

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

February 12, 2024

A meeting of the Board of Directors of the Southwest Public Power Agency, Inc. ("SPPA") was held on February 12, 2024, at the offices of Clark Hill, located at 3200 North Central Avenue, Suite 1600, Phoenix, Arizona 85012.

The following Board Members or Member alternates were present:

Ed Gerak – ACES  
Jason Moyes – AID, HVPD, and TID  
Ken Robbins—ED2  
Brian Yerges—ED3  
Ron McEachern – ED4  
Bill Van Allen—ED6  
Robert VanHofwegen —ED8  
Kenneth Stock—GRICUA  
Glen Vortherms—MWD

Jim Downing – MWCCDD  
Glenn Steiger – NTUA  
Jeff Woner—OWCD  
Donovan Neese—RID  
Jason Brimhall - Safford  
Brian Fickett – TOUA  
Heath Brown – Town of Thatcher  
Michael Curtis – Town of Wickenburg

Also present:

Dennis Delaney  
Frank McRae  
Daniel Herder  
Judy Spallino  
Daniel Pritchard  
Jennifer Torpey  
Kent Simer

Jerri Tso  
Elena Byrd  
Scott Saline  
Joe Mease  
Taylor Howerter  
Derek McEachern

The following SPPA Member(s) were not present:

Buckeye Water Conservation and Drainage District

Electrical District No. 7 of Maricopa County

The meeting was called to order at 1:32 p.m. President Robbins chaired the meeting while Ms. Tso acted as secretary.

**ROLL CALL**

Ms. Tso called roll of the Members to ensure there was a quorum present. Quorum being established, the business of the meeting proceeded.

**3.) CONSIDERATION AND POSSIBLE APPROVAL OF CONSENT AGENDA**

- A) MINUTES FROM JANUARY 8, 2024, MEETING OF THE SPPA BOARD OF DIRECTORS**
- B) MINUTES OF THE EXECUTIVE SESSION HELD DURING JANUARY 8, 2024, MEETING OF THE SPPA BOARD OF DIRECTORS**
- C) RATIFICATION OF APPROVAL ITEMS, IF ANY, FROM THE SPPA POOL MANAGEMENT COMMITTEE**

Mr. McRae presented the Consent Agenda for the Board's review and possible approval. All items listed on the Consent Agenda may be enacted by a single motion unless a Board Member requests otherwise. There were no approval items from the SPPA Pool Management Committee included in the Consent Agenda.

**Upon discussion, Mr. Gerak moved to approve the contents of the Consent Agenda as presented. Mr. Steiger 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 (APPROVAL ITEM)**

##### **A. FINANCIAL UPDATE & TREASURER'S REPORT INCLUDING DISBURSEMENTS (POSSIBLE ACTION ITEM)**

##### **B. STATUS AND SCHEDULE OF 2022 AUDIT**

##### **C. STATUS AND SCHEDULE OF 2023 AUDIT**

##### **D. S&P GLOBAL RATINGS "STANDARD SURVEILLANCE REVIEW" OF SOUTHWEST PUBLIC POWER AGENCY**

A series of financial reports were presented for the Board's review, including copies of SPPA's balance sheet and profit and loss statement, as well as recent disbursements. Ms. Torpey noted the Profit and Loss Statement does not include the December true-up as SPPA is awaiting the Settlement from AEPCO. For the Disbursements, Mr. Delaney highlighted that Streamline is a new invoice item, KRSA invoicing needs to be corrected so it will be pulled from the disbursements pending reconciliation and lastly, the Mesquite bill will be in the following day so it will fall under next month's approval items.

**Upon discussion, Mr. Steiger moved to approve and ratify the financial reports and disbursements as presented. Mr. VanHofwegen seconded the motion. Upon the taking of a voice vote, the motion was unanimously carried.**

Mr. McRae shared the steps he has taken to ensure SPPA continues to work toward a clean and successful audit. There were three significant areas of deficiencies, which were segregation of duties to member allocations, segregation of duties to journal entries and untimely record keeping. To address the segregation of duties to member allocations, SPPA is working on transitioning the Energy Accounting process from a manual process to an automated process. The new Energy Accounting system is expected to be completed and fully utilized by January 1, 2025. Currently, SPPA has implemented a new review step into the process, which will help satisfy the secondary review of the audit process for the latter part of 2023. For segregation of duties to journal entries, the journal entries created in 2022 and SPPA's ability to conduct independent reviews and approvals would not meet the timeliness standard for audits. SPPA should be prepared for 2021 Deficiency to be reported again in the 2022 audit. Baker Tilly Auditor reviewed a sample of 2022 journal entries and found no signs of inappropriate processing in 2022. Updates for the 2023 audit include Ms. Spallino to begin reviewing 2023 journal entries to meet independent review/approval requirements. However, early 2023 journal entries may not meet timeliness criteria for the 2023 Audit, posing a risk to SPPA. Looking forward to 2024, Mr. Spallino will review journal entries to satisfy audit review requirements. SPPA will also hire an admin assistant to create and approve journal entries by SPPA employees or KRSA employees dedicated to SPPA. The enhancements to both processes, SPPA member allocations and journal entries, will resolve the issue of untimely record keeping.

Mr. McRae provided details on the S&P Global Rating "standard surveillance review" meeting he had with S&P on January 29, 2024. The S&P Global Rating measures the performance and accuracy of an Entities credit ratings. The S&P Global Rating review process consists of a series of questions and data requests, such as member loads increased/decreases, water impacts to agriculture customers, SPPA fixed obligations, etc. Mr. McRae stated that he emphasized the focus on enhancing areas with positive observations from previous reviews and enhancing the resilience of our members to challenges. Mr. McRae plans to present the outcome to the Board during the March 2024 Board meeting.

**6.) LEGAL/REGULATORY MATTERS:**

**A. DISCUSSION AND POSSIBLE RATIFICATION OF POOLING COMMITTEE ACTION ON AMENDED AND RESTATED ENERGY MANAGEMENT SERVICES AGREEMENT BETWEEN SPPA AND AEPCO, INCLUDING RESOLUTION 2024-2-001.**

**B. STATUS REPORT ON APACHE II & PINAL CO. SOLAR**

Discussion of the Amended and Restated Energy Management Services Agreement took place in the Pooling Committee meeting. The recommended Amended and Restated Energy Management Services Agreement was approved by the Pooling Committee.

**Upon discussion, Mr. Yerges moved to approve the resolution of the Amended and Restated Energy Management Services Agreement between SPPA and AEPCO. Mr. Woner seconded the motion. Upon the taking of a voice vote, the motion was unanimously carried.**

Apache Solar II Project will offer 235 MW of new Solar and Battery at the Apache Substation by Winter 2025. Energy from this project will serve AEPCO's Class A, B and D members.

The Pinal Solar Project will offer 400 MW of new Solar and Battery and will be located in Pinal County. The project will be completed in two phases; the first phase has a COD of 2026, and the second phase has a COD of 2027. Total MW's for this project will be determined upon AEPCO's application outcome for the USDA Empowering Rural America New Era Grant. If AEPCO is awarded the grant, the project will be up to 500 MW and if they are not awarded, then the project is expected to be around 200 MW. Additionally, Pinal County land use designation for green energy production was received for this project site.

**7.) ONGOING ACTIVITIES**

**A. A&G & EMS INVOICES**

**B. ONWARD/MESQUITE CONTINUED MONITORING OF OPPORTUNITIES FOR PPA AMENDMENT, AND REPORT ON STATUS OF MESQUITE "CAPACITY SELL BACK" DURING MAINTENANCE OUTAGE.**

**C. UPDATES ON FINANCIAL GAS HEDGING (S)**

**I. WINTER 2024**

**II. SPRING 2024**

**III. SUMMER 2024**

**D. STATUS REPORT ON BOX CANYON SOLAR PROJECT**

Financials through October 31, 2023, showed reconciled revenues and expenses for A&G, EMS, and QIR at \$454,861.98. Mr. McRae noted that true up's for November and December 2023 still need to be completed, once final numbers for 2023 are known, Mr. McRae will provide the Board with a proposal on how to utilize the over-collection from 2023. The plan currently is to allocate funds to the 2024 Contingency Plan and offset any costs due to members from 2023 A&G Settlement Credits. He also welcomed questions and suggestions from the Board members regarding the additional funds.

Onward/Mesquite continued monitoring of opportunities for PPA Amendment, and report on status of Mesquite "Capacity Sell Back" during maintenance outage and Updates on Financial Gas Hedging for Summer to Winter 204 were discussed in the Pooling Committee meeting.

An update was given on the Box Canyon Solar Project that included a new member to the BrightNight team, updates to scheduling, licenses, permits and approvals as well as future coordination efforts. There appeared to be no delays in the BOCA project based on the project GANTT chart provided by BrightNight. Updates on licenses, permits and approvals all appear to be on target as well with no outstanding issues.

**7.) ORGANIZATIONAL DEVELOPMENT PLAN**

**A. STATUS**

**B. STRATEGIC PLANNING PROCESS**

**C. ANNUAL MEETING**

In regard to Energy Accounting and Allocations, the audit requirement for independent review of energy accounting/allocations in 2024 is dependent on KRSA's. The new Energy Accounting system will be implemented by January 1, 2025, and lastly, SPPA will fill a position to assume these responsibilities as Mr. Delaney transitions into retirement. In regards to Administrative and Accounting, the Director of Accounting/Enterprise Services will be filling an Administrative/Accounting Assistant position, focusing on addressing audit deficiencies, timely financial reports, invoices, and distributing financial information before board meetings.

Strategic Planning for SPPA includes multiple Board Workshops, updates and focus one important discussion at every Board and Committee meeting, focus on SWOT assessment, account for results of S&P Rating, occasionally review and revise SPPA's Organizational Development Plan and present a Draft Plan at SPPA's Annual Meeting.

The Annual Meeting is tentatively scheduled for June 2024 and will cover S&P rating, audits, update on ODP, update on strategic planning process, and will include a draft strategic plan.

**ANY OTHER BUSINESS THAT MAY COME BEFORE THE MEETING**

No other business was discussed.

**DISCUSSION OF FUTURE AGENDA ITEMS**

No future agenda items were discussed.

**ESTABLISHMENT OF DATE OF NEXT SPPA MEETING**

The next SPPA meeting will be held March 11, 2024.

**PUBLIC COMMENT**

There was no comment from the public.

**ADJOURNMENT**

There being no further business to come before the Board, the meeting was adjourned at 2:26 p.m.

Respectfully submitted,

Approved: \_\_\_\_\_

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Jerri Tso  
Utility Analyst

Attachment(s): List of approved disbursements  
CY2024 Agency Budget