this requirement over shortly after Marketplace go-live since it is a function of a BA and SPP will be the BA.</p>	Unplanned C	High	\$50k - 100k	SPP

## Open Enhancements - All

Enhancement Description	Priority Grouping	Level of Complexity	Cost Estimate	Requesting Party
Could SPP support a website for serving Next-day studies? Other RCs have implemented share space where next -day studies can be posted and reviewed by entity members. Currently, SPP members are emailing studies to other members. If SPP has been established to facilitate collaboration and coordination, a platform for next-day studies would be a step in the right direction.	Unplanned C	Low	\$10k - 25k	NPPD
Westar requests an SPP modeling enhancement to either make CROW line/xfmr names consistent with EMS/TCR comment names for line/xfmrs or vice versa. The line/xfmrs names need to be the consistent between CROW and EMS/TCR .raw comment names.	Unplanned C	Low	Up to \$10k	WRGS
Would it be possible to automatically export the equipment (lines and transformer) to a file on a regular basis (1 time a week)? There is a need to post this info on a FTP site.	Unplanned C	Unknown	Up to \$10k	AEP
Keep the lower environments of CROW more in line with PROD as far as equipment that is available to submit outages for	Unplanned C	Low	Up to \$10k	KCPL
request for improved planned transmission outage data that includes both the from station and to station of planned transmission outages, using EMS names consistent with models.	Unplanned C	Low	\$25k - 50k	
In an effort increase security around member-facing systems, SPP is implementing 2-factor authentication. This will involve the use of a username and password in addition to the OATI digital certificate to access the Ratings Submission Tool (and most other SPP systems).	Release +2	Medium	Up to \$10k	

## Open Enhancements - All

Enhancement Description	Priority Grouping	Level of Complexity	Cost Estimate	Requesting Party
Change to the Bilateral interface to limit the amount of profile data which can be retrieved during one search. Currently, all data is returned if the operating day is null. The changes will include a start and stop date range to restrict the amount of data returned.	Unplanned C	Low	Up to \$10k	ETEC
MP requested enhancement to auto-approve BSS profiles on subsequent re-submissions. Currently only the first submission of a BSS profile set to auto-approve will auto-approve, while subsequent changes require re-approval.  Priority Changed to Unplanned A on 3/25/16 based on SPQM discussion.	Release +1	Low	Up to \$10k	Tenaska
Multiple MPs have requested enhancement to add a date/last updated time stamp to BSS Profiles to assist in determining which profiles need to be validated when multiple profiles have been submitted for a single OD.  Per the SPTF DEC 2016 Process Moving from "Unplanned C" to "Unplanned A" as requested by MPs.	Release +1	Low	\$10k - 25k	SPSM, PCI, KCPL, KMEA, GRDA, Tenaska,TEA

## Open Enhancements - All

Enhancement Description	Priority Grouping	Level of Complexity	Cost Estimate	Requesting Party
<p>MP submitted multiple enhancement requests to the BSS application and are being tracked in this one request:  Enhancements requested include the following:</p> <ul style="list-style-type: none"> <li>- Ability to Confirm/Approve Multiple Days or/and Monthly at a Time Like the RTOs</li> <li>- Drop-down Lists to Select "Locations, Acronyms for Buyer and Seller" in all the Tabs</li> <li>- Move the "Submit Profile Data" Button Elsewhere</li> <li>- Ability to Filter by Date Range, rather Single Date</li> <li>- Filter by "Asset Owner" / Company To Show Data Despite Whether Buyer or Seller for a Particular Operating Day</li> <li>- Profile Revisions for Profile Confirmations Depicting "True"</li> <li>- Ability to Submit Profiles with Constant Volume for "Off peak" and "On Peak" Hours</li> <li>- Ability to Shift Columns Around in the Tabs, not Desired by Users</li> <li>- End Date to Reflect the Actual Last Flow Date, not the Following Date</li> <li>- Custom Option to View Hours by Interval vs AM/PM</li> <li>- Extending Current Header IDs/Contracts to Forward Dates</li> <li>- Daily MW Total Column/Row on All Tabs</li> </ul>	Unplanned C	Medium	\$50k - 100k	TEA

## Open Enhancements - All

Enhancement Description	Priority Grouping	Level of Complexity	Cost Estimate	Requesting Party
<p>Request a change that BSS profiles allow NULL values rather than forcing a value of 0 when no schedule is needed.</p> <p>Having '0' and 'null' is an industry understanding. "0" might actually be a real numerical value; whereas "null" is an understanding that there shouldn't be any value for a particular hour or set of hours on a particular BSS. "0" vs "NULL" also can prevent clerical errors from being made since there is a distinguished understanding that nothing is purposely scheduled (ie unit outage), oppose to actually representing purposely a couple potential hours where no flow occurred (ie no load on a particular unit during a couple of off peak hours).</p> <p>Priority Grouping of O-Other: When developing the Market a business decision was made to not allow "NULL" values. If we were to allow "NULL" values we would not know if the Null value was intended or if the MP missed imputing data. Settlements is reaching out to the MP in regards to this request.</p>	Other	Unknown	\$10k - 25k	TEA
<p>Enhancement to add additional manual adjustment charge types for utilization in billing of incremental FSE associated with load switching in SPP.</p>	Current Release	Low	Up to \$10k	SPP
<p>MP Requested enhancement to provide an additional Meter Report option via the Portal. The request is to provide a calibration summary report to the market participant with the top down load for the Settlement Area.</p>	Release +1	Low	\$25k - 50k	NPPD
<p>Enhance the current Meter Agent Report Card to work similar to the MP Meter Report to improve performance and usability for the MPs.</p>	Unplanned C	Low	\$10k - 25k	SPP

## Open Enhancements - All

Enhancement Description	Priority Grouping	Level of Complexity	Cost Estimate	Requesting Party
MP and MA need the ability to see/validate submitted meter data and calibration between Initial and Final meter windows. Currently, the reports are locked and not updated between Initial and Final Meter Windows. Some MPs have requested a way to view what has been submitted and calibration that is continually updated and not stopped, but at a minimum, they need additional time for validation prior to close of Final.	Unplanned C	High	\$50k - 100k	KMEA, WFEC, GRDA, KCPL
Request to update the meter status field whenever the meter file is picked up and processed. Currently, this status is set upon upload of data and is never updated to reflect current status as the settlement system picks them up for processing. Not having this field updated not only makes it confusing (appears that the meter file was not picked up for the final), but makes this field useless to the end user.	Unplanned C	Low	Up to \$10k	MECB
MP request to display summarized data at the hourly interval in the Meter Agent Report Card. Currently, only a detailed display is available.	Unplanned C	Medium	\$25k - 50k	GRDA
MP request to add a filter for Meter Locations based on the Meter Agent/MP logged into the Portal. Currently, ALL meter locations for a Meter Agent are displayed and some have around 100.	Unplanned C	Medium	\$25k - 50k	GRDA
Create a report that summarizes the submitted data and indicates when meter data has not been submitted. This report needs to be available to both a Meter Agent Level Role and also a MP/AO Level Role.	Unplanned C	Medium	\$25k - 50k	Westar Energy

## Open Enhancements - All

Enhancement Description	Priority Grouping	Level of Complexity	Cost Estimate	Requesting Party
Members have requested the ability to know when the last time an OD has been updated for meter processing via the portal. Since the meter process runs every 30 - 60 - minutes, we are requesting that the report show the last time the meter file has processed for that given day to display on report output and if window is open/closed.	Unplanned C	Low	Up to \$10k	WFEC
<p>Add the ability to the GUI for processing Meter Requests within Soap Envelopes. This would allow the same file to be processed both via API or GUI without any changes. Currently, API requires the envelope and Portal requires it NOT be there. It would be much simpler if the same format could be used for both.</p> <p>Priority Group O - Other: Need further explanation of the benefits of this request. Need to understand the added value, this would only change the way this is currently done. Settlements reaching out to MP to see if this is still needed.</p>	Other	Unknown	Up to \$10k	SPS
<p>Currently we only pass through the Auction ID attribute through to the customers on their Bill Determinant Report. In the future we would like to have the Auction Name and the Peak/off peak auction type as attributes on TCR/ARR determinants that currently use the AID attribute.</p> <p>Priority Grouping of O-Other: Need further explanation of the benefits of this request.</p>	Other	Unknown	\$50k - 100k	unknown

## Open Enhancements - All

Enhancement Description	Priority Grouping	Level of Complexity	Cost Estimate	Requesting Party
<p>The transmission settlements (and MVAR upload) still resides in the COS portal. MP would like for API functionality to be added for transmission settlements. Also, we would like to have the ability to assign multiple functions to one certificate (like the current IM; "SPP model" per Annette Holbert).</p> <p>API functions for:            Transmission Owner/Customer settlement statements            - XML            - Daily PTP            - Monthly NITS            - Schedule 2</p> <p>MVARHr, NITS/CP, Direct Assignment, and Schedule 12 file submissions</p> <p>XML Inputs - Network billing inputs designed to dictate monthly settlement which includes DA, NITS, S12 load designations per specific TSR and / or customer.</p> <p>Prior Year Coincident Peak - Prior Year monthly assessment and net energy load per zone (Schedule 11)</p> <p>Coincident Peak &amp; Prior Year Coincident Peak - Prior Year zonal load for SCH9</p> <p>MVAR Data - Megavahr data for Schedule 2 (reactive compensation)</p>	Unplanned C	Medium	\$50k - 100k	WFEC
<p>Modify existing Network XML to include new tags to identify Schedule 9 and 11 current month NITS loads to be used in the forecasting of Schedule 1A Revenue.</p>	Release +1	Unknown	\$25k - 50k	SPP

## Open Enhancements - All

Enhancement Description	Priority Grouping	Level of Complexity	Cost Estimate	Requesting Party
Market Participant Vendor request to make Settlements notifications smart enough to know when there are multiple runs required for the OD, and only send 1 notification on all associated runs that are posted.	Unplanned A	Medium	\$25k - 50k	MCG Energy Solutions
Settlements notifications are currently the only type of notification from the Marketplace systems that don't include a MP/AO name in the actual message XML. All other notifications that we are aware of have the MP/AO name in the message. For consistency purposes and to make sure that all messages from SPP contain all the information they need for their context, we would like the MP/AO identifier to be added to the Settlements Notification XSD and messages, rather than leaving it to the vendor/MP's system to add that information as metadata when the messages are persisted on our side	Unplanned A	Low	Up to \$10k	Tenaska
<p>The settlement notifications being delivered to the MP's include the settlement type. This causes multiple notifications to be issued at the same time. One for Initial, one for Final, and one for each resettlement.</p> <p>As a consequence, processes that automatically download statements when a notification is received are repeatedly downloading the data.</p> <p>We need a single notification to the MP's when the statement is ready.</p>	Unplanned A	Medium	\$25k - 50k	PCI, MCG Energy Solutions

## Open Enhancements - All

Enhancement Description	Priority Grouping	Level of Complexity	Cost Estimate	Requesting Party
Would it be possible to provide the IM settlements calendar in XML format? Our meter submission is automatic and being able to import the "due dates" to compare against would be very handy, especially during the holiday adjusted schedules. I'm doing this with the Excel version, but due to the nature of Excel, it's a semi-manual process."	Unplanned C	High	\$50k - 100k	WFEC
A report to provide the Market Participants the costs allocated to the market caused by the GFA Carve Outs and the hourly/monthly deviations associated with the GFA Carve Out Schedules'	Unplanned C	Low	\$10k - 25k	SPP
The invoice is created by Market Participant and if that MP has more than one Asset Owner there are currently no subtotals by Asset Owner. There is only a Grand Total for the MP. We have to provide these invoice to auditors and regulatory bodies and they would really like to see a subtotal by AO so they don't have to manually add up all the lines to come up with one. We would like that too!	Unplanned B	Medium	\$10k - 25k	KCPL
MP requested enhancement to provide a method for MPs to retrieve the weekly invoices in PDF format programmatically. Currently, only the XML version of the invoice is available via the API.	Unplanned C	Medium	\$25k - 50k	Freepoint Commodities (FRPT)

## Open Enhancements - All

Enhancement Description	Priority Grouping	Level of Complexity	Cost Estimate	Requesting Party
<p>MP requesting the following data be added to the EQR reports.</p> <p>FERC Tariff reference;            Contract service agreement;            Transaction unique identifier;            Type of rate;            Term name;            Increment name;            Increment Peaking name;            Product name;            Transaction quantity;            Transaction price;            Product name;</p> <p>Combined 03-949 with this ticket as the requests were duplicates. 03-949 requested all of the data required by FERC to be included on the EQR report.</p> <p>Internal Design Discussions have started with requirements from the EQR Task Force, however this has not been assigned a release yet.</p>	Release +1	High	\$50k - 100k	HQ Energy Services
<p>Request for the FERC EQR data to be a month long, instead of the current 7 days</p>	Release +1	High	Up to \$10k	AEP

## Open Enhancements - All

Enhancement Description	Priority Grouping	Level of Complexity	Cost Estimate	Requesting Party
<p>Market Participant requested the ability for the Settlement Reports - View Settlement Statements role to be specified at the Asset Owner level, as opposed to only the Market Participant level.</p> <p>Priority Grouping of O-Other: Need further explanation of the benefits of this request. This data is already available to AOs in the determinant report. Settlements reaching out to MP to show where this data can be found.</p> <p>Per SPQM 03-25-16, move to Unplanned C if approved by the SUG. 09/12/16: Per multiple MP requests, moved to Unplanned A.</p>	Release +2	Medium	\$10k - 25k	Tenaska, TEA

## Open Enhancements - All

Enhancement Description	Priority Grouping	Level of Complexity	Cost Estimate	Requesting Party
<p>Make additional market-wide determinants available to Settlement determinant Report. The attributes for Market by Hour for DA and 5 min for RT requested are:</p> <p>DA RegUp Cleared Volume            DA RegDn Cleared Volume            DA Spin Cleared Volume            DA Supp Cleared Volume</p> <p>DA RegUp Distribution Volume            DA RegDn Distribution Volume            DA Spin Distribution Volume            DA Supp Distribution Volume</p> <p>RT RegUp Cleared Volume            RT RegDn Cleared Volume            RT Spin Cleared Volume            RT Supp Cleared Volume</p> <p>RT RegUp Distribution Volume            RT RegDn Distribution Volume            RT Spin Distribution Volume            RT Supp Distribution Volume</p> <p>Action Item from 12/2015 SPQM: Gary Cate Provided XCEL Energy Public Data URLs where to find this information on 12/11/15. SPP followed up on 12/18/15 and 2/3/16 and they have not had time to review the information. This ticket will remain open until they have</p>	Unplanned C	Unknown	\$50k - 100k	SPSM

## Open Enhancements - All

Enhancement Description	Priority Grouping	Level of Complexity	Cost Estimate	Requesting Party
<p>Currently the settlement billing determinant file is available at the AO level only and we would like to see it also available at the MP level.</p> <p>Priority Grouping of O-Other: This can only be done for the API, Data Volume would be too large through the UI. Settlements reaching out to MP.</p>	Other	Unknown	\$25k - 50k	Tenaska
<p>Market Participant requests to add GMT offset to the Operating Date and Invoice Date fields in the Settlement Statement Report. Their internal systems operate at GMT the offset is important to parsing of the file.</p> <p>Priority Grouping O-Other: Need further explanation of the benefits of this request. The Invoice date and Operating date are not time specific.</p>	Other	Unknown	\$10k - 25k	APX
<p>Enhancement to Marketplace Portal to include the ability for members to submit Monthly Assessment files for Transmission billing processes.</p>	Current Release	Low	Up to \$10k	
<p>Enhancement to add the Price Matrix files used for Transmission billing to the public data on the Marketplace Portal.</p>	Current Release	Low	\$10k - 25k	SPP
<p>Have ARR nomination process directly mirror the TCR bid process (create portfolio, enter nominations, save, and submit portfolio).</p> <p>Priority changed to 4C-H on 02/05/2016 based on SPQM discussion</p>	Unplanned C	High	\$25k - 50k	OGE
<p>The Public Downloads Source sink file truncates participation factors to two decimal places. This report needs to display up to 10 digits after decimal.</p>	Current Release	Low	Up to \$10k	KCPL

## Open Enhancements - All

Enhancement Description	Priority Grouping	Level of Complexity	Cost Estimate	Requesting Party
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**Legend:**

Blue: Items which were not listed on the last Quarterly Portfolio Report

## Projects

Project Name	Project Description	Cost Estimate	Targeted Implementation Date
Markets Release 1.20	This release includes ECC Defect fixes but not intended to include major changes. # defects and # enhancements is TBD.	In flight	03/01/17
Enhanced Public Data	Make the data currently posted on the public portal more accessible and usable by the Market Participants. This project is also intended to make the public data portal more robust including improved interaction, visualization, filtering, mobile displays, etc.	In flight	12/31/19
Freeze Date Replacement Allocation Calculator		In flight	12/31/18
Coordinated Transaction Scheduling	This project includes implementing a process to provide look ahead pricing across the interface , reviewing and submitting necessary changes to SPPs current scheduling practices, and designing and implementing the Coordinated Transaction Schedule process.	In flight	12/31/18
2.10 TCR Release	This release will address several enhancements and defects	In flight	08/29/17
2.11 TCR Release	This release will address several enhancements and defects	In flight	01/04/18
Markets Release 1.21	Markets Release 1.21 – MP IMPACTING – YES RR127 – JOU Combined Option RR130 – Commitment Notification RR153 – Offer Data Base Roll Forward Other SPRs as identified and prioritized	In flight	06/01/17
Markets Release 1.23	Markets Release 1.23 – MP IMPACTING – Yes RR116 – Quick Start Real Time Commitment – This is a registration change RR142 (and RR137) Quick Start Multi-Configuration ineligibility Other SPRs as identified and prioritized	In flight	09/01/17

## Projects

Project Name	Project Description	Cost Estimate	Targeted Implementation Date
Enhanced Combined Cycle - Gas Day	<p>This project will deliver two large areas of functionality related to Enhanced Combined Cycle (RR1- MPRR101, RR5-MPRR140, RR112, RR161, RR199) and Gas Electric Harmonization (RR100). The enhanced functionality for Enhanced Combined Cycle allows Market Participants to register multiple configurations for Combined Cycle units and submit separate offers for each configuration. The GEH timeline changes will be implemented in the fall, 2016. RR161 will require testing from all Market Participants because of the changes to the netting approach calculations. SPP anticipates making ECC performance and other changes throughout all of 2016 with the quarterly releases, and the last of the ECC changes will be implemented by 3-1-17.</p>	In flight	03/01/17
TTSE Dispatcher Training Simulator	<p>Phased approach to develop a more realistic simulator environment dedicated to SPP Operations Training</p> <p>The current Dispatcher Training Simulator (DTS) does not perform as realistically as it could, has limited availability to the Operations Analysis and Performance Support (OAPS) Department and does not meet the current needs of SPP Operators due to the additional role of the BA function.</p> <p>Creating a second DTS Environment to be used exclusively by OAPS for internal training. Enhancing the current DTS, as well as incorporating market system, to create a TTSE that performs more closely to Real-Time Production Systems.</p>	In flight	12/31/18
FERC 676-H NITS Web Oasis Modification	<p>Change to OATI systems caused by FERC Order 676-H NITS upgrade; UPDATE: Transmission Owners will have to change their Transmission Billing XML to use the new Network TSR numbers that the software will use when existing Network TSRs are uploaded.</p>	In flight	05/04/17

## Projects

Project Name	Project Description	Cost Estimate	Targeted Implementation Date
2-Factor Authentication	The Marketplace UIs and APIs use certificate based single factor of authentication mechanism. This project proposes adding a 2nd factor of authentication (like password) to the authentication process. While there is no 100% security, the 2-factor authentication will lower the Marketplace UI and API security vulnerability and reduce the risk to the Marketplace systems. Most of the other ISOs use 2-factor authentication with their UIs and APIs.	In flight	12/18/17

## Projects

Project Name	Project Description	Cost Estimate	Targeted Implementation Date
PMU Data Exchange Phase I	<p>SPP has a need to install the applicable components for SynchroPhasor (aka Phasor Measurement Unit PMU) data exchange and analytics. PMU devices can capture voltage, frequency, current, and angle for the 3 phases at a substation as fast as 60 measurements a second. This granularity of data is expected to greatly enhance our after-the-fact event analysis as well as model validation efforts. Along with event analysis, the data will assist in our real-time situational awareness. While the data can aid in identifying generator trips and island situations, it can also aid in improving our State Estimator accuracy. This aligns with the Operations strategic plan to expand our operations capabilities in the dynamic evaluation of the real-time operations.</p> <p>The 2016 scope is under refinement but will include tasks designed to educate, research and obtain member feedback on the usage of PMU data in the SPP footprint. Project objectives for 2016 will run concurrently and include:</p> <ul style="list-style-type: none"> <li>• Develop SPP overall PMU Roadmap</li> <li>• Receive existing PMU data from SPP members and MISO</li> <li>• SPP Member Engagement to address additional footprint coverage needs and increased member value Education of staff on: benefits, technology and capabilities</li> <li>• Evaluate open-source technologies</li> <li>• Evaluate commercial vendor products</li> <li>• Complete starter kit deployment .</li> </ul>	In flight	06/28/19
Marketplace Portal Redesign	Eliminate the use of Liferay as the Marketplace Portal. Develop an in-house alternative solution, eliminating maintenance and support costs associated with Liferay	In flight	6/30/17

## Projects

Project Name	Project Description	Cost Estimate	Targeted Implementation Date
ICCP SW and OS Upgrade	In support of uninterrupted Reliability communication, Southwest Power Pool (SPP) is undertaking a project to maintain the functionality of the ICCP system through a software and hardware upgrade. This project will deliver new hardware and software in both (Maumelle and Chenal) data centers.	In flight	6/30/18
Settlement Systems Replacement	This project will replace the current market and transmission settlement systems with a custom designed single high performance scalable system solution.	\$5,131,008	12/31/2018
Day Ahead FFE Exchange	Design and Implement a DA FFE exchange mechanism	\$344,004	12/31/2018
Engineering Hub	This project proposes implementation of an automated Engineering Hub capable of interfacing with other applications within SPP through standard database protocols and allow import and export functionality of model data through a web-based graphical user Interface (GUI).	In flight	12/15/2017
Reliability Communications Tool	Creation of a real-time, web-based, two-way communication tool is needed for Reliability Coordination to relay messages to members and between members.	\$982,992	12/31/2018
PMU Phase 2	The PMU Data Exchange & Analysis Project is expected to analyze, develop, and implement new capabilities to address key grid operating and planning challenges and improve existing capabilities.	\$330,000	12/31/2018
PMU Phase 3	The PMU Data Exchange & Analysis Project is expected to analyze, develop, and implement new capabilities to address key grid operating and planning challenges and improve existing capabilities.	\$1,074,996	12/31/2019

## How to Read this Report

The SPP Portfolio Report, published quarterly, is a report reflecting the latest available inventory of revision requests, enhancements, defects and projects that are subject to prioritization. Each of these areas are reported on a tab within the report.

**Revision Requests:** Revisions Requests (RRs) are requests to make additions, edits, deletions, revisions or clarifications to the SPP Market Protocols, SPP Business Practices, SPP Criteria, or SPP Open Access Transmission Tariff, except for Appendix F of the Market Protocols. The Portfolio Report includes all system and/or process-impacting revision requests which have been approved by the primary working group and are not yet implemented. The report does not include those RRs which are postponed, held, rejected, withdrawn, or other status which is not subject to prioritization. A complete list of RRs regardless of status is available on SPP.org here:

[SPP Revision Requests - RR Master List](#)

**Enhancements:** The items on the Enhancement tabs are requests for new or changed system functionality that do not require updates to SPP Market Protocols, SPP Business Practices, SPP Criteria, or SPP Open Access Transmission Tariff. The tab marked “**Open Enhancements-New**” reflects any enhancements that have been requested since the last quarterly report was published. The tab marked “**Open Enhancements-All**” includes both the new enhancement requests and the enhancements that were existing on the last quarterly report.

**Defects:** A defect is a deviation between the expected and actual results of a system component, service component, or approved artifact. The SPP Portfolio Report includes both stakeholder and staff-reported member-facing and member-impacting defects.

**Projects:** The items on this tab are a list of active and planned projects that are Member-facing, Member-Impacting or Major Technology projects.

### **Summary**

Items included in the SPP Portfolio Report are evaluated with consideration for several key factors. For Revision Requests and Enhancements, the “Priority Grouping” for an item (defined below), is determined based on Cost Estimates, Level of Complexity and Severity. Other factors including resource availability, Tariff/FERC status, other areas impacted, and correlation to other work may be considered in prioritization. For Projects, prioritization is reflected via “Priority”. The priority of a project is similarly determined based on factors such as a score calculated using the SPP Scoring Tool and a cost estimate. And as with other items, other factors may be considered in prioritization. For more information on the Stakeholder Prioritization process and quarterly meeting process, please see the SPP Stakeholder Prioritization Process document located in the Stakeholder Center of SPP.org.

[SPP Stakeholder Prioritization Process Document](#)

## How to Submit a Comment

Comments may be submitted for any: **Revision Request, Enhancement or Project**

To submit comments on Projects, Enhancements, RRs, please use RMS with the “Quarterly Stakeholder Prioritization Feedback” Quick Pick.

[SPP's Request management System](#)

## Glossary

### Revision Requests Report

Column Header

Purpose

Filter Key Points/Notes

RR #	Tracking number assigned for the Revision Request. Each Rr is assigned a unique number by the Primary Working Group staff secretary.	Use filter to locate revision requests by RR#
RR Name	Revision Request Title	Use filter to locate revision requests by Title
Primary Working Group	The working group owing overall responsibility for the document impacted by the RR. <ul style="list-style-type: none"> <li>• MWG – Market Protocols</li> <li>• RTWG – Tariff</li> <li>• ORWG – Criteria</li> <li>• BPWG – Business Practices</li> </ul>	Use filter to locate revision requests by Primary Working Group
Priority Grouping	Assessment by SPP Staff of the priority group: <ul style="list-style-type: none"> <li>• Current Release – Those items for which system changes or process/procedure changes are in progress. The in-service date will vary depending on the length of development and implementation effort <ul style="list-style-type: none"> <li>• Release+1 – Items that are planned for inclusion in upcoming release(s). Release+1 may also include items with a longer-term implementation date due to their complexity, which are being worked as a higher priority.</li> <li>• Release+2 – Items that are planned for inclusion in the next release after Release+1 items.</li> <li>• Unplanned-A, B or C – Items in the queue not yet planned for a specific release. The sub-classification of A, B or C indicates priority within Unplanned, A being the higher, B being middle and C being the lowest priority of the Unplanned items.</li> <li>• Other – Items which a) need clarification, b) need further explanation of the benefits of the request, or c) cannot be placed in the queue for another reason.</li> </ul> </li> </ul>	Use to filter by Priority grouping
Level of Complexity	Staff's assessment of how complex the item is to implement, taking all factors into consideration (High, Medium, Low or Unknown)	Use to filter by Level of Complexity
Severity (Ranked by Primary WG)	Defines the criticality, according to a scale. <ul style="list-style-type: none"> <li>• Critical</li> <li>• High</li> <li>• Medium</li> <li>• Low</li> </ul>	Use to sort by urgency, critical to low or low to critical
Cost Estimate	High-level cost estimation of work	Use filter to locate RR by RR cost estimate
Targeted Implementation Date	If known, the date the revision request is expected to be implemented	
<b>Enhancement and Defect Reports</b>		

Column Header	Purpose	Filter Key Points
Enhancement/Issue ID#	Tracking number assigned for the enhancement or defect	Use filter to locate enhancements/defects by IDR#
Primary Functional Area	SPP Business/System most impacted by the requested enhancement or defect.	Use to filter by functional area to view issues by SPP business areas and/or major systems.
Component	System and/or component of the system affected.	Use to filter by system component. The Component field may be blank if the solution has not been determined.
Enhancement/Defect Description	Brief description of the enhancement request or defect.	
Priority Grouping	<p>Assessment by SPP Staff of the priority group:</p> <ul style="list-style-type: none"> <li>• Current Release – Those items for which system changes or process/procedure changes are in progress. The in-service date will vary depending on the length of development and implementation effort</li> <li>• Release+1 – Items that are planned for inclusion in upcoming release(s). Release+1 may also include items with a longer-term implementation date due to their complexity, which are being worked as a higher priority.</li> <li>• Release+2 – Items that are planned for inclusion in the next release after Release+1 items.</li> <li>• Unplanned-A,B or C – Items in the queue not yet planned for a specific release. The sub-classification of A, B or C indicates priority within Unplanned, A being the higher, B being middle and C being the lowest priority of the Unplanned items.</li> <li>• Other – Items which a) need clarification, b) need further explanation of the benefits of the request, or c) cannot be placed in the queue for another reason.</li> </ul>	Use to filter by Priority grouping
Level of Complexity	Staff's assessment of how complex the item is to implement, taking all factors into consideration (High, Medium, Low or Unknown)	Use to filter by Level of Complexity
Severity	<p>Defines the criticality, according to the scale.</p> <ul style="list-style-type: none"> <li>• Critical</li> <li>• High</li> <li>• Medium</li> <li>• Low</li> </ul>	Use to sort by severity, critical to low or low to critical
Cost Estimate	High-level estimated cost of work based on internal and external man hours	Use filter to locate projects by projected cost estimate

Targeted Release ID	ID associated with the system release, patch, or change that is expected to contain the issue fix.	Filter by all, omitting "blanks", to view all issues that are expected in a planned (future) release. Blank Release ID fields indicate the issue has not yet been associated with a planned release.
Associated ID	Any identifier external to SPP's issue tracking ID, which is the originator of the issue, (e.g. MPRR, MCRR, RMS...).	Filter to view issues that originated from an RMS inquiry, MPRR, MCRR, etc. Use this filter to view data previously provided on the Revision Requests report by selecting all MPRR options in the filter.
Requesting/Identifying Party	Name of company (or companies) submitting the request/identifying the issue.	Filter to view items based on requesting party.
Issue Description	Describes the enhancement from the Market Participant's point of view.	
Date Created	Date on which the issue was opened in SPP's issue tracking system.	
Notes	Text field for any additional information about the issue.	
<b>Project Report</b>		
<b>Column Header</b>	<b>Purpose</b>	<b>Filter Options</b>
Project Number	Project ID within the SPP project portfolio for project identification and tracking	Use filter to locate projects by number
Project Category	The type of project (Marketplace systems, Major Membership Expansion, Major Technology, Other)	Use to filter by project category
Project Description	Brief description of the scope of the work in business terms	Use filter to locate projects by project description/name
Status	Status of the project, as defined by SPP's PMO: <ul style="list-style-type: none"> <li>• Active: Initiated,</li> <li>• Pending: Awaiting Initiation</li> <li>• Suspended: Put on hold</li> <li>• Closed: Completed/delivered</li> </ul>	Use filter to view projects by status
Phase	Current Phase of project: Example, Planning, Execution, Closing	Use filter to view projects by project phase
Priority	Priority for the project. Initial priority (High, Medium, Low, TBD) set by SPP Staff	Use filter to sort by priority
Score	Scores are calculated using the SPP Scoring Tool, which considers alignment with foundational strategies and strategic initiatives defined by the 2014 SPP Strategic Plan, as well as operational and technical efficiencies. (Initial priority score set by SPP Staff)	Use filter to locate projects by score
Cost Estimate	High-level estimated cost of work based on internal and external man hours, as well as other line item costs	Use filter to locate projects by projected cost estimate
Targeted Implementation Date	Planned implementation date	Use filter to locate projects by date range