Southwest Power Pool, Inc.

Independent Auditor's Report and Financial Statements

December 31, 2024 and 2023

Contents

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Independent Auditor's Report

Board of Directors
Southwest Power Pool, Inc.
Little Rock, Arkansas

Opinion

We have audited the financial statements of Southwest Power Pool, Inc., which comprise the balance sheets as of December 31, 2024 and 2023, and the related statements of income, members' deficit, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Southwest Power Pool, Inc. as of December 31, 2024 and 2023, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the "Auditor's Responsibilities for the Audit of the Financial Statements" section of our report. We are required to be independent of Southwest Power Pool, Inc. and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Southwest Power Pool, Inc.'s ability to continue as a going concern within one year after the date that these financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Southwest Power Pool, Inc.'s internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Southwest Power Pool, Inc.'s ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Forvis Mazars, LLP

Little Rock, Arkansas
April 11, 2025

Southwest Power Pool, Inc.
Balance Sheets (*in Thousands*)
December 31, 2024 and 2023

ASSETS

	2024	2023
Current Assets		
Cash and cash equivalents	$ 39,614	$ 56,602
Restricted cash deposits	1,431,180	1,515,740
Accounts receivable	168,668	117,356
Prepaid expenses and other	13,709	12,470
Total current assets	1,653,170	1,702,168
Property and Equipment, at Cost		
Land	4,812	4,812
Building and improvements	72,747	69,421
Furniture and fixtures	11,529	10,912
Equipment and machinery	67,127	63,978
Software	191,385	186,705
Software in development	9,663	2,580
	357,263	338,408
Less accumulated depreciation and amortization	293,466	278,590
	63,797	59,818
Investments (Note 2)	141,164	116,942
Other Assets, Net	11,935	10,680
	$ 1,870,066	$ 1,889,608

See Notes to Financial Statements

LIABILITIES AND MEMBERS' DEFICIT

	2024	2023
Current Liabilities		
Accounts payable	$ 138,720	$ 114,649
Customer deposits	1,431,180	1,515,740
Current maturities of long-term debt (Note 4)	24,524	29,398
Accrued expenses	204,851	163,629
Deferred revenue	10,528	15,444
Total current liabilities	1,809,803	1,838,860
Lines of Credit (Note 3)	27,120	-
Long-Term Debt (Note 4)	76,782	101,306
Less unamortized debt issuance costs	(280)	(353)
	76,502	100,953
Other Long-Term Liabilities	15,963	33,144
Members' Deficit	(59,323)	(83,349)
	$ 1,870,066	$ 1,889,608

Southwest Power Pool, Inc.
Statements of Income (*in Thousands*)
Years Ended December 31, 2024 and 2023

	2024	2023
Operating Income		
Tariff fees and member assessments	$ 232,031	$ 215,797
Other member services	50,880	46,375
	282,911	262,172
Operating Expenses		
Salaries and benefits	158,551	137,950
Employee travel	2,071	1,611
Administrative	6,198	6,323
Regulatory assessment	36,232	31,266
Meetings	1,323	1,020
Communications system	4,811	5,228
Leases	23	-
Maintenance	22,138	19,268
Consulting services	36,433	35,414
Depreciation and other	17,823	16,773
	285,603	254,853
Operating Income (Loss)	(2,692)	7,318
Other Income (Expense)		
Interest income	8,726	9,341
Interest expense	(5,393)	(6,082)
Change in fair market value of interest rate swaps	13	(52)
Other income	1,198	817
	4,544	4,024
Income Before Unrealized Gain and Change in Funded Status of Employee Benefit Plans	1,852	11,343
Unrealized Gain on Investments	636	587
Change in Funded Status of Employee Benefit Plans	21,538	7,038
Net Income	$ 24,026	$ 18,968

Southwest Power Pool, Inc.
Statements of Members' Deficit (*in Thousands*)
Years Ended December 31, 2024 and 2023

	2024	2023
Balance, Beginning of Year	$ (83,349)	$ (102,317)
Net income	24,026	18,968
Balance, End of Year	$ (59,323)	$ (83,349)

Southwest Power Pool, Inc.
Statements of Cash Flows (*in Thousands*)
Years Ended December 31, 2024 and 2023

	2024	2023
Operating Activities		
Net income	$ 24,026	$ 18,968
Items not requiring cash		
Depreciation, amortization and other	17,907	16,897
Amortization of discount/premium for treasury investments	(2,956)	(4,012)
Change in funded status of employee benefit plans	(21,538)	(7,038)
Unrealized gain on investments	(636)	(587)
Change in fair market value of interest rate swaps	(13)	52
Changes in assets and liabilities		
Accounts receivable	(51,312)	114,954
Prepaid expenses and other	(1,238)	(1,612)
Other assets	(606)	(3,872)
Accounts payable	25,639	(130,156)
Accrued expenses and other liabilities	36,307	(37,238)
Other current liabilities	(84,560)	297,067
Other long-term liabilities	3,746	1,803
Net cash provided by (used in) operating activities	(55,234)	265,226
Investing Activities		
Acquisition of property and equipment	(23,406)	(14,251)
Purchase of investments	(264,947)	(610,191)
Proceeds from investment maturities	244,153	651,625
Proceeds from sale of investments	164	169
Net cash provided by (used in) investing activities	(44,036)	27,352
Financing Activities		
Repayments of long-term debt	(29,398)	(31,026)
Repayment of borrowings under lines of credit	(31,516)	(990)
Borrowings under lines of credit	58,636	990
Net cash used in financing activities	(2,278)	(31,026)
Increase (Decrease) in Cash, Cash Equivalents, and Restricted Cash	(101,548)	261,552
Cash, Cash Equivalents, and Restricted Cash, Beginning of Year	1,572,342	1,310,790
Cash, Cash Equivalents, and Restricted Cash, End of Year	$ 1,470,794	$ 1,572,342
Supplemental Cash Flows Information		
Interest paid on long-term debt	$ 5,323	$ 5,794
Property and equipment purchases in accounts payable and accrued liabilities	$ 1,907	$ 3,512
Right of use operating lease assets obtained in exchange for new operating lease liabilities	$ 658	$ -

Southwest Power Pool, Inc.
Statements of Cash Flows (*in Thousands*)
Years Ended December 31, 2024 and 2023

	2024	2023
Reconciliation of Cash, Cash Equivalents, and Restricted Cash to the Balance Sheet		
Cash and cash equivalents	$ 39,614	$ 56,602
Restricted cash deposits	1,431,180	1,515,740
Total cash, cash equivalents and restricted cash shown on the balance sheet	$ 1,470,794	$ 1,572,342

Note 1. Nature of Operations and Summary of Significant Accounting Policies

Nature of Operations

Southwest Power Pool, Inc. (Company) is a not-for-profit entity formed in 1941 and incorporated in 1994. The Company is a Federal Energy Regulatory Commission (FERC)-approved regional transmission organization (RTO) serving more than 18 million ultimate customers across all or parts of 14 states. The Company's membership consists of investor-owned utilities, municipal systems, generation and transmission cooperatives, state authorities, federal agencies, independent power producers, contract participants, power marketers, independent transmission companies, alternative power/public interest companies and large retail customers.

Major services provided by the Company to its members and customers include tariff administration, reliability coordination, regional scheduling, market operations, regional transmission expansion planning and resource adequacy program operations. Market operations encompass day-ahead and real-time markets, transmission congestion rights, reliability unit commitment, operating reserve market and consolidated balancing authority.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents and Deposits

The Company considers all highly liquid interest-earning investments with stated maturities and coupon rate reset dates of no more than three months to be cash equivalents. At December 31, 2024 and 2023, the Company's cash and cash equivalents, including restricted deposits, are invested primarily in money market funds and commercial paper. These investments are typically revalued to the market each day. The Company's cash and cash equivalents consist primarily of funds accumulated for general operating purposes. Restricted cash deposits consist primarily of customer security deposits and amounts deposited for engineering studies.

At December 31, 2024, the Company's cash accounts exceeded federally insured limits by approximately $1,315.

Investments

The Company's investments include equity and fixed income mutual funds and debt securities. The Company records equity and fixed income mutual funds at fair value and reports associated unrealized gains and losses as nonoperating income. Dividends and realized gains and losses are reported as other income in the statements of income. The Company's mutual fund investments are intended to be utilized in funding benefits associated with the Company's postretirement healthcare plan.

Debt securities held by the Company are comprised of government securities. The Company classifies its debt securities as held-to-maturity investments due to the Company's positive intent and ability to hold them until maturity. Such investments were recorded at amortized cost, net of allowance for credit losses, at December 31, 2024 and 2023 with purchase premiums and discounts recognized in interest income using the interest method over the term of the securities. Interest income from debt securities is reported separately in the statements of income. The Company's investments in debt securities are used to maintain collections under Schedule 12 to be utilized for the annual FERC assessment and collections from the market participants for the Company's annual transmission congestion rights auction.

Notes to Financial Statements (in Thousands)

Allowance for Credit Losses – Held-to-Maturity Securities

The allowance for credit losses on held-to-maturity securities is a contra-asset valuation account, calculated in accordance with ASC 326, that is deducted from the amortized cost basis of held-to-maturity securities to present management's best estimate of the net amount expected to be collected. Held-to-maturity securities are charged off against the allowance when deemed uncollectible by management. Adjustments to the allowance are reported in the income statement as a component of credit loss expense. Management measures expected credit losses on held-to-maturity securities on a collective basis by major security type with each type sharing similar risk characteristics and considers historical credit loss information that is adjusted for current conditions and reasonable and supportable forecasts. Management has made the accounting policy election to exclude accrued interest receivable on held-to-maturity securities from the estimate of credit losses. During the years ended December 31, 2024 and 2023, there was no allowance created or uncollectible amounts charged off related to held-to-maturity securities.

Income Taxes

The Company is exempt from income taxes under Section 501c(6) of the Internal Revenue Code and a similar provision of state law. However, the Company is subject to federal income tax on any unrelated business taxable income.

Accounts Receivable

Accounts receivable are stated at the amount of consideration from members, customers, and others of which the Company has an unconditional right to receive plus any accrued and unpaid interest. The Company provides an allowance for credit losses, which is based upon a review of outstanding receivables, historical collection information and existing economic conditions adjusted for current conditions and reasonable and supportable forecasts. Accounts that are unpaid after the due date could be subject to interest at a rate set by FERC. During the years ended December 31, 2024 and 2023, no allowance for credit loss was recorded.

Property and Equipment

Property and equipment over $5 are recorded at cost and depreciated on a straight-line basis over the estimated useful life of each asset. The estimated useful lives are as follows:

Building	20 years
Building improvements	Shorter of useful life or remaining life of building
Furniture and fixtures	5 years
Vehicles	5 years
Equipment and machinery	3 years
Software	3 years

The Company capitalizes interest cost incurred on funds used to construct property, plant and equipment. The capitalized interest is recorded as part of the asset to which it relates and is amortized over the asset's estimated useful life. No interest was capitalized for the years ended December 31, 2024 and 2023.

The Company capitalizes development costs, including interest, for internal use software costs. These costs are included in software in development. Management of the Company believes all costs capitalized in association with the software in development are fully recoverable over the anticipated life of the asset.

The Company entered into a $2,760 installment payment plan agreement on December 10, 2021 to obtain software and accompanying maintenance services which is comprised of $2,217 of property and equipment and $543 of prepaid maintenance. The term of the agreement was 26 months and expired on February 1, 2024. Payments were due annually. There was no liability as of December 31, 2024. The liability's current portion was $920 as of December 31, 2023.

Long-Lived Asset Impairment

The Company evaluates the recoverability of the carrying value of long-lived assets whenever events or circumstances indicate the carrying amount may not be recoverable. If a long-lived asset is tested for recoverability and the undiscounted estimated future cash flows expected to result from the use and eventual disposition of the asset is less than the carrying amount of the asset, the asset cost is adjusted to fair value and an impairment loss is recognized as the amount by which the carrying amount of a long-lived asset exceeds its fair value.

No asset impairment was recognized during the years ended December 31, 2024 and 2023.

Revenue Recognition

Revenues, consisting of member assessments, tariff administrative fees, contract services and miscellaneous revenues are recognized when performance obligations are satisfied, and expenses are recognized when incurred.

Customer Deposits

Customers may be required to make deposits with the Company prior to the performance of transmission services, market transactions and engineering studies. An offsetting liability equal to the deposit balance is recorded in current liabilities. Funds set aside for any disputed invoices are also recorded as customer deposits under current liabilities.

Tariff Fees and Member Assessments

Schedule 1-A of the Company’s Open Access Transmission Tariff (tariff) provides for the recovery of the administration costs associated with carrying out the responsibilities of the tariff. Schedule 1-A includes four separate rate schedules designed to recover costs from both transmission customers and market participants. The rates for each schedule are calculated annually utilizing a FERC-approved formula rate template that is populated with the budget approved by the board of directors.

Rate Schedule 1-A1 recovers the costs associated with providing transmission administration services and is billed monthly to transmission customers based on their prior year average 12-month peak demand multiplied by number of hours in the month (network integration service) and hours reserved (point-to-point service).

Rate Schedule 1-A2 recovers the costs associated with providing transmission congestion rights (TCR) services and is billed weekly to TCR holders based on their TCR volume.

Rate Schedule 1-A3 recovers the cost associated with providing integrated marketplace clearing services and is billed weekly to market participants based on the real time energy injected into and withdrawn from the transmission system, real time import/export interchange transactions, and cleared virtual bids and offers.

Rate Schedule 1-A4 recovers the cost associated with providing integrated marketplace facilitation services and is billed weekly to market participants based on the real time energy injected into and withdrawn from the transmission system and real time import/export interchange transactions.

The Company collects a membership fee from each member annually. The amount of the membership fee is established by the board of directors of the Company. For 2024 and 2023, all members paid a $6 membership fee.

The Company also bills transmission customers a charge under Schedule 12 on all energy delivered under point-to-point transmission service and network integration transmission service. This provides a mechanism for recovering the annual charges the Company pays to FERC.

Notes to Financial Statements (in Thousands)

Withdrawing Members

Load serving entities and transmission only entity members wishing to withdraw their membership from the Company must provide 24 months' written notice and pay the Company a withdrawal deposit. Withdrawing members are responsible for their portion of the Company's existing obligations as defined in the bylaws, which include unpaid membership fees, any assessments imposed prior to the effective withdrawal date, and any costs or expenses imposed upon the Company as a direct consequence of the member's withdrawal. Transmission-owning members are additionally liable for the member's share of long-term obligations and related interest. As of December 31, 2024, the Company had not been notified by any member of their intent to withdraw their membership from the Company.

Deferred Revenue

Revenues for services received in advance are recognized over the periods to which the revenues relate.

Other Services

The Company provides reliability, tariff administration, scheduling, energy imbalance services and resource adequacy program operations for non-members on a contract basis. The Company also provides engineering study services for long-term transmission service and generation interconnection requests.

Concentration of Credit Risk

The Company is exposed to credit risk primarily through accounts receivable and uninsured cash balances. During 2024 and 2023, the Company maintained cash balances, including transaction accounts and short-term investment accounts that are not insured by the Federal Deposit Insurance Corporation. The Company's investment accounts were primarily invested in highly liquid short-term investments such as money market funds and commercial paper. The Company also requires the financial institutions holding its cash balances to be rated A or better by nationally recognized rating agencies.

The Company considers its accounts receivable to be highly probable of collection. No allowance for credit loss was recorded for 2024 and 2023.

The Company requires its customers to meet certain minimum standards of financial condition and creditworthiness to receive unsecured credit from the Company. If these standards cannot be met by a customer, the Company requires the posting of defined financial security instruments to cover potential liabilities.

Note 2. Investments and Investment Returns

Investments at December 31 consisted of the following:

	2024	2023
Mutual Funds		
Equity	$ 3,267	$ 2,892
Fixed income	1,250	1,073
Total mutual funds	4,517	3,965
U.S. Government Securities		
Treasury notes	136,647	112,977
Total government securities	136,647	112,977
	$ 141,164	$ 116,942

Notes to Financial Statements (in Thousands)

The Company's investments in government securities were classified as held to maturity as of December 31, 2024 and 2023 and recorded at amortized cost due to the Company's positive intent and ability to hold them until maturity. The Company's government securities had contractual maturities of less than one year at December 31, 2024 and 2023.

The Company's returns from its investments are presented below.

	2024	2023
Mutual Funds		
Dividends and realized gains	$ 81	$ 67
Unrealized gains	636	587
Total mutual funds	717	654
U.S. Government Securities		
Interest income	6,193	5,546
	$ 6,910	$ 6,200

Dividends and realized gains and losses are reported as other income, while interest income and unrealized gains and losses are reported separately in the statements of income as presented below.

	2024	2023
Interest income	$ 6,193	$ 5,546
Unrealized gain on investments	636	587
Other income	81	67
	$ 6,910	$ 6,200

Note 3. Lines of Credit

The Company has a $30,000 revolving line of credit with a commercial bank expiring in 2025. At December 31, 2024 and 2023, no amounts were borrowed against this line. The agreement has a variable interest rate based on the Daily Simple Secured Overnight Funding Rate (SOFR) index plus a 1.1% credit margin. The Company's line of credit requires compliance with certain financial and non-financial covenants as well as periodic reporting requirements.

The Company has an $80,000 revolving commitment from another commercial bank expiring in 2027 that could be utilized for both revolving and term loans. At December 31, 2024 and 2023, $27,671 and $4,810, respectively, of revolving and term loan principal balances were outstanding against this commitment. The agreement has a revolving interest rate based on the Secured Overnight Funding Rate (SOFR) index plus a 1.5% credit margin, with a floor of 2.50%. The interest rate on the revolving line of credit at December 31, 2024 and 2023, was 5.83% and 6.85%, respectively. The Company's line of credit requires compliance with certain financial and nonfinancial covenants as well as periodic reporting requirements.

Notes to Financial Statements (in Thousands)

Note 4. Long-Term Debt and Interest Rate Swaps

Long-Term Debt

	2024	2023
Variable Rate Term Note due 2027 (A)	$ 1,490	$ 1,696
4.82% Series 2010-A and B Senior Notes due 2042 (B)	49,265	50,947
3.55% Series 2010-C Senior Notes due 2024 (C)	-	1,750
3.00% Series 2012-D-1 Senior Notes due 2024 (D)	-	1,250
3.25% Series 2012-D-2 Senior Notes due 2024 (E)	-	3,750
3.80% Series 2014-E Senior Notes due 2025 (F)	22,000	37,000
Floating Series Note due 2024 (G)	-	1,500
2.875% Fixed Rate Note due 2024 (H)	-	726
2.875% Fixed Rate Note due 2024 (I)	-	1,367
2.875% Fixed Rate Note due 2025 (J)	551	2,718
2.210% Series 2021-F Senior Notes due 2028 (K)	28,000	28,000
	101,306	130,704
Less unamortized debt issuance costs	280	353
Less current maturities	24,524	29,398
	$ 76,502	$ 100,953

(A) Due February 1, 2027; principal and interest are payable quarterly based on a 25-year amortization. Payments commenced on May 1, 2007. The interest rate adjusts daily based on SOFR plus 0.95%. At December 31, 2024 and 2023, the interest rate was 5.26% and 6.26%, respectively. The note is secured by a first mortgage on the Company's operation facility.

(B) Due December 30, 2042; principal and interest are payable quarterly based on a 32-year amortization. Principal payments commenced on March 30, 2013. The interest rate is fixed at 4.82%. The notes are unsecured.

(C) Due March 30, 2024; principal and interest were payable quarterly based on a 13-year amortization. Principal payments commenced on June 30, 2014. The interest rate was fixed at 3.55%. The notes were unsecured.

(D) Due March 30, 2024; principal and interest were payable quarterly based on a 10-year amortization. Principal payments commenced on June 30, 2014. The interest rate was fixed at 3.00%. The notes were unsecured.

(E) Due September 30, 2024; principal and interest were payable quarterly based on a 10-year amortization. Principal payments commenced on December 30, 2014. The interest rate was fixed at 3.25%. The notes were unsecured.

(F) Due December 30, 2025; principal and interest are payable quarterly based on an 11 year and 9 months amortization. Principal payments commenced on March 30, 2024. The interest rate is fixed at 3.80%. The notes are unsecured.

(G) Due March 30, 2024; principal and interest were payable monthly based on an eight-year amortization. Payments commenced on June 30, 2016. The interest rate adjusted monthly based on SOFR plus 1.75%. At December 31, 2023, the interest rate was 7.19%. The note was unsecured.

Notes to Financial Statements (in Thousands)

(H) Due March 30, 2024; principal and interest were payable quarterly based on a four-year amortization. Payments commenced on June 30, 2020. The interest rate was fixed at 2.875%. The note was unsecured.

(I) Due December 31, 2024; principal and interest were payable quarterly based on a four-year amortization. Payments commenced on March 31, 2021. The interest rate was fixed at 2.875%. The note was unsecured.

(J) Due March 31, 2025; principal and interest are payable quarterly based on a four-year amortization. Payments commenced on June 30, 2021. The interest rate is fixed at 2.875%. The note is unsecured.

(K) Due December 15, 2028; principal and interest are payable semi-annually based on a seven-year amortization. Principal payments commence on December 15, 2026. The interest rate is fixed at 2.210%. The notes are unsecured.

Aggregate annual maturities of long-term debt at December 31, 2024 are:

2025	$ 24,524
2026	16,059
2027	11,023
2028	8,039
2029	2,139
Thereafter	39,522
	$ 101,306

Certain of the Company’s term notes require compliance with financial and nonfinancial covenants, as well as periodic reporting requirements.

Variable-to-Fixed Interest Rate Swap

As a strategy to maintain acceptable levels of exposure to the risk of changes in future cash flows due to interest rate fluctuations, the Company enters into interest rate swap agreements. On September 15, 2006, the Company entered into an interest rate swap agreement with U.S. Bank National Association. The agreement provides for the Company to receive interest from the counterparty at SOFR and to pay interest to the counterparty at a fixed rate of 5.51% on notional amounts of $1,479 and $1,683 at December 31, 2024 and 2023, respectively. Under the agreement, the Company pays or receives the net interest amount quarterly, with the quarterly settlements included in interest expense. The swap was established to hedge interest rate risk on its floating rate debt obligation (Note A).

The Company entered into another interest rate swap agreement on March 10, 2014 with Regions Bank. The agreement provided for the Company to receive interest from the counterparty at SOFR and to pay interest to the counterparty at a fixed rate of 3.225% on notional amounts of $1,500 at December 31, 2023. Under the agreement, the Company paid or received the net interest amount monthly, with the monthly settlements included in interest expense. The swap was established to hedge interest rate risk on its floating rate debt obligation and expired on March 30, 2024 upon the payoff of this obligation (Note G).

Notes to Financial Statements (in Thousands)

The table below presents certain information regarding the Company's interest rate swap agreements.

	2024	2023
Fair value of interest rate swap agreements	$ 34	$ 46
Balance sheet location of fair value amounts	Other Long-Term Liabilities	Other Long-Term Liabilities
Income (Loss) recognized in statement of income	$ 13	$ (52)
Location of income (loss) recognized in statement of income	Change in Fair Market Value of Interest Rate Swaps	Change in Fair Market Value of Interest Rate Swaps

Note 5. Leases

Accounting Policies

The Company determines if an arrangement is a lease or contains a lease at inception. Leases result in the recognition of right-of-use (ROU) lease assets and lease liabilities on the balance sheets. ROU assets represent the right to use an underlying asset for the lease term, and lease liabilities represent the obligation to make lease payments arising from the lease, measured on a discounted basis. The Company determines lease classification as operating or finance at the lease commencement date.

The Company combines lease and nonlease components, such as common area and other maintenance costs, and accounts for them as a single lease component in calculating the ROU assets and lease liabilities for its office lease.

At lease commencement, the lease liability is measured at the present value of the lease payments over the lease term. The ROU asset equals the lease liability adjusted for any initial direct costs, prepaid or deferred rent, and lease incentives. The Company has made a policy election to use a risk-free rate (the rate of a zero-coupon U.S. Treasury instrument) for the initial and subsequent measurement of all lease liabilities. The risk-free rate is determined using a period comparable with the lease term.

The lease term may include options to extend or to terminate the lease that the Company is reasonably certain to exercise. Lease expense is generally recognized on a straight-line basis over the lease term.

Nature of Leases

The Company has entered into the following lease arrangements:

Operating Leases

On December 1, 2024, the Company entered into an operating lease agreement for office space in Denver, Colorado. The lease term is 67 months and expires on June 30, 2030. Payments are due monthly. As of December 31, 2024, a right-of-use lease asset of $649 is recorded in other assets, net. The lease liability's current portion of $36 is recorded in accrued expenses and the long-term portion of $624 is recorded in other long-term liabilities as of December 31, 2024.

All Leases

The Company has no material related-party leases. The Company's lease agreements do not contain any material residual value guarantees or material restrictive covenants.

Quantitative Disclosures

Other required information for the year ended December 31, 2024 (in thousands):

	2024
Other information	
Right-of-use assets obtained in exchange for	
new operating lease liabilities	$ 658
Weighted-average remaining lease term (years)	
Operating leases	5.50
Weighted-average discount rate	
Operating leases	5.65%

Future minimum lease payments at December 31, 2024 are as follows (in thousands):

	Operating Leases
2025	$ 72
2026	149
2027	153
2028	158
2029	162
Thereafter	83
Total future undiscounted lease payments	777
Less amount respresenting interest	117
Lease liabilities	$ 660

Note 6. Employee Benefit Plans

Pension and Other Postretirement Benefit Plans

The Company has a noncontributory defined benefit pension plan covering all employees meeting eligibility requirements. The Company's funding policy is to make the minimum annual contribution that is required by applicable regulations, plus such amounts as the Company may determine to be appropriate from time to time. The Company's contribution to the plan in 2025 is expected to be $8,020.

The Company has a noncontributory defined benefit postretirement healthcare plan that was partially terminated in 2020. The plan covered eligible retirees, including those retiring between the ages of 55 and 65 and hired prior to January 1, 1996. Employees hired after June 1, 2006 were not eligible to participate in the plan. Only retirees drawing benefits at the time of partial termination were left in the plan, and they are provided monies through a tax-free health reimbursement account to pay for individual Medicare supplemental health insurance plans or other eligible healthcare expenses.

Notes to Financial Statements (in Thousands)

The Company uses a December 31 measurement date for the plans. Information about the plans' funded status is as follows:

	Pension Benefits		Postretirement Healthcare Benefits	
	2024	2023	2024	2023
Benefit obligation	$ 164,552	$ 155,459	$ 2,234	$ 3,174
Fair value of plan assets	159,817	132,069	-	-
Funded status	$ (4,735)	$ (23,390)	$ (2,234)	$ (3,174)

Amounts recognized in the balance sheets:

	Pension Benefits		Postretirement Healthcare Benefits	
	2024	2023	2024	2023
Other long-term liabilities	$ (4,735)	$ (23,390)	$ (2,234)	$ (3,174)

Amounts recognized in members' deficit not yet recognized as components of net periodic benefit cost as of December 31, 2024 and 2023 consist of:

	Pension Benefits		Postretirement Healthcare Benefits	
	2024	2023	2024	2023
Net loss (gain)	$ (14,764)	$ 5,660	$ (887)	$ 82

The accumulated benefit obligation for the defined benefit pension plan was $131,909 and $130,221 at December 31, 2024 and 2023, respectively.

Other significant balances and costs are:

	Pension Benefits		Postretirement Healthcare Benefits	
	2024	2023	2024	2023
Employer contributions	$ 7,380	$ 6,910	$ -	$ -
Benefits paid	2,415	2,161	144	165
Benefit costs	9,150	8,249	173	185

No amounts for the postretirement plan were funded by the Company into the investment account intended to be utilized in providing benefits for eligible retirees in 2024 and 2023.

Notes to Financial Statements (in Thousands)

The following amounts have been recognized in the statements of income for the years ended December 31, 2024 and 2023:

	Pension Benefits		Postretirement Healthcare Benefits	
	2024	2023	2024	2023
Amounts arising during the period				
Net gain (loss)	$ 20,425	$ 6,652	$ 969	$ 249
Amounts recognized as benefit components of net periodic cost of the period				
Net prior service credit	-	(28)	-	-

The components of net periodic benefit cost other than the service cost component are included in the line item other income in the statements of income and shown below:

Pension Benefits		Postretirement Healthcare Benefits	
2024	2023	2024	2023
$ (787)	$ (182)	$ 162	$ 174

For the postretirement healthcare plan there are $52 net gains, $0 prior service cost, and $0 net obligation to be amortized from members' deficit into net periodic benefit cost over the next fiscal year. There are no estimated net gan or loss, prior service cost, and net obligation for the defined benefit pension plan to be amortized.

Weighted-average assumptions used to determine benefit obligations and costs are:

	Pension Benefits		Postretirement Healthcare Benefits	
	2024	2023	2024	2023
Discount rate benefit obligation	5.50%	5.25%	5.50%	5.25%
Expected return on plan assets	7.0%	7.0%	N/A	N/A
Rate of compensation increase	4.0%	4.0%	N/A	N/A

The Company has estimated the long-term rate of return on plan assets based primarily on historical returns on plan assets, adjusted for changes in target portfolio allocations and recent changes in long-term interest rates based on publicly available information.

For measurement purposes, a trend rate of 6.1% for those aged pre-65 and 6.5% for those aged post-65 annual rate of increase in the per capita cost of covered healthcare benefits in the next year was assumed for 2024 with the rate decreasing gradually to 4.80% pre-65 and 5.00% post-65 by the year 2029 and continuing to decrease slowly thereafter. For 2023, a 9% annual rate of increase for the next year was assumed and was assumed to decrease gradually to 5% by the year 2028 and remain at that level thereafter.

Notes to Financial Statements (in Thousands)

The following benefit payments, which reflect expected future service, as appropriate, are expected to be paid as of December 31:

	Pension Benefits	Postretirement Healthcare Benefits
2025	$ 3,767	$ 214
2026	4,398	209
2027	5,165	176
2028	5,771	182
2029	6,671	174
2030–2034	46,503	879

The Company's investment strategy is based on an expectation that equity securities will outperform fixed income securities over the long term. Accordingly, the composition of the Company's plan assets is broadly characterized as a 70/30 allocation between equity and fixed income securities. The strategy utilizes indexed and actively managed mutual fund instruments as well as direct investment in individual equity and fixed income securities. Investments in the plan must adhere to the Investment Policy Statement developed by the Company. The Investment Policy Statement limits investments in foreign securities to 20% of the total fair value of plan assets. The Investment Policy Statement is reviewed annually.

At December 31, 2024 and 2023, plan assets by category are as follows:

	Pension Plan Assets	
	2024	2023
Fixed income securities	29%	31%
Equity securities	69%	66%
Cash and equivalents	2%	3%
	100%	100%

Pension Plan Assets

Following is a description of the valuation methodologies used for the pension plan assets measured at fair value on a recurring basis and recognized in the accompanying balance sheets, as well as the general classification of the assets pursuant to the valuation hierarchy.

Where quoted market prices are available in an active market, plan assets are classified within Level 1 of the valuation hierarchy. Level 1 plan assets include cash, money market accounts, treasury obligations, closed-end mutual funds and common stock. If quoted market prices are not available, then fair values are estimated by using pricing models, quoted prices of plan assets with similar characteristics or discounted cash flows. Level 2 plan assets include open-end mutual funds, corporate debt obligations, and municipal obligations.

In certain cases where Level 1 or Level 2 inputs are not available, plan assets are classified within Level 3 of the hierarchy. At December 31, 2024 and 2023, the Company does not hold any plan assets valued using Level 3 inputs.

Notes to Financial Statements (in Thousands)

The fair values of the Company's pension plan assets at December 31, 2024 and 2023 by asset category are as follows:

		Fair Value Measurements Using		
2024	**Fair Value**	**Quoted Prices in Active Markets for Identical Assets (Level 1)**	**Significant Other Observable Inputs (Level 2)**	**Significant Unobservable Inputs (Level 3)**
Money market mutual funds	$ 3,665	$ 3,665	$ -	$ -
U.S. government obligations	24,598	24,598	-	-
Mutual funds				
Equity funds	80,392	64,931	15,460	-
Fixed income funds	18,923	13,041	5,882	-
	99,315	77,973	21,342	-
Domestic common stock				
Financials	16,339	16,339	-	-
Industrials	4,127	4,127	-	-
Consumer discretionary	3,556	3,556	-	-
Healthcare	1,733	1,733	-	-
Real estate	408	408	-	-
Information technology	2,449	2,449	-	-
Other	394	394	-	-
	29,006	29,006	-	-
Municipal issues	900	-	900	-
Corporate debt obligations	2,332	-	2,332	-
Total	$ 159,817	$ 135,242	$ 24,575	$ -

		Fair Value Measurements Using		
2023	**Fair Value**	**Quoted Prices in Active Markets for Identical Assets (Level 1)**	**Significant Other Observable Inputs (Level 2)**	**Significant Unobservable Inputs (Level 3)**
Money market mutual funds	$ 360	$ 360	$ -	$ -
U.S. government obligations	20,624	20,624	-	-
Mutual funds				
Equity funds	64,937	52,403	12,534	-
Fixed income funds	20,868	13,590	7,278	-
	85,805	65,993	19,812	-
Domestic common stock				
Financials	10,932	10,932	-	-
Industrials	2,333	2,333	-	-
Consumer discretionary	1,896	1,896	-	-
Healthcare	2,311	2,311	-	-
Real Estate	1,412	1,412	-	-
Telecommunications	2,304	2,304	-	-
Other	885	885	-	-
	22,073	22,073	-	-
Municipal issues	1,032		1,032	
Corporate debt obligations	2,175	-	2,175	-
Total	$ 132,069	$ 109,050	$ 23,019	$ -

Notes to Financial Statements (in Thousands)

Defined Contribution and Deferred Compensation Plans

The Company has a 401(k) defined contribution plan covering substantially all employees. The Company matches contributions at 4.75% for those employees deferring 6% of compensation, with the match fluctuating from 1% to 4.75% for each percentage of compensation contributed under 6%. Contributions to the plan were $4,697 and $4,151 for 2024 and 2023, respectively.

The Company has a 457(b) nonqualified tax-deferred compensation plan. This plan is an unfunded plan maintained for the purpose of providing deferred compensation for a select group of management or highly compensated employees and, therefore, is intended to be exempt from the participation, vesting, funding and fiduciary requirements of Title I of the *Employee Retirement Income Security Act of 1974* (ERISA). Accumulated contributions and earnings of $6,143 and $5,361 are recorded in other long-term liabilities at December 31, 2024 and 2023, respectively. The Company also offers a 457(f) nonqualified tax-deferred compensation plan to a select group of executive management. The 457(f) plan was intended to be exempt from the participation, vesting, funding and fiduciary requirements of Title I of ERISA and serves to further supplement benefits lost due to IRS limits on compensation and benefits. There were accrued benefits of $1,908 and $1,172 recorded in other long-term liabilities for the 457(f) plan participants at December 31, 2024 and 2023, respectively.

Beginning January 1, 2024, the Company provides a long-term incentive plan for certain members of executive management. The plan provides for the payment of incentive-based cash compensation based on performance measures of the Company over a rolling three-year period. The estimated liability from the plan as of December 31, 2024 was approximately $286.

Note 7. Revenue from Contracts with Customers

In 2024 and 2023, the Company's revenues were derived from a number of sources including tariff administration fees, FERC fees, engineering studies, contract services, and other miscellaneous income sources. The table below presents a complete breakdown of the Company's revenues:

	2024	2023
Tariff administration fees (Schedule 1A)	$ 196,251	$ 187,639
FERC fees (Schedule 12)	35,060	27,499
Engineering studies	24,154	26,306
Contract services	25,372	18,816
Membership dues	720	660
Other miscellaneous income	1,354	1,252
	$ 282,911	$ 262,172

Schedule 1-A of the Company's Open Access Transmission Tariff (tariff) provides for the recovery of the administration costs associated with carrying out the responsibilities of the tariff. Schedule 1-A's structure includes four separate rate schedules designed to recover costs from both transmission customers and market participants. A detailed explanation of the Company's Schedule 1-A rate schedules is provided in Note 1.

Transmission customers are charged based on their prior year average 12-month peak demand multiplied by the total hours in a month for network integration service and hours reserved for point-to-point service. Market participants are charged based on their activities and transaction volume in the Company's weekly market. The Schedule 1-A rates for transmission and market services are calculated annually utilizing a FERC-approved rate template that is populated with the budget approved by the board of directors.

Notes to Financial Statements (in Thousands)

The Company also bills transmission customers a charge under Schedule 12 to recover the annual fees the Company pays to FERC. The rate is determined by the Company annually and applied monthly to all energy delivered under point-to-point transmission service and network integration transmission service. Revenues are recognized, customers are billed, and payments are collected on a monthly or weekly basis as applicable for both Schedule 1-A and Schedule 12 revenues.

The Company performs engineering studies for its customers, mainly for long-term transmission service and generator interconnection requests. Prior to commencement of studies, customers sign contracts with the Company and are responsible for actual costs of the study which are generally comprised of billable staff time and external resources. The Company recognizes revenues on a monthly basis as costs are incurred for such resources. Deposits are required from customers when they register for the studies. Actual costs are applied against such deposits at the conclusion of studies and customers are refunded their excess deposits. Customers will be invoiced at the end of or during a study if their deposit is not sufficient to cover the actual costs.

The Company provides reliability, tariff administration, scheduling, energy imbalance services, resource adequacy program operations and other administrative and billing services for non-members on a contract basis. Similar to engineering studies, revenues are determined based on actual costs of providing such services and recognized on a monthly basis evenly over the service period, which is usually one year. Customers are generally billed and payments collected from customers prior to the service period.

The Company collects a membership fee from each member annually. The amount of the membership fee is established by the board of directors. For 2024 and 2023, all members paid a $6 fee, which is billed and recognized in January of each year.

Other miscellaneous income is comprised of various pass-through costs, purchase and tax rebates, small administrative service fees, and map sales.

The following table provides information about the Company's receivables from customers:

	2024	2023
Accounts receivable, beginning of year	$ 117,356	$ 232,310
Accounts receivable, end of year	168,668	117,356

The Company elected the following practical expedient: Measuring Progress for Revenue Recognized Over Time (606-10-55-18). The Company elected to use the right to invoice practical expedient. This practical expedient allows an entity to recognize revenue in the amount of consideration to which the entity has the right to invoice when the amount that the entity has the right to invoice corresponds directly to the value transferred to the customer.

Note 8. Related-Party Transactions

General disbursements of the Company are apportioned to members based on the formula described in the tariff of the Company (see Note 1). The Company's receivables from members totaled $123,787 and $103,547 as of December 31, 2024 and 2023, respectively. The Company recognized revenues $204,240 and $188,555 including assessments and tariff administrative fees, from members for the years ended December 31, 2024 and 2023, respectively.

The Southwest Power Pool Regional State Committee (RSC) was incorporated on April 7, 2004 in the state of Arkansas. The RSC is comprised of commissioners from public service commissions or equivalent, having regulatory authority over Company members. FERC, in its February 20, 2004 order regarding the Company's RTO application, stated, "the RSC should have primary responsibility for determining regional proposals and the transition process for funding of regional transmission enhancements, rate structure for a regional access charge and allocation of transmission rights." The RSC prepares budgets annually for the expected costs of its operations. This budget is submitted to the Company's board of directors for approval. The Company includes in its annual budget funds sufficient to cover 100% of the operating costs of the RSC. During 2024 and 2023, the Company incurred $325 and $174, respectively, in expenses attributable to the RSC operations.

Note 9. Open Access Transmission and Market Operations

The Company provides short- and long-term firm and non-firm point-to-point transmission services and network integration transmission service across 48 providers in 14 states. The Company is responsible for the billing of the transmission customers for the respective services and the remittance of the subsequent collections to the transmission owners on a monthly basis. Billings for these transmission services are not included in the statements of income. The Company receives a fee for facilitating the transmission process, which is recorded as tariff fees in the Company's statements of income.

For the years ended December 31 2024 and 2023, the Company billed transmission customers $2,941,705 and $2,655,691, respectively. For the years ended December 31, 2024 and 2023, the Company remitted to transmission owners and upgrade sponsors $2,791,000 and $2,536,000, respectively. At December 31, 2024 and 2023, the Company was due to collect from transmission customers and remit to transmission owners and upgrade sponsors transmission service charges of $229,536 and $206,702, respectively.

The Company's Integrated Marketplace includes a day-ahead market with transmission congestion rights, a reliability unit commitment process, a real-time balancing market, an operating reserve market and a consolidated balancing authority. Weekly settlements of market participants' energy transactions are not reflected in the Company's statements of income since they do not represent revenues or expenses of the Company, as the Company merely acts as an intermediary in the settlement process. In this role, the Company receives and disburses funds to/from market participants on a weekly basis. The Company receives fees for facilitating the market process, which is recorded in tariff fees in the Company's statements of income. At December 31, 2024 and 2023, the Company held $121,697 and $91,368, respectively, in cash collections from the settlement of auction revenue rights in accordance with terms of the Company's tariff. These funds are disbursed annually in June for collections from the previous 12 months. A corresponding liability is reflected in accrued expenses on the balance sheets.

Note 10. Commitments and Contingencies

Litigation and Regulatory Matters

The Company is engaged in various legal and regulatory proceedings at both the federal and state levels. The Company is also subject to claims and lawsuits that arise primarily in the ordinary course of business.

It is the opinion of management that the disposition or ultimate resolution of such proceedings, claims and lawsuits will not have a material adverse effect on the financial position, results of operations and cash flows of the Company.

Note 11. Disclosures About Fair Value of Financial Instruments

ASC Topic 820, *Fair Value Measurements*, defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Topic 820 also specifies a fair value hierarchy, which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The standard describes three levels of inputs that may be used to measure fair value:

Level 1 Quoted prices in active markets for identical assets or liabilities

Notes to Financial Statements (in Thousands)

Level 2 Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities

Level 3 Unobservable inputs that are supported by little or no market activity and are significant to the fair value of the assets or liabilities

		Fair Value Measurements Using		
	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
December 31, 2024				
Mutual funds				
Equity	$ 3,267	$ -	$ 3,267	$ -
Fixed income	1,250	-	1,250	-
Interest rate swap agreements	34	-	34	-

		Fair Value Measurements Using		
	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
December 31, 2023				
Mutual funds				
Equity	$ 2,892	$ -	$ 2,892	$ -
Fixed income	1,073	-	1,073	-
Interest rate swap agreements	46	-	46	-

Following is a description of the valuation methodologies used for assets and liabilities measured at fair value on a recurring basis and recognized in the accompanying balance sheets, as well as the general classification of such assets and liabilities pursuant to the valuation hierarchy. There have been no significant changes in the valuation techniques during the year ended December 31, 2024.

Investments

Where quoted market prices are available in an active market, securities are classified within Level 1 of the valuation hierarchy. If quoted market prices are not available, then fair values are estimated by using quoted prices of securities with similar characteristics or independent asset pricing services and pricing models, the inputs of which are market-based or independently sourced market parameters, including, but not limited to, yield curves, interest rates, volatilities, prepayments, defaults, cumulative loss projections and cash flows. Such securities are classified in Level 2 of the valuation hierarchy. In certain cases where Level 1 or Level 2 inputs are not available, securities are classified within Level 3 of the hierarchy. At December 31, 2024 and 2023, the Company does not hold any assets valued using Level 3 inputs.

Interest Rate Swap Agreements

The fair value is estimated using forward-looking interest rate curves and discounted cash flows that are observable or that can be corroborated by observable market data and, therefore, are classified within Level 2 of the valuation hierarchy.

The Company has no assets or liabilities measured and recognized in the accompanying balance sheets on a nonrecurring basis.

Note 12. Subsequent Events

Subsequent events have been evaluated through April 11, 2025, which is the date the financial statements were available to be issued.