

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

SPECIAL BOARD OF DIRECTORS

Thursday, February 6, 2025, 9:30 AM

Zoom Webinar Link (view only, no participation):

<https://srpnet.zoom.us/j/88066757724?pwd=qj6XdroAwwgbHFaasJN7hR0PQK51yi.1>

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

Call to Order

Invocation

Pledge of Allegiance

Roll Call

1. Proposed Adjustments to the SRP Standard Electric Price Plans and Proposed Adjustments to the Fuel and Purchased Power Adjustment Mechanism (FPPAM)
 - A. Opening Remarks and Process Overview PRESIDENT DAVID ROUSSEAU
 - B. Public Comments from Organizations Requesting Formal Presentations to the Board VARIOUS
 - C. Additional Public Comments (up to 2 minutes per commentor) VARIOUS
 - D. Management and Board Consultant Responses to Public Comments VARIOUS
 - E. General Board Discussion and Comments VARIOUS
 - F. Management Closing Comments VARIOUS
2. QF-24 Standard Rate for Qualifying Facility
 - A. Informational presentation regarding the Public Utility Regulatory Policies Act (PURPA), the proposed QF-24 Standard Rate and pro forma Standard Rate Contract for qualifying facilities of 100 kilowatts (kW) or less ALYSHA GILBERT
 - B. Public Comments (up to 2 minutes per commentor) VARIOUS
3. Adjourn PRESIDENT DAVID ROUSSEAU

Members of the public shall refrain from making any inappropriate comments while attending the meeting or addressing the Board. Disruptive activity from the audience, being loud, clapping, stomping of feet, or any similar demonstrations including any signage are also prohibited. Violations of this rule may result in removal from the meeting.

The Board 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 Board on any of the matters listed on the agenda.

The Board may go into Closed Session, pursuant to A.R.S. §30-805(B), for discussion of 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.





Economy Discount: Design for an Effective Program

Kelly McGowan, *Executive Director*
Claire Michael, *Climate Equity Director*

Ignite Lasting Change



01

Introduction & Background

Ignite Lasting Change



Mission: *Igniting Community Action
to End Poverty in Arizona*

About: We work with partners throughout the state to: provide education on the causes and consequences of poverty, improve public policy impacting low-income Arizonans, and design programs and provide resources that contribute to a more equitable Arizona. Our programs include:

- Utility bill assistance
- A/C repair & replacement
- SNAP Outreach
- Diaper Bank

SRP Bill Assistance Program

- Description:
 - Up to \$600 every 12 months
 - At or below 200% of the federal poverty level
- FY 2025 (July 24 - June 25) Assistance:
 - 19 Community Partners
 - \$1 million available to the community
 - 78% expended



About: Monthly bill assistance program for income-eligible customers

Current Program:

- \$23 monthly discount
- Income eligibility: at or below 150% of the federal poverty level (FPL)

Price Process Original Proposed Changes Program:

- \$25 monthly discount
- Income eligibility: at or below 200% of the federal poverty level (FPL)



02

The Need

Ignite Lasting Change



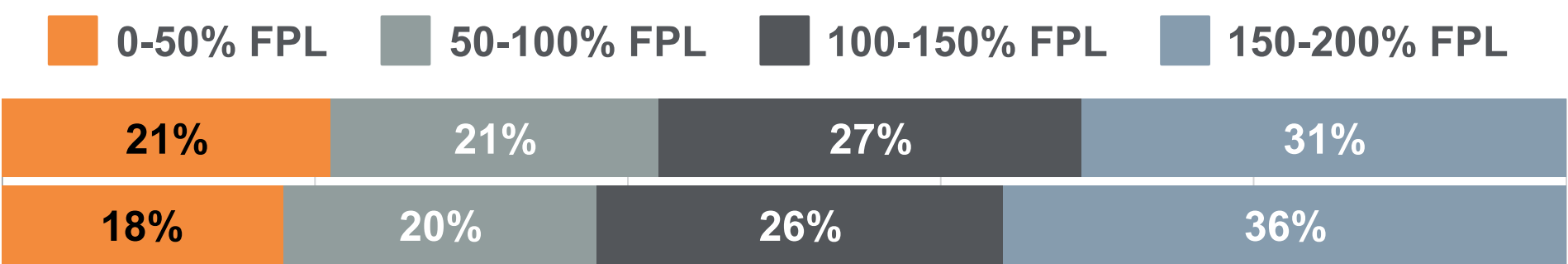
The 2025 Federal Poverty Levels (FPL) sets the maximum gross income for a household of two at...



In Gila, Maricopa, and Pinal counties,

27%
of residents are
below 200% federal
poverty level

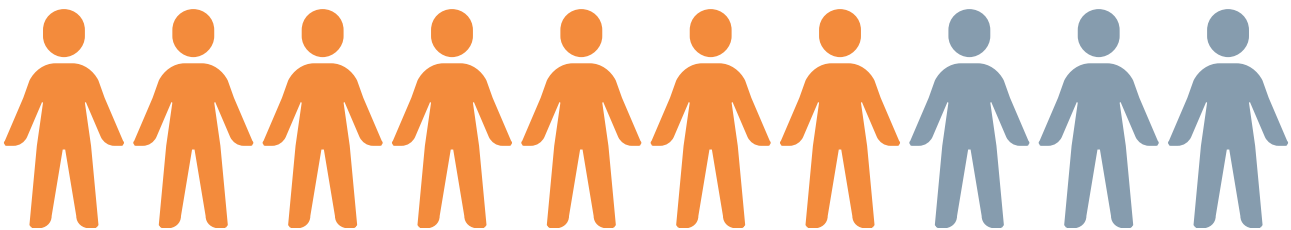
Of those below 200% FPL, their incomes are distributed



Individuals (Census)

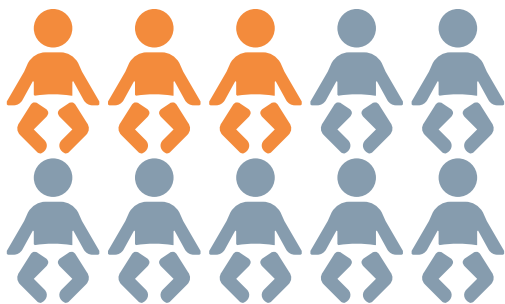
Customers
(SRP Estimate)

In Gila, Maricopa, and Pinal counties, of residents **below 125%** of the federal poverty level,

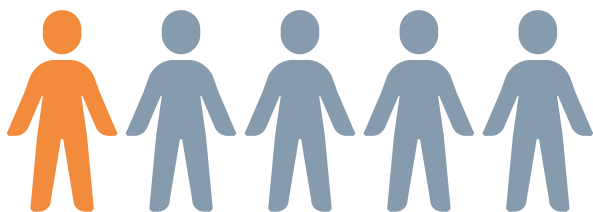


70% work, or are 65 & older
or under 16 years old

30% are in
households with
single moms



31% are
under 18
years old



19% have a
disability

14% are 65 &
older

02 - FPL & Living Wage (LW)

The Living Wage below is for the Phoenix-Mesa-Chandler area and is a minimum subsistence household income to meet all necessary costs like payroll, taxes and basic needs. It is *not* a thriving wage, meaning it does not include a budget for savings, retirement, or leisure.

Hourly / Annual Income per Working Adult by Type and Household Characteristics					
	Single Adult, No kids	2 Working Adults, No Kids <i>(income / adult)</i>	Single Parent, 2 Kids	2 Adults (1 Working), 2 Kids	2 Working Adults, 2 Kids <i>(income / adult)</i>
200% FPL	\$15.05 / \$31,300	\$10.17 / \$21,150	\$25.63 / \$53,300	\$30.91 / \$64,300	\$15.46 / \$32,150
Living Wage	\$24.69 / \$51,356	\$16.78 / \$34,892	\$52.43 / \$109,053	\$44.49 / \$92,548	\$28.66 / \$59,605
% of Jobs in Occupations w/ Median Annual Salaries below LW	62%	19%	93%	90%	66%

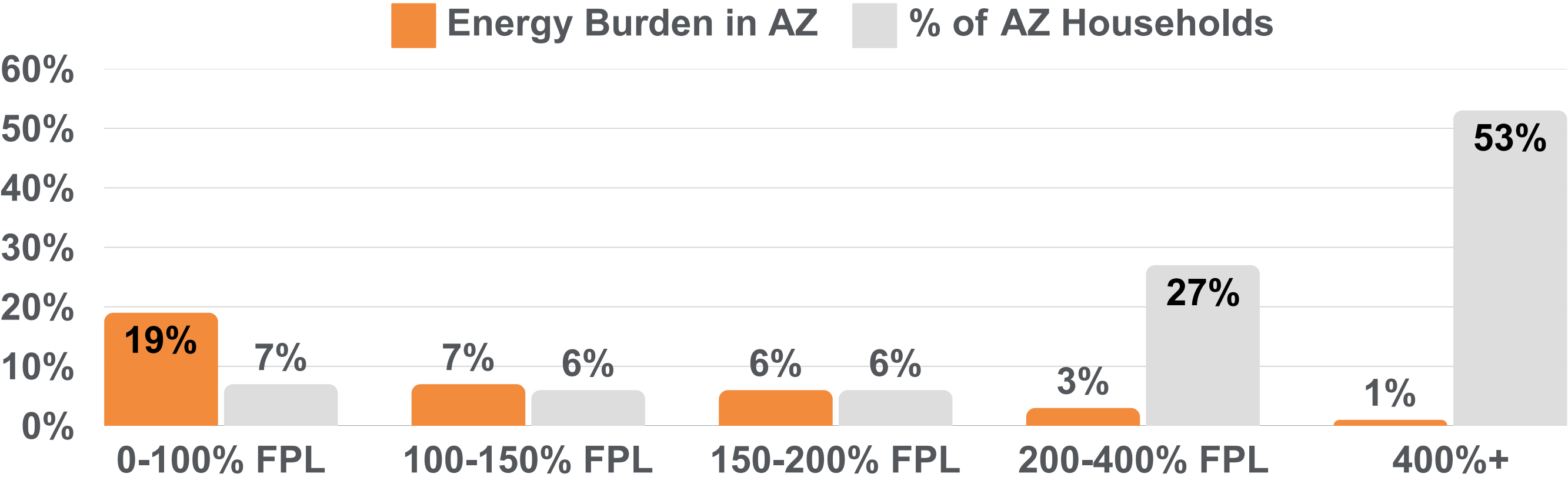
Occupations in Phoenix-Mesa-Chandler area with a median annual wage below the living wage for a single adult

Building & Grounds Cleaning & Maintenance	Farming, Fishing, & Forestry	Construction Laborers	School Social Workers	Personal Care & Service Healthcare Support
Food Preparation & Serving Related	Production & Manufacturing	Community Health Workers	Pre-School Teachers & Teaching Assistants	Office & Admin Support

Living Wage Source: Amy K. Glasmeier, "Living Wage Calculator," Massachusetts Institute of Technology, 2025. Accessed on 1/29/2025, <https://livingwage.mit.edu/metros/38060>
Occupations Source: Bureau of Labor Statistics' Occupational Employment and Wage Estimates, May 2023, AZ - Phoenix-Mesa-Chandler MSA, <https://www.bls.gov/oes/tables.htm>

the portion of a household's income spent on energy costs

10% or more burden is considered extreme/severe
6% or more burden is considered high
AZ's average energy burden is 2%



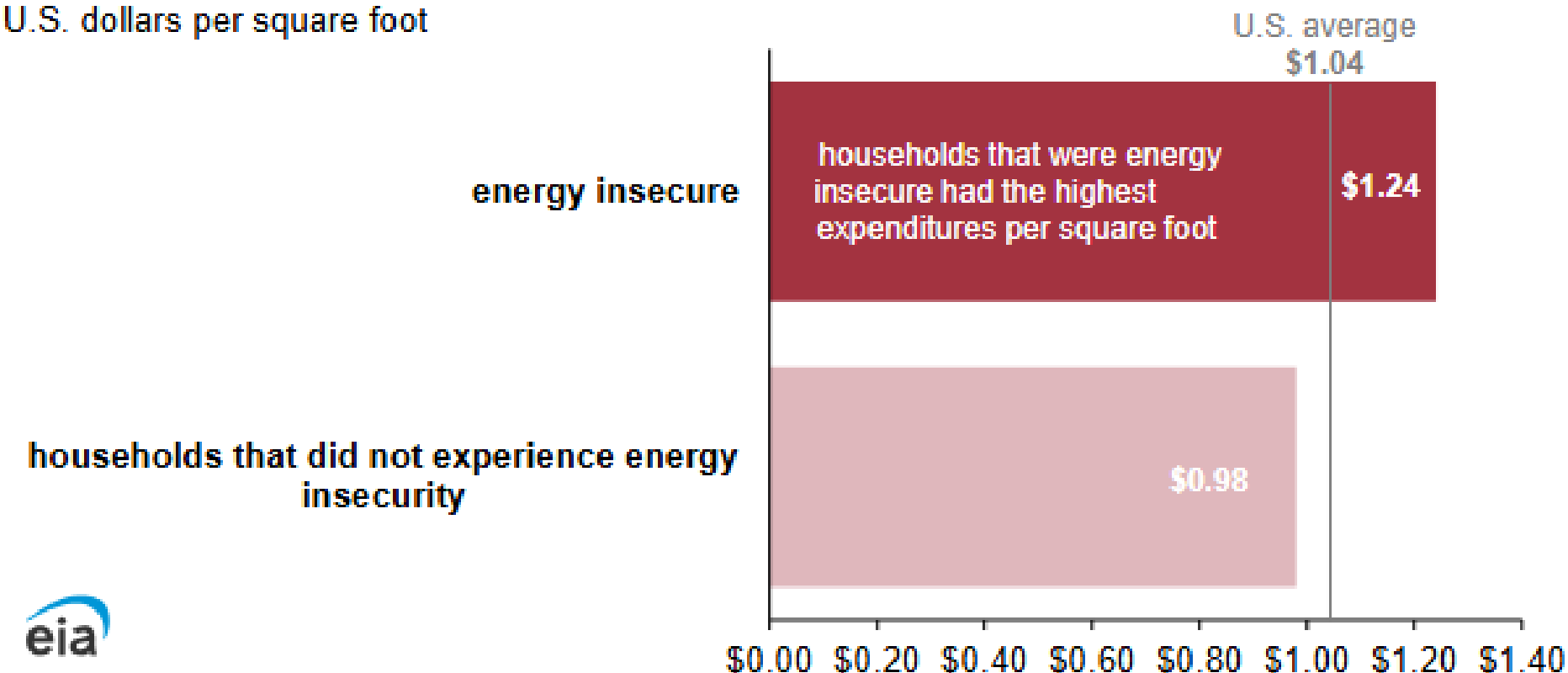
Increased **energy burden is** independently **associated with** increased **eviction filing rates**, holding rent burden constant

1. Hatch, M. E., & Graff, M. (2024). Housing costs are not a monolith: The association between neighborhood energy burdens and eviction filing rates. Cities, 150, 104995.
2. Low Income Energy Affordability Data (LEAD) Tool, U.S. Department of Energy and National Renewable Energy Laboratory

inability to adequately meet basic household heating, cooling, & energy needs over time

Disparities in energy efficiency worsen energy insecurity

Average U.S. household energy expenditures per square foot (2020)
U.S. dollars per square foot



It's the interplay between **physical conditions of housing**, **household energy expenditures**, and **energy-related coping strategies**.

Coping with energy insecurity:

- Forgo other basic needs like food & medicine
- Implement energy-limiting behaviors that can negatively impact health & safety
 - Maintain unsafe indoor temperatures
 - Using a stove to heat the home

Energy insecurity is often self-replicating:

- Causes a cycle of limited income potential making it difficult to afford energy bills
 - Increased negative mental & physical health conditions leads to missing work
 - Lower educational attainment for children

In the last 12 months, **46.5% of Arizonans experienced** at least one indicator of **energy insecurity**, including:

- **21%** were unable to pay their energy bill in full for at least one month
- **27%** kept their home at an unsafe/unhealthy temperature
- **36%** reduced or forwent expenses for basic household necessities, such as medicine or food, in order to pay an energy bill



03

Design & Proposals

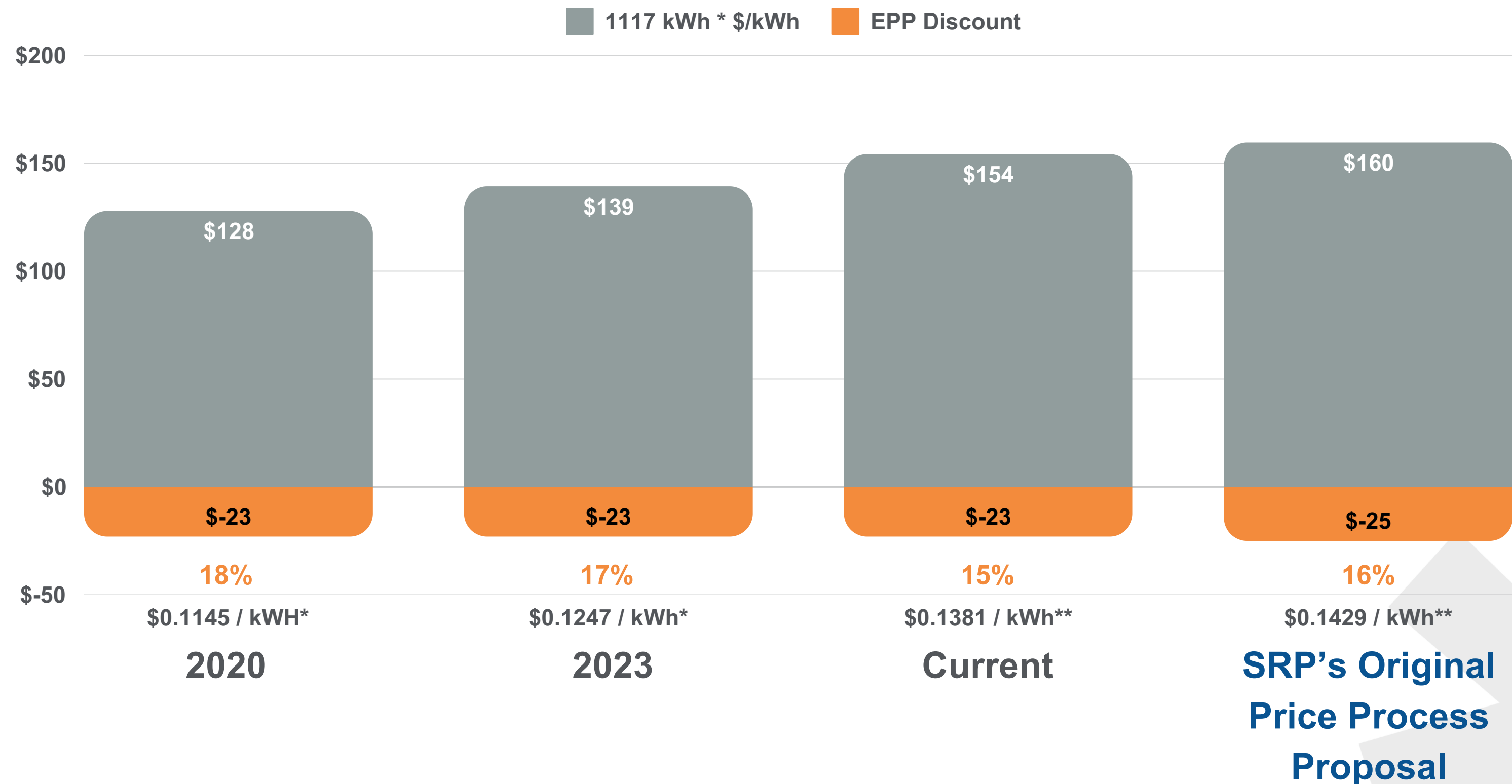
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03 - EPP Discount Has Effectively Decreased Since 2020

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Average Residential Bill Versus EPP Discount



*based on EIA data for SRP's average residential price per kWh

**based 1/31/25 management presentation to board

Goal: Improve affordability for a significant number of customers

Result: More customers can meet their basic energy needs & there are less costs associated with late- or non- payments, disconnections, reconnections, bad-debt, etc.

Best Design:

- ***Percentage Discounts***

- Provide support relative to usage, giving customers the same portion of support & distributes support to when they need it most

- ***Multi-Tiered Discounts:***

- Tiered discounts allow for a program design that gives discounts proportionate to a customers need

Background: The current system is limited to two discount tiers, but will be upgraded and able to implement more tiers in the future. These proposals were collaboratively designed with SRP.

2-Tiers: Effective Date November 2025

- Tier 1: **0-150% FPL** receives a **\$35 monthly discount**
- Tier 2: **150-200% FPL** receives a **\$10 monthly discount**

4-Tiers: Effective Date Pending System Upgrade

- Tier 1: **0-50% FPL** receives a **43% discount** off total bill
- Tier 2: **50-100% FPL** receives a **30% discount** off total bill
- Tier 3: **100-150% FPL** receives a **23% discount** off total bill
- Tier 4: **150-200% FPL** receives a **6% discount** off total bill



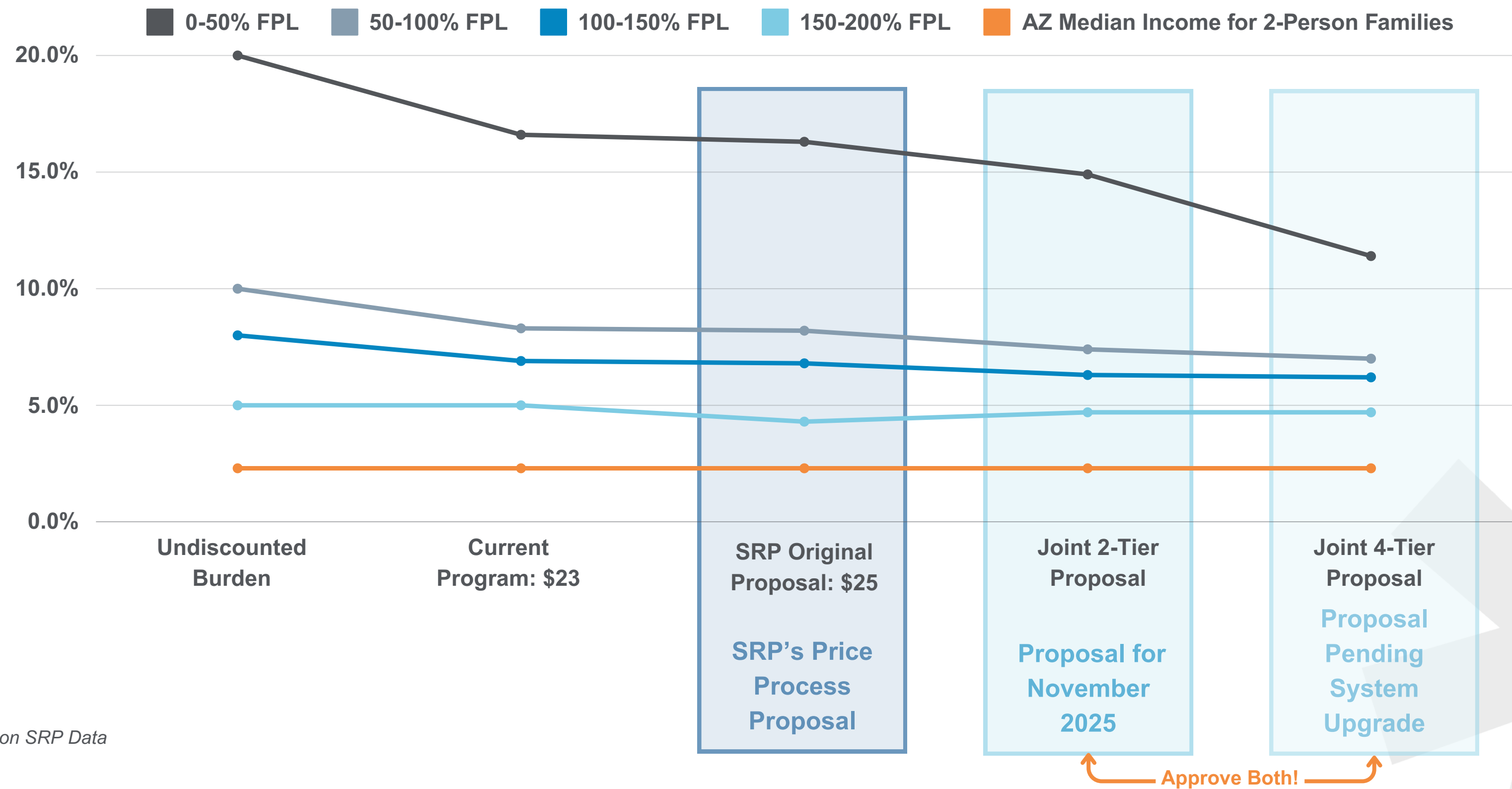
03 - Current & Proposed EPP Discount Structures

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Monthly Discount Program Structure Proposals			
Federal Poverty Level	SRP's Original Price Process Proposed Structure	Updated Joint Proposed 2-Tier Structure	Updated Joint Proposed 4-Tier Structure
1. 0-50%	\$25	\$35	43%
2. 50-100%	\$25	\$35	30%
3. 100-150%	\$25	\$35	23%
4. 150-200%	\$25	\$10	6%
Weighted Average Discount*	15.6%	16.3%	21.9%
Weighted Avg. Energy Burden*	7.9%	7.5%	6.7%
Proposed Effective Date	Nov 25	Nov 25	Pending System Upgrade
Cost at Full Estimated Enrollment**	\$41 M	\$41 M	\$53 M
		\$1-2 M Additional Bill Assistance	

Approve Both!

Energy Burden for Category Median Income & Monthly Bill*



*Based on SRP Data

Monthly Discount Program Examples			
	# of Tiers	Discount Minimum	Discount Maximum
SRP EPP (current)	1	\$23	
SRP 2-Tier	2	\$10	\$35
SRP 4-Tier	4	6%	43%
APS 2-Tier (current)	2	25%	60%
APS 1-Tier (previous)	1	25%	
Illinois (summary)	5	5% (200-300% FPL)	86%
New Hampshire (summary)	5	5% (up to 60% AMI)	86%
Ohio	Percentage of Income Payment Plan: bill capped at 5% of income		

Approve Both!

04

Review

Ignite Lasting Change



In the last 12 months, **46.5% of Arizonans experienced** at least one indicator of **energy insecurity**, including:

- **21%** were unable to pay their energy bill in full for at least one month
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- Tier 4: **150-200% FPL** receives a **6% discount** off total bill





Thank you

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Climate Equity Director
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Consumer Perspectives on SRP's Pricing Proposal

Diane E. Brown

Executive Director, Arizona PIRG Education Fund

February 6, 2025

Arizona PIRG
Education Fund

Overview of presentation

1. Arizona PIRG Education Fund
2. Priorities related to SRP's Price Process
3. Consumer perspectives & recommendations on proposed Price Process components

Arizona PIRG Education Fund

The Arizona PIRG (Arizona Public Interest Research Group) Education Fund conducts research and education on issues in the public interest, with an emphasis on protecting consumers.

The Arizona PIRG Education Fund actively participates in SRP (and other utility) stakeholder processes. SRP proceedings include: Price Process; Integrated System Plan (ISP); 2035 Sustainability Advisory Group; Agency Partner Meetings; +.

As part of the current Price Process, the Arizona PIRG Education Fund, along with Wildfire, met several times with SRP staff to explore opportunities that could benefit low-income households; review data sets; and discuss the potential pros and cons of each option.

Priorities for SRP's Price Process

1. Reliability & affordability
2. Choice of rate plans
3. Opportunities for customers to control their bill
4. Investments yield the biggest bang for the buck
5. Expenses are related to the business of electricity
6. Transparency & meaningful ability for public input

Consumer perspectives & recommendations on proposed Price Process components

Transparency & public input

- + Open houses, online ability to provide input & ask questions, opportunities to provide public comments before the Board
- Lack of an evening public comment session(s), lack of virtual “docket”

Recommendations: Add evening comment session; review price process “process”

Choice of rate plans including time-of-use plans

- + 6:00-9:00 p.m.
- 5:00-10:00 p.m.

Recommendations: No longer than 3-hour time-of-use plans; attest to understanding “demand charge”; TOU customers remain on comparable TOU plan

Consumer perspectives & recommendations on proposed Price Process components

Customer control via the monthly service charge +

- + Concept of tiered system
- Proposed tiered system isn't "gradualism"

Recommendations: Reduce monthly service charge, increase volumetric rate

Business related expenses

- + Closer to true cost of service
- + Recognition of impact of significant new load/data centers

Recommendation: Ensure customer services, communications, & support is prepared & related to the changes resulting from this Price Process

Contact Information

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Diane E. Brown, Executive Director
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WRA's Pricing Process Recommendations

Emily Doerfler & Murphy Bannerman

westernresourceadvocates.org

wra Western
Resource
Advocates®

Recommendation 1:

WRA recommends that EZ-3 customers be transitioned to the E-28 Plan, not the E-23 Plan.





TOU Plans

- What is a TOU Plan?
- Why Do Utilities Use TOU Plans?
- Benefits of TOU Plans:
 - Energy Efficiency
 - Reduced Need for Additional Resources
 - Minimized Solar Curtailment and Carbon Dioxide Emissions
 - Low-Cost Market Imports





Transitioning Customers to the E-28 Plan

- The Sunsetting of the EZ-3 Plan
- The E-28 Plan
- Transitioning EZ-3 Customers to EZ-28
 - Easier Education for Customers
 - Capturing TOU Benefits
 - 178,00 Customers



Recommendation 2:

WRA recommends that SRP Management further refine its E-28 Plan to better manage EV customer charging.



The E-28 Plan and EV Customers

- SRP's Sustainability Goals for EVs
- Management's Proposal for the E-14 Plan
- The Move for EV Customers to the E-28 Plan
- Managed Charging Programs
- On-Peak and Off-Peak Hours and EVs



Recommendation 3:

WRA recommends that the SRP Board add “Sustainability” to its Pricing Principles.



Sustainability as a Pricing Principle

- The 2000 SRP Board
- Existing Principles
 - Cost Relation, Gradualism, Equity, Choice, Sufficiency
- Sustainability as a Pricing Principle



Recommendation 4:

WRA recommends that the SRP Board reject the new Carbon Reduction Rider proposed by Management.



The Pitfalls of Carbon Offsets

- The Carbon Reduction Rider
- Carbon Offsets and Sustainability
- Recent Carbon Offset Studies
 - 39 of the Top 50 Projects Categorized as Junk
 - Another 6 Projects Categorized as Problematic



The Pitfalls of CCS

- Carbon Capture and Sequestration
- CCS at Fossil Fuel Facilities
- The Pitfalls of CCS
 - Cost
 - Effectiveness
 - Air Pollution



Recommendation 5:

WRA recommends that the SRP Board inquire further about the use of ZECs and RECs in its Energy Attribute Certificate Rider.





Renewable Energy Certificates

- What are Renewable Energy Certificates?
- How are RECs Used?
- The Pitfalls of Unbundled RECs
- SRP and Unbundled RECs





Zero-Emission Certificates

- What is a Zero-Emission Certificate?
- ZECs in Arizona
- The Need for Additional Information



Recommendation 6:

WRA recommends that SRP Management explore alternative cost allocation methods for its next Pricing Process.





SRP's Load Growth Management

- SRP's TOU Plans and Data Centers
- Data Centers and SRP's Cost Allocation Study





Protecting Residential Customers

- SRP's Current Cost Allocation Study Methodology
- The Risk of Shifting Costs
- New Cost Allocation Methodologies



Questions?





Thank You!

wra

EMAIL: emily.doerfler@westernresources.org

WEBSITE: WESTERNRESOURCEADVOCATES.ORG



SWEEP INITIAL COMMENTS ON SRP FY25 PRICING PROPOSAL

Caryn Potter

Arizona Representative

Southwest Energy Efficiency Project
(SWEEP)

Special Board of Directors Meeting | February 6th, 2025



SWEEP
SOUTHWEST ENERGY EFFICIENCY PROJECT



SWEEP is a public-interest organization promoting greater energy efficiency and clean transportation in Arizona, Colorado, Nevada, New Mexico, Utah, and Wyoming

WWW.SWENERGY.ORG



SWEEP IS CONCERNED WITH TIERED MONTHLY SERVICE CHARGE

THE PROBLEM

- The Monthly Service Charge is a fixed fee applied regardless of energy use.
 - Fixed charges cover costs like metering, billing, and customer connection that don't vary with usage.

Consumer impacts of higher fixed charges:

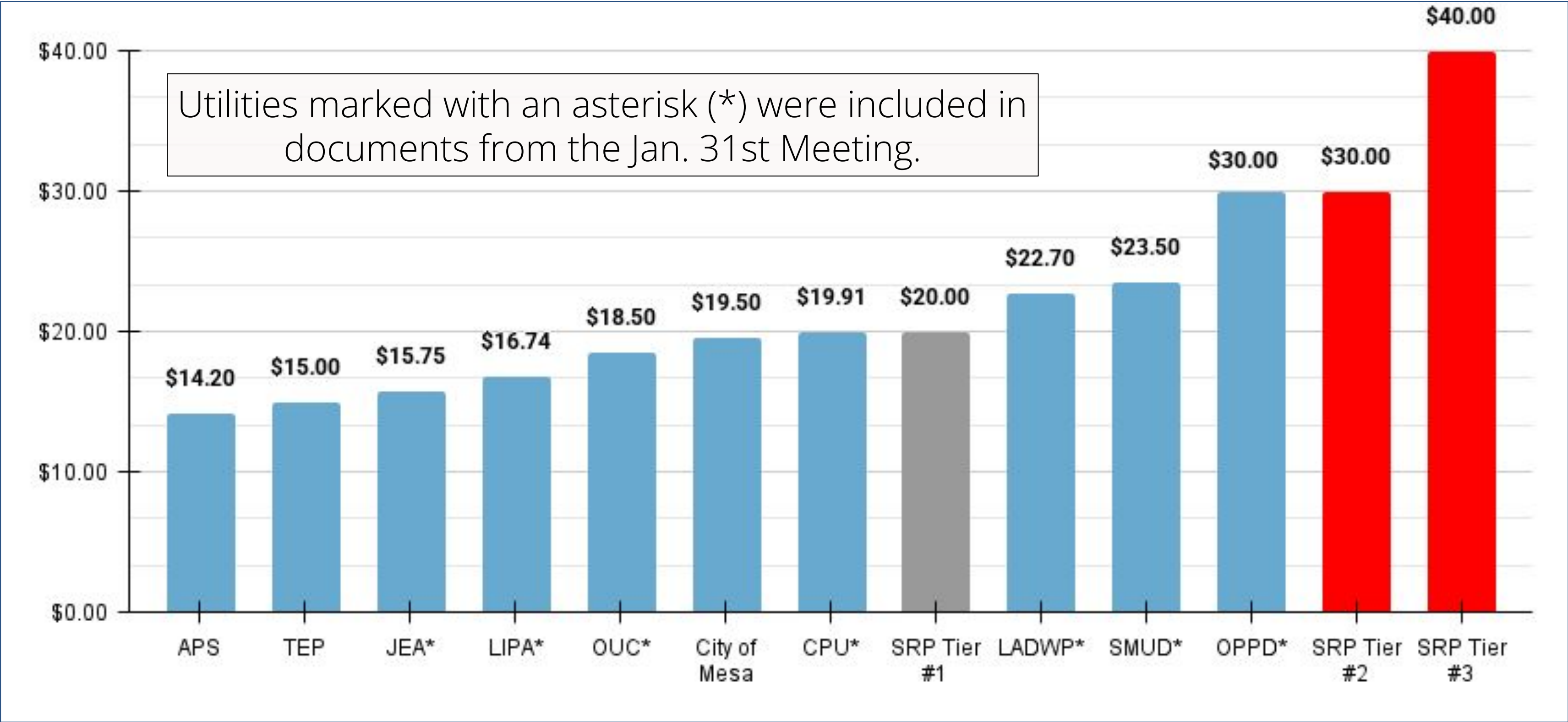
- Decreases ability to control bill
- Falls hardest on those who use least – typically seniors and limited-income consumers
- Acts as a disincentive to saving energy



THE SOLUTION

- Retain the \$20/Month structure for all residential (non-solar) customers
- Create a new tiered MSC without variable distribution costs

COMPARISON OF UTILITY FIXED CHARGES: WHY SHOULD SRP CUSTOMERS PAY MORE?



SWEEP SUPPORTS E-28 PRICE PLAN WITH TWO MODIFICATIONS



- Consider making E-28 the primary residential rate so long as:
 - On-Peak window remains only three hours.
 - Making it easy for customers to flexibility opt-out with no barriers.
 - Offer a temporary bill protection period where customers can compare their actual costs under TOU vs. their previous rate and switch if TOU isn't beneficial.
 - Identify vulnerable groups (e.g., medical baseline customers) who may not benefit from TOU and offer alternative rate options proactively.
- Improve the price differentials during Super-Off Peak/Off-Peak/On-Peak in each pricing season
 - The current price structure across seasons lacks sufficient variation to drive behavior change. SRP should adjust pricing to encourage shifting power usage away from peak demand periods.
 - For example, industry best practices show customers respond well to a simple (1:2:4) pricing ratio for (Super-Off Peak:Off-Peak:On-Peak) periods.

Full proposal will be included in SWEEP's written comments for the Board.

SWEEP RECOMMENDS THE E-16 TOU/DEMAND PLAN SHOULD PROVIDE MORE CUSTOMER FLEXIBILITY



- Approve the same three-hour on-peak period for both E-16 and E-28, as this reflects the hours that are most expensive for SRP to service customers.
- Evidence shows residential customers struggle with understanding demand charge price plans. As such:
 - E-16 should be tailored/marketed to sophisticated users, such as those with solar and electric technology.
 - Should not be marketed to vulnerable groups or limited-income customers.
 - Education materials should be created to explain the demand charge before customers sign up.
 - Residential (non-solar) customers should not be automatically enrolled
- Improve the price differentials during Super-Off Peak/Off-Peak/On-Peak in each pricing season.

SWEEP PROPOSES STAKEHOLDER PROCESS TO DEVELOP OPTIMAL CLEAN TECHNOLOGIES TARIFF



- SRP is working on retiring aging and uneconomic infrastructure, rapidly expanding clean energy resources all while trying to balance grid stability, affordability and sustainability.
- The unprecedented growth of large industrial customers with 24/7 firm capacity needs are complicating this balancing act; shaping the direction of SRP's \$12 Billion Capital Improvement Program.
 - 100+ large business customers are in SRP's interconnection queue.
 - 50%+ are data centers, with 30+ prospective customers seeking 150 MW or more each represents 4,500 MWs of potential load.
- When making decisions on ratepayer affordability in a period of rapid demand growth, The Board must consider rethinking capital structures and investment sources for meeting quick energy needs while saving money.

SWEEP PROPOSES STAKEHOLDER PROCESS TO DEVELOP OPTIMAL CLEAN TECHNOLOGIES TARIFF

- SRP should conduct (at the conclusion of the pricing process), a stakeholder workgroup to develop a tariff proposal that allows Large General Service customers to pay for emerging & conventional clean technologies directly that can:
 - Cover the costs of their own clean energy sources. In return, they'd get credits on their rates based on the energy and capacity their resources provide.
 - These resources would be used to help meet SRP's overall energy needs, and SRP could require customers to ensure their energy supply aligns with their expected usage for a certain percentage of the time.



Full proposal will be included in SWEEP's written comments for the Board.

SWEEP'S RECOMMENDATIONS TO THE BOARD



Tiered Monthly Service Charge

1. MSC should stay at \$20/Month for all residential customers.
 - a. If the Board is inclined to approve the tiered structure, it should be re-assessed to not include any variable distribution costs.

E-16 & E-28 TOU Rates

1. Approve E-16 and E-28 with the same three-hour on-peak period.
2. Tailor E-16 to sophisticated customers like those with solar and electric technology.
3. Improve the price differentials during the On-Peak, Off-Peak, and Super-Off Peak periods for both price plans.

Other Policies

1. Support moving EE funding into the SBC as long as EE funding is not reduced and planning /reporting remain transparent.
2. Conduct stakeholder workgroup to develop Optimal Clean Technologies Tariff for Large General Service Customers.

THANK YOU!

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Special Board of Directors Meeting | February 6th, 2025



SWEEP
SOUTHWEST ENERGY EFFICIENCY PROJECT

Steve Neil

Consumer Advocate

SRP electric ratepayer

SRP water shareholder

February 6, 2025 SRP District Special Board Meeting

regarding the 2025 Price Process

Why ^{WE} I care so much about SRP

Very important institution in the Valley

One of America's best utilities, public or investor owned!

Part of my/our DNA to see people treated equally and justly

All monopolies merit extra attention because they do not compete in an open market.

The lone ranger has some

company
As the member of the public who has attended more board and committee meetings than any other in recent years ...

It is great to see lots of members of the public here today and on Zoom!

I hope I can be your voice in some meaningful way.

Please be sure to sign up to give your comments too.

“It’s like
deja vu
all over again!”

Let’s talk about your pricing principles!

Deja vu - Balance!

Balance - the first topic I ever spoke to this board about way back in 2015.

Lack of balance between the elected board and management

Lack of balance between the highly paid elected president and the low-paid elected directors

Lack of balance during this pricing process



Is this how
directors with
questions and
requests feel?
(Hopefully not today)

Deja vu - consumer protection

Why Doesn't SRP Have a Web Enabled Price Plan Calculator?

- SRP's web enabled price plan calculator is being released in phases.

Today

- Customers have the ability to call SRP, and if there is adequate history a price comparison will be given over the phone.
- Prospective solar customers can access SRP's MyAccount web portal to compare their current price plan to E-27.

Future

- SRP is currently developing a price plan comparison tool. This feature will be made available in SRP's MyAccount web portal by spring of 2020.

Mgt's
slide
from the
2019
price
process

Current bill comparison situation

And it's gone! The tool was taken down in August 2024.

NO new tool is under development.

The on-bill comparison is incomplete so likely misleading.

5 to 8 plans to choose from and next to no info from SRP to help!

The principle of **Equity** needs re-enshrined in this regard.

Would you like to see a proposal with timeframes from management?

Deja vu on “avoided cost” of exported solar

Example using the E-23 Basic - Summer Peak Season

When exported solar goes to neighbors on the common E-23, SRP bills them the full 14 cents, but only paid 3.45 cents avoided cost so 10.5 cents goes into SRP's pocket!

Per kWh Charges Summer Peak	All kWh
Billing and Customer Service	\$0.0066
Distribution Facilities	\$0.0042
Distribution Delivery	\$0.0161
Transmission	\$0.0105
Transmission Cost Adjustment	\$0.0000
Ancillary Services 1-2	\$0.0027
Ancillary Services 3-6	\$0.0012
System Benefits	\$0.0034
Generation	\$0.0490
Fuel and Purchased Power Adjustment	\$0.0467
Total	\$0.1404

Used so not avoided	\$0.0000
Used so not avoided	\$0.0000
Used so not avoided	\$0.0000
No transmission so avoided	\$0.0105
Zero so immaterial	\$0.0000
No dispatch; no regulation	\$0.0027
Spinning reserve not avoided	\$0.0000
Solar cust happy to pay this too	\$0.0000
Solar generator so avoided	\$0.0424
No SRP fuel so avoided	\$0.0467
Total avoided costs	\$0.1023

Solar's avoided cost - how the story changes

SRP says: **Cost Relation principle** says we can only pay the avoided costs for exported solar which are:

2015 - the cost of fuel which was around 4 cents per kWh

2019 - the cost of purchased solar which was 2.81 cents per kWh

My request for the current cost of solar PPA has not been answered.

2025 - the market cost past 3 years avg plus we'll throw in .2 cents for not having transmission losses so 3.45 cents per kWh

Would you like to hear from Management about solar's true avoided cost?

Deja vu - 2019 news that California et al are transitioning to

UTILITY DIVE Deep Dive Opinion Podcasts Library Events Jobs Topics ▾

DEEP DIVE

SMUD: Time-of-use is the future of rate design

After a pilot, the utility is making time-of-use the default for all customers.

By [Robert Walton](#)

Published May 13, 2015

UTILITY DIVE Deep Dive Opinion Podcasts Library Events Jobs Topics ▾

JD Power: Customer satisfaction will hinge on how utilities manage TOU rates

By [Robert Walton](#)

Published Jan. 14, 2019

APS is 33% on Basic. SRP 64%!
Would you like to see pricing with better
Cost Relation?

UTILITY DIVE Deep Dive Opinion Podcasts Library Events Jobs Topics ▾

California utilities prep nation's biggest time-of-use rate rollout

Over 300 time-varying rates in 62 pilots have shown consumers can "understand and respond," but California's three IOUs are dealing with more than 20 million people.

By [Herman K. Trabish](#)

Published Dec. 6, 2018

Lots of talk about price signals at SRP, but 64% of customers receive none. Sched 4 2019 was 58% Wrong direction!

Deja vu on monthly fixed charges

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DEEP DIVE

Are regulators starting to rethink fixed charges?

Three states reduce their fixed rate charges in Q2 of 2018, leading observers to believe regulators are rethinking rate standards.

One trusted axiom:
Higher fixed charges and lower energy
charges discourage conservation.

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DEEP DIVE

The future of rate design: Why the utility industry may shift away from fixed charges

The animosity over fixed charges is giving way to a debate over comprehensive rate reform

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OPINION

Tong and Wellinghoff: Why fixed charges are a false fix to the utility industry's solar challenges

The recent push for fixed charges may help utilities in the short run, but at a huge cost to all.

Deja vu - Monthly Service Charges

2015 - increased from \$17 to \$20

More than double what APS and TEP charged

But gradualism principle is honored

2019 - board efforts to decrease to \$17 failed

2025 - Mgt is asking for an average MSC of \$28.xx.

Some customers will pay 50% more, some 100% more

Up to quadruple what APS and TEP charge

Where's the Gradualism?

Would you like to see a proposal for a lower fee of \$xx from management?



Deja vu - Economy Price Plan Rider



2019 - Wildfire proposed

leveling discount at \$23 year round. Mgt agreed.

increasing income test to 200% of poverty level. Mgt disagreed.

2025 - Mgt proposes raising from \$23 to only \$25, but 200%.

How about something like this bare minimum support?

200% of poverty level: \$20

150% level: \$35

100% level: \$50

Equity principle does not address charity. But what about the present and future social costs?

Some deja vu we may yet see/have seen

~~today~~ 2015 - clock hour demand measurement like APS and TEP

2019 - Director Brown's modest proposal of a credit of a penny per kWh for green power.

2019 - Residential Storage Battery doubled incentive

The narrative is that solar is bad but better with storage, so ???

Virtual Power Plants are successful in Utah, CA, WA, Hawaii, ...

Would you like to see management's plan for the effect of these and other initiatives on this pricing?

Not deja vu - LOLP-Weighted Peak



The brand new metric that is a big factor in this pricing.

The metric used for years was 4CP, the average of the peak of each of 4 summer months - June, July, August, September.

Loss of Load Probability means how constrained the generation and transmission sources are.

I agree with this new way of measuring the Peak part of the Peak and Average pricing methodology but ...

Not deja vu - consultants on LOLP Peak



The board consultant told me that he never received the LOLP Study Results spreadsheet, so he only spoke generally of it.

Management's consultant hasn't mentioned a word about this big change.

I received the spreadsheet and it is very disturbing.

Not deja vu - LOLP modeling



The modeling seems very flawed.

It uses only the projections for 2028, 2029, and 2030.

While Mgt says the next price process will be before that.

It does not model the change in behavior for the proposed peak pricing hours of 6 to 9 pm and 5 to 10 pm.

So the SRP-signaled behavior of waiting until ~7 or 8 pm to lower the thermostat and start the pool pumps is punished!

Not deja vu - solar class treatment



The data shows that the solar class does better than other class at pushing home and EV consumption until after the current peak pricing period.

However, SRP's new plans move the goal posts/peak pricing to later in the day.

The effect is to say that the solar class doesn't pay their fair share. That math and logic is suspect.

Equity and gradualism principles are being ignored.

Not deja vu - helter skelter LOLP data



I've seen thousands of spreadsheets and ...

I've made many complex ones myself.

This one is very complicated and organization is suspect.

My confidence is low that all is well in all the spreadsheets.

Despite being brand new, it has not been audited.

Would you like to see the pricing system audited post haste?

Not deja vu - Efficiency “Cut the Fat”



Not something I've heard much anything about in 10 years of attending board and committee meetings.

Paying off higher interest rate bonds is about all I've seen.

Over the past 6 fiscal years:

Long term debt has increased by about a billion dollars

And about a billion of revenue above budget too

Has mgt explained this?

Management says **Sufficiency** requires a price increase. Would you like to know what Efficiency has done to minimize the increase?

**“The grid needs a symphony,
not a shouting match” -RMI**



Thank you so much!

Questions?

steven.stuart.neil@gmail.com

Do not redact this email address.



I expect this presentation to be part of the pdf for the meeting and posted on your website.





AriSEIA
ARIZONA SOLAR ENERGY
INDUSTRIES ASSOCIATION

2025 SRP Pricing Proceeding

AriSEIA Recommendations and Proposal

What is AriSEIA?

- **The Arizona Solar Energy Industries Association (AriSEIA) is the solar, storage, and electrification trade association for the State of Arizona.**
- **We are an Arizona nonprofit.**
- **We advocate for pro-renewables policy at every level of government.**
- **We are especially active at the Arizona Corporation Commission (ACC) and Arizona legislature.**
- **We also have a robust consumer protection body of work.**
- **We engage with local governments on renewables ordinances.**

Process Concerns

- **The timeline for the rate case is needlessly short.**
 - This eliminates the possibility to hire an expert witness.
 - Therefore, the proposal is not benefiting from national best practices and checks and balances on SRP.
- **Data requests are taking weeks or even more than a month to get a response.**
- **There is no reason the entire process must be completed in ~2 months.**
- **SRP should have an online data room where all orgs can see the data requests and responses of other orgs.**
- **The “interviews” were needlessly constrained to 1 hour of questions each.**

Macro Rate Design Comments

- The fixed fees should be as low as possible. Volumetric charges are preferable to drive behavior changes.
- The majority of your customers should be on time of use (TOU) rates, which is not currently the case.
- The TOU period should be 3 hours. The longer the period the less likely the participation.
- The differential between on-peak and off-peak should be ~3:1 to drive behavior change.
- You should not be defaulting TOU customers to a non-TOU rate in 2029.

Current SRP Solar Policies Compared

Utility	# of Customers	# of Solar Customers	Export Rate	Duration
APS	~1.4 million	~185,000	\$.06857	10 years
TEP	~400,000	~53,000	\$.0570	10 years
SRP (proposed)	~1.2 million	~56,000	\$.0345	1 year

The savings are reduced for solar customers on the new rate plans

- We modeled the new E-28 rate plan on Open Solar to compare the savings. According to our calculations, a customer that switches from the new E-23 to the new E-28 is going to save *substantially less* than they would have saved switching from the old E-23 to the E-13.
- **Savings for customer using 16,000 kWh per year; 76% offset system (8.55 kW) @ \$2.40 per watt switching to E-13 vs. switching to E-28:**
 - Current E-23 switch to E-13: \$73 savings per month; 12-year break even
 - New E-23 switch to E-28: \$51 savings per month; 15-year break even
- **Savings for customer using 16,000 kWh per year; 51% offset system (4.5 kW) @ \$2.40 per watt switching to E-13 vs. switching to E-28:**
 - Current E-23 switch to E-13: \$58 savings per month; 9.5-year break even
 - New E-23 switch to E-28: \$40 savings per month; 13-year break even

Specific Recommendations

- **Net load, not delivered load, should be utilized consistently for the cost allocation study.**
- **Customers on net metering tariffs should be allowed to remain on those tariffs even if frozen until 2034.**
- **The export rate for solar lacks consideration of capacity costs and avoided transmission and distribution costs.**
 - **Export rate should be locked in for more than one year.**
- **All residential rate plans should be open to solar customers.**

Specific Recommendations

- **E-16 should have the same on peak period as E-28.**
- **The on peak time should be 5-8pm, not 6-9pm based on cost.**
- **There should be two seasons, not three to reduce confusion.**
- **Super off peak should be limited to 10-3 and the winter based on cost.**
- **Customer service costs should not be disproportionately higher for solar customers, especially without explanation.**

Specific Recommendations

- **Commercial rate plans:**
 - **E-32: The change in TOU hours reduces the savings by >\$1,000 for customers without storage.**
 - **Changes meant to incentivize batteries are not significant enough to offset the cost of the batteries.**
 - **E-36: The declining block rate disincentivizes energy efficiency measures.**
 - **We recommend creating a commercial pilot with reduced demand charges and a higher differential between on and off peak.**

Virtual Power Plant Proposal

Principles:

- Performance-based
- Allow batteries to export to grid
- No opt-out fee or limit
- Targeted, 3-hour max events, max 60 events per year
- Performance payments are stackable & open to all tariff/rate schedules
- Allow third-party aggregators
- Lock in payment level for 5 years
- Summer only events

Proposed Tariff-based Incentive:

- \$150/kW performance payment
 - Based on SRP's marginal cost of demand and marginal energy cost at the secondary distribution level
- Incentive payment would retain value for SRP and rest of rate base, while appropriately compensating VPP customers
- Payment to be based on actual average kW discharge

Appendix: Needed change to TOU periods

From To	2:00 AM 3:00 AM	3:00 AM 4:00 AM	4:00 AM 5:00 AM	5:00 AM 6:00 AM	6:00 AM 7:00 AM	7:00 AM 8:00 AM	8:00 AM 9:00 AM	9:00 AM 10:00 AM	10:00 AM 11:00 AM	11:00 AM 12:00 PM	12:00 PM 1:00 PM	1:00 PM 2:00 PM	2:00 PM 3:00 PM	3:00 PM 4:00 PM	4:00 PM 5:00 PM	5:00 PM 6:00 PM	6:00 PM 7:00 PM	7:00 PM 8:00 PM	8:00 PM 9:00 PM	9:00 PM 10:00 PM	10:00 PM 11:00 PM	11:00 PM 12:00 AM
Total	H03	H04	H05	H06	H07	H08	H09	H10	H11	H12	H13	H14	H15	H16	H17	H18	H19	H20	H21	H22	H23	H24
January	1.87	1.84	1.87	1.94	2.20	2.56	2.18	1.55	1.22	1.07	0.97	0.87	0.86	0.99	1.59	2.32	2.55	2.50	2.42	2.33	2.20	2.02
February	1.47	1.45	1.45	1.52	1.72	2.01	1.62	0.93	0.62	0.50	0.42	0.37	0.36	0.44	0.74	1.51	1.99	2.12	1.98	1.90	1.82	1.66
March	1.03	1.02	1.05	1.18	1.46	1.41	0.79	0.32	0.12	0.05	0.00	(0.02)	(0.02)	0.03	0.20	0.79	1.43	1.66	1.55	1.43	1.29	1.17
April	0.99	0.99	1.04	1.19	1.36	0.89	0.29	0.07	(0.03)	(0.05)	(0.07)	(0.07)	(0.05)	0.00	0.14	0.59	1.34	1.72	1.61	1.41	1.23	1.13
May	1.15	1.14	1.21	1.35	1.30	0.57	0.15	0.02	(0.02)	(0.04)	(0.04)	(0.01)	0.03	0.13	0.28	0.71	1.54	2.24	2.19	1.82	1.49	1.35
June	1.32	1.30	1.33	1.46	1.34	0.77	0.57	0.52	0.53	0.58	0.66	0.73	0.88	1.19	1.49	2.52	2.40	2.82	2.47	2.08	1.63	1.50
July	1.75	1.72	1.74	1.81	1.97	1.55	1.39	1.38	1.42	1.53	1.69	1.97	2.43	7.00	14.38	23.63	48.05	58.56	15.86	4.96	3.12	2.61
August	1.89	1.85	1.87	1.98	2.22	1.80	1.52	1.46	1.49	1.59	1.76	2.44	2.48	4.34	6.34	10.43	19.44	17.45	4.98	3.26	2.59	2.34
September	1.47	1.44	1.45	1.56	1.67	1.44	1.05	0.95	0.95	1.02	1.12	1.27	1.46	2.42	3.19	3.43	5.47	4.18	2.88	2.13	1.86	1.70
October	1.10	1.09	1.12	1.23	1.44	1.33	0.88	0.65	0.58	0.57	0.59	0.63	0.72	0.84	1.13	1.70	2.06	1.76	1.57	1.51	1.32	1.22
November	1.30	1.28	1.29	1.36	1.54	1.66	1.27	0.81	0.65	0.61	0.60	0.61	0.64	0.80	1.31	1.82	2.01	1.80	1.73	1.68	1.61	1.44
December	1.80	1.77	1.77	1.81	1.97	2.37	2.05	1.66	1.44	1.34	1.27	1.24	1.26	1.37	1.80	2.25	2.42	2.35	2.28	2.24	2.17	1.99
Summer	1.26	1.25	1.28	1.40	1.44	1.03	0.66	0.53	0.51	0.54	0.58	0.65	0.77	1.15	1.52	2.09	2.87	2.75	2.28	1.88	1.57	1.44
Peak	1.82	1.79	1.81	1.90	2.09	1.68	1.45	1.42	1.46	1.56	1.72	2.21	2.46	5.67	10.36	17.03	33.75	38.00	10.42	4.11	2.85	2.47
Winter	1.41	1.39	1.41	1.50	1.71	1.82	1.37	0.89	0.67	0.59	0.53	0.50	0.51	0.61	0.96	1.55	1.96	2.02	1.93	1.83	1.72	1.57
Annual	1.43	1.41	1.43	1.53	1.68	1.53	1.15	0.86	0.75	0.73	0.75	0.84	0.92	1.63	2.72	4.31	7.56	8.26	3.46	2.23	1.86	1.68

Appendix: Customers not on TOU

Table 4. SRP Standard Residential Price Plans

Rate	Description	Customer Accounts	Accounts % of Class	\$ Proposed Annual Impact	% Proposed Annual Impact
E-21	"EZ-3" Super Peak Time-Of-Use 3-6 p.m.	164,007	15.3%	\$13,132,711	3.7%
E-22	"EZ-3" Super Peak Time-Of-Use 4-7 p.m.	14,912	1.4%	\$852,455	2.7%
E-23* / E-24	Standard / "M-Power" Pre-Pay	688,788	64.1%	\$43,355,947	3.5%
E-26*	Time-Of-Use	119,519	11.1%	\$7,845,178	2.7%
E-29	Electric Vehicle	29,851	2.8%	\$2,096,567	2.7%
Residential		1,017,077	94.7%	\$67,282,858	3.4%

Appendix: Customers moving to non-TOU plans

Table 6. Freeze & Sunset Schedule

To Be Frozen and Sunset		Moved to Price Plan	
E-15 E-27 E-27P	Average Demand Price Plan Customer Generation Price Plan Residential Demand Price Plan Pilot	E-16	Manage Demand 5–10 p.m. and Save
E-21 E-22	EZ-3 Price Plan (3–6 p.m.) EZ-3 Price Plan (4–7 p.m.)	E-23	Basic Price Plan
E-13 E-14 E-26 E-29	Time-of-Use Export Price Plan Electric Vehicle Export Price Plan Time-of-Use Price Plan Electric Vehicle Price Plan	E-28	Conserve 6–9 p.m. and Save
E-33	Super Peak Time-of-Use General Service Experimental Price Plan	E-32	Time-of-Use General Service

Questions?

Autumn Johnson

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VOTE SOLAR

SRP Board Meeting 2025 Pricing Proceeding

Kate Bowman

Regulatory Director, Interior West

February 6, 2025



Vote Solar works to realize a 100% clean energy transition that puts the interests, health and well-being of people at its center.

Vote Solar combines deep policy expertise with data-driven analysis to advocate for clean energy solutions that benefit communities, utilities, and the economy, with a focus on solar energy. We work to expand solar access while ensuring grid reliability and fair rates in order to advance the transition to an equitable, 100% clean-powered future.

Agenda

- 1 Areas of Alignment**
- 2 Recommended Changes**
- 3 Monthly Service Charge**
- 4 Price Plan Availability**
- 5 Export Rate**
- 6 Cost Allocation & Revenue**
- 7 Energy Storage**
- 8 Recommendations**

1. Areas of Alignment

■ Price Plan Availability

Price plans E-16 and E-28 are available to residential customers with and without solar –but EZ-3 and E-23 are not.

■ Export Credit is at Least Avoided Cost

We agree with the concept that export rates should equal avoided costs. But we do not agree that management's calculation based on CAISO market prices reflects the full avoided cost value of exported solar energy.

■ Solar-Specific Fixed Charge Eliminated

Residential solar customers are no longer charged a higher fixed fee than non-solar residential customers.

■ Meter Costs

Solar customers are no longer allocated the cost of an additional meter that is used for system-wide purposes.

■ Time of Use Rates

Time of use rates send all customers a price signal to conserve energy during high-cost time periods.

2. Recommend Changes

■ **Reduced Monthly Service Charge**

The proposed monthly service charges are much higher than other utilities in the region, discourage efficiency, and impact low-usage and low-income customers.

■ **Export Credit Calculation**

The CAISO energy market prices used to calculate management's proposed export rate do not account for all values or actual marginal costs.

■ **Price Plan Availability**

Residential solar and non-solar customers should be allowed on the same rate plans, including E-23 and EZ-3 (until it closes in 2029).

■ **Cost Allocation**

The energy portion of generation costs and some ancillary services are allocated to delivered load. This under-counts the cost reduction from distributed solar.

■ **Customer Service Costs**

Customer service costs are disproportionately allocated to residential solar customers.

■ **Return on Revenue**

Allocating some costs to delivered load rather than net load for solar customers creates a false revenue deficiency.

3. Monthly Service Charge

- The proposed monthly service charge is disproportionate to other utilities.
- High fixed charges cause low-usage customers to pay more and harm low-income customers.
- High fixed charges weaken the price signal to conserve energy and discourage customers from investing in energy-saving technologies.
- In the long run, this results in higher costs for all customers.

Table 1. Utility Monthly Service Charges

State	Utility	Single-Family Basic Charge
	Salt River Project - Proposed	\$30
AZ	Arizona Public Service	\$14
	Tucson Electric Power	\$15
	Unisource Electric	\$17
	Pacific Gas & Electric	\$15
CA	San Diego Gas & Electric	\$12*
	Southern California Edison	\$11*
	Los Angeles Dept. of Water & Power	\$10*
	Sacramento Municipal Util. District	\$10*
NV	NV Energy	\$19
CO	Public Service of Colorado	\$6
	City of Colorado Springs	\$16
NM	Public Service of New Mexico	\$10
	El Paso Electric	\$9
UT	PacifiCorp	\$10
Average		\$13

* minimum bill

Source: OpenEI <https://openei.org/> or utility website.

4. Price Plan Availability

Proposal	Recommendation
Customers with solar may take service on E-16 and E-28.	✓
Only legacy solar customers may take service on E-23.	Allow non-legacy solar customers to take service on E-23 starting in 2025.
Solar customers may not take service on E-21 and E-22 (“EZ-3”), which sunset in November 2029.	Allow solar customers to take service on EZ-3 until 2029.

Table 6. Freeze & Sunset Schedule

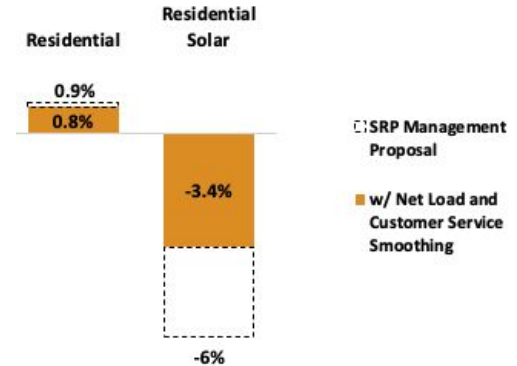
To Be Frozen and Sunset		Moved to Price Plan	
E-15 E-27 E-27P	Average Demand Price Plan Customer Generation Price Plan Residential Demand Price Plan Pilot	E-16	Manage Demand 5-10 p.m. and Save
E-21 E-22	EZ-3 Price Plan (3-6 p.m.) EZ-3 Price Plan (4-7 p.m.)	E-23	Basic Price Plan
E-13 E-14 E-26 E-29	Time-of-Use Export Price Plan Electric Vehicle Export Price Plan Time-of-Use Price Plan Electric Vehicle Price Plan	E-28	Conserve 6-9 p.m. and Save
E-33	Super Peak Time-of-Use General Service Experimental Price Plan	E-32	Time-of-Use General Service

Solar Price Plans

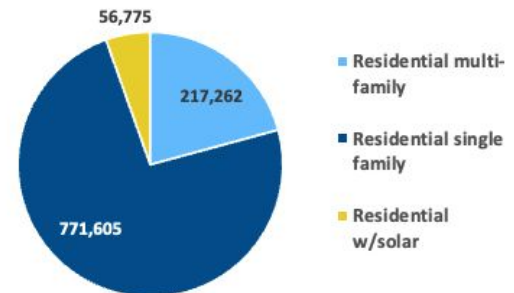
5. Cost Allocation & Revenue

- Most costs are allocated to solar customers based on their **net load**.
- The energy portion of generation costs and ancillary services are allocated to solar customers based on **delivered load**.
- This approach **under-counts the cost reduction** provided by distributed solar and over-states the purported revenue deficiency from solar customers.
- **Presenting the average revenue return of solar customers as a subclass is misleading.** Solar customer usage is within the range of the residential class as a whole, comparable to a low-usage residential customer without solar.

Proposed Return w/ Corrections

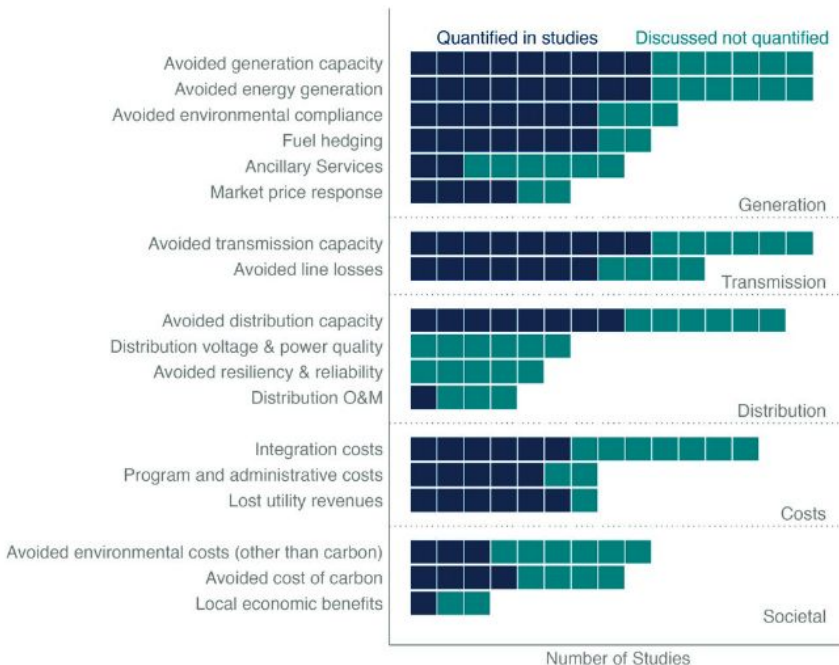


of Res. Customers



6. Export Rate

- The proposed export rate is based on a 3-year average of CAISO External Load Aggregation Point.
- CAISO market prices do not reflect the full avoided cost value of exported solar energy.
- Marginal generation costs are also determined by the cost of operating SRP generation resources.



See LBNL, "A review of value of solar studies in theory and in practice." (2025).

7. Energy Storage



- Customer-sited energy storage can increase the value of rooftop solar to the grid by shifting solar generation to other times of the day.
- A pay-for-performance battery storage program leverages privately-owned customer batteries to provide energy and grid services that benefit all customers.
- APS recently proposed a “Bring Your Own Device” program with a performance payment.
- Performance payments are based on the actual dispatch of the battery and the value provided.
- A typical home battery is designed to discharge its maximum capacity for 4 hours.

8. Recommendations

- ✓ Reduce Monthly Service Charge to encourage conservation and protect low-income customers.
- ✓ Make all residential rate schedules available to residential customers with solar.
- ✓ Ensure solar export credit accounts for the full value of exported solar energy.
- ✓ Develop a performance-based “Bring Your Own Device” program for customer-sited batteries.
- ✓ Engage customers early and frequently about price plan options.
- ✓ Offer shadow billing or other comparison tool to help customers to evaluate their price plan options.



VOTE SOLAR

Thank you!

Kate Bowman

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THE VALUE OF COPPER

MIAMI OPERATIONS 2023 ECONOMIC IMPACT

Freeport-McMoRan's Miami operations generated **MORE THAN \$337 MILLION** in economic benefits for Arizona in 2023, which includes **OVER \$121 MILLION** for Gila County.

ECONOMIC BENEFITS

The Miami operations **EMPLOYED 880** and the ripple effect of wages and taxes, plus services we purchased, created a total of **2,820 JOBS** in the state, generating additional economic benefits.

Note: Figures are approximate.

All economic impact numbers were produced by the L. William Seidman Research Institute, Arizona State University.

GILA COUNTY

Compensation \$83.0 MM	Business Taxes \$1.1 MM	Vendor Purchases \$14.9 MM
DIRECT IMPACT \$99 Million		

Spending by Employees \$14.8 MM	Spending from New Tax Revenues \$1.6 MM	Vendor Purchases \$6.1 MM
INDIRECT IMPACT \$22.5 Million		

**\$121.5 MILLION
TOTAL**

ARIZONA

Compensation \$111.3 MM	Business Taxes \$1.4 MM	Vendor Purchases \$59.5 MM
DIRECT IMPACT \$172.2 Million		

Spending by Employees \$65.0 MM	Spending from New Tax Revenues \$36.7 MM	Vendor Purchases \$63.4 MM
INDIRECT IMPACT \$165.1 Million		

**\$337.3 MILLION
TOTAL**

Bright Spots

E-65 Standard Price Plan for Substation Large General Service

Overview

The Standard Price Plan for Substation Large General Service (E-65) is for customers whose service is metered at the low side of a dedicated substation transformer(s) and supplied through one point of delivery and measured through one or more meters as approved by SRP. Pricing for dedicated facilities is defined by customer-specific contracts.

Key Facts*

Test Year: 2025 Financial Plan, Fiscal Year 2026

Customer Accounts	66
Annual Revenue	\$502.6M (12% of SRP's retail electric revenue)
Annual Billed Usage	5,840,910 MWh (16% of SRP's retail energy sales)

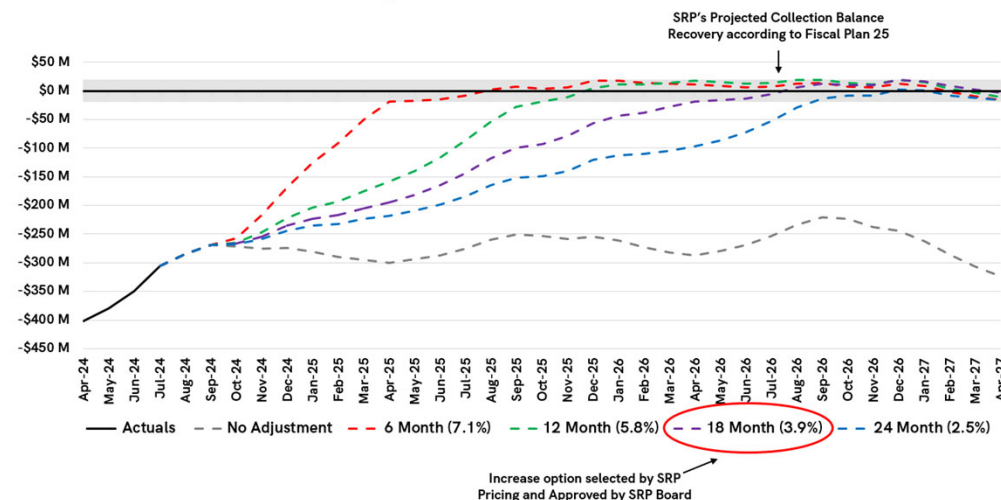
- Supportive of adding high side metering
- Preference for eligibility requirements vs. subjective at SRP's sole discretion

Proposed Changes

Annual Impact

- Change summer and summer peak on-peak hours to 5-10 p.m., daily, to better reflect costs.
- Change winter on-peak hours to 5-10 p.m., weekdays, to better reflect costs.
- Change off-peak hours to 8 a.m. to 3 p.m., daily, year-round, to better reflect cost.
- Update shoulder-peak hours to all other hours to better reflect cost.
- Provide a reduction on the Transmission components for loads taking service above 69 kV.
- Add provision for high side metering, at SRP's sole discretion, and applicable loss adjustment.
- Continue to align price plan components with marginal costs.
- See Table 52 for a detailed comparison of the current and proposed E-65 price plans.

FFPAM Collection Projections



- Supportive of \$50M FFPAM deadband
- Preference for automatic FFPAM update outside deadband more than 1-year after prior adjustment to collect/return balance over an 12-month forward period

Schedule 9: Target Revenues by Class

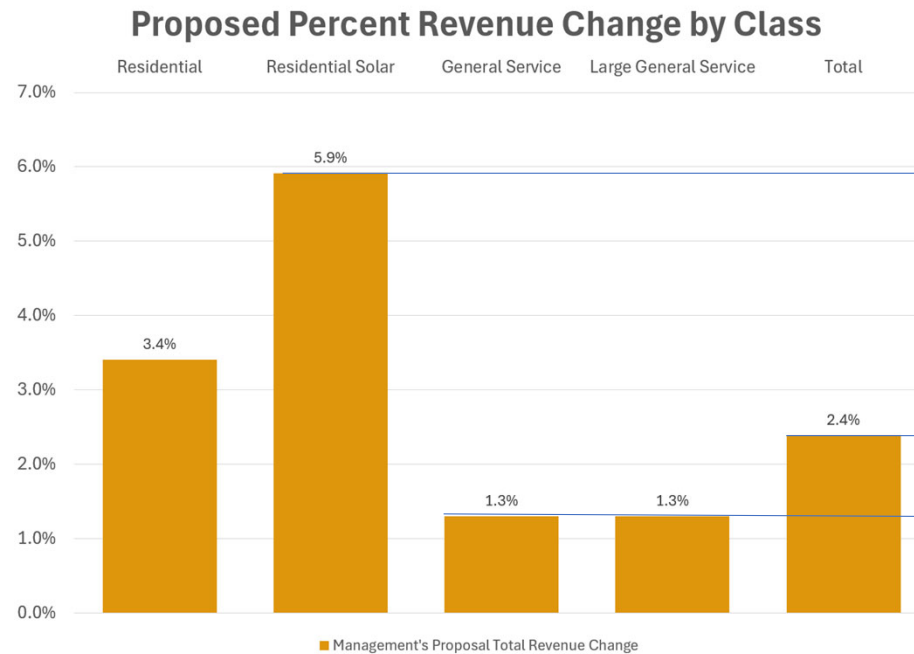
increase. Management's proposed target revenues balance the Pricing Principles of Equity, Cost Relation, and Gradualism, thereby limiting the overall bill increase for each class to between 1.3% and 5.9%. As such, the proposed target revenues deviate

Cost Allocation Study In Support of Proposed Adjustments– 12/2/2024 – Page 68

Two Concerns:

In principle, this sounds reasonable, but:

1. the FPPAM decrease creates a significant complication



Maximum Bill Impact
250% Average

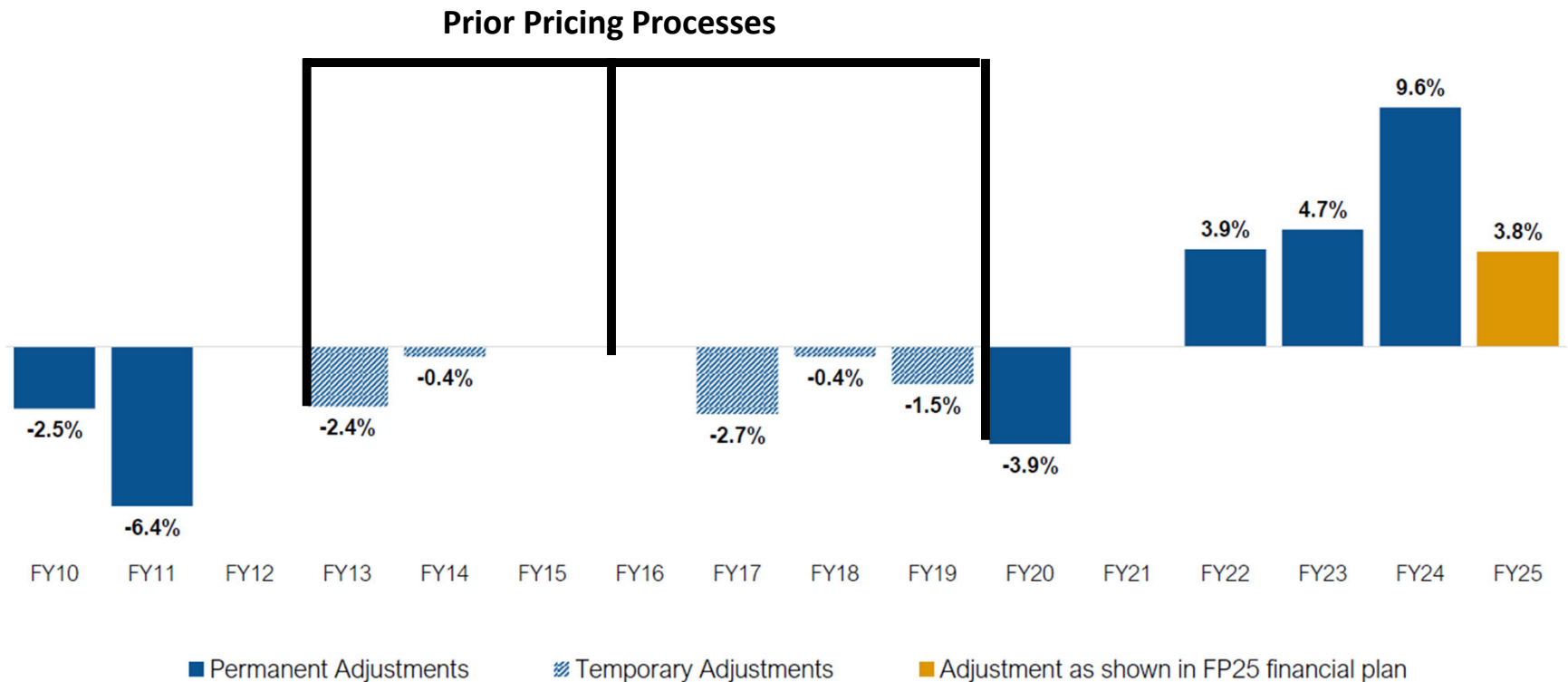
Average Bill Impact

Minimum Bill Impact
50% Average

FPPAM Complication

increase. Management's proposed target revenues balance the Pricing Principles of Equity, Cost Relation, and Gradualism, thereby limiting the overall bill increase for each class to between 1.3% and 5.9%. As such, the proposed target revenues deviate

FPPAM Adjustments FY10 - FY24 + FP25



FPPAM Complication

increase. Management's proposed target revenues balance the Pricing Principles of Equity, Cost Relation, and Gradualism, thereby limiting the overall bill increase for each class to between 1.3% and 5.9%. As such, the proposed target revenues deviate

Pg. 27

Management's Pricing Proposal

SRP Pricing Process December 20th, 2018

Allowing returns to guide the allocation of base rate changes is the correct approach.

MCS results as a tool in rate design in an effort to provide price signals to customers that better align with the costs incurred by SRP. The results of the marginal cost study are summarized in Appendix A of the CAS. The study uses revenues based on current price levels and updated costs to reflect Fiscal Year 2020 dollars.

Summary of Key Pricing Proposals

Base Price Change

Base price components refer to all pricing components except for adjustment mechanisms (the FPPAM and the EPCAF). The base price generally includes generation, transmission, distribution, customer services and the system benefits charge. As part of each price process, Management proposes base price plan adjustments that move the relative rates of return for each price plan closer to the overall average return for all customer classes. The differing impact on each class of customer that results from customer, demand, and energy growth as a result of consumption changes will vary from test year to test year, coupled with changes to expenses and investment in plant, results in the relative returns on net plant less construction work in progress (CWIP) for each class as seen in Figure 12.

These returns are used as the primary tool to determine the allocation of the proposed base price increases by function and customer class.

How do we assess if Cost Relation and Equity are balanced?

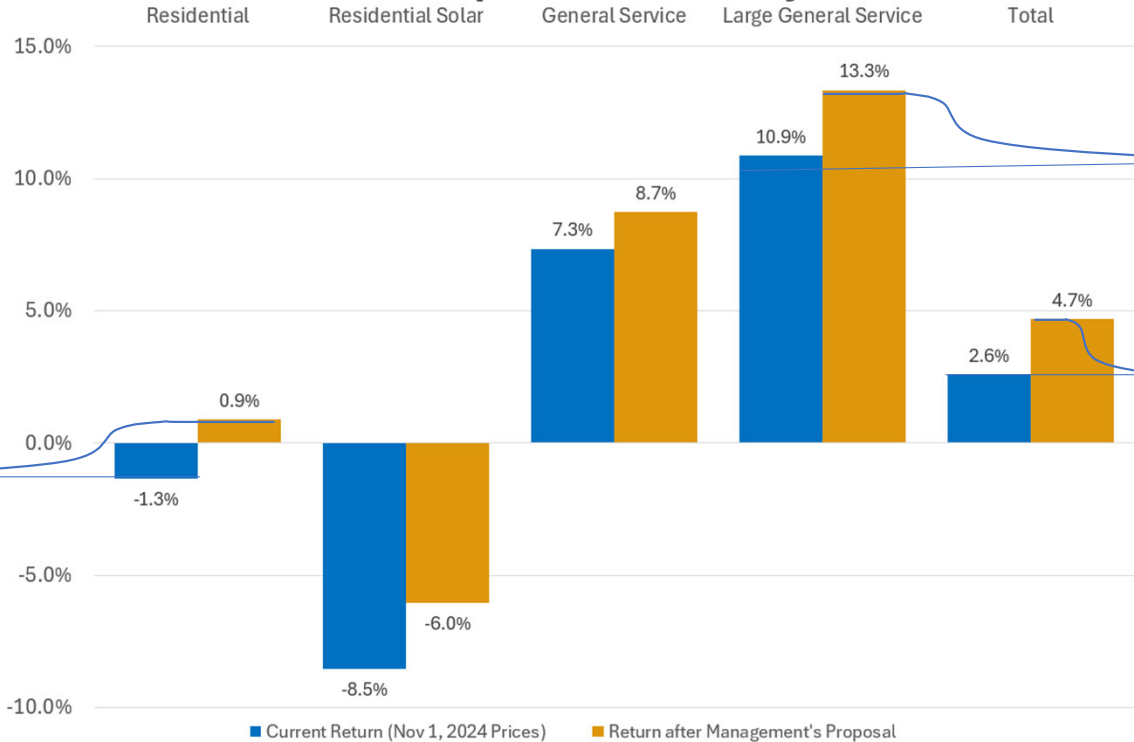
FPPAM Complication

Assessing Equity

When setting target revenues by class in a price process, Management balances the Pricing Principles of Cost Relation, Equity, and Gradualism. In consideration of Gradualism, Management proposes that all classes have revenue increases between 1.3% and 5.9%. In consideration of Equity and Cost Relation, classes with an above average return fall at the low end of the increase, while classes with a lower return fall at the higher end

Cost Allocation Study In Support of Proposed Adjustments– 12/2/2024 – Page 2

Current & Proposed Returns By Class



Low Return
220 bp increase

Highest Return
250 bp increase

Average Return
210 bp change

FPPAM Complication

Assessing Cost Relation

Description	Res Class	RS Class	GS Class	LGS Class	Total	Ref.
Cost of Service						
Cost-of-service Total Rev Req	2,248,581	126,058	949,497	1,065,802	4,389,938	SRP Sch. 8 Line 29
Customer Fees	18,189	1,014	2,010	8	21,221	SRP Sch. 9 Line 43
Aggregation	-	-	(1,252)	(4,061)	(5,313)	SRP Sch. 9 Line 37
Credits and Discounts (Eff. Nov. 2025)	(40,576)	(766)	-	(32,502)	(73,844)	SRP Sch. 9 Line 41, 42
Cost-of-service Total Rev Req (Inc. Fees, Agg., Discounts)	2,226,194	126,306	950,255	1,029,247	4,332,002	Line 10 + 11 + 12 + 13
FPPAM - Demand	244,022	14,675	90,465	99,376	448,538	SRP Sch. 8 Line 25
FPPAM - Energy	477,118	23,809	256,116	384,460	1,141,503	SRP Sch. 8 Line 26
FPPAM - Balance	45,253	1,454	26,814	41,395	114,916	SRP Sch. 8 Line 27
Total FPPAM (w/ Balance)	766,393	39,938	373,395	525,231	1,704,957	Line 15 + 16 + 17
Total FPPAM (w/o Balance)	721,140	38,484	346,581	483,836	1,590,041	Line 15 + 16
Cost of Service FPPAM Revenue Increase/(Decrease)	30,458	14,322	(64,693)	(162,709)	(182,622)	Line 19 - 5
	1.5%	15.6%	-6.3%	-14.4%	-4.3%	
Cost-of-service Base Rev Req	1,459,801	86,368	576,860	504,016	2,627,045	Line 14 - 15 - 16 - 17
Cost of Service Base Revenue Increase	169,440	18,536	(37,669)	18,450	168,757	Line 22 - 1
	8.6%	20.1%	-3.7%	1.6%	4.0%	Line 23 / 9
Management's Proposal	4.2%	8.2%	2.7%	4.4%	4.0%	

FPPAM Complication

With 3 of 4 classes at either the maximum or minimum bill impact, it seems that the FPPAM Complication has resulted in this “gradualism” constraint to become the singular tool used to determine the allocation of the proposed base price increases.

The temporary pass-through nature of the FPPAM is not a good fit for such an application of gradualism.

For these reasons, constraints such as this are recommended to be limited to Base Rate change applications.

increase. Management’s proposed target revenues balance the Pricing Principles of Equity, Cost Relation, and Gradualism, thereby limiting the overall bill increase for each class to between 1.3% and 5.9%. As such, the proposed target revenues deviate

Table 1. Targeted Annual Revenue Adjustments by Customer Class

Percent Change	Total	Base	FPPAM
Residential	3.4%	4.2%	-0.8%
Residential Solar	5.9%	8.2%	-2.3%
General Service	1.3%	2.7%	-1.4%
Large General Service	1.3%	4.4%	-3.1%
All Classes	2.4%	4.0%	-1.6%

Management’s Price Proposal

Pricing Principles

Gradualism, which seeks to enhance sound economic decision-making by customers of all types through stabilizing price levels and smoothing the impact of cost movements that may be caused by temporary factors.

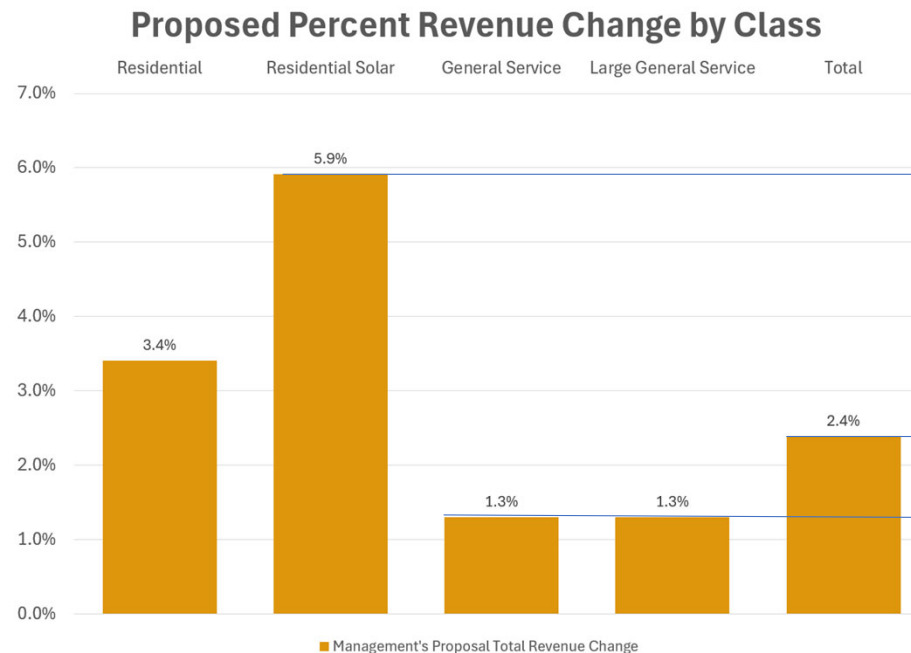
Schedule 9: Target Revenues by Class

increase. Management's proposed target revenues balance the Pricing Principles of Equity, Cost Relation, and Gradualism, thereby limiting the overall bill increase for each class to between 1.3% and 5.9%. As such, the proposed target revenues deviate

Two Concerns:

In principle, this sounds reasonable, but:

1. the FPPAM decrease creates a significant complication
2. Constraint should occur only for each class.



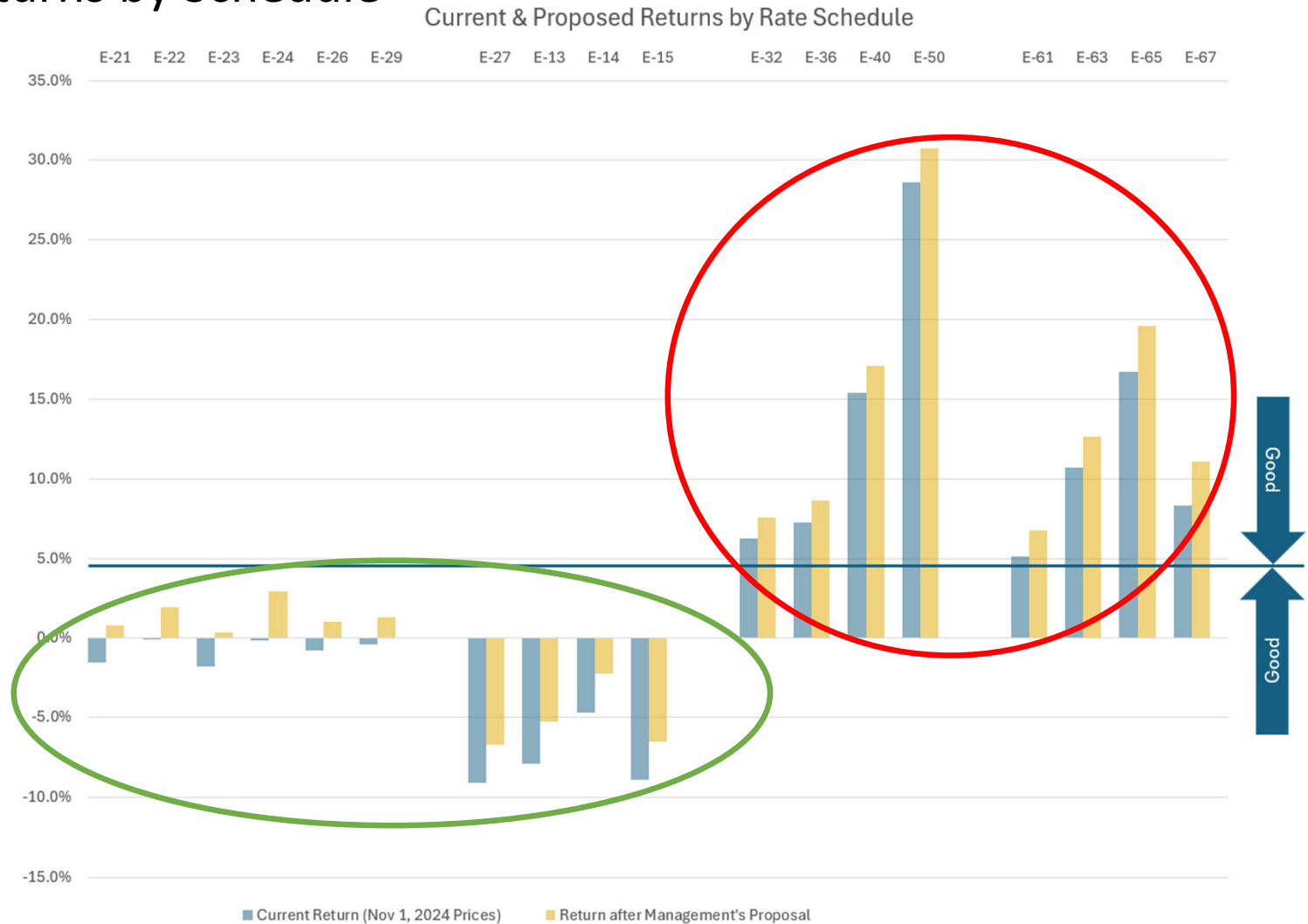
Maximum Bill Impact
250% Average

Average Bill Impact

Minimum Bill Impact
50% Average

Alignment on Returns by Schedule

- The Cost Relation principle seems to be impacting Residential Rates
- But C&I Rates are moving the wrong way; away from the average return all by the same amount?



Schedule 10: Current and Proposed Return by Class

2025 Cost Allocation Study | FP25 FY26 | Published 12/2/2024

Line #	Description (\$/1000, unless noted)	[K]	[L]	[M]	[N]	[O]	[P]	[Q]	[R]	[S]			
		[K]	[L]	[M]	[N]	[O]	[P]	[Q]	[R]	[S]			
<u>Current Revenues (Effective Nov 1, 2024)</u>													
[1]	Tot. Current Retail Component Revenues	E-32	E-36	E-40	E-50	E-61	E-63	E-65	E-67	Totals			
[2]	FPPAM - Demand												
[3]	FPPAM - Energy												
[4]	FPPAM - Balance		Sch 9: Line # [13]		12,193	28,843	574	759	9,785	2,456	28,737	25,631	182,622
[5]	Electric Customer Fees		Sch 9: Line # [21]		266	1,577	10	157	6	1	1	0	21,222
[6]	Current Revenue w/o FPPAM Balance, Credits, and Discts		= [1] - [4] + [5]		273,305	674,368	13,231	22,530	189,451	48,002	477,855	382,697	4,101,119
[7]	Current Credits and Discounts (not inc. in Return)		Sch 9: Line # [20]		-	-	-	-	-	(3,950)	(28,552)		(52,792)
[8]	Current Base Revenues		= [1] - [2] - [3] - [4] + [5] + [7]		167,143	423,237	8,232	15,917	104,259	26,622	223,700	130,985	2,458,287
[9]	Current Adjustor Revenues		= [2] + [3] + [4]		118,355	279,974	5,573	7,372	94,976	23,836	278,942	248,791	1,772,663
<u>Proposed Revenues (Mgmt. Proposal Nov 1, 2025)</u>													
[10]	Tot. Proposed Retail Component Revenues		Sch 9: Line # [38]		288,944	710,776	13,975	23,435	201,918	51,088	513,052	413,265	4,384,625
[11]	FPPAM - Demand		Sch 9: Line # [33]		29,950	70,789	1,389	1,819	23,837	5,916	68,128	60,581	448,537
[12]	FPPAM - Energy		Sch 9: Line # [34]		76,644	181,359	3,594	4,750	61,405	15,277	177,305	157,204	1,141,504
[13]	FPPAM - Balance		Sch 9: Line # [35]		7,716	18,258	362	478	6,182	1,538	17,849	15,826	114,916
[14]	Electric Customer Fees		Sch 9: Line # [43]		266	1,577	10	157	6	1	1	0	21,222
[15]	Proposed Revenue w/o FPPAM Balance, Credits, and Discts		= [10] - [13] + [14]		281,494	694,095	13,623	23,114	195,742	49,551	495,203	397,439	4,290,931
[16]	Proposed Credits and Discounts (not inc. in Return)		Sch 9: Line # [42]		-	-	-	-	-	(3,950)	(28,552)		(73,846)
[17]	Proposed Base Revenues		= [10] - [11] - [12] - [13] + [14] + [16]		174,900	441,947	8,640	16,544	110,501	28,358	245,820	151,101	2,627,044
[18]	Proposed Adjustor Revenues		= [11] + [12] + [13]		114,310	270,406	5,345	7,048	91,424	22,731	263,282	233,611	1,704,957
<u>Proposed Changes</u>													
% Base Revenue Change		2.7%	2.7%	3.0%	2.7%	3.1%	3.4%	4.4%	5.3%				4.0%
% Adjustor Revenue Change		-1.4%	-1.4%	-1.7%	-1.4%	-1.8%	-2.2%	-3.1%	-4.0%				-1.6%
% Total Revenue Change		1.3%	1.3%	1.3%	1.3%	1.3%	1.3%	1.3%	1.3%				2.4%
<u>Return Calculation</u>													
[24]	Total Retail Electric Operating Expenses		Sch 6: Line # [29]		234,807	570,842	9,651	14,765	170,096	39,288	376,728	337,497	3,865,122

Constraints are applied at the class level; not every single rate schedule. Otherwise, what is the point of the Management's CAS?

Management's Proposed LGS Class Rates

Description	E-61	E-63	E-65	E-67	LGS Class	Total
SRP Proposed Rate Increase						
Proposed Base Revenues	110,501	28,358	245,820	151,101	535,780	2,627,045
Proposed FPPAM Revenues	91,424	22,731	263,282	233,611	611,048	1,704,958
SRP Proposed Base Change	6,242	1,736	22,120	20,116	50,214	168,757
SRP Proposed Base Change	3.13%	3.44%	4.40%	5.30%	4.44%	3.99%
SRP Proposed Adjustor Change	(3,552)	(1,105)	(15,660)	(15,180)	(35,497)	(67,705)
SRP Proposed Adjustor Change	-1.78%	-2.19%	-3.12%	-4.00%	-3.14%	-1.60%
SRP Proposed Total Change	2,690	631	6,460	4,936	14,717	101,052
SRP Proposed Total Change	1.35%	1.25%	1.29%	1.30%	1.30%	2.39%
Cost-of-service Base Rev Req	111,583	26,040	207,374	159,019	504,016	2,627,045
Cost of Service Base Revenue Increase	7,324	(582)	(16,326)	28,034	18,450	168,757
	3.68%	-1.15%	-3.25%	7.38%	1.63%	3.99%

Base Rate Change & Total Change are disconnected from Cost-of-Service Study

Description	E-61	E-63	E-65	E-67	LGS Class
SRP Proposed Return					
Total Retail Electric Operating Expenses	170,096	39,288	376,728	337,497	923,609
Total Plant Less CWIP	378,261	81,275	604,637	541,731	1,605,904
Current Revenue w/o FPPAM Balance and Discounts	189,450	48,002	477,855	382,697	1,098,004
Tot. Cur. Operating Inc. w/o FPPAM Balance, Credits, and Current Return	19,354	8,714	101,127	45,200	174,395
	5.1%	10.7%	16.7%	8.3%	10.9%
Proposed Revenue w/o FPPAM Balance and Discounts	195,743	49,551	495,203	397,438	1,137,935
Tot. Prop. Operating Inc. w/o FPPAM Balance, Credits, and Proposed Return	25,647	10,263	118,475	59,941	214,326
	6.8%	12.6%	19.6%	11.1%	13.3%

Customers with the highest current returns are hit the hardest; moving it farther from LGS Class Average Return

Revised LGS Class Rate Recommendations

Description	E-61	E-63	E-65	E-67	LGS Class	Total
"Gradualism Applied" Revised Rate Increase						
Revised Base Revenues	114,453	26,987	221,488	172,852	535,780	2,627,045
Revised FPPAM Revenues	91,424	22,731	263,282	233,611	611,048	1,704,958
Revised Base Change	10,194	365	(2,212)	41,867	50,214	168,757
Revised Base Change	5.1%	0.7%	-0.4%	11.0%	4.44%	3.99%
SRP Proposed Adjustor Change	(3,552)	(1,105)	(15,660)	(15,180)	(35,497)	(67,705)
SRP Proposed Adjustor Change	-1.78%	-2.19%	-3.12%	-4.00%	-3.14%	-1.60%
Revised Total Change	6,642	(740)	(17,872)	26,687	14,717	101,052
Revised Total Change	3.33%	-1.47%	-3.56%	7.03%	1.30%	2.39%
Cost-of-service Base Rev Req	111,583	26,040	207,374	159,019	504,016	2,627,045
Cost of Service Base Revenue Increase	7,324	(582)	(16,326)	28,034	18,450	168,757
	3.68%	-1.15%	-3.25%	7.38%	1.63%	3.99%

Changing Rate Spread in alignment with Management's Cost-of-Service provided in the CAS eliminates further intraclass subsidies.

Description	E-61	E-63	E-65	E-67	LGS Class
SRP Proposed Return					
Total Retail Electric Operating Expenses	170,096	39,288	376,728	337,497	923,609
Total Plant Less CWIP	378,261	81,275	604,637	541,731	1,605,904
Current Revenue w/o FPPAM Balance and Discounts	189,450	48,002	477,855	382,697	1,098,004
Tot. Cur. Operating Inc. w/o FPPAM Balance, Credits, and	19,354	8,714	101,127	45,200	174,395
Current Return	5.1%	10.7%	16.7%	8.3%	10.9%
Revised Revenue w/o FPPAM Balance and Discounts	199,695	48,180	470,871	419,189	1,137,935
Tot. Rev. Operating Inc. w/o FPPAM Balance, Credits, and	29,599	8,892	94,143	81,692	214,326
Revised Return	7.8%	10.9%	15.6%	15.1%	13.3%

All Rate Schedules' Returns approach the LGS Class Average Return



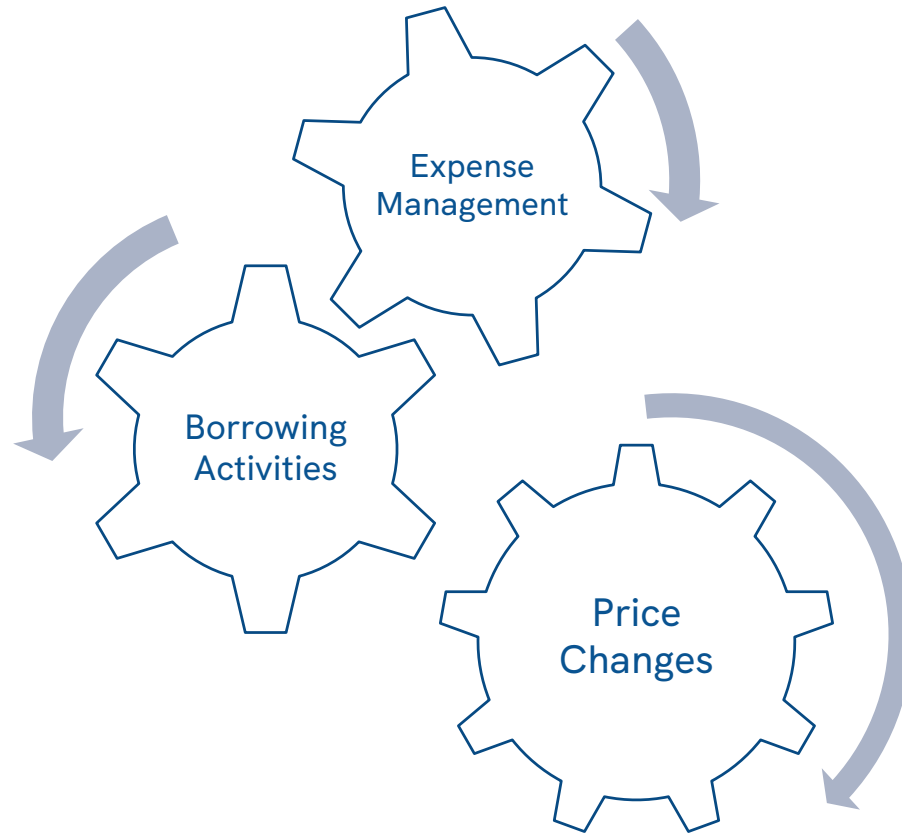
Proposed Adjustments to SRP's Standard Electric Price Plans Effective with the November 2025 Billing Cycle

February 6, 2025

Affordability

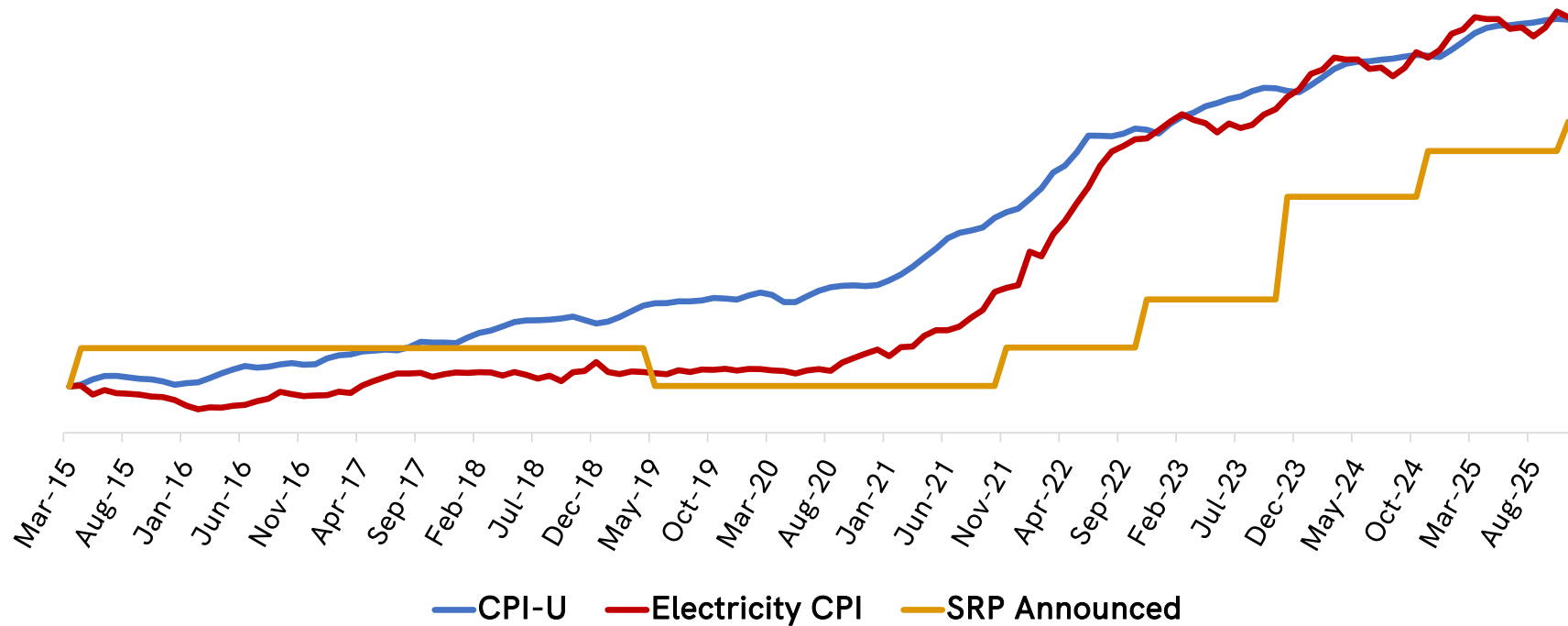
Three Levers To Manage Finances

Starts with expense management; borrowing and/or pricing actions can make up cash shortfalls



SRP Prices vs Inflation Since 2015

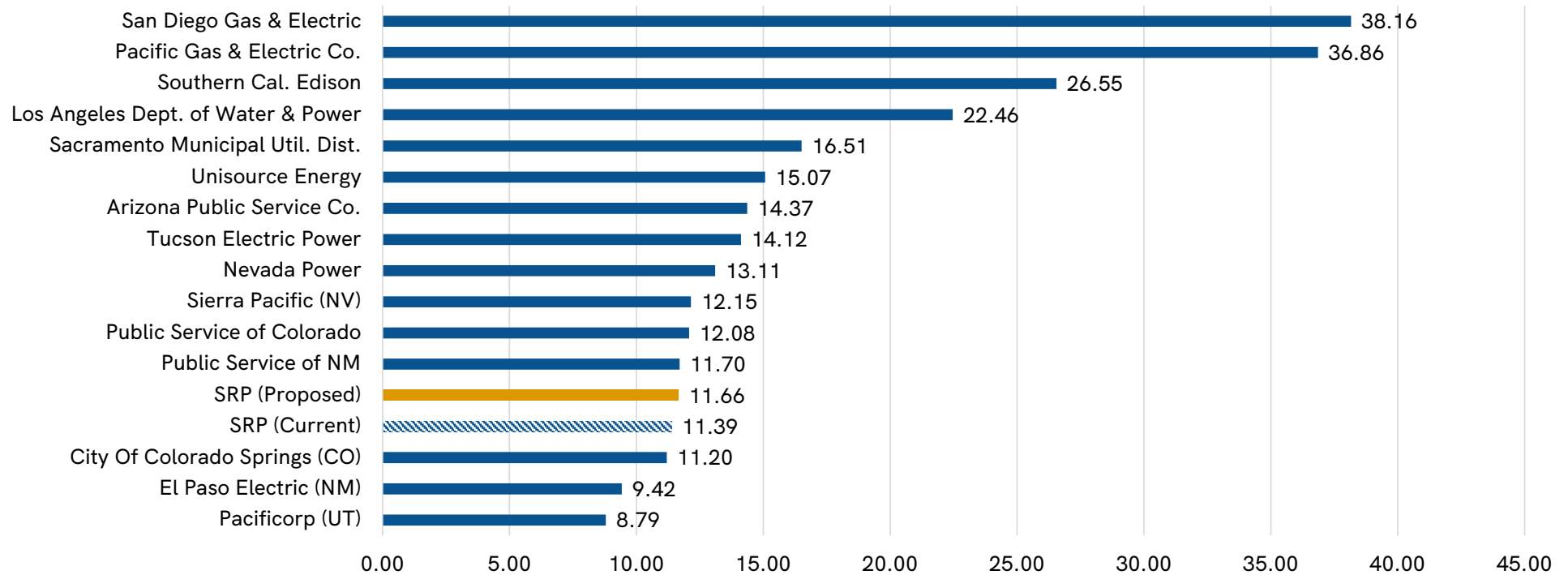
SRP's retail rates have increased at a pace less than inflation over the last 10 years



SRP Announced reflects permanent price changes from April 2015-Present. 2.4% projection made to reflect proposed Nov 2025 increase.
CPI-U and Electricity CPI Electricity based data from Apr 2015-Nov 2024 and projected forward for Dec 2024-Nov 2025

Price Comparison by Company – Overall (cents per kWh)

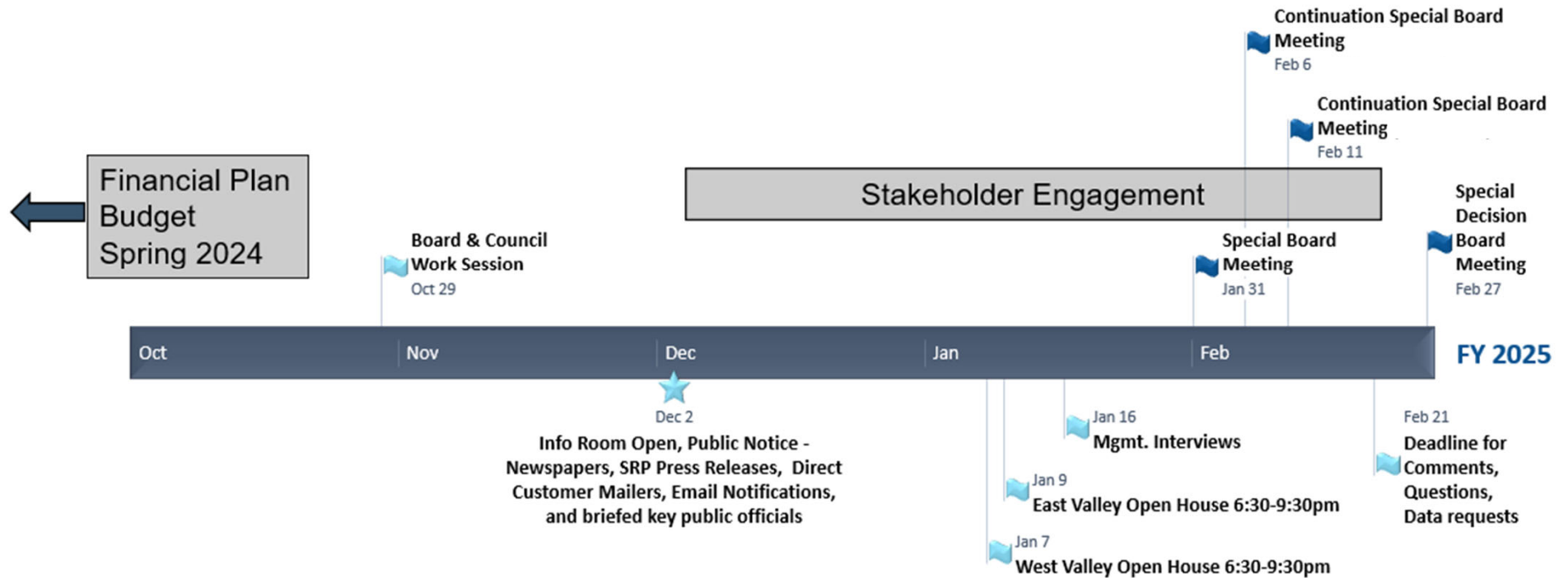
The Proposal keeps SRP within the lowest quartile of peer utility prices



Source: Dept. of Energy EIA-826 Reports for a rolling 12 months through Sep 2024.

Public Engagement

Public Engagement



Customer Credit

Credit Protections

Large Industrial

- Proposed minimum bill for new customers over 20MW
 - 80% of forecasted demand plus other charges specified in Agreement for Electric Service for a specified term
- Required collateral agreements

Commercial

- Evaluate billing cycle credit risk
- Current deposits based on Highest 2 Consecutive Months (H2CM)
 - Re-evaluated at least annually based on actual usage
- Credit standards:
 - Minimum 2 years since entity incorporation
 - Investment grade ratings or equivalent

Dedicated Financial Analyst team

- Ongoing credit risk evaluations
- Assessing or releasing deposits based on payment habits, time in business, and rating

Residential

- Standard deposit amounts to mitigate billing cycle credit risk
- Deposit waivers assessed at turn-on; Deposit billed with first half due upfront and the remainder with first bill
- New or additional deposits billed with returned payments or disconnection for non-payment

Economy Price Plan Enrollment

Current Practices

- Ability to enroll online, over the phone or by mail
- Categorically enroll customers who have received LIHEAP
- Here to Help campaigns
- Promotion of discount on Department of Economic Security phone system
- Community partnerships
- SRP agency portal
- Participate in onsite engagement with resource fairs and community event

Future Actions

- Categorically enroll customers who have received SRP Bill Assistance
- Continue to pursue agreements to expand categorical eligibility
- Targeted marketing
- Increase participation in SRP agency portal
- Increase community partnerships

Customer Resource Counselors

Specialize in servicing our limited income customers and customers with extenuating circumstances

- Explore SRP programs and payment options
 - Additional authority and flexibility with customer services procedures
- Provide referrals to community agencies for assistance
 - SRP Bills, Food, Shelter, Clothing, Medical care, and more
- Community Engagement
 - Provide free resources to community partners
 - Participate in community events
 - Provide leadership through serving on a number of non-profit boards
- Customer and Community Support
 - Economy Price Plan, SRP Bill Assistance, Weatherization, SHARE, Heat Relief and more



EPP Alternative Proposal

Income as percent of FPL	Management's Proposal	Alternative: Step 1	Alternative: Step 2
0-50%	\$25 per month	\$35 per month	43% of Bill
51-100%			30% of Bill
101-150%			23% of Bill
151-200%		\$10 per month	6% of Bill
Timeframe	November 2025	November 2025	Pending System Capability
Program Cost	\$41 Million	\$41 Million (+ \$1-\$2M Additional Bill Assistance)	\$53 Million

TOU Price Plans

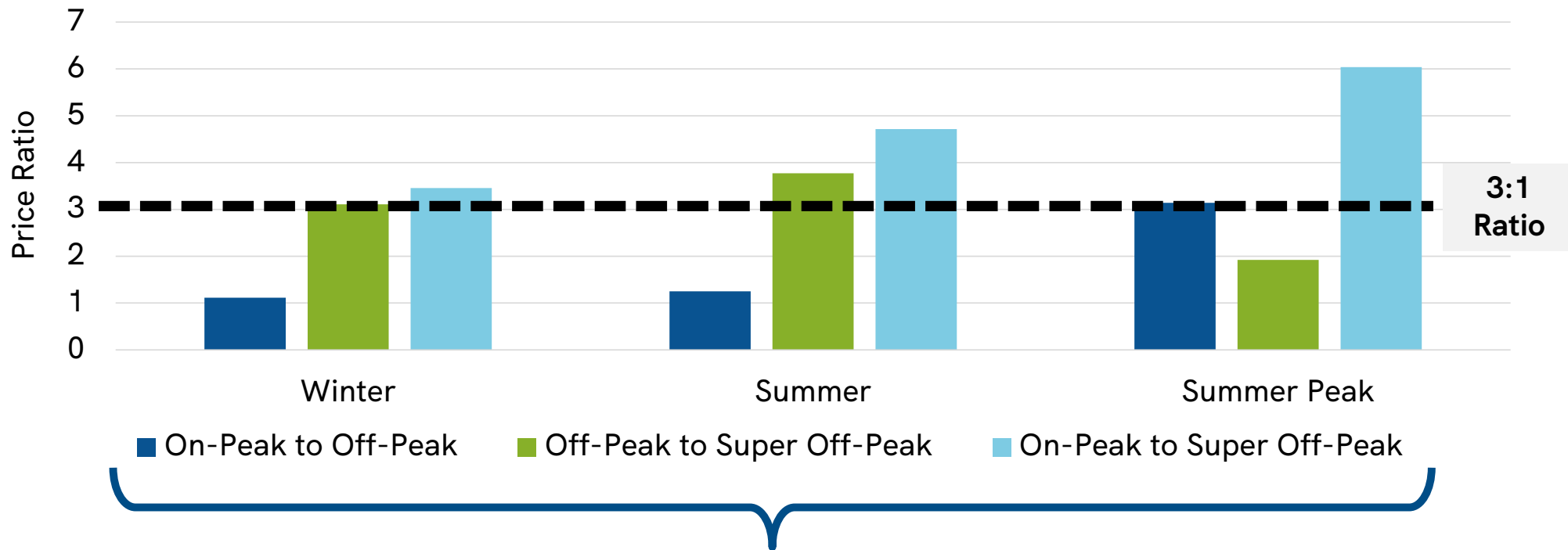
Simplified Residential Price Plan Suite

	Name	Description	Applicability
E-16	Demand Price Plan for Time-of-Use	Manage Demand 5-10 p.m. and Save (daily super off-peak 8 am – 3 pm)	Solar & Non-Solar
E-23	Standard Price Plan	Basic Price Plan	Non-Solar*
E-24	M-Power Pre-Pay	Pre-Pay	Non-Solar
E-28	Time-of-Day Service w/ Super Off-peak	Conserve 6-9 p.m. and Save (daily super off-peak 8 am – 3 pm)	Solar & Non-Solar

*Certain grandfathered solar customers are eligible for a limited time

Price Ratios of E-28 (Conserve 6-9 p.m. and Save)

New Rates Send Strong Cost-Based Signals



Every season has a price ratio above 3:1

Why Move Hours Now...Why Not Wait?

- Transition to new TOU hours this Price Process is necessary to impact resource decisions for 2028-2030
- Proposal provides time for customers to learn and understand new plans
- Provides time to support gradual migration of 360,000+ customers

LOLP Hour Importance Ranking 2028	
12 PM – 1 PM	7
1 PM – 2 PM	7
2 PM – 3 PM	7
3 PM – 4 PM	7
4 PM – 5 PM	6
5 PM – 6 PM	4
6 PM – 7 PM	1
7 PM – 8 PM	2
8 PM – 9 PM	3
9 PM – 10 PM	5

Customer Survey Results

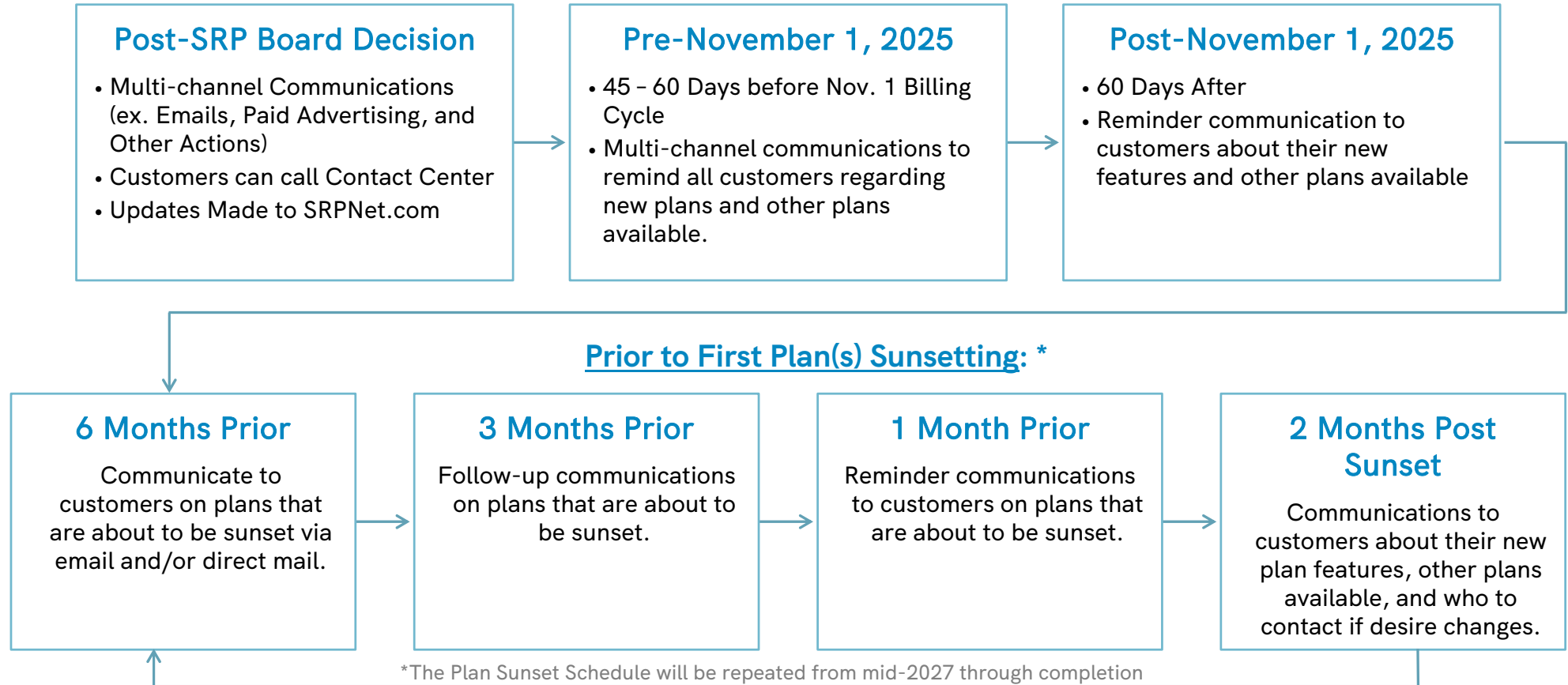
- Preference for 6 – 9 PM vs. 5 – 8 PM
- Super off-peak periods
- Off-peak weekends
- Short on-peak hours
- Consistent hours year-round

Freeze and Sunset Plan

Residential & Commercial Sunset Plan

Start	Duration	To be Frozen and Sunset		Moved to Price Plan	
Nov 2027	1 month	E-29	Electric Vehicle Price Plan	E-28	Conserve 6-9 p.m. and Save
Dec 2027	3 months	E-21	EZ-3 Price Plan (3-6 p.m.)	E-23	Basic Price Plan
Dec 2027	3 months	E-22	EZ-3 Price Plan (4-7 p.m.)	E-23	Basic Price Plan
Nov 2028	2 months	E-26	Time-of-Use Price Plan	E-28	Conserve 6-9 p.m. and Save
Jan 2029	1 month	E-33	Super Peak Time-of-Use General Service Experimental Price Plan	E-32	Time-of-Use General Service
Jan 2029	1 month	E-13	Time-of-Use Export Price Plan	E-28	Conserve 6-9 p.m. and Save
Jan 2029	1 month	E-14	Electric Vehicle Export Price Plan	E-28	Conserve 6-9 p.m. and Save
Jan 2029	1 month	E-15	Average Demand Price Plan	E-16	Manage Demand 5-10 p.m. and Save
Jan 2029	1 month	E-27	Customer Generation Price Plan	E-16	Manage Demand 5-10 p.m. and Save
Jan 2029	1 month	E-27P	Residential Demand Price Plan Pilot	E-16	Manage Demand 5-10 p.m. and Save
Feb 2029	1 month	E-2x	Grandfathered solar customers	E-23	Basic Price Plan

Freeze & Sunset Schedule

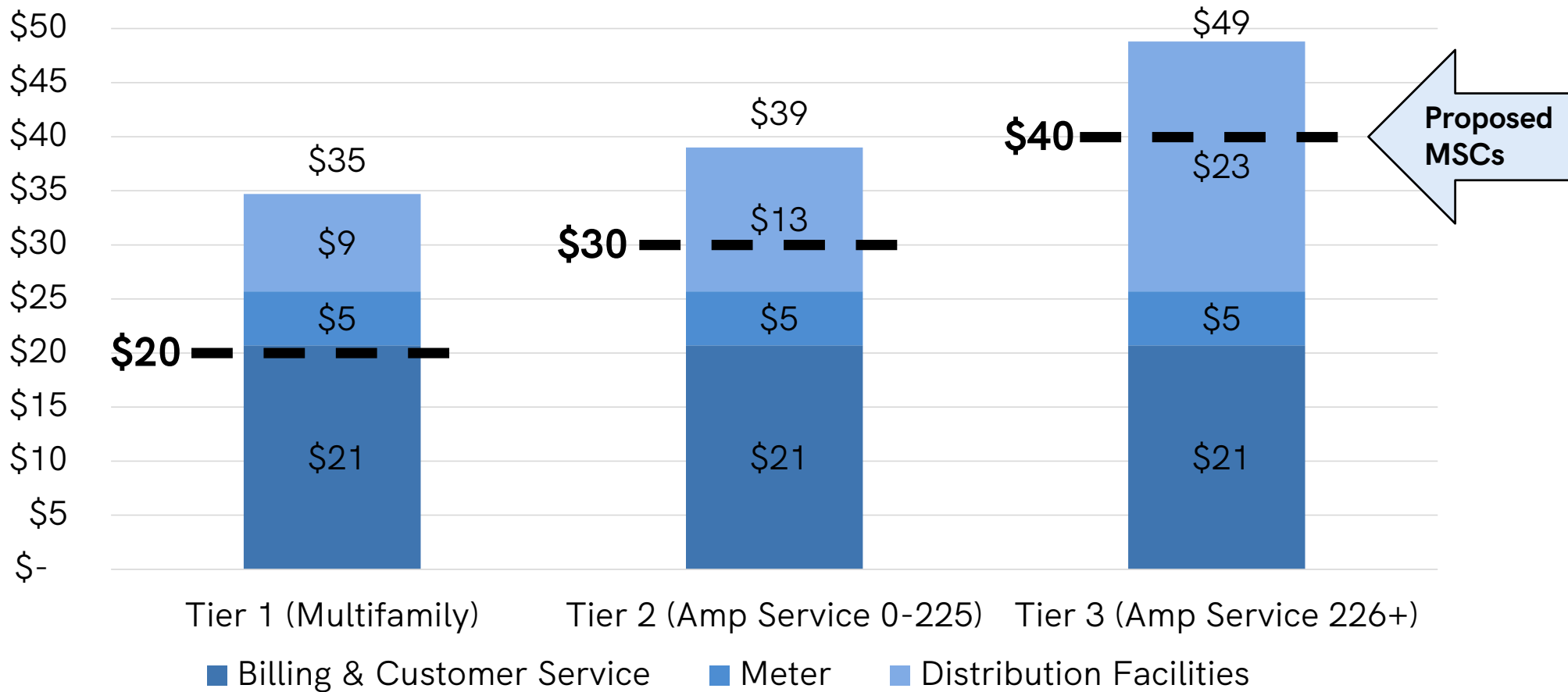


Reasons that EZ-3 Sunsets to E-23

- Prefer customers choose new price plan
- SRP values customers responding to TOU price signals, but also values customer understanding and education.
- The proposal currently contemplates moving EZ-3 (E-21) customers to basic (E-23) due to there being no overlapping on-peak hours (3 – 6 PM on E-21 vs. 6 – 9 PM on E-28) or only one hour in the case of E-22 (4 – 7 PM)
- Management is open to moving those customers to E-28 if desired by the Board

Monthly Service Charge

Cost Differences Between Monthly Service Charge Tiers



Monthly Service Charge Tiers – Bill Impacts

TIER 1



28% of residential customers

TIER 2



69% of residential customers

TIER 3



3% of residential customers

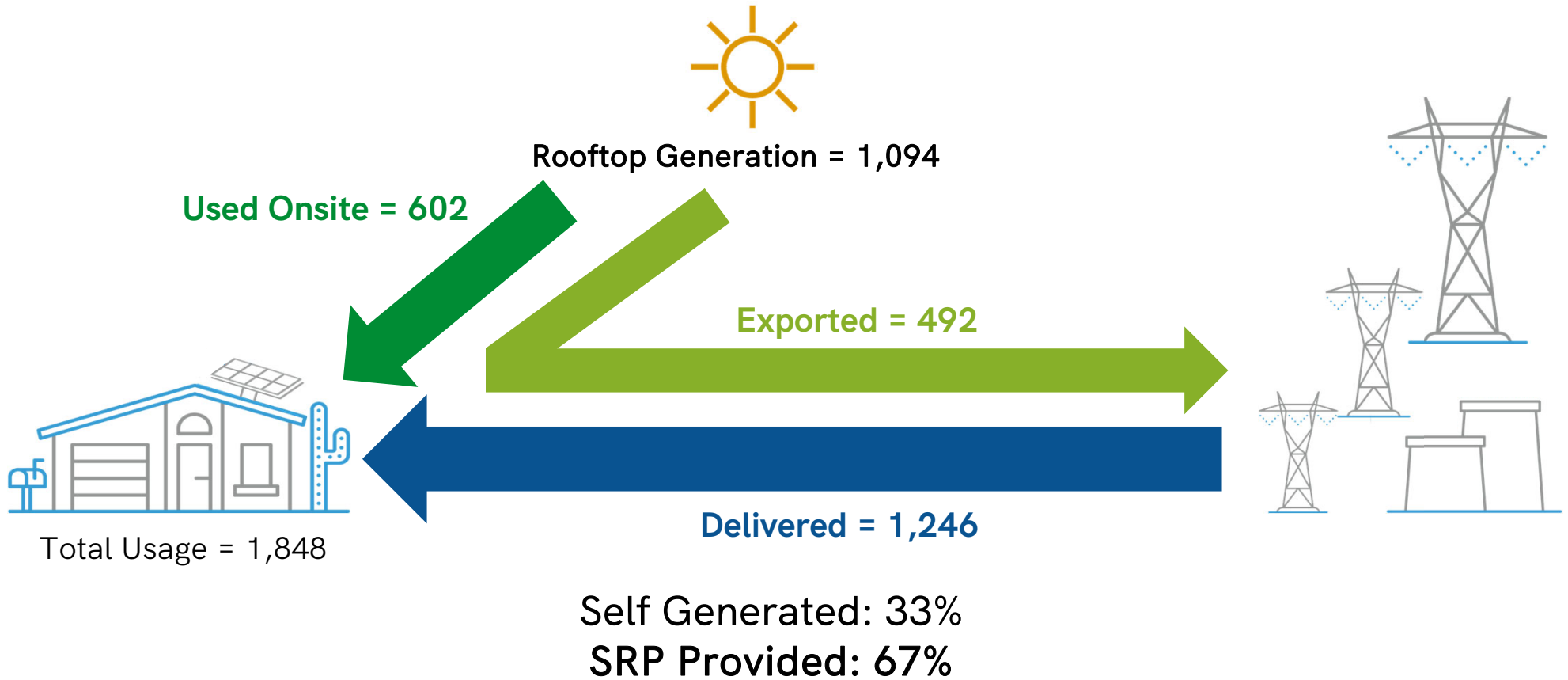
MSC	\$20 (18.4% of bill)	\$30 (15.9% of bill)	\$40 (11.5% of bill)
Average Bill Before Proposal	\$108.99	\$179.66	\$332.16
Average Bill Change	-\$0.35	+\$8.77	+\$15.37

Rooftop Solar

Rooftop Solar Proposal – Key Points

- Cost Allocation Study accurately reflects direct SRP cost reductions in system usage attributable to distributed generation (DG) customers
- After sunseting: no separate solar price plans
- Solar customers and customers without solar have same charges on E-28 and E-16
 - Same MSC (lower than current MSC under solar price plans)
 - Same TOU hours including 3-hour on-peak option on E-28
 - No grid access fees or interconnection fees
 - Same per-kWh delivered charges
 - Market-based export credit, updated annually (transparent and publicly available)

Typical DG Customer Monthly Energy Flow (kWh)



Solar Reduction of Cost Allocation – Simplified View

Cost Allocation Reduced by Distributed Solar

- Distribution

- Transmission

- Ancillary Services

- Generation

- Fuel and Purchased Power

Both on-site and exported solar generation reduce allocated costs

Not Reduced

- Monthly Service Charge

Solar Reduction of Cost Allocation – Detailed View

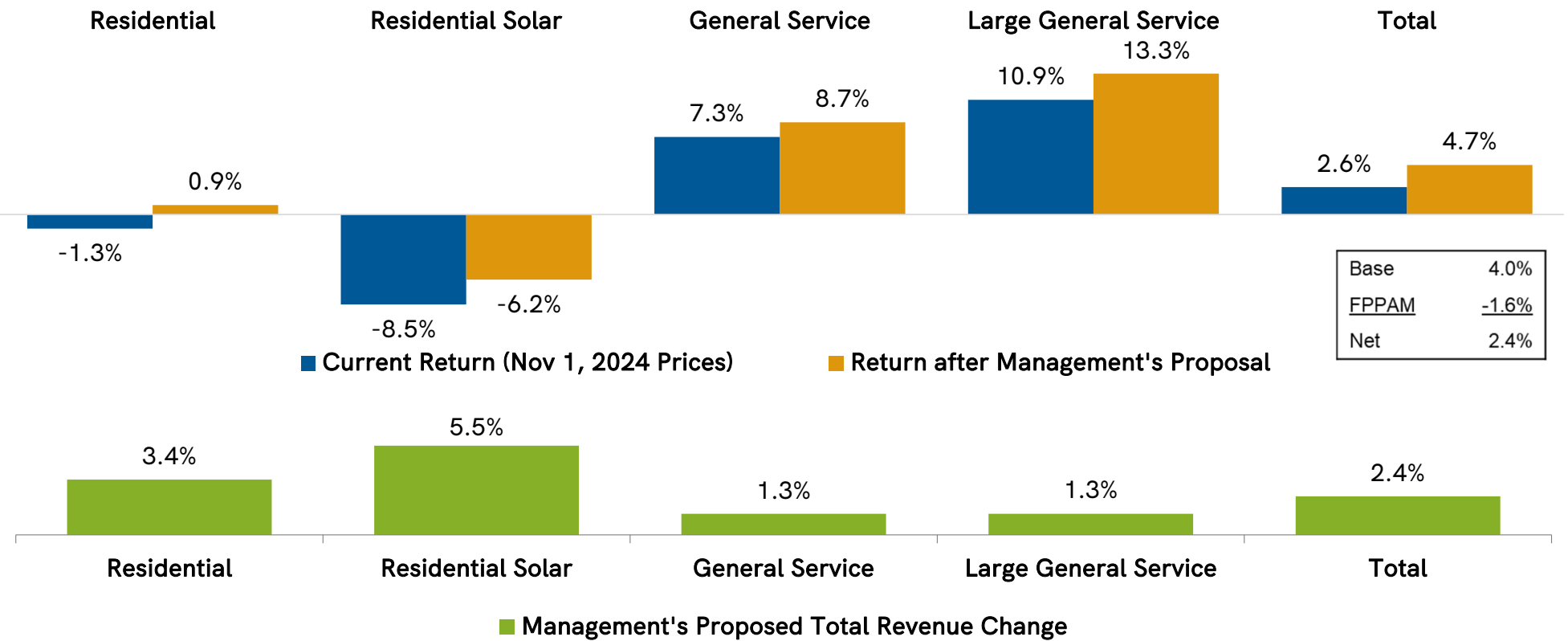
Solar energy consumed on-site reduces SRP's costs by more than excess energy exported to grid

Function	Allocator*	On-Site	Excess	Explanation
Billing, Customer Service, and Metering	Per Customer			Fixed costs that do not vary with energy consumption.
Distribution Facilities	Per Customer (by "Tier")			Fixed costs, often installed before the home is built, does not change with usage
Distribution Delivery	Delivered kW	✓		Solar energy used on-site avoids the distribution system; excess energy does not.
Transmission	Net kW	✓	✓	On-site and excess solar energy at transmission peak lower transmission infrastructure requirements
Ancillary Services 1-2	Net kW	✓	✓	On-site and excess solar energy can reduce costs for regulation and reactive supply & voltage control
Ancillary Services 3-6	Delivered kWh	✓		On-site solar can reduce grid demand; SRP provides reserves for excess solar energy
Generation "Peak"	Net kW	✓	✓	Both on-site and excess solar energy reduce the need for additional generation capacity during peak hours, as they lower net kW coinciding with the generation peak
Generation "Average"	Delivered kWh	✓		On-Site solar directly reduces reliance on SRP's generating resources; excess solar energy in one hour does not reduce the need for the resources in a different hour
FPPAM	Net kWh	✓	✓	Both on-site and excess solar energy reduce the need for SRP fuel or purchased power in corresponding hour

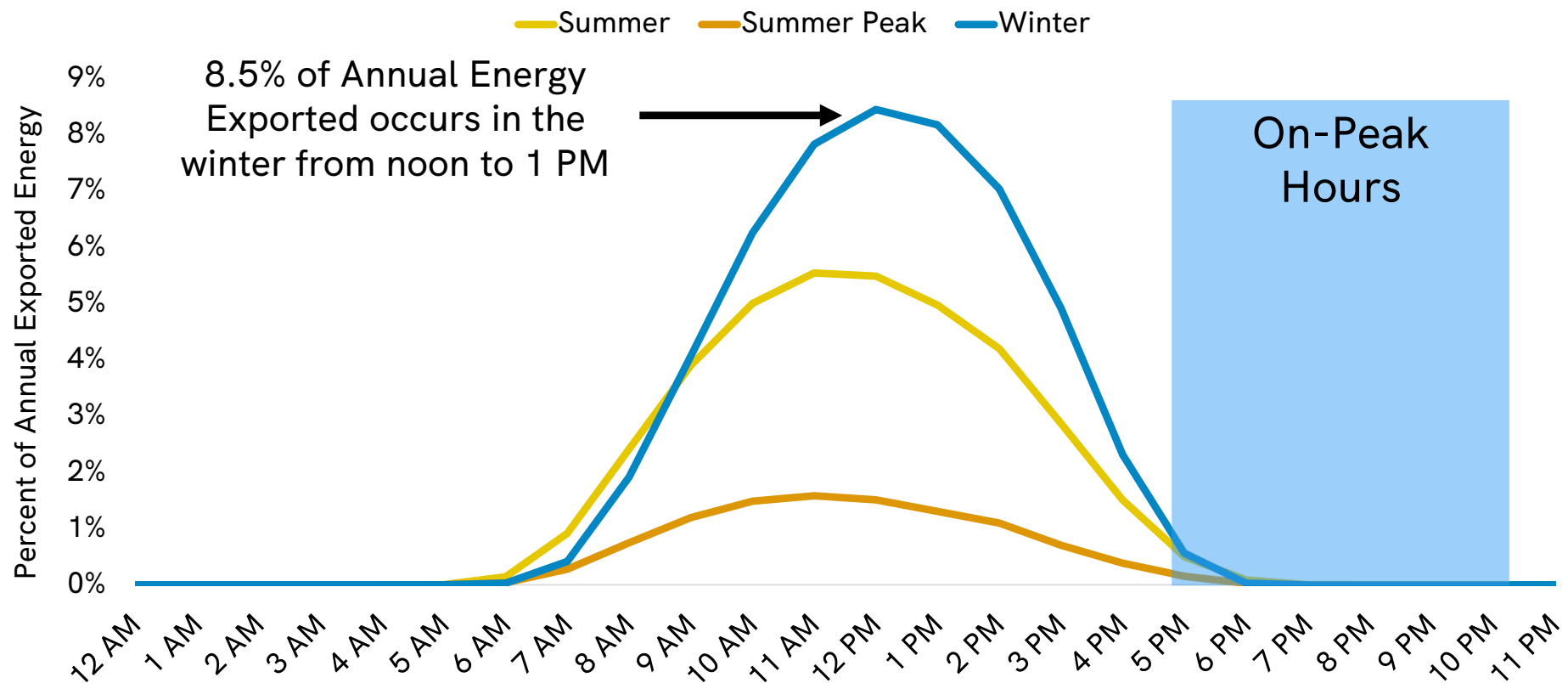
*kW allocators based on different coincident peak measurements depending on function (e.g., G, T, and D peak at different hours)

Proposed Average Adjustment Varies by Class

Being mindful of Board Pricing Principles of Gradualism, Cost Relation, Choice, Equity, and Sufficiency

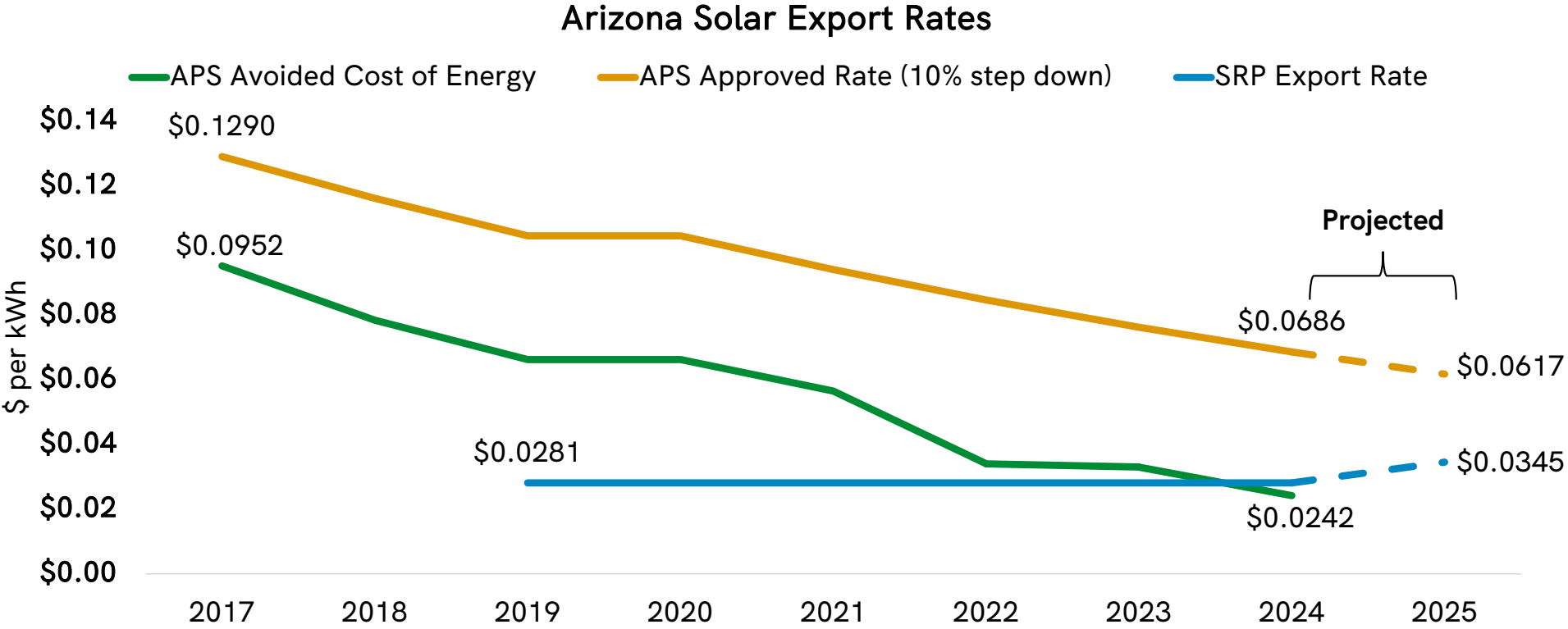


Percent of Annual Customer Generation Exported by Season



Export Credit Solar Price Plan Rate Design

Export Rate (E-16 & E-28)



Solar Proposal Summary



The direct SRP cost reductions of DG are incorporated into the cost allocation study, as confirmed by Board and management consultants



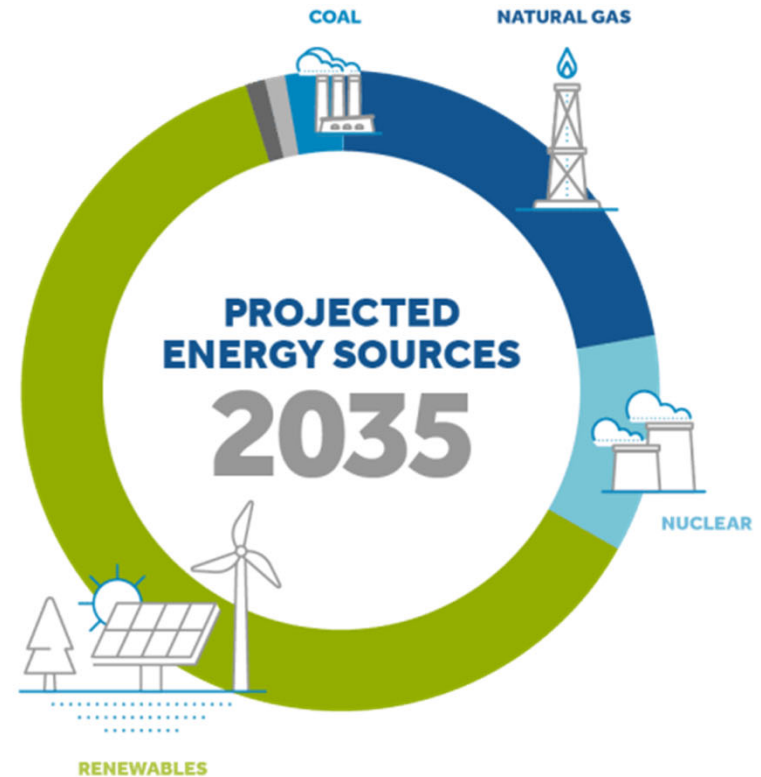
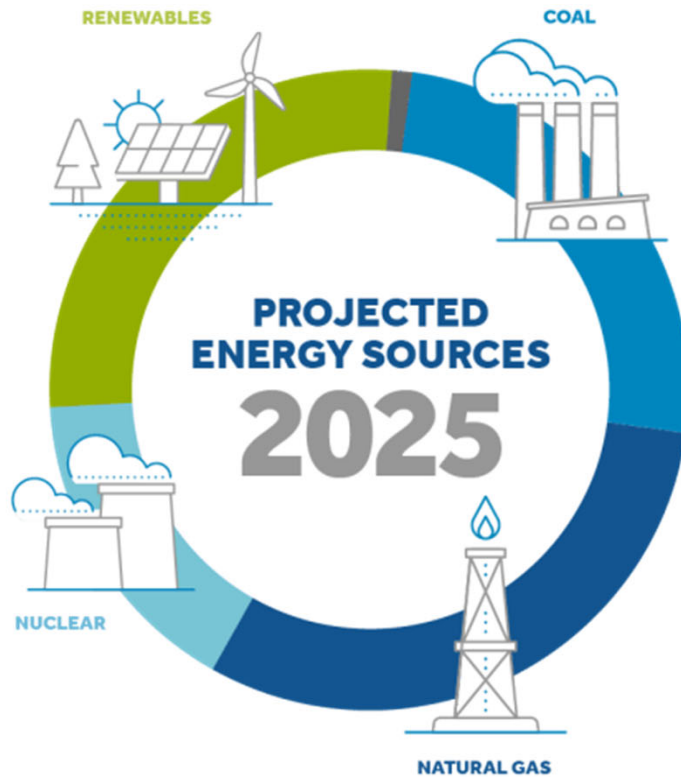
Additional support for certain customers or technologies is best addressed through targeted programs (e.g. REC program), rather than cost allocation or price plans. Such support should be addressed at a future board meeting.



All residential customers are subject to the same monthly service charges, same TOU hours, and same per-kWh delivered charges

Carbon Goals

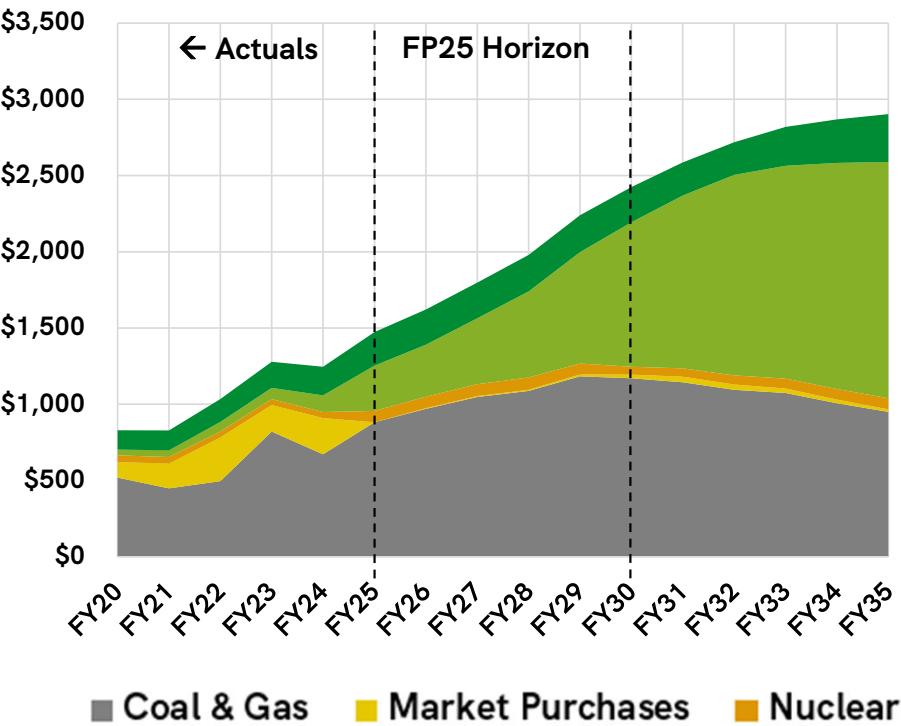
Energy Transition Goals



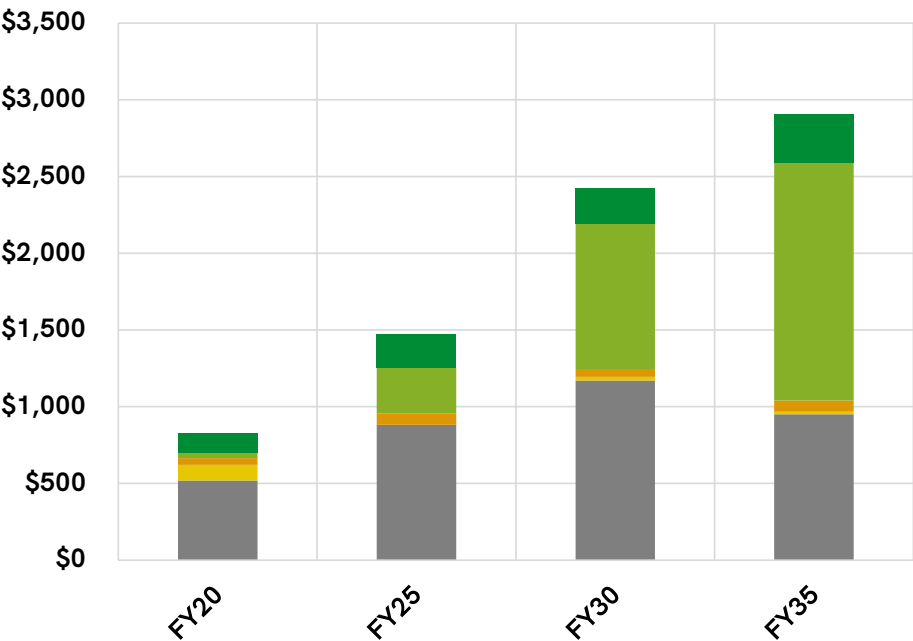
Retail Fuel & Purchased Power Generation

Long-term load growth met from renewable & hydro production; thermal generation forecasted to decline

Actuals & Long-Term Outlook (\$M)



Actuals & Long-Term Outlook (\$M)







District Water Support Obligation

February 6, 2025

Special District Board – Price Process

Presented by Michael J. O'Connor
AGM and Chief Legal Executive



Delivering water and power™

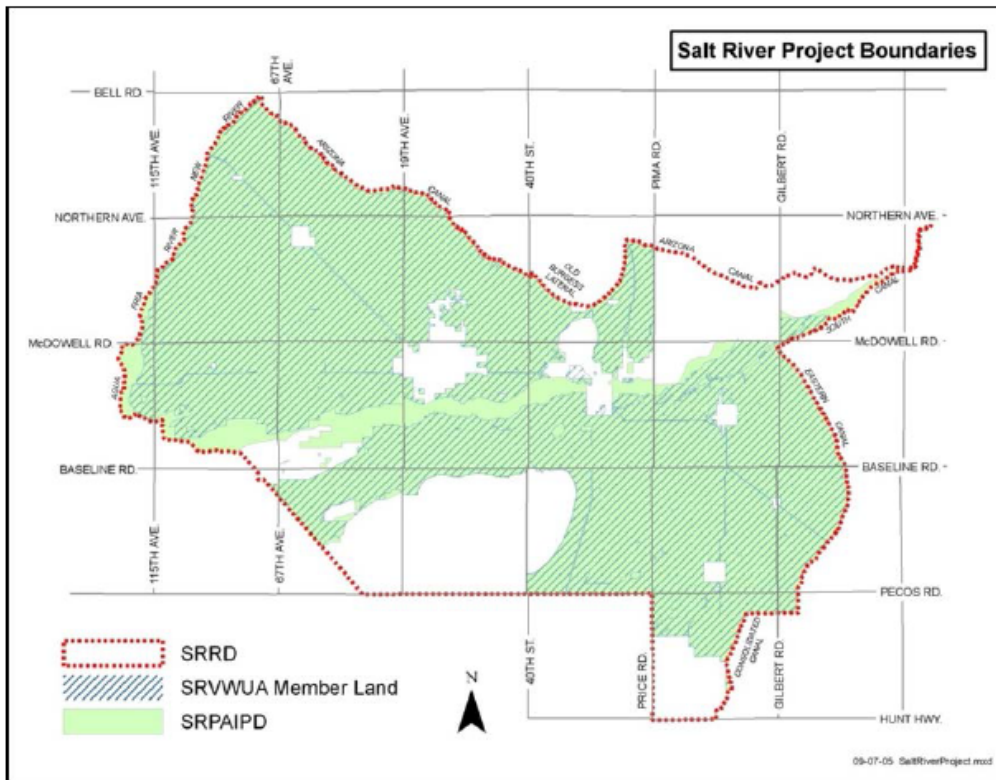
District Water Support Obligation

The Salt River Project Agricultural Improvement and Power District (“District”), since its formation in 1937, and consistent with:

1. Reclamation law and principles;
2. The purposes of the Salt River Valley Water Users’ Association (“Association”) and the District; and
3. The requirements of the 1937 Contract between the District and Association as amended in 1949 (“1949 Contract”)

Has an obligation to and has appropriately used electric revenues to financially support its water storage and delivery operations.

District Development, 1937



- District Statutory Authority - Ch. 23 Amendments (S.B. No. 7)
 - One acre/one vote
 - Political subdivision
 - Finance and refinance debt
 - Use of power revenues to support the water function (e.g. reduce the cost of water storage and delivery, secure water supplies, and finance water infrastructure)

1937/1949 District/Association Contracts

1. In 1937, the District was formed as a political subdivision of the State of Arizona, and entered into its first contract with the Association.
2. The Association transferred all its assets to the District as part of the contract.
3. The District, in consideration for the transfer of all Association assets, undertook the Association's obligations to shareholders.
4. In 1949, the Association and District amended the 1937 Contract, which is still effective today.
5. The 1949 Contract references the financial obligation of the District for water support.

2002 Memorandum of Understanding Between District and Association

1. General terms of the 2002 Agreement
2. Recitals of the 2002 Agreement reference the District obligation to the Association under the 1949 Contract
3. Identifies the process in the event of a dispute between District and Association over the extent of the District's financial obligation
4. Sets the District's financial obligation to the Association regarding water support during the pendency of a dispute

Scope of Water Support

Under the 1949 Contract, the scope of the District water support to the Association refers to working capital necessary for the Association to operate and maintain the Irrigation & Drainage system (below Granite Reef Dam)

- Does not include capital replacements & additions to the SRP Irrigation & Drainage system (to be the responsibility of the District)
- There is no specific reference to water related work such as:
 - Reservoir operations, weather forecasting, watershed monitoring, forest restoration, etc.
 - Water strategy & policy work
 - Water rights & contracts work
 - Recharge projects, CAP/SRP Interconnection Facility (CSIF), and similar projects

2035 Water Support Goal

- There are two financial support targets in this goal:
 - A percentage target of the O&M of the Irrigation & Drainage system; and
 - A percentage target of total electric revenues
- The 2035 water support goal would be as follows:
 - By 2035, 60% of the Irrigation & Drainage O&M expenses will be met from electric revenues, and
 - The total amount of financial support to water system O&M will not exceed 2.5% of total electric revenues

QUESTIONS?

QF-24 Standard Rate for Qualifying Facilities

Alysha Gilbert, Attorney | February 6, 2025 | SRP District Board Meeting

Agenda

- Background regarding the Public Utility Regulatory Policies Act of 1978 (PURPA)
- Review SRP's standard rate and standard rate contract development and revision process
- Timeline for public process and Board action on the proposed standard rate and standard rate contract
- Public comment regarding the proposed standard rate and standard rate contract



Public Utility Regulatory Policies Act of 1978 (PURPA)

- PURPA was implemented to encourage, among other things, development of cogeneration and small power production facilities
 - PURPA establishes Qualifying Facilities (QFs), which are small power production facilities and cogeneration facilities up to 80 MW
 - PURPA imposes on electric utilities, including SRP, an obligation to purchase from QFs
- For Qualifying Facilities with a design capacity of 100 kW or less, each state and nonregulated utility, such as SRP, must implement standard rates for purchases
 - A “standard rate” is a publication of terms for purchases
 - Rates must be just, reasonable, non-discriminatory and not less than the utility’s avoided costs

SRP's Standard Rate for Qualifying Facilities

- QF-24 Standard Rate and Standard Rate Contract
 - Developed and implemented pursuant to federal law and is distinct from the 2025 pricing process
 - Specifies what SRP will pay QFs for energy and, if applicable, capacity provided pursuant to a legally enforceable obligation
 - Available to Qualifying Facilities with a design capacity of 100 kW or less
- 100 kW or smaller generation systems connected to SRP today
 - Residential: 59,905 systems with a total nameplate capacity of 394,796.02 kW
 - Commercial: 651 systems with a total nameplate capacity of 21,845.94 kW

QF-24 Standard Rate: As Available Energy Purchases

- QFs may elect to sell their excess energy to SRP when it is available
- SRP will purchase energy at the CAISO Western Energy Imbalance Market External Load Aggregation Point (ELAP) real-time hourly price increased for avoided costs for transmission and distribution losses (5.76%)
 - Flexibility for QFs – no commitment to provide a set amount of energy or to be available at certain times
 - Supported by FERC precedent – FERC has established a rebuttable presumption that locational marginal prices reflect avoided costs



QF-24 Standard Rate – Purchases Pursuant to a Legally Enforceable Obligation (LEO)

- QFs may elect to sell energy and capacity to SRP pursuant to a binding obligation
- Includes payment for energy and capacity, if applicable, under the Standard Rate Contract
 - QFs will commit a set amount of capacity for the contract term
 - SRP will purchase energy at the CAISO Western Energy Imbalance Market External Load Aggregation Point (ELAP) real-time hourly price increased for avoided costs for transmission and distribution losses (5.76%)
 - SRP will purchase the amount of capacity committed by the QF in the contract or the amount of delivered capacity, whichever is less, when SRP has a capacity need
 - Capacity payment is based on SRP's avoided costs for capacity – the total cost and output of SRP's planned capacity resource additions for the term of the Standard Rate Contract
 - Standard Rate Contract term is two years and can be renewed at the QF's option

QF Standard Rate Development and Approval Process

Public Process Kick-off

December 2, 2024

- Standard rate and contract available in the information room (online and in-person)

January 6, 2025

- Informational presentation to District Board

Public Process Continued

January 29, 2025

- Revised standard rate and contract available in the information room (online and in-person)

February 6, 2025

- Informational presentation to District Board and opportunity for public comment

Request for Approval

February 27, 2025

- Request for approval to implement proposed QF-24 Standard Rate and pro forma Standard Rate Contract
- Opportunity for public comment

Questions

public comment

Questions

thank you!



MODIFICATIONS TO
SRP'S PROPOSED QF-24 STANDARD RATE FOR QUALIFYING FACILITIES
AND
PROPOSED STANDARD RATE CONTRACT FOR QUALIFYING FACILITIES OF 100KW OR LESS

SALT RIVER PROJECT
AGRICULTURAL IMPROVEMENT
AND POWER DISTRICT

JANUARY 29, 2025

INTRODUCTION

On December 2, 2024, management of the Salt River Project Agricultural Improvement and Power District (SRP) published the proposed QF-24 Standard Rate for Qualifying Facilities and Standard Rate Contract for Qualifying Facilities of 100 kW or Less (the “Original Proposed Documents”). On January 29, 2025, in response to feedback and internal review, SRP management published the proposed “Revised QF-24 Standard Rate for Qualifying Facilities and Revised Standard Rate Contract” (collectively, the “Revised Proposal”), which revised the Original Proposed Documents and replaces them in their entirety. Revisions made in the Revised Proposal are summarized as follows:

QF-24 Standard Rate for Qualifying Facilities

The *Definitions* section has been removed. The *Availability* section has been revised to clarify the applicability of QF-24 to qualifying facilities that do not receive electric service from SRP. The *Rates for Sales to a Qualifying Facility* section has been removed to clarify that QF-24 is not a price plan established through A.R.S. § 48-2334. The *Compensation for Purchases from a Qualifying Facility* section has been revised to distinguish as-available energy sales from sales pursuant to a legally enforceable obligation, to further clarify how SRP will calculate the Capacity Credit, including the hours a Capacity Credit is available, and how SRP will calculate the energy rate, including changing the energy rate from the sub-hourly ELAP to the hourly ELAP. The *Terms, Conditions, and Additional Provisions* section has been revised for readability and to clarify how QF-24 may be used with other SRP programs and price plans.

Standard Rate Contract for Qualifying Facilities of 100 kW or Less

The terms Guaranteed Capacity and Capacity Needs Hours, and an Appendix A were added to clarify SRP’s payment obligations and the Qualifying Facility’s performance obligations.

QF-24

Standard Rate for Qualifying Facilities Under 18 CFR 292.304 **Standard Rate for Qualifying Facilities Under 18 CFR 292.304(c)** **Overview**

Overview

This QF-24 Standard Rate (QF-24) is ~~open to Customers operating~~ available to Qualifying Facilities with a design capacity of 100 kW ~~or less that elect to sell energy, capacity, or both to SRP, that is in excess of what is used on-site. This rate is implemented in accordance with the Public Utilities or less that elect to sell energy, capacity, or both to SRP. This rate is designed to implement the Public Utility~~ Regulatory Policies Act (PURPA), 16 U.S.C. § 824a-3(f) and related FERC Regulations, 18 C.F.R. § 292.304(c).

Definitions

~~**Capacity Cost Adjusters** shall mean the average cost of capacity resources acquired by SRP based on SRP's the current seasonal and hourly on-peak periods and stated in cents per kWh.~~

~~**Customer** shall mean any person or entity receiving electric service from SRP for one or more accounts, including Transmission service, Distribution service, and Ancillary Services necessary to deliver and measure energy and power. Where the context requires, the term "Customer" includes an applicant for SRP service.~~

~~**Delivered Energy** shall mean the energy produced by a Qualifying Facility and delivered to SRP as determined on a sub-hourly basis, expressed in kilowatt-hours (kWh).~~

~~**Standard Electric Price Plan (Price Plan)** shall mean SRP's published Standard Electric Price Plans (including grids and similar documents) for standard contract Customers, including residential, industrial, commercial, lighting, and pumping Customers. There may be more than one Price Plan setting forth the charges and conditions for a particular customer class or type of service. A Price Plan usually includes an identification letter and number, class of service, character or applicability, prices, conditions, and references to SRP's Rules and Regulations.~~

~~**SRP's Rules and Regulations** shall mean the rules and regulations, which have been adopted by SRP pursuant to A.R.S.~~

~~§ 48-2301 et seq., the Arizona Electric Energy Reliability Act, and other pertinent authority.~~

Availability

QF-24 is available to Qualifying Facilities as defined ~~by~~ in 18 C.F.R. §§ 292.101 to 292.207, that provide as-available energy and, as applicable, ~~capacity to SRP and that meet each of the following conditions:~~

- ~~• energy or capacity that has been committed to SRP through SRP's Standard Rate Contract for QFs of 100 kW or less. Have Qualifying Facility status under 18 CFR Part 292;~~
- ~~• Receive electric service from SRP under a Price Plan; and~~
- ~~• Have a design capacity of 100 kW or less.~~

Compensation for Purchases from a Qualifying Facility

SRP's rates for purchases from Qualifying Facilities are based on SRP's avoided costs and available as follows:

Compensation for As-Available Energy

A Qualifying Facility may provide energy to SRP's system as and when it becomes available, in which case the rates paid are based on SRP's avoided cost for energy calculated at the time of delivery.

Energy sold to SRP will be compensated at the market price at the time energy is delivered, equal to the locational marginal price specified for the CAISO-administered Western Energy Imbalance Market External Load Aggregation Point real time price for SRP ("ELAP") and a loss factor of 5.76%. The rate for energy sold to SRP is the product of the hourly energy delivered to SRP in a billing cycle, and the hourly ELAP price stated in dollars per kW-hour. Monthly compensation will be reduced to reflect negative credits when the ELAP is a negative value, although monthly compensation will not be less than \$0.

Rates for Sale to a Qualifying Facility

~~SRP's rates for sales of energy and capacity to a Qualifying Facility will be determined according to a Price Plan and pursuant to SRP's Rules and Regulations.~~

Compensation for Energy or Capacity Pursuant to a Legally Enforceable Obligation

Compensation for Purchases from a Qualifying Facility

~~SRP's rates for purchases from Qualifying Facilities are set in accordance with the following.~~

~~A Qualifying Facility may opt to provide energy as the Qualifying Facility determines such energy to be available for sale, in which case the rates paid are based on SRP's avoided cost for energy calculated at the time of delivery.~~

~~Alternatively, a Qualifying Facility may opt to provide energy or capacity pursuant to a legally enforceable obligation for the delivery of energy or capacity over a two year term, in which case the rates paid for energy will be based on SRP's avoided cost~~ a Qualifying Facility may provide energy or capacity pursuant to a legally enforceable obligation for a two year term, in which case the rates paid for energy will be based on SRP's avoided costs ~~for energy calculated at the time of delivery, and the rates paid for capacity, as applicable, will be based on SRP's avoided costs of capacity calculated at either the time of delivery or at the time the legally enforceable obligation is incurred.~~ avoided costs of capacity calculated at either the time of delivery or at the time the legally enforceable obligation is incurred.

~~The rate for energy~~ Energy sold to SRP will be compensated at the market price at the time energy is delivered, equal to the locational marginal price specified for the CAISO-administered Western Energy Imbalance Market External Load Aggregation Point (ELAP) real time price for SRP ("ELAP"). ~~Compensation for energy is the product of the sub-hourly energy delivered to SRP in a billing cycle, and the sub-hourly ELAP. Monthly compensation will be reduced to reflect negative credits when the ELAP is a negative value and a loss factor of 5.76%. The rate for energy sold to SRP is the product of the hourly energy delivered to SRP in a billing cycle, and the hourly ELAP price stated in dollars per kW-hour. Monthly compensation will be reduced to reflect negative credits when the ELAP is a negative value,~~ although monthly compensation will not be less than \$0.

Any Qualifying Facility that elects to sell capacity to SRP, in addition to meeting the requirements, terms, and conditions stated herein, must also execute, ~~or otherwise~~ the Standard Rate Contract and commit ~~in writing,~~ to make a set amount of energy ~~or capacity sales available~~ to SRP during the hours of SRP's capacity need in accordance with the terms of ~~a written~~ the Standard Rate Contract ~~with SRP~~. To the extent a Qualifying Facility provides capacity to SRP as specified herein, the Qualifying Facility will be paid a Capacity Credit based on SRP's avoided costs for capacity. Specifically, the Standard Rate Contract will provide that the Qualifying Facility will be paid a Capacity Credit ~~as follows:~~

Capacity Credit

~~Capacity Credit: A Capacity Credit will be paid to a Qualifying Facility that provides Capacity during periods when SRP has identified a Capacity need. When SRP has an identified need for Capacity, and if the Qualifying Facility elects to have the Capacity Cost Adjuster determined at the time~~ A Capacity Credit will be paid to a Qualifying Facility that delivers capacity for at least four (4) continuous hours when SRP

has identified a capacity need and during SRP's Capacity Need Hours for the duration of the legally enforceable obligation ~~is incurred~~. Currently, the Capacity Need Hours are the hours of 5 p.m. – 10 p.m. During such periods, the Qualifying Facility may receive a Capacity Credit ~~determined by the formula set forth below~~ as follows:

$$\text{Capacity Credit} = (\text{hourly kWh delivered}) \times (\text{Capacity Cost Adjuster})$$

~~The Capacity Credit is the product of the kWh delivered during the applicable seasonal and hourly period and the Capacity Cost Adjuster.~~ The Capacity Credit is the product of the Capacity Cost Adjuster and the lesser of the amount of kilowatt hours the Qualifying Facility delivers capacity to SRP or the amount of kilowatt hours the Qualifying Facility specifies in the Standard Rate Contract. As of the time of publication of this QF-24 Standard Rate, ~~the~~ SRP has no capacity need for the next two years, thus, no Capacity Credit is available.

The Capacity Cost Adjuster is ~~\$0~~ the cost of the total incremental capacity resources selected, acquired, built or to be built to meet SRP's capacity need during the term of the Standard Rate Contract, divided by the total anticipated or actual output in kilowatts (kW) of those incremental capacity resources, adjusted for capacity contribution during hours when SRP has identified an incremental capacity need. The applicable Capacity Cost Adjuster shall be stated in dollars per kW-month. The Capacity Cost Adjuster may vary by season.

Please contact SRP at DER@srpnet.com for more information about QF-24 and the Standard Rate Contract.

~~If a Qualifying Facility elects to have the Capacity Credit determined at the time of delivery, the Capacity Credit will be the product of the kWh delivered during the applicable hourly period and the Capacity Cost Adjuster of SRP's avoided cost of capacity for each applicable billing period.~~

~~Please contact SRP at bizcenter@srpnet.com for more information about the Standard Rate Contract.~~

Terms, ~~Conditions and Additional Provisions~~ Conditions and Additional Provisions

1. Any equipment necessary for sales to SRP must meet all SRP standards and will be installed according to SRP's Distributed Generation Interconnection Handbook and at the Qualifying Facility's expense.

~~2. The provisions of this QF-24 Standard Rate are subject to change upon approval by the SRP District Board.~~

2. The provisions of this QF-24 Standard Rate are subject to change upon approval by the SRP District Board.

3. SRP's obligation for payment to the Qualifying Facility for energy and capacity delivered to SRP shall not commence ~~until the Qualifying Facility provides written notification to SRP of its intent to operate under this QF Standard Rate~~ until the Qualifying Facility provides written notification to SRP of its intent to operate under this QF Standard Rate and has satisfied the terms and conditions stated herein.

~~4. Participation in QF-24 precludes the Customer's receipt of any other compensation or credits for energy or capacity delivered by the Customer to SRP.~~

4. To the extent that the Qualifying Facility is compensated by SRP for energy or capacity under another SRP program, the Qualifying Facility is not eligible for compensation for the same energy or capacity under the QF-24 Standard Rate or Standard Rate Contract.

5. A Qualifying Facility providing energy to SRP's system as and when it becomes available may switch between QF-24 and another SRP program, rider or price plan once per calendar year.

**STANDARD RATE CONTRACT FOR ~~QUALIFIED~~
QUALIFYING FACILITIES OF 100KW OR LESS**

This STANDARD RATE CONTRACT FOR ~~QUALIFIED~~QUALIFYING FACILITIES OF 100KW OR LESS (this "Agreement") is made and entered into as of _____, by and between Salt River Project Agricultural Improvement and Power District ("Buyer") and _____ ("Seller"). Buyer and Seller are herein sometimes referred to individually as "Party" and collectively as "Parties".

RECITALS

WHEREAS, Buyer owns electric facilities and is engaged in the generation, purchase, distribution and sale of electric energy in the State of Arizona including from "Qualifying Facilities" as that term is defined in the Public Utility Regulatory Policies Act of 1978, Public Law 95-617, 92 Stat 3117; and

WHEREAS, Seller owns and operates, or intends to build, own and operate a Qualifying Facility of 100kW or less as further described in Exhibit A attached hereto; and

WHEREAS, the Parties anticipate that Seller will at times generate electric energy in excess of Seller's own requirements, and Buyer wishes to purchase such excess energy when it is available.

NOW, THEREFORE, in consideration of the mutual covenants and agreements herein contained, and for other good and valuable consideration, the sufficiency and adequacy of which are hereby acknowledged, the Parties agree to the following:

TERMS AND CONDITIONS

1. DEFINITIONS

As used in this Agreement, the following terms shall have the following meanings unless specifically stated otherwise in this Agreement:

"Bankrupt" – means with respect to either Party, such Party (i) files a petition or otherwise commences, authorizes or acquiesces in the commencement of a proceeding or cause of action under any bankruptcy, insolvency, reorganization or similar law, or has any such petition filed or commenced against it and such petition remains undismissed for a period of 60 Days, (ii) makes an assignment or any general arrangement for the benefit of creditors, (iii) otherwise becomes bankrupt or insolvent (however evidenced), (iv) has a liquidator, administrator, receiver, trustee, conservator or similar official appointed with respect to it or any substantial portion of its property or assets, or (v) is generally unable to pay its debts as they fall due.

"Billing Month" – means the monthly period coincidental with Seller's retail bill from Buyer for electric service.

"Business Day" – means a Calendar Day other than Saturday, Sunday or a or a Federal Reserve Bank holiday.

“Calendar Day” or “Day” – means the 24-hour period beginning at 12:00 a.m. midnight Mountain Standard Time and ending at 11:59:59 p.m. Mountain Standard Time. The terms Day and Calendar Day may be used interchangeably and shall have the same meaning.

“Capacity” – means, ~~for purposes of this Agreement, the set number of kilowatts of~~ Delivered Energy ~~that is delivered during on-peak hours as in accordance with the delivery schedule set forth on Exhibit A.~~

“Capacity Need Hours” ~~has the meaning~~ specified in ~~Buyer’s the~~ QF-24 Standard Rate.

“Delivered Energy” – means the electric energy produced by the Plant and delivered by Seller at the Point of Interconnection as determined on an hourly basis pursuant to Section 5.

“Effective Date” – has the meaning specified in Section 2.1.

“Emergency” or “Emergencies” – a condition or conditions on Buyer’s distribution system which in Buyer’s sole judgment either has, or is likely to, result in significant imminent disruption of service to Seller, or imminent endangerment to life or property.

“Exempt Operational Periods” – those periods described in 18 CFR § 292.304(f) as in effect as of the date of this Agreement, wherein Buyer has notified Seller in a timely manner to cease delivery of electric energy hereunder during a specified period in which Seller would otherwise have electric energy available for delivery but, due to operational circumstances, purchases from Seller would in Buyer’s reasonable judgment result in costs greater than those that would result if Buyer generated an equivalent amount of energy through its own facilities.

“Good Utility Practice” means any of the practices, methods, and acts engaged in or approved by a significant portion of the electric utility industry ~~– or non-utility solar energy generating industry, as applicable,~~ under the circumstances, during the relevant time period, or any of the practices, methods, and acts which, in the exercise of reasonable judgment in light of the facts known at the time the decision was made, could have been expected to accomplish the desired result at a reasonable cost consistent with good business practices, reliability, safety, and expedition. Good Utility Practice is not intended to be limited to the optimum practice, method, or act, to the exclusion of all others, but rather is intended to include acceptable practices, methods, and acts generally accepted in the industry.

“Interconnection Agreement” – means the agreement, together with appendices, between Seller and Buyer which describes the terms and conditions governing the interconnection and operation of Seller’s Plant with Buyer’s electric distribution system.

“Plant” – means the generating facility identified on Exhibit A of this Agreement, including: generating equipment, auxiliary and back-up transformers; electric delivery facilities; fuel handling equipment; administrative structures; and such other necessary and related facilities, equipment and structures associated with the generation of electricity.

“Point of Interconnection” – means the physical location where Buyer’s electric service conductors are connected to the Seller’s service conductors to allow parallel operation of the Seller’s Plant with Buyer’s electric distribution system.

“Start Date” – has the meaning specified in Section 4.2.

2. GENERAL PROVISIONS

2.1 Effective Date and Term. This Agreement shall be effective on the date it is made and entered into ("Effective Date") and, unless terminated as provided in this Agreement, shall continue in effect for an initial term expiring two years after the Start Date.

2.2 "Qualifying Facility" Status of Facility and Seller's Warranty. Seller represents to Buyer that the Plant has or will achieve qualifying status by the Start Date as a "cogeneration facility" or a "small power production facility" under 18 CFR §§ 292.201-292.207. Seller will use commercially reasonable efforts to ensure that the Plant will maintain its status as a "Qualifying Facility" under the Public Utility Regulatory Policies Act of 1978, Public Law 95-617, 92 Stat 3117 and the implementing Federal Regulations promulgated thereunder as such are amended to the Effective Date of this Agreement and appear at 18 CFR §§ 292.101 through 292.602, throughout the term of this Agreement. If Seller fails to maintain such "Qualifying Facility" status, Buyer shall have the option of terminating this Agreement by giving Seller 30 Days written notice.

3. ENERGY TO BE SUPPLIED

3.1 Energy and Capacity Furnished by Seller to Buyer. Subject to the terms and conditions of this Agreement, beginning on the Start Date and continuing until the termination of this Agreement, Seller agrees to sell and supply to Buyer, and Buyer agrees to accept and purchase from Seller all Delivered Energy and Guaranteed Capacity that Seller supplies and/or delivers to Buyer under this Agreement. Compensation for such Delivered Energy and Guaranteed Capacity shall be paid in accordance with Section 7.

3.2 Guaranteed Capacity. Seller guarantees to Buyer that the Plant shall produce and deliver to Buyer during the Capacity Need Hours the Capacity set forth on Exhibit A. Seller further understands that the failure to deliver the specified Capacity shall be a breach of this Agreement.

3.3 ~~3.2~~ Permits and Laws. Seller shall secure all licenses and permits required by law, regulation or ordinance, including, but not limited to, those pertaining to the generation and sale of electric energy. Seller shall maintain all such licenses and permits throughout the term of this Agreement. In addition, Seller shall comply with all applicable ordinances, laws, orders, rules and regulations, including those pertaining to the above licenses and permits made by any governmental authority or public regulatory body. At any time during the term of this Agreement, Buyer may request that Seller provide copies of any such licenses and permits, and Seller shall so provide them within five Business Days.

4. PLANT CONSTRUCTION AND START DATE

4.1 Seller's Responsibility. Seller shall have sole responsibility for the planning, design, procurement, construction, start-up, testing, and licensing of the Plant subject to: (1) meeting all appropriate electrical and other applicable codes and regulations required by federal, state, municipal, or any other governmental agencies; and (2) obtaining all necessary authorizations and permits.

4.2 Start Date. The Start Date of this Agreement will be the first date on or after the Expected Start Date of this Agreement upon which all the following conditions precedent have been satisfied:

(i) Seller shall have obtained all necessary licenses, permits, certificates and approvals in accordance with Section 3.2 of this Agreement;

(ii) Seller shall have executed an Interconnection Agreement and received written authorization to operate Seller's Plant in parallel with Buyer's electric system;

(iii) Seller shall have provided Buyer with evidence that the Plant is a Qualifying Facility, in accordance with Section 2.2 of this Agreement; and

(iv) Seller shall maintain an electric service at the Plant and be current in payment of all amounts due as Buyer's price plan pursuant to which Seller purchases energy from Buyer.

Buyer shall provide written notice to Seller within five Business Days of Seller having satisfied all of the above conditions precedent. Following receipt of the foregoing notice from Buyer, Seller may declare a Start Date (such date to be no earlier than the date upon which all of the above conditions precedent have been satisfied and the Expected Start Date) and shall provide written confirmation of such date to Buyer ~~within at least~~ 10 Days prior to the Start Date. If the Start Date fails to occur within 180 Days after the Expected Start Date, Buyer shall have the right to terminate this Agreement upon written notice to Seller, to be effective as of the date specified in such notice.

5. METERING

All electric energy associated with Delivered Energy that is delivered by Seller to Buyer shall be metered at the billing meter installation(s) provided pursuant to the Interconnection Agreement and shall be separately metered from electric energy generated by generating facilities other than the Plant. To determine the amount of electric energy delivered, the metered values ~~shall~~ may be adjusted for transformer losses and line losses, if applicable, between the metering location and the Point of Interconnection.

6. OPERATION OF PLANT

6.1 Seller's Operating Obligations. Seller shall operate and maintain the Plant in accordance with Good Utility Practices, all applicable laws, and Buyer's standards and tariff requirements which apply to generating units such as Seller's Plant.

6.2 Outages of Generating Equipment. Seller shall promptly provide to Buyer all material information relating to Plant outages and significant derates of Plant ~~generating capacity~~ Capacity which would affect Seller's ability to deliver electric energy and Capacity from the Plant to the Point of Interconnection. Such material information shall be sufficient for Buyer to determine and verify the severity and extent of such outages and derates, including at a minimum, the date and time when the outage or derate began, the cause of the outage or derate, and the anticipated date and time the outage or derate will end. Seller's obligation to deliver Capacity will be suspended during any period of outage or derate of which it notifies Buyer pursuant to this Section.

6.3 Communications Plant Monitoring. Seller shall cooperate with Buyer to enable Buyer to monitor ~~in real time~~, all electric energy generated by the Plant per then current Buyer metering standards (primarily within the Electrical Service Specifications book). Buyer may require alternative metering

schemes to fully monitor plant performance. If, after the Start Date, any new ~~real-time meter metering~~ and related communications equipment is required to enable such monitoring by Buyer, Buyer shall pay for such equipment.

6.4 Emergencies and Exempt Operational Periods. Buyer shall not be obligated to accept electric energy or make payments based on electric energy delivered pursuant to Section 7 of this Agreement for any electric energy which Seller may have available at the Plant during Emergencies or Exempt Operational Periods after Buyer has given Seller timely notice of such Emergencies or Exempt Operational Periods, but which Buyer does not accept and receive due to such Emergencies or Exempt Operational Periods.

7. **COMPENSATION**

7.1 Energy Payment. Commencing with the Start Date and continuing for the term of this Agreement, Buyer shall pay Seller for Delivered Energy for the applicable Billing Month in accordance with Buyer's QF-24 Standard Rate. In accordance with Section 6.4 above, Buyer shall not be obligated to accept electric energy or make energy payments for electric energy which Seller may have available at the Plant during Emergencies and Exempt Operational Periods.

7.2 Capacity Payment. Commencing with the Start Date and continuing for the term of this Agreement, Buyer shall pay Seller for Capacity that Seller delivers to Buyer for the applicable Billing Month in accordance with Buyer's QF-24 Standard Rate; provided, however, in no event will Buyer pay Seller for more Capacity than the amount specified as Guaranteed Capacity in Exhibit A for the Billing Month. In accordance with Section 6.4 above, Buyer shall not be obligated to accept Capacity or make Capacity payments for electric energy which Seller may have available at the Plant during Emergencies and Exempt Operational Periods. Buyer will determine whether, given how and when Seller will supply Capacity to Buyer, the Capacity purchase will allow Buyer to avoid any transmission or distribution cost and, if so, that will be appropriately taken into account in Seller's Capacity payment.

7.3 Netting. Any amounts due to or from Buyer and Seller at the end of a Billing Month shall be netted and only the balance due shall be payable by Buyer or Seller, as applicable.

8. **EVENTS OF DEFAULT**

An "Event of Default" shall mean, with respect to a Party (a "Defaulting Party"), the occurrence of any of the following:

(a) the failure to make, when due, any payment required pursuant to this Agreement if such failure is not remedied within 10 Business Days after written notice;

(b) such Party becomes Bankrupt (whether voluntarily or involuntarily); ~~and~~

(c) the failure by Seller to deliver the Capacity set forth in accordance with Exhibit A;
and

(d) ~~(e)~~ such Party consolidates or amalgamates with, or merges with or into, or transfers all or substantially all of its assets to, another entity and, at the time of such consolidation, amalgamation, merger or transfer, the resulting, surviving or transferee entity fails to assume all the

obligations of such Party under this Agreement to which it or its predecessor was a party by operation of law or pursuant to an agreement reasonably satisfactory to the other Party.

9. BILLING

9.1 Billing Procedure. As soon as practicable after the end of each Billing Month, Buyer shall submit to Seller a statement (“Statement”) which shall identify any amounts owed by Buyer or Seller pursuant to Section 7 of this Agreement, during such Billing Month. Such Statement shall use metered data obtained in accordance with Section 5 of this Agreement. The net amount due shall be paid by the owing Party in accordance with Buyer’s customer billing cycle. If metered data is unavailable, Buyer may render a Statement based on its best estimate of the amount owed by Buyer or Seller to meet the payment deadline in the second paragraph of this Section 9.1. Such a Statement shall indicate that it represents a best estimate of the amount owed. If such an estimate is used, an adjustment shall be made if necessary to the next Billing Month Statement issued after the date upon which actual data is determined to correct the prior Billing Month estimate.

9.2 Disputes. Seller may, in good faith, dispute the correctness of any Statement or any adjustment to a Statement, rendered under this Agreement and Buyer may adjust any Statement for any arithmetic or computational error in accordance with Buyer’s Rules and Regulations.

10. EARLY TERMINATION AFTER START DATE

10.1 Event of Default. If an Event of Default with respect to a Party (the “Defaulting Party”) shall have occurred, the other Party (the “Non-Defaulting Party”) shall have the right to terminate this Agreement upon 30 Days’ written notice to the Defaulting Party, as provided in Section 8 of this Agreement.

10.2 Breach. A breach of this Agreement (“Breach”) shall occur upon the failure of a Party to perform or observe any material term or condition of this Agreement or of Buyer’s Rules and Regulations. Upon the failure of a Party in Breach of the Agreement to cure such Breach with 30 ~~Calendar~~ Days of written notification of the Breach, the other Party shall have the right to terminate this Agreement upon written notice to the Party in Breach. Examples of a Breach of the Agreement include, but are not limited to:

- ~~Agreement;~~ (i) Failure of either Party to comply with the terms and conditions of this Agreement;
- ~~consent;~~ (ii) An attempted assignment of the Agreement by Seller without Buyer’s consent;
- (iii) Failure of either Party to provide information or data to the other Party as

required under this Agreement;

(iv) Delivered Energy exceeding Plant Nameplate Capacity kWac as identified on Exhibit A of this Agreement; and

(v) Modification of the Plant equipment after the Start Date, without the written consent of Buyer.

10.3 False Representation. Upon written notice, Buyer may terminate this Agreement if any representation or warranty made by Seller is false or misleading in any material respect when made or when deemed made or repeated. Buyer shall have no obligation to enter into any subsequent agreement(s) with Seller until such time that both, (1) all amounts owed to Buyer are paid, and the term of any previous agreements with said Plant has lapsed. Either Party's obligation to make payments already due associated with deliveries received prior to the date of termination of the Agreement will survive any termination.

11. INDEMNITY

Seller shall indemnify, defend and hold Buyer and its officers, agents, employees and Board and Council members harmless from any and all liability, claims, demands, costs, judgments, loss or damage, including attorney fees, attributable to or resulting from the maintenance, possession or operation of the Plant, except those caused solely by the negligence or willful misconduct of Buyer. Without limiting the foregoing, Seller shall at Buyer's request, defend at Seller's expense any suit or proceeding brought against Buyer for any of the above-named reasons; provided that Buyer notifies Seller in writing of any such claim and promptly tenders to Seller the control and defense of any such claim with Seller's choice of counsel. Buyer shall cooperate with Seller, at Seller's expense, in defending such claim and Buyer may join in defense with counsel of its choice at its own expense.

Seller's indemnification shall not include damage or injuries occurring on Buyer's system after the Point of Delivery, unless the damage to or injuries occurring on such system are caused by the negligence or willful misconduct of Seller.

Buyer shall indemnify, defend and hold Seller, its officers, agents and employees harmless from any and all liability, claims, demands, costs, judgments, loss or damage, including attorney fees, resulting from damage or injuries occurring on Buyer's own system after the Point of Delivery, unless the damage or injuries on Buyer's system are caused by the negligence or willful misconduct of Seller.

12. WAIVER OF JURY TRIAL

EACH PARTY WAIVES, TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, ANY RIGHT IT MAY HAVE TO A TRIAL BY JURY IN RESPECT OF ANY DISPUTE ARISING OUT OF OR RELATING TO THIS AGREEMENT. EACH PARTY CERTIFIES THAT IT HAS BEEN INDUCED TO ENTER INTO THIS AGREEMENT BY, AMONG OTHER THINGS, THE MUTUAL WAIVERS AND CERTIFICATIONS SET FORTH ABOVE IN THIS SECTION 12.

13. CHANGES CONCERNING MARKET DESIGN.

In the event that there is a change to the organization of Buyer's electric system that has a material adverse impact on either Party, including (a) any mandatory or voluntary joinder with or reorganization into a regional transmission organization, independent system operator, or similar organization, or (b) any material change in the rules, protocols, procedures or standards governing Buyer's electric system, then Seller and Buyer shall amend this Agreement to give effect to the original intent of Seller and Buyer.

14. SUCCESSORS AND ASSIGNS

This Agreement shall inure to the benefit of and be binding upon the successors and assigns of the Parties. This Agreement shall not be assigned by a Party without the other Party's prior written consent, which consent shall not be unreasonably withheld, but provided that (i) any assignee shall expressly assume assignor's obligations under this Agreement; and (ii) no such assignment shall impair any security given by Seller under this Agreement. Any attempted assignment or transfer without such consent shall be void and not merely voidable.

15. GOVERNING LAW

This Agreement and the rights and duties of the Parties hereunder shall be governed by and construed, enforced, and performed in accordance with the laws of the State of Arizona, without regard to its principles of conflicts of law.

16. NOTICE TO PARTIES

Unless otherwise provided in this Agreement, any notice, consent or other communication required to be made under this Agreement shall be effective if it is in writing and delivered personally, by certified mail (postage prepaid and return receipt requested), reputable overnight delivery service, or other confirmable form of electronic delivery to the address set forth on Exhibit A of this Agreement or to such other address as the receiving Party may designate in writing.

17. WAIVER

No term or provision of this Agreement shall be deemed waived and no breach excused unless such waiver or consent is in writing and signed by the Party claimed to have waived or consented. Any consent by any Party to, or waiver of, a breach by the other Party, whether express or implied, shall not constitute a continuing waiver of, or consent to, or excuse any subsequent or different breach, nor in any way affect the validity of this Agreement or any part of it, or the right of any Party to thereafter enforce any provision of this Agreement.

18. NONSEVERABILITY

If any essential provision of this Agreement is declared invalid in whole or in part by any court or other tribunal of competent jurisdiction, then unless otherwise agreed by the Parties, the entire Agreement shall be deemed void and inoperative. If any non-essential provision in this Agreement is held to be invalid or unenforceable, it shall be ineffective only to the extent of the invalidity, without affecting or impairing the validity and enforceability of the remainder of the provision or provisions of this Agreement.

19. MISCELLANEOUS

19.1 No Third-Party Beneficiaries. This Agreement is intended solely for the benefit of the Parties. Nothing in this Agreement shall be construed to create any duty to, or standard of care with reference to, or any liability to, any person not a Party to this Agreement.

19.2 Disclaimer of Joint Venture, Partnership and Agency. This Agreement shall not be interpreted or construed to create an association, joint venture or partnership between the Parties or to impose any partnership obligation or liability upon either Party. Neither Party shall have any right, power or authority to enter into any agreement or undertaking for, or act on behalf of, or to act as or be an agent or representative of, or to otherwise bind, the other Party.

19.3 Attorneys' Fees. If a Party commences a legal proceeding against the other Party because of an alleged breach of such Party's obligations under this Agreement, each Party shall bear its own expenses, including reasonable attorneys' fees, incurred in connection with the legal proceeding and any appeal thereof.

19.4 Headings. The various headings set forth in this Agreement are not a part of this Agreement and shall not affect the construction or interpretation of this Agreement.

19.5 Entire Agreement and Amendments. This Agreement supersedes all previous representations, understandings, negotiations and agreements either written or oral between the Parties or their representatives and constitutes the entire agreement of the Parties. No amendments or changes to this Agreement shall be binding unless made in writing and duly executed by both Parties.

19.6 Counterparts and Electronic Documents. This Agreement may be executed and delivered in counterparts, including by a facsimile or an electronic transmission thereof, each of which shall be deemed an original. Any document generated by the Parties with respect to this Agreement, including this Agreement, may be imaged and stored electronically and introduced as evidence in any proceeding as if original business records. Neither Party will object to the admissibility of such images as evidence in any proceeding on account of having been stored electronically.

[SIGNATURES ARE ON THE FOLLOWING PAGE]

IN WITNESS WHEREOF, the Parties have caused this Agreement to be duly executed as of the date first above written.

BUYER

SELLER

Salt River Project Agricultural
Improvement and Power District

By: _____

By: _____~~-Title:-~~

~~Title:-~~ _____~~-Date:-~~

~~Date:-~~ _____

Title: _____
Date: _____

Title: _____
Date: _____

EXHIBIT A

Salt River Project Agricultural Improvement
and Power District

Name _____

All Notices: _____

All Notices: _____

Invoices:

Attn: ~~Phone:~~ ~~Email:~~ _____
Phone: _____
Email: _____

Attn: ~~Phone:~~ ~~Email:~~ _____
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Email: _____

Scheduling:

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Attn: ~~Phone:~~ ~~Email:~~ _____
Phone: _____
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Plant Characteristics

Plant Type: _____

~~Plant Type: —~~ _____ ~~Plant Nameplate Capacity (kW_{AC}):~~ _____ ~~Plant Location:~~ _____ ~~Expected~~
~~Delivered Energy (kWh/year):~~ _____ ~~Expected Start Date:~~ _____ ~~Expected Delivered Capacity~~
~~(kW_{AC}):~~ _____

Plant Location: _____

Start Date: _____

Guaranteed Capacity by calendar week:

<u>Week Number (commencing on the Start Date)</u>	<u>Guaranteed Capacity (in Kilowatts) of Energy During Capacity Need Hours</u>
<u>1</u>	

<u>2</u>	
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**STANDARD RATE CONTRACT FOR
QUALIFYING FACILITIES OF 100KW OR LESS**

This STANDARD RATE CONTRACT FOR QUALIFYING FACILITIES OF 100KW OR LESS (this "Agreement") is made and entered into as of _____, by and between Salt River Project Agricultural Improvement and Power District ("Buyer") and _____ ("Seller"). Buyer and Seller are herein sometimes referred to individually as "Party" and collectively as "Parties".

RECITALS

WHEREAS, Buyer owns electric facilities and is engaged in the generation, purchase, distribution and sale of electric energy in the State of Arizona including from "Qualifying Facilities" as that term is defined in the Public Utility Regulatory Policies Act of 1978, Public Law 95-617, 92 Stat 3117; and

WHEREAS, Seller owns and operates, or intends to build, own and operate a Qualifying Facility of 100kW or less as further described in Exhibit A attached hereto; and

WHEREAS, the Parties anticipate that Seller will at times generate electric energy in excess of Seller's own requirements, and Buyer wishes to purchase such excess energy when it is available.

NOW, THEREFORE, in consideration of the mutual covenants and agreements herein contained, and for other good and valuable consideration, the sufficiency and adequacy of which are hereby acknowledged, the Parties agree to the following:

TERMS AND CONDITIONS

1. **DEFINITIONS**

As used in this Agreement, the following terms shall have the following meanings unless specifically stated otherwise in this Agreement:

"**Bankrupt**" – means with respect to either Party, such Party (i) files a petition or otherwise commences, authorizes or acquiesces in the commencement of a proceeding or cause of action under any bankruptcy, insolvency, reorganization or similar law, or has any such petition filed or commenced against it and such petition remains undismissed for a period of 60 Days, (ii) makes an assignment or any general arrangement for the benefit of creditors, (iii) otherwise becomes bankrupt or insolvent (however evidenced), (iv) has a liquidator, administrator, receiver, trustee, conservator or similar official appointed with respect to it or any substantial portion of its property or assets, or (v) is generally unable to pay its debts as they fall due.

"**Billing Month**" – means the monthly period coincidental with Seller's retail bill from Buyer for electric service.

"**Business Day**" – means a Calendar Day other than Saturday, Sunday or a Federal Reserve Bank holiday.

“Calendar Day” or “Day” – means the 24-hour period beginning at 12:00 a.m. midnight Mountain Standard Time and ending at 11:59:59 p.m. Mountain Standard Time. The terms Day and Calendar Day may be used interchangeably and shall have the same meaning.

“Capacity” – means the set number of kilowatts of Delivered Energy delivered in accordance with the delivery schedule set forth on Exhibit A.

“Capacity Need Hours” has the meaning specified in the QF-24 Standard Rate.

“Delivered Energy” – means the electric energy produced by the Plant and delivered by Seller at the Point of Interconnection as determined on an hourly basis pursuant to Section 5.

“Effective Date” – has the meaning specified in Section 2.1.

“Emergency” or “Emergencies” – a condition or conditions on Buyer’s distribution system which in Buyer’s sole judgment either has, or is likely to, result in significant imminent disruption of service to Seller, or imminent endangerment to life or property.

“Exempt Operational Periods” – those periods described in 18 CFR § 292.304(f) as in effect as of the date of this Agreement, wherein Buyer has notified Seller in a timely manner to cease delivery of electric energy hereunder during a specified period in which Seller would otherwise have electric energy available for delivery but, due to operational circumstances, purchases from Seller would in Buyer’s reasonable judgment result in costs greater than those that would result if Buyer generated an equivalent amount of energy through its own facilities.

“Good Utility Practice” means any of the practices, methods, and acts engaged in or approved by a significant portion of the electric utility industry, under the circumstances, during the relevant time period, or any of the practices, methods, and acts which, in the exercise of reasonable judgment in light of the facts known at the time the decision was made, could have been expected to accomplish the desired result at a reasonable cost consistent with good business practices, reliability, safety, and expedition. Good Utility Practice is not intended to be limited to the optimum practice, method, or act, to the exclusion of all others, but rather is intended to include acceptable practices, methods, and acts generally accepted in the industry.

“Interconnection Agreement” – means the agreement, together with appendices, between Seller and Buyer which describes the terms and conditions governing the interconnection and operation of Seller’s Plant with Buyer’s electric distribution system.

“Plant” – means the generating facility identified on Exhibit A of this Agreement, including: generating equipment, auxiliary and back-up transformers; electric delivery facilities; fuel handling equipment; administrative structures; and such other necessary and related facilities, equipment and structures associated with the generation of electricity.

“Point of Interconnection” – means the physical location where Buyer’s electric service conductors are connected to the Seller’s service conductors to allow parallel operation of the Seller’s Plant with Buyer’s electric distribution system.

“Start Date” – has the meaning specified in Section 4.2.

2. GENERAL PROVISIONS

2.1 Effective Date and Term. This Agreement shall be effective on the date it is made and entered into ("Effective Date") and, unless terminated as provided in this Agreement, shall continue in effect for an initial term expiring two years after the Start Date.

2.2 "Qualifying Facility" Status of Facility and Seller's Warranty. Seller represents to Buyer that the Plant has or will achieve qualifying status by the Start Date as a "cogeneration facility" or a "small power production facility" under 18 CFR §§ 292.201-292.207. Seller will use commercially reasonable efforts to ensure that the Plant will maintain its status as a "Qualifying Facility" under the Public Utility Regulatory Policies Act of 1978, Public Law 95-617, 92 Stat 3117 and the implementing Federal Regulations promulgated thereunder as such are amended to the Effective Date of this Agreement and appear at 18 CFR §§ 292.101 through 292.602, throughout the term of this Agreement. If Seller fails to maintain such "Qualifying Facility" status, Buyer shall have the option of terminating this Agreement by giving Seller 30 Days written notice.

3. ENERGY TO BE SUPPLIED

3.1 Energy and Capacity Furnished by Seller to Buyer. Subject to the terms and conditions of this Agreement, beginning on the Start Date and continuing until the termination of this Agreement, Seller agrees to sell and supply to Buyer, and Buyer agrees to accept and purchase from Seller all Delivered Energy and Guaranteed Capacity that Seller supplies and/or delivers to Buyer under this Agreement. Compensation for such Delivered Energy and Guaranteed Capacity shall be paid in accordance with Section 7.

3.2 Guaranteed Capacity. Seller guarantees to Buyer that the Plant shall produce and deliver to Buyer during the Capacity Need Hours the Capacity set forth on Exhibit A. Seller further understands that the failure to deliver the specified Capacity shall be a breach of this Agreement.

3.3 Permits and Laws. Seller shall secure all licenses and permits required by law, regulation or ordinance, including, but not limited to, those pertaining to the generation and sale of electric energy. Seller shall maintain all such licenses and permits throughout the term of this Agreement. In addition, Seller shall comply with all applicable ordinances, laws, orders, rules and regulations, including those pertaining to the above licenses and permits made by any governmental authority or public regulatory body. At any time during the term of this Agreement, Buyer may request that Seller provide copies of any such licenses and permits, and Seller shall so provide them within five Business Days.

4. PLANT CONSTRUCTION AND START DATE

4.1 Seller's Responsibility. Seller shall have sole responsibility for the planning, design, procurement, construction, start-up, testing, and licensing of the Plant subject to: (i) meeting all appropriate electrical and other applicable codes and regulations required by federal, state, municipal, or any other governmental agencies; and (ii) obtaining all necessary authorizations and permits.

4.2 Start Date. The Start Date of this Agreement will be the first date on or after the Expected Start Date of this Agreement upon which all the following conditions precedent have been satisfied:

(i) Seller shall have obtained all necessary licenses, permits, certificates and approvals in accordance with Section 3.2 of this Agreement;

(ii) Seller shall have executed an Interconnection Agreement and received written authorization to operate Seller's Plant in parallel with Buyer's electric system;

(iii) Seller shall have provided Buyer with evidence that the Plant is a Qualifying Facility, in accordance with Section 2.2 of this Agreement; and

(iv) Seller shall maintain an electric service at the Plant and be current in payment of all amounts due as Buyer's price plan pursuant to which Seller purchases energy from Buyer.

Buyer shall provide written notice to Seller within five Business Days of Seller having satisfied all of the above conditions precedent. Following receipt of the foregoing notice from Buyer, Seller may declare a Start Date (such date to be no earlier than the date upon which all of the above conditions precedent have been satisfied and the Expected Start Date) and shall provide written confirmation of such date to Buyer at least 10 Days prior to the Start Date. If the Start Date fails to occur within 180 Days after the Expected Start Date, Buyer shall have the right to terminate this Agreement upon written notice to Seller, to be effective as of the date specified in such notice.

5. METERING

All electric energy associated with Delivered Energy that is delivered by Seller to Buyer shall be metered at the billing meter installation(s) provided pursuant to the Interconnection Agreement and shall be separately metered from electric energy generated by generating facilities other than the Plant. To determine the amount of electric energy delivered, the metered values may be adjusted for transformer losses and line losses, if applicable, between the metering location and the Point of Interconnection.

6. OPERATION OF PLANT

6.1 Seller's Operating Obligations. Seller shall operate and maintain the Plant in accordance with Good Utility Practices, all applicable laws, and Buyer's standards and tariff requirements which apply to generating units such as Seller's Plant.

6.2 Outages of Generating Equipment. Seller shall promptly provide to Buyer all material information relating to Plant outages and significant derates of Plant Capacity which would affect Seller's ability to deliver electric energy and Capacity from the Plant to the Point of Interconnection. Such material information shall be sufficient for Buyer to determine and verify the severity and extent of such outages and derates, including at a minimum, the date and time when the outage or derate began, the cause of the outage or derate, and the anticipated date and time the outage or derate will end. Seller's obligation to deliver Capacity will be suspended during any period of outage or derate of which it notifies Buyer pursuant to this Section.

6.3 Plant Monitoring. Seller shall cooperate with Buyer to enable Buyer to monitor all electric energy generated by the Plant per then current Buyer metering standards (primarily within the Electrical Service Specifications book). Buyer may require alternative metering schemes to fully monitor plant performance. If, after the Start Date, any new metering and related communications equipment is required to enable such monitoring by Buyer, Buyer shall pay for such equipment.

6.4 Emergencies and Exempt Operational Periods. Buyer shall not be obligated to accept electric energy or make payments based on electric energy delivered pursuant to Section 7 of this Agreement for any electric energy which Seller may have available at the Plant during Emergencies or Exempt Operational Periods after Buyer has given Seller timely notice of such Emergencies or Exempt Operational Periods, but which Buyer does not accept and receive due to such Emergencies or Exempt Operational Periods.

7. COMPENSATION

7.1 Energy Payment. Commencing with the Start Date and continuing for the term of this Agreement, Buyer shall pay Seller for Delivered Energy for the applicable Billing Month in accordance with Buyer's QF-24 Standard Rate. In accordance with Section 6.4 above, Buyer shall not be obligated to accept electric energy or make energy payments for electric energy which Seller may have available at the Plant during Emergencies and Exempt Operational Periods.

7.2 Capacity Payment. Commencing with the Start Date and continuing for the term of this Agreement, Buyer shall pay Seller for Capacity that Seller delivers to Buyer for the applicable Billing Month in accordance with Buyer's QF-24 Standard Rate; provided, however, in no event will Buyer pay Seller for more Capacity than the amount specified as Guaranteed Capacity in Exhibit A for the Billing Month. In accordance with Section 6.4 above, Buyer shall not be obligated to accept Capacity or make Capacity payments for electric energy which Seller may have available at the Plant during Emergencies and Exempt Operational Periods. Buyer will determine whether, given how and when Seller will supply Capacity to Buyer, the Capacity purchase will allow Buyer to avoid any transmission or distribution cost and, if so, that will be appropriately taken into account in Seller's Capacity payment.

7.3 Netting. Any amounts due to or from Buyer and Seller at the end of a Billing Month shall be netted and only the balance due shall be payable by Buyer or Seller, as applicable.

8. EVENTS OF DEFAULT

An "Event of Default" shall mean, with respect to a Party (a "Defaulting Party"), the occurrence of any of the following:

(a) the failure to make, when due, any payment required pursuant to this Agreement if such failure is not remedied within 10 Business Days after written notice;

(b) such Party becomes Bankrupt (whether voluntarily or involuntarily);

(c) the failure by Seller to deliver the Capacity set forth in accordance with Exhibit A; and

(d) such Party consolidates or amalgamates with, or merges with or into, or transfers all or substantially all of its assets to, another entity and, at the time of such consolidation, amalgamation, merger or transfer, the resulting, surviving or transferee entity fails to assume all the obligations of such Party under this Agreement to which it or its predecessor was a party by operation of law or pursuant to an agreement reasonably satisfactory to the other Party.

9. BILLING

9.1 Billing Procedure. As soon as practicable after the end of each Billing Month, Buyer shall submit to Seller a statement (“Statement”) which shall identify any amounts owed by Buyer or Seller pursuant to Section 7 of this Agreement, during such Billing Month. Such Statement shall use metered data obtained in accordance with Section 5 of this Agreement. The net amount due shall be paid by the owing Party in accordance with Buyer’s customer billing cycle. If metered data is unavailable, Buyer may render a Statement based on its best estimate of the amount owed by Buyer or Seller to meet the payment deadline in the second paragraph of this Section 9.1. Such a Statement shall indicate that it represents a best estimate of the amount owed. If such an estimate is used, an adjustment shall be made if necessary to the next Billing Month Statement issued after the date upon which actual data is determined to correct the prior Billing Month estimate.

9.2 Disputes. Seller may, in good faith, dispute the correctness of any Statement or any adjustment to a Statement, rendered under this Agreement and Buyer may adjust any Statement for any arithmetic or computational error in accordance with Buyer’s Rules and Regulations.

10. EARLY TERMINATION AFTER START DATE

10.1 Event of Default. If an Event of Default with respect to a Party (the “Defaulting Party”) shall have occurred, the other Party (the “Non-Defaulting Party”) shall have the right to terminate this Agreement upon 30 Days’ written notice to the Defaulting Party, as provided in Section 8 of this Agreement.

10.2 Breach. A breach of this Agreement (“Breach”) shall occur upon the failure of a Party to perform or observe any material term or condition of this Agreement or of Buyer’s Rules and Regulations. Upon the failure of a Party in Breach of the Agreement to cure such Breach with 30 Days of written notification of the Breach, the other Party shall have the right to terminate this Agreement upon written notice to the Party in Breach. Examples of a Breach of the Agreement include, but are not limited to:

- (i) Failure of either Party to comply with the terms and conditions of this Agreement;
- (ii) An attempted assignment of the Agreement by Seller without Buyer’s consent;
- (iii) Failure of either Party to provide information or data to the other Party as required under this Agreement;
- (iv) Delivered Energy exceeding Plant Nameplate Capacity kWac as identified on Exhibit A of this Agreement; and
- (v) Modification of the Plant equipment after the Start Date, without the written consent of Buyer.

10.3 False Representation. Upon written notice, Buyer may terminate this Agreement if any representation or warranty made by Seller is false or misleading in any material respect when made or when deemed made or repeated. Buyer shall have no obligation to enter into any subsequent

agreement(s) with Seller until such time that both, (1) all amounts owed to Buyer are paid, and the term of any previous agreements with said Plant has lapsed. Either Party's obligation to make payments already due associated with deliveries received prior to the date of termination of the Agreement will survive any termination.

11. INDEMNITY

Seller shall indemnify, defend and hold Buyer and its officers, agents, employees and Board and Council members harmless from any and all liability, claims, demands, costs, judgments, loss or damage, including attorney fees, attributable to or resulting from the maintenance, possession or operation of the Plant, except those caused solely by the negligence or willful misconduct of Buyer. Without limiting the foregoing, Seller shall at Buyer's request, defend at Seller's expense any suit or proceeding brought against Buyer for any of the above-named reasons; provided that Buyer notifies Seller in writing of any such claim and promptly tenders to Seller the control and defense of any such claim with Seller's choice of counsel. Buyer shall cooperate with Seller, at Seller's expense, in defending such claim and Buyer may join in defense with counsel of its choice at its own expense. Seller's indemnification shall not include damage or injuries occurring on Buyer's system after the Point of Delivery, unless the damage to or injuries occurring on such system are caused by the negligence or willful misconduct of Seller.

Buyer shall indemnify, defend and hold Seller, its officers, agents and employees harmless from any and all liability, claims, demands, costs, judgments, loss or damage, including attorney fees, resulting from damage or injuries occurring on Buyer's own system after the Point of Delivery, unless the damage or injuries on Buyer's system are caused by the negligence or willful misconduct of Seller.

12. WAIVER OF JURY TRIAL

EACH PARTY WAIVES, TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, ANY RIGHT IT MAY HAVE TO A TRIAL BY JURY IN RESPECT OF ANY DISPUTE ARISING OUT OF OR RELATING TO THIS AGREEMENT. EACH PARTY CERTIFIES THAT IT HAS BEEN INDUCED TO ENTER INTO THIS AGREEMENT BY, AMONG OTHER THINGS, THE MUTUAL WAIVERS AND CERTIFICATIONS SET FORTH ABOVE IN THIS SECTION 12.

13. CHANGES CONCERNING MARKET DESIGN.

In the event that there is a change to the organization of Buyer's electric system that has a material adverse impact on either Party, including (a) any mandatory or voluntary joinder with or reorganization into a regional transmission organization, independent system operator, or similar organization, or (b) any material change in the rules, protocols, procedures or standards governing Buyer's electric system, then Seller and Buyer shall amend this Agreement to give effect to the original intent of Seller and Buyer.

14. SUCCESSORS AND ASSIGNS

This Agreement shall inure to the benefit of and be binding upon the successors and assigns of the Parties. This Agreement shall not be assigned by a Party without the other Party's prior written consent, which consent shall not be unreasonably withheld, but provided that (i) any assignee shall

expressly assume assignor's obligations under this Agreement; and (ii) no such assignment shall impair any security given by Seller under this Agreement. Any attempted assignment or transfer without such consent shall be void and not merely voidable.

15. GOVERNING LAW

This Agreement and the rights and duties of the Parties hereunder shall be governed by and construed, enforced, and performed in accordance with the laws of the State of Arizona, without regard to its principles of conflicts of law.

16. NOTICE TO PARTIES

Unless otherwise provided in this Agreement, any notice, consent or other communication required to be made under this Agreement shall be effective if it is in writing and delivered personally, by certified mail (postage prepaid and return receipt requested), reputable overnight delivery service, or other confirmable form of electronic delivery to the address set forth on Exhibit A of this Agreement or to such other address as the receiving Party may designate in writing.

17. WAIVER

No term or provision of this Agreement shall be deemed waived and no breach excused unless such waiver or consent is in writing and signed by the Party claimed to have waived or consented. Any consent by any Party to, or waiver of, a breach by the other Party, whether express or implied, shall not constitute a continuing waiver of, or consent to, or excuse any subsequent or different breach, nor in any way affect the validity of this Agreement or any part of it, or the right of any Party to thereafter enforce any provision of this Agreement.

18. NONSEVERABILITY

If any essential provision of this Agreement is declared invalid in whole or in part by any court or other tribunal of competent jurisdiction, then unless otherwise agreed by the Parties, the entire Agreement shall be deemed void and inoperative. If any non-essential provision in this Agreement is held to be invalid or unenforceable, it shall be ineffective only to the extent of the invalidity, without affecting or impairing the validity and enforceability of the remainder of the provision or provisions of this Agreement.

19. MISCELLANEOUS

19.1 No Third-Party Beneficiaries. This Agreement is intended solely for the benefit of the Parties. Nothing in this Agreement shall be construed to create any duty to, or standard of care with reference to, or any liability to, any person not a Party to this Agreement.

19.2 Disclaimer of Joint Venture, Partnership and Agency. This Agreement shall not be interpreted or construed to create an association, joint venture or partnership between the Parties or to impose any partnership obligation or liability upon either Party. Neither Party shall have any right, power or authority to enter into any agreement or undertaking for, or act on behalf of, or to act as or be an agent or representative of, or to otherwise bind, the other Party.

19.3 Attorneys' Fees. If a Party commences a legal proceeding against the other Party because of an alleged breach of such Party's obligations under this Agreement, each Party shall bear its own expenses, including reasonable attorneys' fees, incurred in connection with the legal proceeding and any appeal thereof.

19.4 Headings. The various headings set forth in this Agreement are not a part of this Agreement and shall not affect the construction or interpretation of this Agreement.

19.5 Entire Agreement and Amendments. This Agreement supersedes all previous representations, understandings, negotiations and agreements either written or oral between the Parties or their representatives and constitutes the entire agreement of the Parties. No amendments or changes to this Agreement shall be binding unless made in writing and duly executed by both Parties.

19.6 Counterparts and Electronic Documents. This Agreement may be executed and delivered in counterparts, including by a facsimile or an electronic transmission thereof, each of which shall be deemed an original. Any document generated by the Parties with respect to this Agreement, including this Agreement, may be imaged and stored electronically and introduced as evidence in any proceeding as if original business records. Neither Party will object to the admissibility of such images as evidence in any proceeding on account of having been stored electronically.

[SIGNATURES ARE ON THE FOLLOWING PAGE]

IN WITNESS WHEREOF, the Parties have caused this Agreement to be duly executed as of the date first above written.

BUYER

SELLER

Salt River Project Agricultural
Improvement and Power District

By: _____

By: _____

Title: _____

Title: _____

Date: _____

Date: _____

EXHIBIT A

Salt River Project Agricultural Improvement
and Power District

Name _____

All Notices: _____

All Notices: _____

Invoices:

Attn: _____

Phone: _____

Email: _____

Invoices:

Attn: _____

Phone: _____

Email: _____

Scheduling:

Attn: _____

Phone: _____

Email: _____

Scheduling:

Attn: _____

Phone: _____

Email: _____

Plant Characteristics

Plant Type: _____

Plant Nameplate Capacity (kW_{AC}): _____

Plant Location: _____

Start Date: _____

Guaranteed Capacity by calendar week:

Week Number (commencing on the Start Date)	Guaranteed Capacity (in Kilowatts) of Energy During Capacity Need Hours
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11	
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QF-24

Standard Rate for Qualifying Facilities Under 18 CFR 292.304(c)

Overview

This QF-24 Standard Rate (QF-24) is available to Qualifying Facilities with a design capacity of 100 kW or less that elect to sell energy, capacity, or both to SRP. This rate is designed to implement the Public Utility Regulatory Policies Act (PURPA), 16 U.S.C. § 824a-3(f) and related FERC Regulations, 18 C.F.R. § 292.304(c).

Availability

QF-24 is available to Qualifying Facilities as defined in 18 C.F.R. §§ 292.101 to 292.207, that provide as-available energy and, as applicable, energy or capacity that has been committed to SRP through SRP's Standard Rate Contract for QFs of 100 kW or less.

Compensation for Purchases from a Qualifying Facility

SRP's rates for purchases from Qualifying Facilities are based on SRP's avoided costs and available as follows:

Compensation for As-Available Energy

A Qualifying Facility may provide energy to SRP's system as and when it becomes available, in which case the rates paid are based on SRP's avoided cost for energy calculated at the time of delivery.

Energy sold to SRP will be compensated at the market price at the time energy is delivered, equal to the locational marginal price specified for the CAISO-administered Western Energy Imbalance Market External Load Aggregation Point real time price for SRP ("ELAP") and a loss factor of 5.76%. The rate for energy sold to SRP is the product of the hourly energy delivered to SRP in a billing cycle, and the hourly ELAP price stated in dollars per kW-hour. Monthly compensation will be reduced to reflect negative credits when the ELAP is a negative value, although monthly compensation will not be less than \$0.

Compensation for Energy or Capacity Pursuant to a Legally Enforceable Obligation

Alternatively, a Qualifying Facility may provide energy or capacity pursuant to a legally enforceable obligation for a two year term, in which case the rates paid for energy will be based on SRP's avoided costs for energy calculated at the time of delivery, and the rates paid for capacity, as applicable, will be based on SRP's avoided costs of capacity calculated at either the time of delivery or at the time the legally enforceable obligation is incurred.

Energy sold to SRP will be compensated at the market price at the time energy is delivered, equal to the locational marginal price specified for the CAISO-administered Western Energy Imbalance Market External Load Aggregation Point real time price for SRP ("ELAP") and a loss factor of 5.76%. The rate for energy sold to SRP is the product of the hourly energy delivered to SRP in a billing cycle, and the hourly ELAP price stated in dollars per kW-hour. Monthly compensation will be reduced to reflect negative credits when the ELAP is a negative value, although monthly compensation will not be less than \$0.

Any Qualifying Facility that elects to sell capacity to SRP, in addition to meeting the requirements, terms, and conditions stated herein, must also execute the Standard Rate Contract and commit to make a set amount of energy available to SRP during the hours of SRP's capacity need in accordance with the terms of the Standard Rate Contract. To the extent a Qualifying Facility provides capacity to SRP as specified herein, the Qualifying Facility will be paid a Capacity Credit based on SRP's avoided costs for capacity. Specifically, the Standard Rate Contract will provide that the Qualifying Facility will be paid a Capacity Credit.

Capacity Credit

A Capacity Credit will be paid to a Qualifying Facility that delivers capacity for at least four (4) continuous hours when SRP has identified a capacity need and during SRP's Capacity Need Hours for the duration of the legally enforceable obligation. Currently, the Capacity Need Hours are the hours of 5 p.m. – 10 p.m. During such periods, the Qualifying Facility may receive a Capacity Credit as follows:

The Capacity Credit is the product of the Capacity Cost Adjuster and the lesser of the amount of kilowatt hours the Qualifying Facility delivers capacity to SRP or the amount of kilowatt hours the Qualifying Facility specifies in the Standard Rate Contract. As of the time of publication of this QF-24 Standard Rate, SRP has no capacity need for the next two years, thus, no Capacity Credit is available.

The Capacity Cost Adjuster is the cost of the total incremental capacity resources selected, acquired, built or to be built to meet SRP's capacity need during the term of the Standard Rate Contract, divided by the total anticipated or actual output in kilowatts (kW) of those incremental capacity resources, adjusted for capacity contribution during hours when SRP has identified an incremental capacity need. The applicable Capacity Cost Adjuster shall be stated in dollars per kW-month. The Capacity Cost Adjuster may vary by season.

Please contact SRP at DER@srpnet.com for more information about QF-24 and the Standard Rate Contract.

Terms, Conditions and Additional Provisions

1. Any equipment necessary for sales to SRP must meet all SRP standards and will be installed according to SRP's Distributed Generation Interconnection Handbook and at the Qualifying Facility's expense.
2. The provisions of this QF-24 Standard Rate are subject to change upon approval by the SRP District Board.
3. SRP's obligation for payment to the Qualifying Facility for energy and capacity delivered to SRP shall not commence until the Qualifying Facility provides written notification to SRP of its intent to operate under this QF Standard Rate and has satisfied the terms and conditions stated herein.
4. To the extent that the Qualifying Facility is compensated by SRP for energy or capacity under another SRP program, the Qualifying Facility is not eligible for compensation for the same energy or capacity under the QF-24 Standard Rate or Standard Rate Contract.
5. A Qualifying Facility providing energy to SRP's system as and when it becomes available may switch between QF-24 and another SRP program, rider or price plan once per calendar year.

