

2024 | ANNUAL REPORT

INCLUDING FIVE-YEAR OPERATIONAL AND
STATISTICAL REVIEW AND FINANCIAL SUMMARY



Delivering water and power®

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CORPORATE HEADQUARTERS

STREET ADDRESS

SRP | 1500 N. MILL AVE. | TEMPE, AZ 85288-1252

MAILING ADDRESS

SRP | P.O. BOX 52025 | PHOENIX, AZ 85072-2025

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About SRP

SRP has delivered on its commitment to provide reliable and affordable water and energy to the people living in central Arizona this past year and for more than a century. By providing these essential resources, we have helped the Phoenix metropolitan area develop and thrive.

We act in the best interest of the people we serve and strive to help build a better future for Arizona. In the years ahead, we will continue to lead the way by applying our forward-thinking approach and new technology to address water and energy supply challenges.

From the President and General Manager & CEO

LEADERSHIP

FY24 was another successful year for SRP. The company continued to build on the momentum we have established, achieving strong financial, operational and sustainability results. Driven by the skill and dedication of our outstanding team members, we made significant progress addressing key challenges and opportunities. We are proud to highlight SRP's key successes and developments from FY24.

PUTTING CUSTOMERS AND EMPLOYEES FIRST

As always, SRP's focus remains on serving our customers and communities by fulfilling our mission to deliver reliable, affordable and sustainable water and energy.

In FY24, SRP achieved industry-leading results, once again being ranked No. 1 by J.D. Power in residential and business customer satisfaction among large utilities in the West and nationally. In the residential class, SRP has been ranked first 22 times in a row and 24 out of the past 25 years. For business, SRP has been ranked first three years in a row and 15 out of the past 20 years.

SRP was also named to the Forbes list of America's Best Midsize Employers 2024. Additionally, we ranked in the top quartile of the 400 businesses with 1,000 to 5,000 employees.

INTEGRATED SYSTEM PLAN

In FY24, SRP became one of the first utilities in the nation to implement an Integrated System Plan, a holistic roadmap for our future power

system that factors in evolving customer energy needs and achieving SRP's 2035 carbon reduction goals.

In October 2023, the Board approved seven long-term system strategies developed from the two-year collaborative effort that involved a broad and diverse group of customers and stakeholders. The strategies are intended to balance reliability, affordability and sustainability while planning for an uncertain future. The system strategies are the foundation for the Balanced System Plan, which was developed from the ISP analysis and residential customer research. It is designed to advance sustainability performance while minimizing any cost increases to SRP and our customers.

The Balanced System Plan will enable SRP to:

- Achieve an 82% reduction in CO₂ emissions intensity by 2035 from SRP's 2005 baseline
- Minimize cost impacts to customers and SRP despite adding more than double the amount of carbon-free resources and achieving 28% lower carbon intensity

RELIABILITY AND RESILIENCY

One of SRP's key goals is to remain among the top 10 utilities in the power industry for reliability and to accomplish this while leading a historical and transformational change to the energy grid. This involves balancing an unprecedented increase in power use (including a projected 56% increase in energy consumption by 2035) with goals for carbon reduction while maintaining the reliability and affordability that customers expect.

Our efforts were put to the test during FY24, as Arizona experienced the hottest July on record and SRP set a record daily peak power demand of 8,163 megawatts (MW). Despite the challenges, SRP maintained exceptional reliability with minimal disruptions to customers.

In June 2023, the Arizona Corporation Commission approved an amended Certificate

of Environmental Compatibility (CEC) for the Coolidge Expansion Project, an initiative to add flexible, fast-ramping gas-fired generation to Coolidge Generating Station. Approval of the CEC is an important element of SRP's plans to meet unprecedented load growth while maintaining reliability and is critical to the continued integration of renewable resources, including wind, solar and energy storage.

The 575 MW Coolidge Expansion Project will provide enough energy to serve more than 139,000 average-size homes. Like all of SRP's generation facilities, it will comply with all local, state and federal air quality regulations.

The amended CEC was made possible, in part, due to a settlement in which SRP agreed to additional mitigation efforts, including reducing the number of new units from 16 to 12 and providing significant financial support to assist the historic Randolph community. SRP is committed to a wide range of projects that will benefit and support the residents of Randolph and the surrounding area.

EXPANDING RENEWABLE ENERGY OPTIONS

SRP launched a new renewable energy credit (REC) program called REC Select for large and strategic customers in March 2024, expanding our suite of program options that help customers offset their carbon footprint and demonstrate their commitment to clean energy.

SRP engaged external consultants to support the initial scoping, design and development activities for the new program, resulting in the implementation of two REC options and a product that is stackable with SRP's other renewable energy offerings (e.g., SRP Solar Choice Select™ and Strategic Energy Offering).

With this program, SRP handles all back-office details, making it simple for a business to purchase RECs and support clean energy. One

REC represents 1 megawatt-hour (MWh) of renewable energy generated and delivered to the grid. By purchasing RECs, businesses can accelerate and grow the level of carbon-free power delivered by renewable generation. SRP purchases RECs from a third-party supplier, and REC costs are conveniently added to the customer's monthly bill, providing budgeting advantages. Annual reporting that details a business's participation in SRP's renewable energy programs will be provided to participants.

In FY24, SRP added approximately 448 MW of new solar and battery storage resources, including the largest stand-alone battery system in Arizona, the Sierra Estrella Energy Storage facility in Avondale. SRP customers are currently benefiting from more than 2,300 MW of carbon-free energy resources, including over 1,000 MW of solar. SRP also has significantly more solar energy capacity under development, and over 1,100 MW of additional battery storage resources will be online by the end of calendar year 2024.

MAXIMIZING WATER STORAGE

During FY24, SRP moved forward with a proposal to extend the water retention time in Roosevelt Dam's flood control space from 20 to 120 days on a five-year trial period. This initiative was a collaborative effort involving SRP, the U.S. Army Corps of Engineers, the U.S. Bureau of Reclamation and local stakeholders, including cities, tribes and agricultural districts.

This operational change, aimed at maximizing water storage, could have saved approximately 109,000 acre-feet of water last year — enough to support 330,000 households in the Phoenix metro area for a year — in lieu of spilling that water down the Salt River. The project additionally studied the effects of this increased retention time on the dam itself and to downstream areas and was concluded to have no risk to either.

This project is part of a broader strategy to adapt to increased temperature and precipitation fluctuations anticipated in the region. It highlights the importance of efficient water management to help ensure there is enough water for the Valley during times of drought.

In addition to enhanced use of the flood control space at Roosevelt Dam on the Salt River, SRP is working on increasing the storage capacity for the Verde River reservoir system over the next decade. The plan is to capture and use more floodwater runoff in wet periods like we experienced in the winter of 2023. A group of 23 partners, including tribal, agricultural and municipal entities, has committed to support the U.S. Bureau of Reclamation feasibility study of options to modify Bartlett Dam and increase storage capacity to provide a renewable water resource for areas outside of SRP's water service territory.

A STRONG VISION AND GOALS FOR THE FUTURE

In FY24, SRP's Corporate Strategy & Sustainability team led companywide efforts to create a 2050 Vision and update SRP's 2035 Corporate Goals. The team evaluated trends and future scenarios to develop SRP's 2050 Vision, which the Board unanimously approved alongside SRP's mission.

2050 Vision: A secure water and clean energy future empowers Arizona to thrive for generations to come.

Mission: SRP serves our customers and communities by providing reliable, affordable and sustainable water and energy.

The strategic choices that underpin the 2050 Vision were then reflected in updates to the 2035 Corporate Goals, including SRP's aggressive sustainability goals, which were revised through a comprehensive stakeholder engagement process. This included numerous advisory group meetings, open houses, public comment sessions

and regular Board engagement to seek input and feedback throughout.

The full set of updated 2035 Corporate Goals was approved by the Board and established ambitious targets across many of the goals:

- Created stronger carbon emissions reduction goals, including achieving net-zero emissions by 2050
- Increased energy efficiency and electric vehicle adoption goals
- Expanded SRP's forest restoration goal to thin 800,000 acres by 2035

LOOKING AHEAD

This is a critical time for SRP, and for the utility industry in general, as we work to transform the energy grid to become even more interconnected, flexible and able to facilitate multiple sources and directions of power flow. SRP is on the leading edge of the energy transformation, with utilities and communities across the nation watching and learning from how we handle the challenges that everyone is facing.

SRP is doing essential and groundbreaking work that is necessary to meet the ongoing and exponential growth in customer demand for power as we also steadily decarbonize our generation resources. We are committed to accomplishing these initiatives while maintaining reliability and affordability.

Beyond power, it is also important for SRP to continue to reinforce our strong legacy as a leader in water resources both in the Valley and across the state. The region continues to experience the effects of a decades-long drought, and while SRP's watershed is resilient and in good shape, SRP is leading by example to help find solutions that not only secure our water supply for our shareholders and customers but that also create additional resources that may provide options for other communities. This strategic effort is a key part of achieving our vision.

SRP is in a strong position as we move ahead in FY25. Our success is driven by our skilled, dedicated and customer-focused workforce, as together we build a strong power and water future for the Valley.



David Rousseau,
President



Jim Pratt,
General Manager &
Chief Executive Officer

Reviewing Financial Results

RESULTS OF OPERATIONS

Operating revenues were \$4.1 billion for fiscal year 2024 (FY24) and \$4.0 billion for fiscal year 2023 (FY23), an increase of \$124.3 million, or 3.1%. The increase in operating revenues was due to higher retail electric revenues, partially offset by a decrease in wholesale revenues. FY24 retail electric revenues increased \$281.5 million, or 8.8%, to \$3.5 billion, primarily due to higher volumes sold driven by higher average temperatures in FY24 compared to FY23. Wholesale revenues decreased \$155.8 million, or 22.3%, to \$543.9 million compared to FY23. FY24 wholesale revenues included fair value gains of \$21.4 million compared to a \$13.8 million fair value gain in FY23. Excluding the fair value adjustments, FY24 wholesale revenues would have been \$522.4 million compared to \$685.8 million in FY23, a decrease of \$163.4 million, or 23.8%. The decrease is primarily due to significantly lower average sales prices compared to FY23. The total number of customer accounts was 1,158,912 as of April 30, 2024, a 2.0% increase from the previous year.

Operating expenses were \$3.8 billion for FY24 and \$4.3 billion for FY23, a decrease of \$510.2 million, or 11.8%. The decrease in operating expenses was primarily due to lower market prices for purchased power and natural gas. Fuel used in electric generation includes adjustments for the fair value of certain fuel contracts. Excluding the fair value losses of \$79.1 million and \$427.1 million in FY24 and FY23, respectively, fuel used in electric generation expense would have decreased \$199.4 million, or 18.0%.

Investment income (loss), net was net income of \$174.3 million for FY24 compared to net income of \$30.8 million for FY23. Investment income

(loss), net includes fair value gains of \$130.9 million and \$13.1 million for FY24 and FY23, respectively.

Net financing costs were \$162.4 million and \$131.9 million in FY24 and FY23, respectively.

Net revenues for FY24 were \$405.6 million compared to net expenses for FY23 of \$361.5 million. Excluding the effects of the changes in the fair value of fuel and purchased power contracts, wholesale positions and investments, net revenues would have been \$331.9 million and \$39.2 million for FY24 and FY23, respectively.

ENERGY RISK MANAGEMENT PROGRAM

The District's mission to serve its retail customers is the cornerstone of its risk management approach. SRP builds or acquires resources to serve retail customers, not the wholesale market. However, as a summer-peaking utility, there are times during the year when the District's resources and/or reserves are in excess of its retail load, thus giving rise to wholesale activity. The District has an Energy Risk Management Program to limit exposure to risks inherent in retail and wholesale energy business operations by identifying, measuring, reporting and managing exposure to market, credit and operational risks. To meet the goals of the Energy Risk Management Program, SRP uses various physical and financial instruments, including forward contracts, futures, swaps and options. Certain of these transactions are accounted for under Accounting Standards Codification (ASC) 815, "Derivatives and Hedging." For a detailed explanation of the effects of ASC 815 on SRP's financial results, see Note 7 in the notes to the Combined Financial Statements (available at srpnet.com/about/reports).

The Energy Risk Management Program is managed according to a policy approved by the District's Board of Directors (Board) and overseen by a Risk Oversight Committee. The policy covers market, credit and operational risks and includes portfolio strategies, authorizations, value-at-risk limits, stop-loss limits, and notional and duration limits. The Risk Oversight Committee is composed of senior executives. The District maintains an Energy Risk Management Department, separate from the energy marketing area, which regularly reports to the Risk Oversight Committee. SRP believes that its existing risk management structure is appropriate and that risks are properly measured, reported and managed.

ELECTRICITY PRICING

The District has a diversified customer base, with no single retail customer providing more than 4% of its retail electric revenues. The District has implemented projects and programs geared toward enhancing customer satisfaction by offering customers a range of pricing and service options. Moreover, SRP is one of the low-price leaders in the Southwest.

The District is a summer-peaking utility, and it has made an effort to balance the summer-winter load relationships through seasonal price differentials. In addition, SRP offers prices on a time-of-use basis for residential, commercial and industrial customers.

The District's price plans include a base price component and a Fuel and Purchased Power Adjustment Mechanism (FPPAM). Base prices recover costs for generation, transmission, distribution, customer services, metering, meter reading, billing and collections, and system benefits charges that are not otherwise recovered through the FPPAM. The FPPAM was implemented in May 2002 to adjust for increases and decreases in fuel costs, including renewable purchased power agreements.

On September 12, 2022, the Board voted to approve two increases to FPPAM prices: the first

overall 4.7% increase effective November 1, 2022, and the second increase of the same magnitude effective a year later, November 1, 2023. The Board also approved forgoing future collection of \$124 million of the under-collected FPPAM balance, using the District's strong financial position to reduce the need for price increases in the future. On March 28, 2023, the Board voted to approve an additional overall increase through FPPAM rates of 4.9% to the already approved increase of 4.7% effective November 1, 2023, for a total overall price increase of 9.6% compared to current price levels.

CAPITAL IMPROVEMENT PROGRAM

The Capital Improvement Program is driven by the need to sustain the generation, transmission and distribution systems of the District to meet customer electricity needs and to maintain a satisfactory level of service reliability.

FY24 capital spending levels were above original expectations. Generation projects accounted for 29% of the year's expenditures. These projects included the Coolidge Expansion Project, as well as plant modification costs for Gila River, Palo Verde and Santan.

Expansion of the electrical distribution system to meet future growth and to replace aging underground cable accounted for 31% of FY24 capital expenditures. Almost half of the distribution system spending was for New Business projects. The addition of new transmission facilities made up 22% of FY24 capital expenditures. These projects included customer-driven work and land acquisitions as well as transmission line and station additions.

SRP Boards and Councils

Association President and Vice President

David Rousseau,
President

Christopher Dobson,
Vice President

District President and Vice President

David Rousseau,
President

Christopher Dobson,
Vice President

The Association Board

District 1:

Larry D. Rovey

District 6:

Jack M. White Jr.

District 2:

Paul E. Rovey

District 7:

Nicholas R. Brown

District 3:

Mario J. Herrera

District 8:

Randy Miller

District 4:

Leslie C. Williams

District 9:

Robert C. Arnett

District 5:

Stephen H. Williams

District 10:

Mark V. Pace

The District Board

Division 1:

Kevin J. Johnson

Division 2:

Paul E. Rovey

Division 3:

Mario J. Herrera

Division 4:

Leslie C. Williams

Division 5:

Stephen H. Williams

Division 6:

Jack M. White Jr.

Division 7:

Nicholas R. Brown

Division 8:

Randy Miller

Division 9:

Robert C. Arnett

Division 10:

Mark V. Pace

Directors at-large

Seat 11:

Casey Clowes

Seat 12:

Krista H. O'Brien

Seat 13:

Sandra D. Kennedy

Seat 14:

Kathy L. Mohr-Almeida

The Association Council

District 1:

Tyler M. Francis,
Ronald S. Kolb,
Clifford M. Leatherwood

District 2:

Jerry E. Geiger,
T. Suzanne Naylor,
William W. Sheely

District 3:

Aaron M. Herrera,
Richard W. Swier,
Paul A. Van Hofwegen

District 4:

Ian Rakow,
M. Brandon Brooks,
Michael G. Rakow

District 5:

John R. Augustine,
J. Weston Lines,
John R. Shelton

District 6:

Jacqueline L. Miller,
Nicholas J. Vanderwey,
Michael A. Warren

District 7:

Eric L. Gorseigner
Barry E. Pacely
Colleen Resch-Geretti

District 8:

Mark Mulligan,
Mark L. Farmer,
Mark C. Pedersen

District 9:

A. Allen Freeman,
Mark A. Freeman,
Adam S. Hatley

District 10:

Dave B. Lamoreaux,
William P. Schrader Jr.,
William P. Schrader III

The District Council

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Richard W. Swier,
Paul A. Van Hofwegen

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M. Brandon Brooks,
Michael G. Rakow

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Adam S. Hatley

Division 10:

Dave B. Lamoreaux,
William P. Schrader Jr.,
William P. Schrader III

SRP Officers and Executives

Corporate Officers

David Rousseau,
President

Christopher Dobson,
Vice President

John M. Felty,
Corporate Secretary

Jon W. Hubbard,
Treasurer

Executive Management

Jim Pratt,
General Manager &
Chief Executive Officer

Alaina Chabrier,
Associate General
Manager & Chief
Communications Executive

John Coggins,
Associate General
Manager & Chief
Power System Executive

Vanessa Kisicki,
Associate General Manager
& Chief Customer Executive

Brian J. Koch,
Associate General Manager
& Chief Financial Executive

Leslie Meyers,
Associate General Manager
& Chief Water Resources
and Services Executive

Geri Mingura,
Associate General Manager
& Chief Human Resources
Executive

Michael O'Connor,
Associate General Manager
& Chief Legal Executive

Bobby Olsen,
Associate General Manager
& Chief Planning, Strategy
and Sustainability Executive

Rob Taylor,
Associate General
Manager & Chief Public
Affairs and Corporate
Services Executive

Five-Year Operational and Statistical Review

FINANCIAL DATA (\$000)	2024	2023	2022	2021	2020
Total operating revenues	\$ 4,145,895	\$ 4,021,546	\$ 3,565,341	\$ 3,475,507	\$ 3,121,431
Retail electric revenues	3,492,861	3,211,366	2,993,392	2,989,995	2,810,421
Water revenues	25,491	24,019	25,805	22,189	20,823
Other revenues	627,543	786,161	546,144	463,323	290,187
Total operating expenses	3,803,454	4,313,633	2,978,467	3,045,280	3,012,233
Total other income (expense), net	225,494	62,412	(61,629)	283,510	17,299
Net financing costs	162,378	131,855	130,638	136,685	144,263
Net revenues (expenses) for the year	405,557	(361,530)	394,607	577,052	(17,766)
Taxes and tax equivalents	166,397	165,514	177,971	170,610	173,211
Utility plant, gross	19,275,834	18,621,890	17,854,035	17,305,702	16,891,569
Long-term debt	5,470,941	4,950,900	4,560,487	4,744,294	4,621,694
Electric revenue contributions to support water operations	66,633	60,730	56,290	65,202	59,158

For comparative purposes, certain prior-year amounts have been reclassified to conform with the current-year presentation.

SELECTED DATA	2024	2023	2022	2021	2020
Total debt service coverage ratio	3.8	3.4	3.5	4.0	3.8
Debt ratio	46.1	45.2	41.7	44.3	46.2
Total electric sales (million kWh)	41,523	37,401	37,963	41,254	35,204
Peak SRP retail customers (kW)	8,163,000	7,620,000	7,571,000	7,615,000	7,250,000
Water deliveries (acre-feet) (1)	-	765,028	756,780	792,505	795,160
Runoff (acre-feet) (1)	-	1,927,635	575,223	483,055	885,624
Employees at year-end	5,365	5,132	4,844	4,846	4,966
Customers at year-end	1,158,912	1,135,988	1,112,683	1,093,263	1,074,952

(1) Water data is by calendar year, all other data is by fiscal year ending April 30.

FINANCIAL INQUIRIES

JON W. HUBBARD

TREASURER & SENIOR DIRECTOR, FINANCIAL SERVICES
(602) 236-5510

BONDHOLDER INFORMATION

SRP TREASURY DEPARTMENT
(602) 236-2222