

# SOUTHWEST PUBLIC POWER AGENCY, INC.



DATE: 1.3.24

TO: Board of Directors & Pooling Project Committee

THRU: Brian Yerges, Chair – Risk Management Committee

FROM: Frank McRae, SPPA General Manager

SUBJECT: Risk Management Committee Meeting Report – 1.3.24

The SPPA Pooling Project's Risk Management Committee (RMC) convened its virtual meeting on January 3, 2024, at 8:32 a.m.

1. Call to Order

2. Roll Call

- |                      |                  |
|----------------------|------------------|
| ○ Brian Yerges       | ○ Frank McRae    |
| ○ Ron McEachern      | ○ Sheryl Sweeney |
| ○ Glenn Steiger      | ○ Daniel Herder  |
| ○ Robert VanHofwegen | ○ Lisa Dowden    |
| ○ Ken Stock          | ○ Jerri Tso      |
| ○ Dennis Delaney     |                  |

3. Approval of Risk Management Committee Report(s)

- a. November 6, 2023, RMC meeting minutes

RMC meeting minutes approval was moved by Mr. VanHofwegen and seconded by Mr. Steiger; all in favor.

4. Updates on Financial Gas Hedging

- a. Winter 2024  
b. Spring 2024  
c. Summer 2024

Mr. Delaney presented hedge numbers and volumes for December 2023 and January 2024. He noted that December numbers are not finalized as it does not include the Morgan Stanley invoice amount, which is expected to come in this week. SPPA will then finalize the December invoice and send it out once the Morgan Stanley invoice is received. The final January Index Swap showed a drop in gas prices and came in lower than what SPPA locked in as Bid week for January was \$3.75 and SPPA's contract was for \$7.82 so the cost was \$4.07 for January. He also shared, there will be no fixed pricing for March, April and May but is considering looking into July, August and September depending upon the results of the QIR. He also noted that gas prices have been heading in the right direction as storage and production are high.

After discussing the recent hedging activities, the Committee determined it would be valuable for ACES to present to the Board their analysis and recap of previous hedges, future forecast and issues that could impact SPPA as well as other concepts and opportunities they should be considering. In addition, they stated it would be beneficial for ACES to present their analysis at the March SPPA Board meeting so they can determine how to hedge in the Spring.

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5. Jan/Feb Outage – Status of the “Capacity Sale Back” during maintenance
  - a. Proposal from Onward for Firm Transport to Mesquite
  - b. Gas price indexed to Permian Waha

Onward let the opportunity expire to sell back Capacity. Mr. Delaney informed Onward that SPPA is moving forward and pulled the option back to sell capacity to Onward. He will track the margins to compare pricing and provide this analysis to the Board. Mr. McRae informed the Committee that there will be a tour of the Mesquite Plant on February 18, 2024; he will announce this at the next board meeting to get a list of individuals who would like to participate in the tour.

6. Update on negotiation of gas pricing mechanism in PPA

Onward has yet to respond to a request for changes to the PPA contract. The RMC members were concerned with risks of over committing to resource volumes as they enter into additional solar contracts. Mr. McRae informed them that the ACES QIR captures risks for members to help ensure that risk profiles prevent you from committing too much gas by utilizing SPPA’s Scheduling instead of ACES’ historical Tiered Gas Burn Volumes. In addition to ACES’ QIR review, SPPA will continue to review volumes given the additional solar that has been purchased.

7. Update on Box Canyon

Bright Night sent their quarterly update on the Box Canyon project which showed that everything is still on track for a June 2025 Commercial Operating Date. Mr. McRae shared that Bright Night folks will be at the Board meeting next week to present a panel from the Groundbreaking ceremony.

8. Update on Apache II

Chris Jimenez informed SPPA that AEPCO was able to get their Special Use (re-zoning) permit through the County for the Apache II Solar project. AEPCO is continuing to work with the EIA to pursue the Energy Community Designation credit. AEPCO also stated that the status of the grant is on hold and there is no update yet. Mr. McRae noted that MW allocations are locked in for SPPA, but they are still waiting on the PPA. RMC members asked if they could get confirmation on an official Commercial Operating Date for the project.

9. Update on AEPCO Eloy Project

The AEPCO Eloy Project, also known as the Pinal Solar Project, was initially planned for 300 MW but indications of interest are pushing it toward 400 MW. Subscriptions for this project are not finalized or public yet; however, SPPA is included in this list. AEPCO is currently in negotiations with the developer.

10. Miscellaneous topic (Frank and additional agenda items for the RMC)

None.

11. Any other business that may come before the Committee.

None.

12. Discussion of future agenda items

- a. Mr. Yerges requested SPPA GM and SPPA PM provide deposit amount requirements for the additional Mesquite that is coming online in May at the next SPPA Board meeting. Mr. Delaney confirmed the

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deposit amount requirements will be on the agenda for Monday's SPPA Board meeting as the deposit amounts are due March 15, 2024.

- b. Mr. Delaney mentioned invoices for December's Index Swap and January's Fixed Swap will be sent out this week with a short turnaround time.
- c. RMC members said that they would like to see a tutorial on how to use Streamline during one of the future SPPA Board meetings.

13. Establishment of date of next SPPA Pooling Project's RMC Meeting

Next RMC meeting will be March 5, 2024, at 3 pm

14. Public Comment

There was no comment from the public.


15. Adjournment at 9:09 am



## ATTACHMENT 1

Pursuant to A.R.S. § 38-431.02, **NOTICE IS HEREBY GIVEN** that a meeting of the members of the SPPA Pooling Project Risk Management Committee will be held on January 3, 2024, at the offices of SPPA, located at 160 North Pasadena, Suite 160, Mesa AZ 85201. **The meeting will begin at 8:30 AM.**

The agenda for the meeting is as follows. All agenda items are for discussion and possible action. Items may be taken up in a different order than that shown. As indicated in the agenda, the RMC may vote to go into executive session to discuss certain matters. The voting member of the RMC may vote to hold an executive session for the purpose of obtaining legal advice from SPPA's attorney on any matter listed on the agenda, pursuant to A.R.S. § 38-431.03(A)(3). The meeting is open to the general public, except for the possible executive session(s). The meeting is anticipated to be held virtually, the virtual meeting information was sent via separate email.

Agenda Items	Attachments
1. Call to Order	
2. Roll Call	
3. Approval of Risk Management Committee Report(s): a. November 6, 2023	 11.6.23 Risk Management Comm
4. Updates on Financial Gas Hedging (s) a. Winter 2024 b. Spring 2024 c. Summer 2024	
5. Jan/Feb Outage – Status of Mesquite “Capacity Sale Back” during maintenance outage.	
6. Update on renegotiation of gas pricing mechanism in PPA	
7. Update on Box Canyon	
8. Update on Apache II	
9. Update on APECO Eloy Project	
10. Miscellaneous topics (Frank and additional agenda items for the RMC)	
11. Any other business that may come before the committee.	
12. Discussion of future agenda items.	
13. Establishment of date on next Risk Management Committee	March 5, 2024
14. Public Comment	
15. Adjournment	