

**MINUTES OF THE MEETING OF THE MEMBERS OF THE  
SPPA POOL MANAGEMENT COMMITTEE**

**November 4, 2024**

A meeting of the Board of Directors of the Southwest Public Power Agency, Inc. ("SPPA") was held on November 4, 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:**

Ken Robbins – ED2  
Glen Steiger – NTUA  
Noel Carter - BWCDD  
Brian Yerges—ED3  
Brian Fickett – TOUA  
Jeff Woner - OWCD  
Jason Moyes – AID, HVPD, TID  
Heath Brown - THAT  
Robert Van Hofwegen - ED8  
Glen Vortherms—MWD  
Michael Curtis – Town of Wickenburg

Elena Byrd – ED2  
Derek McEachern – ED4  
Bill Van Allen—ED6  
RD Justice – ED7  
Ken Stock – GRICUA  
Jim Downing - MVWCDD  
Donovan Neese - RID  
Taylor Howerter - RID  
Joe Mease – TOUA  
Ed Gerak – Ak-Chin

**Also present:**

Dennis Delaney  
Frank McRae  
Judy Spallino  
Kim Polivka  
Scott Saline  
Dan Pritchard

Kent Simer  
Ken Saline  
Sheryl Sweeney  
Daniel Herder  
Lisa Dowden

**The following SPPA Member(s) were not present:**

City of Safford

The meeting was called to order at 12:00 p.m. Mr. Ken Robbins chaired the meeting while Ms. Kim Polivka functioned as secretary.

**ROLL CALL**

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

**3.) Consideration and approval of Consent Agenda (Possible Action Item)**

- a. Minutes from prior meetings of the SPPA Pool Management Committee.
  - o October 14, 2024

Mr. Robbins presented the Consent Agenda for the Committee's review and possible approval. All items listed on the Consent Agenda may be enacted by a single motion unless a Committee Member requests otherwise.

Upon discussion, Mr. Glenn Steiger moved to approve the contents of the Consent Agenda as presented. Mr. Robert Van Hofwegen 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.) Ongoing Activities

- a. Report on Pool Operation
- b. Power Pooling Report.

##### Pool Operations – September-2024

- Mesquite operated at 92.5% capacity factor; average unit cost was \$18.47/MWH.
- 36.7% (142,315/388,217) Mesquite energy was sold at an average cost of \$36.14/MWH.
- Aug 2024 - SoCal Gas averaged \$1.798/MMBtu
- AEPCO July invoice a large adjustment (credit) tied to WAPA EIM (remains an issue – awaiting data from AEPCO/ACES – additional adjustment was included on the AEPCO September Invoice)
- Adjustments (June 2024) (Revisions for April 2023- to April 2024) – (\$807,002.09)
- Adjustments (May 2024, June 2024 & August 2024) – (\$115,892.36)

- c. Updates on financial gas hedging.
  - October Index Swap
  - November Index Swap
  - December Index Swap
  - December – March Fixed Swap
  - Mark to Market Deposits and Interest

##### December 2024 Fixed Priced & Index Swaps

August/2024 QIR – October 2024 QIR

- 8.24 QIR recommended hedging 75% of expected consumption (80 x .75 = 60)
  - 10.24 QIR recommends hedging 75% of updated(lower) consumption estimate (66 x .75 = 49.5)
- SPPA's current Transaction Request for December 2024 Index Swap contracts is 36 (equal to existing Fixed Price Contracts) which will be contracted for in November 2024.
- October QIR's estimated reduction in consumption (80 to 66), SPPA can hedge an additional 13 Monthly Index Swap contracts and be within the updated QIR Recommendations.
- December prices are decreasing but will not continue indefinitely.

Mr. McRae spoke about the Fixed and Index Swaps (October 2024 - March 2025): QIR recommends entering both fixed and index swaps for the period from October 2024 through March 2025. This strategy aims to manage price volatility and secure favorable rates during this timeframe.

- Expected Consumption: Initially estimated at 80 contracts (80,000 million BTU), the updated forecast now estimates 66 contracts.
- Hedging Recommendation: Based on stochastic analysis, QIR recommends hedging 75% of expected consumption. This recommendation has been adjusted from 60 contracts to 49 contracts due to the updated forecast.
- Current Contracts: Contracts have been executed for 36 contracts at a fixed price of \$5.19 per million BTU.

##### Decision Point

- Increase Fixed Price Swaps: Consider whether to increase the number of fixed price swaps.
- New Fixed Price Swap Contracts: Evaluate the opportunity to secure additional fixed price swap contracts for November, especially for members who have not yet participated.
- Index Swap Subscription: Assess the need for further index swap subscriptions
- Maintain the current 36 fixed price swap contracts.

- Increase the index swap contracts to 49, as recommended by ACES.

### **Natural Gas Storage Update**

- EIA Injection of 78Bcf for the week ending October 25<sup>th</sup>
- Higher than last year and the five-year average
- Nationwide storage sits at 3,863 Bcf
- YOY Surplus at 107 Bcf (2.8%) and 178 Bcf (4.8%) above the 5-year average
- Pacific Storage reported an injection of 5, pushing balances to 305 Bcf
- Surplus of 21 Bcf to 2023 and 24 Bcf versus the 5-year average

### **SoCal Border Pricing Update**

- SoCal prices have continued to fall through the end of October
- Trending near \$1.00/MMBtu for the weekend
- SoCal Monthly price for October printed \$2.17/MMBtu – November not printed yet
- Gas Daily SoCal averaging \$ 2.353/MMBtu through October 25<sup>th</sup> – Down \$0.07/MMBtu week-over-week
- ACES forward curve at SoCal Border – Dec - \$4.722MMBtu and Jan - \$5.078/MMBtu.

- d. Risk Management Committee Report – 10-28-24. Next Meeting 01-06-2025

### **Transmission – BOCA**

SPPA is awaiting agreements signed for both Long-Term Firm Point-to-Point (300 MW) and Monthly Non-Firm Point-to-Point.

Deposits may be required, SPPA credit rating downgrade (see Attachment L of SRP OATT)

### **Procedure for Determining Level of Credit**

Prior to initiation of service under this Tariff, if requested, the Transmission Customer shall provide SRP with evidence satisfactory to SRP of the Transmission Customer's creditworthiness. SRP will grant credit approval to a Transmission Customer or guarantor that holds a long-term senior unsecured debt rating from Standard & Poor's (S&P) or Moody's Investor Service (Moody's) of at least BBB- or Baa3, respectively. If ratings are split, SRP will use the lower of the ratings.

SRP may require a customer to have credit support if it does not receive a score equivalent to at least BBB- or Baa3 by S&P or Moody's, respectively. Any credit support required by SRP shall be limited to a reasonable estimate of the transmission charges owed to SRP where the customer fails to fulfil its obligations under this Tariff.

Total Deposit is \$870,000

Will cover short-term non-firm as well as long-term firm deposit requirement

SPPA will use existing operating funds to avoid refunds when/in entitlements are revised

### **Deposit Estimate Schedule**

Schedule 7 – Long Term Firm – Short Term Firm – Point -to- Point Transmission Service

Monthly Delivery - \$2.56/kW month for the amount of Reserved Capacity

Schedule 1 – Scheduling, System Control and Dispatch Service

Month Delivery - \$0.023/kW month for the amount of Reserved Capacity

Schedule 2 – Reactive Supply and Voltage Control from Generation or other Sources Service

Monthly Delivery - \$0.14kW-month for the amount of Reserved Capacity

### **Deposit for Firm Point-to-Point Transmission Service**

- Point-to-Point Transmission Service - \$300,00/kW-month
- Schedule 1,2 and 7 - \$2.93/kW-month
- Estimated Deposit - \$ 879,000

Market Positions: Mrs. Judy Spallino explained that our positions are mark to market, and depending on market conditions, we may need to provide extra maintenance margin to Morgan Stanley and/or receive funds in return. Ms. Spallino was asked about interest earned on these funds deposited with Morgan Stanley and she responded that a competitive interest rate is paid on these funds. The interest amount will be returned to members on a pro-rata basis based on each member's initial deposit amount. The maintenance margin deposits are temporary, and we will receive the money back along with interest once the market changes or positions are covered.

The meeting reverted to the discussion of the SRP deposit for BOCA. Mr. Gerak asked to confirm that it sounds like SPPA is proposing to use existing operating funds to cover the \$870,000 deposit requested by Salt River for a long-term fix and non-firm transmission for test energy. Mr. Delany confirmed this would be a temporary measure until SPPA can sort out the entitlements and determine who pays what portion of the deposit.

Mr. Daniel Herder explains the motion is to proceed with management's recommendation to use operating funds temporarily to cover the \$870,000 deposit requested by Salt River, providing for management discretion on how to proceed. This would be in place until March, by which time the entitlements should be sorted out with a true up by such time, and potentially a reallocation if SRP joins the project. The plan is to ensure that only BOCA participants are responsible for this deposit, and the SPPA will manage the internal collection of these funds. Mr. Brian Yerges motions, Mr. Ed Geral seconds the motion

Upon discussion, Mr. Brian Yerges moved to approve the temporary coverage on deposit requested from Salt River. Mr. Ed Gerak seconded the motion. Upon the taking of a voice vote, the motion was unanimously carried, with an abstention from NTUA.

Mr. Glen Steiger noted his suggestion that in the future we are set up financially so there are no issues.

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

No additional business was discussed.

#### **DISCUSSION OF FUTURE AGENDA ITEMS**

No discussion of future agenda items.

#### **ESTABLISHMENT OF DATE OF NEXT SPPA POOL MANAGEMENT COMMITTEE MEETING**

December 9, 2024, announced as the date of the next SPPA Pool Management Committee meeting. There was no comment from the public.

#### **ADJOURNMENT**

There being no further business to come before the Committee, the meeting was adjourned at 12:38 p.m.

Respectfully submitted,

\_\_\_\_\_  
Kim Polivka  
Admin/Accountant Assist

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