



Delivering water and power®

THIRD QUARTER REPORT  
NOV. 1, 2021-JAN. 31, 2022  
FISCAL YEAR 2022

# Message from the President and the General Manager & CEO

David Rousseau  
PRESIDENT

Mike Hummel  
GENERAL MANAGER & CEO

## NEWS AND ACHIEVEMENTS

### Historic energy agreement extended

SRP, the Navajo Tribal Utility Authority (NTUA) and the Navajo Nation agreed to extend a groundbreaking agreement that paved the way for the first-ever large-scale utility solar farm on the Navajo Nation — the Kayenta I facility. The groups also signed a contract for a new 200-megawatt (MW) solar resource on the Navajo Nation called Cameron Solar that is set to be operational by the end of 2023.

SRP's Board of Directors approved a long-term energy and environmental-attribute agreement through March 2038 for the 27 MW Kayenta I portion of the Kayenta Solar generation facility. The full facility includes Kayenta I and II and is a 55 MW renewable energy plant that produces green power on the Navajo Nation. The Kayenta facilities help NTUA supplement their power resource mix and maintain some of the lowest consumer electric rates in the region. The combined Kayenta facilities generate enough energy to power 36,000 Navajo Nation residential homes.

Any excess proceeds from this development will go back into supporting investment in utility infrastructure and electrification, including the Light Up Navajo initiative, a joint program between NTUA and the American Public Power Association dedicated to the electrification of homes on the Navajo Nation and the creation of a better future for local communities.

### New solar, wind and battery resources

SRP has contracted with a subsidiary of NextEra Energy Resources for new solar, wind and battery storage resources.

- SRP will purchase the energy from a 161 MW wind resource, Babbitt Ranch Energy Center, to be built in Coconino County north of Flagstaff. The facility is scheduled to go online by December 2023 and will produce enough energy to power about 40,000 typical residential homes. SRP was the first utility in Arizona to add wind power to its energy resource mix and still receives all energy output from the 127 MW [Dry Lake Wind Power Project](#), which was the first large-scale wind power facility built in the state.
- SRP's commitment also calls for the addition of a 100 MW battery storage system to the existing 100 MW solar plant, Saint Solar, located in Coolidge, which is currently serving SRP customers. The battery is expected to be operational in June 2023 and will store four hours of clean, renewable energy. The Saint Solar plant is owned and operated by a subsidiary of NextEra Energy Resources. SRP selected the plant for the first phase of its Sustainable Energy Offering, through which SRP delivers solar energy to 11 of its [largest business customers](#), giving them the ability to lower their overall carbon emissions by receiving a portion of their energy from the sun. The addition of battery storage at the Saint Solar plant will not reduce the amount of solar energy those customers receive.

SRP's total commitment to battery storage will reach nearly 500 MW by 2023 — one of the largest investments in batteries in the United States.

### ACC approves SRP transmission project

In December 2021, the Arizona Corporation Commission unanimously approved a Certificate of Environmental Compatibility for the High-Tech Interconnection Project (HIP), a proposed transmission project that will provide reliable power to the recently announced expansion of Intel Corporation's Ocotillo (Chandler) campus. The \$20 billion Intel expansion is reported to be the largest private investment in Arizona history and will be a major economic boost for Chandler, the region and the state, providing thousands of new high-paying jobs. Construction began in January 2022 on a new 230 kV substation on Intel's campus, as well as new 230 kV transmission lines connecting the campus to two existing substations.

### SRP announces program for customers interested in supporting clean energy in Arizona

SRP has launched a new program for residential and small business customers interested in supporting large-scale solar energy growth called SRP Solar Choice™. Customers enrolled in [SRP Solar Choice](#) can choose to offset half or all of their energy use with clean solar power energy by paying as little as half a cent per kilowatt-hour (kWh) on top of their current monthly price plan with SRP. The program offsets the monthly energy use from enrolled customers' homes or businesses with clean energy from SRP's [growing portfolio of utility-scale solar plants](#) around the state, supports lowering Arizona's carbon emissions, and grows local demand for renewable energy.

### Creating a carbon-neutral Arizona

A new research collaboration between Arizona State University and SRP has identified new insights into the significant decisions that lie ahead in determining how to cut CO<sub>2</sub> emissions throughout the state. The results are outlined in a report, titled "[Pathways to a Carbon Neutral Arizona Economy](#)," which highlights the broad benefits the state will reap from decarbonization — new investments in clean energy infrastructure, new economic opportunities in electric vehicle manufacturing, and a cleaner environment. Four potential pathways to decarbonization emerged, each with important implications for the state of Arizona:

- **Electrifying the economy.** The state could rely extensively on electricity to power its residential, commercial and industrial sectors.
- **Using new technologies to capture, recycle, reuse and possibly store CO<sub>2</sub> in permanent storage facilities.** This option may allow a few critical sectors of the economy to continue to use carbon fuels while simultaneously tackling climate change.
- **Building a hydrogen economy by using H<sub>2</sub> to replace fossil fuels for energy.** This would require the development and deployment of new technologies to transport, store and use hydrogen.
- **Focusing on populations that may be left behind during the transition to a carbon-neutral economy.** For example, low-income communities, businesses and households may face difficult financial hurdles to acquiring clean energy technologies.

### SRP No. 1 in Reliability and Customer Satisfaction

SRP ranked first in the nation for reliability for the year 2020 among all electric utilities with over 500,000 customers according to the U.S. Energy Information Administration (EIA). EIA is a governmental entity under the U.S. Department of Energy that gathers distribution reliability data from utilities across the country and manages the benchmarking process and the ratings. The previous year, SRP came in third in the same category.

SRP is also first in customer satisfaction for business electric service among large electricity providers in the West Region for the seventh time in the last 10 years, according to J.D. Power and Associates. According to the J.D. Power 2021 Electric Utility Business Customer Satisfaction Study, business electric customers gave SRP a Customer Satisfaction score of 839 on a 1,000-point scale — that's a 30-point gain from 2020. SRP scored highest among large electric providers in the West in all six customer satisfaction factors: Power Quality and Reliability, Price, Billing and Payment, Corporate Citizenship, Communications, and Customer Service. SRP's top ranking in the West Large region in the 2021 J.D. Power business study marks its 48th award in the 23 years that J.D. Power has surveyed SRP's residential and business customers.

## FINANCIAL RESULTS

Operating revenues were \$650.4 million for the third quarter of fiscal year 2022 (FY22) and \$612.5 million for the third quarter of fiscal year 2021 (FY21), an increase of \$37.9 million, or 6.2%. The increase in operating revenues was primarily due to increased retail electric and wholesale revenues. Retail electric revenues increased \$19.3 million, or 3.8%, to \$520.7 million, and wholesale revenues increased \$15.9 million, or 19.1%. Wholesale revenues for the third quarter of FY22 included a fair value loss of \$1.0 million compared to a \$4.9 million loss for the same period in FY21. Excluding the fair value adjustments, wholesale revenues would have been \$100.2 million and \$88.2 million in the third quarters of FY22 and FY21, respectively, an increase of \$11.9 million, or 13.5%. The increase is primarily due to increased volumes sold and higher average sales prices caused by higher regional temperatures in the third quarter of FY22. The total number of customers as of Jan. 31, 2022, was 1,114,390, an increase of 2.0% from Jan. 31, 2021.

Operating expenses were \$824.7 million for the third quarter of FY22 and \$819.5 million for the same period of FY21, an increase of \$5.2 million, or 0.6%. Fuel used in electric generation and power purchased include

adjustments for the fair value of fuel and power-purchase contracts. Excluding the fair value losses of \$55.0 million and \$74.9 million in the third quarters of FY22 and FY21, respectively, these expenses would have increased \$25.1 million, or 3.4%, primarily due to higher average natural gas prices.

Investment income (loss), net was a \$21.0 million loss for the third quarter of FY22 compared to income of \$132.2 million for the same period in FY21. Investment income (loss), net includes a fair value loss of \$21.8 million in the third quarter of FY22 and a fair value gain of \$131.2 million in the third quarter of FY21.

Net financing costs were \$30.9 million and \$34.3 million for the third quarters of FY22 and FY21, respectively.

Net loss for the third quarter of FY22 was \$226.3 million, compared with a net loss of \$119.2 million for the third quarter of FY21. Excluding the effects of the changes in the fair value of fuel and power-purchase contracts, wholesale revenues and investment income (loss), net, net losses would have been \$148.6 million and \$170.6 million for the third 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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Controller and Senior Director

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## Water Highlights

### Water Deliveries (acre-feet)



9 months ended Jan. 31

### Water in Storage (capacity)



As of Jan. 31

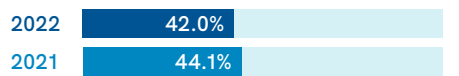
## Financial Highlights

### Debt Service Coverage



12 months ended Jan. 31

### Debt Ratio



As of Jan. 31

### Total Sales (thousand kWh)



Nine months ended Jan. 31

## SRP Combined Balance Sheets

As of Jan. 31	(In Thousands - Unaudited)	
	FY22	FY21
<b>ASSETS</b>		
Utility Plant, at Original Cost	\$18,558,327	\$17,914,805
Less: Accumulated Depreciation	9,515,397	9,028,314
	9,042,930	8,886,491
Other Property and Investments	2,508,034	2,366,417
<b>CURRENT ASSETS</b>		
Cash and Cash Equivalents	514,301	537,809
Temporary Investments	196,258	172,962
Current Portion, Segregated Funds	27,770	28,332
Receivables, Net	273,479	337,171
Fuel Stocks	68,371	134,189
Materials and Supplies	279,551	263,089
Current Commodity Derivative Assets	132,742	27,042
Other	36,289	37,681
	1,528,761	1,538,275
<b>DEFERRED CHARGES AND OTHER ASSETS</b>		
Regulatory Assets	1,124,793	1,800,092
Non-Current Commodity Derivative Assets	5,936	2,480
Other Deferred Charges and Other Assets	147,854	125,826
	1,278,583	1,928,398
<b>TOTAL ASSETS</b>	<b>\$14,358,308</b>	<b>\$14,719,581</b>

As of Jan. 31	(In Thousands - Unaudited)	
	FY22	FY21
<b>CAPITALIZATION &amp; LIABILITIES</b>		
<b>CAPITALIZATION</b>		
Accumulated Net Revenues and OCI	\$6,349,244	\$6,037,238
Long-Term Debt	4,589,213	4,754,825
	10,938,457	10,792,063
<b>CURRENT LIABILITIES</b>		
Current Portion, Long-Term Debt	108,910	102,755
Accounts Payable	183,180	112,030
Accrued Taxes and Tax Equivalents	94,211	89,947
Accrued Interest	19,772	22,961
Customers' Deposits	123,880	115,855
Current Commodity Derivative Liabilities	20,625	14,035
Other	205,056	200,933
	755,634	658,516
<b>DEFERRED CREDITS</b>		
Accrued Post-Retirement Liability	1,343,049	1,989,705
Asset Retirement Obligations	372,474	354,996
Non-Current Commodity Derivative Liabilities	75,036	129,088
Other Deferred Credits and Other Non-Current Liabilities	873,658	795,213
	2,664,217	3,269,002
<b>TOTAL CAPITALIZATION &amp; LIABILITIES</b>	<b>\$14,358,308</b>	<b>\$14,719,581</b>

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

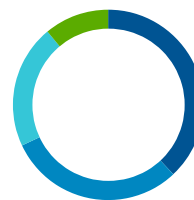
## SRP Combined Statements of Net Revenues

(In Thousands - Unaudited)	3 Months Ended Jan. 31	
	FY22	FY21
<b>OPERATING REVENUES</b>		
Retail Electric	\$520,726	\$501,451
Water	10,430	8,842
Wholesale	99,212	83,338
Other	20,038	18,898
Total Operating Revenues*	650,406	612,529
<b>OPERATING EXPENSES</b>		
Power Purchased	114,056	120,195
Fuel Used in Electric Generation*	214,763	197,249
Operations and Maintenance*	289,125	303,423
Depreciation and Amortization	161,972	156,250
Taxes and Tax Equivalents	44,803	42,401
Total Operating Expenses	824,719	819,518
Net Operating Revenues	(174,313)	(206,989)
<b>OTHER INCOME</b>		
Investment Income (Loss), Net	(20,960)	132,241
Other Income (Deductions), Net	(139)	(10,157)
Total Other Income (Loss), Net	(21,099)	122,084
Net Revenues (Expenses) before Financing Costs	(195,412)	(84,905)
<b>FINANCING COSTS</b>		
Interest on Bonds	45,210	47,017
Capitalized Interest	(3,386)	(2,444)
Amortization of Bond Discount/Premium and Issuance Expenses	(11,565)	(10,893)
Interest on Other Obligations	626	644
Net Financing Costs	30,885	34,324
<b>NET REVENUES</b>	<b>\$(226,297)</b>	<b>\$(119,229)</b>

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

## TOTAL SALES - THIRD QUARTER FY22

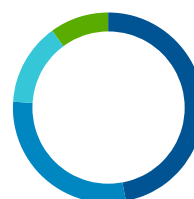
(Percent by kWh; nine months ended Jan. 31)



RESIDENTIAL .....	38%
COMMERCIAL .....	30%
WHOLESALE .....	21%
LARGE INDUSTRIAL/MINES/OTHER .....	11%

## ELECTRIC OPERATING REVENUES - THIRD QUARTER FY22

(Percent by service class; nine months ended Jan. 31)



RESIDENTIAL .....	47%
COMMERCIAL .....	29%
WHOLESALE .....	14%
LARGE INDUSTRIAL/MINES/OTHER .....	10%