

An aerial photograph of a large dam situated in a deep, rugged canyon. The canyon walls are composed of layered, reddish-brown rock. A river flows through the canyon, curving around the base of the dam. The sky is a clear, pale blue. The text is overlaid on the center of the image.

**SRP Integrated System Plan
Advisory Group Meeting #7
Final Metrics, Customer Research Update
& Process Reflections**

June 8, 2022

Welcome

Kelly Barr

Associate General Manager Chief Strategy and Corporate Services & Sustainability Executive, SRP

Welcome SRP Board and Council Observers



John Hoopes
SRP Association Vice
President



Chris Dobson
SRP District Vice President



Anda McAfee
SRP Board Member



Jack White
SRP Board Member



Larry Rovey
SRP Board Member



Krista O'Brien
SRP Board Member



Suzanne Naylor
SRP Council Member



Rocky Shelton
SRP Council Member

Safety & Sustainability Minute

Meeting Objectives:

- Discuss community sustainability efforts at SRP
- Review the final proposal for the Study Plan metrics
- Update on the customer research effort and Phase II survey results
- Reflect on the Advisory Group collaborative process

Agenda

Time		Topics	Presenter
9:00 - 9:15	15 mins	Breakfast, Welcome, Opening Remarks and Advisory Group Updates	Kelly Barr (SRP) Joan Isaacson (K&W)
9:15 – 10:00	45 mins	Community Sustainability, ESG and Equity – Q&A and Roundtable Brainstorm	Tom Cooper (SRP) Leah Harrison (SRP)
10:00 – 10:20	20 mins	Metrics Final Proposal – Q&A	Jed Cohen (SRP) Kyle Heckel (SRP)
10:20 - 10:30	10 mins	Coffee Break	
10:30 – 11:30	60 mins	Customer Research Effort Phase II Survey Results – Q&A and Subgroup Activity	Jed Cohen (SRP) John Sessions and April Smith (Bellomy Market Intelligence)
11:30 – 12:10	40 mins	Reflections on the Advisory Group's Collaborative Process – Group Discussion	Joan Isaacson (K&W)
12:10 – 12:15	5 mins	Next Steps and Wrap Up	Angie Bond-Simpson (SRP)
12:30 – 1:30	Lunch Provided in the SRP Heritage Center		
Joint Topical Meeting with the 2035 Sustainability Advisory Group 1:30-3:30			
1:30-1:35	5 mins	Welcome, Safety & Sustainability Minute	Kelly Barr (SRP)
1:35-2:25	50 mins	Extreme Heat and Heat Resilience – Q&A	Dr. David Hondula (City of Phoenix's Office of Heat Response and Mitigation)
2:25-2:30	5 mins	SRP Strategic Planning Update	Tom Cooper (SRP)
2:30-2:40	10 mins	Coffee Break	
2:40-3:30	50 mins	SRP Resource Planning Update – Q&A	Bobby Olsen (SRP) Ron Klawitter (SRP)

Guides for Productive Meetings

- Actively participate
- Be respectful of other perspectives
- Listen for understanding
- Stay concise to allow time for everyone to participate
- One representative for each organization in meeting discussions
- Enjoy the meeting!

Community Sustainability, ESG and Equity

Leah Harrison

Manager, Sustainability Policy And Programs (SRP)

Tom Cooper

Director, Corporate Strategy, Sustainability, and Economic Services (SRP)

Community Sustainability Efforts at SRP

20 Sustainability Goals

- Carbon Emissions Reductions
- Water Resiliency
- Supply Chain & Waste Reduction
- Customer & Grid Enablement
- Customer, Community & Employee Engagement

Energy Access & Reliability

- Affordable power to +1M customers
- Reliability and Power Quality Goals achieved
- Grid infrastructure modernization
- SRP Solar Choice Offering
- Sustainable Energy Offering
- Dedicated Renewable Energy Contracts

Stakeholder Engagement

- 2035 Sustainability Goals
- Integrated System Plan

Climate Risk Assessment

Data Security

- Mitigating cyber security risk for customer data and connections

Diversity, Equity & Inclusion

- Implemented DEI strategy and roadmap
- 10 Employee Resource Groups
- Certified Neurodiverse Workplace and partner with The Precisionists Inc.

Community Vitality

- ASU & SRP Strategic Partnership
- Economic Development leadership
- Healthy Forest Initiative
- Light up Navajo
- Community Stewardship & Contributions
- Valley MOU partnerships

Disconnect Policies

- No disconnection during excessive heat warnings or for customers with balance below \$300

Energy Affordability

- Pricing options, energy management and efficiency programs for all customers

Safety & Health

- Community safety events & education
- Pandemic response

Coal Community Transition

- +\$200M in transition support to Navajo Nation
- 200 MW Navajo Nation solar project
- CGS transition support
- Navajo Nation Energy & Resource Economic Development Roadmap
- NGS employee job offerings
- SRP Coal Communities Transition Team

Low-income Customer Assistance

- Customer Resource Counselors
- Economy Price Plan
- SHARE program funding
- Limited Income Weatherization Assistance program

Heat Resilience

- Free Shade program
- Right Tree, Right Place
- SRP Heat Stress program

Customer Experience

- Customer Sat. Score of 839/1,000
- 67% FY21 Customer Sat. Index

Supply Chain

- Supplier Diversity Commitment with FY22 diverse spend of 19.1%

Goals and Objectives

2035



Sustainability Strategic Direction

Embed sustainable principles and practices in all that we do to deliberately increase the pace of our transformation and create a lasting, positive social and environmental impact.

Updates to 2035 Corporate Goals

- ✓ Elevated, singular focus on sustainability
- ✓ Transition to Environmental, Social and Governance (ESG) Framework

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- Customer Sustainability Initiatives-** Targeted Offerings & Strategic Partnerships
- Sustainability Maturation-** Development of an ESG Framework
- Climate Risk Consideration-** Address SRP's Climate and Sustainability Assessment
- 2035 Sustainability Goals-** Communicate Progress and Update Action Plans
- Smart Economic Development-** Partner with Communities to Promote Sustainable Growth

Fiscal Year 2023

Community Sustainability Efforts at SRP

Roundtable

What topics and ideas regarding community sustainability/equity are most important to you?

1-3 per person

Advisory Group Ideas for Consideration

- Balancing short term concerns (e.g., reliability, affordability and coal community jobs) with long term decarbonization and sustainability goals
- Maintaining critical energy connections and ensuring those with a high energy burden have reliable access to power
- Encouraging partnerships between SRP and customers to address sustainability and reliability and ensuring ability for customers of all sizes to participate in sustainability programs
- Expanding view of well-being (health, comfort, jobs, pollution, heat) to be more holistic
- Ensuring an inclusive process – all voices included in the conversation

Metrics Final Proposal

Jed Cohen

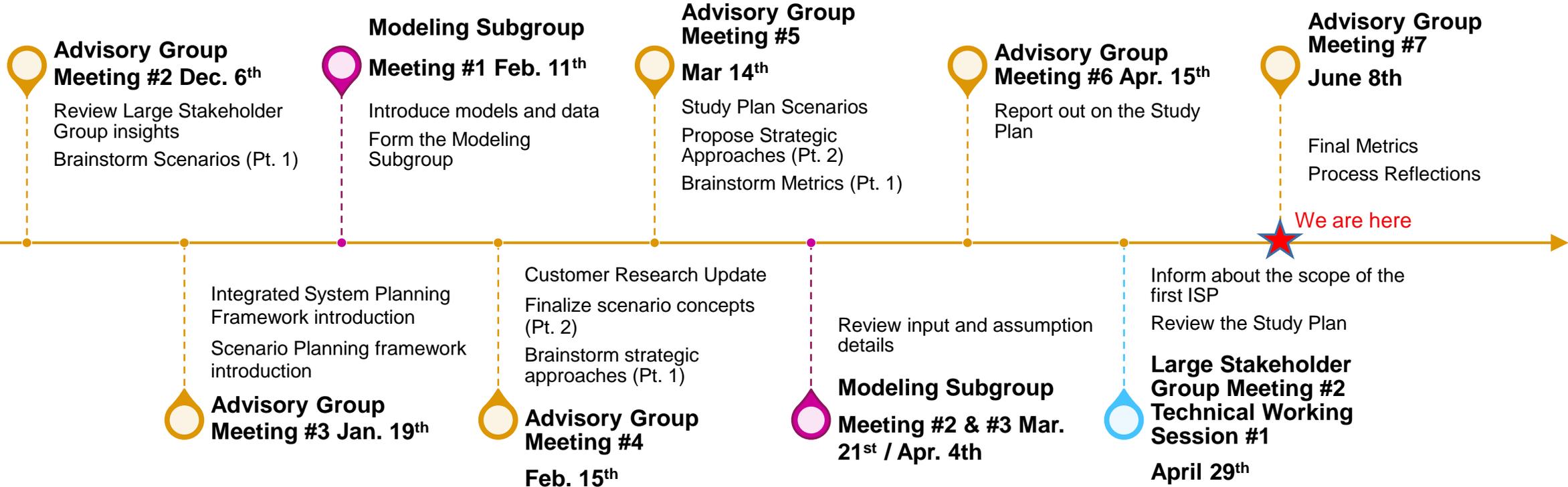
Lead, Integrated System Planning & Support (SRP)

Kyle Heckel

Sr. Analyst, Integrated System Planning & Support (SRP)

Developing the Study Plan

Prepare Phase



-  Large Stakeholder Group Meetings
-  Advisory Group Meetings
-  Modeling Subgroup Meetings

Analysis Phase

What We Heard From the Large Stakeholder Group on 4/29: How to Measure Success?

- A reliable and resilient system
- Affordable rates
- Successful customer programs, and the ability to address equity and benefits to low-income communities
- Percentage of renewables, decarbonization, GHG emissions reductions, and net-zero energy
- Diversity of generation and grid utilization

Integrated System Plan Study Plan: Process Overview

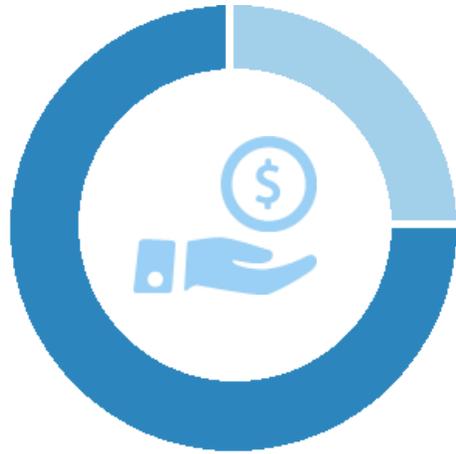
Study Plan Components	Stage of Completion	Advisory Group Brainstorm	Draft Proposal	Advisory Group Review & Feedback	Final Proposal	Share Final Proposal with Stakeholders
Scenarios & Sensitivities	Finalized	✓	✓	✓	✓	✓
Strategic Approaches	Finalized	✓	✓	✓	✓	✓
Metrics	Final Proposal	✓	✓	✓	✓	June 8th

Reviewed the modeling ecosystem and specific assumptions with the Advisory Group: Modeling Subgroup

Major Themes Heard at April 15 Advisory Group Meeting

- In general, metrics are comprehensive and allow for analysis of various system plans
- Consider equity more explicitly
 - Energy burden
 - Urban heat island and heat resiliency
 - Health impacts from air emissions
- Add additional sustainability and reliability metrics
 - Particulate Matter ≤ 2.5 microns (PM2.5) and volatile organic compounds (VOC)
 - Planning reserve margin (PRM), loss of load expectation (LOLE), expected unserved energy (EUE), outage duration
- Capture some metrics at more granular level
 - Monthly or seasonal bill impacts
 - Emission data for non-attainment areas

Integrated System Plan Metrics



Affordability

Total Costs
Average System Rate Impact
Average Residential Bill Impact
(absolute and relative to
inflation)



Sustainability

CO2 Reductions Over Time
Water Use
Carbon-Free Generation
Capacity Factor for Gas Fleet
Direct Air Emissions (NOx, SO2,
PM10, **PM2.5, VOC**)



Reliability

Resource Contribution to
Reliability
Reliance on Emerging
Technologies
Qualitative Risk
Ratings (Development
Risk and Operational Risk)
Planning Reserve Margin



Customer Focus

Customer Preference Rating
CO2 Reductions from EE,
DR, DG and Electrification

Bold items indicate new additions

Additional Actions in Response to Feedback

- Begin discussions focused on equity considerations
- Communicate seasonal variation in bill impacts
- Leverage existing metrics
 - Planning Reserve Margin (PRM) as a proxy for loss of load expectation (LOLE) and expected unserved energy (EUE)
- Metric innovations considered for future ISPs
 - Outage duration
 - Emission data for non-attainment areas

Questions?

Coffee Break

Customer Research Effort Phase II Survey Results

Jed Cohen

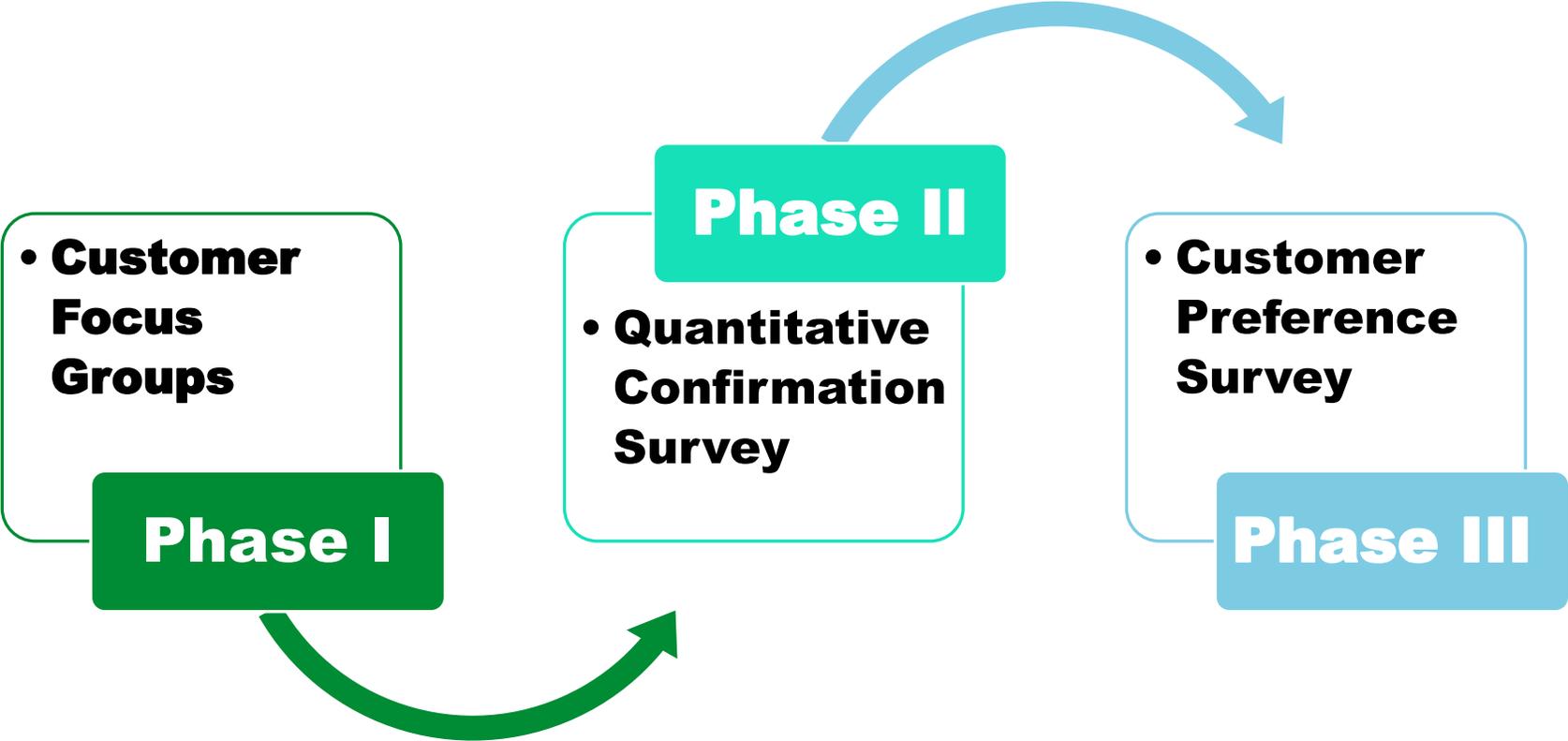
Lead, Integrated System Planning & Support (SRP)

John Sessions, CEO & April Smith, Director Client Services

Bellomy Market Intelligence

Bringing the Voices of Our Customers into the System Plan

Three Phases of Residential Customer Research





SRP Future of Energy Research

Phase I & II Report

May 10, 2022

John Sessions, CEO & April Smith, Director Client Services
Bellomy Market Intelligence



About Bellomy

OUR GUARANTEE

We will be the best team you've ever worked with.

COMPANY STATS

Full-service market research firm with a digital marketing agency in-house

Founded in 1976

Headquartered in Winston-Salem, NC

100+ person company, with in-house researchers, designers, strategists, and developers across 14 states

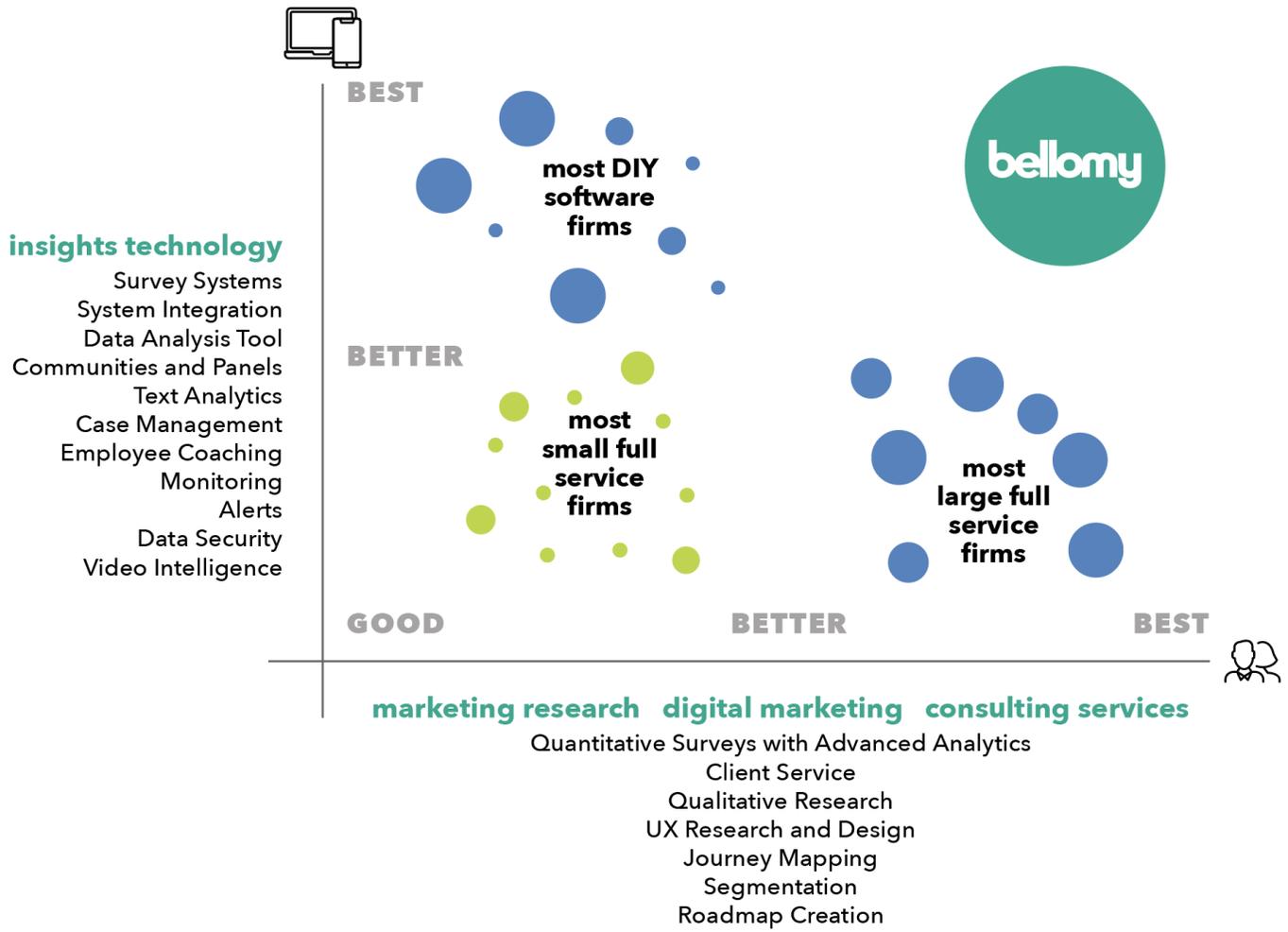
Ranked among the Top 50 market research firms in the US for the last 10+ years

SOME OF OUR ENERGY CLIENTS



Fueling digital acceleration through research + design

Insights Technology **Designed + Developed** by Insights Professionals



RESEARCH FINDINGS

Background & Objectives

Salt River Project (SRP) is preparing their first Integrated System Plan (ISP), **which is focused on planning the power system through 2035.**

The goal of this research was to **bring the voice of SRP's residential customers into the planning of the future power system.**



Methodology

A three-phased research approach is being applied. Starting with virtual focus groups (December 2021), followed by a quantitative confirmation (March 2022) and a choice exercise (planned for Fall 2022).

All customers included in the research were SRP customers, energy decision makers, who did not work for a competitive industry, and were over 18.

Customers evaluated SRP's proposed energy mix, which is targeted to take place in the next 10-20 years.

Phase I: Virtual Focus Groups

4

90-minute focus groups

December 13 & 14, 2021



Phase II: Online Survey

400

respondents

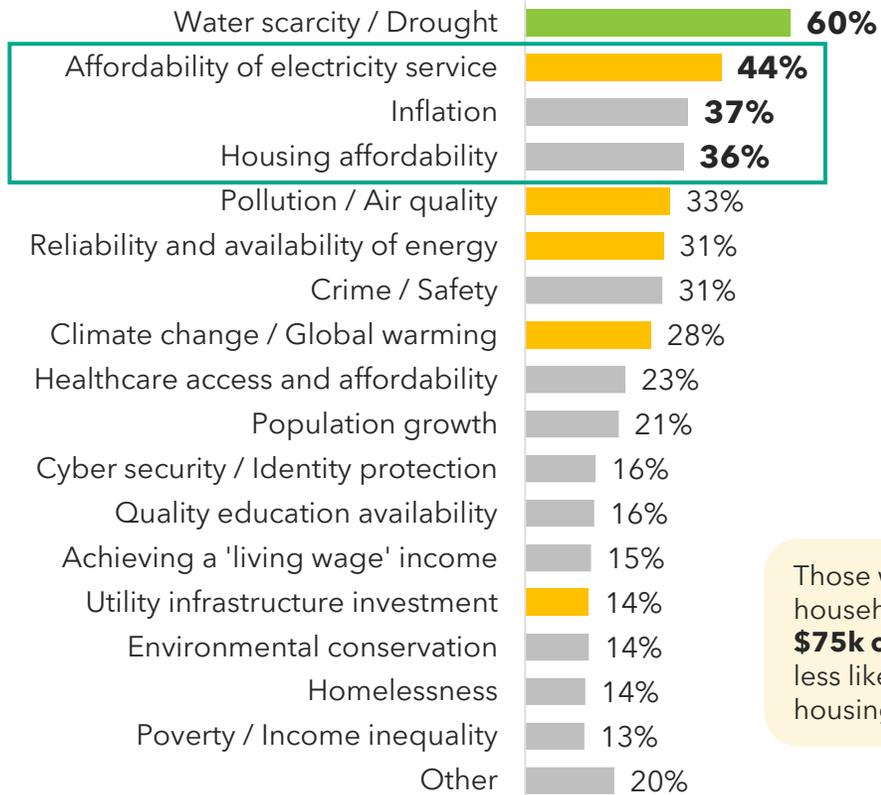
March 7 - March 14, 2022



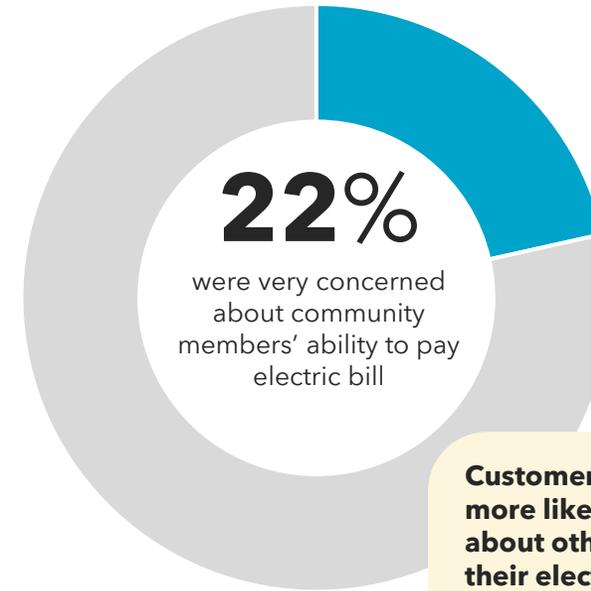
Customers demonstrated affordability concerns

After water scarcity, affordability related to electricity, inflation, and housing were most concerning. Lower income customers reflected greater concern for affordability.

Future Issues Facing Arizona



Those with a household income of **\$75k or more** were less likely to prioritize housing affordability.



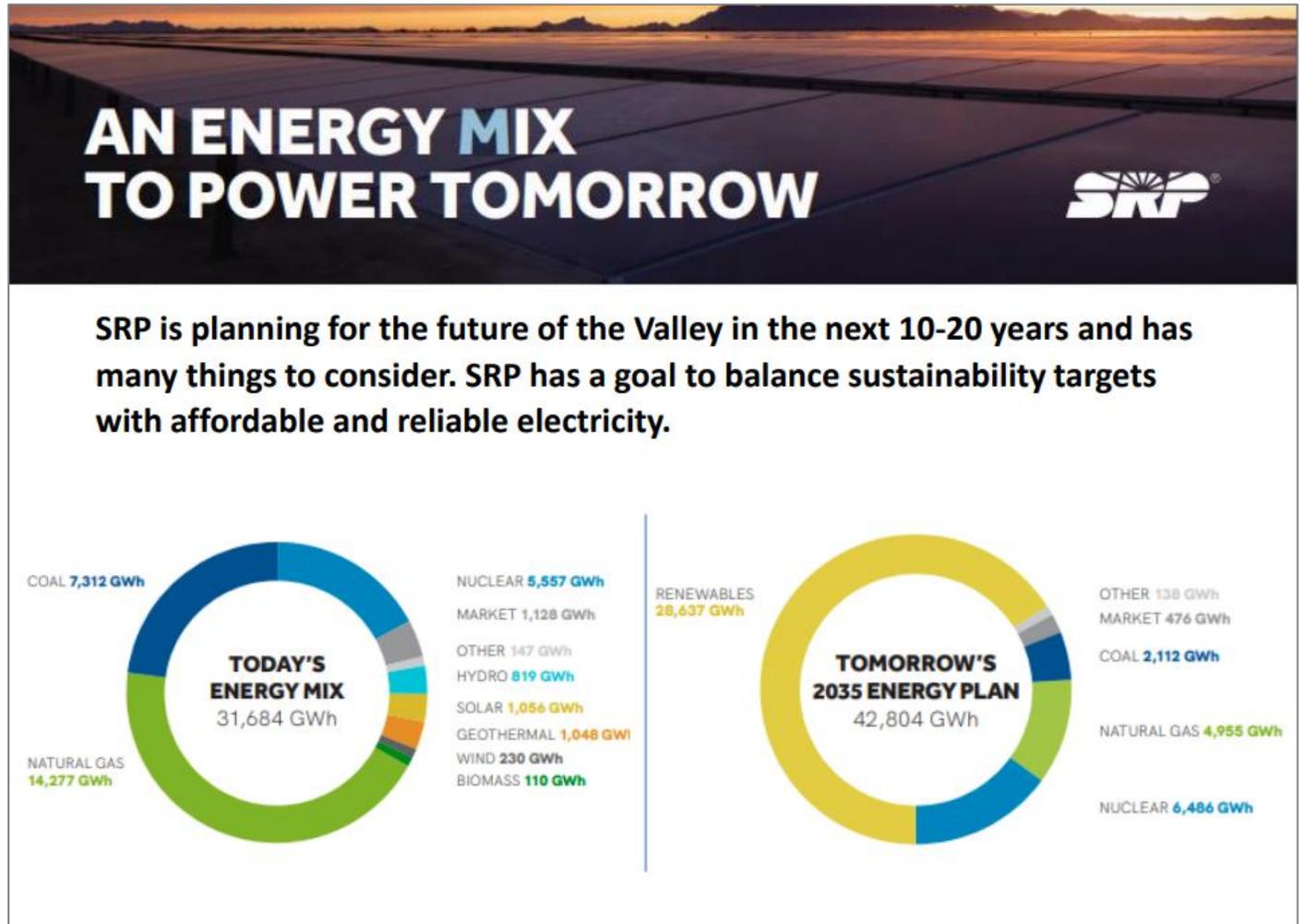
Customers groups more likely to be concerned about others' ability to pay their electric bill include:

- Those with household income less than \$75k
- Females
- Hispanic customers

Illustrative Energy Plan

Customers evaluated an illustrative SRP energy mix, which could take place in the next 10-20 years.

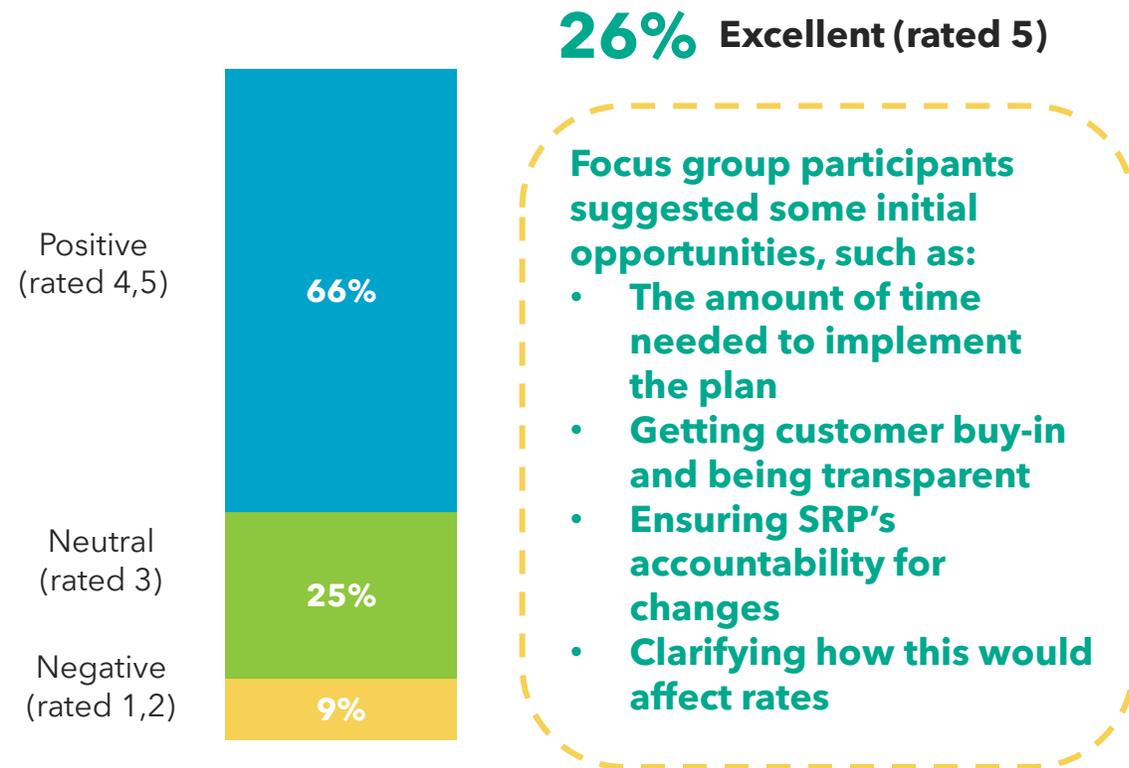
Customers were given background on SRP's priorities to ensure power quality continues to improve.



Two thirds rated the energy plan positively

One-quarter (26%) rated the plan as excellent, demonstrating opportunity for improvement.

Overall Opinion of the Illustrative Plan

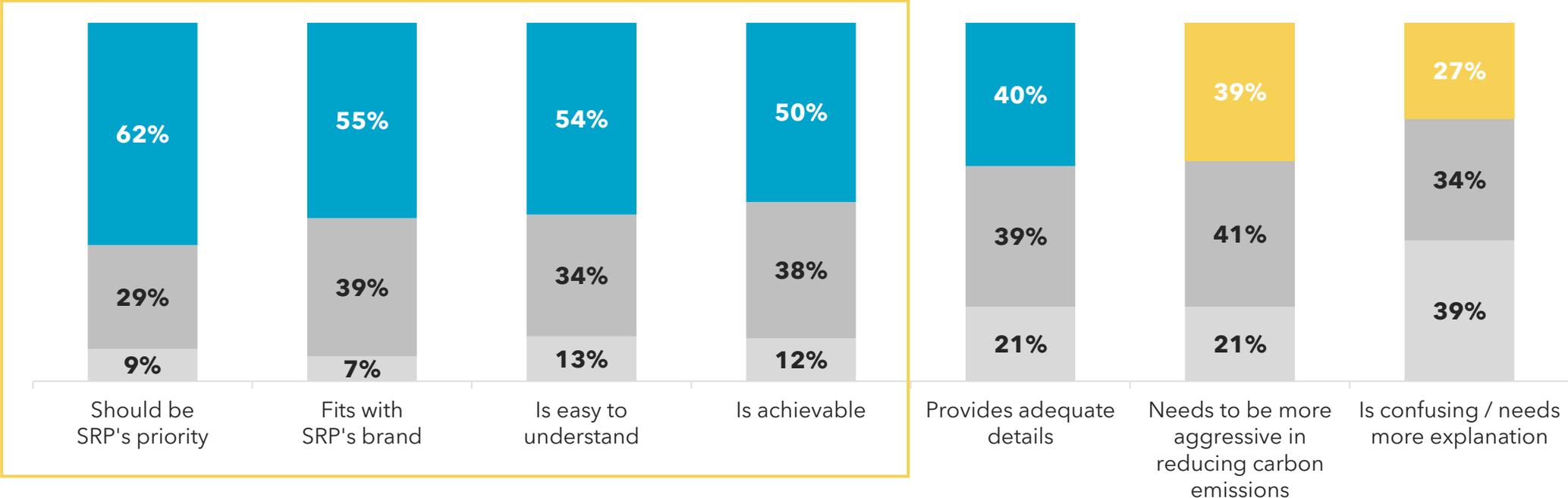


Most responded positively to the illustrative plan

At least half agreed the plan should be SRP's priority, fit with the brand, is easy to understand, and is achievable.

Reaction to Energy Plan - Agreement

■ Agree (rated 4,5) ■ Neutral (rated 3) ■ Disagree (rated 1,2)



Customers looked for more specifics on the plan

In addition to questions on plan affordability and achievability, respondents cited varying thoughts on which renewable sources SRP should prioritize.



Felt that SRP should prioritize another goal, and emphasized thoughts on specific energy sources

“Since Arizona is a very hot state. I believe solar panels would be excellent for SRP.”

– Survey Respondent

“Nuclear power is in my view, the only way forward, renewable, wind, solar are efforts in futility.”

– Survey Respondent



27% shared concerns around type of energy sourced

“Renewable energy is fine, but solar and wind require lots of area to house enough energy to power cities. Still have to maintain natural gas...and some coal. Nuclear power is the way to go, folks.”

– Survey Respondent



19% shared affordability / cost concerns

“I like the direction of the plan but have my doubts that SRP will follow through on this plan in a way that is still affordable.”

– Survey Respondent



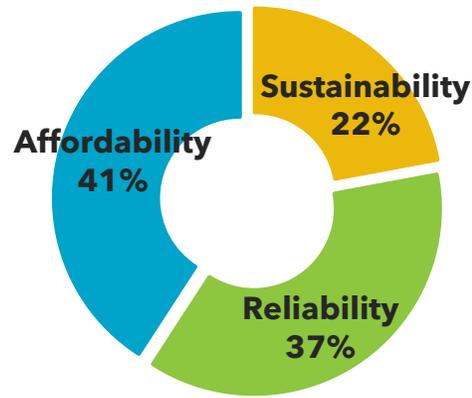
13% shared achievability concerns regarding the timing of the plan being too slow

“I think it sounds good, but achievement of that goal is probably a little out of reach.”

– Survey Respondent

Affordability and reliability were most ranked 1st

Customers noted the rising cost of living and the importance of keeping energy cost consistent, especially during summer months.



41% Ranked Affordability First

23% Mentioned keeping energy costs down, the rising cost of living, and/or that if electricity isn't affordable, other priorities are meaningless.

"I only have so much money, and already have seen enough scenarios where people can't afford to run their air conditioning in summer due to costs." – Survey Respondent

37% Ranked Reliability First

25% Mentioned that consistent energy is needed to maintain the status quo, and/or that without reliability, other priorities don't matter.

"Residents and business are dependent upon a steady source of power." – Survey Respondent

22% Ranked Sustainability First

10% Mentioned the need to take care of the earth/future energy needs

*"Without sustainability there is no future."
– Survey Respondent*

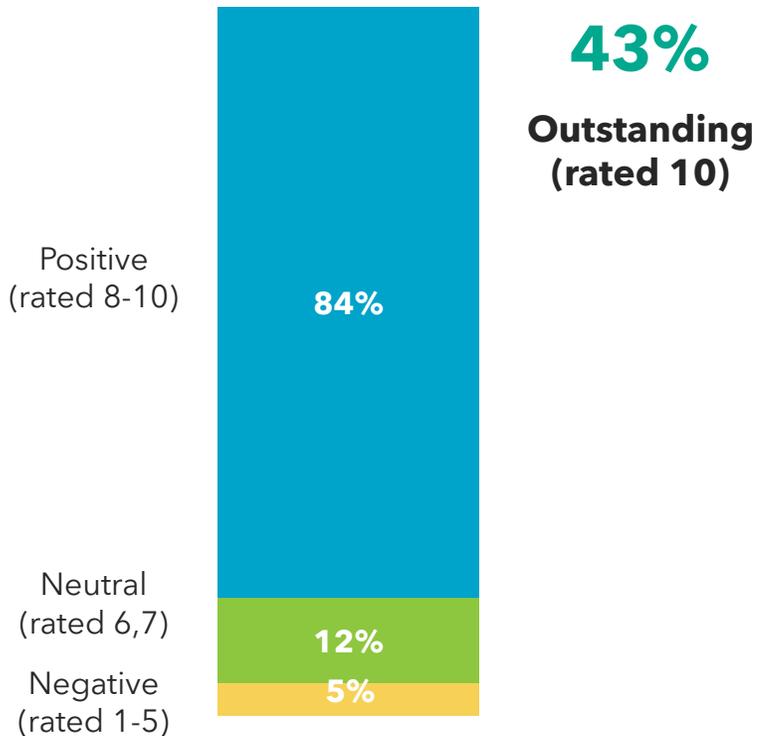
While a majority of customers ranked reliability first in the focus groups, they discussed a tough tradeoff between reliability and affordability.

*"If it's not on, it doesn't work, right? It doesn't matter what you spend. Again, **we all have budgets, and we all try to stay within them.**" – Focus Group Participant*

Over four-fifths rated their experience with SRP positively

Customers cited outstanding customer service and reliability.

SRP Overall Experience



In qualitative findings, customers noted a highly positive perception of SRP, specifying the reliability of service along with helpful customer service were key factors.

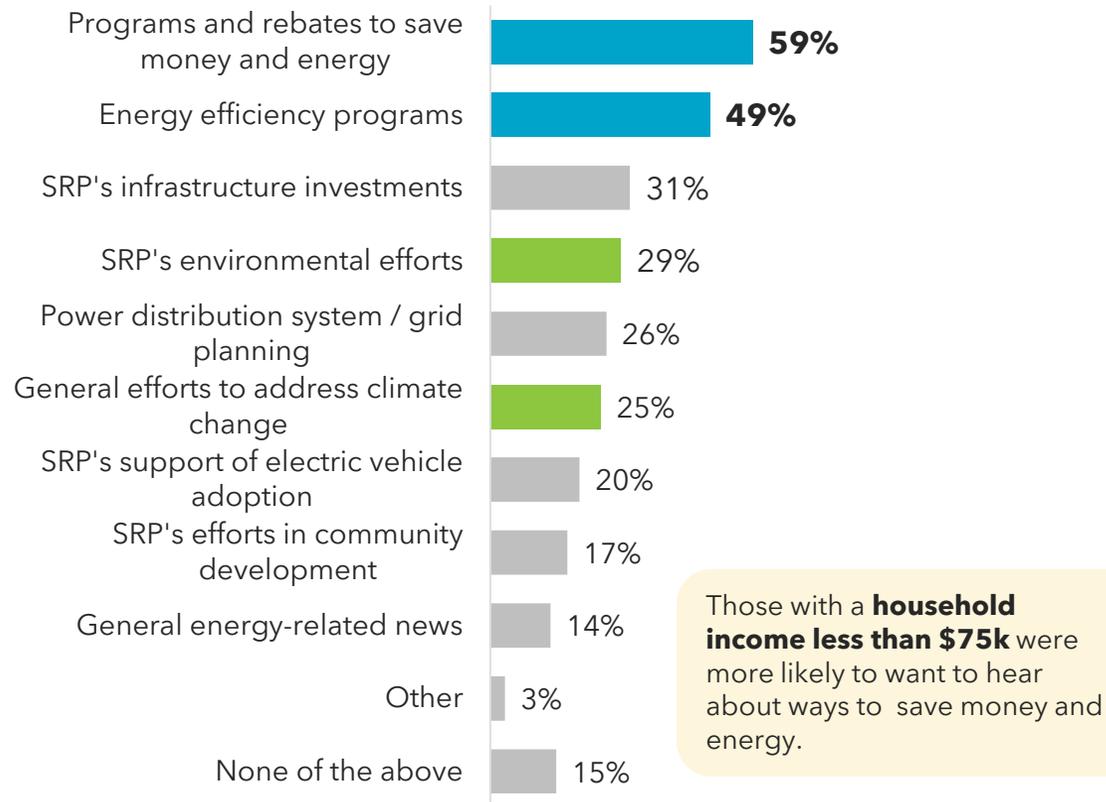
"Honestly, I'd give SRP a 10. I haven't had any major issues. Any time I've had anything that's come up, I'm able to get someone on the phone, speak with them, ..."
- Focus Group Participant

"I think the consistency of the service. Being in Arizona, we do have the so hot weather all the time and having air conditioning is definitely a must... And the consistency of them being able to provide that to us without any issues so far is something that I really appreciate."
- Focus Group Participant

Over half had interest in ways to save

Meanwhile, over one-quarter were interested in topics related to SRP's environmental efforts and/or climate change.

Topics of Interest



Focus group participants agreed that SRP programs help them manage and reduce their bills.

*"I do have the M-Power so I do have prepaid electricity, so I am very acutely aware of my usage. **I can see what I'm spending per day.**"*
- Focus Group Participant

*"I do like the idea that SRP does provide that time of use plan or **keeps your bills consistent** throughout the month or throughout the year."*
- Focus Group Participant

In Summary...



Most customers reacted positively to the illustrative energy plan, and a quarter felt it was excellent. Additionally, a majority expressed positive perceptions of SRP and cited outstanding customer service and reliability as reasons for this.



Affordability & reliability were top priorities for the future



A majority agreed the plan should be prioritized by SRP



Customers wanted to continue to hear about ways to save

QUESTIONS?

Using the Customer Research Results in the Integrated System Plan

Discussion Groups

- Step 1 - Introductions
- Step 2 - Identify someone to take notes and someone to report back (can be the same person)
- Step 3 - Discuss:
 - What surprised you?
 - What is your main takeaway?
 - What are three ways to incorporate the customer research results into the Integrated System Plan?



Report Out:

What are three ways to incorporate the customer research results into the Integrated System Plan?

Report Out Results and Notes

Results the Advisory Group Found Surprising

- Lack of correlation between concern for water scarcity and climate change.
- Degree of concern about other customers' ability to pay their bills.

Considerations from the Advisory Group for the Integrated System Plan

- People are concerned about affordability for themselves and others.
- People want information on how to save energy and money.
- People have a strong, positive view of SRP.
- SRP is uniquely positioned to educate residential customers about the interplay of affordability, reliability and sustainability with the Integrated System Plan.

Reflections on the Advisory Group's Collaborative Process – Group Discussion

Joan Isaacson

Lead Facilitator, Kearns & West

Advisory Group Check-Ins

Are we meeting the Charter's objectives for collaborative Advisory Group process, which are to:

- Create a dialogue around the Integrated System Plan
- Include diverse perspectives as input, guidance and review for the Integrated System Plan.
- Provide a forum for deep and technical discussion of the tradeoffs in energy system planning and the various perspectives to build support around the strategic directions and resource, transmission, distribution and customer program action plans.



Advisory Group Check-Ins

Productive, meaningful, open, and informative process

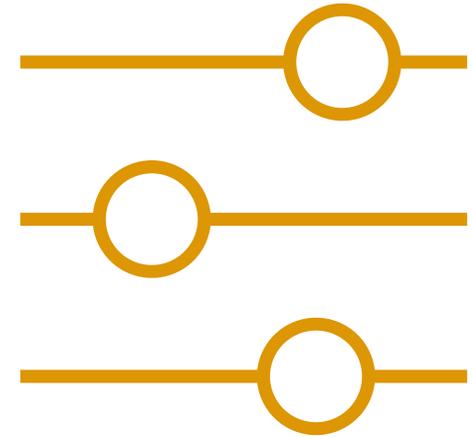
- Appreciation for team's responsiveness in considering and addressing input
- New learning and perspectives gained around energy planning, energy future, and other stakeholders
- Good use of meeting time with sufficient interaction given virtual limitations



Advisory Group Check-Ins

Opportunities for mid-process adjustments

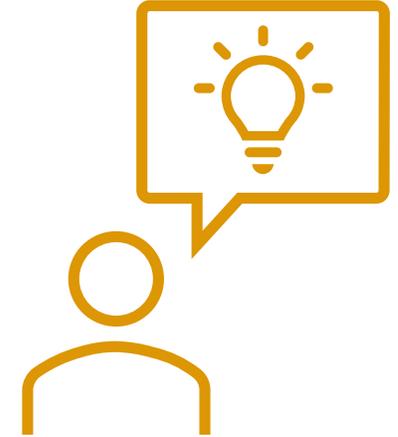
- Balance technical and policy-level discussions; for many, deep technical content results in less engagement and fewer contributions
- Use multiple methods to foster greater comfort with sharing varying viewpoints
- Provide more information about where the process is headed and expected outcomes



Advisory Group Check-Ins

Interests in topics spans the range of stakeholders

- Affordability and growing income gaps
- Backup for Coolidge project
- Climate change impacts
- Demand response
- Energy efficiency
- Equity
- Financial incentives for customers/SRP “win-win”
- Growth assumptions
- Nuclear energy
- Partnerships
- Reliability
- SRP leadership and organization
- Transmission & community concerns
- Water supply and resources
- Water/energy nexus



Advisory Group Check-Ins

Ideas for More Collaboration

Balance technical and policy-level discussions

- Provide pre-meeting glossaries and pre-meeting orientation sessions
- Avoid acronyms, clarify use of terms
- Use signal when team needs to pause and provide greater explanation and definition of technical concepts (like raising hand with two fingers or typing “Pause” into Chat)

Advisory Group Check-Ins

Ideas for More Collaboration

Use multiple methods to foster greater comfort in sharing varying viewpoints

- Generally increasing expectations for full meeting participation and active contributions
- Send private messages to facilitator and then she can raise the input in the meeting
- Ask to hear each other's perspectives
- Calling people by name in meetings to request input
- In-person meetings

Updated Guide for Productive Meetings

For Advisory Group Members *and* Project Team

- Actively participate
- ~~Be respectful of others' perspectives~~ *Encourage and seek multiple perspectives, including use of multiple engagement methods*
- *When introducing technical subjects, begin with straightforward definitions and avoid acronyms; create comfortable environment for questions and understanding*
- Stay concise so that everyone has time to participate
- Maintain one representative per Advisory Group member organization in meeting discussions
- Enjoy the meeting!

Updated Guide for Productive Meetings



Feedback, ideas,
fine-tuning?

For Advisory Group Members *and* Project Team

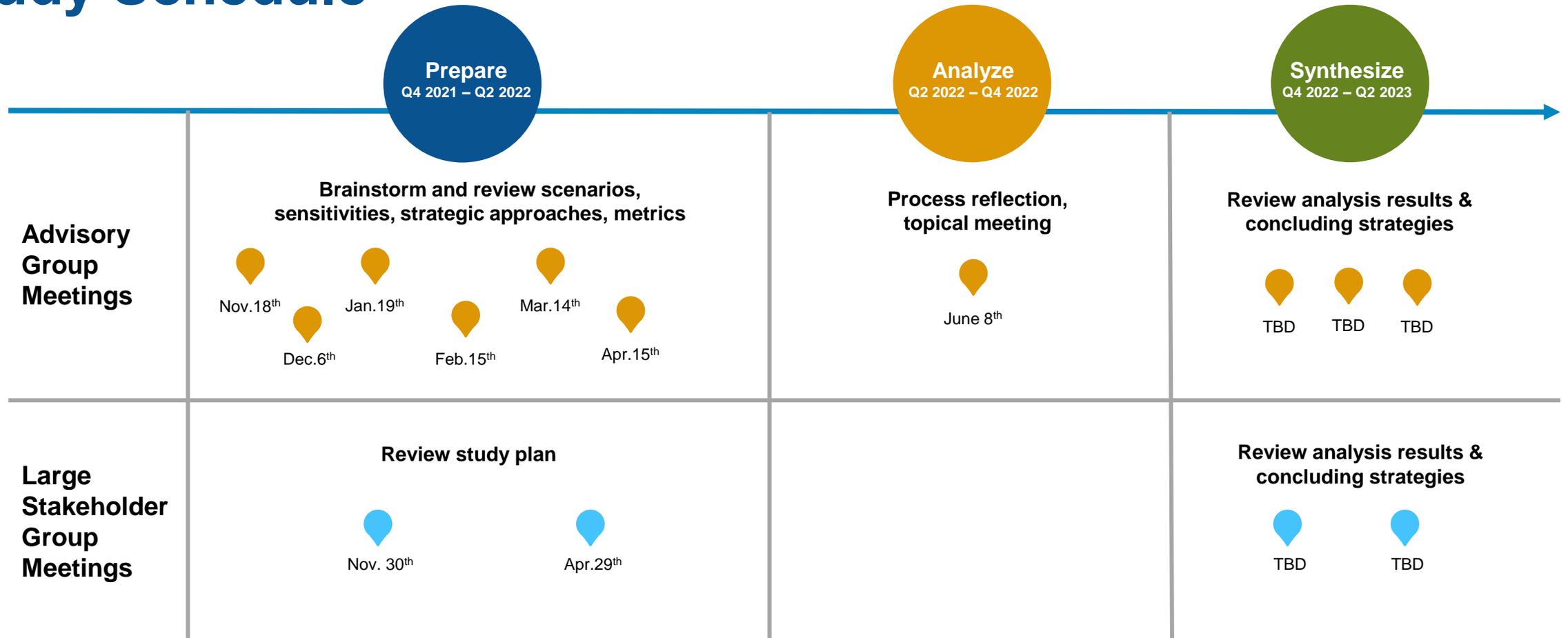
- Actively participate
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- Stay concise so that everyone has time to participate
- Maintain one representative per Advisory Group member organization in meeting discussions
- Enjoy the meeting!

Wrap Up and Next Steps

Angie Bond-Simpson

Director, Integrated System Planning & Support

Integrated System Plan Stakeholder Engagement & Study Schedule



Next Steps

Advisory Group Meetings

- Joint Integrated System Plan and Sustainability Advisory Group Topical Meeting

ISP Project Team Actions

- Integrated System Plan Study Plan and Scenario Narratives will be finalized and posted in Mid-June.
- Integrated System Plan Project Team is setting the future stakeholder meeting calendar in early summer. A new schedule will be posted and shared during the Analyze phase.



Stakeholder Communication Email:
IntSysPlan@srpnet.com

Integrated System Plan: Informational Portal
<https://srpnet.com/about/integrated-system-plan.aspx>

thank you!