

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

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## SPECIAL BOARD OF DIRECTORS

Tuesday, June 27, 2023, No Sooner Than 10:40 AM

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

Call to Order  
Roll Call

1. **CONSENT AGENDA:** The following agenda item(s) will be considered as a group by the Board of Directors and will be enacted with one motion. There will be no separate discussion of these item(s) unless a Board Member requests, in which event the agenda item(s) will be removed from the Consent Agenda and considered as a separate item ..... PRESIDENT DAVID ROUSSEAU
  - A. Request for approval of the proposed Fiscal Year 2024 (FY24) Audit Plan (recommended by the Audit Committee on June 13, 2023).
  - B. Request for approval of the Monthly Cash Statements for April and May 2023 (recommended by the Finance and Budget Committee on June 27, 2023).
  
2. Report of the Power Committee Meeting of June 27, 2023  
..... DIRECTOR MARIO HERRERA
  - A. Closed Session, pursuant to A.R.S. §30-805(B), for the Board to Consider matters relating to competitive activity, including trade secrets or privileged or confidential commercial or financial information, with respect to a request for approval to enter into energy storage agreements and ground leases for two five-megawatt, ten-hour duration energy storage projects to be installed at the Copper Crossing Energy and Research Center.
  - B. Closed Session, pursuant to A.R.S. §30-805(B), for the Board to consider matters relating to competitive activity, including trade secrets or privileged or confidential commercial or financial information, with respect to a request for approval to enter into one or more natural gas transportation capacity contracts.
  - C. Closed Session, pursuant to A.R.S. §30-805(B), for the Board to consider matters relating to competitive activity, including trade secrets or privileged or confidential commercial or financial information, with respect to a request for approval of a renewable energy supply agreement for a large industrial customer.
  
3. Report on the FY23 Audit Results by PricewaterhouseCoopers ... SCOTT GAVIN,  
PricewaterhouseCoopers

- 4. SRP Buy-Through Program ..... BRUCE CHAPMAN,  
Christensen Associates

Informational presentation regarding an overview Christensen Associates' approach to analyzing SRP Management's proposal for the Buy-Through Program.

- 5. Report on Current Events by the General Manager and Chief Executive Officer and Designees ..... JIM PRATT
- 6. Council Chairman's Report ..... COUNCIL CHAIRMAN TYLER FRANCIS
- 7. President's Report / Future Agenda Topics ..... PRESIDENT DAVID ROUSSEAU

The Board 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 Board on any of the matters listed on the agenda.

The Board may go into Closed Session, pursuant to A.R.S. §30-805(B), for discussion of 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 BOARD MEETING IS SCHEDULED FOR  
MONDAY, AUGUST 7, 2023**



# Salt River Project Corporate Audit Services Fiscal 2024 Audit Plan

## COMPLIANCE AUDITS

ACH / eChex - FY2024  
ACH / Surepay - FY2023  
NERC-WECC Reliability - FY2024

## CONTRACT AUDITS

Abel-Pfister-Ball 230 kV Transmission Construction Project  
ADOT Broadway Curve Project  
ADOT Contract Support  
Cable Replacement Program  
CGS Evaporative Pond Project Construction  
Contract Reviews  
Copper Crossing Project Construction  
High-Tech Interconnect Project (Intel) Construction Project  
New Customer Connection Construction Interconnection Billings Process  
New River Agua Fria Underground (NAUSP)  
NGS Decommissioning Project  
NGS Decommissioning Project - Independence Excavating  
Purchase Power - Dry Lake Wind I & II  
Purchase Power - Renewables  
Southeast Power Link Construction Project  
Southwest Reserve Sharing

## FINANCIAL & OPERATIONAL AUDITS

Accounts Payable Feeder Systems  
Conflict of Interest Practices  
Creative Services - Productions  
Data Privacy - Employee  
EPIC - FY2023 - CNR/Direct Cost  
EPIC - FY2023 - Overall  
EPIC - FY2023 - Payout  
EPIC - FY2023 - Preventive Maintenance  
EPIC - FY2023 - Run Reliability  
EPIC - FY2023 - Safety  
EPIC - FY2024 - CNR/Direct Cost  
EPIC - FY2024 - Overall  
EPIC - FY2024 - Payout  
EPIC - FY2024 - Preventive Maintenance  
EPIC - FY2024 - Run Reliability  
EPIC - FY2024 - Safety  
Facilities Billing Information Exchange  
Federal Grant Compliance

# Salt River Project Corporate Audit Services Fiscal 2024 Audit Plan

GRC Ruleset Risks & Mitigating Controls  
Hedging Program Review - Follow-up  
Hosted Solutions Maturity Assessment  
Human Resources  
Investment Recovery / Central Reclamation Services  
Ombudsman Office  
Papago Park Center Review  
Purchasing Practices - FY2022-2023  
PwC Audit Assistance-Alternative Accounts Receivable - FY2023  
PwC Audit Assistance-Capital, O&M - FY2023  
PwC Audit Assistance-Capital, O&M - FY2024  
PwC Audit Assistance-Entity Level Controls - FY2024  
PwC Audit Assistance-General-Coordination & Team Meetings w PwC - FY2024  
PwC Audit Assistance-General-Coordination & Team Meetings w PwC - FY2023  
PwC Audit Assistance-General-Journal Entry Testing - FY2023  
PwC Audit Assistance-IT Audit Assistance - FY2023  
PwC Audit Assistance-IT Audit Assistance - FY2024  
PwC Audit Assistance-Meter Testing - FY2023  
PwC Audit Assistance-Meter Testing - FY2024  
PwC Audit Assistance-Revenue - FY2023  
PwC Audit Assistance-Revenue - FY2024  
PwC Audit Assistance-SSAE18 - FY2023  
PwC Audit Assistance-SSAE18 - FY2024  
Review of PwC Audit Work - FY2023  
Risk Oversight Committee (ROC) Activities - FY2023  
SAP Authorization Controls  
SRP Bill Print - Risk Consulting  
Supply Chain Risks  
Third Party Risk Management (Supply Chain)  
Travel, Procurement & Hosting Expenses - FY2023 & May to October FY2024  
Travel, Procurement & Hosting Expenses - FY2024 November to April  
Vendor Master File Maintenance  
Voluntary Contribution in Lieu of Property Taxes  
Warehousing & Inventory Management

## INFORMATION TECHNOLOGY AUDITS

Banks / Investment Manager CyberSecurity Review  
BCP/DRP Annual Audit (Focus: Chandler Co-Location to Iron Mountain) - FY2024  
BCP/DRP Annual Audit (Focus: ISB to Iron Mountain) - FY2024  
Cyber Security Audit Activities - FY2023  
Cybersecurity Ransomware  
Data Loss Prevention (DLP)  
EIM Post-Implementation Review

# Salt River Project Corporate Audit Services Fiscal 2024 Audit Plan

Electronic Fund Transfers  
Information Management - Structured Data  
IT/ OT Interconnections  
One Workforce Post Implementation Review  
OT BCP/DR  
Password Management Solutions  
Patch Management  
Robotic Process Automation (BOT) Usage  
Security Risk Oversight Committee (SROC) Activities - FY 2023  
Windows Security

## JOINT PARTICIPATION AUDITS

Mead-Phoenix WAPA  
Mead-Phoenix Westwing (APS)  
Palo Verde O&M  
Participant Audit Committees  
PV-Pinal Central O&M  
Springerville O&M  
Yampa Project / Craig O&M

## SYSTEMS DEVELOPMENT AUDITS

Advanced Distribution Management System  
Alert Enterprise (SAFE Replacement)  
Central Prepay Project  
Customer Modernization  
Data Center Relocations  
EMS Monarch  
Field Area Network / Commercial Transport Project  
ISIM Replacement  
JMUX Replacement Project  
MDMS Replacement  
Water Scheduling Application Suite Rewrite

## SPECIAL PROJECTS, REQUESTS & INVESTIGATIONS

Special Projects, Requests, Investigations



**Statement of Cash Received and Disbursed**

April 2023

(\$000)

	<u>District</u>	<u>Association</u>	<u>Total Month</u>	<u>Year-to-Date</u>
Fund Balance Beginning of Period	\$ 738,383	\$ 1,313	\$ 739,696	\$ 1,007,546
Cash Receipts:				
Electric Revenues	229,321	---	229,321	3,651,449
Water Revenues	---	5,293	5,293	25,086
Electric Customer Deposits	3,291	---	3,291	55,259
Reimbursement on Joint Ownership Projects	12,652	---	12,652	108,386
Construction Contributions and Advances	32,847	---	32,847	325,498
Proceeds from Bond Sales	---	---	---	---
Proceeds from Other Borrowings	---	---	---	---
Transfers from Segregated Funds	29,074	---	29,074	790,714
Sales Tax Collected	13,190	---	13,190	245,458
Other Cash Receipts	10,545	---	10,545	112,878
Total Cash Receipts	<u>330,920</u>	<u>5,293</u>	<u>336,213</u>	<u>5,314,728</u>
Fund Transfers - Net	<u>(1,196)</u>	<u>1,196</u>	<u>---</u>	<u>---</u>
Cash Disbursements:				
Purchased Power and Fuel	92,052	---	92,052	1,456,830
Operations and Maintenance	92,782	3,820	96,602	1,086,055
Employee Payroll and Payroll Taxes	45,679	2,838	48,517	655,266
Purchased Inventory	17,074	---	17,074	257,649
Cash Segregated for -				
Bond Interest	18,335	---	18,335	186,050
Bond Principal	9,494	---	9,494	110,556
Other Debt - Principal Repayment	---	---	---	3,500
Other Debt - Interest Expense	1,369	---	1,369	12,832
Capital Expenditures	81,591	---	81,591	856,312
Advances on Joint Ownership Projects	---	---	---	---
Transfers to Segregated Funds	---	---	---	292,060
In Lieu and Ad Valorem Taxes	1,031	---	1,031	122,306
Sales Tax Remitted	16,571	---	16,571	301,343
Margin and Collateral Disbursed - Net	(5,541)	---	(5,541)	259,084
Miscellaneous Cash Disbursements	1,033	---	1,033	24,650
Total Cash Disbursements	<u>371,470</u>	<u>6,658</u>	<u>378,128</u>	<u>5,624,493</u>
Fund Balance End of Period	<u>\$ 696,637</u>	<u>\$ 1,144</u>	<u>\$ 697,781</u>	<u>\$ 697,781</u>



**Cash Position**

April 2023

Composition of Funds Balance	(\$000)		
	<u>District</u>	<u>Association</u>	<u>Total</u>
Cash and Cash Equivalents	\$ 282,407	\$ 1,144	\$ 283,551
Other Temporary Investments	276,245	---	276,245
Other Non-Current Investments	<u>137,985</u>	<u>---</u>	<u>137,985</u>
General Fund	<u>696,637</u>	<u>1,144</u>	<u>697,781</u>
Segregated Funds			
Electric System Debt Reserve Fund	80,598	---	80,598
Debt Service Fund	104,746	---	104,746
Rate Stabilization Fund	---	---	---
Nuclear Decommissioning Fund	576,441	---	576,441
Post-Retirement Benefits Fund	1,093,253	---	1,093,253
Construction Fund	57,322	---	57,322
RHCP Fund	12,080	---	12,080
HHCP Fund	8,047	---	8,047
SPRHCP Fund	3,507	---	3,507
Four Corners Mine Reclamation Trust	12,217	---	12,217
Other Special Funds	<u>811</u>	<u>---</u>	<u>811</u>
Total Segregated Funds	<u>\$ 1,949,022</u>	<u>\$ ---</u>	<u>\$ 1,949,022</u>



**Statement of Cash Received and Disbursed**

May 2023

(\$000)

	<u>District</u>	<u>Association</u>	<u>Total Month</u>	<u>Year-to-Date</u>
Fund Balance Beginning of Period	\$ 696,637	\$ 1,144	\$ 697,781	\$ 697,781
Cash Receipts:				
Electric Revenues	252,161	---	252,161	252,161
Water Revenues	---	497	497	497
Electric Customer Deposits	4,311	---	4,311	4,311
Reimbursement on Joint Ownership Projects	15,746	---	15,746	15,746
Construction Contributions and Advances	19,242	---	19,242	19,242
Proceeds from Bond Sales	---	---	---	---
Proceeds from Other Borrowings	---	---	---	---
Transfers from Segregated Funds	25,725	---	25,725	25,725
Sales Tax Collected	21,119	---	21,119	21,119
Other Cash Receipts	11,664	---	11,664	11,664
Total Cash Receipts	<u>349,968</u>	<u>497</u>	<u>350,465</u>	<u>350,465</u>
Fund Transfers - Net	<u>(6,454)</u>	<u>6,454</u>	<u>---</u>	<u>---</u>
Cash Disbursements:				
Purchased Power and Fuel	107,662	---	107,662	107,662
Operations and Maintenance	110,759	2,112	112,871	112,871
Employee Payroll and Payroll Taxes	64,759	4,375	69,134	69,134
Purchased Inventory	20,495	---	20,495	20,495
Cash Segregated for -				
Bond Interest	16,288	---	16,288	16,288
Bond Principal	9,494	---	9,494	9,494
Other Debt - Principal Repayment	---	---	---	---
Other Debt - Interest Expense	1,250	---	1,250	1,250
Capital Expenditures	117,268	---	117,268	117,268
Advances on Joint Ownership Projects	---	---	---	---
Transfers to Segregated Funds	---	---	---	---
In Lieu and Ad Valorem Taxes	57,830	---	57,830	57,830
Sales Tax Remitted	14,500	---	14,500	14,500
Margin and Collateral Disbursed - Net	11,761	---	11,761	11,761
Miscellaneous Cash Disbursements	1,326	---	1,326	1,326
Total Cash Disbursements	<u>533,392</u>	<u>6,487</u>	<u>539,879</u>	<u>539,879</u>
Fund Balance End of Period	<u>\$ 506,759</u>	<u>\$ 1,608</u>	<u>\$ 508,367</u>	<u>\$ 508,367</u>

**Cash Position****May 2023**

	(\$000)		
Composition of Funds Balance	<u>District</u>	<u>Association</u>	<u>Total</u>
Cash and Cash Equivalents	\$ 111,644	\$ 1,608	\$ 113,252
Other Temporary Investments	257,130	---	257,130
Other Non-Current Investments	<u>137,985</u>	<u>---</u>	<u>137,985</u>
General Fund	<u>506,759</u>	<u>1,608</u>	<u>508,367</u>
 Segregated Funds			
Electric System Debt Reserve Fund	80,598	---	80,598
Debt Service Fund	130,528	---	130,528
Rate Stabilization Fund	---	---	---
Nuclear Decommissioning Fund	576,441	---	576,441
Post-Retirement Benefits Fund	1,093,253	---	1,093,253
Construction Fund	31,862	---	31,862
RHCP Fund	12,080	---	12,080
HHCP Fund	8,047	---	8,047
SPRHCP Fund	3,507	---	3,507
Four Corners Mine Reclamation Trust	12,217	---	12,217
Other Special Funds	<u>811</u>	<u>---</u>	<u>811</u>
Total Segregated Funds	<u>\$ 1,949,344</u>	<u>\$ ---</u>	<u>\$ 1,949,344</u>



2023 audit results

# Tomorrow's audit, today

Report to the **Audit Committee**

**Salt River Project Agricultural Improvement and Power District  
and the Salt River Valley Users' Association**

**June 27, 2023**

*Presented by:*  
*Scott Gavin, Engagement Senior Manager*

**CONFIDENTIAL**



# What's inside

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# Highlights

## Status of the audit

- Substantially completed our audit of the combined financial statements.
- Expect to issue our unqualified opinions on June 30, 2023.
- Draft audit reports have been provided to the Audit Committee
- Significant open items still in progress as of the date of our mailing of this report include:
  - Management Representation Letters
  - In-house and external counsel legal letter
  - Final review of audit procedures including investments fair value
  - Review and tie-out of financial statements including Segregated Funds
  - Audit of the statement of cash flows
  - Review of subsequent events

## Significant changes to audit plan

- We presented our planned audit approach, including our preliminary risk assessment, and related scoping considerations for 2023 to the Audit Committee of the Board of Directors on December 8, 2022. Throughout the audit, we continuously evaluated the appropriateness of our audit strategy. Since presenting the audit approach plan to the Audit Committee, SUM De Minimis was increased from \$7M to \$8M. There were no significant changes to the planned audit approach.

## Audit findings

- No identified misstatements
- No identified Significant Deficiencies or Material Weaknesses

## Independence and other required communications

- No independence matters to report
- No other required communication outside of those communicated in this report were identified.

# Audit results





# Risk assessment results

## Significant risk

Risk of management override of controls

Under generally accepted auditing standards there is a presumption that for any audit, the auditor must consider management override of controls as a significant risk.

## Related accounts

Financial Close – All relevant assertions

## Audit response

- We inquired with management, and Corporate Audit Services and other regarding their knowledge of fraud or suspected fraud and the fraud risk assessment process
- We incorporated an element of unpredictability in the selection of nature, timing and extent of audit procedures
- We tested manual journal entries meeting certain criteria through the use of our Halo data-auditing tool
- We planned to review the business purpose of significant unusual transactions, of which there were none in FY23
- We evaluated and corroborated management's key judgments, assumptions and estimates as seen in the following slides
- We obtained and reviewed significant contracts entered into or modified during the year and assessed for appropriate accounting
- We tested certain controls around journal entry approval testing over manual journal entries
- As of the date of this report, the engagement team has not identified any material exceptions or material control issues

# Risk assessment results

## Significant risk

Risk of fraud in revenue recognition  
Existence of wholesale revenues

## Related accounts (including relevant assertions)

Wholesale Revenues – Existence. Total wholesale \$700M

## Audit response

- We evaluated revenue recognition accounting policies
- We obtained and reviewed significant contracts entered into or modified during the year and assessed for appropriate accounting
- We performed subsequent cash vouching by tracing the total billed amount from the customer invoice to the deposit batch and then to the bank statement
- For non-EIM wholesale revenues, we inspected the two-way communication between SRP and the customer (Checkout Email) to provide third party comfort
- As of the date of this report, the engagement team has not identified any material exceptions or control issues

# Other required communications



# Other required communications

Matter to report	No	Yes	Comments
<b>Independence</b>	✓		There were no independence matters that occurred or were identified subsequent to the date of December 8, 2022, our most recent independence letter provided to the Audit Committee.
<b>Fraud</b>	✓		We did not identify any potential or known fraud.
<b>Non-compliance with laws and regulations</b>	✓		We are not aware of any instances of non-compliance with laws and regulations.
<b>Related Parties</b>	✓		After evaluating the company's identification of, accounting for, and disclosure of its relationships and transactions with related parties, we have identified no significant findings or issues arising during the audit in connection with the company's related parties.
<b>Quality of the company's financial reporting</b>	✓		<p>We have considered the qualitative aspects of the company's significant accounting policies and practices and we identified no reportable matters</p> <p>We have evaluated whether the difference between (1) estimates best supported by the audit evidence and (2) estimates included in the financial statements, which are individually reasonable, indicate a possible bias on the part of the company's management. We did not identify any areas of possible bias.</p> <p>We have performed an evaluation of whether the presentation of the financial statements and the related disclosures are in conformity with the applicable financial reporting framework, including our consideration of the form, arrangement, and content of the financial statements (including the accompanying notes). We did not identify any instances of non conformity.</p>
<b>Alternative accounting treatments</b>	✓		We did not identify any alternative treatments permissible under US GAAP for accounting policies and practices related to material items, including recognition, measurement, and presentation and disclosure.

# Other required communications

Matter to report	No	Yes	Comments
<b>Material uncertainties related to events and conditions (specifically going concern)</b>	✓		There were no conditions and events that we identified that indicate that there is substantial doubt about the Company's ability to continue as a going concern.
<b>Other information in documents containing audited financial statements</b>	✓		<p>Effective for AICPA-standards audits for entities with fiscal years ending on or after December 15, 2021, AICPA Auditing Standards Board Statement on Auditing Standards No. 137 (SAS 137) requires that we communicate to you our responsibility with respect to other information, the procedures performed related to the other information, and the results.</p> <p>These standards require that we read other information, whether financial or nonfinancial, included in the Company's annual report and consider whether a material inconsistency exists between the other information and the financial statements and to remain alert for indications that</p> <ul style="list-style-type: none"> <li>• A material inconsistency exists between the other information and the auditor's knowledge obtained in the audit, and/or</li> <li>• A material misstatement of fact exists or the other information is otherwise misleading.</li> </ul> <p>We assume no obligation to perform procedures to corroborate such other information as part of our audit.</p> <p>As it relates to other information included in the annual report, refer to the management representation letter attached for management's written acknowledgment of the document(s) which comprise the annual report and the planned manner and timing of issuance of those document(s). We have not completed our procedures over the other information. If a material inconsistency, material misstatement or statement that is otherwise misleading is identified and uncorrected by management, we will inform you accordingly.</p>

## Other required communications

Matter to report	No	Yes	Comments
<b>Disagreements with management</b>	✓		There were no disagreements with management.
<b>Consultation with other accountants</b>	✓		We are not aware of any consultations management has had with other accountants about significant accounting or auditing matters.
<b>Difficulties encountered during the audit</b>	✓		There were no significant difficulties encountered during the audit.
<b>Difficult or contentious matters</b>	✓		There were no difficult or contentious matters for which we consulted outside the engagement team and we reasonably determined are significant and relevant to those charged with governance regarding the responsibility to oversee the financial reporting process.
<b>Other material written communications</b>	✓		The Audit Committee has been provided copies of other material written communications with management, including a copy of management's representation letter.
<b>Other matters</b>	✓		There were no other matters arising from the audit that are significant and relevant to the oversight of the company's financial reporting process.

# Other required communications- Segregated Funds

The Salt River Project Agricultural Improvement and Power District (“The District”) has Electric System Revenue Bonds (the Bonds) outstanding which are secured by a pledge of, and a lien on, certain revenues of the District. Under the terms of the Master Bond Resolution (the Resolution), the District is required to maintain certain funds and accounts for the purposes set forth in the Resolution (the Segregated Funds).

We have audited the District’s financial statement summarizing the receipts, transfers, and disbursements by Segregated Fund as required under the Resolution, as of April 30, 2023 and for the year then ended. This statement is prepared on a cash basis of accounting, which is a comprehensive basis of accounting other than GAAP.

The following required communications are specific to the Segregated Funds Audit:

Matter to report	No	Yes	Comments
<b>Terms of the audit engagement</b>	✓		The terms of the segregated funds audit engagement, including the objective of the audit and management’s and our responsibilities, are set forth in our engagement letter dated December 8, 2022, which has been provided to management and the Audit Committee.
<b>Accounting policies and practices, accounting estimates</b>	✓		The basis of accounting is disclosed in Note 2 to the financial statement. These policies are consistent with those followed in previous years and we believe such policies are appropriate.
<b>Significant unusual transactions</b>	✓		We have not identified any significant unusual transactions.
<b>Identified misstatements</b>	✓		There were no misstatements identified during our audit.
<b>Identified significant risk</b>	✓		Management override is the only identified significant risk.
<b>Management representations</b>	✓		The Audit Committee has been provided a draft of management’s representation letter for the segregated funds audit.
<b>Audit report</b>	✓		A draft of our unqualified report has been provided to the Audit Committee

# Tomorrow's audit, today

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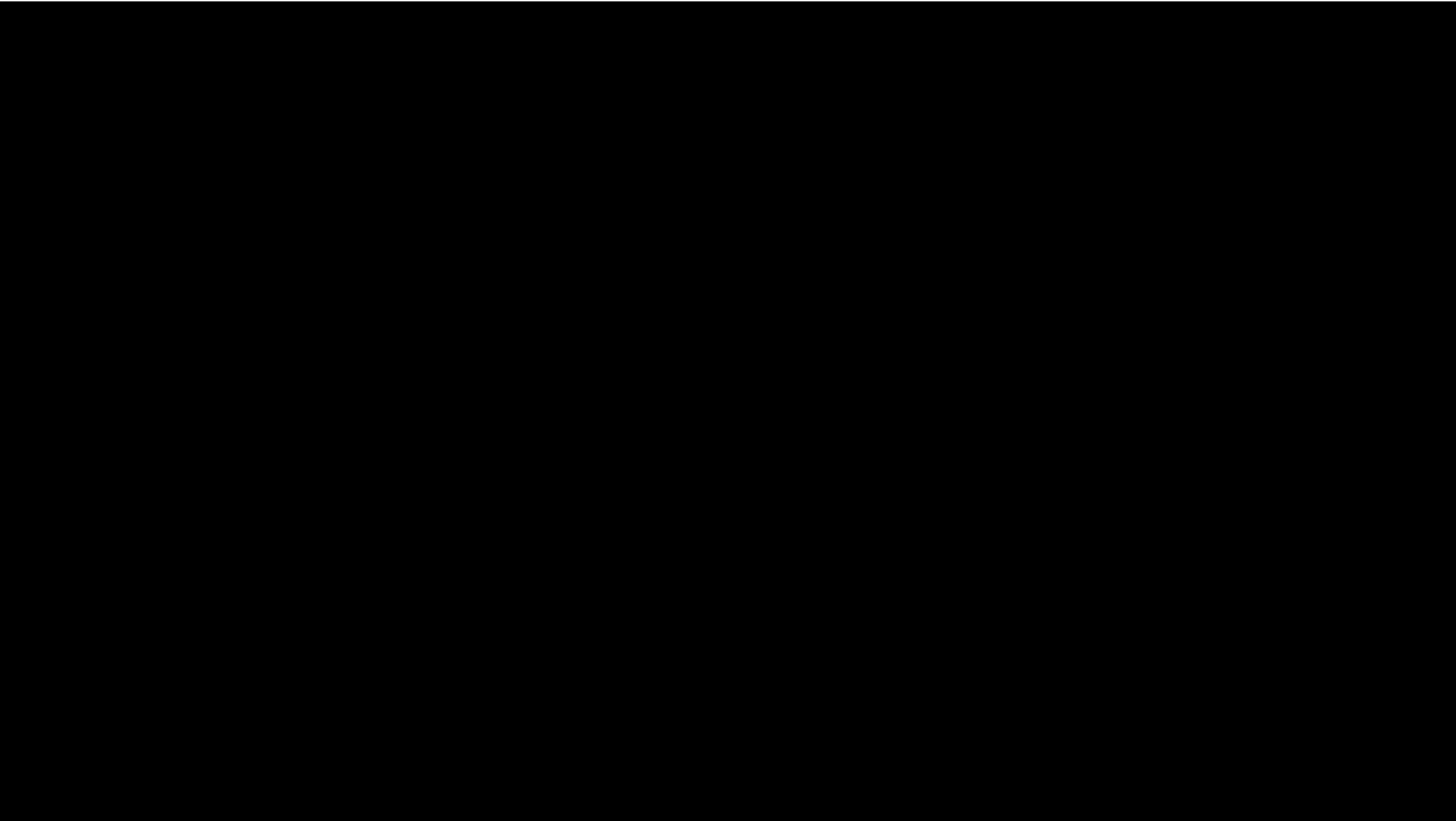
## Report to the **Audit Committee**

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**What do people + technology have to do with one another?** Everything. When our community of solvers bring technology to the audit, we create a powerful human-machine combination. That's why we're embracing digital disruption. To reimagine the audit by optimizing digital know-how and human expertise to put quality first and usher in an experience revolution for you and your team.









# Salt River Project: Status of Review of Management's Buy-Through Pricing Proposal

Project Manager: Mr. Bruce Chapman,  
Project Team Members:  
Mr. Robert Camfield, Mr. Nicholas Crowley,  
Dr. Daniel Hansen, Dr. Corey Lott

# The Project Tasks

1. Evaluate Cost Analyses
  - Embedded Cost-Based COS
  - Marginal Cost Study
2. Analyze Buy-Through Proposal
  - Vs. Board Principles
  - Vs. Utility Practice and Economic Theory
  - Vs. Cost Causation
  - Vs. Buy-Through Legislation (ARS 30-810)
3. Address Associated Issues
  - Generation Services Pricing
  - Default and related issues
  - Cost avoidance/bypass
4. Prepare Report/Conduct Presentations
5. Support Review/Educate & Inform

# Status

- Complete
  - Reviewed COS study and connection to rates
  - Reviewed MC analysis
  - Reviewed ancillary services documentation
- In process
  - Reviewing general structure and contractual aspects
  - Comparing with other SRP rates, riders, and pricing
- In process
  - Investigating similar or illustrative designs elsewhere
  - Reviewing issues of cross subsidy, cost avoidance
- Currently drafting report sections
- To come at end of project

# Buy-Through Issues

- Unbundling of pricing
  - Rate unbundling of E-65 and E-67 facilitates buy-through rate development.
  - Management's plan clearly identifies which parts of the retail rates are removed and which are retained.
  - Embedded costs appear to match rate line items.
    - Delivery costs are recovered in delivery charges.
    - Transmission and ancillary services costs are recovered in appropriate charges.
- Rate-specific cost recovery and recovery of non-bypassable costs
  - The Buy-Through Charge recovers:
    - Appropriate charges related to administrative costs of third-party contracting and charges for reserve capacity.
    - Early Technology Adoption Charge (ETAC) reflects the above-market cost associated with renewable generation that SRP procured in 2009-2012.
      - Subject to questions of duration of charges and attenuation over time.

## Buy-Through Issues (2)

- Imbalance issues:
  - Revised management plan more clearly defines terms determining apportionment of loads than previously, especially with respect to partial program participation.
    - Examples provided by management are useful, possibly valuable as contract component to ensure avoidance of billing misunderstandings.
  - Imbalance pricing is based on market reference prices plus a disincentive for GSPs to neglect their duty to match customer's scheduled loads.

## Buy-Through Issues (3)

- Resupply pricing (customer fails to secure a replacement GSP):
  - Cost basis of price premium disincentive and institutional factors supporting development of pricing plan.
- Need for lengthy advance notice of return to retail rate
  - To what extent does planning still include buy-through customers?
  - Will this be relaxed if program is fully subscribed?
- Issues related to Fuel and Purchased Power Adjustment Mechanism.
  - Timing for those who depart and return.
  - To what extent is ETAC included in this charge?

# Relevant Designs/Pricing in the Industry

- Nevada Power / MGM
  - Proceeding describes a principle that the departing customer will “pay the load ratio share of unrecovered adjusted balances in Nevada Power’s deferred accounts”.
  - Does not specifically mention the fuel clause, but the principle is consistent with SRP’s proposal for handling the FPPAM balances.
- California Investor-Owned Utilities Direct Access
  - Power Charge Indifference Adjustment (PCIA) includes an RPS Adder that is similar to SRP’s proposed ETAC.
  - However, PCIA (and MGM’s Nevada Power settlement) consider the entire generation portfolio whereas SRP limits consideration to a set of older renewable generation assets.
  - PCIA changes annually and has a “vintage” associated with when the customer left the system. SRP may not need to implement a vintage effect because of the limited assets included.
- Green Tariff Power Purchase Agreements
  - Duke Energy Carolinas’ Green Source Advantage Rider
    - Large non-residential customers contract with renewable GSPs, continue paying retail tariffs, get hourly marginal avoided cost bill credits (expected hourly marginal production costs and marginal capacity costs for hours in which there are generation constraints)



# Upcoming work

- Continue investigation of pricing and risk management issues.
- Brief management group and resolve any issues remaining following weekly calls.
  - Provide draft report for review.
- Review arguments in other current buy-through proceedings in Arizona.