

Proposed Buy-Through Program

Effective January 1, 2024

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Agenda

- **Buy-Through Program Overview**
 - Statutory/SRP Requirements
 - Activity to Date
 - Stakeholder engagement meetings & buy-through website
 - Updates since first presentation to the Board
 - Program Design Overview
- **Maintain System Reliability**
 - Resource Adequacy and Energy Imbalance
- **Avoid Cost Shift**
 - Buy-Through Charge
 - Energy Imbalance and Resupply
 - FSA (FPPAM Adjustment Settlement)
- **Next Steps**

Statutory Requirements


A.R.S. Section 30-810. Buy-through program; terms, conditions, limitations; definition

A. On or before January 1, 2024, a public power entity that is an agricultural improvement district established pursuant to title 48, chapter 17 shall offer a buy-through program that both:

- 1. Includes terms, conditions and limitations, including a minimum qualifying load and a maximum amount of program participation.*
- 2. Is structured to maintain system reliability and to avoid a cost shift to nonparticipating customers.*

B. For the purposes of this section, "buy-through" means a purchase of electricity by a public power entity at the direction of a particular retail consumer, subject to the terms of the program.

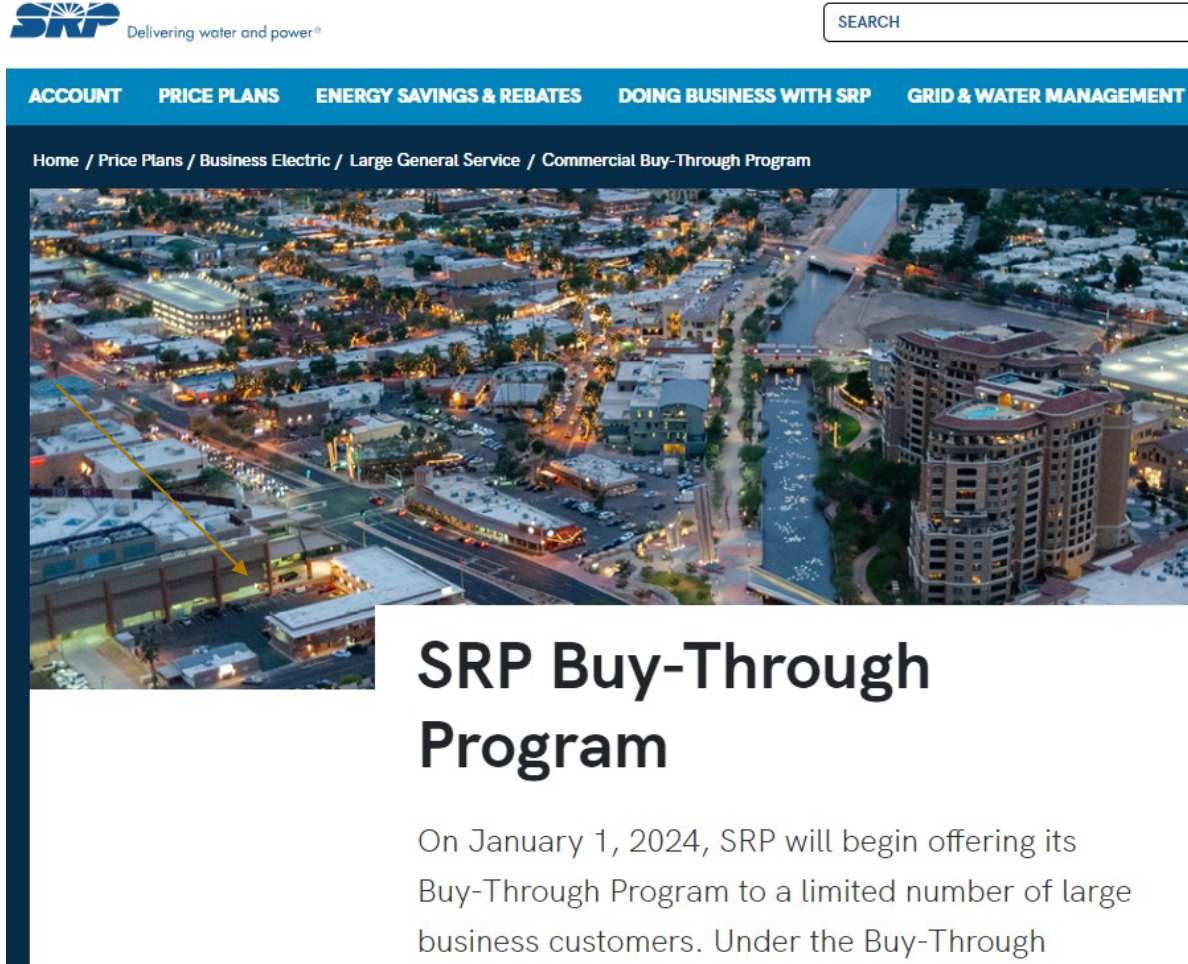
Activities to date

DEC-MAY	JUN	JUL	AUG
 <ul style="list-style-type: none">• Buy-Through Informational Session (F&B)	 <ul style="list-style-type: none">• Buy-Through Preview – high level (Board)	 <ul style="list-style-type: none">• Stakeholder mtg: Discussion & Feedback	 <ul style="list-style-type: none">• Management Presentation, Board Consultant Presentation & Stakeholder Comments (Special Board)
 <ul style="list-style-type: none">• Buy-Through Board Consultant hiring process (Board)	 <ul style="list-style-type: none">• Announcement on SRPnet.com webpage	 <ul style="list-style-type: none">• Board Consultant Report published	
 <ul style="list-style-type: none">• Buy-Through Informational Session (CUP)	 <ul style="list-style-type: none">• Board Consultant Informational Presentation (F&B)	 <ul style="list-style-type: none">• Proposed Program updates	
	 <ul style="list-style-type: none">• Stakeholder mtg: Program Overview		

Buy-Through Website

SRP.net/buythrough

- Overview of program/process
- Listing of key dates
- Access to key documents
- Instructions for engaging



The screenshot shows the SRP website header with the logo and tagline "Delivering water and power®". A search bar is located in the top right. The navigation menu includes "ACCOUNT", "PRICE PLANS", "ENERGY SAVINGS & REBATES", "DOING BUSINESS WITH SRP", and "GRID & WATER MANAGEMENT". The breadcrumb trail reads "Home / Price Plans / Business Electric / Large General Service / Commercial Buy-Through Program". The main content area features a large aerial photograph of a city at night with a river. A yellow arrow points from the "Commercial Buy-Through Program" breadcrumb to a specific building in the photo. Below the photo, the heading "SRP Buy-Through Program" is displayed in large, bold black text. Underneath the heading, a paragraph of text reads: "On January 1, 2024, SRP will begin offering its Buy-Through Program to a limited number of large business customers. Under the Buy-Through

Stakeholder Engagement Meetings

June 27th – Program Overview

- 37 attendees
- Discussions included:
 - Buy-through charges
 - FSA calculations
 - Aggregation not part of this proposal
 - Energy imbalance
 - Return to retail notice requirement
 - GSP delivery points
 - SEO program correlation

July 18th – Discussion & Feedback

- 33 attendees
- Discussions included:
 - Timing of adjustments to program
 - Subscription process and load growth
 - GSP delivery points
 - Timing of consultant report and proposed program changes
 - FSA calculations
 - Pay off dates of plants underlying ETA Charge
 - Loss factor
 - Marginal vs. embedded cost basis

Updates Since Initial Proposal

- Added option for SRP to allow accelerated “return to retail” and waitlist to return
- Reduced line losses from 4.14% to 3.32%
- Added details for enrollment process
- Changed 50MW cap to apply per-account and per-customer
- Added clarifying language throughout

Proposed Buy-Through Program Design Overview

Buy-through program - 200 MW of demand

- Minimum annual peak demand of 5 MW
- Minimum average monthly Load Factor of 60%
- Available to E-65 and E-67 customers
- Allows customers to access power from the market through a trilateral arrangement with SRP, a third-party Generation Service Provider (GSP) and the customer
- Allows customer to bypass most of SRP's FPPAM and generation charges
- SRP will provide backup service should GSP fail to deliver

Maintain System Reliability

- GSP must meet all applicable legal and regulatory requirements
- GSP must provide firm capacity/energy
- GSP must meet SRP's wholesale counterparty credit requirements
- SRP will continue to maintain Planning Reserve Margins for customer load
- SRP will continue its responsibility as Balancing Area Authority, will provide ancillary services, and energy imbalance services
- Customer must provide sufficient advance notice to return to standard service

Avoid Cost Shift

- Buy-Through price structure
- Buy-Through Charge
 - Reserve Capacity Charge
 - Early Technology Adoption (ETA) Charge
 - Administrative Charge
- Load-following Requirement
- Energy Imbalance settlement
- FPPAM Settlement Adjustment

Buy-Through Price Structure

Account will still receive one monthly bill from SRP

Remove:

- FPPAM
- Generation (kW and Energy)

Add:

GSP pass-through charges

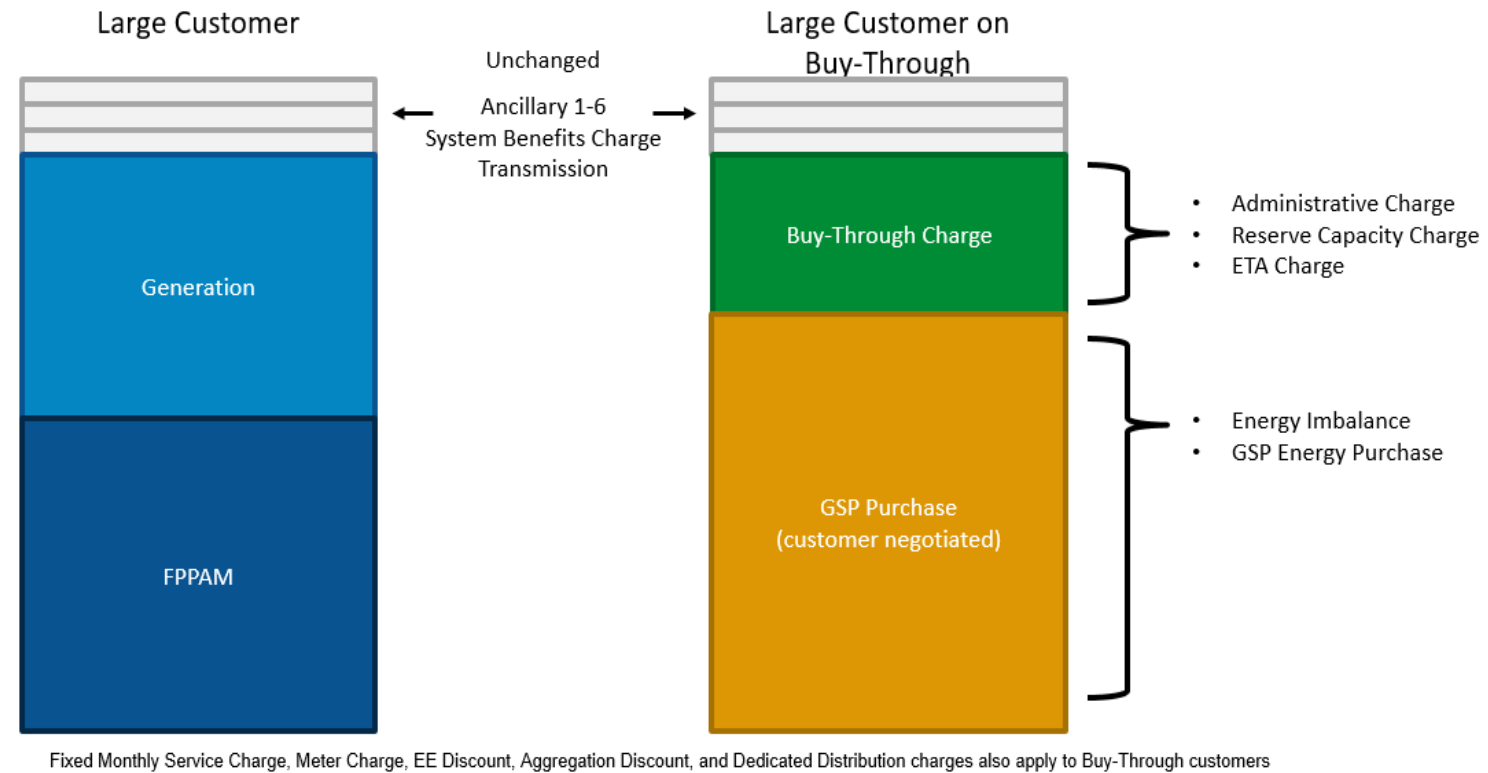
Buy-Through Charge \$4.15/kW

- Administrative Charge
- Reserve Capacity Charge
- Early Technology Adoption Charge

Energy Imbalance settlements

FPPAM Settlement Adjustment (FSA)

- Option to settle as a lump sum or 36 equal monthly credits or payments



Buy-Through Charge

Administrative Charge	\$0.514
Reserve Capacity Charge	\$2.871
ETA Charge	<u>\$0.764</u>
	\$4.149
Buy-Through Charge	\$4.15 / kW - month

Administrative Charge

Startup Costs (IT, Consulting, SRP Staff)	\$748K
Annual Startup Costs (Five Year Annualization)	$\$748\text{K} / 5 = \149.6K
Ongoing Annual Labor and Labor Overheads	\$964.3K
Annual Buy-Through Administrative Costs	$\$149.6\text{K} + \$964.3\text{K} = \$1.1\text{M}$
Annual Buy-Through kW	2,169,060
Administrative Charge	$\\$1.1\text{M} / 2,169,060 \text{ kW} = \\$0.514 / \text{kW-Month}$

Reserve Capacity Charge

Reserves Ratio

Planning Reserve Margin	16% of forecasted demand
Total Planned Generation Capacity	116% of forecasted demand
Reserves Ratio	$16/116 = 13.79\%$

Class Share of Capacity Costs

Class Share of Generation Capacity Costs	\$132.1M
Class Share of FPPAM Capacity Costs	<u>\$38.0M</u>
Class Share of Capacity Costs	\$170.1M

Class Share of Reserve Capacity Costs $\$170.1M \times 13.79\% = \$23.5M$

Class Annual kW 8,174,702

Reserve Capacity Charge $\$23.5M / 8,174,702 \text{ kW} = \mathbf{\$2.871 / kW\text{-month}}$

ETA Charge

Cost of ETA Generation Capacity	\$104.3M
Capacity Value Credit	(\$7.7M)
Energy Value Credit	(\$39.0M)
Carbon Free Premium Credit	(\$3.9M)
Projected Above-Market ETA Costs	\$53.8M
Class Share of Projected Above-Market ETA Costs	\$6.2M
Class Annual kW	8,174,702
Early Technology Adoption Charge	\$6.2M / 8,174,702 kW = \$0.764 / kW-Month

Energy Imbalance

- SRP will calculate energy imbalance hourly
- SRP will settle energy imbalance with the customer monthly
- Allowable hourly deviation of 15% or 2 MW (whichever is greater)
- Within allowable hourly deviation, settled at CAISO ELAP price (Tier 1 imbalance)
- Exceeds allowable hourly deviation, settled at CAISO ELAP price +/- 25% (Tier 2 imbalance)
- If 20% of hours in month experience Tier 2 imbalance, “excessive imbalance” occurs
- Second instance of excessive imbalance within a 12-month period may result in SRP canceling the customer’s participation

Resupply Energy

- If the GSP contract expires or is terminated, SRP will provide Resupply Energy at the resupply price
- Resupply Price = Palo Verde Peak or Off-peak Intercontinental Exchange Day Ahead index (or another comparable index selected by SRP if the foregoing index is unavailable), plus the greater of \$10 per MWh (prorated for any partial MWh) or 10% of the index price

FPPAM Settlement Adjustment (FSA)

Only applicable when FPPAM balance is +/- \$20M

Example (for illustrative purposes only):

12 MW Buy-Through customer with 82% Load Factor

FPPAM under-recovered balance equals \$400M

FPPAM recovery balance = \$400M - \$20M = \$380M

SRP retail energy served during period = 85,000,000 MWh

Customer energy used during accumulation period = 223,684 MWh

$$\text{FSA} = [\text{FPPAM recovery balance}] \times [\text{Customer energy usage during accumulation period} / \text{SRP retail energy served during same period}]$$

$$\text{FSA} = [\$380\text{M} \times 223,684 \text{ MWh} / 85,000,000 \text{ MWh}] = \$1,000,000 \text{ FPPAM Settlement}$$

Option to pay over 36 months

Reconciled if customer returns to standard service

Next Steps

JUN



- Preview - high level (Board)



- Announcement on SRPnet.com webpage



- Stakeholder mtg: Program Overview

JUL



- Stakeholder mtg: Discussion & Feedback



- Board Consultant Report published



- Proposed Program updates

AUG



- Management Presentation, Board Consultant Presentation & Stakeholder Comments (Special Board)

SEP



- Last day to receive customer comments



- Management Final Recommendation & Board Decision (Special Board)

thank you!