

## **SOUTHWEST POWER POOL FINANCE COMMITTEE MEETING**

January 18, 2024  
Videoconference

### **MINUTES**

#### **ADMINISTRATIVE ITEMS**

Committee Chair Stuart Solomon called the meeting to order at 1:00 p.m. The following members were in attendance:

Stuart Solomon	SPP Director
Liz Moore	SPP Director
John Cupparo	SPP Director
Laura Kapustka	NPPD
Brad Cochran	OG&E
Mike Wise	Golden Spread Electric Coop
Emily Koenig	Lincoln Electric System
Al Tamimi	Sunflower Electric
Deborah Sterzing	SPP Staff Secretary
Dianne Branch	SPP Assistant Staff Secretary

Others in attendance: see attached roster

Matt Pawlowski of NextEra was not in attendance. A quorum was present.

Minutes from the October 19, 2023 meeting were reviewed. Mike Wise made a motion to accept the minutes. The motion was seconded by Emily Koenig and approved by unanimous voice vote.

#### **2024 WORK PLAN**

Stuart Solomon presented the 2024 work plan, outlining the major topics to be covered for each of the regularly scheduled meetings in 2024. Stuart highlighted the upcoming discussions on the anticipated rate cap increase and the stakeholder and regulatory approval process timeline.

A detailed rate cap discussion is planned for the April 11 meeting with a formal recommendation for committee approval presented by staff at the July 18 meeting.

## **FERC SHOW CAUSE ORDER UPDATE**

Paul Suskie, Executive VP Regulatory-Legal, provided an overview of the FERC Show Cause orders that were issued in July 2022 and September 2023. These orders relate to the just and reasonableness of SPP's credit policy that contains a minimum portfolio requirement but does not provide for a mark-to-auction (MTA) collateral requirement. In response to the second Show Cause order, SPP has proposed to add a MTA mechanism that would update TCR collateral requirements using auction prices from SPP's existing TCR auction design. SPP has asked FERC to hold the Show Cause Proceeding in abeyance during SPP's development of the necessary tariff language, stakeholder review process, and the pendency of the Section 205 filing that SPP will make after the May 2024 BOD meeting. Paul explained that FERC does not have a hard time limit in which to make a determination on SPP's proposed design and motion for abeyance. Upon completion of the tariff language, the stakeholder review process would commence with CPWG approval, then progress to the MWG and RTWG for review, followed by presentation to the Finance Committee for approval.

## **COMMITTEE SCOPE REVIEW**

Deborah Sterzing, Senior VP Finance and CFO, facilitated the annual review of the Finance Committee scope document, with focused attention on the purpose statement, scope of activities, and responsibilities as distinguished by actions required of the committee (approval, review and monitor, and recommend/report to the BOD, etc.). Committee representation, term duration, and reporting hierarchy were also presented. Liz Moore commented on specific terminology contained within the document as being too broad in terms of oversight responsibility. The example cited was the opening statement in the purpose section, which states that "The purpose of the Finance Committee is to oversee all aspects of SPP's finances and financial operations primarily [e]nsuring appropriate controls, policies, and procedures are documented and adhered to..." Several other committee members voiced similar concerns relative to this issue. Additionally, members expressed the desire for there to be a clear distinction, where possible, between those items that indicate "recommend" and "approve". There was also the question as to how certain responsibilities were being addressed between committees (e.g. internal control review between Finance and Oversight Committees). An action item was taken for staff to update the document to address comments raised during the meeting and to provide a draft of the updated document to the committee before its April meeting.

## CORPORATE INSURANCE REVIEW

Zeynep Vural, Senior Treasury Manager, provided an overview of the corporate insurance program highlighting premium history by category and a general market update by coverage area. Zeynep also provided an update on the recent RFP process for the insurance broker, which resulted in the selection of Marsh for the 2024-25 renewal term, noting that Stephens Insurance had been SPP's broker for almost 15 years. Marsh is the world's leading insurance broker and risk advisor with deep industry specialization in the utility sector, currently representing multiple ISO/RTOs.

## ACTUARY ASSUMPTIONS

Dianne Branch, Controller, discussed the actuary's and staff's recommendations for the four primary assumptions required for pension accounting and valuation: i) discount rate – staff recommended continued use of a discount rate of 5.25% in accordance with SPP's process for determining the discount rate assumption, ii) investment rate of return – staff recommended remaining at 7.00% long-term rate of return, iii) rate of compensation change – staff recommended remaining at 4.00%, and iv) staff recommended continued use of the Pri-2012 mortality table. Committee member Mike Wise posed a question regarding the mortality table, specifically whether the table was updated for the impact of COVID and if not, what was the basis for not updating. An action item was taken for staff to follow up with SPP's third-party actuary, Steve Osborn, to confirm the impact of COVID on the recommended mortality table. John Cupparo made a motion to accept staff's recommendation of the actuarial assumptions. Laura Kapustka seconded and the motion was passed by unanimous voice vote.

## FERC 881 PROJECT UPDATE

Charles Cates, Manager-Operations Engineering Analysis, provided an overview of the FERC Order 881 project including the historical background, implementation timeline, key deliverables, and resource and system impacts. Deborah Sterzing provided some context as to why staff was providing this update to the committee, namely that it was a significant, FERC-required project that had seen material volatility in vendor cost estimates provided over the past year (from \$3.0 million to \$7.0 million). Deborah added that while staff plans to manage the project spend within the capital pool allocation, in the event of a material upward shift in the project budget resulting in a capital cost increase, staff would notify the committee and seek any applicable approval. Staff addressed questions around additional complexities anticipated, particularly managing other capital projects to stay within budget, confirming the importance to members of timely implementation, and affirming that implementation-related operational costs have been budgeted.

## ORGANIZATIONAL GROUP EFFECTIVENESS SURVEY REVIEW

Dianne Branch presented results of the organizational effectiveness survey, in addition to providing some overall survey results for all stakeholder groups. Russell Carey, Principal Stakeholder Affairs Liaison, offered some perspective for interpreting year over year results in light of the dramatic changes that occurred not only on the committee but also with the SPP staff representatives. Russell pointed out that the year over year variances are likely to not be as insightful in a year with as much change as experienced by this committee. Dianne reviewed the survey scores for the various categories (meeting materials, group membership, group engagement, and group chair) and concluded with the open-ended comments from the survey, which highlighted some opportunities for improvement.

## FUTURE MEETINGS

The next meeting of the Finance Committee will be held virtually on April 11, 2024. The major topics will include the annual audit presentation, pension funding approval, insurance renewal update, and detailed rate cap discussion.

## ACTION ITEMS

Deborah Sterzing recapped the action items from the meetings as follows:

- 1) Conduct follow up meeting for scoping of joint discussion between Strategic Planning Committee and Finance Committee during the July Operating Plan review (Stuart Solomon and John Cupparo)
- 2) Staff to poll Finance Committee members on possible dates for the September detailed budget review meeting
- 3) Identify future meeting agenda to share investment performance of retirement plan and review investment policy
- 4) Staff to provide edits to scope document and circulate to Finance Committee members before the next meeting
- 5) Staff to implement more rigor and discipline with respect to the timely reposting of updated meeting materials
- 6) Staff to follow up with actuary on mortality table changes, if any, due to COVID. If no changes, why not? If changes, why?

The meeting was adjourned at 3:30 p.m.

Respectfully Submitted,

Dianne Branch  
Assistant Staff Secretary

## ATTENDANCE ROSTER

<b>Name</b>	<b>Company</b>
Barbara Sugg	SPP
Bernie Liu	Xcel Energy
Carson Hampson	SPP
Charles Cates	SPP
Christine Aarnes	Sunflower Electric
Cindy Ireland	Ark Public Service Comm
Corbin Harris	SPP
Denise Buffington	Evergy
Carrie Dixon	NextEra Energy
Don Frerking	SPP
Don Shipley	SPP
Dustin Smith	SPP
Heather Starnes	Healy Law
Jared Barker	SPP
Jason Chaplin	OK Corp Comm
Jason Mazigian	Basin Electric
Matt Caves	Western Farmers
Olivia Hough	City Utilities of Springfield
Paul Suskie	SPP
Russell Carey	SPP
Ryan Benton	OG&E
Sheri Dunn	SPP
Susan Certoma	SPP Board
William Holden	SPP
William Vestal	SPP
Zeynep Vural	SPP



**SOUTHWEST POWER POOL, INC.  
FINANCE COMMITTEE MEETING**

**January 18, 2024  
Web-Ex**

**AGENDA**

1:00 p.m. – 5:00 p.m.

1. Administrative Items (10 minutes) ..... Stuart Solomon
  - o Minutes (**\*\*ACTION\*\***)
2. 2024 Work Plan and Priorities (20 minutes).....Stuart Solomon
3. FERC Show Cause Order Update (20 minutes).....Paul Suskie
4. Committee Scope Review (**\*\*ACTION\*\***) (30 minutes).....Deborah Sterzing
5. Corporate Insurance Review (60 minutes) ..... Zeynep Vural
6. Actuary Assumptions (**\*\*ACTION\*\***) (30 minutes) ..... Dianne Branch
7. FERC 881 Project Update (30 minutes) ..... Charles Cates
8. Organizational Group Effectiveness Survey Review (30 minutes) ..... Dianne Branch
9. Written Reports.....
  - o 2023 Financial Results Overview
  - o 2023 Unbudgeted Report
10. Future Meetings (10 minutes) ..... Dianne Branch

*Antitrust: SPP strictly prohibits use of participation in SPP activities as a forum for engaging in practices or communications that violate the antitrust laws. Please avoid discussion of topics or behavior that would result in anti-competitive behavior, including but not limited to, agreements between or among competitors regarding prices, bid and offer practices, availability of service, product design, terms of sale, division of markets, allocation of customers or any other activity that might unreasonably restrain competition.*



**SOUTHWEST POWER POOL  
FINANCE COMMITTEE MEETING**

October 19, 2023  
Videoconference

**MINUTES**

**ADMINISTRATIVE ITEMS**

SPP Chair Ben Trowbridge called the meeting to order at 8:05 a.m. The following members were in attendance:

Ben Trowbridge	SPP Director
Susan Certoma	SPP Director
Ray Hepper	SPP Director
Laura Kapustka	NPPD
Brad Cochran	OG&E
Mike Wise	Golden Spread Electric Coop
Matt Pawlowski	NextEra
Emily Koenig	Lincoln Electric System
Al Tamimi	Sunflower Electric
Deborah Sterzing	SPP
Dianne Branch	SPP

Others attending the meeting:

Barbara Sugg	SPP
Lanny Nickell	SPP
Kelly Carney	SPP
Dustin Smith	SPP
Zeynep Vural	SPP
Sheri Dunn	SPP
John Cupparo	SPP Director

Others in attendance: See attached roster

A quorum was present.

Minutes from the September 28, 2023 meeting were reviewed. Susan Certoma made a motion

to accept the minutes. The motion was seconded by Ray Hepper and approved by unanimous voice vote.

## **2024 OPERATING AND CAPITAL BUDGET**

Deborah Sterzing, SPP Senior VP & CFO, presented highlights from the 2024 budget presentation made during the September 28<sup>th</sup> meeting. The 2024 budget includes an NRR of \$192.1M, resulting in a 2.5% increase in the Effective Administrative Fee. This increase reflects incremental headcount additions to strengthen and expand essential organizational capabilities, capacity and consulting support on key engineering and information technology initiatives, and increase in maintenance expense due to aging infrastructure, inflationary impacts on technology and vendor contracts, and new enterprise project additions. A capital allocation of \$17.0 million was included in the recommendation to cover both capital foundation work and enterprise projects in 2024.

During the presentation, members asked questions regarding the budget development process, including initiative prioritization and approaches taken to minimize spending, and in response, SPP staff provided an overview of the methodology utilized to iteratively reduce spending and ensure member value, not only during the budget process but throughout the year. Staff also emphasized the numerous rounds of rigorous review and analysis that occurred with senior management before arriving at the final recommendation. Mike Wise made a motion to accept the budget as submitted. The motion was seconded by Matt Pawlowski. The motion passed with eight members voting for and one member voting against the motion. Brad Cochran with OG&E cast the no vote citing ongoing concerns with rising costs and incremental headcount, and the resulting impact on OG&E's ratepayers.

## **TARIFF AMENDMENT FOR FERC ORDER 895 COMPLIANCE**

Scott Smith, Director of Risk Management, provided an overview of RR581 which amends the tariff to allow sharing of market participant credit related information in order to comply with FERC Order 895. After a brief discussion with the Committee, Ray Hepper made a motion to approve the recommendation for staff to file this tariff amendment for the purpose of complying with FERC Order 895. The motion was seconded by Susan Certoma and approved by unanimous vote.

## **FORVIS PRE-AUDIT DISCUSSION**

Chris Lindner, audit partner with FORVIS, LLP presented the 2023 financial audit plan. Chris provided an overview of auditor responsibilities, timing of interim and final fieldwork, audit scope, and how the Committee could communicate with the auditors.





## ORGANIZATION GROUP ASSESSMENT

The Committee discussed the accomplishments over the past 12 months and major pending initiatives as of July 31, 2023. Major initiatives addressed by the Committee included 1) approval of the 2023 Operating and Capital budget, 2) approval of Markets Plus Phase 1 and RTO Expansion budgets, and 3) authorization to extend maturity date and approval of other administrative amendments for the \$30 million revolving credit facility. Major pending initiatives for the Committee included approval of the 2024 Operating Plan, approval of the 2024 Operating and Capital budget, and review of the audit plan with independent auditors.

## FUTURE MEETINGS

The next meeting of the Finance Committee will be held virtually on January 18, 2024. The major topics include annual insurance review, approval of actuarial assumptions, review of Committee scope, and stakeholder effectiveness survey results.

The meeting was adjourned at 9:30am.

Respectfully Submitted,

Dianne Branch

Secretary

## ATTENDANCE ROSTER

<b>First Name</b>	<b>Last Name</b>	<b>Company</b>
Adriane	Barnes	SPP
Bernard	Liu	Xcel Energy
Carson	Hampson	SPP
Chris	Lindner	Forvis
Cynthia	Burns	Forvis
Denise	Buffington	Evergy
Don	Frerking	SPP
Jared	Barker	SPP
Jason	Chaplin	OCC
Jason	Mazigian	BEPC
Jennifer	Pytlik	Xcel Energy
Jim	Jacoby	AEP
Matt	Caves	WFEC
Meghan	Matteson	NPPD
Ryan	Benton	OG&E
Scott	Smith	SPP

**Southwest Power Pool, Inc.**  
**FINANCE COMMITTEE Rolling 12 Month Work Plan**

<b>Schedule</b>
<p><b>Thursday, January 18, 2024</b>  Virtual, 1PM – 5PM  Agenda Items:</p> <ul style="list-style-type: none"> <li>• 2024 Work Plan and Priorities Discussion (<b>NEW</b>)</li> <li>• Actuarial Assumptions (<b>Approval Required</b>)</li> <li>• Corporate Insurance Review</li> <li>• Committee Scope Review (<b>Approval Required</b>)</li> <li>• Organizational Effectiveness Survey</li> <li>• FERC Show Cause Order Update</li> <li>• FERC Order 881 Project Overview</li> </ul>
<p><b>Thursday, April 11, 2024</b>  Virtual, 8AM – Noon  Agenda Items:</p> <ul style="list-style-type: none"> <li>• 2023 Annual Audit Presentation (<b>Approval Required</b>)</li> <li>• Retirement and Post Retiree Health Valuation Presentation</li> <li>• Retirement Plan Funding Recommendations (<b>Approval Required</b>)</li> <li>• Insurance Renewal Update</li> <li>• Rate Cap Analysis and Discussion</li> </ul>
<p><b>Thursday, July 18, 2024</b>  1PM-5PM  Tulsa, OK  Agenda Items:</p> <ul style="list-style-type: none"> <li>• Joint Session with SPC- Operating Plan Review (1<sup>st</sup> Hour) (<b>Acceptance Requested</b>)</li> <li>• Mid-Year Financial Review</li> <li>• Business Process Improvement Update</li> <li>• Recommendation of Rate Cap Increase (<b>Approval Required</b>)</li> </ul>
<p><b>September 26, 2024 (**SPECIAL MEETING**)</b>  8AM-3PM  Little Rock, AR  Agenda Items</p> <ul style="list-style-type: none"> <li>• 2025 Detailed Budget Review</li> </ul>
<p><b>October 10, 2024</b>  Virtual, 8AM-Noon  Agenda Items:</p> <ul style="list-style-type: none"> <li>• 2025 Budget - Final Review and Approval (<b>Approval Required</b>)</li> <li>• Pre-Audit Meeting w/ Financial Auditors</li> </ul>
<p><b>Non-recurring topics</b></p>

**Southwest Power Pool, Inc.**  
**FINANCE COMMITTEE Rolling 12 Month Work Plan**



# 2024 WORKPLAN REVIEW

FINANCE COMMITTEE

JANUARY 18, 2024

*Working together to responsibly and economically  
keep the lights on today and in the future.*



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# JANUARY 18, 2024

- Agenda Items:
  - 2024 Work Plan and Priorities Discussion
  - Actuarial Assumptions (**Approval Required**)
  - Corporate Insurance Review
  - Committee Scope Review (**Approval Required for edits**)
  - Organizational Effectiveness Survey
  - FERC Show Cause Order Update
  - FERC Order 881 Project Overview

# APRIL 11, 2024

- Agenda Items:
  - 2023 Annual Audit Presentation (**Approval Required**)
  - Retirement and Post Retiree Health Valuation Presentation
  - Retirement Plan Funding Recommendations (**Approval Required**)
  - Insurance Renewal Update
  - Rate Cap Analysis and Discussion

# JULY 18, 2024

- Agenda Items:
  - Joint Session with SPC- Operating Plan Review (1<sup>st</sup> Hour)  
(Acceptance Requested)
  - Mid-Year Financial Review
  - Business Process Improvement Update
  - Recommendation of Rate Cap Increase(Approval Required)



# **SEPTEMBER 26, 2024 (SPECIAL MEETING)**

- Agenda Item -
  - 2025 Detailed Budget Review

# OCTOBER 10, 2024

- Agenda Items –
  - 2025 Budget - Final Review and Approval (Approval Required)
  - Pre-Audit Meeting w/ Financial Auditors



# FERC MTA SHOW CAUSE STATUS: JANUARY 2024

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# BACKGROUND: FERC SHOW CAUSE ORDER

- Initial Show Cause Order issued July 2022
  - FERC stated RTO/ISOs must demonstrate just and reasonableness of Credit Policies that did not contain both Minimum Portfolio and “Mark-to-Auction” (MTA) Collateral Requirements
  - SPP had a Minimum Portfolio Requirement (a \$0.10/MWh minimum) but did not have a MTA collateral requirement
  - Mark-to-Auction Credit Provisions: adjust TCR collateral requirements based on Auction Clearing Prices
  - SPP’s response to July 2022 order stated that MTA would not be effective based on SPP’s TCR Auction Process

# BACKGROUND, CONTINUED

- FERC issued a second Show Cause Order in September 2023
  - FERC directed SPP to:
    1. Explain how its OATT remained just and reasonable and not unduly discriminatory or preferential without MTA provisions; OR
    2. Explain what changes to its OATT SPP believed would address the concerns FERC identified in its order (i.e. SPP's reliance on two-year historical TCR pricing data for calculation of collateral requirements)
  - SPP elected the second option and, in a November 20, 2023 response, proposed a new design feature for its credit policy to address FERC's concerns.
  - SPP proposed to add an MTA mechanism that would update TCR collateral requirements using auction prices from SPP's existing TCR Auction design.
  - SPP asked FERC to hold the Show Cause Proceeding in abeyance during SPP's development of the necessary tariff language, during the SPP stakeholder process, and during the pendency of the Section 205 filing SPP will make after the May 2024 BOD meeting.

# SPP'S PROPOSED MTA CONCEPT:

- Use Auction Clearing Prices from SPP's Annual & Monthly auctions to re-mark appropriate periods if the ACPs are greater than the currently used historical-based and minimum portfolio collateral calculations
- 1<sup>st</sup> re-mark would take place after May annual auction and would use monthly & seasonal ACPs in potential collateral requirements for upcoming TCR periods
- 2<sup>nd</sup> remark would happen after June auction clears for remaining July capacity and would reoccur for monthly auctions

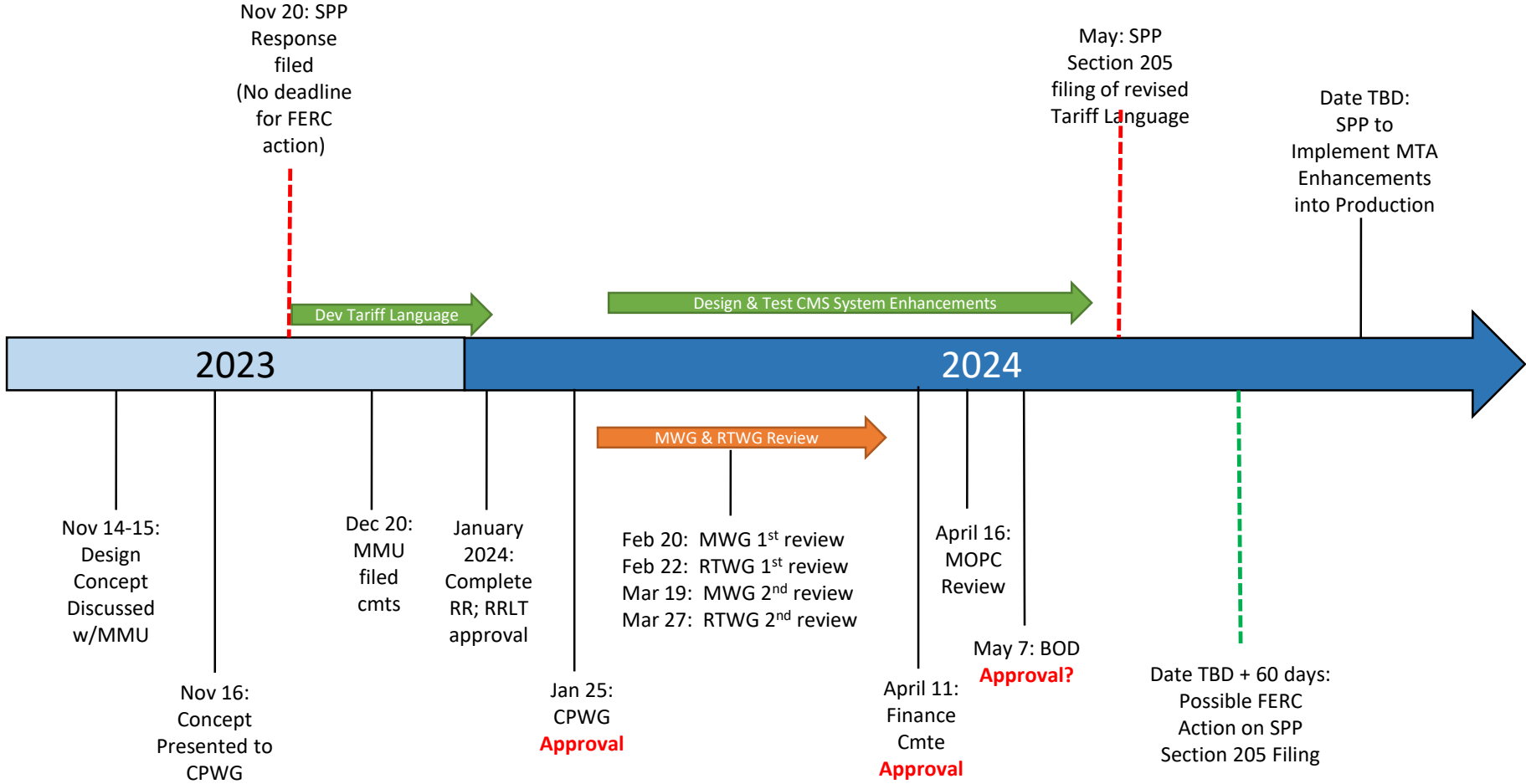
# STATUS AND NEXT STEPS:

- FERC does not have a hard time limit in which to make a determination on SPP's proposed design and motion for abeyance.
- Interested parties had until December 20 to file comments. As of January 4, only the SPP MMU filed comments. Those comments generally supported the motion for abeyance so as to allow consideration of the proposal by the MMU and stakeholders.
- **January 2024:** Complete tariff language development and present to Credit Practices Working Group for approval.
- **February and March 2024:** Review proposed tariff revisions with Market Working Group and Regional Tariff Working Group
- **April 2024:** Present to Finance Committee for approval; Present to Markets and Operations Policy Committee
- **May 2024:** File tariff revisions with FERC following BOD meeting.

# TIMELINE FOR MTA FILINGS, DEVELOPMENT, APPROVALS, AND IMPLEMENTATION

SPP Internal Activities

External Activities





**Southwest Power Pool  
FINANCE COMMITTEE  
Organizational Group Scope Statement**

**Purpose:**

The purpose of the Finance Committee is to oversee all aspects of SPP's finances and financial operations, primarily insuring appropriate controls, policies and procedures are documented and adhered to allowing SPP to report accurate financial reports, access external capital as required, while not exposing the company or its membership to undue risks.

**Scope of Activities:**

The Committee, in discharging its oversight role, is empowered to study or investigate any matter of interest or concern that the Committee deems appropriate. In this regard, the Committee shall have the authority to retain outside legal, accounting or other advisors for this purpose, including the authority to approve the fees payable to such advisors and any other terms of retention. The Committee is directly responsible for oversight of the work (including both audit and non-audit services) of the independent financial and benefit plan auditors. The Committee will recommend engagement and compensation of the independent auditors to the SPP Board of Directors. The Committee shall be given full access to the corporation's accounting staff, Board of Directors, corporate executives and independent accountants as necessary to carry out these responsibilities.

The Committee will have responsibility to approve, monitor/review, recommend, and report, as follows:

**Approve:**

- Annually, significant financial and compliance policies which fall under the purview of the Committee
- Annually, the basic assumptions used by SPP's actuary to determine the financial status and funding requirements of SPP's pension and post-retirement healthcare plans. These basic assumptions include, but are not limited to, discount rate, investment rate of return, rate of compensation change, and mortality tables utilized. The Committee will report these assumptions to the SPP Board of Directors.

**Review/Monitor:**

- The methodology of cost recovery to insure continuing equity for Members
- Any legal matter that could have a significant impact on the corporation's financial statements
- The adequacy of internal financial controls and the resolution of any identified material weaknesses or reportable conditions. Independent Board of Director members of the Finance Committee will be expected to attend meetings of the Oversight Committee when the Oversight Committee receives audit reports from the external controls auditor.
- The corporation's guidelines and policies with respect to risk assessment and risk management focusing on the corporation's major financial risk exposures and the steps management has taken to monitor and control such exposures
- The structure of the Company's corporate liability insurance program, including review of retentions, insurance limits and exceptions, quality of underwriters, and activities of the broker(s) engaged to represent the Company to the insurance markets
- Annually, the investment performance of the pension and/or post-retirement healthcare plan assets and compliance with the approved Investment Policy Statements for the plans
- Policies for management of the company's capitalization, financing and long-term contracts

- At least annually, the performance of the Committee and its members, including reviewing the compliance of the Committee with this Charter
- Changes to the Investment Policy Statements for the Company's retirement plan and post-retirement healthcare plan as approved by the SPP Administrative Committee

For clarification, the review of the investment performance and the investment policy statement for Company's retirement plan shall be for information purposes only, it being understood that all discretion with respect to SPP Retirement Plan investments shall reside with the SPP Administrative Committee.

**Recommend to the Board of Directors:**

- Annually, an operating budget, capital budget and each special budget for the upcoming fiscal year
- Annually, rates to be charged under Schedule 1A and for the assessment of members
- Annually, the corporation's audited financial statements as the corporate record of financial results for the prior fiscal year. The Committee shall review and discuss with management and the independent auditors, prior to public dissemination, the corporation's annual audited financial statements with primary focus on the quality and integrity of the statements
- Annually, the engagement of independent auditors to audit the corporation's annual financial statements, benefit plan financial statements, and controls environments.
- Annually, contributions to SPP's pension and post-retirement healthcare plans
- As needed, issuance of notes to fund capital expenditures, liquidity, and other general corporate purpose

**Report to the Board of Directors:**

- All actions taken by the Committee
- Any issues regarding the quality or integrity of the corporation's financial statements, compliance with legal or regulatory requirements, or the performance and independence of the corporation's independent financial and controls auditors
- Financial results with comparisons to budget
- Any other matters relevant to the Committee's discharge of its responsibilities

The Committee is not responsible for certifying the corporation's financial statements or guaranteeing the auditor's report. The fundamental responsibility for the corporation's financial statements and disclosures rests with management.

**Representation:**

The Finance Committee shall be comprised of up to nine members. Three representatives shall be members of the Board of Directors and one of these will be the chairperson. Three representatives from the Transmission Owning Member sector as nominated by the Corporate Governance Committee and three representatives from the Transmission Using Member sector as nominated by the Corporate Governance Committee. The Board of Directors shall appoint their representatives at the regular meeting of the Board of Directors immediately following the Annual Meeting of Members. Persons designated as representatives on the Finance Committee will continue to serve until their successors have been appointed. Where a vacancy occurs, the Corporate Governance Committee will fill the vacancy in accordance with SPP Bylaws.

**Duration:**

The Finance Committee is a permanent committee. The Committee shall meet a minimum of two times per fiscal year and at other times as called by the Chair. A quorum will constitute at least half of the members of the Committee but no less than three members. Proxies are allowed if reported to the Chair



prior to the meeting. All meetings of the Finance Committee shall be open to all interested parties unless closed by the Chair of the Committee.

**Reporting:**

The Finance Committee reports directly to the Board of Directors.



# ORGANIZATIONAL SCOPE REVIEW

FINANCE COMMITTEE

JANUARY 18, 2024

# PURPOSE STATEMENT

The purpose of the Finance Committee is to **oversee all aspects of SPP's finances and financial operations**

- Primarily ensuring appropriate controls, policies and procedures are documented and adhered to, which allows SPP to report accurate financial reports, access external capital as required, and avoid unnecessary exposure to the company or its membership from undue risks

# SCOPE OF ACTIVITIES

- In oversight role, committee empowered to study or investigate **any matter of interest of concern** deemed appropriate
- Authority to retain, and approve payments for, **outside counsel or advisors**
- Directly responsible for **oversight of work of independent financial and plan auditors**, recommending engagement and compensation to SPP board
- Has **full access** to SPP staff, board, executives, and independent auditors

# FINANCE COMMITTEE APPROVAL ITEMS (ANNUAL)

- Significant **financial and compliance policies**, which fall under the purview of the Committee
- Basic **actuarial assumptions** to determine the financial status and funding requirements of SPP's **pension and post-retirement healthcare plans**. These basic assumptions include, but are not limited to, discount rate, investment rate of return, rate of compensation change, and mortality tables utilized
  - Committee will report these assumptions to the SPP Board of Directors

# FINANCE COMMITTEE – REVIEW AND MONITOR

- Methodology of **cost recovery** to ensure continuing equity for Members
- **Legal matters** having significant impact on the SPP's financial statements
- **Adequacy of internal financial controls** and the resolution of any identified material weaknesses or reportable conditions
  - Independent Board of Director members of the Finance Committee will be expected to attend meetings of the Oversight Committee when the Oversight Committee receives audit reports from the external controls auditor



# FINANCE COMMITTEE – REVIEW AND MONITOR

- SPP's **guidelines and policies** with respect to risk assessment and risk management, focusing on the major **financial risk exposures** and the steps management has taken to monitor and control such exposures
- **Structure** of the SPP's **corporate liability insurance program**, including review of retentions, insurance limits and exceptions, quality of underwriters, and activities of the broker(s) engaged to represent the Company to the insurance markets
- Annually, the **investment performance** of the **pension and/or post-retirement healthcare plan assets** and **compliance** with the approved **Investment Policy Statements** for the plans

# FINANCE COMMITTEE – REVIEW AND MONITOR

- Policies for management of the SPP's capitalization, financing and long-term contracts
- At least annually, the performance of the Committee and its members, including reviewing the compliance of the Committee with this Charter
- Changes to the Investment Policy Statements for SPP's retirement plan and post-retirement healthcare plan as approved by the SPP Administrative Committee
  - Review of the investment performance and the investment policy statement for SPP's retirement plan shall be for information purposes only
  - *All discretion with respect to SPP Retirement Plan investments shall reside with the SPP Administrative Committee*

# FINANCE COMMITTEE – RECOMMEND TO THE BOD

- Annually, an **operating budget, capital budget** and each **special budget** for the *upcoming fiscal year*
- Annually, **rates to be charged under Schedule 1A** and for the assessment of members
- Annually, SPP's **audited financial statements** as the corporate record of financial results for the prior fiscal year
  - Committee shall review and discuss with management and the independent auditors, prior to public dissemination, the corporation's annual audited financial statements with *primary focus on the quality and integrity of the statements*

# FINANCE COMMITTEE – RECOMMEND TO THE BOD

- Annually, the **engagement of independent auditors** to audit the corporation's annual financial statements, benefit plan financial statements, and controls environments
- Annually, **contributions** to SPP's **pension and post-retirement healthcare plans**
- As needed, **issuance of notes** to fund capital expenditures, liquidity, and other general corporate purpose

# FINANCE COMMITTEE – REPORT TO THE BOD

- All **actions** taken by the Committee
- Any **issues** regarding the quality or integrity of SPP's financial statements, compliance with legal or regulatory requirements, or the performance and independence of the corporation's independent financial and controls auditors
- **Financial results** with comparisons to budget
- Any other matters relevant to the Committee's discharge of its responsibilities

# FINANCE COMMITTEE – REPRESENTATION

- 9 members total, serving until successor appointed
  - 3 [SPP board](#) members, appointed at regular meeting of BOD immediately following the annual meeting
  - 3 representatives from [Transmission Owning](#) member sector, as nominated by Corporate Governance Committee
  - 3 representatives from [Transmission Using](#) member sector, as nominated by Corporate Governance Committee
- Any vacancies will be filled by the Corporate Governance Committee per SPP's bylaws

# FINANCE COMMITTEE – DURATION AND REPORTING

- Permanent committee
- Meet minimum of two times per fiscal year and as called by the committee Chair
- Quorum consists of at least half of the members of the committee but **no less than three** members
  - *Prior year proposal to amend to "no less than five" members*
- Proxies allowed if reported to Chair prior to the meeting
- All meetings open unless called to be closed by the Chair
- Reports directly to the SPP Board of Directors

## **ACTION ITEM**

Approve scope document, per discussion





# CORPORATE INSURANCE PROGRAM UPDATE

ZEYNEP VURAL

SR. MANAGER, TREASURY

FINANCE COMMITTEE MEETING - JANUARY 18, 2024

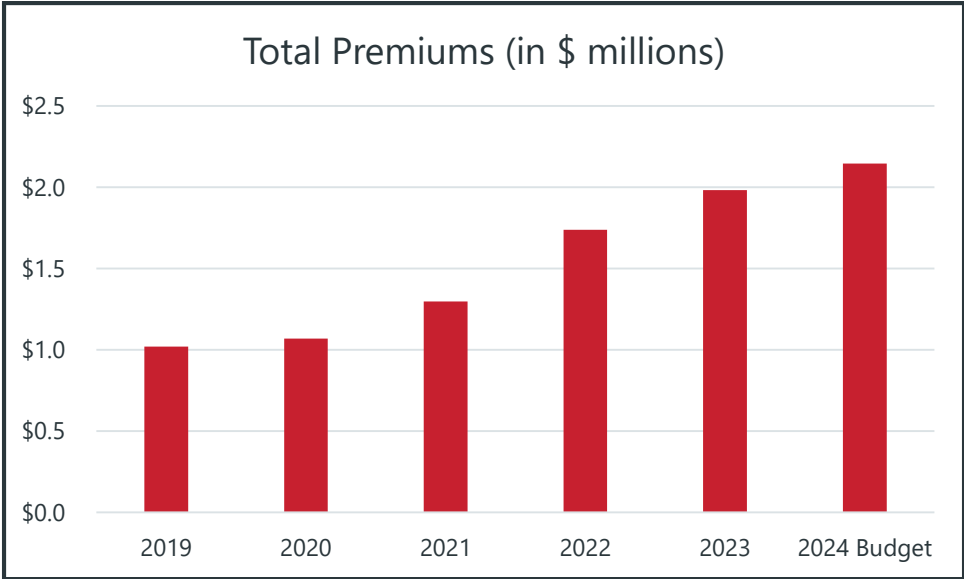
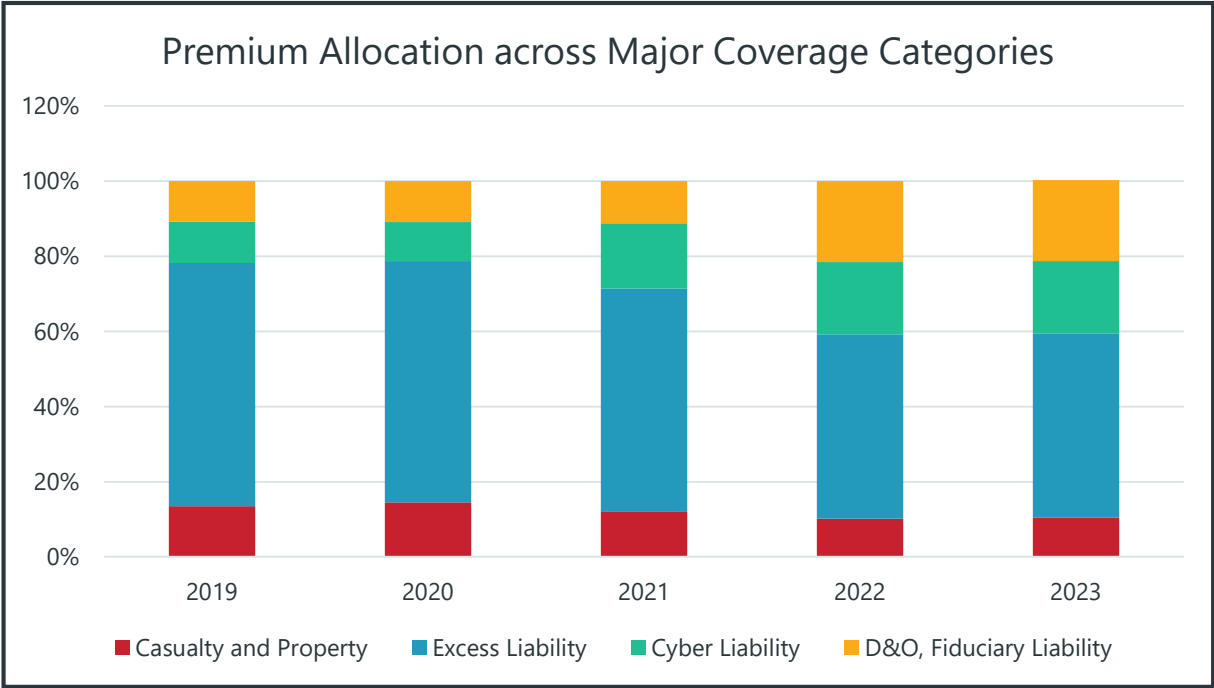


# SPP CORPORATE INSURANCE PROGRAM - OVERVIEW

- Coverage for the following risks:
  - General: property, casualty, and excess liability
  - Professional: Director and Officer liability (including ERISA and fiduciary liability), errors and omissions
  - Special: cyber incidents
- SPP utilizes the expertise of an insurance broker to help navigate the insurance marketplace and obtain optimum coverage
- Renewal term is April 1-March 31
- 2023-2024 renewal term cost was \$2.1M (incl. broker fee)
  - No changes in coverage but 13% increase from prior year
  - 2024-2025 budget is \$2.3M (9% increase)

# PREMIUM CHANGES 2019-2023

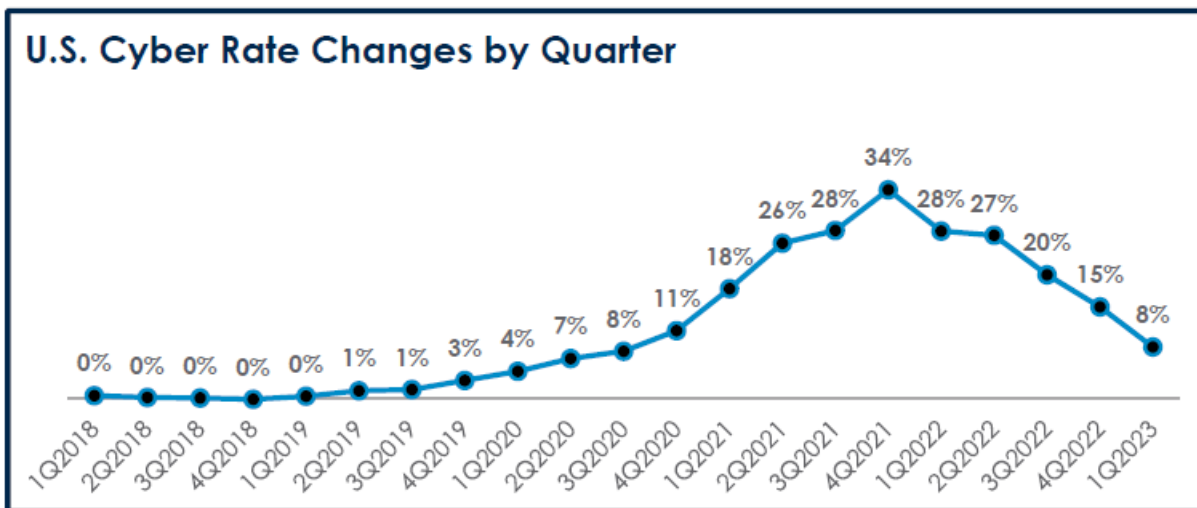
Coverage Area	2019	2020	2021	2022	2023	Mean	Min	Max
Casualty and Property	-2%	13%	2%	12%	17%	8%	-2%	17%
Excess Liability	-1%	4%	12%	11%	19%	9%	-1%	19%
Cyber Liability	0%	0%	102%	48%	10%	32%	0%	102%
D&O, Fiduciary Liability	5%	6%	25%	158%	4%	40%	4%	158%
<b>Total</b>	<b>0%</b>	<b>5%</b>	<b>21%</b>	<b>34%</b>	<b>14%</b>	<b>15%</b>	<b>0%</b>	<b>34%</b>



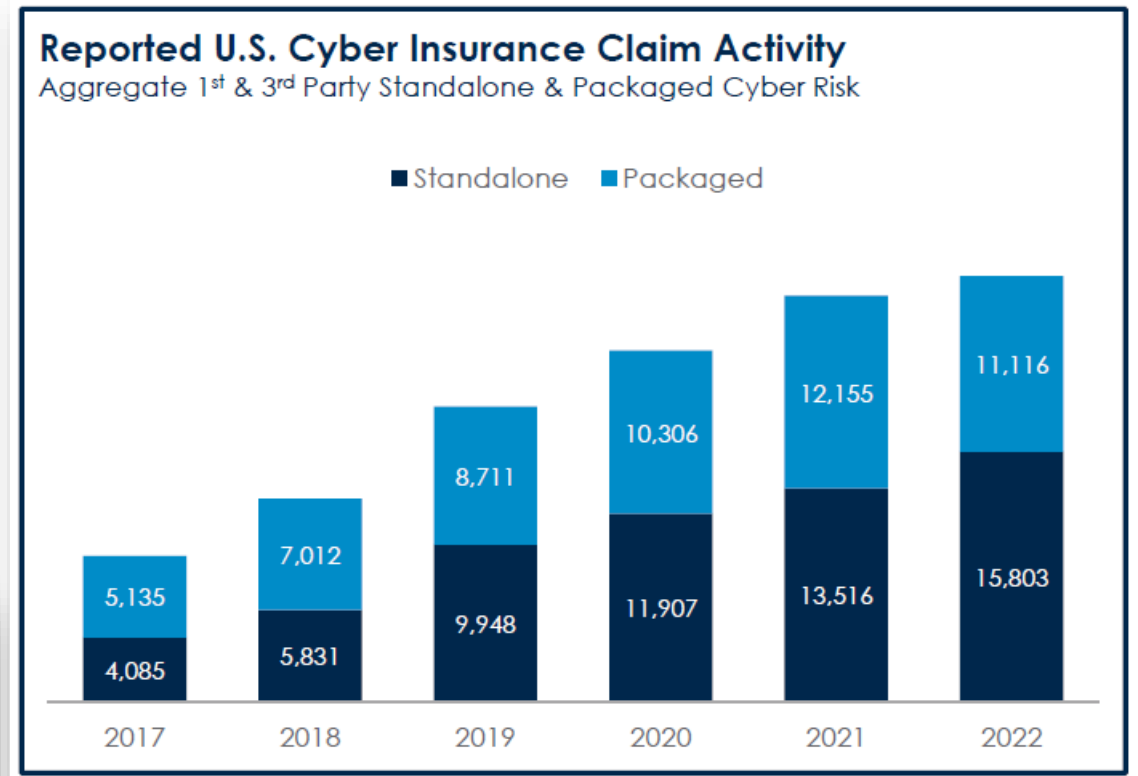
# INSURANCE MARKET UPDATE

## Cyber Risks:

- Market has somewhat stabilized, signs of softening
- Organizations with superior IT security controls: positive renewal results in 2023
- Cyber insurance claims continue to rise but at a slower pace.
- Rates continue to decrease from the peak of 4Q21.



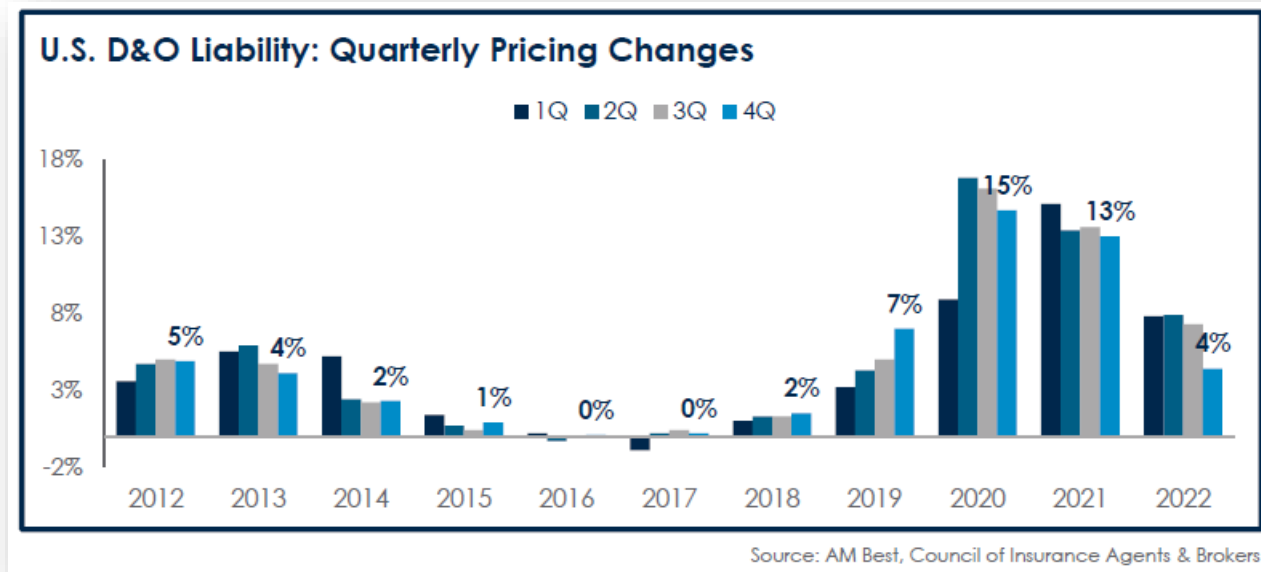
Source: A.M. Best Company, Inc: Best's Market Segment Report



# INSURANCE MARKET UPDATE (CONT'D)

## D&O Market Perspectives:

- After several years of insurer losses, the market has returned to good health
- 2023 premiums are flat or slightly down



- Challenges in the D&O market: social, litigation, and regulatory risks are expanding

# INSURANCE MARKET UPDATE (CONT'D)

## Property, Casualty, and Excess Liability:

- Property: catastrophic events frequency and severity on the rise
  - Rising inflation has also put pressure on property replacement values
  - Flight of capital from the reinsurance market due to increased claims and better investment options (attractive high yields)
- Excess liability: SPP experienced a large premium increase in 2023 (other ISO claims for Winter Storm Uri and expanded contract services)
- Casualty: Workers Comp: remains competitive and favorable for insureds with a stable workforce (SPP has no had any claims since 2016)



# 2023 INSURANCE BROKER RFP PROCESS

- SPP has used Stephens Insurance as its broker for the past 10+ years
- RFP process launched in Oct-2023, concluded Nov-2023
  - Objective: ensure SPP has best-in-class representation for its commercial insurance program and superior service to assist in decision-making
  - Invitations extended to firms used by other RTO/ISOs
  - Four respondents including the incumbent broker
  - RFP result: SPP selected Marsh as its new insurance broker

# INTRODUCTION TO MARSH



- World's leading insurance broker and risk advisor
- Deep industry specialization in the Power & Utilities sector
  - Dedicated specialty Energy & Power practice
  - 30% of SPP members or customers are Marsh clients
  - Positioned strongly to represent clients with specialty insurers such as EIM and AEGIS
- Represents multiple ISO/RTOs
  - PJM, CAISO, ISO NE



# Memorandum

**To:** SPP Finance Committee  
**From:** Zeynep Vural, Will Vestal, and Dianne Branch  
**CC:** Deborah Sterzing  
**Date:** January 9, 2024  
**Re:** Actuarial Assumptions for Pension and Post Retiree Healthcare Valuation

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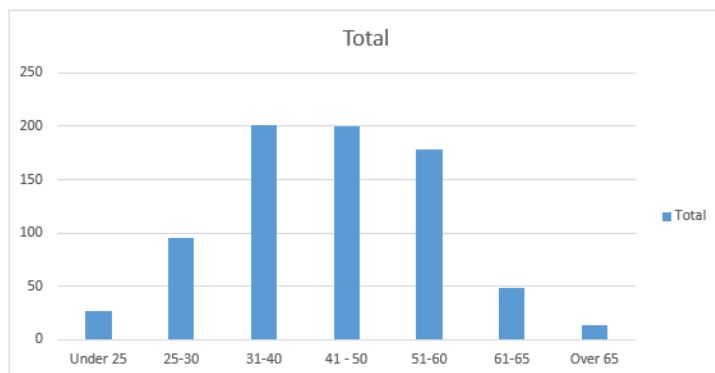
SPP staff has been providing to the Finance Committee an early look at assumptions utilized in valuation of SPP’s pension plan and post-retirement healthcare plan. This memo provides that look at the four major assumptions: discount rate, long-term rate of return, compensation change rate, and mortality tables. The discount rate is the only relevant assumption for the valuation of the post retiree healthcare plan. All assumptions are relevant to pension valuation.

Discount Rate: The process for determining the discount rate to be used in valuing pension liabilities and funding targets is generally based on the framework described in the Pension Protection Act of 2006 that utilizes the yield curve of investment grade corporate bonds (the top three rating tranches) averaged over twenty four months. These interest rates are subject to additional criteria and constrained by applicable percentage limits based on the 25-year average yield curve rates. The American Rescue Plan Act (ARP) and the Infrastructure Investment and Jobs Act (IIJA), both passed in 2021, introduced changes to the methods of determining the required interest rates and generally increased the applicable rate limits.

Also described in the Pension Protection Act of 2006 are three segment rates that can be used for the purpose of assigning a discount rate. These rates are differentiated based on the maturities of the corporate bonds underlying the yield curves used to determine each rate. The segments are broken down as follows:

1. First – zero through five years
2. Two – six through fifteen years and
3. Three – greater than fifteen years

In terms of evaluating the segment most appropriate for SPP’s retirement plan, one of the most pertinent demographic points to consider is that the average age of the participants in the SPP plan is less than 45 years. The following table was provided by HR where the average age of our employee base is approximately 44 years old. This would indicate that major distributions from the plan should not begin occurring, on average, for another twenty years. Therefore, the 3<sup>rd</sup> segment appears to be the most relevant data point for our analysis.





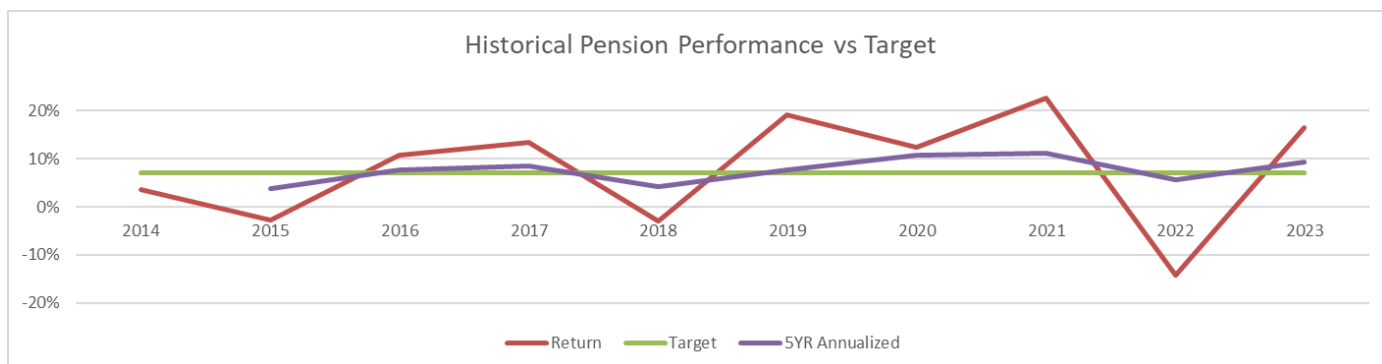
The Internal Revenue Service publishes periodic updates to segment rates throughout the year. The most recent update published December 2023 indicated post-ARP/IIJA adjusted average segment rates of 4.75%/4.87%/5.59%, respectively. Per the IRS website, the “permissible corridor” for the 3<sup>rd</sup> segment based on 25-year bond return averages is 5.74%-6.34% for 2023. SPP also considered two additional sources (Mercer Index Rates and the FTSE Pension Liability Index) that are deemed to be representative of rates used by a wider range of plans. Based on SPP’s review of those indices, a rate of 5.00%-5.25% seems appropriate. SPP used a discount rate of 5.25% in 2023. Based on the most recent data from both the IRS and the additional indices as detailed in the preceding narrative, **SPP staff recommends retaining a discount rate of 5.25%.**

**Long-term Rate of Return:** The method used by SPP to assign the long-term rate of return is based upon an analysis of the long-term returns of widely recognized benchmark investments similar in asset allocation to the investments held in the pension plan trust. The benchmark returns are weighted based on SPP’s desired asset allocation described in the Investment Policy Statement.

The Russell 3000 Index measures the performance of the largest 3000 U.S. companies representing approximately 98% of the investable U.S. equity market. The Russell 3000 Index is constructed to provide a comprehensive, unbiased, and stable barometer of the broad market and is completely reconstituted annually to ensure new and growing equities are reflected. The ICE BofA Corporate 5-10 Year Index tracks the performance of U.S. dollar denominated investment grade rated corporate debt publicly issued in the U.S. domestic market. This subset includes all securities with a remaining term to maturity of 5 to 10 years. This index is a comprehensive benchmark for fixed income investments due to its inclusion of a wide range of investment-grade fixed income instruments and provides a representative measure of the overall fixed income market.

	<u>Russell 3000</u>	<u>ICE BofA Corp 5-10 Year Index</u>
10 Year Return (1/1/2014 – 12/31/2023)	11.46%	3.29%
Target Allocation	70%	30%
Weighted Avg. Return	8.02%	0.99%
<b>Historical Expected Portfolio Return</b>	<b>9.01%</b>	

SPP used a long-term rate of return assumption of 7.00% in 2023. **SPP staff recommends retaining the long-term rate of return at 7.00%.** The combined weighted average return on the benchmarks well exceeds SPP’s recommended rate of return for analysis purposes. However, absent the large drop in equities in 2022, equity returns during the 10 year review period have been much higher than long-term historical returns averaging about 10% per year, especially in the tail end of the review period where the average broad equity market return was close to 15% during the past five years. Similarly, low interest rates during most of the 10 year review period have served to drive up fixed income index returns unusually high. Therefore maintaining the 7% long-term rate remains to be a conservative approach and is also supported by the actuary. The chart below illustrates the plan’s actual annual returns versus the 7% target for the past 10 years.



**Compensation Change Rate:** SPP's year-over-year compensation growth rate for 2023 was 6.00%, exceeding the long-term growth rate of 4.00% used in its pension valuation. Reflecting an economy normalizing post-pandemic, SPP's Human Resources Committee approved a compensation increase of 4.00% for 2024.



Looking to the future, the Social Security Administration's intermediate nominal wage growth assumption for 2022–2032 is 3.99%<sup>1</sup>. The corresponding long-term figure spanning 2032–2097 is 3.56%. Given the inherent difficulty in forecasting decades into the future, **SPP's staff believes retaining the 4.00% compensation rate for the upcoming valuation continues to be appropriate.**

Pension Mortality Table: The actuary has been using the IRS mortality tables for valuation of SPP's retirement plan. The IRS updates its mortality tables annually to reflect improvements in life expectancy for that year. Therefore, SPP had historically changed the mortality table used in the valuation every year. Last year, SPP's actuary proposed switching to a table (Pri-2012 table) which assumes life expectancy continues to improve each year in the future and therefore doesn't require annual updating. **SPP staff recommends retaining use of this table for the upcoming valuation.**

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<sup>1</sup> [https://www.ssa.gov/oact/TR/2023/V\\_B\\_econ.html](https://www.ssa.gov/oact/TR/2023/V_B_econ.html)



# RECOMMENDATION

FINANCE COMMITTEE

JANUARY 18, 2024

# PENSION AND POST RETIREMENT VALUATION

Approve assumptions to be used in the upcoming valuation for the pension and post retirement plans -

- Discount Rate – 5.25%
- Long Term Rate of Return – 7.00%
- Compensation Change Rate – 4.00%
- Pension Mortality Table – Pri 2012 table



# FERC ORDER 881 PROJECT UPDATE

CHARLES CATES

*Working together to responsibly and economically  
keep the lights on today and in the future.*



SouthwestPowerPool



SPPorg



southwest-power-pool

# FERC ORDER 881 – KEY DATES AND DELIVERABLES

- Commission filed its final Order No. 881 in the Federal Register with an effective date of **March 14, 2022**
- Compliance filing was due on **July 12, 2022**
- All requirements must be implemented no more than three years from the compliance filing
- Go live date will be **July 12, 2025**

# BACKGROUND & OVERVIEW

- FERC issued Order No. 881 to improve the accuracy and transparency of transmission line ratings used by **Transmission Providers**
  - Implementation of **Ambient-Adjusted Ratings (AARs)** and seasonal ratings
  - Establishment and implementation of systems and procedures to allow **Transmission Owners** to electronically update transmission line ratings at least hourly
  - **Transmission Providers** must use uniquely determined emergency ratings for contingency analysis in operation horizons
  - **Transmission Owners** must share transmission line ratings and transmission line rating methodologies with their **Transmission Provider** and market monitor, as applicable
  - **Transmission Providers** must maintain a database of each transmission owner's transmission line ratings and transmission line rating methodologies on the transmission provider's OASIS



# DEPARTMENTS AND RESOURCES IMPACTED

Department	Area
Reliability Operations	EMS (State Estimator, RTCA, FGALC) Next Day OPA Studies Outage Coordination AFC and Tariff Studies
Markets Operations	Day Ahead Market MDRA Studies RTBM, WEIS, RUC Studies
Congestion Hedging	TCR
IT Systems	System Admin, Database Admin, Data Services, etc.
Market Monitoring Unit	MMU

# BUDGET AND COST SUMMARY

FERC 881 project budget consists primarily of services/labor from vendor to develop and integrate enhancements to the following systems:

1. Energy Management System (EMS)
2. Centralized Modeling Tool (CMT)
3. Markets systems (Database, Clearing Engine, Operator Interface, etc.)
4. Markets Training Simulator (MRTS)

# BUDGET AND COST SUMMARY

<u>Description</u>	2024 - 2025 <u>Development/Labor (Capital)</u>
Vendor Estimate/Quote (May '23)	\$2,970,000
Budgeted by SPP (June '23)	\$3,340,000
Revised Vendor Estimate (Nov '23)	\$4,600,000
<b>Over budget</b>	<b>\$1,260,000</b>

- SPP budgeted for contingency beyond the vendor’s original estimate from May 2023
- The vendor’s estimate increased in late ‘23 due to higher complexity than originally anticipated by the vendor
- SPP remains optimistic of staying within overall corporate capital budget/pool for 2024
- **Note:** FERC 881 will also drive incremental vendor software licenses (\$500k - \$900k per year), and other IT equipment (\$350k) which are carried in the IT departmental budget



# 2023 ORGANIZATIONAL GROUP EFFECTIVENESS SURVEY

FINANCE COMMITTEE

*Working together to responsibly and economically  
keep the lights on today and in the future.*



SouthwestPowerPool



SPPorg



southwest-power-pool

# SURVEY OVERVIEW – ALL STAKEHOLDER GROUPS

- Satisfaction **remained high in 2023:**
  - Avg. rating of staff: 3.70
  - Avg. rating of services: 3.49
  - 3 = Meets / 4 = Exceeds
- **All services ratings increased** from 2022
  - Average increase of 0.33 points
  - GI saw largest increase: from 2.59 to 3.01
- Survey was simplified again for 2023
- Added rating of SPP value to stakeholders



# OVERALL EFFECTIVENESS – ALL GROUPS

QUESTION	2018	2019	2020	2021	2022	2023
Average of ratings of each stakeholder group's effectiveness	4.32	4.29	4.43	4.42	4.39	4.36
Change from previous year:	+0.11	-0.03	+0.14	0.00	-0.03	-0.03

The 2023 rating of 4.36 remains between (4) "Agree" and (5) "Strongly Agree" on average for each statement of organizational effectiveness



Most recent peak in 2020, when stakeholder satisfaction also peaked

Minor decreases in 2022 and 2023, but scores remain high.

# FINANCE COMMITTEE SURVEY OVERVIEW

- 66% response rate
  - 8 people completed
  - Lowest response in recent history
- 4.4 rating out of 5.0
  - Lowest in recent history
  - 11<sup>th</sup> out of 22 groups
  - Last year was 4.6
  - Still between (4) "Agree" and (5) "Strongly Agree"



# MEETING MATERIALS

Question	Average Score	
	2023	2022
The agenda reflects the actions to be taken during the meeting.	4.8	4.9
Meeting materials are provided in a timely manner.	4.5	4.6
The information provided prior to the meeting is utilized during the meeting.	<b>4.3</b>	4.7
The information presented in meetings is clear.	4.5	4.8
Meeting minutes are an accurate reflection of the meeting.	4.6	4.8



**Key:** **Red:** Year-over-year decrease     **Green:** Year-over-year increase     **Bold:** largest year-over-year change



# GROUP MEMBERSHIP

Question	Average Score	
	2023	2022
Membership represents the diversity of the SPP organization.	4.1	4.1
Membership has the necessary expertise and/or skills to accomplish its goals.	4.5	4.4
Members come prepared to meetings.	4.3	4.4
Members are committed to participate and accomplish the group's goals.	4.6	4.9
Members are supportive and respectful of the individual needs and differences of group members.	4.8	4.9



**Key:** **Red:** Year-over-year decrease

**Green:** Year-over-year increase

**Bold:** largest year-over-year change

# GROUP ENGAGEMENT

Question	Average Score	
	2023	2022
Members are engaged during the meeting.	4.5	4.6
Decisions are identified and action is recommended.	4.6	4.6
Facilitation is sufficient to guide discussion.	<b>4.1</b>	4.7
The use of technology (i.e. WebEx) to facilitate virtual meetings is effective.	4.3	4.2
Dissenting voices are heard.	4.6	4.6
I depart with a feeling that we have accomplished something.	4.6	4.4



**Key:** **Red:** Year-over-year decrease

**Green:** Year-over-year increase

**Bold:** largest year-over-year change

# GROUP CHAIR

Question	Average Score	
	2023	2022
The chair seeks input, and organizational group members are able to influence key decisions and plans.	<b>3.8</b>	4.6
The chair is supportive and respectful of the individual needs and differences of group members.	<b>4.1</b>	4.7
The chair keeps the group on task to achieve appropriate outcomes.	<b>3.6</b>	4.3
The chair ensures follow-through on questions and commitments.	<b>3.8</b>	4.4



**Key:** **Red:** Year-over-year decrease

**Green:** Year-over-year increase

**Bold:** largest year-over-year change

# OPEN-ENDED COMMENTS

"As **western expansion** moves forward, assure that the **role** of the Committee is clear on what items it actually approves."

"**Very pleased with** the initial few months of leadership under the new leadership of our **new [CFO]**."

"Regarding approval of **pension** funding, assure all members are appropriately educated on **how DB plans work** and how accounting and funding operate."

"The **new CFO has done a great job** of coming up to speed and providing relevant information in the meetings."

"There is still a level of improvement in materials provided to the committee to **provide more analysis vs. numbers.**"

"Continue improving the process of **forecasting** for items such as interest income, projected load over which expenses will be spread, and potential carry-overs."



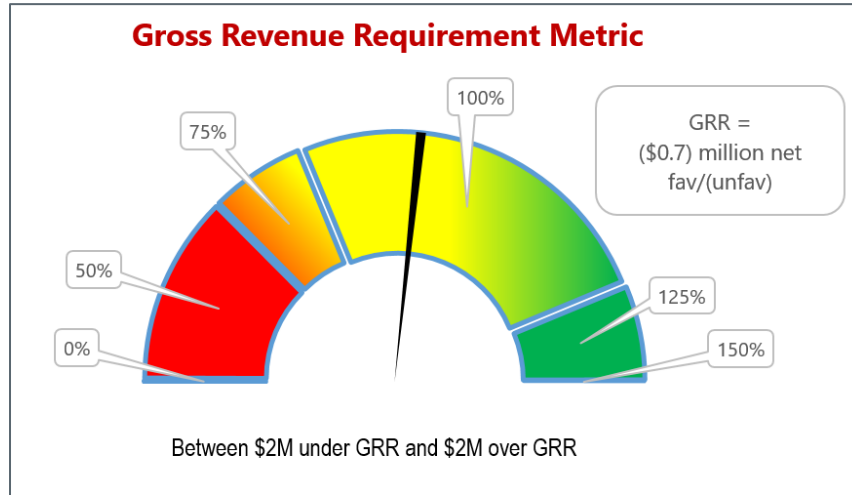
# **MONTHLY FINANCIAL REPORTING PACKAGE**

NOVEMBER 2023

Prepared by SPP Accounting Department

# Executive Summary

## November 2023



### 2023 Cost Recovery

As of November 30, 2023  
(\$ millions)

GRR / NRR Summary	<u>Forecast</u>	<u>Budget</u>	<u>Fav/(Unfav)</u>
Total RTO operating expenses	\$237.2	\$229.1	(\$8.2)
LESS FERC assessment (Schedule 12)	(31.2)	(28.8)	2.5
LESS Depreciation (non-cash)	(15.2)	(15.6)	(0.5)
LESS Engineering pass-through expenses	(17.9)	(11.6)	6.4
LESS Pension & other adjustments	(2.1)	(5.0)	(3.0)
PLUS Debt service & interest	34.5	34.5	0.0
NET Contract services adjustments	(6.1)	(4.1)	2.1
<b>Gross Revenue Requirement</b>	<b>199.2</b>	<b>198.5</b>	<b>(0.7)</b>
Revenues & other adjustments			
Other revenues	(18.7)	(10.1)	8.6
Capital expenditure reserve	3.4	3.4	-
<b>Run-Rate Net Revenue Requirement</b>	<b>184.0</b>	<b>191.9</b>	<b>7.9</b>
Prior year (over)/under recovery	(12.6)	(7.4)	5.3
<b>Net Revenue Requirement</b>	<b>171.3</b>	<b>184.5</b>	<b>13.2</b>
Tariff admin fee revenue	(187.0)	(184.5)	2.5
<b>Over / (Under) Cost Recovery</b>	<b>\$15.7</b>	<b>\$0.0</b>	<b>\$15.7</b>

*The over recovery is primarily driven by forecasted investment income (not included in the original budget) and an increase in the 2022 actual cost recovery as compared to what was assumed in the 2023 budget.*

*Due to the net-zero impact to NRR, pass-through expenses for engineering studies that are directly offset by revenues collected from study participants are now deducted from RTO operating expenses under GRR, and offsetting revenues are excluded from the NRR calculation.*

**Southwest Power Pool**  
**2023 Financial Commentary**  
**As of November 30, 2023**  
*(in thousands)*

SPP RTO			Contract Services			Total SPP		
2023 FY Forecast	2023 FY Budget	Variance Fav/(Unfav)	2023 FY Forecast	2023 FY Budget	Variance Fav/(Unfav)	2023 FY Forecast	2023 FY Budget	Variance Fav/(Unfav)

Summary of Net Income / (Loss)								
--------------------------------	--	--	--	--	--	--	--	--

Revenues	\$243,145	\$235,553	\$7,592	\$18,767	\$14,105	\$4,662	\$261,912	\$249,658	\$12,255
Expenses	232,907	235,664	2,757	12,456	9,971	(2,485)	245,363	245,634	272
Net Income/(Loss)	<u>\$10,239</u>	<u>(\$111)</u>	<u>\$10,349</u>	<u>\$6,311</u>	<u>\$4,134</u>	<u>\$2,177</u>	<u>\$16,550</u>	<u>\$4,023</u>	<u>\$12,526</u>

Summary of Operating Revenues								
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Tariff Administrative Service	\$187,046	\$184,534	\$2,513	(\$)	-	(\$)	\$187,046	\$184,534	\$2,513
Fees & Assessments	28,329	30,036	(1,707)	-	-	-	28,329	30,036	(1,707)
Contract Services Revenue	68	68	()	18,746	14,105	4,641	18,814	14,173	4,641
Engineering Studies Revenue Staff	8,499	7,940	559	-	-	-	8,499	7,940	559
Engineering Studies Revenue Pass-Thru	17,907	11,551	6,356	-	-	-	17,907	11,551	6,356
Other Revenues	1,296	1,425	(129)	21	-	21	1,317	1,425	(108)
Total Operating Revenues	<u>\$243,145</u>	<u>\$235,553</u>	<u>\$7,592</u>	<u>\$18,767</u>	<u>\$14,105</u>	<u>\$4,662</u>	<u>\$261,912</u>	<u>\$249,658</u>	<u>\$12,255</u>

The annual billing determinants assumed in the 2023 budget for Tariff Administration Service revenues were based on actual data from August 2021 - July 2022. Market revenues are derived from activity billed in the current year and transmission revenues are based on prior-year load data. Both market and transmission revenues are currently favorable to budget.

Transmission revenues contribute to the favorable variance due to the monthly average coincident peaks for August thru December 2022 being higher than the 2021 data used in the budget for that same time period. Market activity has been difficult to forecast and marginally higher year-to-date energy flows also contribute to the overall favorable variance to budget.

FERC Fees & Assessments revenues trail budget due to collections in the previous year that exceeded the FERC annual assessment amount, which allowed for a reduced rate of \$0.094 as compared to \$0.099 assumed in the budget.

Contract Services Revenue forecast includes revenue associated with the Markets+ Phase I tariff development contract that was finalized in March 2023 and was not included in the 2023 budget. This revenue is partially offset by 2023 costs associated with the 21 month implementation.

Engineering Studies Revenue consists of revenues for pass-thru consulting expenses and for SPP staff time which are both favorable year-to-date. Any variances in pass-thru revenues are directly offset by the same variance in reimbursed consulting expenses, with no impact to the NRR.

Other Revenues primarily include revenues associated with various sources such as pass-thru consulting costs and staff time for the Order 1000 transmission owner selection process, joint operating agreement fees, miscellaneous rebates, reserve sharing, and circuit reimbursements.

**Southwest Power Pool**  
**2023 Financial Commentary**  
**As of November 30, 2023**  
*(in thousands)*

	SPP RTO			Contract Services			Total SPP		
	2023 FY Forecast	2023 FY Budget	Variance Fav/(Unfav)	2023 FY Forecast	2023 FY Budget	Variance Fav/(Unfav)	2023 FY Forecast	2023 FY Budget	Variance Fav/(Unfav)
<b>Summary of Expenses</b>									
Salary	81,034	79,925	(1,109)	6,082	4,964	(1,118)	87,116	84,889	(2,227)
Benefits & Taxes	42,703	43,688	986	2,187	1,781	(406)	44,890	45,469	579
Continuing Education	747	848	101	7	5	(2)	754	853	99
Salary & Benefits	\$124,484	\$124,462	(\$22)	\$8,276	\$6,749	(\$1,526)	\$132,760	\$131,211	(\$1,548)
Assessments & Fees	31,239	28,768	(2,471)	-	-	-	31,239	28,768	(2,471)
Maintenance	18,673	19,136	463	673	721	48	19,345	19,857	511
IT Communications	5,041	4,890	(151)	425	432	7	5,466	5,322	(144)
Services & RSC	16,021	16,464	443	1,394	728	(666)	17,415	17,191	(223)
Services Reimbursed	18,112	11,951	(6,161)	-	-	-	18,112	11,951	(6,161)
Administrative	6,285	5,751	(535)	12	1	(11)	6,298	5,752	(546)
Travel & Meetings	2,184	2,000	(185)	434	114	(320)	2,619	2,114	(505)
Depreciation	15,181	15,641	460	1,120	1,106	(14)	16,302	16,748	446
Total Operating Expenses	237,221	229,062	(8,159)	12,334	9,852	(2,483)	249,555	238,913	(10,642)
Interest Expense	5,855	5,886	32	122	119	(3)	5,976	6,005	29
Interest Income	(9,190)	-	9,190	-	-	-	(9,190)	-	9,190
Other (Income)/Expense	(979)	716	1,695	-	-	-	(979)	716	1,695
Net Other (Income)/Expense	(4,314)	6,602	10,916	122	119	(3)	(4,193)	6,721	10,913
Total	\$232,907	\$235,664	\$2,757	\$12,456	\$9,971	(\$2,485)	\$245,363	\$245,634	\$272

The unfavorable variance in Salary & Benefits is driven by salary & benefits associated with incremental resources for various efforts including Markets+ Phase I and RTO expansion which are offset by contract revenues and financing. The overall unfavorable variance is partially offset by an adjustment in the actuarially calculated pension expense accrual which resulted in a favorable variance to budget.

SPP received the annual assessment invoice from FERC in June. The 2023 full-year forecast reflects the revised estimate for current year FERC Assessments and Fees and includes a true-up for the prior year under-accrual, both contributing to the unfavorable variance to budget.

The main drivers for the unfavorable variance in Services & RSC include unbudgeted initiatives associated with Markets + Phase I, enterprise risk management, reliability assurance and carryover consulting initiated late in 2022. Due to demands in the current job market, SPP has found it necessary to engage additional external recruiting firms which also contributes to the unfavorable variance. These unfavorable variances are partially offset by lower expenses within the Regional State Committee (consultant budgeted but not engaged) and lower external legal engagements than projected in the budget (mainly associated with FERC litigation for Zonal Placement and Z2).

Services Reimbursed represents consulting costs directly offset by revenues (with no impact to the NRR).

The primary driver of the increase in Administrative expenses is related to increased prices on laptops and monitors along with an increase in number of workstations needed for incremental staff.

The unfavorable variance in Travel & Meetings is primarily associated with Markets+ which was not included in the budget but is offset by contract revenues.

Items recorded in Other (Income)/Expenses include swap valuation, investment income, unrealized gain/loss on investments, and other miscellaneous income and expense amounts. These expense and income items are highly unpredictable and therefore are not included in the budget except for certain expenses related to the non-service portion of pension costs.

Due to this unpredictability coupled with the fact that yields have been historically low and interest earnings immaterial, Interest Income has not been incorporated into annual budgets and was excluded in the 2023 budget as well. As a result of interest rates rising significantly in 2022, SPP's excess cash and treasury investments earned higher yields (particularly in the later part of the year) which contributed to a reduction in the 2022 NRR. These significant interest earnings are reflected in the FY forecast and therefore result in a favorable variance to budget.



**Southwest Power Pool**  
**2023 Monthly Financial Overview**  
**As of November 30, 2023**

(in thousands)

	Actual Jan-23	Actual Feb-23	Actual Mar-23	Actual Apr-23	Actual May-23	Actual Jun-23	Actual Jul-23	Actual Aug-23	Actual Sep-23	Actual Oct-23	Actual Nov-23	Forecast Dec-23	FY 2023 Forecast	FY 2023 Budget	Variance Fav/(Unfav)	FY 2022 Actual	Variance Fav/(Unfav)
<b>Revenues</b>																	
Tariff Administrative Service	\$11,541	\$15,016	\$16,597	\$14,186	\$14,282	\$16,320	\$16,013	\$19,111	\$15,728	\$14,716	\$16,078	\$17,460	\$187,046	\$184,534	\$2,513	\$186,207	\$839
Fees & Assessments	3,107	2,420	2,165	2,133	1,942	2,082	2,368	2,719	2,833	2,375	2,101	2,085	28,329	30,036	(1,707)	28,082	247
Contract Services Revenue	1,264	995	995	1,713	1,715	1,715	1,837	1,715	1,715	1,724	1,716	1,714	18,814	14,173	4,641	15,430	3,385
Engineering Studies Revenues	1,175	1,327	2,179	3,113	1,753	3,016	2,006	3,217	1,918	1,182	3,415	2,104	26,406	19,490	6,916	16,847	9,559
Other Revenues	44	80	112	146	247	119	110	176	68	95	60	61	1,317	1,425	(108)	1,395	(78)
<b>Total Operating Revenues</b>	<b>17,132</b>	<b>19,836</b>	<b>22,047</b>	<b>21,290</b>	<b>19,939</b>	<b>23,251</b>	<b>22,333</b>	<b>26,938</b>	<b>22,262</b>	<b>20,092</b>	<b>23,369</b>	<b>23,423</b>	<b>261,912</b>	<b>249,658</b>	<b>12,255</b>	<b>247,961</b>	<b>13,951</b>
<b>Expense</b>																	
Salary	6,810	6,913	7,024	7,115	7,260	7,260	7,330	7,442	7,501	7,471	7,530	7,458	87,116	84,889	(2,227)	79,369	(7,747)
Benefits & Taxes	3,881	3,600	4,328	3,258	3,540	3,968	3,907	3,500	3,498	3,573	4,082	3,754	44,890	45,469	579	44,201	(689)
Continuing Education	12	18	64	15	26	48	64	117	53	72	122	144	754	853	99	489	(266)
Salary & Benefits	10,703	10,532	11,417	10,388	10,826	11,277	11,301	11,059	11,052	11,115	11,734	11,356	132,760	131,211	(1,548)	124,059	(8,701)
Assessments & Fees	2,200	2,200	2,200	2,200	2,200	5,746	2,415	2,415	2,415	2,415	2,415	2,415	31,239	28,768	(2,471)	27,314	(3,925)
Maintenance	1,228	1,282	1,506	1,376	1,568	1,780	1,576	1,680	1,687	1,742	1,606	2,313	19,345	19,857	511	16,431	(2,914)
IT Communications	425	373	486	500	479	469	468	450	469	447	439	460	5,466	5,322	(144)	4,902	(564)
Services & RSC	1,319	976	1,743	905	1,231	1,983	1,279	1,140	1,643	1,723	1,608	1,864	17,415	17,191	(223)	14,245	(3,170)
Services Reimbursed	515	545	1,390	2,408	1,163	2,218	1,334	2,550	1,096	610	2,841	1,442	18,112	11,951	(6,161)	9,032	(9,080)
Administrative	677	990	459	511	344	734	293	433	578	470	405	406	6,298	5,752	(546)	5,811	(487)
Travel & Meetings	143	120	224	189	240	246	302	339	231	239	194	151	2,619	2,114	(505)	1,390	(1,228)
Depreciation	1,458	1,249	1,247	1,246	1,478	1,371	1,364	1,424	1,373	1,344	1,355	1,392	16,302	16,748	446	17,541	1,239
<b>Total Operating Expenses</b>	<b>18,669</b>	<b>18,268</b>	<b>20,673</b>	<b>19,724</b>	<b>19,530</b>	<b>25,824</b>	<b>20,331</b>	<b>21,491</b>	<b>20,544</b>	<b>20,106</b>	<b>22,598</b>	<b>21,799</b>	<b>249,555</b>	<b>238,913</b>	<b>(10,642)</b>	<b>220,724</b>	<b>(28,831)</b>
<b>Other Income/(Expense)</b>																	
Investment Income	797	780	942	1,066	1,091	1,089	361	379	518	957	522	689	9,190	-	9,190	1,866	7,324
Interest Expense	(518)	(522)	(532)	(517)	(498)	(513)	(485)	(497)	(493)	(451)	(468)	(484)	(5,976)	(6,005)	29	(6,991)	1,015
Change in Valuation of Swap	-	-	(28)	(7)	-	29	-	-	5	-	-	-	(1)	-	(1)	771	(773)
Other Income/(Expense)	433	52	260	(499)	(18)	248	140	(105)	(241)	(136)	385	1	521	(716)	1,236	843	(323)
Unrealized Gain on Investment	161	(76)	95	41	3	147	87	(44)	(146)	(57)	247	-	460	-	460	(659)	1,119
<b>Net Other Income (Expense)</b>	<b>873</b>	<b>234</b>	<b>737</b>	<b>85</b>	<b>579</b>	<b>1,000</b>	<b>104</b>	<b>(268)</b>	<b>(358)</b>	<b>313</b>	<b>687</b>	<b>206</b>	<b>4,193</b>	<b>(6,721)</b>	<b>10,913</b>	<b>(602)</b>	<b>4,795</b>
<b>Net Income (Loss)</b>	<b>(\$664)</b>	<b>\$1,803</b>	<b>\$2,110</b>	<b>\$1,651</b>	<b>\$988</b>	<b>(\$1,572)</b>	<b>\$2,106</b>	<b>\$5,180</b>	<b>\$1,360</b>	<b>\$299</b>	<b>\$1,458</b>	<b>\$1,830</b>	<b>\$16,550</b>	<b>\$4,023</b>	<b>\$12,526</b>	<b>\$26,634</b>	<b>(\$10,084)</b>
<b>2023 Headcount</b>																	
Approved Budgeted Positions	698	704	704	714	716	716	716	716	716	716	716	716	716			657	(59)
Forecast Headcount (Incl. Vacancy)	672	679	682	691	697	715	724	729	738	743	748	758	758			662	(96)
Actual Positions (Excl. Vacancy)	717	717	717	717	734	734	756	760	760	760	760	760	760			680	(80)
<b>Vacancy Run Rate</b>	<b>6.3%</b>	<b>5.3%</b>	<b>4.9%</b>	<b>3.6%</b>	<b>5.0%</b>	<b>2.6%</b>	<b>4.2%</b>	<b>4.1%</b>	<b>2.9%</b>	<b>2.2%</b>	<b>1.6%</b>	<b>0.3%</b>	<b>3.6%</b>			<b>2.7%</b>	
NRR Over / (Under) Recovery	\$1,081	\$3,809	(\$2,594)	\$3,668	\$3,330	(\$3,137)	\$4,148	\$6,828	(\$4,199)	\$2,282	\$3,472	(\$2,908)	\$15,716			\$12,646	\$3,134

**Southwest Power Pool**  
**Balance Sheets**  
**As of November 30, 2023 and December 31, 2022**  
*(in thousands)*

	<u>11/30/2023</u>	<u>12/31/2022</u>	<u>Net Change</u>
<b>ASSETS</b>			
Current Assets			
Cash & Equivalents	\$150,178	\$92,117	\$58,061
Restricted Cash Deposits	1,458,457	1,218,673	239,784
Accounts Receivable (net)	67,220	228,435	(161,216)
Other Current Assets	18,094	10,858	7,235
Total Current Assets	<u>1,693,948</u>	<u>1,550,084</u>	<u>143,864</u>
Total Fixed Assets	55,553	62,383	(6,831)
Total Other Assets	5,018	6,813	(1,795)
Investments	88,142	153,947	(65,804)
<b>TOTAL ASSETS</b>	<b><u>\$1,842,662</u></b>	<b><u>\$1,773,227</u></b>	<b><u>\$69,434</u></b>
<b>LIABILITIES &amp; EQUITY</b>			
Liabilities			
Current Liabilities			
Accounts Payable	\$58,272	\$244,845	(186,574)
Customer Deposits	1,554,358	1,218,673	335,686
Current Maturities of LT Debt	32,072	31,026	1,046
Other Current Liabilities	127,573	205,946	(78,372)
Deferred Revenue	12,240	6,495	5,745
Total Current Liabilities	<u>1,784,515</u>	<u>1,706,984</u>	<u>77,531</u>
Long Term Liabilities			
Long-Term Debt	106,014	130,232	(24,218)
Other Long Term Liabilities	39,730	38,328	1,402
Total Long Term Liabilities	<u>145,744</u>	<u>168,560</u>	<u>(22,816)</u>
<b>TOTAL LIABILITIES</b>	<b><u>1,930,259</u></b>	<b><u>1,875,544</u></b>	<b><u>54,715</u></b>
Net Income	14,719	26,634	(11,915)
Members' Equity	(102,317)	(128,951)	26,634
<b>TOTAL MEMBERS' EQUITY</b>	<b><u>(87,597)</u></b>	<b><u>(102,317)</u></b>	<b><u>14,719</u></b>
<b>TOTAL LIABILITIES &amp; EQUITY</b>	<b><u>\$1,842,662</u></b>	<b><u>\$1,773,227</u></b>	<b><u>\$69,434</u></b>

## Southwest Power Pool

### Headcount Analysis

As of November 30, 2023

	Current Month Actual vs. Budget			Year End Total vs. Budget		
	Actual Nov 23	Budget Nov 23	Over/(Under) Budget	2023 Forecast	2023 Budget	Over/(Under) Budget
Information technology	199	201	(2)	202	201	1
Operations	136	130	6	137	130	7
Engineering	107	105	2	107	105	2
Markets	51	52	(1)	52	52	0
Process integrity	40	39	1	40	39	1
Administration	62	51	11	67	51	16
Human capital	19	22	(3)	19	22	(3)
Regulatory policy & general counsel	24	27	(3)	26	27	(1)
Market monitoring	18	19	(1)	18	19	(1)
External affairs & stakeholder relations	32	31	1	31	31	0
Adjustment for vacancy, pool & contracts	(11)	(8)	(3)	(40)	(8)	(32)
<b>Total RTO</b>	<b>677</b>	<b>669</b>	<b>8</b>	<b>659</b>	<b>669</b>	<b>(10)</b>
Contract services & RTO expansion	71	47	24	99	47	52
<b>Total Positions</b>	<b>748</b>	<b>716</b>	<b>32</b>	<b>758</b>	<b>716</b>	<b>42</b>

**Total positions as of 12/31/2022**

**680**

2023 proposed incremental positions

36

**Total positions approved in 2023 budget**

**716**

Out-of-budget Markets+ Phase I positions

16

Out-of-budget VP Markets position

1

Out-of-budget Executive Business Partner position

1

Out-of-budget WRAP positions

2

Out-of-budget Finance & Treasury positions

5

Out-of-budget RTO expansion positions \*

19

**Total 2023 positions**

**760**

\* RTO expansion position costs are offset by financing thru implementation in 2026

## Southwest Power Pool

### Capital Spending

As of November 30, 2023

(in thousands)

2023 New Projects <sup>(a)</sup>	Budget	Forecast	Variance	Project Spend to Date	Forecast End Date
MVP1 - Smart Q Automation	\$ 127	\$ 127	\$ -	\$ 103	1Q'24
Markets UI Rewrite	1,050	1,050	-	189	3Q'24
FERC Order 881 <sup>(b)</sup>	125	125	-	-	3Q'25
HITT Enhancements Congestion Hedging	393	393	-	-	1Q'25
<b>Total New Projects</b>	<b>\$ 1,695</b>	<b>\$ 1,695</b>	<b>\$ -</b>	<b>\$ 292</b>	
Carryover Projects <sup>(c)</sup>	Budget	Forecast	Variance	Project Spend to Date	Forecast End Date
EMS, CMT & Markets Software Upgrade	\$ 3,500	\$ 3,966	\$ (466)	\$ 3,966	Completed 2Q'23
SCRIPT Program	2,834	2,187	647	948	3Q'25
Identity Access Management (IAM) Deployment and Integration	1,937	1,936	1	638	1Q'26
Uncertainty Product	700	917	(217)	917	Completed 2Q'23
Electric Storage and Hybrid	250	250	-	50	2Q'25
ICCP Hardware and Software Upgrade	110	61	49	61	Completed 2Q'23
Winter Weather Event Tier 1 (EDST Enhancements) <sup>(d)</sup>	-	200	(200)	176	1Q'24
<b>Total Carryover Projects</b>	<b>\$ 9,331</b>	<b>\$ 9,518</b>	<b>\$ (187)</b>	<b>\$ 6,756</b>	
Foundation - 2023 <sup>(e)</sup>	Budget	Forecast	Variance	2023 Spend to Date	
Information Technology	\$ 8,200	\$ 7,700	\$ 500	\$ 1,946	
Operations	2,773	3,149	(376)	2,678	
Facilities	934	1,340	(406)	1,238	
Engineering	100	107	(7)	107	
<b>Total Foundation - 2023</b>	<b>\$ 12,007</b>	<b>\$ 12,296</b>	<b>\$ (289)</b>	<b>\$ 5,969</b>	

(a) Amounts are allocated from the 2023 capital budget pool as approved by the Capital Management Committee (CMC).

(b) CMC approved \$125k for 2023 work associated with Phase 1 of the project. Work and associated costs to complete the final deliverables are still under negotiation with the vendor and will be requested in 2024.

(c) Budget amounts are per the approved 2022 capital projects budget unless otherwise noted.

(d) CMC approved \$167k in 2022 (unbudgeted) and \$33k from the capital budget pool in 2023.

(e) Foundation budgets are reforecast annually. Unused funds do not carry over to the following year.

**Unbudgeted Report**  
**Year to Date**  
**As of 12/31/23**

PO Number	Project Name	Scope of Work/Item Description	Total Amount	Budgeted	Unbudgeted	Notes
PO2023-1204	Markets + Program	Phase 1 tariff and protocol language development & governance structure launch	\$ 817,540	\$ -	\$ 817,540	(A)
PO2023-1086/1247	Uncertainty Product	Additional funding needed to complete remaining implementation deliverables	\$ 915,000	\$ 700,000	\$ 215,000	(B)
PO2023-1033	2023 Facilities Foundation	Replacement of Chiller #2 due to faulty VFD (variable frequency drive)	\$ 305,850	\$ -	\$ 305,850	(C)
PO2023-1443	2023 Engineering Foundation	Work directed by the REAL team related to PRM and ELCC calculations	\$ 368,750	\$ -	\$ 368,750	(D)
PO2023-1405	2023 IT Foundation	Licenses for Optimization Software for Day Ahead Market Systems	\$ 170,790	\$ -	\$ 170,790	(E)
PO2023-1360	2023 IT Foundation	120 Laptops for New Hires and Inventory Restock	\$ 237,395	\$ -	\$ 237,395	(F)
PO2023-1320	2023 Foundation General	ERM Maturity Assessment	\$ 104,500	\$ -	\$ 104,500	(G)
Multiple	WWE Tier 1 Improvements	Additional work for EDST Enhancements related to WWE Tier 1 initiatives	\$ 199,920	\$ -	\$ 199,920	(H)
PO2023-1598	2023 IT Foundation	Additional Maintenance on Market and Reliability Systems	\$ 450,000	\$ -	\$ 450,000	(I)
PO2023-1637	2023 Operations Foundation	Additional Enhancements for Energy Mgmt System (EMS) and Centralized Modeling Tool)	\$ 115,000	\$ -	\$ 115,000	(J)
PO2023-1620	2023 Foundation General	Additional Enhancements for Market Systems	\$ 475,000	\$ -	\$ 475,000	(K)
Multiple	2023 Engineering Foundation	Additional external support needed to process market driven and tariff required GI requests	\$ 3,083,387	\$ -	\$ 3,083,387	(L)
PO2023-1831	2023 IT Foundation	Assessment of current technology infrastructure	\$ 202,000	\$ -	\$ 202,000	(M)
PO2023-1798	2023 Engineering Foundation	External vendor to develop study model build automation system	\$ 349,577	\$ -	\$ 349,577	(N)
PO2023-1753	2023 Foundation General	Consulting engagement to assist with the design and facilitation of the annual strategic advance	\$ 194,250	\$ -	\$ 194,250	(O)
PO2023-1740	2023 Engineering Foundation	External support needed to complete powerflow model build study	\$ 300,000	\$ -	\$ 300,000	(P)
PO2023-1711	Markets + Program	Consulting engagement to evaluate all market related projects planned 2024-2026	\$ 193,489	\$ -	\$ 193,489	(Q)
PO2023-1699	2023 Engineering Foundation	External support needed to complete 2023 Annual Interim Study	\$ 222,500	\$ -	\$ 222,500	(R)
		<b>TOTAL</b>	<b>\$ 8,704,948</b>	<b>\$ 700,000</b>	<b>\$ 8,004,948</b>	
		<b>LESS: Expenses Covered by Revenue</b>	<b>\$ 3,083,387</b>	<b>\$ -</b>	<b>\$ 3,083,387</b>	
		<b>Unbudgeted Not Covered by Revenue</b>	<b>\$ 5,621,561</b>	<b>\$ 700,000</b>	<b>\$ 4,921,561</b>	

**Unbudgeted Report  
Year to Date  
As of 12/31/23**

<b>Notes</b>	
<b>A</b>	Although this expense will be funded by Phase 1 participants and was included in the the Phase I cost estimates, senior leadership deemed it necessary for work to commence in advance of the formal approval by the Finance Committee. Therefore, requisition was processed as out of budget, requiring the necessary executive level approvals (VP-Markets, CFO, and CEO).
<b>B</b>	The original project budget was \$0.7MM. Two additional requisitions have been submitted between Jan and March totaling \$215k. The original budget was based on an internal estimate and the actual design ended up being more complex than originally contemplated.
<b>C</b>	Vendor and manufacturer deemed the chiller failure to be a result of a faulty VFD that was beyond repair. Cost for used VFD was almost as expensive as an entirely new unit, therefore a decision was made to completely replace the damaged chiller.
<b>D</b>	Although this work was not contemplated in the 2023 budget, the Engineering organization has committed a reduction of \$75,000 in continuing education spend to partially offset this unbudgeted expense.
<b>E</b>	IT anticipated the need to purchase additional solver licenses for the day ahead market (DAMKT) and planned to include in the 2024 budget. However, issues with solving cases and publishing the DAMKT results on time have significantly worsened. Given this is a critical component of the DAMKT, the team determined that it was necessary to implement a new solution in 2023. Additionally, SPP's Market Participants will recognize significant cost savings sooner, rather than later.
<b>F</b>	Purpose of this purchase is to replace all remaining laptops to standardize to one brand, accommodate new employee growth, and replenish inventory for future replacement of failed /aged laptops. There have been many unexpected requests for laptops in 2023. The office support team was able to obtain a volume discount (\$300/laptop) and the chosen vendor offers a purchase rebate program that will result in \$7500 being earned to apply against this out of budget purchase.
<b>G</b>	This engagement was originally planned for 2024, but has been expedited given the elevation of the risk management program in the 2023 corporate goals.
<b>H</b>	The term for this engagement was extended from May 1, 2023 to July 11, 2023 for an additional 384 hours. The original work orders totalled \$167,280 and were reported in the 2022 report as unbudgeted. It is expected that this expenditure will be offset within the 2023 IT Foundation budget. The WWE Tier 1 program did not have a formally defined/approved budget.
<b>I</b>	While the recommended expenditure of \$450k exceeds the \$1.58 million budgeted for the market and reliability systems, the IT department is projected to be under budget in other areas of IT Maintenance for 2023 (inclusive of this engagement), and therefore, is indirectly able to accommodate this purchase without exceeding the full year budget for Maintenance
<b>J</b>	Additional funds needed to complete critical enhancements to affected systems. Spend in excess of 2023 estimated budget (\$187.5k) is largely due to development work taking longer than anticipated and staff continuing to identify high and critical enhancements due to the EMS upgrade. While in excess of the estimated costs assumed in 2023 budget, there were dollars available in the budgeted 2023 capital pool allocation to cover these project costs.
<b>K</b>	Additional funds needed to complete critical enhancements to the market operating system (MOS). Spend in excess of 2023 estimated budget (\$2.0 million) is largely due to development work taking longer than anticipated and complex enhancements related to winter weather related improvements (e.g. improvement to how the MDRA commitments feed into day ahead markets) that are to be completed in last half of 2023. While in excess of the estimated costs assumed in 2023 budget, there were dollars available in the budgeted 2023 capital pool allocation to cover these project costs.
<b>L</b>	Additional funds needed in excess of 2023 budget to engage external support to process GI requests without disrupting the GI backlog clearing corporate objective. Amounts in excess of budget primarily driven by large DISIS cluster (largest to date), unanticipated DISIS restudies, special study requests (ad-hoc), affected system studies and incremental long term congestion rights (ILTCR) studies.
<b>M</b>	Technology assessment by external vendor was requested by the SPP Board of Directors after the 2024 budget had been submitted.
<b>N</b>	This effort to improve our model building capabilities for GI studies contributes to the overarching effort to address inefficiencies and bottlenecks within the GI backlog process. While not contemplated when the 2023 capital budget pool was developed, there were dollars available in the budgeted 2023 capital pool allocation to cover these project costs.
<b>O</b>	While amounts were budgeted in 2024 for these type of services, the need to engage the consultant in late 2023 with no dollars remaining for consulting services, resulted in this engagement being processed as an out of budget request.
<b>P</b>	Additional funds needed in excess of 2023 budget to engage external support to complete the DISIS-2023-001 P1 Powerflow Model Build study.
<b>Q</b>	Consultant will evaluate all efforts pursued in the markets area and develop program plan addressing software development, schedules, staffing assumptions, vendor release schedules and constraints, hardware constraints and dependencies, and stakeholder milestones. While processed out of budget for the Market Administration department, IT has helped offset the cost through a deliberate "reservation" of funds from the IT outside services budget.
<b>R</b>	Additional external assistance needed to complete the the 2023 Annual Interim Study, consisting of power flow, short circuit, and stability analysis.

## NEXT MEETING

April 11, 2024

8 a.m.–Noon

Virtual

### Agenda Items:

- 2023 Annual Audit Presentation (Approval Required)
- Retirement and Post Retiree Health Valuation Presentation
- Retirement Plan Funding Recommendations (Approval Required)
- Insurance Renewal Update
- Rate Cap Analysis and Discussion