

# SALT RIVER PROJECT AGRICULTURAL IMPROVEMENT AND POWER DISTRICT MEETING NOTICE AND AGENDA

## FINANCE AND BUDGET COMMITTEE Tuesday, December 13, 2022, No Sooner Than 10:15 AM

SRP Administration Building  
1500 N. Mill Avenue, Tempe, AZ 85288

Committee Members: Keith Woods, Chairman; Stephen Williams, Vice Chairman; and Robert Arnett, Mario Herrera, Kevin Johnson, and Larry Rovey

Call to Order  
Roll Call

1. **CONSENT AGENDA:** The following agenda item(s) will be considered as a group by the Committee and will be enacted with one motion. There will be no separate discussion of these item(s) unless a Committee Member requests, in which event the agenda item(s) will be removed from the Consent Agenda and considered as a separate item .....CHAIRMAN KEITH WOODS

- Request for approval of the minutes for the meeting of November 17, 2022

2. Board Consultant Request for Proposal.....BRIAN KOCH

Request for approval to develop and issue a Request for Proposal on behalf of the Board for the purpose of engaging a principal pricing consultant for the Board associated with the development of a Buy-Through program for SRP customers.

3. Report on Current Events by the General Manager and Chief Executive Officer or Designees.....MIKE HUMMEL

4. Future Agenda Topics.....CHAIRMAN KEITH WOODS

The Committee may vote during the meeting to go into Executive Session, pursuant to A.R.S. §38-431.03 (A)(3), for the purpose of discussion or consultation for legal advice with legal counsel to the Committee on any of the matters listed on the agenda.

The Committee may go into Closed Session, pursuant to A.R.S. §30-805(B), for records and proceedings relating to competitive activity, including trade secrets or privileged or confidential commercial or financial information.

Visitors: The public has the option to attend in-person or observe via Zoom and may receive teleconference information by contacting the Corporate Secretary's Office at (602) 236-4398. If attending in-person, all property in your possession, including purses, briefcases, packages, or containers, will be subject to inspection.



THE NEXT FINANCE AND BUDGET COMMITTEE MEETING  
IS SCHEDULED FOR TUESDAY, JANUARY 24, 2023

12/06/2022



MINUTES  
FINANCE AND BUDGET COMMITTEE

DRAFT

November 17, 2022

A meeting of the Finance and Budget Committee of the Salt River Project Agricultural Improvement and Power District (the District) and the Salt River Valley Water Users' Association (the Association), collectively SRP, convened at 11:33 a.m. on Thursday, November 17, 2022, from the Board Conference Room at the SRP Administration Building, 1500 North Mill Avenue, Tempe, Arizona. This meeting was conducted in-person and via teleconference in compliance with open meeting law guidelines.

Committee Members present at roll call were K.B. Woods, Chairman; S.H. Williams, Vice Chairman; and R.C. Arnett, M.J. Herrera, K.J. Johnson, and L.D. Rovey.

Also present were President D. Rousseau; Board Members N.R. Brown, R.J. Miller, P.E. Rovey, and J.M. White Jr.; Council Vice Chairman J.R. Shelton; Council Liaison C.M. Leatherwood; Mmes. K.J. Barr, M.J. Burger, A.P. Chabrier, E.M. Gould, C.M. Hallows, L.F. Hobaica, G.A. Mingura, and C.M. Sifuentes; Messrs. M.A. Carroll, J.D. Coggins, J.M. Felty, C.R. Janick, B.J. Koch, A.J. McSheffrey, M.J. O'Connor, A.S. Peterson, D.R. Politi, J.M. Pratt, G. Saint Paul, K.E. Sandstrom, B.G. Shoemaker, R.R. Taylor, and J.A. Wright; and Pete Ewen of Freeport-McMoRan.

In compliance with A.R.S. §38-431.02, Andrew Davis of the Corporate Secretary's Office had posted a notice and agenda of the Finance and Budget Committee meeting at the SRP Administration Building, 1500 North Mill Avenue, Tempe, Arizona, at 9:00 a.m. on Tuesday, November 15, 2022.

Chairman K.B. Woods called the meeting to order.

Consent Agenda

Chairman K.B. Woods requested a motion for Committee approval of the Consent Agenda, in its entirety.

On a motion duly made by Board Member M.J. Herrera and seconded by Vice Chairman S.H. Williams, the Committee unanimously approved and adopted the following items on the Consent Agenda:

- A. Minutes of the Finance and Budget Committee meeting on October 20, 2022, as presented
- B. Approval of the District and Association Monthly Cash Statement for October 2022
- C. Approval of the Association Quarterly Cash Statement for period ending October 31, 2022

Corporate Secretary J.M. Felty polled the Committee Members on Board Member M.J. Herrera's motion to approve the Consent Agenda, in its entirety. The vote was recorded as follows:

YES:	Board Members K.B. Woods, Chairman; S.H. Williams, Vice Chairman; and R.C. Arnett, M.J. Herrera, K.J. Johnson, and L.D. Rovey	(6)
NO:	None	(0)
ABSTAINED:	None	(0)
ABSENT:	None	(0)

Copies of the handout distributed are on file in the Corporate Secretary's Office and, by reference, made a part of these minutes.

### New Residential Time-of-Day Pilot Price Plan

Using a PowerPoint presentation, Adam S. Peterson, SRP Director of Corporate Pricing, stated that the purpose of the presentation was to request approval to introduce a new residential time-of-day pilot price plan, acknowledging the evolving grid by introducing a low-cost super off-peak period during the day and on-peak hours later in the day.

Mr. A.S. Peterson compared the current EZ-3 plan to the California Independent System Operator (CAISO) price at Palo Verde throughout the day and compared the EZ-3 On-Peak hours to 2017, current, and projected 2025, together with 2025 Megawatts (MW) of solar throughout the day. He stated that the E-28 pilot price plan will allow the opportunity to assign time-of-day super-off-peak hours with low-cost and low-carbon hours; help customers save money and make energy use more sustainable; and shift on-peak hours to later in the evening to match higher costs in the evening as a result of an evolving grid.

Mr. A.S. Peterson said that the E-28 Pilot Price Plan will allow for significant research to inform future time-of-day hours before establishing a standard price plan. He reviewed proposed hours, price plan prices, and pilot details.

Mr. A.S. Peterson concluded by requesting that the Committee recommend that the Board approve the E-28 Pilot Price Plan for Residential Time-of-Day Service with Super Off-Peak Hours.

Mr. A.S. Peterson responded to questions from the Committee.

On a motion duly made by Board Member M.J. Herrera, seconded by Board Member R.C. Arnett and carried, the Committee agreed to recommend Board approval, as presented.

Corporate Secretary J.M. Felty polled the Committee Members on Board Member M.J. Herrera's motion to recommend Board approval. The vote was recorded as follows:

YES:	Board Members K.B. Woods, Chairman; S.H. Williams, Vice Chairman; and R.C. Arnett, M.J. Herrera, K.J. Johnson, and L.D. Rovey	(6)
NO:	None	(0)
ABSTAINED:	None	(0)
ABSENT:	None	(0)

Copies of the handouts distributed and PowerPoint slides used in this presentation are on file in the Corporate Secretary's Office and, by reference, made a part of these minutes.

Council Member I.M. Rakow entered the meeting during the presentation.

### Cable TV and Telecommunications Pole Attachment Fees

Using a PowerPoint presentation, Brandon G. Shoemaker, SRP Manager of Predictive Pricing, stated that the purpose of the presentation was to request approval to increase the Cable TV and Telecom pole attachment fees from the current level of \$20.22 to \$22.95 per attachment per year.

Mr. B.G. Shoemaker stated that if approved, the proposed annual revenue would be \$992,971. He discussed the background relating to Cable TV and Telecommunications pole attachment fees and how calculations are based on the Federal Communications Commission (FCC) formula.

Mr. B.G. Shoemaker presented an Attachment Fee Calculation chart reflecting adjustments from the current \$20.22 level for Cable TV and Telecommunications pole attachment fees. He stated that letters were mailed to all affected customers regarding the proposed change, as well as notification of the November Finance and Budget Committee Meeting, and stated that no comments have been made to date.

Mr. B.G. Shoemaker reviewed a schedule for the 2023 Cable TV and Telecommunications pole attachment fees and concluded with Management's recommendation for approval of the increase to the Cable TV and Telecommunications pole attachment fees from \$20.22 to \$22.95 per pole attachment effective January 1, 2023.

Mr. B.G. Shoemaker responded to questions from the Committee.

On a motion duly made by Board Member R.C. Arnett, seconded by Board Member M.J. Herrera and carried, the Committee agreed to recommend Board approval, as presented.

Corporate Secretary J.M. Felty polled the Committee Members on Board Member R.C. Arnett's motion to recommend Board approval. The vote was recorded as follows:

YES:	Board Members K.B. Woods, Chairman; S.H. Williams, Vice Chairman; and R.C. Arnett, M.J. Herrera, K.J. Johnson, and L.D. Rovey	(6)
NO:	None	(0)
ABSTAINED:	None	(0)
ABSENT:	None	(0)

Copies of the handouts distributed and PowerPoint slides used in this presentation are on file in the Corporate Secretary's Office and, by reference, made a part of these minutes.

Mmes. E.M. Gould and C.M. Hallows; and Mr. K.E. Sandstrom left the meeting during the presentation.

#### Review of SRP's Investment Portfolio of Working Capital and Debt Reserve Investments

Dale R. Politi, SRP Assistant Treasurer of Cash Management, reminded the Committee that the SRP Investment Policy, approved by the Board of Directors, requires a periodic review by the Committee and a report on the status of the investment program. Using a PowerPoint presentation, he reviewed the Cash Management Investment Policy, authorized limits, and investment types by security type. Mr. D.R. Politi provided an overview of the Investment Portfolios and yield curve as of November 1, 2022, including portfolio metrics based on liquidity, yields, and maturities. He concluded with a review of the Investment Policy Statement of Compliance.

Mr. D.R. Politi responded to questions from the Committee.

Copies of the handouts distributed and PowerPoint slides used in this presentation are on file in the Corporate Secretary's Office and, by reference, made a part of these minutes.

Messrs. A.S. Peterson, B.G. Shoemaker, and J.A. Wright left the meeting during the presentation. Board Member K.L. Mohr-Almeida entered the meeting during the presentation.

#### Report on Current Events by the General Manager and Chief Executive Officer or Designees

Aidan McSheffrey, SRP Associate General Manager and Chief Financial Executive, reported on a variety of federal, state, and local topics of interest to the Committee.

#### Future Agenda Topics

Chairman K.B. Woods asked the Committee if there were any future agenda topics. None were requested.

There being no further business to come before the Finance and Budget Committee, the meeting adjourned at 12:04 p.m.

John M. Felty  
Corporate Secretary



## SCOPE OF WORK

### PROJECT CONTEXT

The Consultant's role is to review and present comments on SRP management's Buy-Through pricing proposal to SRP's publicly elected Board of Directors. The selected Consultant will analyze and assess Management's proposal through the lens of the Board's own pricing principles, sound utility practice, and general economic theory. The review will include rate design, alignment with legislative requirements, and comparison to other utilities' Buy-Through (or similar) programs. As part of this work, the Consultant will develop a written report summarizing their conclusions for Board and public review. Additionally, the Consultant will present findings and recommendations to the Board at one or more public meetings. The Consultant may meet with the Board at their request at other regular committee or Board meetings.

### INDIVIDUAL PROJECT REQUIREMENTS

This review process will include the selected Consultant performing the following:

A. Perform evaluation of cost analyses.

This task may include the use of the Cost Allocation Study (the CAS, SRP's embedded cost study), and Marginal Cost Study (MCS). The review will include work papers, spreadsheet, methodology, data, and analyses prepared by Management as well as discussions with Management. The review and evaluation will include the proposed design and structure of the proposed Buy-Through offering, including potential financial impacts, customer acceptance, program applicability and rollout.

B. Prepare analysis of Management's Buy-Through proposals.

The purpose of this task is to prepare an analysis of the reasonableness of Management's proposed Buy-Through program.

1. Is this proposal consistent with the SRP Board's pricing principles?

Specifically:

- **Gradualism:** which seeks to enhance sound, economic decision-making by customers of all types through stabilizing price levels and smoothing the impact of cost movements that may be caused by temporary factors.
- **Cost Relation:** which establishes prices in relation to costs and SRP's stewardship to its water constituents, and thus does not pursue the maximization of "profit."
- **Choice:** which seeks to constantly improve customer satisfaction through the creative design of pricing structures that reflect customers' different desires or abilities to manage the

consumption, assume more price control, or demand differentiated products and services, among others.

- **Equity:** which seeks to treat customers of all types in an economically fair manner.
  - **Sufficiency:** which enables SRP to recover the cost of, and to invest and reinvest in a system of assets to perform its policy obligations, including its obligation to store and deliver water to the owners of land within the boundaries of the Salt River Reservoir District, to maintain SRP's financial well-being, and to follow the foregoing principles.
2. Is the Buy-Through proposal consistent with sound utility practice and general economic theory?
  3. Does the Buy-Through proposal fairly reflect the underlying cost drivers?
  4. Does this proposal comply with A.R.S. § 30-810?
- C. The Consultant will prepare a publicly available report that summarizes their findings, conclusions, and recommendations to the Board. The Consultant will prepare and deliver a presentation of the results of those findings and recommendations to the Board at one or more public meetings.
- D. In addition, the Consultant will address any issues that arise from Management's proposal. Specifically, the Consultant will review as part of this proposal:
1. GSP Resource Adequacy requirements/options.
  2. Provider-of-Last-Resort (POLR) considerations including recovery of fixed generation costs.
  3. Imbalance service charges.
  4. Default of GSP considerations.
  5. Return to Company standard offers.
  6. Non-by-passable costs.
  7. Customer, GSP, and SRP responsibilities.
- E. The Consultant will respond to questions and inquiries from the Board and public and provide educational sessions as needed.

## **VENDOR RESPONSE REQUIREMENTS**

### **VENDOR QUALIFICATIONS AND RESOURCES**

Proposals are to provide the following:

- A. Description of company and core capabilities.
- B. Experience with the type of work described above.
- C. Sample copies of publicly available work described above that the company has provided to other entities.
- D. Experience the company or individuals have in related projects including but not limited to calculations, written support, filed and trial testimony, public power boards or other jurisdictional authority experience.
- E. Experience with rate design and industry issues, including but not limited to revenue recovery, cost allocation approaches, western power markets and associated Open Access Transmission Tariff (OATT) transmission rate development, generation, and marginal costs.
- F. Experience in engaging with media and the public.
- G. Describe your review process for the Buy-Through proposal.

### **COST PROPOSAL**

- A. Hourly labor rate for company project experts.
- B. Estimated hours and cost by project expert to complete each task (e.g., if there is a more junior level analyst that will also be doing support work, please provide the estimated hours/cost, as well as for the senior level consultant).
- C. Other estimated costs associated with project by task (e.g., travel, lodging, etc.).

### **REFERENCES**

Please provide information describing the qualifications of the individuals who would be working on this project, contact information for corporate references, including company name, contact name, title, address, telephone number and client relationship synopsis.



# Board Consultant Request for Proposal

Finance & Budget Committee Meeting

Brian Koch | December 13, 2022

# Buy-Through Legislation

- Language:

30-810. Buy-through program; terms, conditions, limitations; definition

- A. ON OR BEFORE JANUARY 1, 2024, A PUBLIC POWER ENTITY THAT IS AN AGRICULTURAL IMPROVEMENT DISTRICT ESTABLISHED PURSUANT TO TITLE 48, CHAPTER 17 SHALL OFFER A BUY-THROUGH PROGRAM THAT BOTH:
  - 1. INCLUDES TERMS, CONDITIONS AND LIMITATIONS, INCLUDING A MINIMUM QUALIFYING LOAD AND A MAXIMUM AMOUNT OF PROGRAM PARTICIPATION.
  - 2. IS STRUCTURED TO MAINTAIN SYSTEM RELIABILITY AND TO AVOID A COST SHIFT TO NONPARTICIPATING CUSTOMERS.
- B. FOR THE PURPOSES OF THIS SECTION, "BUY-THROUGH" MEANS A PURCHASE OF ELECTRICITY BY A PUBLIC POWER ENTITY AT THE DIRECTION OF A PARTICULAR RETAIL CONSUMER, SUBJECT TO THE TERMS OF THE PROGRAM.

## Why Hire a Board Consultant?

- Third-party review and opinion
- Analysis and assessment of SRP Management's proposal
- Analysis and assessment of customer/stakeholder input
- Comparison to other similar industry actions

# Scope of Work

- Review SRP Management's Buy-Through Program proposal and present comments to SRP's Board of Directors
  - *Does the proposal meet the legislative requirements?*
  - *Is the proposal consistent with the SRP Board's pricing principles?*
  - *Does the proposal fairly reflect the underlying cost drivers?*
  - *Is the proposal consistent with sound utility practices, and general economic theory?*
  - *Are there components of other utility Buy-Through offerings that SRP should consider?*

## Potential Consultants

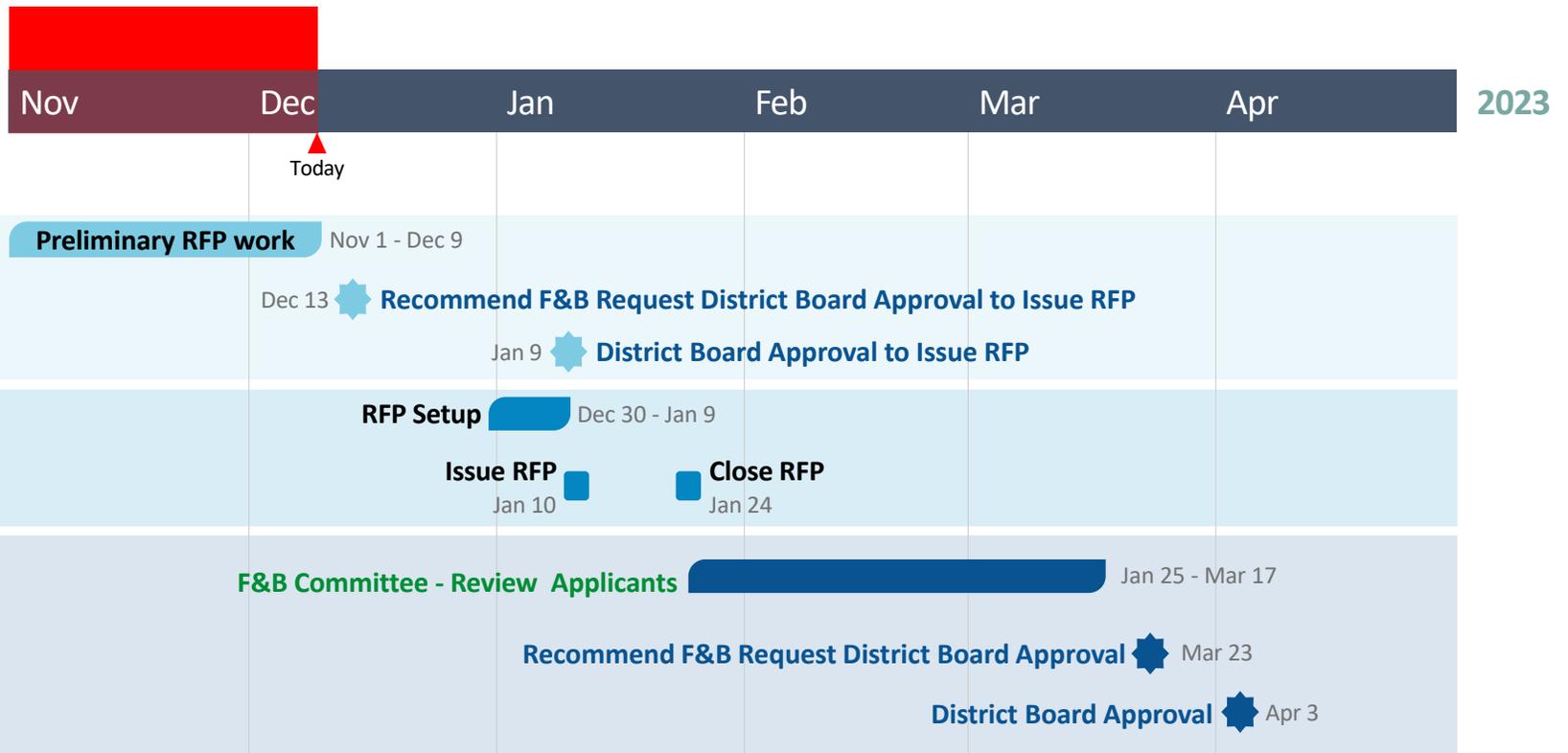
- The Brattle Group
- Christensen Associates Energy Consulting
- Concentric Energy Advisors
- EES Consulting
- 1898 Burns & McDonnell
- Berkeley Research Group
- Black and Veatch
- E-3
- FCS Group
- Utilicast
- Utility Financial Solutions, LLC

\*RFP request will also be posted to SRPnet.com and open to other consultants to respond, if interested

# Consultant Qualifications & Resources

- Extensive knowledge in:
  - Revenue requirements
  - Cost allocation – jurisdictional and retail classes
  - Generation & marginal costs
  - Rate design – including TOU hours, two-part & three-part rate design, fixed cost charges
  - Adjustment mechanisms
  - Industry – including economic development, new technologies (solar, batteries, etc.), valuation studies
  - OATT and transmission rate development
- Provide references for previous work, including rate cases, testimonies, presentations, etc.
- Describe Consultant's review process for Management's proposals
- Consultant availability - April 2023 thru September 2023

# Timeline to Hire Board Consultant



# Approval

Recommend Finance & Budget Committee request Board approval for Management to issue an RFP on behalf of the Board for a SRP Board pricing consultant which includes the scope of work and response requirements outlined herein

**thank you!**

