



Delivering water and power®

SECOND QUARTER REPORT
AUGUST 1, 2022-OCTOBER 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

SRP recognized for COVID-19 response

The Arizona Public Health Association (AZPHA) recognized SRP with its 2022 Corporate Public Health Service Award. SRP was selected for its quality response during the COVID-19 pandemic, both for the protection of staff and the community. The AZPHA recognizes individuals or organizations that have made an outstanding contribution to public health in Arizona.

SRP to add 340 MW of additional battery storage

SRP plans to bring online two grid-charged battery storage systems with a total combined output of 340 megawatts (MW) by early summer 2024. This is enough energy to power more than 76,000 average-sized residential homes over a four-hour period.

SRP selected these two projects from its most recent all-source request for proposals (RFP) process. Both will be owned and operated by a subsidiary of Plus Power. The first project, called Sierra Estrella, will be a 250 MW four-hour battery storage system located in Avondale. The second, called Superstition, will be a 90 MW four-hour battery storage system located in Gilbert.

With these two new battery projects, SRP's total commitment to battery storage will surpass 800 MW by 2024, which is enough to power more than 180,000 average-sized homes over a four-hour period and represents over 10% of SRP's anticipated peak-hour electricity demand from customers in 2024. This is among the largest utility-scale battery investments in the Western U.S.

These additions to SRP's generation mix also ensure that we are on track to produce nearly 50% of all energy delivered to customers from carbon-free resources by 2025.

ACC approves SRP revenue bond authority

The Arizona Corporation Commission (ACC) unanimously voted to approve SRP's authority to issue new revenue bonds not exceeding \$1.8 billion to support SRP's six-year capital plan, and refund revenue bonds not exceeding \$3 billion to refinance existing debt to lower borrowing costs for SRP. These actions are part of SRP's comprehensive plan to keep customer prices low while continuing to fund the capital projects necessary to meet growing customer demand and maintain the reliability of the energy grid.

- The new authorization for revenue bonds and refunding revenue bonds will help SRP finance the addition of needed new generation capacity, transmission and distribution improvements to help meet SRP's 2035 sustainability commitments and replace aging infrastructure.
- SRP's publicly elected Board of Directors unanimously approved this measure in February 2022, and state law requires that SRP receive authorization from the ACC to issue revenue bonds.

SRP Board approves 2022 and 2023 fuel and purchased power increases

As the costs of fuel and purchasing power continue to rise, the SRP Board of Directors voted to approve an increase to the annual Fuel and Purchased Power Adjustment Mechanism (FPPAM). The increase took effect in November and will be increased by the same amount again in November 2023.

While impacts will vary based on customer price plans and seasonal usage, this means a typical residential monthly bill will increase an average \$5.58 this year and again in November 2023. To minimize the financial impacts to customers, the Board voted not to collect from customers \$124 million of the existing under-collected balance of fuel costs.

SRP passes fuel costs directly to customers without any markup. The FPPAM increases are primarily being driven by the higher cost of natural gas used to operate generating stations and summer power purchases to meet increasing demand.

SRP General Manager and CEO Mike Hummel to retire in 2023

After 41 years at SRP, including nearly five years in the top job, Mike Hummel announced that he plans to retire in May 2023.

Under Hummel's leadership, SRP implemented an industry-leading sustainability plan and has taken aggressive steps toward decarbonizing its power system while maintaining reliability and affordability. In addition, with his strategic guidance, SRP continued to innovate new ways to uphold a resilient water supply for the Valley.

The SRP Board will select the company's next GM and CEO and is reviewing candidates with support from executive search firm Korn Ferry. The Board expects to identify Hummel's replacement before he retires in May.

SRP announces Leslie Meyers as new Chief Water Executive

Leslie Meyers joined SRP in July as the company's new Chief Water Executive and Associate General Manager of Water Resources. She has more than 30 years of experience in water resources management in Arizona and the Southwest, most recently with the Bureau of Reclamation. Throughout her career, Meyers has worked on strategic initiative planning and implementation with organizations at the state and federal levels, tribes, irrigation districts, local governments, nongovernmental organizations and others.

Meyers succeeds Dave Roberts who retired after 36 years with SRP. Roberts helped lead the company's success in serving water shareholders and customers, managing water resources and developing effective partnerships to address the key water issues facing Arizona.

FINANCIAL RESULTS

Operating revenues were \$1.2 billion for the second quarter of fiscal year 2023 (FY23) and \$1.1 billion for the second quarter of fiscal year 2022 (FY22), an increase of \$126.8 million, or 11.6%. The increase in operating revenues was primarily due to increased retail electric and wholesale revenues. Retail electric revenues increased \$69.8 million, or 7.7%, to \$979.6 million, primarily due to warmer weather that led to an increase in volumes sold to residential and commercial customers when compared to the same period last year. Wholesale revenues increased \$56.8 million, or 36.5%, to \$212.3 million. Wholesale revenues for the second quarter of FY23 included a fair value gain of \$2.1 million compared to a \$4.3 million gain for the same period in FY22. Excluding the fair value adjustments, wholesale revenues would have been \$210.2 million and \$151.3 million in the second quarters of FY23 and FY22, respectively, an increase of \$58.9 million, or 38.9%. The increase is primarily due to higher average sales prices caused by higher regional temperatures in the second quarter of FY23. The total number of customers as of Oct. 31, 2022, was 1,125,716, an increase of 1.9% from Oct. 31, 2021.

Operating expenses were \$1.3 billion for the second quarter of FY23 and \$786.3 million for the same period of FY22, an increase of \$522.8 million, or 66.5%. Fuel used in electric generation and power purchased includes adjustments for the fair value of fuel and power-purchase contracts. Excluding the fair value loss of \$308.8 million and fair value gain of \$136.8 million in the second quarters of FY23 and FY22, respectively, these expenses would have increased \$77.2 million, or 18.0%, primarily due to higher average natural gas prices.

Investment income (loss), net was a \$68.7 million loss for the second quarter of FY23 compared to income of \$29.4 million for the same period in FY22. Investment income (loss), net includes a fair value loss of \$72.2 million in the second quarter of FY23 and a fair value gain of \$28.5 million in the second quarter of FY22.

Net financing costs were \$32.8 million and \$35.4 million for the second quarters of FY23 and FY22, respectively.

Net loss for the second quarter of FY23 was \$179.8 million, compared with net revenues of \$309.1 million for the second quarter of FY22. Excluding the effects of the changes in the fair value of wholesale revenues, fuel and power-purchase contracts and investment income (loss), net, net revenues would have been \$199.1 million and \$139.6 million for the second 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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Controller and Senior Director

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Water Highlights

Water Deliveries (acre-feet)



6 months ended Oct. 31

Water in Storage (capacity)



As of Oct. 31

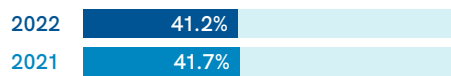
Financial Highlights

Debt Service Coverage



12 months ended Oct. 31

Debt Ratio



As of Oct. 31

Total Sales (kWh)



3 months ended Oct. 31

SRP Combined Balance Sheets

As of Oct. 31	(In Thousands - Unaudited)	
	FY23	FY22
ASSETS		
Utility Plant, at Original Cost	\$18,969,427	\$18,400,628
Less: Accumulated Depreciation	9,885,134	9,409,988
	9,084,293	8,990,640
Other Property and Investments	2,055,043	2,556,282
CURRENT ASSETS		
Cash and Cash Equivalents	456,286	687,248
Temporary Investments	293,893	202,878
Current Portion, Segregated Funds	155,916	151,078
Receivables, Net	440,765	380,304
Fuel Stocks	69,702	77,845
Materials and Supplies	326,911	279,924
Current Commodity Derivative Assets	34,833	144,559
Other	44,852	40,794
	1,823,158	1,964,630
DEFERRED CHARGES AND OTHER ASSETS		
Regulatory Assets	673,979	1,127,197
Non-Current Commodity Derivative Assets	100,438	19,534
Other Deferred Charges and Other Assets	214,043	156,089
	988,460	1,302,820
TOTAL ASSETS	\$13,950,954	\$14,814,372

As of Oct. 31	(In Thousands - Unaudited)	
	FY23	FY22
CAPITALIZATION & LIABILITIES		
CAPITALIZATION		
Accumulated Net Revenues	\$6,482,379	\$6,575,541
Long-Term Debt	4,533,480	4,709,688
	11,015,859	11,285,229
CURRENT LIABILITIES		
Current Portion, Long-Term Debt	108,910	102,755
Accounts Payable	236,062	189,846
Accrued Taxes and Tax Equivalents	129,533	130,593
Accrued Interest	64,415	66,098
Customers' Deposits	128,883	119,143
Current Commodity Derivative Liabilities	92,854	124,762
Other	220,959	213,699
	981,616	946,896
DEFERRED CREDITS		
Accrued Post-Retirement Liability	862,027	1,319,495
Asset Retirement Obligations	374,845	372,236
Non-Current Commodity Derivative Liabilities	7,515	41,707
Other Deferred Credits and Other Non-Current Liabilities	709,092	848,809
	1,953,479	2,582,247
TOTAL CAPITALIZATION & LIABILITIES	\$13,950,954	\$14,814,372

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 Oct. 31	
	FY23	FY22
OPERATING REVENUES		
Retail Electric	\$979,648	\$909,845
Water	3,408	5,268
Wholesale	212,287	155,527
Other	23,922	21,777
Total Operating Revenues*	1,219,265	1,092,417
OPERATING EXPENSES		
Power Purchased	206,447	210,768
Fuel Used in Electric Generation*	620,273	91,420
Operations and Maintenance*	282,894	281,519
Depreciation and Amortization	167,788	161,860
Taxes and Tax Equivalents	31,746	40,777
Total Operating Expenses	1,309,148	786,344
Net Operating Revenues	(89,883)	306,073
OTHER INCOME		
Investment Income (Loss), Net	(68,729)	29,365
Other Income (Loss), Net	11,565	9,111
Total Other Income (Loss), Net	(57,164)	38,476
Net Revenues (Expenses) before Financing Costs	(147,047)	344,549
FINANCING COSTS		
Interest on Bonds	43,994	46,002
Capitalized Interest	(2,175)	(3,089)
Amortization of Bond Discount/Premium and Issuance Expenses	(11,784)	(7,996)
Interest on Other Obligations	2,738	521
Net Financing Costs	32,773	35,438
NET REVENUES	\$(179,820)	\$309,111

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

TOTAL SALES – SECOND QUARTER FY23

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



RESIDENTIAL	42%
COMMERCIAL	33%
WHOLESALE	14%
LARGE INDUSTRIAL/MINES/OTHER	11%

ELECTRIC OPERATING REVENUES – SECOND QUARTER FY23

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



RESIDENTIAL	46%
COMMERCIAL	28%
WHOLESALE	17%
LARGE INDUSTRIAL/MINES/OTHER	9%