




Delivering water and power®

FIRST-QUARTER REPORT
MAY 1, 2024–JULY 31, 2024
FISCAL YEAR 2025

Message from the President and the General Manager & CEO


David Rousseau
PRESIDENT


Jim Pratt
GENERAL MANAGER & CEO

NEWS AND ACHIEVEMENTS

For the second consecutive year, Arizona experienced its hottest summer on record and set new marks for average temperature and consecutive days over 100° and 110°. In addition, during the hottest period, SRP set a record for peak customer demand of 8,219 megawatts (MW) on Aug. 4. Demand is also being impacted by the growing need for electricity in the Valley, largely due to the increase in large industrial customers, including high-tech manufacturing and data centers.

Despite the challenges, SRP continued to deliver outstanding reliability to all of our customers. SRP's team members consistently perform rigorous preventive maintenance and proactive troubleshooting to ensure the power system is prepared for any situation.

Meeting demand, transforming the grid

SRP continues to transform the grid to incorporate large amounts of renewable resources, including solar and battery storage, while maintaining reliability and affordability.

In fiscal year 2024 (FY24), SRP and Plus Power LLC brought online two new grid-charged battery storage systems: Sierra Estrella Energy Storage and Superstition Energy Storage. Together, these facilities added 340 MW, or 1,360 megawatt-hours (MWh), of additional battery storage capacity to SRP's system. That's enough to power 76,000 residential homes over a four-hour period. The batteries absorb excess energy when customer demand is lower and store it for use during times of peak demand. Both facilities were

supported by a federal investment tax credit from the Inflation Reduction Act.

SRP is continuing to develop and deploy safe, cost-effective storage technology as part of the company's commitment to reducing carbon intensity by 82% from 2005 levels by 2035 and achieving net-zero carbon emissions by 2050. SRP currently has nearly 2,800 MW of clean energy serving its customers, including more than 1,400 MW of solar, and more than 1,100 MW of battery storage resources supporting its power grid.

Using leadership and innovation to expand water resources

SRP continues to identify solutions to improve infrastructure, policies and technologies to help ensure water reliability for central Arizona.

- In June, the U.S. Army Corps of Engineers approved SRP's proposal to temporarily extend the amount of time SRP can hold water in a portion of the flood control space at Roosevelt Dam from 20 days to 120 days. The plan, which authorizes the temporary extension to occur once a year for three out of the next five years, allows farms and communities downstream to use the water and reduces floodwater releases from Roosevelt Dam into the normally dry Salt River.

In 2023, after a productive winter, runoff from the watershed reached the flood control space at Roosevelt Dam and SRP was required to release the water within 20 days. Had SRP been able

to hold the water for the newly approved 120 days, about 109,000 acre-feet of the floodwater that was released could have been put to use in the SRP system. That would have been enough water to support about 330,000 households in the Phoenix metropolitan area for a year. The supplies made available during flood periods will help reduce groundwater use and will supplement supplies for communities impacted by Colorado River shortages.

The partners that will benefit from the pilot program are the Salt River Pima-Maricopa Indian Community, SRP, Avondale, Chandler, Gilbert, Glendale, Mesa, Peoria, Phoenix, Scottsdale, Tempe, Freeport-McMoRan, Roosevelt Irrigation District, and Buckeye Water Conservation and Drainage District.

- SRP has partnered with the Bureau of Reclamation and 22 municipal, tribal and agricultural water users on a study to determine how best to restore a loss of capacity due to sediment in the Bartlett and Horseshoe reservoirs, which are located on the Verde River in the Tonto National Forest and operated by SRP.

In May, the Department of the Interior announced support for the project with the approval of \$8.5 million for the Verde Reservoirs Sediment Mitigation Project Feasibility Study. The study will examine potential solutions for addressing sedimentation and restoring lost capacity, including the feasibility of raising Bartlett Dam on the Verde River by up to 102 feet. The project could increase total water storage capacity on the Verde River by 350,000 acre-feet — more than doubling the ability to capture the highly variable flows of the Verde River and enough water to serve about a million Arizona households.

In addition to protecting water for SRP customers, the Bartlett Dam expansion alternative, if approved by Congress, will be essential to bringing new supplies of surface water to central Arizona that can also help alleviate the current shortages on the Colorado River.

Protecting critical watershed

In addition to increasing water storage capacity and taking advantage of heavy winter and spring runoff,

SRP is also actively working to protect the more than 13,000 square miles of watershed lands that feed the streams and rivers that ultimately flow into SRP reservoirs.

After a wildfire, rainfall carries ash and debris into rivers and reservoirs. The large amount of material that washes into SRP's reservoirs reduces the system's water storage capacity and can damage downstream water infrastructure, such as dams and water treatment plants.

SRP and Arizona State University (ASU) have developed a new approach for estimating the water benefits of forest thinning treatments by creating a model that is being recognized as a leading-edge method for analyzing forest thinning's impacts on water.

SRP and ASU piloted an effort in the Kaibab National Forest that determined forest thinning on about 3,400 acres would generate a benefit of approximately 230 acre-feet, or nearly 75 million gallons, of water during the first year. One acre-foot of water can provide water for three Arizona families for one year.

SRP and ASU are also modeling projects in the East Verde River and East Clear Creek watersheds, which provide water to the town of Payson and are areas at high risk for catastrophic wildfire. Results from that investigation in the Coconino National Forest are expected later this year.

Lighting up the Navajo Nation

This spring, as part of the Light Up Navajo (LUN) initiative, SRP line crews spent two weeks bringing electricity to homes on the Navajo Nation that have been without power for generations.

Because homes on the Navajo Nation are often spread out, several miles of poles and electrical lines are needed to provide electricity to a single house. After navigating through rugged terrain for long days, SRP crews installed 137 poles, 16 transformers and 82,467 feet of electrical line to power 17 homes that are not part of SRP's service territory.

SRP was one of 38 volunteer utilities from 16 states that participated in this year's LUN project. To date, SRP crews have brought electricity to 114 homes through the initiative.

FINANCIAL RESULTS

Operating revenues were \$1.5 billion for the first quarter of fiscal year 2025 (FY25) and \$1.3 billion for the first quarter of FY24. In the first quarter of FY25, retail electric revenues increased \$197.1 million, or 17.5%, to \$1.3 billion, primarily due to customer growth and an increase in Fuel and Purchased Power Adjustment Mechanism (FPPAM) prices. Additionally, wholesale revenues increased \$19.0 million, or 18.3%, to \$122.4 million. Wholesale revenues for the first quarter of FY25 included a fair value gain of \$9.4 million compared to an \$8.3 million fair value gain for the same period in FY24. Excluding the fair value adjustments, wholesale revenues would have been \$113.0 million and \$95.1 million in the first quarters of FY25 and FY24, respectively, an increase of \$17.9 million, or 18.8%, primarily due to higher sales volume driven by regional demand. The total number of customers as of July 31, 2024, was 1,163,680, an increase of 2.2% from July 31, 2023.

Operating expenses were \$1.1 billion for the first quarter of FY25 and \$902.1 million for the same period in FY24, an increase of \$157.5 million, or 17.5%. Fuel used in electric generation and power purchased includes adjustments for the fair value of fuel and power-purchase contracts. Excluding the fair value losses of \$101.5 million and fair value gains of \$50.9 million in the first quarters of FY25 and FY24, respectively, these expenses would have increased \$5.1 million, or 0.5%.

Investment income, net was income of \$96.9 million for the first quarter of FY25 compared to income of \$74.6 million for the same period in FY24. Investment income, net includes fair value gains of \$87.9 million and \$68.1 million in the first quarters of FY25 and FY24, respectively.

Net financing costs were \$42.2 million and \$36.9 million for the first quarters of FY25 and FY24, respectively. The increase is primarily due to issuance of new revenue bonds.

Net revenues for the first quarter of FY25 were \$471.3 million, compared with net revenues of \$399.5 million for the first quarter of FY24. Excluding the effects of the changes in the fair value of wholesale revenues, fuel and power-purchase contracts and investment income (loss), net, net revenues would have been \$475.5 million and \$272.2 million for the first quarters of FY25 and FY24, 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 comprises 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)

FY25 **245,455**

FY24 **245,386**

3 months ending July 31

Water in Storage (capacity)

FY25 **84%**

FY24 **92%**

As of July 31

Financial Highlights

Debt Service Coverage

2024 **4.29**

2023 **3.39**

12 months ended July 31

Debt Ratio

2024 **44.2%**

2023 **43.5%**

As of July 31

Total Sales (kWh)

FY25 **12,859,389**

FY24 **11,393,239**

3 months ended July 31

SRP Combined Balance Sheets

As of July 31 (In Thousands - Unaudited)

ASSETS	FY25	FY24
Utility Plant, at Original Cost	\$ 21,086,723	19,743,335
Less: Accumulated Depreciation	10,683,539	10,289,238
	10,403,184	9,454,097
Other Property and Investments	2,495,162	2,219,478
CURRENT ASSETS		
Cash and Cash Equivalents	422,026	274,565
Temporary Investments	128,924	242,415
Current Portion, Segregated Funds	91,910	85,275
Receivables, Net	721,773	607,502
Fuel Stocks	127,232	128,124
Materials and Supplies	445,744	354,232
Current Commodity Derivative Assets	5,749	6,408
Other	62,195	42,566
	2,005,553	1,741,087
DEFERRED CHARGES AND OTHER ASSETS		
Accumulated Post-Retirement Asset	268,072	-
Regulatory Assets	300,206	585,282
Non-Current Commodity Derivative Assets	-	29,260
Other Deferred Charges and Other Assets	129,202	198,711
	697,480	813,253
TOTAL ASSETS	\$15,601,379	\$14,227,915

As of July 31 (In Thousands - Unaudited)

CAPITALIZATION & LIABILITIES	FY25	FY24
CAPITALIZATION		
Accumulated Net Revenues	\$6,879,467	\$6,402,078
Long-Term Debt	5,460,079	4,929,452
	12,339,546	11,331,530
CURRENT LIABILITIES		
Current Portion, Long-Term Debt	118,780	113,930
Accounts Payable	262,727	299,805
Accrued Taxes and Tax Equivalents	118,702	112,953
Accrued Interest	21,889	21,334
Customers' Deposits	151,289	142,312
Current Commodity Derivative Liabilities	91,535	38,160
Other	263,187	261,009
	1,028,109	989,503
DEFERRED CREDITS		
Accrued Post-Retirement Liability	645,284	717,655
Asset Retirement Obligations	550,736	377,092
Non-Current Commodity Derivative Liabilities	110,484	10,767
Other Deferred Credits and Other Non-Current Liabilities	927,220	801,368
	2,233,724	1,906,882
TOTAL CAPITALIZATION & LIABILITIES	\$15,601,379	\$14,227,915

These unaudited financial statements should be read in conjunction with the 2024 Notes to Combined Financial Statements.

SRP Combined Statements of Net Revenues

(In Thousands - Unaudited)	3 Months Ended July 31	
	FY25	FY24
OPERATING REVENUES		
Retail Electric	\$1,322,303	\$1,125,232
Water	6,229	4,824
Wholesale	122,363	103,412
Other	17,256	23,254
Total Operating Revenues*	1,468,151	1,256,722
OPERATING EXPENSES		
Power Purchased	207,662	204,559
Fuel Used in Electric Generation*	326,019	201,813
Operations and Maintenance*	323,372	302,021
Depreciation and Amortization	159,097	151,046
Taxes and Tax Equivalents	43,476	42,674
Total Operating Expenses	1,059,626	902,113
Net Operating Revenues	408,525	354,609
OTHER INCOME		
Investment Income, Net	96,890	74,625
Other Income, Net	8,123	7,146
Total Other Income, Net	105,013	81,771
Net Revenues (Expenses) before Financing Costs	513,538	436,380
FINANCING COSTS		
Interest on Bonds	55,798	48,905
Capitalized Interest	(8,981)	(5,949)
Amortization of Bond Discount/Premium and Issuance Expenses	(10,862)	(11,464)
Interest on Other Obligations	6,263	5,400
Net Financing Costs	42,218	36,892
NET REVENUES	\$471,320	\$399,488

These unaudited financial statements should be read in conjunction with the 2024 Notes to Combined Financial Statements. *Intercompany transactions eliminated.

TOTAL SALES - FIRST QUARTER FY25

(Percent by kWh; three months ended July 31)



ELECTRIC OPERATING REVENUES - FIRST QUARTER FY25

(Percent by service class; three months ended July 31)

