2025 SPP

Budget

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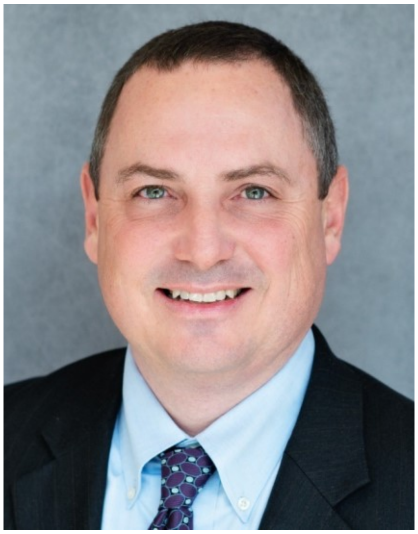
A Message from Our Chief Financial Officer



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

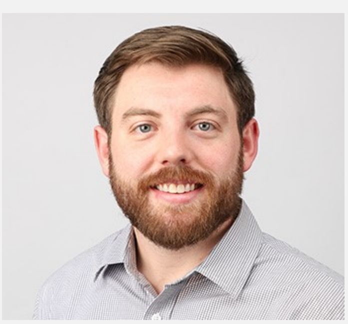
Dianne Branch
Controller
Experience: 30+ Years
Certifications: CPA

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

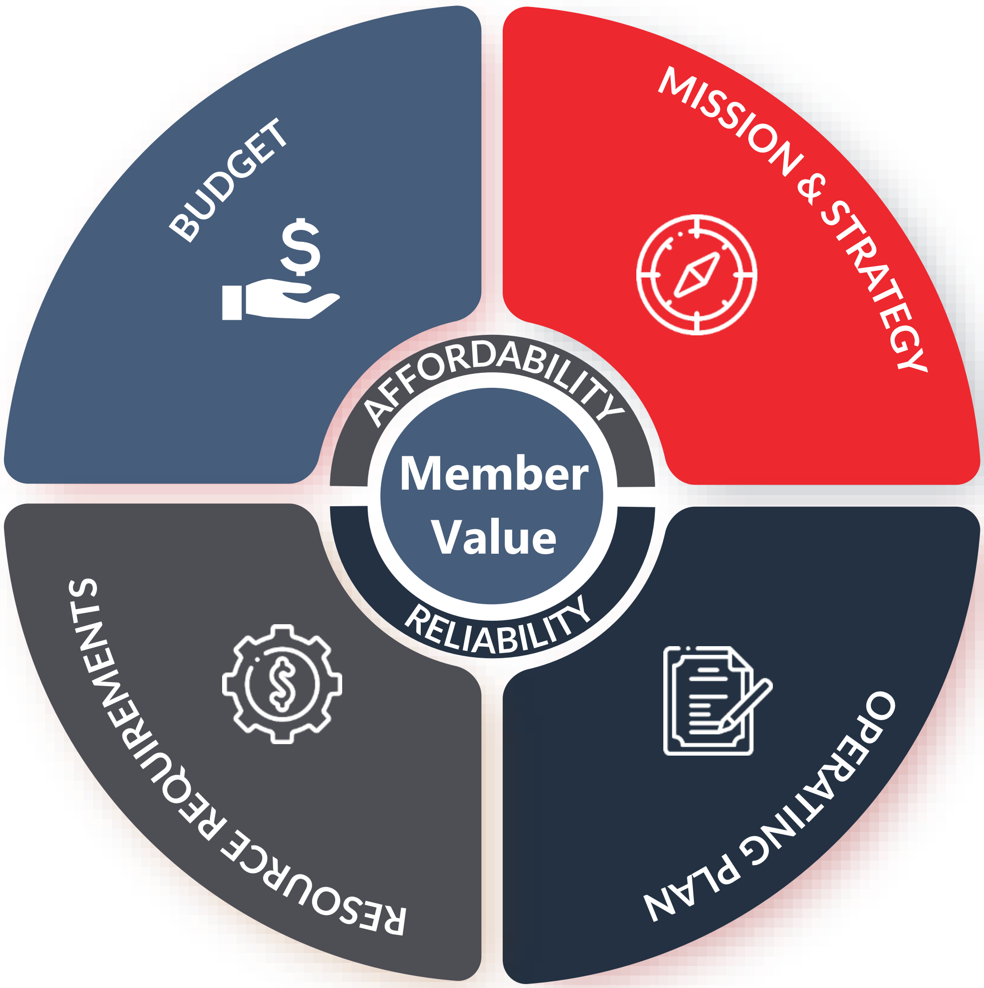


David McMartin
Financial Analyst II
Experience: 9 Years

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



Budget

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

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.

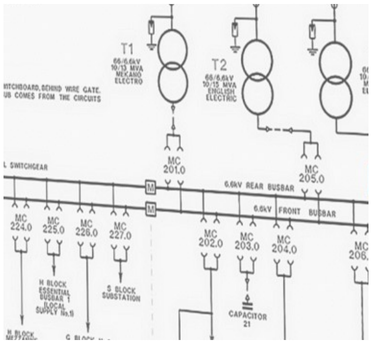
Operating Plan

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

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

NRR

Background, context & purpose

Calculation

Key Drivers

- Employee compensation and headcount
- Maintenance and IT Communications
- Outside Services
- Other Operating Expenses
- Principal and Interest Payments

Key Offsets

- Contract Services and Expansion
  - Markets+
  - WRAP
  - RC West
  - WEIS
  - WIUMFP
  - RTO Expansion
- Engineering Studies
- Interest Income
- Miscellaneous
- Prior Year Recovery

The page compass allows you to always know the current section / sub-section and will be listed at the top of each page as: **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]

NRR Calculation

SPP, Inc.
Operating Expenses (OpEx)

▼

RTO Only OpEx

▼

Adjusted RTO OpEx

▼

Gross Revenue Requirement (GRR)

▼

Run-Rate
Revenue Requirement

▼

Net Revenue Requirement (NRR)

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%
Less contract services & expansion operating expenses	(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%
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 defined benefit plan valuation adjustments (non-cash)	(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%
Plus: RTO debt service	34.0	31.6	2.4	7.0%
Plus: Net contract service and expansion impact	(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%
Capital expense equity allocation	4.2	4.4	0.2	4.1%
Engineering studies (staff-time and fees)	(8.3)	(11.0)	(2.7)	32.3%
Other revenues	(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%
Prior year (over) / under recovery	(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].

NRR Key Drivers

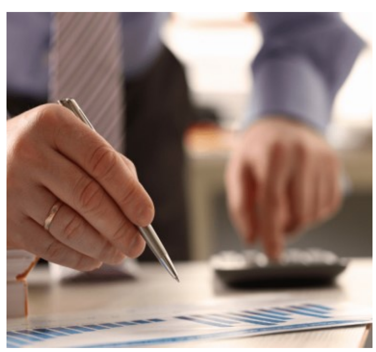
Compensation and Headcount

Maintenance and IT Communications

Outside Services

Travel, Meetings, and Administrative

Capex Equity Allocation

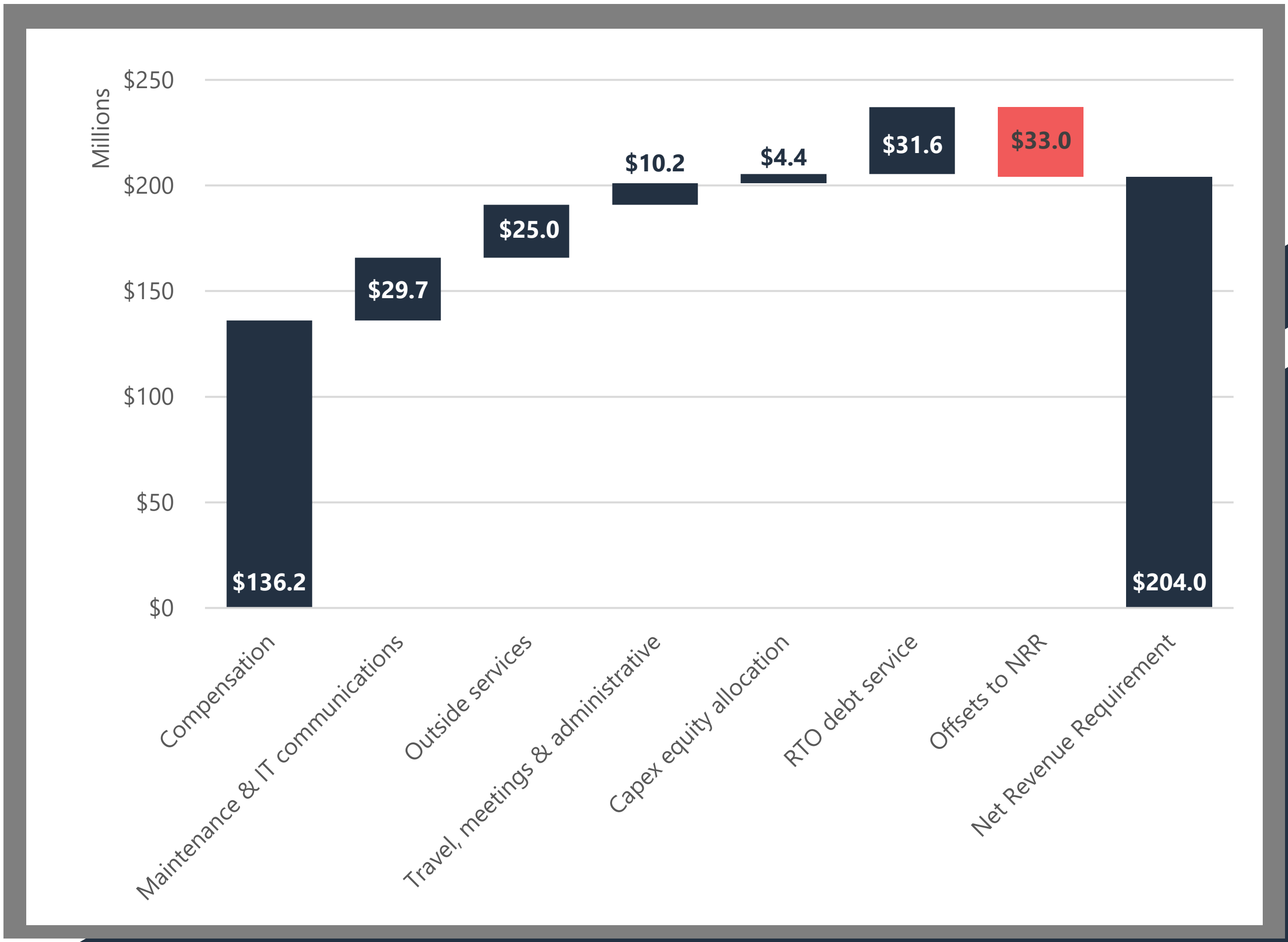


RTO Debt Service

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

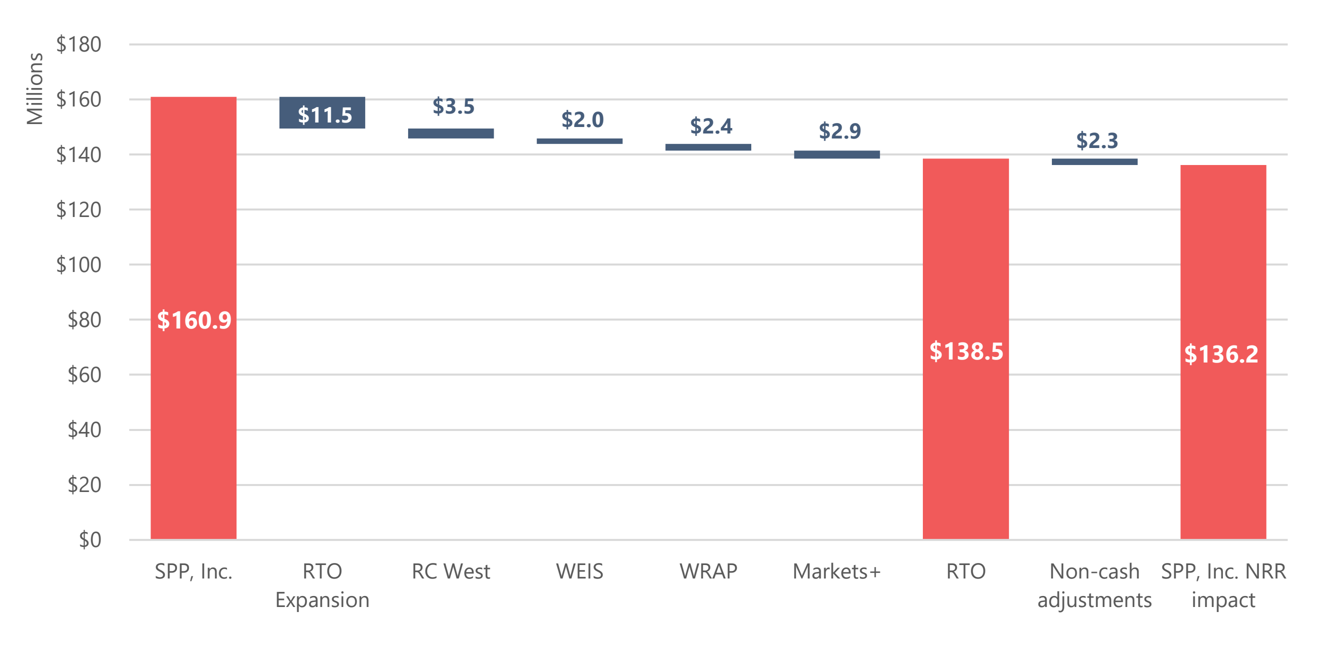


NRR > Key Drivers > Compensation & Headcount > Compensation

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 impact[14]



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[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…."

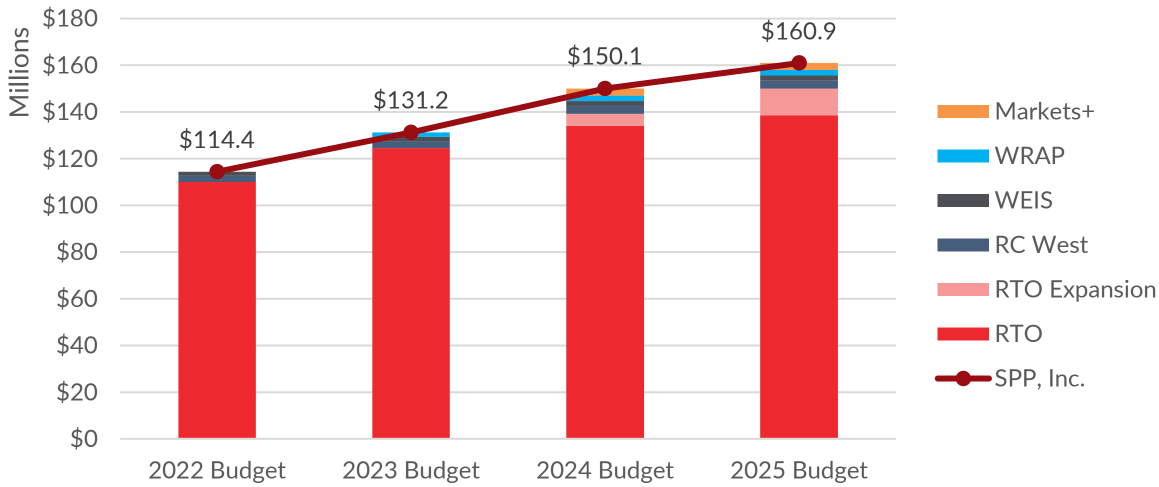
[11] https://www.paycor.com/resource-center/articles/closer-look-at-labor-costs/

[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.

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.

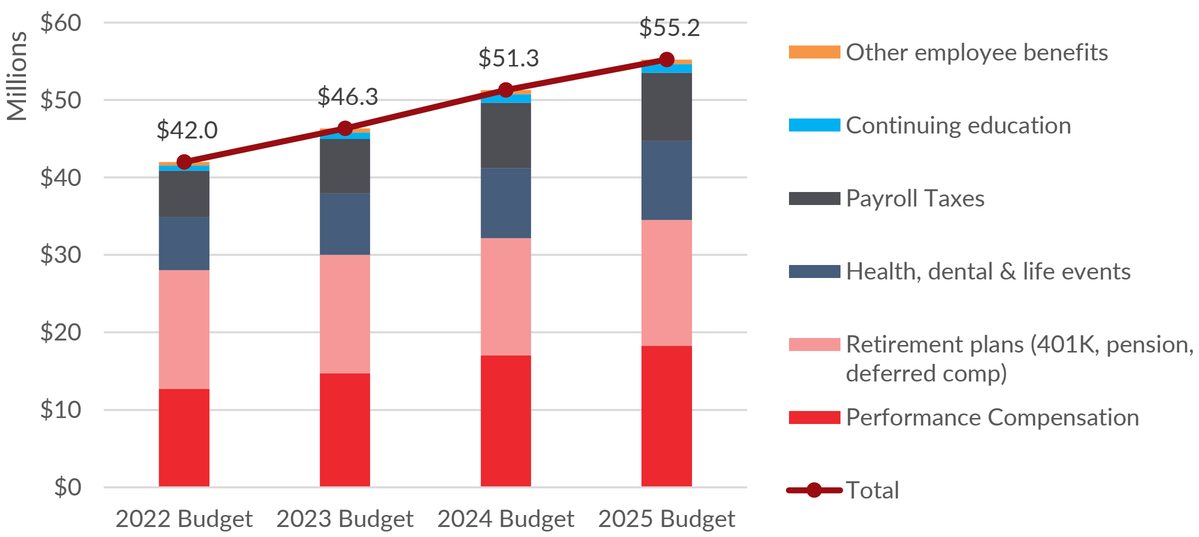
NRR > Key Drivers > Compensation & Headcount > Compensation

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.

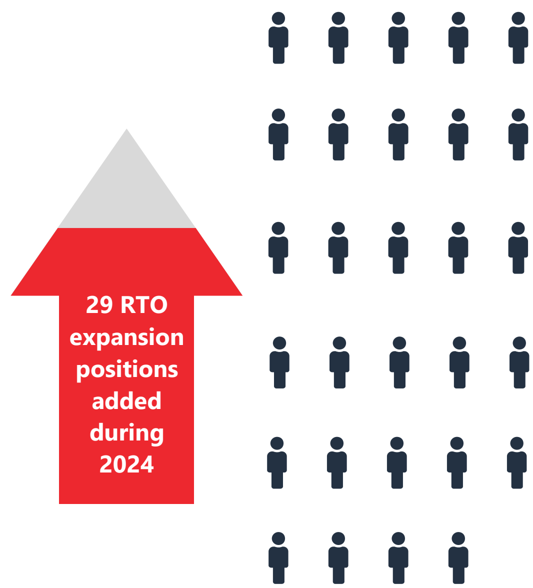
Funding for SPP's **401(k) matching** contribution is projected at 4.3 percent of base salary expenses, including performance compensation, and is based on recent company trends.

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 with 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).

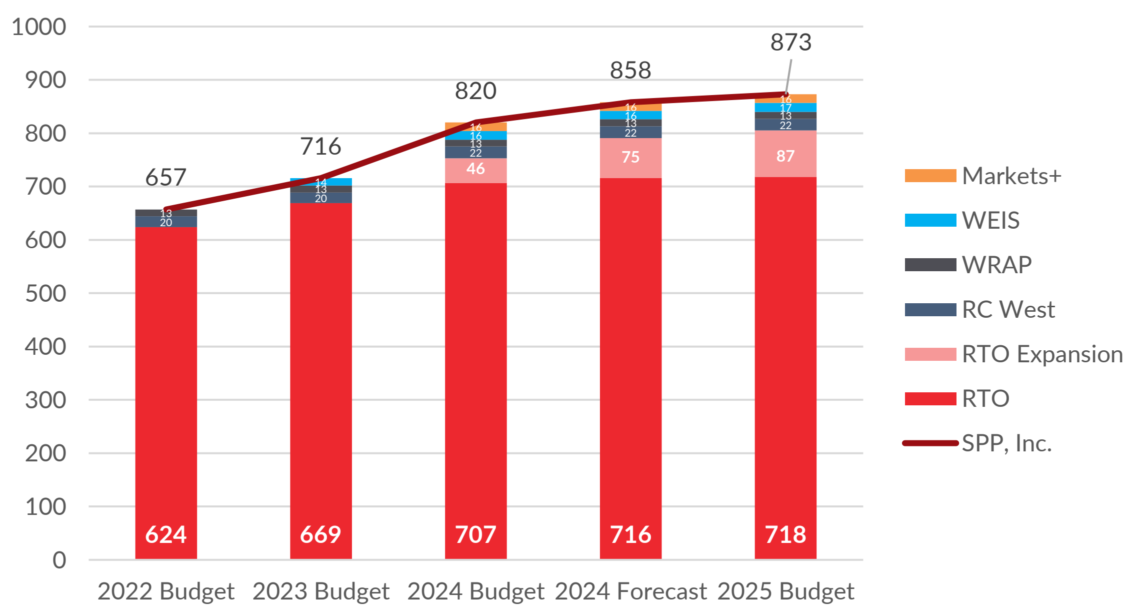
SPP's focus on maintaining competitive compensation and carefully managing headcount growth underscores the commitment to providing affordable, best-in-class services to our members and customers. The gradual shift in compensation drivers, particularly contracts and expansion, highlights how our organization’s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

Figure 7 - RTO Maintenance and IT Communications: Four-year comparison

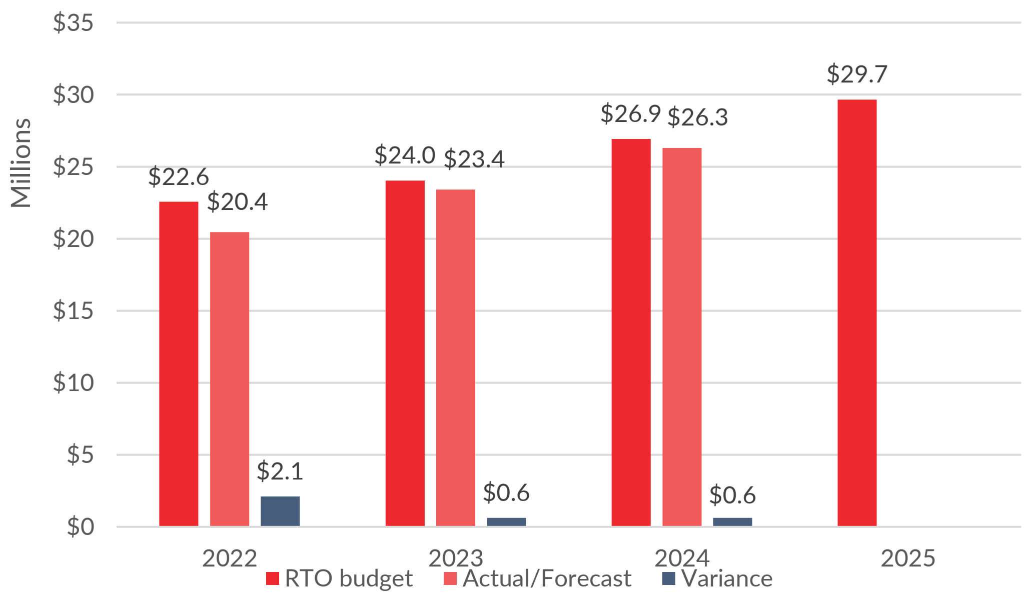
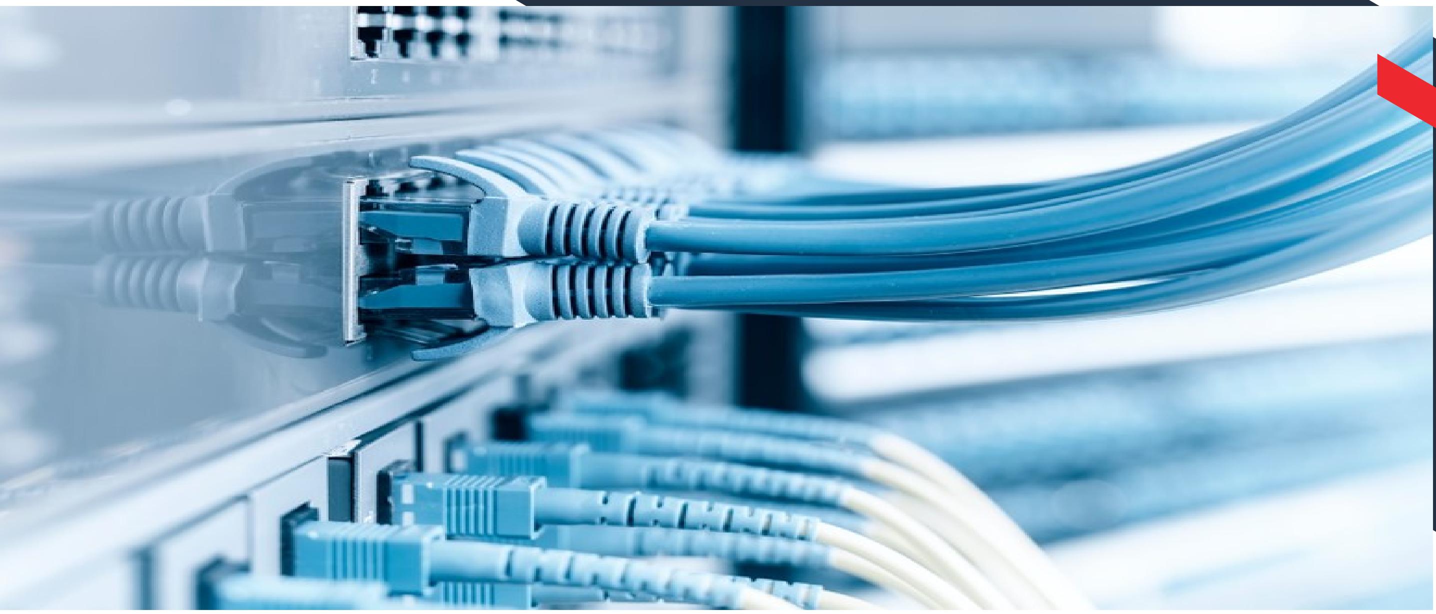


Table 6 - RTO Maintenance and IT Communications 2024 Budget to 2025 Budget

($ 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]

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[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.

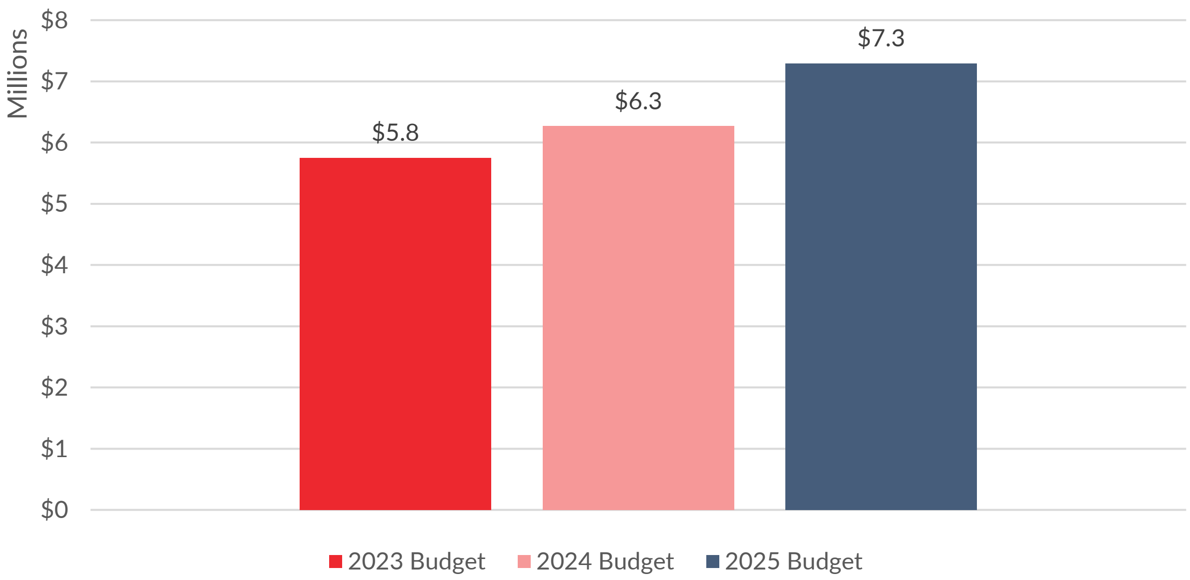
The $0.3 million increase in **travel expenses** from the 2024 to the 2025 budget is driven by inflationary pressures on travel costs and increased demand for in-person training and meetings.

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.

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

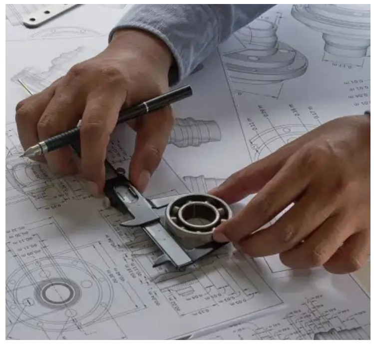
($ millions)	2024 Budget	2025 Budget	Variance $	Variance %
RTO principal payments	28.7	26.8	(1.9)	-6.5%
Interest expense	5.3	4.8	(0.5)	-9.7%
Total	**34.0**	**31.6**	**(2.4)**	**-7.0%**

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.

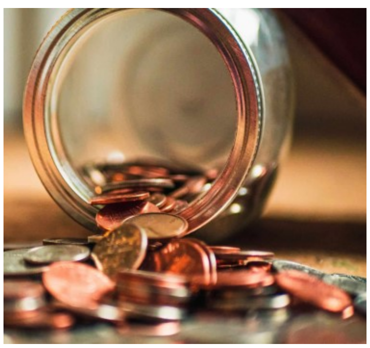
Annual principal and interest payments for borrowings are included in the NRR calculation. The reduction relates to debt repayments associated with the Energy Imbalance Market and the Integrated Marketplace and projected lower interest rates. Further details about the RTO debt service can be found in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

NRR Key Offsets

Contract Services and expansion



Engineering Studies



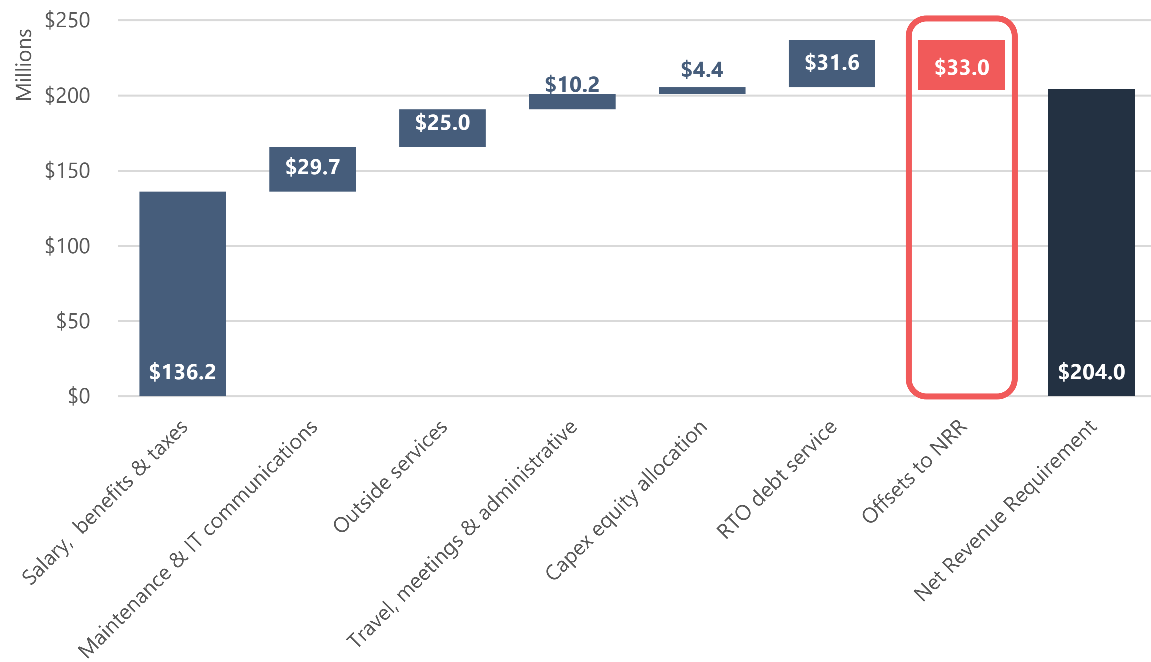
Prior Year over-recovery

Interest Income

Miscellaneous revenue

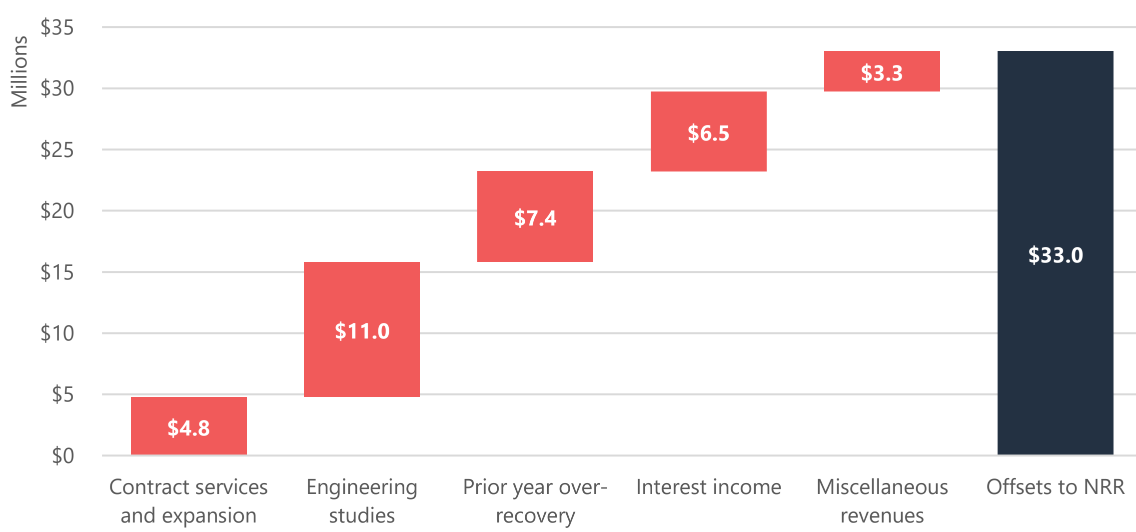
NRR > Key Offsets

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.

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.

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.

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

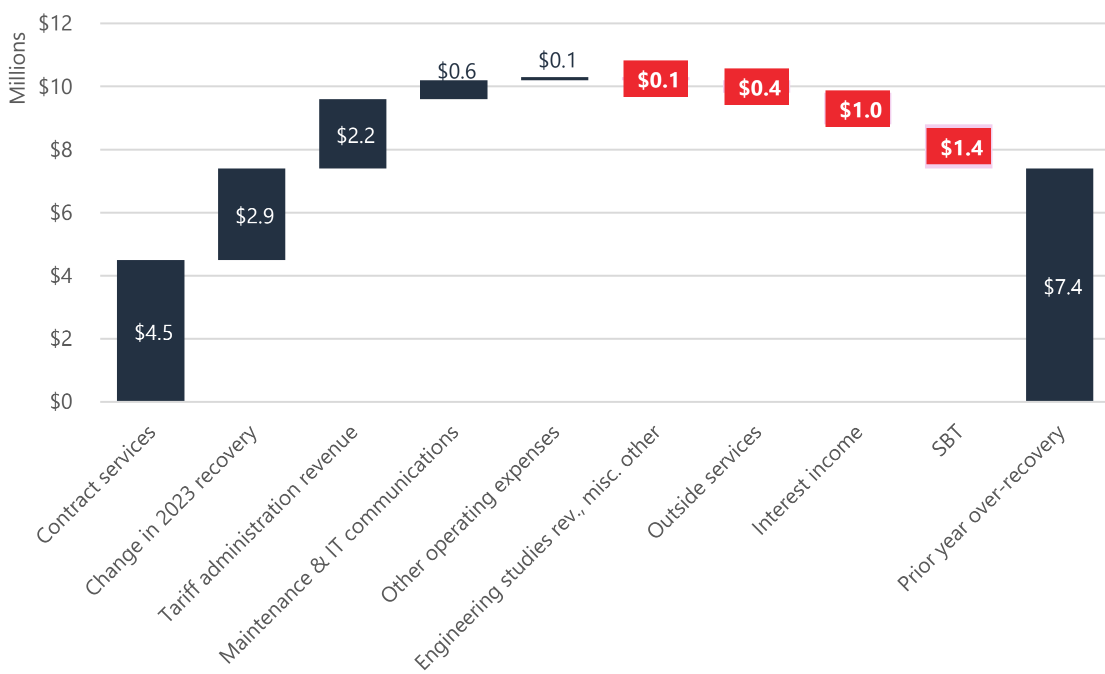
($ millions)	2024 Budget	2025 Budget	Variance $	Variance %
Billable engineering staff revenues	8.3	9.0	0.7	8.3%
GI Studies application fee	-	2.0	2.0	N/A
Total	**8.3**	**11.0**	**2.7**	**32.3%**

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.

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.

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.

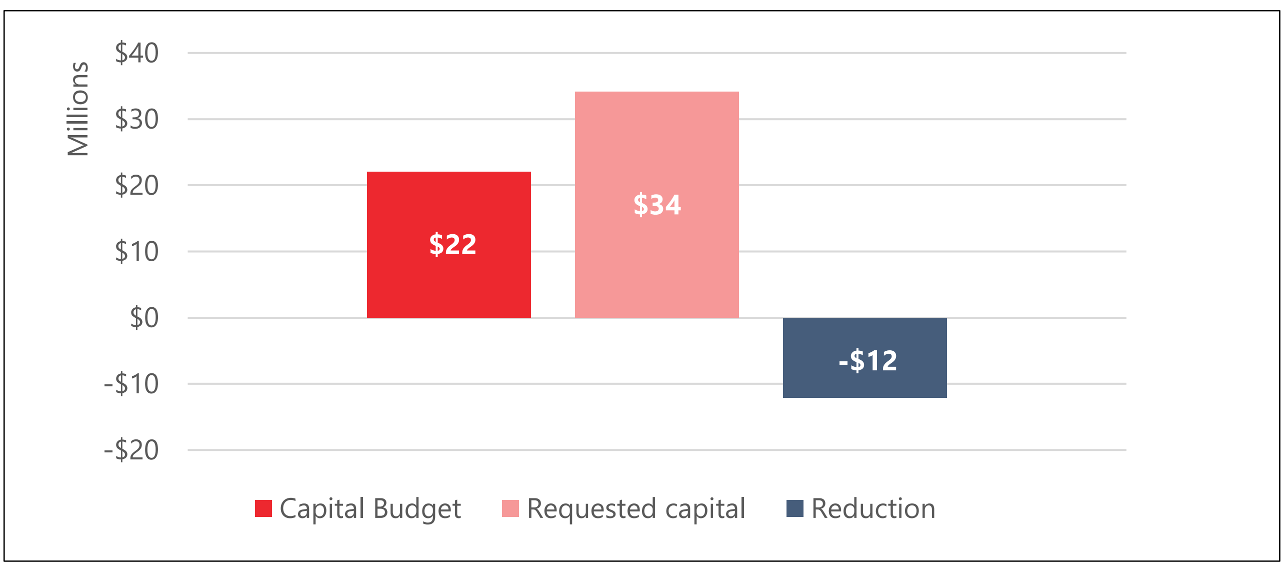
SPP utilizes a pooled capital budget approach to maintain flexibility and prioritize investments based on evolving needs. This method allows SPP to optimize resource allocation and support our long-term strategic objectives efficiently. A list of anticipated projects is included in the supplementary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

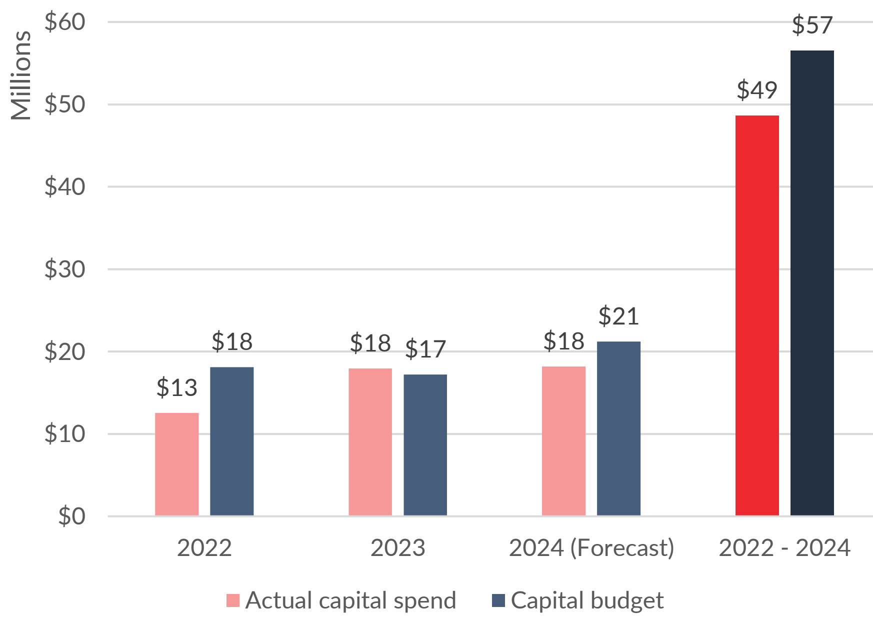


Capital Budget > History

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.

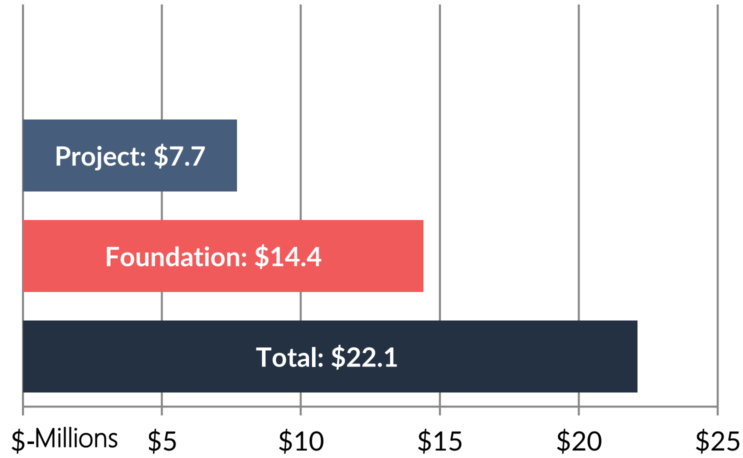
Together, foundation and enterprise project capital reflect SPP's commitment to sustaining core operations while advancing strategic growth through targeted, innovative projects.

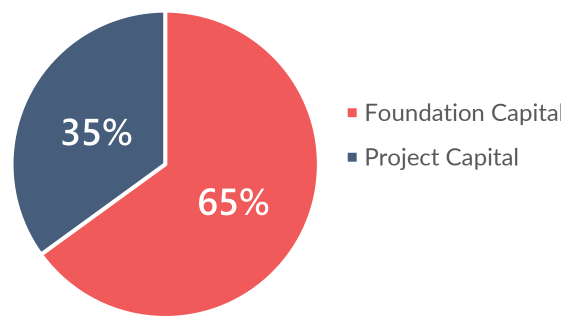
Category Breakdown

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.

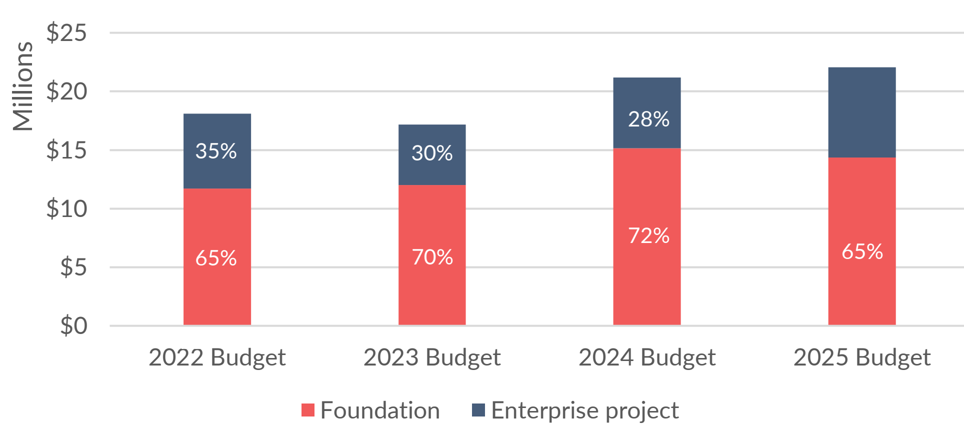
Figure 14 – 2025 Capital Expenses by Category





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



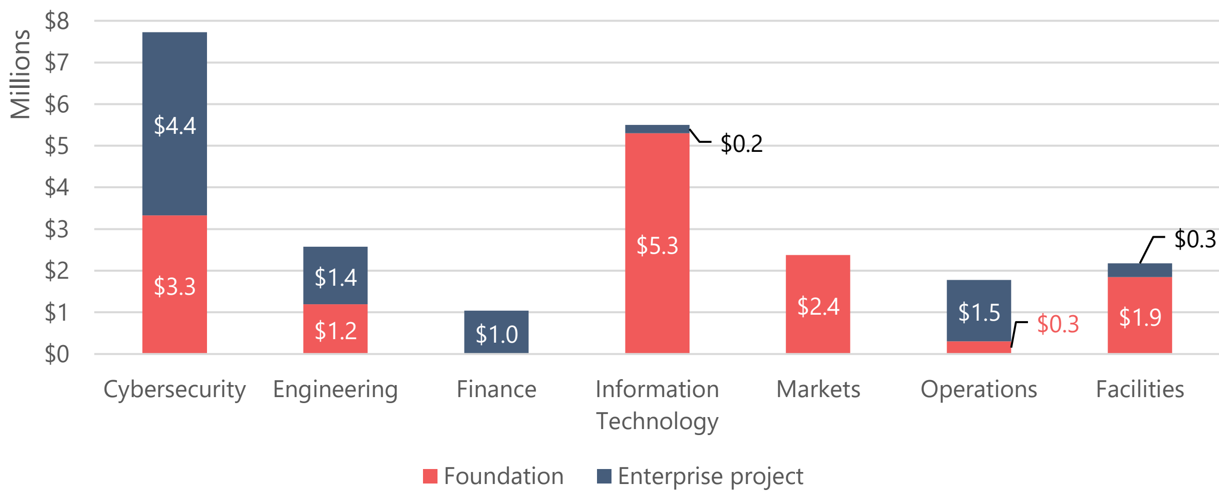
[32] Over the prior 4 budget seasons, foundation capital fell between 65 percent and 72 percent of the capital budget.

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.

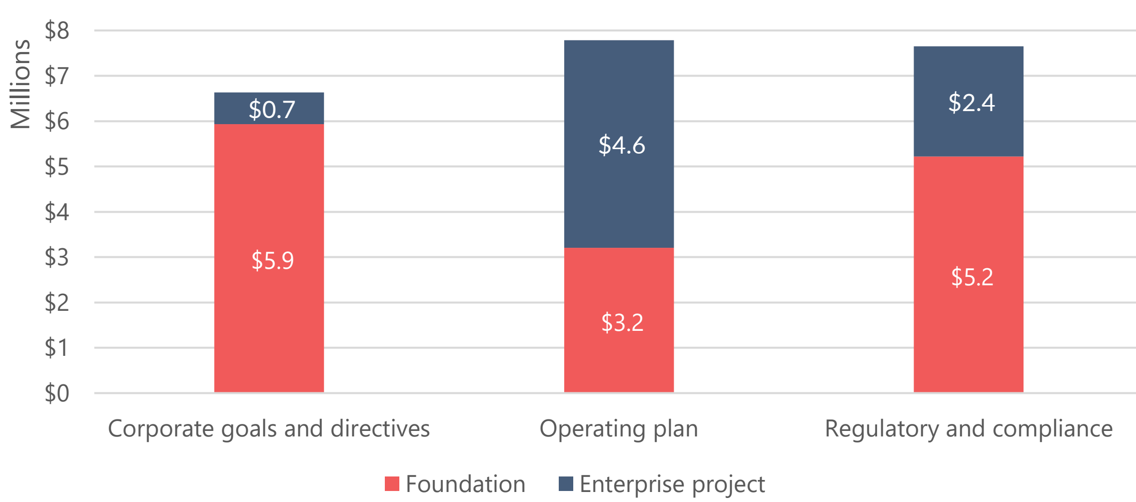
This reclassification signifies that projects have become core infrastructure requiring sustained investment to maintain functionality and compliance. This shift from 'project work' to 'run work' illustrates the dynamic nature of capital budgeting.

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

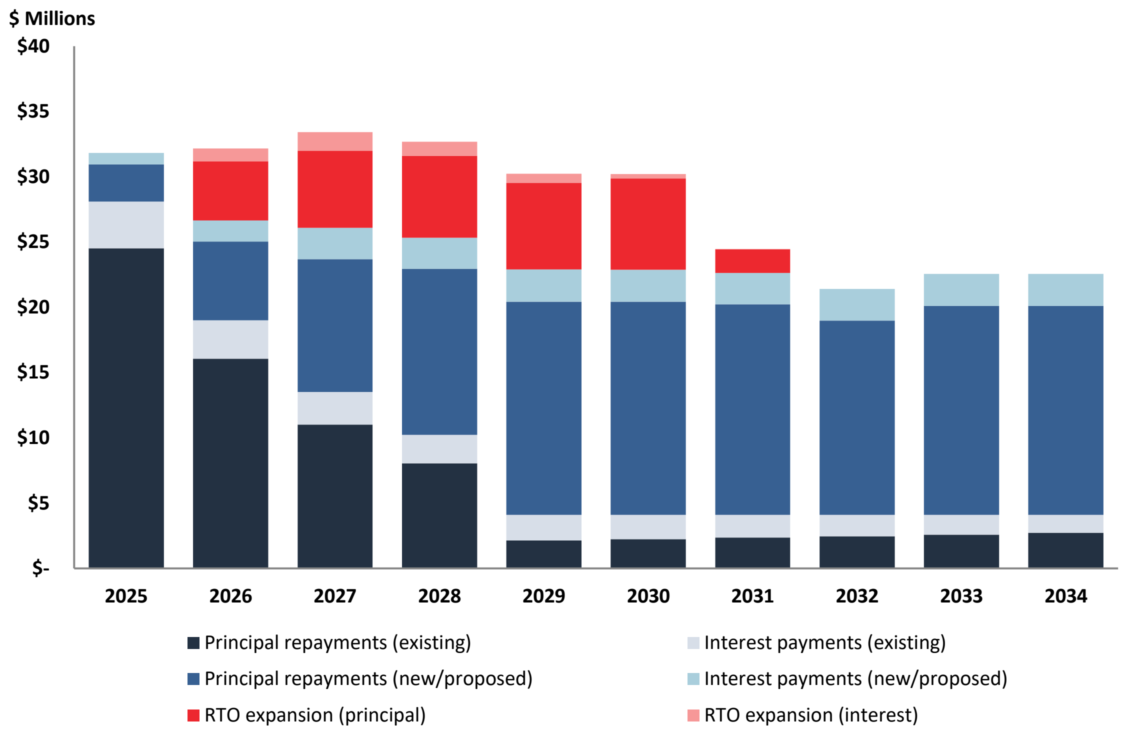
Debt & Investments > Borrowing Facility Structure

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



> **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

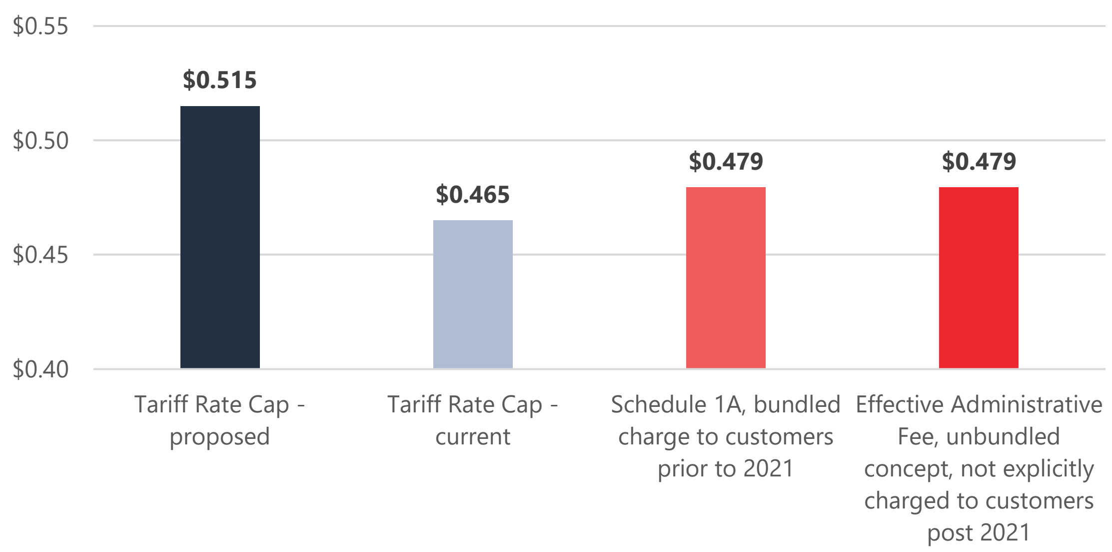
>Rate Cap Adjustment Recommendation

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

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 ½ 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.

Table 25 – 1A-2 TCR service rate

Schedule 1A-2	2024	2025	Variance	Variance %
NRR Allocations ($ millions)	$4.68	$5.80	$1.12	23.9%
Billing Units (terawatt hours)	835.8	881.7	45.9	5.5%
1A-2 TCR Service Rate	**$0.006**	**$0.007**	**$0.001**	**17.5%**

The Schedule 1-A2 service charge provides for the recovery of any costs incurred by the SPP in providing transmission congestion rights administration services. 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-A2 charge is the product of the rate and the TCR holder's billing determinants which is the total amount of TCR volume for all TCR holders.

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.

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)	2024 Budget	2024 Forecast	2025 Budget
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 >

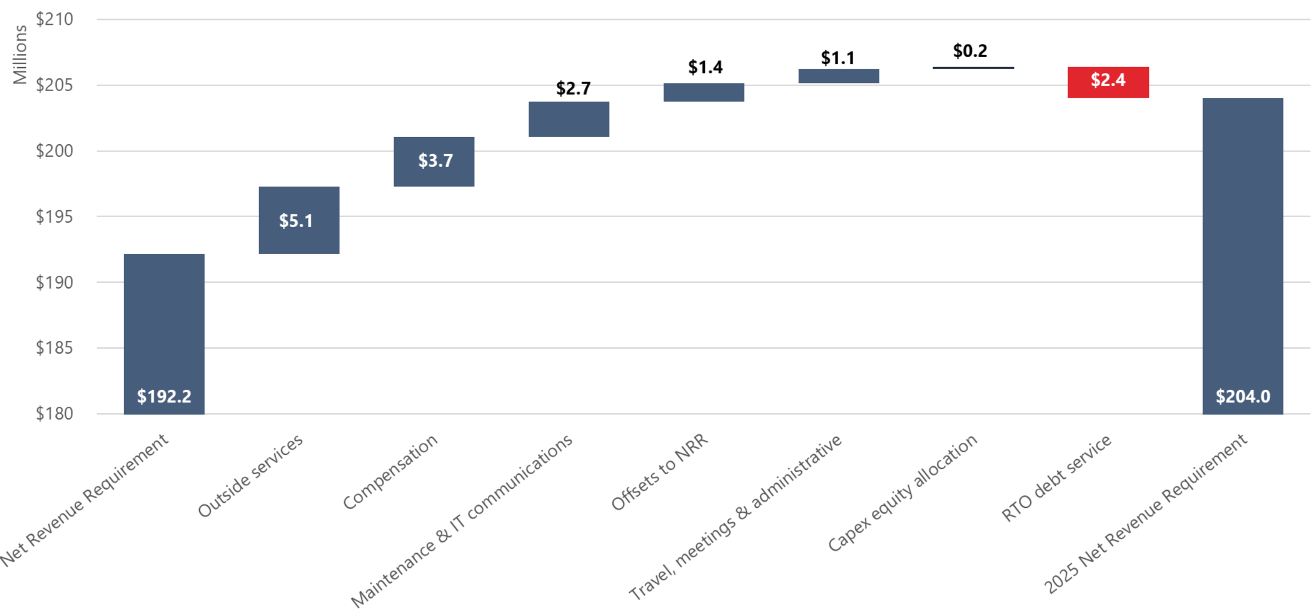
2025-2027 Capital Spend

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



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