



Delivering water and power®

SECOND QUARTER REPORT
AUGUST 1, 2021-OCTOBER 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

Coolidge Generating Station Expansion

On Sept. 13, the SRP Board approved management's expansion plan for Coolidge Generating Station.

The project would add 820 megawatts (MW) of capacity produced by 16 natural gas turbines capable of ramping up to full production within 10 minutes. The SRP Board's decision reflects a responsible balance between ensuring reliability in the near term and our unwavering commitment to reducing carbon emissions.

Record-breaking energy demand in Arizona has become the new normal, with increasingly hot summers, major population growth and robust manufacturing growth. At the same time, the West is facing power capacity constraints to meet higher-than-average energy needs, or "peak need," with less opportunity for utilities to share resources when energy demand is at its highest. This situation creates a need for quickly available energy generation to maintain reliability and meet intensifying near-term demand.

The expansion of Coolidge Generating Station will support SRP's ability to meet its aggressive goals of reducing carbon intensity by more than 65% by FY 2035 and by 90% by FY 2050 (from 2005 levels). The added capacity will allow SRP to continue to reliably meet customer demand during periods of high usage, especially on increasingly hot summer days. In turn, that will enable SRP to incorporate a significant increase in solar energy and battery storage, meaning that by 2025 nearly half of all the retail energy SRP delivers will come from zero-carbon resources. SRP has already retired 1,300 MW of coal generation and will retire an additional 1,300 MW by 2032.

SRP has actively engaged the public and is working to obtain the necessary regulatory approvals, including a Certificate of Environmental Compatibility from the Arizona Corporation Commission, and an air permit revision from the Pinal County Air Quality Control District.

Verde River Sedimentation Study

As Arizona and the Southwest continue to deal with the effects of long-term drought, SRP remains intently focused on protecting, conserving and effectively managing our precious water resources. SRP is constantly evaluating ways to maintain and improve its processes.

The long-term accumulation of natural sedimentation in the Verde River basin has significantly reduced the water storage capacity of Horseshoe Reservoir. In fact, nearly one-third of the reservoir's original water capacity has been lost to sedimentation. That volume could provide nearly 135,000 families with the water they need for a year.

SRP partnered with the Bureau of Reclamation on a study to identify options for restoring Horseshoe Reservoir capacity lost to sedimentation. The study included a series of stakeholder meetings to request input from a broad range of expertise and interests and will culminate in a findings report.

Initial recommendations have identified raising Bartlett Dam by either 62 feet or 97 feet and modernizing the 75-plus-year-old reservoir system's infrastructure to mitigate the problem. SRP is currently working with a group of central Arizona water users — including tribal, municipal and agricultural users — to fund further study of the Bartlett Dam modification concepts.

SRP Is a City of Tempe Equal Pay Business Partner

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 whether 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. Salary negotiation training classes will resume late this year and some of SRP's women in leadership will share their career experiences and challenges and offer helpful advice to empower other women to achieve their goals.

SRP: Top Utility for Economic Development

SRP was recently recognized for the second consecutive year as a Top Utility in Economic Development by Site Selection magazine, based on capital investment and job creation activity from corporate facility investment projects last year in our territory. As one of the largest public power utilities in the nation, SRP has been driving economic vitality in the Greater Phoenix area for more than a century. The Economic Development team plays a crucial role by providing prospective commercial customers with bill estimates; reliability reports; electrical infrastructure and water planning information; construction cost and timeline estimates; and rebate details, among other critical resources.

Last fiscal year, the SRP Economic Development team worked on 31 projects, resulting in 6,203 jobs and \$935 million in capital investment. These projects ran across industry sectors, from advanced business services to manufacturing.

SRP's Largest Energy Storage Facility Now Online

Salt River Project has placed into service a 25 MW battery storage facility at its Bolster Substation, which is adjacent to its Agua Fria Generating Station, located in Peoria. This battery system can supply 25 MW of power (enough energy to power about 5,600 typical residential homes) over a four-hour period.

The Bolster battery system consists of a series of Tesla Megapacks that are connected directly to SRP's energy grid and is the largest standalone battery storage system in Arizona. The batteries can be recharged overnight when power is abundant and less expensive and then discharged during peak energy periods to help meet high customer demand.

The storage solution is extremely efficient, making use of renewable energy when there is a surplus. The system's renewable-charging capability will also increase over time as SRP continues to add more solar energy resources to its power grid. This summer SRP announced an expanded commitment to add 2,025 MW of utility-scale solar energy by the year 2025.

SRP also recently contracted for the output from the Sonoran Energy Center, which will be the largest solar-charged battery project in the state, giving SRP one of the largest commitments to energy storage in the nation. SRP has also contracted for an additional large-scale solar and battery storage project called the Storey Energy Center to be built south of Coolidge. Both projects are scheduled to become operational in June 2023.

SRP also receives power and collects data from two pilot battery storage projects. These include the Pinal Central Solar Energy Center, a 20 MW integrated solar energy and battery storage plant in Casa Grande, and the Dorman battery storage system, a 10 MW, 40 megawatt-hour standalone battery storage system in Chandler.

FINANCIAL RESULTS

Operating revenues were \$1.1 billion for the second quarters of both fiscal year 2022 (FY22) and fiscal year 2021 (FY21). In the second quarter of FY22, retail electric revenues decreased \$58.9 million, or 6.1%, to \$909.8 million, primarily due to a decrease in volumes sold to residential customers as a result of milder weather compared to the same period last year. Wholesale revenues increased \$27.9 million, or 21.9%, to \$155.5 million compared to the second quarter of FY21.

Wholesale revenues for the second quarter of FY22 included a fair value gain of \$4.3 million compared to a \$4.0 million loss for the same period in FY21. Excluding the fair value adjustments, wholesale revenues would have been \$151.3 million and \$131.6 million in the second quarters of FY22 and FY21, respectively, an increase of \$19.7 million, or 15.0%. The increase is primarily due to higher regional temperatures and higher average sales prices caused by transmission constraints in the second quarter of FY22. The total number of customers as of Oct. 31, 2021, was 1,104,294, an increase of 1.8% from Oct. 31, 2020.

Operating expenses were \$786.3 million for the second quarter of FY22 and \$772.3 million for the same period of FY21, an increase of \$14.1 million, or 1.8%.

Fuel used in electric generation and power purchased include adjustments for the fair value of fuel and power-purchase contracts. Excluding the fair value gains of \$136.8 million and \$110.5 million in the second quarters of FY22 and FY21, respectively, these expenses would have increased \$31.9 million, or 7.8%, primarily due to higher average natural gas prices.

Investment income, net was \$29.4 million for the second quarter of FY22 compared with \$11.7 million for the same period in FY21. Investment income, net includes fair value gains of \$28.5 million and \$10.3 million in the second quarters of FY22 and FY21, respectively.

Net financing costs were \$35.4 million and \$34.1 million for the second quarters of FY22 and FY21, respectively.

Net revenues for the second quarter of FY22 were \$309.1 million, compared with net revenues of \$319.1 million for the second 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 \$139.6 million and \$202.3 million for the second 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: 2,900 square miles

SRP Corporate Offices

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Financial Inquiries

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Water Highlights

Water Deliveries (acre-feet)

FY22	437,073
FY21	484,631

6 months ended Oct. 31

Water in Storage (capacity)

2022	69%
2021	79%

As of Oct. 31

Financial Highlights

Debt Service Coverage

2021	3.37
2020	4.05

12 months ended Oct. 31

Debt Ratio

2021	41.7%
2020	44.2%

As of Oct. 31

Total Sales (thousand kWh)

FY22	22,606,437
FY21	24,465,699

6 months ended Oct. 31

SRP Combined Balance Sheets

As of October 31	(In Thousands - Unaudited)	
	FY22	FY21
ASSETS		
Utility Plant, at Original Cost	\$18,400,628	\$17,839,193
Less: Accumulated Depreciation	9,409,988	8,943,650
	8,990,640	8,895,543
Other Property and Investments	2,556,282	2,199,412
CURRENT ASSETS		
Cash and Cash Equivalents	687,248	665,092
Temporary Investments	202,878	169,212
Current Portion, Segregated Funds	151,078	156,849
Receivables, Net	380,304	455,215
Fuel Stocks	77,845	118,605
Materials and Supplies	279,924	260,859
Current Commodity Derivative Assets	144,559	63,707
Other	40,794	37,678
	1,964,630	1,927,217
DEFERRED CHARGES		
Regulatory Assets	1,127,197	1,802,295
Non-Current Commodity Derivative Assets	19,534	10,964
Other Deferred Charges and Other Assets	156,089	140,523
	1,302,820	1,953,782
TOTAL ASSETS	\$14,814,372	\$14,975,954

As of October 31	(In Thousands - Unaudited)	
	FY22	FY21
CAPITALIZATION & LIABILITIES		
CAPITALIZATION		
Accumulated Net Revenues and OCI	\$6,575,541	\$6,156,467
Long-Term Debt	4,709,688	4,868,473
	11,285,229	11,024,940
CURRENT LIABILITIES		
Current Portion, Long-Term Debt	102,755	102,110
Accounts Payable	189,846	120,234
Accrued Taxes and Tax Equivalents	130,593	130,924
Accrued Interest	66,098	69,795
Customers' Deposits	119,143	115,153
Current Commodity Derivative Liabilities	124,762	2,040
Other	213,699	250,427
	946,896	790,683
DEFERRED CREDITS		
Accrued Post-Retirement Liability	1,319,495	1,957,565
Asset Retirement Obligations	372,236	355,410
Non-Current Commodity Derivative Liabilities	41,707	106,739
Other Deferred Credits and Other Non-Current Liabilities	848,809	740,617
	2,582,247	3,160,331
TOTAL CAPITALIZATION & LIABILITIES	\$14,814,372	\$14,975,954

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 October 31	
	FY22	FY21
OPERATING REVENUES		
Retail Electric	\$909,845	\$968,737
Water	5,268	4,545
Wholesale	155,527	127,592
Other	21,777	20,756
Total Operating Revenues*	1,092,417	1,121,630
OPERATING EXPENSES		
Power Purchased	210,768	221,122
Fuel Used in Electric Generation*	91,420	75,471
Operations and Maintenance*	281,519	279,096
Depreciation and Amortization	161,860	155,752
Taxes and Tax Equivalents	40,777	40,824
Total Operating Expenses	786,344	772,265
Net Operating Revenues	306,073	349,365
OTHER INCOME		
Investment Income (Loss), Net	29,365	11,743
Other Income (Deductions), Net	9,111	(7,858)
Total Other Income (Loss), Net	38,476	3,885
Net Revenues (Expenses) before Financing Costs	344,549	353,250
FINANCING COSTS		
Interest on Bonds	46,002	45,996
Capitalized Interest	(3,089)	(2,403)
Amortization of Bond Discount/Premium and Issuance Expenses	(7,996)	(10,299)
Interest on Other Obligations	521	820
Net Financing Costs	35,438	34,114
NET REVENUES	\$309,111	\$ 319,136

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

Total Sales - Second Quarter FY22

(Percent by kWh; 6 months ended Oct. 31)



Electric Operating Revenues - Second Quarter FY22

(Percent by service class; 6 months ended Oct. 31)

