



Salt River Project (SRP) Integrated System Plan Advisory Group Meeting #9- Summary

Prepared by Kearns & West

Advisory Group – Meeting #9 Overview

Meeting Objectives

- Review Final Guiding Integrated System Plan (ISP) Principles
- Inform & answer questions about ISP analysis validation work
- Debrief of the Technical Working Session: Inflation Reduction Act & discuss plans for use of Inflation Reduction Act funding
- Update on ISP stakeholder engagement timeline

Topic: Continuing Forward

Date: January 27, 2023

Time: 9:00 a.m. – 1:00 p.m.

Location: SRP Project Administration Building (PAB) – Mohave East and West

Please see the appendix for the Advisory Group member roster and attendance information. The [meeting agenda](#) and [presentation](#) are available at the [ISP portal](#).

Welcome, Agenda Overview and New Advisory Group Member Welcome

Advisory Group members began convening in-person at 8:30 a.m. for coffee and networking with the agenda content beginning at 9:00 a.m.

Bobby Olsen, Senior Director of Corporate Planning, Environmental Services, and Innovation at SRP, welcomed Advisory Group members to the meeting and thanked them for their attendance. He acknowledged the SRP Board and Council observers in attendance and then recognized the SRP Integrated Planning Team members, as well as other SRP staff and E3 and Kearns & West consultants. Olsen also welcomed the new Advisory Group members and new primary representatives, highlighted in green on [slide 5](#).

Joan Isaacson, facilitator from Kearns & West, greeted the Advisory Group members and reviewed the meeting objectives ([slide 7](#)) and agenda ([slide 8](#)). She then invited the Advisory Group members to introduce themselves and share their organization's priorities for 2023 in a roundtable format.

Introduction Roundtable Responses

- Sustainability and risk mitigation
- Helping to harness the power of customer behaviors into energy programs
- Reliability and affordability for managing growth
- Continue working with the SRP power quality and reliability working group and continue manufacturing of substations
- Getting affordable capital into hands of small business owners of color
- Equitable access and affordability and making sure to equip customers with information and resources
- Integrating the housing, climate and transportation plans of the City of Phoenix General Plan Update and supporting utility customers in distress
- Pursuing federal money and focusing on opportunities for hydrogen and direct air capture
- Given growth, bringing new people on to manage the business, especially for senior leadership
- Addressing infrastructure and sustainability needs along with reliability
- Protecting consumers, making sure all utilities have rates and fees that are just and ensuring people know how to drive down their energy bills
- Working in Arizona with big utilities and making sure they stay on the road to a zero-carbon future
- Pursuing state and federal dollars for long-term sustainability
- Looking at ways to be more self-sustainable and looking for more opportunities in the energy space.

Since We Last Met

Angie Bond-Simpson, Director of Integrated System Planning & Support at SRP, began by recapping the discussion themes from the Fall 2022 Advisory Group and Modeling Subgroup meetings ([slide 12](#)). She highlighted that the increased dialogue and agenda topics for this meeting reflect Advisory Group member feedback.

Olsen next shared updates from SRP, starting with the recent J.D. Power and Associates award for having the highest customer satisfaction for the region for the 21st consecutive year. Next, he shared that SRP CEO Michael Hummel has announced his retirement, with the SRP Board making progress on identifying a replacement. Another update Olsen shared is that SRP joining the Western Resource Advocacy Program, which is a collective group of utilities across the West

that aims to maintain reliability and support the transition to clean energy. On the expansion of the Coolidge Generating Station, Olsen explained that SRP is working to identify next steps following the Superior Court's decision. He also announced a new solar program involving the West Line Solar facility and Meta. Olsen concluded by announcing that SRP's Power Committee had met on January 24, 2023.

Question: Can you speak to the fuel mix and other factors?

Response: SRP expects to serve about half of the energy load in 2025 through sustainable power like solar and is working hard to develop additional resources. There are specific issues with the implications of federal actions on tariffs. As all the sources come online, we expect about half of the energy mix to be carbon free.

Question: With respect to the J.D. Power and Associates award, how does the Coolidge decision impact the public reputation of SRP?

Response: We have been working with the community of Randolph to find out how they want to achieve their goals. We work hard to make sure customers and communities know our plans and we focus on our engagement with people. That's why SRP receives the J.D. Power recognition.

Question: Can you elaborate on market opportunities and the potential for working sessions on this topic?

Response: There is a Technical Working Session on regional interaction and markets to be scheduled in March or April. SRP participates in the western Energy Imbalance Market (EIM). When SRP joins a market, there are tradeoffs, including competing demand at times. The challenge will all come down to how SRP will help customers control their costs.

Question: So, conversations will focus on a combination of pros and cons of getting into energy markets?

Response: Correct.

Question: Can you share the percentage of carbon-free generation SRP had at the end of 2022?

Response: A safe estimate is about 25%.

Question: Does load curtailment have anything to do with that?

Response: It's energy delivered and served. Demand response isn't considered in the calculation.

Question: Are Community Choice Aggregators (CCA) considered in market conversations?

Response: CCA occurs when a collective group of communities/cities says they want to serve their own energy load in areas where power has been deregulated. There are pros and cons with CCAs. In Arizona it's currently not a choice, but legislation to enable establishment of CCAs is under consideration.

Guiding ISP Principles

Domonique Cohen, Communications Lead for Integrated System Planning & Support at SRP, reviewed the intended uses of the Guiding ISP Principles ([slide 15](#)) and explained that they will be used as guardrails for future conversations. She then presented the six initial principles presented at the September 28, 2022, Advisory Group meeting ([slide 16](#)), recapped the major themes heard from the feedback ([slide 17](#)) and presented the final Guiding ISP Principles ([slide 18](#)). She concluded by emphasizing that these clearer definitions support achieving a balance in the ISP process.

Comment: With stakeholder dynamics in processes like this, there are some stakeholders who have a zero-sum mindset, where to get what they want, someone else is losing. People come into these situations ready to argue to death. We want to create a dynamic where people are co-creating and there isn't a zero-sum outcome.

Response: The project team is looking at the Guiding ISP Principles themselves to create balance in the process. It's not a zero-sum game.

Question: The guiding principles don't point at anything related to equity and justice. There are some fundamental changes that communities will experience, such as the move toward electrification. SRP will be responsible for some of those changes, so how do you address equity and justice?

Response: We are learning and listening. While we aspire to include equity in our principles, we are still trying to define what that means internally for SRP. What we can guarantee is continued conversations. Tom Cooper (Director of Corporate Strategy, Sustainability and Economic Services at SRP) will be here later to share more updates.

Comment: The phrasing of the Manage Costs principle focuses on negative impacts of the energy transition instead of a new future we can build together. The language should reflect equal footing of transitions.

Comment: On the Adapt Toward a More Sustainable Future principle, customer programs could be included in addition to carbon emissions and water.

Comment: On the Manage Costs principle and minimizing impacts from the energy transition, I hope at some point we talk about just and equitable transition of resource communities. SRP's lack of action in that area is glaring, especially at Navajo and Springville. It's important to make sure we take care of those communities.

Response: Having those conversations in the context of the ISP will be important.

Comment: The Navajo Nation is not an SRP customer, but they are impacted by the transition. Discussion should go beyond customers; it's also with communities with facilities that support generation.

Comment: On minimizing impacts and maximizing benefits, the important point is that there are many benefits to the transition. I appreciate the inclusion of language about water and climate change. As someone involved in development of the 2035 Sustainability Goals, I appreciate these efforts recognized here.

Comment: Many people may not understand what “holistic” means in this context.

Response: The word was intended to capture the many areas at SRP from generation to customer programs, from forecasting to transmission. Creating that holistic view is important to the ISP.

Question: I would like to understand when in the process SRP will talk about the communities [Navajo and Springerville] referenced earlier? SRP is very visible and active in those communities, but I don't think people know that.

Response: We can share about this in future meetings as part of the updates, like what we did today at the beginning of the meeting.

Response: SRP is doing a lot of work in coal community transitions. It's possible that this could become a joint meeting with the Sustainability Advisory Group. We can explore that opportunity.

Roundtable Discussion

Isaacson introduced a roundtable question for discussion: How does your organization use guiding principles in your strategic planning and implementation?

Comment: We tend to break these down much more into specifics. We do a more concrete measurable and benchmark process, like SRP's 2035 Sustainability Goals process, so we can go back and measure if we are meeting this goal or not.

Comment: We have a document where there are very specific actions and needs. For example, we take a general word like “strategic” and list five ways we talk about strategic actions. We explain it a little further, so people know they are talking about the same thing.

Comment: Integrated sustainability options and affordability are built into our mission.

Comment: Values and norms start by grounding the actions that go on. It also flows into governance and mechanisms, so those using the values and norms can be used in governance. The goals should be involved in the way structures are operated. The key word there is “governance” because it all results in how people are governed.

Question [SRP]: You said something about leakage. Can you elaborate on what you mean by that?

Comment: Our Board sets our goals and then mechanisms are implemented to ensure that operations align with the goals. Without the implementation mechanisms, the risk of actions outside of the goals is high and increases the risk that we don’t meet our goals. You’d be surprised how risk tolerance happens when there is no governance.

Comment: The ISP can be your compass but imagine how much better and more efficient your trip is if you have a map. The guiding principles are your map. If you have a compass and map you get there faster.

Comment: I’m very impressed with the Guiding ISP Principles. It’s very important we get there, but even more important is how we get there.

Isaacson posed another question: For future meetings and conversations, how do you want the Guiding ISP Principles to be available for reference, such as a poster board or reviewing them at the beginning of each meeting?

Comment: Often in these conversations there are differences in how we approach things. If we get stuck, then we can go back to the Guiding ISP Principles to reach an understanding of one another.

Comment: Keep the Guiding ISP Principles on the smaller screen of the four screens in the room.

Update on Equity Research Project

Tom Cooper provided an update on SRP’s work on the subject of equity. Cooper explained that equity is a multi-dimensional concept with many connection points between the dimensions and that equity issues are dynamic, changing and evolving over time. He shared that SRP has created an internal equity core team, and with the research support of ASU, the team is working to first develop a definition of equity that is appropriate to SRP’s charter and mission as a public power and water utility and to SRP’s community and customer context. Cooper concluded by saying that engagement with stakeholders will happen in the future.

ISP Analysis Validation Work

Bond-Simpson introduced the ISP Model Validation effort and described how SRP worked with E3 to review input assumptions and ensure the configurations are right for the model. The overarching goals of Model Validation are building confidence in the ISP process and results ([slide 22](#)). Joe Hooker, consultant from E3, continued by explaining that this kind of validation is typical in utility work and is part of the work E3 has done for other utilities in North America. He then described how SRP incorporated points of feedback into the ISP, noting that the updated framework is consistent with best industry practice and is an appropriate assessment for the ISP ([slide 23](#)). Bond-Simpson added that during the additional time needed for the validation work, SRP was able to include impacts from the Inflation Reduction Act (IRA) and accelerate adoption of new capabilities and tools for the future, such as PLEXOS modeling for resource builds ([slide 25](#)).

Question: Which components of the IRA were incorporated? Were you looking at IRA provisions specifically for SRP or for SRP rate payers?

Response: We will dive deeper into this topic later in our debrief of the Technical Working Session on the IRA.

Question: What were some of the discrepancies in the data? What are some of the extra inputs? What made the validation process different since it's the first-of-its-kind effort?

Response: This validation focused on the resource planning component, but the resource plan does consider transmission for resources that are remote to SRP's service area, such as wind. Validation focused on access, cost and availability. We have not separately looked at the distribution plan.

Question: How does SRP model hydroelectric considerations?

Response: SRP has taken a scenario approach in forecasting. In the Desert Contraction scenario, SRP assumed that the water levels on the Colorado River drop, resulting in hydroelectric generation on the Colorado River becoming unavailable to SRP and other utilities. SRP currently receives power from those sources, and they are a centerpiece of reliability for the western grid. In other scenarios, this hydroelectric generation remains available at historical levels.

Question: In the validation did you benchmark SRP with any other utilities in Arizona? For example, did it allow for economic cycling of fossil fuel, eliminating the least cost and more affordable options?

Response: We are treating the scenario design as fixed. A lot of those items have been locked into the ISP Study Plan.

Response: This is not in the validation effort, but we did anticipate and capture sensitivities in the Study Plan.

Question: Were the results of your model with removal of “must run” constraints for coal not trusted? Can we see a scenario where coal is not “must run” and is retired by the capacity expansion model?

Response: The study plan has a Minimum Coal strategic approach. The results of that might be for a future discussion.

Response: We have worked with Western Resource Advocates to design an exploratory study to explore relaxing must-run designations for coal. We have not elected to pursue economic coal retirement dates from capacity expansion modeling in the ISP. SRP has established retirement dates for all of our coal assets except one, and the ISP will explore accelerated retirement of that remaining unit as part of the Minimum Coal strategic approach, but we are not allowing the model to select dates for retirement of coal units. The model makes purely economic decisions, and SRP must consider other aspects, including reliability impacts and timelines for community transitions.

Response: Even just getting the economics right is complex and capacity expansion models are simplified. It’s not standard practice nor do we recommend using capacity expansion modeling to choose resource retirement dates.

Comment: We can learn from the model outputs and from seeing when coal can be retired.

Comment: This is an example of values and norms and the importance of managing them together. Economics matter but so does the conversation about reliability and affordability. Coal plant closures are a perfect example of how complicated this is.

Technical Working Session: Inflation Reduction Act Debrief

Arne Olson, Senior Partner at E3, gave an overview of the January 17, 2023, Technical Working Session on the IRA, during which he moderated a panel discussion of experts. He presented the speakers from the panel, outlined their key points ([slide 27](#)) and then shared key takeaways from the panel discussion ([slide 28](#)), including how the IRA represents a step change in funding for clean energy.

Isaacson explained that in the next part of the meeting, Advisory Group members would participate in brief small group chats to hear takeaways from members who attended the Technical Working Session. Then, the Advisory Group would back together to discuss two questions.

Question 1: Is your organization planning to use IRA funding, and, if so, for what?

Comment: We need to become more knowledgeable about the IRA to learn how to access funding. We are looking at solar panels and the electrical system, with plans of putting solar on a factory roof.

Comment: Our organization is focused on learning about other organizations' plans for participating in IRA programs and how our organization can support them. The bulk of work is in the Infrastructure Investment and Jobs Act (IIJA). Justice40 is an executive order signed by President Biden and those interested in the IRA or IIJA should look at it. A percentage of funding for projects needs to go to disadvantaged and/or tribal communities. Depending on which organization you talk to, they may have different approaches. It gets complicated because there are many provisions to follow.

Comment: We have a team dedicated to analyzing the funding opportunities and strategizing with all the departments to make sure everyone is aligned. We are very aggressive on fleet electrification, energy efficiency in facilities and pushing benefits out to communities and particularly disadvantaged communities to make sure they are connected to opportunities.

Comment: We are not applying directly for funding, but we are talking with groups across the state so we can approach it collectively. Great program ideas and visions can be so difficult to implement. We are working with a lot of community organizations to understand where to best plug in.

Comment: Our organization is seeking funding in partnership with municipalities to make sure the information reaches the intended recipients. We see ourselves as translators in taking complex information like this to communities and making sure there is access to the information. We also provide translation in multiple languages, so it is accessible to all communities.

Comment: We are looking for SRP to take advantage of the IRA in a way that also provides direct benefits to customers and help reduce recent cost increases. We like SRP's Sustainable Energy Offering and would like to see more programs like that.

Comment: The community has an interest in looking at solar development and the direct pay provisions.

Comment: There will probably need to be a workshop every week moving forward to learn everything because there are all kinds of provisions in the IRA. We will start by getting information from local and state organizations. Then we will prioritize how to get that information to the smaller businesses.

Comment: We are looking at home energy performance, whole home performance, training rebate programs, several tax credits and building expansion. With the HOMES program, the IRA allows the stacking of rebates with state programs, making it even more cost effective for participants to act. If we can coordinate with state agencies well, then it can have a huge impact on cost and capacity.

Comment: We are working on alignment with utilities but also with the communities they serve. We're looking at how we can use less so there's more to offer to others in terms of power and sustainable power. We look forward to working more with SRP, and we're interested in adding solar and storage to our site. There is interest in new renewable rates and Sustainable Energy Offerings, and we want to work with SRP's programs, which is what helps us get to our own carbon-free goals. We have a long-term view of rates and riders.

Comment: Our organization is looking to implement a just and equitable transition. We are working with Tribes and communities to make sure there is access to money. There are many grants, but they are still competitive, so we want to make sure Tribes and underserved communities know there are resources to support them. There are also potential inadvertent negative impacts, so we are also sure to play defense on some of the IRA impacts.

Comment: We are looking together to where there are opportunities to make sure the State of Arizona gets funding, whether those opportunities are for municipalities, schools, nonprofits, etc. We want to make sure Arizonans are aware of the funding and can access it. Our organization is working to identify partners for getting the word out, and for the most part utilities are jumping into that process.

Comment: On renewable energy programs, a big step is to assess our sites and identify scope to leverage how the IRA can be of use for us.

Question 2: What impacts to customer behavior/technology adoption are you seeing from the IRA?

Comment: It totally depends on the rollout and investment and making sure it's just. We know people who are jumping on it and then there's everyone else and they are already behind. On the rollout, a lot of people in the United States don't know what the IRA is.

Comment: We talk a lot to communities about the work we do, and we get stuck on what work needs to get done. There needs to be a forum where these conversations can build up and get to some end point because we are sailing past each other.

Comment: For people who do know about IRA, there is so much confusion. They don't know where to apply, how to apply, what it entails. Each incentive requires an application and it's putting so much work on the customer without even knowing if their project will be covered. How can we make this as smooth as possible for rate payers?

Comment: Many companies are thinking about making strong 2050 goals, but we want to know what utilities are planning and how they are approaching their goals.

Capturing Inflation Reduction Acts Impacts in the Integrated System Plan

Bond-Simpson explained how SRP captured IRA impacts through scenario analysis in the ISP Study Plan ([slide 31](#)) and described the opportunity to evolve on the resource cost side. Hooker reviewed updated costs for renewables and battery storage ([slide 32](#)) and elaborated on emerging technology costs ([slide 33](#)). Bond-Simpson asked Advisory Group members if these adjustments capture appropriately the important impacts of the IRA.

Comment: I need time to digest the information.

Comment: Where is SRP going to end off on this? At some point the IRA can go away, which needs consideration. It's helpful to know the direction SRP is going.

Comment: Yes, it's a good starting point. It's important to know that SRP remains engaged in this. There needs to be 100% hydrogen available by 2035, and we must be ready. On customer impacts, we need to have a way to have these conversations so multiple users can be involved.

Comment: I think this incorporates the IRA impacts well. I need more time to go through the data. On the odds of [economic] contraction from now to 2025, it's going to take a black swan event for that to happen. Does that accelerate the technology pieces? As you put in all these incentives, you'll see many people start to capitalize on them.

Question: Can we get clarification on carbon sequestration, green hydrogen and small nuclear reactors in the Strong Climate Policy goal? How does this impact carbon tax credits?

Response: We took those from the existing scenario design and are not proposing changes.

Comment: It would be good to know how SRP is approaching other tax credits, such as for home retrofits.

ISP Timeline and Engagement Calendar Updates and Wrap Up

Bond-Simpson shared the revised timeline for completion of the ISP ([slide 35](#)) and a draft of the 2023 calendar for stakeholder engagement ([slide 36](#)). She wrapped up the meeting by sharing next steps for the SRP project team ([slide 38](#)) and thanking the Advisory Group members for their engagement.

Appendix

Meeting Attendance

Advisory Group Member Organizations (members in attendance on 1/27 are indicated in **bold**)

Arizona Hispanic Chamber of Commerce

A New Leaf

American Association of Retired Persons (AARP)

Arizona State University (ASU)

Arizona Public Interest Research Group (PIRG)

Building Owners and Managers Association (BOMA)

Chicanos Por La Causa

City of Phoenix

Common Spirit Health

CMC Steel Arizona

CyrusOne

Environmental Defense Fund (EDF)

Intel

Kroger

Local First

Mesa Public Schools

Pinal County

Profile Precision Extrusions

SRP Customer Utility Panel (CUP)

Salt River Pima-Maricopa Indian Community (SRPMIC)

Southwest Energy Efficiency Project (SWEEP)

Western Resource Advocates (WRA)

Wildfire

Key SRP Staff

Angie Bond-Simpson, Director of Integrated System Planning & Support

Bobby Olsen, Senior Director of Corporate Planning, Environmental Services, and Innovation

Domonique Cohen, Integrated System Plan Communications Lead

Kelly Barr, Associate General Manager & Chief Strategy, Corporate Services & Sustainability
Executive

Michael Reynolds, Manager of Resource Planning

Tom Cooper, Director of Corporate Strategy, Sustainability and Economic Services

Key Facilitation Team

Arne Olson, E3

Joe Hooker, E3

Brisa Aviles, Kearns & West

Jack Hughes, Kearns & West

Joan Isaacson, Kearns & West

SRP Board and Council Observers

Chris Dobson, SRP District Vice President

Krista O'Brien, SRP Board Member

Larry Rovey, SRP Board Member

Rocky Shelton, SRP Council Member