Delivering water and power®

Message from the President and the General Manager & CEO

David Rousseau
PRESIDENT

Mike Hummel
GENERAL MANAGER & CEO

NEWS AND ACHIEVEMENTS

Colorado River cuts increase, SRP water deliveries not affected

As of Jan. 1, the Colorado River system entered the next stage of reductions, Tier 2A, as Arizona and the southwestern United States continue to suffer the effects of a severe decades-long drought. The U.S. Bureau of Reclamation declaration mandates additional reductions beyond those imposed in 2022, further decreasing Arizona's allocation of Colorado River water. The water resources that SRP manages come from completely different sources — watersheds that feed the Salt and Verde rivers — and the reductions do not affect SRP water deliveries.

Under Tier 2A restrictions, Arizona must further reduce its allocation by 80,000 acre-feet over last year's reduction of 512,000 acre-feet, for a total reduction of 592,000 acre-feet.

The Colorado River supplies about 36% of Arizona's water, primarily through the Central Arizona Project, and is an important source of water for many of the communities and customers SRP serves.

ACC approves SRP's authority to issue new bonds

In November 2022, the Arizona Corporation Commission (ACC) unanimously voted to approve SRP's authority to issue new revenue bonds not exceeding $1.8 billion to support SRP's six-year capital plan and new refunding revenue bonds not exceeding $3 billion to refinance existing debt to lower borrowing costs for SRP.

As part of the ACC's authorization, SRP agreed to share any related rate increase information with customers that could occur in the next eight years as a result of this bonding activity. The bonding is part of SRP's comprehensive plan to keep customer prices low while continuing to fund capital projects needed to meet growing customer demand and maintain the reliability of the SRP electrical grid.

The authorization will help SRP finance the addition of needed new generation capacity, transmission and distribution improvements to help meet SRP's 2035 sustainability commitments and replace aging infrastructure.

SRP to add 340 MW of battery storage to system with 2 new projects

SRP has secured agreements to bring online two grid-charged battery storage systems with a total combined output of 340 megawatts (MW) by early summer 2024. This is enough energy to power more than 76,000 average-size residential homes over a four-hour period.

The facilities are called Sierra Estrella, a 250 MW four-hour battery storage system located in Avondale, and Superstition, a 90 MW four-hour battery storage system located in Gilbert. SRP selected these projects from its most recent all-source request for proposals (RFP) process, and both will be owned and operated by a subsidiary of Plus Power.

SRP's total commitment to battery storage will surpass 800 MW by 2024, which is enough energy to power more than 180,000 average-size homes and represents over 10% of SRP's anticipated peak-hour electricity demand in 2024. This is among the largest utility-scale battery investments in the western U.S.

SRP to develop utility-scale advanced solar generation at Copper Crossing

The SRP Board recently approved the second phase of continued development at the Copper Crossing Energy and Research Center in Florence, Arizona. This includes a utility-scale advanced solar generation facility capable of generating up to 55 MW of solar energy, or enough energy to power approximately 12,000 homes.

This will be the first utility-scale solar facility that SRP self-develops, owns and operates. The recent passage of the Inflation Reduction Act allows not-for-profit public power utilities like SRP to directly receive federal incentive payments for renewable projects. This will give SRP greater ability to develop, operate and advance more renewable resources and potentially reduce costs for customers as SRP transitions its generation fleet.

With the addition of this solar project and other recently announced battery storage and utility-scale solar projects, SRP expects that nearly half of all retail energy delivered to SRP customers will come from carbon-free resources by 2025.

SRP No. 1 in customer satisfaction

SRP achieved the top rating in customer satisfaction from J.D. Power for the 21st consecutive year. SRP finished the year with a Customer Satisfaction Index of 796 on a 1,000-point scale, which is not only highest among the West Large utilities but also among all large utilities (more than 500,000 residential customers). This is the 23rd time SRP has ranked first in the West Large segment in the residential study.

SRP also ranked first in customer satisfaction among business customers in the West Large segment and first in the nation in the J.D. Power 2022 Business Customer Satisfaction Study.

SRP General Manager and CEO Mike Hummel to retire in 2023

SRP GM and CEO Mike Hummel has informed the Salt River Project Board that he will retire from SRP in May. Hummel decided the time was right to retire after nearly 41 years at SRP, including the last five in his current role.

"Mike has led us through a major sustainable transformation in his time as the General Manager and CEO of SRP," said SRP President David Rousseau. "Under Mike's leadership, SRP implemented an industry-leading sustainability plan and has taken aggressive steps towards decarbonizing our power system while maintaining reliability and affordability. In addition, with Mike's strategic guidance, SRP continued to innovate new ways to uphold a resilient water supply for the Valley. As a company and a community, we've had the good fortune to have him lead SRP at a critical time."

FINANCIAL RESULTS

Operating revenues were $852.9 million for the third quarter of fiscal year 2023 (FY23) and $650.4 million for the third quarter of fiscal year 2022 (FY22), an increase of $202.5 million, or 31.1%. The increase in operating revenues was primarily due to increased wholesale and retail electric revenues. Retail electric revenues increased $54.9 million, or 10.6%, to $575.7 million, primarily due to colder weather that led to an increase in volumes sold to residential and commercial customers when compared to the same period last year. Wholesale revenues increased $147.7 million, or 148.9%, to $246.9 million. Wholesale revenues for the third quarter of FY23 included a fair value gain of $3.2 million compared to a $1.0 million fair value loss for the same period in FY22. Excluding the fair value adjustments, wholesale revenues would have been $243.7 million and $100.2 million in the third quarters of FY23 and FY22, respectively, an increase of $143.5 million, or 143.3%. The increase is primarily due to higher wholesale energy prices. The total number of customers as of Jan. 31, 2023, was 1,135,585, an increase of 1.9% from Jan. 31, 2022.

Operating expenses were $1.2 billion for the third quarter of FY23 and $824.7 million for the same period in FY22, an increase of $404.1 million, or 49.0%. Fuel used in electric generation and power purchased included adjustments for the fair value of fuel and power-purchase contracts. Excluding the fair value losses of $188.6 million and $55.0 million in the third quarters of FY23 and FY22, respectively, these expenses would have increased $270.4 million, or 35.1%, primarily due to higher average natural gas prices.

Investment income (loss), net was income of $93.8 million for the third quarter of FY23 compared to a loss of $21.0 million for the same period in FY22. Investment income (loss), net includes a fair value gain of $87.3 million in the third quarter of FY23 and a fair value loss of $21.8 million in the third quarter of FY22.

Net financing costs were $32.7 million and $30.9 million for the third quarters of FY23 and FY22, respectively.

Net loss for the third quarter of FY23 was $305.2 million, compared with net loss of $226.3 million for the third quarter of FY22. Excluding the effects of the changes in the fair value of wholesale revenues, fuel and power-purchase contracts and investment income (loss), net, net losses would have been $207.1 million and $148.6 million for the third quarters of FY23 and FY22, respectively.

SRP: WATER AND POWER SUPPLIER TO THE VALLEY

SRP provides reliable, affordable water and power to more than 2 million people living in central Arizona. SRP has operated for more than a century and has helped the Phoenix metropolitan area, known as the Valley, develop into one of the nation's most vibrant regions.

SRP is composed of two entities: the Salt River Project Agricultural Improvement and Power District and the Salt River Valley Water Users' Association. As a community-based organization, SRP acts in the best interest of the people it serves and strives to help build a better future for Arizona.

Service Area

Water: 375 square miles
Watershed: 13,000 square miles
Power: 2,900 square miles

SRP Corporate Offices

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Financial Inquiries

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Water Highlights

Water Deliveries (acre-feet)

9 months ended Jan. 31

Water in Storage (capacity)

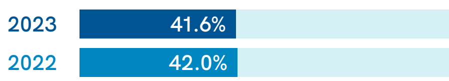
As of Jan. 31

Financial Highlights

Debt Service Coverage

12 months ended Jan. 31

Debt Ratio



As of Jan. 31

Total Sales (kWh)

3 months ended Jan. 31

SRP Combined Balance Sheets

As of Jan. 31 (In Thousands – Unaudited)

ASSETS	**FY23**	**FY22**
Utility Plant, at Original Cost	**$19,233,076**	$18,558,327
Less: Accumulated Depreciation	**10,025,023**	9,515,397
	9,208,053	9,042,930
Other Property and Investments	**2,139,647**	2,508,034
CURRENT ASSETS		
Cash and Cash Equivalents	**198,665**	514,301
Temporary Investments	**321,245**	196,258
Current Portion, Segregated Funds	**27,711**	27,770
Receivables, Net	**337,504**	273,479
Fuel Stocks	**81,152**	68,371
Materials and Supplies	**330,981**	279,551
Current Commodity Derivative Assets	**1,267**	132,742
Other	**33,656**	36,289
	1,332,181	1,528,761
DEFERRED CHARGES AND OTHER ASSETS		
Regulatory Assets	**671,886**	1,124,793
Non-Current Commodity Derivative Assets	**32,466**	5,936
Other Deferred Charges and Other Assets	**194,546**	147,854
	898,898	1,278,583
TOTAL ASSETS	**$13,578,779**	$14,358,308

As of Jan. 31 (In Thousands – Unaudited)

CAPITALIZATION & LIABILITIES	**FY23**	**FY22**
CAPITALIZATION		
Accumulated Net Revenues	**$6,177,178**	$6,349,244
Long-Term Debt	**4,408,054**	4,589,213
	10,585,232	10,938,457
CURRENT LIABILITIES		
Current Portion, Long-Term Debt	**113,930**	108,910
Accounts Payable	**293,675**	183,180
Accrued Taxes and Tax Equivalents	**93,654**	94,211
Accrued Interest	**17,840**	19,772
Customers' Deposits	**136,912**	123,880
Current Commodity Derivative Liabilities	**104,990**	20,625
Other	**226,500**	205,056
	987,501	755,634
DEFERRED CREDITS		
Accrued Post-Retirement Liability	**870,385**	1,343,049
Asset Retirement Obligations	**373,917**	372,474
Non-Current Commodity Derivative Liabilities	**25,920**	75,036
Other Deferred Credits and Other Non-Current Liabilities	**735,824**	873,658
	2,006,046	2,664,217
TOTAL CAPITALIZATION & LIABILITIES	**$13,578,779**	$14,358,308

These unaudited financial statements should be read in conjunction with the 2022 Notes to Combined Financial Statements.

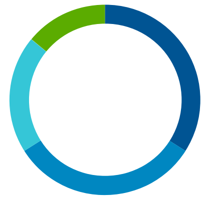
SRP Combined Statements of Net Revenues

(In Thousands – Unaudited)	3 Months Ended Jan. 31	
	FY23	**FY22**
OPERATING REVENUES		
Retail Electric	**$575,673**	$520,726
Water	**9,833**	10,430
Wholesale	**246,921**	99,212
Other	**20,483**	20,038
Total Operating Revenues*	**852,910**	650,406
OPERATING EXPENSES		
Power Purchased	**158,837**	114,056
Fuel Used in Electric Generation*	**549,019**	214,763
Operations and Maintenance*	**310,355**	289,125
Depreciation and Amortization	**167,567**	161,972
Taxes and Tax Equivalents	**43,024**	44,803
Total Operating Expenses	**1,228,802**	824,719
Net Operating Revenues	**(375,892)**	(174,313)
OTHER INCOME		
Investment Income (Loss), Net	**93,790**	(20,960)
Other Income (Loss), Net	**9,577**	(139)
Total Other Income (Loss), Net	**103,367**	(21,099)
Net Revenues (Expenses) before Financing Costs	**(272,525)**	(195,412)
FINANCING COSTS		
Interest on Bonds	**43,513**	45,210
Capitalized Interest	**(3,427)**	(3,386)
Amortization of Bond Discount/Premium and Issuance Expenses	**(11,497)**	(11,565)
Interest on Other Obligations	**4,087**	626
Net Financing Costs	**32,676**	30,885
NET REVENUES	**$(305,201)**	$(226,297)

These unaudited financial statements should be read in conjunction with the 2022 Notes to Combined Financial Statements. *Intercompany transactions eliminated.

TOTAL SALES – THIRD QUARTER FY23

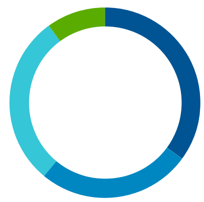
(Percent by kWh; three months ended Jan. 31)



RESIDENTIAL **34%**
COMMERCIAL **32%**
WHOLESALE **20%**
LARGE INDUSTRIAL/MINES/OTHER **14%**

ELECTRIC OPERATING REVENUES – THIRD QUARTER FY23

(Percent by service class; three months ended Jan. 31)



RESIDENTIAL **35%**
COMMERCIAL **26%**
WHOLESALE **29%**
LARGE INDUSTRIAL/MINES/OTHER **10%**

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