

SRP Buy-Through Program Discussion & Feedback

July 18, 2023

Agenda

Welcome, Safety Minute, and Housekeeping

Follow Up

Q&A

Next Steps

Review of Buy-Through Price Structure

Account will still receive one monthly bill from SRP

Remove:

FPPAM

Generation capacity (kW and Energy)

Add:

GSP pass through charges

Buy-Through Charge \$4.15/kW

- Administration of the program
- Maintain capacity reserves
- Early Technology Adoption

Energy Imbalance settlements

FPPAM Settlement Adjustment (FSA)

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

Basis of Buy-Through Charge

Administrative Charge	\$0.51
Reserve Capacity Charge	\$2.87
<u>Early Technology Adoption Charge</u>	<u>\$0.76</u>
Buy-Through Charge	\$4.15 / kW - month

Basis of 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	$\$1.1\text{M} / 2,169,060 \text{ kW} = \underline{\underline{\$0.51 / \text{kW-Month}}}$

Basis of Reserve Capacity Charge

Reserves Ratio

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

Class Share of Capacity Costs

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

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

Class Annual kW 8,174,702

Reserve Capacity Charge $\$23.5\text{M} / 8,174,702 \text{ kW} = \underline{\underline{\$2.87 / \text{kW-month}}}$

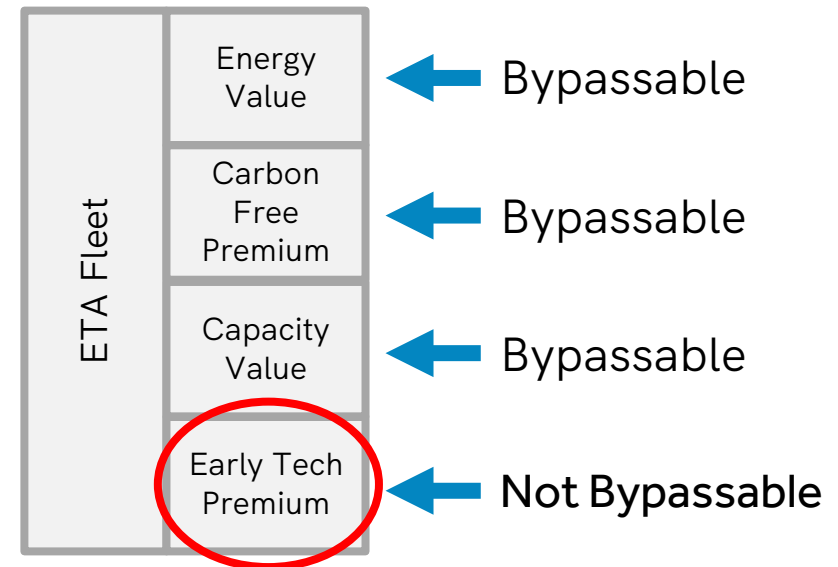
Early Technology Adoption Charge

5 of SRP's earliest renewable plants

All in service prior to 2013

All at a cost exceeding \$100/MWh

Only captures the early adoption premium



Basis of Early Technology Adoption Charge

Cost of ETA Generation Capacity	\$104.3M
Capacity Value Credit	(\$7.7M)
Energy Value Credit	(\$39.0M)
<u>Carbon Free Premium Credit</u>	<u>(\$3.9M)</u>
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	$\$6.2\text{M} / 8,174,702 \text{ kW} = \mathbf{\$0.76 / kW\text{-Month}}$

Example 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

Example FSA Reconciliation – FPPAM Balance Decreased but not Fully Paid

- Customer FSA was calculated at \$1M when they joined Buy-Through
- After 3 years on Buy-Through, after the Customer has paid FSA in full, the customer leaves Buy-Through and returns to retail service
- Retail customers paid off **\$200M** of FPPAM under-collection while the customer was on Buy-Through (balance was \$400M when customer began on Buy-Through, and \$200M when customer returned)
- Rerunning the calculation on **slide 7** using \$200M instead of \$380M yields the customer should have paid \$526k instead of \$1M in order to repay FPPAM at rate commensurate with retail customers
- SRP pays customer \$474k reconciliation upon exiting Buy-Through

Example: Subscription requests exceed program cap during the initial enrollment period

- Five customers subscribe to participate in the over-25 MW peak demand category:

Customer #1 40 MW

Customer #3 35 MW

Customer #2 45 MW

Customer #4 30 MW

- Total participation = 150 MW; Program cap = 100 MW
- Each customer share of Program cap = $100 \text{ MW} / 150 \text{ MW} = 67\%$
- Each customer initial enrollment subscription @ 67% of request:

Customer #1 27 MW

Customer #3 23 MW

Customer #2 30 MW

Customer #4 20 MW

Note: Example is for illustrative purposes only and does not consider participation in other programs or reallocation of unused capacity in equal to/under-25 MW customer category. Individual customer cap of 50 MW is maintained.

Example of energy imbalance calculation (for illustrative purposes only)

Formulas = Blue
Inputs = Green

		[A]	[B]	[C]	[D]	[E]	[F]	[G]	[H]	[I]	[J]	[K]	[L]	[M]	[N]
Customer Participation Factor	Date Time (Hour Ending)	Forecasted Load (MW)	Market Price (CAISO WEIM LAP)	Forecasted Participating Load (MW) = [A] x Customer Participation Factor %	Participating Forecasted Load (MW) Before Losses = [C] x 1.0432	Schedule Submitted to SRP = Round [D] to Nearest Whole MW	Tagged value (MWh provided by GSP for hour) = [E]	Tag Reduced by Losses for Imbalance Calculation = [F] / 1.0432	Customer Participating Metered Energy	Allowable Deviation Greater of: 2 MW or [G] x 15%	Imbalance MWh = [G] - [H]	Imbalance Pass Through Charge or (Credit) = [B] x [-J]	Overschedule Adjustment If [J] > [I] Then = -[K] x 25%	Underschedule Adjustment If [J] < [I] Then = [K] x 25%	Hourly Imbalance with Adjustment = Sum([K] - [M])
100.00%	3/1/2022 1:00	41.94	\$ 48.53	41.94	43.76	44.00	44.00	42.18	46.14	6.33	-3.96	\$ 192.23	\$ -	\$ -	\$ 192.23
	3/1/2022 2:00	41.45	\$ 47.99	41.45	43.24	43.00	43.00	41.22	45.60	6.18	-4.38	\$ 210.03	\$ -	\$ -	\$ 210.03
	3/1/2022 3:00	41.94	\$ 44.50	41.94	43.76	44.00	44.00	42.18	46.14	6.33	-3.96	\$ 176.26	\$ -	\$ -	\$ 176.26
	3/1/2022 4:00	42.12	\$ 43.97	42.12	43.93	44.00	44.00	42.18	46.33	6.33	-4.15	\$ 182.44	\$ -	\$ -	\$ 182.44
	3/1/2022 5:00	42.43	\$ 44.35	42.43	44.26	44.00	44.00	42.18	46.67	6.33	-4.49	\$ 199.25	\$ -	\$ -	\$ 199.25
	3/1/2022 6:00	42.14	\$ 46.58	42.14	43.96	44.00	44.00	42.18	46.35	6.33	-4.17	\$ 194.28	\$ -	\$ -	\$ 194.28
	3/1/2022 7:00	34.92	\$ 54.69	34.92	36.43	36.00	36.00	34.51	31.43	5.18	3.08	\$ (168.31)	\$ -	\$ -	\$ (168.31)
	3/1/2022 8:00	41.65	\$ 64.60	41.65	43.45	43.00	43.00	41.22	37.48	6.18	3.74	\$ (241.27)	\$ -	\$ -	\$ (241.27)
	3/1/2022 9:00	43.48	\$ 41.49	43.48	45.36	45.00	45.00	43.14	39.14	6.47	4.00	\$ (165.98)	\$ -	\$ -	\$ (165.98)
	3/1/2022 10:00	41.96	\$ 20.78	41.96	43.78	44.00	44.00	42.18	37.77	6.33	4.41	\$ (91.66)	\$ -	\$ -	\$ (91.66)
	3/1/2022 11:00	42.40	\$ 7.00	42.40	44.23	44.00	44.00	42.18	38.16	6.33	4.02	\$ (28.11)	\$ -	\$ -	\$ (28.11)
	3/1/2022 12:00	40.63	\$ 6.45	40.63	42.38	42.00	42.00	40.26	36.56	6.04	3.70	\$ (23.86)	\$ -	\$ -	\$ (23.86)
															\$ 435.29

Why is SRP not including aggregation in proposal?

Short-term -

- Statutorily mandated timeline does not allow time for billing system automation that would be needed for the added complexity that aggregation would introduce

Long-term -

- Program administrative costs would increase significantly
- Substantial eligible load exists without introducing aggregation
- The diversification of load provided through aggregation could result in disparate treatment among aggregated and non-aggregated customers

What does Reserve Capacity Charge cover? Why is There a Three-Year Notice Requirement?

- Reserve Capacity charge covers costs and only provides capacity associated with the 16% Planning Reserve Margin (PRM).
- The three-year notice requirement provides SRP the time to secure Power Purchase Agreements and/or build new generation resources.
- In light of the approximate three-year lead-time required to bring new generation resources online, the three-year notice period allows Buy-Through customers to return to general service if they wish, while appropriately managing SRP's Resource Adequacy (RA) obligations.
- Providing PRM/RA is not equal to providing long term capacity. The modeling and determination of PRM is done at a system level, and assumes resource outages are temporary, not that a resource fails permanently or is removed entirely from the system.

Additional inquiries/clarifications

- Why is program participation limited to 200 MW? Can program limit be removed? Can limit be reconsidered now or in future?
- How is participant load growth (or reduction) handled?
- Loss factor applicable?
- Can a customer with less than 1 year history participate?
- Should FSA be offset by non-adjustor financial performance?
- Should ETA be offset by avoided cost of new generation?
- How is non-participating load treated?
- Why is there need for an escalation of imbalance for tier 2 treatment? Why does it differ from OATT?
- Can we get more information on SRP credit requirements and GSP eligibility?
- Can we get 10-year notice for changes in program terms?

Q&A

Next Steps



How to Participate

- For Instructions on how to attend or participate in SRP Board Meetings, contact the Corporate Secretary's Office at (602) 236-4398
- Questions and comments taken through September 18th at:
 - CorporateSecretary@srpnet.com or mail to:
 - SRP Corporate Secretary
Mail Station PAB215
P.O. Box 52025
Phoenix, AZ 85072

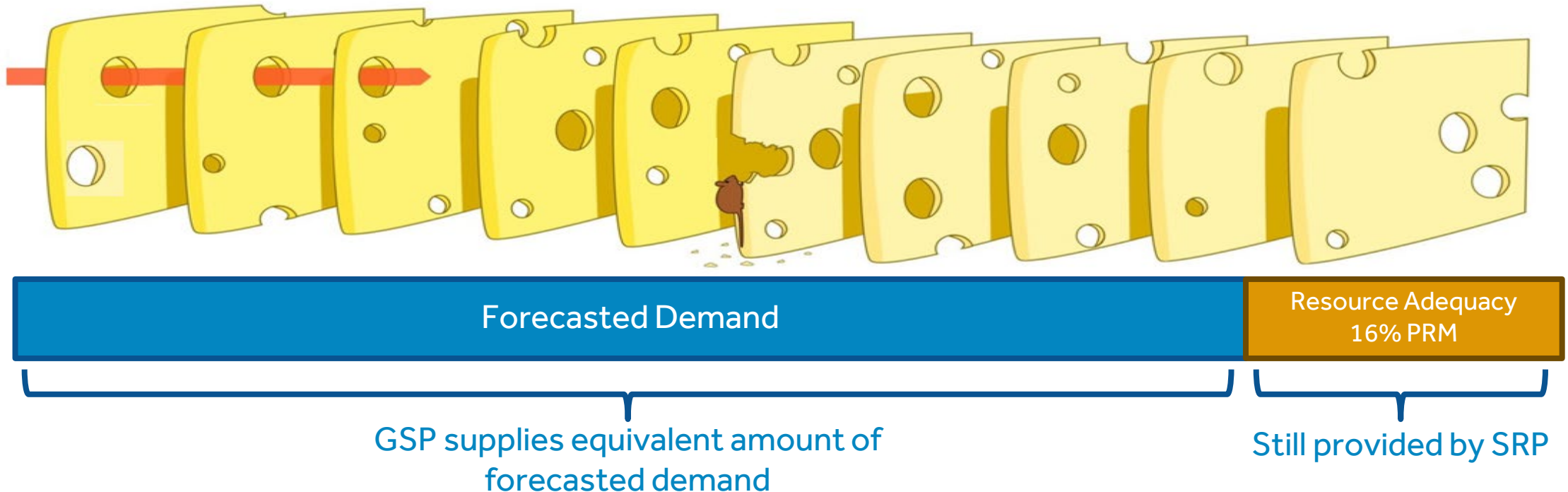
thank you!

back up

Planning Reserve Margin Function

Resources are built to 116% of peak system load so there are resources to serve 100% of load when holes (unplanned/temporary outages) in the Swiss cheese occur

Paying for share of PRM, is paying for SRP to fill any holes that occur with your GSP and still keep the lights on even if performance gaps occur



$$\text{Buy – Through Reserve Capacity Costs} = \text{Total Class Capacity Costs} \times (16 \div 116)$$