



Delivering water and power®

**FIRST QUARTER REPORT**  
MAY 1, 2021–JULY 31, 2021  
FISCAL YEAR 2022

# Message from the President and the General Manager & CEO

David Rousseau  
PRESIDENT

Mike Hummel  
GENERAL MANAGER & CEO

## NEWS AND ACHIEVEMENTS

SRP announced plans to more than double its solar energy commitment and will now add a total of 2,025 megawatts (MW) of utility-scale solar energy to its system by 2025. The move marks significant progress toward the company's 2035 Sustainability Goals and will also help address growing dedicated customer demand for renewable energy. In peak sun, the full 2,025 MW of new solar will power more than 450,000 homes.

The Granite Reef Underground Storage Project (GRUSP) restarted operations after storm damage kept it offline for more than a year. GRUSP stores water for future use in the Phoenix metropolitan area and is one of the largest water-banking facilities in Arizona, as well as one of the largest recharge projects of its kind in the nation. The project was developed through a successful partnership that includes SRP, the Salt River Pima-Maricopa Indian Community and Valley municipalities Chandler, Gilbert, Mesa, Phoenix, Scottsdale and Tempe. All the partners share ownership in GRUSP, which is operated and maintained by SRP. This facility, and the water that has been stored there over the years, is especially important given the extreme drought and looming cutbacks of water from the Colorado River system.

This past spring's runoff into the SRP system was just 102,000 acre-feet, the second-lowest on record. However, reservoir levels entering the year were ample due to a good runoff season in 2020. Consequently, SRP's Salt and Verde water system reservoir levels remain in good shape with adequate supplies despite the ongoing and historic drought throughout the watershed. Colorado River system officials have declared a first ever Tier 1 Water Shortage and plan to cut a portion of the amount of water delivered to the Central Arizona Project beginning next year. Officials say this reduction will primarily affect agricultural water users

at first. Further cuts may be necessary if the historically low levels at Lake Mead and Lake Powell don't improve. SRP's water deliveries will not be impacted.

SRP has been recognized as a City of Tempe Equal Pay Business Partner. To become Equal Pay certified, businesses complete a self-assessment tool to determine if they truly are paying equal wages between genders for equal positions. Those that qualify receive Equal Pay Business Partner status, which gives businesses the opportunity to use the Equal Pay Business Partner logo on their own websites and in hiring materials. SRP will also participate in Tempe's Equal Pay Negotiation Workshops. The salary negotiation training classes will resume late this year and some of SRP's women in leadership will share career experiences and challenges and offer helpful advice to empower other women to achieve their goals.

SRP recently opened its new Technology Innovation Lab located in Scottsdale. The company is using the new facility to consolidate existing lab space into one location. The lab offers SRP employees and contractors the tools and support to study different aspects of utility operations, including telecommunications; distribution integration; distribution operations; protection, automation and control; power delivery engineering; and power delivery technology services. The lab will facilitate the evaluation of new software and hardware solutions before they are fully implemented.

Economic growth in the Valley and Arizona continues at a rapid clip despite the ongoing pandemic. SRP's Economic Development team continues to work with state and local organizations to support projects involving business expansion and relocation, including two recent announcements in SRP service territory:

- Intel announced a \$20 billion investment to develop two new fabrication facilities at their Ocotillo Campus in Chandler. The expansion will add more than 3,000 high-tech, high-wage jobs and indirectly support an additional 15,000 jobs. Three thousand construction jobs will also be created while the fabrication facilities are being built.
- Therapeutic medical device company Anuncia selected Arizona State University's SkySong development in Scottsdale for its new headquarters. The company plans to partner with local colleges and universities to further develop their medical technologies.
- SRP created the Coal Communities Transition Team in partnership with the City of St. Johns, Apache County and nearby impacted communities to help prepare for the closure of Coronado Generating Station (CGS).

TEP is also participating. SRP previously announced it would close the coal-fired power plant no later than 2032 and will reduce its workforce by 40% by 2025. The SRP team includes executives and leaders throughout various departments and is helping to develop economic and workforce plans to help the community move forward after the plant closes.

SRP is the No. 1 large utility in the West for business and residential customer satisfaction according to J.D. Power. At the midpoint of the J.D. Power 2021 Residential Electric Customer Satisfaction study, SRP delivered a midyear Customer Satisfaction Index score of 813, which is highest among the West Large utilities as well as highest among all large utilities (more than 500,000 residential customers). At the midpoint of the J.D. Power 2021 Business Customer Satisfaction Study, SRP achieved an overall Customer Satisfaction Index score of 841.

## FINANCIAL RESULTS

Operating revenues were \$1.2 billion for the first quarter of fiscal year 2022 (FY22) and \$1.1 billion for the first quarter of fiscal year 2021 (FY21), an increase of \$51.3 million, or 4.5%. The increase in operating revenues was primarily due to increased wholesale revenues. Wholesale revenues increased \$51.2 million, or 58.1%, to \$139.2 million compared to the first quarter of FY21. Wholesale revenues for the first quarter of FY22 included a fair value loss of \$3.1 million compared to a \$4.6 million gain for the same period in FY21. Excluding the fair value adjustments, wholesale revenues would have been \$142.3 million and \$83.4 million in the first quarters of FY22 and FY21, respectively, an increase of \$58.9 million or 70.6%. The increase is primarily due to higher average sales prices in the first quarter of FY22 caused by higher regional temperatures and transmission constraints. The total number of customers as of July 31, 2021, was 1,095,093, an increase of 1.7% from July 31, 2020.

Operating expenses were \$887.4 million for the first quarter of FY22 and \$740.8 million for the same period of FY21, an increase of \$146.6 million, or 19.8%, primarily due to a \$113.3 million increase in fuel used in electric generation and power purchased. Fuel used in electric generation and power purchased includes adjustments for the fair value of fuel and power-purchase contracts.

Excluding the fair value gains of \$62.3 million and \$23.3 million in the first quarters of FY22 and FY21, respectively, these expenses would have increased \$152.3 million, or 48.4%, primarily due to higher average market power and natural gas prices. Operations and maintenance expense increased \$26.1 million, and depreciation and amortization expense increased \$4.5 million when compared to the first quarter of FY21.

Investment income, net was \$32.0 million for the first quarter of FY22 compared with \$91.5 million for the same period in FY21. Investment income, net includes fair value gains of \$31.2 million and \$89.8 million in the first quarters of FY22 and FY21, respectively.

Net financing costs were \$33.9 million and \$33.7 million for the first quarters of FY22 and FY21, respectively.

Net revenues for the first quarter of FY22 were \$296.9 million, compared with net revenues of \$444.9 million for the first quarter of FY21. Excluding the effects of the changes in the fair value of fuel and power-purchase contracts, wholesale revenues and investment income, net, net revenues would have been \$206.6 million and \$327.2 million for the first quarters of FY22 and FY21, respectively.

## SRP: WATER AND POWER SUPPLIER TO THE VALLEY

SRP provides reliable, affordable water and power to more than 2 million people living in central Arizona. SRP has operated for more than a century and has helped the Phoenix metropolitan area, known as the Valley, develop into one of the nation's most vibrant regions.

SRP comprises two entities: the Salt River Project Agricultural Improvement and Power District and the Salt River Valley Water Users' Association. As a community-based organization, SRP acts in the best interest of the people it serves and strives to help build a better future for Arizona.

### Service Area

**Water:** 375 square miles  
**Watershed:** 13,000 square miles  
**Power:** 2,800 square miles

### SRP Corporate Offices

1500 N. Mill Ave., Tempe  
 (602) 236-5900 | srpnet.com

### Financial Inquiries

Sue Ann Perkinson,  
 Controller and Senior Director  
 (602) 236-5298

## Water Highlights

### Water Deliveries (acre-feet)

FY22	245,013
FY21	254,876

3 months ended July 31

### Water in Storage (capacity)

2022	68%
2021	89%

As of July 31

## Financial Highlights

### Debt Service Coverage

2021	3.58
2020	4.12

12 months ended July 31

### Debt Ratio

2021	43%
2020	44.1%

As of July 31

### Total Sales (thousand kWh)

FY22	11,676,231
FY21	11,842,752

3 months ended July 31

## SRP Combined Balance Sheets

As of July 31	(In Thousands - Unaudited)	
	FY22	FY21
<b>ASSETS</b>		
Utility Plant, at Original Cost	\$18,211,516	\$17,698,239
Less: Accumulated Depreciation	9,268,849	8,808,386
	8,942,667	8,889,853
Other Property and Investments	2,541,091	1,969,804
<b>CURRENT ASSETS</b>		
Cash and Cash Equivalents	443,251	430,302
Temporary Investments	119,392	132,540
Current Portion, Segregated Funds	82,206	85,087
Receivables, Net	531,076	532,049
Fuel Stocks	101,563	133,044
Materials and Supplies	277,298	245,695
Current Commodity Derivative Assets	90,818	16,975
Other	40,254	35,842
	1,685,858	1,611,534
<b>DEFERRED CHARGES</b>		
Regulatory Assets	1,128,643	1,804,497
Non-Current Commodity Derivative Assets	1,354	9,121
Other Deferred Charges and Other Assets	171,959	152,138
	1,301,956	1,965,756
<b>TOTAL ASSETS</b>	<b>\$14,471,572</b>	<b>\$14,436,947</b>

As of July 31	(In Thousands - Unaudited)	
	FY22	FY21
<b>CAPITALIZATION &amp; LIABILITIES</b>		
<b>CAPITALIZATION</b>		
Accumulated Net Revenues	\$6,266,430	\$5,837,331
Long-Term Debt	4,733,740	4,611,537
	11,000,170	10,448,868
<b>CURRENT LIABILITIES</b>		
Current Portion, Long-Term Debt	102,755	102,110
Other Short-Term Debt	-	100,000
Accounts Payable	228,786	123,931
Accrued Taxes and Tax Equivalents	114,049	108,294
Accrued Interest	22,102	22,707
Customers' Deposits	116,115	107,129
Current Commodity Derivative Liabilities	27,148	22,415
Other	243,510	259,790
	854,465	846,376
<b>DEFERRED CREDITS</b>		
Accrued Post-Retirement Liability	1,296,351	1,923,477
Asset Retirement Obligations	365,660	353,495
Non-Current Commodity Derivative Liabilities	111,385	144,915
Other Deferred Credits and Other Non-Current Liabilities	843,541	719,816
	2,616,937	3,141,703
<b>TOTAL CAPITALIZATION &amp; LIABILITIES</b>	<b>\$14,471,572</b>	<b>\$14,436,947</b>

These unaudited financial statements should be read in conjunction with the 2021 Notes to Combined Financial Statements.

## SRP Combined Statements of Net Revenues

(In Thousands - Unaudited)	3 Months Ended July 31	
	FY22	FY21
<b>OPERATING REVENUES</b>		
Retail Electric	\$1,021,586	\$1,024,928
Water	6,281	4,485
Wholesale	139,187	88,017
Other	21,162	19,507
Total Operating Revenues*	1,188,216	1,136,937
<b>OPERATING EXPENSES</b>		
Power Purchased	240,036	140,069
Fuel Used in Electric Generation*	164,860	151,506
Operations and Maintenance*	278,977	252,909
Depreciation and Amortization	159,664	155,198
Taxes and Tax Equivalents	43,836	41,133
Total Operating Expenses	887,373	740,815
Net Operating Revenues	300,843	396,122
<b>OTHER INCOME</b>		
Investment Income (Loss), Net	32,028	91,532
Other Income (Deductions), Net	(2,094)	(9,120)
Total Other Income (Loss), Net	29,934	82,412
Net Revenues (Expenses) before Financing Costs	330,777	478,534
<b>FINANCING COSTS</b>		
Interest on Bonds	46,353	45,668
Capitalized Interest	(2,484)	(2,984)
Amortization of Bond Discount/Premium and Issuance Expenses	(10,555)	(10,157)
Interest on Other Obligations	546	1,137
Net Financing Costs	33,860	33,664
<b>NET REVENUES</b>	<b>\$296,917</b>	<b>\$444,870</b>

These unaudited financial statements should be read in conjunction with the 2021 Notes to Combined Financial Statements. \*Intercompany transactions eliminated.

## Total Sales - First Quarter FY22

(Percent by kWh; 3 months ended July 31)



## Electric Operating Revenues - First Quarter FY22

(Percent by service class; 3 months ended July 31)

