Last year was an exciting time for conservation and stewardship at SRP, and we are proud of the many accomplishments we achieved. In 2016 we continued our efforts to reduce carbon emissions from our electric generation fleet, improve the health of our watersheds and invest in alternative fuel vehicles for our corporate fleet. Our investment recovery efforts expanded industry best practices in selling, refurbishing and recycling materials. And finally, we remained committed to supporting community programs and diversity.

Our focus on sustainability will continue. As you know, our industry is undergoing significant change. Technological innovations, increasing availability of renewable energy, initiatives to reduce carbon emissions, low-cost natural gas and changing customer expectations have increased our commitment to be a sustainable utility. At SRP sustainability has always guided our operations, and we continue to examine our business processes and practices to look for new efficiencies and ways to innovate in providing reliable and affordable resources.

The future of sustainability at SRP is bright, and we will continue to build upon these accomplishments.

Kelly Barr
Senior Director, Environmental Management, Policy and Compliance, & Chief Sustainability and Compliance Executive

FROM BYPRODUCT TO BUILDING PRODUCT

We strive to reduce waste from our business processes whenever possible. Fly ash is a byproduct of coal power generation and would ordinarily be sent to a landfill. SRP has a goal to sell 100% of the fly ash we produce so that the material can be repurposed in construction applications, such as being used as an additive in concrete production.

SRP has partnered with the Salt River Materials Group, a business venture of the Salt River Pima-Maricopa Indian Community, to sell the fly ash from our coal-fired power plant located near St. Johns, Arizona. This arrangement affords the material a second life where it is substantially more useful than being buried in a landfill, reduces the need for virgin construction material and provides revenue for the Salt River Pima-Maricopa Indian Community and SRP.
CREATIVE SOLUTIONS FOR FOREST HEALTH

The need to reduce the possibility of catastrophic wildfires in northern Arizona is critical to protect rural communities, reduce erosion and prevent sedimentation from entering the Salt and Verde river watersheds. This management is essential to protecting the water supplies of both the Greater Phoenix metropolitan area and rural Arizona communities.

Working closely with the U.S. Forest Service, the state of Arizona and our partners, we are exploring efforts to improve forest health that may also provide an economically beneficial use for the biomass on our national forests.

In the forest restoration process, small-diameter trees, shrubs, branches and pine needles are harvested to reduce forest density in order to lessen the intensity of potential fires. In the past this unusable material was burned in the forest, creating air quality issues.

As a solution, SRP is exploring the possibility of using this biomass as a supplemental fuel that can be used to generate energy at our Coronado Generating Station (CGS). When properly mixed with coal in a power plant with state-of-the-art pollution control equipment, air emissions are reduced. If the pilot project is successful, co-firing at CGS with this otherwise unusable biomass material could be a win-win situation for the environment, rural communities and SRP customers.

Using debris left behind by forest thinning is one way we hope to improve the health of Arizona’s forests and watersheds.
PLUGGING NEW ELECTRIC RIDES

We are charging up our support for plug-in electric vehicles: They save money and, most importantly, help reduce emissions.

SRP is committed to finding cleaner and more efficient ways to operate our fleet. By supporting the adoption of electric and other alternative fuel vehicles, we have the opportunity to reduce our environmental impact and assess operational costs over the long term.

To benefit our customers, the SRP Drive Electric™ program provides information and education about electric vehicle ownership. It also allows us to collaborate with customers to acquire important data that will help maintain a reliable future electric grid as the market for electric vehicles increases.

SRP is partnering with EVgo, a charging network, to support five new electric vehicle fast-charging stations in SRP’s service territory. These stations are part of a collaborative effort between EVgo and SRP to improve air quality in metropolitan Phoenix.

CHAMPIONING DIFFERENT PERSPECTIVES

Arizona’s economic development depends in part on championing different perspectives and ownership groups, which is one of the reasons we strive to strike a balance in our choice of suppliers. SRP educates its employees on the importance of maintaining partner diversity and engages in initiatives that support diverse business owners by providing them with access to the resources that help them become better suppliers.

In 2016 customers in SRP’s territory registered about 70 new EVs each month.
We know that when diverse businesses in our community thrive, the local economy, our customers and our company also thrive. That’s why we set yearly spending goals.

We are happy to report that in 2016 we surpassed a goal of spending 15% on diverse suppliers and are looking to set and exceed higher goals in future years.

Bringing together different perspectives, expertise and ideas is a winning proposition that enhances value and business success for all those involved.

**SUSTAINABLE PORTFOLIO**

Over the last 10 years, SRP’s renewable energy resources have made up between 4% and 7% of the annual Sustainable Portfolio target. SRP’s renewable energy performance also compares favorably when defined against the Renewable Energy Standard and Tariff (REST) — a policy for utilities under jurisdiction of the Arizona Corporation Commission (ACC). While SRP is not governed by the ACC with respect to our renewable portfolio, we exceed the REST requirements when hydroelectric generation is included. SRP includes energy from run-of-river hydroelectric generation as a sustainable energy resource because of our role as one of the largest suppliers of water in the Phoenix metropolitan area.

Over the past several years, SRP has offered a variety of energy efficiency programs to help our customers manage their energy use and costs. Our goal is to offer options for customers while aiding in the management of SRP’s resources. Energy efficiency plays a key role in accomplishing this mission by cost-effectively meeting SRP’s current goals while contributing to long-term emission intensity reductions.

Currently, energy efficiency makes up 8.17%, or over half, of the annual Sustainable Portfolio target. When comparing SRP’s portfolio performance under the ACC’s Energy Efficiency Resource Standard (EERS), SRP exceeds the Arizona target.
INVESTMENT RECOVERY

As part of its daily operations, SRP’s Investment Recovery department is committed to realizing the greatest return on corporate assets, including those reaching the end of their useful lives. Investment Recovery sells, refurbishes or recycles materials to optimize the return on SRP’s assets and divert materials from landfills.

Refurbished Line Hardware Sent Back into Service: 324,122 pounds

ENERGY GENERATION MIX IN FY16
33,912 gigawatt-hours

- Hydro: 2%
- Coal: 43%
- Gas: 27%
- Nuclear: 16%
- Renewables: 3%
- Other: 9%

GENERATION CAPACITY MIX IN FY16
8,283 megawatts

- Hydro: 4%
- Coal: 29%
- Gas: 48%
- Nuclear: 8%
- Renewables: 2%
- Other: 9%

These charts illustrate how often SRP’s resources were operated during the fiscal year (energy generation) and the relative size of our resource mix (generation capacity).

72% Landfill Avoidance
COMMUNITY

SRP believes in a bright future for the communities we serve, and we are committed to investing our time and resources in the programs, projects and events that make Arizona a great place to live. Learn more at srpnet.com/wesupport.

WATER-POWER NEXUS

SRP has been bringing Greater Phoenix residents water for more than 100 years — managing what we have, planning for future supplies and promoting conservation. Our commitment to conserve means we avoided using more than 1.9 billion gallons of water in FY16 as a result of the sustainable resources in our portfolio — that’s a 314% increase from 10 years ago.

FLEET

SRP continuously evaluates its transportation fleet, implements best practices and utilizes advances in technology. As a result of these efforts, 83% of SRP’s fleet is alternative-fueled, including biodiesel, electric and ethanol-capable vehicles and equipment.

37,520
hours of volunteer service performed by SRP employees in FY16 to benefit more than 200 community nonprofit agencies.