



**SOUTHWEST POWER POOL
FINANCE COMMITTEE MEETING**

**October 10, 2024
Web-Ex Meeting**

MINUTES

ADMINISTRATIVE ITEMS

Stuart Solomon, Committee Chair, called the meeting to order at 8:00 a.m. The following members were in attendance:

| | |
|---------------------------|-----------------------------|
| Stuart Solomon | SPP Director |
| Susan Certoma, Vice Chair | SPP Director |
| Liz Moore | SPP Director |
| Brad Cochran | OG&E |
| Mike Wise | Golden Spread Electric Coop |
| Emily Koenig | Lincoln Electric System |
| Al Tamimi | Sunflower Electric |
| Dianne Branch | Staff Secretary |

Others in attendance: See attached meeting roster

Matt Pawlowski was not in attendance and assigned his proxy to Jeff Wells (NextEra Energy). Laura Kapustka was not in attendance and assigned her proxy to Emily Koenig. A quorum was present.

Adriane Barnes, Sr. Communications Strategist, reviewed the Antitrust and Accessibility notices. Minutes from the September 26, 2024, meeting were reviewed. Susan Certoma made a motion to accept the minutes. The motion was seconded by Brad Cochran and approved by unanimous voice vote.

Stuart Solomon referred the members to the action items document included in the meeting materials which provided an update on all items from the September 26, 2024, meeting. All items were deemed to either have been addressed with changes made to the budget materials or by presentations to be made during this meeting.



FORVIS PRE-AUDIT DISCUSSION

Chris Lindner and Wade Leuthy, audit partners with FORVIS Mazars, LLP presented the 2025 financial audit plan. They provided an overview of auditor responsibilities, timing of interim and final fieldwork, audit scope, and how the Committee could communicate with the auditors. Additionally, they shared information regarding the technology utilized in performing audit procedures as well as their quality review program.

ENTERPRISE PROCUREMENT OVERVIEW AND STRATEGY

Carson Hampson, Director of Enterprise Procurement, provided a comprehensive overview of SPP's purchasing policies and practices which included a history and profile of purchase requisitions for the five-year period 2019 – 2023. Carson also covered the history of the Enterprise Procurement department, namely that it was a consolidation of the IT Sourcing and Purchasing departments which centralized the coverage provided to all business owners, vendors, and purchasing activity. Carson highlighted the best practices utilized by the Enterprise Procurement department which includes purchase rebate programs, the RFQ process, multi- year maintenance agreements, and vendor negotiation strategies. Carson closed his presentation with some charts illustrating that the cost growth from 2014-2023 was less than the growth in hardware/software infrastructure for that same time-period. Lastly, Carson highlighted the external assessments that have occurred over past years relative to our purchasing practices, technology readiness, and cost control measures, all of which resulted in favorable feedback.

2025 OPERATING AND CAPITAL BUDGET

David Kelley, VP Finance & CFO, provided an overview of the 2025 operating and capital budgets recommended by staff. David reminded the committee of the overarching theme for the 2025 budget approach of finishing what we started by optimizing what we have. David highlighted the key drivers of the proposed \$204.0M NRR – the largest components of NRR being compensation followed by debt service, outside services, and maintenance & IT communications. David also summarized the capital pool recommendation of \$22.1 million which covers both the capital foundation work and enterprise project activity anticipated in 2025. After a brief discussion, Mike Wise made a motion to accept the budget as submitted. The motion was seconded by Jeff Wells (proxy for Matt Pawlowski) and approved by unanimous voice vote. Numerous committee members extended their appreciation for staff's efforts through outreach, additional analyses, presentations, etc. in support of the 2025 budget recommendation.

ORGANIZATIONAL GROUP ASSESSMENT

Dianne Branch, Controller, reviewed the assessment worksheet with the Committee that will ultimately be provided to the Corporate Governance Committee for their November meeting. The worksheet



collects attendance and voting activities for the period August 2023 – September 2024, in addition to capturing other demographic data for the members of the Committee. The last tab of the workbook captures accomplishments for the period under review as well as major pending initiatives. While there were no suggested changes from the Committee, Stuart indicated that he wanted to further review the list of accomplishments and pending items to ensure it was an accurate and complete representation of the Committee's activities.

Adriane Barnes, Sr. Communications Strategist, provided the Committee with an overview of all the upcoming surveys and their associated deadlines for completion. She encouraged everyone to complete their surveys and emphasized their feedback is valuable to our continuous improvement efforts.

FUTURE MEETINGS AND 12 MONTH WORKPLAN

Dianne Branch, Controller, reminded the Committee of the next meeting which will be held virtually on January 16, 2025. The major topics include annual insurance review, approval of actuarial assumptions, review of Committee scope, and stakeholder effectiveness survey results. Dianne also mentioned the updated 12 month rolling workplan that was included in the meeting materials. After some discussion, it was decided that the January and April insurance related topics should be combined and presented during the April meeting.

RECAP OF NEW ACTION ITEMS

Dianne Branch recapped the action item from the meeting as follows:

- 1) Staff to provide a multi-year forecast to highlight the impact of signing long-term maintenance contracts.
- 2) Staff to coordinate with insurance broker to provide overview of coverage and renewal pricing at the April 10, 2025, meeting.
- 3) Dianne to reach out to Laura Kapustka regarding potential future meeting topics that would be of shared relevance for Committee members.

The meeting was adjourned at 9:52am.

Respectfully Submitted,

Dianne Branch

Staff Secretary



**Little Rock Attendees
(Exec Conference Room)**

Barbara Sugg
David Kelley
Marie Gieringer
Zeynep Vural
Will Vestal
Sheri Dunn
Adriane Barnes

**Other Web-Ex
Attendees**

John Cupparo
Carson Hampson
Chris Lindner
Wade Luethy
Chris Lyons
Christine Aarnes
Dave McMartin
David Holt
Don Frerking
Heather Starnes
Jason Mazigian
Jeff Parkison
Jennifer Pytlik
Rachelle Carlos
Robert Pick
Ross Patel
Russell Quattlebaum
Tom Hestermann

From: [Emily Koenig](#)
To: [Kapustka, Laura](#); [David Kelley](#); [Dianne Branch](#)
Cc: [Marie Gieringer](#); [Sheri Dunn](#); [William Vestal](#)
Subject: **External Email** RE: Note Re: Meeting Materials for 10/10 Meeting
Date: Tuesday, October 8, 2024 9:48:14 AM
Attachments: [image008.png](#)

STOP! This is **NOT** an SPP email.
Be very cautious of any links or attachments unless you recognize this sender - prvs=501116a893=ekoenig@les.com and are expecting this email.
Please click the "Report Phish" button if you are unsure about this email.

This will work for me.
Thank you,
Emily

Emily N. Koenig | Vice President, Financial Services & CFO
Chief Financial Officer, District Energy Corporation



Office: 402-473-3315
Mobile: 402-570-3626

[LES.com](#) | 9445 Rokeby Rd. | Lincoln, NE 68526



From: Kapustka, Laura L. <llkapus@nppd.com>
Sent: Monday, October 7, 2024 10:03 PM
To: David Kelley <dkelley@spp.org>; Dianne Branch <dbranch@spp.org>; Emily Koenig <ekoenig@les.com>
Cc: Marie Gieringer <mgieringer@spp.org>; Sheri Dunn <sdunn@spp.org>; William Vestal <wvestal@spp.org>
Subject: [EXTERNAL] RE: Note Re: Meeting Materials for 10/10 Meeting

EXTERNALTHIS EMAIL IS FROM OUTSIDE OF LES***EXTERNAL***

Check the Following: ✓ **Name** ✓ **Subject** ✓ **Links** ✓ **Attachments** ✓ **Grammar** ✓ **Tone**
Do you know llkapus@nppd.com?

By way of this email, I'm requesting that Emily is my proxy. Thanks for the reminder!

Emily – let me know if this doesn't work for you!

Laura Kapustka

Executive VP & Chief Financial Officer

Columbus General Office



W: 402-563-5459

M: 402-657-4558

1414 15th Street, PO Box 499

Columbus, NE 68602-0499

From: David Kelley <dkelley@spp.org>
Sent: Monday, October 7, 2024 10:01 PM
To: Dianne Branch <dbranch@spp.org>; Kapustka, Laura L. <llkapus@nppd.com>
Cc: Marie Gieringer <mgieringer@spp.org>; Sheri Dunn <sdunn@spp.org>; William Vestal <wvestal@spp.org>
Subject: Re: Note Re: Meeting Materials for 10/10 Meeting

Caution! External Sender, Stop, Check, and Verify. DO NOT click on links or open attachments unless you were expecting the email, recognize the sender, and know the content is safe! The email is from dkelley@spp.org.

Hi Laura, thanks for letting us know. Do you happen to have someone that you intend to provide your proxy to?

Get [Outlook for iOS \[aka.ms\]](#)

From: Kapustka, Laura L. <llkapus@nppd.com>
Sent: Monday, October 7, 2024 9:55:13 PM
To: Dianne Branch <dbranch@spp.org>
Cc: David Kelley <dkelley@spp.org>; Marie Gieringer <mgieringer@spp.org>; Sheri Dunn <sdunn@spp.org>; William Vestal <wvestal@spp.org>
Subject: **External Email** RE: Note Re: Meeting Materials for 10/10 Meeting

STOP! This is **NOT** an SPP email.
Be very cautious of any links or attachments unless you recognize this sender - llkapus@nppd.com and are expecting this email.
Please click the "Report Phish" button if you are unsure about this email.

All – I don't recall if I already shared that I am unable to attend the Finance Committee meeting on Thursday as we have NPPD board meeting at the same time. Please let me know if you need anything from me prior to the meeting. Apologies –
Laura

Laura Kapustka

Executive VP & Chief Financial Officer

Columbus General Office



W: 402-563-5459

M: 402-657-4558

1414 15th Street, PO Box 499

Columbus, NE 68602-0499

From: Dianne Branch <dbranch@spp.org>

Sent: Thursday, October 3, 2024 7:22 PM

To: SPP Finance Committee (Members Only) <SPPFinanceCommittee2@spp.org>

Cc: David Kelley <dkelley@spp.org>; Marie Gieringer <mgieringer@spp.org>; Sheri Dunn <sdunn@spp.org>; William Vestal <wvestal@spp.org>

Subject: Note Re: Meeting Materials for 10/10 Meeting

Caution! External Sender, Stop, Check, and Verify. DO NOT click on links or open attachments unless you were expecting the email, recognize the sender, and know the content is safe! The email is from dbranch@spp.org.

Finance Committee Members,

Regarding the 10/10 meeting materials just posted, I wanted to highlight a couple things

1. Materials for agenda item #3 (Enterprise Procurement Overview and Strategy) will be distributed directly to FC members before the meeting next week. Given that it will contain vendor specific information, we did not want to post on spp.org. Therefore, this presentation is not in the posted materials.
2. The budget presentation contained in the 10/10 meeting materials (item 4a) is a condensed presentation of the 2025 budget recommendation. Given that there were several requests made during the 9/26 meeting related to the expanded presentation, we have updated that 9/26 presentation deck to address those comments received. We thought it might be confusing to put both presentations in the 10/10 meeting materials, so I am attaching the 9/26 detailed presentation with revisions to address those comments/questions received during the 9/26 meeting. This will not be the deck used during the 10/10 meeting.

Please let me know if you have any questions. We look forward to meeting with you next week.

Dianne E. Branch, CPA | Controller | dbranch@spp.org | 501-614-3223 |

Southwest Power Pool | SPP.org | twitter.com/SPPorg [\[twitter.com\]](https://twitter.com) |

facebook.com/SouthwestPowerPool [\[facebook.com\]](https://facebook.com)

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

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From: [David Kelley](#)
To: [Pawlowski, Matt](#); [Wells, Jeff \(Next Era Energy\)](#); [Dianne Branch](#)
Subject: RE: Proxy for tomorrow
Date: Wednesday, October 9, 2024 2:51:23 PM

Matt, we have the proxy recorded. Good luck with the storms and stay safe out there!

From: Pawlowski, Matt <MATT.PAWLOWSKI@nexteraenergy.com>
Sent: Wednesday, October 9, 2024 2:19 PM
To: Wells, Jeff (Next Era Energy) <Jeff.Wells@nexteraenergy.com>
Cc: David Kelley <dkelley@spp.org>
Subject: **External Email** Proxy for tomorrow

STOP! This is **NOT** an SPP email.
Be very cautious of any links or attachments unless you recognize this sender -
MATT.PAWLOWSKI@nexteraenergy.com and are expecting this email.
Please click the "Report Phish" button if you are unsure about this email.

Jeff - I doubt that I will be able to join tomorrow's FC with the storm coming so I'm giving you my proxy.
Matt Pawlowski
NextEra Energy Transmission
561-302-0605

Finance Committee Minutes and Materials

Virtual



October 10, 2024 08:00 AM - 12:00 PM Central Time (US and Canada) Central Standard Time

| Agenda Topic | Presenter | Time | Page |
|--|---|-------------------|-------------|
| FC Minutes and Proxies October 10, 2024 | | | 1 |
| 1. Call to Order and Administrative Items | Stuart Solomon | 08:00 AM-08:05 AM | 12 |
| 1.1 Antitrust Statement and Accessibility Notice | | | 12 |
| 1.2 Minutes (ACTION) | | | 15 |
| 1.3 Review of Action Items | | | 20 |
| 2. Pre-Audit Discussion | Chris Lindner, Forvis Mazars, LLP | 08:05 AM-08:35 AM | 22 |
| 3. Enterprise Procurement Overview and Strategy | Carson Hampson | 08:35 AM-09:05 AM | |
| 4. 2025 Operating and Capital Budgets | David Kelley | 09:05 AM-10:05 AM | 33 |
| 4.1 Presentation | | | 105 |
| 4.2 Recommendation (ACTION) | | | 116 |
| 5. Finance Committee Annual Assessment | Dianne Branch | 10:05 AM-10:35 AM | 118 |
| 6. Future Meetings | Dianne Branch | 10:35 AM-10:45 AM | 121 |
| 6.1 Presentation | | | 121 |
| 6.2 Meeting Workplan | | | 122 |
| 7. Written Materials | | | 123 |
| 7.1 August Financials | | | 123 |
| 7.2 Unbudgeted Report | | | 130 |

- | | | | |
|----|---------------------------|----------------|-------------------|
| 8. | Recap of New Action Items | Dianne Branch | 10:45 AM-10:50 AM |
| 9. | Closing | Stuart Solomon | |

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.

WELCOME

Please be advised:

- This meeting is being recorded.
- This is a public meeting. Notice of this meeting was posted on the SPP website and publicly announced.
- In addition to industry stakeholders, attendees of today's meeting may include members of the press, representatives of various governmental authorities, or members of the public.

SPP ANTITRUST NOTICE

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.



ACCESSIBILITY

- We strive to host inclusive & accessible meetings that enable everyone to fully engage
- To request an accommodation or information, please contact any SPP presenter, facilitator or meeting host.
- We will do our best to help.





SOUTHWEST POWER POOL FINANCE COMMITTEE MEETING

**September 26, 2024
Little Rock, Arkansas | Web-Ex**

MINUTES

ADMINISTRATIVE ITEMS

SPP Chair Stuart Solomon called the meeting to order at 8:00 a.m. The following members were in attendance:

| | |
|-----------------------|--------------------------------|
| Stuart Solomon, Chair | SPP Director |
| Liz Moore (web-ex) | SPP Director |
| Brad Cochran | Oklahoma Gas & Electric |
| Mike Wise (web-ex) | Golden Spread Electric Coop |
| Emily Koenig | Lincoln Electric System |
| Laura Kapustka | Nebraska Public Power District |
| Dianne Branch | Staff Secretary |

Others attending in person: See attached sign-in sheet

Others attending via web-ex: See attached web-ex roster

Matt Pawlowski was not in attendance and assigned his proxy to Jeff Wells (NextEra Energy) who participated via web-ex. Al Tamimi was not in attendance and assigned his proxy to Tom Hestermann (Sunflower Electric) who attended in-person. A quorum was present.

Russell Carey, Principal Stakeholder Affairs Liaison, reviewed the Antitrust and Accessibility notices. Minutes from the July 18, 2024, meeting were reviewed. Emily Koenig made a motion to accept the minutes. The motion was seconded by Brad Cochran and approved by unanimous voice vote.

2025 SPP BUDGET

Stuart Solomon provided opening remarks highlighting the overarching objective of this meeting was to review the 2025 budget details and address any questions or concerns the committee members had relative to the budget recommendation presented by staff.



David Kelley, VP of Finance & CFO, provided an overview of the overall financial planning process and introduced the overarching theme for the 2025 budget of finishing what we started by optimizing what we have. David highlighted the specifics of how we effectuated prioritization and optimization into the current year's budget preparation process. Lastly, David provided an overview of the relationship between the strategic and operating plans and the development of the 2025 operating and capital budgets.

Marie Gieringer, SPP Director of Finance, Treasury, & Credit, presented a recap of the biggest changes in the 2025 budget in comparison to the 2024 budget and provided a breakdown of the NRR by expense category. Compensation expense makes up two-thirds of the NRR, with maintenance & IT communications, outside services, and debt service also making significant contributions. Marie walked the committee through the various expense line items, highlighting the noteworthy variances between the 2025 budget to the 2024 budget for maintenance, communication, outside service, and other operating expenses. Kelly Carney, SPP VP Human Capital and Chief People Officer, discussed the compensation philosophy and assumptions utilized in developing the 2025 budget. Most notable were the 3.5% merit increase and 1.0% promotion assumptions that were previously approved by Human Resources Committee of the SPP Board of Directors. Kelly also provided an overview of the internal process utilized to review and approve incremental headcount requests. While 31 requests were initially made by staff, only 3 were approved for inclusion in the budget.

Sheri Dunn, SPP FP&A Lead Analyst, provided an overview of those items that offset (reduce) the NRR, namely the net impact from contract services and expansion, revenues from billable engineering staff hours, miscellaneous revenues, and the projected 2024 over-recovery. Zeynep Vural, SPP Senior Manager of Treasury, discussed investing activities, highlighting our cash management strategies, and provided an overview of our debt service requirements. Will Vestal, SPP FP&A Manager, reviewed the projected 2025 capital expenditures, highlighting both project and foundational capital activities. The 2025 budget includes a capital pool recommendation of \$21.2 million consisting of \$7.7 million for project work and \$14.4 million for foundation activities.

In summary, the 2025 budget submitted by staff consists of an NRR of \$204.0 million, debt service of \$31.6 million, and a capital budget of \$22.1 million. The 2025 budget assumes a \$7.4 million over-recovery for 2024. SPP staff will present the budget to the Finance Committee for final approval on October 10 and upon approval, the Committee will recommend the budget to the Board of Directors for approval on October 29.

There was a robust discussion between staff and committee members throughout the presentations. The committee requested additional information on various items that are summarized in the Action Items section below.



ACTION ITEMS

Dianne Branch recapped the action item from the meeting as follows:

- 1) Provide multi-year forecast for capital projects consistent with previous years.
- 2) Provide a NRR walk forward from 2024 budget to 2025 budget, possibly in a waterfall chart format
- 3) For reductions made to the original capital spend request, confirm the breakout between those efforts deferred vs. those eliminated.
- 4) Correction to pages 67-68 of the powerpoint presentation, to insert missing data that illustrates how we get from adjusted operating expenses to GRR.
- 5) Provide multi-year forecast for NRR, EAF, and other key data points consistent with previous years
- 6) Look for opportunities in future meetings to discuss topics that are of shared relevance to committee members
- 7) Provide information regarding SPP processes to contract with legal providers given their exclusion from corporate bidding policies

FUTURE MEETINGS

The Committee will conduct a final review and vote on the 2025 operating and capital budgets at its October 10, 2024, virtual meeting.

The meeting was adjourned at 12:05 pm.

Respectfully Submitted,

Dianne Branch

Secretary



Wex-Ex Attendees

April Wingfield

Ashley Sanders

Bernie Liu

Cindy Goodwin

Corbin Harris

Debbie Brooks

Don Frerking

Janet Calhoun

Jason Chaplin

Jason Mazigian

Jeff Parkison

Jennifer Pytlik

John Cupparo

Mark Conway

Mark Hodges

Mark Price

Matt Caves

Matt Powell

Michael Wise

Olivia Hough

Rachelle Carlos

Ross Patel

Russell Quattlebaum

Tennille Tims



SOUTHWEST POWER POOL, INC.
FINANCE COMMITTEE
September 26, 2024
Little Rock, AR

ATTENDANCE LIST

| NAME | SYSTEM |
|-------------------|-----------|
| SheriDunn | SPP |
| Geoff Lomax | SPP |
| David Holt | SPP |
| Russell Carey | SPP |
| David McMeitia | SPP |
| Carson Hampson | SPP |
| Marie Gieringer | SPP |
| Emily Koenig | LES |
| Laura KapListu | NPPD |
| TOM HESTERMAN | Sunflower |
| Brad Cochran | OGTE |
| Denise Buffington | Energy |
| Barbara Sugg | SPP |
| Will Vestal | SPP |
| David Kelley | SPP |
| Stuart Solomon | Director |
| Dianne Branch | SPP |



**SOUTHWEST POWER POOL
FINANCE COMMITTEE MEETING**

ACTION ITEMS

From September 26, 2024, Meeting

- 1) Provide multi-year forecast for capital projects consistent with previous years.

Response - Amended budget document to include appendix item: 2025 – 2027
Capital Spend

- 2) Provide a NRR walk forward from 2024 budget to 2025 budget, possibly in a waterfall chart format

Response - Amended budget document to include appendix item: Waterfall 2024
Budget to 2025 Budget

- 3) For reductions made to the original capital spend request, confirm the breakout between those efforts deferred vs. those eliminated

Response- Amended budget document to include appendix item: 2025 – 2027
Capital Budget Deferred and Excluded

- 4) Correction to pages 67-68 of the PowerPoint presentation, to insert missing data that illustrates how we get from adjusted operating expenses to GRR.

Response - Amended presentation to include the revision.

- 5) Provide multi-year forecast for NRR, EAF, and other key data points consistent with previous years:

Response - Amended budget document to include appendix item: 5-year NRR
and EAF



- 6) Look for opportunities in future meetings to discuss topics that are of shared relevance to committee members

Response - To be addressed during 2025 workplan discussion (Agenda Item #6)

- 7) Provide information regarding SPP processes to contract with legal providers given their exclusion from corporate bidding policies

Response -Relevant information to be shared in presentation of Agenda Item #3 (Enterprise Procurement Overview and Strategy)

Planning Communication to the Finance Committee

**Southwest Power Pool, Inc.
For the Year Ending December 31, 2024**

October 10, 2024





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Thank You for Selecting Forvis Mazars

We are grateful for the opportunity to serve Southwest Power Pool, Inc. and gain insight into your operations. This communication provides useful information relevant to your role as those charged with governance of the entity, including summarized information required by professional standards, such as the planned scope and timing of the audit.

Our goal is to establish a foundation for effective two-way communication throughout the audit. We are available at your convenience to discuss this information and answer questions as we begin our audit.

Contacts During the Engagement

We understand the appropriate person in the governance structure with whom to communicate is:

- Mr. Stuart Solomon, Chair of the Finance Committee

Your audit leaders for any questions or communications are:

- Chris Lindner, Partner | chris.lindner@us.forvismazars.com | 402.473.7634
- Wade Luethy, Partner | wade.luethy@us.forvismazars.com | 501.372.1040





Overview & Responsibilities



| Matter | Description of Audit Area |
|--|--|
| Scope of Our Audit | <p>We have been engaged to audit the financial statements of Southwest Power Pool, Inc. for the year ended December 31, 2024.</p> <p>Please refer to our contract dated September 27, 2024 for additional information and the terms of our engagement.</p> |
| Audit Standards & Materiality | <p>We will conduct our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.</p> <p>References to items that are material refer to misstatements, including omissions, that could, in our professional judgment, reasonably be expected to influence the economic decisions of users made on the basis of the financial statements.</p> |
| Our Responsibilities | <p>We are responsible for forming and expressing an opinion about whether the financial statements that have been prepared by management, with your oversight, are prepared, in all material respects, in accordance with the applicable financial reporting framework.</p> |
| Your Responsibilities | <p>Our audit of the financial statements does not relieve you or management of your responsibilities.</p> |
| Distribution Restriction | <p>This communication is intended solely for the information and use of the Finance Committee, Board of Directors, and, if appropriate, management of Southwest Power Pool, Inc. and is not intended to be, and should not be, used by anyone other than these specified parties.</p> |



Planned Timing of the Engagement

We succeed in our engagements by collaborating with management through frequent communication. We require the assistance of management and staff to prepare supporting documents, schedules, and analysis and depend on those items to be ready no later than the dates that we mutually agree will meet your deadlines.

We expect to begin our audit the first week of December 2024 for interim testing and audit planning procedures. We anticipate being on site for year-end fieldwork in February 2025. We anticipate that our team will be performing activities both on site and remotely during these dates.

Draft financial statements are expected to be ready in March 2025, and we will issue our report after the April 2025 Finance Committee meeting.

Planned Audit Scope

We welcome any input you may have regarding the information discussed below. We also welcome any insight you have related to any other risk areas or other significant risk areas you believe warrant particular attention.

Extent of Testing

An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; therefore, our audit will involve judgment about the number of transactions to be examined and the areas to be tested.

An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

Establishing Our Understanding

An audit also includes obtaining an understanding of the entity and its environment, including internal control, sufficient to assess the risks of material misstatement of the financial statements and to design the nature, timing, and extent of further audit procedures, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control over financial reporting. Accordingly, we will express no such opinion.

Communicating Deficiencies or Significant Matters

An audit is not designed to provide assurance on internal control or to identify deficiencies in internal control. However, during the audit, we will communicate internal control related matters that are required to be communicated under professional standards.

We will also communicate significant matters arising during the audit of the financial statements that are relevant to you in overseeing the financial reporting process as required by professional standards.

Significant Risks of Material Misstatement

We have preliminarily identified the following areas of significant risks of material misstatement due to error or fraud and propose to address these areas as described:

| Risk Areas | Audit Approach |
|---|---|
| Risk of management override of controls | Review accounting estimates for bias; review of journal entries; and evaluate business rationale for unusual transactions |
| Property and equipment, net | Review current year additions for property; determine if there are any indications of impairment; and test recoverability of software items |

Other Procedures to Be Performed

We may also request written representations from the entity's attorneys as part of the engagement, and they may bill the entity for responding to this inquiry.

At the conclusion of our audit, we will require certain written representations from management about the financial statements and related matters.

We may identify additional significant risks as we complete our procedures.

Consideration of Error or Fraud

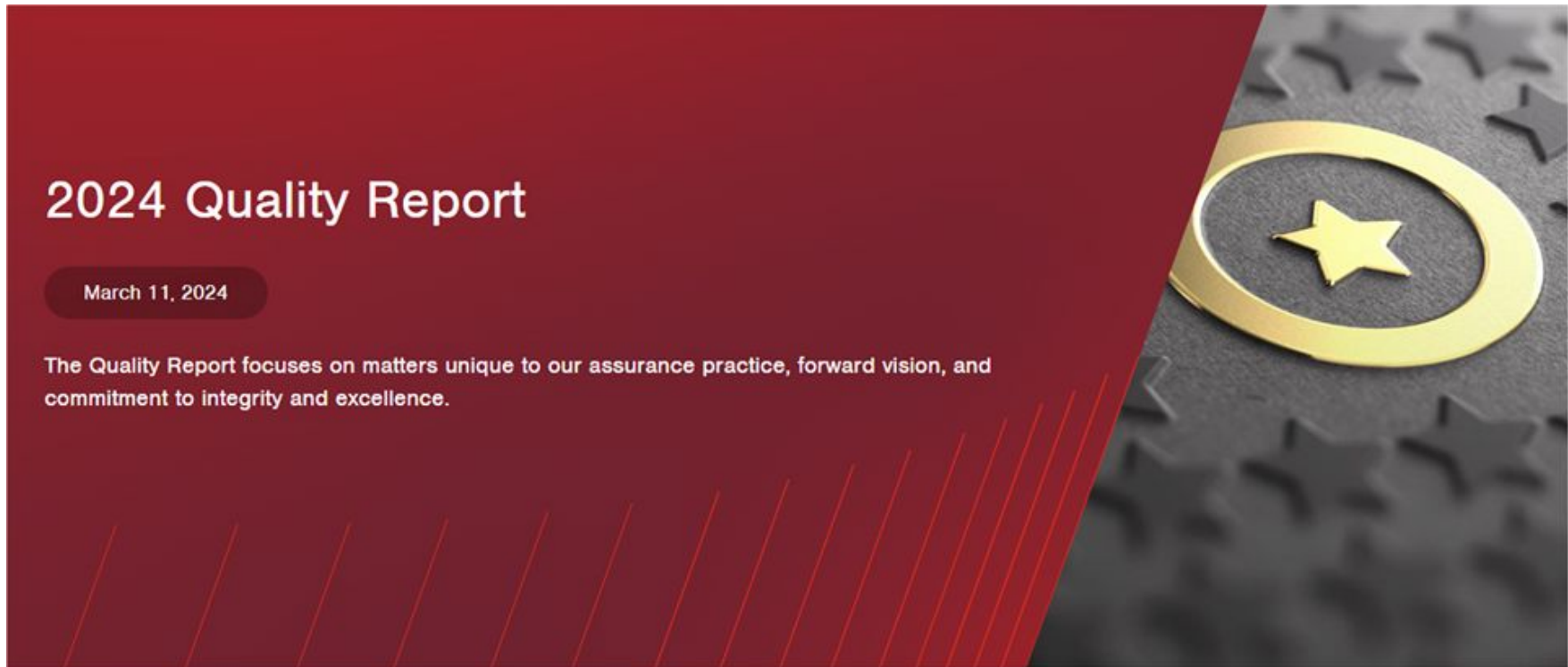
One of the most common questions we receive from governing bodies is, “How do you address fraud in a financial statement audit?” Our responsibility, as it relates to fraud, in an audit of financial statements is addressed in auditing standards generally accepted in the United States of America.

Our audit approach includes such procedures as:

- Engagement team brainstorming
- Inquiries of management and others
- Reviewing accounting estimates for bias

Sharing Our Commitments

Our commitment to our people, clients, integrity, and culture are critical to achieving quality in our practice. You can learn more in our [2024 Quality Report](#).



Forvis Mazars Investments Driving Innovation

Collaboration Portals

Our proprietary collaboration tool **MyForvis Mazars** manages task lists, deadlines, and securely exchanges data.

Data Analytics

With **MindBridge**, **Alteryx**, and our own proprietary tools and teams, we ingest, verify, and analyze your data for specific matters and general anomalies.

Unstructured Data

We leverage machine learning to speed evaluation of lease, debt business combination, and other agreements using **Kira** that identifies and highlights terms and clauses of interest.

Automation

Time-consuming audit tasks like comparing Excel lists to supporting documents or salary detail to payroll records is accelerated using **DataSnipper**.

Risk-Based Sampling

Proprietarily created applications or off-the-shelf solutions like **TeamMate Analytics** power sampling techniques to rapidly evaluate large data sets, reducing low-value work and cost.

Transforming the Future

Forvis Mazars is simultaneously building **ASSURE**, our proprietary audit solution, while joining the profession to build the **AICPA's Dynamic Audit Solution**. These tools will transform risk assessment and response while improving your audit experience.



2025 SPP

Budget



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A Message from Our Chief Financial Officer



David Kelley
VP Finance and CFO



Our approach in
2025 is
straightforward:
optimize what
we have and
finish what
we've started.

As we look toward 2025, I am pleased to present Southwest Power Pool's annual budget. This budget demonstrates our unwavering commitment to maintaining **affordability** and strengthening reliability as we navigate a rapidly evolving energy landscape. With strategic investments and focused leadership, we are well-positioned to meet the needs of today while preparing for tomorrow. The bottom line: we project our run rate net revenue requirement (NRR) to be \$211.5 million, a 4.5 percent increase year over year.

Our approach is clear: optimize what we have and finish what we've started. By maximizing what we have and driving key projects to completion, we will enhance affordability, strengthen reliability, and advance our strategic goals. Key priorities for the 2025 budget include:

1. **Ensuring Affordability Through Operational Excellence:**

Maintaining the reliability of the bulk electric system is critical to delivering affordable energy. In the face of across-the-board inflationary pressures, we are focused on optimizing our current resources and refining operations to balance cost management with strategic investments.

2. **Targeted Innovation and Maintaining Compliance:**

The primary areas contributing to our budget increase are: maturing our cybersecurity program, complying with FERC Orders and changing NERC standards, and advancing our strategic plan, which is on track for completion in 2026. These investments are aligned with our commitment to affordability by leveraging existing assets and prioritizing high-impact, risk-reducing initiatives.

3. **Maximizing Efficiency and Value:** Efficiency remains central to our affordability mission. By consolidating efforts, adopting new technologies, and streamlining operations, we aim to manage costs, mitigate risks, and maintain high service quality. The budget balances necessary growth with disciplined cost control, ensuring financial stability.

The 2025 budget is not just a financial roadmap—it represents a commitment to affordability through resource optimization and completion of high-priority initiatives. Executing this vision will strengthen our foundation and position us to meet the needs of stakeholders in the years to come. With your continued support, we will continue working together to responsibly and economically keep the lights on—ensuring reliable, affordable service today while preparing for the challenges of tomorrow.

2025 Budget Team



Marie Gieringer
Dir. Finance, Treasury & Credit
Experience: 20+ Years
Certifications: CPA



Dianne Branch
Controller
Experience: 30+ Years
Certifications: CPA



Zeynep Vural
Sr. Mgr, Treasury & Credit
Experience: 30+ Years
Certifications: CPA, CFA



Will Vestal
Mgr. Fin. Planning & Analysis
Experience: 13 Years
Certifications: CFA



Sheri Dunn
Lead Financial Analyst
Experience: 30+ Years



David Holt
Lead Financial Analyst
Experience: 18 Years



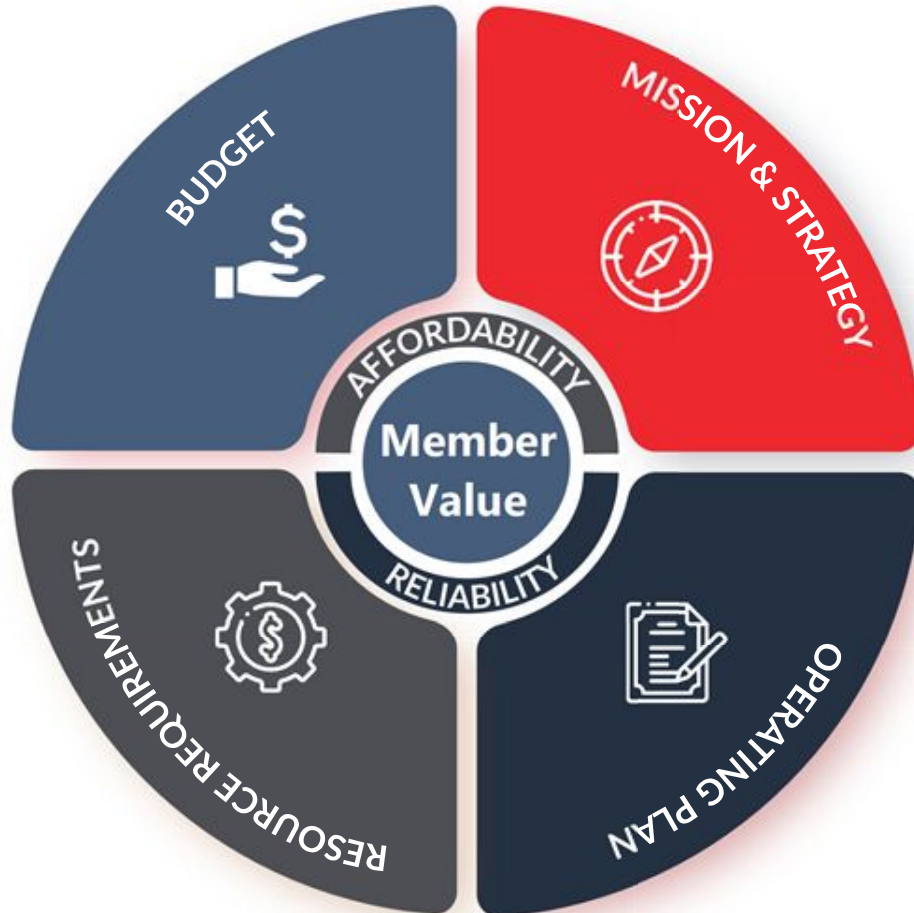
David McMartin
Financial Analyst II
Experience: 9 Years



Geoff Lomax
Financial Analyst II
Experience: 12 Years

**SPP's
Budget
process
team has
over 150
years
collective
experience**

Financial Planning Process: Alignment and Interlock



Mission & Strategy

SPP's enduring mission is paired with a visionary strategy that leans-in to the future with an action-beats-reaction focus. SPP's Strategy drives the change work in the annual Operating Plan.

Operating Plan

12-month priorities that inform the budget and execute on necessary strategic efforts while continuing to meet Keeping the Lights On (KTLO) demands

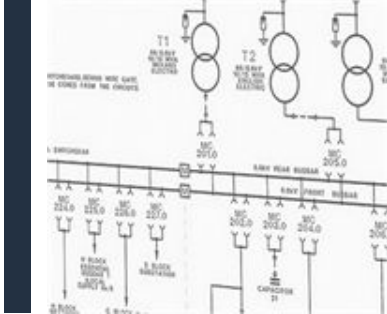
Resource Requirements

12-month priorities that inform the budget and execute on necessary strategic efforts while continuing to meet KTLO demands

Budget

Budget reflects the priorities of the Operating Plan and supports ongoing strategy development for future years

Effective Strategy Becomes Core Mission



Engineering

Core Mission Items

- Integrated Transmission Plan
- Meet North American Electric Reliability Corporation (NERC) criteria for transmission planning
- Support SPP and industry R&D efforts including obtaining Dept. of Energy (DOE) funding
- Resource Adequacy mitigation
- Complete 2025 Generator Interconnection (GI) objectives
- Continue Load Forecast benchmark efforts
- Refine resource capacity plans to be more prescriptive in hiring and utilization of contract services
- Enhance efficiencies between engineering planning and SPP compliance
- Improve tracking and accountability related to the building of transmission facilities created by multiple tariff obligations



Operations

Core Mission Items

- Address growing tariff and interchange support needs
- Provide daily Markets Administration and Support
- Offer daily reliability coordination and shift engineering
- Manage load complexity and impacts of inverter-based resources
- Tackle dynamic congestion management and balancing
- Provide services to support reliability, markets, BA, seams, and tariff administration



Markets

Core Mission Items

- Address new Revision Requests, which were once sporadic, daily, and manage outstanding requests and implementation of approved requests as a normal course of business
- Continue to set a framework for SPP to bridge the Eastern and Western Interconnections and become the first RTO / ISO to span ties with a single market
- Conduct continuous improvement to maintain and exceed the level of service expected by Market participants

Co-Starring: SPP Shared Services

The entirety of SPP is core-mission focused with an eye on the horizon. The three value delivery areas above rely on shared services to deliver on the core mission of keeping the lights on. External Affairs, Finance, Human Capital, Information Technology, Legal & Regulatory, Process Integrity and Cybersecurity (formerly known as Security & Risk) all carry core mission focus areas for 2025 as detailed in the Operating Plan; and all these areas are necessary to enable SPP's ability to deliver value.

Primary Focus Areas:

The 2025 budget for Southwest Power Pool (SPP) reflects a variance from the 2024 budget due to three primary focus areas: cybersecurity maturity, regulatory mandates, and the ASPIRE initiative. These areas are essential to maintaining SPP's reliability, compliance, and capacity to adapt to industry changes.



Cybersecurity Maturity

Cybersecurity threats are at an all-time high, with new threat vectors identified daily. Proactively addressing these cybersecurity threats is an absolute necessity to preserve SPP's ability to provide service. It is critical that SPP make cybersecurity a top priority as a necessary component to deliver on our mission to **responsibly** and **economically** keep the lights on now and in the future.

SPP's Cybersecurity maturity will take significant steps forward by investing in a two-year roadmap to harden key areas of cybersecurity, including:

- Identity and access management
- Implementing an asset management system
- Developing a data loss prevention program



Regulatory Mandates (NERC/FERC)

Our task to meet regulatory requirements has shifted from maintaining compliance with current requirements to managing an exponential increase in new requirements from regulatory bodies such as the Federal Energy Regulatory Commission (FERC). This increase has required SPP to move from more predictable compliance tasks to addressing urgent, out-of-band requirements that can cause delays in other areas of work.

This includes implementing **FERC Orders 881** and **1920**, and **Z2**. Compliance with NERC and FERC regulations is crucial to maintaining operational standards and supporting reliable grid management. making it a critical focus in our strategy.



ASPIRE 2026

Initiatives to achieve SPP's ASPIRE strategic plan goals directly impact the 2025 budget through targeted investments in strategic growth and operational improvements.

Budget allocations under ASPIRE include projects such as HITT Implementation, Optimized Seams, Western Services Expansion, Innovative Transmission Planning, and Grid of the Future.




These projects require additional resources for consulting, software development, and operational support, which are reflected in increased spending on outside services. By investing in these areas, SPP aims to build a more scalable and efficient operational framework that aligns with our organizational needs in the future.



Net Revenue Requirement



NRR Section Outline

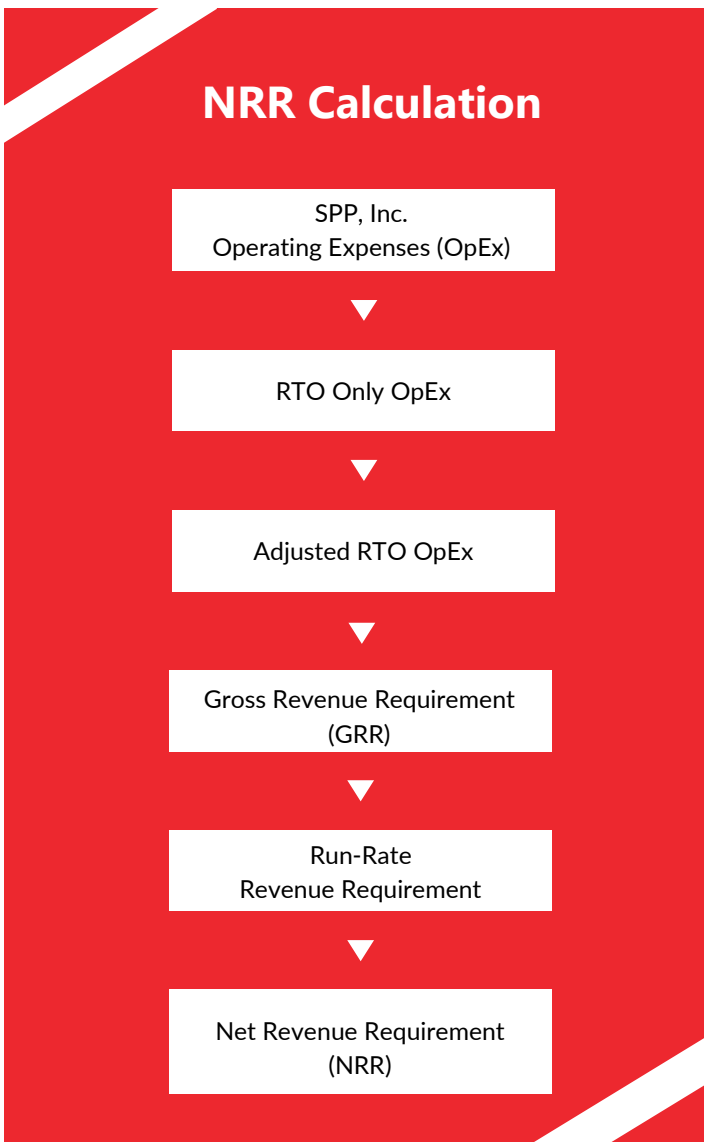
 Section
 Component
 Sub-Component



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Section>Component>Sub-Component
 with the current page section noted in **red**

NRR > Background, Context & Purpose

As part of our financial planning, SPP establishes the Net Revenue Requirement (NRR) to recover our operational costs. The NRR is derived from the budget, where SPP ensures financial resources are allocated appropriately to support our strategic and operational plans, including core functions and services. The effective administrative fee (EAF) is calculated by dividing the NRR by schedule 1-A1 billing determinants.¹



The funds required to operate SPP are determined by both sources and uses of capital. Outflows are generally classified as cash operating expenses, while offsetting inflows increase revenues associated with additional services beyond SPP's core RTO functions.

These services involve contractual components that generate cash inflows exceeding the associated costs. Due to SPP's not-for-profit structure, revenues from these contract services reduce the NRR by allocating shared overhead expenses, thereby lowering SPP's rates and offset the cost of core RTO functions for our members and customers.

As SPP grows and evolves, the NRR will remain central to our financial planning, serving as the mechanism that enables SPP to obtain the financial resources required to provide reliable, affordable, and best-in-class services to our members and customers.

¹ SPP Tariff, Schedule 1A, 1.a.ii

NRR > Calculation

The NRR calculation begins with SPP's total operating expenses, including those from additional service offerings and non-cash items such as depreciation and pension valuation adjustments. It also includes pass-through items, such as consulting expenses related to engineering studies procured by SPP on behalf of members and customers, as well as funds collected and passed through to the FERC to support its operating expenses.^{2,3,4}

From these all-inclusive operating expenses, SPP, Inc. excludes contract services and expansion operating expenses to arrive at the RTO operating expenses.

Table 1 – Total RTO operating expenses

| (\$ millions) | 2024 Budget | 2025 Budget | Variance \$ | Variance % |
|--|----------------|----------------|---------------|-------------|
| Operating expenses: SPP, Inc. | \$275.3 | \$300.6 | \$25.3 | 9.2% |
| <i>Less contract services & expansion operating expenses</i> | (21.1) | (26.7) | (5.7) | 26.9% |
| Total RTO operating expenses | \$254.3 | \$273.9 | \$19.6 | 7.7% |

From the RTO-only operating expenses, non-cash, and pass-through items are subtracted, resulting in the adjusted RTO operating expenses.

Table 2 – Adjusted RTO operating expenses

| (\$ millions) | 2024 Budget | 2025 Budget | Variance \$ | Variance % |
|---|----------------|----------------|---------------|-------------|
| Total RTO operating expenses | \$254.3 | \$273.9 | \$19.6 | 7.7% |
| <i>Less FERC assessment (Schedule 12)</i> | (28.0) | (33.8) | (5.8) | 20.6% |
| <i>Less depreciation (non- cash)</i> | (17.2) | (17.2) | - | 0.0% |
| <i>Less pass-through engineering study consulting expenses</i> | (18.8) | (18.2) | 0.6 | (3.1%) |
| <i>Less defined benefit plan valuation adjustments (non-cash)</i> | (1.6) | (2.3) | (0.8) | 47.5% |
| Adjusted RTO operating expenses | \$188.6 | \$202.3 | \$13.7 | 7.2% |

² Contract service operating expenses are funded by contract participants and not by members. For this reason, contract service operating expenses are passed through to the customers utilizing the service and are therefore deducted from adjusted operating expenses.

³ In 2025, and prior to 2025, RTO Expansion costs are also backed out of the NRR since those expenses are covered by debt issuance related to the expansion. In 2026, the RTO Expansion participants plan to join the RTO and when they join, the members and customers utilizing RTO services will repay the debt.

NRR > Calculation

Cash outflows required to service debt and pay interest are added to the adjusted operating expenses, along with the net inflows and outflows of contract services and RTO expansion, resulting in the Gross Revenue Requirement (GRR).⁵

Table 3 – Gross Revenue Requirement

| (\$ millions) | 2024 Budget | 2025 Budget | Variance \$ | Variance % |
|--|----------------|----------------|---------------|-------------|
| Adjusted RTO operating expenses | \$188.6 | \$202.3 | \$13.7 | 7.2% |
| <i>Plus: RTO debt service</i> | 34.0 | 31.6 | 2.4 | 7.0% |
| <i>Plus: Net contract service and expansion impact</i> | (5.3) | (4.8) | 0.5 | (9.1%) |
| GRR | \$217.3 | \$229.1 | \$11.8 | 5.4% |

From the GRR, SPP accounts for other offsetting cash inflows, which generally include engineering studies performed by SPP employees, various reimbursements, interest income, and an allocation for current-year capital expenses.⁶ The GRR, net of these items, results in the run-rate NRR.⁷

Table 4 – Run-rate revenue requirement

| (\$ millions) | 2024 Budget | 2025 Budget | Variance \$ | Variance % |
|--|----------------|----------------|--------------|-------------|
| GRR | \$217.3 | \$229.1 | \$11.8 | 5.4% |
| <i>Capital expense equity allocation</i> | 4.2 | 4.4 | 0.2 | 4.1% |
| <i>Engineering studies (staff-time and fees)</i> | (8.3) | (11.0) | (2.7) | 32.3% |
| <i>Other revenues</i> | (10.8) | (11.0) | (0.2) | 2.1% |
| Run-rate revenue requirement | \$202.4 | \$211.5 | \$9.0 | 4.5% |

⁵ GRR = adjusted operating expenses plus debt service and interest plus net service offering inflows and outflows.

⁶ Capital expenditure equity allocation is equal to 20 percent of the annual RTO capital budget.

⁷ Run-rate NRR = GRR minus engineering study employee time minus reimbursements minus other income and expense minus capex equity allocation.

NRR > Calculation

The NRR includes the run-rate revenue requirement and any under-or over-collection from the prior year.⁸ Under-collection or over-collection is based on the prior year's activity after setting the prior year's budget, plus the current year's activity up to the point of setting the current year's budget.⁹

Table 5 –Net Revenue Requirement

| (\$ millions) | 2024 Budget | 2025 Budget | Variance \$ | Variance % |
|---|----------------|----------------|---------------|-------------|
| Run-rate revenue requirement | \$202.4 | \$211.5 | \$9.0 | 4.5% |
| <i>Prior year (over) / under recovery</i> | (10.3) | (7.4) | 2.9 | (27.8%) |
| NRR | \$192.2 | \$204.0 | \$11.9 | 6.2% |

⁸ NRR = Run-rate revenue requirement minus prior year over collection or under collection.

⁹ The 2025 budget over-collection (\$7.4 million) stems from the net 2023 forecast variance for the periods following the 2024 budget process (August – December 2023) [+ \$2.9 million] plus the 2024 actuals (January 2024 – July 2024) [+ \$5.5] plus forecast (August 2024 – December 2024), [- \$2.0 million].



Compensation and Headcount



Maintenance and IT Communications



Outside Services



Travel, Meetings, and Administrative



Capex Equity Allocation



RTO Debt Service

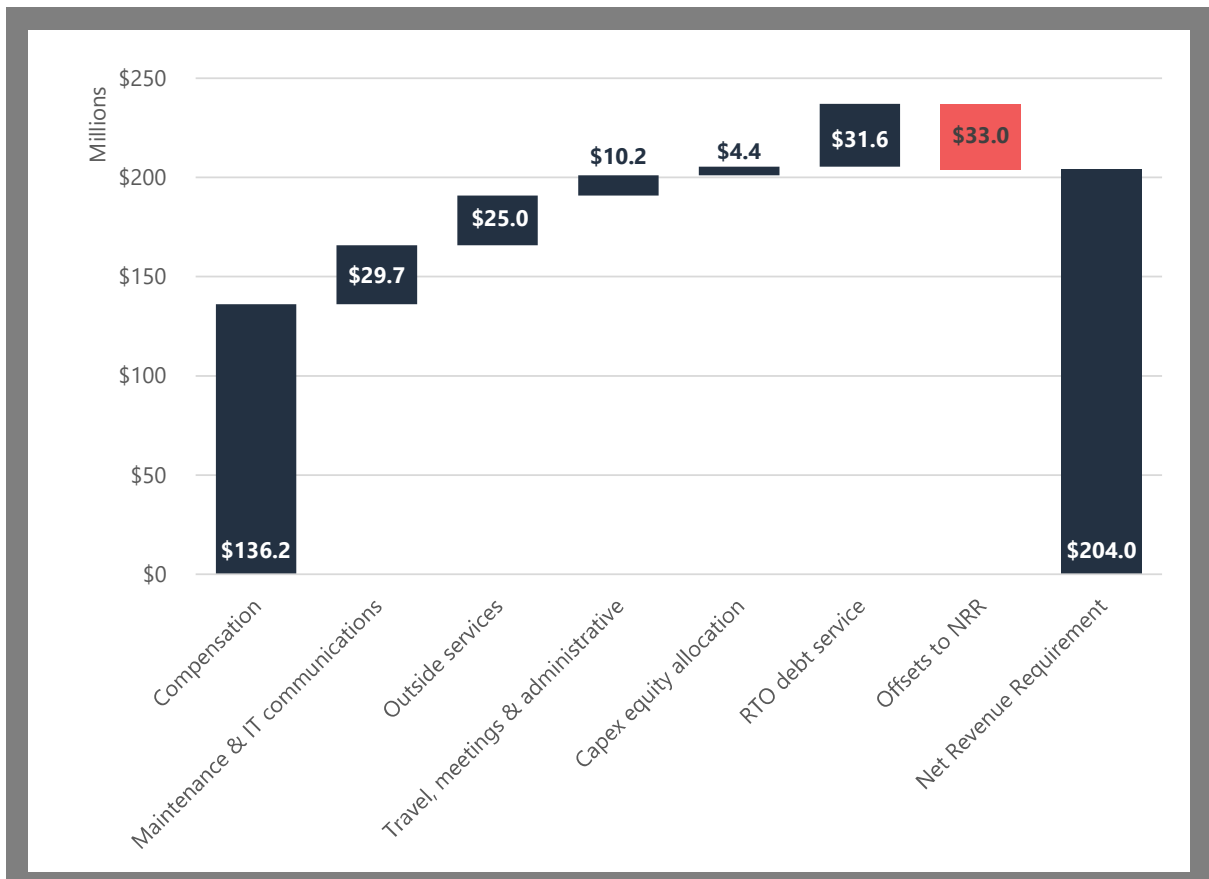
NRR
Key Drivers

 **NRR > Key Drivers**

The NRR **includes** and **excludes** various cash inflows and outflows.

The figure below shows the largest categories impacting NRR:

Figure 1 – Cash inflows and outflows affecting NRR

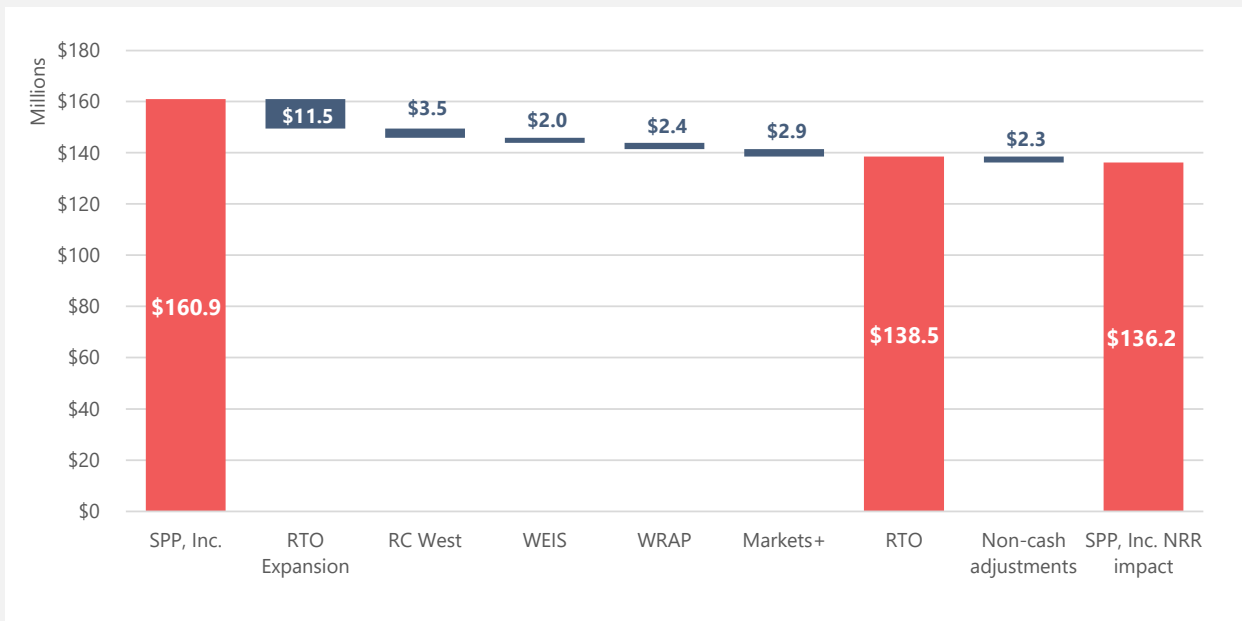


NRR > Key Drivers > Compensation & Headcount > Compensation

Like the majority of service organizations, SPP’s largest expense category continues to be **employee compensation**. This is aligned with SPP’s operating model, which is focused on providing services to members and customers.¹⁰ Service-focused organizations often attribute a material percent of operating expenses to employee compensation.¹¹ The 2025 employee compensation budget is roughly 67 percent of the NRR.

While SPP’s contract services in the west include employee compensation, revenues from these service agreements offset those expenses. Additionally, the NRR for employee compensation includes a reduction driven by non-cash items.^{12,13}

Figure 2 – Employee Compensation by line of business: Resulting direct NRR impact¹⁴



¹⁰ SPP Tariff, Schedule 1A. “The Transmission Provider shall provide administration services described in this Schedule 1-A to carry out its responsibilities under this Tariff....”

¹¹ <https://www.paycor.com/resource-center/articles/closer-look-at-labor-costs/>

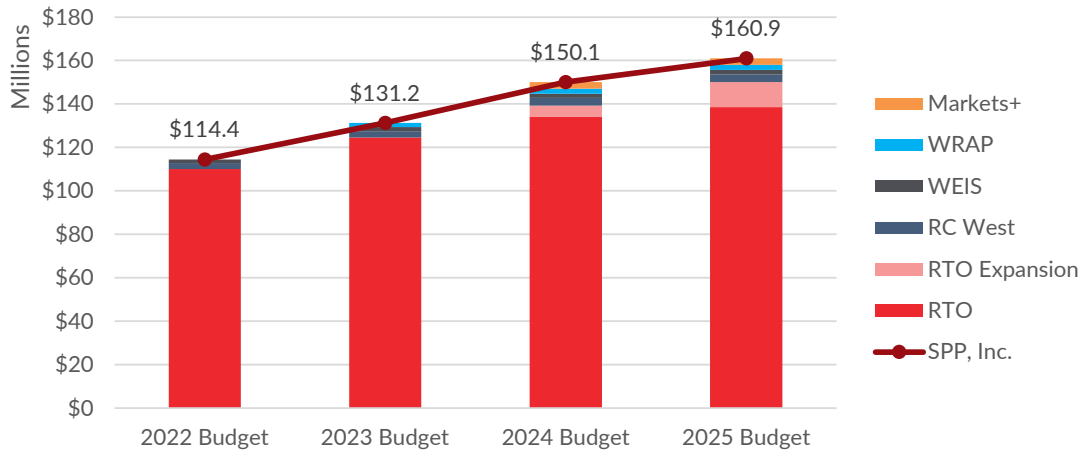
¹² The salary, benefit, and taxes amounts include assumptions about vacancy impacts.

¹³ The non-cash salary and benefit items predominately reflect defined benefit plan actuarial adjustments.

¹⁴ The values in the figure above account for assumed vacancy impacts. The average vacancy rate is expected to be approximately 6.4 percent in 2024, compared to 6.6 percent in 2023. The 2025 budget assumes a vacancy rate of 6 percent, with the expectation that employee turnover will remain relatively consistent with 2024.

NRR > Key Drivers > Compensation & Headcount > Compensation

Figure 3 – Employee Compensation by line of business: four-year comparison



From 2022 to 2023, the total increase in employee compensation was primarily driven by the RTO, which contributed \$14.5 million of the overall change. Within the RTO's change, \$7.9 million resulted from an increase in headcount, while \$6.2 million was due to increases in employee compensation. \$0.4 million was due to the timing of hiring and compensation adjustments throughout the year.

Contracts and expansion accounted for \$2.3 million, with \$1.9 million coming from increased headcount and \$0.3 million from compensation adjustments. \$0.1 thousand was from the timing of compensation items within contracts and expansion.

From 2023 to 2024, contributions were more evenly split. The RTO contributed \$9.6 million to the total increase in employee compensation, primarily due to increased headcount, which accounted for \$7.1 million. Another \$2.4 million comes from compensation adjustments.

Meanwhile, contracts and expansion contributed \$9.3 million to the total change, with \$9.4 million resulting from increased headcount, offset by a \$0.1 million lower compensation.

From 2024 to 2025, contract services and expansion activities became the dominant drivers, contributing \$6.4 million of the total increase in compensation. This was mainly driven by increased headcount growth, accounting for \$5.8 million of the total, along with a compensation impact of \$0.4 million with \$0.2 million due to timing of compensation related activities.

The RTO's contribution was \$4.5 million, with \$2.5 million due to increased headcount and \$2.0 million for increased compensation. The NRR impact of RTO salary and benefit expenses (which excludes non-cash adjustments from the income statement accounts) is an increase from the 2024 budget of \$3.7 million.

Overall, these periods reflect a shifting dynamic where the contract services and expansion increasingly influences the total changes in compensation, while both headcount and compensation adjustments continue to play significant roles in driving costs.

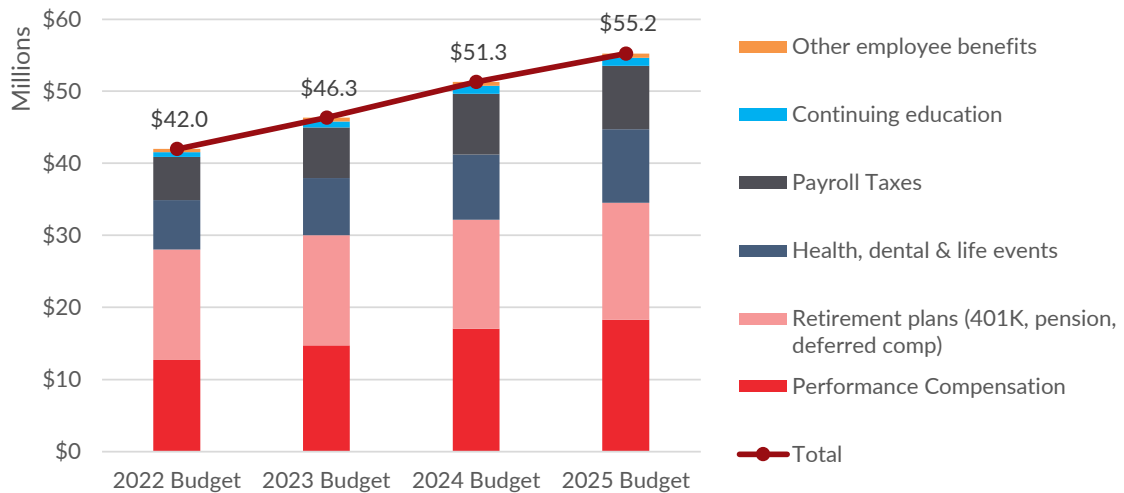
NRR > Key Drivers > Compensation & Headcount > Compensation

Figure 4 - Change in Compensation

| Increase over 2024 budget (\$ millions) | |
|---|----------------|
| 2024 Budget compensation | \$150.1 |
| Increase RTO salaries | 2.0 |
| Increase contract services & expansion salaries | 4.9 |
| Increase RTO benefits & taxes | 1.7 |
| Increase contract services & expansion benefits & taxes | 2.2 |
| 2025 Budget Compensation | \$160.9 |

For 2025, RTO headcount increased by 9 and RTO expansion headcount increased by 41.

Figure 5 - Benefits and taxes: four-year comparison



SPP includes the most recent **pension** cost estimates received from our third-party actuary in the 2024 forecast and 2025 budget. SPP’s actuary-calculated estimated pension expenses assume a long-term asset return of 7 percent, consistent with the assumed rate of return in SPP’s investment policy statement. SPP will contribute \$7.4 million in cash to the pension plan by the end of 2024 and has budgeted for \$8.4 million in contributions to the plan in 2025, a \$1.0 million increase driven by additional headcount. SPP only includes the cash contribution portion of pension expense in the NRR.



NRR > Key Drivers > Compensation & Headcount > Compensation

The net cost of SPP's self-funded **medical plan** in the 2025 budget is \$8.9 million, which represents an approximately 13 percent increase from the 2024 budget. Total gross claims are estimated, in conjunction with SPP's insurance broker, to be \$9.5 million in 2025, a \$1.1 million increase from the 2024 budget, driven by inflation and additional headcount.

Performance compensation is budgeted at a target level of 17.6 percent of base salaries and is assumed to be paid in March of the following year. The performance compensation program is a key component for SPP achieving the 50 percent total compensation benchmark set by the HR committee.

Funding for SPP's **401(k) matching** contribution is projected at 4.3 percent of base salary expenses, including performance compensation, and is based on recent company trends.

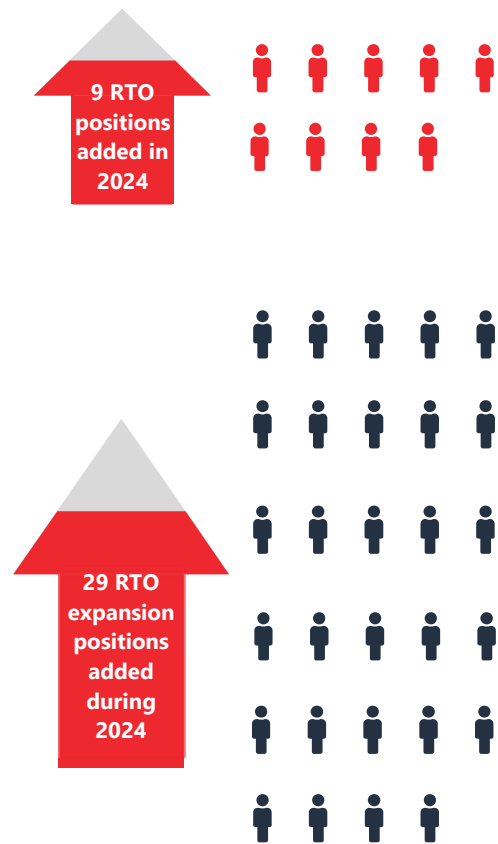
NRR > Key Drivers > Compensation & Headcount > Compensation

Changes during 2024

Nine additional RTO positions were added since the 2024 budget was approved, including six positions for the **cybersecurity** department. Cybersecurity staff engaged a third-party vendor to conduct a maturity assessment on SPP cybersecurity practices. The vendor identified areas of critical improvement associated with safeguarding against evolving cybersecurity threats. The areas identified as highest priority included data loss prevention, identity and access management, supply chain management and recovery planning. These six additional staff will help address the highest corporate risk, cybersecurity, and reduce vulnerabilities while increasing resiliency.

The remaining three positions added in 2024 include: one part-time administrative assistant transitioned to full-time, one financial analyst, and one engineer to support **Joint Targeted Interconnection Queue (JTIQ)**. The JTIQ position is expected to be partially reimbursed from federal Department of Energy grant award funds.

The **RTO expansion** budget over the past few years included a total of 87 positions beginning in 2023, with 46 of these positions in the 2024 budget. There were 29 additional positions for RTO expansion accelerated during 2024 (with no NRR impact through implementation). SPP accelerated RTO expansion hiring to accommodate the extensive training and educational requirements to mitigate risk to the project timelines.



NRR > Key Drivers > Emp. Compensation & Headcount > Headcount


Incremental Headcount in 2025

Departments originally requested and submitted justification for 31 incremental headcount to meet RTO needs in 2025, including two related to contract services. Those 31 requests were reduced to three headcount in the final budget: one attorney to support Generator Interconnection (GI) studies, one planning engineer, and one WEIS technical analyst. Each of these positions will generate offsetting revenue.

The budget also includes 12 positions for RTO expansion, which are part of the previously approved, original contract service budget (no impact to the 2025 NRR).

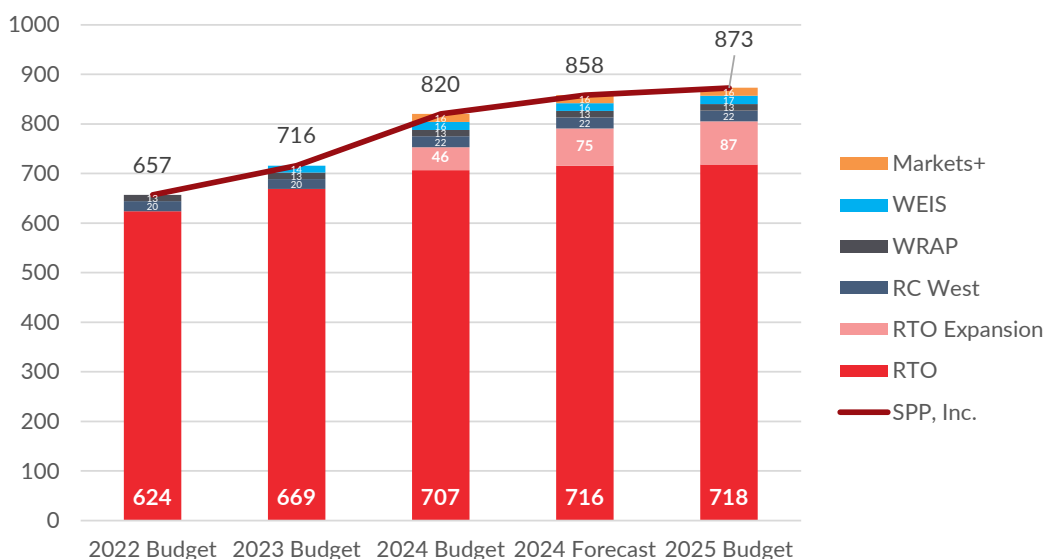
SPP's focus on maintaining competitive compensation and carefully managing headcount growth underscores the commitment to providing affordable, best-in-class services to our members and customers. The gradual shift in compensation drivers, particularly contracts and expansion, highlights how our organization's needs evolve as we continue to expand our service offerings.

 **31 Incremental Headcount Requested**

 **3 Incremental Included in Budget**

 **12 Incremental Included in Expansion Budget**

Figure 6 - Headcount by Service Offering



NRR > Key Drivers > Maintenance & IT Communications

Maintenance expenses represent a range of costs to preserve and enhance the functionality of both technological and physical assets. These expenses include contracts to maintain technological hardware and software to ensure systems remain reliable, secure, and current; as well as the regular upkeep of physical facilities. These expenditures are essential to maintain operations, reduce downtime, and extend the lifespan of assets. The increase is driven by inflation, changes in vendor pricing strategies, and the expanding scope of SPP's services.

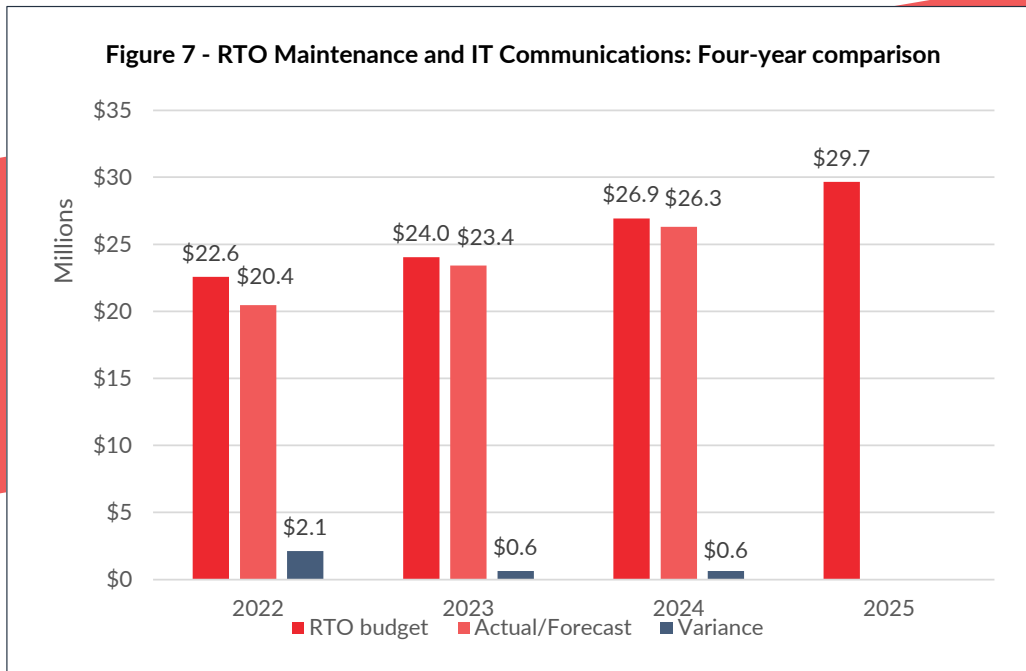


Table 6 - RTO Maintenance and IT Communications 2024 Budget to 2025 Budget

| (\$ millions) | 2024 Budget | 2025 Budget | Variance \$ | Variance % |
|--|---------------|---------------|--------------|--------------|
| Enterprise technology maintenance | \$20.0 | \$23.2 | \$3.2 | 16.2% |
| Facilities maintenance | 1.8 | 1.7 | (0.1) | (6.6%) |
| IT Communications | 5.1 | 4.7 | (0.4) | (7.6%) |
| RTO Maintenance & IT Communications | \$26.9 | \$29.7 | \$2.7 | 10.1% |

NRR > Key Drivers > Maintenance & IT Communications



Enterprise technology maintenance constitutes the bulk of maintenance expenses due to the infrastructure required to support market operations, transmission, and other day-to-day functions across SPP. The 10 percent increase over the 2024 budget, while significant, remains aligned with market expectations, as confirmed by an independent review completed in June 2024.¹⁵

Approximately 20 percent of the 2025 enterprise technology maintenance budget is associated with a **single vendor** who performs repairs and customized maintenance on IT systems across SPP. This is in line with prior years' percentages but remains noteworthy.

SPP allocates funds for hardware and software upgrades to comply with **FERC orders** or changes in operating practices as approved by members. SPP budgeted \$1 million in 2025 specifically for FERC Order 881, which addresses dynamic transmission line ratings.

Technology trends continue to shift toward **software-based applications**, with a transition from perpetual software licenses to subscription-based services driving cost increases across every industry. Approximately 26 percent (\$4 million) of 2025 prepaid maintenance expenses are comprised of subscription-based products, up from 24 percent in 2024. The cost of maintenance subscriptions increased 12 percent over 2024. While perpetual licenses require a one-time fee for software access and a defined period of maintenance and upgrades, subscription licenses necessitate periodic payments (typically monthly or annually) to maintain software access and ongoing maintenance.

¹⁵ In 2024, SPP contracted an independent consulting firm to perform a technology assessment. The engagement's general scope included an analysis of IT spending and various IT maturity assessments.

NRR > Key Drivers > M&ITC > Maintenance

Maintenance increases are driven by inflation, changes in vendor pricing strategies, and the expanding scope of SPP's services. To offset these increases, and as part of our ongoing commitment to affordability and cost management, SPP's **enterprise purchasing**, and **enterprise sourcing** teams have continued to find innovative ways to reduce expenses and enhance value. In 2024, these teams worked collaboratively to achieve significant cost savings, demonstrating the impact of strategic negotiation and partnership.

Cost Control In Action:

SPP's enterprise purchasing team leveraged strong relationships with existing vendors to negotiate a nearly ten percent reduction in costs from the previous year. This proactive approach avoided the broader price increases that would likely have resulted from a traditional request for proposal process.

Beyond the immediate cost reduction, a significant benefit to members and customers is a resetting of the base cost, which will minimize the impact of any future price increases. These efforts resulted in nearly \$0.3 million in savings in 2024 alone.

The enterprise sourcing team has also negotiated substantial savings across multiple software licensing agreements. Several favorable license modifications were renegotiated, including a reduction of approximately \$80 thousand over four years and another that lowers costs by approximately \$30 thousand per year for the next three years.

Further cost savings were realized through negotiations related to platform software upgrades for essential systems, with one negotiation resulting in one-time savings of \$42 thousand and additional savings projected over the next five years.

These examples demonstrate SPP's commitment to financial stewardship and maintaining affordability for our members and customers.

By continuously exploring creative approaches to cost management, SPP remains dedicated to delivering high-quality services while controlling expenses.




NRR > Key Drivers > Outside Services

SPP relies on **outside services** to provide essential third-party expertise and capacity for staff augmentation, run-time services, Software as a Service (SaaS) technology subscriptions, and professional consulting. Outside services and consulting also include costs for outside legal counsel, board compensation, auditing, and other external services.

SPP utilizes staff augmentation and run-time services to address staffing constraints or to perform specific functions that extend beyond SPP's core business capabilities. These decisions are guided by a focus on cost effectiveness to meet both short-term and long-term requirements. Software expenses are classified as either capitalized expenses, SaaS (outside services) or subscriptions (maintenance) dependent upon the nature of the implementation, terms of the service agreements, maintenance, and updates, and in compliance with Generally Accepted Accounting Principles (GAAP).

The 2025 budget supports both new and ongoing regulatory projects, including the Z2 Remand, FERC Order 881, and engineering initiatives like the strategic and creative re-engineering of integrated planning team (SCRIPT) and the Grid Unity project.

Table 7 – RTO outside services 2024 Budget to 2025 Budget

| (\$ millions) | 2024 Budget | 2025 Budget | Variance \$ | Variance % |
|---|---------------|---------------|--------------|--------------|
| Consulting services | \$10.1 | \$12.2 | \$2.1 | 21.1% |
| SaaS | 3.4 | 5.2 | 1.8 | 53.6% |
| Board compensation | 1.5 | 1.7 | 0.2 | 11.7% |
| Outside counsel | 2.1 | 2.6 | 0.5 | 24.1% |
| Other professional | 1.8 | 2.2 | 0.4 | 20.5% |
| Campus security | 1.0 | 1.2 | 0.2 | 15.4% |
| Outside services (net of reimbursements) | \$19.9 | \$25.0 | \$5.1 | 25.8% |

NRR > Key Drivers > Outside Services

Services procured by the engineering, cybersecurity, and information technology divisions are the three largest contributors to the budget variances related to outside services.

Table 8 – Change in RTO Outside Services

| (\$ millions) | Amount / Variance |
|----------------------------|--------------------------|
| 2024 Budget | \$19.9 |
| Engineering | 1.9 |
| Cybersecurity | 1.2 |
| Information technology | 0.5 |
| Finance | 0.4 |
| Legal, regulatory, and RSC | 0.3 |
| External affairs | 0.3 |
| Other | 0.5 |
| RTO Increase | 5.1 |
| RTO Total | \$25.0 |

NRR > Key Drivers > Outside Services > Engineering Services

Engineering staff engage consultants for planning and tariff services to comply with SPP tariff requirements, FERC orders, and North American Electric Reliability Corporation (NERC) mandated studies, and other needs. SPP's primary driver of engineering consulting expenses is associated with GI studies. These costs do not increase the NRR, as they are billed directly to participants and offset by the corresponding revenues.

The 2025 budget includes a \$1.9 million increase in SaaS and non-reimbursable outside services expenses, which are included in the NRR. Unlike pass-through studies, these costs are not directly billed to participants, but are necessary to support critical strategic initiatives, align actual costs for ongoing software automation support, and cover anticipated cost increases.

Engineering will utilize outside services in 2025 to support staff in several of the following projects and endeavors, such as implementing core recommendations from the Strategic & Creative Re-Engineering of Integrated Planning Team (SCRIPT) to consolidate and enhance planning processes.¹⁶ To achieve the corporate objective for the SCRIPT C1 Consolidated Planning Process (CPP), substantial efforts are focused on transitioning the GI study processes to the CPP, improving the efficiency and effectiveness of transmission planning. As a result, the Planning, Policy & Research and Transmission Planning departments have allocated funds for the SCRIPT GI Backlog Cutover Plan, the High Priority Study, and the CPP Transition Study.¹⁷

¹⁶ [SCRIPT Final Report and Recommendations.pdf \(SPP.org\)](#)

¹⁷ Beyond the CPP initiative, the 2025 budget allocates financial support for other essential initiatives aimed at grid reliability and corporate objectives. These include the Coordinated System Planning (CSP) study, conducted with MISO to ensure efficient operations across seams. The REAL Team leads efforts on resource adequacy, while consultants help integrate resiliency criteria into regional planning models following extreme weather events like Winter Storms Uri and Elliott. Additionally, SPP is responsible for implementing FERC Orders 2023 and 1920, as well as the Joint Transmission Interconnection Queue Tariff Revisions.

 **NRR > Key Drivers > Outside Services > Cybersecurity & IT**



Cybersecurity

SPP's cybersecurity team conducted a maturity assessment in 2024 that identified strengths and areas for improvement. The areas for improvement drive new expenses, including: increased vendor assessments, staff augmentation, and consulting fees for data governance and risk management programs. These account for 65 percent of cybersecurity's total outside service budget and represent a \$1.2 million increase over the 2024 budget.

The cybersecurity budget also allocates funds for physical security contractors receive training, and increased expenses for ongoing services due to inflation. These services cover critical functions like distributed denial-of-service (DDoS) protection, identity and access management, data security consulting, cloud security monitoring, physical security, and vulnerability assessments.



Information Technology

IT's outside services budget is primarily for ongoing services including: hosted services for transmission reservations and scheduling, static code application reviews, and support for various initiatives across SPP.

The 2025 IT outside services budget shows a 12.1 percent increase (\$0.5 million) from 2024, with 75 percent of this increase attributed to project efforts such as Z2, FERC Order 881, and engineering initiatives like SCRIPT and Grid Unity.

The remaining increase is allocated to "keeping the lights on" (KTLO) activities. As SPP navigates regulatory compliance, technological advancements, and the growing complexity of the industry, third-party expertise provides utility that outweighs the cost of acquiring specialized skills internally.



NRR > Key Drivers > Outside Services > Finance, Legal, Regulatory, RSC, and External Relations

The increase in outside services for finance is primarily related to consulting work for the Z2 resettlement project, which is mandated by FERC, and the upgrade of SPP's enterprise resource planning tool. This tool has not received a significant upgrade in more than 15 years, and a new tool will modernize SPP's planning and resource utilization systems to a current enterprise resource planning tool.

In legal, regulatory, and Regional State Committee (RSC) budgets, the need for additional outside services stems from regulatory staff augmentation to support critical projects such as JTIQ, CPP, Order 1920, and Z2. An increase in SPP contracts has also heightened the need for legal review.

The need to engage outside services in the external affairs division has increased due to the decision to transition SPP.org to a SaaS model and upgrade the "exploder" email distribution application. Both SPP's current website and exploder tool are obsolete and present significant security risks. In 2024, the existing applications required substantial IT maintenance and staff support time. These shifts to new SaaS will both improve SPP's ability to provide effective communication with stakeholders, and provide a more nimble, secure communication architecture.


NRR > Key Drivers > Other Operating Expenses
Table 9 – Other operating expenses 2024 Budget to 2025 Budget

| (\$ millions) | 2024 Budget | 2025 Budget | Variance \$ | Variance % |
|----------------|--------------|---------------|--------------|--------------|
| Travel | \$1.5 | \$1.8 | \$0.3 | 17.5% |
| Meetings | 1.3 | 1.1 | (0.2) | -14.4% |
| Administrative | 6.3 | 7.3 | 1.0 | 16.3% |
| Total | \$9.1 | \$10.2 | \$1.1 | 12.2% |

SPP staff travel to engage with stakeholders, provide member training and guidance, and interact with regulatory entities. Face-to-face engagement strengthens relationships, enhances mutual understanding, and facilitates alignment on critical issues. These in-person interactions deliver substantial benefits by fostering collaboration, a core aspect of SPP's culture both internally and externally.

The \$0.3 million increase in **travel expenses** from the 2024 to the 2025 budget is driven by inflationary pressures on travel costs and increased demand for in-person training and meetings.

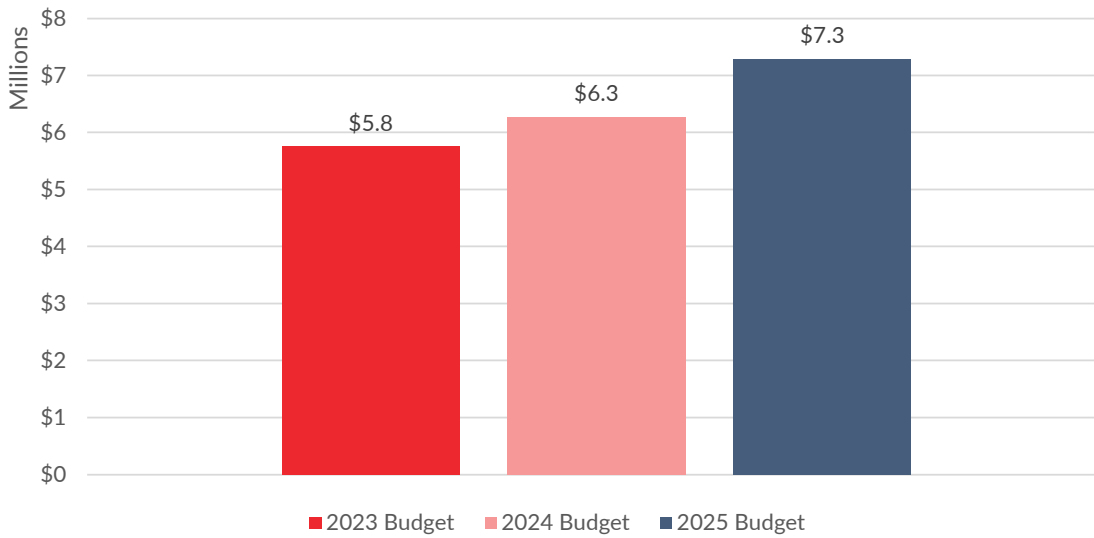
Meeting expenses include costs associated with hosting and attending meetings, conferences, and workshops with stakeholders, regulatory entities, and industry partners. These expenses cover venue rentals, catering, audio-visual equipment, materials, and other related items. Additionally, they include costs related to organizing training sessions, stakeholder engagement activities, and collaborative planning meetings.

Meeting expenses decreased by \$0.2 million from 2024 to 2025, driven by reductions in external meeting costs for training events, committee meetings, and other miscellaneous expenses. SPP also retained several virtual meetings, and also implemented budget cuts for internal and other working group meetings.

 **NRR > Key Drivers > Other Operating Expenses**

Administrative expenses include small equipment, insurance, office supplies, and recruiting/advertising, as well as subscriptions, Electric Power Research Institute (EPRI) membership fees, dues, utilities, and property taxes. Overall, administrative expenses increased by 16 percent, driven primarily by higher costs for small equipment for use by increased headcount, increased utilities expenses, public relations, and higher recruiting/advertising expenses as a result of more position turnover year-over-year.

Figure 8 – Other operating expenses: Administrative



NRR > Key Drivers > Capex equity allocation / RTO debt service

Table 10 – Capital expenditure equity allocation 2024 budget to 2025 budget

| (\$ millions) | 2024 Budget | 2025 Budget | Variance \$ | Variance % |
|--|-------------|-------------|-------------|------------|
| RTO Capital expenditures | 21.2 | 22.1 | 0.9 | 4.1% |
| Allocation percentage | 20% | 20% | N/A | N/A |
| Capital expenditures equity allocation | 4.2 | 4.4 | 0.2 | 4.1% |

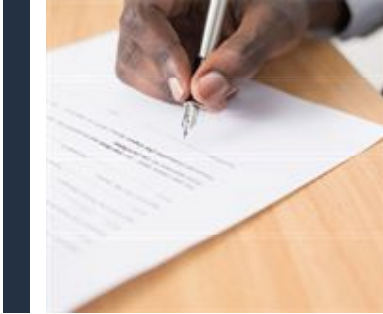
SPP's capital expenditure equity allocation represents 20 percent of the annual RTO capital budget, a deliberate strategic decision aimed at reducing the need for external borrowings related to capital investments. By allocating this portion of the budget, SPP seeks to mitigate the reliance on debt for funding capital projects and allocate a portion of capital costs to the NRR in the year they are incurred. The increase in the capital expenditure equity allocation is directly tied to the overall rise in capital expenditures. Further details about the capital expenditures can be found in the Capital Budget section.

Table 11 – RTO debt service 2024 budget to 2025 budget

| (\$ millions) | 2024 Budget | 2025 Budget | Variance \$ | Variance % |
|------------------------|-------------|-------------|--------------|--------------|
| RTO principal payments | 28.7 | 26.8 | (1.9) | -6.5% |
| Interest expense | 5.3 | 4.8 | (0.5) | -9.7% |
| Total | 34.0 | 31.6 | (2.4) | -7.0% |

Debt service is the second-largest component of the NRR after operating expenses. SPP's capital projects are funded through borrowings under medium and long-term credit agreements with banks and institutional investors. The duration of these borrowings is intended to approximately match the useful life of the acquired or developed assets.

Annual principal and interest payments for borrowings are included in the NRR calculation. The reduction relates to debt repayments associated with the Energy Imbalance Market and the Integrated Marketplace and projected lower interest rates. Further details about the RTO debt service can be found in the Debt and Investments section.



Contract Services and expansion



Engineering Studies



Prior Year over-recovery



Interest Income

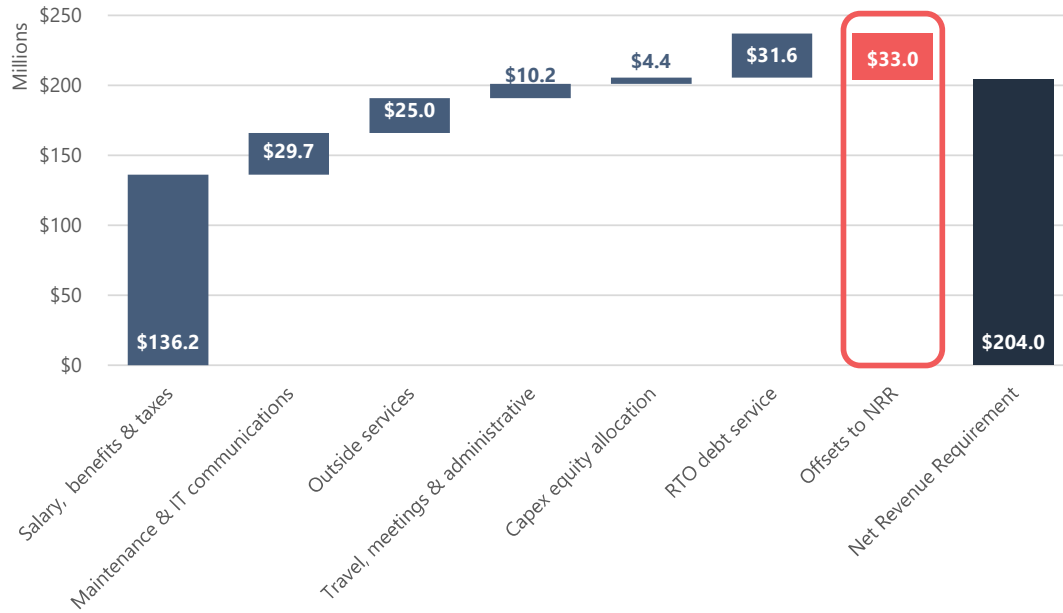


Miscellaneous revenue

A large graphic on the right side of the page. It features a dark blue background with diagonal stripes in red and white. In the center, there is a white logo consisting of three stacked squares, followed by the text 'NRR' in white and 'Key Offsets' in red below it.

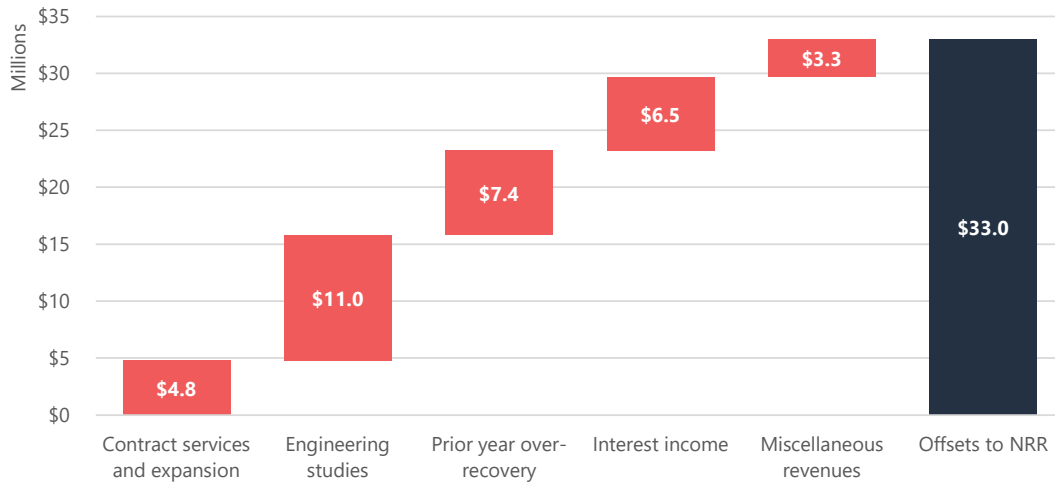
 **NRR > Key Offsets**

Figure 9 – Cash inflows and outflows affecting NRR



As shown in Figure 9 above, the NRR includes several offsets. Specific offset categories are highlighted in Figure 10 below.

Figure 10 – Offsets to NRR: details



NRR > Key Offsets > Contract Services and expansion



Markets+

SPP's Markets+ contract consists of two distinct phases: Phase 1 (funded investigation) and Phase 2 (implementation). During Phase 1, SPP is responsible for developing a comprehensive Markets+ design, which includes designing market functions, drafting governing documents, and submitting a proposal to FERC for approval. The Phase 1 budget covers personnel costs, outside legal and consulting fees, and travel and meeting expenses, with the service offered at a fixed price.

SPP submitted the Markets+ tariff proposal to FERC in March 2024. According to the contract terms, potential participants are required to pay monthly fees starting from the date of filing to support the necessary responses, technical analyses and research required for final FERC approval.

The 2025 budget accounts for these fees through April 2025. Since the Phase 2 tariff has not yet been approved by FERC, the budget projects no NRR impact for Phase 2 or for ongoing Phase 1 costs from May to December.

If Phase 2 were to begin in 2025, there would be a reduction to NRR related to shared services during implementation.



NRR > Key Offsets > Contract Services and expansion

Western Resource Adequacy (WRAP)

As the program operator for the Western Resource Adequacy Program (WRAP), SPP is responsible for providing a range of services, including operations program functions, modeling and system analytics, real-time operations, ongoing technical enhancements, and IT systems development. Under the current service agreement, SPP delivers these program-operator services for a fixed fee.

Reliability coordination services for Western customers (Western RC)

As a certified reliability coordinator, SPP is responsible for ensuring the reliability of the bulk electric system in the Western Interconnection for 12 combined entities. Under the service agreement, SPP collects revenues to cover operating expenses based on a rate per megawatt-hour (MWh) of Net Energy for Load (NEL), with a shared overhead component that offsets the NRR. Costs are reviewed annually on November 1 to establish the services rate, incorporating any over- or under-recoveries from the previous period. Shared overhead allows SPP to recover costs associated with providing these reliability coordination services.

Western energy imbalance service market (WEIS)

SPP's Western Energy Imbalance Service (WEIS) market manages the real-time balance of generation and load for participants in the Western Interconnection. As the market administrator, SPP is responsible for maintaining the reliability of the regional transmission system and meeting demand using the most cost-effective generation resources, which helps to lower wholesale electricity costs for participants.

Each year, beginning in 2020, SPP provides WEIS participants with an estimate of operating expenses by October 1, which is used to develop the WEIS Rate for the following year. Similar to the RC West agreement, the rate calculation incorporates any over-or-under-recoveries from the prior year. The only NRR impact is the shared overhead component, which allows SPP to recover costs associated with administering these services.


 **NRR > Key Offsets > Contract Services
and expansion****Western Interconnection Unscheduled
Flow Mitigation Plan (WIUFMP) and other
contract revenues**

SPP administers the WIUFMP on behalf of a group of six Western utilities. This agreement establishes guidelines for using specific controllable devices to mitigate congestion along transmission lines in the Western Interconnection. SPP provides oversight, review and implementation on a fixed fee basis. SPP collects energy data from applicable entities as well as operations and maintenance cost data from qualified controllable device owners on an annual basis. SPP then issues invoices to applicable entities for their share of costs under the WIUFMP.

RTO Expansion

Expansion into the Western Interconnection is a key strategic opportunity within SPP's ASPIRE 2026 initiative. This expansion offers significant long-term value to both current and future SPP members by providing greater access to diverse resources and creating opportunities to market excess generation within the existing region.

SPP secured commitments and initial funding to commence the RTO western expansion project in July 2023, with a targeted go-live date in the second quarter of 2026. Implementation costs for this project are funded through borrowings, resulting in no impact on the NRR until after implementation.



 **NRR > Key Offsets > Engineering studies**



Engineering Studies

The SPP GI queue process enables generation planners and developers to submit new generation projects for validation, study, analysis, and interconnection to the bulk transmission system. All expenses related to these studies are reimbursed by the study participants, covering both SPP employees’ time and any consultants engaged to support the study analysis. The net benefit to the NRR from these engineering studies is derived from billable SPP employee time.

A non-refundable application fee was approved by FERC in 2024 to cover the costs of processing requests that cannot be recovered through GI study billable revenues. FERC approved Revision Request 603, permitting SPP to impose these fees, which is expected to generate an additional \$2 million in revenue starting in 2025.

Table 12 – Engineering studies 2024 budget to 2025 budget

| (\$ millions) | 2024 Budget | 2025 Budget | Variance \$ | Variance % |
|-------------------------------------|--------------------|--------------------|--------------------|-------------------|
| Billable engineering staff revenues | 8.3 | 9.0 | 0.7 | 8.3% |
| GI Studies application fee | - | 2.0 | 2.0 | N/A |
| Total | 8.3 | 11.0 | 2.7 | 32.3% |



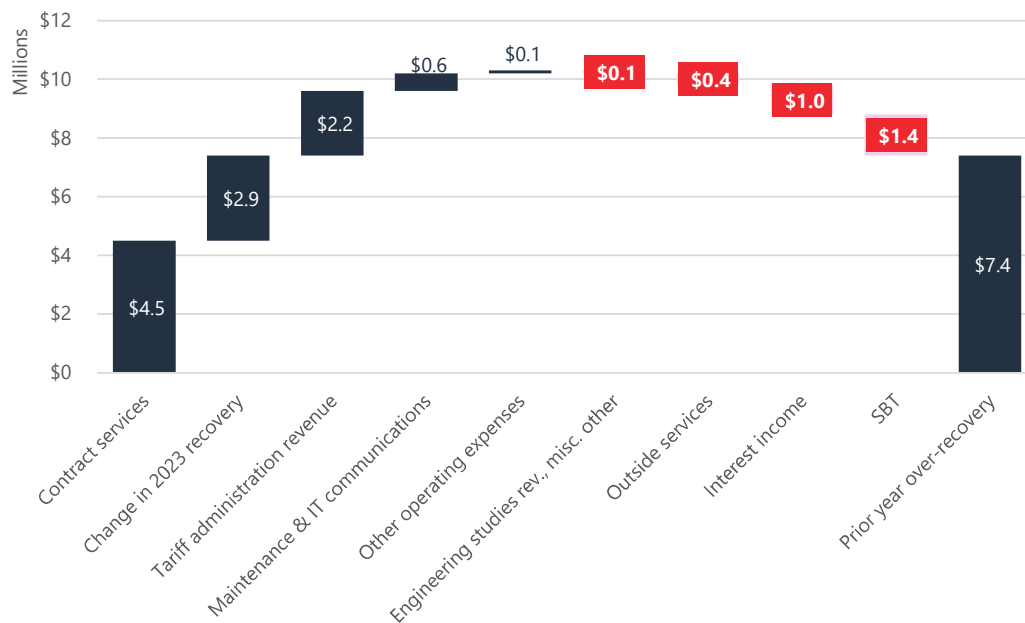
NRR > Key Offsets > Prior Year Over-recovery / Interest Income



Prior year over-recovery

The difference between actual cash collections and cash expenses results in a residual over- or under-recovery. The 2025 budget includes a forecast 2024 over-recovery of \$7.4 million which represents additional cash available after covering all necessary outflows, akin to free cash flow remaining after SPP, Inc. has paid its operating expenses, debt obligations, and capital expenditures. This over-recovery is returned to members and customers as a reduction in 2025 revenue requirements.

Figure 11 – Prior year over-recovery



Interest Income

SPP manages working capital by investing in high quality, low-risk treasury bonds, money market funds and bank deposits. Interest income from treasury and bank deposit investments bring significant benefits to SPP's NRR. SPP has conservatively budgeted slightly lower interest income in 2025 based on the shift in forward rate curves. For further information about interest income see the Debt and Investments section.

 **NRR > Key Offsets > Miscellaneous Revenues**



Miscellaneous Revenues

Currently, members with inter-control center communications protocol (ICCP) connections to SPP are not billed for telemetry as part of their membership. Starting January 2025, SPP will introduce an annual fee of \$12 thousand per circuit.

This fee is designed to cover circuitry, maintenance, equipment upgrades, and employee time for configuration. The average direct and indirect costs per circuit is just under \$12 thousand annually. This new fee is expected to generate \$1.7 million in additional revenue annually, which serves as a reduction in the NRR.

In accordance with SPP bylaws, membership fees are collected annually from members. The SPP Board of Directors establishes the amount of the membership fee. Members pay a \$6 thousand membership fee, which is invoiced annually in January.

Table 13 – RTO Miscellaneous Income 2024 Budget to 2025 Budget

| (\$ millions) | 2024 Budget | 2025 Budget | Variance \$ | Variance % |
|------------------------|-------------|-------------|-------------|--------------|
| Circuits reimbursement | 0.4 | 1.7 | 1.3 | 326.1% |
| Miscellaneous income | 1.4 | 1.6 | 0.2 | 12.8% |
| Total | 1.8 | 3.3 | 1.5 | 82.1% |

Capital Budget

The capital budget reflects SPP's strategic investment approach, focusing on regulatory requirements and long-term goals. This analysis underscores SPP's commitment to regulatory compliance, operational efficiency, and corporate goals that contribute to resilience and adaptability in a rapidly evolving energy landscape.



Capital Budget > Summary

SPP's focus on Capital Budget Efficiency ensures investments are purposeful and cost-effective

The amount of capital originally requested during budget planning was initially over \$34 million. After review, the final capital budget for 2025 is \$22.1 million, a reduction of more than \$12 million. This reduction demonstrates SPP's commitment to maintaining fiscal discipline while continuing to address key strategic initiatives.

The reductions were achieved by deferring the replacement of some aged IT and facilities infrastructure, delaying the start of new 2025 projects, and reducing the scope of, or eliminating initiatives.

SPP utilizes a pooled capital budget approach to maintain flexibility and prioritize investments based on evolving needs. This method allows SPP to optimize resource allocation and support our long-term strategic objectives efficiently. A list of anticipated projects is included in the supplementary analysis and schedules.

Capital Budget Efficiency: Balancing **necessary expenditures** with **fiscal responsibility**



\$34 million+

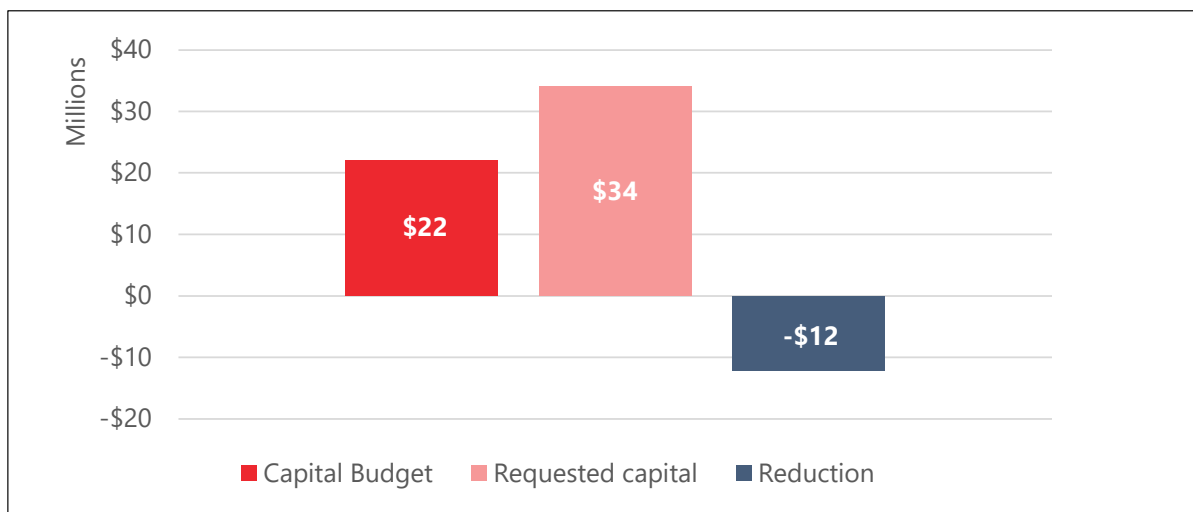
Requested Capital



\$22.1 million

Capital Budget

Figure 12 – Requested Capital vs. Capital Budget

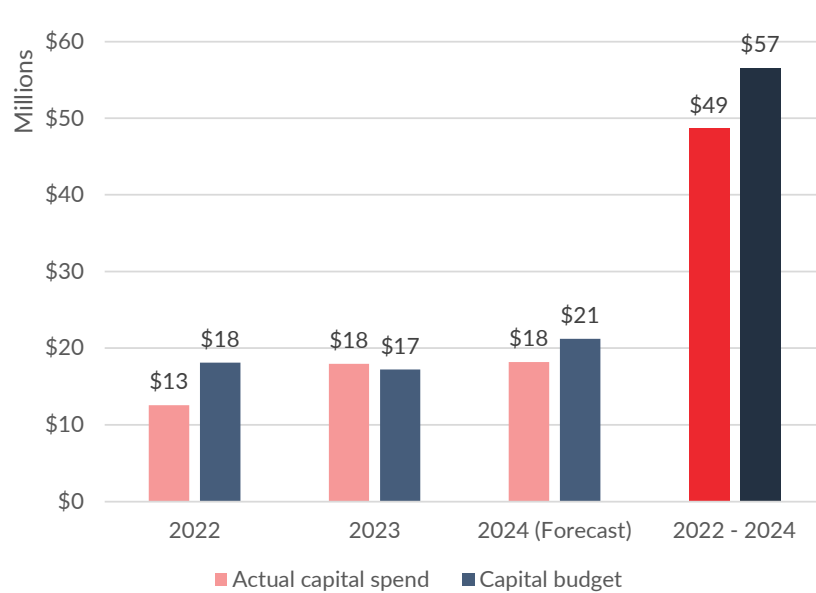


 **Capital Budget > History**

Focus on Affordability:

~\$7 million trailing three-year positive variance between capital budget and actual capital spend

Figure 13 - Capital Budget vs. Actual: Three-year Comparison



The 2025 Capital Budget

SPP categorizes capital budget items into **foundation** capital and enterprise **project** capital. Foundation capital includes essential ongoing investments, such as upgrades to firewalls, hardware, and software systems, ensuring SPP’s infrastructure remains secure and reliable. These investments are crucial for maintaining compliance with evolving regulatory standards and market demands.

Enterprise project expenses encompass initiatives like supporting FERC Order 881 improving our cybersecurity program and implementing GridUnity software to support GI activities. These projects are strategically aimed at enhancing SPP’s capabilities, addressing specific operational needs, and achieving long-term objectives, such as improving security management and regulatory compliance.

Together, foundation and enterprise project capital reflect SPP’s commitment to sustaining core operations while advancing strategic growth through targeted, innovative projects.

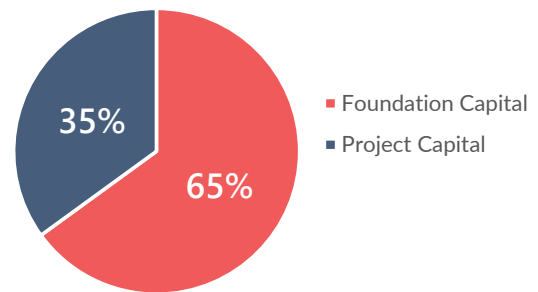
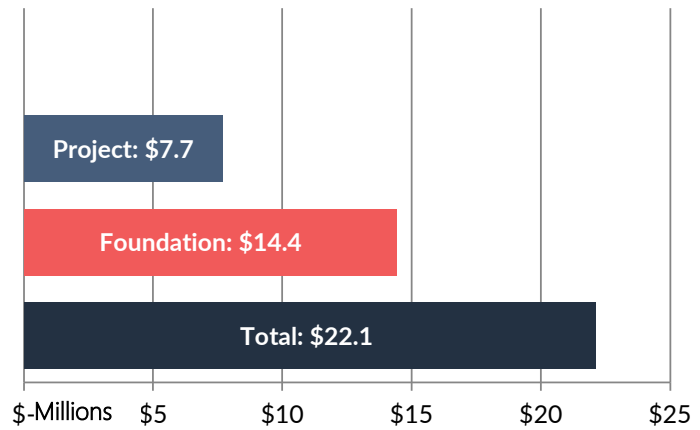
Capital Budget > Analysis

Category Breakdown

Project vs. Foundation

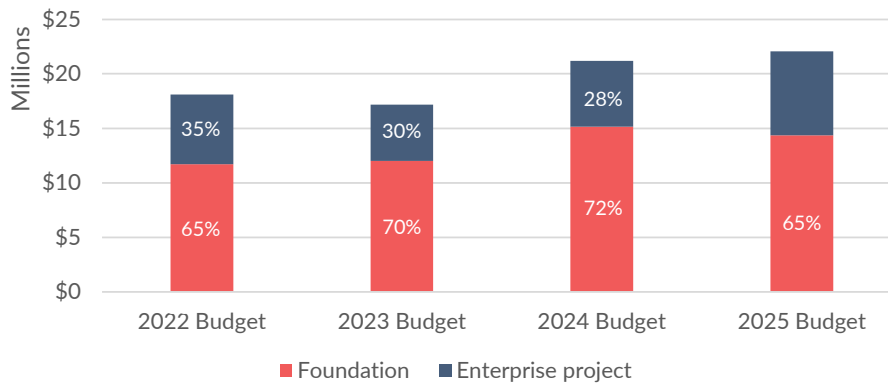
Foundation capital constitutes 65 percent (\$14.4 million) of the total \$22.1 million capital budget, while project capital represents 35 percent (\$7.7 million). This distribution underscores our focus on maintaining robust core infrastructure while pursuing strategic projects that support long-term strategic objectives.

Figure 14 – 2025 Capital Expenses by Category



The 2025 capital budget aligns with previous years, with relatively small fluctuations in the proportion of foundation and project capital. Over the past four budget cycles, foundation capital has amounted to roughly 70 percent of total capital with enterprise project making up the residual 30 percent.³²

Figure 15 – Capital Budget by Category: Four-year Comparison



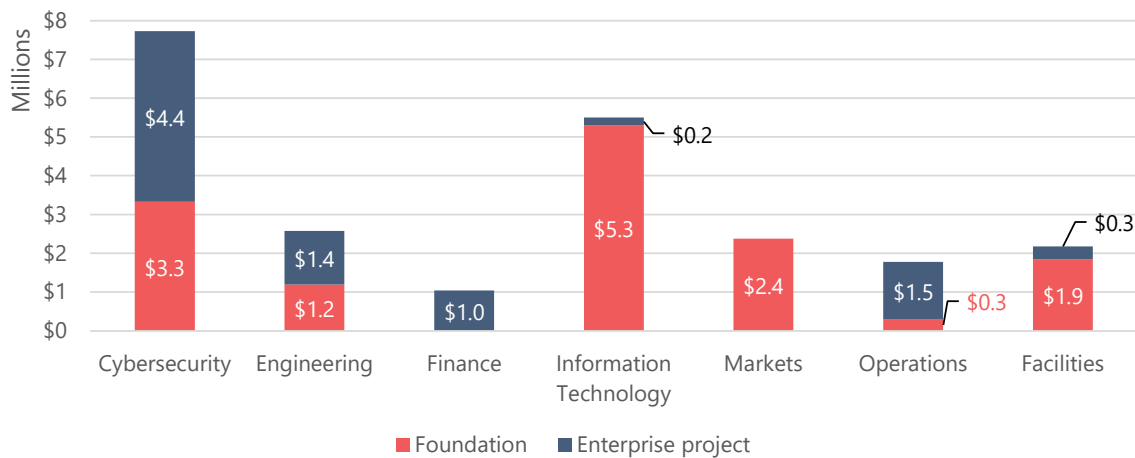
³² Over the prior 4 budget seasons, foundation capital fell between 65 percent and 72 percent of the capital budget.

Capital Budget > Project to Foundation

Over time, enterprise project capital transitions into foundation capital as project work integrates into ongoing operations. Initially classified as strategic investments, these projects, once operational, shift their maintenance and support costs to the foundation category.

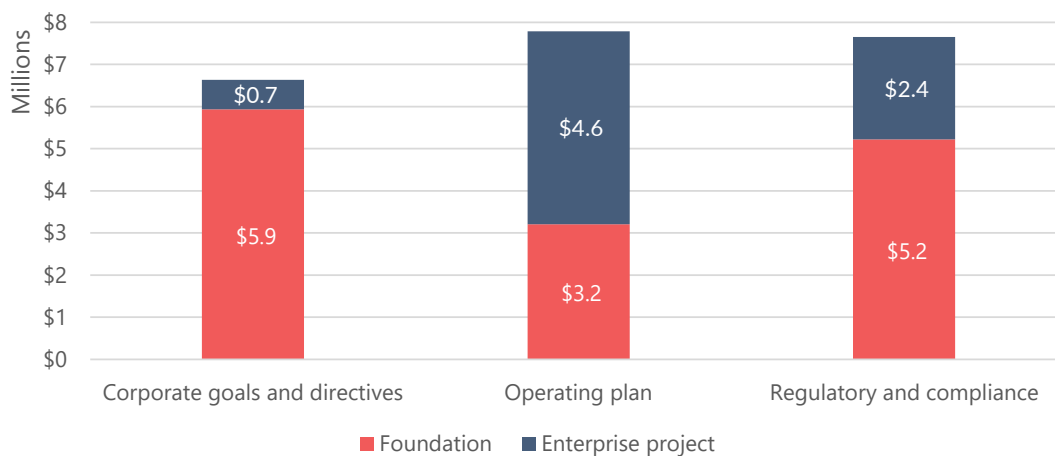
This reclassification signifies that projects have become core infrastructure requiring sustained investment to maintain functionality and compliance. This shift from 'project work' to 'run work' illustrates the dynamic nature of capital budgeting.

Figure 16 – Capital Budget by Classification by Division



This dynamic is further supported by the foundation budget, which largely resides in the Cybersecurity and Information Technology divisions due to continuing investments in IT infrastructure.

Figure 17 – Capital Budget by Driver



Capital Impact

Capital Budget > Impact

Approximately 35 percent of the capital budget is directed towards compliance with statutes and standards issued by the FERC and the NERC. Our FERC 881 initiative and investments in GridUnity SaaS for generator interconnection are essential for adhering to new FERC orders. GridUnity implementation alone represents a substantial investment, critical to meet requirements for GI backlog mitigation and FERC Order 2023.

Additionally, investments in certain tools and software integrity services exemplify SPP's proactive approach. These expenditures mitigate risk and position SPP to meet future mandates, particularly those related to transmission planning and economic modeling. Capital allocation for economic modeling system upgrades reflects SPP's focus on addressing the growing complexity of energy generation and the need for robust planning tools.

SPP's capital budget also emphasizes operational enhancements that align with broader strategic objectives. Projects such as SPP's identity and access management and IT asset management are key to strengthening SPP's cybersecurity posture and operational efficiency. These initiatives not only address deficiencies identified in the 2024 cybersecurity maturity assessment but also lay the foundation for more secure and streamlined operations across SPP.

The budget also allocates resources for replacing end-of-life firewalls and hardware, ensuring that SPP's critical infrastructure remains robust and capable of supporting future growth. By investing in these areas, SPP demonstrates our commitment to maintaining a resilient and scalable IT infrastructure that can accommodate increasing demands.

The 2025 capital budget reflects SPP's balanced approach to investment, addressing immediate regulatory compliance needs while laying the groundwork for future growth and operational efficiency. Through the strategic allocation of resources across regulatory, operational, and corporate initiatives, SPP reinforces our commitment to providing reliable and sustainable energy solutions and position ourselves to navigate future challenges and opportunities effectively.

Debt and Investments

- >Borrowing facility structure
- >Debt payments and interest expense
- >Interest income

Debt & Investments > Borrowing Facility Structure

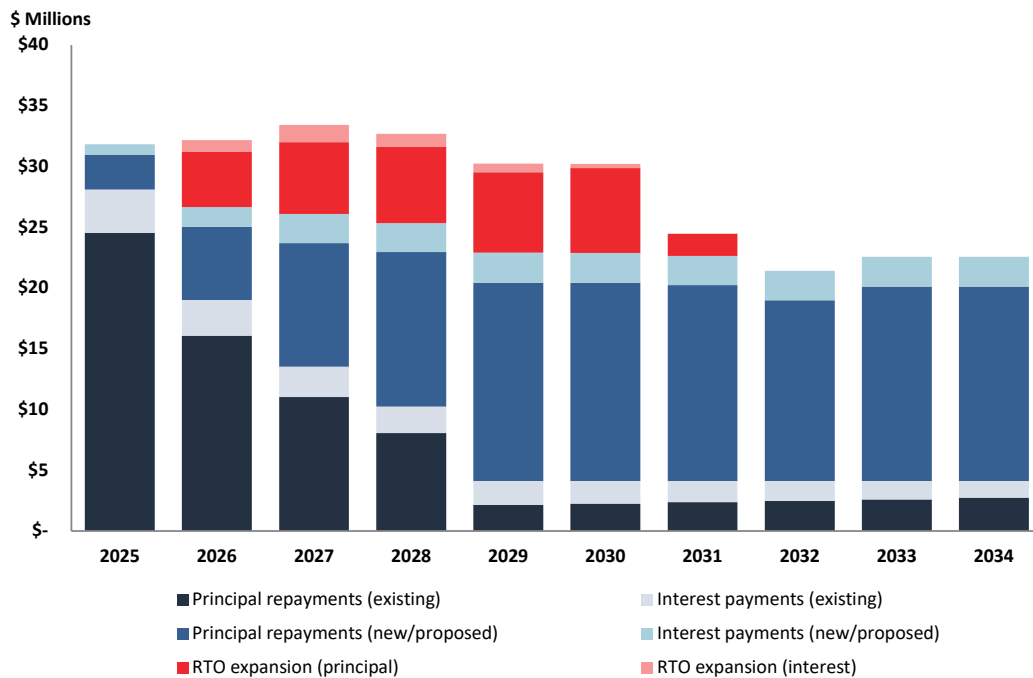
The balance of SPP’s outstanding long-term borrowings will be \$101 million at the beginning of 2025. Principal repayments are projected to be \$27 million during 2025, with \$27 million recovered through NRR. The remaining repayments will be recovered under agreements with contract service customers.

Annual debt obligations for SPP’s existing long-term debt will decrease between 2025 and 2028. The reduction in debt obligations for existing borrowings will be offset by new borrowings to fund future proposed projects, including RTO expansion as shown in the chart below. However, the overall annual debt service obligation is not expected to exceed the 2025 level in the next 10 years (except for a slight increase from 2027-2028 to service RTO expansion debt). It is expected to decrease gradually to approximately \$22 million per year once the borrowings related to RTO expansion implementation are repaid in early 2031.



Debt service is the second-largest component of the NRR after operating expenses

Figure 18 – Existing and proposed debt structure



Debt & Investments > Debt Payments & Interest Expense



Interest income from treasury and bank deposit investments now bring significant benefits to SPP's NRR.

Since a rapid increase in interest rates began in 2022, SPP has diligently and rigorously managed our working capital to benefit from high-quality, low-risk treasury and bank deposit yields. These investments are expected to contribute \$7.6 million toward the NRR for 2025.

SPP's capital projects are funded through borrowings under medium and long-term credit agreements with institutional investors. The duration of these borrowings is intended to approximately match the useful life of the acquired or developed assets. Annual principal and interest payments for borrowings are included in the NRR calculation, whereas capital project costs are excluded (except for the capex reserve allocation tied to the annual capital budget).

Principal and interest payments associated with borrowings for implementation of contract services are excluded from the NRR calculation, as those debt obligations are recovered from contract customers through annual contract billing during the initial term of each contract.

Debt & Investments > Debt Payments & Interest Expense

In 2019, SPP began utilizing an \$80 million revolving line of credit to fund capital expenditures. Capital expenditures in 2019 and 2020 were financed from this source. Lenders converted advances from the credit line into four-year term notes at the end of each year.

SPP received funds from a \$28.0 million loan in late 2021, which funded capital expenditures during 2022-2023. Principal payments on this funding are deferred until 2026.

SPP also utilized our unsecured revolving line of credit to fund the implementation costs for western reliability coordination and western energy imbalance market contract services. Total draws were converted into four-year term notes at the end of implementation. Implementation draws of \$4.7 million in 2019 were converted into term notes in 2020 for the reliability coordination services contract

which was paid off in 2023. The term note conversion in 2021 for implementation of the energy imbalance market was \$8.4 million, which will be paid off in early 2025.

SPP renewed our \$80.0 million line of credit with a 5-year loan term during 2023 and has been utilizing it in 2024 for capital spending, as well as for the implementation costs of the RTO expansion project. As before, the line of credit draws occur as costs are incurred throughout the year and the loan conversions will take place at the end of each year, with quarterly principal repayments commencing shortly after conversion.

The schedule below shows the principal amounts outstanding for SPP's existing and new borrowings at the beginning and end of the 2025-2027 budget periods, as well as the annual principal payments.

Table 14 – Future Debt Repayments (\$ millions)

| | Issue Date | Issue Amount | Due Date | Balance 1/1/25 | 2025 Prin. Pmts. | 2026 Prin. Pmts. | 2027 Prin. Pmts. | Balance 12/31/2027 |
|---|--------------------|----------------|-----------|----------------|------------------|------------------|------------------|--------------------|
| 5.51% notes due 2027 | 3/23/2007 | \$5.1 | Feb-2027 | \$1.5 | (\$0.2) | (\$0.2) | (\$1.1) | \$0.0 |
| 4.82% construction notes due 2042 (2010A, 2010B) | 10/31 & 12/28/2010 | \$65.0 | Dec-2042 | \$49.3 | (\$1.8) | (\$1.9) | (\$1.9) | \$43.7 |
| 3.8% capital funding notes due 2025 (2014-E) | 3/21/2014 | \$37.0 | Dec-2025 | \$22.0 | (\$22.0) | \$0.0 | \$0.0 | \$0.0 |
| 2.21% notes due 2028 (2021-F) (2021 & 2022 capex) | 12/31/2021 | \$28.0 | Sep-2028 | \$28.0 | \$0.0 | (\$14.0) | (\$8.0) | \$6.0 |
| Existing Debt | 2007-2021 | \$135.1 | 2024-2042 | \$100.8 | (\$24.0) | (\$16.1) | (\$11.0) | \$49.7 |
| New Debt: | | | | | | | | |
| New term note due 2029 (2024 capex) est 6.0% | 1/1/2025 | \$16.0 | Dec-2029 | \$0.0 | (\$2.8) | (\$3.0) | (\$3.2) | \$7.0 |
| New term note due 2030 (2025 capex) est 5.6% | 1/1/2026 | \$17.0 | Dec-2030 | \$0.0 | \$0.0 | (\$3.0) | (\$3.2) | \$10.8 |
| New term note due 2031 (2026 capex) est 5.7% | 1/1/2027 | \$21.3 | Dec-2031 | \$0.0 | \$0.0 | \$0.0 | (\$3.8) | \$17.5 |
| Total New Debt - Capex | | \$54.3 | | \$0.0 | (\$2.8) | (\$6.0) | (\$10.2) | \$35.3 |
| 5.6% term note due 2031 RTO Expansion | 3/31/2026 | \$32.1 | Mar-2031 | \$0.0 | \$0.0 | (\$4.5) | (\$5.9) | \$21.7 |
| Total RTO Debt | | \$221.5 | | \$100.8 | (\$26.8) | (\$26.6) | (\$27.1) | \$106.7 |
| Contract Services Debt: | | | | | | | | |
| 2.88% term note due 2025 (WEIS implementation) | 3/16/2021 | \$8.4 | Mar-2025 | \$0.6 | (\$0.6) | \$0.0 | \$0.0 | (\$0.0) |
| Total Debt | | \$229.9 | | \$101.3 | (\$27.3) | (\$26.6) | (\$27.1) | \$106.7 |

Debt & Investments > Interest Expense & Interest Income

The schedule below shows the breakdown of SPP's total interest expense for our existing debt and for projected borrowings expected to occur in the 2025-2027 budget period.

Table 15 – Interest Expense (\$ millions)

| | 2024 Budget | 2025 Budget | 2026 Forecast | 2027 Forecast |
|---|------------------------|------------------------|--------------------------|--------------------------|
| Existing Debt | \$4.5 | \$3.6 | \$2.9 | \$2.5 |
| New Debt | \$0.8 | \$1.2 | \$2.0 | \$2.6 |
| Loan Cost Amortization and Other Interest Expense | \$0.1 | \$0.1 | \$0.1 | \$0.1 |
| Total RTO Interest Expense | \$5.4 | \$4.9 | \$5.0 | \$5.1 |
| RTO Expansion Implementation | \$0.4 | \$0.9 | \$1.6 | \$1.4 |
| Contract Services Debt | \$0.1 | \$0.0 | \$0.0 | \$0.0 |
| Total Interest Expense | \$5.8 | \$5.7 | \$6.6 | \$6.5 |

SPP has overnight sweep arrangements for our bank accounts. SPP has been investing funds that are collected from members and customers in treasury investments with maturities appropriate for the payout dates for these funds.³³ Due to the low interest environment prior to 2022, sweep accounts and treasury investments had been earning insignificant amounts of interest income compared to SPP's NRR; therefore, they had not been included in the budgets prior to 2024.

Starting with the rapid rise in interest rates in 2022 and 2023, SPP not only began earning much higher amounts of interest income on our money market and treasury investments but also took a more proactive approach to managing these investments to maximize our interest income. As a result, interest income has been included in the budgets since 2024, as an offset to overall NRR. For the 2025 budget, interest income has been forecast conservatively, accounting for an expected decline in interest rates starting in Q4 2024.

Table 16 – Interest Income (\$ millions)

| (\$ millions) | 2025 Prior | 2024 Budget | 2024 Forecast | 2025 Budget | 2026 Forecast | 2027 Forecast |
|--|-----------------------|------------------------|--------------------------|------------------------|--------------------------|--------------------------|
| Treasury Investments | \$4.5 | \$6.8 | \$8.0 | \$6.9 | \$5.2 | \$4.2 |
| Sweep and Bank Deposits | \$1.5 | \$2.0 | \$1.7 | \$0.7 | \$0.3 | \$0.3 |
| Total Interest Income | \$6.0 | \$8.8 | \$9.7 | \$7.6 | \$5.6 | \$4.6 |
| Avg. Annual Yield - Treasuries and Bank Deposits | 4.30% | 5.30% | 4.7% | 4.1% | 3.1% | 2.8% |
| Avg. Annual Yield - Sweep | 1.10% | 1.50% | 2.0% | 1.0% | 0.5% | 0.5% |

³³ A few examples include the funds SPP collects on behalf of FERC through Schedule 12 and the Integrated Marketplace's transmission congestion rights auction revenue funds.

Tariff Rates

- >Effective Administration Fee (EAF)
- >Formula Rate Template
- >Rate Cap Adjustment Recommendation

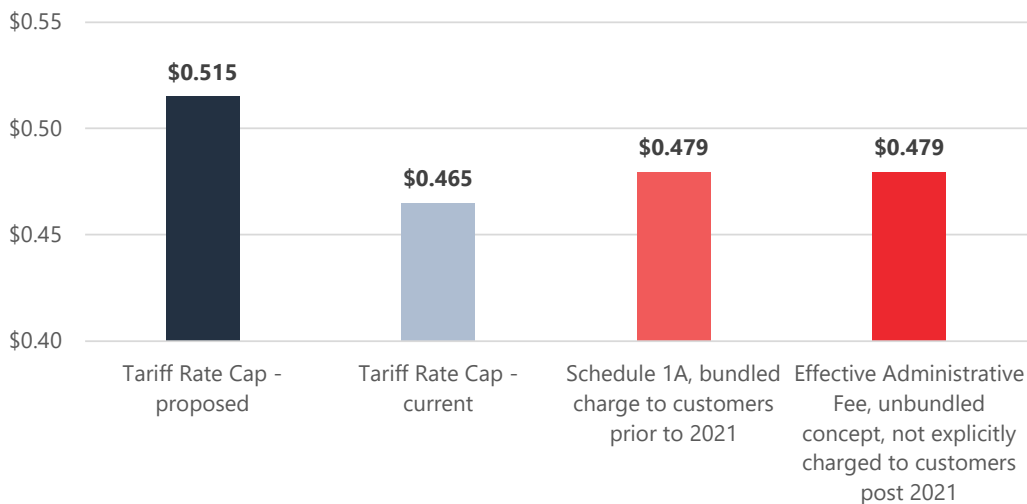
Tariff Rates > EAF

Schedule 1A rate cap and EAF

SPP operates within a regulatory framework that includes a **rate cap** provision. Historically, this cap limited the maximum **Schedule 1A rate**, expressed in dollars per megawatt-hour (\$/MWh), that SPP could charge members and customers for our tariff services. The rate is calculated as NRR divided by Schedule 1A-1 billing determinants. Before the unbundling of rates in 2021, SPP charged a single rate that could not exceed the cap. If the rate required to recover budgeted costs exceeded the rate cap, SPP either sought an increase in the cap or implemented cost reductions.

Since the unbundling of rates, the rate cap has remained as a rate forecasting mechanism and serves as a benchmark for assessing prior periods. The concept of an **Effective Administrative Fee (EAF)** represents what SPP would have theoretically charged members and customers if the rate had not been unbundled (all else being equal). Similar to the period before the unbundling, if the EAF exceeds the rate cap, SPP requests an increase in the cap and/or reduces costs. Figure 19 below highlights this relationship using the 2025 budget. In 2024, the rate cap in effect was \$0.465.

Figure 19 - Relationship between rate structures and rate cap



Tariff Rates > Formula Rate Template

For 2025, SPP’s budgeted NRR is \$204.0 million, and the budgeted schedule 1A-1 billing units are 425.5 million MWh. Had we not unbundled the rate in 2021, the rate charged to customers would be \$0.479 per MWh under Schedule 1A. Because SPP did unbundle its rate in 2021, the EAF represents what SPP would have charged under the previous bundled structure. Prior to 2021, the rate cap compliance measurement was the single rate customers paid under Schedule 1A; after 2021, the compliance measurement became the EAF. Fundamentally, this means SPP is in compliance with the rate cap irrespective of a bundled or an unbundled rate structure.

The Formula Rate Template

After unbundling, the rates customers pay now correspond to specific services, as opposed to paying a single rate covering all services, irrespective of their utilization. These rates are based on the cost of providing these services and the relevant usage metrics (billing determinants) associated with Schedules 1A-1 through 1A-4. These rate schedules generally relate to the functions required of RTOs by FERC.²⁸

For example, in 2025, instead of paying an all-in bundled rate of \$0.479 per MWh, customers are paying the following rates if they utilize the related service:^{29,30}

Table 17 – 2025 Unbundled Tariff Rates

| Tariff Schedule | Associated Services | Rates | NRR Allocation (\$) | Billing units (terawatt hours) |
|------------------------|---|--------------|----------------------------|---------------------------------------|
| 1A-1 | Scheduling, System Control & Dispatch; Reliability Planning & Standards Development | \$0.309 | \$130.5 | 425.5 |
| 1A-2 | TCR Administration | \$0.007 | \$5.7 | 881.7 |
| 1A-3 | Market Clearing | \$0.039 | \$25.3 | 668.1 |
| 1A-4 | Market Facilitation | \$0.069 | \$42.6 | 592.4 |

The evolution from a bundled rate structure to an unbundled one represents SPP’s efforts to align costs more closely with the services provided. By doing so, SPP ensures transparency and fairness in its rate structures while continuing to meet requirements and maintain compliance with the established rate cap. This approach not only promotes efficiency but also supports SPP’s commitment to cost management and reliable service delivery to its customers.

²⁸ <https://storymaps.arcgis.com/stories/c227e9da2bc04d498a81b2f9d845b952>

²⁹ <https://www.spp.org/spp-documents-filings/?id=255239>


³⁰ These rates cannot be directly compared by simply adding Schedules 1A-1 through 1A-4 and comparing them to the EAF. The ratio between the associated cost and the billing units are not of the same magnitude for every rate schedule.

Budget Summary



Approaching a future with unprecedented **scale** requires a balanced focus on **strategy** and **affordability**

In Summary



The 2025 budget reinforces SPP's commitment to affordability, reliability, and efficient service delivery in a rapidly evolving energy landscape. By optimizing existing resources, completing key initiatives, and managing costs, the budget supports our operational goals and strengthens our financial stability.



SPP's priorities for the coming year are aligned with both strategic and operating plans, including maintaining grid reliability through operational excellence, strategically investing in innovation to meet regulatory requirements, and maximizing efficiency to deliver value to our stakeholders. The budget reflects disciplined capital expenditures, prudent debt management, and sound financial planning to ensure SPP is well-positioned for future challenges and opportunities.

As we move forward, SPP remains dedicated to our mission of providing reliable, cost-effective energy while adapting to industry changes. Our focus on optimizing resources and completing strategic initiatives will continue to drive growth and uphold our commitment to excellence.

Supplementary Information:

Appendices, Supplemental Analysis and Schedules

- >Appendix A: Income Statement & NRR
- >Appendix B: Prior Year Over/Under Collection
- >Appendix C: Income Statements
- >Appendix D: 2025 Schedule 1-A Rates
- >Appendix E: Net Revenue Requirement
- >Appendix F: Capital Expenditures

Appendix A: Income Statement & NRR

The rates SPP charges under Schedules 1A-1 through 1A-4 are determined by the NRR. The NRR represents the net costs of providing services, and the rates are established to recover these costs. While the relationship between rates and the NRR is straightforward, evaluating the income statement alongside the NRR is more complex. The NRR and the income statement together provide a more comprehensive view of SPP's financial performance.

Net income reported under Generally Accepted Accounting Principles offers a broader financial perspective that includes non-cash revenues, expenses, and allocations passed through to other entities, representing a less direct indicator of performance.

Under the NRR framework, the difference between actual cash collections and cash expenses results in a residual over- or under-collection, similar to free cash flow.

The 2025 budget includes projected 2024 over-collection based on a forecast of \$7.4 million, representing additional cash available after covering all necessary outflows, akin to free cash flow remaining after the RTO has paid operating expenses and debt obligations (net of various other income sources).

In evaluating operating performance, it is important to consider factors such as prudent budgeting and expense forecasting, effective cash flow management, tariff rate stability, and cost recovery.

These factors help ensure that sufficient funds are available without causing undue financial strain.

While net income and under/over-collection are not particularly meaningful on their own, evaluating the income statement at the corporate level, the RTO level, and the resulting NRR can provide insight into how funds flow through the organization and our business operations.

Table 18 – 2025 Budget: Consolidated Income Statement vs NRR

| 2025 Budget (\$ millions) | SPP, Inc. | Contracts Services & Expansion | RTO | NRR |
|--------------------------------------|----------------------|---|--------------|--------------|
| Revenues | \$293.3 | \$18.7 | \$274.6 | \$204.0 |
| Net expenses | 296.3 | 27.6 | 268.7 | 211.5 |
| Net income (loss) | (\$3.0) | (\$8.9) | \$5.9 | N/A |
| Over collection | N/A | N/A | N/A | \$7.4 |

Appendix A: Income Statement & NRR

Table 18 and the explanations below provide some of those insights. Almost 25 percent of the corporate operating revenues are pass through for FERC revenue (\$36.8 million), pass-through consulting (\$18.2 million), and contact service offsets (\$18.1 million). FERC fees & assessments revenues stem from fees collected under Schedule 12 to recover the annual charges paid to FERC. Both the revenue and expense for FERC assessments as well as consulting costs for GI studies are excluded from the NRR.

Revenues and expenses from contract services and expansion are deducted from the NRR and replaced by the net NRR benefit of each based on the terms in the contractual agreements. The RTO expansion expenses are deducted from the NRR as the implementation expenses are funded through borrowings. The NRR adjustment in interest income is related to interest income on Schedule 12 collections that is used to offset the annual charges paid to FERC and therefore are not included in the NRR. Non-cash NRR adjustments are reflected in depreciation and in salary & benefits and other (income)/expense (related to non-cash adjustments to the defined benefit plan). Beyond these adjustments to the income statement line items, the RTO debt service and capital equity allocations are added to the NRR as well as the adjustment for prior year over/under recovery.

Table 19 – 2025 Income Statement and NRR

| (\$ millions) | SPP, Inc. | Contracts & Expansion | SPP, RTO | NRR adjustments | SPP, NRR |
|---|----------------|-----------------------|----------------|-----------------|----------------|
| Revenues | | | | | |
| Fees & assessments | \$37.5 | \$0.0 | \$37.5 | (\$38.2) | \$0.7 |
| Contract services revenue | 18.8 | 18.8 | 0.0 | | 0.0 |
| Other revenues | 33.1 | 0.0 | 33.1 | (18.2) | 14.8 |
| Total revenues (excluding tariff admin) | \$89.3 | \$18.8 | \$70.5 | (\$56.4) | \$15.5 |
| Tariff administration service (equal NRR) | 204.0 | 0.0 | 204.0 | | |
| Revenues excluding tariff administration service | \$293.3 | \$18.8 | \$274.6 | (\$56.4) | \$15.5 |
| Operating expenses | | | | | |
| Salary & benefits | \$160.9 | \$22.4 | \$138.5 | (\$2.3) | \$136.2 |
| Outside services | 45.7 | 1.3 | 44.5 | (18.2) | 26.2 |
| Assessment & fees | 33.8 | 0.0 | 33.8 | (33.8) | 0.0 |
| Maintenance, communications and leases | 31.7 | 2.1 | 29.7 | 0.0 | 29.7 |
| Travel, meetings and administrative | 10.7 | 0.5 | 10.2 | 0.0 | 10.2 |
| Depreciation | 17.6 | 0.4 | 17.2 | (17.2) | 0.0 |
| Expenses per income statement | \$300.6 | \$26.7 | \$273.9 | (\$71.6) | \$202.3 |
| Net other (income) / expense | | | | | |
| Interest expense | 5.7 | 0.9 | 4.8 | 0.0 | 4.8 |
| Interest income | (7.5) | 0.0 | (7.5) | 1.0 | (6.5) |
| Other (income) expense | (2.5) | 0.0 | (2.5) | 2.5 | (0.0) |
| Projected prior year over-recovery | | | | (7.4) | (7.4) |
| RTO debt service | | | | 26.8 | 26.8 |
| Capex equity allocation | | | | 4.4 | 4.4 |
| Contract services net NRR benefit | | | | (4.8) | (4.8) |
| Total other (income)/expense | (\$4.3) | \$0.9 | (\$5.2) | \$22.5 | \$17.3 |
| Net income / (loss) | (\$3.0) | (\$8.9) | \$5.9 | | |
| NRR | | | | | \$204.0 |

Appendix B: Prior Year Over/Under Collection

Ideally, an RTO like SPP would operate with no over- or under-collection, targeting zero free cash flow. However, the under- or over-collection is affected by both revenue and expense variances, some of which are heavily influenced by factors outside SPP's control. This requires SPP to use an approach, aligned with the FERC-approved rate calculation, in which any prior year's over- or under-collection is applied to the following year's NRR. This ensures that any surplus reduces future rates, while a deficit requires a higher NRR to replenish reserves and fund operations.

SPP's revenue is driven by the NRR and various service volume measurements.¹⁸ Accurately predicting revenue depends on precise load forecasts, an area where the industry has significantly improved, especially for short-term forecasts.^{19,20,21,22} However, material challenges persist in forecasting load accurately after the short-term.^{23,24,25} The majority of service volumes driving revenues will occur at a minimum of two months in advance and at the maximum more than 14 months in advance of setting the budget. This means the service volumes driving revenues will occur during periods where load-forecasts are less accurate, complicating revenue projections.

Other cash inflow sources, such as interest income, are also challenging to forecast accurately. SPP observes the same challenges as other entities who have exposure to interest rate volatility. However, a material difference in the interest income projection is that it is largely influenced by the funds generated during the transmission congestion rights auctions. Those funds are a function of load, system capacity, forward congestion price assumptions and marginal fuel price assumptions, market participant risk premiums, and a myriad of other factors.²⁷ Another source of interest income stems from GI study deposits, which too are, at least in part a function of load.

While SPP optimizes controllable factors, such as prudently investing all deposits, revenue remains largely an observed value, much like load. Given this reality, the variables driving under- or over-collection are largely beyond SPP's control, which makes under- or over-recovery of limited utility when measuring financial performance, like net income.

¹⁸ See Schedule 1A-1 through Schedule 1A-4 billing units, under the Tariff Rates section

¹⁹ Short-term load forecasts generally cover periods from real-time up to a few days in advance.

²⁰ IEEE Power & Energy Magazine, "Advances in Electric Load Forecasting," Vol. 18, No. 5, 2020, pp. 64-73.

²¹ Electric Power Research Institute (EPRI) Journal, "Electric Load Forecasting: Fundamentals and Best Practices," EPRI Report No. 3002017865, 2021, pp. 1-35.

²² Energy Policy Journal, "Load Forecasting in Electric Utilities: Past, Present, and Future Directions," Vol. 144, 2020, Article 111631

²³ Renewable and Sustainable Energy Reviews, "A Comprehensive Review of Electric Load Forecasting Models," Vol. 120, 2020, pp. 109-120.

²⁴ IEEE Transactions on Smart Grid, "Challenges and Opportunities in Long-Term Electric Load Forecasting," Vol. 11, No. 3, 2020, pp. 1952-1964.

²⁵ Energy Economics, "The Impact of Uncertainty on Load Forecasting: A Long-Term Perspective," Vol. 85, 2020, Article 104532.

²⁶ There is a portion of the applicable service volumes that are backward looking at the time the budget is set, and as such they are known. However, they represent materially less than 1/2 of the projected revenue when weighted both in terms direct NRR cost allocation weighted by the percentage of known service volumes at the time the budget is set.

²⁷ Generally speaking, and all else equal, elevated interest income and the objective function of the market software are at odds. The market software works to find the lowest feasible production cost solution. Locational marginal prices are a major driver of the production cost. By extension, if the software works to minimize production cost through price formation, it is working (at least in part) to find the solution with the lowest prices. Low prices would tend to imply lower cash flows to the owners of transmission congestion rights, leading them to pay lower prices, leading to a smaller corpus on which to earn interest, and ultimately lower levels of interest income.

Appendix C: 2025 – 2029 Income Statement

Table 20 – 2025-2029 Income Statement

| (\$ millions) | 2025 Budget TOTAL | 2026 Budget TOTAL | 2027 Budget TOTAL | 2028 Budget TOTAL | 2029 Budget TOTAL |
|-------------------------------|-------------------------|-------------------------|-------------------------|-------------------------|-------------------------|
| Revenues | | | | | |
| Tariff administration service | \$204.0 | \$237.3 | \$243.7 | \$252.3 | \$261.1 |
| Fees & assessments | 37.5 | 37.5 | 28.5 | 29.5 | 30.5 |
| Contract services revenue | 18.8 | 16.7 | 18.4 | 19.0 | 19.7 |
| Other revenues | 33.1 | 29.0 | 29.3 | 30.3 | 31.4 |
| Total revenues | \$293.3 | \$320.6 | \$319.9 | \$331.1 | \$342.6 |
| Expense | | | | | |
| Salary & benefits | \$160.9 | \$168.1 | \$174.2 | \$180.3 | \$186.6 |
| Employee travel | 2.2 | 2.6 | 2.6 | 2.7 | 2.8 |
| Administrative | 7.4 | 7.6 | 7.8 | 8.1 | 8.4 |
| Assessments & fees | 33.8 | 28.0 | 28.0 | 29.0 | 30.0 |
| Meetings | 1.2 | 1.6 | 1.6 | 1.7 | 1.8 |
| Communications | 5.4 | 5.4 | 5.0 | 5.2 | 5.4 |
| Leases | 0.2 | 0.2 | 0.2 | 0.2 | 0.2 |
| Maintenance | 26.2 | 27.7 | 32.0 | 33.1 | 34.2 |
| Services | 26.3 | 25.6 | 22.8 | 23.6 | 24.4 |
| Services reimbursed | 19.4 | 15.5 | 14.7 | 15.2 | 15.7 |
| Depreciation | 17.6 | 18.5 | 19.5 | 20.4 | 21.4 |
| Interest expense | 5.7 | 6.6 | 6.5 | 6.7 | 7.0 |
| Interest income | (7.5) | (5.5) | (4.5) | (4.7) | (4.8) |
| Other (income) expense | (2.6) | 0.6 | 0.6 | 0.6 | 0.7 |
| Total expense | \$296.3 | \$302.4 | \$311.1 | \$322.3 | \$333.9 |
| Net income (loss) | (\$3.0) | \$18.2 | \$8.8 | \$8.8 | \$8.8 |

2025 Income statement by line of business

Table 21 – 2025 Income Statement by line of business

| (\$ millions) | 2025 Budget RTO | 2025 Budget Contracts | 2025 Budget Expansion | 2025 Budget TOTAL |
|-------------------------------|-----------------------|-----------------------------|-----------------------------|-------------------------|
| Revenues | | | | |
| Tariff administration service | \$204.0 | \$0.0 | \$0.0 | \$204.0 |
| Fees & assessments | 37.5 | 0.0 | 0.0 | 37.5 |
| Contract services revenue | 0.1 | 18.7 | 0.0 | 18.8 |
| Other revenues | 33.1 | 0.0 | 0.0 | 33.1 |
| Total revenues | \$274.6 | \$18.7 | \$0.0 | \$293.3 |
| Expense | | | | |
| Salary & benefits | \$138.5 | \$10.9 | \$11.5 | \$160.9 |
| Employee travel | 1.8 | 0.2 | 0.2 | 2.2 |
| Administrative | 7.3 | 0.0 | 0.1 | 7.4 |
| Assessments & fees | 33.8 | 0.0 | 0.0 | 33.8 |
| Meetings | 1.1 | 0.0 | 0.0 | 1.2 |
| Communications | 4.7 | 0.5 | 0.2 | 5.4 |
| Leases | 0.0 | 0.0 | 0.1 | 0.2 |
| Maintenance | 24.9 | 0.8 | 0.5 | 26.2 |
| Services | 25.0 | 0.9 | 0.4 | 26.3 |
| Services reimbursed | 19.4 | 0.0 | 0.0 | 19.4 |
| Depreciation | 17.2 | 0.4 | 0.0 | 17.6 |
| Interest expense | 4.8 | 0.0 | 0.9 | 5.7 |
| Interest income | (7.5) | 0.0 | 0.0 | (7.5) |
| Other (income) expense | (2.6) | 0.0 | 0.0 | (2.6) |
| Total expense | \$268.7 | \$13.7 | \$14.0 | \$296.3 |
| Net income (loss) | \$6.0 | \$5.0 | (\$14.0) | (\$3.0) |

SPP, Inc. Income Statement 2024 Budget, 2024 Forecast, 2025 Budget

Table 22 – SPP, Inc. Income Statement 2024 Budget, 2024 Forecast, 2025 Budget

| | 2024 Budget SPP Inc. | 2024 Forecast SPP Inc. | 2025 Budget SPP Inc. |
|-------------------------------|-------------------------------------|---------------------------------------|-------------------------------------|
| Revenues | | | |
| Tariff administration service | \$192.2 | \$194.3 | \$204.0 |
| Fees & assessments | 28.4 | 30.6 | 37.5 |
| Contract services revenue | 20.2 | 25.4 | 18.8 |
| Other revenues | 28.5 | 26.9 | 33.1 |
| Total revenues | \$269.3 | \$277.2 | \$293.3 |
| Expense | | | |
| Salary & benefits | \$150.1 | \$153.6 | \$160.9 |
| Employee travel | 1.9 | \$2.2 | 2.2 |
| Administrative | 6.4 | \$6.3 | 7.4 |
| Assessments & fees | 28.0 | \$35.7 | 33.8 |
| Meetings | 1.4 | \$1.2 | 1.2 |
| Communications | 5.6 | \$4.9 | 5.4 |
| Leases | 0.3 | \$0.1 | 0.2 |
| Maintenance | 23.0 | \$22.6 | 26.2 |
| Services | 21.9 | \$22.6 | 26.3 |
| Services reimbursed | 19.1 | \$17.8 | 19.4 |
| Depreciation | 17.6 | \$17.7 | 17.6 |
| Interest expense | 5.8 | \$5.4 | 5.7 |
| Interest income | (8.7) | (\$9.0) | (7.5) |
| Other (income) expense | (2.2) | (\$1.4) | (2.5) |
| Total expense | \$270.2 | \$279.6 | \$296.3 |
| Net income (loss) | (\$1.0) | (\$2.4) | (\$3.0) |

RTO Income Statement 2024 Budget, 2024 Forecast, 2025 Budget

Table 23 – RTO Income Statement 2024 Budget, 2024 Forecast, 2025 Budget

| | 2024 Budget RTO | 2024 Forecast RTO | 2025 Budget RTO |
|-------------------------------|--------------------------------|----------------------------------|--------------------------------|
| Revenues | | | |
| Tariff administration service | \$192.2 | \$194.3 | \$204.0 |
| Fees & assessments | 28.4 | 30.6 | 37.5 |
| Contract services revenue | 0.1 | 0.1 | 0.1 |
| Other revenues | 28.5 | 26.9 | 33.1 |
| Total revenues | \$249.1 | \$251.9 | \$274.6 |
| Expense | | | |
| Salary & benefits | \$134.0 | \$136.7 | \$138.5 |
| Employee travel | 1.5 | 1.7 | 1.8 |
| Administrative | 6.3 | 6.1 | 7.3 |
| Assessments & fees | 28.0 | 35.7 | 33.8 |
| Meetings | 1.3 | 1.1 | 1.1 |
| Communications | 5.1 | 4.5 | 4.7 |
| Leases | 0.0 | 0.0 | 0.0 |
| Maintenance | 21.8 | 21.8 | 24.9 |
| Services | 19.9 | 20.3 | 25.0 |
| Services reimbursed | 19.1 | 17.8 | 19.4 |
| Depreciation | 17.2 | 17.2 | 17.2 |
| Interest expense | 5.4 | 5.1 | 4.8 |
| Interest income | (8.7) | (9.0) | (7.5) |
| Other (income) expense | (2.2) | (1.4) | (2.5) |
| Total expense | \$248.7 | \$257.7 | \$268.7 |
| Net income (loss) | \$0.4 | (\$5.8) | \$6.0 |

Appendix D: 2025 Schedule 1A Rates

Table 24 – 1A-1 Transmission service rate

| Schedule 1A-1 | 2024 | 2025 | Variance | Variance % |
|---------------------------------------|----------------|----------------|-----------------|-------------------|
| NRR Allocations (\$ millions) | \$111.64 | \$131.49 | \$19.85 | 17.8% |
| Billing Units (terawatt hours) | 418.8 | 425.5 | 6.7 | 1.6% |
| 1A-1 Transmission Service Rate | \$0.267 | \$0.309 | \$0.042 | 15.7% |

The Schedule 1-A1 service charge provides for the recovery of any costs incurred by SPP in providing reliability coordination, transmission scheduling, system control, and transmission planning. Rates are established annually utilizing a FERC approved formula rate template based upon the budget as approved by the SPP board of directors. The Schedule 1-A1 charge is the product of the rate and the transmission customer's billing determinants. For network integration transmission service, the billing determinants is based on the prior year average monthly coincident peak and for point- to- point transmission service, the billing determinants are the MW hours reserved.

Appendix D: 2025 Schedule 1A Rates

Table 26 – 1A-3 IM clearing rate

| Schedule 1A-3 | 2024 | 2025 | Variance | Variance % |
|--------------------------------|----------------|----------------|-----------------|-------------------|
| NRR allocations (\$ millions) | \$19.86 | \$25.88 | \$6.02 | 30.3% |
| Billing units (terawatt hours) | 647.4 | 668.1 | 20.7 | 3.2% |
| 1A-3 IM clearing rate | \$0.031 | \$0.039 | \$0.008 | 26.3% |

The Schedule 1-A3 service charge provides for the recovery of any costs incurred by SPP in providing Integrated Marketplace clearing administration services. Rates are established annually by a FERC approved formula rate template based upon the budget as approved by SPP's Board of Directors. The Schedule 1-A3 charge is the product of the rate and the market participant's billing determinants which consists of 1) all real-time energy injected into and withdrawn from the transmission system, 2) all import and export interchange transactions in real-time, and 3) all cleared virtual energy bids and offers

Table 27 – 1A-4 IM facilitation rate

| Schedule 1A-4 | 2024 | 2025 | Variance | Variance % |
|----------------------------------|----------------|----------------|------------------|-------------------|
| NRR allocations (\$ millions) | \$55.95 | \$40.86 | (15.09) | (27.0%) |
| Billing units (terawatt hours) | 576.7 | 592.4 | 15.7 | 2.7% |
| 1A-4 IM facilitation rate | \$0.097 | \$0.069 | (\$0.028) | (28.9%) |

The Schedule 1-A4 Service charge provides for the recovery of any costs incurred by the SPP in providing Integrated Marketplace facilitation administration services. Rates are established annually by a FERC approved formula rate template based upon the budget as approved by SPP's Board of Directors. The Schedule 1-A4 charge is the product of the rate and the market participant's billing determinants, which consists of 1) all real-time energy injected into and withdrawn from the transmission system and 2) all import and export interchange transactions in real-time.

Appendix D > 5-Year NRR and EAF

5-Year NRR, Billing Determinant, and EAF

Table 28 – 5-Year NRR, Billing Determinant, and EAF

| (\$ millions) Budget year | 2025 | 2026 | 2027 | 2028 | 2029 |
|------------------------------|---------|---------|---------|---------|---------|
| NRR (\$ millions) | \$204.0 | \$237.3 | \$243.7 | \$252.3 | \$261.1 |
| TWh Forecast | 425.5 | 474.6 | 497.9 | 509.9 | 521.6 |
| Effective Administration Fee | \$0.479 | \$0.500 | \$0.490 | \$0.495 | \$0.501 |

The increase in NRR and TWh in 2026 is associated with RTO expansion which is scheduled to begin in April 2026.

Appendix E: Net Revenue Requirement

Table 29 – Net Revenue Requirement 2024 Budget to 2025 Budget

| (\$ millions) | <u>2024</u> <u>Budget</u> | <u>2024</u> <u>Forecast</u> | <u>2025</u> <u>Budget</u> |
|---|------------------------------|--------------------------------|------------------------------|
| Gross revenue requirement | | | |
| Operating expenses | \$275.3 | \$284.6 | \$300.6 |
| Less contracts & expansion operating expenses | (21.1) | (21.7) | (26.7) |
| Total RTO operating expenses | \$254.3 | \$263.0 | \$273.9 |
| Less FERC assessment (Schedule 12) | (28.0) | (35.7) | (33.8) |
| Less depreciation (non-cash) | (17.2) | (17.2) | (17.2) |
| Less pass-through engineering study consulting expenses | (18.8) | (17.6) | (18.2) |
| Less retirement valuation adjustments (non-cash) | (1.6) | (2.8) | (2.3) |
| Adjusted operating expenses | \$188.6 | \$189.5 | \$202.3 |
| Plus RTO debt service & interest | 34.0 | 33.7 | 31.6 |
| Net contract services shared overhead & cost recovery | (5.3) | (9.8) | (4.8) |
| Gross revenue requirement | \$217.3 | \$213.5 | \$229.1 |
| Offsetting revenues & other adjustments | | | |
| Engineering studies | (\$8.3) | (\$8.0) | (\$11.0) |
| Other revenues | (10.8) | (9.6) | (11.0) |
| Capex equity allocation | 4.2 | 4.2 | 4.4 |
| Run-rate net revenue requirement | \$202.4 | \$200.1 | \$211.5 |
| Prior year (over) / under recovery | (10.3) | (13.2) | (7.4) |
| Net revenue requirement | \$192.2 | \$186.9 | \$204.0 |
| Tariff admin fee revenue | (192.2) | (194.3) | (204.0) |
| (Over) / under recovery | - | \$7.4 | - |



Appendix F: Capital expenditures

Table 30 – 2025 Capital expenditures aggregated project list

| | 2025 Approved Capex (\$ Millions) | Requested Amount | Total Approved Amount |
|----|---|---------------------|--------------------------|
| 1 | KTLO | 19.0 | 13.1 |
| 2 | Cyber Maturity | 5.2 | 3.8 |
| 3 | FERC 881 | 2.5 | 1.7 |
| 4 | Software Perpetual | 3.0 | 1.5 |
| 5 | FERC Order 2023 | 0.9 | 0.5 |
| 6 | Z2 Remand | 0.9 | 0.5 |
| 7 | Grid Unity | 1.2 | 0.4 |
| 8 | JTIQ | 0.1 | 0.1 |
| 9 | Tariff compliant with Attachment AE Section 7 | 0.3 | 0.1 |
| 10 | CIP-15 | 0.4 | 0.1 |
| 11 | CIP 13-10 | 0.1 | 0.1 |
| 12 | PSCAD License | 0.1 | 0.1 |
| 13 | CIP 6 | 0.3 | 0.1 |
| 14 | FAC-011 | 0.0 | 0.0 |
| 15 | Lyris Replacement | 0.2 | 0.0 |
| 16 | NERC Project 2021-6 | 0.1 | 0.0 |
| 17 | Topology Optimization | 0.1 | 0.0 |
| | Total | \$ 34.1 | \$ 22.1 |

Capital Project Summary:

1. KTLO - Multiple systems and tools necessary to maintain existing services and complete corporate goals
2. Cybersecurity maturity - Multiple systems and tools necessary to mature SPP's cybersecurity program in accordance with external maturity assessment and the Oversight Committee expectations
3. FERC 881 - Completes development and installation of systems necessary to be able to utilize ambient adjusted ratings to be compliant with FERC Order 881
4. Software Perpetual - Perpetual software licenses to support required initiatives and system enhancements
5. FERC Order 2023 - Implements changes to systems, processes, and procedures necessary to be compliant with FERC Order 2023
6. Z2 Remand - The resolution of litigation surrounding Z2 resettlements will necessitate settlement system changes to facilitate final resettlements.
7. Grid Unity - Implements improvements to processing of GI requests to speed up cluster studies and ensure compliance with timing aspects of FERC Order 2023
8. JTIQ - SPP has filed at FERC tariff language necessary to implement JTIQ and has received DOE grant money to help offset some of the expenses
9. Tariff compliant with Attachment AE Section 7 - Required to be compliant with changes to Attachment AE in accordance with HITT M1 initiatives
10. CIP-15 - Identify, design and implement tools, processes and procedures to comply with CIP-015 - Internal Network Security Monitoring (INSM) For Consulting and Initial Design
11. CIP 13-10 - For third party risk assessments and software integrity and authenticity services. Required for NERC/CIP compliance.
12. PSCAD License - The PSCAD license and hardware are required to verify the HVDC simulation results conducted by HVDC developers and consultants. This license will help the Planning Policy and Transmission Planning teams prepare for the 2025-2026 mandate in preparation for NERC's future requirement for PSCAD work under TPL-001 SAR.
13. CIP 6 - Initial identification and categorization of BES Cyber Systems that requires a minimum level of organizational, operational, and procedural controls to mitigate risk to BES Cyber Systems
14. FAC-011 - Changes to NERC FAC-011 require new tools to be able to properly evaluate stability limitations.
15. Lyris Replacement - SPP currently uses a tool called Lyris, owned by Aurea, to administer exploder lists. Our three-year agreement with Aurea is up in late 2025, and we've experienced significant performance issues and limitations with Lyris over the last 12-18 months, including delayed delivery of messages, failure to sync with other systems, lack of reporting and analytics, and limited features that are now standard with most email marketing tools.
16. NERC Project 2021-6 - Requires implementation of two new standard versions: IRO-010-5 & TOP-003-6.1. These standards impact the data specification document for the SPP RC and BA functions and require a new performance criterion for availability and accuracy for each data set requested. Any modifications to this data specification could potentially have CIP-012 implications as well.
17. Topology Optimization - System enhancements and tools are needed to better identify topology optimization options for use in real-time reliability operating conditions

Appendix F: Capital expenditures >

2025-2027 Capital Spend

Table 31 – 2025-2027 Capital Spend

| (\$ millions) | 2024 Budget | 2025 Budget | 2026 Forecast | 2027 Forecast | Total Capital |
|---|----------------|----------------|------------------|------------------|------------------|
| Capital Projects | | | | | |
| Carryover & Multi-Year Projects | | | | | |
| IAM Deployment & Integration | \$1.1 | \$1.8 | \$- | \$- | \$2.9 |
| FERC Order 881 | 2.3 | 1.5 | - | - | 3.8 |
| Z2 FERC Remand Order | - | 0.5 | - | - | 0.5 |
| SCRIPT | 0.6 | 0.3 | - | - | 0.9 |
| Electric Storage Resources | 0.2 | - | - | - | 0.2 |
| HITT M1 Congestion Hedging | 1.3 | - | - | - | 1.3 |
| MVP1-Smart Q Data Automation | 0.0 | - | - | - | 0.0 |
| IM MUI Replacement | 0.6 | - | - | - | 0.6 |
| New Projects | | | | | |
| Asset Management Program - Dev & Implement (renaming to ITSM Project) | - | 2.5 | - | - | 2.5 |
| GridUnity SaaS Generator Interconnection | - | 0.4 | - | - | 0.4 |
| Data Center Infrastructure Mgmt (DCIM) | - | 0.3 | - | - | 0.3 |
| Enterprise Resource Planning | - | 0.2 | - | - | 0.2 |
| CIP-15 Internal Network Security Monitoring | - | 0.1 | 4.0 | - | 4.1 |
| Centrify Replacement | - | 0.1 | - | - | 0.1 |
| CyberArk replacement | - | 0.1 | - | - | 0.1 |
| MODC Control Room Remodel | - | - | 2.7 | - | 2.7 |
| EMS/CMT Update 2027 | - | - | 2.5 | 1.5 | 4.0 |
| Update Auditorium AV Capabilities | - | - | 0.9 | - | 0.9 |
| MVP 4 | - | - | 0.5 | - | 0.5 |
| SIR73 Topology Optimization for Economics | - | - | 0.3 | - | 0.3 |
| ICCP Upgrade 2027 | - | - | 0.2 | 0.1 | 0.3 |
| ICCP Phase 2 | - | - | 0.0 | - | 0.0 |
| Deferred Projects | | | | | |
| GridUnity SaaS Generator Interconnection | - | - | 0.6 | - | 0.6 |
| PROMOD Replacement | - | - | 0.3 | - | 0.3 |
| Containerization Security | - | - | 0.3 | - | 0.3 |
| FERC Order 2023 | - | - | 0.3 | - | 0.3 |
| SATOA Activities | - | - | 0.1 | - | 0.1 |
| Tieline Checkout Tool | - | - | 0.0 | - | 0.0 |
| Mid-term load forecast replacement tool | - | - | 0.1 | - | 0.1 |
| NERC Project 2021-06 | - | - | 0.1 | - | 0.1 |
| Total Project Capital | \$6.0 | \$7.7 | \$12.7 | \$1.6 | \$28.1 |
| Foundation | | | | | |
| Information Technology | \$8.3 | \$5.3 | \$7.4 | \$7.2 | \$28.2 |
| Cybersecurity | - | 3.3 | 3.3 | 3.4 | 10.0 |
| Operations | 0.6 | 0.3 | 0.8 | 0.8 | 2.5 |
| Market | 2.6 | 2.4 | 2.5 | 2.6 | 10.1 |
| Engineering | 0.1 | 1.2 | 0.7 | 0.3 | 2.2 |
| Facilities | 3.6 | 1.9 | 2.9 | 2.0 | 10.4 |
| Deferred Foundation | - | - | 3.6 | - | 3.6 |
| Total Foundation | \$15.2 | \$14.4 | \$21.2 | \$16.2 | \$66.9 |
| 2025-2027 Total Capital Budget | \$21.2 | \$22.1 | \$33.9 | \$17.8 | \$95.0 |

Appendix F: Capital expenditures >

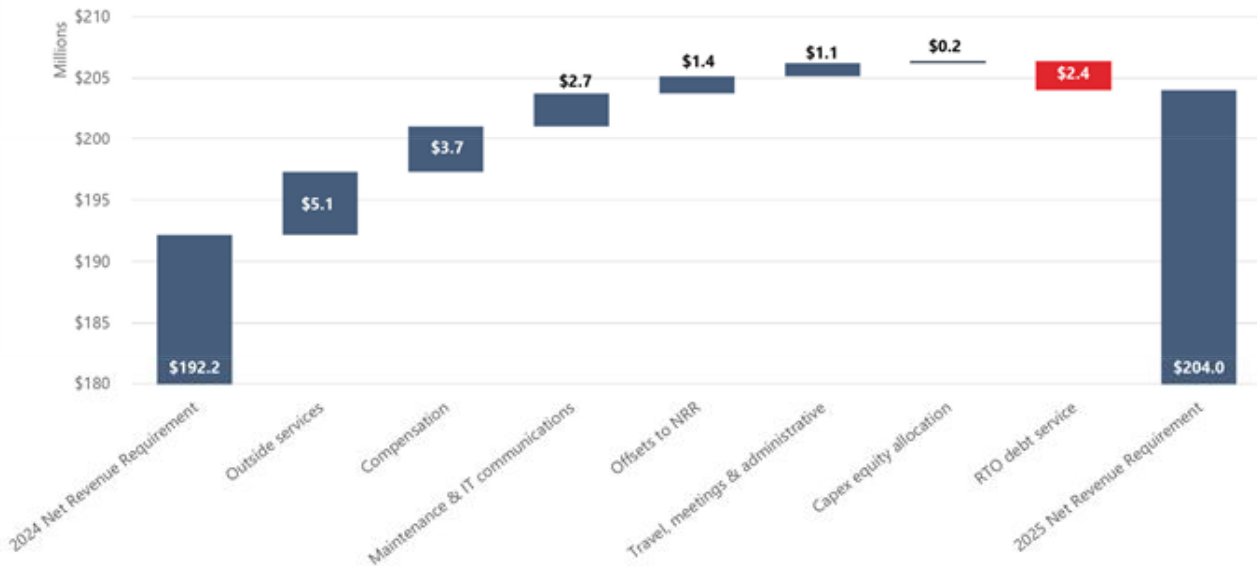
2025-2027 Capital Spend

Table 32 – 2025-2027 Capital Budget Deferred and Excluded

| (\$ millions) | Engineering | External Affairs | Facilities | Finance | Markets | Operations | Cybersecurity | Information Technology | Total |
|--------------------------|--------------|------------------|--------------|--------------|--------------|--------------|---------------|------------------------|---------------|
| Requested Capital Amount | \$4.6 | \$0.7 | \$3.3 | \$1.3 | \$3.0 | \$2.8 | \$10.9 | \$7.6 | \$34.1 |
| Deferred | (1.9) | (0.1) | (1.1) | 0.0 | (0.1) | (0.2) | (1.7) | (0.2) | (5.2) |
| Excluded | (0.9) | (0.6) | 0.0 | (0.7) | (0.5) | (0.7) | (1.6) | (1.9) | (6.8) |
| Approved Capital Amount | \$1.9 | \$- | \$2.2 | \$0.7 | \$2.4 | \$1.8 | \$7.7 | \$5.5 | \$22.1 |

Waterfall 2024 Budget to 2025 Budget

Figure 20 – 2024 Budget to 2025 waterfall

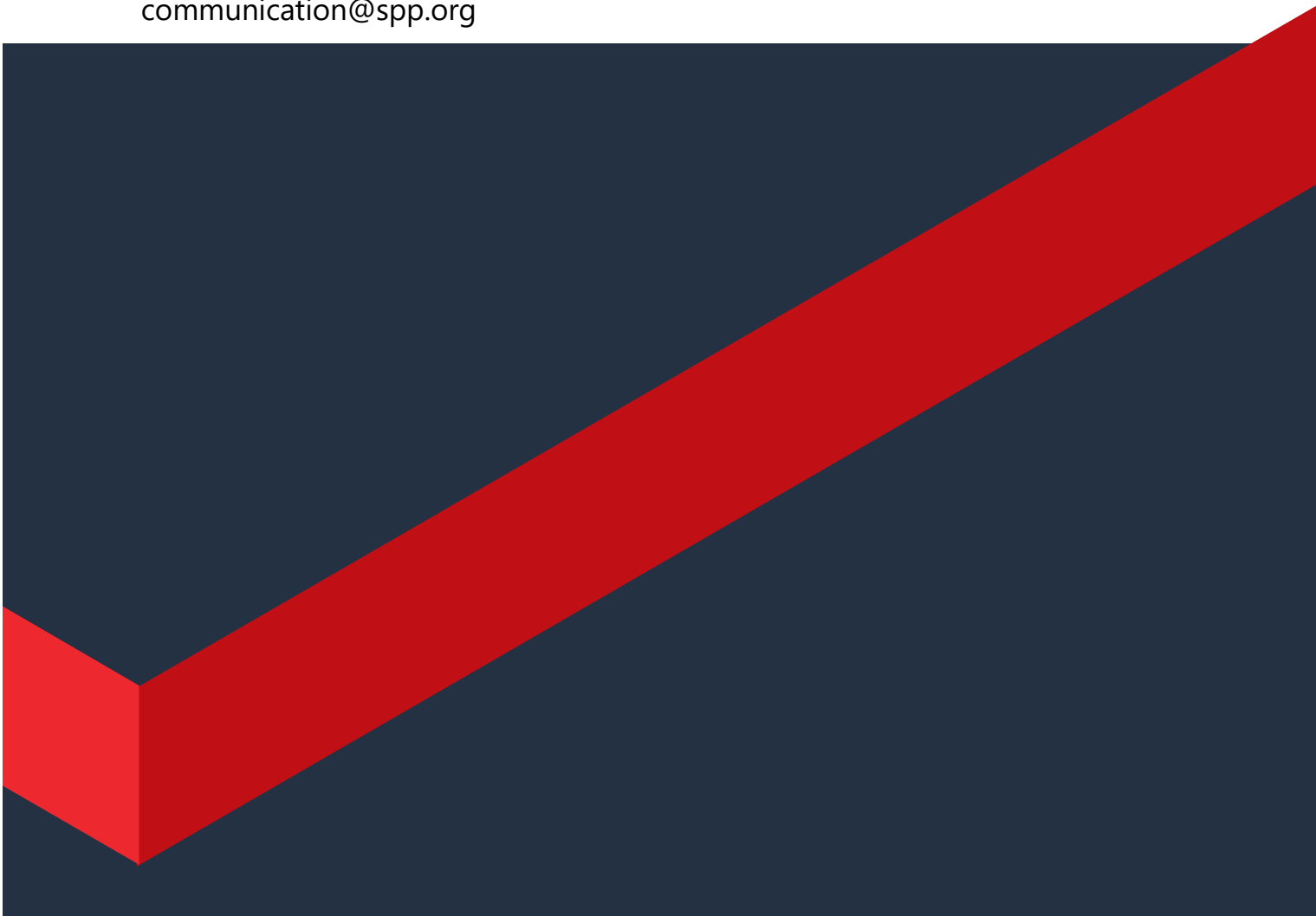




SPP

201 Worthen Drive
Little Rock, AR 72223

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OUR APPROACH TO THE BUDGET IN 2025

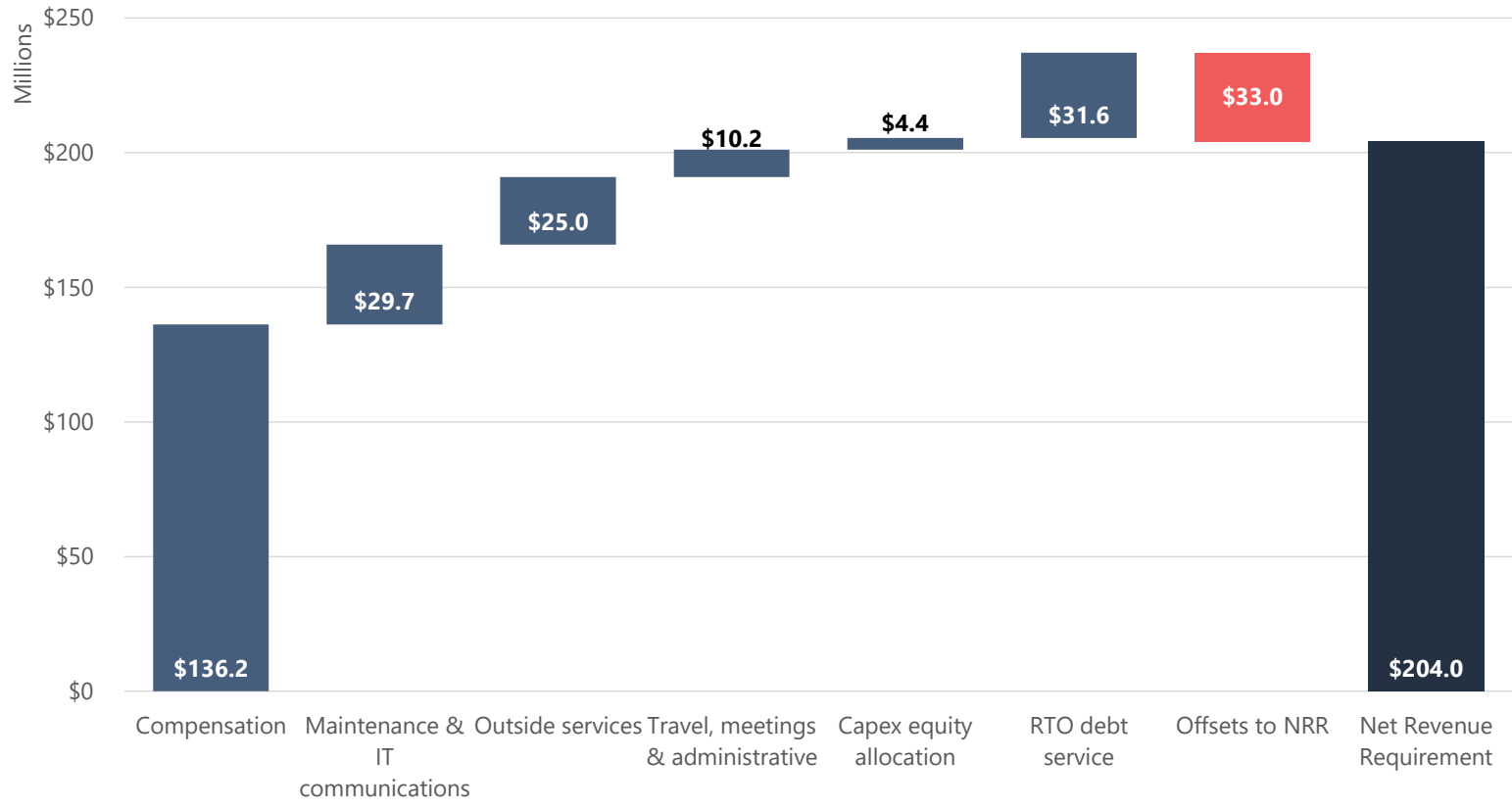
Finish what we've started

- Final stages of ASPIRE 2026
- Complete the strategic initiatives we've begun in recent years
- Build toward 2026 success
- Limit new initiatives to those that are critical for reliability and compliance

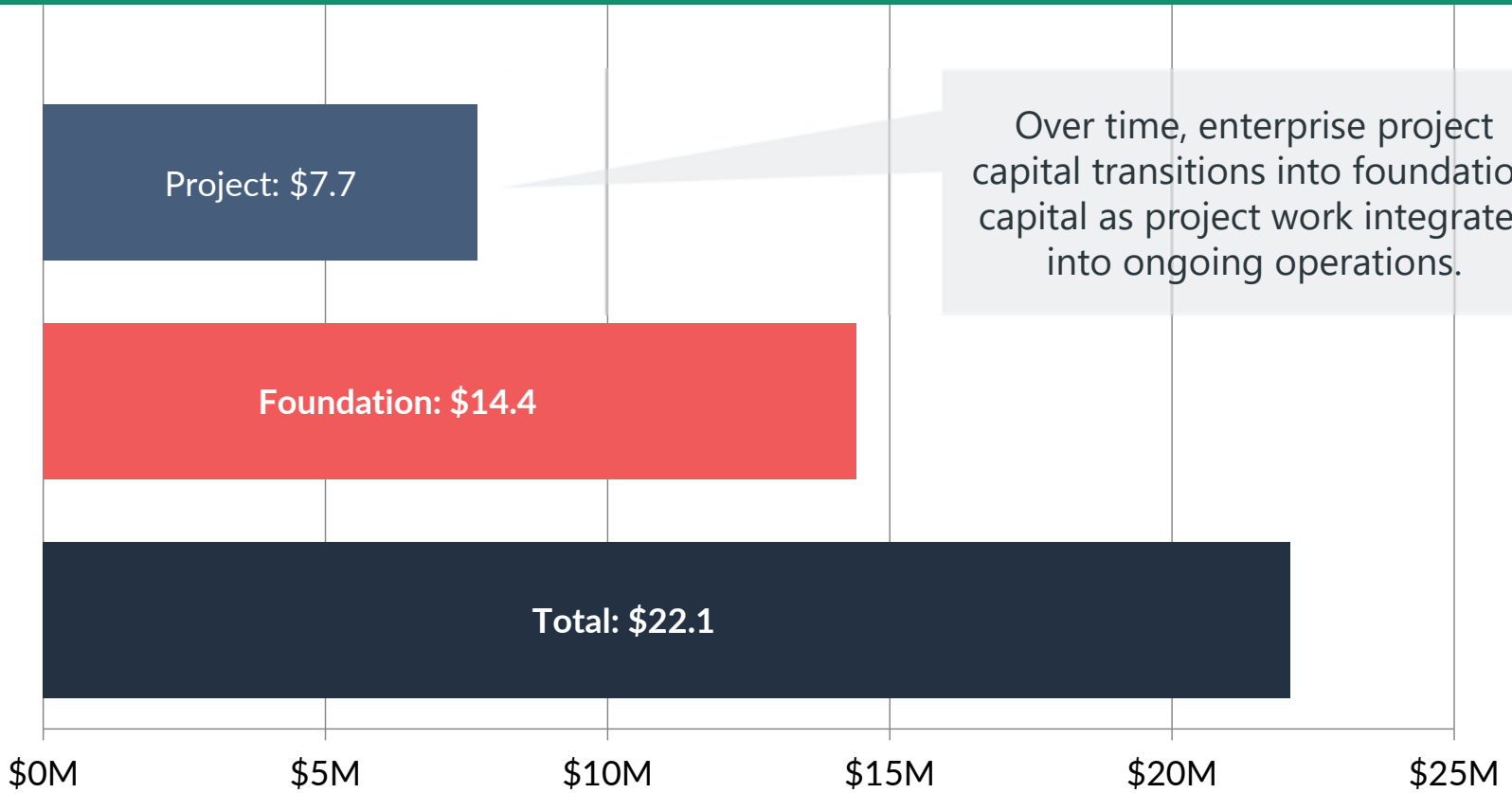
by optimizing what we have.

- Increase capacity of existing and developing resources
- Augment with external support where needed
- Relieve strain on resources by finding efficiencies and process improvements

NRR KEY DRIVERS



CAPITAL EXPENSES BY CATEGORY



2025 BUDGET: STAFF RECOMMENDATION

The Finance Committee recommends that the SPP Board of Directors approve the 2025 operating budget, which includes total expenses of \$296.3 million and a Net Revenue Requirement (NRR) of \$204.0 million, as well as the 2025 capital budget with an allocation of \$22.1 million.

APPENDIX

BUDGET DOCUMENT REVISIONS

1. 2025 – 2027 Future year capital spend (appendix)
2. 2025 – 2027 Capital spend deferred and excluded (appendix)
3. Waterfall, 2024 budget to 2025 budget (appendix)
4. 5-year NRR, billing determinate, and effective administrative fee table (appendix)
5. SPP, Inc. income statement 2024 Budget, 2024 Forecast, 2025 Budget (appendix)
6. RTO income statement 2024 Budget, 2024 Forecast, 2025 Budget (appendix)
7. Finalized rates for Schedules 1A-1, 1A-2, 1A-3, and 1A-4
8. Various non-substantive grammatical and formatting

SLIDE DECK REVISIONS

1. Adjusted RTO operating expenses walk to gross revenue requirement (slide 70)
2. Capital budget reduction vs. excluded
 - Reduced capital amount by type and division (slide 54)
 - Deferred and excluded capital amount by division (slide 55)
 - Requested vs approved capital amount by type (slide 56)
3. Finalized rates for Schedules 1A-1, 1A-2, 1A-3, and 1A-4
4. Various non-substantive grammatical and formatting

2025 BUDGET: STAFF RECOMMENDATION, NET EXPENSES

| Operating expenses (\$ millions) | SPP, Inc. |
|--|----------------|
| Compensation | \$160.9 |
| Outside services | 45.7 |
| Assessment & fees | 33.8 |
| Maintenance, communications and leases | 31.7 |
| Depreciation | 17.6 |
| Travel, meetings and administrative | 10.7 |
| Interest expense | 5.7 |
| Operating expenses | \$300.6 |
| Interest expense | 5.7 |
| Interest income | (7.5) |
| Other (income) expense | (2.5) |
| Total net expenses per recommendation | \$296.3 |

OPERATING EXPENSES TO GRR

| \$ millions | 2024 Budget | 2025 Budget | Variance \$ | Variance % |
|---|----------------|----------------|---------------|-------------|
| Operating expenses: SPP, Inc. | \$275.3 | \$300.6 | \$25.3 | 9% |
| Less contracts & expansion operating expenses | (21.1) | (26.7) | (5.7) | 27% |
| Total RTO operating expenses | \$254.3 | \$273.9 | \$19.6 | 8% |
| Less FERC assessment (Schedule 12) | (28.0) | (33.8) | (5.8) | 20.6% |
| Less depreciation (non-cash) | (17.2) | (17.2) | - | 0.0% |
| Less pass-through engineering study consulting expenses | (18.8) | (18.2) | 0.6 | (3.1%) |
| Less retirement valuation adjustments (non-cash) | (1.6) | (2.3) | (0.8) | 47.5% |
| Adjusted RTO operating expenses | \$188.6 | \$202.3 | \$13.7 | 7.2% |
| <i>Plus: RTO debt service</i> | 34.0 | 31.6 | 2.4 | 7.0% |
| <i>Plus: Net contract service and expansion impact</i> | (5.3) | (4.8) | 0.5 | (9.1%) |
| GRR | \$217.3 | \$229.1 | \$11.8 | 5.4% |

GRR, RUN-RATE & NRR

| (\$ millions) | 2024 Budget | 2025 Budget | Variance \$ | Variance % |
|---|----------------|----------------|---------------|-------------|
| GRR | \$217.3 | \$229.1 | \$11.8 | 5.4% |
| Engineering studies (staff) | (8.3) | (9.0) | (0.7) | 8.3% |
| Other revenues | (10.8) | (13.0) | (2.2) | 20.6% |
| Capex equity allocation | 4.2 | 4.4 | 0.2 | 4.1% |
| Run-rate net revenue requirement | \$202.4 | \$211.5 | \$9.0 | 4.5% |
| Prior year (over) / under recovery | (10.3) | (7.4) | 2.9 | (27.8%) |
| Net revenue requirement | \$192.2 | \$204.0 | \$11.9 | 6.2% |



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

RECOMMENDATION TO THE BOARD OF DIRECTORS

October 10, 2024
2025 Budget

ORGANIZATIONAL ROSTER

The following persons are members of the Finance Committee:

| | |
|-----------------|------------------------------------|
| Stuart Solomon | SPP Director |
| Susan Certoma | SPP Director |
| Elizabeth Moore | SPP Director |
| Mike Wise | Golden Spread Electric Coop |
| Brad Cochran | Oklahoma Gas & Electric |
| Laura Kapustka | Nebraska Public Power District |
| Matt Pawlowski | NextEra |
| Al Tamimi | Sunflower Electric |
| Emily Koenig | Lincoln Electric System |
| Dianne Branch | SPP Controller and Staff Secretary |

BACKGROUND

Section 6.5 of the SPP Bylaws identifies the establishment of annual and long-term budgets as a primary duty of the Finance Committee.

ANALYSIS

SPP's management proposed a 2025 budget to include expenditures as follows:

| | <u>\$millions</u> |
|----------------------------|-------------------|
| Total Expenses | \$296.3 |
| Net Revenue Requirement | \$204.0 |
| Debt Service | \$31.6 |
| Capital Allocation | \$22.1 |
| 2024 Over/(Under) Recovery | \$7.4 |



The Board of Directors approved SPP's 2025 Operating Plan in August, outlining key initiatives and strategic priorities for the year ahead. The 2025 budget has been developed in alignment with this plan to support the execution of its objectives while maintaining affordability for SPP's members and customers.

RECOMMENDATION

The Finance Committee recommends that the SPP Board of Directors approve the 2025 operating budget, which includes total expenses of \$296.3 million and a Net Revenue Requirement (NRR) of \$204.0 million, as well as the 2025 capital budget allocation of \$22.1 million.

Action Requested: Approve Recommendation

Finance Committee Assessment - August 2023 to September 2024

Finance Committee

| Meeting Date(s) | 9/28/2023 | 10/19/2023 | 1/18/2024 | 4/11/2024 | 6/18/2024 | 7/18/2024 FC and Joint FC/SPC | 9/26/2024 |
|------------------------------|-----------|------------|-----------|-----------|-----------|-------------------------------------|-----------|
| Meeting Length (hrs) | 4 | 2 | 3 | 3 | 2 | 4 | 4 |
| Number of Votes Taken | 0 | 2 | 1 | 3 | 0 | 5 | 0 |
| Overall Attendance | 29 | 34 | 36 | 39 | 23 | 62 | 43 |
| Meeting Format | In-Person | Virtual | Virtual | Virtual | Virtual | In-Person | In-Person |

| Name | Company | 9/28/2023 | 10/19/2023 | 1/18/2024 | 4/11/2024 | 6/18/2024 | 7/18/2024 FC and Joint FC/SPC | 9/26/2024 |
|------------------------------|---|------------|------------|------------|------------|------------|-------------------------------------|------------|
| Branch, Dianne | Staff Secretary (2024), Asst. Staff Secretary | In-Person | Virtual | Virtual | Virtual | Virtual | In-Person | In-Person |
| Certoma, Susan (VC 4/24) | Southwest Power Pool | In-Person | Virtual | Virtual | Virtual | Virtual | In-Person | Absent |
| Sterzing, Deb | Staff Secretary (2023) | In-Person | Virtual | Virtual | Non-Member | Non-Member | Non-Member | Non-Member |
| Hepper, Ray (2023) | Southwest Power Pool | In-Person | Virtual | Non-Member | Non-Member | Non-Member | Non-Member | Non-Member |
| Moore, Liz | Southwest Power Pool | Non-Member | Non-Member | Virtual | Virtual | Virtual | In-Person | Virtual |
| Solomon, Stuart (Chair 2024) | Southwest Power Pool | Non-Member | Non-Member | Virtual | Virtual | Virtual | In-Person | In-Person |
| Cochran, Brad | Oklahoma Gas & Electric | In-Person | Virtual | Virtual | Virtual | Virtual | In-Person | In-Person |
| Koenig, Emily | Lincoln Electric System | In-Person | Virtual | Virtual | Virtual | Virtual | Virtual | In-Person |
| Pawlowski, Matt | NextEra Energy Resources | In-Person | Virtual | Absent | Absent | Virtual | Proxy | Proxy |
| Tamimi, Al | Sunflower Electric Power Corporation | Proxy | Virtual | Virtual | Virtual | Virtual | In-Person | Proxy |
| Wise, Mike | Golden Spread Electric Corporation | In-Person | Virtual | Virtual | Virtual | Virtual | In-Person | Virtual |
| Kapustka, Laura | Nebraska Public Power District | In-Person | Virtual | Virtual | Absent | Virtual | Virtual | In-Person |
| Trowbridge, Ben (Chair 2023) | Southwest Power Pool | In-Person | Virtual | Non-Member | Non-Member | Non-Member | Non-Member | Non-Member |

Finance Committee

August 2023 - September 2024

| Name | Company | Is Current Member? | Member Type | Sector |
|------------------------------|--|--------------------|-------------|---------------------------------------|
| Branch, Dianne | Staff Secretary (2024), Asst. Staff Secret | Yes | Staff | RTO |
| Certoma, Susan (VC 4/24) | Southwest Power Pool | Yes | Director | RTO |
| Sterzing, Deb | Staff Secretary (2023) | No | Staff | RTO |
| Hepper, Ray (2023) | Southwest Power Pool | No | Director | RTO |
| Moore, Liz | Southwest Power Pool | Yes | Director | RTO |
| Solomon, Stuart (Chair 2024) | Southwest Power Pool | Yes | Director | RTO |
| Cochran, Brad | Oklahoma Gas & Electric | Yes | TO | Investor Owned Utility |
| Koenig, Emily | Lincoln Electric System | Yes | TU | Municipal |
| Pawlowski, Matt | NextEra Energy Resources | Yes | TU | Independent Power Producer / Marketer |
| Tamimi, Al | Sunflower Electric Power Corporation | Yes | TO | Cooperative |
| Wise, Mike | Golden Spread Electric Corporation | Yes | TU | Cooperative |
| Kapustka, Laura | Nebraska Public Power District | Yes | TO | State |
| Trowbridge, Ben (Chair 2023) | Southwest Power Pool | No | Director | RTO |
| | 0 | 0 | | |
| | 0 | 0 | | |
| | 0 | 0 | | |
| | 0 | 0 | | |
| | 0 | 0 | | |
| | 0 | 0 | | |
| | 0 | 0 | | |

| Present | Proxy | Absent | Percent Present |
|---------|-------|--------|-----------------|
| 7 | 0 | 0 | 100% |
| 6 | 0 | 1 | 86% |
| 3 | 0 | 0 | 100% |
| 2 | 0 | 0 | 100% |
| 5 | 0 | 0 | 100% |
| 5 | 0 | 0 | 100% |
| 7 | 0 | 0 | 100% |
| 7 | 0 | 0 | 100% |
| 3 | 2 | 2 | 71% |
| 5 | 2 | 0 | 100% |
| 7 | 0 | 0 | 100% |
| 6 | 0 | 1 | 86% |
| 2 | 0 | 0 | 100% |
| 0 | 0 | 0 | N/A |
| 0 | 0 | 0 | N/A |
| 0 | 0 | 0 | N/A |
| 0 | 0 | 0 | N/A |
| 0 | 0 | 0 | N/A |
| 0 | 0 | 0 | N/A |
| 0 | 0 | 0 | N/A |

| Annual Assessment Totals | |
|---------------------------------------|----|
| Average Length of Meetings (hrs) | 3 |
| Number of Votes Taken | 11 |
| Average Overall Attendance | 38 |
| Total Meetings this Assessment | 7 |
| Live | 3 |
| Teleconference | 4 |
| Scope Reviewed | Y |
| Transmission Owner(s) | 3 |
| Transmission User(s) | 3 |
| Director(s) | 3 |
| Investor Owned Utility | 1 |
| Cooperative | 2 |
| Municipal | 1 |
| State | 1 |
| Federal | 0 |
| Independent Power Producer / Marketer | 1 |
| Independent Transmission Company | 0 |
| Large Retail | 0 |
| Alt Power / Public Interest | 0 |
| Small Retail | 0 |

Finance Committee

| | | |
|------------------------|--------------------|---|
| Meeting Cost(s) | \$ 4,482.58 | pending final invoicing from 9/26 meeting |
|------------------------|--------------------|---|

MAJOR INITIATIVES ADDRESSED BY THE GROUP

- 1 Completed comprehensive review and update of the scope document (pending BOD approval)
- 2 Approval of Market's Plus Phase 2 budget and approval for SPP staff to secure financing up to \$150.0 million.
- 3 Approval of Schedule 1-A tariff rate cap increase to \$0.515/MWh

MAJOR PENDING INITIATIVES BEFORE THE GROUP

- 1 Approval of 2025 Operating and Capital Budgets

2

3

UPCOMING MEETING

January 16, 2025 – Virtual
1-5 PM

AGENDA ITEMS

- 2025 Work Plan and Priorities Discussion
- **Actuarial Assumptions (Approval Required)**
- Corporate Insurance Review (consider combining with April renewal update)
- Committee Scope Review
- Stakeholder Effectiveness Survey Results

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

| Schedule |
|---|
| <p>Thursday, October 10, 2024 8AM-Noon Virtual Agenda Items:</p> <ul style="list-style-type: none"> • 2025 Budget - Final Review and Approval (Approval Required) • Pre-Audit Meeting w/ Financial Auditors • Enterprise Procurement Overview and Strategy |
| <p>Thursday, January 16, 2025 1-5PM Virtual Agenda Items:</p> <ul style="list-style-type: none"> • 2025 Work Plan and Priorities Discussion • Actuarial Assumptions (Approval Required) • Corporate Insurance Review (consider combining with April renewal update) • Committee Scope Review • Stakeholder Effectiveness Survey |
| <p>Thursday, April 10, 2025 8AM-Noon Virtual Agenda Items:</p> <ul style="list-style-type: none"> • 2024 Annual Audit Presentation (Approval Required) • Retirement and Post Retiree Health Valuation Presentation • Retirement Plan Funding Recommendations (Approval Required) • Corporate Insurance Renewal Update (consider combining with January insurance review) |
| <p>Thursday, July 17, 2025 1PM-5PM Virtual Agenda Items:</p> <ul style="list-style-type: none"> • Joint Session with SPC- Operating Plan Review (1st Hour) (Acceptance Requested) • Mid-Year Financial Review • Business Process Improvement Update • Budget Update |
| <p>Thursday, September 25, 2025 (**SPECIAL MEETING**) 8AM-3PM TBD Agenda Items 2026 Detailed Budget Review</p> |

MONTHLY FINANCIAL REPORTING PACKAGE

August 2024

Prepared by SPP FP&A and Accounting Departments



Executive Summary - Financial Reporting Package As of August 31, 2024

The August 2024 Financial Package for Southwest Power Pool (SPP) provides an overview of financial performance in comparison to the 2024 budget. Full year forecast information represents year to date actual results through August 31, 2024, with updated projections for the remainder of the year based on the best available information.

In comparison to the 2024 budget, forecasted operating revenues remain favorable (\$13.4 million) while operating expenses remain unfavorable (\$8.8 million). Overall, forecasted net income is favorable to budget (\$4.7 million).

Revenue Overview (\$13.4 million favorable):

- Tariff Administrative Services (\$3.8 million favorable) – The favorable variance is driven largely by the higher billing determinants for the market-based rate schedules.
- Fees and Assessments (\$6.6 million favorable) – Forecast has been updated to reflect updated billing assumptions. The variance to budget has no impact to NRR as the FERC assessment is recovered under Schedule 12.
- Contract Services (\$5.1 million favorable) - The 2024 budget did not consider revenues associated with post-phase 1 activity for Markets+.

Expense Overview (\$8.8 million unfavorable):

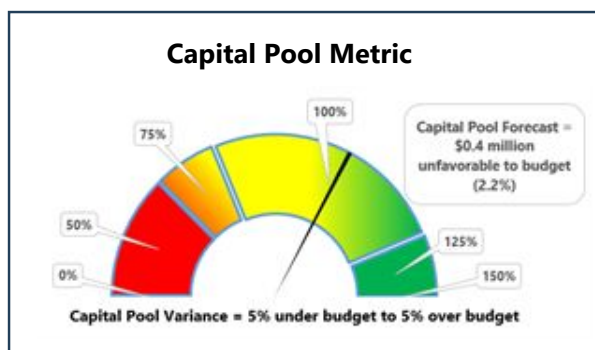
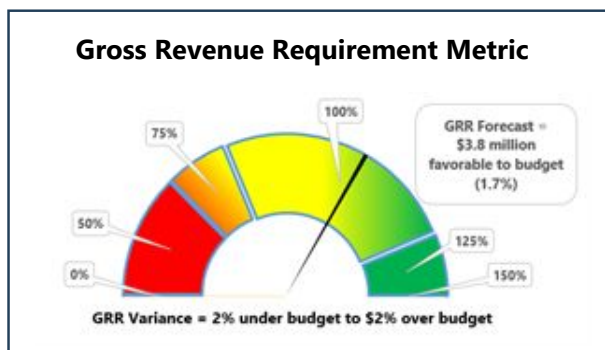
- Salary and Benefits (\$3.8 million unfavorable) – \$2.9 million of the unfavorable variance is driven primarily by an increase in base salaries related to accelerated hiring for RTO Expansion and unbudgeted headcount additions. Additionally, \$0.98 million of the unfavorable variance is driven by a non-cash adjustment to pension service cost based on the most recent actuarial valuation report.
- Assessments and Fees (\$7.6 million unfavorable) – This variance is driven by the FERC Assessment invoice received in June, which was higher than anticipated, requiring a true-up of our prior year accrual and an update to our current year accrual, resulting in the unfavorable variance to budget.
- Services Reimbursed (\$1.9 million favorable) – Variance is the result of forecasted lower usage of external resources for engineering studies. Offset in revenues results in no impact to NRR.
- IT Communications (\$0.7 million favorable) – Variance is the result of a tax rate correction that resulted in a true-up and lower rate charged in 2024. Budget was based on 2023 run rate using incorrect, higher rate.

Gross Revenue Requirement (GRR), Net Revenue Requirement (NRR) and Cost Recovery:

- Post-phase1 Markets+ unbudgeted revenues and expenses drive the majority of the (\$3.8 million) favorable GRR variance to budget. Various expense items contribute \$0.8 million unfavorable variance.
- Items Impacting NRR:
 - Other revenues, unfavorable \$1.1 million, largely driven by lower interest earnings from auction revenue funds due to less activity than was assumed in the budget.
 - Cost recovery for 2023, favorable \$2.9 million.
- The favorable variance from Schedule 1-A revenues (\$3.8 million) brings the projected cost over recovery to \$9.1 million as of August 31, 2024.



Cost Recovery and Other Metrics As of August 31, 2024



GRR / NRR Summary

RTO operating expenses excluding FERC fees & depreciation
 LESS Engineering pass-through expenses
 LESS Pension & other adjustments
 PLUS Debt service & interest
 NET Contract services adjustments ⁽¹⁾

Gross Revenue Requirement

Other revenues (interest income & other miscellaneous)
 Engineering studies staff-time
 Capital expenditure reserve

Run-Rate Net Revenue Requirement

Prior year (over)/under recovery

Net Revenue Requirement

Tariff admin fee revenue

Over / (Under) Cost Recovery

1) Net Impact of contracts & expansion

RC West & WEIS shared overhead
 WRAP net revenue & expense
 Markets+ net revenue & expense
 RTO Expansion (zero NRR impact, funded by debt)
 Contract services (WIUFMP, misc other)

Net GRR Impact of contracts & expansion

| | (\$ millions) | | |
|---|-----------------|---------------|--------------------|
| | Forecast | Budget | Fav/(Unfav) |
| RTO operating expenses excluding FERC fees & depreciation | \$209.7 | \$209.0 | (\$0.7) |
| LESS Engineering pass-through expenses | (17.1) | (18.8) | (1.8) |
| LESS Pension & other adjustments | (3.0) | (1.6) | 1.4 |
| PLUS Debt service & interest | 33.7 | 34.0 | 0.2 |
| NET Contract services adjustments ⁽¹⁾ | (9.9) | (5.3) | 4.6 |
| Gross Revenue Requirement | 213.5 | 217.3 | 3.8 |
| Other revenues (interest income & other miscellaneous) | (9.6) | (10.8) | (1.1) |
| Engineering studies staff-time | (8.1) | (8.3) | (0.3) |
| Capital expenditure reserve | 4.2 | 4.2 | - |
| Run-Rate Net Revenue Requirement | 200.0 | 202.4 | 2.4 |
| Prior year (over)/under recovery | (13.2) | (10.3) | 2.9 |
| Net Revenue Requirement | 186.9 | 192.2 | 5.3 |
| Tariff admin fee revenue | (196.0) | (192.2) | 3.8 |
| Over / (Under) Cost Recovery | \$9.1 | \$0.0 | \$9.1 |

| | | | |
|--|----------------|----------------|--------------|
| RC West & WEIS shared overhead | (\$2.1) | (\$2.1) | \$0.0 |
| WRAP net revenue & expense | (2.1) | (1.8) | 0.3 |
| Markets+ net revenue & expense | (5.5) | (1.2) | 4.3 |
| RTO Expansion (zero NRR impact, funded by debt) | - | - | - |
| Contract services (WIUFMP, misc other) | (0.2) | (0.2) | (0.0) |
| Net GRR Impact of contracts & expansion | (\$9.9) | (\$5.3) | \$4.6 |



Income Statement by Line of Business

As of August 31, 2024

(in thousands)

| | SPP RTO | | | Contract Services & Expansion | | | Total SPP | | |
|---------------------------------------|----------------|----------------|----------------|-------------------------------|------------------|----------------|----------------|----------------|----------------|
| | 2024 FY | 2024 FY | Variance | 2024 FY | 2024 FY | Variance | 2024 FY | 2024 FY | Variance |
| | Forecast | Budget | Fav/(Unfav) | Forecast | Budget | Fav/(Unfav) | Forecast | Budget | Fav/(Unfav) |
| Summary of Operating Revenues | | | | | | | | | |
| Tariff Administrative Service | \$195,956 | \$192,154 | \$3,803 | (\$) | - | (\$) | \$195,956 | \$192,154 | \$3,802 |
| Fees & Assessments | 35,036 | 28,400 | 6,636 | - | - | - | 35,036 | 28,400 | 6,636 |
| Contract Services Revenue | 68 | 68 | (0) | 25,304 | 20,153 | 5,151 | 25,372 | 20,221 | 5,151 |
| Engineering Studies Revenue Staff | 8,070 | 8,327 | (258) | - | - | - | 8,070 | 8,327 | (258) |
| Engineering Studies Revenue Pass-Thru | 17,055 | 18,821 | (1,766) | - | - | - | 17,055 | 18,821 | (1,766) |
| Other Revenues | 1,241 | 1,359 | (117) | 1 | - | 1 | 1,242 | 1,359 | (117) |
| Total Operating Revenues | 257,426 | 249,129 | 8,297 | 25,304 | 20,153 | 5,151 | 282,730 | 269,282 | 13,449 |
| Summary of Operating Expenses | | | | | | | | | |
| Salary & Benefits | \$136,912 | \$134,029 | (\$2,883) | \$16,936 | \$16,046 | (\$889) | \$153,848 | \$150,075 | (\$3,772) |
| Assessments & Fees | 35,679 | 28,031 | (7,648) | - | - | - | 35,679 | 28,031 | (7,648) |
| Maintenance | 22,035 | 21,816 | (219) | 811 | 1,166 | 355 | 22,846 | 22,982 | 136 |
| IT Communications | 4,482 | 5,115 | 633 | 416 | 480 | 64 | 4,898 | 5,595 | 697 |
| Services & RSC | 19,915 | 19,882 | (33) | 2,245 | 2,034 | (211) | 22,160 | 21,916 | (244) |
| Services Reimbursed | 17,184 | 19,062 | 1,877 | - | - | - | 17,184 | 19,062 | 1,877 |
| Administrative | 6,243 | 6,268 | 25 | 165 | 146 | (19) | 6,408 | 6,414 | 6 |
| Travel & Meetings | 2,905 | 2,817 | (88) | 527 | 487 | (40) | 3,432 | 3,304 | (128) |
| Depreciation | 17,207 | 17,219 | 12 | 419 | 423 | 4 | 17,626 | 17,642 | 16 |
| Total Operating Expenses | 262,572 | 254,254 | (8,319) | 21,568 | 21,082 | (485) | 284,140 | 275,336 | (8,804) |
| Interest Expense | 5,135 | 5,359 | 224 | 220 | 441 | 221 | 5,355 | 5,799 | 445 |
| Interest Income | (8,940) | (8,723) | 218 | - | - | - | (8,940) | (8,723) | 218 |
| Other (Income)/Expense | (1,606) | (2,176) | (570) | - | - | - | (1,606) | (2,176) | (570) |
| Net Other (Income)/Expense | (5,411) | (5,540) | (129) | 220 | 441 | 221 | (5,191) | (5,100) | 92 |
| Net Income (Loss) | \$265 | \$415 | (\$150) | \$3,517 | (\$1,370) | \$4,887 | \$3,782 | (\$955) | \$4,736 |



Balance Sheet

As of August 31, 2024, and July 31, 2024

(in thousands)

| | <u>8/31/2024</u> | <u>7/31/2024</u> | <u>Net Change</u> |
|---------------------------------------|---------------------------|---------------------------|------------------------|
| ASSETS | | | |
| Current Assets | | | |
| Cash & Equivalents | \$22,322 | \$99,069 | (\$76,747) |
| Restricted Cash Deposits | 1,433,734 | 1,442,060 | (8,326) |
| Accounts Receivable (net) | 58,971 | 26,781 | 32,189 |
| Other Current Assets | 18,733 | 19,802 | (1,069) |
| Total Current Assets | <u>1,533,760</u> | <u>1,587,712</u> | <u>(53,952)</u> |
| Total Fixed Assets | 59,725 | 59,990 | (265) |
| Total Other Assets | 5,895 | 5,771 | 123 |
| Investments | 45,462 | 19,429 | 26,032 |
| TOTAL ASSETS | <u>\$1,644,841</u> | <u>\$1,672,902</u> | <u>(28,061)</u> |
| LIABILITIES & EQUITY | | | |
| Liabilities | | | |
| Current Liabilities | | | |
| Accounts Payable | \$51,423 | 53,692 | (2,269) |
| Customer Deposits | 1,418,453 | 1,449,483 | (31,030) |
| Current Maturities of LT Debt | 24,010 | 24,010 | - |
| Other Current Liabilities | 100,821 | 98,173 | 2,648 |
| Deferred Revenue | 7,024 | 8,721 | (1,696) |
| Total Current Liabilities | <u>1,601,732</u> | <u>1,634,079</u> | <u>(32,347)</u> |
| Long Term Liabilities | | | |
| Long-Term Debt | 88,429 | 88,475 | (46) |
| Other Long Term Liabilities | 35,484 | 35,133 | 351 |
| Total Long Term Liabilities | <u>123,913</u> | <u>123,608</u> | <u>306</u> |
| TOTAL LIABILITIES | <u>1,725,646</u> | <u>1,757,687</u> | <u>(32,041)</u> |
| Net Income | 2,544 | (1,436) | 3,980 |
| Members' Equity | (83,349) | (83,349) | - |
| TOTAL MEMBERS' EQUITY | <u>(80,805)</u> | <u>(84,785)</u> | <u>3,980</u> |
| TOTAL LIABILITIES & EQUITY | <u>\$1,644,841</u> | <u>\$1,672,902</u> | <u>(28,061)</u> |

Notes: The significant decrease in Cash/Cash Equivalents and increase in Accounts Receivable (Net) is driven by the month over month timing of Integrated Markets invoicing and collections. The payment of the annual FERC assessment also contributes to the decrease in Cash/Cash Equivalents.



Headcount Analysis 2024 Forecast vs Budget As of August 31, 2024

| | 2024 Forecast | | | 2024 Budget | | |
|--|---------------|--------------------------|------------------|-------------|--------------------------|----------------|
| | SPP RTO | Contracts & Expansion | 2024 Forecast | SPP RTO | Contracts & Expansion | 2024 Budget |
| Information technology | 173 | 17 | 190 | 158 | 13 | 171 |
| Operations | 133 | 28 | 161 | 137 | 5 | 142 |
| Engineering | 112 | 20 | 132 | 111 | 10 | 121 |
| Finance & Officers | 71 | 7 | 78 | 71 | 6 | 77 |
| Markets | 52 | 6 | 58 | 52 | 6 | 58 |
| Cybersecurity | 46 | 1 | 47 | 50 | 0 | 50 |
| Process integrity | 39 | 2 | 41 | 40 | 2 | 42 |
| External affairs & stakeholder relations | 33 | 7 | 40 | 33 | 5 | 38 |
| Regulatory policy & general counsel | 27 | 4 | 31 | 26 | 3 | 29 |
| Human capital | 22 | 1 | 23 | 22 | 1 | 23 |
| Market monitoring | 19 | 4 | 23 | 18 | 5 | 23 |
| Adjustment for forecast hires | | | | (11) | | (11) |
| Reduction for Markets+ & RTOWE | | (108) | (108) | | (56) | (56) |
| Total RTO | 727 | (11) | 716 | 707 | 0 | 707 |
| RC West | | 22 | 22 | | 22 | 22 |
| WEIS | | 13 | 13 | | 13 | 13 |
| WRAP | | 16 | 16 | | 16 | 16 |
| Markets+ | | 16 | 16 | | 16 | 16 |
| RTO expansion | | 75 | 75 | | 46 | 46 |
| Total Positions | 727 | 131 | 858 | 707 | 113 | 820 |
| Total positions as of 12/31/2023 | | | 760 | | | |
| 2024 proposed incremental positions | | | 60 | | | |
| Total positions approved in 2024 budget | | | 820 | | | |
| Out-of-budget financial analyst | | | 1 | | | |
| Out-of-budget JITQ engineering position | | | 1 | | | |
| Out-of-budget part-time to full-time position | | | 1 | | | |
| Out-of-budget Cybersecurity positions | | | 6 | | | |
| Out-of-budget RTO expansion incremental | | | 29 | | | |
| Total 2024 positions | | | 858 | | | |



Capital Spending As of August 31, 2024

(in thousands)

| Active Capital Projects ^(a) | Budget | Forecast | Variance | Project Spend to Date | Forecast End Date |
|--|------------------|------------------|-----------------|-----------------------|-------------------|
| SCRIPT Program ^(b) | \$ 2,834 | \$ 2,694 | \$ 140 | \$ 2,018 | 3Q'25 |
| Identity Access Management (IAM) Deployment and Integration ^(b,c) | 1,936 | 2,638 | (702) | 1,378 | 1Q'25 |
| HITT M1 Congestion Hedging | 393 | 393 | - | 223 | 1Q'25 |
| MVP2 - Study Model Build | 349 | 349 | - | 195 | 4Q'24 |
| GridUnity Implementation | 593 | 636 | (44) | 318 | 4Q'24 |
| Markets UI Rewrite ^(d) | 1,050 | 1,050 | - | 1,305 | 3Q'24 |
| FERC Order 881 | 4,663 | 4,663 | - | 523 | 3Q'25 |
| Storage as Transmission Only Assets (SATO) | 568 | 651 | (83) | 17 | 1Q'25 |
| Total Active Projects | \$ 12,386 | \$ 13,074 | \$ (689) | \$ 5,977 | |

| Foundation - 2024 ^(e) | Budget | Forecast | Variance | 2024 Spend to Date |
|----------------------------------|------------------|------------------|---------------|--------------------|
| Information Technology | \$ 8,260 | \$ 7,560 | \$ 700 | \$ 3,289 |
| Operations | 3,167 | 3,167 | - | 1,674 |
| Facilities | 3,637 | 3,637 | - | 2,718 |
| Engineering | 100 | 100 | - | 99 |
| Total Foundation | \$ 15,164 | \$ 14,464 | \$ 700 | \$ 7,781 |

| Contract Services - 2024 ^(e) | Budget | Forecast | Variance | 2024 Spend to Date |
|---|---------------|---------------|-------------|--------------------|
| RC West -EMS/CMT Enhancements | \$ 48 | \$ 48 | \$ - | \$ 6 |
| WEIS - Market Enhancements | 200 | 200 | - | 3 |
| Total Contract Services | \$ 248 | \$ 248 | \$ - | \$ 9 |

(a) Unless otherwise noted, all project budgets were established by the Capital Management Committee.

(b) Project budgets were approved through the annual budget process (pre 2023).

(c) There are future initiatives planned that are related to this effort, but they have not been approved and therefore are not included in these numbers.

(d) While the spend to date exceeds the current forecast, project billing is currently under review with the vendor and forecast adjustments are pending.

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

**Unbudgeted Report
Year to Date
As of 9/30/24**

| PO Number | Project Name | Scope of Work/Item Description | Total Amount | Budgeted | Unbudgeted | Notes |
|-----------|---------------------------------|--|---------------------|---------------------|---------------------|----------|
| Multiple | 2024 Facilities Foundation | Additional Parking Deck Repairs | \$ 566,570 | \$ 438,233 | \$ 128,337 | A |
| 2024-1466 | 2024 Foundation General | Executive Search - SPP VP, MMU | \$ 199,500 | \$ - | \$ 199,500 | B |
| 2024-1379 | Markets Plus Program | Completion of Market's Plus Protocols | \$ 449,340 | \$ - | \$ 449,340 | C |
| 2024-1542 | Identity Access Mgmt Deployment | Enterprise Application & Platform Onboarding | \$ 1,095,000 | \$ 612,499 | \$ 482,501 | D |
| 2024-1602 | Markets Plus Program | Development of market flow rules for M+ | \$ 145,044 | \$ - | \$ 145,044 | E |
| | | TOTAL | \$ 2,455,454 | \$ 1,050,732 | \$ 1,404,722 | |
| | | LESS: Expenses Covered by Revenue | \$ - | \$ - | \$ - | |
| | | Unbudgeted Not Covered by Revenue | \$ 2,455,454 | \$ 1,050,732 | \$ 1,404,722 | |

| Notes | |
|----------|---|
| A | Budget considered planned maintenance work on parking deck based on estimates obtained in Summer 2023. Estimates increased upon commencement of work to address additional areas of concern and other prudent preventative measures not contemplated in the original estimate. |
| B | Represents fees associated with engagement of executive search firm to identify replacement for the MMU Executive Director who left SPP in June 2024. |
| C | While these expenses were not assumed in the 2024 budget, they are covered by \$500k/month revenues for post phase 1 work that was also not considered in the 2024 budget assumptions. Overall impact is a reduction to NRR. |
| D | Original vendor was unable to meet the accelerated timeline deemed necessary to manage the risk associated with not having all corporate applications covered by the IAM programs. The 2024 budget did not assume the additional cost associated with engaging a new vendor to complete the work under an accelerated timeline. The budgeted amount represents unused dollars from the engagement of the original vendor. |
| E | While not assumed in the 2024 Budget, the funding for this effort is covered by the Markets + Phase 1 funding agreement. |