

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

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)

All items on the Consent Agenda are routine matters and will be enacted by the motion of the Board of Directors. A Board Member may request removal of any items (s) or part (s) thereof without debate or vote.

- a. Minutes from prior meetings of the SPPA Board of Directors.
 - September 9, 2024, BOD Minutes
 - September 9, 2024, Executive Session Minutes #1 & 2
 - October 3, 2024, BOD Minutes
 - October 3, 2024, Executive Session Minutes
- b. Ratification of approval items, if any, from the SPPA Pool Management Committee.

Mr. Robbins presented the Consent Agenda for the Committee's review and 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.) Financial matters

a. Financial Update & Treasurer's Report including disbursements (Possible Action Item).

Ms. Judy Spallino presented the Financial Statements and Disbursements Reports for the Committee's review and approval. All items may be enacted by a single motion unless a Committee Member requests otherwise.

Mr. Brian Yerges moved to approve the Disbursements as presented. Mr. Glen Steiger seconded the motion. Upon the taking of a voice vote, the motion was unanimously carried.

- i. Balance Sheet Highlights
- ii. Profit & Loss Highlights
- iii. Variance Analysis Highlights through 9-30-2024

Mr. McRae presented the variance analysis highlights for comparison of budget to actual through September 2024. Currently SPPA is under budget for the expense that were allowed for the year 2024.

- iv. Forecast for Deposit Requests

The invoices for the BOCA Buyer Default Security Deposits were collected in October. Ms. Spallino presented to the board the new Member Deposit statements. Many of the board members requested the member details that Ms. Spallino sent out to all members and posted to the website for review.

Variance Analysis Summary

Energy Accounting and Allocation System Software Conversion Project:

Budget Overview:

- o Initial budget: \$200,000.
- o Consultants: \$100,000.
- o Hardware and software: Estimated \$10,000-\$15,000.
- o Current estimated completion cost: \$111,000 (under budget by ~\$89,000).

Key Points:

- o Project led by Mr. Delaney, involving a data scientist and consultants from Baker Tilly and KR Saline and Associates.
- o Adjustments in project delivery led to cost savings.
- o Future expenditures expected for ACEs & AEPCO and Baker-Tilly Consultant as the project progresses.

General Manager's Office and Legal Expenditures:

General Manager's Office:

- o Under budget due to lower salary levels and unspent budgeted items.
- o Pending expenditures from KR Saline and Associates (~\$7,000).

Legal Fees:

- o Managed effectively by Clark Hill and Speigel & McDiarmid.
- o Recent increase in legal activity noted.
- o Overall, it is expected to be \$60,000 under budget by year-end.

Conclusion:

- The organization is in good financial shape, with significant under-budget performance in key areas despite high legal bills.
- Ongoing efforts to ensure necessary coverage and avoid redundancy.

6.) Legal/regulatory matters

a. FERC & ACC Proceedings & Filings

Ms. Lisa Dowden presented on pertinent FERC issues, including FERC Approval of APS's Rates - Market Rate Based Authority for WRAP and FERC Order on Long-Term Transmission Planning:

Western Resource Adequacy Plan (WRAP):

- Members must show appropriate resources adequately.
- Pooling aspect: Members hold back a percentage of resources for real-time or near real-time needs.

Rates:

- Southern zone (SPPA and APS): Daily rate of caliber.
- Northwestern zone: Mid-Columbia daily rate.
- Shortfalls in the southern zone met by the northwestern zone will use the Mid-Columbia rate.

APS Rate Filing:

- APS lacks market-based rate authority in native load and Tucson service territories.
- Required extra justification for rates.
- Approval took time due to market power concerns.

WRAP Status:

- WRAP is not financially binding until 2027; may go live for experimental purposes before then.

FERC Order on Long-Term Transmission Planning:

Planning Process:

- Six-month planning process required by FERC.
- Involve relevant state agencies like the ACC.
- It is unclear whether SPPA qualifies as a relevant state agency.

SPPA Involvement:

- SPPA represents municipal entities and APS customers not covered by the ACC.
- Potential involvement in the planning process due to dissatisfaction with APS's planning for embedded network service customers.
- Consideration of cost allocation for inter-regional resources.
- Process initiated by APS on November 1st, running for six months.

Resource Allocation and Engagement:

- SPPA may need to engage KR Saline and Associates for active involvement.
- Individual members may consider to engage with Saline Associates or other consultants or legal

7.) Ongoing Activities:

a. Update on Energy Accounting Conversion Project

Mr. Delaney's update on the energy conversion project: progress is slow, based on meetings, which are every other Friday, but considerable time has been dedicated to documenting the process in detail to prepare for a handoff to AEPCO.

Motion to go into 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 AEPCO Negotiations

The motion for the first Executive Session was called for by Mr. Glen Steiger, and seconded by Mr. Ed Gerak upon taking a voice vote, the motion unanimously carried Executive session 1:03 PM

The board exited executive session at 1:12PM

Motion to go into Executive Session for Ox Canyon Solar Project (Including Voluntary Assignment(s) for 100

MW to SRP for Transfer of BA responsibilities) pursuant to A.R.S § 38-431.03(A) (3) and (4) for the discussion or consultation with the attorney of the public body for legal advice and to consider its position and instruct its attorneys regarding the public body's position regarding contracts subject to negotiation

The motion for the second Executive Session was called for by Mr. Donovan Neese, and seconded by Mr. Robert Van Hofwegen, upon taking of a voice vote, the motion unanimously carried Executive session 12:45 PM

Out of Executive Session at 1:13 PM

Mr. Yerges asked if there is a financial policy that limits management's decision-making authority, particularly for substantial amounts, suggesting that expenditure of \$25,000 should require formal motion for approval.

Mr. Delaney responded that currently, there is no formal policy in place. He acknowledged the prudence for such a policy and suggests it could be implemented. There are budgeted funds available, but no discretionary policy exists right now.

Mr. McRae explained the budget includes line items that are intentionally broad, allowing flexibility.

Funds allocated for specific projects, like software conversion, can potentially be used for other purposes if directed by the board.

There are also funds available under the board's budget that can be utilized with proper direction.

In summary, while there is no current policy limiting management's spending authority, there is recognition of the need for such a policy. The budget does have allocated funds, but their use may require board directions or a formal motion.

Mr. Daniel Herder gave directions on the motion on allocation of necessary funds.

Consensus and Motion: The board agrees to move forward with the funding to allocate the necessary funds.

Mr. Ken Robbins motioned all in favor of the motion on the table; Mr. Robert VanHofwegen first the motion and Mr. Noel Carter second the motion.

Motion to go into the second Executive Session – Box Canyon at 1:15 PM

Out of Executive Session at 1:39 PM

e. APS NITS Transmission Project/Service

Mr. McRae provided a status update on the APS NITS Transmission Project and Service.

Mr. Herder provided an update on discussions with ED7, which has requested the APS transmission project to accommodate new anticipated loads.

System Impact Study:

John Coyle, representing ED7, had indicated to SPPA that ED7 is in early conversations with APS and the first step is a system impact study. The developer, through ED7, will fund the cost of the study, estimated at \$50,000, with any overruns being passed through to the developer.

Letter Agreement:

A letter agreement between SPPA and ED7 is being developed to formalize the arrangement.

Internal Processes and Confidentiality:

Mr. McRae highlighted the work required to go through internal processes and participation agreements.

Emphasis is placed on protecting the confidentiality of all entities involved, including ED7, its customers, landowners, and prospective developers.

The competitive nature of the industrial development market necessitates strict confidentiality to protect each member and their co-partners.

f. November 5, 2024 - Joint Public Power Meeting (IEDA, AMPUA, SRP, GRAND CANYON CO-OP ASSN, AEPSCO,

CREDA, APS)
Funds are available in the budget for board members to participate in events or training
Board members are encouraged to participate in the conference to gain insights from experts and other joint action
agency managers.

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

No additional business was discussed.

9.) Discussion of Future Agenda Items

No additional business was discussed.

10.) Establishment of the Date of Next SPPA Board Meeting

The cancellation of January 9, 2025, Board of Directors Management Meeting was announced, if needed special
meeting (s) will be held.

11.) Public Comment

There was no comment from the public.

12.) Adjournment

There being no further business to come before the Board, the meeting was adjourned at 1:48 PM

Respectfully submitted,

Kim Polivka
Admin/Acct Assistant

Approved: _____