

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

FINANCE AND BUDGET COMMITTEE

Thursday, June 20, 2024, No Sooner Than 9:55 AM

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

Committee Members: Jack White Jr., Chairman; Leslie C. Williams, Vice Chairman; and Nicholas 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 itemCHAIRMAN JACK WHITE JR.
 - A. Request for approval of the minutes for the meeting of May 23, 2024.
 - B. Request for approval of the Monthly Cash Statements for April and May 2024 (District and Association).
 - C. Request for approval of the Quarterly Cash Statement for Period Ending April 30, 2024 (Association).
2. Engagement of Board Pricing Consultant JOHN TUCKER

Request for approval to engage a Board pricing consultant to assist the Board in reviewing Management's cost studies and pricing designs for a possible price process and other pricing related matters that occur during the current fiscal year.
3. Review of the Financial Results for the Month of April 2024 and Fiscal Year 2024 Audit Results VARIOUS
4. Report on Current Events by the General Manager and Chief Executive Officer and Designees JIM PRATT
5. 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, AUGUST 22, 2024

06/13/2024

MINUTES
FINANCE AND BUDGET COMMITTEE

DRAFT

May 23, 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 11:00 a.m. on Thursday, May 23, 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, S.D. Kennedy, R.J. Miller, K.H. O'Brien, and S.H. Williams.

Also present were President D. Rousseau; Board Members K.L. Mohr-Almeida and L.D. Rovey; Council Chairman J.R. Shelton; Council Members R.S. Kolb, C. Resch-Geretti, and N.J. Vanderwey; Mmes. I.R. Avalos, K.R. Beranek, M.J. Burger, A.P. Chabrier, M.B. Faulk, L.F. Hobaica, V.P. Kisicki, L.A. Meyers, and J.R. Schuricht; Messrs. J.D. Coggins, B.B. Davis, G.A. Delizio, J.M. Felty, J.W. Hubbard, R.T. Judd, B.J. Koch, K.J. Lee, R.T. Mueller, B.A. Olsen, J.S. Overstreet, J.M. Pratt, J.I. Riggs, R.R. Taylor, and J.C. Tucker; Ian Calkins of Copper State Consulting Group; and Bridget Sidwell 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, May 21, 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 N.R. Brown, the Committee unanimously approved and adopted the following items on the Consent Agenda:

- Minutes of the Finance and Budget Committee meeting on April 25, 2024, as presented

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, S.D. Kennedy, R.J. Miller, K.H. O'Brien, and S.H. Williams	(7)
NO:	None	(0)
ABSTAINED:	None	(0)
ABSENT:	None	(0)

Report on Shareholder Compensation Program for 2022

Using a PowerPoint presentation, Jason I. Riggs, SRP Director and Assistant Treasurer of Treasury Operations and Compliance, stated that the purpose of the presentation was to report on the results of the Shareholder Compensation Program for Calendar Year 2022 (CY22) per the Rules and Regulations. He provided an overview of the history of the "15% area," which was implemented in a 1928 agreement with CALAPCO (the predecessor of Arizona Public Service Company (APS)), and discussed how the compensation obligation arose and continues to the present.

Mr. J.I. Riggs reported that applications were sent by direct mail to 50,572 residents of the "15% area" based on analysis of their electric bills. He stated that 6,409 applications for compensation were received and processed. Mr. J.I. Riggs said that 5,575 applications were paid, and the total amount compensated was \$2,058,490, with a total program cost of \$2,438,587.

Mr. J.I. Riggs concluded by stating that 834 applications were rejected in CY22 for, among other reasons, not meeting eligibility rules or because the billing differential between APS and SRP was less than 15%.

Mr. J.I. Riggs 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.

Shareholder Compensation Program for 2023

Using a PowerPoint presentation, Mr. J.I. Riggs stated that the purpose of the presentation was to request approval to initiate the Shareholder Compensation Program for CY23. He reported that the calculated compensation is based on the customer billing data from APS and that SRP reserves approximately \$2.9 million for payments and administration costs.

Mr. J.I. Riggs stated that the application period for the 2023 Shareholder Compensation Program begins June 4, 2024, and ends September 2, 2024. He reminded the Committee that in June 2023, the Board approved an administrative fee of \$50. Mr. J.I. Riggs concluded by recommending approval to begin the Shareholder Compensation Program for 2023.

Mr. J.I. Riggs responded to questions from the Committee.

On a motion duly made by Board Member R.J. Miller and seconded by Board Member N.R. Brown, the Committee agreed to recommend Board approval, as presented.

Corporate Secretary J.M. Felty polled the Committee Members on Board Member R.J. Miller's 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, S.D. Kennedy, R.J. Miller, K.H. O'Brien, and S.H. Williams	(7)
NO:	None	(0)
ABSTAINED:	None	(0)
ABSENT:	None	(0)

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.

Engagement of Board Pricing Consultant

Using a PowerPoint presentation, John C. Tucker, SRP Senior Director of Financial Strategy, stated that the purpose of the presentation was to request approval to retain Christensen Associates Energy Consulting (Christensen) as the Board's pricing consultant for a price process and other pricing-related matters that may occur during the current fiscal year (FY25).

Mr. J.C. Tucker listed the consultants the Board considered for the 2023 SRP Buy-Through Program and highlighted that a Request for Proposals was posted on SRPnet.com and that it was open to other consultants to respond, if interested. He reminded the Committee of the three consultants the Board previously interviewed for the development of the 2023 SRP Buy-Through Program and stated that on April 6, 2023, the Board selected Christensen as its consultant.

Mr. J.C. Tucker detailed the benefits of retaining Christensen as the FY25 Board pricing consultant and provided an overview of their background. He concluded by requesting approval for the Board to retain Christensen as the Board's pricing consultant for a price process and other pricing-related matters that may occur during FY25.

Mr. J.C. Tucker responded to questions from the Committee.

A motion was made by Board Member R.J. Miller and seconded by Board Member N.R. Brown to continue the process of evaluating a Board pricing consultant at the June Finance and Budget Committee, allowing Management time to provide information for additional review of the top three consultants from the 2023 SRP Buy-Through Program.

Corporate Secretary J.M. Felty polled the Committee Members on Board Member R.J. Miller's motion to continue the process of evaluating a Board pricing consultant at the June Finance and Budget Committee, allowing Management time to provide

information for additional review of the top three consultants from the 2023 SRP Buy-Through Program. The vote was recorded as follows:

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

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.

Energy Risk Management (ERM) Update

Using a PowerPoint presentation, Russell T. Mueller, SRP Director of Energy Risk Management, stated that the purpose of the presentation was to provide information regarding ERM activities, including the following: 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.

Mr. R.T. Mueller reviewed the on-peak electricity prices for Palo Verde from May 2023 to May 2024 and changes in Palo Verde on-peak prices since 2023. He provided an overview of natural gas prices for the Permian and San Juan Basins from May 2023 to May 2024 and changes in San Juan Basin natural gas prices since 2023.

Mr. R.T. Mueller discussed the forward curve chart for natural gas prices in the basins and detailed some of the geographic and pipeline constraints on delivery.

Mr. R.T. Mueller reviewed the expected requirements and hedge levels of retail natural gas for Financial Plan 2025 (FP25). He discussed the credit exposure to counterparties by credit rating. Mr. R.T. Mueller concluded with a discussion of aggregate financial limits for electricity, natural gas, unleaded gas, diesel, and greenhouse gas and emissions compliance instruments.

Mr. R.T. Mueller responded to questions from the Committee.

Board Members K.L. Mohr-Almeida and K.H. O'Brien; Messrs. G.A. Delizio, J.S. Overstreet, J.I. Riggs, and J.C. Tucker; and Ian Calkins of Copper State Consulting Group 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. None were requested.

There being no further business to come before the Finance and Budget Committee, the meeting adjourned at 12:04 p.m.

John M. Felty
Corporate Secretary

**Statement of Cash Received and Disbursed**

April 2024

(\$000)

	<u>District</u>	<u>Association</u>	<u>Total Month</u>	<u>Year-to-Date</u>
Funds Balance Beginning of Period	\$ 808,017	\$ 591	\$ 808,608	\$ 697,781
Cash Receipts:				
Electric Revenues	250,203	---	250,203	3,898,904
Water Revenues	---	600	600	23,820
Electric Customer Deposits	3,814	---	3,814	48,681
Reimbursement on Joint Ownership Projects	17,148	---	17,148	130,559
Construction Contributions and Advances	18,026	---	18,026	276,197
Proceeds from Bond Sales	---	---	---	---
Proceeds from Other Borrowings	---	---	---	---
Transfers from Segregated Funds	89,844	---	89,844	1,059,954
Sales Tax Collected	16,269	---	16,269	266,876
Other Cash Receipts	7,698	---	7,698	181,072
Total Cash Receipts	<u>403,002</u>	<u>600</u>	<u>403,602</u>	<u>5,886,063</u>
Fund Transfers - Net	<u>(4,688)</u>	<u>4,688</u>	<u>---</u>	<u>---</u>
Cash Disbursements:				
Purchased Power and Fuel	94,386	---	94,386	1,423,686
Operations and Maintenance	98,570	2,268	100,838	1,211,139
Employee Payroll and Payroll Taxes	51,385	3,209	54,594	716,611
Purchased Inventory	19,831	---	19,831	303,782
Cash Segregated for -				
Bond Interest	19,870	---	19,870	215,494
Bond Principal	9,898	---	9,898	115,544
Other Debt - Principal Repayment	---	---	---	---
Other Debt - Interest Expense	773	---	773	19,906
Capital Expenditures	123,846	---	123,846	982,199
Advances on Joint Ownership Projects	---	---	---	---
Transfers to Segregated Funds	500	---	500	314,881
In Lieu and Ad Valorem Taxes	1,083	---	1,083	119,327
Sales Tax Remitted	16,044	---	16,044	289,844
Margin and Collateral Disbursed - Net	(16,232)	---	(16,232)	27,862
Miscellaneous Cash Disbursements	950	---	950	57,740
Total Cash Disbursements	<u>420,904</u>	<u>5,477</u>	<u>426,381</u>	<u>5,798,015</u>
Funds Balance End of Period	\$ <u>785,427</u>	\$ <u>402</u>	\$ <u>785,829</u>	\$ <u>785,829</u>

**Cash Position****April 2024**

Composition of Funds Balance	(\$000)		
	<u>District</u>	<u>Association</u>	<u>Total</u>
Cash and Cash Equivalents	\$ 479,247	\$ 402	\$ 479,649
Other Temporary Investments	146,980	---	146,980
Other Non-Current Investments	<u>159,200</u>	<u>---</u>	<u>159,200</u>
General Fund	<u>785,427</u>	<u>402</u>	<u>785,829</u>
Segregated Funds			
Electric System Debt Reserve Fund	80,611	---	80,611
Debt Service Fund	122,443	---	122,443
Rate Stabilization Fund	---	---	---
Nuclear Decommissioning Fund	642,173	---	642,173
Post-Retirement Benefits Fund	1,218,886	---	1,218,886
Construction Fund	15	---	15
RHCP Fund	12,390	---	12,390
HHCP Fund	8,533	---	8,533
SPRHCP Fund	3,565	---	3,565
Four Corners Mine Reclamation Trust	14,310	---	14,310
Other Special Funds	<u>1,736</u>	<u>---</u>	<u>1,736</u>
Total Segregated Funds	<u>\$ 2,104,662</u>	<u>\$ ---</u>	<u>\$ 2,104,662</u>

**Statement of Cash Received and Disbursed**

May 2024

(\$000)

	<u>District</u>	<u>Association</u>	<u>Total Month</u>	<u>Year-to-Date</u>
Funds Balance Beginning of Period	\$ 785,427	\$ 402	\$ 785,829	\$ 785,829
Cash Receipts:				
Electric Revenues	261,861	---	261,861	261,861
Water Revenues	---	1,125	1,125	1,125
Electric Customer Deposits	3,873	---	3,873	3,873
Reimbursement on Joint Ownership Projects	10,293	---	10,293	10,293
Construction Contributions and Advances	27,635	---	27,635	27,635
Proceeds from Bond Sales	---	---	---	---
Proceeds from Other Borrowings	---	---	---	---
Transfers from Segregated Funds	---	---	---	---
Sales Tax Collected	22,221	---	22,221	22,221
Other Cash Receipts	16,368	---	16,368	16,368
Total Cash Receipts	<u>342,251</u>	<u>1,125</u>	<u>343,376</u>	<u>343,376</u>
Fund Transfers - Net	<u>(5,987)</u>	<u>5,987</u>	<u>---</u>	<u>---</u>
Cash Disbursements:				
Purchased Power and Fuel	107,107	---	107,107	107,107
Operations and Maintenance	120,223	1,722	121,945	121,945
Employee Payroll and Payroll Taxes	78,087	4,624	82,711	82,711
Purchased Inventory	27,604	---	27,604	27,604
Cash Segregated for -				
Bond Interest	19,870	---	19,870	19,870
Bond Principal	9,898	---	9,898	9,898
Other Debt - Principal Repayment	---	---	---	---
Other Debt - Interest Expense	1,171	---	1,171	1,171
Capital Expenditures	165,477	---	165,477	165,477
Advances on Joint Ownership Projects	---	---	---	---
Transfers to Segregated Funds	---	---	---	---
In Lieu and Ad Valorem Taxes	60,006	---	60,006	60,006
Sales Tax Remitted	17,626	---	17,626	17,626
Margin and Collateral Disbursed - Net	1,262	---	1,262	1,262
Miscellaneous Cash Disbursements	945	---	945	945
Total Cash Disbursements	<u>609,276</u>	<u>6,346</u>	<u>615,622</u>	<u>615,622</u>
Funds Balance End of Period	<u>\$ 512,415</u>	<u>\$ 1,168</u>	<u>\$ 513,583</u>	<u>\$ 513,583</u>

**Cash Position****May 2024**

Composition of Funds Balance	(\$000)		
	<u>District</u>	<u>Association</u>	<u>Total</u>
Cash and Cash Equivalents	\$ 206,235	\$ 1,168	\$ 207,403
Other Temporary Investments	159,480	---	159,480
Other Non-Current Investments	<u>146,700</u>	<u>---</u>	<u>146,700</u>
General Fund	<u>512,415</u>	<u>1,168</u>	<u>513,583</u>
Segregated Funds			
Electric System Debt Reserve Fund	80,611	---	80,611
Debt Service Fund	152,212	---	152,212
Rate Stabilization Fund	---	---	---
Nuclear Decommissioning Fund	642,173	---	642,173
Post-Retirement Benefits Fund	1,218,886	---	1,218,886
Construction Fund	15	---	15
RHCP Fund	12,390	---	12,390
HHCP Fund	8,533	---	8,533
SPRHCP Fund	3,565	---	3,565
Four Corners Mine Reclamation Trust	14,310	---	14,310
Other Special Funds	<u>1,737</u>	<u>---</u>	<u>1,737</u>
Total Segregated Funds	<u>\$ 2,134,432</u>	<u>\$ ---</u>	<u>\$ 2,134,432</u>

SALT RIVER VALLEY WATER USERS' ASSOCIATION

STATEMENT OF CASH RECEIVED AND DISBURSED

Final For Fiscal Quarter Ended April 30, 2024

(In Thousands)

Funds Balance at January 31, 2024	\$ 1,033
Cash Received:	
Water revenues	\$ 7,764
Other cash receipts	\$ -
	<u> </u>
Total cash received	\$ 7,764
Operating Funds from SRPAI&PD - Net	\$ 12,123
	<u> </u>
Total Funds Received	\$ 19,887
	<u> </u>
Cash Disbursed:	
Operating and maintenance expense	\$ 10,788
Construction in progress	\$ -
Net paychecks and deductions paid to others	\$ 9,730
Other	\$ -
	<u> </u>
Total Cash Disbursed	\$ 20,518
	<u> </u>
FINAL	
Funds Balance at April 30, 2024	\$ 402
	<u> </u>



Jason I Riggs
Assistant Corporate Treasurer

May 31, 2024

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

Dear Sir or Madam:

The Board of Directors of Salt River Project (SRP) has requested project scope and team staffing information to support my original submission to the Board of a Summary of Qualifications with respect to review of management's upcoming rate proposal. I provide that information in the attachment to this letter.

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

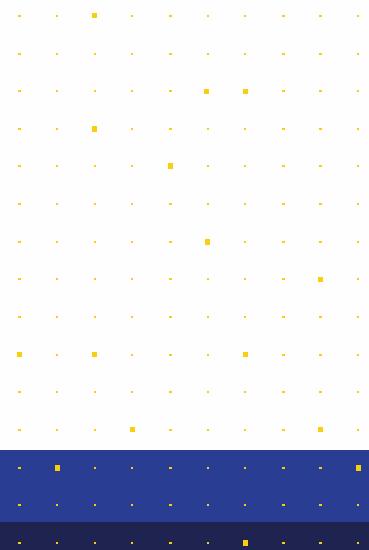
Email: brchapman@caenergy.com

Telephone: 608.216.7147

Sincerely,



Bruce R. Chapman



**Project Scope and Staffing by
Bruce Chapman and Christensen Associates Energy Consulting
Regarding a Review of SRP Management's Upcoming Pricing Proposal**

Anticipated Project Scope

Christensen Associates Energy Consulting understands that the Board seeks an individual, supported by a project team as needed, to conduct an analysis of SRP management's price process leading to recommended rate structure and price level changes. The recommended changes must conform to SRP's general rate design principles that include:

- Revenue sufficiency
- Cost basis
- Fairness/Equity to all parties
- Gradualism of rate change (as might be represented by average bill change by class and distribution of percentage changes within class)
- Customer pricing product choice.

SRP may well have other specific objectives pertaining to the current rate review, including support for renewable generation development at customer sites and efficient electrification.

Our role in the review, subject to the Board's instruction, will cover examination of management's cost-of-service (COS) study and related documentation and the changes in unit costs that underpin pricing of existing rates. This will include marginal costing analysis along with traditional review of embedded costs. We will also review the process by which class revenue requirements as determined by the COS study will be translated into pricing for each rate design. Additionally, we will review any rate revision proposals, or proposals for new designs to meet emerging pricing needs.

We will provide the results of our findings for all these topics in an objective report to the Board, bearing in mind costing and pricing principles and our knowledge of industry practice. During the review process we will inquire regularly with management regarding costing and pricing details and decisions in order to ensure proper understanding of the rate designs and prices chosen for submission to the Board. Following delivery of our report, we will respond to the Board's questions and appear as required at Board meetings. Our work on SRP's recent Buy-Through rate design illustrates our approach.

Anticipated Project Staffing

As previously stated, Mr. Bruce Chapman will lead the project, directing all aspects of the review and serving as the lead contact with the Board. He will also maintain contact with the management team during the course of the review.

We anticipate that the project will involve both qualitative review of methods and some degree of technical analysis (such as review of Excel spreadsheets containing COS and rate design models). This does not mean that the assignment is expected to include audits of models, although the Board can request this extra detail. Instead, we expect that the review

will involve examination of core elements of COS methodology, review of allocator choices, and cost classification methods. Similarly, we will review rate design models for their connection to revenue requirements and their pricing choices to achieve design objectives.

CA Energy Consulting expects to provide experts on our team regarding COS methodology and aspects of rate design. We offer an illustrative list of possible team member roles below. Actual work and staff assignments will depend upon the actual analysis tasks that arise. Biographical sketches of the team members appear at the end of this attachment.

- Review of COS model and methods
 - Mr. Bruce Chapman
 - Dr. Sherry Wang
 - Dr. Michael Clark (marginal costs)
 - Mr. Michael Vigdor

- Review of Rate Design modeling and results
 - Mr. Bruce Chapman
 - Dr. Michael Clark
 - Mr. Andis Romanovs-Malovrh

- Review of rate structure changes and new rate designs
 - Mr. Bruce Chapman
 - Dr. Daniel Hansen
 - Dr. Michael Clark

In brief, CA Energy Consulting will provide the SRP Board with a project team tailored to the needs of the review as defined by the finalized project scope.

Expected Timeline

Based on information conveyed to us, SRP would like to have the review conducted beginning in June and concluding in the fall to support review and approval of the pricing plan by the Board by the end of the calendar year. This suggests a review that would produce a draft report in mid- to late August, with a final report following Board review toward the end of September. This timeline is conjectural and depends partly on the pace at which management produces the models and documentation needed for the review. We will tailor the project scope to the Board's timetable.

Biographical Sketches of Available Staff

Project Manager

Bruce R. Chapman, MA (University of Wisconsin–Madison) is a Vice President. He assists clients in the electricity and natural gas industries to improve their costing and pricing capabilities. Mr. Chapman advises clients in such areas of expertise as: COS analysis and rate design based upon established regulatory and market-based principles; innovative rate design including demand response products, renewables pricing, fixed billing, and other market-based retail pricing products; load forecasting and load research analysis. Mr. Chapman supervises and conducts analysis of costing and pricing issues for utilities, regulators, customers, and other industry stakeholders. Additionally, he has supervised the development of software required for the implementation and support of innovative retail products. Examples include cost-of service and rate design models to support rate applications, and models to predict customer tariff choice and price response. Mr. Chapman regularly presents costing and pricing issues and concepts at industry conferences and workshops.

Senior Staff Members – Vice Presidents

Michael Ty Clark, PhD (Florida State University) is a Vice President. Dr. Clark specializes in energy, antitrust, and applied econometrics. Dr. Clark's energy experience encompasses the measurement and evaluation of residential, commercial, and industrial energy programs including demand response programs (e.g., critical peak pricing), time-of-use rates, real-time pricing, net energy metering, and electric vehicle rates. He has also evaluated multiple utility pilot programs that use residential smart thermostats to facilitate energy conservation and demand response. He has provided analysis and testimony regarding load forecasting, marginal cost of service, and rate design issues including time-of-use and revenue decoupling. Dr. Clark's antitrust experience includes class action lawsuits concerning price fixing and price discrimination matters; covering industries such as animation, broilers, electrical components, wholesale and retail gasoline, and airlines. His research has been published in *Journal of Private Enterprise*.

Nick Crowley, MS (University of Wisconsin–Madison) is a Vice President. He assists electric utilities in measuring cost of capital and preparing COS studies for rate cases. He has calculated total factor productivity measures for the electricity sector and developed indexes for use in performance-based ratemaking. For electric utilities, Mr. Crowley has participated in the development of cost benchmarks for power systems and participated in marginal cost estimation and the development of marginal cost models. He has assisted in the measurement of price response by customers participating in leading demand response programs. Mr. Crowley's reports have been filed before regulatory authorities. Previous to joining Christensen Associates Energy Consulting, Mr. Crowley worked at the Federal Energy Regulatory Commission, where he assisted with energy industry benchmarking and the review and evaluation of natural gas pipeline rate cases. Mr. Crowley is proficient in Stata and Excel, in addition to other software packages used in quantitative analysis.

Daniel G. Hansen, PhD (Michigan State University) is the Managing Director, Energy Practice, and a Vice President. Dr. Hansen has worked in a variety of areas related to retail and wholesale pricing in electricity and natural gas markets. He has used statistical models to forecast customer usage, estimate customer load response to changing prices, and estimate customer preferences for product attributes. He has developed and priced new product options; evaluated existing pricing programs; evaluated the risks associated with individual products and product portfolios; and developed COS studies. Dr. Hansen has conducted evaluations and provided testimony

regarding revenue decoupling and weather adjustment mechanisms. His research has been published in *Industrial and Labor Relations Review*, the *Journal of Labor Economics*, and *The Electricity Journal*.

Staff Members Available to Support Technical Analysis

Xueting (Sherry) Wang, PhD (Columbia University) is an Economist. She has training in applied econometrics, economic model development, and analysis of large datasets with applications in the electricity industry. She has estimated load impacts for residential air conditioner cycling and critical-peak pricing programs and has worked extensively with customer billing data. Dr. Wang has experience in rate class determination and experience in building rate design models and conducting bill impact analysis. Her doctoral research focused on energy and environmental economics. Specifically, she developed and estimated a model of consumer product choice in retail electricity markets using a large consumer-level dataset, estimated the competitive effect of wind power using firm-level energy offer curves, and estimated the effect of transmission expansion on electricity market dispatch using wholesale market transmission limit and price data. Her background includes economic and statistical work in Stata, R, Matlab, Excel, ENVI, and ArcGIS.

Michael Vigdor, MS (University of Wisconsin–Madison) is a Staff Economist. He conducts econometric analysis of customer price response to residential and non-residential demand response programs, undertakes short- and long-term load forecasting, and participates in wholesale and retail rate design projects. He has also undertaken extensions of load forecasting that involve forecasting electric vehicle market penetration. More generally, he contributes to the firm's energy data management and econometric analyses in support of a variety of regulated utility assignments. Mr. Vigdor has also provided expert witness support in anti-trust litigation cases in which he used trend-based analysis to assess alleged supply restrictions. His background includes economic and statistical work in Stata, R, and Excel.

Andis Romanovs-Malovrh, MA (Riga Technical University) is a Staff Economist. His work includes analyzing customer response to dynamic and time-varying electricity rates and air conditioning load control programs. Andis has also provided support in performance-based regulation projects by extracting and processing utility factor productivity data. He previously worked for Ernst and Young as a Transfer Pricing Consultant engaged primarily in cross-border international taxation projects. Andis has experience using Python, Stata, and Excel to perform data and statistical analysis.

May 28, 2024

Corporate Secretary
Board of Directors of Salt River Project ("SRP")
1500 N. Mill Ave. Tempe, AZ 85281

RE: Board of Director's Pricing Proposal Review and Assessment

Dear Corporate Secretary:

Concentric Energy Advisors ("Concentric") understands that the SRP Board of Director's requires an independent review and assessment ("Assessment") of the SRP Management's upcoming pricing proposal. This Assessment will evaluate the appropriateness and reasonableness of each aspect of SRP management's proposal, including the methodology and calculation of the revenue requirement, cost of service study and resulting rate design. In particular, the Assessment will determine if management has demonstrated a sufficient need for the overall proposed rate increase and if the proposed price adjustments are consistent with the SRP Board's pricing objectives.

Concentric is extremely well-positioned to provide this Assessment, given that Concentric's core service offering is ratemaking on behalf of North American power, natural gas and water utilities. In preparation for this engagement, Concentric has established a project team that has broad and extensive utility regulatory and financial experience, with team members having extensive experience performing and serving as testifying experts on each study within the management pricing proposal. The team members are also regularly engaged by clients to address the key issues facing electric utilities today, including cost and rate issues arising from growth in distributed energy resources (e.g., renewables and storage) and the rapid increase in load arising from datacenters.

Concentric is prepared to complete the Assessment scope of work as provided by SRP. Attached to this letter is a document that provides a description of:

- Core Project Team Experience, Roles & Responsibilities
- Selected Relevant Project Experience
- Project Initial Budget

The Concentric team has also set aside the designated Board meeting dates as provided by SRP. Concentric looks forward to working with SRP Management and the Board on this important engagement.

Sincerely,



Michael P. Kagan
Senior Vice President
617.212.7494
mkagan@ceadvisors.com



Board of Directors Pricing Review and Assessment Core Project Team, Selected Experience & Initial Budget

Prepared for: Salt River Project Board of Directors

May 28, 2024

Core Team Experience, Roles & Responsibilities

Overview

- The project team has broad and extensive regulatory and financial experience including performing each study required to support a rate case application for power, natural gas and water utilities across both investor-owned and municipal utilities.
- These rate case studies include revenue requirement, allocated cost of service, rate design, cash-working capital, and cost of capital.
- The team has also provided rate case strategy and a wide range of special topics in support of rate case filings including load forecasting, weather normalization, benchmarking, electrification program design, cost effectiveness, rate consolidation, value of solar, innovative rate design and prudency reviews.
- The team’s work product has been provided in written and oral expert testimony and opinions in regulatory proceedings across North America in the form of direct, rebuttal and surrebuttal testimony, and as part of settlement discussions and through Commission-established working groups.
- The team’s background is a blend of regulatory and financial consulting and roles within utilities.

Project Roles and Responsibilities				
				
Overall Project Deliverables/ Pricing Strategy	Revenue Reqmt.	Cost Allocation & Rate Design	Cost Recovery & Innovative Rate Design	Project Modeling & Project Mgmt.
Responsible Officer	Subject Matter Experts			Lead Modeler /Project Manager

Project Roles & Responsibilities

- Mr. Michael Kagan will act as the responsible officer ensuring overall success for the project including analysis, the written report and other communications.
- Mr. Dane Dan, Mr. Bickey Rimal and Mr. Steve Wishart will lead work streams aligned with their specific areas of expertise.
- Mr. Patrick Goschke will lead project analysis and act as the project manager.

Selected Relevant Project Experience

The following list of projects represent selected recent work product relevant to completing an assessment of SRP management's pricing proposal

Service Type	Client	Jurisd.	Description
Complete Rate Case Preparation	Avangrid	CT	Prepared all aspects of the Company's United Illuminating rate case including preparing detailed filing schedules and work papers for Revenue Requirements, Depreciation, Cash Working Capital, Allocated Cost of Service, and Rate Design . Filed expert testimony responded to intervenor data requests and provided strategic management advice during the brief, reply brief, and written exceptions portion of the rate case proceeding.
Allocated Cost of Service	New Mexico Gas	NM	Prepare a Fully Allocated Cost of Service Study (FACOSS) in which all costs of service were functionalize, classified, and allocated to each customer class utilizing a fully functional model. Prepared testimony and exhibits supporting the FACOSS including description of inputs, results and addressing policy issues. Responded to discovery requests.
Rate Case Strategy	Washington Gas Light	DC, MD, VA	Assisted client address a variety of regulatory tasks related to rate case strategy, assessment of multiyear rate plans, climate policy, low-income program design, interruptible customer rates, renewable natural gas, and capitalization of information technology expenses.
Rate Design Strategy	Ameren	IL	Developed a short-term and long-term rate and tariff strategy and associated roadmap. This strategy considered decarbonization-related activities required under Illinois law, external stakeholder perspectives, comparable utility solutions, and customer preferences. The strategy specifically addressed internal and external objectives including impact of improvements in load factor and distribution demand utilization resulting from time-of-use rates, equity and cost causation of fixed charge increases, and affordability.
Load Growth Rate Design	Confid.	Confid.	Assisted the client develop a prospective strategy to manage data center load growth including rate design, identification of the incremental cost of service for these facilities in comparison to the incremental revenue and the potential for cross-subsidization among customer groups based on ratemaking treatment.
Rate Case Strategy	Confid.	AZ	Developed recommendations regarding alternative means for client to reduce regulatory lag and improve cost recovery through rate design or other rate mechanisms.
Rate Case Policy Matters	Xcel	CO	Developed Company-sponsored testimony to support numerous objectives including special contracts to attract economic development load, electrification of heating load, demand-side management incentives based on carbon reductions, commercial electric vehicle rates based on analysis of electric vehicle load data and system costs impacts and critical peak pricing targeting load reduction during the top 40-60 peak hours of the year.
Rate Case	El Paso Elec.	NM, TX	Prepared rate case studies including lead-lag and cost of capital for client.
ACOSS, Rate Consolidation	EPCOR USA	AZ	Conducted several rate case studies and provide written and oral testimony including weather normalization, allocated cost of service . Designed rates for eleven water districts and various combinations of the districts in support of a consolidation proposal.



Review of SRP Electric Pricing Study – Technical Proposal

Prepared for Salt River Project
May 29, 2024

Bringing Ingenuity to Life.
paconsulting.com

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Reference: P083478

Version: 1

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Introduction

PA Consulting Group, Inc. (PA) appreciates the invitation from the Salt River Project's Board of Directors ("SRP" or "Company") to present how we can assist SRP in providing an independent review of Management's pricing plan. PA has a history of advising and developing studies to support investor-owned utilities, public utilities, and regulators on the building blocks of pricing including load forecasts, energy prices, embedded and marginal cost-of-service, and rate design. Our team has decades of experience and not only understand the commonly used principles in the industry but also are cognizant that there is rarely a single correct method, the importance of rate stability, and the challenges of determining what is "equitable".

We will conduct the required review and analyses with commitment to high quality, unbiased analysis and performance on a timely basis. We understand the importance of working with the myriad of stakeholders, the need to balance competing concerns, ensuring the financial stability of SRP and embracing the public process.

Our relevant experience and skills include:

- We offer an experienced team of individuals with significant expertise in **ratemaking and engagement in public processes**,
- We are experienced as **expert witnesses in cost of service studies**, and
- **We have significant experience providing independent advice to a diverse set of interests.**



1 Highlights of Our Experience and Qualifications

We bring a range of technical and market disciplines from across the PA organization. Our team understands the complex interplay between fundamental rate design principals (e.g., Gradualism, Cost Relation, Equity) and the need for retail rate offerings that meet the utility’s operations and policy goals of promoting customer flexibility in power supply based on prices and economics that are fair to all customers. The members of the core project team collectively bring expertise that completely addresses the scope of work in the RFP. Rather than repeat the information provided in our last proposal and comply with the request for a short update, we provide some highlights of our project team and experience.

1.1 Highlights of Our Experience

As noted in our proposal to support the Buy-Through Studies, we have extensive experience working with a range of private and public utilities as well as regulators.

- We regularly develop sales forecasts for electric utilities including the impacts of behind the meter generation and electrification of transportation.
- We work with regulators to review filed rate cases, requests for advance determination of prudence for major capital expenditures, and advise on the need for new infrastructure.
- Subsequent to our prior proposal we have been engaged with multiple utilities and BODs to assist in developing long-term strategy to address the rapidly changing regulatory landscape in the energy industry.

1.2 Our Project Team Highlights

Our proposed team has specific and extensive experience in the relevant areas and has wide-ranging perspectives resulting from our long industry experience and utility rate advisory work across the United States. We have the requisite experience working on high profile public policy matters involving stakeholder groups with diverse interests. Our team had decades of experience;

- Jim Heidell, the Partner in Charge, has been developing cost of service studies and rate design since the 1990’s including serving as the Director of Puget Sound Energy’s Federal and State Regulatory Group.

- Andy Reger, our Assignment Manager, has extensive experience helping public utilities with load forecasting, cost of service and rate design, and other strategic issues associated with supporting customer power supply flexibility.
- Wayne Lafferty, a senior subject matter expert, will be advising the project and has been working with LADWP for years advising and performing studies on cost of service and rate design.
- Lauren Rothermich, a senior regulatory and rates expert, has a background working on issues of customer flexibility in power supply, cost-recovery, and Net Metering policy analysis.
- Leah Kunkel, a senior policy expert, has a background in analyzing competitive dynamics between incumbent utility power supply service and alternative options.
- Our senior team members will be supported by a team of consultants who both have relevant experience and will be conducting the detailed review of Management's models.



2 Our Understanding & Approach

Based upon the preliminary schedule provided, our understanding is that over a 75-day period the Board would like its consultant to meet with Management, review and validate the cost of service and rate design study, develop a draft report, incorporate appropriate Management comments, and deliver a final report. This is a relatively condensed schedule but consistent with reviews we have done for other clients and rate case testimony we have done on behalf of intervenors in rate cases. The public review process starts thereafter with public meetings in December and meetings with the Board starting in January and potentially extending into February of 2025.

Based upon our experience, we understand that there is not a single correct way to develop the embedded and marginal cost studies, the spread of the revenue requirement to the rate classes, and development of the rate design. Our assumption is that precedent will provide many guideposts in our determination of whether the approach and methodology is reasonable. However, our experience is that many electric utilities are facing new challenges that can come from many sources including:

- Customer demands for more opportunities to pursue flexibility in power supply ,
- Third parties seeking to have a greater role in developing utility-scale resources or front of the meter distributed generation,
- Requests to serve new large load loads from manufacturing and data centers,
- Transformation of the energy supply to meet decarbonization targets,
- Reinforcement of the grid to meet load growth and new patterns of usage,
- Replacement of aging infrastructure, and
- Financial pressures from rising interest rates.

Based upon these and potentially other forces, we believe that the initial meeting with the Board as well as multiple meetings with Management are essential to understand SRP's challenges and where departure from precedent may be appropriate and necessary. Consequentially, we recommend that if not already embedded in the intent in the provided scope of work, the review of SRP's financial plan also include a review of SRP's strategic plan. Depending on the results of the June 6th Board Work Study session and subsequent meetings with Management, it may be appropriate to have a second meeting with the Board in July before finalizing our recommendations.

Our approach follows the scope of work provided by SRP with the forementioned exception to explicitly have a task to clarify the strategic goals of SRP and specific challenges that the utility is facing that

potentially can drive the development of the marginal cost study, rate spread, and rate design. To reiterate our approach, our anticipated work incorporates the following elements.

- Review of strategic objectives and challenges facing SRP.
- Review of Management's approach and methodology provided in studies that Management has completed, or will shortly complete with regards to the forecast of rate year sales, cost of service, rate spread, and rate design.
- Meet with Management to discuss our initial review of the approach and methodology to determine whether there are any mutually agreeable adjustments that should be implemented.
- Once the final approach and methodology that Management wishes to pursue is established, PA will review the associated workpapers for accuracy.
- Prepare a review of the Fuel and Purchased Power Adjustment Mechanism.
- Develop a Preliminary Report.
- Meet with Management and receive comments on the Preliminary Report.
- Develop a Final Report.
- Support the public review process.
- Present the results to the Board potentially in multiple working sessions.

Note that PA recommends that the detailed review of the calculations should not be completed until after initial discussions with Management about the approach used. We believe this is the more efficient way to proceed in the event that Management decides they want to make any changes based upon PA's review of the methodology used to ultimately create the pricing proposal.



3 Our Commitment

PA has reviewed the proposed schedule and will commit the resources needed to meet the schedule. At the same time, we recognize the need for flexibility in the quickly evolving utility business landscape. We have an energy team of over 100 professionals in the United States and are prepared to modify the schedule as appropriate should priorities or needs change. We pride ourselves on our commitment to offering unbiased independent advice and look forward to the opportunity to work collaboratively with Management and support the SRP Board.



About PA.

We believe in the power of ingenuity to build a positive human future.

As strategies, technologies, and innovation collide, we create opportunity from complexity.

Our diverse teams of experts combine innovative thinking and breakthrough technologies to progress further, faster. Our clients adapt and transform, and together we achieve enduring results.

We are over 4,000 strategists, innovators, designers, consultants, digital experts, scientists, engineers, and technologists. And we have deep expertise in consumer and manufacturing, defense and security, energy and utilities, financial services, government and public services, health and life sciences, and transport.

Our teams operate globally from offices across the US, UK, Ireland, Nordics, and Netherlands.

PA. Bringing Ingenuity to Life.

Discover more at paconsulting.com and connect with PA on [LinkedIn](#) and [Twitter](#).

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Review of and Request to Approve the Engagement of a Board Pricing Consultant

John Tucker | June 20, 2024

FY25 Financial Outlook

Final timing subject to financial performance, market conditions, & third party preferences



FY 2025

Annual Year-End Financial Audit

ACC Filing & Review for Bond Authorization

Standard & Poor's (S&P) and Moody's Annual Reviews

Customer/Stakeholder Feedback on Outlook, Goals & Customer Offerings

Bond Issuance: New Money & Possible Refinancing

Fuel and Purchased Power Adjustment Mechanism (FPPAM) Process

Financial Plan 26 and Fiscal Year 26 Budget Process

Price Process

Board Interviewed Consultants for Buy-Through Program

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

Board Selected Consultant on April 6, 2023

- Christensen Associates Energy Consulting – Bruce Chapman

Board Requested and Received Updates from Top 3 Consultants in June 2024

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
- Established relationship w/ SRP Board
- Familiar w/ SRP's growth projections, pricing plans, pricing principles, accounting methods and SRP systems

Concentric Energy Advisors – Background

- 5 team members, led by Michael Kagan
- Strong communication skills in regulatory and public testimony, public stakeholder engagement, conference panels and speaking engagements
- Strong experience on revenue requirements, cost-of-service studies, rate design, and adjustment mechanisms
- Strong experience with industry issues in risk management, market analysis, wholesale rate analysis, and resource planning
- Notable clients include APS, TEP, EPCOR Water, Arizona Energy Policy Group, and Northern Indiana Public Service Company

PA Consulting Group Inc. – Background

- 5 team members, led by Jim Heidell
- Extensive experience in cost-of-service studies, rate design, load forecasting, and cost recovery
- Strong communication skills and teaching capabilities
- Strong experience with industry issues (Wholesale markets, DER, NEM, 3-part rates)
- Notable clients include SRP, PG&E, SDG&E, LIPA, Xcel, APS, Eversource, CPUC, LADWP
- Significant media experience

Request Finance & Budget Committee Action

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



Monthly Financial Report

April 2024

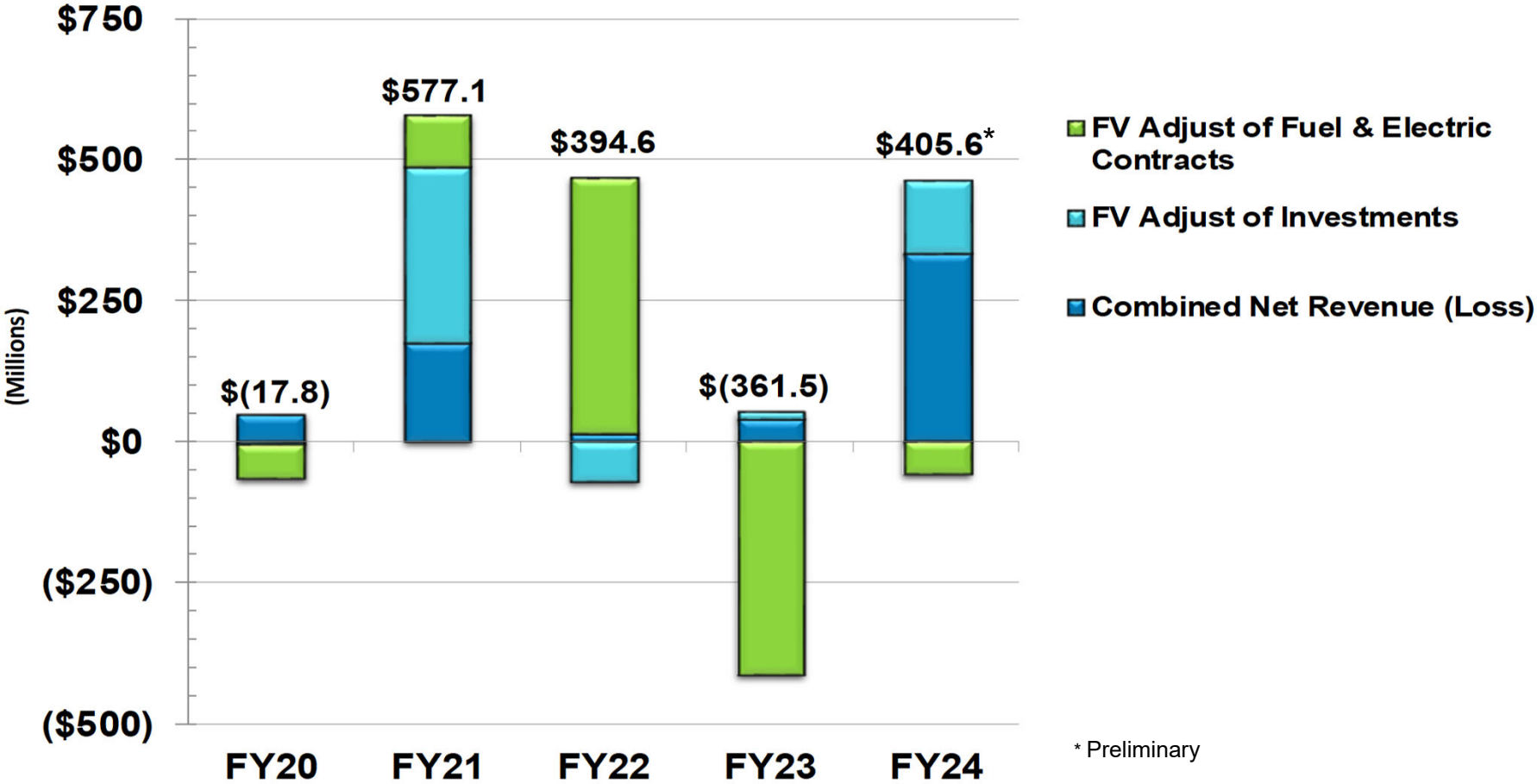
Finance & Budget Committee Meeting
Sue Ann Perkinson | June 20, 2024

Preliminary FY24 Combined Net Revenues (CNR) (\$ millions)

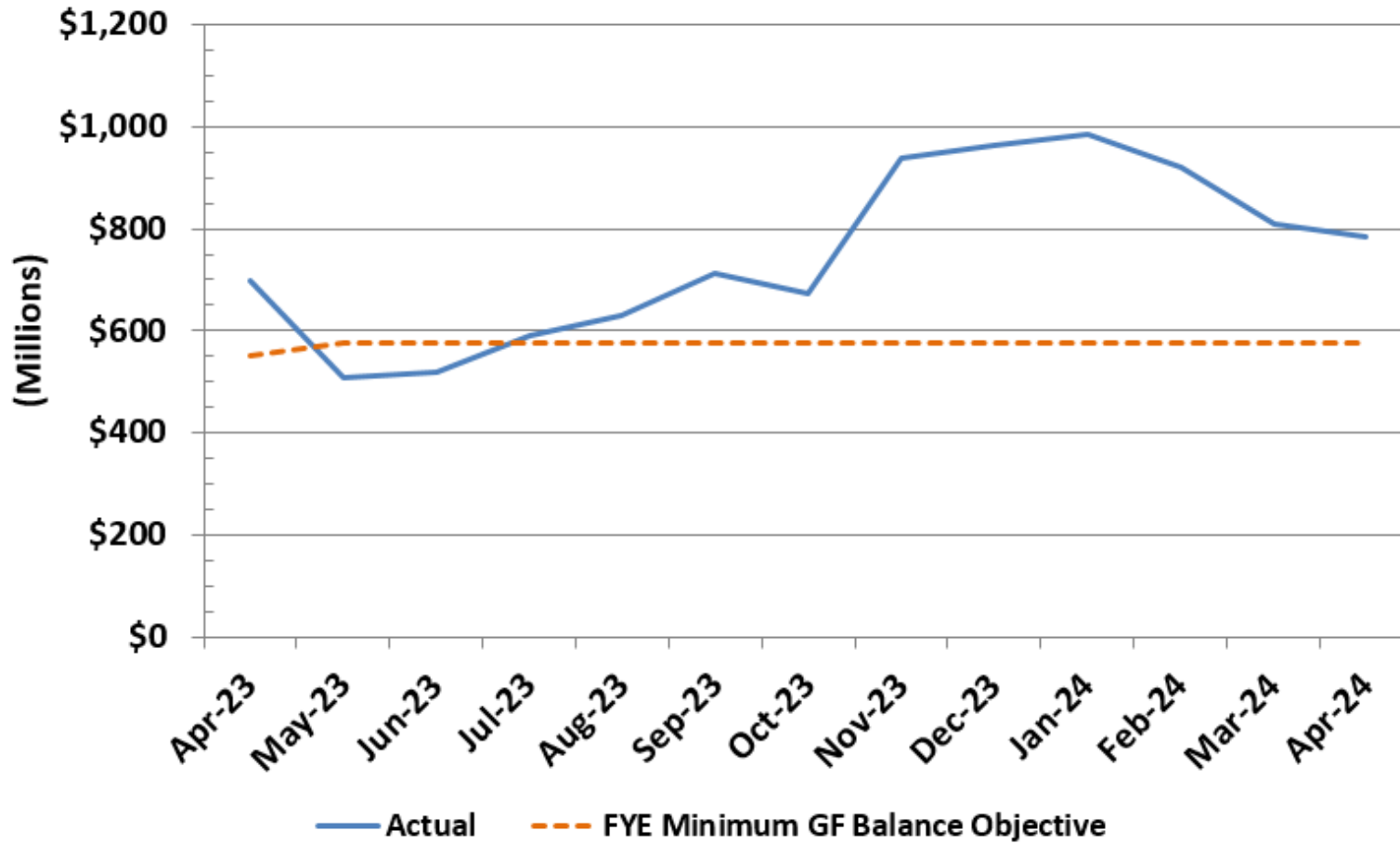
	\$ in Millions
Preliminary CNR before EPIC accrual & audit adjustments	\$361.7
Year-end/Audit adjustments	<u>???</u>
CNR after audit adjustments	\$361.7
EPIC accrual (a)	<u>(\$29.8)</u>
CNR before FMV	\$331.9
Fair Market Value (FMV) adjustment	<u>\$73.7</u>
Final audited CNR	\$405.6

(a) Subject to final combined audit results and Corporate Audit Services review

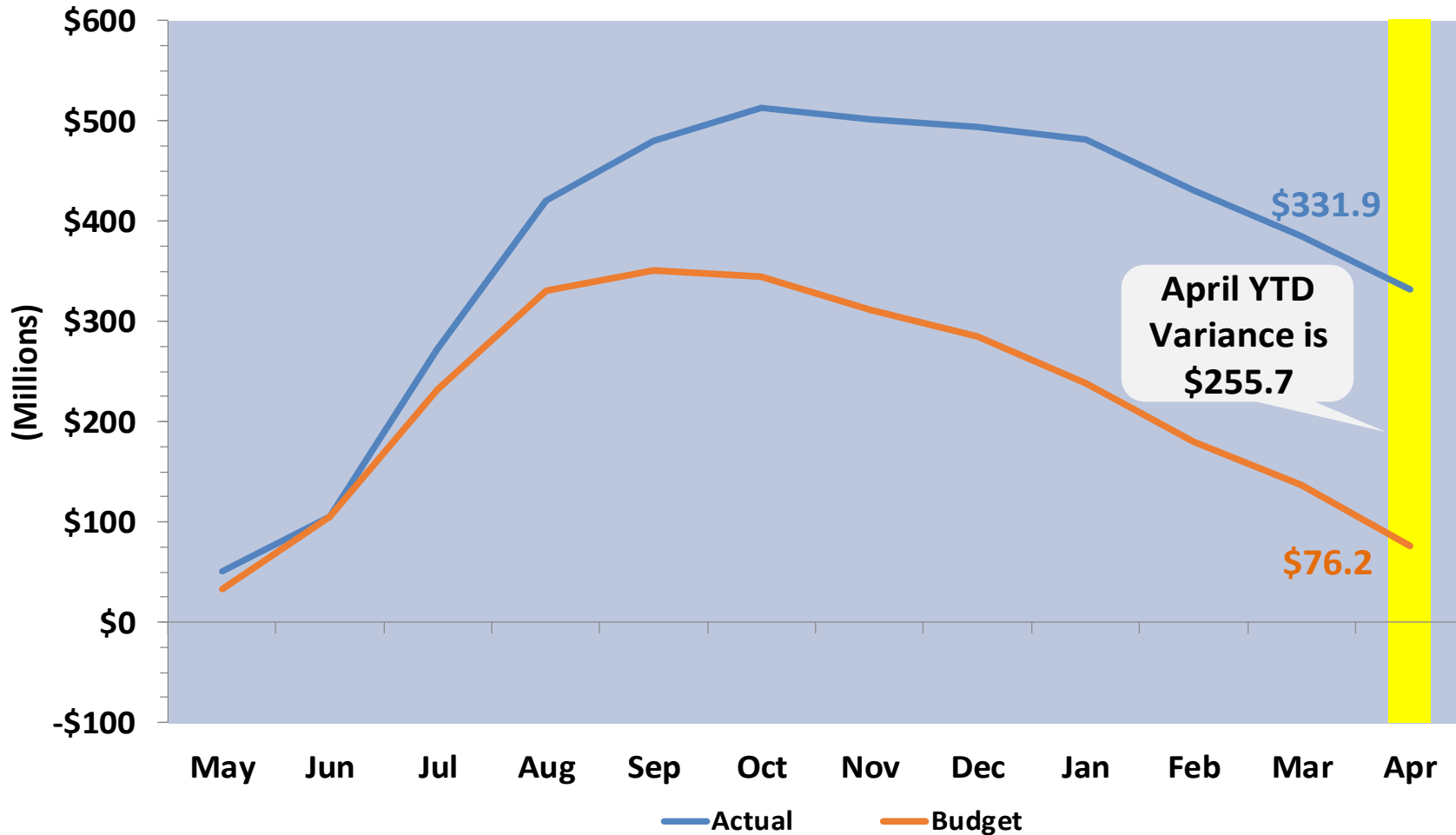
CNR with Fair Value Adjustments - YTD April 2024



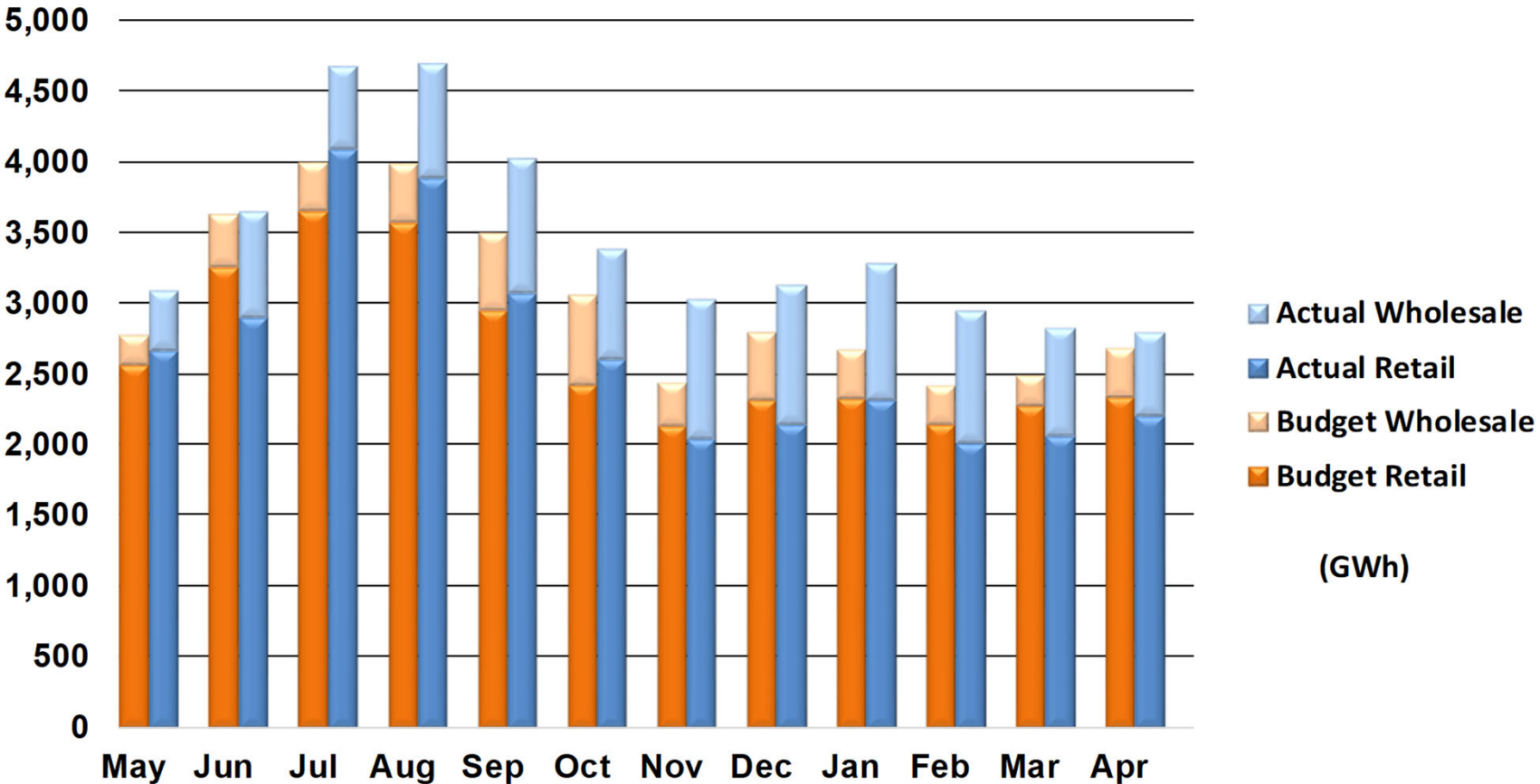
General Fund Balance



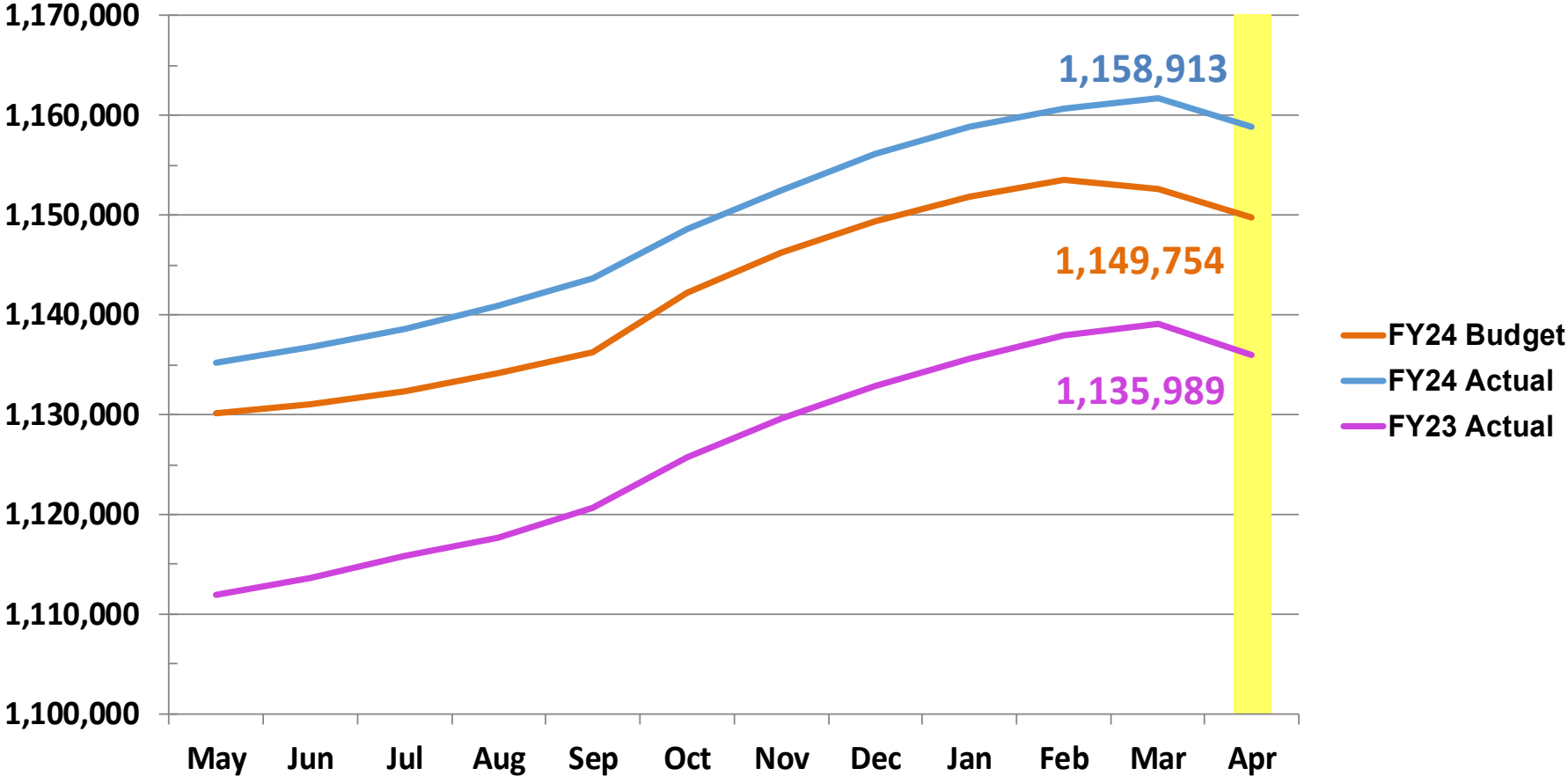
Preliminary YTD Combined Net Revenue



System Sales



Customer Accounts



Financial Summary – Preliminary YTD April 2024

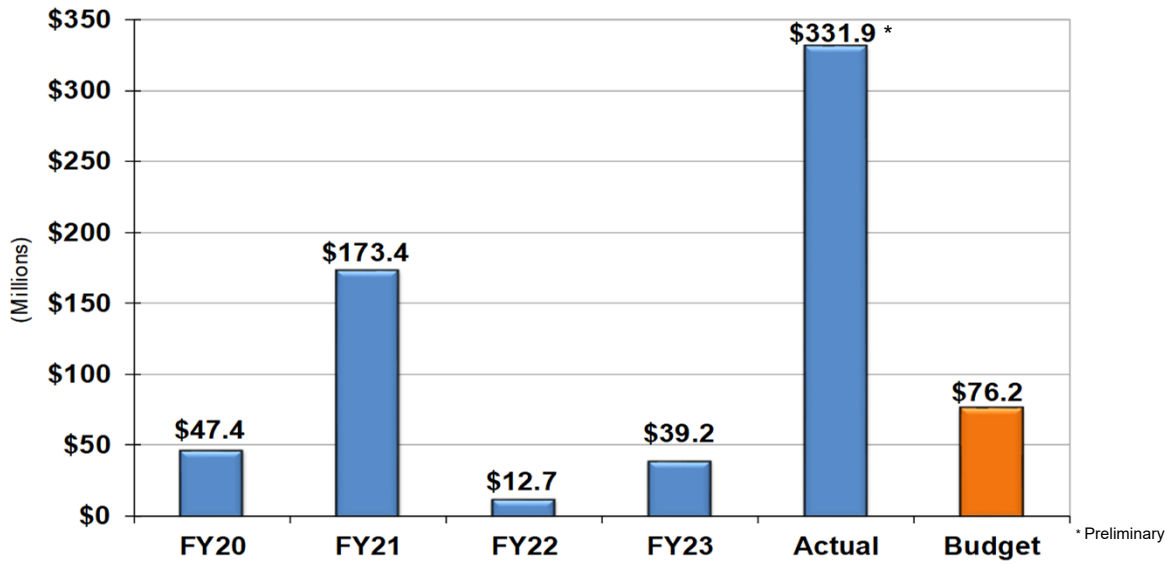
(Thousands)	<u>Actual</u>	<u>Budget</u>	<u>Variance</u>
Operating Revenues	\$4,135,548	\$3,896,658	\$ 238,890
Operating Expenses			
Fuel	1,597,838	1,580,196	17,642
O&M	1,365,854	1,373,433	(7,579)
Depr & Tax	771,255	780,832	(9,577)
Total Operating Expenses	<u>3,734,947</u>	<u>3,734,461</u>	<u>486</u>
Net Financing Costs	162,378	159,427	2,951
Other, Net	93,641	73,431	20,210
Combined Net Revenues	<u>\$ 331,864</u>	<u>\$ 76,201</u>	<u>\$ 255,663</u>

Key Financial Indicators – Preliminary YTD April 2024

(Thousands)	<u>Actual</u>	<u>Budget</u>	<u>Variance</u>
Capital Expenditures	\$ 1,526,210	\$ 1,430,791	\$ 95,419
Funds Available	\$ 796,742	\$ 507,865	\$ 288,877
Debt Service Coverage	3.80	3.03	0.77



CNR without Fair Value Adjustments - YTD April 2024

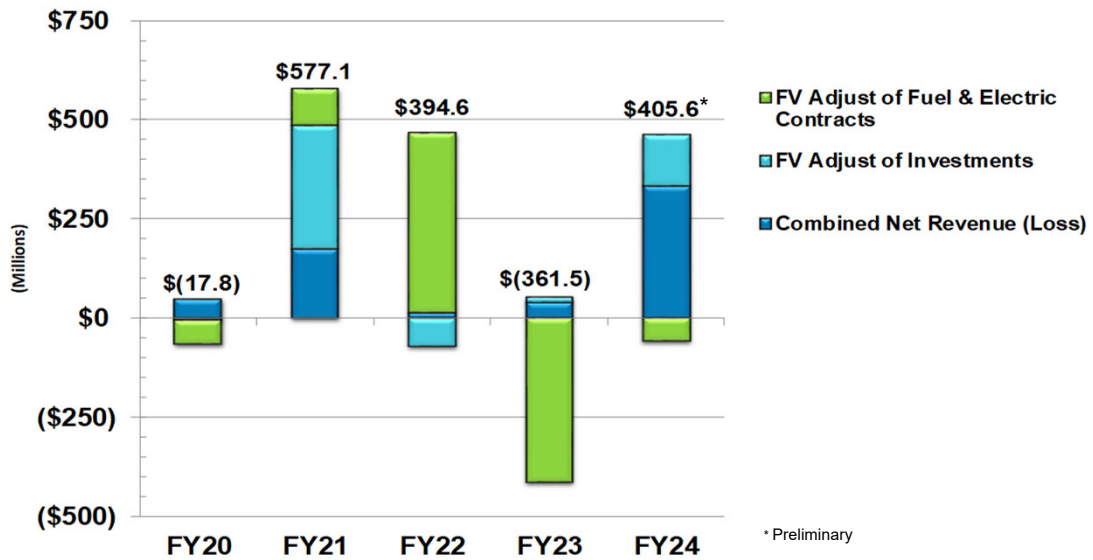


06/20/2024 Finance & Budget Committee Meeting, S.A. Perkinson

(Non-GAAP, Unaudited) 1

1

CNR with Fair Value Adjustments - YTD April 2024

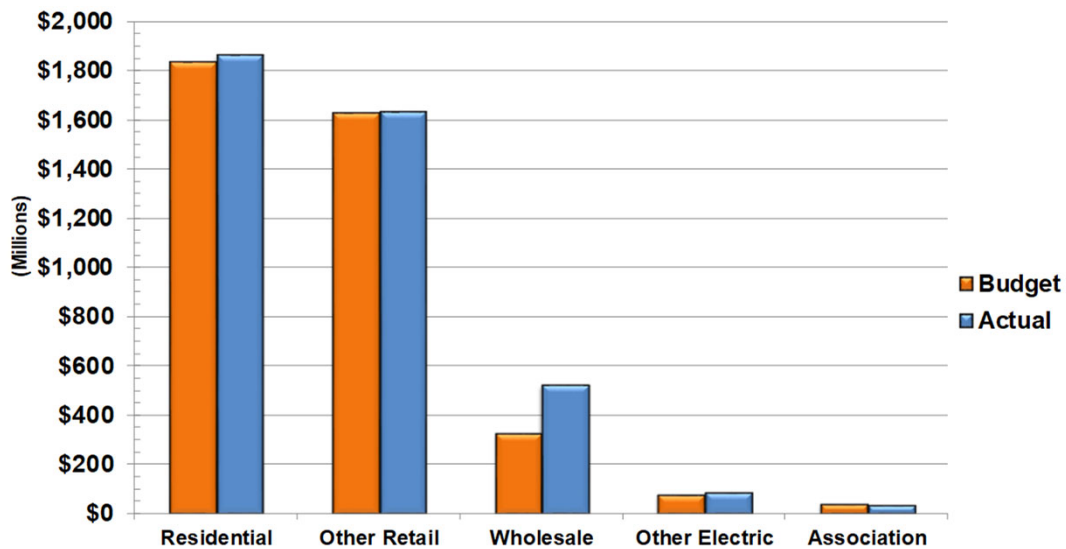


06/20/2024 Finance & Budget Committee Meeting, S.A. Perkinson

(Non-GAAP, Unaudited) 2

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Combined Operating Revenues - Preliminary YTD April

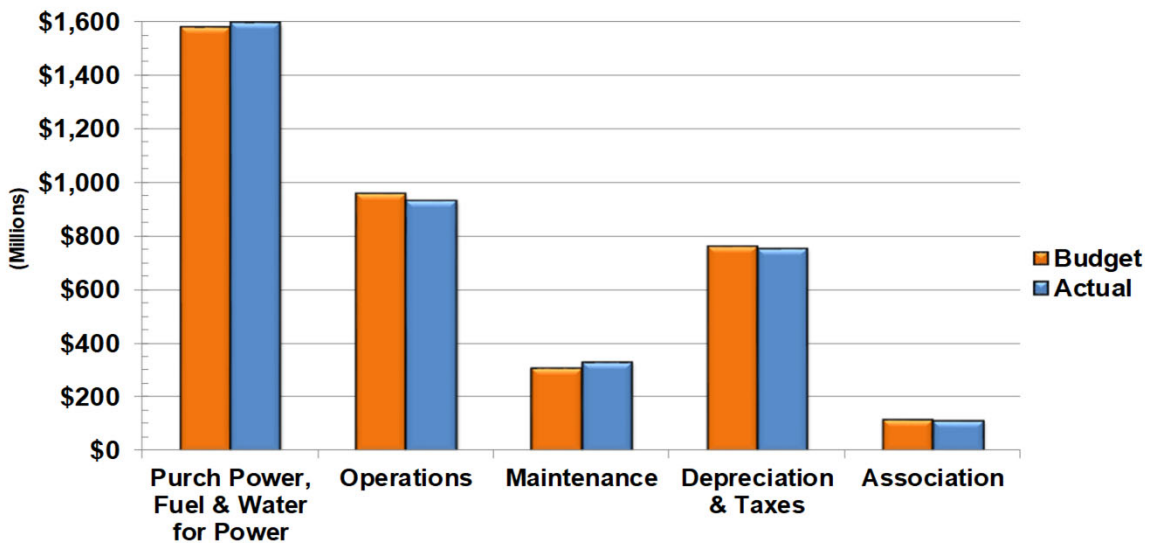


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(Non-GAAP, Unaudited) 3

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Combined Expenses - Preliminary YTD April 2024

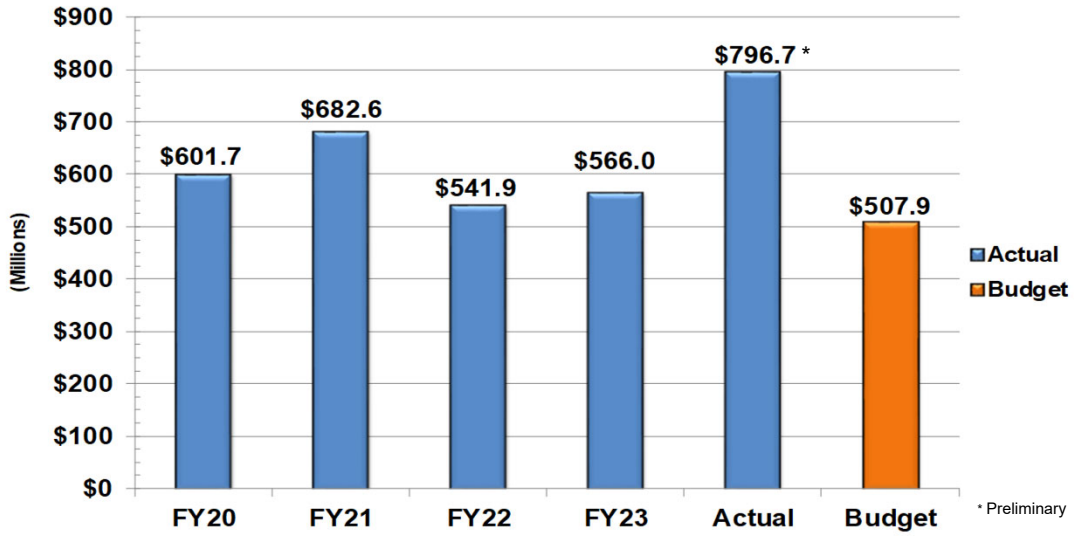


06/20/2024 Finance & Budget Committee Meeting, S.A. Perkinson

(Non-GAAP, Unaudited) 4

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Funds Available - YTD April 2024

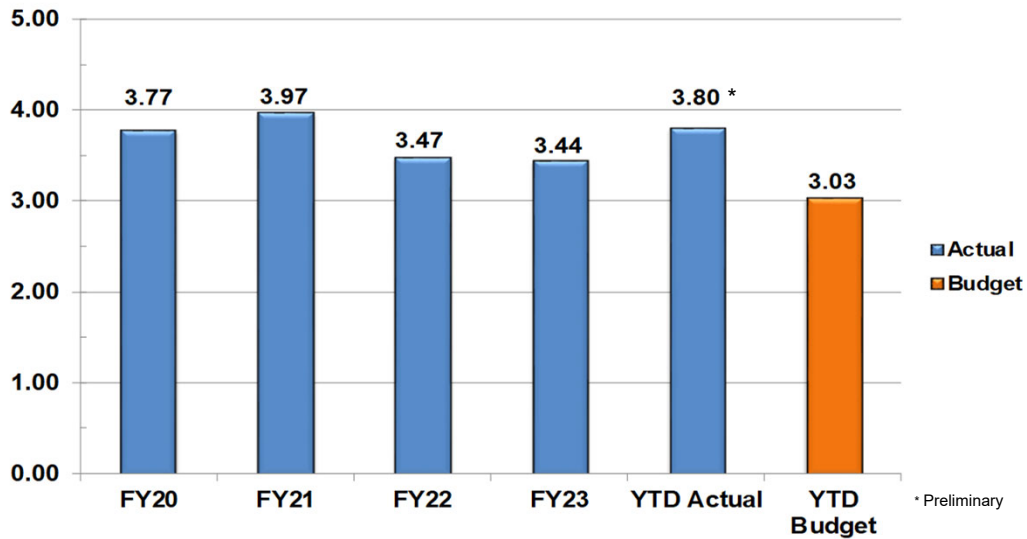


06/20/2024 Finance & Budget Committee Meeting, S.A. Perkinson

(Non-GAAP, Unaudited) 5

5

Debt Service Coverage - YTD April 2024



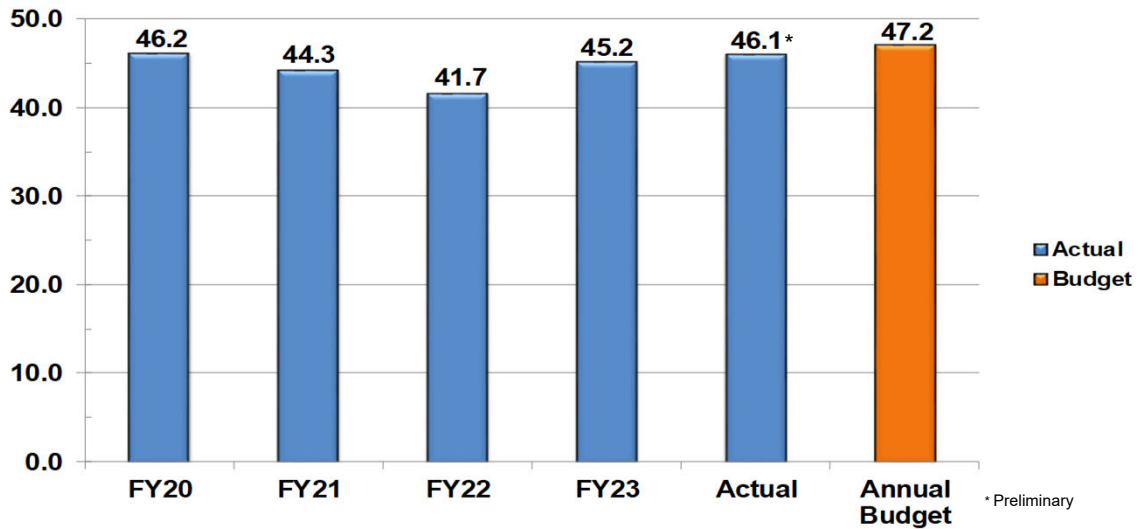
Note: Debt Service Coverage Ratio on Total Debt

06/20/2024 Finance & Budget Committee Meeting, S.A. Perkinson

(Non-GAAP, Unaudited) 6

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Debt Ratio - YTD April 2024



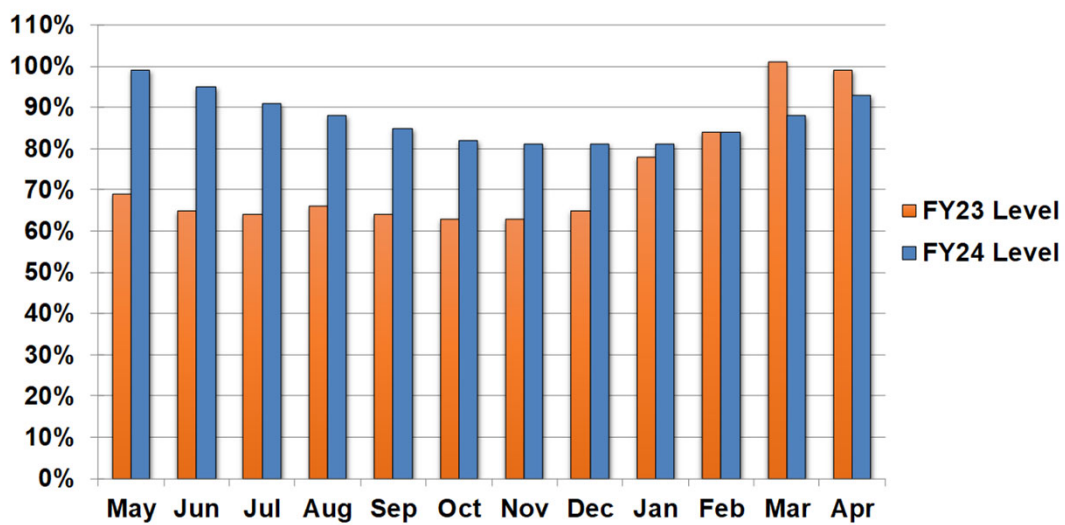
Note: Prior Years and Budget are Fiscal Year-End Ratios

06/20/2024 Finance & Budget Committee Meeting, S.A. Perkinson

(Non-GAAP, Unaudited) 7

7

Water Storage Levels

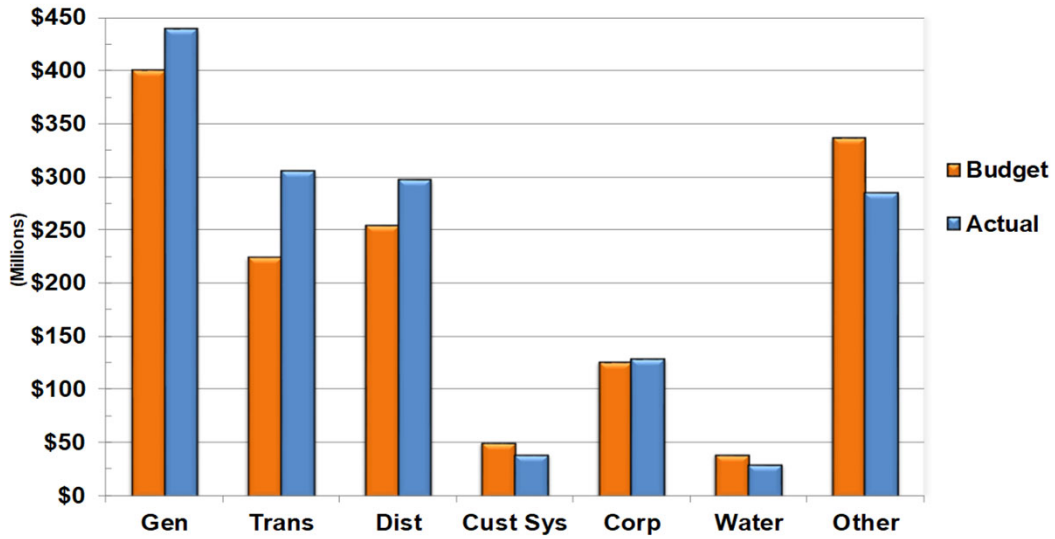


06/20/2024 Finance & Budget Committee Meeting, S.A. Perkinson

(Non-GAAP, Unaudited) 8

8

Capital Expenditures - Preliminary YTD April 2024



06/20/2024 Finance & Budget Committee Meeting, S.A. Perkinson

(Non-GAAP, Unaudited) 9