Delivering water and power®

Future of Energy

Phase I & II Report

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Background & Objectives

Background

Salt River Project (SRP) is preparing its first Integrated System Plan (ISP), which is focused on planning the power system through 2035. While multiple inputs are needed to prepare this plan, one crucial contribution is input from customers.

Looking into the future, SRP expects there to be many disruptions to the energy industry with a key aspect being the balance between reliability, sustainability, and affordability. Furthermore, the perspectives of different groups of customers, with different values and mindsets and each group's perspectives on this balance will need to be understood and considered.

Objectives

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

More specifically, this research was designed to gain an understanding of how customers think about sustainability, affordability, and reliability related to power provision and gauge their reactions to a potential energy plan. SRP sought to understand areas of diverse viewpoints and agreement, as well as identify preferred methods of engagement with SRP on this topic.

The research aimed to address the following specific objectives:

1. Understand the concerns customers have about the future of Arizona, the economy and the U.S.
2. Understand diverse perspectives and opinions relating to SRP's sustainability plan and evolution.
3. Develop and test system-planning metrics that are understood and resonate with customers.
4. Generate a list of power system and future energy topics that interest customers.
5. Understand customer perspectives on power reliability and potential tradeoffs with sustainability and affordability.
6. Understand preferred methods of learning about and engaging with the power system planning process.

Methodology & Reporting

Approach

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). This report addresses Phase I and Phase II.

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

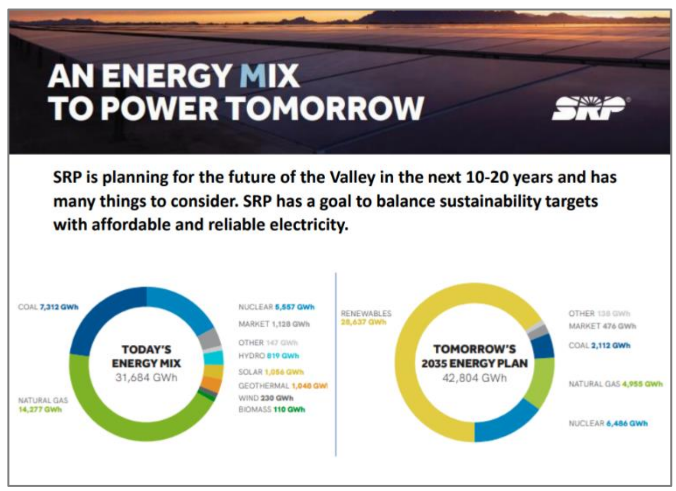
Phase I: Virtual Focus Groups

Four 90-minute virtual focus groups were held December 13 & 14, 2021. A total of 24 SRP customers participated virtually (via Zoom) and received a $125 bill credit for participating.

Customers were grouped to encourage engagement and maximize the ability to explore attitudes and extract observations.

Phase II: Online Survey

An online survey was fielded between March 7 – March 14, 2022. Respondents evaluated SRP's illustrative energy plan of how the system may develop in relation to attributes of customer interest identified in Phase I. Quotas were set for the survey to ensure the respondent pool best represented SRP's residential customer population.



Customers evaluated SRP's proposed energy mix, which describes the transition of the power system over the next 10-20 years. The visual depiction of the illustrative plan shown to respondents is displayed to the right. Customers were provided background on SRP's priorities.

Reporting

Quantitative results are reported in charts at the total level with qualitative results represented throughout. When evaluating survey data, sub-groups were compared to one another to investigate if there were statistically significant differences between two or more groups.

A 95% confidence level is used, which indicates we can conclude with 95% confidence that differences are not due to chance and that survey results should match results from the actual population (plus or minus the margin of error). Only significant differences relevant to the research objectives are reported.

The following subgroups are noted in this report:

- **Age** (18-44 years old/ 45-54 years old/ 55-64 years old/ 65+ years old)
- **Income** (Under $75k/year / $75k/year or more)
- **Gender** (Male/ Female)
- **Energy Mix Prioritization** (Affordability first/ Reliability first/ Sustainability first)
- **Hispanic** (Hispanic/ Non-Hispanic)
- **Credit Rating** (Preferred/ New Customer/ Satisfactory/Slow/Unsatisfactory)
- **Usage Category** (Low/ Moderate/ Medium/ High)
- **Overall Opinion of Energy Plan** (Positive/ Negative)
- **Overall Experience as SRP Customer** (Positive/ Neutral/ Negative)
- **Years at Address** (2 or less/ 3-5/ 6-20/ 21-39/ 40+)

Note: Rating scale questions are reported differently for 10-point and 5-point scales.
10-point scales are reported using Top-Box (TB – ratings of 10), Top-3-Box (T3B – ratings of 8,9, or 10), Middle-2-Box (M2B – ratings of 6 or 7), and Bottom-5-Box (B5B – ratings of 1-5).
5-point scales are reported using Top-Box (TB – ratings of 5), Top-2-Box (T2B – ratings of 4 or 5), Middle-Box (MB – ratings of 3), and Bottom-2-Box (B2B – ratings of 1 or 2).

Executive Summary

66%

The illustrative plan was rated positively

Most customers reacted positively to the energy plan while 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

Affordability was one of the most-selected future issues facing Arizona and customers felt that affordability should be prioritized.

Both affordability and reliability surpassed sustainability in importance. Customers noted that sustainable electricity was meaningless if not affordable and reliable, especially with rising inflation and increased usage during the Arizona summer heat.

- ➢ SRP might increase energy plan acceptance by anticipating and addressing questions on affordability and reliability.

A majority agreed SRP should prioritize the illustrative energy plan

Further, about half felt the plan fit with SRP's brand, was easy to understand, and seemed achievable. Customers reflected that the plan could be improved by providing more details on how it would be achieved and its impacts on affordability.

Respondents also hoped to ensure that SRP selected the best sources of electricity, though opinions on what sources were best varied. Customers were unclear on which sources of electricity SRP would use.

- ➢ Emphasizing transparency with customers as SRP solidifies energy sources, including cost impacts, may bolster trust.

Customers wanted to continue to hear about ways to save from SRP

Customers exhibited strong positive feedback on the benefits and effectiveness of SRP's cost saving offerings.

Customers most wanted to hear more about programs that can help them save money, including rebates and energy efficiency programs, which aligned with affordability priorities.

- ➢ Continuing to showcase and optimize offerings geared towards energy and cost savings may increase enrollment and contribute to positive overall perceptions of SRP.

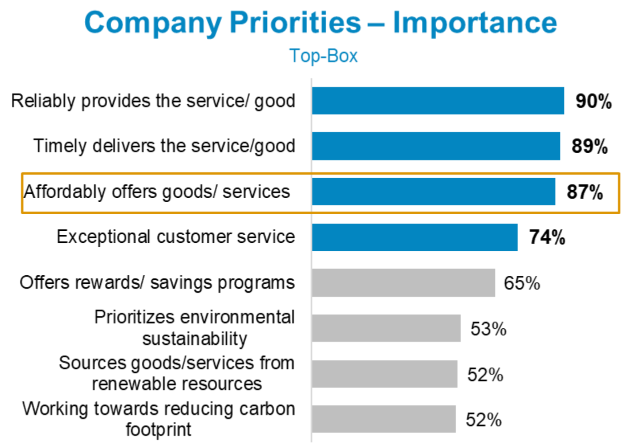
Detailed Findings

Future Issues and Priorities

Customers demonstrated affordability concerns

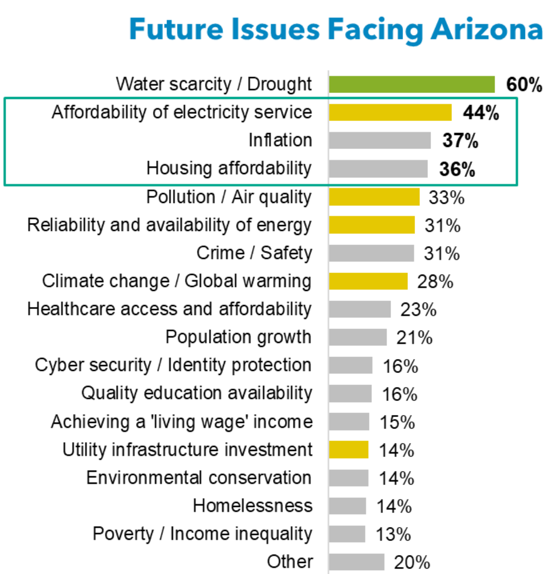
Affordability was rated as a top need for companies to prioritize in the future, with nearly 9 in 10 believing it was important for companies to prioritize the need.

This accompanied reliably providing goods and services, and providing them in a timely manner.



Respondents most selected that they were concerned about water scarcity. After water scarcity, affordability related to electricity, inflation, and housing were most concerning.

- The focus on affordability of electricity is of note, as it was the second-most selected future concern. These issues were followed by several items SRP is most able to impact related to pollution, energy reliability, and climate change (highlighted in yellow).
- Lower income customers (earning under $75k/year) reflected greater concern for affordability.



- *Year-round residents are more likely to prioritize housing affordability.*
- *Those with a household income of $75k or more were more likely to prioritize water scarcity but were less likely to prioritize housing affordability.*
- *Non-Hispanic customers were more likely to prioritize water scarcity.*

Further, 22% of customers were very concerned about other community members being able to pay their electricity bills.

*Groups **more likely** to be concerned about others' ability to pay their electric bill include:*

- *Customers with household incomes less than $75k*
- *Females*
- *Hispanic customers*

Similar concerns were seen across top issues

When asked to rank selected issues on importance, rankings mostly mirrored the most-selected future issues facing Arizona. Customers were most likely to rank the following first: Water scarcity (22%), Inflation (13%), Housing affordability (10%), Affordability of electricity (9%)

- *Younger customers (aged 18-44), those with a household income under $75k, females, and Hispanic customers were more likely to rank housing affordability first.*
- *Non-Hispanic customers were more likely to rank water scarcity first.*

Customers mentioned population growth/city sprawl and rising prices added to their concern about top-ranked Issues.

Ranked 1st: Water Scarcity/Drought

*"**Having enough water to sustain the millions of people within the state.** And the temperature increase due to global warming coupled with heat island effects from Phoenix and Tucson sprawl." – Survey Respondent*

Ranked 2nd: Inflation

*"Population growth and cost of living. Being senior citizen on set income inflation has hit hard, **gas prices and growing energy prices concern me**." – Survey Respondent*

Ranked 3rd: Housing Affordability/ Availability

*"**The housing prices are going up but the pay in work is not**, who makes 3x the rent anymore. Nobody and it's ridiculous." – Survey Respondent*

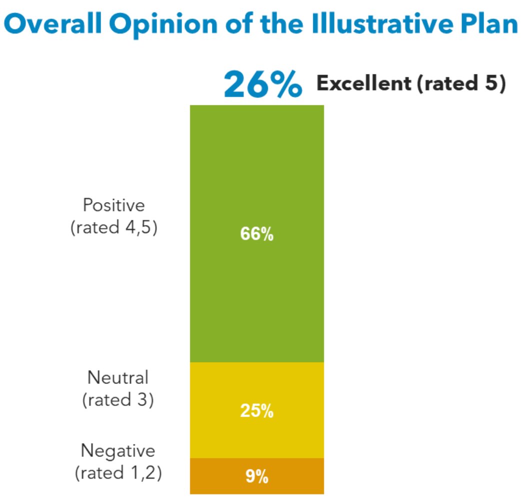
Ranked 4th: Affordability of Electricity Service

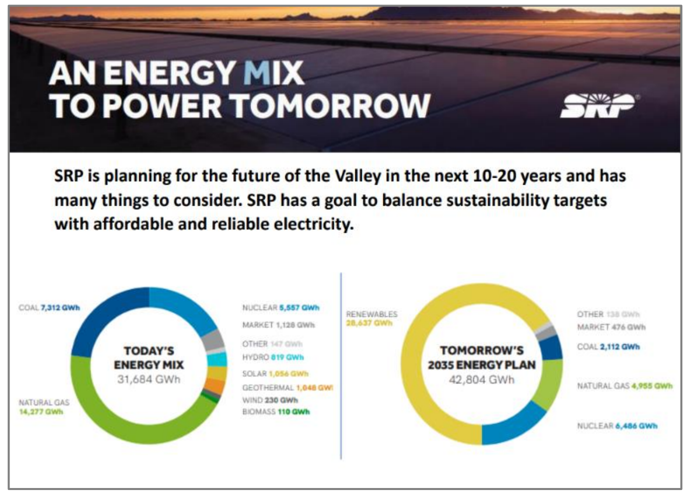
*"**Providing the uninterrupted service at an affordable price** for the growing population, taking inflation into consideration." – Survey Respondent*

SRP Energy Plan

Two thirds rated the energy plan positively

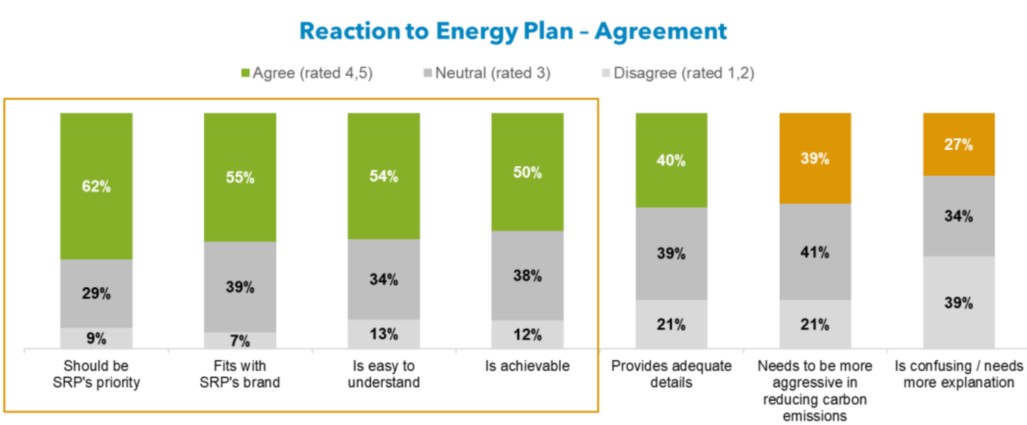
When evaluating SRP's energy plan, one-quarter (26%) rated it as excellent, but 66% rated it positively overall (rated 4 or 5 on a 5-point scale). This demonstrates opportunity for improvement.





- *Those ranking sustainability first had a more positive impression of the energy plan.*
- *Those with high electricity usage were less likely to rate the plan positively.*

Additionally, at least half agreed the plan should be SRP's priority (62%), fit with the brand (55%), is easy to understand (54%), and is achievable (50%).



- *Year-round residents were more likely to agree that the plan is achievable, fits with the SRP brand, is easy to understand, and provides adequate details.*
- *Customers with a household income under $75k and Hispanic customers were more likely to agree the plan fits with SRP's brand.*

Customers noted the plan could be improved with more specifics

Initial responses to viewing the plan revealed that customers were interested in more specifics. In addition to questions on plan affordability and achievability, respondents cited varying thoughts on which renewable sources SRP should prioritize.

- Twenty-seven percent (27%) of customers shared concerns around the 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*

- Nineteen percent (19%) shared affordability and 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*

- Thirteen percent (13%) shared achievability concerns regarding the timing of the plan being too slow.
  *"How long will it take to achieve this? **Needs to be sooner rather than later**." – Survey Respondent*

  *"I don't view it as a plan. Rather strategic long-term objectives. **What is the road map to achieve, timing phases, costs, resources in the land?**" – Survey Respondent*

One-quarter (22%) felt that SRP should prioritize another goal (not already stated in the energy plan) and emphasized thoughts on specific energy sources.

*"**I did not see water conservation listed**, although I know it is on the SRP agenda." – Survey Respondent*

*"**Nuclear power is in my view, the only way forward**, renewable, wind, solar are efforts in futility. Sounds good to a few but a majority know better." – Survey Respondent*

*"**Making solar more affordable to the population**. This would increase the power grid, creating a partnership with the community. Making it more enticing for consumers to provide SRP with power." – Survey Respondent*

*"**Include hydrogen power** for vehicles in use." – Survey Respondent*

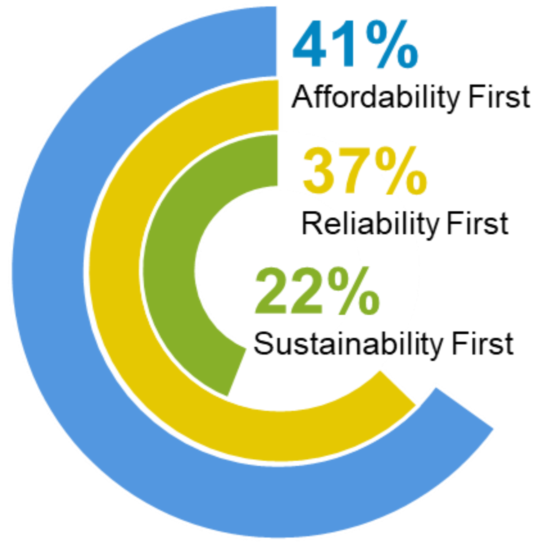
*"Since Arizona is a very hot state. **I believe solar panels would be excellent for SRP.** That should be the number one priority for SRP." – Survey Respondent*

Focus group participants were also generally positive about the plan's intent but suggested some opportunities for improvement. These opportunities included the amount of time needed to implement the plan, getting customer buy-in and being transparent, ensuring SRP's accountability for the changes, and clarifying how this would affect rates.

> *"Accelerate.* ***I want to see the short-term goals.*** *What, specifically, are we doing right now?" – Customer Focus Group Participant*
>
> *"****I feel like if we can reduce how much coal and other sources that we use at the moment****… So, if this is the company's goal and they want to focus on that, then I would be all for it." – Customer Focus Group Participant*
>
> *"****Why is it going to take us another 30 years*** *when I've gone to professional developments thrown by SRP about using renewable resources and whatnot?…I like that it's out there and that you have it projected. I also wish that you could be like the Lego corporation and be 100% renewable 20 years before your said date." – Customer Focus Group Participant*
>
> *"The thing that immediately stuck in my brain is the "Oh, solar isn't available 24 hours." And that's a really old talking point. And it's also not necessarily true anymore…So,* ***I feel like some of the messaging is based on talking points that are out of date and not necessarily forward-thinking****." – Customer Focus Group Participant*
>
> *"****It's kind of curious why it would take so long to get more solar.*** *I mean, we're in the Valley of the Sun." – Customer Focus Group Participant*
>
> *"****I wonder how they could include in there something to do with conserving energy, wiser use****. I mean, I know there's been a lot of improvement like in the effectiveness of AC, with LEDs, and stuff like that. It would just be helpful…to consider the conserving side of it. And also, I wonder if the time has come to include in that chart an energy generated from the home, solar panels, whatever, like that. Because most of the people looking at the chart are homeowners like us." – Customer Focus Group Participant*
>
> *"What does all of this mean? And then, of course,* ***the financial piece of it, just like, okay, how would that even work, honestly, with thinking of all of it?*** *Like what could I do now to make a change? How is that going to develop over the years, just what that would all even look like?" – Customer Focus Group Participant*

Affordability and reliability were most ranked 1st

When asked how SRP should rank affordability, reliability and sustainability, two-fifths (41%) ranked affordability first, with 37% prioritizing reliability, and only 22% prioritizing sustainability.



In the focus groups, while a majority of customers ranked reliability first , 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." – Customer Focus Group Participant*

When asked reasons for ranking affordability, reliability, and sustainability as they did, customers responded as follows:

Affordability: Reasons Ranked 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**. I have been in valley 23 years and that's an issue every year." – Survey Respondent*

- *Both those with a satisfactory/low/unsatisfactory credit rating and those with a negative experience with SRP were significantly more likely to rank affordability first.*
- *Those with a household income less than $75k and Hispanic customers were more likely to rank affordability as first.*

Reliability: Reasons Ranked First
25% Mentioned that consistent energy is needed to maintain the status quo, and/or that if electricity isn't reliable, other priorities don't matter.

***"Residents and business are dependent upon a steady source of power.** Some uses are essential to life in the case of those who rely on devices to stay alive. Because of the summer heat, a break in power could be fatal to some." – Survey Respondent*

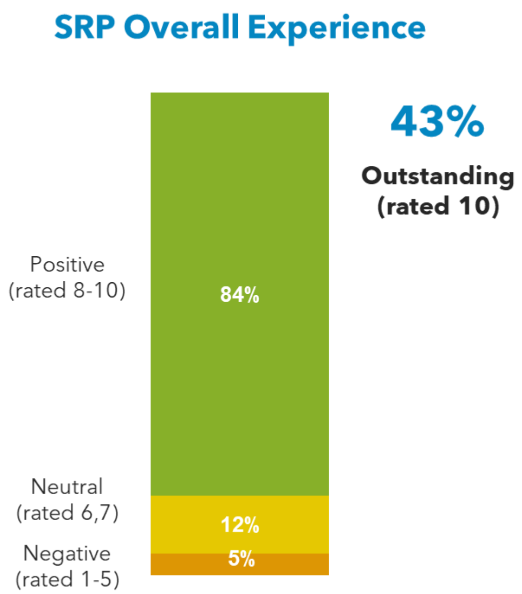
Sustainability: Reasons Ranked First
10% Mentioned the need to take care of the earth/ future energy needs.

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

Those who have lived at their address 2 years or less and those with a positive opinion of the energy plan were more likely to rank sustainability first.

Perceptions of SRP and Topics of Interest

Over four-fifths rated their experience with SRP positively



In qualitative findings, customers noted a highly positive perception of SRP, specifying that reliability of service and 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****, ... So, I've had a really good relationship with them." – Customer 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****." – Customer Focus Group Participant*

- *Those with a household income under $75k were more likely to rate their experience as outstanding.*
- *Those who had a negative impression of the energy plan and those categorized with high usage were less likely to be satisfied with SRP.*

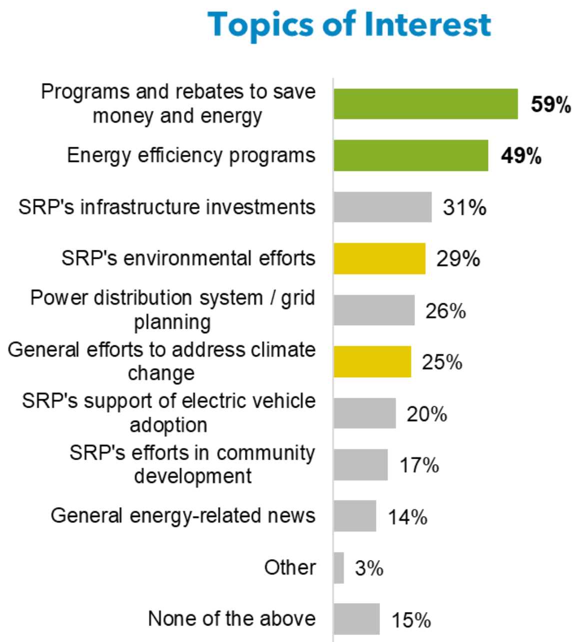
Over half had interest in ways to save

Customers would most like to continue to hear about ways to save via energy efficiency program and/or rebates. Meanwhile, over one-quarter were interested in topics related to SRP's environmental efforts and/or climate change.

Focus group participants agreed that SRP programs help customers 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****." – Survey Respondent*

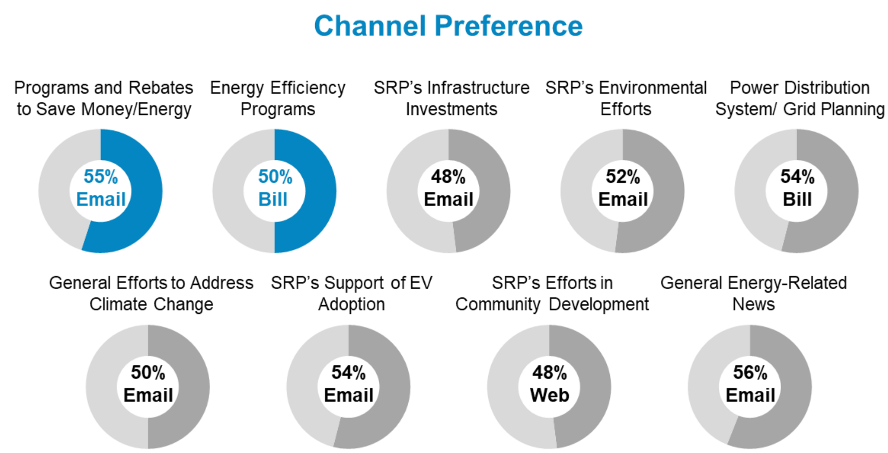
"I do like the idea that SRP does provide that time of use plan or ***keeps your bills consistent*** *throughout the month or throughout the year." – Survey Respondent*



- *Those with a negative overall opinion of the energy plan were significantly more likely to want to hear about SRP's infrastructure investments and the power distribution system; they were less likely to want to hear about SRP's environmental efforts and general efforts to address climate change.*
- *Those with a household income less than $75k were more likely to want to hear about cost saving options.*

Across communication topics, customers most preferred to receive communication via bill insert and email.

Males were more likely to prefer email communications about programs and rebates to save money/energy.



Appendix

Demographics

	Focus Group (n=24)	Online Survey (n=400)
GENDER		
Female	13	45%
Male	10	51%
Non-binary	1	0%
Prefer not to answer	-	4%
HOUSEHOLD INCOME		
Under $75k	15	41%
$75k or more	9	39%
Prefer not to answer	-	20%
CREDIT RATING		
Preferred	19	67%
Satisfactory/Slow/Unsatisfactory	3	12%
New Customer	2	21%
ETHNICITY (MULTIPLE SELECTIONS)		
White	20	69%
Black or African American	3	4%
Other	3	13%
Prefer not to answer	-	18%
HISPANIC ORIGIN		
Hispanic	2	15%
OWN/RENT HOME		
Own	18	73%
Rent	6	28%

	Focus Group (n=24)	Online Survey (n=400)
AGE		
18-44	13	30%
45-64	6	37%
65+	5	34%
EMPLOYMENT		
Ful-time/Part-time	-	51%
Self-employed	-	6%
Retired	-	33%
Unemployed/seeking employment/student	-	4%
Not working/not seeking	-	2%
N/A / Prefer not to answer	-	5%
YEARS AT ADDRESS		
2 or less	-	7%
3-5	-	10%
6-20	-	30%
21-39	-	30%
40+	-	15%
USAGE		
Low (6,000 kWh or less)	3	19%
Moderate (6,001-12,000 kWh)	8	33%
Medium (12,001-18,000 kWh)	8	29%
High (More than 18,000 kWh)	5	20%

Illustrative Plan Description and Background

In addition to the visual depiction of the illustrative plan, respondents were provided the following additional description and background:

> "SRP is working at all times to make sure your power stays on, including during Arizona's extreme summers. To ensure power quality continues to improve, SRP needs to plan long term for the future of the Valley. This means:
>
> - Balancing a transition to clean energy
> - Planning for population growth (and an increased demand for energy)
> - Considering the types of power to buy to make up their power mix (including solar, wind, geothermal, biomass, nuclear, natural gas, and coal)
> - Reducing SRP's carbon intensity (the amount of carbon released per unit of energy produced) by 90% by the year 2050"