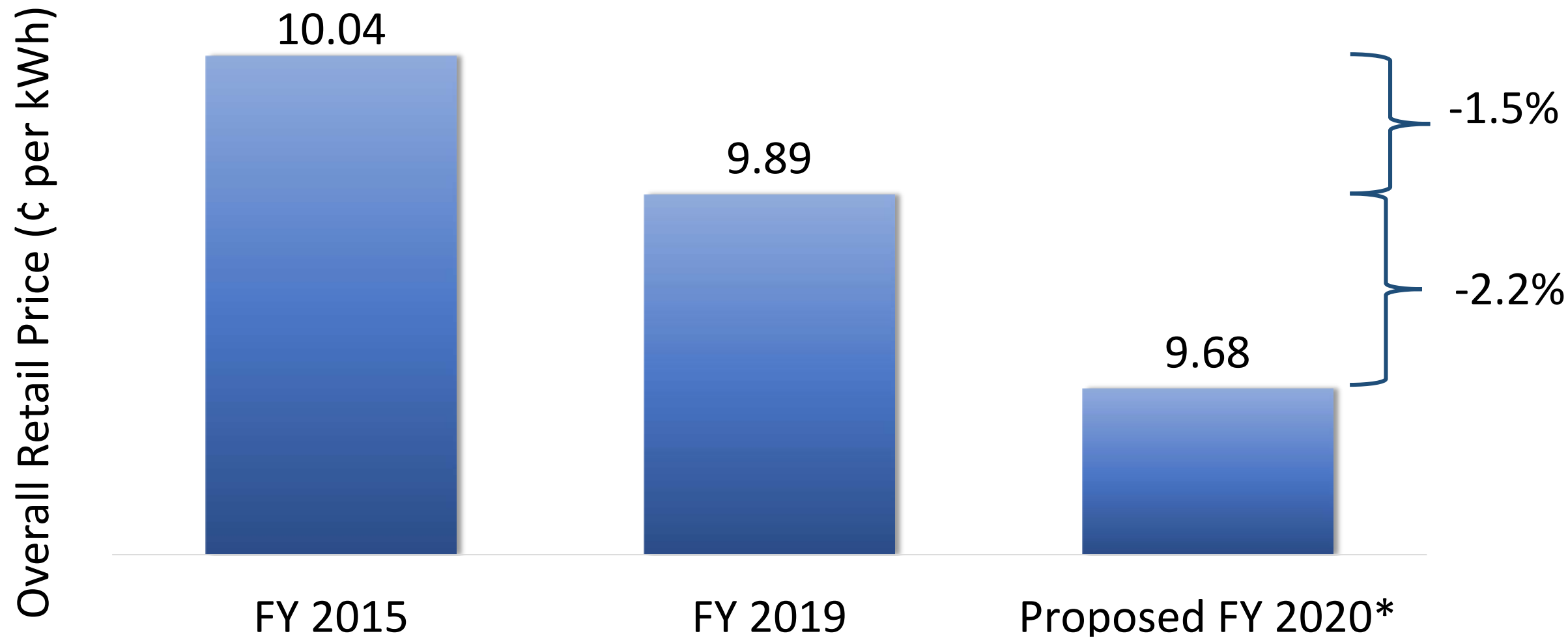




Proposed Adjustments to SRP's Standard Electric Price Plans Effective with the May 2019 Billing Cycle

March 25, 2019

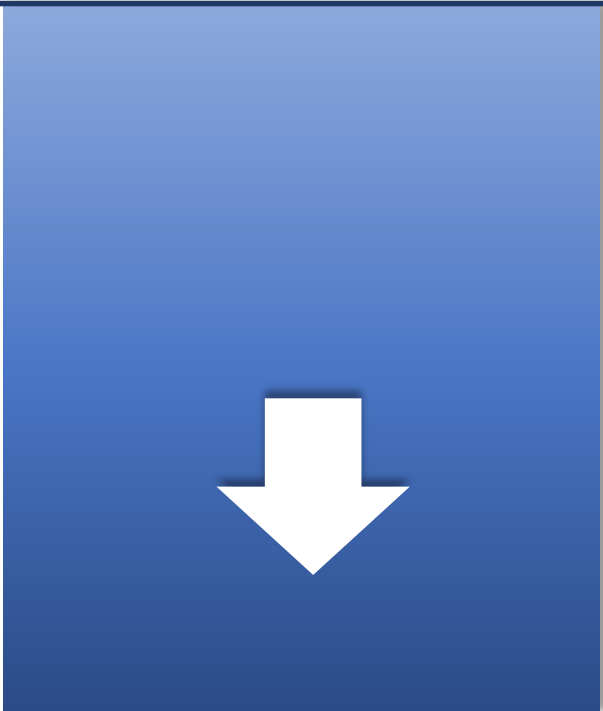
Current & Proposed Prices



*Proposed prices for FY20 would be 3.7% below those approved for FY15

Proposal

Change in Overall Prices*



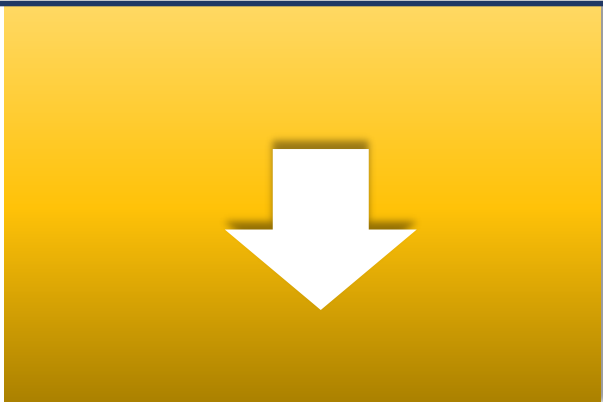
-3.9%

Fuel Decrease
(\$114.1M)



+1.7%

Base Increase
\$50.1M

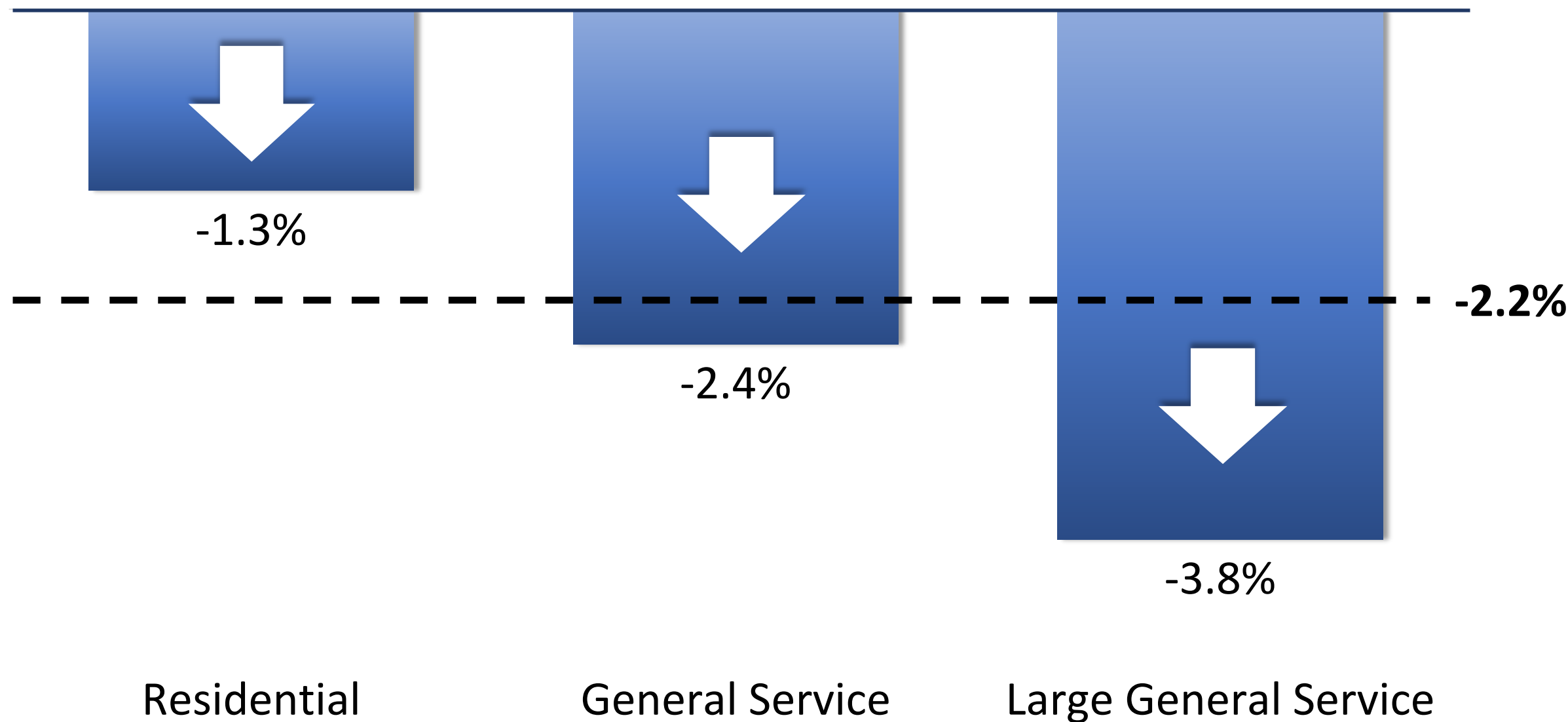


-2.2%

Overall Change
(\$64.0M)

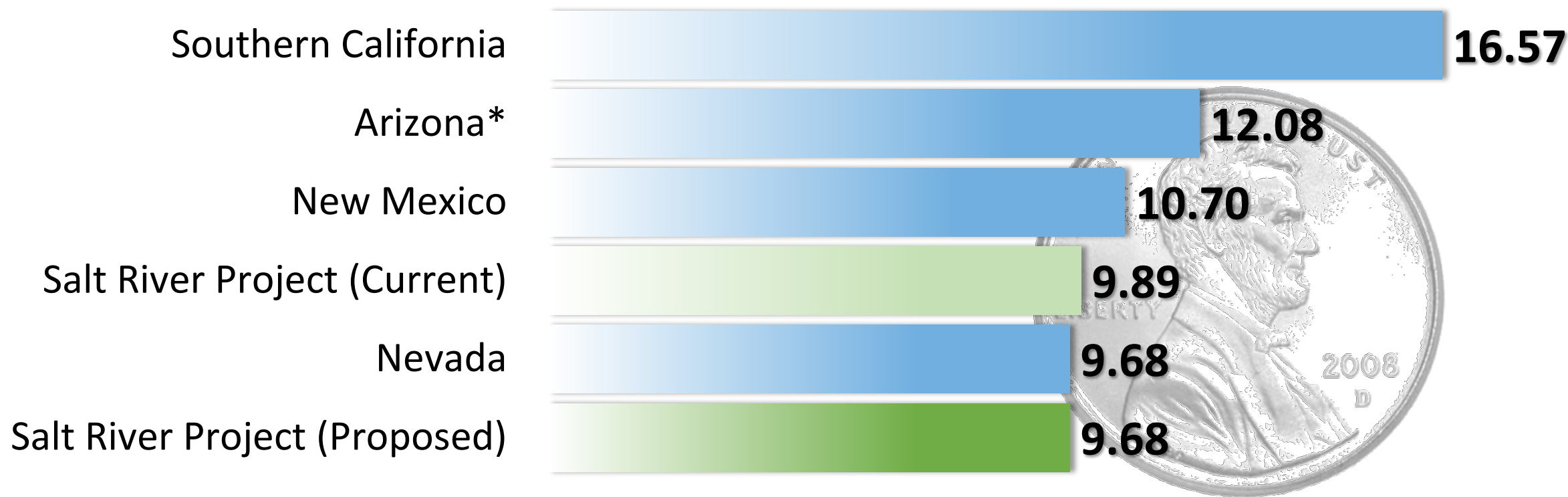
* EPCAF is proposed to be eliminated. Current EPCAF revenues transferred to base prices and FPPAM. Percentage based on overall bill.

Proposed Average Adjustment by Class



Price Comparison

Overall Price (Cents per kWh)



Source: Dept. of Energy EIA-826 Reports for 12 months ending September 30, 2018

Source for SRP Prices: SRP Test Year Data

*Arizona does not include SRP

Management Recommendations

M-Power Price Plan for Residential Pre-Pay Time-of-Use Service (E-28)

- Management recommends the elimination of the M-Power Time-of-Use Price Plan (E-28)

Customer Generation Price Plans

More Choices for Residential Solar Customers

- Proposing 4 options for these customers
 - **Customer Generation E-27** (existing)
 - **Average Demand E-15**
 - **TOU Export E-13** (non-demand)
 - **TOU Export for EVs E-14** (non-demand)

New Distributed Generation Price Plans

	Price Plan	Monthly Service Charge	kW Price Component	kWh Prices	Excess kWh Credit
Demand	Customer Generation E-27	Unchanged	Tiered, On-Peak Monthly Maximum	On/Off-Peak (Net kWh)	N/A
	Average Demand E-15	Equal to E-27	Flat, Average of Daily On-Peak Maximums	Equal to E-27 (Net kWh)	N/A
Non-Demand	TOU Export E-13	Equal to E-27	N/A	Equal to E-26 TOU (Delivered kWh)	\$0.0281/kWh
	TOU Export for EVs E-14	Equal to E-27	N/A	Equal to E-29 TOU EV (Delivered kWh)	\$0.0281/kWh

Customer Generation Options

Potential Rate	% of Customers with a Lower Annual Bill	Average Monthly Savings	Average Savings (%)
Best on E-13 TOU Export	17%	\$9.07	7.8%
Best on E-15 Average Demand	23%	\$9.22	6.3%
Either E-13 or E-15	40%	\$9.15	6.9%

Residential Distributed Generation

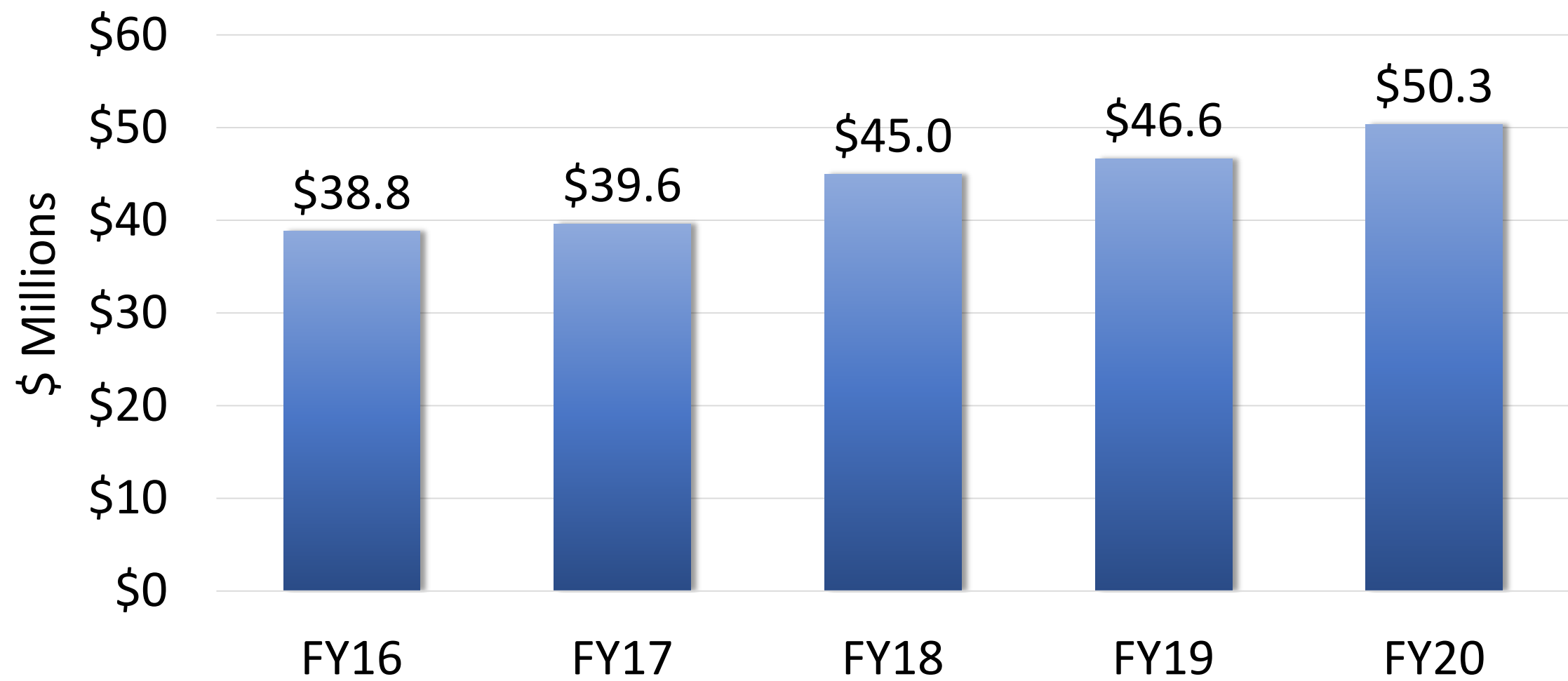
- Management proposes **no changes** to the December 20th Proposal with respect to the E-13, E-14, and E-15 price plans
- Management will consider allocating the second meter cost to other classes in future Cost Allocation Studies
- Management commits to develop a pilot program(s) that would support community solar options, forest health restoration, and other environmental programs for which customers can provide contributions
- Management does not recommend adopting the CO₂ fee and dividend proposal

Monthly Service Charge / Limited Income

Considerations

- **Cost relation** - lowering the MSC would result in prices being less aligned with costs and is inconsistent with SRP's pricing principles
- **Industry trend** - utilities are increasing MSCs to improve fixed cost recovery and better align prices with how costs are incurred
- **Conservation and electrification** - arguments for lowering MSC and raising the kWh rate state that this could encourage energy conservation; however this may also discourage electrification
- **Impacts** - lowering the MSC would negatively impact over 340,000 customers (including limited income customers) that otherwise receive a greater decrease under the December 20th Proposal

Energy Efficiency Budget

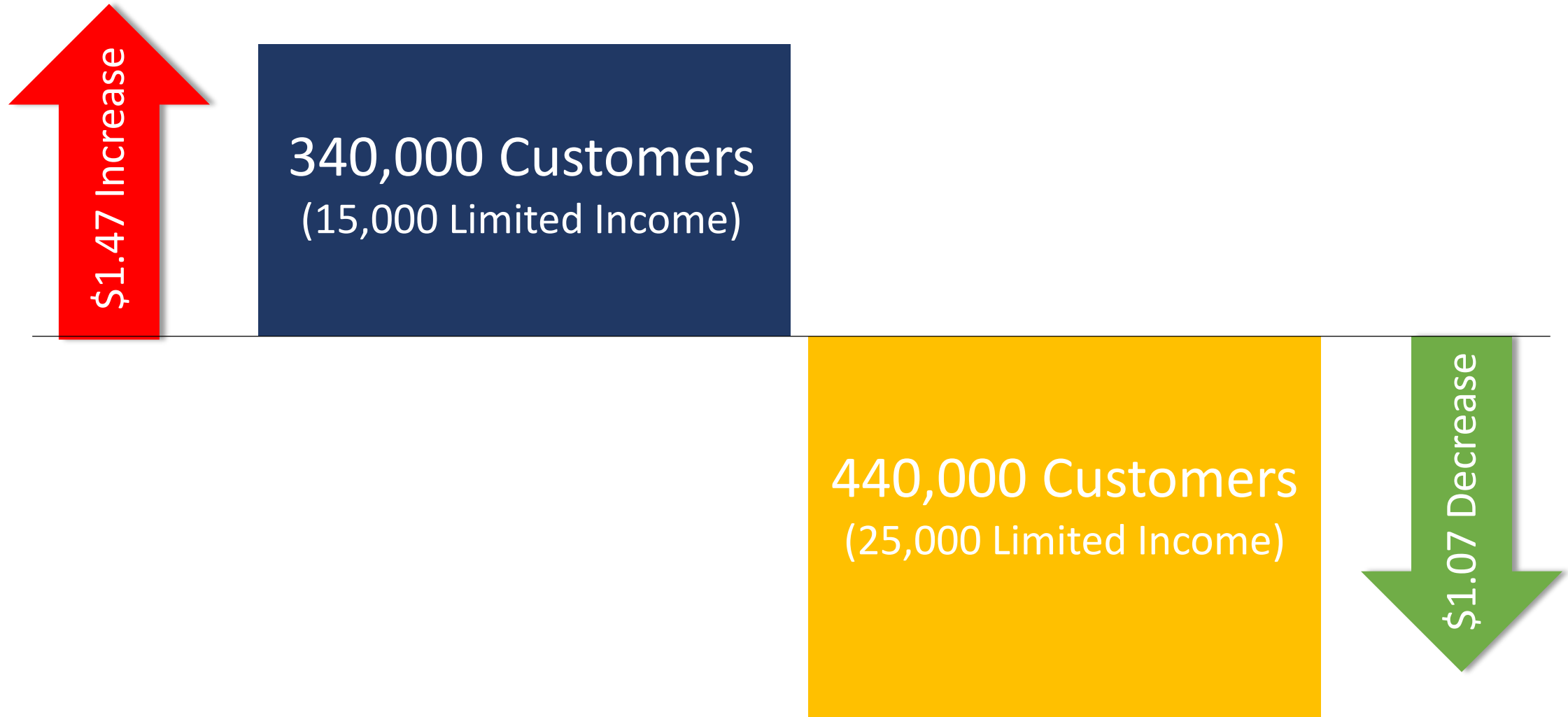


Basic E-23 Current Price Plan

Approximate Return by Stratum

Stratum	Average Monthly Summer kWh	Current Return	Return w/\$17 MSC
1	0-400	2.5%	0.2%
2	401-850	2.9%	2.5%
3	851-1,300	2.7%	2.9%
4	1,301-1,800	2.1%	2.6%
5	1,801-2,600	2.4%	3.0%
6	2,600+	5.0%	5.9%

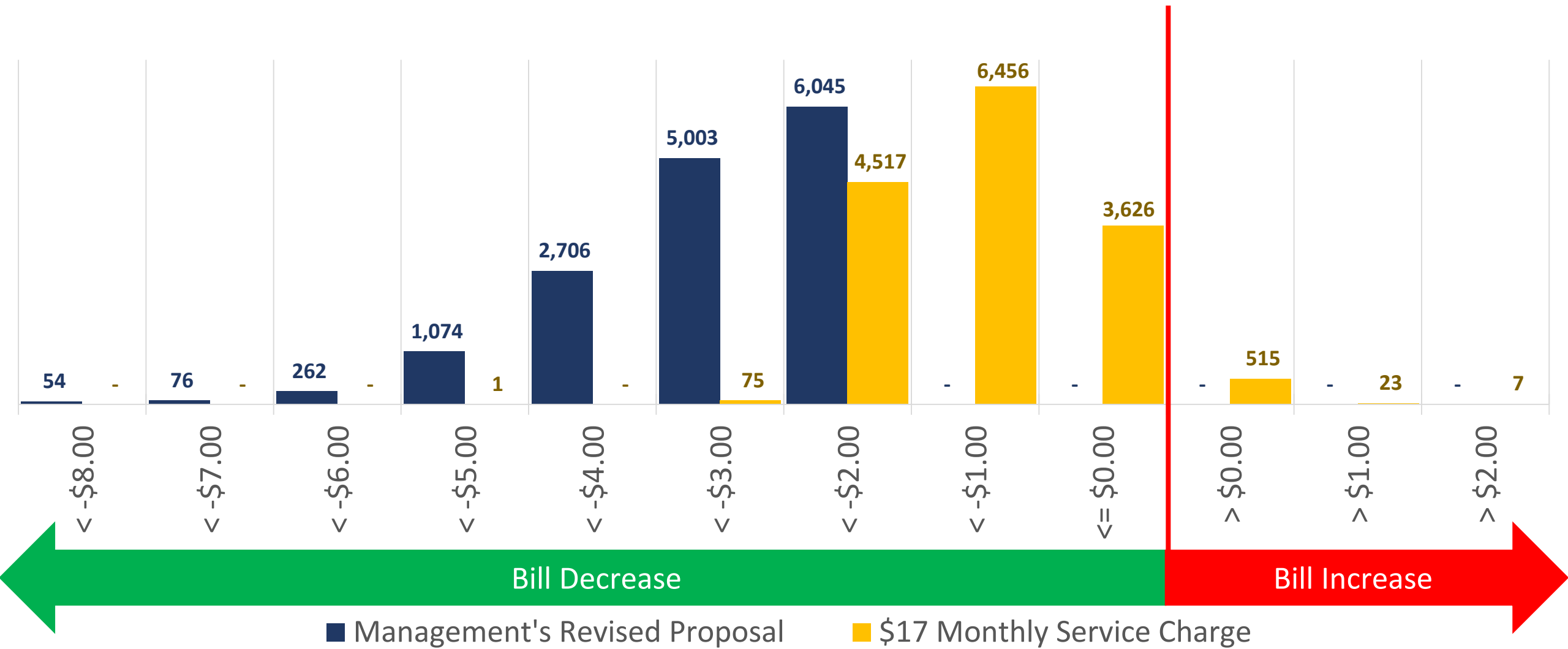
\$17 MSC Transfers Dollars without a Cost Basis



Limited Income

- To be responsive to input made on behalf of limited income customers, Management recommends increasing support for these customers through:
 - An increase in the credit provided to limited income customers in the Economy Discount Rider to \$23/month for every month
 - Increasing the separate SRP Bill Assistance program qualification requirement from 150% to 200% of the Federal Poverty Guideline

Limited Income Customers on Management's Revised Proposal vs. \$17 MSC



Source: 15,220 EPP E-21, E-23, and E-26 customers for which 12 months of billing data was available.

Monthly Service Charge / Limited Income

- Management recommends that the Board adopt the residential rate structures consistent with its December 20th Proposal
- Management's Revised Proposal recommends increasing support for limited income customers through increased credits under the Economy Discount Rider and broader eligibility for the separate Bill Assistance Program

Battery Storage Program

Residential Battery Incentive Program

- Separate from the Price Process, Management recommends doubling the existing incentive from \$150/kWh to \$300/kWh of storage capacity; up to a maximum of \$3,600/system
- The larger incentive would be applicable to new installations, beginning on May 1, 2019 and running through the end of the existing program, which is April 30, 2021
- All other program terms and conditions would continue to apply

Summary

Impacts of Potential Modifications to Proposal

	FY20 Impact	FY20 – FY23 Impact
Low Income Credit	\$2.0M	\$7.9M
Max Storage Incentive*	\$3.7M	\$7.4M
Total	\$5.7M	\$15.3M

*Assumes additional ~2,100 customers per year

Customer Contacts and Inquiries

	Since 3/1/19	Total*
Customer Comments	+32	127
Customer Questions – All Answered	+1	17
Call Center Customer Inquiries	+4	64
Formal Data Requests (Sets of Questions)	+6	46
All Points of Contact	+43	254

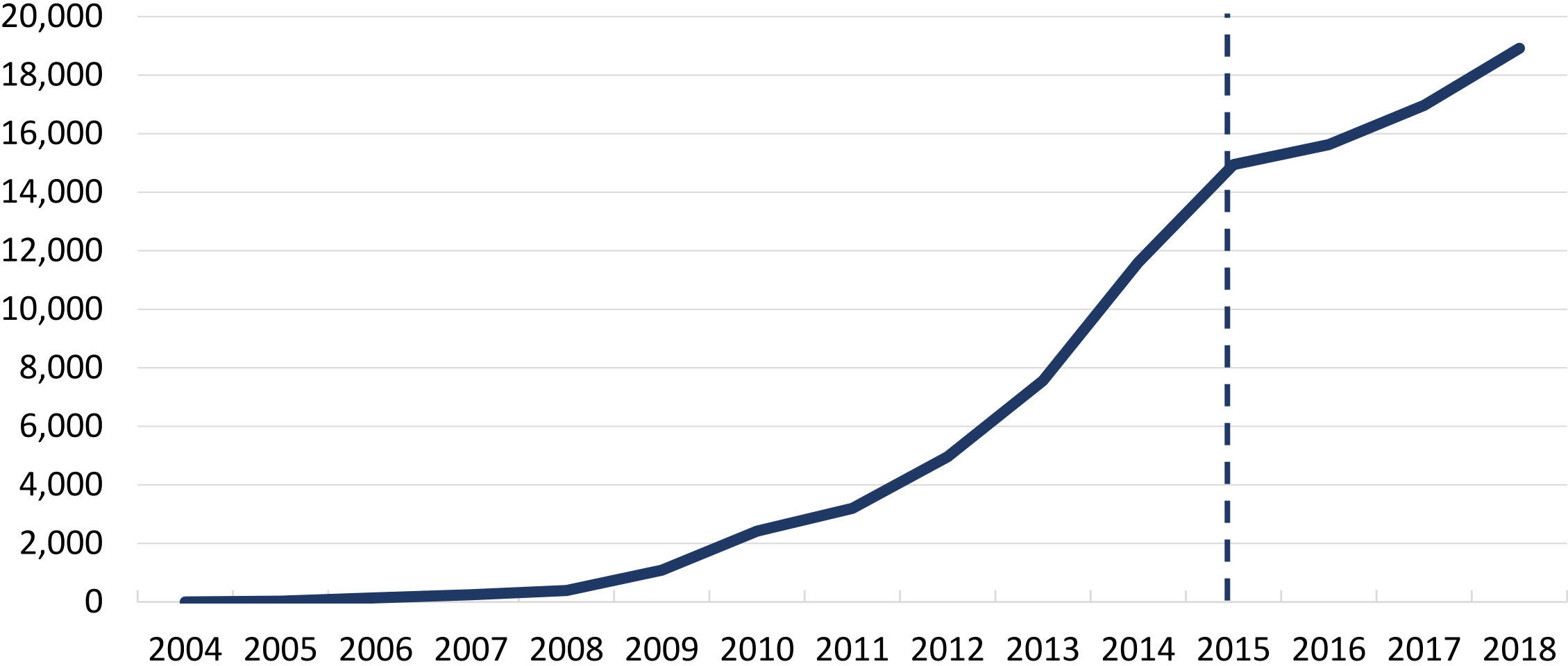
*Questions and comments received from December 20, 2018 through March 22, 2019

Management's Recommendation

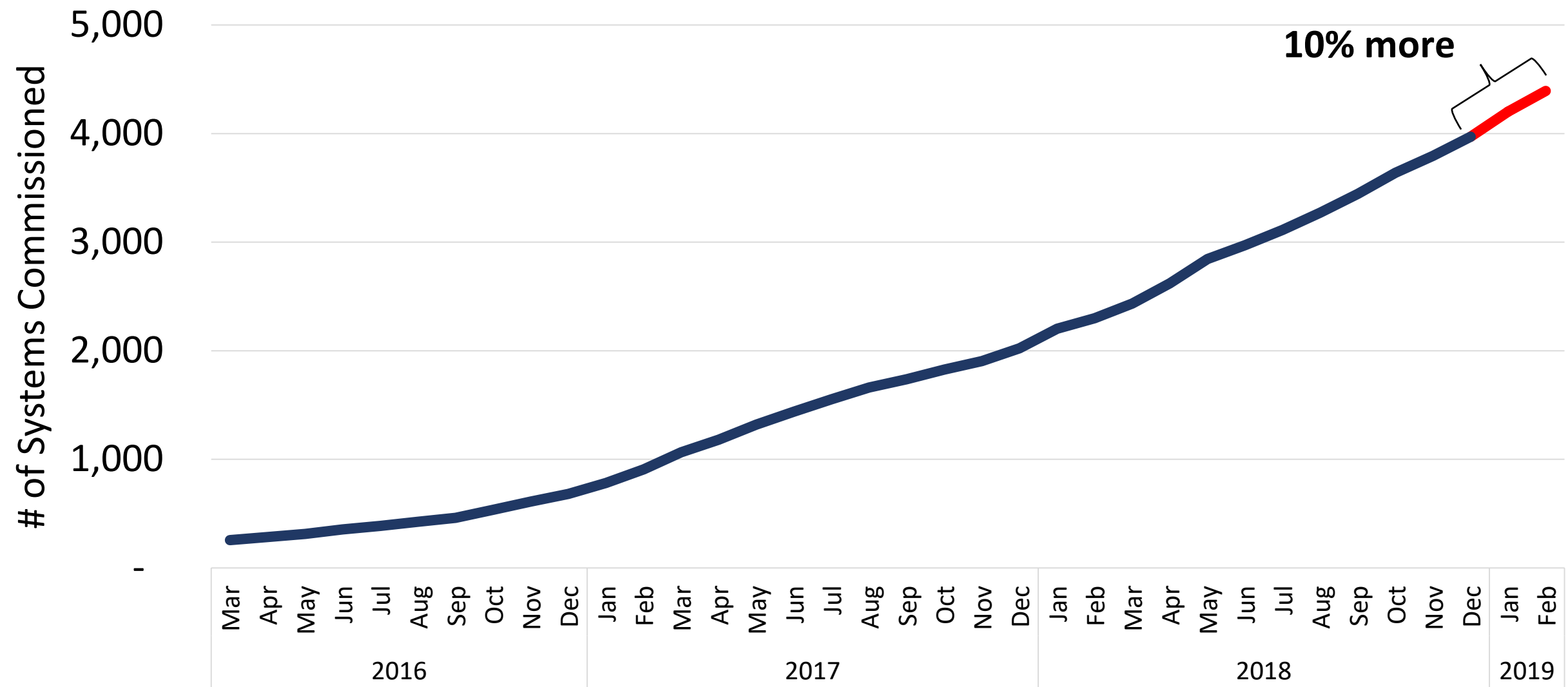
- Approve:

Resolution of the Board of Directors of the Salt River Project Agricultural Improvement and Power District Regarding Changes to Electric Rate Schedules and Terms and Conditions of Competition Effective with the May 2019 Billing Cycle

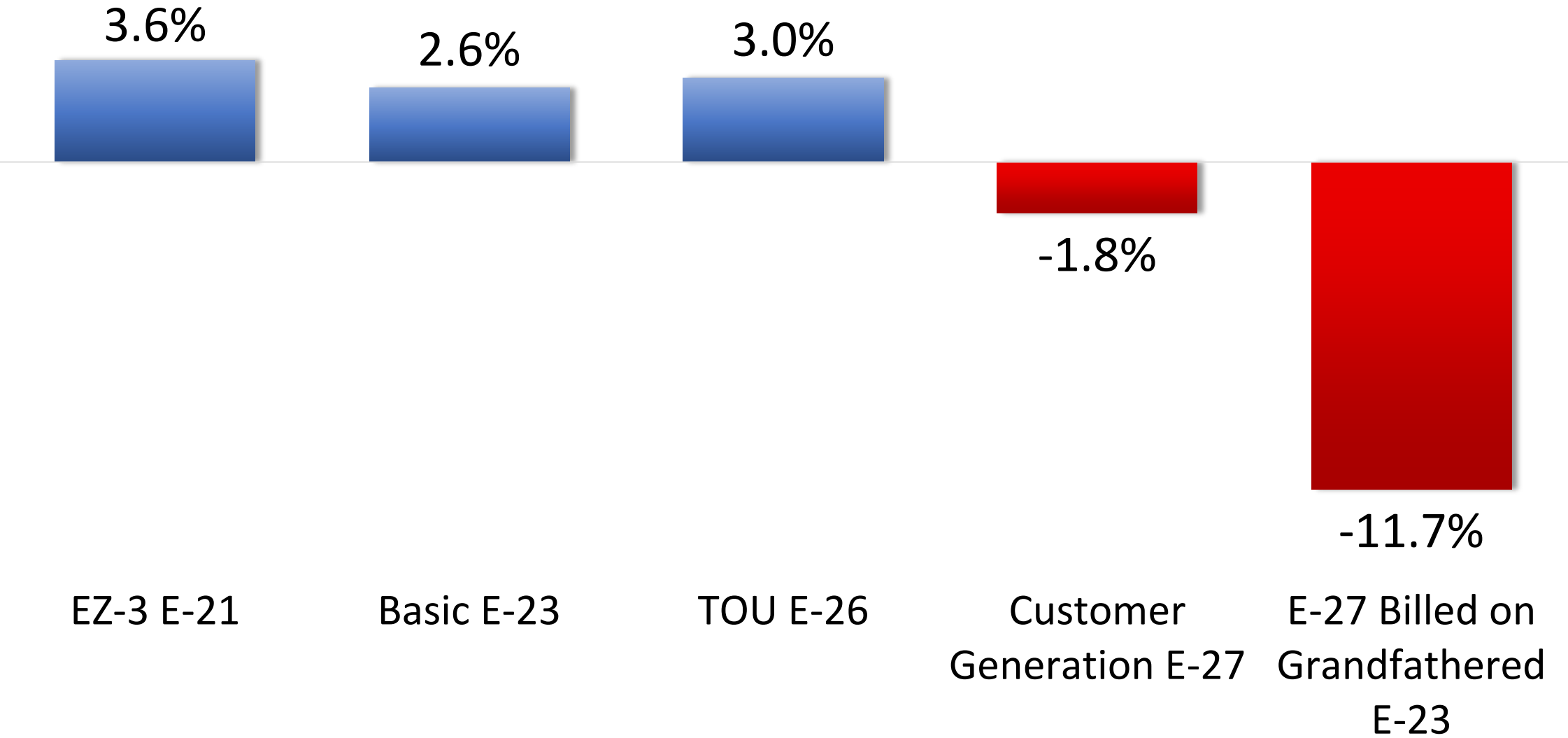
Number of Cumulative Completed Solar Installations



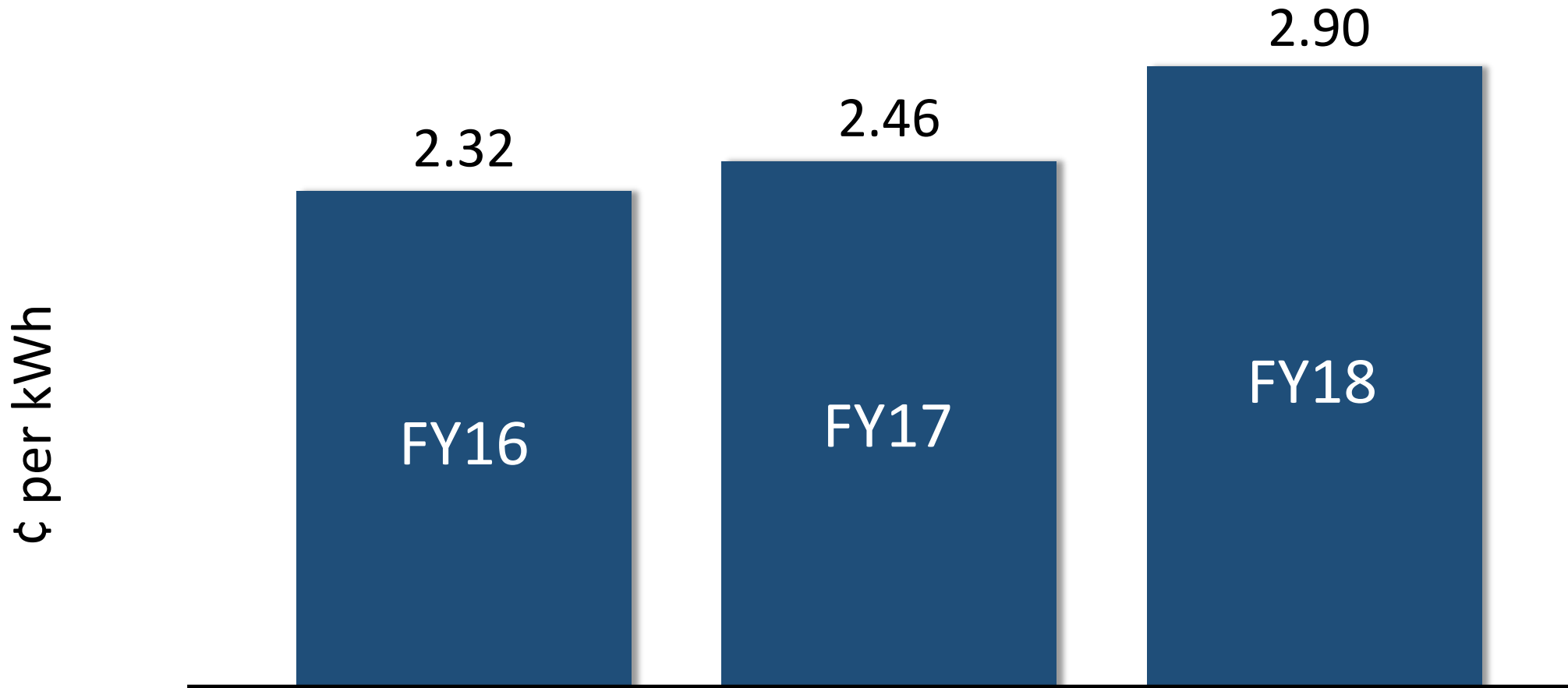
Cumulative Number of E-27 Systems Commissioned



Residential Returns: Management's Proposal

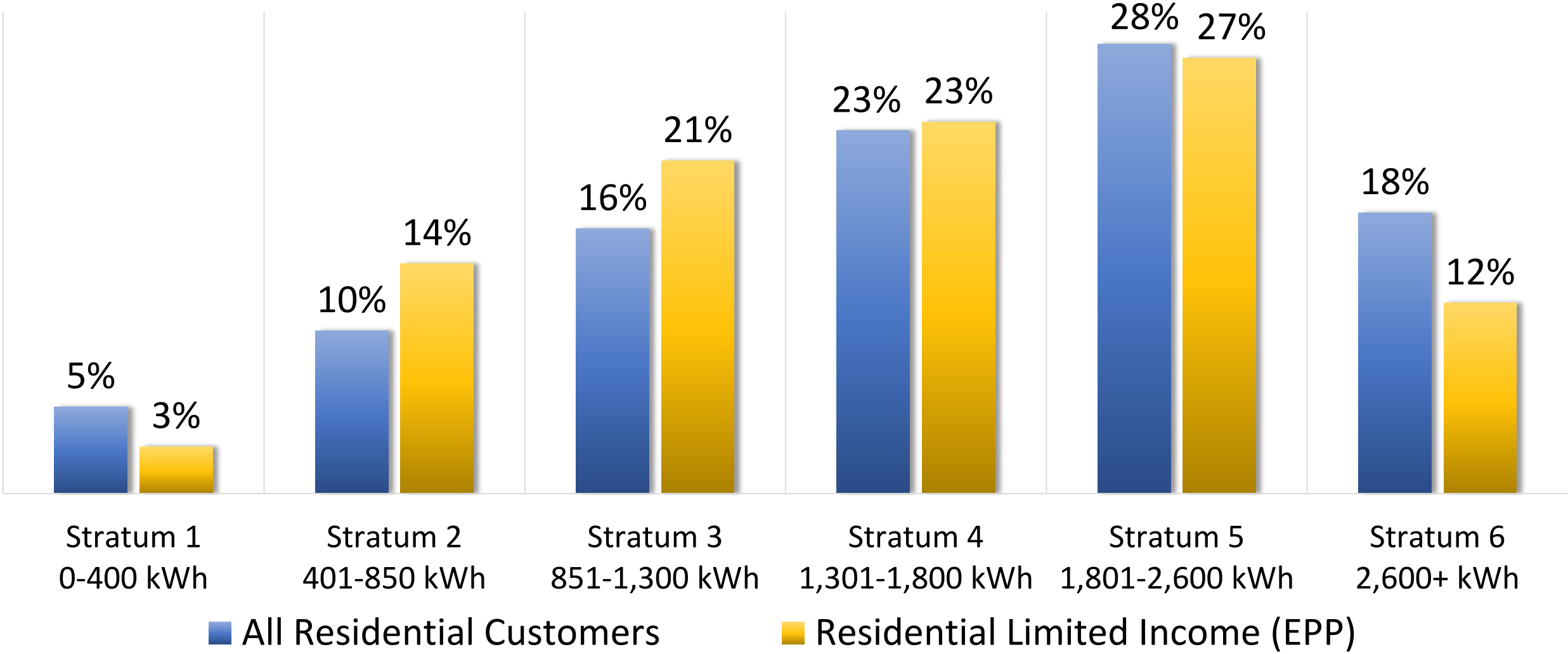


Average Hourly Buyback Credit



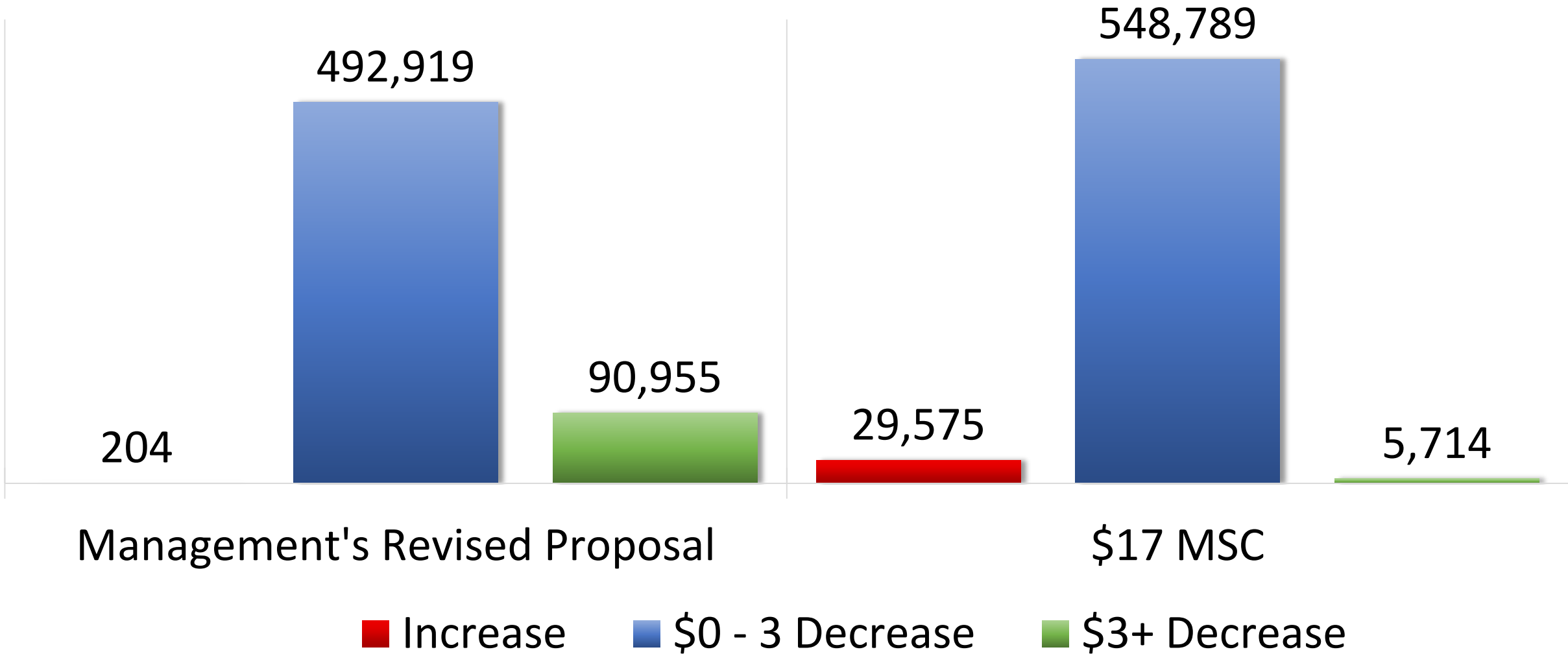
The Average Hourly Buyback credit is variable and based on a discount to the PV Index

Residential and Limited Income Customers by Stratum



Note: Strata are defined by the customer’s average monthly summer gross kWh for June through September 2018

\$17 MSC Transfers Dollars without a Cost Basis

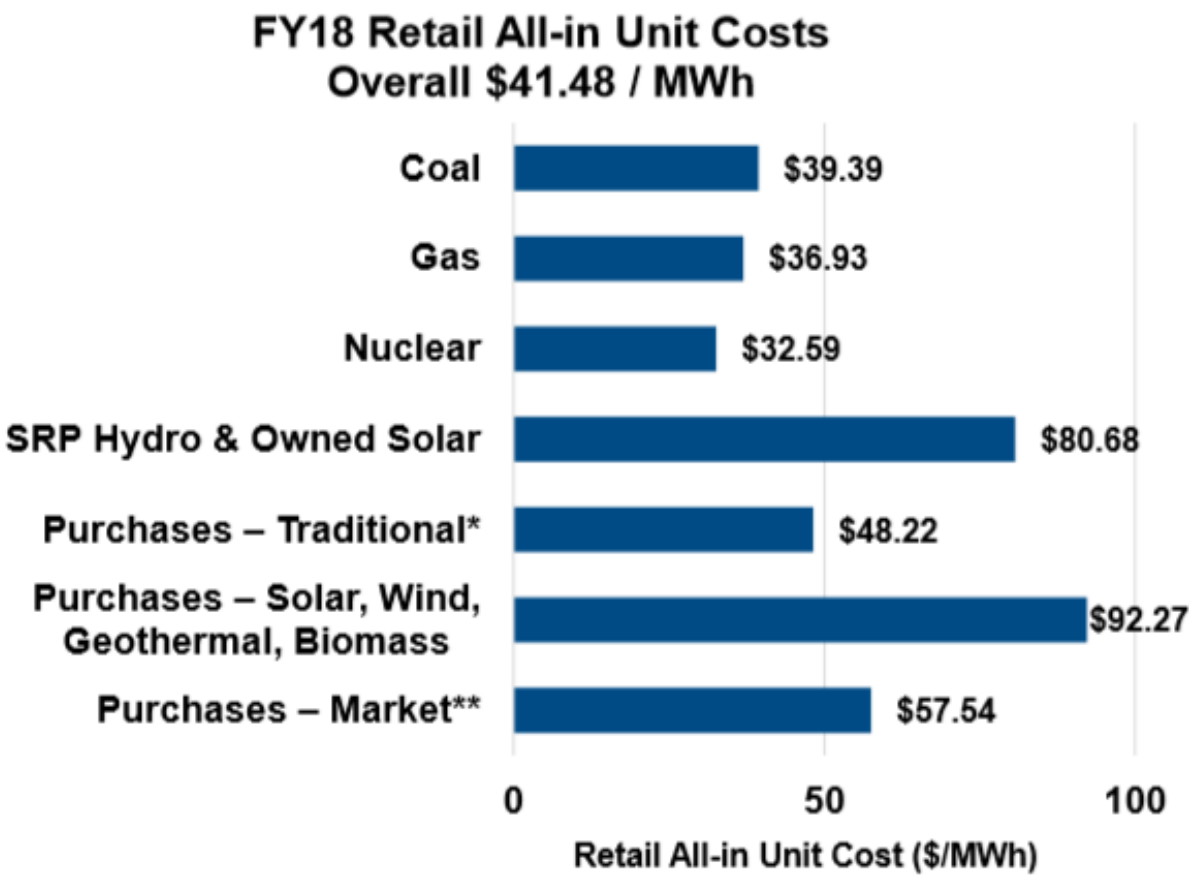


Compared to current prices. Source: 584,000 E-21, E-23, and E-26 customers for which 12 months of billing data was available

FY18 Retail Energy and Prices

All-in look

Includes Fuel, Demand Changes, Hedges, Operations and Maintenance



E-13	
Overall Displacement:	\$59.23
On-site:	
Summer off-Peak:	\$72.70
Summer on-Peak:	\$209.40
Peak off-Peak:	\$73.00
Peak on-Peak:	\$240.90
Winter off-peak:	\$69.10
Winter on-Peak:	\$95.10
Exported:	
All Seasons:	\$28.10

*Includes Federal Hydro and Springerville 3 PPA, Coolidge included in Gas
** Includes Bonnybrooke Solar