

# SALT RIVER PROJECT AGRICULTURAL IMPROVEMENT AND POWER DISTRICT MEETING NOTICE AND AGENDA

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## FINANCE AND BUDGET COMMITTEE

Thursday, May 23, 2024, No Sooner Than 10:00 AM

SRP Administration Building  
1500 N. Mill Avenue, Tempe, AZ 85288

Committee Members: Jack White Jr., Chairman; Leslie C. Williams, Vice Chairman; and Nick Brown, Sandra Kennedy, Randy Miller, Krista O'Brien, and Stephen Williams

Call to Order

Roll Call

1. **CONSENT AGENDA:** The following agenda item(s) will be considered as a group by the Committee and will be enacted with one motion. There will be no separate discussion of these item(s) unless a Committee Member requests, in which event the agenda item(s) will be removed from the Consent Agenda and considered as a separate item .....CHAIRMAN JACK WHITE JR.

- Request for approval of the minutes for the meeting of April 25, 2024.

2. Report on the Results of the Shareholder Compensation Program for 2022 per the Rules and Regulations ..... JASON RIGGS

3. Request for Approval to Initiate the Shareholder Compensation Program for Calendar Year 2023 per the Rules and Regulations ..... JASON RIGGS

4. Engagement of Board Pricing Consultant ..... JOHN TUCKER

Request for approval to retain Christensen Associates Energy Consulting as the Board's pricing consultant for a price process and other pricing related matters that occur during the current fiscal year.

5. Energy Risk Management (ERM) Update ..... RUSSELL MUELLER

Informational presentation regarding the periodic update on ERM activities. Topics include an overview of commodity prices (natural gas/electricity); a summary of retail natural gas hedging requirements and current hedge levels; current gas transportation under contract and expected incremental needs; the wholesale credit exposure summary; and Board-approved aggregate financial limits and existing financial positions.

6. Report on Current Events by the General Manager and Chief Executive Officer and Designees ..... JIM PRATT

7. Future Agenda Topics..... CHAIRMAN JACK WHITE JR.

The Committee may vote during the meeting to go into Executive Session, pursuant to A.R.S. §38-431.03 (A)(3), for the purpose of discussion or consultation for legal advice with legal counsel to the Committee on any of the matters listed on the agenda.

The Committee may go into Closed Session, pursuant to A.R.S. §30-805(B), for records and proceedings relating to competitive activity, including trade secrets or privileged or confidential commercial or financial information.

Visitors: The public has the option to attend in-person or observe via Zoom and may receive teleconference information by contacting the Corporate Secretary's Office at (602) 236-4398. If attending in-person, all property in your possession, including purses, briefcases, packages, or containers, will be subject to inspection.



**THE NEXT FINANCE AND BUDGET COMMITTEE MEETING  
IS SCHEDULED FOR THURSDAY, JUNE 20, 2024**



MINUTES  
FINANCE AND BUDGET COMMITTEE

**DRAFT**

April 25, 2024

A meeting of the Finance and Budget Committee of the Salt River Project Agricultural Improvement and Power District (the District) and the Salt River Valley Water Users' Association (the Association), collectively SRP, convened at 10:24 a.m. on Thursday, April 25, 2024, from the Hoopes Board Conference Room at the SRP Administration Building, 1500 North Mill Avenue, Tempe, Arizona. This meeting was conducted in-person and via teleconference in compliance with open meeting law guidelines.

Committee Members present at roll call were J.M. White Jr., Chairman; L.C. Williams, Vice Chairman; and N.R. Brown, R.J. Miller, K.H. O'Brien, S.H. Williams, and K.B. Woods.

Also present were Vice President C.J. Dobson; Board Members M.J. Herrera, K.J. Johnson, K.L. Mohr-Almeida, M.V. Pace, L.D. Rovey, and P.E. Rovey; Council Vice Chairman J.R. Shelton; Council Liaison P.A. Van Hofwegen; Council Members M.L. Farmer, J.W. Lines, B.E. Paceley, and R.W. Swier; Mmes. I.R. Avalos, M.J. Burger, A.P. Chabrier, S.M. Glover, L.F. Hobaica, V.P. Kisicki, K.B. Kochenderfer, L.A. Meyers, G.A. Mingura, and S.A. Perkinson; Messrs. L. Arthanari, D. Felix, J.M. Felty, J.V. Giacalone, J.W. Hubbard, B.J. Koch, K.J. Lee, A.J. McSheffrey, B.A. Olsen, J.M. Pratt, J.I. Riggs, G.M. Smedley, and J.A. Wright; Leo Bird and Julie Salinas of Bright Night Power; Andy McCoy of the Arizona Attorney General's Office; and Bridget Sidwell and Zachary Walker of Strata Clean Energy.

In compliance with A.R.S. §38-431.02, Andrew Davis of the Corporate Secretary's Office had posted a notice and agenda of the Finance and Budget Committee meeting at the SRP Administration Building, 1500 North Mill Avenue, Tempe, Arizona, at 9:00 a.m. on Tuesday, April 23, 2024.

Chairman J.M. White Jr. called the meeting to order.

Consent Agenda

Chairman J.M. White Jr. requested a motion for Committee approval of the Consent Agenda, in its entirety.

On a motion duly made by Vice Chairman L.C. Williams and seconded by Board Member K.B. Woods, the Committee unanimously approved and adopted the following items on the Consent Agenda:

- A. Minutes of the Finance and Budget Committee meetings on March 12, March 26, and March 28, 2024, as presented
- B. Approval of the District and Association Monthly Cash Statement for March 2024

Corporate Secretary J.M. Felty polled the Committee Members on Vice Chairman L.C. Williams' motion to approve the Consent Agenda, in its entirety. The vote was recorded as follows:

YES:	Board Members J.M. White Jr., Chairman; L.C. Williams, Vice Chairman; and N.R. Brown, R.J. Miller, K.H. O'Brien, S.H. Williams, and K.B. Woods	(7)
NO:	None	(0)
ABSTAINED:	None	(0)
ABSENT:	None	(0)

Copies of the handout distributed are on file in the Corporate Secretary's Office and, by reference, made a part of these minutes.

### Revenue Bonds, Refunding Bonds, and Application with the Arizona Corporation Commission for an Order of Authorization

Using a PowerPoint presentation, Brian J. Koch, SRP Associate General Manager and Chief Financial Executive, stated that the purpose of the presentation was to request Board approval of 1) a resolution authorizing the issuance of not more than \$6.4 Billion in revenue bonds; 2) a resolution authorizing the issuance of not more than \$7.0 Billion in refunding revenue bonds; and 3) a resolution authorizing Management to file an application with the Arizona Corporation Commission (ACC) for an order authorizing the District to issue such bonds. He introduced Jon W. Hubbard, SRP Treasurer and Senior Director of Financial Services.

Continuing Mr. J.W. Hubbard stated that large customers are driving the forecasted retail sales growth for Financial Plan 2025 (FP25). He provided the following graphs: FP25 all resources, capital spending by segment through 2035, cash inflow and outflow, funding for capital expenditures, and borrowing outlook.

Mr. J.W. Hubbard provided an overview of the remaining ACC bond authority and explained why additional bonding authority is necessary. He said that based on projected borrowing needs, a range from \$4.9 Billion to \$7.9 Billion over a 6-year outlook is appropriate. Mr. J.W. Hubbard stated that it would be prudent to begin the authorization process to ensure the ability to meet SRP's corporate objectives. He explained that Board approval is required to submit a request for additional Revenue Bond issuance authority and that it was consistent with Arizona statutes.

Mr. J.W. Hubbard concluded by requesting approval of: 1) a resolution authorizing the issuance of not more than \$6.4 Billion in revenue bonds; 2) a resolution authorizing the issuance of not more than \$7.0 Billion in refunding revenue bonds to refund existing Revenue Bonds, if and when prudent; and 3) a resolution authorizing Management to file an application with the ACC for an order authorizing the District to issue such bonds.

Mr. J.W. Hubbard responded to questions from the Committee.

On a motion duly made by Board Member K.B. Woods, seconded by Board Member S.H. Williams and carried, the Committee agreed to recommend Board approval, as presented.

Corporate Secretary J.M. Felty polled the Committee Members on Board Members K.B. Woods motion to recommend Board approval. The vote was recorded as follows:

YES:	Board Members J.M. White Jr., Chairman; L.C. Williams, Vice Chairman; and N.R. Brown, R.J. Miller, K.H. O'Brien, S.H. Williams, and K.B. Woods	(7)
NO:	None	(0)
ABSTAINED:	None	(0)
ABSENT:	None	(0)

Copies of the draft Board resolutions and the PowerPoint slides used in this presentation are on file in the Corporate Secretary's Office and, by reference, made a part of these minutes.

Council Member W.J. Lines; Mr. J.D. Coggins; Julie Salinas of Bright Night Power; and Bridget Sidwell and Zachary Walker of Strata Clean Energy left the meeting during the presentation.

#### Prepaid Commodity Transactions

Using a PowerPoint presentation, Joe V. Giacalone, SRP Senior Manager of Fuel Supply and Trading, stated that the purpose of the presentation was to describe how a prepaid commodity transaction is structured and the financial benefits SRP has realized from its existing prepaid transactions.

Mr. J.V. Giacalone provided an overview of a prepaid commodity transaction and explained the difference between tax-exempt and taxable interest rate that drive savings for SRP. He reviewed SRP's prepay transaction history from 2020 to 2023 and SRP's purpose for creating the Salt Verde Financial Corporation (SVFC).

Mr. J.V. Giacalone presented future opportunities in gas, renewable energy, and renewable prepaid power purchase agreements. He concluded with a discussion regarding next steps.

Mr. J.V. Giacalone responded to questions from the Committee.

Mr. G.M. Smedley; Leo Bird of Bright Night Power; and Andy McCoy of the Arizona Attorney General's Office left the meeting during the presentation. Council Member A.A. Freeman entered the meeting during the presentation.

#### Review of the Financial Results for the Month of March 2024

Jeff A. Wright, SRP Director of Financial Reporting, referenced the financial handout distributed to the Members relative to the combined highlights of operations of the District and Association for the month of March 2024. Using a PowerPoint presentation,

he compared the actual versus budgeted figures for categories such as general fund balance, year-to-date (YTD) combined net revenue (CNR), system sales, and customer accounts. Mr. J.A. Wright concluded by reviewing the financial summary and key financial indicators for the month of March 2024 and key financial indicators.

Mr. J.A. Wright responded to questions from the Committee.

Copies of the handout distributed and the PowerPoint slides used in this presentation are on file in the Corporate Secretary's Office and, by reference, made a part of these minutes. The financial information in the handouts and PowerPoint slides is unaudited and non-GAAP.

Ms. S.M. Glover; Messrs L. Arthanari, D. Felix, J.V. Giacalone, J.W. Hubbard, and J.I. Riggs left the meeting during the presentation.

#### Report on Current Events by the General Manager and Chief Executive Officer or Designees

There was no report on current events by Jim M. Pratt, SRP General Manager and Chief Executive Officer.

#### Future Agenda Topics

Chairman J.M. White Jr. asked the Committee if there were any future agenda topics. Board Member R.J. Miller requested an informational presentation regarding residential energy storage versus utility scale energy storage. Chairman J.M. White Jr. requested an informational presentation regarding a price plan comparison with Arizona Public Service (APS).

There being no further business to come before the Finance and Budget Committee, the meeting adjourned at 11:12 a.m.

John M. Felty  
Corporate Secretary





An aerial photograph of a large dam and reservoir situated in a deep, rugged canyon. The canyon walls are composed of layered, reddish-brown rock formations. The reservoir is a deep blue color, and the dam is a long, low structure across the river. The sky is a clear, pale blue.

# Report on the Shareholder Compensation Program for 2022

Jason I Riggs | F&B Committee May 23, 2024

# Brief Program Background

Implemented in 1928 under CALAPCO agreement

- Stewart Mountain Dam financing
- Association Articles amended to create the “15% area”
- Compensates a qualified shareholder who paid a “substantial” difference for electricity
- “Substantial” later defined as “15% or more”
- Program continues to this day

# Shareholder Compensation 2022 Program

Direct Mailing of Program Letters	50,572
Applications Processed	6,409
- Paper (1,666; ~26%)	
- Electronic (4,681; ~74%)	
- Split Claims (62)	
Applications Paid	5,575
Compensation	\$2,058,490
Administrative Costs	<u>\$380,097</u>
Total Program Costs	\$2,438,587

## Applications Rejected 2022 Program

Less than 15% Difference	430
Insufficient Information – Shareholder	194
Not in the 15% Area	67
Not a Resident	37
Not a Shareholder	34
Duplicate	23
Amount less than fee	11
Not a Family Member	10
Not Rent Free	8
Not in Claim Period	7
Not APS customer of record	7
Late	4
Ineligible APS Rate	2
Insufficient Information – APS Customer	0

**thank you!**



# MEMORANDUM



May 16, 2024

**TO:** SRP Board & Council Members

**FROM:** Jason Riggs

**SUBJECT:** Report on the Shareholder Compensation Program for 2022

The Rules and Regulations approved by the Board for the 2022 Program require management to report to the Board the conduct of the 2022 Program upon its completion.

## **DISCUSSION**

The application period for the 2022 Program was from June 6, 2023 to September 4, 2023. Applications were sent by first-class mail to 50,572 residents of the 15% Area based on analysis of their electric bills. In addition, four advertisements were published in the Arizona Republic during the application period.

6,347 applications for compensation were received and processed. 5,575 applications were paid, while 834 were either rejected for not meeting eligibility rules or the billing differential between APS and SRP was less than 15%. \$2,058,490 was paid to applicants for an average compensation of \$369.24. The largest compensation amount was \$4,072.41. The smallest was \$1.32.

Applications were not paid for the following reasons:

Rate difference less than 15%	430
No Information to verify shareholder	194
Residence not in 15% area	67
Applicant not resident at property	37
Applicant not a shareholder	34
Duplicate application	23
Amount less than administrative fee	11
Applicant not family member	10
Not rent free by family member	8
Application for other time period	7
Applicant not APS customer of record	7
Late application	4
Service under ineligible APS rate	2
No information to verify APS customer	0

Thank you,

Jason I. Riggs

Cc: D. Rousseau, C. Dobson, J. Pratt, G.M. Staff J. Felty, L. Hobaica, R. Judd, S. Glover,  
J. Hubbard



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An aerial photograph of a large dam and reservoir situated in a deep, rugged canyon. The canyon walls are composed of layered, reddish-brown rock. The reservoir is a deep blue color, and the dam is a long, low structure across the middle of the canyon. The sky is a clear, pale blue.

# Shareholder Compensation Program for 2023

Jason I Riggs | F&B Committee May 23, 2024

# Residential Rate Comparison

## SRP vs. APS

### Calendar Year 2023

- Reviewed six patterns of typical residential usage
- All six patterns showed APS's R-1, Large Tier 3 rates were at least 15% greater than SRP rates

## 2023 Shareholder Compensation Program

- Reserved approximately \$2.9 million for payments and administrative costs
- Administrative fee will be \$50.00, as previously approved by the District's Board of Directors
- Application period: June 4, 2024 – September 2, 2024

# Recommendation

Request that the Committee recommend that the Board authorize the initiation of the Shareholder Compensation Program for 2023

**thank you!**



# MEMORANDUM



May 16, 2024

**TO:** SRP Board of Directors

**FROM:** Jason Riggs

**SUBJECT:** Approval of Shareholder Compensation Program for 2023

Request for approval to initiate the Shareholder Compensation Program for calendar year 2023 according to the Rules and Regulations.

## **EXECUTIVE SUMMARY**

The Articles of Incorporation of the Salt River Valley Water Users' Association (the Association) and the Association's By-Laws require that Association shareholders living in the 15% Area are to be notified and compensated if the annual cost difference between Arizona Public Service Company (APS) and Salt River Project Agricultural Improvement and Power District (SRP) residential electric service is 15% or more.

Management has reviewed electric rates for six patterns of typical residential usage and found that in all six patterns, APS Residential rates are at least 15% greater than what SRP would have charged. Thus, a 15% Area Shareholder Compensation Program for 2022 should be implemented. Fixed Energy Charge Plan (R-1, Large Tier 3) is the most common APS residential rate in the 15% Area.

## **BACKGROUND AND DISCUSSION**

In recent years, SRP residential electric rates have typically been substantially below those of APS. As such, the District has been required to run annual Shareholder Compensation Programs.

The following table shows a comparison of 2023 bills under APS and SRP residential electric rates (APS R-1, Large, Tier 3, SRP E-23):



**Comparison of Residential Customer Bills for 2023  
APS and SRP Rates**

<b><u>Customer Pattern</u></b>	<b><u>Average kWh/Month</u></b>	<b><u>Percent of Customers Represented</u></b>	<b><u>Percent Difference APS&gt;SRP</u></b>	<b><u>Average Annual Compensation</u></b>
1	274	34.4%	19.3%	\$110
2	511	14.5%	28.0%	\$251
3	762	17.1%	31.7%	\$392
4	1,038	16.0%	34.1%	\$547
5	1,427	12.9%	35.6%	\$760
6	2,284	5.1%	37.1%	\$1,224

The 2023 Rules and Regulations have been changed from 2022 to reflect the dates for the 2022 program and an increase in the administrative charge from \$35.41 to \$50 as approved by the Board in June of 2023. Those areas of the Rules and Regulations required by the Hitt Litigation are italicized and explained in the related end notes.

Management again recommends a ninety-day application period for the 2023 program, which is expected to begin June 4, 2024, and end September 2, 2024. All potential applicants will be notified at the start of the program by first-class mail, and newspaper advertisements will be run four times during the application period.

**BUDGET AND FINANCIAL CONSIDERATIONS**

The 2022 program paid out \$2,058,490 in compensation to 5,575 shareholders. In addition, \$380,097 was spent on administering the 2022 program. The District's financial statements contain a reserve of approximately \$2.9 million for the 2023 program.

**CONCLUSION**

Management recommends that the Board approve implementation of the 2023 Shareholder Compensation Program.

Thank you,

Jason I. Riggs

Cc: D. Rousseau, C. Dobson, J. Pratt, G.M. Staff J. Felty, L. Hobaica, R. Judd, S. Glover, J. Hubbard



## EXECUTIVE/STAFF SUMMARY

### TITLE OF ITEM

SHAREHOLDER COMPENSATION PROGRAM FOR 2023

### BOARD ACTION RECOMMENDED

Approval to initiate a Shareholder Compensation Program for calendar year 2023 according to the attached Rules and Regulations.

### EXECUTIVE SUMMARY

The Articles of Incorporation of the Salt River Valley Water Users' Association (the Association) and the Association's By-Laws require that Association shareholders living in the 15% Area are to be notified and compensated if the annual cost difference between Arizona Public Service Company (APS) and Salt River Project Agricultural Improvement and Power District (SRP) residential electric service is 15% or more.

Management has reviewed electric rates for six patterns of typical residential usage and found that in all six patterns, APS Residential rates are at least 15% greater than what SRP would have charged. Thus, a 15% Area Shareholder Compensation Program for 2023 should be implemented. Fixed Energy Charge Plan (R-1, Large Tier 3) is the most common APS residential rate in the 15% Area.

### BACKGROUND AND DISCUSSION

In recent years, SRP residential electric rates have typically been substantially below those of APS. As such, the District has been required to run annual Shareholder Compensation Programs.

The following table shows a comparison of 2023 bills under APS and SRP residential electric rates (APS R-1, Large, Tier 3, SRP E-23):

**Comparison of Residential Customer Bills for 2023  
APS and SRP Rates**

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4	1,038	16.0%	34.1%	\$547
5	1,427	12.9%	35.6%	\$760
6	2,264	5.1%	37.1%	\$1,224

The actual rate schedules are shown in Exhibit A.

The 2023 Rules and Regulations have been changed from 2022 to reflect the dates for the 2023 program and an increase in the administrative charge from \$35.41 to \$50 as approved by the Board in June of 2023. Those areas of the Rules and Regulations required by the Hitt Litigation are italicized and explained in the end notes.

Management again recommends a ninety-day application period for the 2023 program, which is expected to begin June 4, 2024, and end September 2, 2024. All potential applicants will be notified at the start of the program by first-class mail, and newspaper advertisements will be run four times during the application period.

### **BUDGET AND FINANCIAL CONSIDERATIONS**

The 2022 program paid out \$2,058,490 in compensation to 5,575 shareholders. In addition, \$380,097 was spent on administering the 2022 program. The District's financial statements contain a reserve of approximately \$2.9 million for the 2023 program.

### **CONCLUSION**

Management recommends that the Board approve implementation of the 2023 Shareholder Compensation Program.

## Exhibit A

### Summary of Certain Rates in Effect for 2023 For Salt River Project and Arizona Public Service Company

#### SALT RIVER PROJECT (E-23)

	<u>Summer (May 1 – Oct 31)</u>	<u>Summer Peak (July1– Aug 31)</u>
Customer Charge	\$ 20.00	\$ 20.00
First 0-2000 kWh	\$0.1167	\$0.1233
Next 2001+ kWh	\$0.1210	\$0.1346
	<u>Winter (Jan 1 – Apr 30)</u>	<u>Winter (Nov 1 – Dec 31)</u>
Customer Charge	\$ 20.00	
All kWh	\$0.0876	
Customer Charge (Eff. Nov. 2023)		\$20.00
All kWh		\$0.0976

#### ARIZONA PUBLIC SERVICE (R-1, LARGE TIER 3)

	<u>Summer (May 1 – Oct 31)</u>	
Customer Charge	\$0.400 per day	
All kWh	\$0.13478	
	<u>Winter (Jan 1 – Apr 30)</u>	<u>Winter (Nov 1 – Dec 30)</u>
Customer Charge	\$0.400 per day	\$0.400 per day
All kWh	\$0.13478	\$0.13478

**ARIZONA PUBLIC SERVICE (ADJUSTMENT SCHEDULES)**

	<u>Jan 1 – Dec 31</u>
PSA-1 Forward Adjustor (Jan. - Feb. 2023)	\$(0.004842) per kWh
PSA-1 Forward Adjustor (Eff. Mar 1, – Dec. 2023)	\$(0.005527) per kWh
PSA-1 Historical (Jan. – Feb. 2023)	\$0.012386 per kWh
PSA-1 Historical (Eff. Mar. 1, – Dec. 2023)	\$0.013071 per kWh
PSA-1 Transition (Jan – Feb. 2023)	\$0.000000 per kWh
PSA-1 Transition (Eff. Mar. 1, - Dec 2023)	\$0.011530 per kWh
REAC-1 (Jan. - Dec 2023)	\$0.007100 per kWh
EIS (Jan. – Mar. 2023)	\$0.000403 per kWh
EIS (Eff. Apr. 1, – Dec 2023)	\$0.000137 per kWh
TCA-1 (Jan. – May 2023)	\$0.000807 per kWh
TCA-1 (Eff. Jun. 1, - Dec. 2023)	\$0.000370 per kWh
DSMAC (Jan. – Dec. 2023)	\$0.001726 per kWh
LFCR (Jan. – Dec 2023)	\$0.00263 per kWh
CRS-1 (Eff July 1, - Dec 2023)	\$0.00175 per kWh
TEAM Phase I (Jan. - Dec. 2023)	\$(0.000000) per kWh
TEAM Phase II (Jan. - Dec. 2023)	\$0.000000 per kWh
TEAM Phase III (Jan. - Dec. 2023)	\$(0.000000) per kWh



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## RULES & REGULATIONS

### SHAREHOLDER COMPENSATION PROGRAM FOR 2023

#### I. GENERAL

Pursuant to the District's contract with the Salt River Valley Water Users' Association, the Board of Directors of the Salt River Project Agricultural Improvement and Power District hereby adopts and promulgates the following rules and regulations setting forth the procedures for administration of claims for compensation of past and present Shareholders, as defined below, who received and paid for residential electric service from Arizona Public Service Company during 2023.

#### II. DEFINITIONS

- A. "Administrative Fee" – An administrative fee shall be deducted from each successful application for compensation. The Administrative Fee for the 2023 program, as approved by the District's Board of Directors, is \$50.00.
- B. "Annual Cost of Electric Service"
  - 1. For Qualifying Shareholders on APS' kilowatt-hour-only rate E12 or R-1 (Small Tier 1, Medium Tier 2, or Large Tier 3), the amount determined by totaling each bill incurred during the Compensation Period (including fuel adjustments and temporary rate increases subsequently made permanent, but not including sales taxes, or regulatory taxes).

2. For Qualifying Shareholders on APS' RTOUE47, R3-47, R- 2, R-EV, ET-1, ET-2, ECT-2, or ECT-1R rates, the amount determined by totaling each APS bill incurred during the Compensation Period or, if lower, what would have been charged for the billed amount of electricity under the lowest APS kilowatt-hour-only rate available to the Shareholder (including, in either case, fuel adjustments and temporary rate increases subsequently made permanent but not including sales, or regulatory taxes). It shall be assumed that the R-1 (Small Tier 1, Medium Tier 2, or Large Tier 3) kilowatt-hour-only rate is the only kilowatt-hour-only rate available to RTOUE47, R3-47, R- 2, R-EV, ET-1, ET-2, ECT-2, or ECT-1R, customers after January 1, 2023.
- C. "Applicant" – A person or entity submitting an application prior to 5:00 p.m., September 2, 2024.
- D. "Application" – The form used to request compensation for 2023, substantially in the form of Exhibit A attached hereto, together with additional information supplied by the Applicant.
- E. "APS" – Arizona Public Service Company: the public service corporation serving Shareholders in 2023
- F. "Association" – The Salt River Valley Water Users' Association.
- G. "Compensation Period" – The period from January 1, 2023 through December 31, 2023.
- H. "District" – The Salt River Project Agricultural Improvement and Power District.
- I. "District's Comparable Charge" – The amount chargeable on the District's E-23 standard electric rate for the same kilowatt hour usage which was used to determine a Qualifying Shareholder's Annual Cost of Electric Service.

- J. "Eligible Property" – Land upon which the Association is entitled to levy an assessment and to which APS provides residential electric service (generally including areas, excluding town site lands, within or adjacent to the corporate limits of the Cities of Chandler, Gilbert, Glendale, Peoria, Phoenix, Scottsdale, and Tempe), as shown on the maps attached hereto as Exhibit B.
- K. "Qualifying Differential" – 1.15.<sup>1</sup>
- L. "Qualifying Rate" – Any of the following *APS residential service electric rate: E-12, R-1 (Small Tier 1, Medium Tier 2, or Large Tier 3), RTOUE47, R3-47, R-2, R-EV, ET-1, ET-2, ECT-2, and ECT-1R.*<sup>2</sup>
- M. "Qualifying Shareholder" – A Residential Customer who occupied and owned an Eligible Property during the Compensation Period. Qualifying Shareholders may include individuals, trustees, partnerships, corporations, and Religious Institutions (as defined herein) if the same meet all other qualifications. *No Shareholder shall be disqualified from compensation because he or she is a trustor under a deed of trust used as security for financing purposes in securing a debt to the beneficiary.*<sup>3</sup>
- N. "Religious Institution" – Ecclesiastical or monastic order, nonprofit corporation or other non-profit organization which was formed for the purpose of maintaining or propagating a system of spiritual beliefs or to implement spiritual practices.
- O. "Residential Customer" – A person or entity who was billed for residential electric service by APS under a Qualifying Rate during the Compensation Period.
- P. "Shareholder(s)" – Any person owning land that is within the Salt River Reservoir District and recognized as member land by the Secretary of the Association. A map attached hereto as Exhibit C identifies member land.



### III. NOTICE

- A. The District shall publish four advertisements in newspapers of general circulation in Maricopa County, intended to notify all Qualifying Shareholders that they may be entitled to compensation for all or a portion of the Compensation Period. Such notices shall also contain information pertaining to the period during which Applications must be filed, and instructions for obtaining an Application.
- B. *In addition, the District shall send an Application form to any person eligible to receive compensation and having at least a 15% difference between their APS annual bill for residential electric service and the bill they would have received if they had received domestic electricity on the District's residential standard kilowatt-hour-only rate. In using data obtained from the Public Service Corporation to determine eligibility for such compensation, the District shall use due diligence to ensure that the exclusion of any person from eligibility is based on reliable criteria. The Application shall be sent by first-class mail to the address of the Eligible Property or such person's last known address. Included with the Application shall be a statement of the last compensation year's average compensation payment.*<sup>4</sup> In lieu of mailing the Application, the District may send, by first-class mail, instructions for completing the Application online or requesting a paper Application. The District will mail a paper Application to any person that requests it.
- C. All other notifications specified by these rules shall be made in writing and sent by first class mail to the Applicant's last known address, or if elected by the Applicant, by electronic mail. All notifications required or permitted to be delivered by the District under these rules shall be deemed effective and received (i) two days after being deposited in the mail, if sent by mail, or (ii) on the date of transmission, if sent by email.

IV. APPLICATION PERIOD

- A. The District shall accept Applications online, or by mail to the address specified in the Application, until 5:00 p.m., September 2, 2024.
- B. An Application shall be deemed submitted only upon receipt by the District.
- C. Failure to submit an Application electronically, or have an Application postmarked, prior to 5:00 p.m., September 2, 2024, shall be deemed a waiver of any claims or rights to compensation for all or any portion of the Compensation period. An Application with a metered postmark must be received prior to 5:00 p.m., September 2, 2024, to comply with this provision.

V. APPLICATIONS FOR COMPENSATION

- A. Any person or entity desiring to receive compensation for all, or part of the Compensation Period must complete and submit an Application for the 2023 program, either online or by mail. The online application is available at [srp.net/apply-compensation](http://srp.net/apply-compensation).
- B. The Applicant must complete the Application to the best of the Applicant's knowledge and belief. The Applicant's signature on an Application constitutes the Applicant's representation that all information supplied by the Applicant therein is made and supplied fully and truly to the best of the Applicant's knowledge and belief.
- C. A separate Application is required for each Eligible Property owned and occupied by a Qualifying Shareholder during the Compensation Period.
- D. The District shall confirm receipt of each Application by sending a confirmation letter to the Applicant, in the form of Exhibit D attached hereto, showing the date the District input the Application and the reference number assigned to it.

VI. DETERMINATION OF QUALIFYING SHAREHOLDER

- A. As soon as practicable following receipt of an Application, the District shall undertake to determine whether the Applicant was a Qualifying Shareholder during the Compensation Period, in accordance with the following provisions.
- B. Is the Application submitted with respect to Eligible Property?
1. The District shall determine from plat maps maintained by the Secretary of the Association or from legal descriptions of those areas within the Salt River Reservoir District served electricity by APS whether the property for which an Application is submitted is an Eligible Property.
  2. If the District determines that property for which an Application is submitted is not an Eligible Property, the District shall notify the Applicant, in writing, of its determination.
  3. If the District is unable to determine whether the property for which an Application is submitted is an Eligible Property, the District may so notify the Applicant and may require the Applicant to submit evidence showing that the property for which the Application is submitted is an Eligible Property. The Applicant has thirty (30) days from the date the District delivers the notification, or until the last day of the Application Period, whichever is later, to submit the proper information. If the District does not receive the information within the period set forth above, the Applicant shall be deemed not to have submitted a valid Application within the Application Period.
- C. Was the Eligible Property owned by the Applicant?
1. The District shall initially determine from property records maintained by or available to the Secretary of the Association whether and for what periods during the Compensation Period the Applicant owned the Eligible Property for which an

Application is submitted. The Applicant shall be considered a Qualifying Shareholder only during the periods of ownership so identified.

2. If the District determines that an Applicant did not, during the Compensation Period, own the Eligible Property for which an Application is submitted, the District shall notify the Applicant, in writing, of its determination.
3. If the District is unable to determine whether or for which periods during the Compensation Period the Applicant owned the Eligible Property for which an Application is submitted, the District may so notify the Applicant and may require the Applicant to submit evidence showing the periods in which the Applicant owned said property during the Compensation Period. The Applicant has thirty (30) days from the date the District delivers the notification, or until the last day of the Application Period, whichever is later, to submit the proper information. If the District does not receive the information within the period set forth above, the Applicant shall be deemed not to have submitted a valid Application within the Application Period.

D. If owned by the Applicant, did the Applicant, occupy the Eligible Property at any time during the Compensation Period?

1. The District shall obtain billing information from APS for every Eligible Property that receives residential electric service under a Qualifying Rate.
2. The District shall determine from utility bills submitted by the Applicant or from the customer billing information provided by APS whether and for what billing periods during the Compensation Period the Applicant occupied the Eligible Property he/she owned.
  - a. *Occupancy by a Shareholder shall include the provision of electricity to the Shareholder or the Shareholder's "relatives" of the first degree of consanguinity (parents and/or children) or affinity (spouse, stepparents,*

*stepchildren), so long as the "relatives" who reside in the Shareholder's Property do so without payment of rent. Under this circumstance, the Shareholder shall not be disqualified from compensation if the Public Service Corporation customer is either the Shareholder or the Shareholder's "relatives."<sup>5</sup>*

- b. Occupancy by a Shareholder which is a non-profit Religious Institution shall be established where APS provides electricity under a Qualifying Rate to full-time employees of the Religious Institution who are provided a residence in the Eligible Property free of charge as part of the employee's compensation. Under this circumstance, the Shareholder shall not be disqualified if the Residential Customer is either the Religious Institution or the employee.<sup>6</sup>*
- c. Occupancy by a Shareholder which is a Religious Institution shall be established where APS provides electricity under a Qualifying Rate to members of an ecclesiastical or monastic order who devote themselves full-time to the activities of the order and are provided a residence in the Eligible Property free of charge. Under this circumstance, the Shareholder shall not be disqualified if the Residential Customer is either the Religious Institution or the member.<sup>7</sup>*
- d. Occupancy by a Shareholder/trustee to whom a trustor has transferred fee title to an Eligible Property for substantially less than fair market value shall be established where APS provides electricity under a Qualifying Rate to the trustor or the trustor's "relatives" of the first degree of consanguinity (parents and/or children) or affinity (spouse, stepparents, stepchildren) who reside in the Eligible Property. Under this circumstance, the*

*Shareholder shall not be disqualified if the Residential Customer is either the trustee, trustor or one of their "relatives."*<sup>8</sup>

3. If the District determines that the Applicant did not occupy the Eligible Property, he/she owned, the District shall notify the Applicant in writing of its determination.
4. If the District is unable to determine whether and for what billing periods an Applicant occupied the Eligible Property he/she owned, the District may so notify the Applicant and may require the Applicant to submit evidence showing when the Applicant occupied said property during the Compensation Period. The Applicant has thirty (30) days from the date the District delivers the notification, or until the last day of the Application Period, whichever is later, to submit the proper information. If the District does not receive the information within the period set forth above, the Applicant shall be deemed not to have submitted a valid Application within the Application period.

VII. DETERMINATION OF DIFFERENTIAL

- A. If the District determines that the Applicant was Qualifying Shareholder during the Compensation Period, the District shall then determine whether the Qualifying Shareholder paid APS substantially more for residential electricity during the Compensation Period, in accordance with the following provisions.
- B. Was the Qualifying Shareholder charged for residential electric service to the Eligible Property under a Qualifying Rate?
  1. The District shall determine from APS bills submitted by the Applicant or from billing information provided by APS those periods of time during the Compensation Period when the Qualifying Shareholder was charged under a Qualifying Rate for residential electric service delivered to the Eligible Property for which an Application is submitted.

2. If the District determines that a Qualifying Shareholder was not charged under a Qualifying Rate for residential electric service delivered to the Eligible Property, the District shall notify the Applicant, in writing, of its determination.
  3. If the District is unable to determine whether the Qualifying Shareholder was charged under a Qualifying Rate for residential electric service delivered to the Eligible Property, the District may so notify the Applicant and may require the Applicant to submit evidence showing that the Qualifying Shareholder was charged under a Qualifying Rate for residential electric service delivered to the Eligible Property. The Applicant has thirty (30) days from the date the District delivers the notification, or until the last day of the Application Period, whichever is later, to submit the proper information. If the District does not receive the information within the period set forth above, the Applicant shall be deemed not to have submitted a valid Application within the Application Period.
- C. Did the Qualifying Shareholder pay substantially more for APS residential electric service than he/she would have paid the District?
1. For residential electric service provided to a Qualifying Shareholder's Eligible Property under a Qualifying Rate, the District shall determine the Qualifying Shareholder's Annual Cost of Electric Service from APS billing information submitted by the Qualifying Shareholder or from information provided by APS.
  2. The District shall then calculate the District's Comparable Charge to the Qualifying Shareholder.
  3. The District shall then divide the Qualifying Shareholder's Annual Cost of Electric Service by the District's Comparable Charge to determine if the difference equals or exceeds the Qualifying Differential.

VIII. PAYMENT OF COMPENSATION

- A. If the amount of the Qualifying Shareholder's Annual Cost of Electric Service divided by the District's Comparable Charge equals or exceeds the Qualifying Differential, the District shall pay the Qualifying Shareholder the amount by which the Annual Cost of Electric Service exceeded the District's Comparative Charge, minus the Administrative Charge. The Administrative Charge shall not be prorated if compensation is calculated based on a period of less than a calendar year.
- B. The District shall notify each Qualifying Shareholder of the amount of compensation determined to be due as soon as practicable.

IX. VERIFICATION OF APPLICATIONS, AUDIT OF PROGRAMS, REQUESTS FOR RECONSIDERATION, AND FINAL DECISIONS

- A. District management shall undertake such actions as it deems appropriate to verify the information or evidence submitted by Applicants in their Applications, or in support thereof. Such actions may be undertaken with respect to every Application or may be done only with respect to certain Applications.
- B. District management may institute such internal audit procedures of the compensation program as it deems appropriate.
- C. The notices specified by sections VI(B)(2), VI(C)(2), VI(D)(3), VII(B)(2), and VIII(B) shall constitute the District's initial decision on an Application. The District initial decision shall become final 40 days after it is delivered by the District, unless a timely request for reconsideration is filed under IX (D) below. When an Application is deemed invalid under section VI(B)(3), VI(C)(3), VI(D)(4) or VII(B)(3) of these rules, that shall be deemed a final decision as of the last day specified for providing information in such section, and no request for reconsideration may be filed.



D. Any Applicant dissatisfied with an initial decision may submit a request for reconsideration within 40 days after the District delivers the initial decision. All requests for reconsideration must be in writing and must state the reasons the Applicant believes reconsideration to be appropriate. Failure to submit a timely request for reconsideration shall be deemed a waiver of all objections to the initial decision. If an Applicant files a timely request for reconsideration, the District's decision on that request shall constitute its final decision.

X. ANNUAL REPORT

*At least once a year management shall at an open meeting provide the District's Board of Directors a report upon the conduct of the prior year's compensation program, including a report on the number of Applications sent out to the public service corporation's customers, number of Applications filed, number of Applications paid, number of Applications rejected for each reason stated in a rejection letter and the total amount of compensation paid. If no compensation program is conducted for the prior year, management shall at an open meeting, provide the Board of Directors a report explaining why any Shareholder whose APS billing record shows a 115% differential would not be entitled to compensation. Two weeks prior to said meeting notice shall be published in two newspapers of general circulation within the Salt River Reservoir District informing the Shareholders that a report on the prior year's 15% area compensation program, or, the fact that no program was conducted shall be presented to the Board of Directors. The report shall be made public and available upon request upon payment of copying costs.<sup>9</sup>*

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<sup>1</sup> Paragraph I.F of the Settlement Agreement, pg. 3, defines "substantially more" as being "15% or more." This term captures that definition.

- <sup>2</sup> Paragraph I.C(2) of the Settlement Agreement, pg. 3, provides that compensation shall be available for "all residential rates, whether implemented or created in the future, including APS E-10, E-12, ECT-1, ET-1, and EC-1, except any experimental rate." This listing of Qualifying Rates cannot be used to exclude any residential, non-experimental rate that APS uses. So long as this listing includes all eligible rates, the enumeration is valid.
- <sup>3</sup> This language is required by paragraph II.F of the Settlement Agreement, pg. 7.
- <sup>4</sup> This language is required by paragraph II.G of the Settlement Agreement, as modified by Judge Moroney's Order signed August 6, 1996.
- <sup>5</sup> This paragraph is required by Judge Moroney's Order signed August 6, 1996.
- <sup>6</sup> This paragraph is required by section I.F of the Settlement Agreement, pg. 4, regarding employees of a Religious Organization. The rules use the phrase "Religious Institution" rather than the phrase "Religious Organization" which was used in the Settlement Agreement. Paragraph II.N of the rules defines religious institution.
- <sup>7</sup> This paragraph is required by section I.G of the Settlement Agreement, pg. 4, regarding members of a Religious Organization. The rules use the phrase "Religious Institution" rather than the phrase "Religious Organization" which was used in the Settlement Agreement. Paragraph II.N of the rules defines religious institution.
- <sup>8</sup> This paragraph is required by paragraph I.H of the Settlement Agreement, pg. 4.
- <sup>9</sup> This paragraph is required by paragraph II.H of the Settlement Agreement, pg. 7-8.



## 2023 SRP Shareholder Compensation Application

This completed Shareholder Compensation Application must be submitted to Salt River Project Agricultural Improvement and Power District (SRP) to apply for compensation under the Salt River Valley Water Users' Association's shareholder compensation program. SRP will rely on the information in this application to determine the amount of any compensation to which the Applicant may be entitled. **To complete the application online, go to [srp.net/apply-compensation](http://srp.net/apply-compensation).**

### INSTRUCTIONS

1. Please print or type.
2. This application must be completed and signed by the owner of the eligible land. If the owner is a trust, it must be signed by the trustee.
3. Submit completed application by mail to **SRP, Shareholder Compensation, P.O. Box 29077, Phoenix, AZ 85038-9077.**
4. Mailed applications must be postmarked by Sept. 2, 2024. **NO LATE APPLICATIONS WILL BE ACCEPTED.** (Metered postmarks received after Sept. 2, 2024, are unacceptable.)
5. If you have any questions or need assistance in completing this application, please call **(602) 236-8888** Monday through Friday, 8 a.m. to 5 p.m. *Si quiere usted contestación a sus preguntas en español, llame a La Línea, (602) 236-1111, de lunes a viernes, de 8 a.m. a 5 p.m.*

### SECTION I - APPLICANT AND PROPERTY INFORMATION

IF THE OWNER IS A TRUST, WHAT IS THE TRUST'S NAME?

APPLICANT'S FIRST NAME \_\_\_\_\_ MIDDLE NAME \_\_\_\_\_ LAST NAME \_\_\_\_\_  
 SPOUSE/CO-APPLICANT'S FIRST NAME \_\_\_\_\_ MIDDLE NAME \_\_\_\_\_ LAST NAME \_\_\_\_\_  
 APPLICANT'S PHONE NUMBERS: HOME \_\_\_\_\_ MOBILE \_\_\_\_\_ WORK \_\_\_\_\_ EXT. \_\_\_\_\_

APPLICANT'S EMAIL ADDRESS \_\_\_\_\_

Residential address on the eligible land for which this Application for Compensation is made (the "Residence"):

**SERVICE ADDRESS** (INCLUDE UNIT NUMBER IF APPLICABLE) \_\_\_\_\_ CITY \_\_\_\_\_ STATE \_\_\_\_\_ ZIP CODE +4 \_\_\_\_\_

Is Applicant's mailing address different from the property address?  Yes  No

MAILING ADDRESS (INCLUDE UNIT NUMBER IF APPLICABLE) \_\_\_\_\_ CITY \_\_\_\_\_ STATE \_\_\_\_\_ ZIP CODE +4 \_\_\_\_\_ COUNTRY \_\_\_\_\_

TAX PARCEL ID NUMBER (PER **SERVICE ADDRESS**) \_\_\_\_\_

ARIZONA PUBLIC SERVICE CO. (APS) ACCOUNT NUMBER (PER **SERVICE ADDRESS**) \_\_\_\_\_

### SECTION II - OWNERSHIP AND OCCUPANCY INFORMATION

In the year 2023, Applicant **OWNED** the eligible land from \_\_\_\_\_ / \_\_\_\_\_ / 2023 to \_\_\_\_\_ / \_\_\_\_\_ / 2023  
 MONTH DAY YEAR MONTH DAY YEAR

During Applicant's period of ownership, the Residence was (check and complete all that apply - at least one answer must be selected):

Occupied by Applicant from \_\_\_\_\_ / \_\_\_\_\_ / 2023 to \_\_\_\_\_ / \_\_\_\_\_ / 2023  
 MONTH DAY YEAR MONTH DAY YEAR

Occupied by a relative of Owner from \_\_\_\_\_ / \_\_\_\_\_ / 2023 to \_\_\_\_\_ / \_\_\_\_\_ / 2023  
 Relationship to Owner \_\_\_\_\_  
 MONTH DAY YEAR MONTH DAY YEAR

Occupied by a tenant from \_\_\_\_\_ / \_\_\_\_\_ / 2023 to \_\_\_\_\_ / \_\_\_\_\_ / 2023  
 MONTH DAY YEAR MONTH DAY YEAR

Unoccupied from \_\_\_\_\_ / \_\_\_\_\_ / 2023 to \_\_\_\_\_ / \_\_\_\_\_ / 2023  
 MONTH DAY YEAR MONTH DAY YEAR

Have you transferred ownership of this Residence?  Yes  No Date of Transfer \_\_\_\_\_

### SECTION III - VERIFICATION

By signing below, I certify that I have answered the questions contained in this application fully and truly to the best of my knowledge. For purposes of processing this application, I consent to APS releasing account information (past or current) with respect to the Residence. I further consent and agree to any reasonable request by SRP intended to verify the information contained herein or submitted by me in support of this application. I avow that the information provided is true under penalties for false statements as provided by Arizona Revised Statutes §13-2704.

By checking this box, I consent to the electronic delivery, using the email address set forth above, of all documents, communications, and notices that SRP elects to deliver to me in connection with this application.



DATE \_\_\_\_\_ SIGNATURE OF APPLICANT/TRUSTEE \_\_\_\_\_

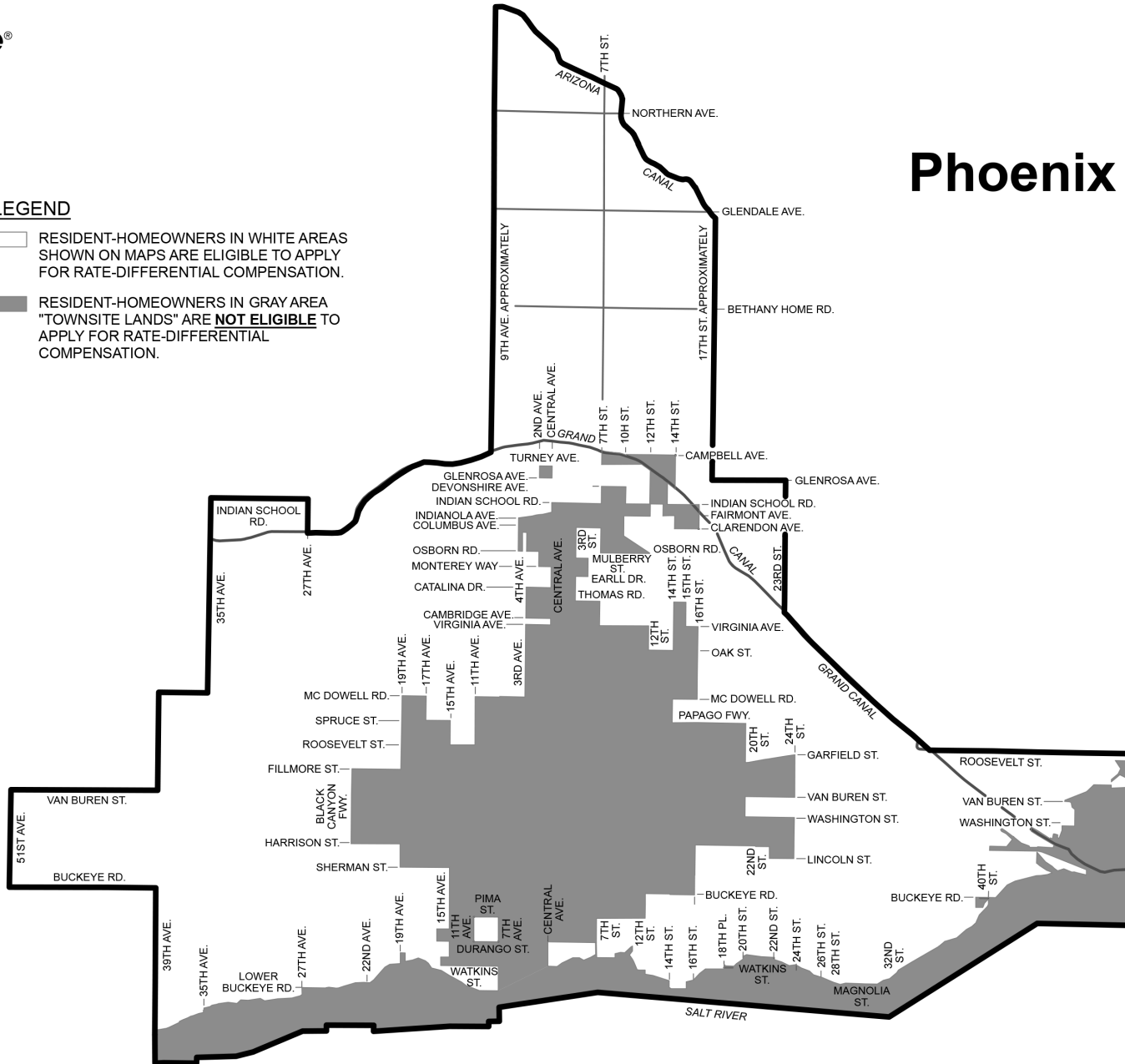
\*NOTE: If property is held in a trust, Applicant must submit to SRP trust documents identifying the trustor, trustee and successor trustee(s), and the page that is signed and notarized.

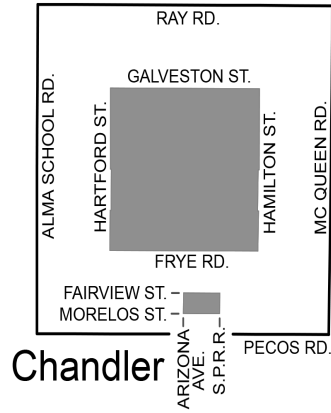


# Phoenix

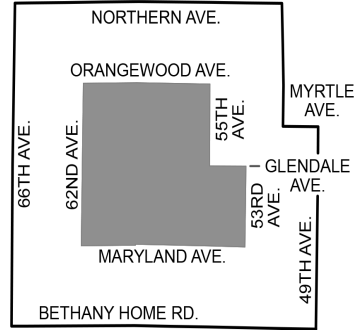
## LEGEND

-  RESIDENT-HOMEOWNERS IN WHITE AREAS SHOWN ON MAPS ARE ELIGIBLE TO APPLY FOR RATE-DIFFERENTIAL COMPENSATION.
-  RESIDENT-HOMEOWNERS IN GRAY AREA "TOWNSITE LANDS" ARE **NOT ELIGIBLE** TO APPLY FOR RATE-DIFFERENTIAL COMPENSATION.

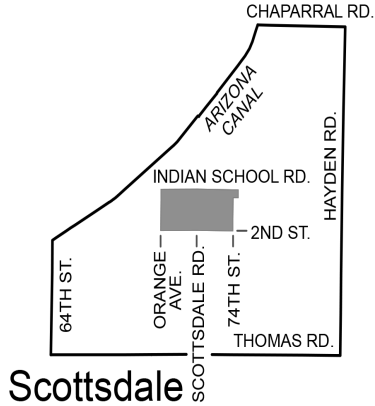




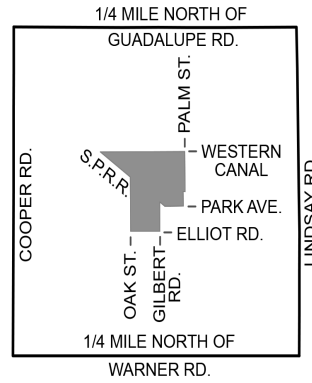
Chandler



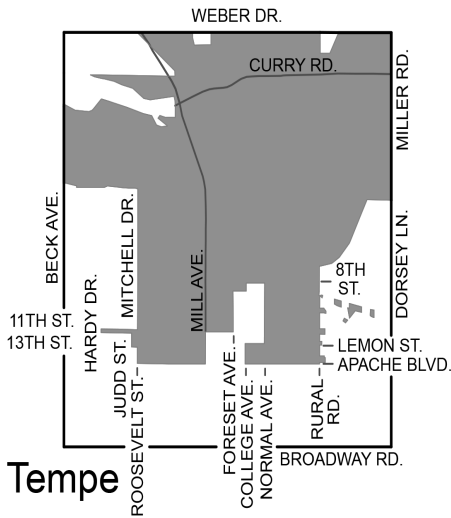
Glendale



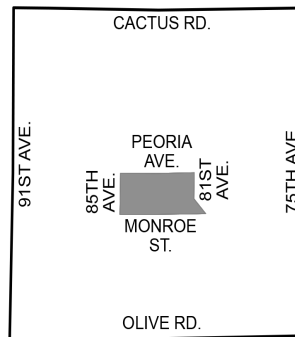
Scottsdale



Gilbert





Tempe



Peoria



**LEGEND**

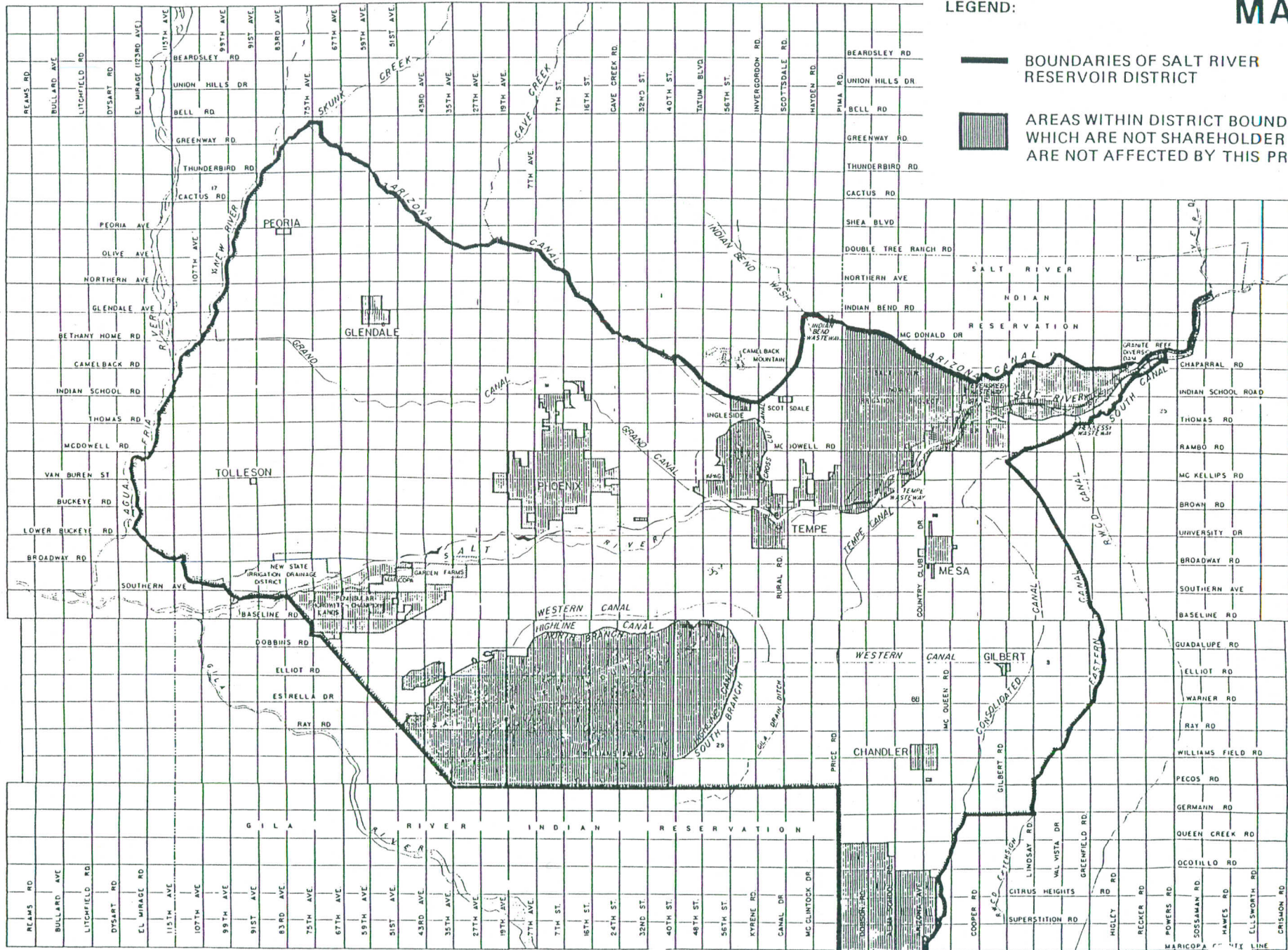
-  RESIDENT-HOMEOWNERS IN WHITE AREAS SHOWN ON MAPS ARE ELIGIBLE TO APPLY FOR RATE-DIFFERENTIAL COMPENSATION.
-  RESIDENT-HOMEOWNERS IN GRAY AREA "TOWNSITE LANDS" ARE **NOT ELIGIBLE** TO APPLY FOR RATE-DIFFERENTIAL COMPENSATION.



# MAP A

LEGEND:

-  BOUNDARIES OF SALT RIVER RESERVOIR DISTRICT
-  AREAS WITHIN DISTRICT BOUNDARIES WHICH ARE NOT SHAREHOLDER LAND AND ARE NOT AFFECTED BY THIS PROGRAM.







Delivering water and power®

Shareholder Compensation  
P.O. Box 29077  
Phoenix, AZ 85038-9077

xx-xx-2024

Reference Number & Address

JOHN SMITH  
1234 E MAIN ST  
ANYWHERE, AZ 85015

23-xxxxx  
1234 E MAIN ST  
ANYWHERE, AZ 85015

Your 2023 Application for Compensation has been received by the Shareholder Compensation Office at SRP. It will be processed to determine eligibility and you will be notified of the disposition by mail. If you have any questions, please call 602-236-8888.

Above is the reference number assigned to your application and the date it was input. Please refer to this reference number on any correspondence to this office. Please notify our office in writing if you have a change of address.

Claims are processed in the order they are received. Normal processing takes six months.

*Si quiere usted contestación a sus preguntas en español, llame a La Línea, 602-236-1111, de lunes a viernes, de 8:00 a.m. a 5:00 p.m.*

Sincerely,

SRP Shareholder Compensation





# Engagement of Board Pricing Consultant

John Tucker | May 23, 2024

# Board Considered Consultants on Buy-Through

- The Brattle Group
- Christensen Associates Energy Consulting
- Concentric Energy Advisors
- EES Consulting
- 1898 Burns & McDonnell
- Berkeley Research Group
- Black and Veatch
- E-3
- FCS Group
- Utilicast
- Utility Financial Solutions, LLC

\*RFP request also posted to SRPnet.com and was open to other consultants to respond, if interested

## **Board Interviewed Consultants on Buy-Through**

- Christensen Associates Energy Consulting
- Concentric Energy Advisors
- PA Consulting

## **Board Selected Consultant on April 6, 2023**

- Christensen Associates Energy Consulting – Bruce Chapman

# Proposal: Engage Christensen as FY25 Pricing Consultant

- Very recent competitive bid
- Established relationships w/ SRP Board
- Christensen is familiar w/ SRP's growth projections, pricing plans, and pricing principles
- Provides opportunity for early engagement in the process
- Avoiding bid process saves time and money

# Christensen Associates Energy Consulting - Background

- 7 team members, led by Bruce Chapman
- Extensive experience in cost-of-service, marginal costing, utility benchmarking, rate design, DSM, market-based retail pricing products, and OATT pricing
- Strong communication skills and teaching capabilities
- Notable clients include Georgia Power, Central Electric, Florida Public Utilities, Utah DPU, Hydro Quebec, PUC Texas, and Xcel Energy
- Significant testimony and media experience

# Request for Approval

Request that the Finance & Budget Committee recommend that the Board retain Christensen Associates Energy Consulting as the Board's consultant to review Management's cost studies and pricing designs for a price process and other pricing related matters during fiscal year 2025.

**thank you!**





May 14, 2024

Corporate Secretary  
Board of Directors  
Salt River Project  
1500 N. Mill Avenue  
Tempe, AZ

Dear Sir or Madam:

In response to an inquiry from Salt River Project, I am submitting to the Board of Directors of Salt River Project (SRP) a Summary of Qualifications with respect to review of management's upcoming rate proposal. The Summary describes the capabilities of our firm, Christensen Associates Energy Consulting, including my own qualifications as proposed lead contact on this review.

During your review, if you should have questions, please contact me as needed via the information below.

Email: [brchapman@caenergy.com](mailto:brchapman@caenergy.com)

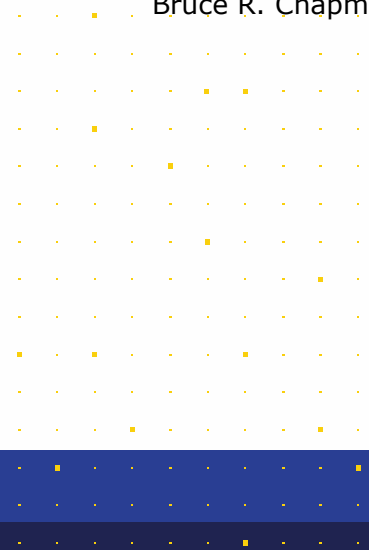
Telephone: 608.216.7147

I am qualified to conduct the planned review based on my experience in utility costing and pricing, supported by the experience of my colleagues. My recent experience in leading a review of SRP management's buy-through proposal further enables me to support the Board in the upcoming review.

Sincerely,



Bruce R. Chapman



**Summary of Qualifications  
Bruce Chapman and Christensen Associates Energy Consulting  
Regarding a Review of SRP Management's Upcoming Pricing Proposal**

Bruce Chapman is a Vice President at Christensen Associates Energy Consulting (CA Energy Consulting). He has conducted costing and pricing assignments in the regulated electricity and natural gas industry for over thirty years. He regularly leads projects and provides clients with written reports, written and oral testimony and presentations supporting analytical results. His clients have included a wide variety of utilities, large and small, investor-owned, municipal, and cooperative, as well as large public utilities such as TVA and Canadian Crown corporations. In addition, he has provided analyses of rate submissions to regulators on a number of occasions.

A recent assignment involved a review for the Board of Directors of the Salt River Project (SRP) of management's proposal to offer a buy-through generation services option to the utility's largest customers in fulfillment of a legislative obligation. The assignment included two meetings with the Board to review the proposal and its associated issues of revenue recovery, fairness, and avoidance of cross subsidy. The Board ultimately accepted management's proposal based on our review, subject to some useful modifications.

Pricing proposals at SRP (and at other utilities) typically require review of the utility's cost allocation methods and rate design proposals. Mr. Chapman has undertaken work in these areas over many years.

**Costing and Cost Allocation**

Mr. Chapman, in company with others at CA Energy Consulting, has conducted cost-of-service (COS) methodology reviews. Such reviews typically occur once every ten years and are designed to ensure that a utility's cost allocation practices are in line with costing theory and industry practice. He has reviewed utilities' practices of cost functionalization, classification, and allocation, along with methods of treating costs by voltage service level and of undertaking direct assignment of costs, where applicable. The result of the analysis is a set of recommendations for COS methodology revision, with recommendations being subject to internal utility review, followed by regulatory review including critiques by industry stakeholders.

In undertaking such reviews, our leading considerations are the existing practices in the jurisdiction and the value of costing continuity. Fortunately, industry theory and practice offer utilities and their jurisdictions a degree of methodological flexibility that enables gradual change. This approach helps to avoid large shifts between classes of allocated costs and resulting large changes in rates.

Mr. Chapman's costing work has also included management of COS studies themselves, and provision of testimony in support of the results. As part of this analysis, he has used utility COS models or customized his own models to prepare the results, which consist of revenue requirements by class and unit costs. Additionally, he and his colleagues have undertaken marginal cost analysis on many occasions as well. This analysis has covered not merely

generation services, but delivery services as well. The result is that he and his colleagues are well qualified to review the full range of costing practices.

### **Rate Design and Review**

Mr. Chapman has managed and participated in numerous rate design projects. Some of these assignments consist of the traditional updating of prices of existing rates where issues of cross subsidy can arise as a result of cost shifts or pre-existing revenue/cost ratio imbalances. Others involve the revision of prices to better reflect unit costs. In these assignments, the rate designer's challenge is typically to change the price components of rates to improve price efficiency and equity across rates. Mr. Chapman has utilized existing utility rate design models and created new models for utility use to enable efficient rate repricing.

Mr. Chapman has also assisted utilities to undertake rate structure revision and the introduction of new rate designs. The new designs must generally respect the Bonbright principles of rate design – requiring a balanced consideration of revenue recovery, rate fairness, and pricing efficiency – and hew to the utility's own specific rate objectives, such as the promotion of conservation, renewable energy, and electrification initiatives. CA Energy Consulting not only is familiar with innovative rate designs, but also has pioneered designs in its own right. The objectives of such a revision typically are to generate benefits for both participating customers and the utility (which represents other non-participating customers) along with society or firm shareholders. For example, a dynamic rate design that makes use of marginal cost-based generation services prices derived from wholesale markets, will induce customers to reduce usage at times of low system reserves, yielding a bill reduction for rate participants, and a reduction in cost to serve for others, due to the rise in system reserves.

Mr. Chapman's recent work includes assignments associated with standby service, including green hydrogen production, and marginal cost-based rate design for both flat and time-varying rate structures. These assignments are valuable in reviewing initiatives that support electrification of downstream retail end uses along with upstream site generation. The general requirement of such designs is that they offer alternatives free of subsidy with pricing that induces efficient decision-making for both the short and long term.

### **Summary**

Mr. Chapman has lengthy experience in the costing and pricing analysis required to review in an impartial and knowledgeable manner rate proposals submitted to the Board of Directors by SRP management.



# Energy Risk Management Update

Finance & Budget Committee

Russell Mueller | May 23, 2024

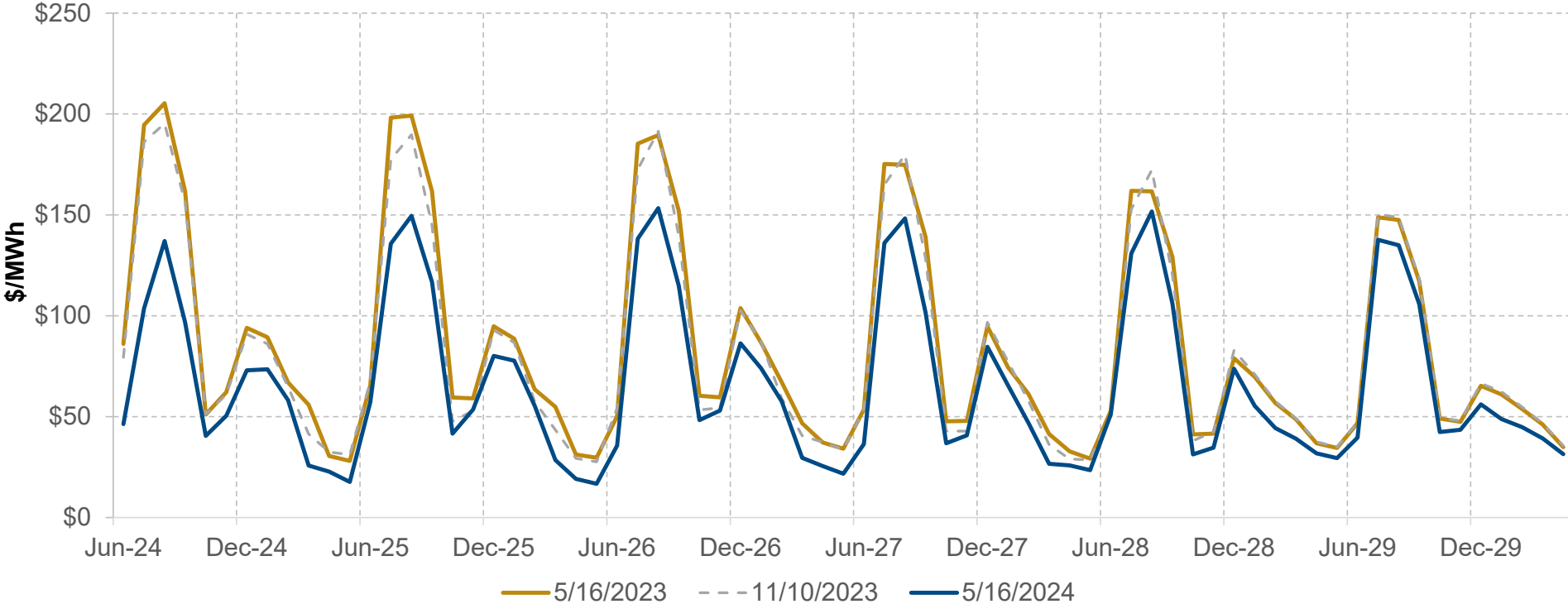
# Electricity Prices

## Front Month Palo Verde On-Peak



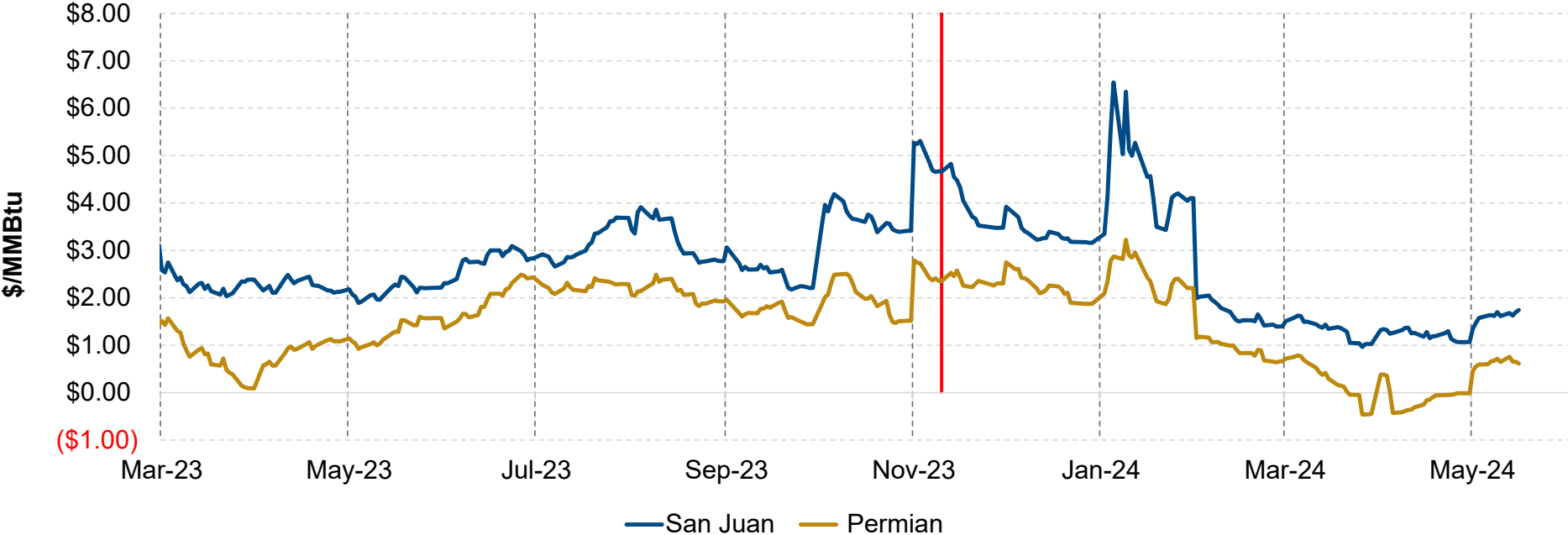
# Electricity Forward Curve

*Change in Palo Verde On-Peak Prices Since 2023*



# Natural Gas Prices

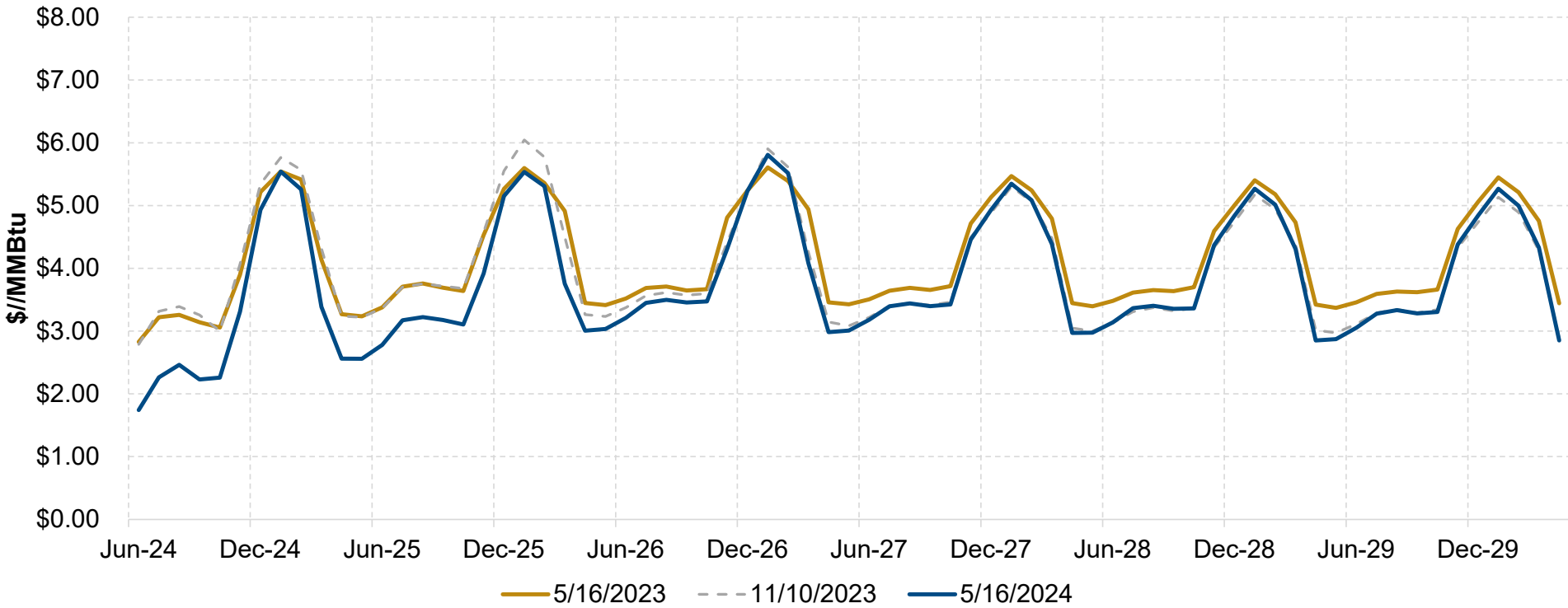
## Front Month Permian & San Juan Basins





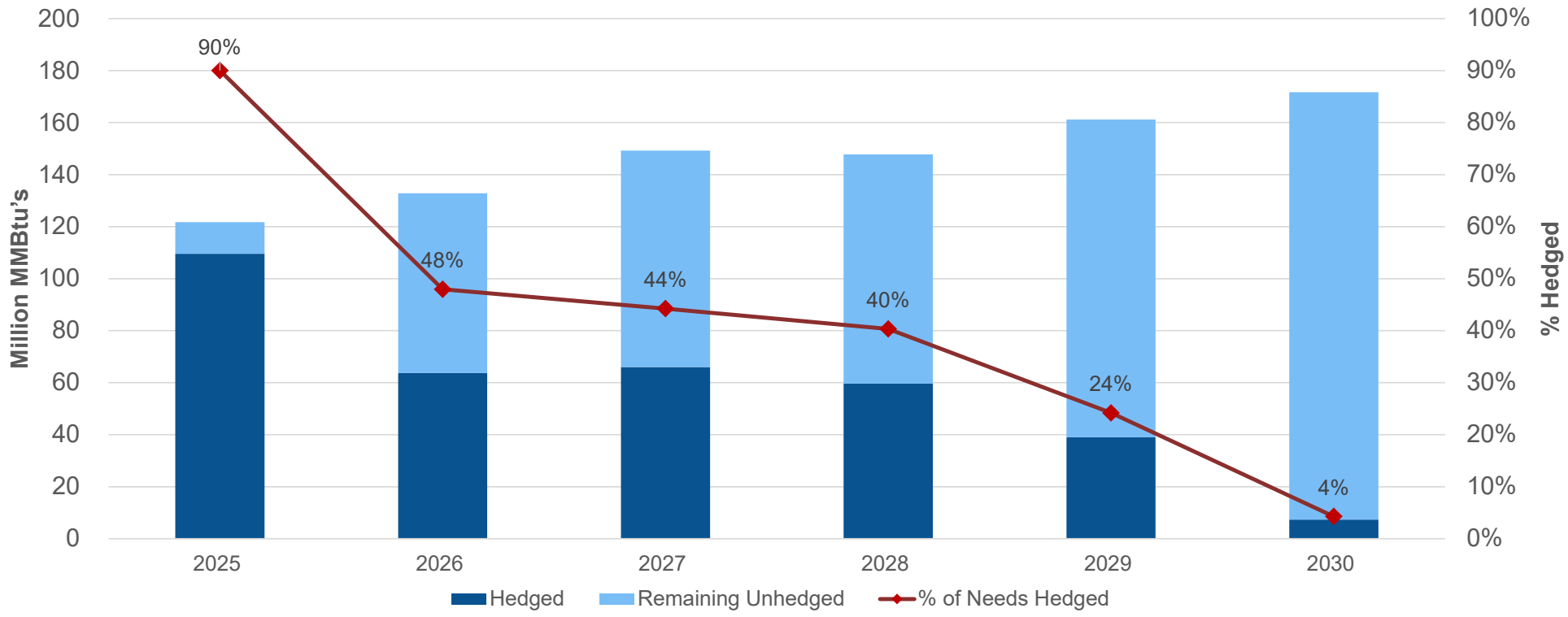
# Natural Gas Forward Curve

*Change in San Juan Basin Prices Since 2023*

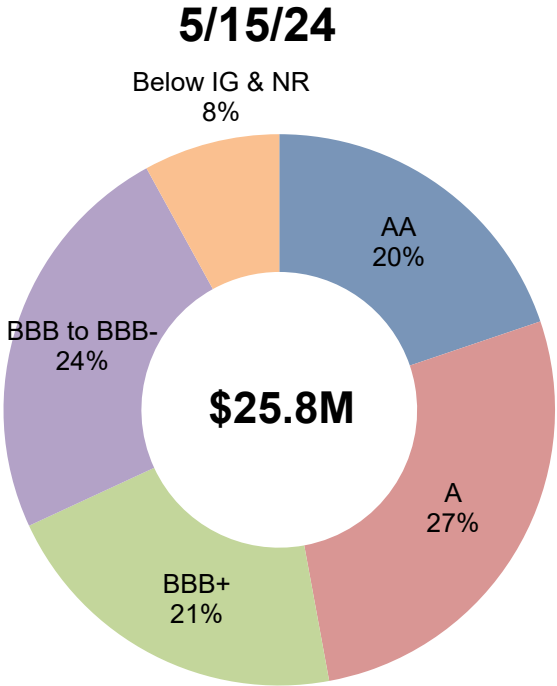
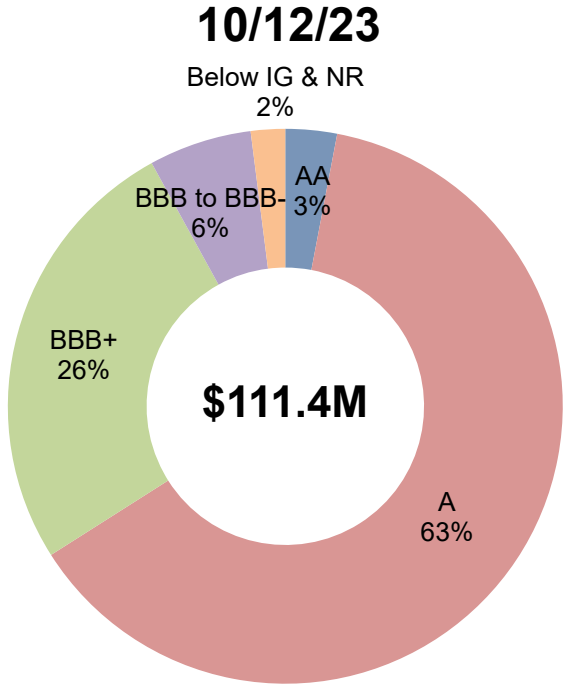


# Retail Natural Gas Hedging

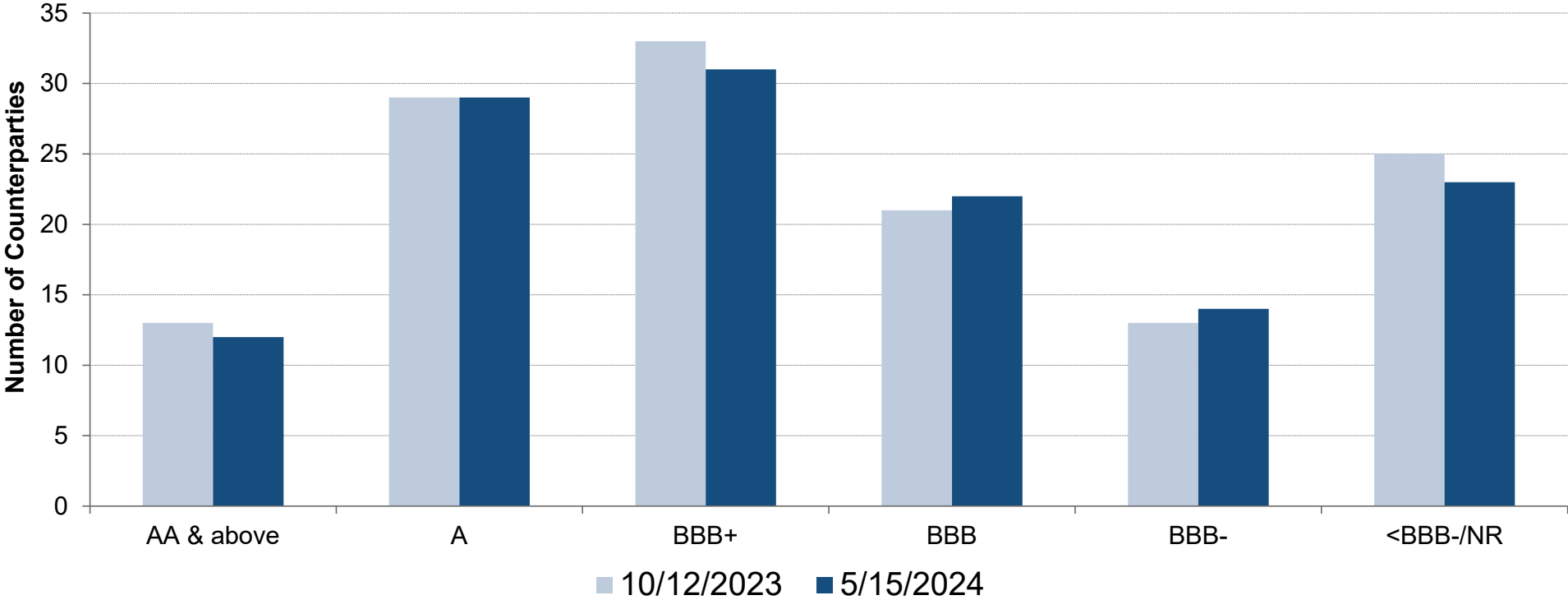
## *Expected Requirements and Hedge Levels (FP25)*



# Credit Exposure by Rating



# Counterparties by Credit Rating



# Aggregate Financial Limits

Commodity	Limit	Current Position	% of Limit
Electricity	\$150M	\$36.2M	24%
	3M MWh	655.4K MWh	22%
Natural Gas	\$2B	\$1.15B	58%
	750M MMBtu	355.6M MMBtu	47%
Unleaded Gas	\$2.6M/FY	\$0.0M	0%
	900k gal/FY	0k gal	0%
Diesel	\$75M	\$21.2M	28%
	25M gal	5M gal	20%
Greenhouse Gas and Emissions Compliance Instruments	\$40M	\$3.5M	9%
	1.8M allowances	86k allowances	5%

**thank you!**

