

SALT RIVER PROJECT AGRICULTURAL IMPROVEMENT AND POWER DISTRICT MEETING NOTICE AND AGENDA

**FINANCE AND BUDGET COMMITTEE
Tuesday, August 22, 2023, No Sooner Than 10:10 AM**

**SRP Administration Building
1500 N. Mill Avenue, Tempe, AZ 85288**

Committee Members: Jack White Jr., Chairman; Leslie C. Williams, Vice Chairman; and Nick Brown, Randy Miller, Krista O'Brien, Stephen Williams, and Keith Woods

Call to Order
Roll Call

- 1. **CONSENT AGENDA:** The following agenda item(s) will be considered as a group by the Committee and will be enacted with one motion. There will be no separate discussion of these item(s) unless a Committee Member requests, in which event the agenda item(s) will be removed from the Consent Agenda and considered as a separate item CHAIRMAN JACK WHITE JR.
 - A. Request for approval of the minutes for the meeting of June 27, 2023.
 - B. Request for approval of the Monthly Cash Statements for June and July 2023 (District and Association).
 - C. Request for approval of the Quarterly Cash Statement for Period Ending July 31, 2023 (Association).
- 2. Review of the Financial Results Through July 2023 VARIOUS
- 3. SAP Industries, Inc. Software Agreement VALERIE POMERENKE and GIBS SAINT PAUL
Request for approval to execute a multi-year contract with SAP Industries, Inc. to provide software and technology solutions to support the preplanning, development, and implementation of the Customer Modernization Program.
- 4. Report on Current Events by the General Manager and Chief Executive Officer or DesigneesJIM PRATT
- 5. Future Agenda Topics..... CHAIRMAN JACK WHITE JR.

The Committee may vote during the meeting to go into Executive Session, pursuant to A.R.S. §38-431.03 (A)(3), for the purpose of discussion or consultation for legal advice with legal counsel to the Committee on any of the matters listed on the agenda.

The Committee may go into Closed Session, pursuant to A.R.S. §30-805(B), for records and proceedings relating to competitive activity, including trade secrets or privileged or confidential commercial or financial information.

Visitors: The public has the option to attend in-person or observe via Zoom and may receive teleconference information by contacting the Corporate Secretary's Office at (602) 236-4398. If attending in-person, all property in your possession, including purses, briefcases, packages, or containers, will be subject to inspection.



MINUTES
FINANCE AND BUDGET COMMITTEE

DRAFT

June 27, 2023

A meeting of the Finance and Budget Committee of the Salt River Project Agricultural Improvement and Power District (the District) and the Salt River Valley Water Users' Association (the Association), collectively SRP, convened at 11:54 a.m. on Tuesday, June 27, 2023, from the Board Room at the SRP Administration Building, 1500 North Mill Avenue, Tempe, Arizona. This meeting was conducted in-person and via teleconference in compliance with open meeting law guidelines.

Committee Members present at roll call were K.B. Woods, Chairman; S.H. Williams, Vice Chairman; and R.C. Arnett, N.R. Brown, M.J. Herrera, K.J. Johnson, and L.D. Rovey.

Committee Member absent at roll call was K.L. Mohr-Almeida.

Also present were President D. Rousseau; District Vice President C.J. Dobson; Association Vice President J.R. Hoopes; Board Members R.J. Miller, K.H. O'Brien, M.V. Pace, P.E. Rovey, J.M. White Jr., and L.C. Williams; Council Vice Chairman J.R. Shelton; Council Members M.L. Farmer, T.S. Naylor and R.W. Swier; Mmes. A.P. Chabrier, L.F. Hobaica, G.A. Mingura, S.A. Perkinson, K.S. Ramaley, E.J. Roelfs, and C.M. Sifuentes; Messrs. J.D. Coggins, A.C. Davis, C.E. Ester III, J.M. Felty, J.W. Hubbard, R.T. Judd, K.J. Lee, S.J. Lopez, A.J. McSheffrey, R. Navarro, B.A. Olsen, J.M. Pratt, G. Saint Paul, R.R. Taylor, and J.A. Wright; and Tammi Watson of Central Arizona Project (CAP).

In compliance with A.R.S. §38-431.02, Andrew Davis of the Corporate Secretary's Office had posted a notice and agenda of the Finance and Budget Committee meeting at the SRP Administration Building, 1500 North Mill Avenue, Tempe, Arizona, at 9:00 a.m. on Friday, June 23, 2023.

Chairman K.B. Woods called the meeting to order.

Consent Agenda

Chairman K.B. Woods requested a motion for Committee approval of the Consent Agenda, in its entirety.

On a motion duly made by Board Member M.J. Herrera and seconded by Board Member K.J. Johnson, the Committee unanimously approved and adopted the following items on the Consent Agenda:

- A. Minutes of the Finance and Budget Committee meeting on May 25, 2023, as presented
- B. Approval of the District and Association Monthly Cash Statements for April and May 2023

C. Approval of the Association Quarterly Cash Statement for period ending April 30, 2023

Corporate Secretary J.M. Felty polled the Committee Members on Board Member M.J. Herrera's motion to approve the Consent Agenda, in its entirety. The vote was recorded as follows:

YES:	Board Members K.B. Woods, Chairman; S.H. Williams, Vice Chairman; and R.C. Arnett, N.R. Brown, M.J. Herrera, K.J. Johnson, and L.D. Rovey	(7)
NO:	None	(0)
ABSTAINED:	None	(0)
ABSENT:	Board Member K.L. Mohr-Almeida	(1)

Copies of the handouts distributed are on file in the Corporate Secretary's Office and, by reference, made a part of these minutes.

Finance Presentation

Sue Ann Perkinson, SRP Controller and Senior Director of Corporate Accounting Services, referenced the financial handout distributed to the Members relative to the combined highlights of operations of the District and Association for the month of April 2023 and Fiscal Year 2023 (FY23). Using a PowerPoint presentation, she reviewed the preliminary FY23 Combined Net Revenues (CNR), the FY09 through FY23 CNR, the FY09 through FY23 CNR with fair value adjustments, and FY23 mark-to-market results for fuel and electric contracts. Ms. S.A. Perkinson compared the actual versus budgeted figures for categories such as CNR, system sales, and customer count. She concluded by reviewing the financial summary and key financial indicators for the month of April 2023 and fiscal year-to-date.

Ms. S.A. Perkinson responded to questions from the Committee.

Copies of the handout distributed and the PowerPoint slides used in this presentation are on file in the Corporate Secretary's Office and, by reference, made a part of these minutes. The financial information in the handouts and PowerPoint slides is unaudited and non-GAAP.

Report on Current Events by the General Manager and Chief Executive Officer or Designees

Jim M. Pratt, SRP General Manager and Chief Executive Officer, reported on a variety of federal, state, and local topics of interest to the Committee.

Future Agenda Topics

Chairman K.B. Woods asked the Committee if there were any future agenda topics. None were requested.

There being no further business to come before the Finance and Budget Committee, the meeting adjourned at 12:07 p.m.

John M. Felty
Corporate Secretary

**Statement of Cash Received and Disbursed**

June 2023

(\$000)

	<u>District</u>	<u>Association</u>	<u>Total Month</u>	<u>Year-to-Date</u>
Fund Balance Beginning of Period	\$ 506,759	\$ 1,608	\$ 508,367	\$ 697,781
Cash Receipts:				
Electric Revenues	296,594	---	296,594	548,755
Water Revenues	---	1,532	1,532	2,029
Electric Customer Deposits	5,534	---	5,534	9,845
Reimbursement on Joint Ownership Projects	5,668	---	5,668	21,414
Construction Contributions and Advances	41,095	---	41,095	60,337
Proceeds from Bond Sales	---	---	---	---
Proceeds from Other Borrowings	---	---	---	---
Transfers from Segregated Funds	31,175	---	31,175	56,900
Sales Tax Collected	23,877	---	23,877	44,996
Other Cash Receipts	12,970	---	12,970	24,634
Total Cash Receipts	<u>416,913</u>	<u>1,532</u>	<u>418,445</u>	<u>768,910</u>
Fund Transfers - Net	<u>(1,432)</u>	<u>1,432</u>	<u>---</u>	<u>---</u>
Cash Disbursements:				
Purchased Power and Fuel	101,807	---	101,807	209,469
Operations and Maintenance	73,202	962	74,164	187,035
Employee Payroll and Payroll Taxes	49,138	3,522	52,660	121,794
Purchased Inventory	19,123	---	19,123	39,618
Cash Segregated for -				
Bond Interest	16,288	---	16,288	32,576
Bond Principal	9,494	---	9,494	18,988
Other Debt - Principal Repayment	---	---	---	---
Other Debt - Interest Expense	2,298	---	2,298	3,548
Capital Expenditures	74,673	---	74,673	191,941
Advances on Joint Ownership Projects	---	---	---	---
Transfers to Segregated Funds	19,545	---	19,545	19,545
In Lieu and Ad Valorem Taxes	---	---	---	57,830
Sales Tax Remitted	31,727	---	31,727	46,227
Margin and Collateral Disbursed - Net	4,725	---	4,725	16,486
Miscellaneous Cash Disbursements	606	---	606	1,932
Total Cash Disbursements	<u>402,626</u>	<u>4,484</u>	<u>407,110</u>	<u>946,989</u>
Fund Balance End of Period	<u>\$ 519,614</u>	<u>\$ 88</u>	<u>\$ 519,702</u>	<u>\$ 519,702</u>

**Cash Position****June 2023**

Composition of Funds Balance	(\$000)		
	<u>District</u>	<u>Association</u>	<u>Total</u>
Cash and Cash Equivalents	\$ 137,999	\$ 88	\$ 138,087
Other Temporary Investments	255,145	---	255,145
Other Non-Current Investments	<u>126,470</u>	<u>---</u>	<u>126,470</u>
General Fund	<u>519,614</u>	<u>88</u>	<u>519,702</u>
Segregated Funds			
Electric System Debt Reserve Fund	80,598	---	80,598
Debt Service Fund	136,765	---	136,765
Rate Stabilization Fund	---	---	---
Nuclear Decommissioning Fund	572,646	---	572,646
Post-Retirement Benefits Fund	1,082,722	---	1,082,722
Construction Fund	20,434	---	20,434
RHCP Fund	11,914	---	11,914
HHCP Fund	7,931	---	7,931
SPRHCP Fund	3,458	---	3,458
Four Corners Mine Reclamation Trust	12,229	---	12,229
Other Special Funds	<u>811</u>	<u>---</u>	<u>811</u>
Total Segregated Funds	<u>\$ 1,929,508</u>	<u>\$ ---</u>	<u>\$ 1,929,508</u>



Statement of Cash Received and Disbursed

July 2023

(\$000)

	<u>District</u>	<u>Association</u>	<u>Total Month</u>	<u>Year-to-Date</u>
Fund Balance Beginning of Period	\$ 519,614	\$ 88	\$ 519,702	\$ 697,781
Cash Receipts:				
Electric Revenues	337,768	---	337,768	886,523
Water Revenues	---	552	552	2,581
Electric Customer Deposits	3,472	---	3,472	13,317
Reimbursement on Joint Ownership Projects	6,769	---	6,769	28,183
Construction Contributions and Advances	38,994	---	38,994	99,331
Proceeds from Bond Sales	---	---	---	---
Proceeds from Other Borrowings	---	---	---	---
Transfers from Segregated Funds	95,119	---	95,119	152,019
Sales Tax Collected	32,970	---	32,970	77,966
Other Cash Receipts	4,684	---	4,684	29,318
Total Cash Receipts	<u>519,776</u>	<u>552</u>	<u>520,328</u>	<u>1,289,238</u>
Fund Transfers - Net	<u>(4,699)</u>	<u>4,699</u>	<u>---</u>	<u>---</u>
Cash Disbursements:				
Purchased Power and Fuel	90,945	---	90,945	300,414
Operations and Maintenance	99,399	2,320	101,719	288,754
Employee Payroll and Payroll Taxes	50,412	2,942	53,354	175,148
Purchased Inventory	22,180	---	22,180	61,798
Cash Segregated for -				
Bond Interest	17,198	---	17,198	49,774
Bond Principal	9,494	---	9,494	28,482
Other Debt - Principal Repayment	---	---	---	---
Other Debt - Interest Expense	1,159	---	1,159	4,707
Capital Expenditures	59,325	---	59,325	251,266
Advances on Joint Ownership Projects	---	---	---	---
Transfers to Segregated Funds	78,660	---	78,660	98,205
In Lieu and Ad Valorem Taxes	---	---	---	57,830
Sales Tax Remitted	16,493	---	16,493	62,720
Margin and Collateral Disbursed - Net	(11,587)	---	(11,587)	4,899
Miscellaneous Cash Disbursements	10,783	---	10,783	12,715
Total Cash Disbursements	<u>444,461</u>	<u>5,262</u>	<u>449,723</u>	<u>1,396,712</u>
Fund Balance End of Period	<u>\$ 590,230</u>	<u>\$ 77</u>	<u>\$ 590,307</u>	<u>\$ 590,307</u>

**Cash Position**

July 2023

Composition of Funds Balance	(\$000)		
	District	Association	Total
Cash and Cash Equivalents	\$ 259,090	\$ 77	\$ 259,167
Other Temporary Investments	242,415	---	242,415
Other Non-Current Investments	88,725	---	88,725
General Fund	590,230	77	590,307
Segregated Funds			
Electric System Debt Reserve Fund	80,598	---	80,598
Debt Service Fund	85,275	---	85,275
Rate Stabilization Fund	---	---	---
Nuclear Decommissioning Fund	594,793	---	594,793
Post-Retirement Benefits Fund	1,159,736	---	1,159,736
Construction Fund	3,593	---	3,593
RHCP Fund	12,069	---	12,069
HHCP Fund	8,190	---	8,190
SPRHCP Fund	3,552	---	3,552
Four Corners Mine Reclamation Trust	13,746	---	13,746
Other Special Funds	1,313	---	1,313
Total Segregated Funds	\$ 1,962,865	\$ ---	\$ 1,962,865

SALT RIVER VALLEY WATER USERS' ASSOCIATION

STATEMENT OF CASH RECEIVED AND DISBURSED

For Fiscal Quarter Ended July 31, 2023

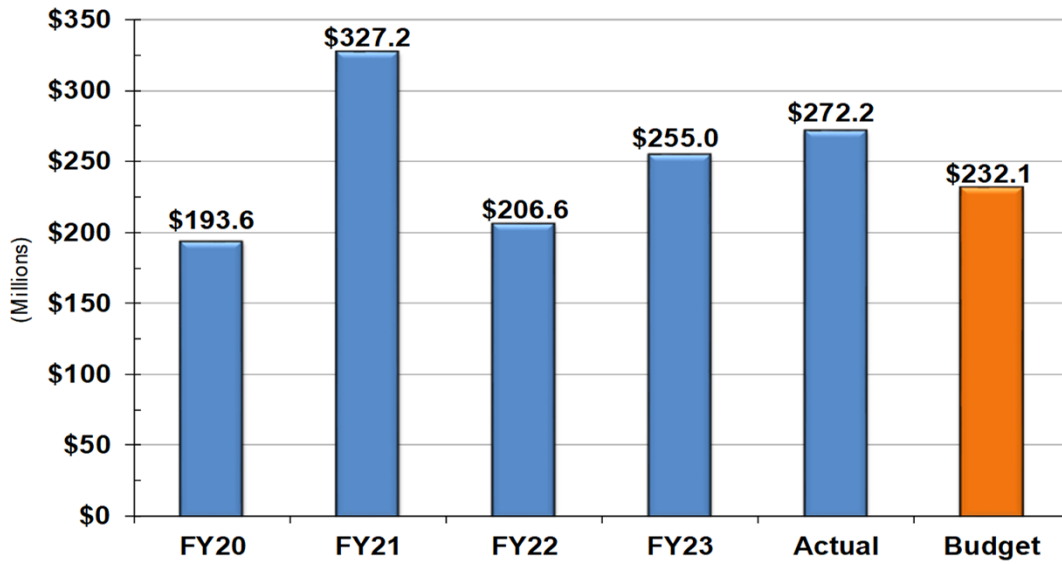
(In Thousands)

Funds Balance at April 30, 2023	\$ 1,144
Cash Received:	
Water revenues	\$ 2,581
Other cash receipts	<u>\$ -</u>
Total cash received	\$ 2,581
Operating Funds from SRPAI&PD - Net	<u>\$ 12,585</u>
Total Funds Received	<u>\$ 15,166</u>
Cash Disbursed:	
Operating and maintenance expense	\$ 5,394
Net paychecks and deductions paid to others	\$ 10,839
Corporate and payroll taxes	\$ -
Other	<u>\$ -</u>
Total Cash Disbursed	<u>\$ 16,233</u>
Funds Balance at July 31, 2023	<u><u>\$ 77</u></u>



Jason Riggs
Assistant Corporate Treasurer

CNR without Fair Value Adjustments - YTD July 2023

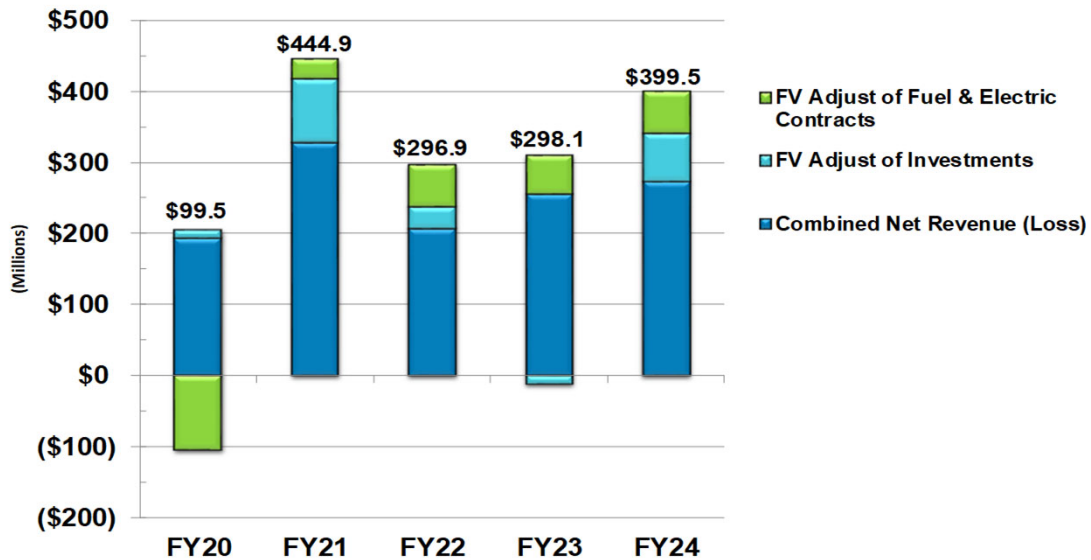


08/22/2023 Finance & Budget Committee Meeting, S. A. Perkinson

(Non-GAAP, Unaudited) 1

1

CNR with Fair Value Adjustments - YTD July 2023

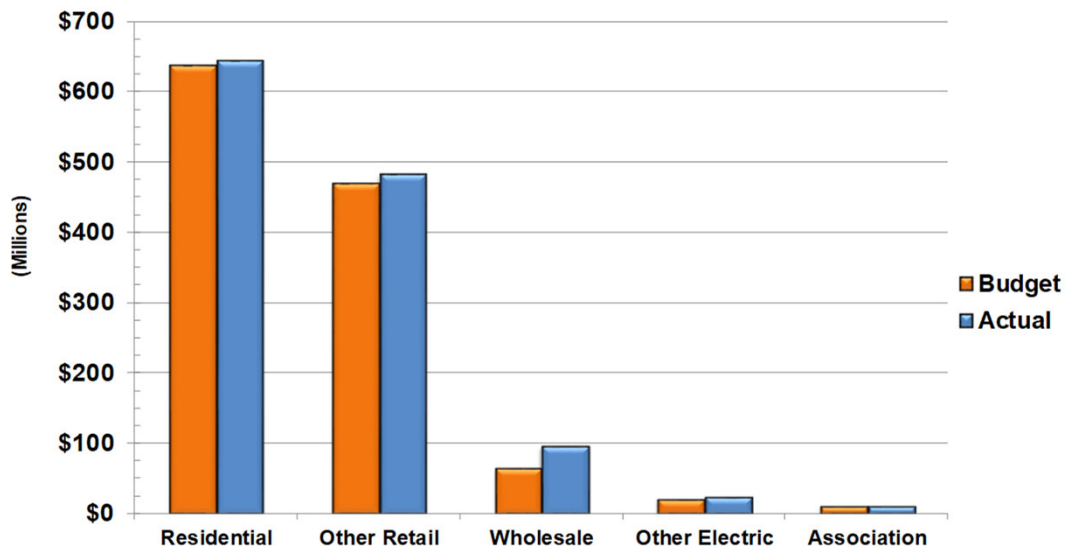


08/22/2023 Finance & Budget Committee Meeting, S. A. Perkinson

(Non-GAAP, Unaudited) 2

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Combined Operating Revenues - YTD July 2023

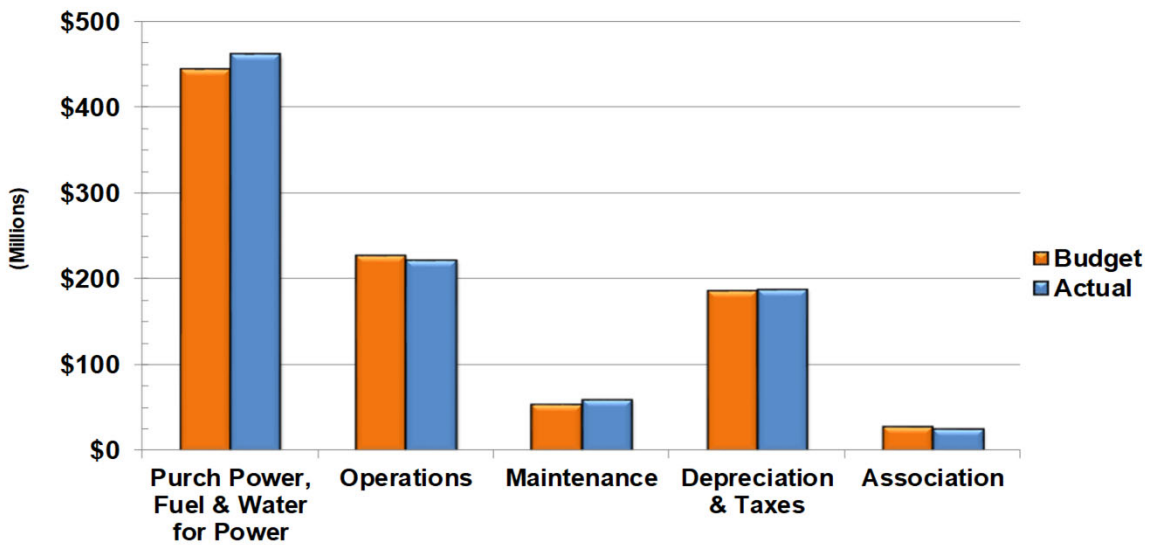


08/22/2023 Finance & Budget Committee Meeting, S. A. Perkinson

(Non-GAAP, Unaudited) 3

3

Combined Expenses - YTD July 2023

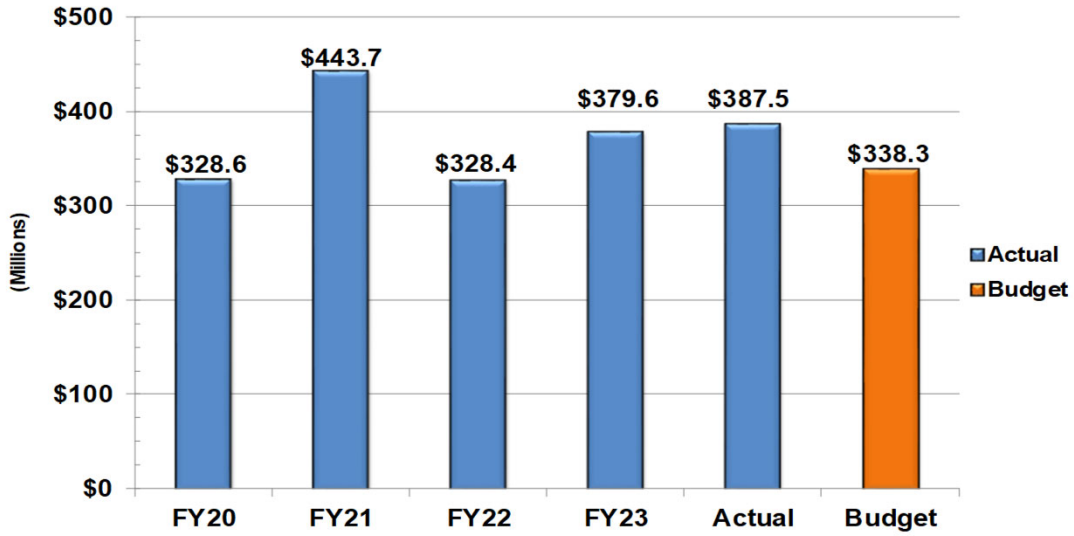


08/22/2023 Finance & Budget Committee Meeting, S. A. Perkinson

(Non-GAAP, Unaudited) 4

4

Funds Available - YTD July 2023

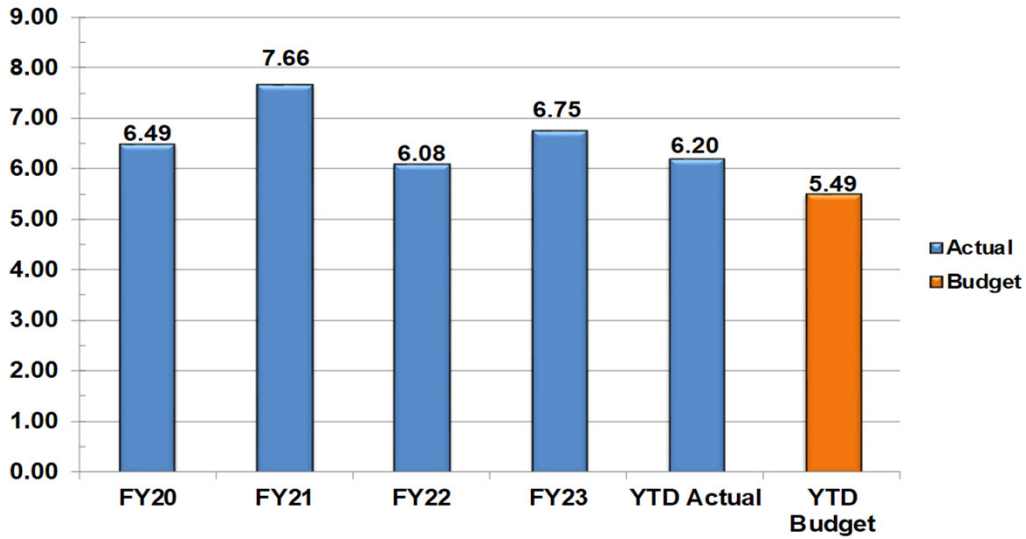


08/22/2023 Finance & Budget Committee Meeting, S. A. Perkinson

(Non-GAAP, Unaudited) 5

5

Debt Service Coverage - YTD July 2023



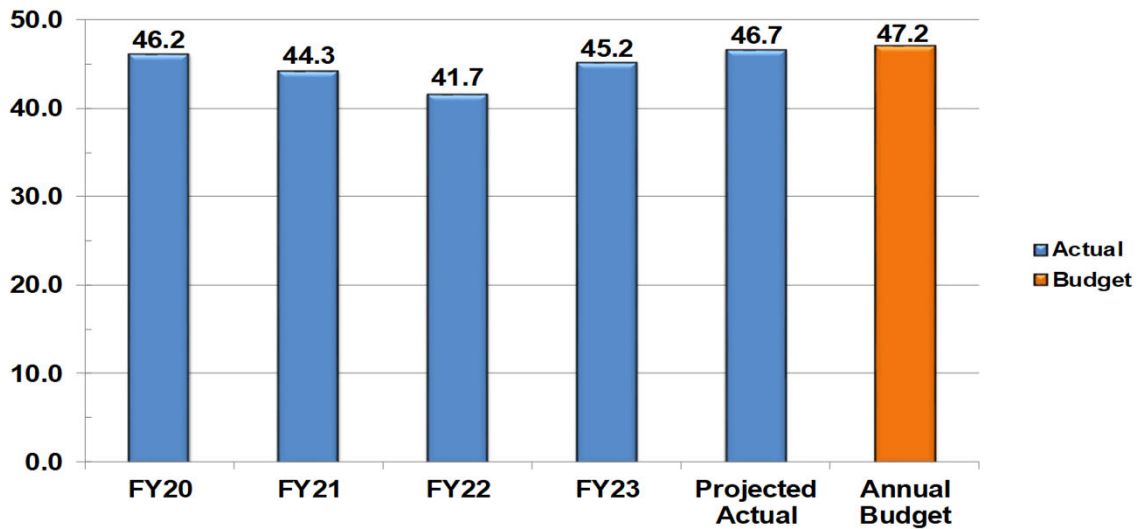
Note: Debt Service Coverage Ratio on Total Debt

08/22/2023 Finance & Budget Committee Meeting, S. A. Perkinson

(Non-GAAP, Unaudited) 6

6

Debt Ratio - YTD July 2023



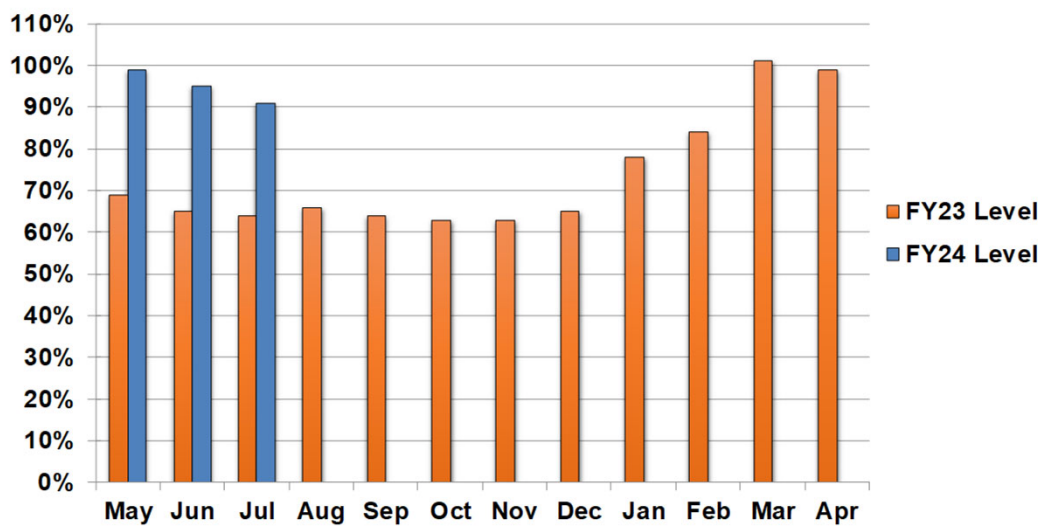
Note: Prior Years and Budget are Fiscal Year-End Ratios

08/22/2023 Finance & Budget Committee Meeting, S. A. Perkinson

(Non-GAAP, Unaudited) 7

7

Water Storage Levels

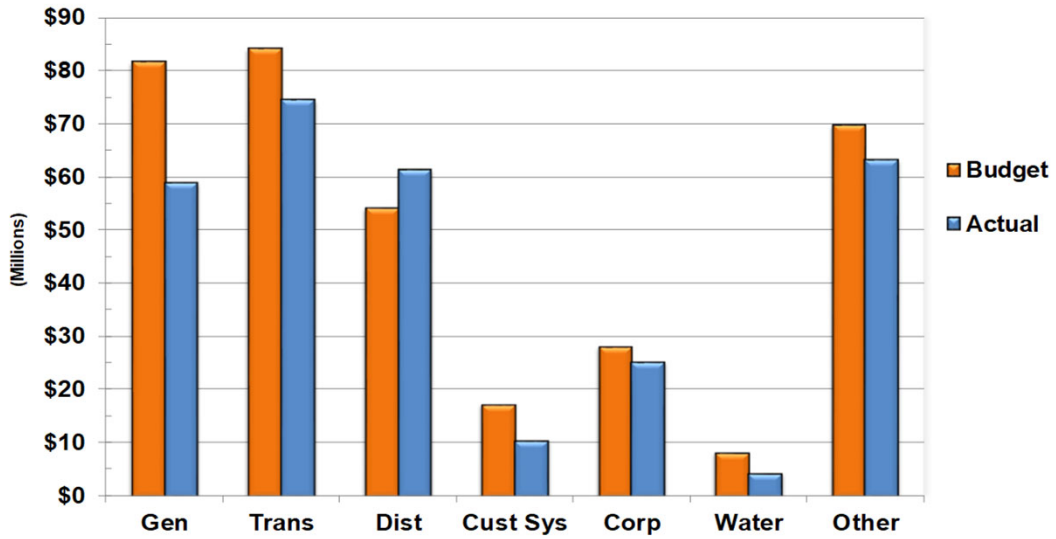


08/22/2023 Finance & Budget Committee Meeting, S. A. Perkinson

(Non-GAAP, Unaudited) 8

8

Capital Expenditures - YTD July 2023



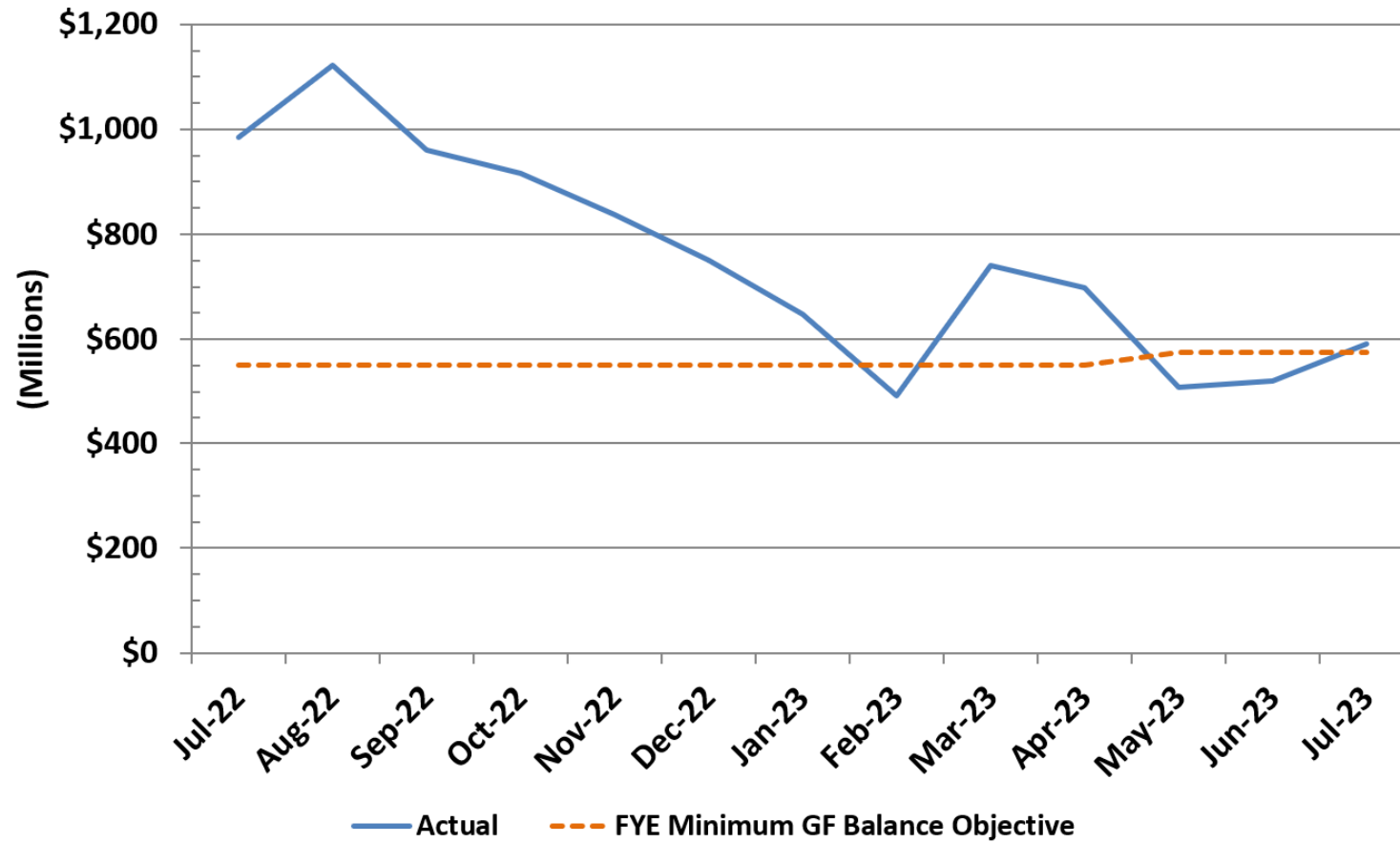
08/22/2023 Finance & Budget Committee Meeting, S. A. Perkinson

(Non-GAAP, Unaudited) 9

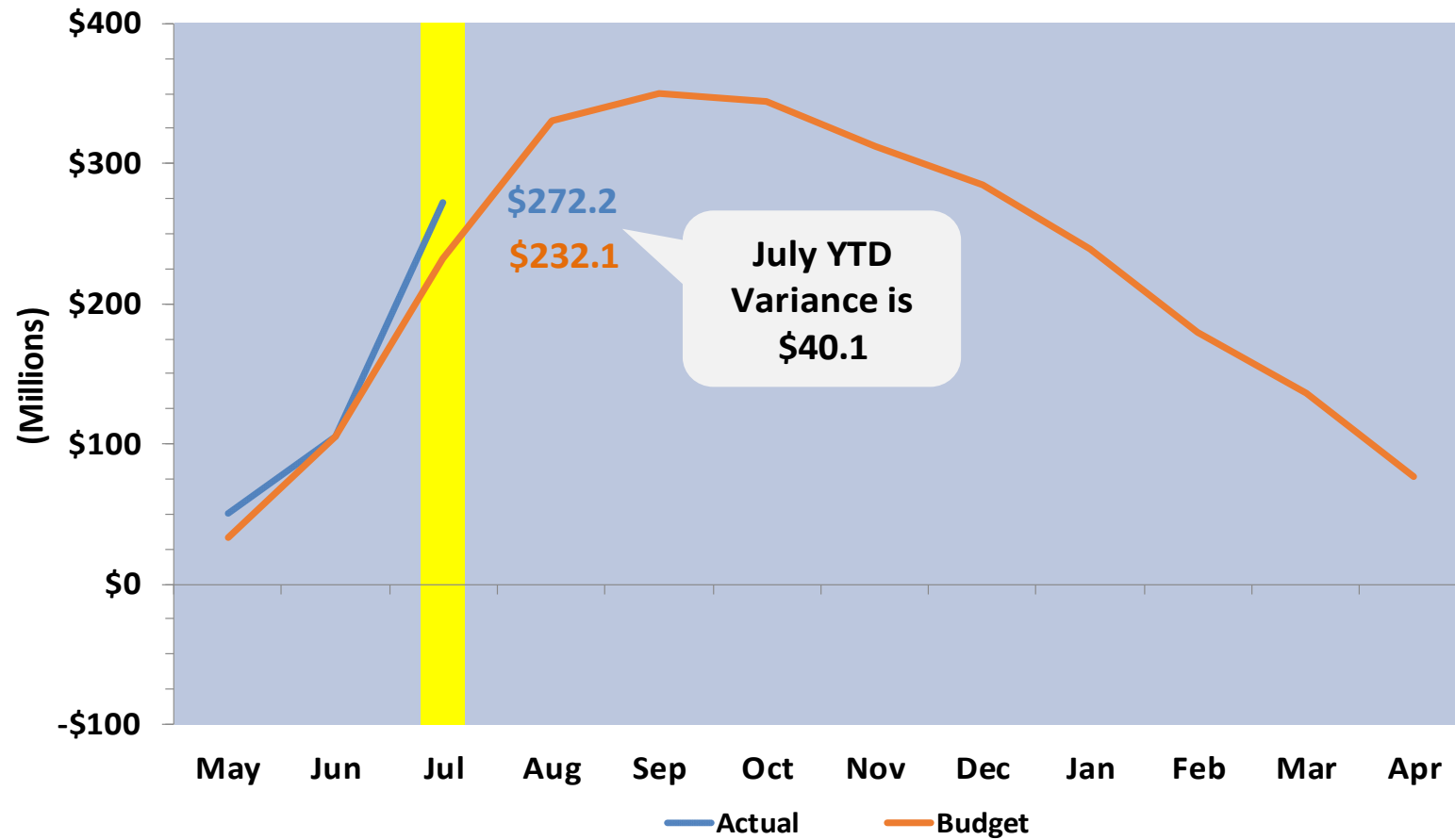
Monthly Financial Report YTD July 2023

Finance & Budget Committee Meeting
Sue Ann Perkinson | August 22, 2023

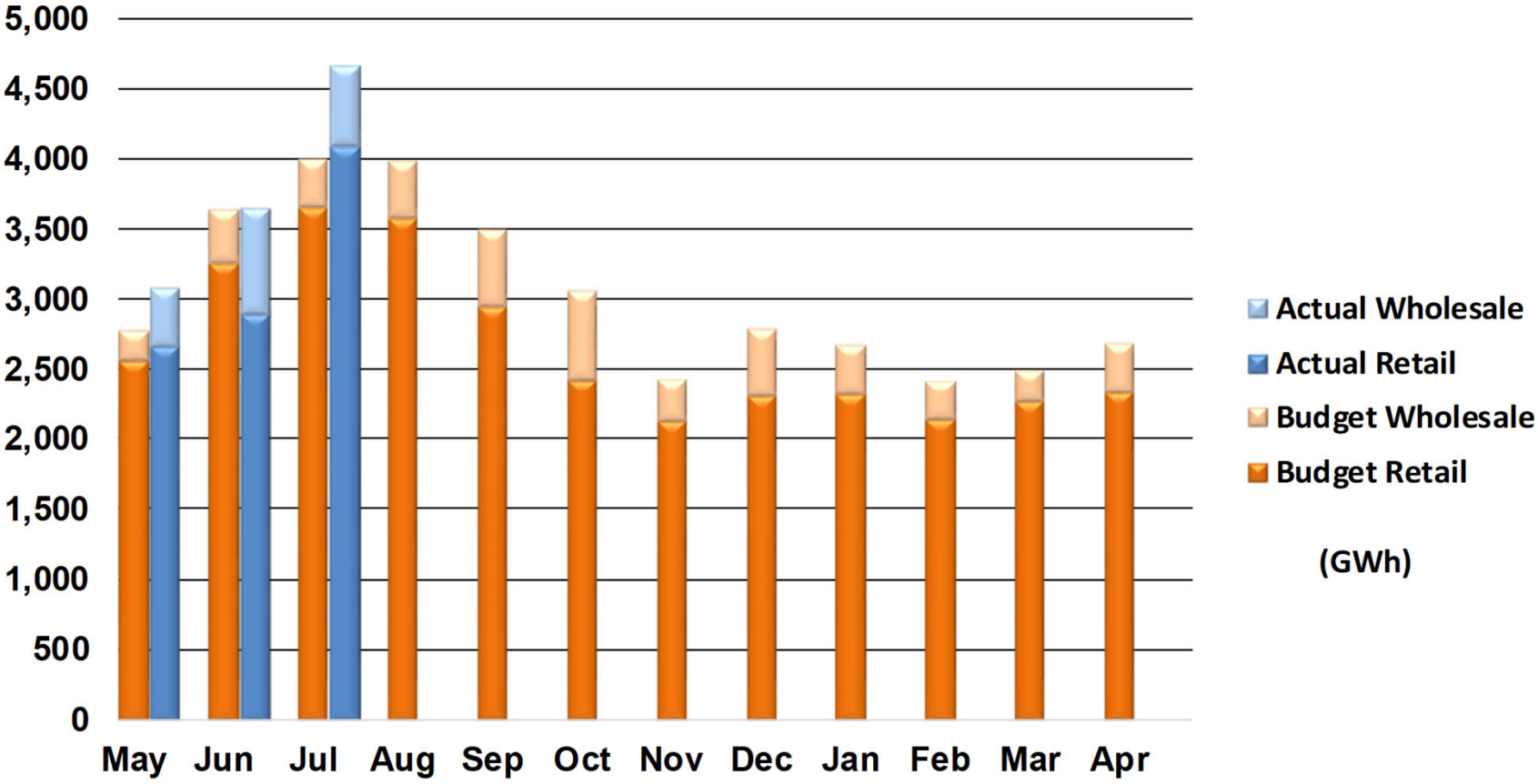
General Fund Balance



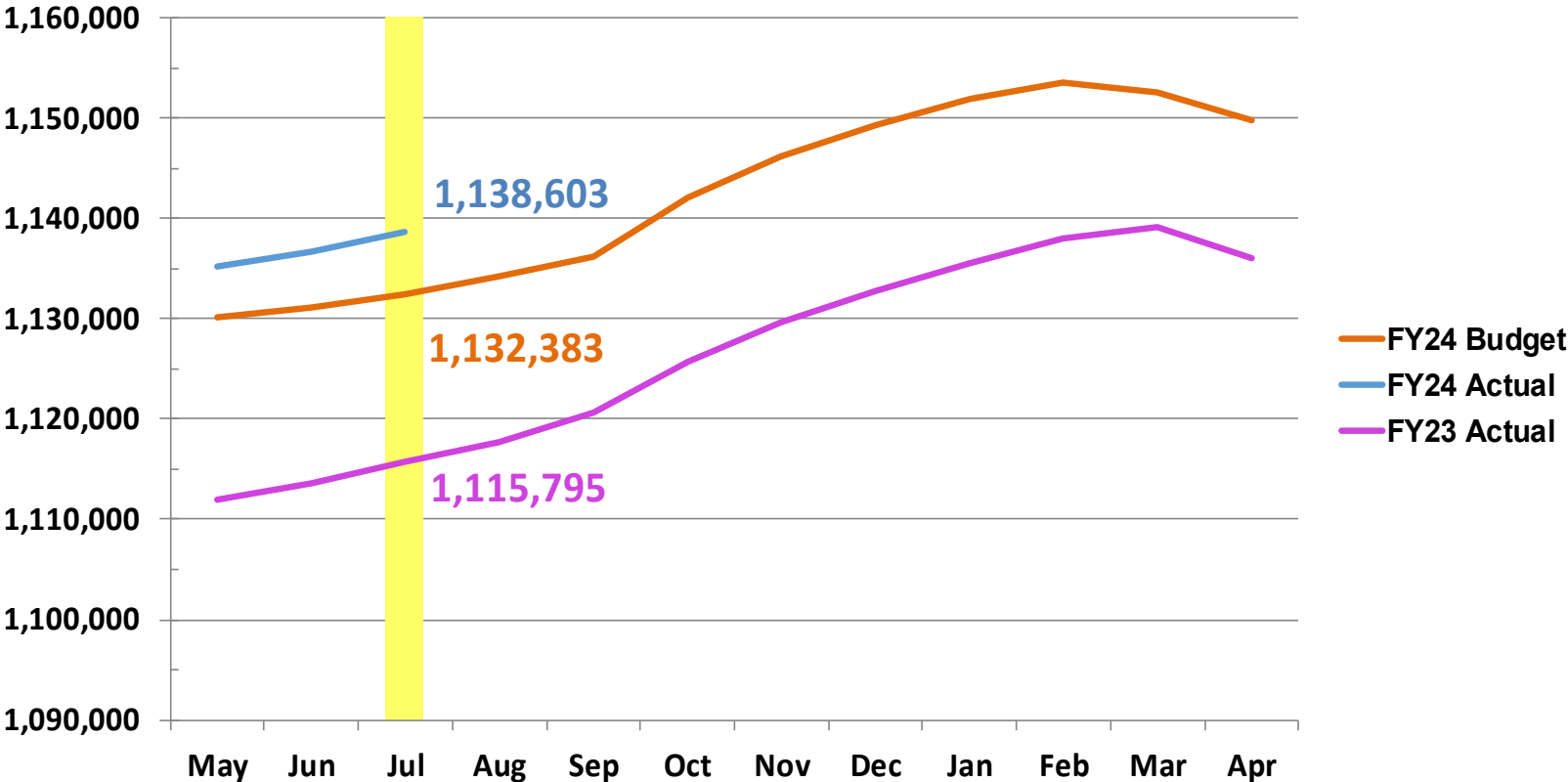
YTD Combined Net Revenue



System Sales



Customer Accounts



Financial Summary – YTD July 2023

(Thousands)	Actual	Budget	Variance
Operating Revenues	\$ 1,253,924	\$ 1,200,222	\$ 53,702
Operating Expenses			
Fuel	462,091	444,403	17,688
O&M	304,519	308,407	(3,888)
Depr & Tax	191,953	191,260	693
Total Operating Expenses	958,563	944,070	14,493
Net Financing Costs	36,892	39,981	(3,089)
Other, Net	13,709	15,907	(2,198)
Combined Net Revenues	\$ 272,178	\$ 232,078	\$ 40,100

Key Financial Indicators - YTD July 2023

(Thousands)	Actual	Budget	Variance
Capital Expenditures	\$ 298,142	\$ 345,407	\$ (47,265)
Funds Available	\$ 387,476	\$ 338,297	\$ 49,179
Debt Service Coverage	6.20	5.49	0.71





Request for Multi-year Contract Approval SAP Industries Inc. for Customer Modernization Program

Finance & Budget Committee

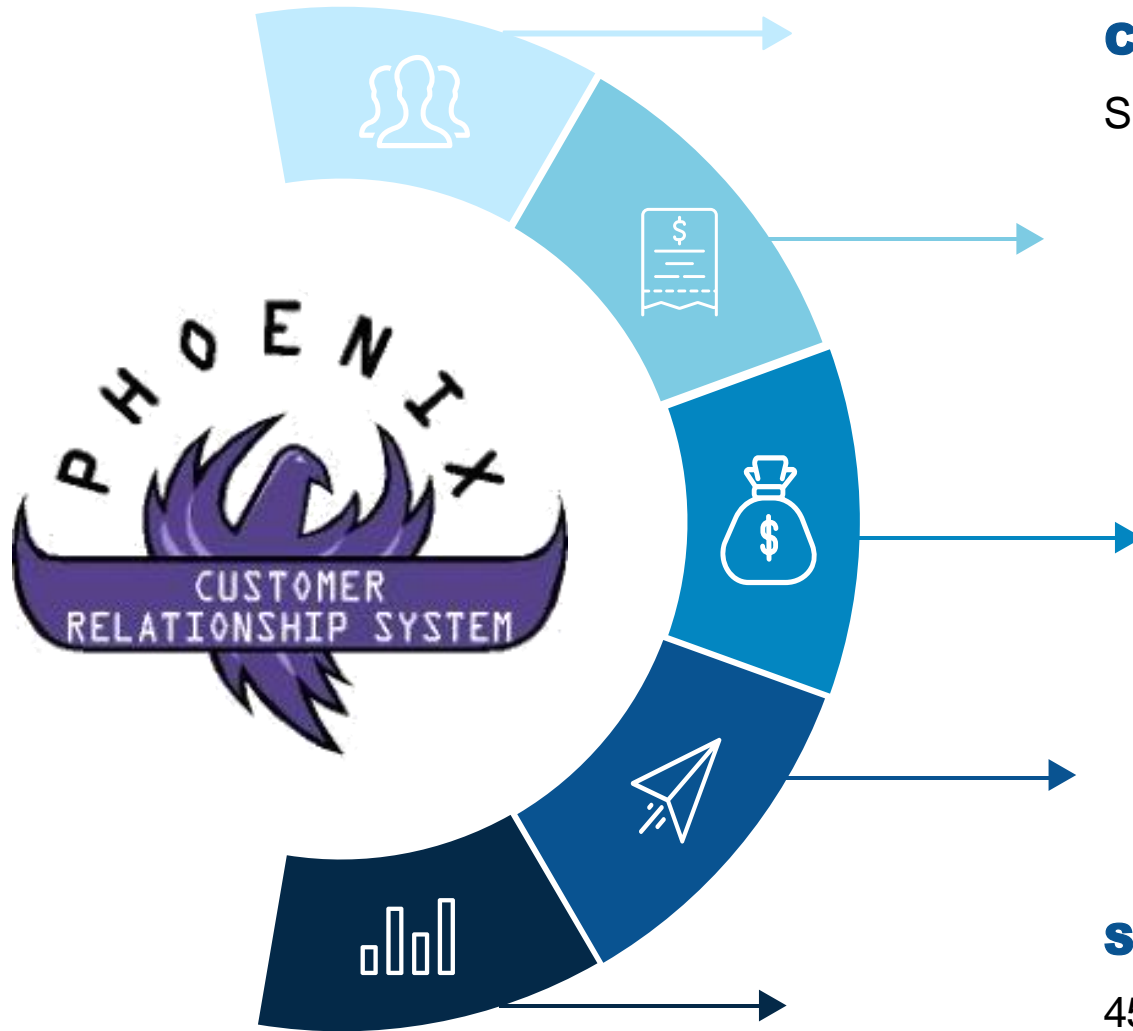
Valerie Pomerrenke & Gibbs Saint Paul | August 22, 2023

Customer Modernization Program Overview

Customer Modernization is the program dedicated to modernizing SRP's customer experience which includes implementing a new Customer Information System (CIS) using SAP Enterprise Platform and implementing supporting systems and business processes.

- Multi-year project to replace existing Customer Information System (CIS)
- New system will be SAP
- All current functionality will be replaced or remediated
- SAP CIS will be foundational for transforming our customer's digital experience and supporting a more personalized experience for our customers

SRP's Customer System



CUSTOMER SUPPORT

Supports 1 million+ Residential and Commercial customers

BILLING

3.6B meter reads received and 959,308 bills created each month

OPERATING REVENUE

Source of 85% - 90% of SRP's total operating revenue. Average \$250M monthly

SERVICE ORDERS

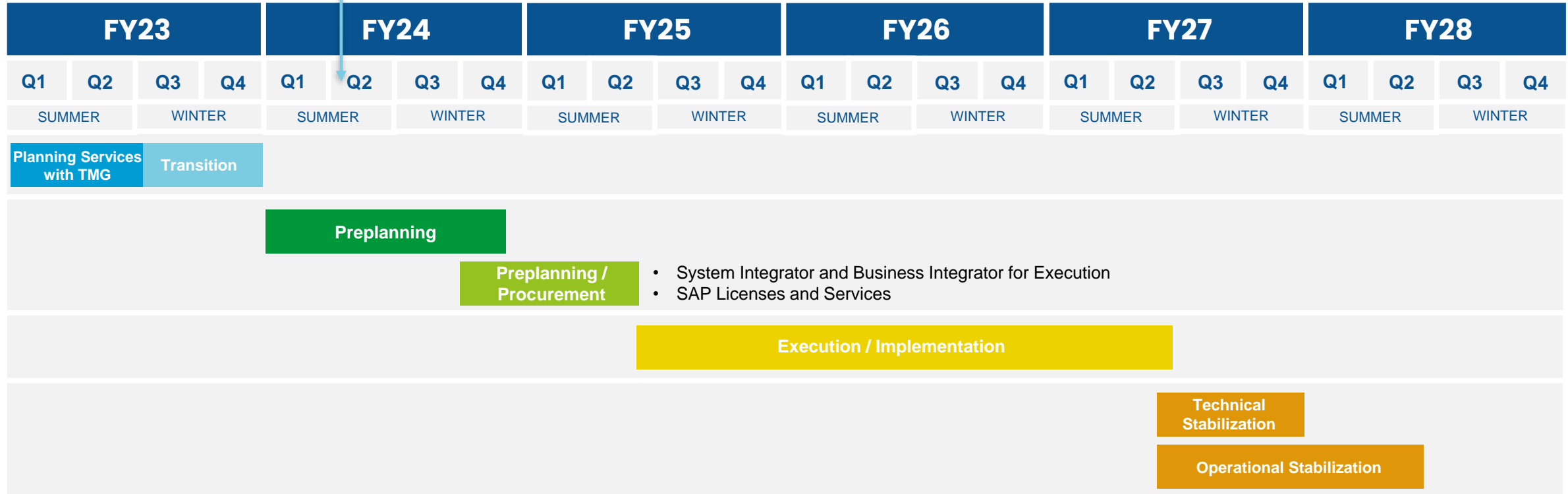
Processes 28,000 Turn On orders every month

SYSTEM USERS

450 primary users supported by 19 Developers, 77 Tester Users and 61 Query Users

Program Timeline

Today

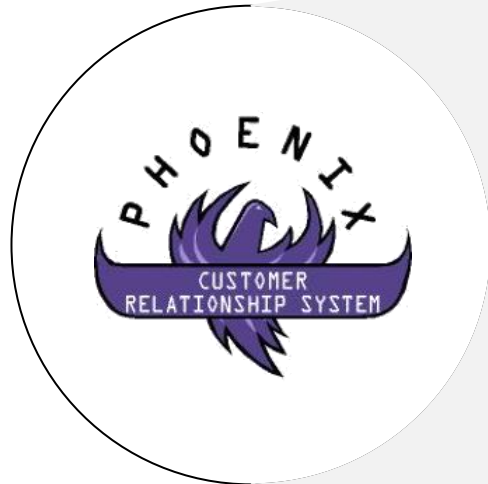


- System Integrator and Business Integrator for Execution
- SAP Licenses and Services

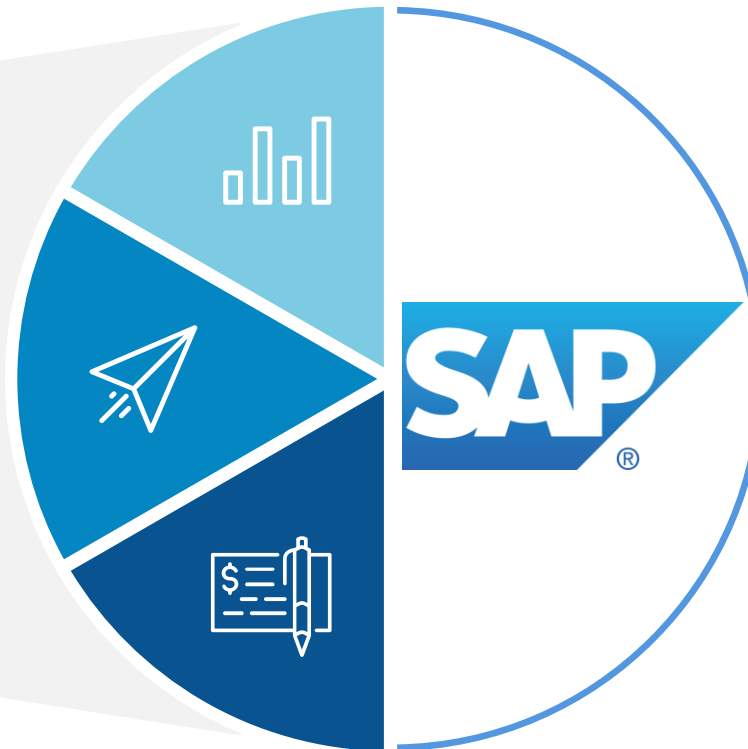
- Scope is determined during preplanning phase
- \$150M +/- 20% for software and vendors
- Additional budget will be required for staff augmentation
- Execution phase will last 24 months

SAP Utility Suite

CIS CURRENT STATE



SAP UTILITY SUITE



BENEFITS

CUSTOMER EXPERIENCE

Speed to delivery and modern experiences

RISK MITIGATION

Manage Platform and Project Risk

SYSTEM MATURITY

Maturity of product and platform for utilities

APPLICATION SUPPORT

Access to application support from leading software producer

SYSTEM PERFORMANCE

Service Level Agreement and Response Time Performance

Summary & Cost Overview

- Provides solutions and technology to support customer modernization preplanning and enterprise applications via subscription-based cloud software
- Leveraging SAP Business Technology Platform (BTP), tools for business process modeling, organizational change management (OCM) and automated/performance testing
- Five-year agreement with SAP beginning in FY24

FY24	FY25	FY26	FY27	FY28	Total
\$1,038,590	\$1,038,590	\$1,038,590	\$1,038,590	\$1,038,590	\$5,192,950

Recommendation

In accordance with the terms discussed herein, Management requests that the Finance & Budget Committee recommend that the Board authorize the President, Vice President, General Manager and Chief Executive Officer or Associate General Manager and Chief Financial Executive, or designee, to execute:

- Multi-year software agreement with SAP Industries Inc. to support the preplanning, development and implementation of the Customer Modernization Program; and
- Any subsequent amendments to such agreement that do not materially modify the terms of such agreement.

thank you!

