

Finance Committee Materials

Virtual



January 16, 2025 01:00 PM - 05:00 PM Central Time
(US and Canada) Central Standard Time

Agenda Topic	Presenter	Time
1. Call to Order and Review of Minutes (ACTION)	Stuart Solomon	01:00 PM-01:05 PM
2. Administrative Items Review Presentation	Marie Gieringer	01:05 PM-01:15 PM
3. 2025 Work Plan Review	Stuart Solomon	01:15 PM-01:25 PM
3.1 Updated 2025 Work Plan Document for Reference		
4. Committee Scope Review	Marie Gieringer	01:25 PM-01:45 PM
4.1 Finance Committee Scope Statement Document for Reference		
4.2 Finance Committee Scope Statement Presentation		
5. 2024 Financial Update	Dianne Branch	01:45 PM-02:15 PM
6. Defining Affordability	David Kelley	02:15 PM-03:00 PM
Break		03:00 PM-03:10 PM
7. Actuarial Assumptions	Milliman and Zeynep Vural	03:10 PM-03:55 PM
7.1 Actuarial Assumptions Presentation		
7.2 Actuarial Assumptions Committee Recommendation (ACTION)		
8. Organizational Group Effectiveness Survey Review	Sheri Dunn	03:55 PM-04:15 PM
9. Future Meetings and New Action Items	Sheri Dunn	04:15 PM-04:25 PM
10. Written Reports		
10.1 Financial Package		

10.2 [2024 Unbudgeted Report](#)

10.3 [Credit Practices Working Group Report](#)

Adjournment of Public Meeting / Break

04:25 PM-04:35 PM

11. [Executive Session](#)

David Kelley

04:35 PM-04:55 PM

Markets+ Phase 2 Financing (ACTION)

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



**SOUTHWEST POWER POOL
FINANCE COMMITTEE MEETING**

**October 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.

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



ADMINISTRATIVE REVIEW

MARIE GIERINGER

SPP DIRECTOR, FINANCE, TREASURY & CREDIT

JANUARY 16, 2025

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SPP ANTI-TRUST NOTICE

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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 NEEDS





This meeting is being recorded.

By continuing to be in the meeting,
you are consenting to be recorded.

REGISTER FOR MEETINGS

[Register Here](#)

Jan. 16	01:00 PM – 05:00 PM
April 10*	08:00 AM – 01:00 PM
July 17*	01:00 PM – 05:00 PM
Sept. 25	08:00 AM – 03:00 PM
Oct. 9	08:00 AM – 12:00 PM

**Includes HRC or SPC joint meeting,
which is a separate registration*

TIPS AND REMINDERS

Accessibility: Make sure your SPP.org account is updated with current contact information and you're receiving all meeting information & materials

Proxy: Appoint a proxy if you cannot attend a meeting and communicate with chair and staff secretary prior to the start of the meeting

Meeting Materials: Materials will be posted **7 days prior** to a meeting and may be re-posted as content is updated.

ROBERT'S RULES REMINDERS

1

Approval items will be presented

2

Following presentation, group member can request recognition from the chair

3

A group member can make a motion on the approval item
(motion requires a second from group member)

4

Discussion on the motion can occur as recognized by the chair

5

No group member shall speak twice until all members have opportunity to speak

6

Following discussion, the chair will put the motion to a vote

BEST PRACTICES

Ensure all voices are heard



Dialogue should be constructive



How do you ask to be recognized during a meeting?





Contact Us

Chair

Stuart Solomon

solomonjss61@gmail.com

Vice Chair

Susan Certoma

scertoma@gmail.com

Staff Secretaries

Marie Gieringer
Sheri Dunn

mgieringer@spp.org
sdunn@spp.org

Thank You!



2025 FINANCE COMMITTEE WORK PLAN REVIEW

STUART SOLOMON

CHAIR, FINANCE COMMITTEE

JANUARY 16, 2025

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JANUARY 16, 2025 (VIRTUAL, 1:00-5:00 PM)

Agenda Items

- 2025 Work Plan and Priorities Discussion
- Administrative Review
- Committee Scope Review
(Approval Required for Edits)
- 2024 Financial Update
- Defining Affordability for SPC Advance
- Actuarial Assumptions (**Action**)
- Organizational Group Effectiveness Survey Review
- Executive Session on Markets+ Financing
(**Action**)



APRIL 10, 2025 (VIRTUAL, 8:00 AM-1:00 PM)

Agenda Items

- Affordability Moment
- Retirement and Post-Retiree Health Plan Valuation (**Action**)
- Corporate Insurance Review
- Line of Credit Renewal (**Action**)
- 2026 Budget Plan
- **Executive Session:**
 - 2024 Annual Audit Presentation (**Action**)
 - Cybersecurity
- **Executive Joint Session with HR Committee** (12:00-1:00 PM)



JULY 17, 2025 (VIRTUAL, 1:00-5:00 PM)

Agenda Items

- Joint Session with SPC for Operating Plan Review, 1:00-2:00 PM (**Action**)
- Affordability Moment
- 2025 Mid-Year Financial Review
- Business Process Improvement Update
- Information Technology
- 2026 Budget Update
- Formula Rate Template Review



SEPTEMBER 25, 2025 (LITTLE ROCK, 8:00 AM-3:00 PM)

Agenda Item

- 2026 Detailed Budget Review

Deep dive into budget drivers to prepare for approval at October meeting.



OCTOBER 9, 2025 (VIRTUAL, 8:00 AM-12:00 PM)

Agenda Items

- Affordability Moment
- Pre-Audit Discussion with External Auditors
- 2026 Operating and Capital Budget - Final Review and Approval (**Action**)
- Finance Committee Annual Assessment



**WHAT QUESTIONS
DO YOU HAVE?**



SOUTHWEST POWER POOL, INC.

FINANCE COMMITTEE 2025 WORK PLAN

Thursday, January 16 1:00 – 5:00 PM
Virtual

Agenda:

- 2025 Work Plan Review
- Administrative Review
- Committee Scope Review
- 2024 Financial Update
- Defining Affordability
- Actuarial Assumptions*
- Organizational Group Effectiveness Survey Review
- M+ Phase 2 Financing*^

Thursday, April 10 8:00 AM – 1:00 PM
Virtual

Agenda:

- Affordability Moment
- Retirement and Post Retiree Health Plan Valuation*
- Corporate Insurance Review
- Line of Credit Renewal*
- 2026 Budget Plan
- 2024 External Financial Audit*^
- Cybersecurity^
- Joint Session with Human Resources Committee^

Thursday, July 17 1:00 PM – 5:00 PM
Virtual

Agenda:

- Joint Session with Strategic Planning Committee
 - Operating Plan*
- Affordability Moment
- 2025 Mid-Year Financial Review
- Business Process Improvement Update
- Information Technology
- 2026 Budget Update
- Formula Rate Template Review

*Voting Item

^Executive Session

SOUTHWEST POWER POOL, INC.

FINANCE COMMITTEE 2025 WORK PLAN

Thursday, September 25	8:00 AM – 3:00 PM
In-Person	Little Rock

Agenda:

- 2026 Detailed Budget Review

Thursday, October 9	8:00 AM – 12:00 PM
Virtual	

Agenda:

- Affordability Moment
- Pre-Audit Discussion
- 2026 Operating and Capital Budgets*
- Finance Committee Annual Assessment

*Voting Item

^Executive Session



FINANCE COMMITTEE SCOPE REVIEW

MARIE GIERINGER, DIRECTOR OF FINANCE, TREASURY
AND CREDIT

JANUARY 16, 2025

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PURPOSE STATEMENT

The purpose of the Finance Committee is to generally **review and oversee SPP's finances and financial operations in an advisory capacity to the BOD**, including material risks that could negatively impact the organization's financial goals.

SCOPE OF ACTIVITIES

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

REVIEW AND MONITOR

- **Legal or compliance policy matters** that could have a significant impact on the SPP's financial statements
- **Adequacy of internal financial controls** and the resolution of any identified material weaknesses or reportable conditions
- **Structure and funding** of the SPP's **corporate insurance program.**

REVIEW AND MONITOR

- Annually, the **investment performance** of the **pension and/or post-retirement healthcare plan assets** and **general compliance** with the approved **Investment Policy Statements** for the plans
- **Policies** for management of the SPP's **capitalization, financing** and **long-term contracts**
- At least annually, the **performance of the Committee and its members**, including **reviewing the compliance** of the Committee with their scope statement

REVIEW AND MONITOR

- Changes to **the Investment Policy Statements** for SPP's **retirement plan** and **post-retirement healthcare plan** as approved by the SPP Administrative Committee

RECOMMEND TO THE BOARD OF DIRECTORS

- Annually, the **basic assumptions** used to determine the financial status and funding requirements of SPP's **pension and post-retirement healthcare plans**
- Annually, an **operating budget, capital budget** and **any applicable additional or materially amended annual budgets**
- Annually, **rates to be charged under Schedule 1A** and for the assessment of members
- Annually, SPP's **audited financial statements** as the corporate record of financial results for the prior fiscal year

RECOMMEND TO THE BOARD OF DIRECTORS

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

REPORT TO THE BOARD OF DIRECTORS

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

REPRESENTATION

- 6 - 9 members, serving until successor appointed
 - 2-3 **SPP board** members
 - 2-3 representatives from **Transmission Owning** member sector
 - 2-3 representatives from **Transmission Using** member sector

DURATION AND REPORTING

- **Permanent** committee
- Meet **minimum of two times per fiscal year** and as called by the committee Chair
- **Quorum** consists of **at least half of the members** of the committee
- **Proxies allowed** if reported to Chair prior to the meeting
- All **meetings open** unless called to be closed by the Chair
- **Reports** directly to the **SPP Board of Directors**

ACTION ITEM

Discuss any **concerns** or **changes** to the scope document.

PROPOSED MOTION: RECOMMENDATION FOR SCOPE CHANGE

Approve* revision of the finance committee scope document to include the following statement under the responsibilities in the “Approve and Recommend to the Board of Directors” section:

“As needed, any other budgets or financial matters that may impact SPP’s current or future financial condition”

Upon approval, a recommendation of the scope change will be prepared for the **Corporate Governance Committee for approval and subsequent submission for final approval by the **SPP Board of Directors**.*

Southwest Power Pool
FINANCE COMMITTEE
Organizational Group Scope Statement
Finance Committee Approval (April 11, 2024)
Corporate Governance Committee Approval (August 15, 2024)

Purpose:

The purpose of the Finance Committee is to generally review and oversee SPP's finances and financial operations in an advisory capacity to the Board of Directors, including material risks that could negatively impact the organization's financial goals.

Scope of Activities:

The Committee, in discharging its oversight and advisory role, is empowered to study or investigate any matter of financial interest or concern that the Committee deems appropriate. In this regard, the Committee shall have the authority to retain outside legal, accounting or other advisors for this purpose, including the authority to approve the fees payable to such advisors and any other terms of retention. The Committee is responsible for the oversight of the work performed for those legal, accounting, and advisory services. The Committee shall be given full access on applicable matters to the Company's staff, Board of Directors, executives and independent advisors as necessary to carry out its responsibilities.

The Committee will have specific responsibilities as follows:

Approve and Recommend to the Board of Directors:

- Annually, the basic assumptions used by SPP's actuary to determine the financial status and funding requirements of SPP's pension and post-retirement healthcare plans.
- Annually, the annual operating budget, capital budgets and any applicable additional or materially amended annual budgets.
- Annually, rates to be charged under Schedule 1A and for the assessment of members, and any amendments to rate methodology.
- Annually, the engagement of independent auditors to audit the corporation's annual financial statements and benefit plan financial statements.
- Annually, the corporation's audited financial statements as the corporate record of financial results for the prior fiscal year. The Committee shall review and discuss with management and the independent auditors, prior to public dissemination, the corporation's annual audited financial statements with primary focus on the quality and integrity of the statements.
- Annually, contributions to SPP's pension and post-retirement healthcare plans.
- As needed, all types of financing mechanisms used to fund capital expenditures, liquidity, and other general corporate purposes.

Report to the Board of Directors:

- Any material financial issues known to the Committee regarding the quality or integrity of the corporation's financial statements, compliance with legal or regulatory requirements, or the performance and independence of the corporation's independent financial and controls auditors.

Revised April 11, 2024

- Financial results with comparisons to budget on a quarterly basis.

The Committee may report specific matters relevant to the Committee's discharge of its responsibilities. The Committee is not responsible for certifying the corporation's financial statements or guaranteeing the auditor's report. The fundamental responsibility for the corporation's financial statements and disclosures resides with management.

Review/Monitor:

- Any legal or compliance policy matter that could have a significant impact on the corporation's financial statements.
- Any material weaknesses or reportable conditions related to internal financial controls as identified by the Company's independent auditors. Independent Board of Director members of the Finance Committee will be expected to attend meetings of the Oversight Committee when the Oversight Committee receives audit reports applicable to financial controls.
- The structure and funding of the corporate insurance program, including review of retentions, insurance limits and exceptions, quality of underwriters, and activities of the broker(s) engaged to represent the Company to the insurance markets.
- Annually, the investment performance of the pension and/or post-retirement healthcare plan assets and general compliance with the approved Investment Policy Statements for the plans.
- Policies for management of the Company's capitalization, financing, and long-term contracts.
- At least annually, the performance of the Committee and its members, including reviewing the compliance of the Committee with this Scope Statement.
- Changes to the Investment Policy Statements for the Company's retirement plan and post-retirement healthcare plan as approved by the SPP Administrative Committee.

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

Representation:

The Finance Committee shall be comprised of at least six members and up to nine members with equal representation from SPP's Board of Directors, Transmission Owning Members and Transmission Using Members. Two or three representatives shall be members of the Board of Directors, and one of whom will serve as Chair and the other as Vice Chair. Two or three representatives shall be from the Transmission Owning Member sector as nominated by the Corporate Governance Committee, and two or three representatives shall be from the Transmission Using Member sector as nominated by the Corporate Governance Committee. The Board of Directors shall appoint their representatives at the regular meeting of the Board of Directors immediately following the Annual Meeting of Members. Persons designated as representatives on the Finance Committee will continue to serve until their successors have been appointed. When a vacancy occurs, the Corporate Governance Committee will fill the vacancy in accordance with the SPP Bylaws.

Revised April 11, 2024

Duration:

The Finance Committee is a permanent committee. The Committee shall meet a minimum of two times per fiscal year and at other times as called by the Chair. A quorum will constitute at least half of the members of the Committee. Proxies are allowed if reported to the Chair prior to the meeting. All meetings of the Finance Committee shall be open to all interested parties unless closed by the Chair of the Committee.

Reporting:

The Finance Committee reports directly to the Board of Directors.

Revised April 11, 2024

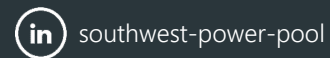


2024 FINANCIAL UPDATE

DIANNE BRANCH, CONTROLLER

JANUARY 16, 2025

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2024 FINANCIALS

FORECAST VS. BUDGET AS OF 11/30/24

REVENUES AND OPERATING EXPENSES 2024 FORECAST VS BUDGET

(\$ millions)	Forecast	Budget	Fav (Unfav)	% Variance
Revenues	\$281.7	\$269.3	\$12.4	4.6%
Operating Expenses	\$281.1	\$275.3	(\$5.8)	(2.1%)

Note: All forecast data is as of 11/30/24

REVENUES - 2024 FORECAST VS BUDGET

(\$ millions)	Forecast	Budget	Fav (Unfav)	% Variance
Tariff Admin Fees	\$195.8	\$192.2	\$3.6	1.9%
FERC Fee Revenues	35.2	28.4	6.8	23.9%
Engineering Studies- Staff	8.3	8.3	0.0	0.0%
Engineering Studies- Pass-Thru	15.7	18.8	(3.1)	(16.5%)
Contract Services	25.4	20.2	5.2	25.7%
Miscellaneous Income	1.3	1.4	(0.1)	(7.1%)
Total Revenues	\$281.7	\$269.3	\$12.4	4.6%

Note: All forecast data is as of 11/30/24

OPERATING EXPENSES - 2024 FORECAST VS BUDGET

(\$ millions)	Forecast	Budget	Fav (Unfav)	% Variance
Salary & Benefits	\$153.8	\$150.1	(\$3.7)	(2.5%)
Assessments & Fees	35.7	28.0	(7.7)	(27.5%)
Maintenance	22.1	23.0	0.9	3.9%
IT Communications	4.8	5.6	0.8	14.3%
Outside Services	21.6	21.9	0.3	1.4%
Services Reimbursed	15.9	19.1	3.2	16.8%
Administrative	6.3	6.7	0.4	6.0%
Travel & Meetings	3.3	3.3	0.0	0.0%
Depreciation	17.6	17.6	0.0	0.0%
Total Operating Expenses	\$281.1	\$275.3	(\$5.8)	(2.1%)

Note: All forecast data is as of 11/30/24

COST RECOVERY

FORECAST VS. BUDGET AS OF 11/30/24

2024 COST RECOVERY - FORECAST VS BUDGET

(\$ millions)	Forecast	Budget	Fav (Unfav)
Operating Expenses –RTO Only*	\$187.8	\$188.6	\$0.8
PLUS: Debt Service & Interest	33.8	34.0	0.2
NET: Contract Services	(10.5)	(5.3)	5.2
Gross Revenue Requirement	211.1	217.3	6.2
LESS: Miscellaneous Revenues	(17.9)	(19.1)	(1.2)
LESS: 2023 Over-Recovery	(13.2)	(10.3)	2.9
PLUS: Cap Ex Reserve	4.2	4.2	-
Net Revenue Requirement	\$184.3	\$192.2	\$7.9
Admin Fee Revenue	195.8	192.2	3.6
Cost Recovery – Over/(Under)	\$11.5	-	\$11.5

* Excludes depreciation, assessments, contract service expenses, and non-cash pension adjustments

Note: All forecast data is as of 11/30/24

CAPITAL UPDATE

CURRENT AS OF 11/30/24

2024 CAPITAL POOL UPDATE

2024 Capital Pool	(\$ millions)
2024 Budget Approved Capital Allocation	\$17.0
Approved in 2024 (Current Year Spend)	
New Project-FERC 881	\$2.6
New Project-SATOA (Storage as Transmission only Assets)	0.5
Additional Funds for Carryover Projects	<u>0.2</u>
2024 Approved YTD	\$3.3
2024 Forecasted Foundation Spend	<u>\$13.3</u>
Total Capital Approved and Foundation	\$16.6
<i>Forecasted Over/(Under) – as of 11/30/24</i>	<u>(\$0.4)</u>

Management expects actual results to be \$0.4 million below the \$17.0 million budgeted capital allocation.

Note: All forecast data is as of 11/30/24



DEFINING AFFORDABILITY

DAVID KELLEY
VP OF FINANCE AND CHIEF FINANCIAL OFFICER

JANUARY 16, 2025

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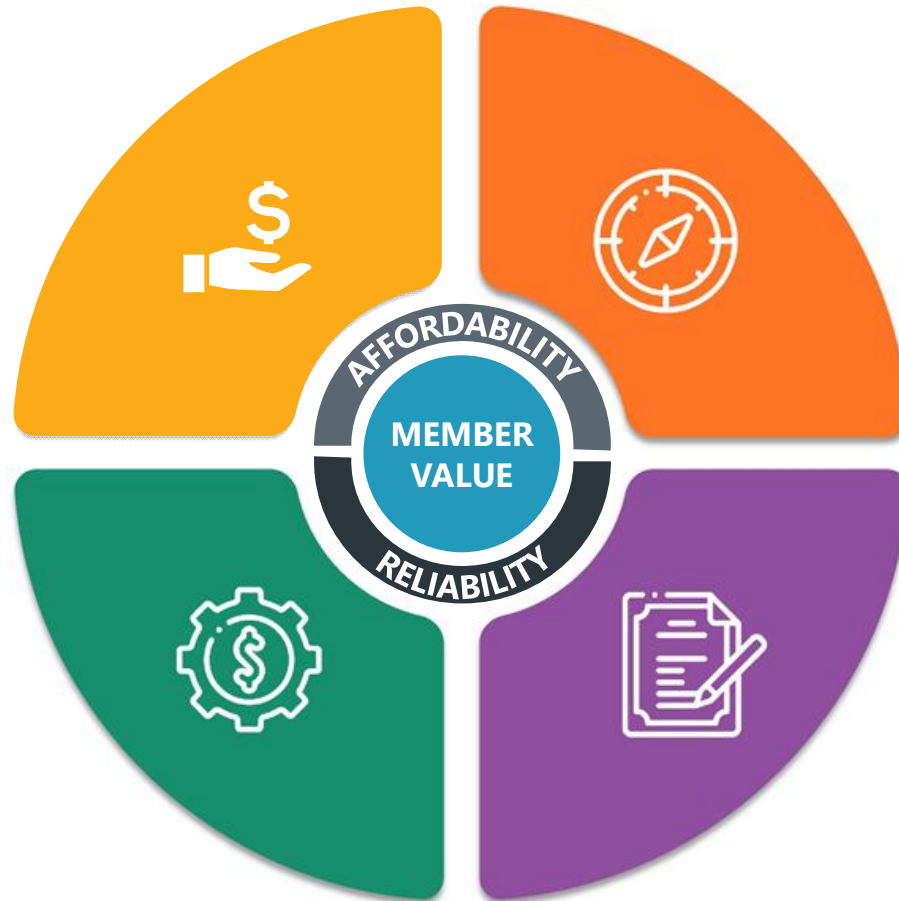
SPP'S FINANCIAL PLANNING PROCESS

BUDGET

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

RESOURCE REQUIREMENTS

Resources to deliver operating plans: maintenance, capex, headcount, financing and investment



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 KTLO demands

OBJECTIVE AND OUTCOME FOR TODAY'S DISCUSSION



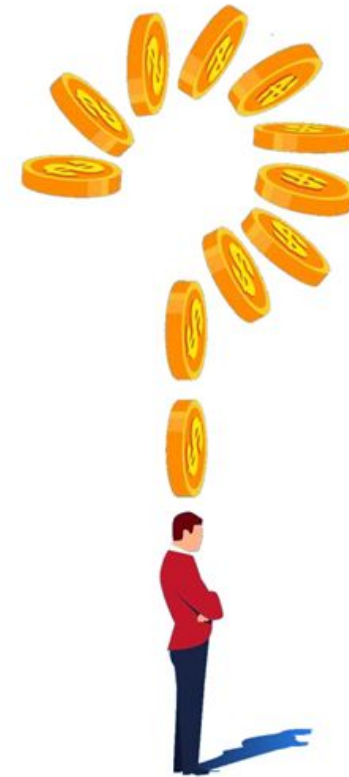
Objective: Gain alignment about the meaning and intent behind "*affordability*" in the context of SPP's operations, services, and policies.



Outcome: Agreement on a shared understanding of *affordability* and how to structure a productive discussion at the March Strategic Planning Committee (SPC) Advance.

DISCUSSION QUESTION #1

What does *affordability* mean to our members and their end-use customers in the context of SPP's operations and services?



DISCUSSION QUESTION #2

How do we balance *affordability*

with the need to:

- * maintain reliability
- * advance our strategic priorities
- * comply with regulatory requirements?



DISCUSSION QUESTION #3

What specific aspects of SPP's operations and services, including policies like planning reserve margins and transmission planning processes, have the most significant impact on *affordability* for our members and the costs and value experienced by end-use customers?



DISCUSSION QUESTION #5

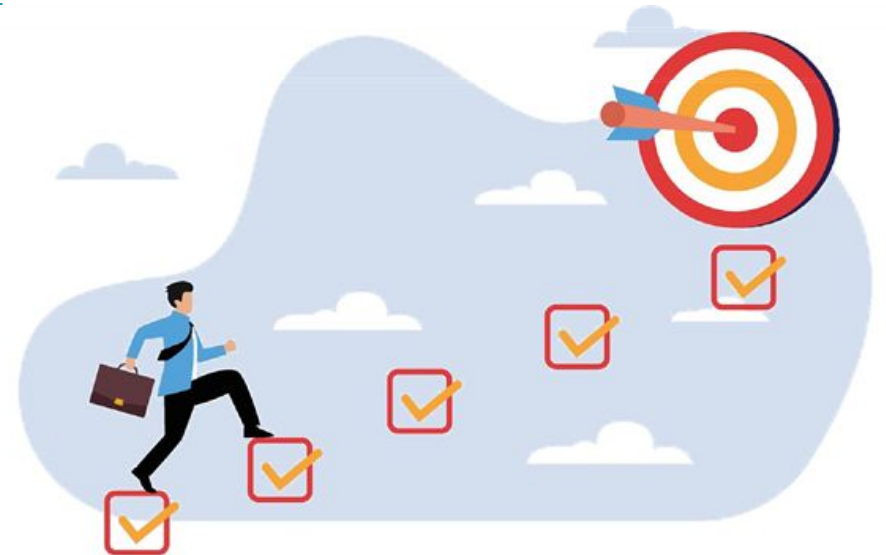
How should SPP's definition of *affordability* influence:

- * future policy decisions
- * investment strategies
- * budget planning?



DISCUSSION QUESTION #6

What metrics or benchmarks can SPP use to **measure and communicate *affordability* effectively** to its members and end-use customers?

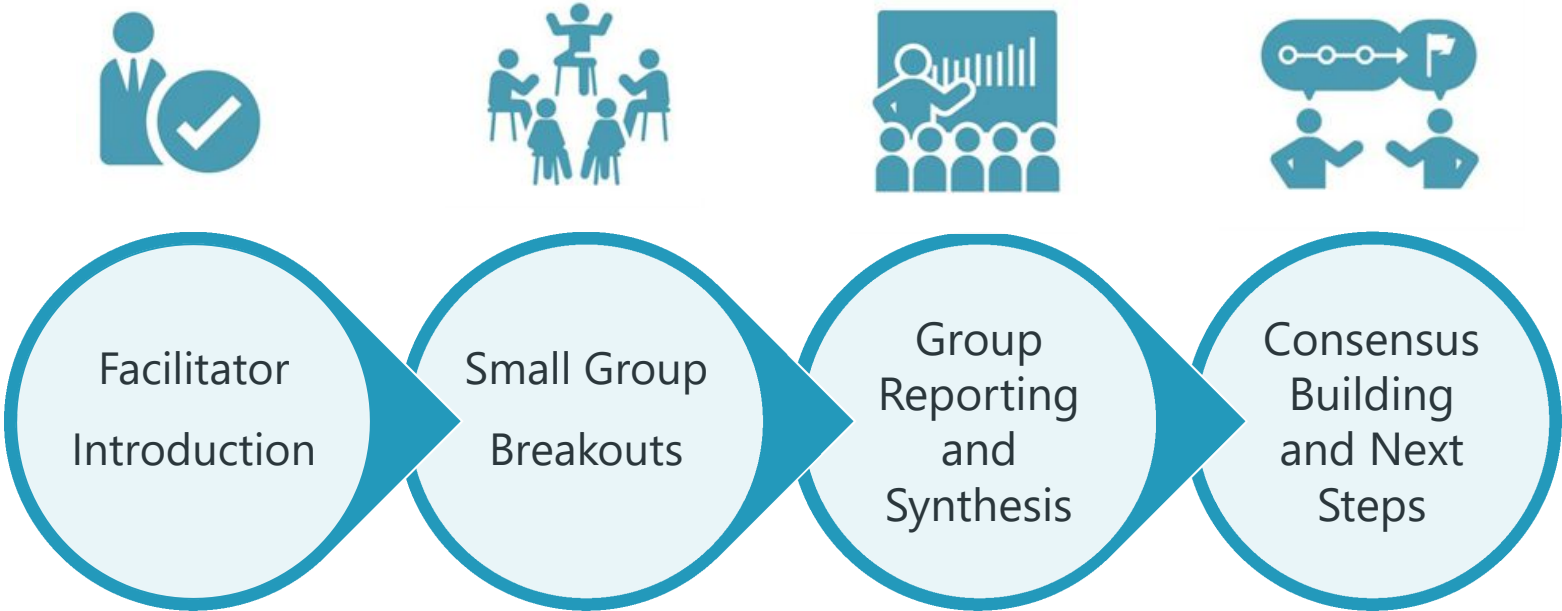


CREATING A DEFINITION FOR SPP

Affordability at SPP means...



APPROACH FOR 2025 SPC ADVANCE





Southwest Power Pool, Inc.

Assumption Selection and Methodology

Fiscal Year Ending December 31, 2024

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Summary

Summary

- **Discount Rate (Accounting)**

Retirement Plan
 Retiree Medical Plan
 Methodology

December 31	
2023	2024 (Recommended)
5.25%	5.50%
5.25%	5.50%
Staff analysis based on framework of PPA	FTSE Pension Discount Curve

- **Expected Return on Plan Assets**

7.00%	6.75%
-------	--------------

- **Annual Salary Increases**

4.00%	3.50%
-------	--------------

- **Mortality**

Mortality Table
 Mortality Projection Scale

Pre-65: Pri-2012 Employee White Collar	Pre-ret: Pri-2012 Employee White Collar
Post-65: Pri-2012 Retiree White Collar	Post-ret: Pri-2012, Nondisabled Annuitant, White Collar
MP-2021	No Change

For additional assumptions & methods please see the annual disclosure reports.

Discount Rate (Accounting)

Discount Rate (Accounting)

Guidance (Paraphrased from ASC FASB 715-30-43 through 46)

Assumed discount rates shall reflect the rates at which the pension benefits could be effectively settled. An employer may look to rates of return on high-quality fixed-income investments in determining assumed discount rates. The objective of selecting assumed discount rates is to measure the single amount that, if invested at the measurement date in a portfolio of high-quality debt instruments, would provide the necessary future cash flows to pay the pension benefits when due. That single amount, projected benefit obligation, would equal the current market value of a portfolio of high-quality zero coupon bonds whose maturity dates and amounts would be the same as the timing and amount of the expected future benefit payments. Assumed discount rates shall be reevaluated at each measurement date.

Method

The recommended discount rate is based on applying the FTSE Pension Discount Curve to discount projected benefit payments from the Retirement Plan to produce a result whereby an equivalent single discount rate may be developed. This resulting discount rate was then rounded to the nearest 25 basis points.

The discount rate assumption from the Retirement Plan is also used for the retiree medical plan.

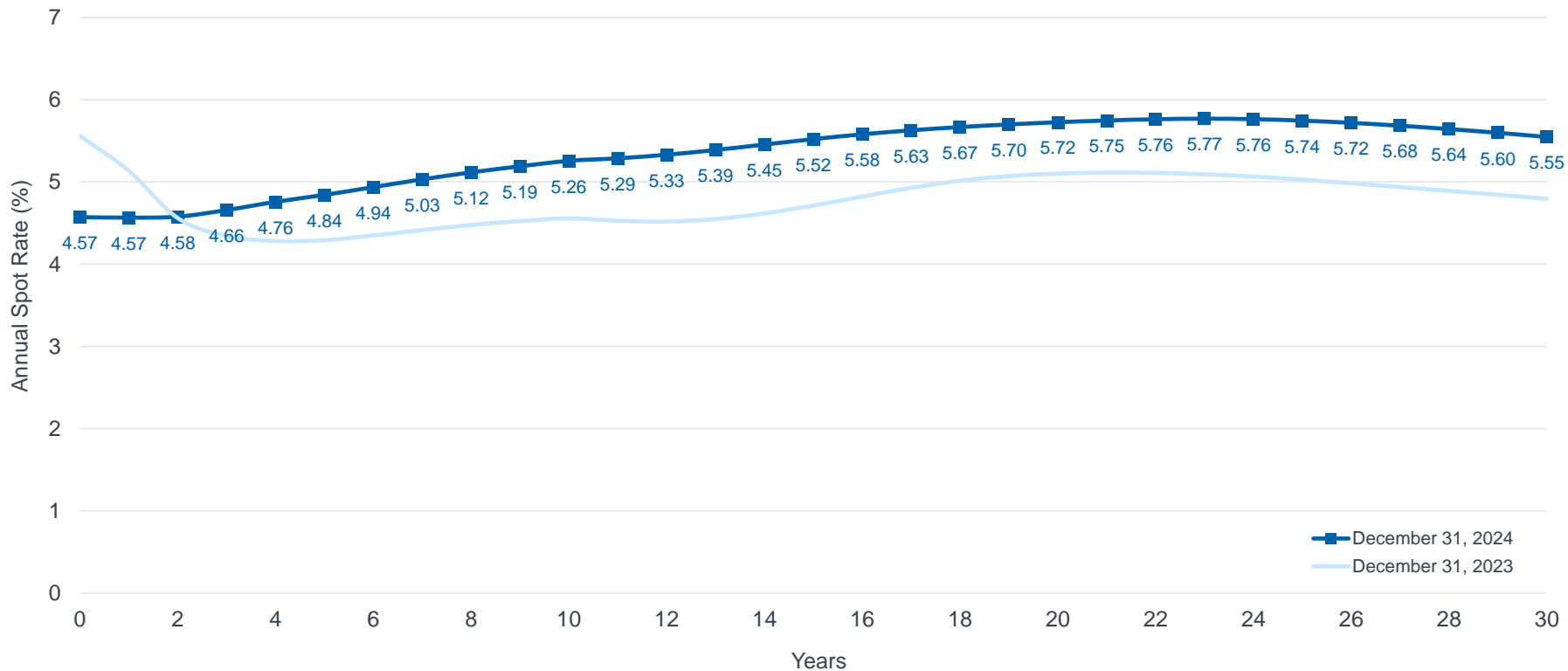
Drivers

Global bond market, duration of liabilities, inflation, spreads

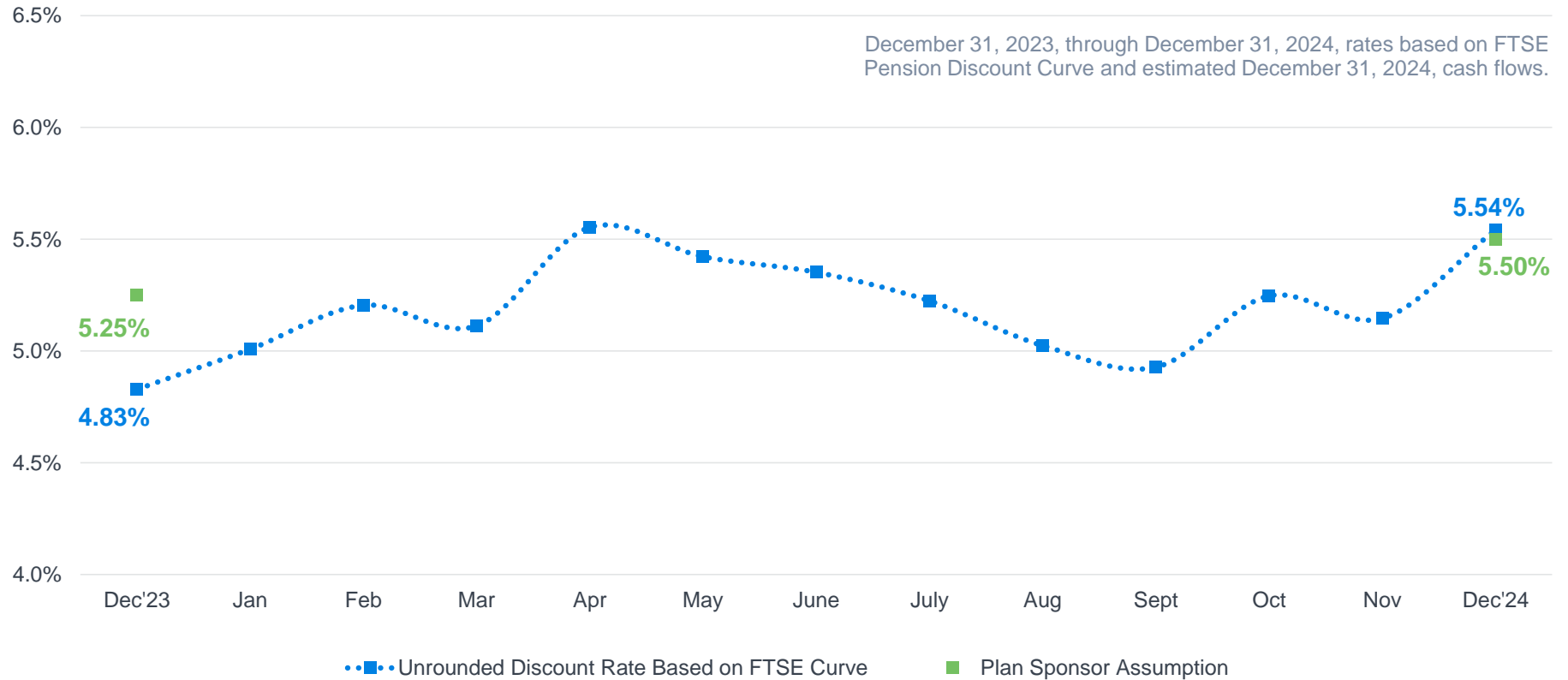
Source

<https://www.soa.org/sections/retirement/ftse-pension-discount-curve/>

FTSE Pension Discount Curve



Plan Discount Rates in 2023-2024



Expected Return on Assets

Expected Return on Assets

Guidance (Paraphrased from ASC FASB 715-30-47 through 49)

The expected long-term rate of return on plan assets shall reflect the average rate of earnings expected on the funds invested or to be invested to provide for the benefits included in the projected benefit obligation. In estimating that rate, appropriate consideration should be given to the returns being earned by the plan assets in the fund and the rates of return expected to be available for reinvestment.

ASOP 27

When selecting an investment return assumption, the actuary should reflect the anticipated returns on the plan's current assets. The actuary may evaluate various factors including, but not limited to, the time value of money; inflation and inflation risk; illiquidity; credit risk; macroeconomic conditions; and growth in earnings, dividends, and rents. When evaluating these factors (whether individually or in combination) to develop the investment return assumption, the actuary may use a broad range of data and other inputs, including the judgment of investment professionals.

Method

The Expected Return on Asset Assumption is selected by Southwest Power Pool with input provided by Milliman. Milliman's input is provided in accordance with the Actuarial Standards of Practice No. 27 (ASOP 27), "Selection of Assumptions for Measuring Pension Obligations".

Recommended Assumption

For 2024 Southwest Power Pool, Inc. selected an expected return on asset assumption of 7.00%. For 2025, our analysis based on the current target allocation and current market conditions produces an expected return of 6.10%. However, to avoid overreacting to potentially temporary changes in market conditions, **we recommend decreasing the assumption by 25 basis points to 6.75% for 2025.**

Milliman’s 12/31/2024 Expected Return Model

Asset Class	Allocation	Expected Nominal Annualized Geometric Mean Return Over Next 30 Years
US Cash	0.33%	3.23%
US Core Fixed Income (Aggregate)	31.48%	4.56%
US Broad Equity Market	64.42%	6.08%
Non-US Equity	3.77%	8.18%
Total Portfolio	100.00%	6.10%
Inflation		2.30%

Distribution of Portfolio Annualized Return over Next 30 Years	
Percentile	Annualized Return
5%	2.37%
25%	4.54%
50%	6.07%
75%	7.63%
95%	9.91%

The allocation is based on the 9/30/2024 portfolio snapshot report from Stephens, Inc.

The “expected nominal annualized geometric mean return for next 30 years is the expected growth of a dollar in the portfolio over 30 years given anticipated year-to-year volatility of returns, i.e., it represents the single rate of return that, if earned every year, would produce the same future portfolio value as the actual sequence of volatile returns. The model forecasts this based on current market conditions and what they imply about future investment returns.

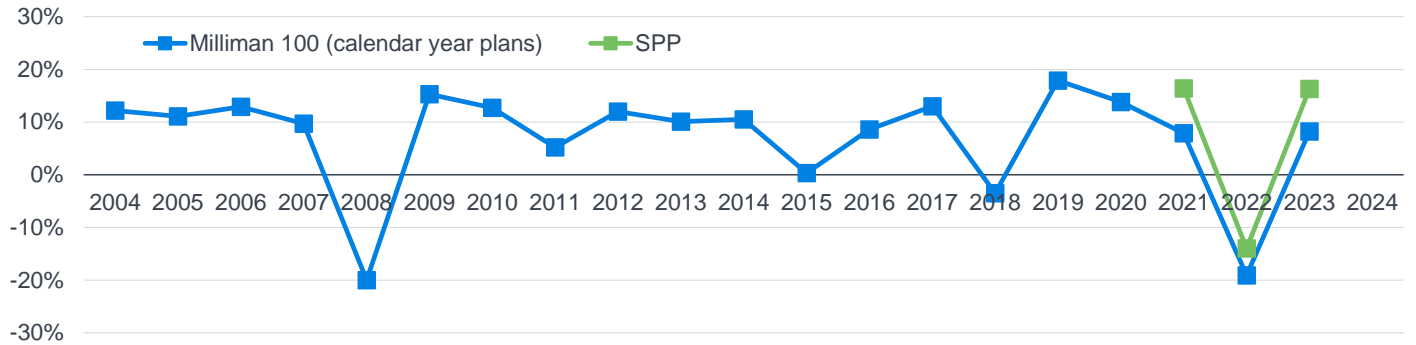
These returns were developed based on the use of passive index funds and exclude any expected alpha.

The model acknowledges that there is a very wide range of possible asset returns over the next 30 years. This table is provided to highlight this range of possibilities, by showing the 5th, 25th, 50th, 75th, and 95th percentile returns from the model. Some example conclusions that can be pulled from this table are as follows:

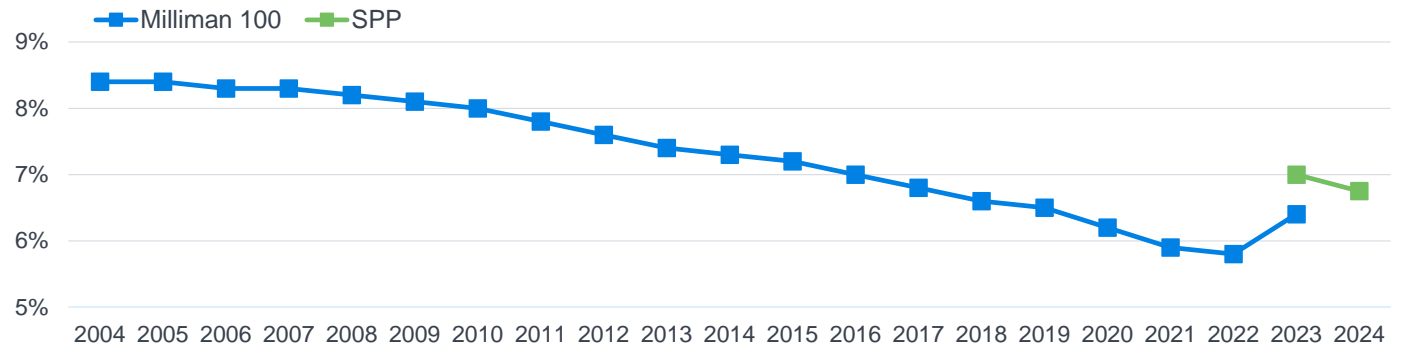
- There is a 25% chance that the annualized return over the next 30 years will be below 4.54%, a 50% chance it will be below 6.07%, and a 75% chance it will be below 7.63%.
- There is a 50% chance that the annualized return over the next 30 years will be between 4.54% and 7.63% with a 25% chance of being below 4.54% and a 25% chance of being above 7.63%.

Milliman 100

Investment Return on Plan Assets



Expected Return on Plan Assets



Mortality

Mortality

Guidance

Actuarial Standards of Practice No. 27 (ASOP 27), “Selection of Assumptions for Measuring Pension Obligations” provides guidance to actuaries when selecting a mortality assumption, including:

- When selecting a mortality assumption, the actuary should consider if the plan characteristics warrant selecting different assumptions for pre- versus post- retirement, disabled versus nondisabled lives, and retired participants versus beneficiaries;
- The actuary should consider using actual participant mortality data, to the extent fully or partially credible, or published and generally available mortality tables; and
- When selecting a mortality assumption, the actuary should reflect the effect of mortality improvement (which may be positive, negative, or zero) both before and after the measurement date.

SOA Update

The Society of Actuaries’ (SOA) Retirement Plan Experience Committee (RPEC) did not release any new mortality tables in 2024, so Pri-2012 and MP-2021 are still the most recently published tables. In 2024, RPEC did publish a report discussing recent mortality experience in the United States ([RPEC 2024 Mortality Improvement Update | SOA](#)) that provides useful context when selecting a mortality assumption.

Recommended Assumptions

- Pre-Commencement: SOA’s Pri-2012 Employee, White Collar, Amount Weighted Mortality Tables
- Post-Commencement: SOA’s Pri-2012 Nondisabled Annuitant, White Collar, Amount Weighted Mortality Tables
- Mortality Improvement: SOA’s MP-2021

Reliance and Limitations

Statements of Reliance and Limitations

Except as otherwise indicated, the results in this presentation reflect the plan provisions in effect on January 1, 2025, as well as actuarial methods and assumptions detailed in the prior actuary's 2024 Retirement Plan valuation report.

In preparing this material, we relied, without audit, on information (some oral and some in writing) supplied by the prior actuary and Southwest Power Pool. This information includes, but is not limited to, Plan documents and provisions, participant data as of January 1, 2024 (as summarized in the report referenced above), and financial information as of December 31, 2023. We found this information to be reasonably consistent and comparable with information used for prior projects. The results depend on the integrity of this information. If any of this information is inaccurate or incomplete our results may be different, and our calculations may need to be revised.

Future actuarial measurements may differ significantly from the current measurements presented in this report due to factors such as, but not limited to, the following: plan experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the plan's funded status); and changes in plan provisions or applicable law. Due to the limited scope of the actuarial assignment, we did not perform an analysis of the potential range of future measurements.

The calculations presented in this presentation have been made for a specific purpose, which is assistance in determining the actuarial assumptions to be used in the January 1, 2025, valuations of Southwest Power Pool's plans. Results for other purposes may be significantly different than the results in this presentation; other calculations may be needed for other purposes.

The estimates in this presentation depend upon many assumptions as to future experience. Since the results are dependent on the assumptions used, actual results will differ from the figures indicated in this presentation to the extent that actual experience differs from that assumed.

This presentation has been prepared for the internal use of and is only to be relied upon by Southwest Power Pool and their advisors. No portion of this presentation may be disclosed to any other party without Milliman's prior written consent. In the event such consent is given, the presentation must be provided in its entirety. Milliman does not intend to benefit any third-party recipient of the work product, even if we consent to the release of the work product to such third party. The valuation results were developed using models intended for valuations that use standard actuarial techniques.

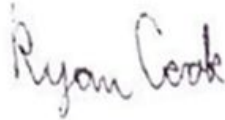
Statements of Reliance and Limitations (cont.)

The consultants who worked on this assignment are actuaries. Milliman's advice is not intended to be a substitute for qualified legal, investment or accounting counsel.

On the basis of the foregoing, we hereby certify that, to the best of our knowledge and belief, this report is complete and accurate and has been prepared in accordance with generally recognized and accepted actuarial principles and practices which are consistent with the principles prescribed by the Actuarial Standards Board and the Code of Professional Conduct and Qualification Standards for Actuaries Issuing Statements of Actuarial Opinion in the United States of the American Academy of Actuaries. We are members of the American Academy of Actuaries and meet the Qualification Standards to render the actuarial opinion contained herein.



Sarah J. Murray, FSA, EA, MAAA
Principal and Consulting Actuary



Ryan J. Cook, FSA, EA, CERA, MAAA
Consulting Actuary

Thank you



RECOMMENDATION

FINANCE COMMITTEE

ZEYNEP VURAL, SENIOR MANAGER TREASURY AND CREDIT

JANUARY 16, 2025

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



PENSION AND POST RETIREMENT VALUATION: PROPOSED MOTION

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

- Discount Rate – 5.5%
- Long Term Rate of Return – 6.75%
- Compensation Change Rate – 3.5%
- Pension Mortality Table – Pri 2012 table



2024 ORGANIZATIONAL GROUP EFFECTIVENESS SURVEY REVIEW

FINANCE COMMITTEE

SHERI DUNN, LEAD FINANCIAL ANALYST

JANUARY 16, 2025

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



SouthwestPowerPool



SPPorg



southwest-power-pool

ALL WORKING GROUPS: OVERALL EFFECTIVENESS

The 2024 overall average rating of 4.4 remains between (4) "Agree" and (5) "Strongly Agree" for each statement of organizational effectiveness.

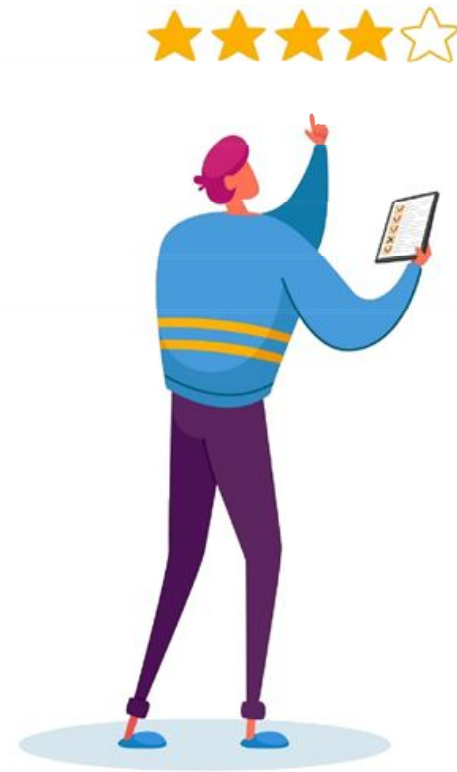
QUESTION	2019	2020	2021	2022	2023	2024
Average of ratings of each stakeholder group's effectiveness	4.2	4.4	4.4	4.4	4.3	4.4
Change from previous year:		+0.2	-	-	-0.1	+0.1



Minor decrease in 2023, but scores remained high.

HIGHEST-RATED GROUPS

- **These groups rated 4.5 or higher:**
CGC, HRC, **Finance**, RTWG, CAWG, CPWG, ESWG, Oversight, and PCWG
- **No group rated below a 4.1** (Agree) average score.
- Feedback on high performers:
 - Highly-engaged members
 - Effective leadership & facilitation
 - Timely and effective materials



FINANCE COMMITTEE SURVEY OVERVIEW

- 73% response rate
 - 8 people completed
 - Up from 66% in 2023
- 4.6 rating out of 5.0
 - Up from 4.4 in 2023
 - 2nd out of 21 groups
 - Last year was 11th
 - Between (4) “Agree” and (5) “Strongly Agree”



MEETING MATERIALS

Question	Average Score		
	2024	2023	2022
The agenda reflects the actions to be taken during the meeting.	4.9	4.8	4.9
Meeting materials are provided in a timely manner.	4.5	4.5	4.6
The information provided prior to the meeting is utilized during the meeting.	4.5	4.3	4.7
The information presented in meetings is clear.	4.6	4.5	4.8
Meeting minutes are an accurate reflection of the meeting.	4.6	4.6	4.8

All ratings of materials and preparation increased or held steady in 2024



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

GROUP MEMBERSHIP

Question	Average Score		
	2024	2023	2022
Membership represents the diversity of the SPP organization.	4.0	4.1	4.1
Membership has the necessary expertise and/or skills to accomplish its goals.	4.5	4.5	4.4
Members come prepared to meetings.	4.8	4.3	4.4
Members are committed to participate and accomplish the group's goals.	4.8	4.6	4.9
Members are supportive and respectful of the individual needs and differences of group members.	4.9	4.8	4.9

Largest increase across all Finance Committee ratings (half a point)



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

GROUP ENGAGEMENT

Question	Average Score		
	2024	2023	2022
Members are engaged during the meeting.	4.5	4.5	4.6
Decisions are identified and action is recommended.	4.4	4.6	4.6
Facilitation is sufficient to guide discussion.	4.5	4.1	4.7
The use of technology (i.e. WebEx) to facilitate virtual meetings is effective.	4.4	4.3	4.2
Dissenting voices are heard.	4.5	4.6	4.6
I depart with a feeling that we have accomplished something.	4.6	4.6	4.4

Minor decrease in rating of decisions and action

**Open-ended comment:
Engagement beyond the FC**
"We need an annual joint meeting with HR to understand the salary and headcount needs for the next year. Also, to discuss HRC's merit and inflation recommendations for salaries. This is the biggest part of the budget, and we do not understand the drivers well enough."

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

GROUP CHAIR

Question	Average Score		
	2024	2023	2022
The chair seeks input, and organizational group members are able to influence key decisions and plans.	4.9	3.8	4.6
The chair is supportive and respectful of the individual needs and differences of group members.	5.0	4.1	4.7
The chair keeps the group on task to achieve appropriate outcomes.	5.0	3.6	4.3
The chair ensures follow-through on questions and commitments.	5.0	3.8	4.4

Significant increases across all categories for ratings of group chair



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

**WHAT QUESTIONS
DO YOU HAVE?**



2025 FUTURE MEETINGS



April 10 (virtual) 8:00AM-1:00PM

- *Joint session with HRC (1:00PM-2:00PM)*
- Affordability defined, retirement plan valuation, corporate insurance, line of credit renewal, 2024 audit, cybersecurity update, and 2026 budget plan

July 17 (virtual) 1:00PM-5:00 PM

- *Joint session with SPC: 2026 Operating Plan (1:00PM-2:00PM)*
- Affordability moment, mid-year financial review, process improvement update, IT highlight, 2026 budget update, and formula rate template review

September 25 (Little Rock) 8:00AM-3:00PM

- 2026 detailed budget review

October 9 (virtual) 8:00AM-12:00PM

- Affordability moment, pre-audit discussion, 2026 budget approval, FC annual assessment

ACTION ITEMS FROM JANUARY 16, 2025

Responsible	Action Item / Request

MONTHLY FINANCIAL REPORTING PACKAGE

November 2024

Prepared by SPP FP&A and Accounting Departments



Executive Summary - Financial Reporting Package As of November 30, 2024

The November 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 November 30, 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 (\$12.4 million) while operating expenses remain unfavorable (\$5.8 million). Overall, forecasted net income is favorable to budget (\$6.9 million).

Revenue Overview (\$12.4 million favorable):

- Tariff Administrative Services (\$3.6 million favorable) – The favorable variance is driven largely by the higher billing determinants for the market-based rate schedules.
- Fees and Assessments (\$6.8 million favorable) – Forecast reflects 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 (\$5.8 million unfavorable):

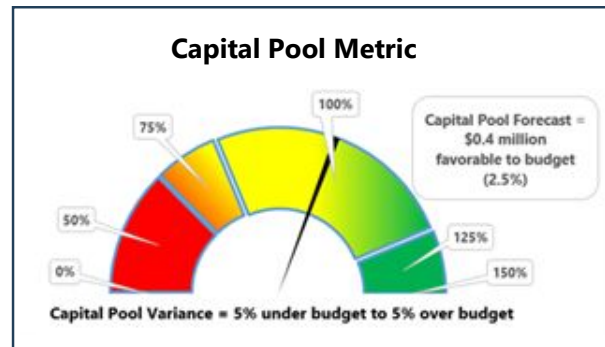
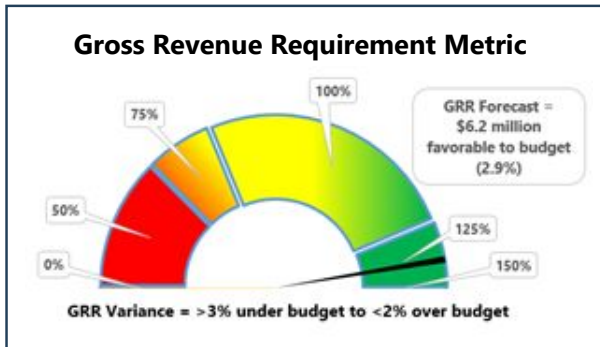
- Salary and Benefits (\$3.7 million unfavorable) – The most significant drivers of the unfavorable variance are 1) accelerated hiring for RTO Expansion, as well as unbudgeted headcount additions (\$1.5 million), 2) non-cash adjustment to pension service cost based on the most recent actuarial valuation report (\$1.0 million), and 3) increases to the forecasted medical expenses for the year (\$0.5 million).
- 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 (\$3.2 million favorable) – Variance is primarily the result of forecasted lower usage of external resources for engineering studies which has a direct revenue offset resulting in no impact to NRR (\$3.1 million).
- IT Communications (\$0.8 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 \$6.2 million favorable GRR variance to budget.
- Items Impacting NRR:
 - Other revenues, unfavorable \$1.2 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 (\$3.6 million) brings the projected cost over recovery to \$11.5 million as of November 30, 2024.



Cost Recovery and Other Metrics As of November 30, 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)		
	<u>Forecast</u>	<u>Budget</u>	<u>Fav/(Unfav)</u>
	\$206.8	\$209.0	\$2.2
	(\$15.7)	(\$18.8)	(3.1)
	(\$3.3)	(\$1.6)	1.7
	\$33.8	\$34.0	0.2
	(\$10.5)	(\$5.3)	5.2
	211.1	217.3	6.2
	(9.6)	(10.8)	(1.2)
	(8.3)	(8.3)	(0.1)
	4.2	4.2	-
	197.4	202.4	5.0
	(13.2)	(10.3)	2.9
	184.3	192.2	7.9
	(195.8)	(192.2)	3.6
	\$11.5	\$0.0	\$11.5
	(\$2.4)	(\$2.1)	\$0.3
	(\$2.2)	(\$1.8)	0.4
	(\$5.7)	(\$1.2)	4.5
	-	-	-
	(\$0.2)	(\$0.2)	(0.0)
	(\$10.5)	(\$5.3)	\$5.2



Income Statement by Line of Business As of November 30, 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	\$195,760	\$192,154	\$3,607	\$0	-	\$0	\$195,760	\$192,154	\$3,607
Fees & Assessments	35,159	28,400	6,759	-	-	-	35,159	28,400	6,759
Contract Services Revenue	68	68	0	25,304	20,153	5,151	25,372	20,221	5,151
Engineering Studies Revenue Staff	8,265	8,327	(62)	-	-	-	8,265	8,327	(62)
Engineering Studies Revenue Pass-Thru	15,749	18,821	(3,072)	-	-	-	15,749	18,821	(3,072)
Other Revenues	1,342	1,359	(17)	3	-	3	1,344	1,359	(15)
Total Operating Revenues	256,344	249,129	7,215	25,307	20,153	5,154	281,651	269,282	12,369
Summary of Operating Expenses									
Salary & Benefits	\$136,837	\$134,029	(\$2,808)	\$16,975	\$16,046	(\$928)	\$153,812	\$150,075	(\$3,736)
Assessments & Fees	35,679	28,031	(7,648)	-	-	-	35,679	28,031	(7,648)
Maintenance	21,375	21,816	441	746	1,166	420	22,121	22,982	860
IT Communications	4,451	5,115	664	388	480	92	4,839	5,595	756
Services & RSC	19,325	19,882	557	2,225	2,034	(191)	21,550	21,916	366
Services Reimbursed	15,868	19,062	3,194	-	-	-	15,868	19,062	3,194
Administrative	6,044	6,268	224	250	146	(104)	6,294	6,414	120
Travel & Meetings	2,869	2,817	(52)	466	487	21	3,335	3,304	(31)
Leases	11	15	4	12	300	288	23	315	292
Depreciation	17,205	17,219	14	415	423	8	17,620	17,642	22
Total Operating Expenses	259,664	254,254	(5,410)	21,477	21,082	(395)	281,142	275,336	(5,805)
Interest Expense	5,207	5,359	151	180	441	261	5,388	5,799	412
Interest Income	(8,751)	(8,723)	29	-	-	-	(8,751)	(8,723)	29
Other (Income)/Expense	(2,113)	(2,176)	(63)	-	-	-	(2,113)	(2,176)	(63)
Net Other (Income)/Expense	(5,657)	(5,540)	117	180	441	261	(5,477)	(5,100)	377
Net Income (Loss)	\$2,337	\$415	\$1,922	\$3,649	(\$1,370)	\$5,019	\$5,986	(\$955)	\$6,941



Balance Sheet

As of November 30, 2024, and October 31, 2024

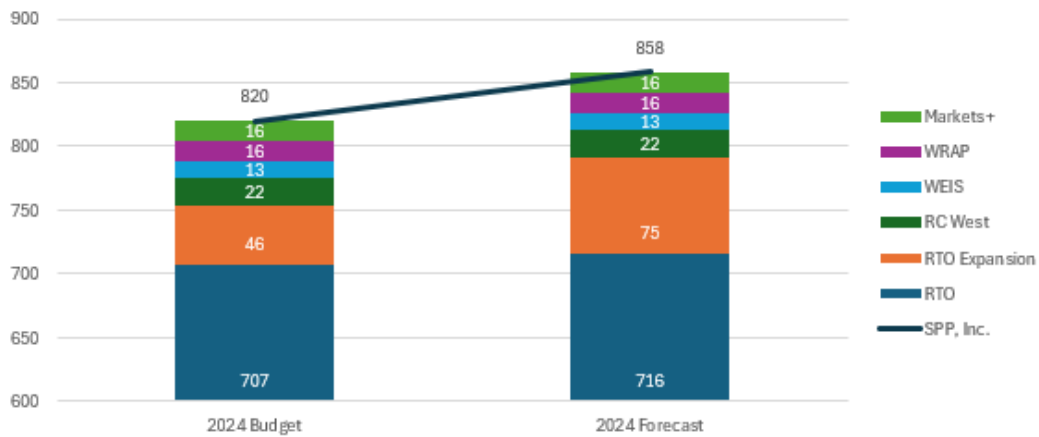
(in thousands)

	11/30/2024	10/31/2024	Net Change
ASSETS			
Current Assets			
Cash & Equivalents	\$54,748	\$53,962	\$786
Restricted Cash Deposits	1,544,381	1,493,139	51,242
Accounts Receivable (net)	64,877	75,653	(10,776)
Other Current Assets	20,350	19,695	655
Total Current Assets	1,684,355	1,642,448	41,907
Total Fixed Assets	62,981	61,581	1,399
Total Other Assets	6,226	5,913	313
Investments	111,363	83,774	27,589
TOTAL ASSETS	\$1,864,925	\$1,793,717	\$71,208
LIABILITIES & EQUITY			
Liabilities			
Current Liabilities			
Accounts Payable	\$71,394	93,222	(21,828)
Customer Deposits	1,543,399	1,485,415	57,984
Current Maturities of LT Debt	23,645	23,645	-
Other Current Liabilities	179,008	143,211	35,797
Deferred Revenue	6,635	8,331	(1,696)
Total Current Liabilities	1,824,081	1,753,824	70,257
Long Term Liabilities			
Long-Term Debt	82,448	82,495	(47)
Other Long Term Liabilities	36,527	35,986	542
Total Long Term Liabilities	118,975	118,481	494
TOTAL LIABILITIES	1,943,056	1,872,305	70,751
Net Income	5,218	4,760	458
Members' Equity	(83,349)	(83,349)	-
TOTAL MEMBERS' EQUITY	(78,131)	(78,588)	458
TOTAL LIABILITIES & EQUITY	\$1,864,925	\$1,793,717	\$71,208

Notes: The significant increase in Restricted Cash Deposits and Customer Deposits is comprised of tariff deposit and withdrawal activity for multiple customers throughout the month of November. The decrease in accounts payable represents the net change in market activity month over month which is impacted by timing of payouts. The increase in other current liabilities is driven primarily by auction revenue fund collections.



Headcount Analysis 2024 Forecast vs Budget As of November 30, 2024



	2024 Budget Positions	2024 Forecast Positions	11/30/2024 Active Headcount
Total RTO	707	716	689
RC West	22	22	22
WEIS	13	13	13
WRAP	16	16	11
Markets+	16	16	16
RTO Expansion	46	75	75
Total Contract Services	113	142	137
Total Headcount	820	858	826

Total positions as of 12/31/2023	760
2024 approved 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 Report November 30, 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	\$ 2,324	3Q'25
Identity Access Management (IAM) Deployment and Integration ^(b,c)	1,936	2,638	(702)	1,838	1Q'25
HITT M1 Congestion Hedging	393	393	-	352	1Q'25
MVP2 - Study Model Build	349	349	-	278	4Q'24
GridUnity Implementation	593	636	(44)	636	4Q'24
Markets UI Rewrite ^(d)	1,050	1,088	(38)	1,088	4Q'24
FERC Order 881 ^(e)	4,663	4,959	(296)	1,695	3Q'25
Storage as Transmission Only Assets (SATO)	568	651	(83)	285	1Q'25
Total Active Projects	\$ 12,386	\$ 13,409	\$ (1,023)	\$ 8,497	
				2024	
Foundation - 2024 ^(d)	Budget	Forecast	Variance	Spend to Date	
Information Technology ^(f)	\$ 8,260	\$ 6,500	\$ 1,760	\$ 5,733	
Operations	3,167	2,797	370	2,435	
Facilities	3,637	3,908	(271)	3,908	
Engineering	100	99	1	99	
Total Foundation	\$ 15,164	\$ 13,304	\$ 1,860	\$ 12,175	
				2024	
Contract Services - 2024 ^(d)	Budget	Forecast	Variance	Spend to Date	
RC West -EMS/CMT Enhancements	\$ 48	\$ 7	\$ 41	\$ 7	
WEIS - Market Enhancements	200	200	-	46	
Total Contract Services	\$ 248	\$ 207	\$ 41	\$ 53	

(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 not included in these numbers.

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

(e) For FERC 881, the forecast includes a new OATI Scope of Work for \$295.5k.

(f) Favorable variance is primarily driven by items budgeted as capital but were actually determined to be operating expenses upon purchase. Realized savings at the time of purchase also contributes a favorable variance to the budget.

2024 Unbudgeted Report						
January 1, 2024 - December 31, 2024						
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.



MEMORANDUM

To: Finance Committee
From: Jared Barker, Supervisor - Credit and Zeynep Vural, Sr. Manager – Treasury and Credit
Date: January 9, 2025
Re: Credit Practices Working Group Updates – 3Q and 4Q2024

The Credit Practices Working Group (CPWG) held regularly scheduled meetings throughout the latter half of 2024, including an in-person gathering in September in Little Rock. Key discussion points encompassed the following:

- **Day Ahead and Real Time Estimated Credit Exposure Calculations:** The purpose of this initiative is to explore potential process improvements related to the 7-day lag between real time distress events such as winter storms, and when the impact of those events is shown in credit exposures. This topic was preliminarily discussed by the group in 2023 but had to be put aside due to the urgent need to respond to the FERC show cause order related to mark-to-auction collateral changes. The group started discussing the topic again during its 3Q and 4Q meetings. The group has been reviewing the implications of differences between final settlements data and preliminary data available soon after an operating day. The goal is to evaluate whether preliminary data would be appropriate to utilize in the credit exposure calculations so the impacts of an extreme weather event could be incorporated into the exposure calculations sooner to better align the timing of credit protection with extreme weather events. This topic will continue to be discussed in 2025.
- **Corporate Guaranties from Foreign Entities:** SPP's credit policy allows guaranties from affiliated entities of customers but currently does not have separate and distinct requirements for such guaranties from a foreign entity. Recognizing most other RTO/ISOs have separate (and more stringent) requirements, this potential policy improvement was presented to the group in its September meeting and the staff is currently exploring the topic.
- **CPWG Leadership and Membership:** CPWG chair Caleb Head (North Texas Electric Cooperative) was re-elected for his third two-year term starting in 2025. Kerry Kaseman (Basin Electric Power Cooperative) was elected as co-chair following the resignation of the previous co-chair Seth Cochran due to his departure from member company DC Energy. The group also expanded its membership from 6 to 11 members to improve stakeholder interaction and collaboration.
- **Other topics:** The group asked staff to add to the workplan enhanced credit reporting features into the market portal.



- **Mark-to-auction (FERC show cause order) update:** SPP had filed with FERC proposed tariff changes in August and responded to comments filed at FERC during 4Q. FERC's response to SPP's filing is currently pending.