



Delivering water and power®

FIRST QUARTER REPORT
MAY 1, 2023-JULY 31, 2023
FISCAL YEAR 2024

Message from the President and the General Manager & CEO

David Rousseau
PRESIDENT

Mike Hummel
GENERAL MANAGER & CEO

NEWS AND ACHIEVEMENTS

Record heat, record customer demand

In July, SRP set a new record for peak customer electricity demand of 8,163 megawatts (MW), and demand exceeded 8,000 MW on three additional days. In comparison, SRP’s system peak from last year was 7,620 MW. One MW is enough energy to power about 225 average-size homes.

The extraordinary customer demand for power occurred during a period of record heat when the temperature reached 110° or above on 31 consecutive days. SRP’s system performed reliably during this extended period with no major unplanned outages. This is due to the company’s skilled and experienced workforce, comprehensive preventive maintenance and advanced preparation, and ongoing investments in infrastructure, including a diverse portfolio of energy resources.

Strengthening reliability, supporting sustainability

In June, the Arizona Corporation Commission approved an amended Certificate of Environmental Compatibility for SRP’s Coolidge Expansion Project. This flexible, fast-ramping natural gas plant will help SRP cost-effectively and reliably meet the region’s rapidly growing energy needs as the company works to add more solar, wind and storage resources. The plant will provide enough energy to serve more than 139,000 average-size homes at once.

As part of its commitment to increasing the amount of solar energy delivered to customers, SRP also announced a power purchase agreement with Clēnera for an additional 394 MW of clean energy from CO Bar Solar, located near Flagstaff, Arizona. This is the

second agreement executed between Clēnera and SRP at the CO Bar complex, and SRP has now procured a total of nearly 800 MW of power from the project. Once operational in 2025, Clēnera estimates CO Bar Solar will offset more than 4 billion pounds of carbon dioxide emissions each year.

SRP customers are already benefiting from new solar and battery resources that have recently come online while paying some of the lowest energy costs in the West. This is part of SRP’s commitment to add 2,025 MW of solar and wind generation and 1,100 MW of batteries — enough to power nearly half a million homes — by 2025. With these and other strategic resource additions, an expected 70% of customers’ energy needs will be met without carbon emissions by the end of 2035.

SRP customers again surpass EV adoption target

Electric vehicles (EVs) are an important element of SRP’s sustainability goals, and as of April 30, customers have leased or purchased 40,585 EVs in the company’s service territory, exceeding the target of 39,000. SRP is committed to fully supporting the enablement of 500,000 EVs by 2035.

SRP is a founding member of the Transportation Electrification Activator, a coalition of stakeholders working to advance electrification across the state. The organization was founded in 2021. Other members include the City of Phoenix, the City of Tempe, the City of Mesa, Arizona State University, American Lung Association, Western Resource Advocates and others.

Reducing wildfires, protecting the watershed

Wildfires pose a significant threat to Arizona forests, including those that are part of the Salt River and Verde River watersheds. SRP continues to take action to reduce the risk of wildfires and support healthy forests through strategic thinning projects and other initiatives.

- SRP continues to work with partners to thin forest areas in the watershed considered at risk of wildfire.
- SRP is investing in a pilot program to install solar-powered infrared cameras that use AI technology to detect smoke from up to 10 miles away. The “SmokeD” cameras learn the surrounding environment and provide alerts to SRP as well as the U.S. Forest Service and emergency response crews.
- SRP is partnering with the Town of Gilbert and the cities of Mesa, Phoenix, Scottsdale and Tempe through the Biomass Power Partnership to help pay for bioenergy that supports strategic forest thinning across the Salt River and Verde River watersheds.

These efforts are part of SRP’s corporate goals to protect the health of the watersheds through partnerships, education and support and to thin 500,000 acres of unhealthy, overgrown forested lands by 2035.

Bringing power to the Navajo Nation

In late May, SRP line crews brought electricity to 10 homes on the Navajo Nation as part of the Light Up Navajo project. Light Up Navajo is a humanitarian aid initiative that began in 2019 to provide power to homes on the Navajo Nation without electricity.

Over the course of three weeks, SRP crews built nearly 6 miles of power lines that involved setting 104 poles and stringing over 63,000 feet of wire. Fourteen SRP team members assisted with the project, joining line workers from 26 utilities and 15 states to bring power to people who have been living without it. This is the third year SRP has participated in the project, donating employee time, line trucks, digging equipment and a mechanic service truck.

Light Up Navajo is a partnership between the American Public Power Association (APPA) and the Navajo Tribal Utility Authority. According to the APPA, of the 55,000 homes located on the Navajo Nation, approximately 13,500 do not have electricity. They represent 75% of all U.S. households that do not have power.

FINANCIAL RESULTS

Operating revenues were \$1.3 billion for the first quarter of fiscal year 2024 (FY24) and \$1.2 billion for the first quarter of fiscal year 2023 (FY23). In the first quarter of FY24, retail electric revenues increased \$44.9 million, or 4.2%, to \$1.1 billion, primarily due to warmer weather that led to an increase in volumes sold when compared to the same period last year. However, that increase was partially offset by a decrease in wholesale revenues of \$14.9 million, or 12.6%, to \$103.4 million. Wholesale revenues for the first quarter of FY24 included a fair value gain of \$8.3 million compared to a \$9.7 million fair value gain for the same period in FY23. Excluding the fair value adjustments, wholesale revenues would have been \$95.1 million and \$108.6 million in the first quarters of FY24 and FY23, respectively, a decrease of \$13.5 million, or 12.5%, primarily due to a significant decrease in wholesale energy prices. The total number of customers as of July 31, 2023, was 1,138,602, an increase of 2.0% from July 31, 2022.

Operating expenses were \$902.1 million for the first quarter of FY24 and \$896.8 million for the same period in FY23, an increase of \$5.3 million, or 0.6%. Fuel used in electric generation and power purchased included adjustments for the fair value of fuel and power-purchase contracts. Excluding the fair value gains of \$50.9 million and \$45.2 million in the first quarters of FY24 and FY23, respectively, these expenses would have increased \$11.0 million, or 1.2%.

Investment income (loss), net was income of \$74.6 million for the first quarter of FY24 compared to a loss of \$10.1 million for the same period in FY23. Investment income (loss), net includes a fair value gain of \$68.1 million in the first quarter of FY24 and a fair value loss of \$11.8 million in the first quarter of FY23.

Net financing costs were \$36.9 million and \$29.8 million for the first quarters of FY24 and FY23, respectively. The increase is primarily due to issuance of new revenue bonds and higher market interest rates on commercial paper.

Net revenues for the first quarter of FY24 were \$399.5 million, compared with net revenues of \$298.1 million for the first quarter of FY23. 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 \$272.2 million and \$255.0 million for the first quarters of FY24 and FY23, 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)

FY24 **245,585**

FY23 **221,063**

3 months ended July 31

Water in Storage (capacity)

FY24 **92%**

FY23 **63%**

As of July 31

Financial Highlights

Debt Service Coverage

2023 **3.39**

2022 **3.58**

12 months ended July 31

Debt Ratio

2023 **43.5%**

2022 **40.6%**

As of July 31

Total Sales (kWh)

FY24 **11,393,239**

FY23 **10,916,434**

3 months ended July 31

SRP Combined Balance Sheets

As of July 31 (In Thousands - Unaudited)

ASSETS	FY24	FY23
Utility Plant, at Original Cost	\$19,743,335	\$18,790,529
Less: Accumulated Depreciation	10,289,238	9,748,086
	9,454,097	9,042,443
Other Property and Investments	2,219,478	2,230,004
CURRENT ASSETS		
Cash and Cash Equivalents	274,565	516,692
Temporary Investments	242,415	232,425
Current Portion, Segregated Funds	85,275	82,735
Receivables, Net	607,502	559,366
Fuel Stocks	128,124	85,959
Materials and Supplies	354,232	301,276
Current Commodity Derivative Assets	6,408	259,355
Other	42,566	42,304
	1,741,087	2,080,112
DEFERRED CHARGES AND OTHER ASSETS		
Regulatory Assets	585,282	675,663
Non-Current Commodity Derivative Assets	29,260	174,131
Other Deferred Charges and Other Assets	198,711	216,196
	813,253	1,065,990
TOTAL ASSETS	\$14,227,915	\$14,418,549

As of July 31 (In Thousands - Unaudited)

CAPITALIZATION & LIABILITIES	FY24	FY23
CAPITALIZATION		
Accumulated Net Revenues	\$6,402,078	\$6,662,199
Long-Term Debt	4,929,452	4,545,264
	11,331,530	11,207,463
CURRENT LIABILITIES		
Current Portion, Long-Term Debt	113,930	108,910
Accounts Payable	299,805	253,325
Accrued Taxes and Tax Equivalents	112,953	118,413
Accrued Interest	21,334	18,482
Customers' Deposits	142,312	130,557
Current Commodity Derivative Liabilities	38,160	337,374
Other	261,009	257,036
	989,503	1,224,097
DEFERRED CREDITS		
Accrued Post-Retirement Liability	717,655	855,302
Asset Retirement Obligations	377,092	373,112
Non-Current Commodity Derivative Liabilities	10,767	10,242
Other Deferred Credits and Other Non-Current Liabilities	801,368	748,333
	1,906,882	1,986,989
TOTAL CAPITALIZATION & LIABILITIES	\$14,227,915	\$14,418,549

These unaudited financial statements should be read in conjunction with the 2023 Notes to Combined Financial Statements.

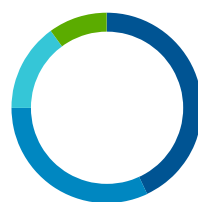
SRP Combined Statements of Net Revenues

(In Thousands - Unaudited)	3 Months Ended July 31	
	FY24	FY23
OPERATING REVENUES		
Retail Electric	\$1,125,232	\$1,080,381
Water	4,824	5,610
Wholesale	103,412	118,276
Other	23,254	24,351
Total Operating Revenues*	1,256,722	1,228,618
OPERATING EXPENSES		
Power Purchased	204,559	220,839
Fuel Used in Electric Generation*	201,813	204,274
Operations and Maintenance*	302,021	262,683
Depreciation and Amortization	151,046	166,142
Taxes and Tax Equivalents	42,674	42,815
Total Operating Expenses	902,113	896,753
Net Operating Revenues	354,609	331,865
OTHER INCOME		
Investment Income (Loss), Net	74,625	(10,097)
Other Income (Loss), Net	7,146	6,081
Total Other Income (Loss), Net	81,771	(4,016)
Net Revenues (Expenses) before Financing Costs	436,380	327,849
FINANCING COSTS		
Interest on Bonds	48,905	43,994
Capitalized Interest	(5,949)	(4,239)
Amortization of Bond Discount/Premium and Issuance Expenses	(11,464)	(11,689)
Interest on Other Obligations	5,400	1,704
Net Financing Costs	36,892	29,770
NET REVENUES	\$399,488	\$298,079

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TOTAL SALES - FIRST QUARTER FY24

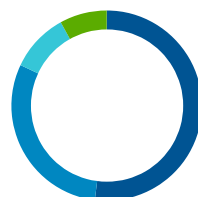
(Percent by kWh; three months ended July 31)



RESIDENTIAL	43%
COMMERCIAL	32%
WHOLESALE	15%
LARGE INDUSTRIAL/MINES/OTHER	10%

ELECTRIC OPERATING REVENUES - FIRST QUARTER FY24

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



RESIDENTIAL	51%
COMMERCIAL	31%
WHOLESALE	10%
LARGE INDUSTRIAL/MINES/OTHER	8%