SRP 2035
FY19/FY20 Action Plan Summary

As of close of FY18
April 30, 2018
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SRP 2035 Executive Summary

Introduction
In October 2017, the SRP Board of Directors approved SRP 2035, a comprehensive set of sustainability goals that address SRP’s business activities in five priority areas: carbon emissions reductions; water resiliency; supply chain and waste reduction; grid modernization; and customer and employee engagement and community involvement. The 14 goals identified within the SRP 2035 framework build upon existing plans and practices, introduce new areas of focus and position SRP to meet changing customer and stakeholder expectations about what it means to be a sustainable utility. SRP will actively pursue these meaningful goals and transparently report our progress in achieving them.

The SRP 2035 goals are outlined in the table below, along with guiding principles and specific targets that have been established for each of the five priority areas.

<table>
<thead>
<tr>
<th>Carbon Emissions Reductions</th>
<th>Water Resiliency</th>
<th>Supply Chain &amp; Waste Reduction</th>
<th>Grid Modernization</th>
<th>Customer and Employee Engagement &amp; Community Involvement</th>
</tr>
</thead>
<tbody>
<tr>
<td>Steadily and meaningfully decrease SRP-related carbon emissions intensity over time from generation resources, operations, transportation, and other initiatives.</td>
<td>Maintain a safe, reliable, and resilient water supply in SRP-related service territory through conservation and augmentation.</td>
<td>Manage our supply chain to reduce environmental impacts and business costs, and support industry best practices that benefit our operations and the community.</td>
<td>Ensure the reliability and security of a distribution system that enables the integrated energy network concept and meets the expectations of our customers.</td>
<td>Connect the values of customers and employees to our operations and communicate sustainability initiatives transparently.</td>
</tr>
</tbody>
</table>

1.1 Reduce carbon emissions intensity from generation by 33%
1.2 Reduce carbon emissions from facilities and fleet by 30%
2.1 Reduce water use intensity at SRP facilities by 45%
2.2 Achieve lost and unaccounted for water rate of less than 5% on a 10-year rolling average
2.3 Eliminate groundwater use at generating stations in AMAs
2.4 Store 1 million af of renewable supplies underground
2.5 Facilitate acquisition of 25,000 af per year of renewable supplies for use by municipal water providers in SRP-related service territories
3.1 Incorporate sustainability criteria into sourcing decisions for 80% of managed spend
3.2 Divert 50% of municipal solid waste
3.3 Divert 95% of non-hazardous industrial solid waste sent to Investment Recovery
4.1 Ensure unified communication infrastructures are in place to proactively support all necessary grid and customer communication requirements
4.2 Deploy modern grid technologies to support items such as integration of distributed energy resources, demand management systems, energy efficiency programs, electric vehicles and other evolving technologies
5.1 Achieve at least 80% of customers who give SRP a positive rating for its sustainability efforts
5.2 Increasingly engage employees in SRP’s sustainability programs or volunteer efforts that contribute to sustainability initiatives in the community.

**TABLE 1: SRP 2035 GUIDING PRINCIPLES & GOALS**
To translate the goals into practice and track progress toward SRP 2035 milestones, we have created individual Action Plans for each goal, as well as a new management system. The action plans outline key initiatives, studies and analyses to be conducted in fiscal years (FY) 2019 and 2020 that are critical to establishing a solid organizational process and anchored baselines. This initial two-year implementation phase will allow the organization to gather and verify tracking data, address potential gaps, and create or expand internal processes for driving successful goal completion. Subsequent action plans will be developed on five-year planning horizons through 2035.

This document details progress made in FY18 towards implementing SRP 2035 and is a work product shaped by input from goal area owners across the company. The next several pages provide an overview of the SRP 2035 Framework action plans, governance structure, integration of SRP 2035 work products into the financial planning process, data acquisition and management, and internal and external communications about this new corporate strategic initiative.

**SRP 2035 Action Plans**
The SRP 2035 goals are new or expanded versions of existing initiatives that all require significant effort to measure and track over time. Therefore, action plans have been created as a roadmap to chart the course for achieving each goal during the remainder of the implementation phase (FY19 and FY20). The first set of action plans will help establish the foundation to ensure future success in achieving these goals. Once the implementation phase is complete, action plans will be created for 5-year increments and will include strategic, tactical and financial information for the discrete projects that will contribute to realizing each goal within the SRP 2035 timeframe. Some of the goals and associated action plans build on efforts already familiar to SRP, while others are emerging areas that require more effort to establish measurement and tracking mechanisms. Thus, SRP will begin implementing efforts to make progress in many goal areas during FY19 and FY20, while ensuring that all goal areas will be fully prepared to implement and track steady progress by the start of FY21. The phases of SRP 2035 implementation are illustrated below:

<table>
<thead>
<tr>
<th>Establish needed foundations and take immediate actions</th>
<th>Strategic execution towards realizing goals</th>
<th>Strategic execution towards realizing goals</th>
<th>Final actions to realize goals</th>
</tr>
</thead>
<tbody>
<tr>
<td>FY18 – FY20</td>
<td>FY21 – FY25</td>
<td>FY26 – FY30</td>
<td>FY31 – FY35</td>
</tr>
<tr>
<td>Implementation Phase</td>
<td>Execution Phase 1</td>
<td>Execution Phase 2</td>
<td>Goal Realization</td>
</tr>
</tbody>
</table>

**TABLE 2: SRP 2035 ACTION PLANS TIMELINE**

**Baseline Reporting Year**
A critical component to manage and track effective goal progress over time is the establishment of a baseline reporting year. For SRP 2035, the baseline for all goals, except water goals 2.2
through 2.5, is FY16. Since water delivery and use data is tracked and reported on a calendar-year basis to the Arizona Department of Water Resources, those water goals will be measured and tracked by calendar year, starting with 2015 (CY15). Goal owners and internal stakeholders selected these baselines to provide as much consistency as possible across all goals.

SRP 2035 Management Systems
A crucial success factor and focus area for FY18 has been the development and implementation of an effective management system to guide and embed sustainability into the culture and practices of SRP. The system includes: a governance structure; integration with financial planning; internal and external communications plans; and a data acquisition and management plan. Each of these elements are summarized below.

Governance Structure
To fully integrate and support SRP 2035, SRP established a governance structure in early FY18. This structure ensures that key internal stakeholders actively engage in and direct SRP 2035 progress. The structure consists of the following bodies:

- **Governance Committee**
  - Populated by members of SRP Senior Leadership who have direct responsibility for one or more goals.
  - Oversees the effective implementation of the SRP 2035 framework and goals.

- **Oversight Committee**
  - Represents SRP leaders within management tasked with implementing SRP 2035 initiatives in their respective departments.
  - Provides guidance and support on the tactical aspects of the SRP 2035 implementation plan.

- **Core Implementation Team**
  - Populated by Sustainability Policy & Programs (SP&P) staff and external consultants that report to the Chief Sustainability Executive.
  - Leads the implementation of SRP 2035, supports goal owners and teams in establishing their action plans, and establishes the necessary process and structure for achieving and tracking progress.

- **Employee Advisory Board**
  - This Board will be established in FY19.
  - Will engage individual contributors in 2035 activities and advise on additional employee engagement opportunities.

Given the extensive effort required to launch SRP 2035 and build momentum, the Committees have been meeting approximately every 6 weeks throughout FY18. The Core Team has met with goal owners and internal stakeholders regularly and holds weekly team meetings to track status, plan workflow and ensure continual progress. These teams are expected to continue meeting regularly throughout the SRP 2035 implementation period.
Financial Planning Process
Investments in sustainability must be incorporated into SRP’s Financial Plan (FinPlan). Therefore, we have been working with internal stakeholders to develop an effective approach for embedding SRP 2035 into the existing financial planning process. This effort will link work activities, identified in action plans, to financial resources necessary for their implementation. It will also articulate the business value and costs of the various SRP 2035 initiatives and inform SRP decision-makers as they review and approve corporate budgets.

To clearly align SRP 2035 with the FinPlan process, we will complete the following in advance of the FY20 planning cycle:

1. Provide guidance on incorporating sustainability into Capital and O&M budget decisions through broad internal communications including: training, communicating with GM staff, and promoting relevant case studies.
2. Emphasize sustainability criteria and elements already included in Capital Planning process tools.
3. Make the SRP 2035 Core Team available upon request to provide 1:1 coaching and/or research on the potential sustainability costs and benefits associated with a decision or project.
4. Develop systems to track and capture the realized value from sustainability efforts.

This comprehensive process is illustrated in the chart below:

![SRP 2035 Financial Planning Integration Overview](image-url)

**FIGURE 1: SRP 2035 FINANCIAL PLANNING INTEGRATION OVERVIEW**
These tools will be piloted in conjunction with FY20 budget planning, which begins the second quarter of FY19, and refined on a continual basis. Additionally, SP&P will work with Financial Planning to track actual spend for both Capital and O&M projects identified in the Action Plan document for FY19, and this process will also be refined on a continual basis.

In the FY19/20 action plans, key budgetary line items have been identified where applicable\. A critical focus of the work during this implementation period will be to identify the necessary actions and associated costs of the FY21 to FY25 action plans. Due to the fact that the budget planning begins well before the start of each fiscal year, the FY19/20 action plans will enable SRP to realign SRP 2035 project funding with the standard budget process timeline by FY20 and remain aligned with that process through 2035.

Internal & External Communications Overview
An important part of sustainability is public transparency. Therefore, SRP will proactively report our SRP 2035 goals and implementation journey. The current communications plan contains provisions for both internal and external stakeholders. The internal component is designed to inform and educate SRP employees, and included the launch of an insideSRP page for SRP 2035, a segment in The Mix, presentations to over two dozen departments, an announcement at a Town Hall event, and features in both The Loop and Pulse. The external component is designed to educate our customers and the communities we serve, and included a series of residential customer focus groups, SRP engaging with a nationally recognized sustainability marketing firm to assist with communication efforts, and an external website that describes our goals in customer-friendly language (see below for the current version). We will continue to build upon and refine these communication channels and efforts on an annual basis as part of an integrated communications plan.

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Note that the Action Plans within this document contain proposed financial information for FY19 and FY20. The FY19 budget has already been approved by the SRP Board of Directors so all spend associated with SRP 2035 will come from existing approved budgets. For FY20, the majority of spending will also come from existing budgets, but some projects may require incremental budget funding.
2035 Sustainability Goals
Delivering today, shaping tomorrow

SRP is working toward a sustainable future for the benefit of our customers and the communities we serve.

To do this, we make decisions through the eyes of future generations, balancing costs and impacts while providing reliable, affordable water and power – for today and tomorrow.

Our 2035 framework, approved by the SRP Board of Directors in October 2017 and described below, is a foundation to help us reach these goals. Specific action plans are being developed for each goal using 2015 data as a baseline.

Reduce carbon footprint
The energy sector is responsible for about one-third of greenhouse gas (GHG) emissions in the U.S. SRP will strive to decrease carbon dioxide (CO₂) emissions, the primary GHG, from power generation, our internal operations and through other initiatives.

Ensure water resiliency
Through ongoing water management and conservation efforts and by exploring new water resources, SRP will continue to maintain a safe, reliable and sufficient water supply.

Modernize the energy grid
SRP will continue to ensure the reliability, flexibility and security of our grid through innovative applications, optimizing existing resources and robust monitoring and analytics. This will enable customers to take advantage of advanced technologies and energy solutions.

Promote a sustainable supply chain, reduce waste
SRP will manage our product choices and purchasing strategies to encourage sustainable best practices. We are recognized for our efforts in recycling, reuse and repurposing operational waste materials to keep them out of landfills.

Engage with our communities
SRP is committed to building a sustainable future for all, leading by example and enhancing the communities in which we live and serve. We connect the values of our customers and employees to our business practices each day.

Figure 2: SRP 2035 Public Website www.srpnet.com/environment/sustainability/2035goals.aspx
Data Acquisition and Management Plan
Another critical part of SRP 2035 includes the identification and organization of data sources that support each goal. Prior to approval of SRP 2035, SP&P was solely responsible for reporting SRP’s sustainability efforts in the Conservation and Stewardship Report and other outlets. SRP 2035 requires the enterprise-wide management of accurate and timely data for reporting. We must manage sustainability data collection across the company in a way that provides value to the business and advances transparency by capturing uniform, consistent and replicable data. To do this, SP&P developed a sustainability data governance plan, which supports all sustainability reporting needs. This plan will be governed by the SRP 2035 Governance Committee.

There are approximately 120 data sources that relate to sustainability across SRP. That number includes data sources for programs such as the Greenhouse Gas Inventory (e.g. generation air emissions data, facilities emissions data, fleet emissions data, etc.), the Electric Power Research Institute’s Sustainability Benchmarking Program (e.g. environmental permits, safety statistics, air emissions data, generation water consumption, etc.) and others that each adhere to specific accounting protocols. While some of these data sources are not directly tied to SRP 2035 at this time, they will be incorporated in the data governance planning process to ensure consistency.

Over the course of FY18, SP&P identified approximately 30 pertinent data sources for the 14 SRP 2035 metrics. SP&P placed these sources and metrics into a catalog that will form the basis of sustainability data tracking and governance over the next few years (see Figure 3 as an example below).

<table>
<thead>
<tr>
<th>Goal Name</th>
<th>Metrics Name</th>
<th>Data Source</th>
<th>Data Type</th>
<th>Data Scope</th>
</tr>
</thead>
<tbody>
<tr>
<td>Divert 50% of NHMSW</td>
<td>Tons of NHMSW Diverted over All NHMSW Generated</td>
<td>Friedman Recycling</td>
<td>Front-load municipal waste recycled</td>
<td>Corporate Operations, SP&amp;P</td>
</tr>
<tr>
<td></td>
<td>Waste Management</td>
<td>Waste Management</td>
<td>Front-load municipal waste landfilled</td>
<td>Corporate Operations, SP&amp;P</td>
</tr>
</tbody>
</table>

**FIGURE 3: SRP 2035 SAMPLE DATA CATALOG**

The catalog connects each individual data source to a corresponding sustainability program and metric, indicates the departments that have a role in managing the data, and assesses the difficulty of managing the data source in an effective way that advances SRP 2035. Below is an overview of the work completed to date and the next steps required to stand up data governance.

Data Governance Purpose and Structure
The purpose of the data governance structure is to ensure that pertinent data is available, consistent, and auditable:

- **Available** – Identify timely and accessible data to report progress towards goals.
- **Consistent** – Establish clear data format, scope and methodologies to drive efficiency and reliability throughout the reporting process year over year.
- **Auditable** – Maintain quality data, ensure accountability and confidence in the information reported.
We will build upon ongoing sustainability reporting efforts that consider the existing SRP IT landscape as well as the data management practices currently in place within each department. In order to do this, we have developed a methodology for data governance. This structure creates two new teams: the Data Governance Process Core Team and the Sustainability Data Liaisons.

The Core Team will report to the SRP 2035 Governance Committee. The Sustainability Data Liaisons, a group of approximately 20 employees, will serve as the data experts for various SRP 2035 goals. The Information Management department will provide support as needed and inform decision-making where corporate solutions might be necessary for larger, more complex data sources. The Sustainability Data Core Team and Sustainability Data Liaisons will evaluate and refine the data sources. This collaborative effort will allow SRP 2035 and the various SRP departments to access and use the data seamlessly.

**Data Management Process and Roles**

This governance structure will enable us to manage the SRP 2035 metrics over time, particularly as the data or the process for gathering and managing the data changes. To date, SP&P has developed a good understanding of the 30 SRP 2035 data sources, including knowledge of where they are located and the various roles individuals or departments play in developing or managing them. At a high level, SP&P has defined the following roles for effective data management:

- **Data Approver** – People accountable for accuracy of data that completes a metric.
- **Data Provider** – People that generate the data, but may not have knowledge of its quality or the expertise to validate the information.
- **Data Processor** – Depending on the management process, the people that transform the data based on business need.
- **2035 Goal Owner** – People that help identify the scope required for the goal metric.

The SRP 2035 Governance Committee will establish the structure, roles and expectations of parties involved by early FY19.
Data Governance Objectives for FY19
1. Establish a long-term data governance vision and development roadmap.
2. Produce the data deliverables to support the FY18 Sustainability Report for all SRP 2035 metrics with the highest quality possible.
3. Implement the data governance team structure to engage internal organizations and drive alignment.
4. Implement data governance documentation (Figure 4) to facilitate communication and stability of data management responsibilities.
5. Create data governance implementation dashboard.

Goal Progress to Date
Progress towards accomplishing each of the SRP 2035 goals is detailed in the table below. The table outlines the most current information at the end of FY18. Given the range of maturity levels across goals, with some building upon existing efforts and others being new activities, some of the progress made in FY18 might seem uneven. However, establishing baseline values and data collection processes has involved significant effort and indicates positive progress, even where there is no measurable goal attainment to date.

Within the table are several notable columns. The “Baseline Development Status” and “Goal Progress” columns in the table utilize a color-coded indication of progress made within each goal. In addition, the “Notes” column provides context on work completed in FY18 and lists other relevant information.
1. As of start of CY15, SRP and its partners had stored 1M af of surplus surface water underground. This goal uses the 1M af as a baseline value so as not to take credit for progress to date. The original goal of the water storage partnership has always been 2M af however the second half of the goal will be harder to achieve given pending shortages on the Colorado River.

<table>
<thead>
<tr>
<th>Goal</th>
<th>New or Existing Activity</th>
<th>Baseline Development Status</th>
<th>Baseline Value</th>
<th>Goal Target Value</th>
<th>Goal Progress</th>
<th>Notes</th>
</tr>
</thead>
</table>
| 1.1  | Existing                 | 🔵                          | 1,087 lbs CO2/MWh | 728 lbs CO2/MWh   | 🔴             | • Acquired the LA Share of NGS in FY17, resulting in an increased carbon intensity from the baseline year. All of NGS will be released from the portfolio in mid-FY20 (by end of calendar year 2019).  
• Changes in energy mix yielded a decreased carbon intensity in FY18 as compared to FY17, primarily driven by lower than expected gas prices. |
| 1.2  | New                      | 🔵                          | 78 M. lbs CO2    | 55 M. lbs CO2     | 🔴             | • Increased number of EVs and PHEVs in fleet, reducing fleet emissions  
• Remodel and retrofit of facilities with more efficient technologies led to emissions reductions |
| 2.1  | New                      | 🔵                          | 70 M. gal water  | 39 M. gal water   | 🔴             | • Remodel and retrofit of bathrooms at facilities led to water use reductions  
• Incorporating water conservation in our design, construction, and maintenance projects |
| 2.2  | Existing                 | 🔵                          | 7.1% 10-yr L&U water rate | 5% 10-yr L&U water rate | 🔴 | • Completed planning for lining of final portion of canal  
• Reviewed effects of spill years to assess improvements in measurements |
| 2.3  | New                      | 🔴                          | TBD             | 0 af groundwater  | 🔵             | • Assessing the final baseline year numbers and determining volume of water to be offset |
| 2.4  | Existing                 | 🔵                          | 1M af water²    | 2M af water       | 🔴             | • Continued to aggressively store surplus water given the high potential for shortage on Colorado River in the near future |
| 2.5  | Existing                 | 🔵                          | 0 af water       | 25,000 af water   | 🔴             | • Secured deal for partial amount of water for municipal partners  
• Continued confidential water supply discussions with counterparties |
| 3.1  | New                      | 🔵                          | 0% managed spend | 80% managed spend | 🔴             | • Developing sustainability supply chain criteria |
| 3.2  | Existing                 | 🔴                          | TBD             | 50% municipal waste diverted | 🔵 | • Finalizing baseline year values and current diversion rates through waste sort analysis with ASU |
| 3.3  | Existing                 | 🔵                          | 65% industrial waste diverted | 95% industrial waste diverted | 🔴 | • Enhanced internal tracking methods, processes and expedited disposition of incoming/outgoing material and assets to achieve 5% improvement from baseline measurements. |
| 4.1  | Existing                 | 🔴                          | N/A             | N/A              | 🔵             | • Deployed first phase of FAN implementation  
• Developed a standard requirement for commercial distributed energy resources (DER) telemetry |
| 4.2  | Existing                 | 🔴                          | N/A             | N/A              | 🔵             | • Completed installation of more than 750 advanced inverters and initiated the testing protocol with EPRI  
• Completed new demand management system installations to bring total program participation up to ~ 400 customers  
• Exceed the FY18 EE goal of 2.00% annual savings  
• Developed and completed the first implementation of propensity modeling to estimated EV adoption at the transformer level |
| 5.1  | New                      | 🔵                          | 68% customers giving positive rating | 80% customers giving positive rating | 🔴 | • Developed new ratings methodology known as the Sustainability Index in FY18; based on selected questions from the new SRP Brand Health Study |
| 5.2  | New                      | 🔵                          | TBD             | 100%             | 🔴             | • No formal tracking system was in place in FY16, so assumption for employee engagement level is low  
• Developing methods to establish baseline |

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2 As of start of CY15, SRP and its partners had stored 1M af of surplus surface water underground. This goal uses the 1M af as a baseline value so as not to take credit for progress to date. The original goal of the water storage partnership has always been 2M af however the second half of the goal will be harder to achieve given pending shortages on the Colorado River.
Conclusion
SRP is the first utility in the U.S. to establish and implement a comprehensive set of long-term sustainability targets, which address the material aspects of our business. SRP 2035 will make us better at what we already do and enhance our focus on the environmental, economic and social well-being of our customers and the communities we serve. Recognizing our responsibilities to future generations, the commitment to sustainability at SRP means:

- Strengthening our ongoing stewardship of natural resources;
- Proactively addressing our customers’ and communities’ priorities; and
- Maintaining our strong commitment to fiscal responsibility, while responding to a rapidly changing industry.

Throughout FY18, internal stakeholders have worked diligently to establish necessary management systems and develop action plans covering FY19/20. We are pleased to share progress to date and believe these efforts have created the needed foundation for the long-term success of SRP 2035.