




Delivering water and power®

Message from the President and the General Manager & CEO


David Rousseau
PRESIDENT


Jim Pratt
GENERAL MANAGER & CEO

NEWS AND ACHIEVEMENTS



Remembering SRP Vice President John Hoopes

John R. Hoopes, SRP Vice President and longtime member of the SRP Board and Council, died Sept. 14 at the age of 71. Hoopes was SRP’s 17th vice president, serving from 2010

until his passing. Before his election as vice president, he served on the SRP Council from 1997 through 2006, ultimately as its chairman.

Hoopes’ tenure at SRP was marked by transformations in how the company delivered on its mission to serve customers and communities by providing reliable, affordable and sustainable water and energy. This included a landmark 2018 agreement between the Navajo Tribal Utility Authority and SRP to expand the Kayenta solar plant to provide more renewable energy to the Navajo Nation, as well as the SRP Board’s approval in 2019 of more aggressive sustainability goals.

Other highlights during his years as vice president included the Cragin Watershed Restoration Agreement, the formation of the Customer Utility Panel to support the Board’s public decision-making process, and numerous J.D. Power Customer Satisfaction Awards. Hoopes was also a strong advocate of SRP’s Supplier Diversity Program to expand opportunities to local veteran- and minority-owned businesses.

Record heat, record power demand

Arizona’s record-breaking summer heatwave resulted in record demand for energy. SRP experienced a multiday record peak electricity demand surpassing previous records for most power served to customers in summer, including its highest system peak demand of 8,163 megawatts (MW) on July 18, when the temperature reached 118 degrees.

SRP’s system peak from last year was 7,620 MW. Power demand this summer exceeded the previous summer peak across 66 hours on 15 different days.

SRP attributes this strong increase in electricity demand to a series of extreme daytime temperatures consistently over 110 degrees, higher overnight temperatures and the growing number of Valley residents and businesses. Throughout the summer, SRP delivered excellent reliability because of the tireless work of team members, responsible resource planning and diligent off-season maintenance programs.

SRP named a Top Utility for Economic Development

Maricopa County continues to be one of the fastest-growing areas of the country, and SRP is playing a major role in enabling that growth to continue. As a result, SRP has been recognized as a Top Utility in Economic Development for the fourth consecutive year by Site Selection magazine.

Much of the growth in the Valley is driven by relocating or expanding business and industrial customers, including high-tech manufacturing. SRP's Economic Development team plays a crucial role in this process by working closely with customers and providing important data, including bill estimates; reliability reports; electrical infrastructure and water planning information; construction cost and timeline estimates; rebate details; and more.

Data shows that in fiscal year 2023, the SRP team worked on 23 projects, resulting in 7,550 jobs and \$7.2 billion in capital investment.

Cutting-edge battery storage project

SRP continues to explore opportunities to increase sustainability while ensuring reliability and affordability for customers. As part of that effort, SRP and CMBlu Energy are launching a pilot project to deploy long-duration energy storage (LDES) in the Phoenix area. CMBlu designs and manufactures long-duration Organic SolidFlow™ energy storage systems.

The 5 MW 10-hour-duration project, named Desert Blume, will use CMBlu's unique non-lithium battery technology. The systems are fully recyclable, free of rare metals and housed inside buildings. The firm will build, own and operate the batteries at SRP's Copper Crossing Energy and Research Center in Florence, Arizona. SRP is the first U.S. electric utility to implement CMBlu's batteries at this scale.

The project is designed to store energy for SRP's customers during daytime periods, largely from Arizona's abundant solar generation, and return that energy to the grid throughout the night. It will store enough energy to power about 1,125 average homes for 10 hours, which is longer per cycle than traditional lithium-ion technology, which typically targets a four-hour duration.

SRP unveils new industry-leading planning process

SRP's District Board of Directors in October approved power system strategies that the company plans to implement between 2025 and 2035 that prioritize affordability, reliability, sustainability and customer

focus. The strategies are outlined in SRP's new Integrated System Plan, which was developed as part of a two-year data-driven planning process that incorporated perspectives from customers, Arizona universities, businesses, environmental organizations, limited-income advocates, nonprofits and more.

SRP is one of the first U.S. utilities to shift from an Integrated Resource Plan to an Integrated System Plan. The previous planning process is traditional for the utility industry and mainly considers what power resources will be needed. SRP's Integrated System Plan is a holistic roadmap for its future power system that factors in evolving customer energy needs and achieving SRP's 2035 carbon reduction goals. The new approach involved modeling potential system plans under varying Valley growth scenarios and possible regulatory and supply chain environments.

Funding for SRP forest health efforts

SRP received two major corporate donations totaling \$400,000 that will help to fund forest restoration efforts located in the Verde River watershed.

At the formal groundbreaking ceremony for its new data center in Mesa, Google announced a \$150,000 donation as part of the company's "commitment to improving local watershed health where its campuses and data centers are located." Google has also pledged to replenish 120% of the water it consumes for its operations.

PepsiCo Beverages North America committed \$250,000 to SRP to fund restoration efforts. PepsiCo has a goal of reducing its overall water use and replenishing "more than 100% of the water used" in areas where water supplies are at risk.

The Google and PepsiCo contributions will be used to help restore an area that includes the burn scar from the 1990 Dude Fire, a devastating blaze that resulted in the deaths of six firefighters and burned more than 24,000 acres in the Tonto National Forest north of Payson. The area has become overgrown with trees, shrubs and other undergrowth, and work must be done to prevent another wildfire.

FINANCIAL RESULTS

Operating revenues were \$1.3 billion for the second quarter of fiscal year 2024 (FY24) and \$1.2 billion for the second quarter of fiscal year 2023 (FY23). In the second quarter of FY24, retail electric revenues increased \$100.2 million, or 10.2%, to \$1.1 billion, primarily due to a combination of customer growth and warmer weather that led to an increase in volumes sold when compared to the same period last year. However, the increase in operating revenues was partially offset by a decrease in wholesale revenues of \$54.0 million, or 25.5%, to \$158.2 million. Wholesale revenues for the second quarter of FY24 included a fair value gain of \$10.0 million compared to a \$2.1 million fair value gain for the same period in FY23. Excluding the fair value adjustments, wholesale revenues would have been \$148.3 million and \$210.2 million in the second quarters of FY24 and FY23, respectively, a decrease of \$61.9 million, or 29.5%, primarily due to a significant decrease in wholesale energy prices. The total number of customers as of Oct. 31, 2023, was 1,148,535, an increase of 2.0% from Oct. 31, 2022.

Operating expenses were \$976.3 million for the second quarter of FY24 and \$1.3 billion for the same period in FY23, a decrease of \$332.9 million, or 25.4%, primarily due to a \$367.3 million decrease in fuel used in electric generation, which includes adjustments for the fair value of fuel contracts. Excluding the fair value gain of \$20.9 million in the second quarter of FY24 and fair value loss of \$308.8 million in the second quarter

of FY23, fuel used in electric generation would have decreased \$37.6 million, or 12.1%, primarily due to lower average natural gas prices. Operations and maintenance costs increased \$41.1 million due to higher-than-expected spending throughout the organization. Excluding the fair value adjustments, total operating expenses would have decreased \$3.2 million, or 0.3%.

Investment income (loss), net was a loss of \$13.7 million for the second quarter of FY24 compared to a loss of \$57.2 million for the same period in FY23. Investment income (loss), net includes fair value losses of \$35.8 million and \$72.2 million in the second quarters of FY24 and FY23, respectively.

Net financing costs were \$37.1 million and \$32.8 million for the second quarters of FY24 and FY23, respectively. The increase is primarily due to the issuance of new revenue bonds and higher market interest rates on commercial paper.

Net revenue for the second quarter of FY24 was \$236.3 million, compared with a net loss of \$179.8 million for the second quarter of FY23. Excluding the effects of the changes in the fair value of wholesale revenues, fuel and power-purchase contracts and investment income (loss), net, net revenues would have been \$241.2 million and \$199.1 million for the second quarters of FY24 and FY23, respectively.

SRP: WATER AND POWER SUPPLIER TO THE VALLEY

SRP provides reliable, affordable water and power to more than 2 million people living in central Arizona. SRP has operated for more than a century and has helped the Phoenix metropolitan area, known as the Valley, develop into one of the nation's most vibrant regions.

SRP comprises two entities: the Salt River Project Agricultural Improvement and Power District and the Salt River Valley Water Users' Association. As a community-based organization, SRP acts in the best interest of the people it serves and strives to help build a better future for Arizona.

Service Area

Water: 375 square miles

Watershed: 13,000 square miles

Power: 2,900 square miles

SRP Corporate Offices

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Financial Inquiries

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Water Highlights

Water Deliveries (acre-feet)

FY24 **471,381**

FY23 **384,966**

6 months ended Oct. 31

Water in Storage (capacity)

FY24 **82%**

FY23 **63%**

As of Oct. 31

Financial Highlights

Debt Service Coverage

2023 **3.41**

2022 **3.81**

12 months ended Oct. 31

Debt Ratio

2023 **42.6%**

2022 **41.2%**

As of Oct. 31

Total Sales (kWh)

FY24 **12,099,847**

FY23 **10,611,758**

3 months ended Oct. 31

SRP Combined Balance Sheets

As of Oct. 31 (In Thousands - Unaudited)

ASSETS	FY24	FY23
Utility Plant, at Original Cost	\$ 20,025,278	\$18,969,427
Less: Accumulated Depreciation	10,392,400	9,885,134
	9,632,878	9,084,293
Other Property and Investments	2,176,934	2,055,043
CURRENT ASSETS		
Cash and Cash Equivalents	407,100	456,286
Temporary Investments	166,855	293,893
Current Portion, Segregated Funds	165,350	155,916
Receivables, Net	500,241	440,765
Fuel Stocks	129,109	69,702
Materials and Supplies	385,068	326,911
Current Commodity Derivative Assets	5,297	34,833
Other	48,509	44,852
	1,807,529	1,823,158
DEFERRED CHARGES AND OTHER ASSETS		
Regulatory Assets	582,626	673,979
Non-Current Commodity Derivative Assets	38,277	100,438
Other Deferred Charges and Other Assets	191,621	214,043
	812,524	988,460
TOTAL ASSETS	\$14,429,865	\$13,950,954

As of Oct. 31 (In Thousands - Unaudited)

CAPITALIZATION & LIABILITIES	FY24	FY23
CAPITALIZATION		
Accumulated Net Revenues	\$6,638,424	\$6,482,379
Long-Term Debt	4,927,940	4,533,480
	11,566,364	11,015,859
CURRENT LIABILITIES		
Current Portion, Long-Term Debt	113,930	108,910
Accounts Payable	239,422	236,062
Accrued Taxes and Tax Equivalents	130,328	129,533
Accrued Interest	73,285	64,415
Customers' Deposits	145,353	128,833
Current Commodity Derivative Liabilities	23,347	92,854
Other	231,931	220,959
	957,596	981,616
DEFERRED CREDITS		
Accrued Post-Retirement Liability	719,820	862,027
Asset Retirement Obligations	382,640	374,845
Non-Current Commodity Derivative Liabilities	7,874	7,515
Other Deferred Credits and Other Non-Current Liabilities	795,571	709,092
	1,905,905	1,953,479
TOTAL CAPITALIZATION & LIABILITIES	\$14,429,865	\$13,950,954

These unaudited financial statements should be read in conjunction with the 2023 Notes to Combined Financial Statements.

SRP Combined Statements of Net Revenues

(In Thousands - Unaudited)	3 Months Ended Oct. 31	
	FY24	FY23
OPERATING REVENUES		
Retail Electric	\$1,079,813	\$979,648
Water	4,333	3,408
Wholesale	158,244	212,287
Other	20,987	23,922
Total Operating Revenues*	1,263,377	1,219,265
OPERATING EXPENSES		
Power Purchased	213,482	206,447
Fuel Used in Electric Generation*	252,931	620,273
Operations and Maintenance*	324,042	282,894
Depreciation and Amortization	153,093	167,788
Taxes and Tax Equivalents	32,702	31,746
Total Operating Expenses	976,250	1,309,148
Net Operating Revenues	287,127	(89,883)
OTHER INCOME		
Investment Income (Loss), Net	(28,079)	(68,729)
Other Income (Loss), Net	14,388	11,565
Total Other Income (Loss), Net	(13,691)	(57,164)
Net Revenues (Expenses) before Financing Costs	273,436	(147,047)
FINANCING COSTS		
Interest on Bonds	48,882	43,994
Capitalized Interest	(6,118)	(2,175)
Amortization of Bond Discount/Premium and Issuance Expenses	(11,512)	(11,784)
Interest on Other Obligations	5,838	2,738
Net Financing Costs	37,090	32,773
NET REVENUES	\$236,346	\$(179,820)

These unaudited financial statements should be read in conjunction with the 2023 Notes to Combined Financial Statements. *Intercompany transactions eliminated.

TOTAL SALES - SECOND QUARTER FY24

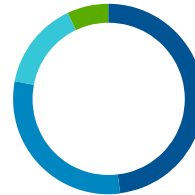
(Percent by kWh; three months ended Oct. 31)



RESIDENTIAL	39%
COMMERCIAL	30%
WHOLESALE	21%
LARGE INDUSTRIAL/MINES/OTHER	10%

ELECTRIC OPERATING REVENUES - SECOND QUARTER FY24

(Percent by service class; three months ended Oct. 31)



RESIDENTIAL	48%
COMMERCIAL	30%
WHOLESALE	13%
LARGE INDUSTRIAL/MINES/OTHER	9%