

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

FINANCE AND BUDGET COMMITTEE
Thursday, February 22, 2024, 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 January 25, 2024.
 - B. Request for approval of the Monthly Cash Statement for January 2024 (District and Association).
 - C. Request for approval of the Quarterly Cash Statement for Period Ending January 31, 2024 (Association).
- 2. Preliminary Fiscal Year 2025 (FY25) Financial Plan and Operating BudgetJON HUBBARD
 Informational presentation to review the key drivers and preliminary results shaping the FY25 Financial Plan and Operating Budget.
- 3. Review of the Financial Results for the Month of January 2024 VARIOUS
- 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.



THE NEXT FINANCE AND BUDGET COMMITTEE MEETING IS SCHEDULED FOR TUESDAY, MARCH 12, 2024

MINUTES
FINANCE AND BUDGET COMMITTEE

DRAFT

January 25, 2024

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 11:10 a.m. on Thursday, January 25, 2024, from the Hoopes Board Conference 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 J.M. White Jr., Chairman; L.C. Williams, Vice Chairman; and N.R. Brown, R.J. Miller, K.H. O'Brien, S.H. Williams, and K.B. Woods.

Also present were Vice President C.J. Dobson; Board Members R.C. Arnett, M.J. Herrera, L.D. Rovey, and P.E. Rovey; Council Chairman T.M. Francis; Council Vice Chairman J.R. Shelton; Council Member A.A. Freeman; Mmes. I.R. Avalos, M.J. Burger, A.P. Chabrier, K.A. Heth, L.F. Hobaica, V.P. Kisicki, L.A. Meyers, G.A. Mingura, S.A. Perkinson, K.S. Ramaley, and E.J. Roelfs; Messrs. J.D. Coggins, J.M. Felty, J.D. Hovis, J.W. Hubbard, R.T. Judd, B.J. Koch, A.J. McSheffrey, M.J. O'Connor, B.A. Olsen, J.M. Pratt, R.R. Taylor, and J.A. Wright; Murphy Bannerman of Western Resource Advocates; Christian Martinez of Clearway Energy Group; and Michael Sheehan of Bright Night Power.

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 Tuesday, January 23, 2024.

Chairman J.M. White Jr. called the meeting to order.

Consent Agenda

Chairman J.M. White Jr. requested a motion for Committee approval of the Consent Agenda, in its entirety.

On a motion duly made by Board Member K.B. Woods and seconded by Board Member S.H. Williams, the Committee unanimously approved and adopted the following items on the Consent Agenda:

- A. Minutes of the Finance and Budget Committee meeting on December 12, 2023, as presented
- B. Approval of the District Annual Cash Statement for December 2023
- C. Approval of the District and Association Monthly Cash Statements for November and December 2023

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

YES:	Board Members J.M. White Jr., Chairman; L.C. Williams, Vice Chairman; and N.R. Brown, R.J. Miller, K.H. O'Brien, S.H. Williams, and K.B. Woods	(7)
NO:	None	(0)
ABSTAINED:	None	(0)
ABSENT:	None	(0)

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

Fiscal Year 2025 (FY25) Financial Plan and Operating Budget Initial Assumptions

Using a PowerPoint presentation, Jon W. Hubbard, SRP Director of Finance, stated that the purpose of the presentation was to provide information to review the initial assumptions shaping the FY25 Financial Plan and Operating Budget. He reviewed SRP's 2035 financial goals and FY25 objectives.

Mr. J.W. Hubbard stated that forecasted sales growth, coupled with generation transition, has had significant financial implications. He said that large customers are driving the forecasted retail sales growth for Financial Plan 2025 (FP25).

Mr. J.W. Hubbard provided the following graphs: capital spending by segment; direct costs; gas and electric price forecasts; Fuel and Purchase Power Adjustment Mechanism (FPPAM) collection status and modeling; and six-year total cash inflows and outflows. He concluded with a discussion of capital funding, next steps, and budget schedule through March 2024.

Mr. J.W. Hubbard responded to questions from the Committee.

Copies of 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.

Board Members R.C. Arnett and M.J. Herrera; and Christian Martinez of Clearway Energy Group left the meeting during the presentation.

Finance Presentation

Jeff A. Wright, SRP Director of Financial Reporting, referenced the financial handout distributed to the Members relative to the combined highlights of operations of the District and Association for the month of December 2023. Using a PowerPoint presentation, he compared the actual versus budgeted figures for categories such as general fund balance, year-to-date (YTD) combined net revenue (CNR), system sales, and customer accounts. Mr. J.A. Wright concluded by reviewing the financial summary and key financial indicators for the month of December 2023 and fiscal YTD.

Mr. J.A. Wright 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.

Mr. J.W. Hubbard left the meeting during the presentation.

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 J.M. White Jr. 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 11:50 a.m.

John M. Felty
Corporate Secretary

**Statement of Cash Received and Disbursed**

January 2024

(\$000)

	<u>District</u>	<u>Association</u>	<u>Total Month</u>	<u>Year-to-Date</u>
Fund Balance Beginning of Period	\$ 960,336	\$ 1,404	\$ 961,740	\$ 697,781
Cash Receipts:				
Electric Revenues	293,147	---	293,147	3,096,846
Water Revenues	---	5,992	5,992	16,056
Electric Customer Deposits	4,358	---	4,358	37,553
Reimbursement on Joint Ownership Projects	5,093	---	5,093	86,128
Construction Contributions and Advances	12,254	---	12,254	184,051
Proceeds from Bond Sales	---	---	---	---
Proceeds from Other Borrowings	---	---	---	---
Transfers from Segregated Funds	268,241	---	268,241	874,772
Sales Tax Collected	17,877	---	17,877	220,448
Other Cash Receipts	21,849	---	21,849	151,398
Total Cash Receipts	<u>622,819</u>	<u>5,992</u>	<u>628,811</u>	<u>4,667,252</u>
Fund Transfers - Net	<u>(889)</u>	<u>889</u>	<u>---</u>	<u>---</u>
Cash Disbursements:				
Purchased Power and Fuel	91,480	---	91,480	1,097,836
Operations and Maintenance	88,851	3,249	92,100	830,976
Employee Payroll and Payroll Taxes	52,232	4,003	56,235	553,618
Purchased Inventory	22,473	---	22,473	232,961
Cash Segregated for -				
Bond Interest	20,120	---	20,120	155,884
Bond Principal	9,898	---	9,898	85,850
Other Debt - Principal Repayment	---	---	---	---
Other Debt - Interest Expense	1,568	---	1,568	14,000
Capital Expenditures	59,651	---	59,651	649,113
Advances on Joint Ownership Projects	---	---	---	---
Transfers to Segregated Funds	196,070	---	196,070	314,381
In Lieu and Ad Valorem Taxes	---	---	---	118,244
Sales Tax Remitted	16,661	---	16,661	235,750
Margin and Collateral Disbursed - Net	4,334	---	4,334	36,263
Miscellaneous Cash Disbursements	33,306	---	33,306	53,502
Total Cash Disbursements	<u>596,644</u>	<u>7,252</u>	<u>603,896</u>	<u>4,378,378</u>
Fund Balance End of Period	<u>\$ 985,622</u>	<u>\$ 1,033</u>	<u>\$ 986,655</u>	<u>\$ 986,655</u>

**Cash Position**

January 2024

Composition of Funds Balance	(\$000)		
	<u>District</u>	<u>Association</u>	<u>Total</u>
Cash and Cash Equivalents	\$ 659,442	\$ 1,033	\$ 660,475
Other Temporary Investments	146,980	---	146,980
Other Non-Current Investments	<u>179,200</u>	<u>---</u>	<u>179,200</u>
General Fund	<u>985,622</u>	<u>1,033</u>	<u>986,655</u>
Segregated Funds			
Electric System Debt Reserve Fund	80,598	---	80,598
Debt Service Fund	33,137	---	33,137
Rate Stabilization Fund	---	---	---
Nuclear Decommissioning Fund	634,005	---	634,005
Post-Retirement Benefits Fund	1,199,441	---	1,199,441
Construction Fund	182,880	---	182,880
RHCP Fund	12,440	---	12,440
HHCP Fund	8,545	---	8,545
SPRHCP Fund	3,559	---	3,559
Four Corners Mine Reclamation Trust	14,141	---	14,141
Other Special Funds	<u>1,264</u>	<u>---</u>	<u>1,264</u>
Total Segregated Funds	<u>\$ 2,170,010</u>	<u>\$ ---</u>	<u>\$ 2,170,010</u>

SALT RIVER VALLEY WATER USERS' ASSOCIATION

STATEMENT OF CASH RECEIVED AND DISBURSED

For Fiscal Quarter Ended January 31, 2024

(In Thousands)

Funds Balance at October 31, 2023	\$ 603
Cash Received:	
Water revenues	\$ 11,520
Other cash receipts	\$ -
	<u> </u>
Total cash received	\$ 11,520
Net Operating Funds - SRPAI&PD	\$ 7,630
	<u> </u>
Total Funds Received	\$ 19,150
	<u> </u>
Cash Disbursed:	
Operating and maintenance expense	\$ 6,365
Net paychecks and deductions paid to others	\$ 12,355
Other	\$ -
	<u> </u>
Total Cash Disbursed	\$ 18,720
	<u> </u>
Funds Balance at January 31, 2024	\$ 1,033
	<u> </u>



Jason Riggs

Assistant Corporate Treasurer

Preliminary FP25 Financial Plan

Finance & Budget Committee

Jon Hubbard

February 22, 2024

Financial Goals & Objectives - ISP

Retail electric prices among lowest quartile in Southwest | Debt ratio below 50% | Maintain general fund at \$600M+

Planning a System That's Affordable, Reliable, Sustainable



FP25 Outlook and Considerations

FP25 Outlook

- Strong sales forecast
 - 6.8% annual growth (FP25)
 - Large Business driven
- Higher spending levels to fund sales growth, generation transition, and corporate objectives
 - ~\$11.4B in total capital over FP25
 - Additional workforce
- Need for balance and flexibility
 - Expense Mgmt | Pricing | Borrowing
 - Sustainability | Affordability | Reliability

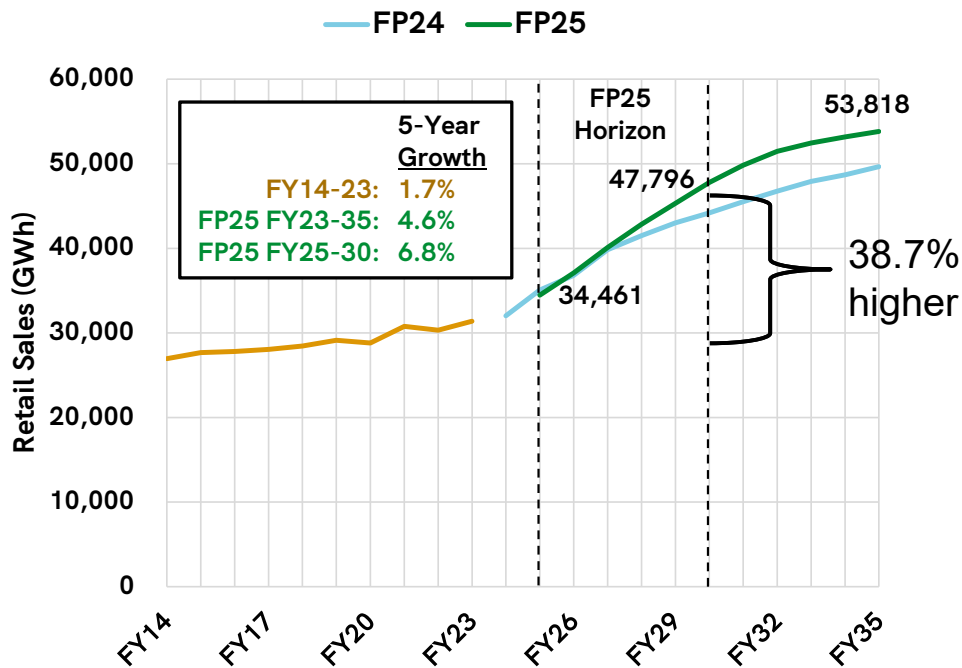
FP25 Considerations

- Expense Management
 - GM Staff directed capital, direct costs and workforce prioritization
- Pricing
 - FPPAM under-collection recovery
 - Base pricing
- Borrowing
 - ~\$5B in projected debt
 - Revisit ACC authorization

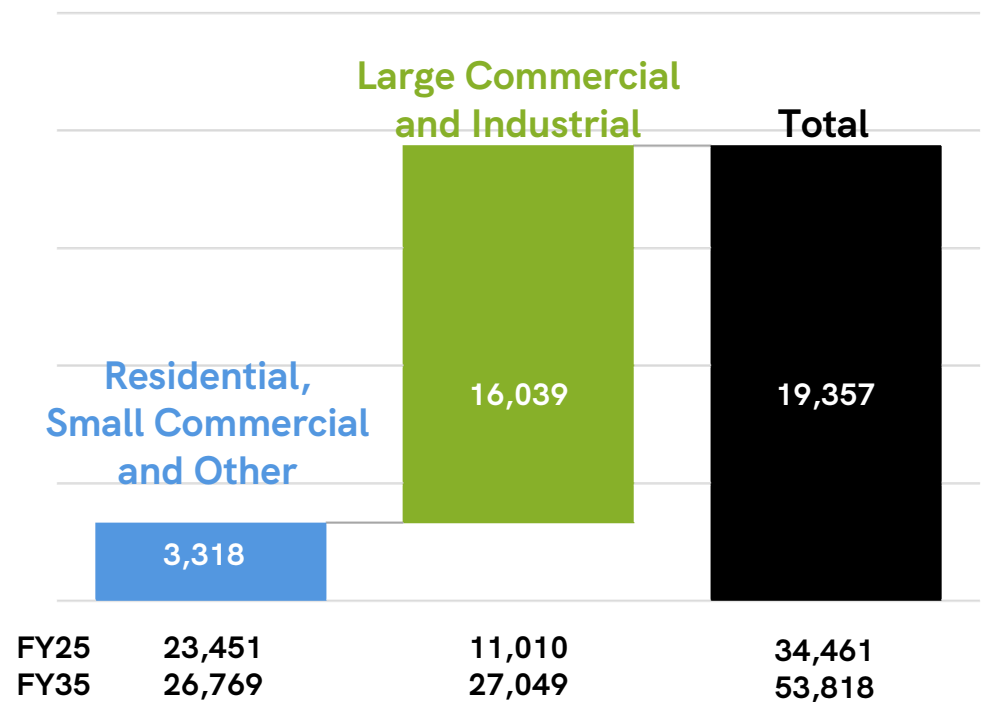
Retail Sales Forecast

Large Customers driving forecasted growth for FP25

Retail Sales (GWh)

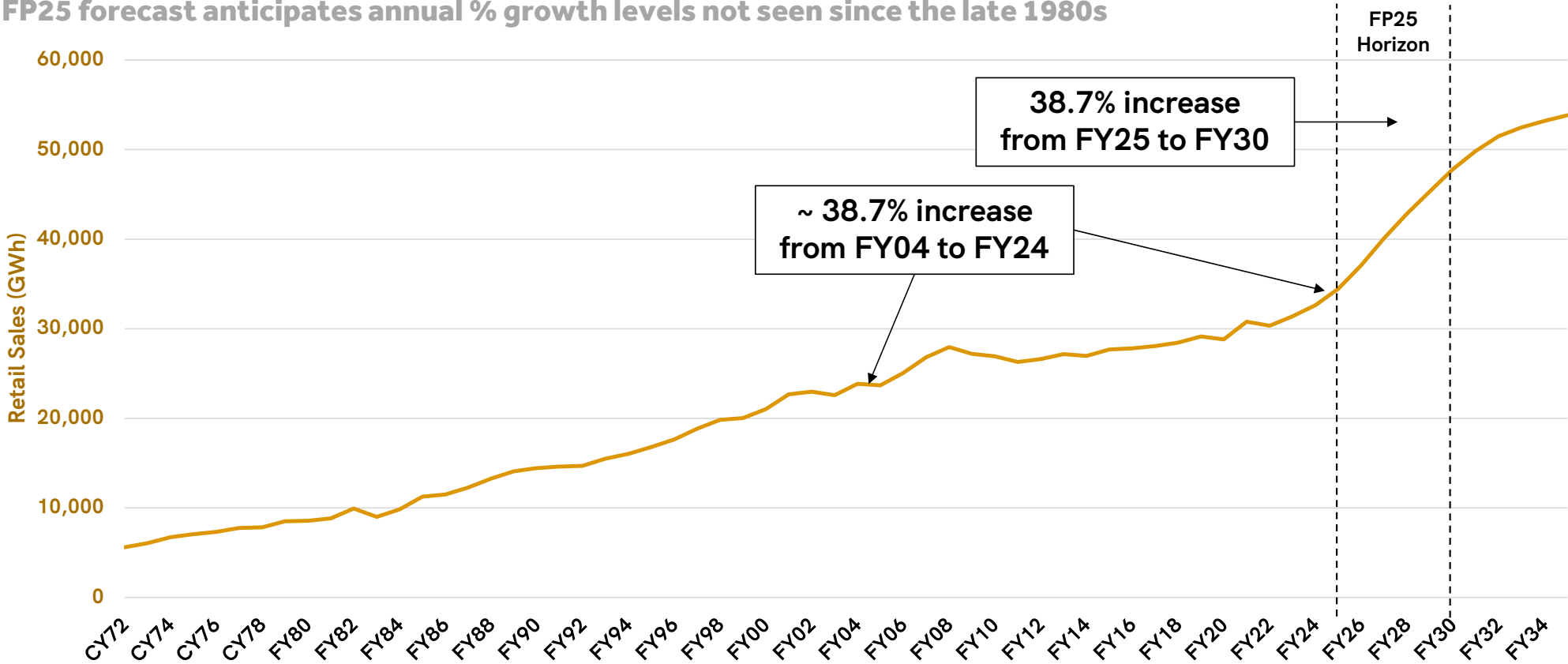


Retail Sales Forecast (GWh), FY35 vs. FY25



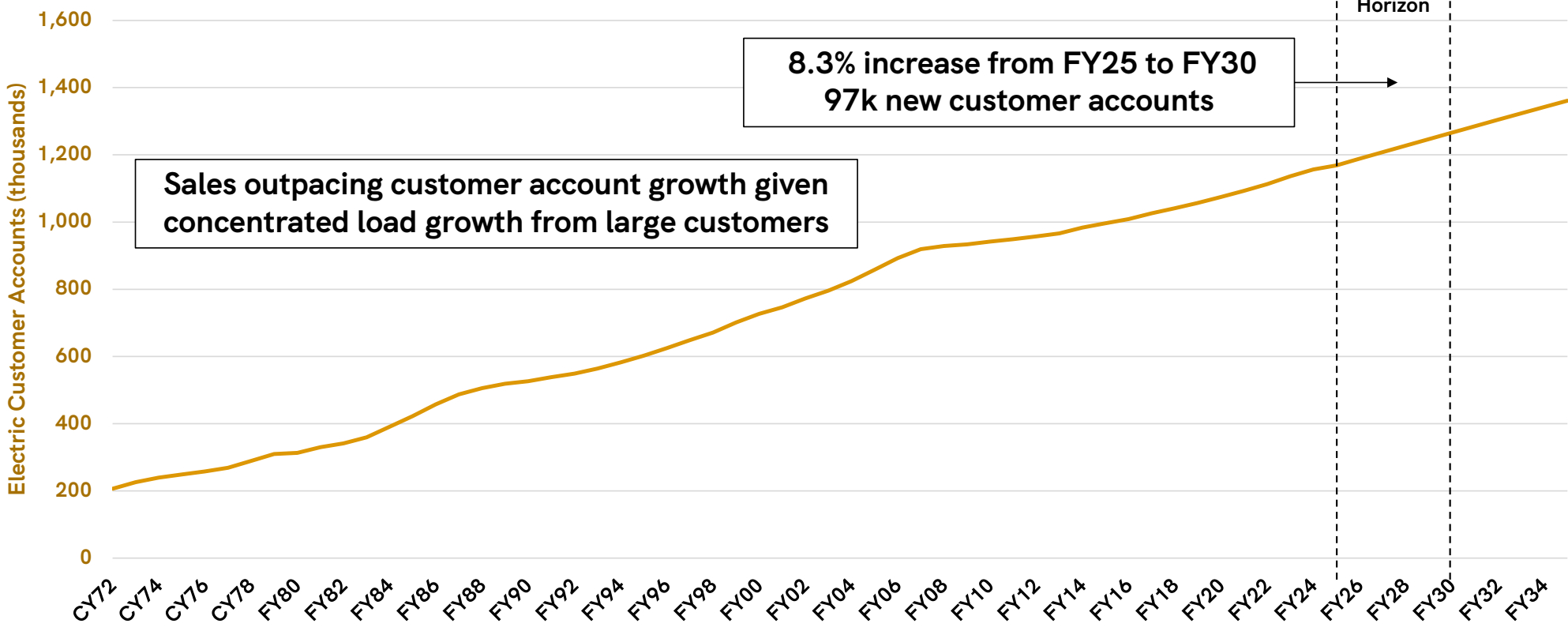
Historical Retail Sales Plus FP25 Forecast

FP25 forecast anticipates annual % growth levels not seen since the late 1980s



Historical Electric Customer Accounts Plus FP25 Forecast

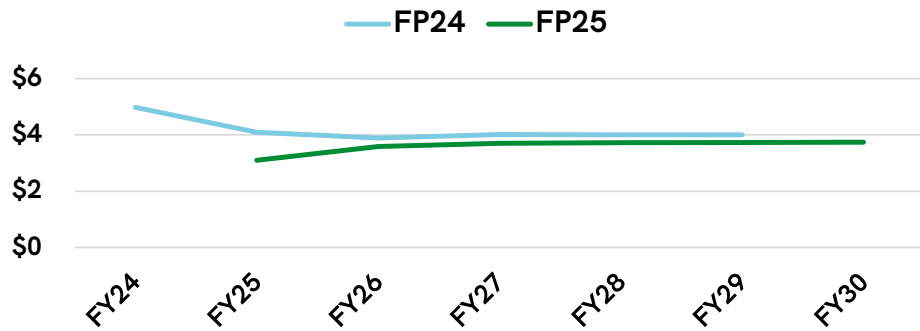
Customer growth rate forecasted to be comparable to recent past



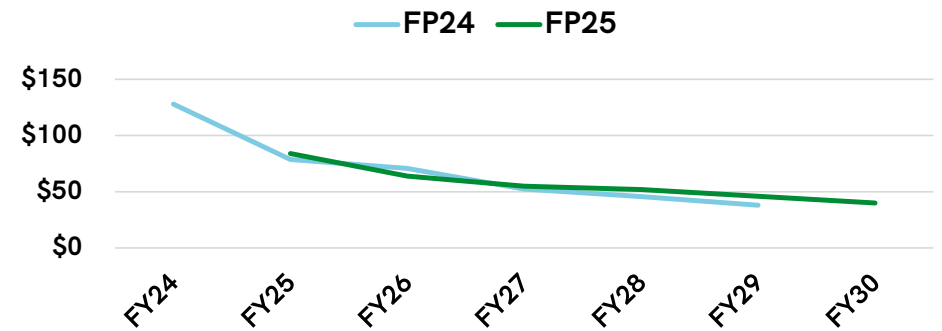
Market Prices, Wholesale Net Revenue & Margin

Lower market prices plus higher retail sales forecast driving a better outlook for margin versus FP24

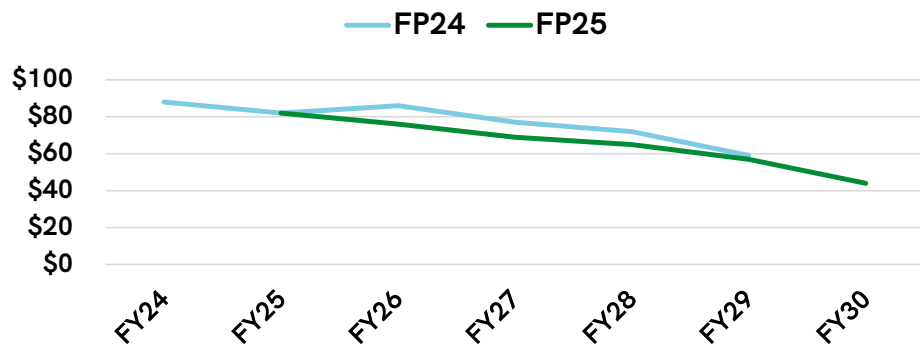
Delivered Gas Prices (\$/MMBtu)



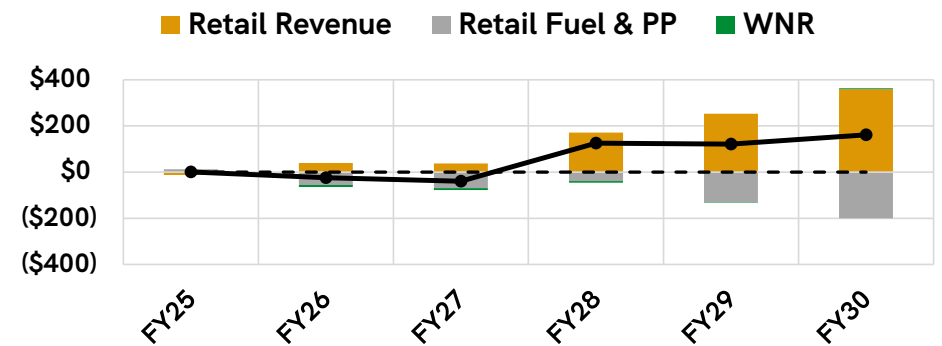
On-Peak Electric Prices (\$/MWh)



Wholesale Net Revenue (\$M)



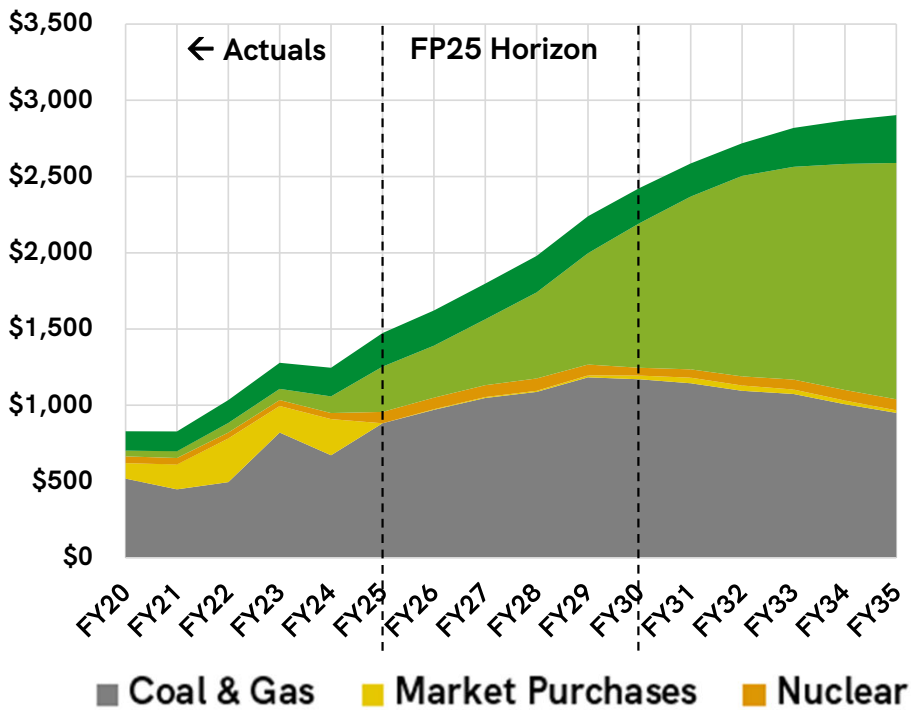
FP25 vs. FP24 Margin (\$M)



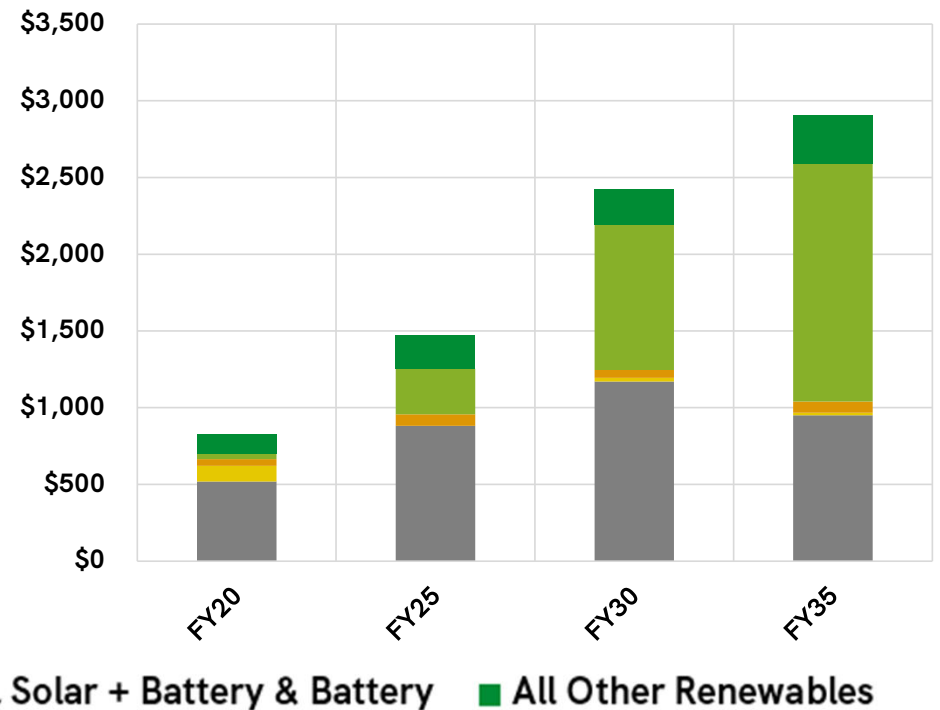
Retail Fuel & Purchased Power Generation

Long-term load growth met from renewable & hydro production; thermal generation forecasted to decline

Actuals & FP25 (\$000)



Actuals & FP25 (\$000)



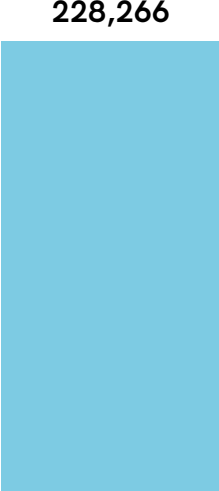
FP25 Outlook (Retail Sales & Direct Costs)

Higher sales forecast corresponds to roughly equivalent increase in forecasted direct costs

■ FP24 (FY24-29) ■ FP25 (FY25-30)

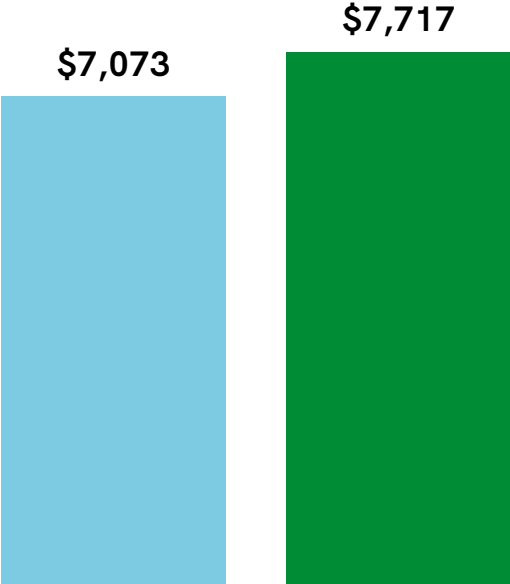
Retail Sales (GWh)

19,367: 8.5%



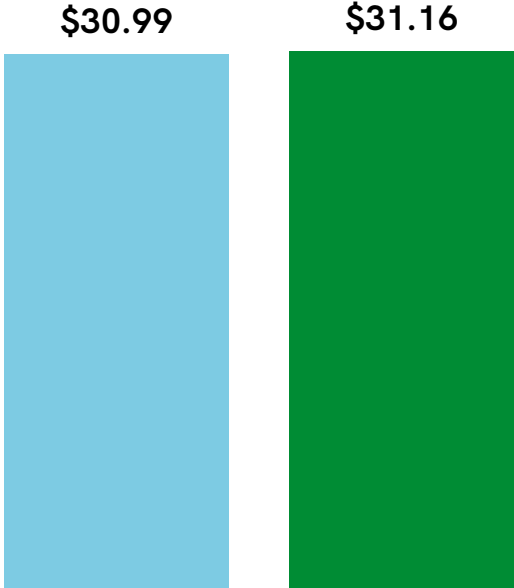
Direct Costs (\$M)

\$644M: 9.1%



Direct Costs Per MWh

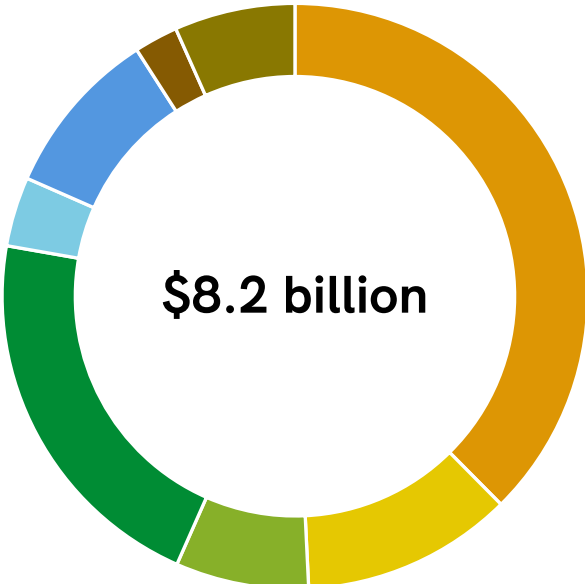
\$0.17: 0.6%



Capital

Higher spending driven both by new projects and higher spending levels for already planned projects

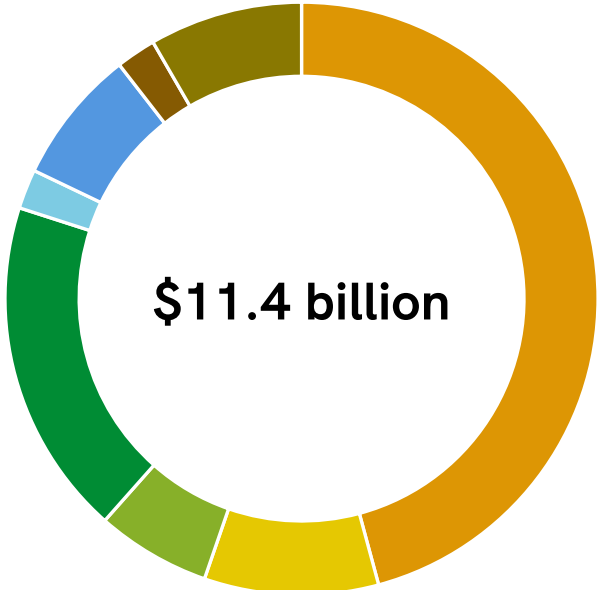
FP24



\$8.2 billion

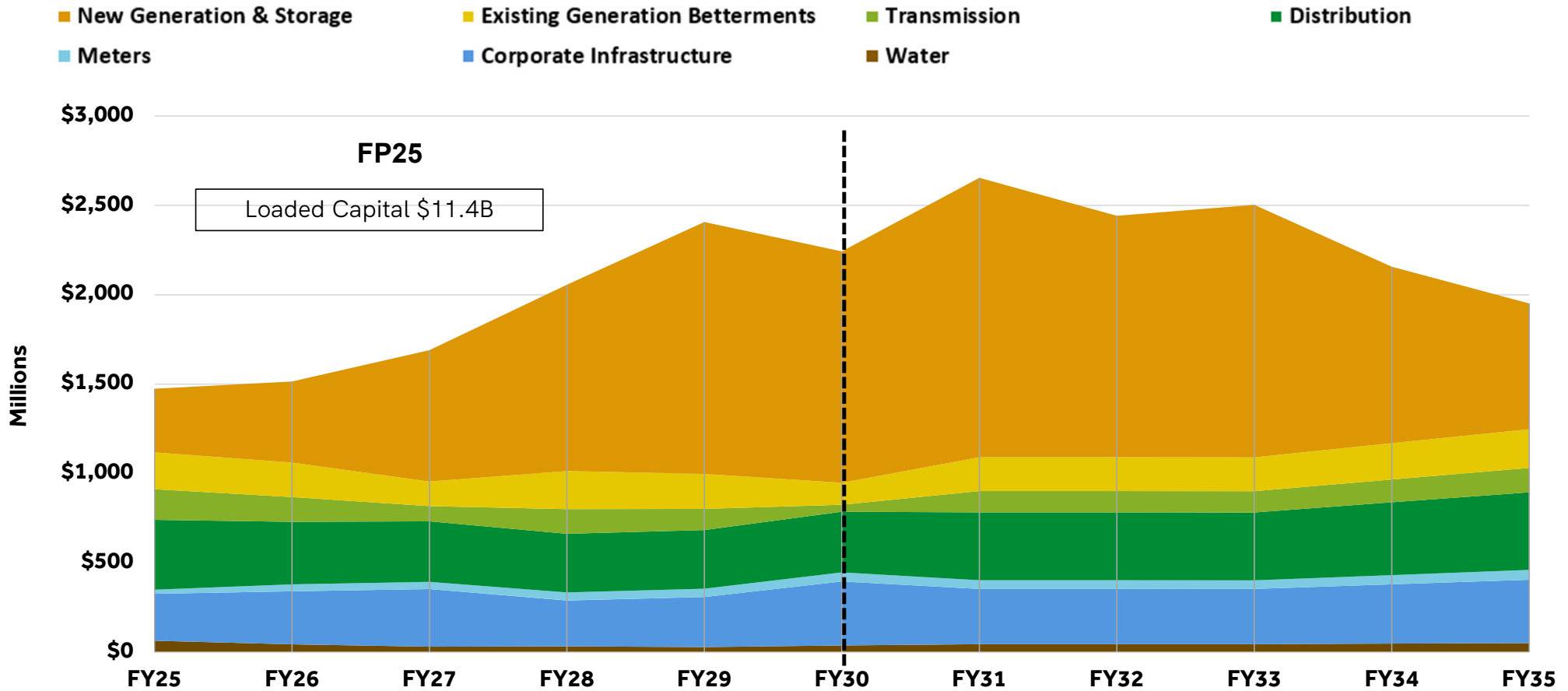
- New Generation & Storage
- Existing Generation Betterments
- Transmission
- Distribution
- Meters
- Corporate Infrastructure
- Water
- Risk & Contingency

FP25



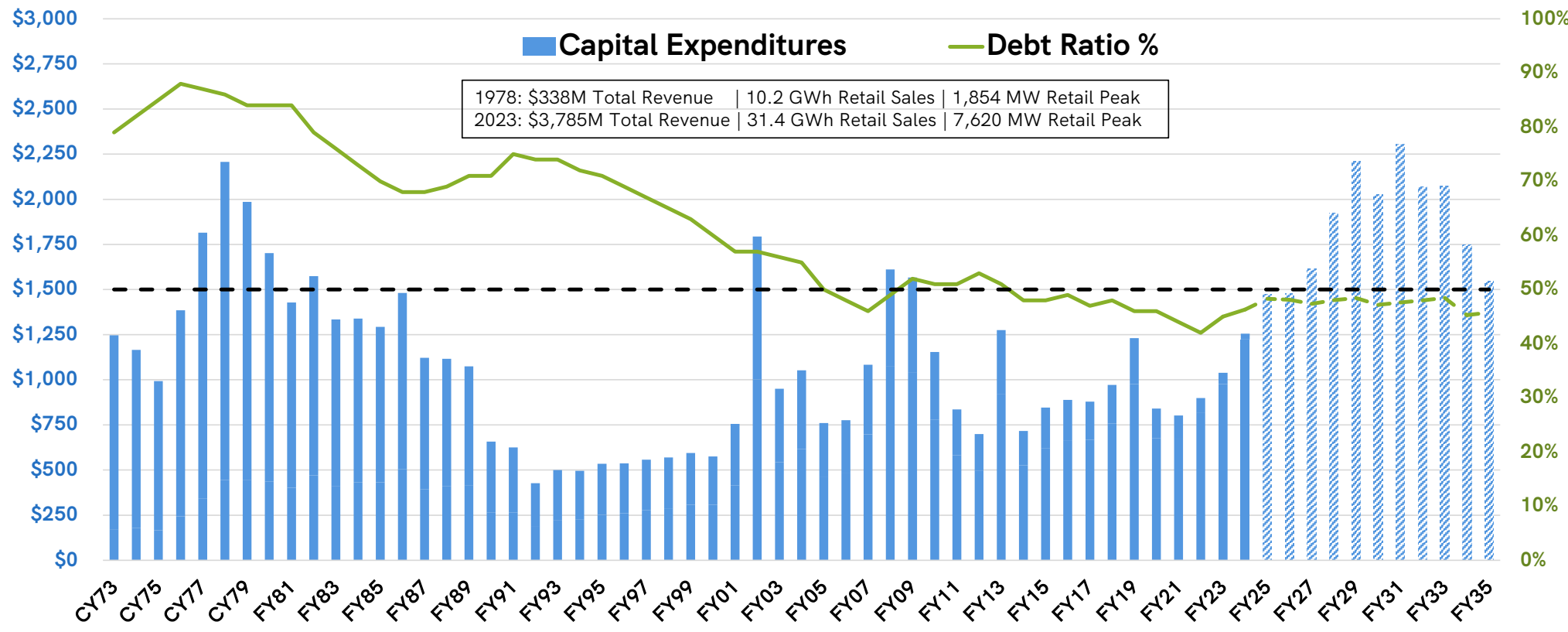
\$11.4 billion

Capital Spending By Segment Through 2035 (\$M)



Capital Expenditures (Inflation Adjusted) & Debt Ratio

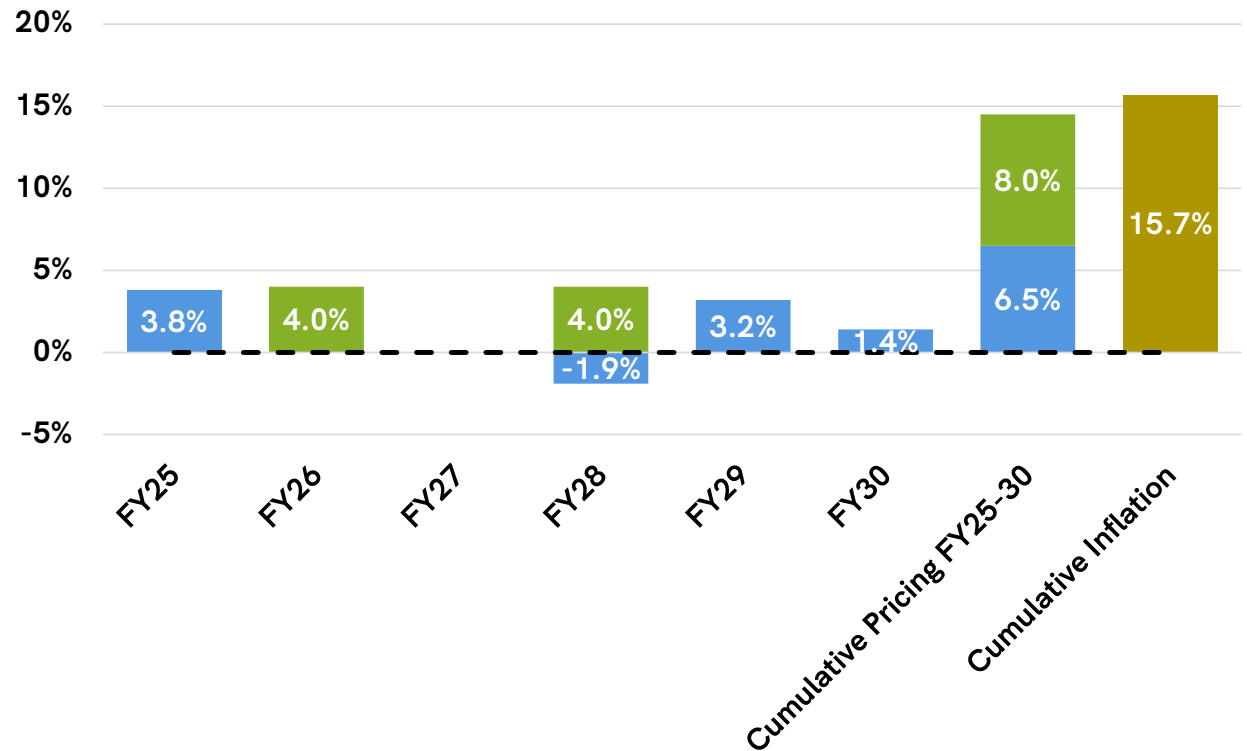
Projecting level of capital expenditures not seen since the 1970s when adjusted for inflation



Price Modeling Assumptions

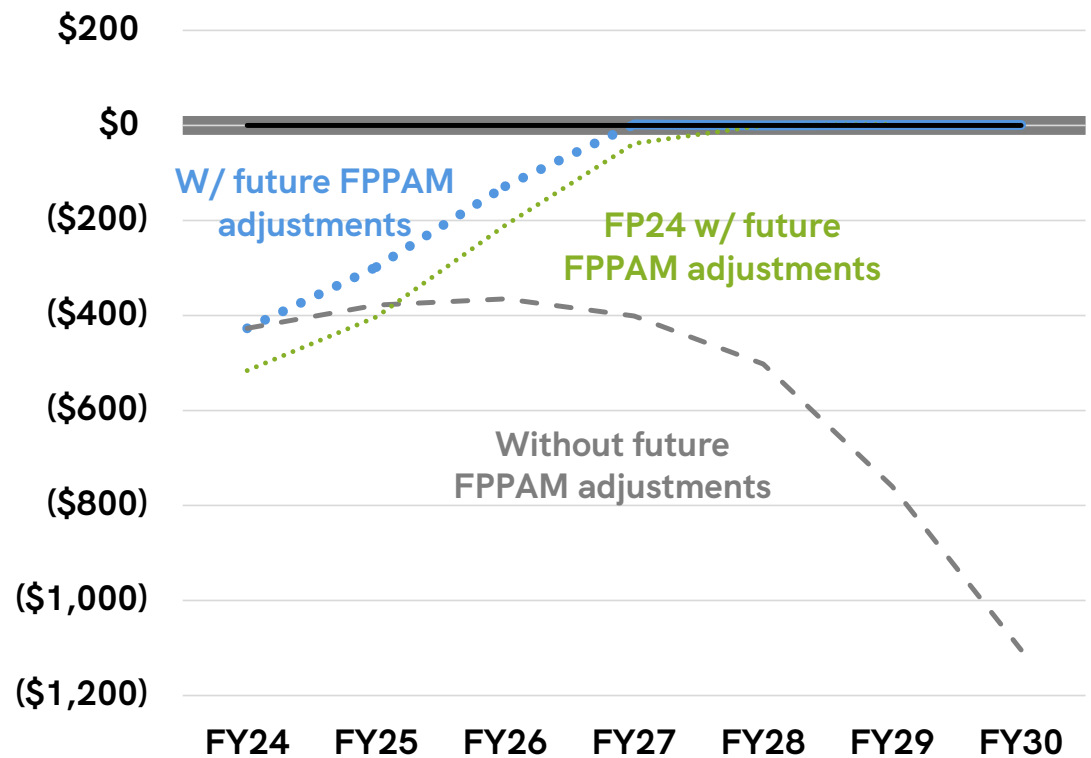
- Plan to keep 3.8% in FP25 consistent with FP24
- Cumulative pricing action consistent with inflation

Cumulative FPPAM: 6.5%
Cumulative Base: 8.0%
Cumulative Pricing: 14.5%



FPPAM Collection Balance at Year-End (\$M)

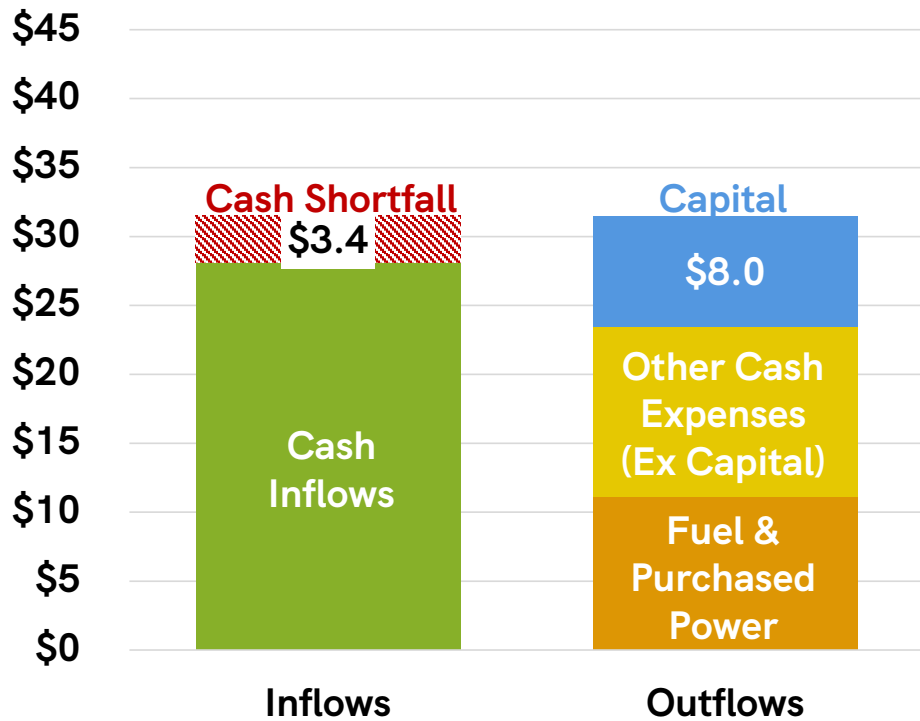
- Purposely under-collected during pandemic
- Under-collection driven by capacity purchases, renewables/batteries and natural gas
- Keeping 3.8% adjustment in plan for FP25 projects full recovery by FY27



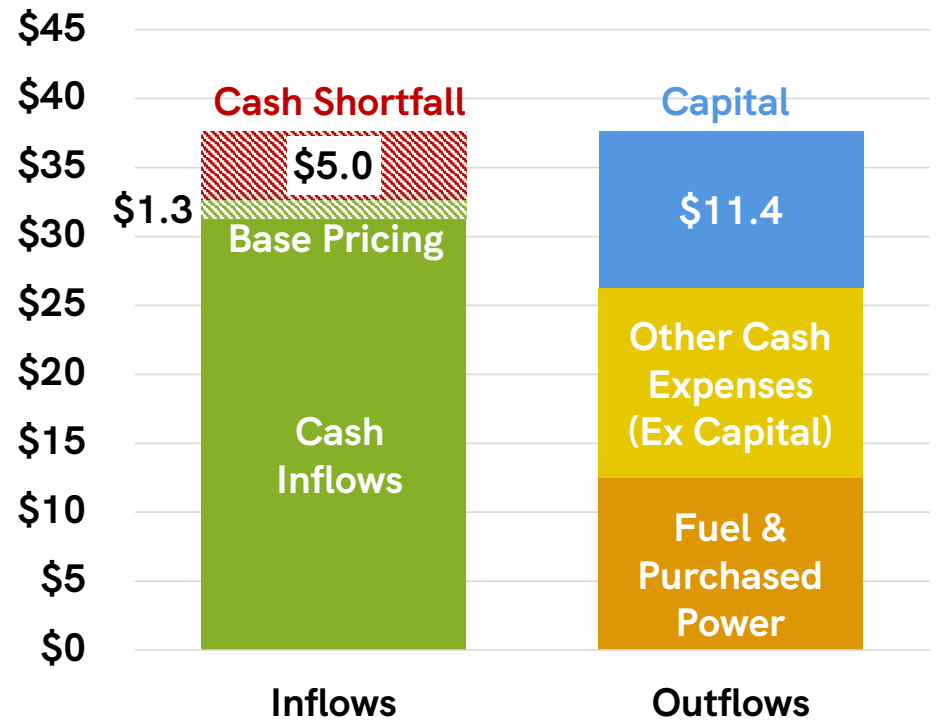
6 Year Total Cash Inflows & Outflows (\$B)

Increased capital spend for FP25 is driving increased cash shortfall vs. FP24, Base pricing reduces borrowing

FP24 (FY24-29)

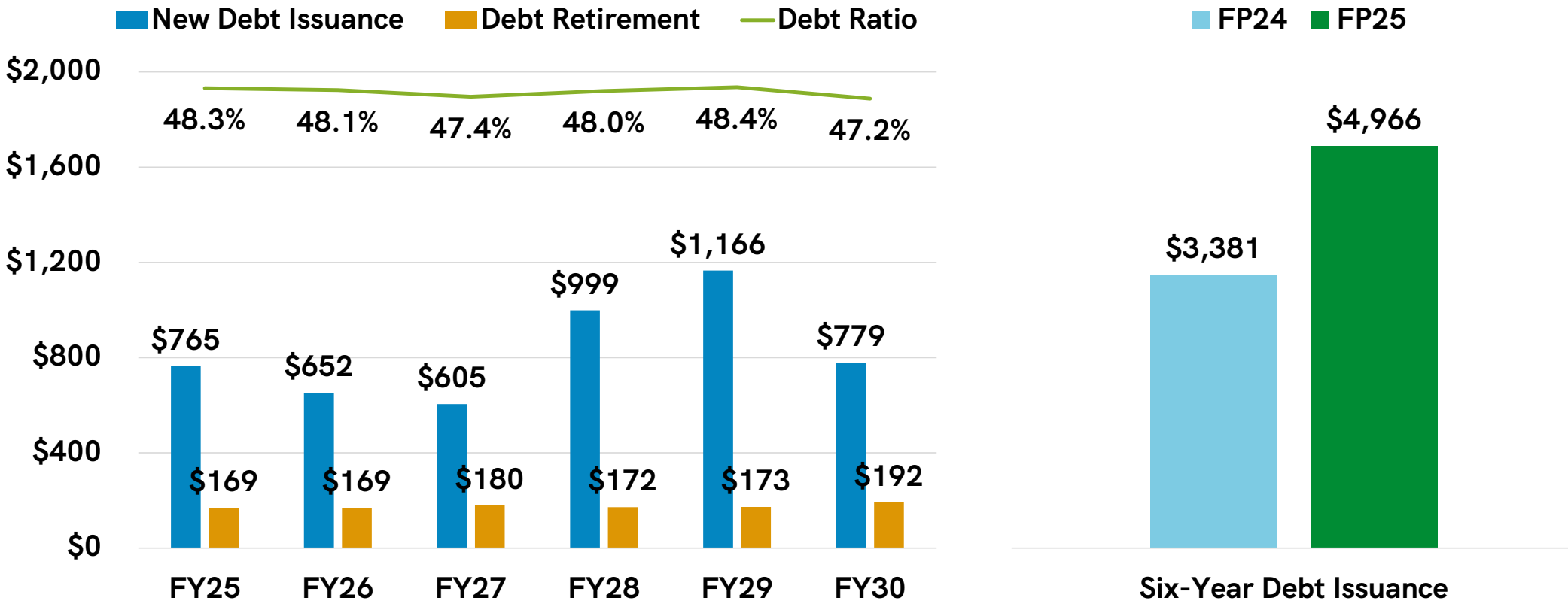


FP25 (FY25-30)



Borrowing Outlook (\$M)

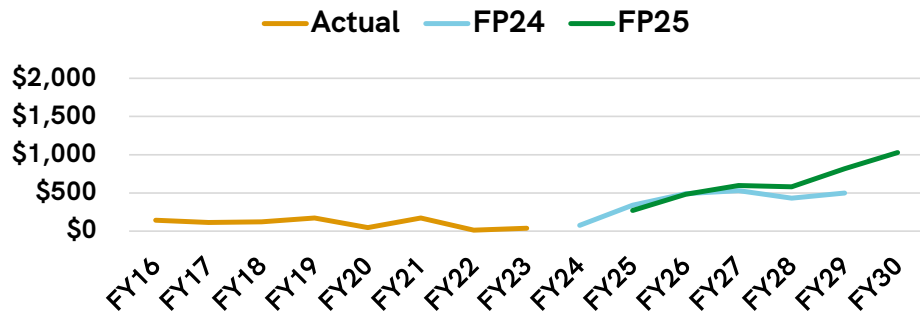
Increased capital spend versus FP24 has increased projected borrowing needs



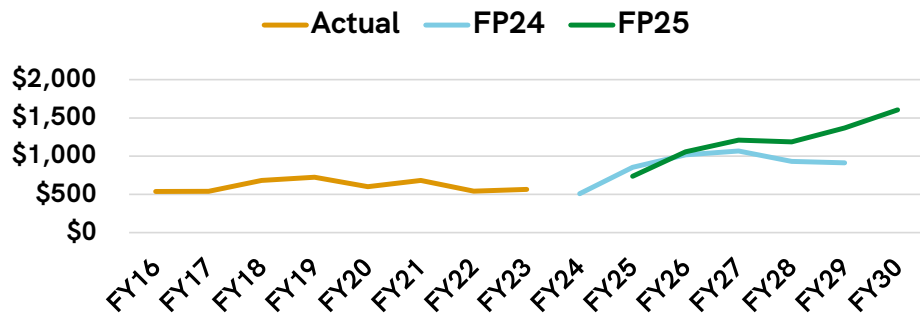
Financial Indicators

Given the increased level of projected borrowing, financial indicators are generally worse than FP24

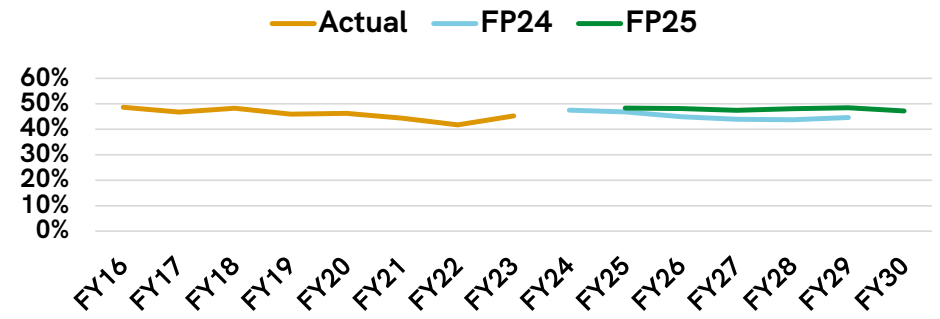
Combined Net Revenues (\$M)



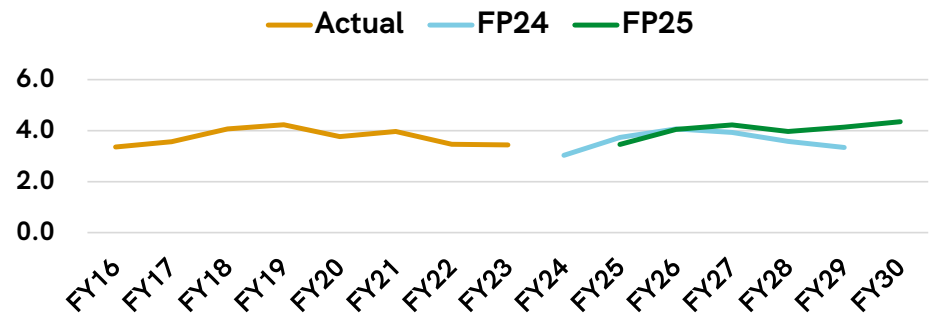
Funds Available (\$M)



Debt Ratio



Debt Service Coverage Ratio



Budget Schedule

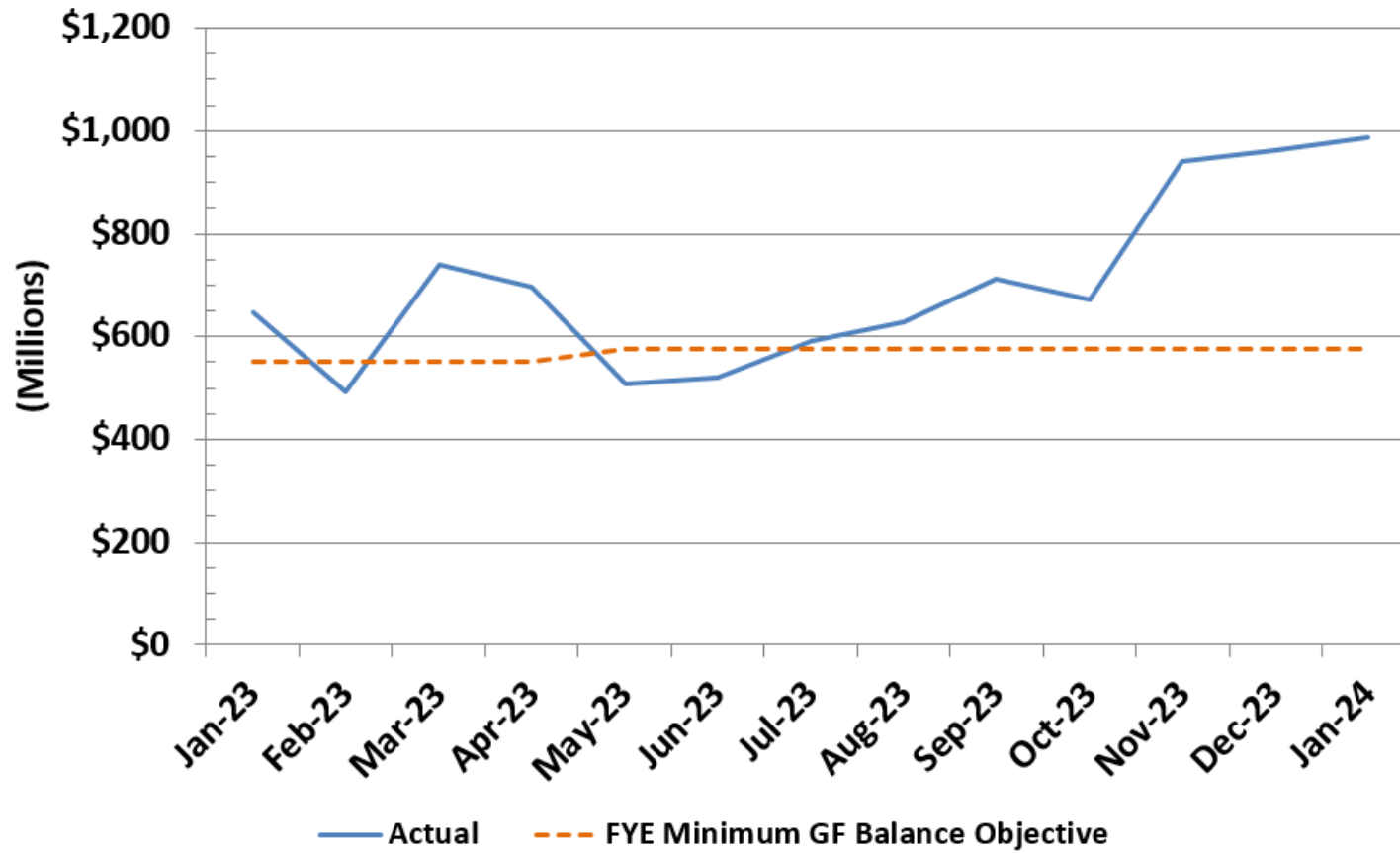
Date	Description	Audience
Feb. 27	FY25 Budget	GM Staff
Feb. 28	Mail Budget Books	Board/Council Liaisons
Mar. 12	FY25 Budget and Financial Plan	Special F&B Committee
Mar. 26	Question & Answer	F&B Committee
Mar. 28	Request FY25 Budget Approval	Special F&B Committee/Board Mtg



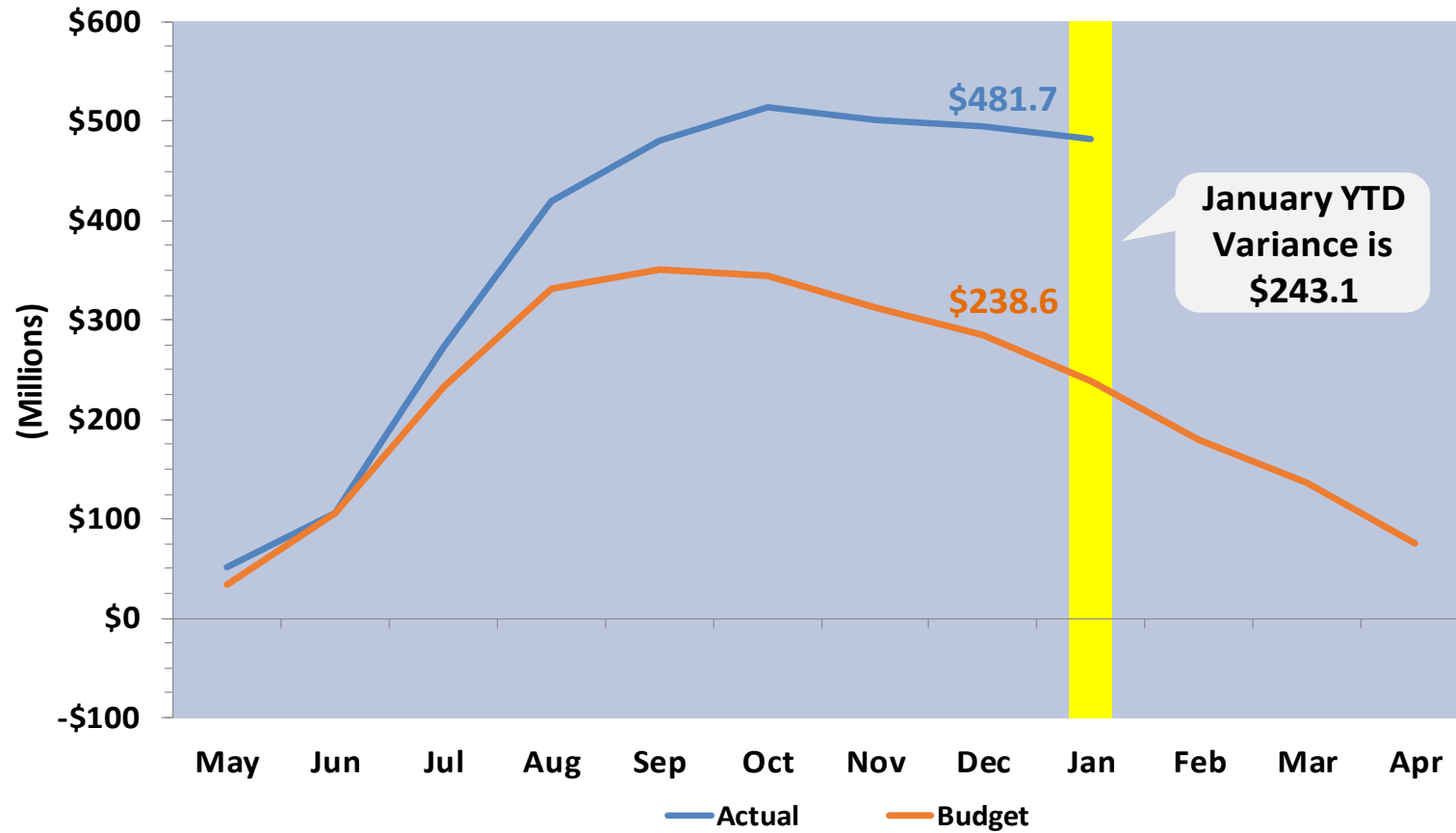
Monthly Financial Report January 2024

Finance & Budget Committee Meeting
Sue Ann Perkinson | February 22, 2024

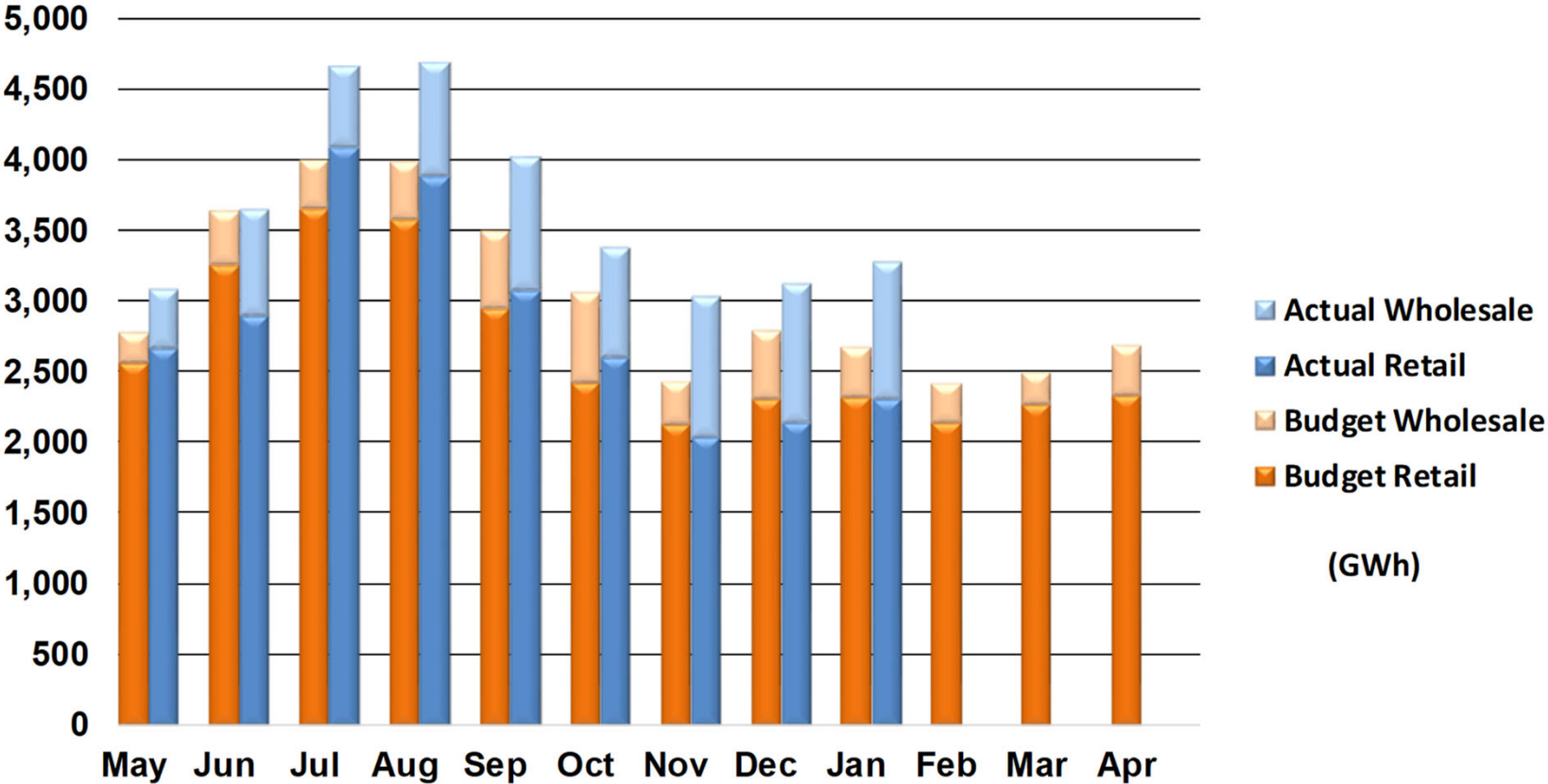
General Fund Balance



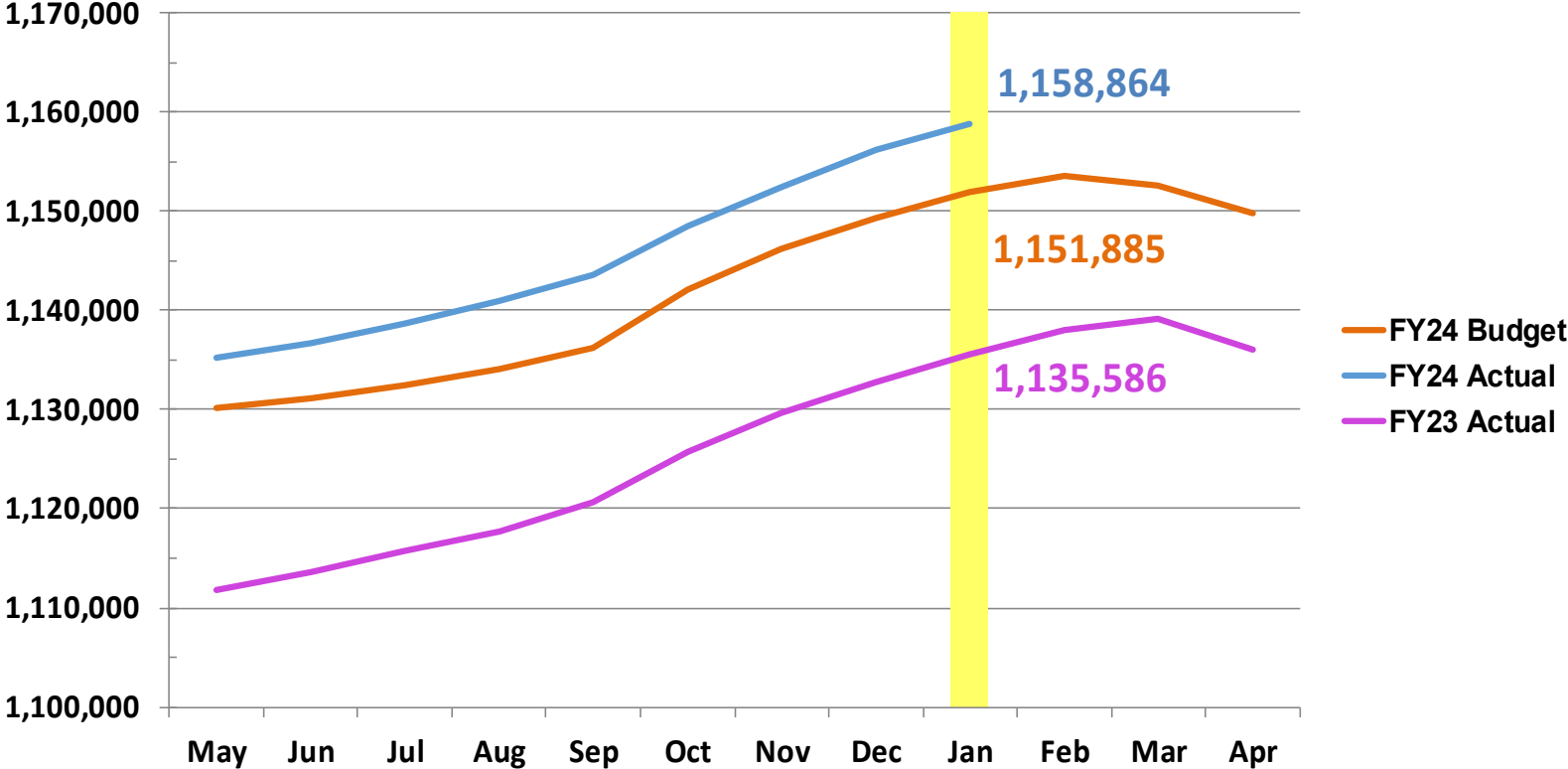
YTD Combined Net Revenue



System Sales



Customer Accounts



Financial Summary – January 2024

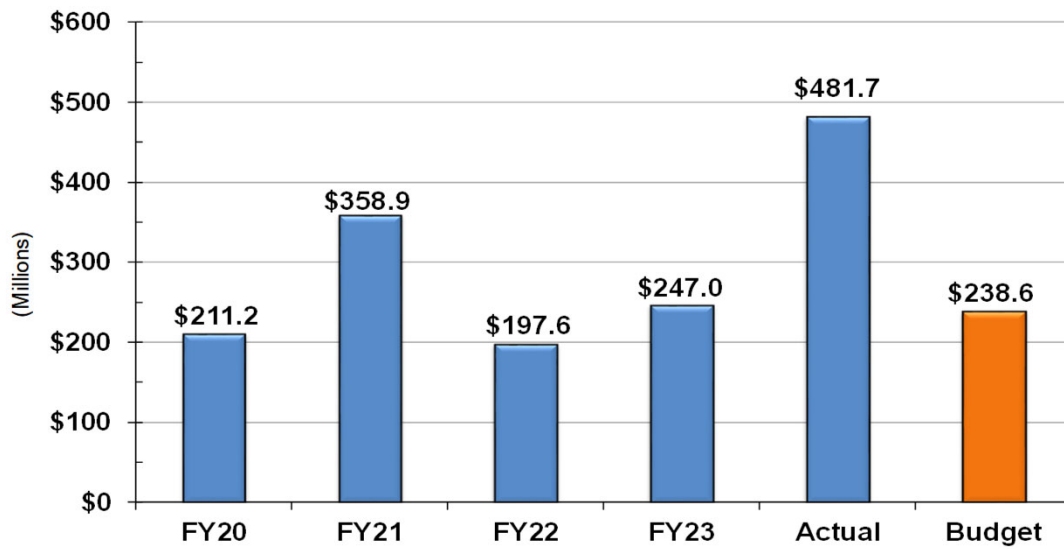
(Thousands)	<u>Actual</u>	<u>Budget</u>	<u>Variance</u>
Operating Revenues	\$ 316,019	\$ 266,590	\$ 49,429
Operating Expenses			
Fuel	141,482	122,577	18,905
O&M	119,675	117,964	1,711
Depr & Tax	67,265	66,056	1,209
Total Operating Expenses	<u>328,422</u>	<u>306,597</u>	<u>21,825</u>
Net Financing Costs	14,716	13,321	1,395
Other, Net	14,342	6,598	7,744
Combined Net Revenues	<u>\$ (12,777)</u>	<u>\$ (46,730)</u>	<u>\$ 33,953</u>

Key Financial Indicators - YTD January 2024

(Thousands)	<u>Actual</u>	<u>Budget</u>	<u>Variance</u>
Capital Expenditures	\$ 979,922	\$ 1,034,083	\$ (54,161)
Funds Available	\$ 833,633	\$ 560,998	\$ 272,635
Debt Service Coverage	4.74	3.72	1.02



CNR without Fair Value Adjustments - YTD January 2024

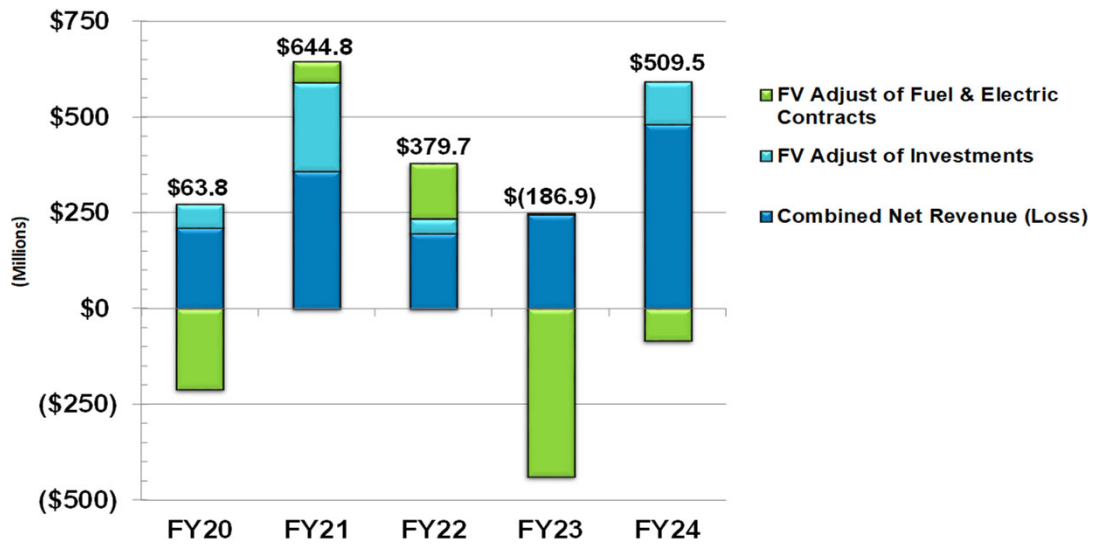


02/22/2024 Finance & Budget Committee Meeting, S. A. Perkinson

(Non-GAAP, Unaudited) 1

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CNR with Fair Value Adjustments - YTD January 2024

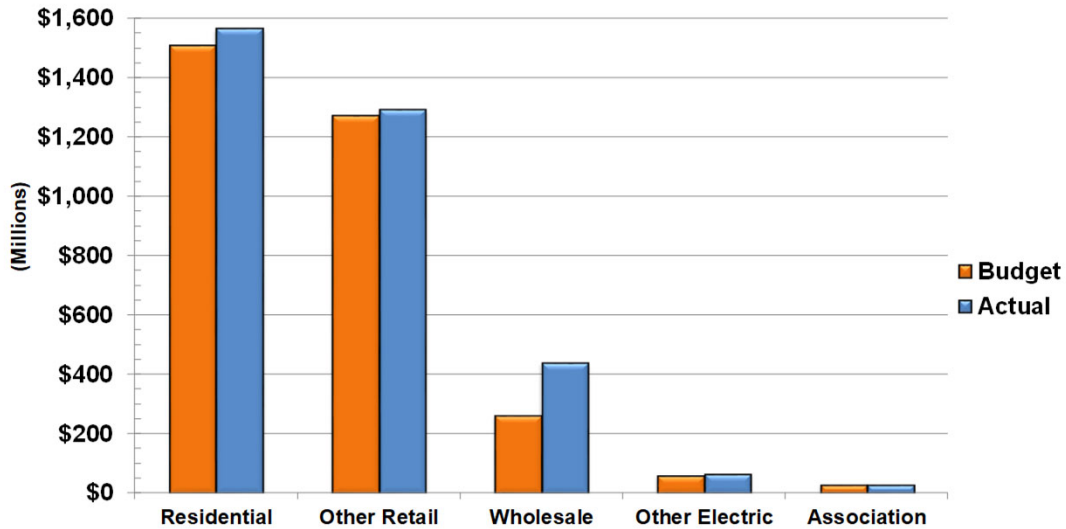


02/22/2024 Finance & Budget Committee Meeting, S. A. Perkinson

(Non-GAAP, Unaudited) 2

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Combined Operating Revenues - YTD January 2024

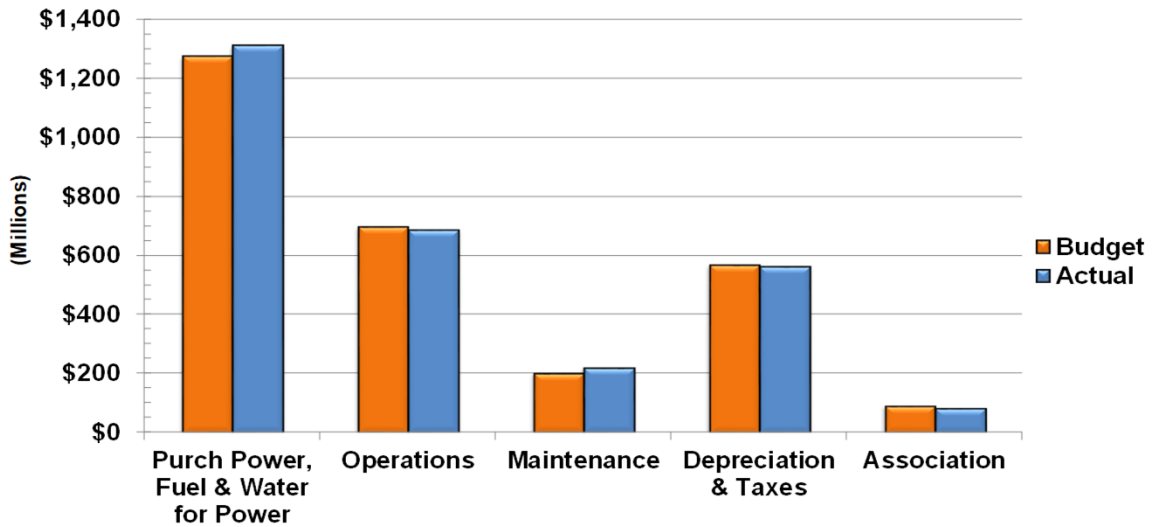


02/22/2024 Finance & Budget Committee Meeting, S. A. Perkinson

(Non-GAAP, Unaudited) 3

3

Combined Expenses - YTD January 2024

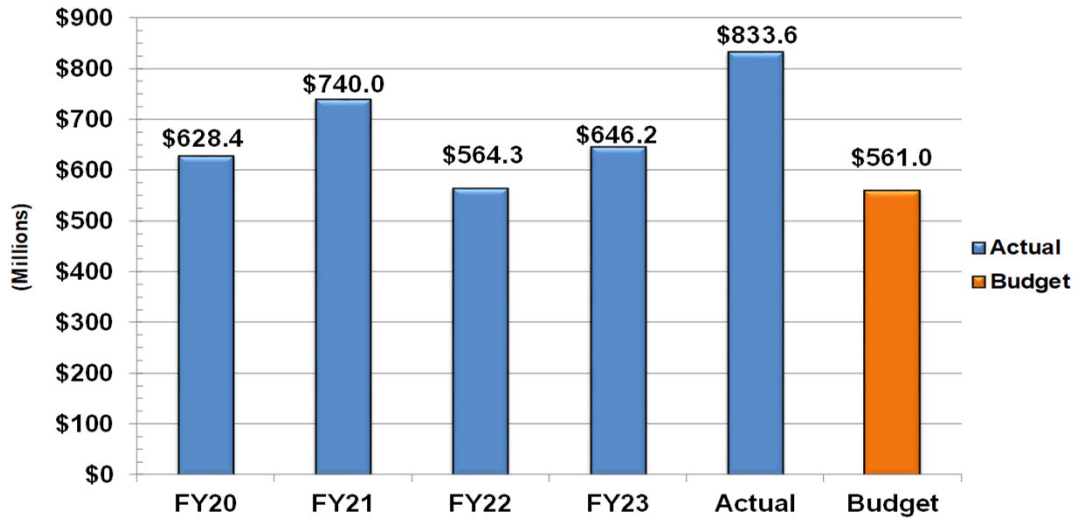


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4

Funds Available - YTD January 2024

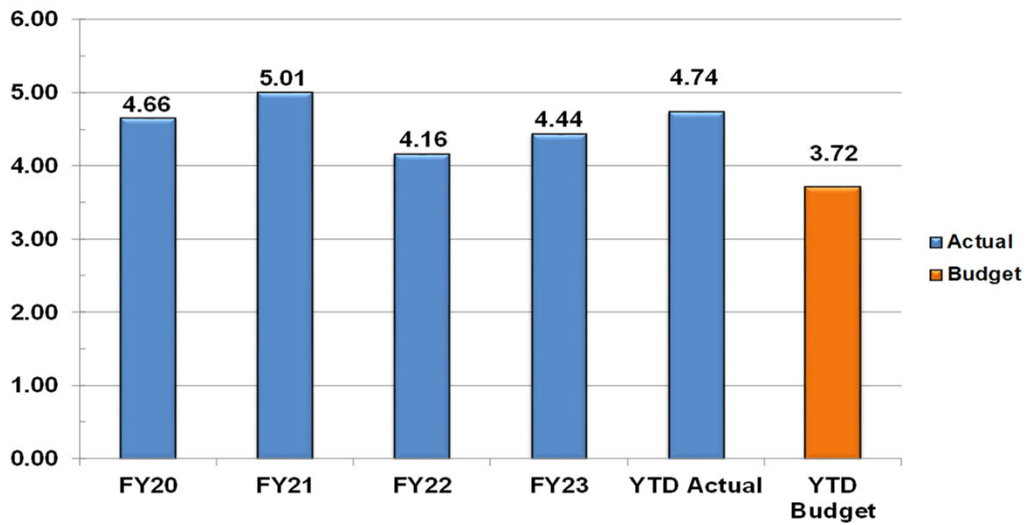


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5

Debt Service Coverage - YTD January 2024



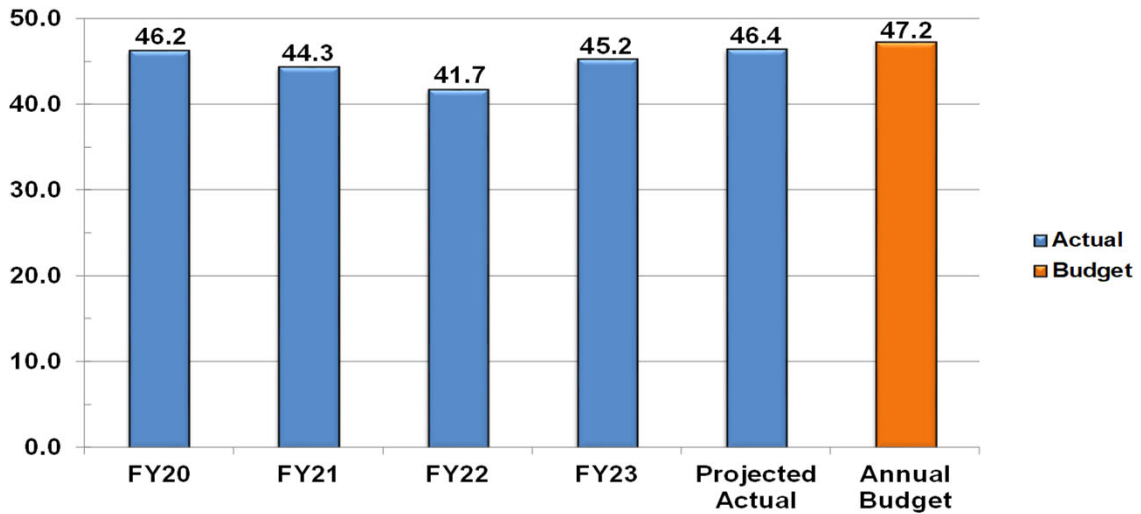
Note: Debt Service Coverage Ratio on Total Debt

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6

Debt Ratio - YTD January 2024



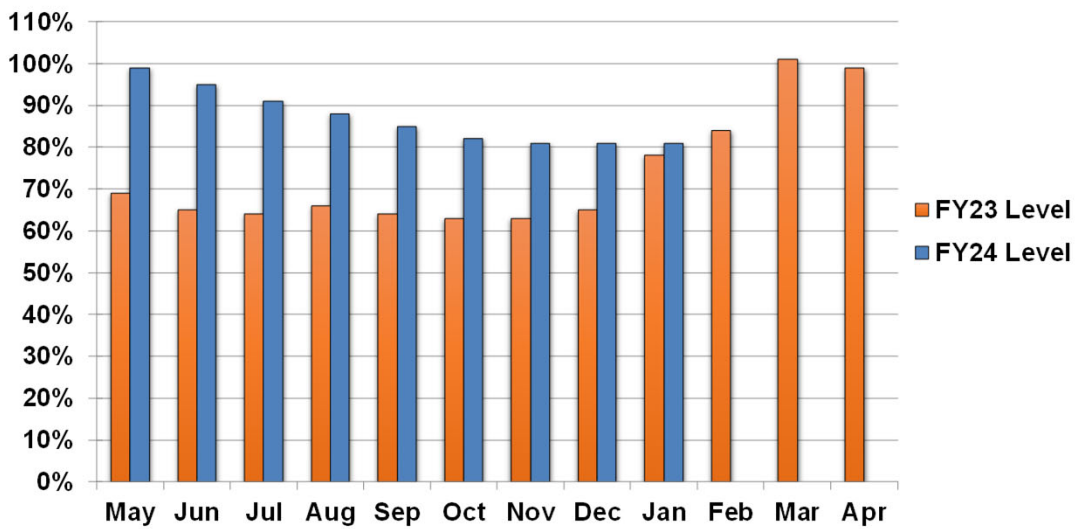
Note: Prior Years and Budget are Fiscal Year-End Ratios

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Water Storage Levels

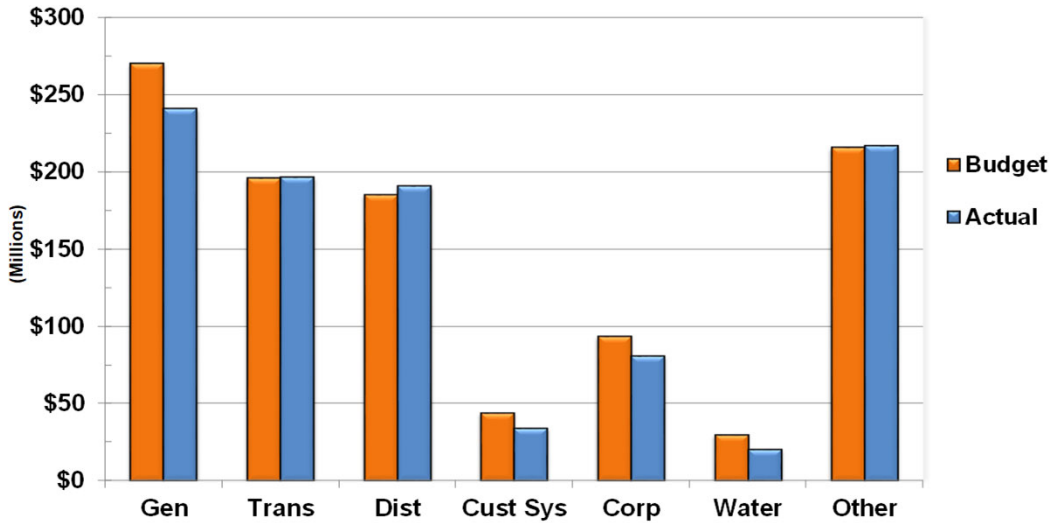


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8

Capital Expenditures - YTD January 2024



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