

MINUTES OF THE APS TRANSMISSION PROJECT MANAGEMENT COMMITTEE MEETING OF THE SOUTHWEST PUBLIC POWER AGENCY, INC.

September 3, 2024

A meeting of the APS Transmission Project Management Committee of the Southwest Public Power Agency, Inc. ("SPPA") was held on September 3, 2024, at the offices of Clark Hill, located at 3200 North Central Avenue, Suite 1600, Phoenix, Arizona 85012.

The following APS Transmission Committee were present:

Jason Moyes – AID, HVPD, TID
Jim Downing – MVWCDD
Scott Saline – AID, HVPD, TID
Robert Van Hofwegen – ED8
Glen Vortherms – MWD
RD Justice – ED7

Also present:

Dennis Delaney	Steve Pearson
Frank McRae	Dan Pritchard
Daniel Herder	Kim Polivka
Sheryl Sweeney	Jeff Woner
Judy Spallino	

The following SPPA Member(s) were not present:

Buckeye Water Conservation District
Electrical District No. 6 Pinal County
Roosevelt Irrigation District
Town of Wickenburg

The meeting was called to order at 10:03 AM. Mr. Dennis Delaney chaired the meeting while Ms. Polivka functioned as secretary.

ROLL CALL

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

3.) Discussion of procedures for the APS Transmission Project Management Committee (NITS Project)

Mr. Frank McRae presented a deck as follows:

PURPOSE OF COMMITTEE MEETING

- Ensuring that the wants & needs of SPPA's members - who are receiving service requests for large load additions - - are considered a very high priority.
- Accurately and efficiently identifying our members' wants & needs and managing them to maximize benefits and minimize costs in accordance with the Project Agreement.

- “Imagining” the potential contingencies that might arise and how SPPA can measure and mitigate the associated risks.

Mr. Daniel Herder explained that SPPA entered into a NITS contract for 10 years, 2021 through 2030. Instead of having eleven individual contracts with APS, SPPA has entered the APS contract and acts as agent for the eleven participants, and the participants have signed a project agreement with SPPA addressing responsibilities and cost allocation. He noted that when talking about the “NITS Project” we are referring to the SPPA contract with its members. The APS NITS is APS contract with SPPA.

SPPA PROJECT CONTRACT NO. 2020-2 (NITS PROJECT)

- SPPA acts as Agent to apply for and contract with APS Network Integrated Transmission Service for Project Members’ Resources to Project Member delivery points.

SPPA / APS Contract # 54446

- ATTACHMENT F Service Agreement for Network Integration Transmission Service (APS NITS)

3.) Discussion and possible approval of procedures for APS Transmission Project (NITS PROJECT) regarding SPPA facilitation of participant requests, internal process, and allocation of costs associated with large new load requests of project participants.

- Action of the committee may include recommending changes to procedures for SPPA Board of Directors approval:
 - EXAMPLE: if a changes to term(s) of NITS PROJECT AGREEMENT, policies that require additional SPPA staff time and resources, or policies that incur debt / affect SPPA credit profile.

Participants in (NITS PROJECT) are managing how to plan for & serve new developments / customers that will significantly increase loads being served via SPPA’s contract for APS NITS. APS’ Open Access Transmission Tariff (OATT) requests for service at/above 12kV may require an OASIS application for APS NITS . Mr. Frank McRae explained that the key words the last point “*may require*”, there are instances where utilities with OATTs have not required a new application or new amendment to the existing service requirements.

The size & complexities of the new economic development projects/customers that NITS PROJECT Participants are managing (how to plan for & serve) are not accounted for in the NITS PROJECT Agreement and SPPA’s current practices.

- 100’s of MW vs 1-10+ MW
 - Requires Significant Infrastructure Additions
 - APS NITS & OATT Processes
- NDAs required by projects/customers.
- All info/data should be treated at highest levels of confidentiality.
- Non-traditional sources of generation & their uses - Self/On-site Generation (Solar, BESS, Gas Fired), Network Supply Resources
- SPPA’s current practices and Project Agreement need to be reviewed and possibly revised in order to ensure SPPA supports its members’ prudent & efficient management of these challenges /opportunities via the NITS PROJECT.
- These circumstances require SPPA to analyze whether and to what extent NITS PROJECT & SPPA’s current practices need to be modified in order to provide service to 100’s of new MW via NITS PROJECT
- SPPA’s current practices and Project Agreement need to be reviewed and possibly revised in order to ensure SPPA supports its members’ prudent & efficient management of these challenges/opportunities via the NITS PROJECT.
- These circumstances require SPPA to analyze whether and to what extent NITS PROJECT & SPPA’s current practices need to be modified in order to provide service to 100’s of new MW via NITS PROJECT

Mr. McRae presented diagram illustrating the existing and recent circumstances. Presented next was a diagram illustrating what SPPA expects to see in the near-term future.

- One new large customer that will necessitate a change in how things are done.
 - Some NITS participants managing how to serve new very large projects/customers. Note: SPPA is not involved in this unless we are asked to be involved.
 - LARGE Load increases would require SPPA to review and possibly revise the current practices to ensure that SPPA fully supports its members. Diagram Attachment B

Mr. Dennis Delaney presented the following:

Key Issues Resulting from Size & Complexities

- What are SPPA's Roles & Responsibilities?
- Project agreement Section 2.1:
 - SPPA appointed agent – applies for, secures, and manages NITS agreement with APS.
 - If there is a change to SPPA's prior roles & responsibilities, are changes to the PROJECT required?
- SECTION 3.3.: "Project Transmission Costs" incurred on behalf of one Project Member (or subset) will be allocated directly to that Project Member (or subset) & no mark-up, etc.
 - Project Member's respective use of NITS per APS bill
 - Study costs for special facilities used by one Member (or subset)
 - Deposits for obtaining APS Transmission Service for all Project Members
- SECTION 3.4.: "Project Administrative Costs" are allocated to all Project Members based on their administrative Share.
 - Project Administrative Costs include – Personnel, contractor, and legal costs attributable to the Project.
 - Unlike Project Transmission Costs, the PROJECT currently does not include a provision for allocating certain SPPA Administrative Costs to a subset of Project Members
- SECTION 3.5.: Each Project Member shall provide SPPA with security equal to two (2) months of its estimated use/bills for APS Transmission Service use.
 - One (1) month of cash & one month of additional cash deposit or letter of credit
 - APS waived Deposit requirements – SPPA has invoiced one month of Deposits.
 - The SPPA credit downgrade and/or magnitude of added MWs to APS NITS may prompt APS, per OATT, to require deposits based on 90 days of use.

Ms. Sheryl Sweeney stated that she did not recall APS asking SPPA about their credit rating when negotiating these agreements and asked if APS raised the issue.

Mr. Delaney responded that SPPA had raised this issue and informed APS. However, APS agreed given the history of the districts, they would provide us with four million in unsecured credit. This is enough to cover the existing 90-day requirement.

Key issues continued:

- APS' LRS calculations are based on a 4 Coincident Peak Method and may result in additional Deposit/LOC requirements.
- Section 1.22.: "Voting Percentage" means for each Project Member, its voting share for purposes of weighted votes taken by the Project Management Committee, as such share is determined from time to time, in accordance with the methodology in the project agreement.
- Participant with large load addition could result in inordinately large voting % -which could conflict with original intent of the project agreement.

Mr. Delaney reviewed the current deposits on hand for the APS projects. He noted that the amounts SPPA has on hand are greater than those amounts required by APS.

Mr. McRae reiterated that the SPPA staff are here to support the members on how they manage, plan, and serve these additional loads. SPPA will proceed under project management committee direction. The committee should be prepared to review in more detail some of these requirements, processes, contract terms.

Mr. McRae opened the meeting to the committee and legal team for questions and or advice on moving forward.

Mr. Delaney added that we are currently at different levels of process on adding two significant loads as to compared to the members existing load. Most of the costs associated with the new loads have been sent directly to the members, such as study work. One of the studies is further along and the other is just getting started, but this process is being managed mainly by the customer. SPPA is just passing the information along. None of the concerns have surfaced yet, the load hasn't been connected and hasn't been built yet, so there isn't an impact on the deposit requirements, but we do it an impact coming in the future.

Mr. Robert VanHofwegen stated that whoever is engaging this opportunity, is going to be concerned about the possibility of stranded costs, and learning about how this risk is currently being managed. Could we roll the applicable district policies requiring customer to pay all costs of new loads into SPPA's policies, or mimic the policy, providing sufficient protection for all the committee members. He also requested a copy of the NITS agreement and the OATTS.

Mr. McRae cautioned about using one members' policy to protect their interest and duplicating for all members as projects may differ. But good news for SPPA, all of the members that he has talked with regarding these opportunities have expressed the desire to protect all interest outside their organizations and the protect their other customers from incurring and absorbing the costs. These costs are to be born by the new load.

Mr. Jeff Woner questioned how the group will protect themselves from the liability of the loss of a load? Would they require more credit for this customer? Ms. Sheryl Sweeney affirmed it is a good question and identifying a way to allocate expected imbalance charges, which are not predictable, requires additional analysis.

Mr. VanHofwegen suggested that we set some threshold so that if a load is greater than a certain size, it would be required to give SPPA real time data or some type of metering system so the schedulers can react to minimize the load imbalance. Mr. Delaney stated that such info would provide additional insight.

Mr. Jim Downing asked if SPPA has load profiles on loads to be added. Mr. Delaney responded, SPPA does not at this point because they are in the study process. We will have profiles. As these are big industrial loads, they become predictable.

Mr. Downing added, It sounds like the project load profile is going to be a mixture of the load itself plus any project generation. It sounds like a projected load profile may have to be generated for each project based on on-site generation.

Mr. Delaney agreed not enough is known at this time

Ms. Sweeney stated this is going to be a complicated balancing act for hourly scheduling. Mr. Delaney informed the committee that ACES or an ACES like entity would have the capability.

Mr. VanHofwegen asked if SPPA has operational configuration data on the facilities? Mr. Delaney responded that these issues are TBD. If there is potentially excess generation capacity available to SPPA is there a standalone agreement needed? Mr. Delaney responded that the SPPA NITS agreement could be used as it would still be serving network load.

Per Mr. Delaney, the time frame, is at least 6 months to 3 years out. Currently in the study mode. The examples presented are high level examples.

Mr. McRae offers if there are any concerns to any members about the role SPPA is playing, we are here to support and serve the members at their request and abide to the project agreement with APS as part of their OATTS.

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

No additional business was discussed.

5.) DISCUSSION OF FUTURE AGENDA ITEMS

None

6.) ESTABLISHMENT OF DATE OF NEXT SPPA MEETING

None

7.) PUBLIC COMMENT

There was no comment from the public.

8.) ADJOURNMENT

There being no further business to come before the Committee, the meeting was adjourned at 10:50 AM.

Respectfully submitted,

Kim Polivka
Admin/Acct Assistant

Approved: _____

DRAFT