



Southwest Power Pool, Inc.
BOARD OF DIRECTORS/MEMBERS COMMITTEE MEETING

January 29, 2019

Doubletree New Orleans – New Orleans, LA

• **A G E N D A** •

8:00 a.m. – 4:30 p.m.

Special Meeting of Members

1. Call to Order and Administrative Items.....Mr. Larry Altenbaumer
2. Corporate Governance Committee Report.....Mr. Nick Brown
 - a. Board of Directors Compensation Recommendation
 - b. Election of Members Committee Representatives

Adjourn for Board of Directors/Members Committee Meeting

Board of Directors/Members Committee Meeting

1. Call to Order and Administrative Items.....Mr. Larry Altenbaumer
2. Reports to the Board
 - a. President's Report.....Mr. Nick Brown
 - b. Regional State Committee Report.....President Kim O'Guinn
 - c. Oversight Committee Report.....Mr. Josh Martin
 - d. Strategic Planning Committee Report.....Mr. Larry Altenbaumer
 - e. Finance Committee Report.....Mr. Bruce Scherr
 - i. Schedule 1A Task Force Recommendation
 - f. Markets and Operations Policy Committee Report.....Ms. Holly Carias
3. Consent Agenda
 - a. Approve December 4, 2018 Minutes
 - b. Corporate Governance Committee
 - i. SPP Bylaws Revisions (Appeals) Recommendation
 - c. Finance Committee
 - i. Line of Credit Renewal
 - d. Markets and Operations Policy Committee
 - i. TWG RR237 Planning Criteria Section 5 Cleanup
 - ii. SUS-008 Richmond Sponsored Upgrade Study - Endorsement
 - e. Staff
 - i. 2019 STEP Recommendation
 - ii. NTC 200228 (Viola Transformer) Modification Recommendation

Antitrust: SPP strictly prohibits use of participation in SPP activities as a forum for engaging in practices or communications that violate the antitrust laws. Please avoid discussion of topics or behavior that would result in anti-competitive behavior, including but not limited to, agreements between or among competitors regarding prices, bid and offer practices, availability of service, product design, terms of sale, division of markets, allocation of customers or any other activity that might unreasonably restrain competition.



4. Future Meetings

2019

- RSC/BOD – April 29-30.....Tulsa, OK
- RSC/BOD – July 29-30.....Des Moines, IA
- RSC/BOD – October 28-29.....Little Rock, AR

Adjourn for Board of Directors/Members Committee Executive Session

SPP Board of Directors and Members Committee Executive Session

- 1. Human Resources Committee Report.....Mr. Julian Brix

Adjourn for Lunch 12:30 – 1:30 p.m.

SPP Board of Directors and Members Committee Development (Executive Session)

- 1. 1:30 – 4:30 p.m.

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Southwest Power Pool, Inc.
FINANCE COMMITTEE
Recommendation to the SPP Board of Directors
January 28, 2019

Organizational Roster

The following persons are members of the Finance Committee:

Bruce Scherr	Director
Susan Certoma	Director
Sandra Bennett	American Electric Power
Laura Kapustka	Lincoln Electric System
Jerry Peace	Oklahoma Gas & Electric
Mike Wise	Golden Spread Electric Coop

Background

SPP's term debt structure as of the end of December 2018 was as follows:

Due Date	Rate	Balances (\$MM)		Funding Year	Lender	Primary Purpose
		Original	Current			
2027 Sr. Notes	5.51% ¹	\$ 5.1	\$ 2.7	2007	Bank	Maumelle Facility
2042-A&B Sr. Notes	4.82%	\$ 65.0	\$ 58.3	2010	Insurance	Corporate Campus
2024-C Sr. Notes	3.55%	\$ 70.0	\$ 36.8	2011	Insurance	Integrated Marketplace
2024-D-1 Sr. Notes	3.00%	\$ 50.0	\$ 26.3	2012	Insurance	Integrated Marketplace
2024-D-2 Sr. Notes	3.25%	\$ 50.0	\$ 28.8	2012	Insurance	Integrated Marketplace
2025-E Sr. Notes	3.80%	\$ 37.0	\$ 37.0	2014	Insurance	Project Pinnacle
2024 Floating Note	3.23% ¹	\$ 33.0	\$ 24.8	2014	Bank	Capex Program
2028 Credit Facility	Multi ²	\$ 80.0	\$ 0.3	2018	Bank	Capex Program
	Totals	\$ 390.1	\$ 214.5			

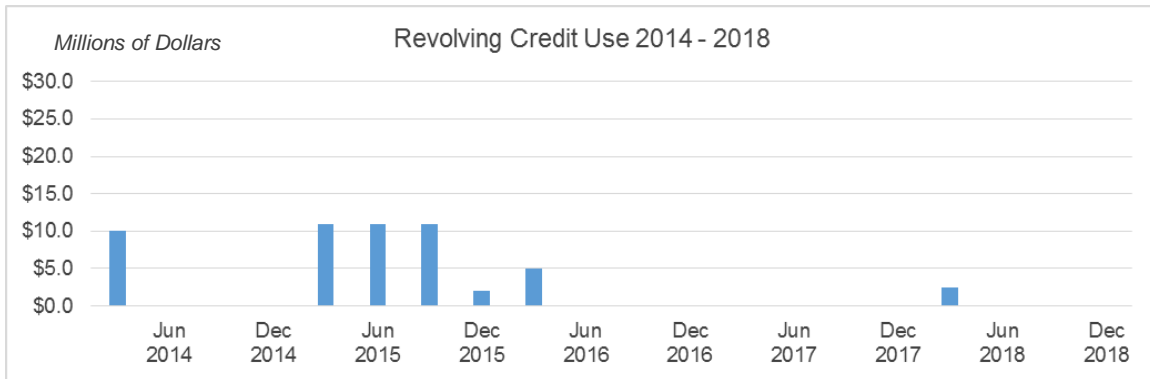
All notes are unsecured except for the 2027 senior notes which are secured by a first mortgage on SPP's Maumelle, AR operations facility. SPP also has available a \$30 million unsecured revolving line of credit maturing October 2019. The line is used to support a 6-month debt service reserve required by SPP's term credit agreements and to provide a temporary liquidity resource. Draws under the revolving facility are priced at LIBOR + 125bps. SPP pays a 12.5bp per year unused commitment fee on this facility.

¹ Swap agreements were established to hedge interest rate risk on certain floating rate debt obligations. Rates identified reflect the fixed rate obligations.

² The 2028 Credit Facility includes two components: 1) a 5-year revolving master note priced at LIBOR + 150bps with a floor of 2.75%, and 2) the ability to periodically convert draws from the revolver into 4-year term notes with fixed rates based upon 5-year treasuries + 185bps. As of December 2018, SPP had drawn \$0.3 million on the revolver and had no fixed note tranches.

Analysis

SPP's revolving line of credit matures in October 2019 and has no outstanding balance as of December 31, 2018. Usage under the line has been minimal over the last few years, as illustrated in the following chart showing outstanding balances at month end.



SPP's operating cash flow is comprised of a once a month cash inflow with outflows occurring weekly. Inflows arrive in the form of Schedule 1A revenues collected monthly which remain relatively flat throughout the year. Outflows are generally higher in the first quarter of each year primarily due to annual maintenance and insurance prepayments. Since SPP operates on a net zero basis, the first quarter variability can be meaningful with respects to availability of operating funds.

The lender has offered to extend the expiration date for an additional two years with the same terms and conditions and with no additional legal, closing or origination fees. During the original request for proposal period, other responding banks quoted up to \$75 thousand in origination fees if selected. Based on prior experience, SPP staff contends the most cost effective approach is to renew with the existing lender.

Recommendation

Approve extension of maturity date of \$30 million revolving credit facility to October 2021 with all other terms and conditions remaining unchanged. Authorize the SPP President and Chief Financial Officer to execute documentation to effectuate the renewal.

Approved: SPP Finance Committee

Action Requested: Approve Recommendation