

**MINUTES OF THE MEETING OF THE BOARD OF DIRECTORS OF
SOUTHWEST PUBLIC POWER AGENCY, INC.**

October 14, 2024

A meeting of the members of the was held on October 14, 2024, at the offices of Clark Hill, located at 3200 North Central Avenue, Suite 1600, Phoenix, Arizona 85012.

The following Committee Members or Member alternates were present:

Ken Robbins – ED2
Glen Steiger – NTUA
Noel Carter - BWCDD
Brian Yerges—ED3
Brian Fickett – TOUA
Jeff Woner - OWCD
Jason Moyes – AID, HVPD, TID
Robert Van Hofwegen - ED8
Glen Vortherms—MWD
Michael Curtis – Town of Wickenburg

Elena Byrd – ED2
Derek McEachern – ED4
Ron McEachern – ED4
Bill Van Allen—ED6
Arnold Mejia – GRICUA
Ken Stock – GRICUA
Jim Downing - MVWCDD
Donovan Neese - RID
Taylor Howerter—RID
Joe Mease - TOUA

Also present:

Dennis Delaney
Frank McRae
Judy Spallino
Kim Polivka
Scott Saline
Dan Pritchard

Ken Saline
Sheryl Sweeney
Daniel Herder
Cathy – Member of public

The following Committee Members were not present:

City of Safford
Electrical District No. 7 of Maricopa County
Town of Thatcher
AK-Chin

The meeting was called to order at 12:15 p.m. Mr. Ken Robbins chaired the meeting while Ms. Kim Polivka functioned as secretary.

ROLL CALL

Mr. Frank McRae called the roll of the Committee Members to ensure there was a quorum present. Quorum being established, the business of the meeting proceeded.

3.) Consideration and approval of Consent Agenda (Possible Action Item)

All items on the Consent Agenda are routine matters and will be enacted by the motion of the Board of Directors. A Board Member may request removal of any items (s) or part (s) thereof without debate or vote.

- a. Minutes from prior meetings of the SPPA Board of Directors.
 - September 9, 2024 (NITS)

- b. Minutes from Executive Session(s) held during prior meetings of the SPPA Board of Directors.
- c. Ratification of approval items, if any, from the SPPA Pool Management Committee.
- d. Risk Management Committee Items – Meeting Schedule October 28, 2024, via teams at 3:00 PM.

Mr. Robbins presented the Consent Agenda for the Committee’s review and approval. All items listed on the Consent Agenda may be enacted by a single motion unless a Committee Member requests otherwise.

Upon discussion, Mr. Glenn Steiger moved to approve the contents of the Consent Agenda as presented. Mr. Robert Van Hofwegen seconded the motion. Upon the taking of a voice vote, the motion was unanimously carried.

4.) Item(s) removed from Consent Agenda (Possible Action Item).

No items were removed from the Consent Agenda.

5.) Financial matters

- a. Financial Update & Treasurer’s Report including disbursements (Possible Action Item).

Ms. Judy Spallino presented the Financial Statements and Disbursements Reports for the Committee’s review and approval.

Mr. Glenn Steiger moved to approve the Disbursements as presented. Mr. Robert Van Hofwegen seconded the motion. Upon the taking of a voice vote, the motion was unanimously carried.

Mr. Robert Van Hofwegen asked if any portion of the \$1.4 million of maintenance margin funds had been returned to SPPA. Ms., Spallino responded that all of the funds \$1.4 million had been returned to SPPA.

Presented were the following:

- i. Balance Sheet Highlights Thru 08/31/2024
- ii. Profit & Loss Highlights Thru 08/31/2024
- iii. Variance Analysis Highlights through 8/31/2024 – Note: This does not include the \$100K excess from last year

6.) Legal/regulatory matters

none

7.) Ongoing Activities

- a) Update on Energy Accounting Conversion Project

Mr. Delaney explains making it through one partial iteration of the reconciliation on the energy side reconciliation. We have finalized the preliminary invoice and have been using it for the past few months. Mark Castleton (data scientist SPPA has employed for this project) presented a virtual demonstration of the software at a recent AEPCO meeting. Mr. Castleton is at the documentation stage of this project. Mr. McRae stated that by using Mr. Castleton rather than following the original plan of having AEPCO learn SPPA’s current system and then try to duplicate into a data base approach, we are ahead of schedule and the cost is a lot less. AEPCO had no issues with the way the project has progressed and did not present any concerns for security or protocol. They were pleased with Mr. Castleton’s documentation and diagram of the system and the process.

Mr. Delaney stated that the project was at the cleaning up, version control and audit availability.

Mr. Robbins asked if we were on track to have this system ready by the first of the year, January 2025. Mr. Delaney responded that we were, but the end of the first quarter of 2025 is more likely. A dual system will be run for a few months (at least six) before the system is finalized.

- b) Onward/Mesquite PPA, including capacity buyback update.

Mr. Delaney spoke about selling back 215,000 MWh to Mesquite for eight (8) days. We were in contact with AEPCO to make sure we did not schedule capacity during those days. The cost was the contract fixed cost prorated down to those days. The margin was about \$12 had we sold all those MWh in the market. We are looking to do a second deal in late January or early February 2025 for eight (8) days. A copy of the agreement was posted on the Website under the pooling management committee calendar items. (Dates per the agreement 11/12/2024 including 11/19/2024)

Mr. Delaney spoke about the sales to IID on September 5, 2024. These sales were curtailed not by SRP but by fault of Conoco. The net result has zero impact on SPPA, but appropriate offsetting transactions are required for the booking out. The pricing of the damages is \$380MWh and the other was \$369MWh, both transactions exceed the SPPA authority matrix of approval of \$250. Mr. Delaney requested that the board approve this deviation.

Mr. Herder further clarified that this is a "Netting out" of the purchases on SPPA. There are transactions on both sides that are "passing through."

A motion was prepared to approve the transactions relating to the damages passed on by IID of \$380 and \$369 connected to curtailments that are passed on to CONCCO to deviate from the authority matrix of \$250 management threshold previously approved by the board.

Mr. Glenn Steiger moved to approve the motion and Mr. Robert Van Hofwegen seconded the motion. Upon the taking of a voice vote, the motion was unanimously carried.

c) Updates on Financial Gas Hedging

Mr. McRae stated that we have hedges set up through the spring of 2025. He noted that the October gas prices are very volatile and SPPA is hedged for a good part of the gas that will be required.

d) AEPCO – Apache II & Pinal Co. Solar/BESS

SPPA Credit Downgrade

- AEPCO Services subject to security type deposit(s). Currently have on deposit \$1M
- Apache II & Pinal County Solar PPAs may include security deposit requirements.
- AEPCO & ACES Credit will review SPPA's financial health and strength to assess whether deposits will be required.
- SPPA now has extensive experience & data to put S&P's rating into perspective & will present to AEPCO/ACES

Mr. McRae explained that we will be able to demonstrate to ACES and AEPCO that we are not the credit risk that S&P identified in our credit rating. SPPA is financially strong and healthy. Our hedging program is also something that we can point to that our members have taken prudent steps to mitigate the types of risk that S&P identified and heavily weighted in our credit rating report.

Mr. Ron McEachern has been contacted by Nextera about the power service to a substation in the amount of 4MW. He is looking for updates on time for the Pinal Country Solar project.

Mr. McRae stated that the schedule for Pinal Country Solar is to be completed by December 2027. (Test energy six months prior to that date.) He also explained that there is a lot of uncertainty in that schedule as well because of where they end up in the interconnection queue in the western system. Western currently has "clusters" of interconnection requests. There is also a European company that owns a few hundred MW of interconnection capability in the Pinal Country Solar area on Westerns system.

Mr. McRae also stated that he has asked for a PPA and when it is scheduled. Possible draft PPA to be received this week. PPA would be for Apache, but it is understood there will be slight difference between the two projects for the PPA.

Apache II is scheduled for completion in December 2025, while Pinal County's project is expected to be completed by 2027. Construction at Apache II has just started, delayed by a few months due to local permitting issues.

Apache II & Pinal County Solar & BESS

- \$ 485 million USDA New Empowering Rural America (ERA) Program Grant (Inflation Reduction Act)
- Town Hall 9.12.24 at Trico HQ (Marana)
- AEPCO is able to retire coal assets by the end of 2027.
- Pricing remains subject to adjustments (esp. Pinal Co.)
- 730 MW solar & and 2,910 MWh of BESS
- Forty rural Southwest cooperatives & public power utilities
- CBP: develop renewable energy apprenticeship programs & collaboration w/ ranchers & farmers in member service areas to develop new training programs.
- Apache Solar II Schedule:
 - Construction Start: Crews are mobilizing Oct (prev. Aug)
 - Commercial Operation Date (COD): December 2025
 - PPAs: Ongoing AEPCO Internal Reviews
 - Pinal County Schedule: Key AEPCO task is obtaining “early position” in Western’s Interconnection Queue (avoids potential for significant system upgrades)
 - CAL ISO Extended Day Ahead Market (EDAM) Study
 - SPPA has been asked to contribute to study (e.g., EIM)
 - CAL ISO Flexibility for Resource Adequacy Standards
 - Fitch Ratings – “AEPCO in midst of transition”
 - Governor’s Office grants – Grid Resiliency

AEPCO is expected to provide a draft Power Purchase Agreement (PPA) soon. They were waiting for a firm commitment from the Department of Agriculture regarding grants, which they now have, although the grant award is not yet signed.

Mr. Curtis inquired if there is any danger of the funding not being available depending on the upcoming election. Mr. McRae answered that there is always uncertainty and the risk for a change in administration to pull back some of the funding. Signed contracts could mitigate this risk.

USDA Grant: The grant aims to reduce CO2 emissions from coal-fired assets, allowing AEPCO to retire these assets by the end of 2027. This grant will benefit around 40 utilities across the Southwest, supporting over 700 MW of solar power and 2900 MWh of battery storage.

Community Benefit Plan: AEPCO is developing renewable energy apprenticeship programs and intends to collaborate with ranchers and farmers to develop nutrient programs.

Motion to go into Executive Session

The motion for the Executive Session pursuant to A.R.S. § 38-431.03 (A) (3) for discussion or consultation with the attorneys of SPPA for legal advice regarding the CAISO study was called for by Mr. Donovan Neese, and seconded by Mr. Robert Van Hofwegen, upon taking of a voice vote, the motion unanimously carried Executive session 12:45 PM

The board exited executive session at 1:15pm

The board desired to move to Executive Session, pursuant to A.R.S. § 38-431.03 (A) (2) and (3) for discussion or consultation with the attorneys of SPPA for legal advice, and for the consideration of records exempt by law from public inspection, regarding the Box Canyon Solar Project and APS NITS discussions. The motion was called for by Mr. Donovan Neese, and seconded by Mr. Robert Van Hofwegen, upon taking of a voice vote, the motion unanimously carried at 1:16.

The Executive Session was adjourned at 2:28 PM

8.) Any other business that may come before the meeting.

No additional business was discussed.

9.) Discussion of Future Agenda Items

No additional business was discussed.

10.) Establishment of the Date of Next SPPA Board Meeting

November 4, 2024, was announced as the date of the next SPPA Board of Director Management Committee meeting.

The Succession Planning Meeting will be held on November 1, 2024, at the offices of Clark Hill, located at 3200 North Central Avenue, Suite 1600, Phoenix AZ 85012. The meeting will begin at 10:00 AM.

11.) Public Comment

There was no comment from the public.

12.) Adjournment

There being no further business to come before the Board, the meeting was adjourned at 2:34 PM

Respectfully submitted,

Kim Polivka
Admin/Acct Assistant

Approved: _____

