

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

July 15, 2024

A meeting of the Board of Directors of the Southwest Public Power Agency, Inc. ("SPPA") was held on July 15, 2024, via ZOOM meeting.

The following Board Members or Member alternates were present:

Jason Moyes – AID, HVPD, and TID  
Ken Robbins—ED2  
Elena Bryd – ED2  
Brian Yerges—ED3  
Derek McEachern – ED4  
Bill Van Allen—ED6  
Arnold Mejia—GRICUA  
Ken Stock - GRICUA  
Noel Carter - BID  
RD Justice – ED7

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  
Heath Brown, Town of Thatcher

Also present:

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

Kim Polivka  
Lisa Dowden  
Sheryl Sweeney  
Steve Pearson  
Kent Simer

The following SPPA Member(s) were not present:

Ak-Chin Energy Services  
Maricopa County Municipal Water  
City of Safford  
City of Williams

The meeting was called to order at 3:05 p.m. President Robbins chaired the meeting while Ms. Spallino acted as secretary.

**ROLL CALL**

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

**3.) SRP Service Agreement**

Mr. Frank McRea began the meeting to discuss the service agreement for generation integration transmission service for the Box Canyon project. SRP has recently indicated that approximately in October 2024 they will transition the GITS to point to point service.

"Resolution of the Board of Directors of SPPA approving and authorizing the execution and delivery of SRP GITS agreements" has been drafted and presented to the board by Mr. Daniel Herder.

Early 2023 the board approved the filing of an application for transmission with SRP. The intent was to obtain point-to-point transmission. In subsequent discussions, SRP has responded that Generation Integration Transmission Service (GITS) is the appropriate service for this situation. Now, SRP has decided to terminate GITS service in October 2024 and transition to the point-to-point service. Despite that intent to transition, SRP has presented draft GITS agreements for SPPA execution. This resolution would give SPPA's management authority to further negotiate the final details.

Mr. Ken Robbins asked to clarify that the agreement starts out with GITS and transitions to point to point. Mr. Herder affirmed that that statement is correct. Mr. Robbins asked what the difference was between the two different methods of transmission. Mr. Dennis Delaney explained that the GITS was more of a network agreement where the facility would go to load within the SRP BA. When SPPA filed on the Oasis system, we filed on a point to point.

Mr. Frank McRae asked the members to recall a prior meeting where we indicated that we originally submitted the transmission request as a point to point, but SRP informed us that because of the nature of the project we would need to file GITS service. Shortly after SRP informed us that we would need to apply for the point-to-point service. SPPA has been navigating getting the transmission requests into the Oasis system and waiting on their responses as to the status of our application. We have been advised that the application is completed along with the current plan to terminate the GITS service and transition to the point to point is within the October 2024 time frame.

Ms. Lisa Dowden added that the main GITS agreement and the point-to-point tariff agreements are very similar. The differences lie within the "operating agreement" or attachment N of the OATT. There are additional burdens on SPPA to provide BAA services to BOCA.

Mr. Steve Person stated that an amendment to SRP that the point-to-point operating agreement will be accepted, and the GITS operating agreement will be terminated.

Mr. Robbins inquired about the difference in rates. It was confirmed that that rates are the same. The terms of the agreement were also discussed, and Mr. Person confirmed that the minimum term is one year and if we would like roller rights the term would be three years.

Mr. Jim Downing asked if item four (Balancing Area Authority with Box Canyon) would have an impact on this SRP Service Agreement and the cost.

Mr. Delany responded that it does not have an impact on the transmission but does impact the BOCA project.

Mr. McRae confirmed that the SRP agreement would not impact the BOCA project, there will be some overlapping of services such as ancillary services.

Mr. Herder and Mr. Peason added that SPPA has requested an amendment to the GITS agreement that has not been approved by SRP, and not reflected in the board materials. The amendment was presented to the board. The amendment adds a start date for transmission of June 1, 2025. SRP had asked about test energy treatment given this start date. Mr. Peason stated that testing would be handled differently than the commercial operation. The amendment also provided for the termination of the agreement.

Mr. Robert Van Hofwegen motioned for the resolution to be approved by the board, reflecting the amendment to the GITS agreement shown during the meeting.

Mr. Brian Yerges seconded the motion.

The motion was unanimously approved. NTUA abstained.

### **3.) Balancing Area Authority for Box Canyon**

Mr. Frank McRae presented information and a presentation regarding the Box Canyon Balancing Area Authority (BAA) outlining the responsibilities of both SPPA and Box Canyon.

PPA: SPPA - Transmission: 4.3.2

PPA: Box Canyon – Reliability:6.6.1

**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 Balancing Area Authority for Box Canyon.**

*The motion for the Executive Session was called for by Mr. Robert Van Hofwegen and seconded by Mr. RD Justice, upon taking of a voice vote, the motion unanimously carried.*

*The Executive Session was adjourned at 4:03PM.*

**Upon discussion, Mr. Robert Van Hofwegen motioned for the management of SPPA to proceed as directed in the executive session. Mr. Jason Moyes seconded the motion. Upon the taking of a voice vote, the motion was unanimously carried. NTUA abstained.**

**5. Discussion of Morgan Stanley Margin call of July 15, 2024, and margin calls in general.**

*The motion for the Executive Session was called for by Mr. Robert Van Hofwegen and seconded by Mr. RD Justice, upon taking of a voice vote, the motion unanimously carried.*

*The Executive Session was adjourned at 4:20PM.*

**6. Discussion and possible action regarding updating SPPA hedging policy and purposes of hedging activity, with the potential implementation of Governmental Accounting Standards Board Statement No. 62 or other appropriate policy, including Resolution 2024-7-002.**

Mr. McRae presented information regarding two different accounting methods for SPPA to use to account for their gas hedges in the 2023 financial year. GASB 53 (Hedge Accounting) provides guidance on accounting for derivatives such as forward contracts and the changes in the fair value of these hedging instruments should be recorded in the Statement of Net Position. For SPPA to use GASB 53, we must prove that our hedges are deemed *effective* under the specifications of GASB 53. Baker Tilly has determined that a “Critical Term” of SPPA’s financial hedges of PPA Energy Costs (\$/MWh) with Natural Gas Index Swaps (\$/MMbtu) is not consistent – thus Qualitatively *not effective*.

Since GASB 53 cannot be used for our reporting, Baker Tilly recommended that SPPA use GASB 62 Regulatory Accounting. This method records the hedging instruments in the Statement of Net Position and allows any amount normally recognized in investment income at end of reporting period to be deferred until amount is recovered in rates to match revenues or expense to rate of recovery.

SPPA’s board is required to set rates so that identified costs or revenues are recovered; it is best practice for the SPPA board to specifically approve by resolution any application of GASB No. 62. Upon recommendation by Baker Tilly, the resolution be approved will retroactively apply to the 2023 gas hedging financial activities.

Mr. RD Justice motioned for the resolution to be approved by the board.

Mr. Robert Van Hofwegen seconded the motion.

The motion was unanimously approved.

**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 August 12, 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 4:29 p.m.

Respectfully submitted,

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

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Judy Spallino  
Accountant

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