

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

FINANCE AND BUDGET COMMITTEE

Thursday, May 25, 2023, No Sooner Than 10:25 AM

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

Committee Members: Keith Woods, Chairman; Stephen Williams, Vice Chairman; and Robert Arnett, Nick Brown, Mario Herrera, Kevin Johnson, Kathy Mohr-Almeida, 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 itemCHAIRMAN KEITH WOODS
 - Request for approval of the minutes for the meeting of April 20, 2023.
2. Report on the Results of the Shareholder Compensation Program for 2021 per the Rules and Regulations.....JASON RIGGS
3. Request for Approval to Initiate the Shareholder Compensation Program for Calendar Year 2022 per the Rules and Regulations.....JASON RIGGS
4. Shareholder Compensation Program Administrative FeeJASON RIGGS

Request for approval to modify the method for calculating the administrative fee to recover the expenses incurred in connection with administering the Shareholder Compensation Program, starting with the 2023 program year.
5. Report on Current Events by the General Manager and Chief Executive Officer or DesigneesJIM PRATT
6. 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, JUNE 27, 2023

05/18/2023

MINUTES
FINANCE AND BUDGET COMMITTEE

DRAFT

April 20, 2023

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 11:01 a.m. on Thursday, April 20, 2023, 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, N.R. Brown, M.J. Herrera, K.J. Johnson, and L.D. Rovey.

Committee Member absent at roll call was K.L. Mohr-Almeida.

Also present were President D. Rousseau; District Vice President C.J. Dobson; Association Vice President J.R. Hoopes; Board Members A.G. McAfee, R.J. Miller, P.E. Rovey, and L.C. Williams; Council Vice Chairman J.R. Shelton; Council Members G.E. Geiger, T.S. Naylor, and R.W. Swier; Mmes. K.J. Barr, A.P. Chabrier, L.F. Hobaica, K.B. Kochenderfer, L.A. Meyers, G.A. Mingura, S.A. Perkinson, and C.M. Sifuentes; Messrs. J. Broadbent, J.D. Coggins, A.C. Davis, D.W. Dreiling, J.M. Felty, M. Hummel, R.T. Judd, K.J. Lee, A.J. McSheffrey, R.T. Mueller, M.J. O'Connor, A.S. Peterson, J.M. Pratt, G. Saint Paul, R.R. Taylor, and J.A. Wright; and Ian Calkins of Copper State Consulting Group.

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, April 18, 2023.

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 S.H. Williams and seconded by Board Member M.J. Herrera, the Committee unanimously approved and adopted the following items on the Consent Agenda:

- A. Minutes of the Finance and Budget Committee meetings of March 14, March 21, and March 28, 2023, as presented
- B. Approval of the District and Association Monthly Cash Statement for March 2023

Corporate Secretary J.M. Felty polled the Committee Members on Board Member S.H. Williams'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, N.R. Brown, M.J. Herrera, K.J. Johnson, and L.D. Rovey	(7)
NO:	None	(0)
ABSTAINED:	None	(0)
ABSENT:	Board Member K.L. Mohr-Almeida	(1)

Service Agreement with Gartner, Inc.

Using a PowerPoint presentation, Jaren Broadbent, SRP Director of Purchasing Services, stated that the purpose of the presentation was to request approval to enter into a two-year service agreement with Gartner, Inc.

Mr. J. Broadbent provided an overview of Gartner Inc. and said that they provide actionable, objective insight and tools to enhance decision making and enable stronger performance related to SRP's critical priorities. He explained that the subscription-based research and related services will be utilized by Information Technology, Cyber Security, Marketing, Audit/Risk, Finance, Customer Contact, Human Resources, and Corporate Strategy departments. Mr. J. Broadbent stated that the two-year agreement with Gartner Inc. would begin in Fiscal Year 2024 with a total cost of \$2,706,761.

Mr. J. Broadbent concluded by requesting approval to authorize the Associate General Manager and Chief Customer Executive, or their designee, to execute (1) a two-year service agreement with Gartner Inc. and (2) any subsequent amendments to such agreement that do not materially modify the terms of the agreement.

On a motion duly made by Board Member M.J. Herrera, seconded by Board Member S.H. Williams 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, N.R. Brown, M.J. Herrera, K.J. Johnson, and L.D. Rovey	(7)
NO:	None	(0)
ABSTAINED:	None	(0)
ABSENT:	Board Member K.L. Mohr-Almeida	(1)

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.

Solar Choice Large Business Program Expansion

Using a PowerPoint presentation, Daniel W. Dreiling, SRP Director of Customer Programs, stated that the purpose of the presentation was to provide information regarding plans to expand SRP's existing Solar Choice program offering to include SRP's large and strategic business customers.

Mr. D.W. Dreiling reviewed the current activity for the Solar Choice Program, key design components, and the Solar Choice customer allocations. He explained the program terms and offerings and for the expansion to large and strategic business customers.

Mr. D.W. Dreiling concluded with a discussion on next steps for the launch of the program expansion no later than June 2025.

Mr. D.W. Dreiling responded to questions from the Committee.

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.

Energy Risk Management Update

Using a PowerPoint presentation, Russell T. Mueller, SRP Director of Energy Risk Management, stated that the purpose of the presentation was to provide information regarding the periodic update on Energy Risk Management activities, including the following: an overview of commodity prices (natural gas/electricity); summary of retail natural gas hedging requirements and current hedge levels; current gas transportation under contract and expected incremental needs; wholesale credit exposure summary; and Board-approved aggregate financial limits and existing financial positions.

Mr. R.T. Mueller reviewed the on-peak electricity prices for Palo Verde from January 2021 to January 2023 and changes in Palo Verde on-peak prices since 2022. He provided an overview of the natural gas prices for Permian and San Juan Basins from January 2021 to April 2023 and changes in San Juan Basin natural gas prices since 2022. Mr. R.T. Mueller reviewed the status of the retail natural gas hedging plan for Financial Plan 2024 (FP24). He provided information on historical credit exposure, credit exposure by rating, and counterparties by credit rating for August 11, 2022, and April 13, 2023. Mr. R.T. Mueller concluded by listing the aggregate financial limits for electricity, natural gas, unleaded gas, diesel, and greenhouse gas and emissions compliance instruments.

Mr. R.T. Mueller responded to questions from the Committee.

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.

Messrs. D.W. Dreiling and A.S. Peterson; and Ian Calkins of Copper State Consulting Group left the meeting during the presentation.

Finance Presentation

Jeff A. Wright, SRP Director of Financial Reporting, referenced the financial handout distributed to the Members relative to the combined highlights of operations of the District and Association for the month of March 2023. Using a PowerPoint presentation, he compared the actual versus budgeted figures for categories such as CNR, system sales, and customer count. Mr. J.A. Wright concluded by reviewing the financial summary and key financial indicators for the month of March 2023 and fiscal year-to-date.

Mr. J.A. Wright responded to questions from the Committee.

Copies of the handout distributed and 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. The financial information in the handouts and PowerPoint slides is unaudited and non-GAAP.

Board Member R.J. Miller; and Messrs. J. Broadbent, R.T. Mueller, and G. Saint Paul left the meeting during the presentation.

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 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 11:51 a.m.

John M. Felty
Corporate Secretary



Report On The Results Of The 2021 Shareholder Compensation Program

Jason I Riggs | F&B Committee May 25, 2023



Brief Program Background

Implemented in 1928 under CALAPCO agreement

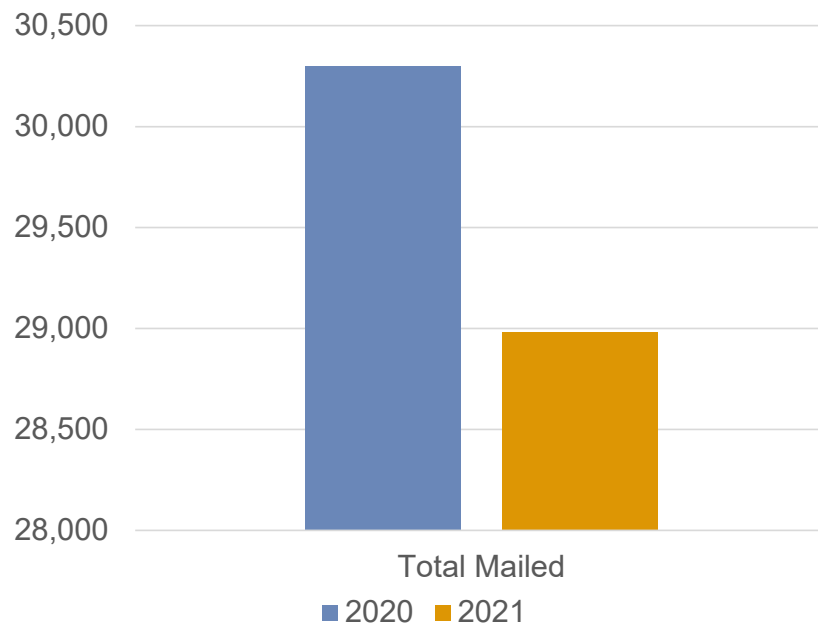
- Stewart Mountain Dam financing
- Association Articles amended to create the “15%” area
- Any shareholder who paid a “substantial” difference for electricity
- “Substantial” later defined as “more than 15%” difference
- Program continues to this day

Shareholder Compensation 2021 Program

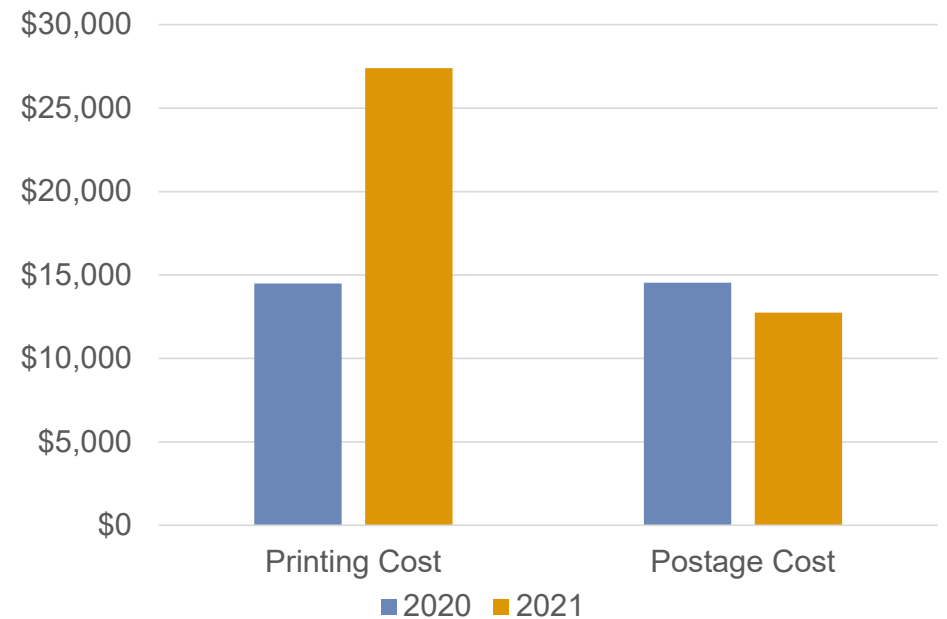
Direct Mailing of Applications	28,980
Applications Processed	5,845
- Paper (1,240 ~21%)	
- Electronic (4,563; ~79%)	
- Split Claims (42)	
Applications Paid	4,095
Compensation	\$1,494,486
Administrative Costs	<u>\$322,598</u>
Total Program Costs	\$1,817,084

Shareholder Compensation 2021 Program

Applications Mailed



Mailing Costs



Applications Rejected 2021 Program

Not 15% Difference	1099
Not in the Area	269
Duplicates	172
No Information – Shareholder	116
Not Resident	22
Not Shareholder	15
Late	14
Not APS customer of record	13
Amount less than fee	12
Not Rent Free	9
Not Family Member	6
Not in Claim Period	2
Ineligible APS Rate	1
No Information – APS Customer	0

thank you!



MEMORANDUM



May 18, 2023

TO: SRP Board & Council Members

FROM: Jason Riggs

SUBJECT: Report on the Shareholder Compensation Program for 2021

The Rules and Regulations approved by the Board for the 2021 Program require management to report to the Board the conduct of the 2021 Program upon its completion.

DISCUSSION

The application period for the 2021 Program was from June 7, 2022 to September 5, 2022. Applications were sent by first-class mail to 28,980 residents of the 15% Area based on analysis of their electric bills. In addition, four advertisements were published in the Arizona Republic during the application period.

5,803 applications for compensation were received and processed. 4,095 applications were paid, while 1,750 were either rejected for not meeting eligibility rules or the billing differential between APS and SRP was less than 15%. \$1,494,486 was paid to applicants for an average compensation of \$364.95. The largest compensation amount was \$2,511.69. The smallest was \$0.57.

Applications were not paid for the following reasons:

Rate difference less than 15%	1099
Residence not in 15% area	269
Duplicate application	172
No Information to verify shareholder	116
Applicant not resident at property	22
Applicant not a shareholder	15
Late application	14
Applicant not APS customer of record	13
Amount less than administrative fee	12
Not rent free by family member	9
Applicant not family member	6
Application for other time period	2
Service under ineligible APS rate	1
No information to verify APS customer	0

Thank you,

Jason I. Riggs

Cc: D. Rousseau, C. Dobson, J. Hoopes, J. Pratt, G.M. Staff J. Felty, L. Hobaica, R. Judd,
S. Glover, B. Koch



Request For Approval To Begin The 2022 Shareholder Compensation Program

Jason I Riggs | F&B Committee May 25, 2023



Residential Rate Comparison

SRP vs. APS

Calendar Year 2022

- Reviewed six patterns of typical residential usage
- Six of the six patterns show APS's R-1, Large Tier 3 rates are 15% greater than SRP rates.

2022 Shareholder Compensation Program

- Reserved approximately \$2.9 million for payments and administrative costs.
- Application period June 6, 2023 – September 4, 2023

Board Action Recommended

Request that the Committee recommend that the Board authorize the commencement of the Shareholder Compensation Program of 2022

thank you!



MEMORANDUM



May 18, 2023

TO: SRP Board of Directors

FROM: Jason Riggs

SUBJECT: Approval of Shareholder Compensation Program for 2022

Request for approval to initiate the Shareholder Compensation Program for calendar year 2022 according to the Rules and Regulations.

EXECUTIVE SUMMARY

The Articles of Incorporation of the Salt River Valley Water Users' Association (the Association) and the Association's By-Laws require that Association shareholders living in the 15% Area are to be notified and compensated if the annual cost difference between Arizona Public Service Company (APS) and Salt River Project Agricultural Improvement and Power District (SRP) residential electric service exceeds 15%.

Management has reviewed electric rates for six patterns of typical residential usage and found that in all six patterns, APS Residential rates are at least 15% greater than what SRP would have charged. Thus, a 15% Area Shareholder Compensation Program for 2022 should be implemented. Fixed Energy Charge Plan (R-1, Large Tier 3) is the most common APS residential rate in the 15% Area.

BACKGROUND AND DISCUSSION

In recent years, SRP residential electric rates have typically been substantially below those of APS. As such, the District has been required to run annual Shareholder Compensation Programs.

The following table shows a comparison of 2022 bills under APS and SRP residential electric rates (APS R-1, Large, Tier 3, SRP E-23):

**Comparison of Residential Customer Bills for 2022
APS and SRP Rates**

<u>Customer Pattern</u>	<u>Average kWh/Month</u>	<u>Percent of Customers Represented</u>	<u>Percent Difference APS>SRP</u>	<u>Average Annual Compensation</u>
1	250	46.6%	17.6%	\$91
2	501	16.7%	27.8%	\$231
3	752	13.8%	31.6%	\$361
4	1,029	12.0%	34.2%	\$508
5	1,420	8.9%	36.2%	\$713
6	2,262	2.7%	37.8%	\$1,144

The 2022 Rules and Regulations have been changed from 2021 to reflect the dates for the 2022 program and an increase in the administrative charge from \$32.78 to \$35.41. Those areas of the Rules and Regulations required by the Hitt Litigation are italicized and explained in the related end notes.

Management again recommends a ninety-day application period for the 2022 program, which is expected to begin June 6, 2023, and end September 4, 2023. All potential applicants will be notified at the start of the program by first-class mail, and newspaper advertisements will be run four times during the application period.

BUDGET AND FINANCIAL CONSIDERATIONS

The 2021 program paid out \$1,494,486 in compensation to 4,095 shareholders. In addition, \$322,598 was spent on administering the 2021 program. The District's financial statements contain a reserve of approximately \$2.9 million for the 2022 program.

CONCLUSION

Management recommends that the Board approve implementation of the 2022 Shareholder Compensation Program.

Thank you,

Jason I. Riggs

Cc: D. Rousseau, C. Dobson, J. Hoopes, J. Pratt, G.M. Staff J. Felty, L. Hobaica, R.Judd, S. Glover, B. Koch

EXECUTIVE/STAFF SUMMARY

TITLE OF ITEM

SHAREHOLDER COMPENSATION PROGRAM FOR 2022

BOARD ACTION RECOMMENDED

Approval to initiate a Shareholder Compensation Program for calendar year 2022 according to the attached Rules and Regulations.

EXECUTIVE SUMMARY

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The actual rate schedules are shown in Exhibit A.

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CONCLUSION

Management recommends that the Board approve implementation of the 2022 Shareholder Compensation Program.

Exhibit A

Summary of Certain Rates in Effect for 2022 For Salt River Project and Arizona Public Service Company

SALT RIVER PROJECT (E-23)

	<u>Summer (May 1 – Oct 31)</u>	<u>Summer Peak (July1– Aug 31)</u>
Customer Charge	\$ 20.00	\$ 20.00
First 0-2000 kWh	\$0.1091	\$0.1157
Next 2001+ kWh	\$0.1134	\$0.1270
	<u>Winter (Jan 1 – Apr 30)</u>	<u>Winter (Nov 1 – Dec 31)</u>
Customer Charge	\$ 20.00	
All kWh	\$0.0782	
Customer Charge (Eff. Nov. 2022)		\$20.00
All kWh		\$0.0876

ARIZONA PUBLIC SERVICE (R-1, LARGE TIER 3)

	<u>Summer (May 1 – Oct 31)</u>	
Customer Charge	\$0.400 per day	
All kWh	\$0.13478	
	<u>Winter (Jan 1 – Apr 30)</u>	<u>Winter (Nov 1 – Dec 30)</u>
Customer Charge	\$0.400 per day	\$0.400 per day
All kWh	\$0.13478	\$0.13478

ARIZONA PUBLIC SERVICE (ADJUSTMENT SCHEDULES)

	<u>Jan 1 – Dec 31</u>
PSA-1 Forward Adjustor (Jan. 2022)	\$(0.004444) per kWh
PSA-1 Forward Adjustor (Eff. Feb1, – Dec. 2022)	\$(0.004842) per kWh
PSA-1 Historical (Jan. 2022)	\$0.007988 per kWh
PSA-1 Historical (Eff. Feb 1, – Dec. 2022)	\$0.012386 per kWh
PSA-1 Transition (Jan. – Dec. 2022)	\$0.000000 per kWh
REAC-1 (Jan. - May 2022)	\$0.006391 per kWh
REAC-1 (Eff. June 1, - Dec 2022)	\$0.007812 per kWh
EIS (Jan. – Mar. 2022)	\$0.000296 per kWh
EIS (Eff. Apr. 1, – Dec 2022)	\$0.000403 per kWh
TCA-1 (Jan. – May 2022)	\$0.001245 per kWh
TCA-1 (Eff. Jun. 1, - Dec. 2022)	\$0.000807 per kWh
DSMAC (Jan. – Nov. 2022)	\$0.001374 per kWh
DSMAC (Eff. Dec. 1, 2022)	\$0.001726 per kWh
LFCR (Jan. – May 2022)	\$0.00125 per kWh
LFCR (Eff June 1, - Dec 2022)	\$0.00263 per kWh
TEAM Phase I (Jan. - Dec. 2022)	\$(0.000000) per kWh
TEAM Phase II (Jan. - Dec. 2022)	\$0.000000 per kWh
TEAM Phase III (Jan. - Dec. 2022)	\$(0.000000) per kWh



Delivering water and power®

RULES & REGULATIONS

SHAREHOLDER COMPENSATION PROGRAM FOR 2022

I. GENERAL

Pursuant to the District's contract with the Salt River Valley Water Users' Association, the Board of Directors of the Salt River Project Agricultural Improvement and Power District hereby adopts and promulgates the following rules and regulations setting forth the procedures for administration of claims for compensation of past and present Shareholders, as defined below, who received and paid for residential electric service from Arizona Public Service Company during 2022.

II. DEFINITIONS

A. "Administrative Fee" – *Beginning with the 1989 compensation program, an administrative fee of \$15.00 shall be deducted from each successful application for compensation. This charge may be adjusted annually thereafter in accordance with changes in the consumer price index for all urban consumers (base 1989).¹ The Administrative Fee for 2022 is \$35.41.*

B. "Annual Cost of Electric Service"

1. For Qualifying Shareholders on APS' kilowatt-hour-only rate E12 or R-1 (Small Tier 1, Medium Tier 2, or Large Tier 3), the amount determined by totaling each bill incurred during the Compensation Period (including fuel adjustments and temporary rate increases subsequently made permanent, but not including sales taxes, or regulatory taxes).

2. For Qualifying Shareholders on APS' R-TOU-E, R- 2, R-3, R-EV, ET-1, ET-2, ECT-2, or ECT-1R rates, the amount determined by totaling each APS bill incurred during the Compensation Period or, if lower, what would have been charged for the billed amount of electricity under the lowest APS kilowatt-hour-only rate available to the Shareholder (including, in either case, fuel adjustments and temporary rate increases subsequently made permanent but not including sales, or regulatory taxes). It shall be assumed that the R-1 (Small Tier 1, Medium Tier 2, or Large Tier 3) kilowatt-hour-only rate is the only kilowatt-hour-only rate available to R-TOU-E, R- 2, R-3, R-EV, ET-1, ET-2, ECT-2, or ECT-1R, customers after January 1, 2022.
- C. "Applicant" – A person or entity submitting an application prior to 5:00 p.m., September 4, 2023.
- D. "Application" – The form used to request compensation for 2022, substantially in the form of Exhibit A attached hereto, together with additional information supplied by the Applicant.
- E. "APS" – Arizona Public Service Company: the public service corporation serving Shareholders in 2022
- F. "Association" – The Salt River Valley Water Users' Association.
- G. "Compensation Period" – The period from January 1, 2022 through December 31, 2022.
- H. "District" – The Salt River Project Agricultural Improvement and Power District.
- I. "District's Comparable Charge" – The amount chargeable on the District's E-23 standard electric rate for the same kilowatt hour usage which was used to determine a Qualifying Shareholder's Annual Cost of Electric Service.

- J. "Eligible Property" – Land upon which the Association is entitled to levy an assessment and to which APS provides residential electric service (generally including areas, excluding town site lands, within or adjacent to the corporate limits of the Cities of Chandler, Gilbert, Glendale, Peoria, Phoenix, Scottsdale, and Tempe), as shown on the maps attached hereto as Exhibit B.
- K. "Qualifying Differential" – 1.15.²
- L. "Qualifying Rate" – Any of the following *APS residential service electric rate: E-12, R-1 (Small Tier 1, Medium Tier 2, or Large Tier 3), R-TOU-E, R-2, R-3, R-EV, ET-1, ET-2, ECT-2, and ECT-1R.*³
- M. "Qualifying Shareholder" – A Residential Customer who occupied and owned an Eligible Property during the Compensation Period. Qualifying Shareholders may include individuals, trustees, partnerships, corporations, and Religious Institutions (as defined herein) if the same meet all other qualifications. *No Shareholder shall be disqualified from compensation because he or she is a trustor under a deed of trust used as security for financing purposes in securing a debt to the beneficiary.*⁴
- N. "Religious Institution" – Ecclesiastical or monastic order, nonprofit corporation or other non-profit organization which was formed for the purpose of maintaining or propagating a system of spiritual beliefs or to implement spiritual practices.
- O. "Residential Customer" – A person or entity who was billed for residential electric service by APS under a Qualifying Rate during the Compensation Period.
- P. "Shareholder(s)" – Any person owning land that is within the Salt River Reservoir District and recognized as member land by the Secretary of the Association. A map attached hereto as Exhibit C identifies member land.

III. NOTICE

- A. The District shall publish four advertisements in newspapers of general circulation in Maricopa County, intended to notify all Qualifying Shareholders that they may be entitled to compensation for all or a portion of the Compensation Period. Such notices shall also contain information pertaining to the period during which Applications must be filed, and instructions for obtaining an Application.
- B. *In addition, the District shall send an Application form to any person eligible to receive compensation and having at least a 15% difference between their APS annual bill for residential electric service and the bill they would have received if they had received domestic electricity on the District's residential standard kilowatt-hour-only rate. In using data obtained from the Public Service Corporation to determine eligibility for such compensation, the District shall use due diligence to ensure that the exclusion of any person from eligibility is based on reliable criteria. The Application shall be sent by first-class mail to the address of the Eligible Property or such person's last known address. Included with the Application shall be a statement of the last compensation year's average compensation payment.*⁵ In lieu of mailing the Application, the District may send, by first-class mail, instructions for completing the Application online or requesting a paper Application. The District will mail a paper Application to any person that requests it.
- C. All other notifications specified by these rules shall be made in writing and sent by first class mail to the Applicant's last known address, or if elected by the Applicant, by electronic mail. All notifications required or permitted to be delivered by the District under these rules shall be deemed effective and received (i) two days after being deposited in the mail, if sent by mail, or (ii) on the date of transmission, if sent by email.

IV. APPLICATION PERIOD

- A. The District shall accept Applications online, or by mail to the address specified in the Application, until 5:00 p.m., September 4, 2023.
- B. An Application shall be deemed submitted only upon receipt by the District.
- C. Failure to submit an Application electronically, or have an Application postmarked, prior to 5:00 p.m., September 4, 2023, shall be deemed a waiver of any claims or rights to compensation for all or any portion of the Compensation period. An Application with a metered postmark must be received prior to 5:00 p.m., September 4, 2023, to comply with this provision.

V. APPLICATIONS FOR COMPENSATION

- A. Any person or entity desiring to receive compensation for all, or part of the Compensation Period must complete and submit an Application for the 2022 program, either online or by mail. The online application is available at srp.net/apply-compensation.
- B. The Applicant must complete the Application to the best of the Applicant's knowledge and belief. The Applicant's signature on an Application constitutes the Applicant's representation that all information supplied by the Applicant therein is made and supplied fully and truly to the best of the Applicant's knowledge and belief.
- C. A separate Application is required for each Eligible Property owned and occupied by a Qualifying Shareholder during the Compensation Period.
- D. The District shall confirm receipt of each Application by sending a confirmation letter to the Applicant, in the form of Exhibit D attached hereto, showing the date the District input the Application and the reference number assigned to it.

VI. DETERMINATION OF QUALIFYING SHAREHOLDER

- A. As soon as practicable following receipt of an Application, the District shall undertake to determine whether the Applicant was a Qualifying Shareholder during the Compensation Period, in accordance with the following provisions.
- B. Is the Application submitted with respect to Eligible Property?
 - 1. The District shall determine from plat maps maintained by the Secretary of the Association or from legal descriptions of those areas within the Salt River Reservoir District served electricity by APS whether the property for which an Application is submitted is an Eligible Property.
 - 2. If the District determines that property for which an Application is submitted is not an Eligible Property, the District shall notify the Applicant, in writing, of its determination.
 - 3. If the District is unable to determine whether the property for which an Application is submitted is an Eligible Property, the District may so notify the Applicant and may require the Applicant to submit evidence showing that the property for which the Application is submitted is an Eligible Property. The Applicant has thirty (30) days from the date the District delivers the notification, or until the last day of the Application Period, whichever is later, to submit the proper information. If the District does not receive the information within the period set forth above, the Applicant shall be deemed not to have submitted a valid Application within the Application Period.
- C. Was the Eligible Property owned by the Applicant?
 - 1. The District shall initially determine from property records maintained by or available to the Secretary of the Association whether and for what periods during the Compensation Period the Applicant owned the Eligible Property for which an

Application is submitted. The Applicant shall be considered a Qualifying Shareholder only during the periods of ownership so identified.

2. If the District determines that an Applicant did not, during the Compensation Period, own the Eligible Property for which an Application is submitted, the District shall notify the Applicant, in writing, of its determination.
 3. If the District is unable to determine whether or for which periods during the Compensation Period the Applicant owned the Eligible Property for which an Application is submitted, the District may so notify the Applicant and may require the Applicant to submit evidence showing the periods in which the Applicant owned said property during the Compensation Period. The Applicant has thirty (30) days from the date the District delivers the notification, or until the last day of the Application Period, whichever is later, to submit the proper information. If the District does not receive the information within the period set forth above, the Applicant shall be deemed not to have submitted a valid Application within the Application Period.
- D. If owned by the Applicant, did the Applicant, occupy the Eligible Property at any time during the Compensation Period?
1. The District shall obtain billing information from APS for every Eligible Property that receives residential electric service under a Qualifying Rate.
 2. The District shall determine from utility bills submitted by the Applicant or from the customer billing information provided by APS whether and for what billing periods during the Compensation Period the Applicant occupied the Eligible Property he/she owned.
 - a. *Occupancy by a Shareholder shall include the provision of electricity to the Shareholder or the Shareholder's "relatives" of the first degree of consanguinity (parents and/or children) or affinity (spouse, stepparents,*

*stepchildren), so long as the "relatives" who reside in the Shareholder's Property do so without payment of rent. Under this circumstance, the Shareholder shall not be disqualified from compensation if the Public Service Corporation customer is either the Shareholder or the Shareholder's "relatives."*⁶

- b. *Occupancy by a Shareholder which is a non-profit Religious Institution shall be established where APS provides electricity under a Qualifying Rate to full-time employees of the Religious Institution who are provided a residence in the Eligible Property free of charge as part of the employee's compensation. Under this circumstance, the Shareholder shall not be disqualified if the Residential Customer is either the Religious Institution or the employee.*⁷
- c. *Occupancy by a Shareholder which is a Religious Institution shall be established where APS provides electricity under a Qualifying Rate to members of an ecclesiastical or monastic order who devote themselves full-time to the activities of the order and are provided a residence in the Eligible Property free of charge. Under this circumstance, the Shareholder shall not be disqualified if the Residential Customer is either the Religious Institution or the member.*⁸
- d. *Occupancy by a Shareholder/trustee to whom a trustor has transferred fee title to an Eligible Property for substantially less than fair market value shall be established where APS provides electricity under a Qualifying Rate to the trustor or the trustor's "relatives" of the first degree of consanguinity (parents and/or children) or affinity (spouse, stepparents, stepchildren) who reside in the Eligible Property. Under this circumstance, the*

*Shareholder shall not be disqualified if the Residential Customer is either the trustee, trustor or one of their "relatives."*⁹

3. If the District determines that the Applicant did not occupy the Eligible Property, he/she owned, the District shall notify the Applicant in writing of its determination.
4. If the District is unable to determine whether and for what billing periods an Applicant occupied the Eligible Property he/she owned, the District may so notify the Applicant and may require the Applicant to submit evidence showing when the Applicant occupied said property during the Compensation Period. The Applicant has thirty (30) days from the date the District delivers the notification, or until the last day of the Application Period, whichever is later, to submit the proper information. If the District does not receive the information within the period set forth above, the Applicant shall be deemed not to have submitted a valid Application within the Application period.

VII. DETERMINATION OF DIFFERENTIAL

- A. If the District determines that the Applicant was Qualifying Shareholder during the Compensation Period, the District shall then determine whether the Qualifying Shareholder paid APS substantially more for residential electricity during the Compensation Period, in accordance with the following provisions.
- B. Was the Qualifying Shareholder charged for residential electric service to the Eligible Property under a Qualifying Rate?
 1. The District shall determine from APS bills submitted by the Applicant or from billing information provided by APS those periods of time during the Compensation Period when the Qualifying Shareholder was charged under a Qualifying Rate for residential electric service delivered to the Eligible Property for which an Application is submitted.

2. If the District determines that a Qualifying Shareholder was not charged under a Qualifying Rate for residential electric service delivered to the Eligible Property, the District shall notify the Applicant, in writing, of its determination.
 3. If the District is unable to determine whether the Qualifying Shareholder was charged under a Qualifying Rate for residential electric service delivered to the Eligible Property, the District may so notify the Applicant and may require the Applicant to submit evidence showing that the Qualifying Shareholder was charged under a Qualifying Rate for residential electric service delivered to the Eligible Property. The Applicant has thirty (30) days from the date the District delivers the notification, or until the last day of the Application Period, whichever is later, to submit the proper information. If the District does not receive the information within the period set forth above, the Applicant shall be deemed not to have submitted a valid Application within the Application Period.
- C. Did the Qualifying Shareholder pay substantially more for APS residential electric service than he/she would have paid the District?
1. For residential electric service provided to a Qualifying Shareholder's Eligible Property under a Qualifying Rate, the District shall determine the Qualifying Shareholder's Annual Cost of Electric Service from APS billing information submitted by the Qualifying Shareholder or from information provided by APS.
 2. The District shall then calculate the District's Comparable Charge to the Qualifying Shareholder.
 3. The District shall then divide the Qualifying Shareholder's Annual Cost of Electric Service by the District's Comparable Charge to determine if the difference equals or exceeds the Qualifying Differential.

VIII. PAYMENT OF COMPENSATION

- A. If the amount of the Qualifying Shareholder's Annual Cost of Electric Service divided by the District's Comparable Charge equals or exceeds the Qualifying Differential, the District shall pay the Qualifying Shareholder the amount by which the Annual Cost of Electric Service exceeded the District's Comparative Charge, minus the Administrative Charge. The Administrative Charge shall not be prorated if compensation is calculated based on a period of less than a calendar year.
- B. The District shall notify each Qualifying Shareholder of the amount of compensation determined to be due as soon as practicable.

IX. VERIFICATION OF APPLICATIONS, AUDIT OF PROGRAMS, REQUESTS FOR RECONSIDERATION, AND FINAL DECISIONS

- A. District management shall undertake such actions as it deems appropriate to verify the information or evidence submitted by Applicants in their Applications, or in support thereof. Such actions may be undertaken with respect to every Application or may be done only with respect to certain Applications.
- B. District management may institute such internal audit procedures of the compensation program as it deems appropriate.
- C. The notices specified by sections VI(B)(2), VI(C)(2), VI(D)(3), VII(B)(2), and VIII(B) shall constitute the District's initial decision on an Application. The District initial decision shall become final 40 days after it is delivered by the District, unless a timely request for reconsideration is filed under IX (D) below. When an Application is deemed invalid under section VI(B)(3), VI(C)(3), VI(D)(4) or VII(B)(3) of these rules, that shall be deemed a final decision as of the last day specified for providing information in such section, and no request for reconsideration may be filed.

D. Any Applicant dissatisfied with an initial decision may submit a request for reconsideration within 40 days after the District delivers the initial decision. All requests for reconsideration must be in writing and must state the reasons the Applicant believes reconsideration to be appropriate. Failure to submit a timely request for reconsideration shall be deemed a waiver of all objections to the initial decision. If an Applicant files a timely request for reconsideration, the District's decision on that request shall constitute its final decision.

X. ANNUAL REPORT

At least once a year management shall at an open meeting provide the District's Board of Directors a report upon the conduct of the prior year's compensation program, including a report on the number of Applications sent out to the public service corporation's customers, number of Applications filed, number of Applications paid, number of Applications rejected for each reason stated in a rejection letter and the total amount of compensation paid. If no compensation program is conducted for the prior year, management shall at an open meeting, provide the Board of Directors a report explaining why any Shareholder whose APS billing record shows a 115% differential would not be entitled to compensation. Two weeks prior to said meeting notice shall be published in two newspapers of general circulation within the Salt River Reservoir District informing the Shareholders that a report on the prior year's 15% area compensation program, or, the fact that no program was conducted shall be presented to the Board of Directors. The report shall be made public and available upon request upon payment of copying costs.¹⁰

¹ This term is required by paragraph II.E of the Settlement Agreement, dated February 7, 1990, pp 6-7. It is essentially identical to the language quoted in the Settlement Agreement.

² Paragraph I.F of the Settlement Agreement, pg. 3, defines "substantially more" as being "15% or more." This term captures that definition.

- ³ Paragraph I.C(2) of the Settlement Agreement, pg. 3, provides that compensation shall be available for "all residential rates, whether implemented or created in the future, including APS E-10, E-12, ECT-1, ET-1, and EC-1, except any experimental rate." This listing of Qualifying Rates cannot be used to exclude any residential, non-experimental rate that APS uses. So long as this listing includes all eligible rates, the enumeration is valid.
- ⁴ This language is required by paragraph II.F of the Settlement Agreement, pg. 7.
- ⁵ This language is required by paragraph II.G of the Settlement Agreement, as modified by Judge Moroney's Order signed August 6, 1996.
- ⁶ This paragraph is required by Judge Moroney's Order signed August 6, 1996.
- ⁷ This paragraph is required by section I.F of the Settlement Agreement, pg. 4, regarding employees of a Religious Organization. The rules use the phrase "Religious Institution" rather than the phrase "Religious Organization" which was used in the Settlement Agreement. Paragraph II.N of the rules defines religious institution.
- ⁸ This paragraph is required by section I.G of the Settlement Agreement, pg. 4, regarding members of a Religious Organization. The rules use the phrase "Religious Institution" rather than the phrase "Religious Organization" which was used in the Settlement Agreement. Paragraph II.N of the rules defines religious institution.
- ⁹ This paragraph is required by paragraph I.H of the Settlement Agreement, pg. 4.
- ¹⁰ This paragraph is required by paragraph II.H of the Settlement Agreement, pp. 7-8.



2022 SRP Shareholder Compensation Application

This completed Shareholder Compensation Application must be submitted to Salt River Project Agricultural Improvement and Power District (SRP) to apply for compensation under the Salt River Valley Water Users' Association's shareholder compensation program. SRP will rely on the information in this application to determine the amount of any compensation to which the Applicant may be entitled.

INSTRUCTIONS

1. Please print or type.
2. This application must be completed and signed by the owner of the eligible land. If the owner is a trust, it must be signed by the trustee.
3. Submit completed application by mail to **SRP, Shareholder Compensation, P.O. Box 29077, Phoenix, AZ 85038-9077**.
4. Mailed applications must be postmarked by September 4, 2023. **NO LATE APPLICATIONS WILL BE ACCEPTED.** (Metered postmarks received after September 4, 2023, are unacceptable.)
5. If you have any questions or need assistance in completing this application, please call **(602) 236-8888** Monday through Friday, 8 a.m. to 5 p.m. *Si quiere usted contestación a sus preguntas en español, llame a La Línea, (602) 236-1111, de lunes a viernes, de 8 a.m. a 5 p.m.*

SECTION I – APPLICANT AND PROPERTY INFORMATION

IF THE OWNER IS A TRUST, WHAT IS THE TRUST'S NAME?

APPLICANT NAME: FIRST	MIDDLE	LAST	
SPOUSE/CO-APPLICANT'S NAME: FIRST	MIDDLE	LAST	
APPLICANT'S PHONE NUMBERS: HOME	MOBILE	WORK	EXT.

APPLICANT'S EMAIL ADDRESS:

Residential address on the eligible land for which this Application for Compensation is made (the "Residence"):

STREET NO.	DIR.	STREET NAME	SUFFIX	SUFFIX DIR.	UNIT #	CITY	STATE	ZIP+4
------------	------	-------------	--------	-------------	--------	------	-------	-------

Tax Parcel ID No. _____ - _____ - _____ - _____

Arizona Public Service Co. (APS) Account No.: _____

Is Applicant's mailing address different from the property address? Yes ☐ No ☐

P.O. BOX OR STREET ADDRESS	CITY	STATE	ZIP+4	COUNTRY
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SECTION II – OWNERSHIP AND OCCUPANCY INFORMATION

In the year 2022, the Applicant **OWNED** the eligible land from ____/____/2022 to ____/____/2022

During Applicant's period of ownership, the Residence was (**check and complete all that apply**):

☐ Occupied by Applicant from ____/____/2022 to ____/____/2022.

☐ Occupied by a relative of Owner from ____/____/2022 to ____/____/2022.

Relationship to Owner _____

☐ Occupied by a tenant from ____/____/2022 to ____/____/2022.

☐ Unoccupied from ____/____/2022 to ____/____/2022.

Have you transferred ownership of this Residence? Yes ☐ No ☐ date of transfer _____

SECTION III – VERIFICATION

By signing below, I certify that I have answered the questions contained in this application fully and truly to the best of my knowledge. For purposes of processing this application, I consent to APS releasing account information (past or current) with respect to the Residence. I further consent and agree to any reasonable request by SRP intended to verify the information contained herein or submitted by me in support of this application. I avow that the information provided is true under penalties for false statements as provided by Arizona Revised Statutes § 13-2704.

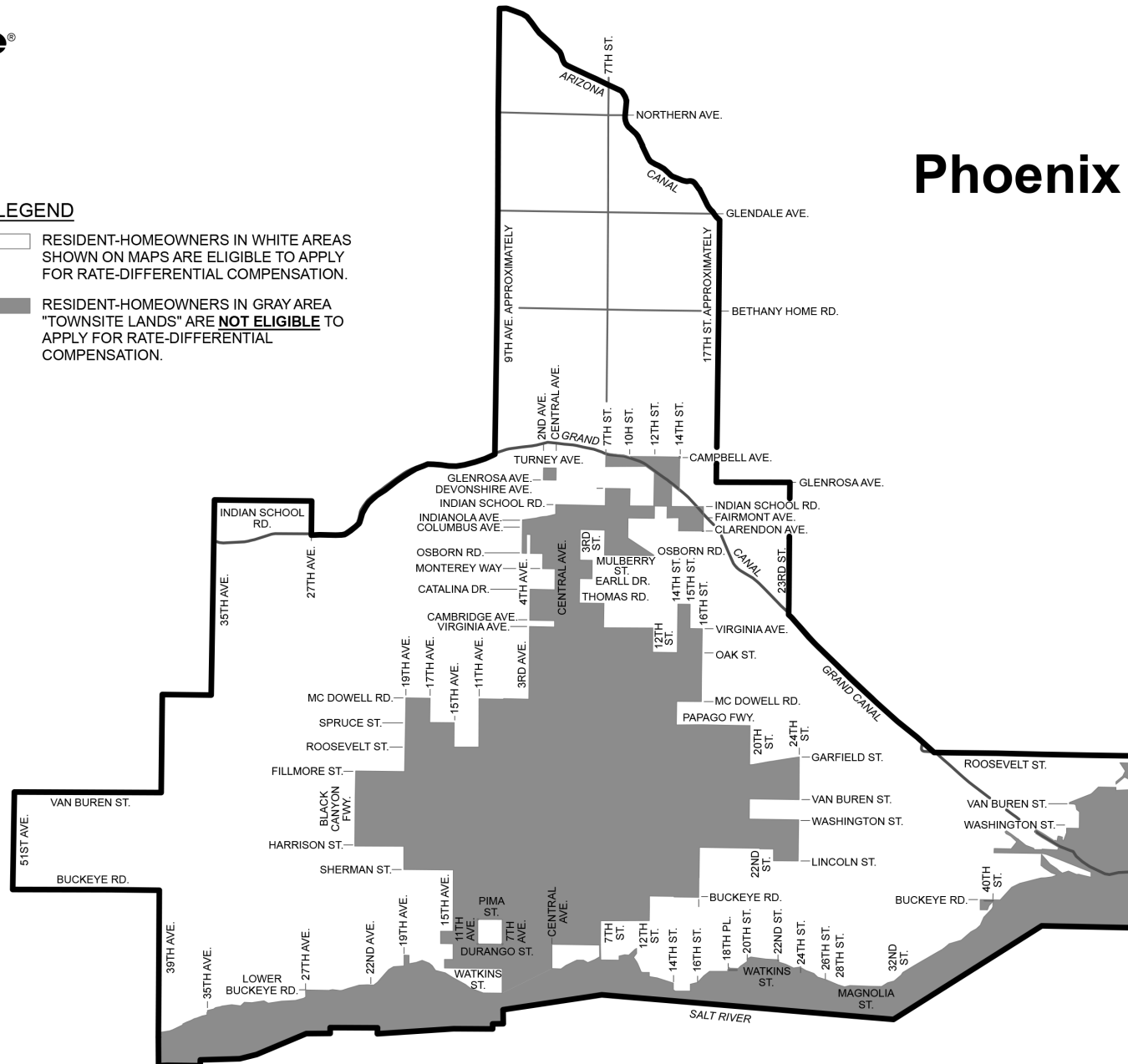
☐ By checking this box, I consent to the electronic delivery, using the email address set forth above, of all documents, communications, and notices that SRP elects to deliver to me in connection with this application.

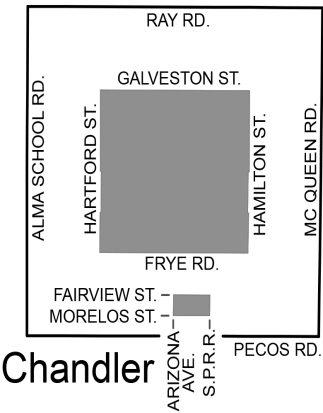
Date _____ Signature of Applicant/Trustee _____

***NOTE:** If property is held in a trust, Applicant must submit to SRP trust documents identifying the trustor, trustee, successor trustee(s), and the page that is signed and notarized.

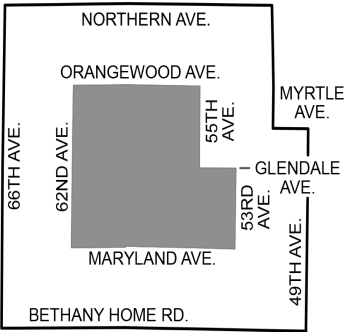
LEGEND

RESIDENT-HOMEOWNERS IN GRAY AREA "TOWNSITE LANDS" ARE **NOT ELIGIBLE** TO APPLY FOR RATE-DIFFERENTIAL COMPENSATION.

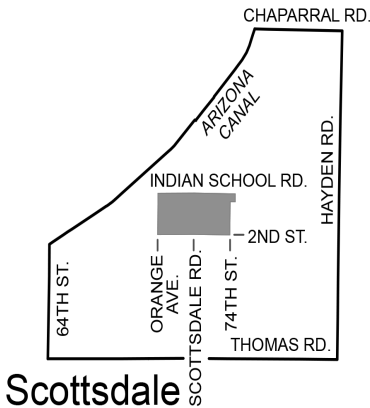




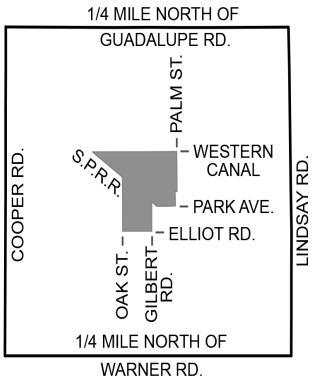
Chandler



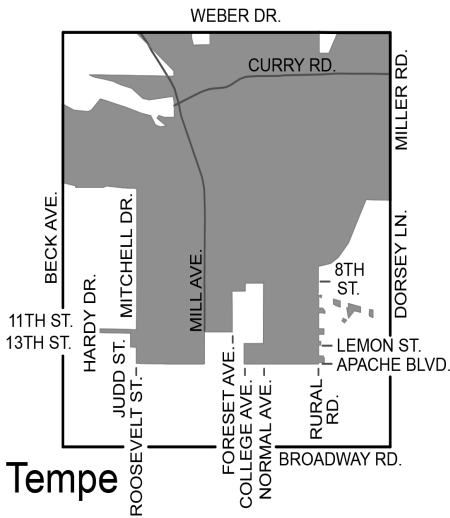
Glendale



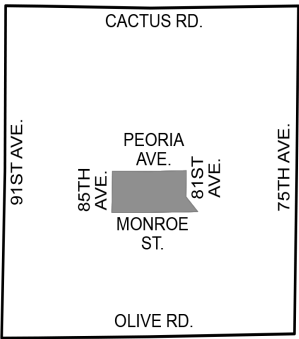
Scottsdale



Gilbert



Tempe



Peoria

LEGEND

- RESIDENT-HOMEOWNERS IN WHITE AREAS SHOWN ON MAPS ARE ELIGIBLE TO APPLY FOR RATE-DIFFERENTIAL COMPENSATION.
- RESIDENT-HOMEOWNERS IN GRAY AREA "TOWNSITE LANDS" ARE **NOT ELIGIBLE** TO APPLY FOR RATE-DIFFERENTIAL COMPENSATION.

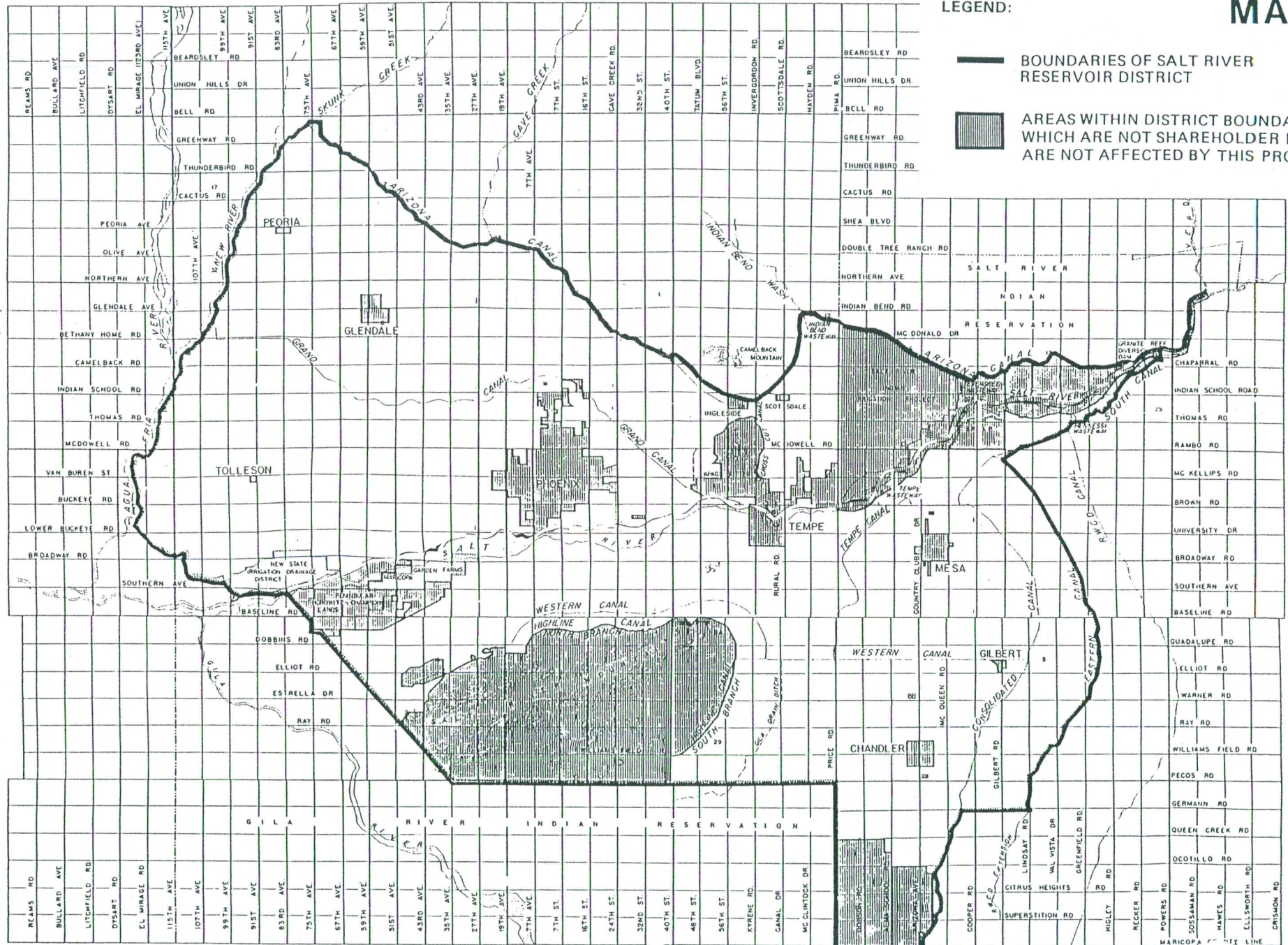


MAP A

LEGEND:

— BOUNDARIES OF SALT RIVER
RESERVOIR DISTRICT

▨ AREAS WITHIN DISTRICT BOUNDARIES
WHICH ARE NOT SHAREHOLDER LAND AND
ARE NOT AFFECTED BY THIS PROGRAM.





Shareholder Compensation
P.O. Box 29077
Phoenix, AZ 85038-9077

xx-xx-2023

Reference Number & Address

JOHN SMITH
1234 E MAIN ST
ANYWHERE, AZ 85015

22-xxxxx
1234 E MAIN ST
ANYWHERE, AZ 85015

Your 2022 Application for Compensation has been received by the Shareholder Compensation Office at SRP. It will be processed to determine eligibility and you will be notified of the disposition by mail. If you have any questions, please call 602-236-8888.

Above is the reference number assigned to your application and the date it was input. Please refer to this reference number on any correspondence to this office. Please notify our office in writing if you have a change of address.

Claims are processed in the order they are received. Normal processing takes six months.

Si quiere usted contestación a sus preguntas en español, llame a La Línea, 602-236-1111, de lunes a viernes, de 8:00 a.m. a 5:00 p.m.

Sincerely,

SRP Shareholder Compensation



Shareholder Compensation Program – Program Year 2023 Admin Fee Change

Finance & Budget Committee – May 25, 2023

Jason I. Riggs, Treasury Operations



Shareholder Compensation Program

- Originating in 1928 under CALAPCO agreement to secure financing for Stewart Mountain Dam
 - Reimburses eligible participants who reside in the “15% Area”
 - Eligibility rules determined by legal documents and Board established Rules and Regs
 - Cost to administer program driven by several factors
 - Rules established a method to recover “administrative costs” in 1989
- Seek approval to update admin fee to \$50 for Program Year 2023 to allow for better recovery of administrative costs

Current Admin Fee Methodology and Program Expenses

- “CPI” Method

- Base of \$15 set in 1989
- Grow by annual change in Consumer Price Index (CPI)

Approved 2022 Program Fee: \$35.41

- Costs include:

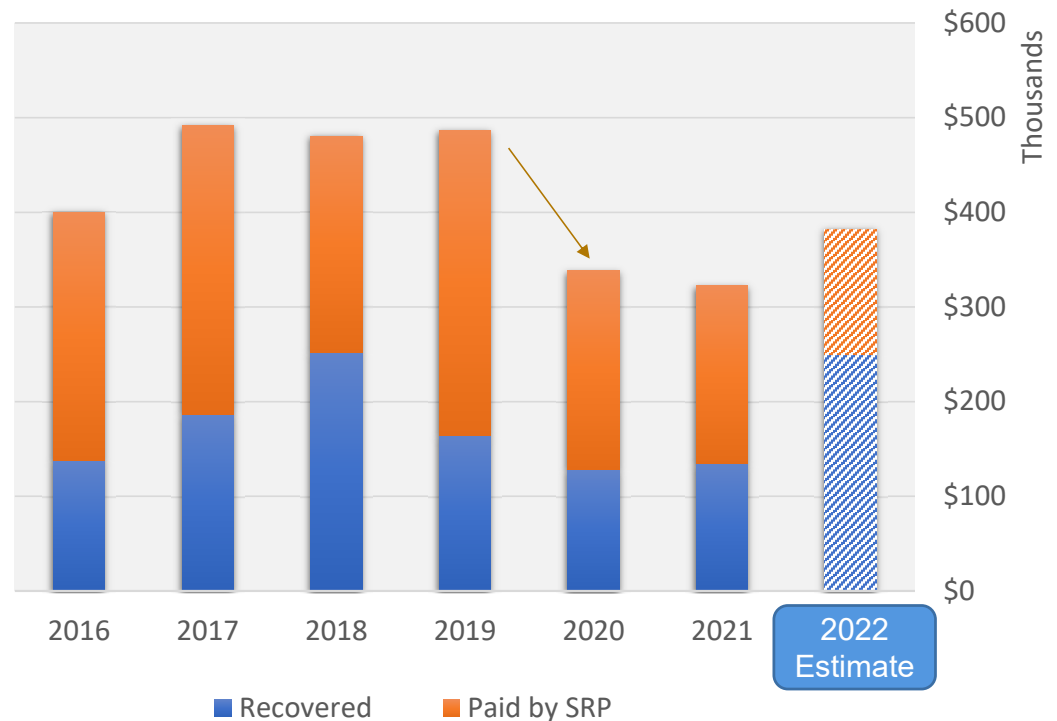
- Mailing/Advertising/Printing
- Systems
- Administrator & Customer Services

2021 Cost per paid application: \$78.80

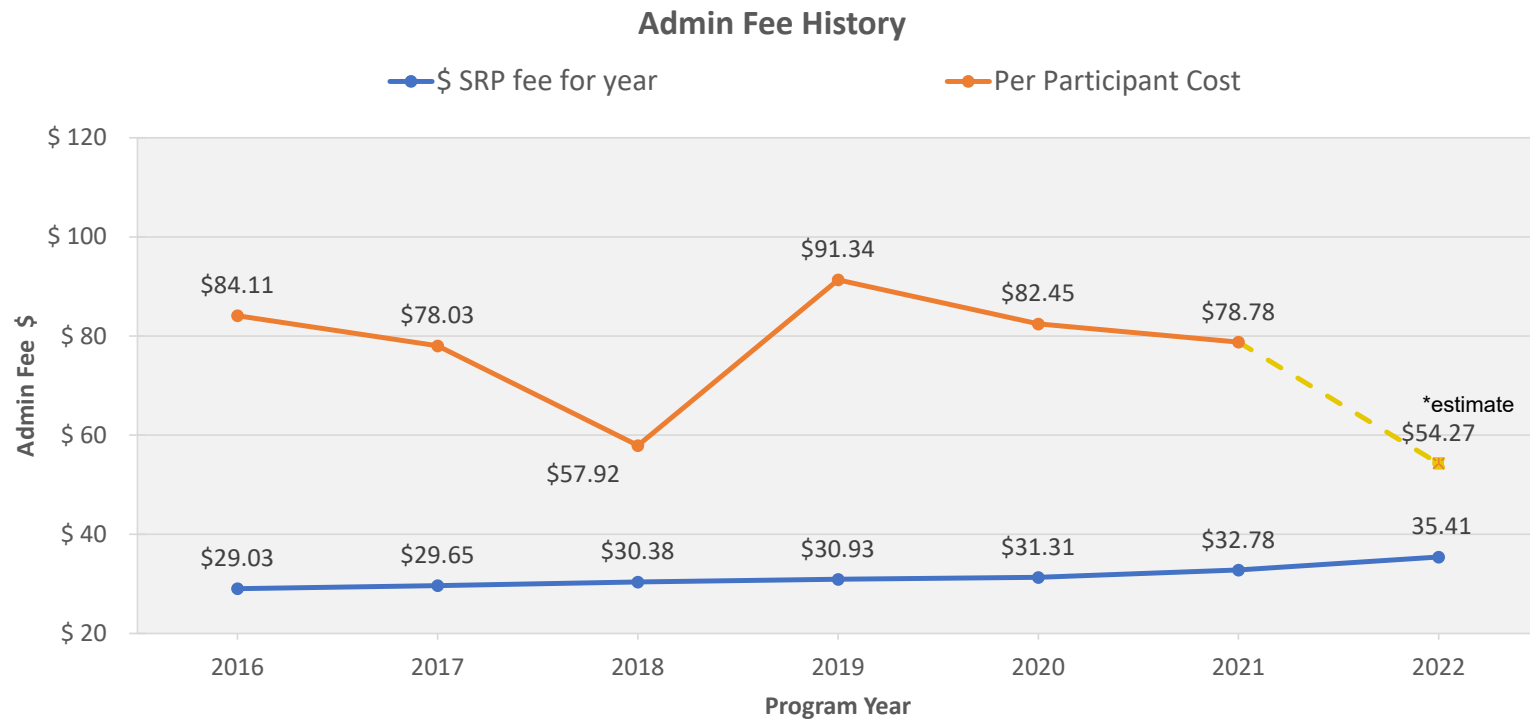
- Cost mitigation implementations:

- Process improvements
- Electronic applications
- System Enhancements

2022 Administrative Expense Outlook



Historical Admin Fee and Program Expenses



Impact on Potential Participants

- Claims that total less(\$) than the admin fee are *rejected*
- For every increase of \$5 in the admin fee, an average of 7 claims will be rejected
 - Expected impact for 2023 Program Year ~21 additional participants

Apps rejected 2021 Program

Not 15% Difference	1099
Not in the Area	269
Duplicates	172
No Information – Shareholder	116
Not Resident	22
Not Shareholder	15
Late	14
Not APS customer of record	13
Amount less than fee	12
Not Rent Free	9
Not Family Member	6
Not in Claim Period	1
Ineligible APS Rate	1
No Information – APS Customer	0

2021

Claims processed	5,844
Claims paid out	4,095

Estimated rejected claims from an increased fee

Increase in fee	Additional rejected claims
\$15.00	21

Management Recommendation

- For the program year 2023, increase the admin fee to \$50
 - Helps recover more costs associated with administering the program
 - Manageable impact to participants
- Will re-evaluate fee for program year 2024
- Continue to seek process improvements where available

Request for Approval

- In accordance with the terms discussed herein, Management requests that the Committee recommend that the Board approve the implementation of the proposed administrative fee under the Shareholder Compensation Program to begin with Program Year 2023.

thank you!

