

**"PROPOSED ADJUSTMENTS TO SRP'S STANDARD
ELECTRIC PRICE PLANS"**

Tuesday, January 22, 2019
6:45 p.m.

Location

American Legion
6822 North 57th Drive
Glendale, Arizona 85301

Attending

Marty Rozelle, PhD, Facilitator

SRP Management

Aidan McSheffrey
Steven Hulet
John Tucker

SPR Board Members

Kevin Johnson
Mario Herrera
Larry Rovey
Randy Miller
John Hoopes, SRP Vice President

1 Glendale, Arizona
2 January 22, 2019
3 6:45 p.m.

4 P R O C E E D I N G S

5
6 MARTY ROZELLE: Good evening. Hey, it's good to
7 see you all.

8 This is Michelle. She's a sign language
9 interpreter, and we'll see if we're going to need her
10 tonight.

11 My name is Marty Rozelle. I'm an independent
12 facilitator retained by SRP to help plan and facilitate this
13 meeting.

14 I would like for vice president of the board John
15 Hoopes to welcome you.

16 JOHN HOOPES: Thank you, Marty.

17 Good evening and welcome to the first of the
18 public comment sections of the SRP price process.

19 I am John Hoopes, the vice president of SRP.

20 With me tonight are four members of the 14-person
21 SRP board of directors. They are Larry Rovey, Mario
22 Herrera, Kevin Johnson, and Randy Miller.

23 Speaking on behalf of all of us, we truly
24 appreciate your interest in our process and look forward to
25 hearing your comments.

1 We know that it is an imposition for you to be
2 here this evening, and the board greatly appreciates your
3 participation.

4 The purpose of this evening's meeting is for SRP
5 management to explain its price proposal and answer your
6 questions as best they can and for members of the public to
7 offer comments and suggestions on the price proposal.

8 Tonight we are here as board members just to
9 listen to your comments. As required by Arizona law that
10 governs this price process, board members are not at this
11 meeting to make any decisions or ourselves engage in
12 discussion of the proposals management will summarize this
13 evening.

14 That part of the process will come later.

15 All of the comments made tonight will, however, be
16 recorded and available to each of the SRP board members so
17 that the board can consider each comment received over the
18 course of our pricing deliberations.

19 On February 18 we will hold the first of five
20 official price process board meetings at the Arizona
21 Heritage Center at Papago Park, at which time the entire
22 board will be present and will then begin its discussion of
23 management proposals.

24 You may wish to also present comments at that
25 time, or you may wish to defer your comments until then.

1 Additionally, the SRP board will receive written
2 and electronic comment through March 15, so that's an
3 important date to remember.

4 Please be assured that whether you make comments
5 at this meeting, or any of the meetings before the board, or
6 in writing, or e-mail, your comments will be carefully
7 considered. That's my promise to you all.

8 I emphasize that the management proposals that
9 will be described tonight are only that, proposals. As the
10 board evaluates those proposals with the benefit of the
11 input provided here and over the course of our process, the
12 pricing decisions ultimately made by the board may differ
13 significantly from management's initial proposals.

14 I understand that we are distributing cards with
15 information on all of the opportunities to participate in
16 this process. If you are unable to speak tonight, we
17 encourage you to take advantage of these several other
18 opportunities.

19 So, as you know, this meeting will be moderated by
20 Marty Rozelle, and I'll turn the meeting back to Marty for a
21 more detailed explanation of the process.

22 Again, thank you for coming.

23 MARTY ROZELLE: Thank you, John and Michelle.

24 So I've lived in the Valley for 40 years and have
25 worked with numerous utilities around the country to involve

1 the public in efforts such as facility siting, integrated
2 resource planning, long-range planning, something such as
3 this.

4 I'm not an SRP customer. I thought I would just
5 mention that. I just thought of that actually.

6 And really my role tonight is to make sure the
7 meeting runs smoothly.

8 Now, we have a number of SRP folks here tonight.
9 You may have met some of them in the customer service area
10 as you came in.

11 We also have Aidan McSheffrey on the far right.
12 He's an associate general manager and chief financial
13 executive.

14 Next to him is Steve Hulet, who is the treasurer
15 of SRP and the senior director of financial services.

16 And John Tucker, who you'll be hearing from in a
17 little bit, who is the director of corporate pricing.

18 As I mentioned we have customer service reps, and
19 they will be in that room for the whole evening.

20 If you need Spanish translation and you did not
21 get a headset, you would need to go the table in the back.

22 Is there anyone who is going to need that Spanish
23 translation?

24 (Interpreter speaks in Spanish.)

25 MARTY ROZELLE: Okay. Did you hear that?

1 And actually the headsets are over here.

2 And also you met Michelle. Is anyone going to
3 need her services tonight?

4 (No oral response.)

5 MARTY ROZELLE: Okay. Thank you. Thank you.

6 SRP is hosting two meetings. This is the first
7 one, and Thursday night we will be in Gilbert.

8 So we've got sort of three parts to the meeting
9 tonight. We're going to have a presentation, about
10 25, 30 minutes. Followed by a question period of about
11 15 minutes. And then we wanted to leave as much time as
12 possible for comments, so we're looking at 60 to 70 minutes
13 for the comment period if we need it.

14 Now, we just have to be out of here at
15 9:00 o'clock.

16 And I'll talk more about each of these as we get
17 to them, because you should have received a blue card. If
18 you have questions, you will write on that. And then you'll
19 pass it to the aisle or someone from SRP.

20 And the way we were going to do the questions is
21 I'm going to read them, and there might be some that are
22 similar, and so I'll just make it into one question, and
23 then Aidan will answer it or the right -- he'll say -- ask
24 someone else to answer it. And then we'll move on to the
25 next set of questions.

1 And I'll talk a little bit about that.

2 But the important thing is as you listen to the
3 presentation, you may have some questions and you may want
4 to write them down.

5 The comment period, if you want to speak, there's
6 a yellow card. And we'd like to have you put your name on
7 that and indicate that you want some time to speak.

8 And right now we're looking at maybe two or
9 three minutes. Partly depends on how many we have. So if
10 we can do longer, we will. Because as I said, we have until
11 9:00 o'clock.

12 We have a court reporter here. The final
13 transcript from both meetings will be made available to the
14 board. Ultimately it will be posted on the website as well,
15 the transcript, not his, but John's, the Power Point.

16 Let's see. Just a few ground rules, they're
17 sitting on the sign over here.

18 If you honor the time limit during the comment
19 period, if you'll stay on the topic of this meeting which is
20 the pricing proposal, and if you would be respectful and
21 courteous and silence your phones, that would be great.

22 So, I think we're ready to start with you John.

23 This is John Tucker. He's a director of corporate
24 pricing.

25 JOHN TUCKER: Thank you, Marty.

1 Good evening, all. As Marty said my name is John
2 Tucker. I'm SRP's director of corporate pricing.

3 Better?

4 On behalf of management I'd also like to thank you
5 all for being here tonight.

6 So I want to start with an overview of our pricing
7 proposal.

8 First up, we are proposing an average decrease in
9 terms of price level of 2.2 percent. We're also proposing
10 more options for residential customers who would like to
11 install/distribute generation or solar at their house, as
12 well as reduced on-peak hours for many of our residential
13 price plans.

14 We're proposing an additional reduction to our
15 M-Power prepaid price plan, E-24, to better align those
16 prices with that of E-23, our basic, non time-of-use price
17 plan for residential customers as we see those costs coming
18 down, more in line with those of E-23, the basic program.

19 And while we're not proposing any changes to our
20 environmental or sustainability programs, we are proposing
21 the elimination of the pricing mechanism whereby we call out
22 those specific expenses.

23 And that's called our Environmental Programs Cost
24 Adjustment Factor, or EPCAF.

25 I'll get into details on all of that as we move

1 through this will presentation.

2 Before I go too far, I feel I would be remiss if I
3 didn't at least touch on our pricing principles, as these
4 really do guide anything that comes out of the pricing
5 department.

6 So cost relation, that really is saying that our
7 prices should be reflective of the costs that we incur to
8 serve our customers.

9 Equity, we want to ensure that customers pay their
10 share of the costs that we incur to serve them.

11 Sufficiency is just that overall price levels,
12 overall revenue levels for SRP should be sufficient to
13 maintain the organization's financial health.

14 Gradualism really is getting at, as we move toward
15 all of those things, as we try to implement all these
16 things, we want to do it slowly but surely. We want to do
17 it gradually.

18 So as an example, we would prefer to have more
19 frequent smaller price adjustments rather than more periodic
20 larger pricing adjustments.

21 And then to the extent that we can, we'd like to
22 provide customers with options, things like time-of-use
23 programs, things like our prepaid program, things like our
24 managed payment program.

25 While I characterize the proposals as a

1 2.2 percent price reduction, I did want to touch on this
2 quickly.

3 For fiscal year '19, that's SRP's fiscal year that
4 runs through the end of this April, the board approved
5 two separate temporary fuel price reductions, which in
6 total netted to 1.5 percent, a 1.5 percent annual bill
7 reduction.

8 And what we're doing as part of this proposal is
9 making that temporary proposal -- making that temporary
10 price adjustment permanent, and then layering on top of it
11 the 2.2 percent price reduction.

12 So if one is to compare price level from the last
13 price process that we came out of in 2015 to the proposed
14 level for this coming fiscal year, they would really be
15 3.7 percent lower than where they were in 2015.

16 While the average decrease is 2.2 percent, there
17 are a couple of moving pieces that I want to walk through.

18 So first we have a fuel price reduction of
19 3.9 percent.

20 And then we have a partially offsetting base price
21 increase of 1.7 percent.

22 And the base prices you can think of things like
23 the cost of our grid, our generating resources, our
24 transmission and distribution systems.

25 And you combine those two together, and that nets

1 in the 2.2 percent decrease.

2 So like I said, the average is 2.2 percent. But
3 this pricing action, like all pricing actions, does have a
4 variety of impacts, and that's what we're trying to
5 characterize here. What you can see is that the large
6 industrial customers do see the largest decrease as part of
7 this proposal.

8 And the reason for that is that this price change
9 is really driven by the fuel decrease that I mentioned. And
10 large industrial customers use a lot of power. They have a
11 larger portion of their bill that is fuel related when
12 compared to, say, a residential customer. So they see the
13 biggest impact when fuel prices change.

14 And that's true whether fuel prices go up or down.

15 I've been around in the pricing department long
16 enough that I remember when these charts were inverted and
17 fuel prices were going up and the residential customers had
18 the lowest increase while the industrial customers had the
19 largest.

20 And needless to say, the industrial customers
21 weren't thrilled about that. But then as now it's just a
22 simple function of the math.

23 I would point out that even though there is a
24 variety of impacts, management is proposing a decrease for
25 all of our price plans.

1 As I mentioned previously we do have both the fuel
2 price decrease and the base price increase that partially
3 offsets the fuel decrease.

4 So on the fuel side, part of it is as simple as
5 the fact that when we incur lower fuel costs we're able to
6 pass those savings on to our customers. And natural gas
7 prices have been low.

8 In addition though, SRP has been able to acquire
9 natural gas generating resources, and so we've been able to
10 further capitalize on that low natural gas price that we
11 see, and thus we're able to pass even further savings on to
12 our customers through that fuel price decrease.

13 The bottom two points, about keeping up with
14 economic growth and supporting the transition to sustainable
15 resources, really talks to the base price increase that I
16 mentioned.

17 It's important that SRP is able to adapt quickly
18 and safely to changing conditions, both on our grid and in
19 our service territory. And SRP has made \$2 billion worth of
20 investments to the end since the last price process
21 four years ago.

22 The proposed base increase would ensure that we
23 can respond to residential and commercial growth, and we can
24 maintain and repair our existing infrastructure, and that we
25 can meet the challenges of an economy and a customer base

1 that is increasingly looking to us to invest in sustainable
2 resources.

3 One of the things we do when we consider a pricing
4 action is we benchmark ourselves against our peers in the
5 region. And really when will we -- what we're thinking of
6 there is utilities that have, you know, that operate in hot
7 desert climates like we do.

8 And we want to make sure that we continue to
9 provide a strong value proposition for our customers.

10 And you can see on the chart our proposed average
11 price after the, you know, the proposed price is just under
12 9.7 cents per kilowatt hour.

13 In addition to being committed to keeping prices
14 low we're committed to being good stewards of the
15 environment in the communities in which we operate. SRP's
16 2035 sustainability initiatives span a host of areas:
17 Carbon, water, waste reduction, grid modernization, and
18 customer and employee engagement.

19 The breadth -- I think the breadth of these
20 pillars really illustrates that sustainability permeates
21 everything that we do.

22 For those of you that are interested in digging a
23 little deeper into these activities, these efforts, we
24 actually have a separate process going on independent of
25 this price process related to SRP's 2035 sustainability

1 goals. And for complete details you can visit the website
2 there, SRPnet.com/2035.

3 I mention our 2035 sustainability goals because
4 part of this price process is we're proposing the
5 elimination of our EPCAF, our Environmental Programs Cost
6 Adjustment Factor.

7 Again, this is the mechanism that we collect costs
8 related to our environmental programs, namely renewable
9 resources and energy efficiency efforts. But it was put in
10 place nearly ten years ago. And as illustrated on the
11 previous slide, sustainability really is now a part of our
12 core business, and it reaches far beyond just those
13 renewable resources and energy efficiency projects. So it
14 doesn't seem necessary that we continue to run this EPCAF
15 adjuster mechanism.

16 So, again, those programs will continue as they
17 are. They will just be allocated to different pricing
18 components.

19 There's a lot more information available online
20 than we have the time to get through tonight, but these are
21 the pieces that I'll be touching on.

22 The material is clearly residential focused, but
23 if we do have any business customers in attendance we have
24 staff on hand who will be happy to chat one to one with you
25 if you like.

1 So here's a look at our impacts for our various
2 residential price plans. Depending on which program you're
3 on and how you use energy, you would have -- your specific
4 impacts would vary.

5 But these are the averages, to get a sense of
6 where things are going.

7 On our left we have our various residential price
8 programs.

9 We have our basic E-23 price plan. Again, that's
10 our non time-differentiated, non time-of-use rate.

11 And followed up by our M-Power prepaid program.

12 And then we have our EZ3 suite of three-hour
13 time-of-use price plans.

14 Then we have our time-of-use E-26 price plan.
15 That's our longer standing, more traditional time-of-use
16 price plan.

17 Followed by our customer generation program, E-27.

18 Have some average usage statistics there for each
19 of those price plans, followed up by impacts by rate.

20 And you can see that on a monthly basis, the
21 impacts will range from about a dollar bill savings to a
22 little over two dollars per month bill savings.

23 And then we have the percentage impacts here as
24 well, which, again, the percentage impacts hover in that
25 one percent neighborhood.

1 You'll see the exception to both of those comments
2 is our M-Power price plan, and I'll get to that in a little
3 bit.

4 But like I said, individual impacts would vary a
5 bit based on usage, but, again, we do have staff here and
6 we'd be happy to talk to you about your impact specifically
7 if you like.

8 So we have four price plans that have summer
9 on-peak hours from 1:00 p.m. to 8:00 p.m. on weekdays.

10 Part of our proposal is to move the first hour in
11 that seven-hour block, the 1:00 o'clock to 2:00 o'clock
12 hour, to take that from the on-peak period and move it into
13 the off-peak period.

14 As things have changed over time, we find that
15 that hour is becoming less costly when it comes to serving
16 customers, and we hope that moving from a seven-hour on-peak
17 window to a six-hour on-peak window will be a win for
18 customers in terms of making it a little bit easier to
19 manage their usage on those programs.

20 I point out that we aren't proposing any changes
21 to the winter pricing.

22 About ten years ago we rolled out a complementary
23 program to our long-standing TOU E-26 program. We call that
24 our EZ3 price plan. And that rate had an on-peak period of
25 three hours, from 3:00 to 6:00 p.m.

1 A couple years later we rolled out a few pilot
2 options. We wanted to test kind of their impacts. And they
3 had on-peak periods of 2:00 to 5:00 and 4:00 to 7:00.

4 So we have a couple proposals related to that EZ3
5 suite of price plans.

6 The 3:00 to 6:00 would continue to be a standard
7 offer program.

8 The 4:00 to 7:00 program, that's a pilot now,
9 we're recommending ending that pilot program and making it a
10 standard offer program. So like the 3:00 to 6:00 program,
11 that would be open to all who may be interested in it.

12 And then we're further proposing the ending of the
13 2:00 to 5:00 pilot program.

14 So we would go from one standard offer and two
15 pilots to two standard offer programs under the EZ3 banner,
16 if you will.

17 One of the principles I mentioned earlier was cost
18 relation, working to make sure that our prices accurately
19 reflect our costs of serving the customers that are on them.

20 In line with that principle, we're proposing an
21 additional reduction to M-Power, which, again, is our
22 prepaid program, beyond the adjustments that we're
23 proposing for the other residential price plans, as I noted
24 earlier.

25 That will better align our prepaid program with

1 our basic E-23 price plan.

2 And the reason we're doing that is because we're
3 seeing M-Power prices come down. They used to have a higher
4 cost to service, and we're seeing those prices over time
5 come down, and they're looking more like E-23, our basic
6 price plan, looking more like those costs. So we're
7 proposing over time working to align them.

8 And what you can see here on the six summer
9 months, there's barely a difference at this point in terms
10 of the E-24 versus the E-23 price level.

11 And in the winter we've actually been able to
12 levelize the M-Power prices with the basic prices.

13 For residential solar customers, we're proposing a
14 total of four options. Existing E-27, existing E-27 price
15 plan, as well as three new options.

16 We designed the options in response to input we've
17 received from customers. Impacts under each will vary based
18 on a handful of things, like your particular usage, the time
19 and the way you use energy, the size of your solar system,
20 and perhaps complementary technology that you may have
21 installed along with it, things like storage and load
22 controllers.

23 Tonight I'll give a brief overview of these
24 designs. But, again, if you have questions on which might
25 be best for you, we have staff on hand who would be happy to

1 talk with you, or you're welcome to call in and talk further
2 with one of our representatives.

3 But at the highest level you can see we have one
4 new demand price plan that we're proposing and two new
5 non-demand price plans.

6 In particular we're able to offer the two
7 non-demand price plans at this point due to advances in
8 metering technology that we have available to us.

9 To better understood how the new options, the new
10 non-demand options in particular will work, I want to walk
11 through this illustration quickly.

12 We start with a customer who needs 1500 kilowatt
13 hours a month, and that's certainly representative of the
14 sorts of things, the sorts of loads that we see in our
15 service territory.

16 So this is kind of the traditional model, I think
17 pretty straightforward. Customer needs 1500 kilowatt hours
18 a month. They get that from the utility.

19 The next two slides will show a couple different
20 ways to look at the solar transaction.

21 So this is the net metering, net billing look.

22 And this is what frankly we were capable of when
23 distributed generation came on the scene.

24 And it's how we and the rest of the world have
25 looked at distributed generation for a decade or better.

1 So our same typical customer, 1500-kilowatt hours
2 of usage, now installs 1,000 kilowatt hours of generation,
3 solar generation.

4 And the metering technology is pretty
5 straightforward. The meter spins forward when the customer
6 pulls power and spins backwards when they generate in excess
7 of their needs and put it back on the grid. At the end of
8 the month, that's a 500-kilowatt hour delta, 500 net
9 kilowatt hours. And that is traditionally what the bill has
10 been based on.

11 One of the challenges here though is that this net
12 metering approach does not take into account whatever degree
13 of overlap there may be between a customer's real time need
14 for power and the customer's real time ability to generate
15 it with solar on their roof.

16 I would point out that both E-27, the existing
17 price plan, and our proposed E-15 do maintain the net
18 metering structure. And we're able to do that because the
19 prices are more in line with costs, so we can do that and
20 still maintain proper cost recovery.

21 So this is a look at what we can see now with our
22 newer metering technology. There's certainly a little bit
23 more going on, but this is more reflective of what's
24 happening in real time.

25 So same customer, same solar. But now we can see

1 what's actually going on in terms of when they're using
2 power and where that power is coming from. So out of that
3 1,000 kilowatt hours, they're actually able to use about
4 60 percent of that instantaneously when it's generated.

5 And then that would mean that the remaining
6 40 percent gets pushed back to the grid because it's
7 generated in excess of their needs.

8 So then ultimately they rely on SRP on the utility
9 for 900 kilowatt hours of delivered energy.

10 And the way the new price plans would work is they
11 would look at those two as two separate transactions almost.
12 What do we supply to the customer in terms of delivery and
13 then what is the customer pushing to SRP.

14 So this table is intended as a bit of a compare
15 and contrast, in terms of the current price plan as well as
16 all three new options. We have our two demand options on
17 top and then our two none-demand on the bottom.

18 So if we walk through them, I'll start with E-27
19 on the top.

20 So the proposal doesn't include any changes to the
21 monthly service charge. So that part is unchanged.

22 The KW charge, the demand charge, is a tiered
23 demand charge. It's got three steps in it which means the
24 more demand the customer has, the more they pay. But
25 probably I think more important is the fact that it's a

1 monthly maximum demand charge.

2 So the way that works is we look at the weekdays,
3 only the weekdays, and then we at the on-peak period for
4 each of those weekdays, so say there's about 20 weekdays in
5 a month, we look at all 20 of those on-peak periods and we
6 look at what's the maximum 30-minute demand interval out of
7 that -- out of all those on-peak periods, and that's the
8 number that we use when we calculate the bill. We multiply
9 that number times the price.

10 Which incidentally is basically how all demand
11 charges tend to work.

12 But that's how that works, and I'll draw the
13 distinction on the next rate.

14 The energy prices are time differentiated on and
15 off peak. Like I said, net metering remains on E-27, so
16 there is no excess or there's no credit for excess
17 generation.

18 E-15, our average demand price plan, again, the
19 customer charge, they're equal to E-27 on all these options.
20 You'll see that.

21 And the reason for that is those cost don't change
22 based on which price plan a customer elects.

23 The difference here though is the way the demand
24 charge works. So we would be looking at the same weekdays,
25 say the same 20 weekdays, the on-peak periods for those same

1 days, the same on-peak periods, but we would take all 20 of
2 those maximum demands for each of those 20 weekdays, and we
3 would average them together into a number that we would then
4 multiply by the price to get the demand charge.

5 And the reason that we're proposing that is kind
6 of twofold.

7 One, demand charges really do provide the best
8 opportunity for customers to control their bill if they
9 choose to try to manage their behavior, whether through, you
10 know, deliberate actions that they take or perhaps through
11 technologies that they would install, like storage or load
12 controllers.

13 But we have heard comments from customers
14 expressing concern about the risk of an anomalous event
15 having a significant impact on their demand and thus having
16 a significant impact on their bill.

17 So what we're trying to do here is respond to that
18 concern.

19 So if you have one anomalous event that happens to
20 occur in a six- or seven-hour period on a weekday, you got
21 19 other ones that would be averaged against it.

22 So trying to provide the opportunity and yet
23 mitigate that concern.

24 The kWh prices are the same as on E-27, so there's
25 no difference there. And, again, that metering would

1 remain.

2 Then to our two non-demand export rates, TOU
3 export E-13, again, the same customer charge, same monthly
4 service charge, no demand charge. And the prices under this
5 price plan, the on- and off-peak prices by season, summer,
6 winter, those prices are the same prices you would see on
7 E-26, our grandfathered time of use price plan for
8 residential customers.

9 So to the extent that customers are taking power
10 from SRP, they will pay the same price for kilowatt hour
11 that a non-solar customer would pay.

12 And then to the extent that customers are
13 generating in excess of their needs, they would be credited
14 for the 2.81 cent per kilowatt rate that you see here.

15 And that rate is reflective of SRP's recent cost
16 of utility scale solar, and then we bumped it up to reflect
17 losses that occur at the transmission and distribution
18 levels to recognize the added value that that provides being
19 more localized and distributed.

20 Then finally we have TOU export for EVs, E-14. So
21 this is a time-of-use price plan, non-demand for customers
22 that have both solar and electric vehicles.

23 And we're proposing this because that we do have
24 an EV price plan for residential customers, and there is a
25 bit of overlap between customers with solar and customers

1 with EVs. And to date those customers are not able to
2 participate in our EV price plan.

3 So we're trying to be responsive there.

4 It will look an awful lot like the previous rate I
5 mentioned, E-13, except the prices on this price plan will
6 be equal to those of E-29, which is our residential EV price
7 plan.

8 So to summarize we're proposing reduction in
9 prices of 2.2 percent, three more options for residential
10 solar customers, more manageable time-of-use hours for many
11 of our residential price plans, a greater reduction for our
12 customers on our prepaid M-Power program to better align
13 those prices with those of the basic price plan, and the
14 elimination of the mechanism that separately calls out our
15 costs related to our environmental programs.

16 Here's a look at our calendar.

17 Vice President Hoopes mentioned, I think, the most
18 important dates. I'll run through them real quick again.

19 First we have our first board meeting coming up in
20 about a month.

21 Then we have four additional board meetings
22 scheduled.

23 We don't have agendas outlined for all those yet,
24 but we will have those posted online in advance of the
25 meetings.

1 But what will happen at the first board meeting at
2 least is management will present its proposal as well as the
3 board's consultant will present its opinion of it.

4 Also I would reiterate that March 15th deadline to
5 submit written comments.

6 Finally this is where you get a little more
7 information and how you can contact SRP.

8 And with that, I'll say thanks again for being
9 here with us tonight.

10 MARTY ROZELLE: John, thank you very much.

11 (Applause.)

12 MARTY ROZELLE: We even have some applause. Good.

13 I meant to mention that the restrooms are back in
14 that corner if should you need one.

15 We're going to move into our question period. So
16 if you have written anything down on your blue card, now's a
17 good time to hold it up. Some SRP folk will come by.

18 Do we have some already?

19 Okay.

20 Yeah, do you have some questions for me?

21 The plan here is that if we have similar questions
22 I'll just group them into one big question.

23 And then we'll just go until, you know, either we
24 finish with the questions or about 15 minutes. That's what
25 we've got planned.

1 So do we have some to get started with here?

2 Okay. Thank you. All right.

3 Yeah, don't forget to fill out a comment card.

4 You can do that, you know, throughout the meeting as well.

5 All right.

6 So question number one.

7 This is from a residential customer, and just asks
8 you to talk about your power generating units, all of them.

9 So that's a little broad, but. . .

10 AIDAN McSHEFFREY: Can you repeat that, Marty?

11 MARTY ROZELLE: Talk about your power generating
12 units, all of them.

13 AIDAN McSHEFFREY: Sure. We have several power
14 generating units, quite a few. We have to serve a large
15 load here in SRP service territory, so we are co-owner of
16 Palo Verde. We have a share of that.

17 We also own several natural gas units. In fact,
18 some we recently acquired. And due to that acquisition we
19 were able to take advantage of low natural gas prices. It's
20 one the reason we're able to propose a fuel related
21 decrease.

22 We are either owner operators or co-owners in
23 several coal plants, both in Arizona and as well as Colorado
24 and Mexico.

25 One of those coal plants is Navajo Generating

1 Station. And if you've read the paper, we'll be looking to
2 exit our ownership position in Navajo Generating Station at
3 the end of this calendar year. Part of the reason we
4 recently acquired natural gas resources is to replace the
5 generation needed to meet those loads.

6 We have recently, I don't know if John gave you a
7 number, we have recently signed a 200 megawatt -- two
8 100 megawatt, totaling 200, solar utility -- got solar
9 agreements at very low cost to SRP and its customers.

10 We also have announced plans to add another
11 800 megawatts of solar to our system between now and 2025.

12 I'm not sure if that is the exhaustive list, but
13 hopefully that gives a reflection.

14 We also -- John would kill me if I didn't mention
15 this. We have hydro, both the Salt River system as well as
16 we have a federal allocation off the Colorado River. And
17 part of our public power heritage and a reclamation project.

18 MARTY ROZELLE: Good. Thank you.

19 And then a question is: How does SRP plan to
20 support the growth of renewable energy and the thousands of
21 local people who are employed in the industry while at the
22 same time keeping general energy costs affordable.

23 AIDAN McSHEFFREY: Well, as John mentioned, one of
24 the key principles we have is to price based on the price of
25 providing power.

1 And SRP is a public power entity, doesn't have any
2 investors or shareholders that derive a benefit from the
3 company.

4 So we're in that unique position of really pricing
5 based on cost.

6 The board has -- we go through several processes,
7 and part of this may relate to the last question too.

8 We go through an integrated resource planning
9 process which looks at various types of resources and their
10 attributes, that kind of weighs those things. That may
11 include cost attributes, environmental attributes, operating
12 attributes. That kinds of helps us guide principles about
13 how we will acquire resources.

14 A couple of conclusions or considerations from the
15 most recent process is that SRP will actually go through an
16 all source RFP for new resources.

17 We're actually in that process right now.

18 And those results will be communicated to the
19 board probably in the March, April time frame. And it's
20 really an all of the above type resource proposal --
21 proposals that we're looking for.

22 So renewables, renewables plus batteries, as well
23 as traditional resources. And so those will be evaluated
24 based on costs and operating characteristics when that
25 process concludes.

1 Additionally, John mentioned the 2035 process.

2 SRP adopted 2035 goals, maybe just over a year
3 ago, a little bit longer than that. Part of that I'll just
4 highlight is we have a carbon emissions reduction target,
5 emissions intensity reduction target, as part of those
6 goals. And so whatever resource plans we put together need
7 to be able to meet those objectives that were approved by
8 the board.

9 But on top of that, as I mentioned, as mentioned
10 on John's side, we are going through a review process of
11 that right now and encourage you if you have an interest in
12 that topic to either submit comments or participate in that
13 process.

14 MARTY ROZELLE: Okay. Thank you.

15 Another question is: We appreciate that SRP plans
16 to fund energy efficiency the same way it funds other
17 sources, but what are SRP's plans for EE funding after 2020.

18 AIDAN McSHEFFREY: Again, I refer you back to that
19 2035 process. Part of the considerations in that process
20 are what level of energy efficiency will be needed to meet
21 our objectives, our sustainability objectives.

22 In our test year in this plan we have about
23 50 million budgeted for energy efficiency, which is an
24 increase over prior years. And, in addition, as part of the
25 proposal, we are committed to continuing to communicate what

1 we're spending on energy efficiency.

2 We do that today as part of the EPCAF. With the
3 EPCAF going away, we understand that there are concerns that
4 that visibility would go away. And we're committed to again
5 communicating energy efficiency levels as part of our budget
6 process, both in terms of effectiveness as well as the
7 budgeted dollars we plan to spend.

8 MARTY ROZELLE: Okay. Thank you.

9 Any more question cards?

10 (No oral response.)

11 MARTY ROZELLE: No?

12 All right. Good.

13 Thank you very much.

14 So we'll move on into our comment period.

15 And, again, we're looking for yellow cards, if
16 anyone would like to make some comments.

17 Right now I've got two.

18 And so I think I'm going to come on up here.

19 So we've got them right now in the order that we
20 received them, and what I would like to do is change this to
21 this other mic here.

22 I was thinking that we would have a time limit
23 when I thought there might be more than two speakers. And
24 you can fill out a card and you can speak even if you
25 haven't done so yet. You might be prompted.

1 But what I'd like to do is extend the time limit
2 that I had in mind, which is something like two or three
3 minutes. So maybe give you five minutes, if that seems like
4 that's okay.

5 And we did have a timekeeper over here to let you
6 know when you have 30 seconds left.

7 Why don't we start with five minutes, if you need
8 that, and come on up to this podium in the front.

9 And our first speaker is -- is it Kinch Whisnant?

10 KEENAH WHISNANT: Keenah.

11 MARTY ROZELLE: Keenah. Sorry. I see how that
12 is. Yes.

13 That microphone should be on. If you would let us
14 know if you're an SRP customer or if you're with an
15 organization, we appreciate it.

16 KEENAH WHISNANT: My name is Keenah Whisnant, and
17 I'm a resident.

18 And I just wanted to say that it's very important
19 to me to keep the price down as low as I can. I keep my
20 utilities down as low as I can, and when I heard on the news
21 that, you know, SRP was looking to drop their rates, I about
22 fell off my chair, you know, because the prices are going up
23 everywhere on everything.

24 And I'm a cancer survivor. I'm on disability. So
25 I'm on a low, tight, fixed income.

1 And it's -- I'm struggling really hard to pay my
2 bills.

3 And my -- what I get per month on my disability is
4 here and my bills are here. (Indicating.)

5 And in order for me to just even have utilities, I
6 have to go out on the street and panhandle, just to have
7 utilities.

8 If it wasn't the generosity of people donating
9 money, I wouldn't even have utilities.

10 And that's how I buy my food. I go to food banks
11 and stuff.

12 It's very important to me for, you know, you guys
13 to do as much as you can to help us keep our utility bill
14 down, because there's a lot of people that's in my position.

15 And the new program that you started where --
16 because I'm on the M-Power box. And the new program
17 that just started where people can come in to have them to
18 put the money on the power box from your checking account,
19 that has been a huge blessing to me. It's just a huge
20 blessing.

21 There's days that I'm not able to go anywhere, you
22 know, to go to the store and put money on my power box.

23 And some days I'm really sick, you know, and I am
24 still recovering from having cancer. It hit me really hard.
25 I had stage three cervical cancer, and that was in 2012, and

1 I am still recovering.

2 So it's been a huge help, you know, anything that
3 you guys can do to help us, you know, keep the prices down.

4 And where everybody else is going up on their
5 prices, you guys are going down on your prices.

6 And that's -- I'm very happy with SRP, and I
7 wouldn't want to have my, you know, electricity with anybody
8 else.

9 So I just want to thank you very, very much for
10 what you're doing and I just want to let you know how
11 important it is, you know, to your customers.

12 And thank you very much.

13 MARTY ROZELLE: Keenah, thank you very much for
14 coming tonight. I know it was an effort.

15 Thank you.

16 We've got some more cards. Thank you.

17 Our next speaker is Court Rich.

18 Will you come on up?

19 By the way, I'll be giving the cards to the court
20 reporter so he will spell your name correctly.

21 COURT RICH: Good evening. Thank you.

22 Vice President Hoopes, members of the board, for
23 the record my name is Court Rich from the Rose Law Group.
24 I'm here tonight on behalf of Sunrun. They are the nation's
25 largest residential rooftop solar installer.

1 And I am grateful to have the opportunity to come
2 here. I appreciate the presentation that your staff gave.

3 But I want to take the chance to talk to the
4 board. So there are, I guess, four of you that vote on this
5 that are here in the room tonight, and I appreciate you
6 being here.

7 And I wanted to, you know, if you remember last
8 time around, I certainly was involved in this process, and
9 there were a lot of folks that were concerned about the
10 actions that were taken.

11 And at that time SRP, with regard to rooftop
12 solar, SRP was really a first mover in the country on
13 rooftop solar.

14 If you remember there was a lot of controversy
15 because what was SRP going to do, what was it going to do to
16 the solar industry.

17 And no one else in Arizona had really acted yet.
18 No one else around the country had taken sort of an
19 aggressive action on solar. And you guys, for better or
20 worse, were the first. Right?

21 And I think the outcome of that was clear.

22 You dramatically decreased the amount of
23 residential rooftop solar that was installed in your service
24 territory.

25 It's objectively true. You can look at the

1 numbers.

2 And in APS service territory today they've got
3 somewhere around 90,000 customers with solar.

4 I think you guys have a quarter or a third of that
5 maybe.

6 So, I remember before that happened there was a
7 lot of discussion about, you know, people on my side would
8 say this is going to stop installation of solar and some
9 folks on the SRP side would say, no, it'll be fine, they're
10 bluffing.

11 But we know what happened. Right?

12 And so I appreciate that the discussion is back in
13 front of you and your staff has provided some options.

14 Unfortunately they're options only and they're not
15 anything better.

16 In fact, our initial analysis, and we're
17 continuing to ask some questions and get some more numbers,
18 show that these options are actually worse for solar
19 customers than the thing that you proposed and adopted last
20 time around.

21 And so I think the one thing that I would impress
22 upon you all, and ultimately this is your decision, is I
23 think over the last few years there's certainly been a
24 reaction. Several of the board members have been elected
25 seemingly as a direct result of that vote that was taken

1 before. If you want to be responsive to your customers, I
2 think there's an opportunity for you here to at least look
3 at bringing your solar program into line with what's
4 happened around the country and more specifically around the
5 state since that time.

6 Now, as you remember again, you were the first
7 movers. But since then Nevada went even farther than you
8 guys did. They turned off solar altogether and they brought
9 it back.

10 APS, TEP have all -- they all pushed to do
11 something really dramatic and all kind of settled on, okay,
12 let's start ratcheting back, you know, the value of solar,
13 the solar customer, but let's not jump to frankly where SRP
14 went or where Nevada went.

15 And so now that you've had some other folks move,
16 now is your time to look and say what are they doing around
17 the country, what are they doing next door.

18 And some quick comparisons, and then I will wrap
19 up.

20 A solar customer in APS service territory that
21 sends electricity back to the grid doesn't get net metering.
22 They got rid of that last year. But what they do get is
23 11.61 cents per kilowatt hour for what they send back to the
24 grid.

25 Now, I'm not saying that's the right or wrong

1 number for SRP. But SRP's proposing 2.8 cents for kilowatt
2 hour for the same electricity.

3 So when you look right across the street, you
4 know, why should somebody in Mesa get so much less than
5 somebody in Scottsdale or Flagstaff or something that has
6 APS service.

7 When you looked at that fixed charge, that's that
8 amount that a customer has to pay every month. They can't
9 avoid it. They can't avoid it with solar. They can't avoid
10 it by turning all their lights off. They can't do anything.
11 They have to pay it. Your fixed charge for solar customers
12 is roughly 30 percent more than the fixed charge that APS
13 charges its solar customers.

14 So these are the kind of things I think that if,
15 you know, if the board would like, you know, you can turn to
16 your staff and say let's try to do something more on par
17 with what they're doing around the state and around the
18 country, instead of kind of failing to react.

19 And why would you do that? One, it's going to
20 create a heck of a lot of jobs. I know you're not in the
21 job creation business, but one of the outcomes of that is
22 the people will come back to SRP and start installing solar.
23 Your customers will have options to save money with solar
24 that they don't have today. We heard folks that want to be
25 able to save money and have options to save money on their

1 electric bills.

2 So the one last thing I would say is even though
3 there's been this dramatic increase in solar over the years
4 in APS service territory, your rates are lower than theirs
5 but they have not seen a dramatic increase in costs. Their
6 rates have not gone up. And they like to tout to those in
7 Arizona -- I'll wrap up, getting told to stop -- those in
8 Arizona that they maintain, you know, keeping their rates
9 low over the years.

10 So I appreciate the opportunity to talk with you
11 all. Through this process we're going to gather more
12 information and hopefully provide you with more analysis
13 that you can take or leave, but I hope that you'll look at
14 it and say how can we try to make this program more on par
15 with what's going on around the state.

16 So I really appreciate the opportunity. Thank
17 you.

18 MARTY ROZELLE: Thank you, Court.

19 All right. The next commenter is Jason Lehman.

20 JASON LEHMAN: Good evening, gentlemen. Good
21 evening, board. Thank you for the opportunity to speak here
22 today.

23 I'll be speaking kind of in twofold, one from a
24 personal perspective and then two from a professional
25 perspective.

1 Personally, I'm a homeowner in SRP in Phoenix,
2 also a voter, and voted in the most recent election
3 preferably for candidates that were pro solar.

4 I think I represent myself and my views towards
5 what I think is the right thing to do, both for our
6 community and for kind of our environment at large.

7 Solar is right. And I think it's an important
8 topic that we're discussing here today and something that
9 you guys are considering.

10 I think we've -- our shortcomings have to do with
11 the plans that we put in place for prospective solar
12 customers.

13 As a homeowner in SRP, I moved into my house
14 two years ago. My wife and I are first time home buyers,
15 looking to settle in a great kind of welcoming community
16 that we find here in Phoenix.

17 The big, the big kind of red flag for us was
18 whether to buy in APS or SRP.

19 I knew there were two different kind of plans or
20 structures for whether solar would be a good fit for us or
21 not. We chose a neighborhood based on its people and
22 community. Unfortunately it was in SRP.

23 And I think the stats that Mr. Court(sic)
24 explained here show and illustrate that homeowners in SRP
25 are not going solar.

1 And they're not going solar at a much, much
2 lower -- or I should say higher rate than in other areas.

3 We know APS, we see the adoption of solar in 10,
4 20 fold.

5 So I think as we're considering new rate plans I
6 think we're all raising our hand saying we know the current
7 rate structure does not work, we know we need new rate
8 structures, understanding what the new buybacks being
9 3 cents a kilowatt hour, I think we all understand that
10 that's not going to cut it.

11 That won't be enough to push our residents to
12 adopt solar at the rate that I think we need to.

13 From a professional standpoint, I've been in the
14 solar industry as a community activist in the private sector
15 for the last 11 years. I currently lead a call center here
16 in Arizona for one of largest solar companies in the nation.
17 We service over 80 utilities. And of those 80 utilities we
18 service, none of them have a buyback rate of anywhere close
19 to what's being proposed here.

20 My perspective is that most communities in America
21 are putting together programs that incentivize people to go
22 solar. They understand both the short- and long-term
23 benefits of having a product like this, giving homeowners a
24 choice to chose an alternative to the utility. And I think
25 we're, again, not leading the way.

1 To Mr. Court's point earlier, SRP was the first
2 mover years ago, but the decision three to four years ago to
3 change the rate structures dramatically reduced our ability
4 to have customers go solar.

5 My company employs 300 people here in Arizona.
6 The solar that we installed is exclusively in the APS
7 territory.

8 If we had the opportunity to sell and install
9 solar for homeowners in SRP, we would dramatically be able
10 to increase our installation crews, our sales folks, and it
11 would change, I think, the landscape of solar here for
12 Arizona.

13 So asking the board members to continue to be a
14 leader, to reconsider the rates that are proposed here.

15 We have examples in APS and other utilities across
16 the country where solar flourishes. And I think if we can
17 adopt some of those best practices, we can again see solar
18 flourish here for Arizona and for SRP residents.

19 Thank you.

20 MARTY ROZELLE: Thank you. Thank you.

21 Are there any other cards, any other -- anyone
22 else wishing to make a comment?

23 So, remember that you can comment up until
24 March 15th, and also SRP staff will remain, if you would
25 want to chat with them, as well as the customer service

1 folks will be here for a little while as well.

2 And I'll turn it back over to you, John.

3 JOHN HOOPES: I just want to thank everybody first
4 for being here, and second those who offered questions and
5 comment.

6 They're serious and obviously sincere comments by
7 people who have various perspectives, all of which are
8 important to us and all of which we will consider as the
9 price process continues.

10 So I, again, remind you of that March 15th
11 deadline for written comments and remind you of the other
12 opportunities you have to participate and repeat my promise
13 that your questions and comments will be considered by our
14 board.

15 Again, thank you, and we hope you have a safe trip
16 home and have a pleasant evening.

17 Thank you.

18 (Whereupon, the meeting adjourned.)

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1 STATE OF ARIZONA)
2 COUNTY OF MARICOPA) ss.

3

4 BE IT KNOWN that the foregoing proceeding was
5 taken before me, Marty Herder, a Certified Court Reporter,
6 CCR No. 50162, State of Arizona; that the foregoing 43 pages
7 constitute a true and accurate transcript of all proceedings
8 had upon the taking of said meeting, all done to the best of
9 my skill and ability.

10 DATED at Chandler, Arizona, this 27th day of
11 January, 2019.

12

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C. Martin Herder, CCR
Certified Court Reporter
Certificate No. 50162

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