



Delivering water and power®

FIRST QUARTER REPORT
MAY 1, 2022–JULY 31, 2022
FISCAL YEAR 2023

Message from the President and the General Manager & CEO

David Rousseau
PRESIDENT

Mike Hummel
GENERAL MANAGER & CEO

NEWS AND ACHIEVEMENTS

Record peak energy demand

Peak energy demand continues to increase for SRP. On July 12, SRP set a record high peak demand of 7,620 megawatts, surpassing the previous record set in July 2021. One megawatt is enough energy to power about 225 average homes. Peak demand is driven by several factors, including a series of extreme daytime temperatures, higher overnight temperatures and the continued increase in the number of SRP electric customers. The high temperature on July 12 was 115 F.

EV adoption increasing

SRP surpassed its goal to have 23,000 electric vehicles (EVs) within its service territory by the end of April 2022, with a total of more than 29,200 EVs leased or purchased. This represents a 40% increase from the previous year and demonstrates significant progress toward SRP's goal of enabling 500,000 EVs in its service territory by 2035. The rapid pace of EV adoption is expected to continue due to recently passed federal tax credits, continued customer rebate programs and the significant expansion of charging resources.

SRP recognized for transparency

In July, SRP was awarded Climate Registered™ Platinum Status for the 2020 reporting year by the Climate Registry, North America's largest voluntary registry for greenhouse gas (GHG) emissions.

SRP earned this recognition by setting and disclosing a public GHG reduction goal as well as a public base year, in addition to publicly reporting a third-party verified emissions inventory for its operations. SRP is the first electric utility in the U.S. to earn Platinum Status for its 2020 reporting year emissions inventory.

- In 2019, SRP's publicly elected Board of Directors approved enhanced 2035 Sustainability Goals that include a commitment to reducing carbon intensity by more than 65% by 2035 and by 90% in 2050 from 2005 levels. Public disclosure of its carbon emissions and inventory verification on an annual basis through the Climate Registry adds an important layer of distinction and transparency to SRP's efforts toward its reduction targets.

Developing a carbon neutral economy

SRP is joining with other Arizona energy providers and the state's three public universities to form a new coalition with the goal of attaining a carbon neutral state economy. Experts from SRP, Arizona Public Service, Tucson Electric Power and Southwest Gas, and from Arizona State University, the University of Arizona and Northern Arizona University, will play a crucial leadership role in developing a statewide strategy for deep decarbonization — approaching carbon neutrality for the economy. The coalition will focus on identifying solutions to address climate change and sustain Arizona's thriving economy in a carbon neutral future.

Protecting forests, reducing fire risk

SRP is joining with local, state and federal agencies to address the risks from unhealthy forests across parts of Arizona. Strategic forest thinning projects are currently underway on the Tonto National Forest on the Salt and Verde River watersheds and on the East Clear Creek watershed. Thinning overgrown forests will help reduce the threat of catastrophic wildfire and protect nearby communities and wildlife habitats. In addition, thinning helps to protect the watersheds and nearby infrastructure that provide water to the Phoenix metropolitan area. The initiative is also part of the U.S. Department of Agriculture's 10-year strategy aimed at addressing the wildfire crisis by partnering with key stakeholders to treat critical forest lands. Project participants also include the U.S. Forest Service, the Arizona Department of Forestry and Fire Management, and the Town of Payson.

SRP is implementing a Smoke Detector Pilot Project to provide an early warning system for wildfires that may occur near transmission line towers on the Tonto and Apache-Sitgreaves national forests. The groundbreaking project, which is designed to improve wildfire preparedness and to protect a portion of the Valley's watershed, is the first of its kind in Arizona. The project utilizes smoke detectors and cameras to capture physical changes on the utility's 500-kilovolt transmission towers that transmit energy to the Valley from power plants located in eastern Arizona. The cameras have the ability to learn the surrounding environment, report changes and provide alerts when identifying smoke from wildfires or changes to structures, including downed power lines, downed towers or damaged equipment.

Bringing power to the Navajo Nation

Fifty-six families on Arizona's Navajo Nation now have electricity powering their homes for the very first time thanks to the hard work of SRP linemen. Crews spent four weeks working on the Navajo Nation in northeastern Arizona. SRP was one of 14 volunteer utilities from 10 states across the U.S. that participated

in the Light Up Navajo electrification project led by the American Public Power Association and Navajo Tribal Utility Authority to provide electricity to families who have never before had power. SRP linemen helped to construct about 12 miles of distribution lines, set 193 poles, strung 13 miles of overhead wire and worked 4,500 donated hours. It marks the second time SRP line workers, based out of the Tempe Service Center, volunteered to participate in Light Up Navajo.

Rural broadband initiative

SRP helped to secure a critical \$9.7 million state grant to improve broadband service for rural communities in northeastern Arizona. The funding will benefit communities including St. Johns, where SRP owns and operates the coal-fired Coronado Generating Station; Springerville, where Tucson Electric Power (TEP) operates the coal-fired Springerville Generating Station; and Eagar. SRP and TEP each provided \$300,000 and jointly funded an economic study that looked at how high-speed broadband will help improve the region with new jobs, tax revenue and more. Securing reliable, high-speed broadband will support the local economy and help the area be competitive in a digital environment as they transition away from coal.

SRP's new water executive

In July, Leslie Meyers joined SRP as the new Associate General Manager of Water Resources and Chief Water Executive. Meyers has more than 30 years of water resources management experience in Arizona and the Southwest, most recently with the Bureau of Reclamation. Throughout her career, she has worked on strategic initiative planning and implementation with federal and state-level organizations, tribes, irrigation districts, local governments, non-governmental organizations and others. Meyers succeeds Dave Roberts who will retire after 36 years with SRP.

FINANCIAL RESULTS

Operating revenues were \$1.2 billion for the first quarters of both fiscal year 2023 (FY23) and fiscal year 2022 (FY22). In the first quarter of FY23, retail electric revenues increased \$58.8 million, or 5.8%, to \$1.1 billion, primarily due to increased volumes sold to residential and commercial customers. However, that increase was partially offset by a decrease in wholesale revenues of \$20.9 million, or 15.0%, to \$118.3 million. Wholesale revenues for the first quarter of FY23 included a fair value gain of \$9.7 million compared to a \$3.1 million loss for the same period in FY22. Excluding the fair value adjustments, wholesale revenues would have been \$108.6 million and \$142.3 million in the first quarters of FY23 and FY22, respectively, a decrease of \$33.7 million, or 23.7%. The decrease is primarily due to decreased volumes sold in the first quarter of FY23. The total number of customers as of July 31, 2022, was 1,115,794, an increase of 1.9% from July 31, 2021.

Operating expenses were \$896.8 million for the first quarter of FY23 and \$887.4 million for the same period of FY22, an increase of \$9.4 million, or 1.1%. 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 \$45.2 million and \$62.3 million in the first quarters of FY23 and FY22, respectively, these expenses would have decreased \$7.7 million, or 0.7%.

Investment income (loss), net was a \$10.1 million loss for the first quarter of FY23 compared to income of \$32.0 million for the same period in FY22. Investment income (loss), net includes a fair value loss of \$11.8 million in the first quarter of FY23 and a fair value gain of \$31.2 million in the first quarter of FY22.

Net financing costs were \$29.8 million and \$33.9 million for the first quarters of FY23 and FY22, respectively.

Net revenues for the first quarter of FY23 were \$298.1 million, compared with net revenues of \$296.9 million for the first quarter of FY22. Excluding the effects of the changes in the fair value of fuel and power-purchase contracts, wholesale revenues and investment income (loss), net, net revenues would have been \$255.0 million and \$206.6 million for the first quarters of FY23 and FY22, 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)



3 months ended July 31

Water in Storage (capacity)



As of July 31

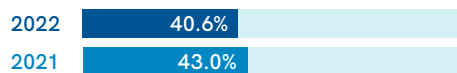
Financial Highlights

Debt Service Coverage



12 months ended July 31

Debt Ratio



As of July 31

Total Sales (kWh)



3 months ended July 31

SRP Combined Balance Sheets

As of July 31 (In Thousands - Unaudited)

ASSETS	FY23	FY22
Utility Plant, at Original Cost	\$18,790,529	\$18,211,516
Less: Accumulated Depreciation	9,748,086	9,268,849
	9,042,443	8,942,667
Other Property and Investments	2,230,004	2,541,091
CURRENT ASSETS		
Cash and Cash Equivalents	516,692	443,251
Temporary Investments	232,425	119,392
Current Portion, Segregated Funds	82,735	82,206
Receivables, Net	559,366	531,076
Fuel Stocks	85,959	101,563
Materials and Supplies	301,276	277,298
Current Commodity Derivative Assets	259,355	90,818
Other	42,304	40,254
	2,080,112	1,685,858
DEFERRED CHARGES AND OTHER ASSETS		
Regulatory Assets	675,663	1,128,643
Non-Current Commodity Derivative Assets	174,131	1,354
Other Deferred Charges and Other Assets	216,196	171,959
	1,065,990	1,301,956
TOTAL ASSETS	\$14,418,549	\$14,471,572

As of July 31 (In Thousands - Unaudited)

CAPITALIZATION & LIABILITIES	FY23	FY22
CAPITALIZATION		
Accumulated Net Revenues	\$6,662,199	\$6,266,430
Long-Term Debt	4,545,264	4,733,740
	11,207,463	11,000,170
CURRENT LIABILITIES		
Current Portion, Long-Term Debt	108,910	102,755
Accounts Payable	253,325	228,786
Accrued Taxes and Tax Equivalents	118,413	114,049
Accrued Interest	18,482	22,102
Customers' Deposits	130,557	116,115
Current Commodity Derivative Liabilities	337,374	27,148
Other	257,036	243,510
	1,224,097	854,465
DEFERRED CREDITS		
Accrued Post-Retirement Liability	855,302	1,296,351
Asset Retirement Obligations	373,112	365,660
Non-Current Commodity Derivative Liabilities	10,242	111,385
Other Deferred Credits and Other Non-Current Liabilities	748,333	843,541
	1,986,989	2,616,937
TOTAL CAPITALIZATION & LIABILITIES	\$14,418,549	\$14,471,572

These unaudited financial statements should be read in conjunction with the 2022 Notes to Combined Financial Statements.

SRP Combined Statements of Net Revenues

(In Thousands - Unaudited)	3 Months Ended July 31	
	FY23	FY22
OPERATING REVENUES		
Retail Electric	\$1,080,381	\$1,021,586
Water	5,610	6,281
Wholesale	118,276	139,187
Other	24,351	21,162
Total Operating Revenues*	1,228,618	1,188,216
OPERATING EXPENSES		
Power Purchased	220,839	240,036
Fuel Used in Electric Generation*	204,274	164,860
Operations and Maintenance*	262,683	278,977
Depreciation and Amortization	166,142	159,664
Taxes and Tax Equivalents	42,815	43,836
Total Operating Expenses	896,753	887,373
Net Operating Revenues	331,865	300,843
OTHER INCOME		
Investment Income (Loss), Net	(10,097)	32,028
Other Income (Loss), Net	6,081	(2,094)
Total Other Income (Loss), Net	(4,016)	29,934
Net Revenues (Expenses) before Financing Costs	327,849	330,777
FINANCING COSTS		
Interest on Bonds	43,994	46,353
Capitalized Interest	(4,239)	(2,484)
Amortization of Bond Discount/Premium and Issuance Expenses	(11,689)	(10,555)
Interest on Other Obligations	1,704	546
Net Financing Costs	29,770	33,860
NET REVENUES	\$298,079	\$296,917

These unaudited financial statements should be read in conjunction with the 2022 Notes to Combined Financial Statements. *Intercompany transactions eliminated.

TOTAL SALES - THIRD QUARTER FY23

(Percent by kWh; three months ended July 31)



ELECTRIC OPERATING REVENUES - THIRD QUARTER FY23

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

