AudiT COMMiTTee
Tuesday, January 17, 2023, No Sooner Than 10:30 AM
SRP Administration Building
1500 N. Mill Avenue, Tempe, AZ  85288
Committee Members: Jack White Jr., Chairman; Anda McAfee, Vice Chairman;
and Randy Miller, Krista O’Brien, Mark Pace, Paul Rovey, and Leslie C. Williams

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 JACK WHITE JR.

   • Request for approval of the minutes for the meeting of December 8, 2022

2. Enterprise Risk Management................................. MIKE JONES and BRAD RULE

   Informational presentation regarding an update on the annual risk assessment
   process, initial risk register, and response planning.

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

4. Future Agenda Topics........................................... CHAIRMAN JACK WHITE JR.

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.
A meeting of the Audit 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 10:37 a.m. on Thursday, December 8, 2022, in-person and via teleconference 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 J.M. White Jr., Chairman, A.G. McAfee, Vice Chairman; and M.V. Pace and P.E. Rovey.

Committee Member absent at roll call was L.C. Williams.


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 Audit Committee meeting at the SRP Administration Building, 1500 North Mill Avenue, Tempe, Arizona, at 9:00 a.m. on Tuesday, December 6, 2022.

Chairman J.M. White Jr. called the meeting to order.

Consent Agenda

Chairman J.M. White Jr. requested a motion for Committee approval of the Consent Agenda, in its entirety.

On a motion duly made by Board Member M.V. Pace and seconded by Board Member A.G. McAfee, the Committee unanimously approved and adopted the following item on the Consent Agenda:

- Minutes of the Audit Committee meeting on November 15, 2022, as presented
Corporate Secretary J.M Felty polled the Committee Members on Board Member M.V. Pace’s motion to approve the Consent Agenda, in its entirety. The vote was recorded as follows:

YES: Board Members J.M. White Jr., Chairman, A.G. McAfee, Vice Chairman; and M.V. Pace and P.E. Rovey. (4)
NO: None (0)
ABSTAINED: None (0)
ABSENT: Board Member L.C. Williams (1)

Engagement of PricewaterhouseCoopers for Fiscal Year 2023 Audit

External Audit Process

Sue Ann Perkinson, SRP Controller and Senior Director of Corporate Accounting Services, introduced Dan McGill of PwC. Using a PowerPoint presentation, Mr. D. McGill summarized the external audit process including auditors and management responsibilities, audit objectives, and risk assessment results. He summarized the audit plan and explained the audit strategy and approach for the audits in Fiscal Year 2023 (FY23).

Recommendation

Using a PowerPoint presentation, Ms. S.A. Perkinson requested approval for PwC to serve as an independent public accountant for audits conducted for FY23.

On a motion duly made by Board Member P.E. Rovey and seconded by Board Member M.V. Pace and carried, the Committee agreed to recommend Board approval.

Corporate Secretary J.M. Felty polled the Committee Members on Board Member P.E. Rovey’s motion for approval. The vote was recorded as follows:

YES: Board Members J.M. White Jr., Chairman, A.G. McAfee, Vice Chairman; and M.V. Pace and P.E. Rovey. (4)
NO: None (0)
ABSTAINED: None (0)
ABSENT: Board Member L.C. Williams (1)

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.

Board Members M.J. Herrera and R.J. Miller; Mr. J.A. Wright; and Dan McGill of PwC left the meeting during the presentation. Board Member K.L. Mohr-Almeida; and Mr. D.R. Politi entered the meeting during the presentation.
Review of Audit Activity for Three Months
Ended October 31, 2022

Using a PowerPoint presentation, Reuben T. Judd, SRP Corporate Auditor, stated that the purpose of the presentation was to review the audit reports and activity for three months ended October 31, 2022. He reviewed the audits completed and the audits in progress during the second quarter. Mr. R.T. Judd introduced Marcus Feder, SRP Director Assistant Corporate Auditor.

Continuing, Mr. M. Feder provided an overview of the FY22 Employee Performance Incentive Compensation (EPIC) award. He discussed the background and stated that the overall goals of the EPIC were met. Mr. M. Feder introduced Kristin M. Golubchik, SRP Manager of Audit Projects.

Continuing, Ms. K.M. Golubchik discussed the EPIC audit approach, which included EPIC plan documentation and audit procedures. She reviewed the following key risk areas: accuracy of source data; accuracy of calculations; proper cut-off of data between fiscal years; manual errors in Excel workbooks; employee eligibility; accuracy of calculations for additional incentives; and results. Ms. K.M. Golubchik introduced Kathleen R. Kingsley Anderson, SRP Senior Auditor.

In conclusion, Ms. K.R. Kingsley Anderson explained the following information with respect to voluntary contribution in lieu of property taxes: end-to-end process flow; objectives and procedures; areas of key risk; and payment trends.


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

Pete Ewen of Freeport McMoRan left the meeting during the presentation. District Vice President C.J. Dobson entered the meeting during the presentation.

Executive Session

Chairman J.M. White Jr requested a motion to enter into executive session A.R.S. §38-431.03(A)(2), for presentation and discussion of certain matters included in the paid vouchers report that are exempt by law from public inspection.

On a motion duly made by Board Member P.E. Rovey, seconded by Board Member A.G. McAfee and carried, the Audit Committee convened into executive session at 11:34 a.m.

Corporate Secretary J.M. Felty polled the Committee Members on Board Member P.E. Rovey’s motion to enter into executive session. The vote was recorded as follows:

**Review of Purchase Orders, Contracts, and Revisions over $1,000,000**

Jaren Broadbent, SRP Director of Purchasing Services, reviewed the Report of Purchase Orders and Revisions Over $1,000,000 issued for the period August 1, 2022 through October 31, 2022.

Mr. J. Broadbent responded to questions from the Committee.

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

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

Mike Hummel, SRP General Manager and Chief Executive Officer, reported on a variety of federal, state, and local topics of interest to the Committee.

**Future Agenda Topics**

Chairman J.M. White Jr. asked the Committee if there were any future agenda topics. None were requested.

There being no further business to come before the Audit Committee, the meeting adjourned at 11:39 a.m.

Lora F. Hobaica
Assistant Corporate Secretary
Enterprise Risk Management

A framework and systematic process to manage the risks associated with accomplishing SRP’s strategic objectives

- Risk Oversight & Risk Vision
- Enterprise Risk Assessment
- Coordinated Risk Management
- Inform Decision Making
## Annual Enterprise Risk Assessment

<table>
<thead>
<tr>
<th>Category</th>
<th>Other Risk Area</th>
</tr>
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<tbody>
<tr>
<td>Carbon Transition</td>
<td>Economic Trends</td>
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<tr>
<td>Media / Public Perception</td>
<td>Supply Chain</td>
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<tr>
<td>Climate Change</td>
<td>Safety Risks</td>
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<tr>
<td>Information / Operational Technology</td>
<td>Fuel and Purchased Power</td>
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<tr>
<td>Talent Acquisition, Development and Retention</td>
<td>Compliance</td>
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<tr>
<td>Governance</td>
<td>Equipment / System Failure</td>
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<tr>
<td>Water Rights</td>
<td>Liquidity, Leverage and Cost Recovery</td>
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<td></td>
<td>Cybersecurity</td>
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# Supply Chain - Kochenderfer

<table>
<thead>
<tr>
<th>Risk</th>
<th>Risk Drivers</th>
<th>Mitigation Actions</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Supply Chain</strong></td>
<td><strong>Internal</strong>&lt;br&gt;- Planned projects to support load growth&lt;br&gt;- Carbon transition</td>
<td><strong>Current 6-year plan</strong>&lt;br&gt;- Suppliers&lt;br&gt;  o Maintain strong relationships, enhance integration&lt;br&gt;  o Extend contracts to maintain production slots&lt;br&gt;  o Secure additional contracts&lt;br&gt;  o Source alternate suppliers&lt;br&gt;- Increasing inventory and expanding warehouse space&lt;br&gt;- Partnering with utilities to buy/sell available inventory&lt;br&gt;- Expediting via internal hauling and flight services teams&lt;br&gt;- Ensuring processes are followed for NERC CIP applicable purchases&lt;br&gt;- Monitoring of supply chain threats&lt;br&gt;- Participating in industry feedback on proposed regulations&lt;br&gt;- Enhancing reporting and data analytics&lt;br&gt;- Multi-year project planning visibility and project prioritization&lt;br&gt;- Strengthening partnerships and integration with internal clients</td>
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<td><strong>Risk Description</strong>&lt;br&gt;The risks associated with the ability to source, procure, transport and store critical materials and supplies</td>
<td><strong>External</strong>&lt;br&gt;- Geopolitical tensions&lt;br&gt;- Supply chain visibility&lt;br&gt;- Supply chain labor concerns&lt;br&gt;  o U.S. workforce reduction&lt;br&gt;  o U.S. Labor union disputes&lt;br&gt;  o Forced-labor&lt;br&gt;- Federal/state government infrastructure investment&lt;br&gt;- Federally driven domestic sourcing requirements&lt;br&gt;- Logistics disruptions&lt;br&gt;- Weather/natural disasters</td>
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<tr>
<td><strong>Risk Factors</strong>&lt;br&gt;1. Extended lead times for materials and supplies&lt;br&gt;2. Limited availability&lt;br&gt;3. Storage capacity for inventory</td>
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01/17/2023  
Audit Committee, M.A. Jones, B.C. Rule
## Information Technology/Operational Technology - Carlson

<table>
<thead>
<tr>
<th>Risk</th>
<th>Risk Drivers</th>
<th>Mitigation Actions</th>
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</thead>
<tbody>
<tr>
<td>IT/OT</td>
<td><strong>Internal</strong></td>
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<tr>
<td></td>
<td>• Aging/obsolete systems</td>
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<td></td>
<td>• Staffing shortages/attrition/knowledge management</td>
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<td>• SRP processes increasingly dependent upon critical IT/OT systems</td>
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<td></td>
<td>• Increasing complexity and integration</td>
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<tr>
<td></td>
<td><strong>External</strong></td>
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<tr>
<td></td>
<td>• Vendor support constraints</td>
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<td></td>
<td>• Supply chain disruptions</td>
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<td></td>
<td>• High impact low frequency events</td>
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<td></td>
<td>• Changing customer expectations/behaviors</td>
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<td>• Labor market constraints</td>
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<td></td>
<td>• Pace of the evolution of technology</td>
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**Risk Description**
The risks associated with the disruption/degradation of systems supporting critical business functions or their inability to meet future business requirements.

**Risk Factors**
1. Lack of resiliency and reliability
2. Inability to maintain, adapt and support systems
3. Not capable of meeting future business needs

**Current - 6-year plan**
- Modernize technology solutions and tools
  - Customer Information System
  - Meter Data Management System
  - Central Prepay system
  - Advanced Distribution Management System deployment
  - Operational Readiness
- Disaster recovery
- Formal IT Governance Program
- Grid Resiliency effort
- Power System Operational Technology Strategy & Governance Program

**Future**
- Advanced Meter Integration – Next generation advanced metering
# Climate Change – Cooper

<table>
<thead>
<tr>
<th>Risk</th>
<th>Risk Drivers</th>
<th>Mitigation Actions</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Climate Change</strong></td>
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<tr>
<td><strong>Risk Description</strong></td>
<td>Risks associated with current and projected physical climate conditions and their impacts on SRP’s assets, customers, communities, and regulatory and political environment.</td>
<td></td>
</tr>
</tbody>
</table>
| **Risk Factors**         | 1. Natural disasters  
2. Extreme weather  
3. Droughts                  | Current - 6-year plan  
• Preventative maintenance programs are in place year-round to identify at risk equipment  
• Vegetation maintenance  
• Replacement of low expulsion fuses  
• Replace poles in high-risk fire areas  
• Wrap poles in fire retardant mesh  
• Implement forest thinning projects  
• Establish climate core team, to consolidate climate data gathering throughout the organization and to facilitate its incorporation into planning, design and operating practices  
• Continued progress on water resiliency projects  
• Continued engagement on Colorado River shortage |

**Internal**  
• Non-standardized climate models and lack of coordinated climate data  
• Assets and operations not sufficiently resilient to the risk factors

**External**  
• Precise predictions of future climate conditions are difficult  
• Impacts and responses may vary by communities  
• Substantial cost of adding resilience

**Future**  
• Partner with stakeholders to use SRP infrastructure to facilitate recovery of stored underground water  
• Partnering with cities on water conservation efforts
2023 Timeline

Governance
- Formalize Committee
- Policy/Charter

Annual Risk Assessment
- Rating Criteria
- Identification
- Assessment

Response Planning
- Risk Owners
- Document Mitigation Plans

Q1
2023 Preparations
- Training
- External Scan / Emerging Risks

Q2
Monitoring

Q3
Communications
- Semi-Annual Updates

Q4
thank you!