

Southwest Power Pool, Inc.

Independent Auditor's Report and Financial Statements

December 31, 2021 and 2020

Southwest Power Pool, Inc.
December 31, 2021 and 2020

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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, 2021, and 2020 and the related statements of income, members' deficit, and cash flows for the year 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, 2021 and 2020, 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.

BKD, LLP

Little Rock, Arkansas
April 14, 2022

Southwest Power Pool, Inc.
Balance Sheets (in Thousands)
December 31, 2021 and 2020

Assets

	<u>2021</u>	<u>2020</u>
Current Assets		
Cash and cash equivalents	\$ 111,446	\$ 76,128
Restricted cash deposits	740,019	445,550
Accounts receivable	138,784	87,625
Prepaid expenses and other	<u>9,809</u>	<u>9,509</u>
Total current assets	<u>1,000,058</u>	<u>618,812</u>
 Property and Equipment, at Cost		
Land	4,812	4,812
Building and improvements	68,373	68,373
Furniture and fixtures	10,538	10,538
Equipment and machinery	66,743	61,459
Software	167,163	169,976
Software in development	<u>5,754</u>	<u>4,298</u>
Less accumulated depreciation and amortization	323,383	319,456
	<u>256,730</u>	<u>250,329</u>
	<u>66,653</u>	<u>69,127</u>
 Investments (Note 2)	25,680	29,160
 Other Assets, Net	<u>9,395</u>	<u>8,337</u>
	<u>\$ 1,101,786</u>	<u>\$ 725,436</u>

Liabilities and Members' Deficit

	<u>2021</u>	<u>2020</u>
Current Liabilities		
Accounts payable	\$ 119,447	\$ 78,204
Customer deposits	740,019	445,550
Current maturities of long-term debt <i>(Note 4)</i>	31,056	27,260
Accrued expenses	129,526	86,878
Deferred revenue	<u>7,846</u>	<u>8,243</u>
Total current liabilities	<u>1,027,894</u>	<u>646,135</u>
Lines of Credit <i>(Note 3)</i>	<u>-</u>	<u>12,090</u>
Long-term Debt <i>(Note 4)</i>	161,730	154,871
Less unamortized debt issuance costs	<u>(591)</u>	<u>(518)</u>
	<u>161,139</u>	<u>154,353</u>
Other Long-term Liabilities	41,704	45,980
Members' Deficit	<u>(128,951)</u>	<u>(133,122)</u>
	<u>\$ 1,101,786</u>	<u>\$ 725,436</u>

Southwest Power Pool, Inc.
Statements of Income (in Thousands)
Years Ended December 31, 2021 and 2020

	<u>2021</u>	<u>2020</u>
Operating Income		
Tariff fees and member assessments	\$ 173,449	197,235
Other member services	24,813	16,367
	<u>198,262</u>	<u>213,602</u>
Operating Expenses		
Salaries and benefits	113,267	110,578
Employee travel	77	375
Administrative	5,148	5,081
Regulatory assessment	27,019	22,324
Meetings	82	274
Communications system	4,803	4,754
Maintenance	15,271	15,686
Consulting services	18,411	15,861
Depreciation and other	17,263	18,480
	<u>201,341</u>	<u>193,413</u>
Operating Income (Loss)	<u>(3,079)</u>	<u>20,189</u>
Other Income (Expense)		
Investment income	72	576
Interest expense	(7,639)	(8,210)
Change in fair market value of interest rate swaps	744	(196)
Other income	2,156	2,583
	<u>(4,667)</u>	<u>(5,247)</u>
Income (Loss) Before Unrealized Gain and Change in Funded Status of Employee Benefit Plans	(7,746)	14,942
Unrealized Gain on Investments	646	144
Change in Funded Status of Employee Benefit Plans	<u>11,271</u>	<u>(4,446)</u>
Net Income	<u>\$ 4,171</u>	<u>\$ 10,640</u>

Southwest Power Pool, Inc.
Statements of Members' Deficit (*in Thousands*)
Years Ended December 31, 2021 and 2020

	2021	2020
Balance, Beginning of Year	\$ (133,122)	\$ (143,762)
Net income	4,171	10,640
Balance, End of Year	\$ (128,951)	\$ (133,122)

Southwest Power Pool, Inc.
Statements of Cash Flows (in Thousands)
Years Ended December 31, 2021 and 2020

	2021	2020
Operating Activities		
Net income	\$ 4,171	\$ 10,640
Items not requiring cash		
Depreciation, amortization and other	17,515	18,582
Change in funded status of employee benefit plans	(11,271)	4,446
Unrealized gain on investments	(646)	(144)
Change in fair market value of interest rate swaps	(744)	196
Changes in assets and liabilities		
Accounts receivable	(51,159)	(10,966)
Prepaid expenses and other	243	(169)
Other assets	(1,067)	(1,996)
Accounts payable	42,383	17,326
Accrued expenses and other liabilities	41,577	9,692
Other current liabilities	294,469	44,072
Other long-term liabilities	5,900	(2,903)
Net cash provided by operating activities	341,371	88,776
Investing Activities		
Acquisition of property and equipment	(13,959)	(12,792)
Purchase of investments	(25,159)	(70,761)
Proceeds from investment maturities	28,895	66,372
Proceeds from sale of investments	243	10,648
Net cash used in investing activities	(9,980)	(6,533)
Financing Activities		
Repayments of long-term debt	(30,935)	(25,767)
Repayment of borrowings under lines of credit	(22,460)	(44,087)
Borrowings under lines of credit	10,370	43,417
Issuance of long-term debt	41,590	15,700
Payment of loan acquisition cost	(169)	-
Net cash used in financing activities	(1,604)	(10,737)
Increase in Cash, Cash Equivalents, and Restricted Cash	329,787	71,506
Cash, Cash Equivalents, and Restricted Cash, Beginning of Year	521,678	450,172
Cash, Cash Equivalents, and Restricted Cash, End of Year	\$ 851,465	521,678
Supplemental Cash Flows Information		
Interest paid on long-term debt (net of interest capitalized of \$0 in 2021 and 2020, respectively)	\$ 7,492	\$ 8,093
Property and equipment purchases in accounts payable and accrued liabilities	\$ 3,986	\$ 3,156

Southwest Power Pool, Inc.
Statements of Cash Flows (*in Thousands*)
Years Ended December 31, 2021 and 2020

	<u>2021</u>	<u>2020</u>
Cash and cash equivalents	\$ 111,446	\$ 76,128
Restricted cash deposits	<u>740,019</u>	<u>445,550</u>
Total cash, cash equivalents and restricted cash shown on the balance sheet	<u>\$ 851,465</u>	<u>\$ 521,678</u>

Southwest Power Pool, Inc.
Notes to Financial Statements (*in Thousands*)
December 31, 2021 and 2020

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

Nature of Operations

Southwest Power Pool, Inc. (the 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 19 million ultimate customers across all or parts of 17 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 and regional transmission expansion planning. 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, 2021 and 2020, the Company's cash and cash equivalents, including restricted deposits, are invested primarily in money market funds, mutual 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, amounts deposited for engineering studies and funds set aside for disputed invoices.

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 non-operating income. Dividends and realized gains and losses are reported as investment income for such investments. The Company's mutual fund investments are intended to be utilized in funding benefits associated with the Company's postretirement health care plan.

Southwest Power Pool, Inc.
Notes to Financial Statements (*in Thousands*)
December 31, 2021 and 2020

Debt securities held by the Company are comprised of government securities. Such investments were recorded at fair value at December 31, 2020 and associated unrealized losses were reported within non-operating income. The Company started classifying its debt securities as held-to-maturity investments effective January 1, 2021 due to the Company's positive intent and ability to hold them until maturity. Such investments were recorded at amortized cost at December 31, 2021 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 within investment 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.

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 doubtful accounts, which is based upon a review of outstanding receivables, historical collection information and existing economic conditions. Accounts that are unpaid after the due date are subject to interest at a rate set by FERC. During the years ended December 31, 2021 and 2020, no allowance for doubtful accounts 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. Interest cost capitalized was \$0 for the years ended December 31, 2021 and 2020.

Southwest Power Pool, Inc.
Notes to Financial Statements (*in Thousands*)
December 31, 2021 and 2020

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 IBM software and accompanying maintenance services. The term of the agreement is 26 months and expires on February 1, 2024. Payments are due annually. At December 31, 2021, \$2,217 was recorded in property and equipment and \$543 was recorded as prepaid maintenance. The liability's current portion of \$920 was recorded in accrued expenses and the long term portion of \$1,840 was recorded in other long-term liabilities as of December 31, 2021.

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.

In 2021, no asset impairment was recognized. In 2020, the Company recorded an impairment loss of \$379 for implementation cost associated with customized software held in work in progress. The amount is recorded as an impairment loss in the accompanying statements of income and is included in the line item Depreciation and other.

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.

Southwest Power Pool, Inc.
Notes to Financial Statements (*in Thousands*)
December 31, 2021 and 2020

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. Prior to 2021, all administration costs were recovered from transmission customers under one rate schedule that was calculated based on the Company's annual budget approved by the board of directors. Transmission customers were billed monthly 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).

Effective January 1, 2021, the Company implemented a new Schedule 1-A structure that 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 2021 and 2020, 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.

Deferred Revenue

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

Southwest Power Pool, Inc.
Notes to Financial Statements (*in Thousands*)
December 31, 2021 and 2020

Other Member Services

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

Withdrawing Members

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, 2021, the Company had not been notified by any member of their intent to withdraw their membership from the Company.

Concentration of Credit Risk

The Company is exposed to credit risk primarily through accounts receivable and uninsured cash balances. During 2021 and 2020, 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 had one transaction account exceeding the federal insurance limit by \$131 and \$245 at December 31, 2021 and 2020, respectively. The Company's investment accounts were primarily invested in highly liquid short-term investments such as money market funds, mutual 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 doubtful accounts was recorded for 2021 and 2020.

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.

Southwest Power Pool, Inc.
Notes to Financial Statements (in Thousands)
December 31, 2021 and 2020

Note 2: Investment and Investment Returns

Investments at December 31 consisted of the following:

	2021	2020
Mutual Funds		
Equity	\$ 3,175	\$ 2,523
Fixed income	1,095	1,292
Total mutual funds	4,270	3,815
 U.S. Government Securities		
Treasury Notes	21,410	25,345
Total Government Securities	21,410	25,345
	\$ 25,680	\$ 29,160

The Company's investments in government securities were classified as held to maturity as of December 31, 2021 and recorded at amortized cost. Fair value and unrealized losses for such securities were \$21,394 and \$22, respectively at December 31, 2021. Government security investments were classified as available for sale as of December 31, 2020 and recorded at fair value. Amortized cost and unrealized losses for such securities were \$25,354 and \$96, respectively at December 31, 2020. The Company changed its classification of government securities effective January 1, 2021 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, 2021 and 2020.

The Company's investment returns from its investments are presented below. Interest, dividends and realized gains and losses are reported as investment income, while unrealized gains and losses are reported separately in the Statements of Income.

	2021	2020
Mutual Funds		
Dividends and realized gains	\$ 52	\$ 119
Unrealized gains	646	253
Total mutual funds	698	372
 U.S. Government Securities		
Interest income	20	457
Unrealized loss	-	(109)
Total Government Securities	20	348
	\$ 718	\$ 720

Southwest Power Pool, Inc.
Notes to Financial Statements (*in Thousands*)
December 31, 2021 and 2020

Included in the following Statements of Income captions.

	2021	2020
Investment Income	\$ 72	\$ 576
Unrealized Gain on Investments	646	144
	\$ 718	\$ 720

The unrealized loss on the Company's investments in U.S. Treasury obligations for the year ended December 31, 2020 was caused by interest rate increases. The contractual terms of those investments do not permit the issuer to settle the securities at a price less than the amortized cost basis of the investments. Because the Company did not intend to sell the investments and it was not more likely than not the Company would be required to sell the investments before recovery of its amortized cost basis, which may be maturity, the Company did not consider those investments to be other-than-temporarily impaired at December 31, 2020.

Note 3: Lines of Credit

The Company has a \$30,000 revolving line of credit with a commercial bank expiring in 2023. At December 31, 2021 and 2020, no amounts were borrowed against this line. The agreement has a variable interest rate equal to the London Interbank Offered Rate (LIBOR) or a replacement benchmark as described in the credit agreement plus a 1.00% 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 a \$80,000 revolving line of credit expiring in 2023. At December 31, 2021 and 2020, \$0 and \$12,090, respectively, was borrowed against this line. The agreement has a variable interest rate equal to London Interbank Offered Rate (LIBOR) plus a 1.5 % credit margin, with a floor of 2.75%. The interest rate at December 31, 2021 and 2020, was 2.75%. The Company's line of credit requires compliance with certain financial and non-financial covenants as well as periodic reporting requirements.

Southwest Power Pool, Inc.
Notes to Financial Statements (in Thousands)
December 31, 2021 and 2020

Note 4: Long-term Debt and Interest Rate Swaps

Long-term Debt

	2021	2020
Variable Rate Term Note due 2027 (A)	\$ 2,108	\$ 2,313
4.82% Series 2010-A and B Senior Notes due 2042 (B)	54,082	55,540
3.55% Series 2010-C Senior Notes due 2024 (C)	15,750	22,750
3.00% Series 2012-D-1 Senior Notes due 2024 (D)	11,250	16,250
3.25% Series 2012-D-2 Senior Notes due 2024 (E)	13,750	18,750
3.80% Series 2014-E Senior Notes due 2025 (F)	37,000	37,000
Floating Series Note - 2024 (G)	12,250	17,000
2.875% Fixed Rate Note due 2023 (H)	1,403	3,497
2.875% Fixed Rate Note due 2024 (I)	6,343	9,031
2.875% Fixed Rate Note due 2024 (J)	3,984	-
2.875% Fixed Rate Note due 2025 (K)	6,866	-
2.210% Series 2021-F Senior Notes due 2028 (L)	28,000	-
	192,786	182,131
Less unamortized debt issuance costs	591	518
Less current maturities	31,056	27,260
	\$ 161,139	\$ 154,353

- (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 quarterly based on LIBOR plus 0.85%. At December 31, 2021 and 2020, the interest rate was 1.00% and 1.13%, 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 are payable quarterly based on a 13-year amortization. Principal payments commenced on June 30, 2014. The interest rate is fixed at 3.55%. The notes are unsecured.
- (D) Due March 30, 2024; principal and interest are payable quarterly based on a 10-year amortization. Principal payments commenced on June 30, 2014. The interest rate is fixed at 3.00%. The notes are unsecured.

Southwest Power Pool, Inc.
Notes to Financial Statements (*in Thousands*)
December 31, 2021 and 2020

- (E) Due September 30, 2024; principal and interest are payable quarterly based on a 10-year amortization. Principal payments commenced on December 30, 2014. The interest rate is fixed at 3.25%. The notes are unsecured.
- (F) Due December 30, 2025; principal and interest are payable quarterly based on an 11 year and 9 months amortization. Principal payments commence on March 30, 2024. The interest rate is fixed at 3.80%. The notes are unsecured.
- (G) Due March 30, 2024; principal and interest are payable monthly based on an eight-year amortization. Payments commenced on June 30, 2016. The interest rate adjusts monthly based on LIBOR plus 1.75%. At December 31, 2021 and 2020, the interest rate was 1.85% and 1.90%, respectively. The note is unsecured.
- (H) Due December 31, 2023; principal and interest are payable quarterly based on a 4-year amortization. Payments commenced on June 30, 2020. The interest rate is fixed at 2.875%. The note is unsecured.
- (I) Due March 30, 2024; principal and interest are payable quarterly based on a 4-year amortization. Payments commenced on June 30, 2020. The interest rate is fixed at 2.875%. The note is unsecured.
- (J) Due December 31, 2024; principal and interest are payable quarterly based on a 4-year amortization. Payments commenced on March 31, 2021. The interest rate is fixed at 2.875%. The note is unsecured.
- (K) Due March 31, 2025; principal and interest are payable quarterly based on a 4-year amortization. Payments commenced on June 30, 2021. The interest rate is fixed at 2.875%. The note is unsecured.
- (L) Due December 15, 2028; principal and interest are payable semi-annually based on a 7-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, 2021, are:

2022	\$	31,056
2023		31,026
2024		29,398
2025		24,523
2026		16,059
Thereafter		60,724
		60,724
	\$	192,786

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

Southwest Power Pool, Inc.
Notes to Financial Statements (*in Thousands*)
December 31, 2021 and 2020

During 2020, the Company executed amendments to all of its note agreements to bring the terms of the agreements in line with the requirements imposed on the Company by a 2019 FERC order related to the Company's membership exit fee rules that would have led to a potential event of default.

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 LIBOR and to pay interest to the counterparty at a fixed rate of 5.51% on notional amounts of \$2,091 and \$2,295 at December 31, 2021 and 2020, 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 (Loan A).

The Company entered into another interest rate swap agreement on March 10, 2014, with Regions Bank. The agreement provides for the Company to receive interest from the counterparty at LIBOR and to pay interest to the counterparty at a fixed rate of 3.225% on notional amounts of \$12,250 and \$17,000 at December 31, 2021 and 2020, respectively. Under the agreement, the Company pays or receives 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 (Loan G).

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

	2021	2020
Fair value of interest rate swap agreements	\$ 766	\$ 1,510
Balance sheet location of fair value amounts	Other Long-term Liabilities	Other Long-term Liabilities
Income (Loss) recognized in statement of income	\$ 744	\$ (196)
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

Southwest Power Pool, Inc.
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Note 5: 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 expects to contribute approximately \$5,400 to the plan in 2022.

The Company has a noncontributory defined benefit postretirement health care plan that was partially terminated in 2020, leaving only current retirees drawing benefits in the plan. The plan covered eligible retirees, including those retiring between the ages of 55–65 and hired prior to January 1, 1996. Employees hired after June 1, 2006 were not eligible to participate in the plan. As a result of the partial termination of the plan in 2020, the Company paid eligible non-vested employees and eligible vested employees lump sum payments in the amount of \$3,516 in lieu of future benefits. The Company also recorded a settlement gain of \$4,475 as a result of partial termination of the plan which is reported under Other Income (Expense) in the statement of income for the year ended December 31, 2020. Current retirees remaining in the plan are provided monies through a tax-free health reimbursement account to pay for individual Medicare supplemental health insurance plans or other eligible health care expenses.

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

	Pension Benefits		Postretirement Health Care Benefits	
	2021	2020	2021	2020
Benefit obligation	\$ 152,192	\$ 138,422	\$ 3,866	\$ 3,890
Fair value of plan assets	<u>123,132</u>	<u>102,489</u>	<u>-</u>	<u>-</u>
Funded status	<u>\$ (29,060)</u>	<u>\$ (35,933)</u>	<u>\$ (3,866)</u>	<u>\$ (3,890)</u>

Amounts recognized in the balance sheets:

	Pension Benefits		Postretirement Health Care Benefits	
	2021	2020	2021	2020
Other long-term liabilities	<u>\$ (29,060)</u>	<u>\$ (35,933)</u>	<u>\$ (3,866)</u>	<u>\$ (3,890)</u>

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Amounts recognized in members' deficit not yet recognized as components of net periodic benefit cost as of December 31, 2021 and 2020, consist of:

	Pension Benefits		Postretirement Health Care Benefits	
	2021	2020	2021	2020
Net loss	\$ 15,160	\$ 26,119	\$ 890	\$ 1,018
Prior service credit	(27)	(26)	-	-
Transition obligation	-	-	-	-
	<u>\$ 15,133</u>	<u>\$ 26,093</u>	<u>\$ 890</u>	<u>\$ 1,018</u>

The accumulated benefit obligation for the defined benefit pension plan was \$123,112 and \$110,573 at December 31, 2021 and 2020, respectively.

Other significant balances and costs are:

	Pension Benefits		Postretirement Health Care Benefits	
	2021	2020	2021	2020
Employer contributions	\$ 5,100	\$ 5,000	\$ -	\$ -
Benefits paid	1,569	1,265	183	136
Benefit costs	9,187	8,232	287	770

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 2021 and 2020.

The following amounts have been recognized in the Statements of Income for the years ended December 31, 2021 and 2020:

	Pension Benefits		Postretirement Health Care Benefits	
	2021	2020	2021	2020
Amounts arising during the period				
Net gain (loss)	\$ 10,591	\$ 7,381	\$ 24	\$ 1,190
Amounts recognized as benefit components of net periodic cost of the period				
Net loss	877	695	105	171
Net prior service cost (credit)	1	1	-	(48)
Net transition obligation	-	16	-	3

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

Pension Benefits		Postretirement Health Care Benefits	
2021	2020	2021	2020
\$ (541)	\$ (30)	\$ 259	\$ 501

The estimated net gain or loss, prior service cost and transition obligation for the defined benefit pension plan that will be amortized from members' deficit into net period benefit credit over the next fiscal year are \$0, \$1 and \$0, respectively. The estimated net loss, prior service credit and net obligation for the defined benefit postretirement health care plan that will be amortized from members' deficit into net periodic benefit cost over the next fiscal year are \$84, \$0 and \$0, respectively.

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

	Pension Benefits		Postretirement Health Care Benefits	
	2021	2020	2021	2020
Discount rate benefit obligation	4.0%	4.0%	4.0%	4.0%
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 9% annual rate of increase in the per capita cost of covered health care benefits in the next year was assumed for 2021 and 2020. The rate was assumed to decrease gradually to 5% by the year 2026 and remain at that level thereafter.

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

	Pension Benefits	Postretirement Health Care Benefits
2022	\$ 1,942	\$ 207
2023	2,307	231
2024	2,572	226
2025	2,928	235
2026	3,312	251
2027-2031	26,191	1,259

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, 2021 and 2020, plan assets by category are as follows:

	Pension Plan Assets	
	2021	2020
Fixed income securities	26%	29%
Equity securities	69	69
Cash and equivalents	5	2
	<u>100%</u>	<u>100%</u>

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.

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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, closed-end mutual funds and common and foreign company 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, foreign corporate debt obligations and foreign government securities.

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, 2021 and 2020, the Company does not hold any plan assets valued using Level 3 inputs.

The fair values of the Company's pension plan assets at December 31, 2021 and 2020, by asset category are as follows:

	Fair Value	Fair Value Measurements Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable (Level 3)
2021				
Money market mutual funds	\$ 5,726	\$ 5,726	\$ -	\$ -
Mutual funds				
Equity funds	72,358	50,154	22,204	-
Fixed income funds	29,955	22,045	7,910	-
Other Funds	1,071	-	1,071	-
	<u>103,384</u>	<u>72,199</u>	<u>31,185</u>	<u>-</u>
Domestic common stock				
Financials	6,335	6,335	-	-
Industrials	2,267	2,267	-	-
Healthcare	2,186	2,186	-	-
Real Estate	974	974	-	-
Other	565	565	-	-
	<u>12,327</u>	<u>12,327</u>	<u>-</u>	<u>-</u>
Corporate debt obligations	<u>1,695</u>	<u>-</u>	<u>1,695</u>	<u>-</u>
Total	<u>\$ 123,132</u>	<u>\$ 90,252</u>	<u>\$ 32,880</u>	<u>\$ -</u>

Southwest Power Pool, Inc.
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	Fair Value	Fair Value Measurements Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable (Level 3)
2020				
Money market mutual funds	\$ 1,907	\$ 1,907	\$ -	\$ -
Mutual funds				
Equity funds	59,954	41,061	18,893	-
Fixed income funds	26,829	19,510	7,319	-
Other Funds	1,018	-	1,018	-
	<u>87,801</u>	<u>60,571</u>	<u>27,230</u>	<u>-</u>
Domestic common stock				
Financials	4,673	4,673	-	-
Industrials	2,490	2,490	-	-
Healthcare	1,988	1,988	-	-
Real Estate	748	748	-	-
Telecommunications	465	465	-	-
Other	211	211	-	-
	<u>10,575</u>	<u>10,575</u>	<u>-</u>	<u>-</u>
Corporate debt obligations	<u>2,206</u>	<u>-</u>	<u>2,206</u>	<u>-</u>
Total	<u>\$ 102,489</u>	<u>\$ 73,053</u>	<u>\$ 29,436</u>	<u>\$ -</u>

Defined Contribution 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 \$3,385 and \$3,264 for 2021 and 2020, respectively.

The Company has a 457(b) non-qualified 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 \$5,275 and \$4,426 are recorded in other long-term liabilities at December 31, 2021 and 2020, respectively. The Company also offers a 457(f) non-qualified 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 \$898 and \$221 recorded in other long-term liabilities for the 457(f) plan participants at December 31, 2021 and 2020, respectively.

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Note 6: Revenue from Contracts with Customers

In 2021 and 2020, 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:

	<u>2021</u>	<u>2020</u>
Tariff administration fees (Schedule 1A)	\$ 152,298	\$ 172,377
FERC fees (Schedule 12)	20,510	24,240
Engineering studies	12,518	7,896
Contract services	10,717	6,247
Virtual market participation fees	-	820
Membership dues	642	618
Other miscellaneous income	1,577	1,404
	<u>\$ 198,262</u>	<u>\$ 213,602</u>

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. Prior to 2021, all administration costs were recovered from transmission customers under one rate schedule that was calculated based on the Company's annual budget approved by the board of directors. Effective January 1, 2021, the Company implemented a new Schedule 1-A structure that 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.

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.

Southwest Power Pool, Inc.
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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 staff time of internal 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 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 2021 and 2020, all members paid a \$6 fee which is billed and recognized in January of each year.

Prior to 2021, the Company charged financial-only market participants a transaction fee of \$0.05 per virtual energy bid and virtual energy offer in the day-ahead market. Invoicing, settlements, and revenue recognition occurred on a weekly basis. These fees were eliminated with the implementation of the new Schedule 1-A fee structure that went into effect on January 1, 2021.

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

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

	<u>2021</u>	<u>2020</u>
Accounts receivable, beginning of year	\$ 87,625	\$ 75,899
Accounts receivable, end of year	138,784	87,625

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.

Southwest Power Pool, Inc.
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Note 7: Related Party Transactions

General disbursements of the Company are apportioned to members based on the formula described in the bylaws of the Company (see *Note 1*). The Company's receivables from members totaled \$89,289 and \$80,539 as of December 31, 2021 and 2020, respectively. The Company recognized revenues \$150,513 and \$167,269, including assessments and tariff administrative fees, from members for the years ended December 31, 2021 and 2020, 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 2021 and 2020, the Company incurred \$4 and \$81, respectively, in expenses attributable to the RSC operations. Management of the Company expects such expenditures for 2022 to be approximately \$326.

Note 8: 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 17 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, 2021 and 2020, the Company billed transmission customers \$2,555,971 and \$2,354,384, respectively. For the years ended December 31, 2021 and 2020, the Company remitted to transmission owners and upgrade sponsors \$2,471,521 and \$2,148,230, respectively. At December 31, 2021 and 2020, the Company was due to collect from transmission customers and remit to transmission owners and upgrade sponsors transmission service charges of \$202,629 and \$182,075, respectively.

Southwest Power Pool, Inc.
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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, 2021 and 2020, the Company held \$66,777 and \$34,758, 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 twelve months. A corresponding liability is reflected in accrued expenses on the balance sheets.

Note 9: 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 10: 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
- 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

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	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, 2021				
Mutual funds				
Equity	\$ 3,175	\$ -	\$ 3,175	\$ -
Fixed income	1,095	-	1,095	-
Interest rate swap agreements	(766)	-	(766)	-

	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, 2020				
Mutual funds				
Equity	\$ 2,523	\$ -	\$ 2,523	\$ -
Fixed income	1,292	-	1,292	-
U.S. Government Securities				
Treasury Notes	25,345	25,345	-	-
Interest rate swap agreements	(1,510)	-	(1,510)	-

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, 2021, other than the change related to debt securities explained in Note 1.

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, 2021 and 2020, the Company does not hold any assets valued using Level 3 inputs.

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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.

Cash Equivalents

The fair value of money market mutual funds included in cash equivalents is estimated using quoted prices in active markets for identical assets and, therefore, is classified within Level 1 of the valuation hierarchy.

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

Note 11: Subsequent Events

Subsequent events have been evaluated through April 14, 2022, which is the date the financial statements were available to be issued.