

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

May 13, 2024

A meeting of the Board of Directors of the Southwest Public Power Agency, Inc. ("SPPA") was held on May 13, 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  
Derek McEachern – ED4  
Bill Van Allen—ED6  
Arnold Mejia—GRICUA  
Ken Stock - GRICUA  
Noel Carter - BWCD

Glen Vortherms—MWD  
Jim Downing – MVWCDD  
Glenn Steiger – NTUA  
Jeff Woner—OWCD  
Taylor Howerter—RID  
Brian Fickett – TOUA  
Robert Van Hofwegen - ED8  
Michael Curtis – Town of Wickenburg  
Joe Mease - TOUA  
Donovan Neese - RID

Also present:

Dennis Delaney  
Frank McRae  
Daniel Herder  
Judy Spallino  
Daniel Pritchard  
Jerri Tso

Scott Saline  
Ken Saline  
Kim Polivka  
Lisa Dowden

The following SPPA Member(s) were not present:

Town of Thatcher  
City of Safford  
Electric District No 7

City of Williams

The meeting was called to order at 12:20 p.m. President Robbins chaired the meeting while Ms. Spallino acted as secretary.

**ROLL CALL**

Mr. Robbins called the 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 APRIL 08, 2024, MEETING OF THE SPPA BOARD OF DIRECTORS**

**B) RATIFICATION OF APPROVAL ITEMS, IF ANY, FROM THE SPPA POOL MANAGEMENT COMMITTEE**

Mr. Robbins 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. Robert Van Hofwegen moved to approve the contents of the Consent Agenda as presented. Mr. Glenn 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. EXECUTIVE SESSION FOR DISCUSSION OR CONSULTATION FOR LEGAL ADVICE WITH THE ATTORNEY OF SPPA PER A.R.S. § 38-431.03(A)(3) REGARDING THE STATUS AND SCHEDULE OF 2023 AUDIT.**

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

Ms. Spallino presented a series of financial reports for the Board's review, including copies of SPPA's balance sheet and profit and loss statement, as well as recent disbursements. The financial statement presented covered the months of February and March 2024. A new format for these statements was unveiled for the board as well. All financial information presented is unaudited.

Mr. VanHofwegen asked if the financials reflected the situation with McMullen's inadvertent overpayment. Ms. Spallino confirmed that had been addressed and SPPA returned the funds promptly.

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

**A motion to approve the disbursements was made by Mr. Mr. VanHofwegen and seconded by Mr. Yerges. Upon the taking of a voice vote, the motion was unanimously carried.**

Ms. Spallino shared the status of the 2022 audit. The auditors of Baker Tilly have received all the information that was requested at this time. The final audit report should be prepared within the month. The same items re separation of duties are anticipated to be in the 2022 audit as they were not addressed until 2023.

##### **EXECUTIVE SESSION FOR DISCUSSION OR CONSULTATION FOR LEGAL ADVICE WITH THE ATTORNEY OF SPPA PER A.R.S. § 38-431.03(A)(3) REGARDING THE STATUS AND SCHEDULE OF 2023 AUDIT.**

*Executive session was motioned by Mr. Michael Curtis and seconded by Mr. Robert VanHofwegen. Upon taking a voice vote, the motion was unanimously carried.*

*The Executive Session was adjourned at 12:46PM.*

Mr. McRae provided a current update on the S&P Global Rating that has been pending since meeting with them on January 29, 2024. Anticipate recommendations to June S&P committee meeting and subsequent issuance of rating.

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

##### **A. APS EIM RECONCILIATION**

##### **B. FERC AND ACC PROCEEDINGS AND FILINGS**

APS: OATT/EIM Reconciliations – In an April 18 email, APS notified all customers that the software that they use for their calculation of the Open Access Transmission Tarriff (OATT) was not consistently populating the billing

systems. APS went back to July 2019 and corrected the errors. This correction has resulted in a credit to those members involved and a “Prior period adjustment” will be reflected on the next billing cycle.

Ms. Lisa Dowden gave a presentation regarding applicable FERC and ACC proceedings and filings including the following:

WRAP—APS filed tariff documents to implement its decision to join the Western Resource Adequacy Program (WRAP) but has not yet filed tariff changes to the OATT to describe how the costs will be allocated to customers in the APS service area. FERC has issued a deficiency letter in one of those dockets asking APS to justify selling WRAP Reserve Energy Service at index prices to entities located in the APS and TEP service areas. The APS answer is due by June 3. SPPA has already intervened in the proceeding and will have an opportunity to review and, if necessary, respond to whatever APS files. This proceeding could affect SPPA members in the APS and TEP service areas after WRAP becomes effective.

WRAP members have indicated that they will likely delay full (i.e. binding) participation in WRAP for another year, until the summer of 2027.

EDAM—The CAISO sponsored Extended Day Ahead Market (EDAM) was approved by FERC. We expect to see a number of entities take steps to join EDAM.

MarketsPlus—The Southwest Power Pool Markets Plus filing is pending at FERC. It received mostly favorable comments and SPP has requested that FERC rule by July 31, 2024.

Other:

Salt River Project is taking steps to revise its Open Access Tariff to accommodate the flow gate methodology, which includes getting rid of Generator Interconnection Transmission Service. Comments regarding the proposed changes are due June 5. We are determining whether comments will be needed to protect SPPA with regard to the transmission request for the Box Canyon project.

## **7.) ONGOING ACTIVITIES**

### **A. UPDATE ON ENERGY ACCOUNTING CONVERSION PROJECT**

#### **B. BUDGET & A&G AND EMS INVOICES**

### **C. ONWARD/MESQUITE CONTINUED MONITORING OF OPPORTUNITIES FOR PPA AMENDMENT.**

#### **D. ORGANIZATIONAL DEVELOPMENT PLAN**

##### **I. ACCOUNTING/ADMINISTRATIVE ASSISTANT HIRED.**

##### **II. STRATEGIC PLANNING UPDATE**

### **E. UPDATES ON FINANCIAL GAS HEDGING INCLUDING DISCUSSION AND POSSIBLE APPROVAL OF FINAL NEGOTIATION AND EXECUTION OF THE DRAFT MACQUARIE ISDA. (POSSIBLE ACTION ITEM, RESOLUTION 2024-05-001)**

### **F. STATUS REPORT ON ENERGY SUPPLY/RESOURCE ACQUISITIONS**

#### **G. AEPCO: APACHE II & PINAL CO. SOLAR/BESS**

#### **H. BOX CANYON SOLAR PROJECT**

Mr. Delaney gave an update on the Energy Accounting Project. Highlights include:

- The primary invoice component is nearly complete.
- Reconciliation component is ongoing.
- Solar and BESS resources are for Phase II. Will duplicate existing process.
- Currently on version five (5) of the software development
- Links created with AEPCO and ACES data files.
- Go live date is January 2025
- Challenges will sometimes include Daylight savings time and leap year.

Mr. Yerges inquired as to the systems' ability to handle the components of batteries and solar. Mr. Delaney has confirmed that the system is designed to accommodate those components.

Mr. McRae discussed the budget and A&G and EMS invoicing process that was developed and implemented in 2024. A comparison of actual to budget and variance was presented. 2024 is currently showing an under spending/over collection. A reconciliation is expected in Q2/3 with an adjustment to the current fee design if approved by the board.

An April 18, 2024, meeting was held with Onward, ConocoPhillips, ACES and SPPA to discuss the opportunities for a PPA amendment. Currently both mesquite and SPPA are exposed to various risks associated with the contract has provisions. Onward has entered into "basis index swaps" which is a financial hedge of the S Mainline Daily with the SoCal Border Average Daily plus a significant "premium". May 2024 bid-week data indicates a lack of liquidity for this index and therefore difficult for Onward to use. A "Tolling" option is in question. Further evaluations, for example a QIR style analysis by ACES with AEPCO and SPPA are warranted.

Mr. McRae gave a presentation of the current organizational and development plan.

- Accounting/Administrative Assistant stated on May 2, 2024
- Project Manager & General manager Succession Planning
- Preparation for 2025 A&G budget

A review of the survey completed by the members clearly indicates that the audit findings, succession planning, and the gas hedging programs are the members top priorities at this time.

Mr. McRae opened the discussion to the board for SPPA to be a standalone entity outside the umbrella of KR Saline and associates. Mr. Vortherms reminded the board that this plan was developed and agreed upon by the board three years prior. Mr. Curtis indicated that this process should be set into play by measured steps. The scheduling of the energy that is intertwined with KRSA was also a concern. Mr. VanHofwegen, and Mr. Neese expressed their concern that SPPA may not need additional personnel, and the issue should be monitored. Mr. Steiger raised that the board had approved a previous plan for growth of the organization. Mr. McEachern and Mr. Ken Saline expressed that there be continued discussion on the role of KRSA.

Mr. McRae again stressed that all changes to the organization are as always subject to board approval. Mr. Robbins suggested that this be added to futures agendas as a subject for further discussion.

Mr. Daniel Herder led a discussion on financial gas hedging and updated the board on the final negotiation/execution of adding a Macquarie ISDA to the hedging program. Resolution 2024-05-001 was presented to the board for consideration for SPPA to conduct the final negotiation and execute the agreement with Macquarie.

**Upon discussion, Mr. Fickett motioned to approve Resolution 2024-05-001 and Mr. VanHofwegen seconded the motion. Upon the taking of a voice vote, the motion was unanimously carried.**

Mr. Delaney updated the board on the current resource planning and acquisitions noting that with a 100MW increase in Mesquite, SPPA pool is well positioned to cover members loads this summer.

While the following was not discussed in person at the meeting, it is included for reference of board members and interested persons:

Apache II construction is scheduled to begin August 2024. AEPCO has received authorization from RUS to apply for an additional \$485M in funding. PPA timeline is for August or September 2024.

Box Canyon Solar Project has a fully executed deposit account control agreement. Parties to this agreement are BightNight/BOCA, SPPA and BMO. Debt financing closed as well on May 2, 2024. SPPA had significant involvement with BightNight's bank and legal counsel.

**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 June 10, 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 2:40 p.m.

Respectfully submitted,

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

\_\_\_\_\_  
Judy Spallino  
Accountant

Attachment(s): List of approved disbursements  
2024 Financial Statements