

RESOURCE STEWARDSHIP

Sustainable Portfolio • Resource Planning • Water

November 2014



Delivering more than power.™

SUSTAINABLE PORTFOLIO

OBJECTIVES

- Meet 20% of retail requirements with sustainable resources by 2020 through renewable energy, hydropower, conservation programs, behavioral programs, efficiency and pricing measures, codes and standards, and renewable energy credits
- Manage emissions using sustainable means at the lowest cost to our customers
- Retain the flexibility to select among alternative options
- Expand options that can contribute to this objective

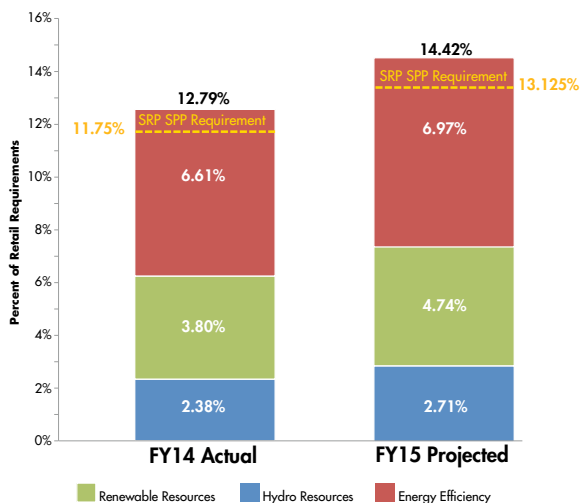
COMMITMENTS

- From August 2004 to October 2014, SRP committed more than \$146 million in solar incentives to more than 18,000 customers to install 118.2 MW of rooftop solar.
- Since May 2008, SRP has paid more than \$103 million in energy-efficiency incentives to customers, resulting in more than 5.9 million MWh saved.
- In FY14 the percent of SRP's total retail energy requirements met by incremental Energy Efficiency Programs was 2.30%. SRP exceeded its annual retail energy requirement target of 1.50%.

LOOKING AHEAD

SRP SUSTAINABLE PORTFOLIO*

SUSTAINABLE PORTFOLIO FY14 Actual and FY15 Projected

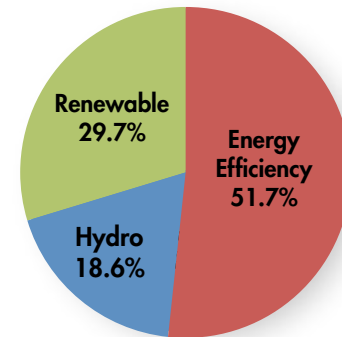


*Resources in excess of requirement will be banked for future use.

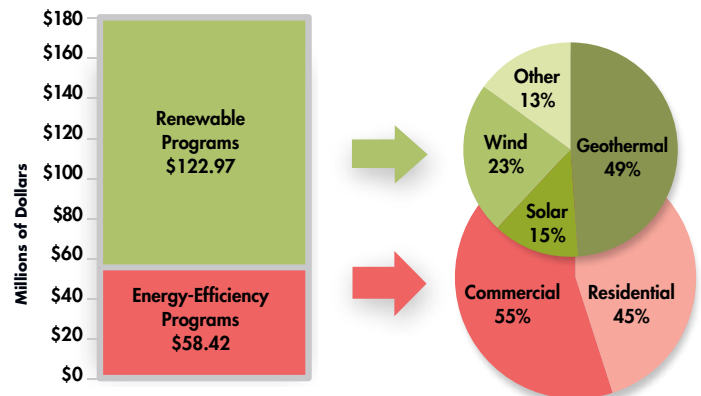
PERFORMANCE

Sustainable Portfolio in FY14

3,563 gigawatt-hours



Environmental Programs Cost Adjustment Factor (EPCAF) \$181.4 Million Budget in FY15



The EPCAF provides funding for SRP's renewable energy and energy-efficiency programs that were adopted to comply with SRP's Sustainable Portfolio standards.

RESOURCES

Renewable Resource Capacity Mix in FY15

| Source | Size* |
|-----------------------|---------------|
| Biomass | 14 MW |
| Utility-scale solar | 20 MW** |
| Dry Lake Wind 1 and 2 | 127 MW |
| Geothermal | 75 MW |
| Hydro | 391 MW |
| Landfill gas | 22 MW |
| Rooftop solar | 111 MW |
| TOTAL | 760 MW |

*Nameplate capacity

**SRP started FY14 with 39 MW of utility-scale solar. After Oct. 31, 2013, 19 MW were dedicated to a specific customer and were therefore not counted toward SRP's Sustainable Portfolio after this date.

RESOURCE PLANNING

OBJECTIVES

- Meet the energy demands of our customers and operational needs of our system
- Maintain our current, diverse portfolio of generation technologies
- Deliver high-value energy to our customers through active management of our fuel costs and resource portfolio additions
- Support meeting the Sustainable Portfolio objective of 20% by 2020 through the integration of high-value sources of sustainable energy
- Continue to enhance the cost-effective integration of intermittent renewable resources

COMMITMENTS

CalEnergy Geothermal, 87 MW - 2020

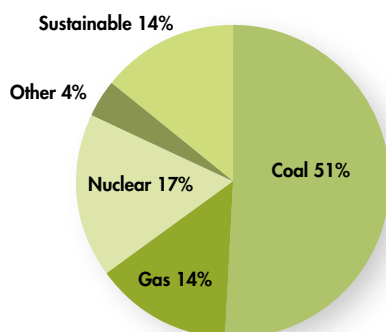
The addition of CalEnergy Geothermal during the 2016 - 2020 time frame will provide SRP with a solid foundation of baseload renewable resources.

Sandstone Solar, 45 MW - 2016

SRP has signed a long-term agreement to purchase all of the energy from the 45 MW Sandstone Solar project to be constructed near Florence, Ariz., in 2015. The new community-scale solar facility is being developed by Utah-based sPower and is expected to be operational by the end of 2015.

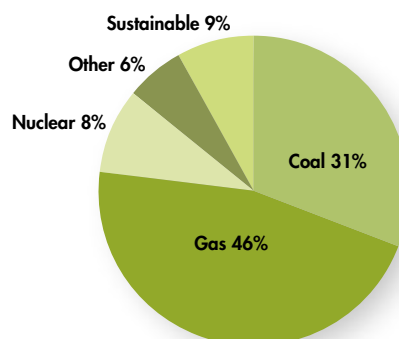
PERFORMANCE

Planned Energy Generation in FY15 to support 31,000 gigawatt-hours of Retail Sales



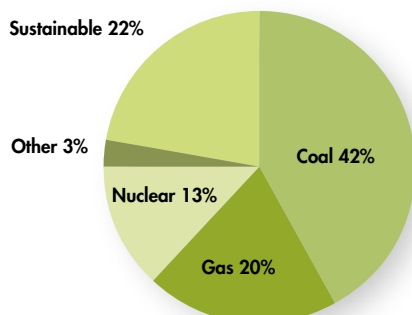
RESOURCES

Generation Capacity Mix in FY15
8,489 megawatts

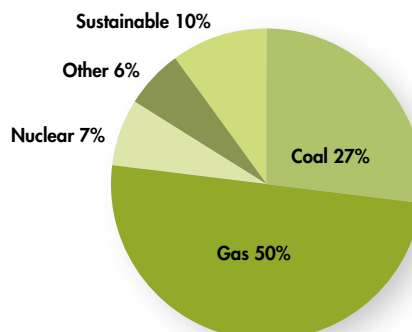


LOOKING AHEAD

Projected Energy Generation in FY24 to support 38,000 gigawatt-hours of Retail Sales



Projected Generation Capacity Mix in FY24
9,421 megawatts



WATER RESOURCES

OBJECTIVES

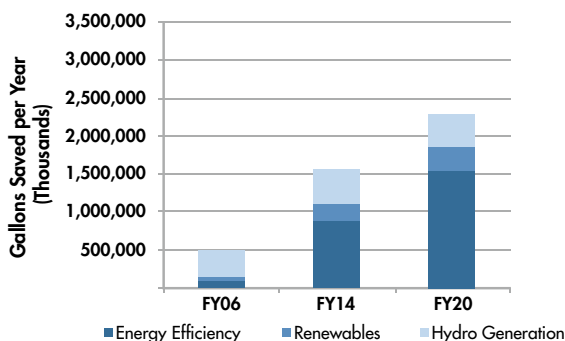
- Maximize surface water through careful management of stored water
- Limit groundwater use to a short-term drought supply
- Foster forest restoration activities on the SRP watershed
- Acquire new water supplies to diversify our portfolio
- Support economic development with sound resource planning and management

COMMITMENTS

- In partnership with the National Forest Foundation, SRP established the Northern Arizona Forest Fund to complete watershed restoration projects on the Salt and Verde river watersheds
- Established a joint program with the U.S. Forest Service, Bureau of Reclamation, Town of Payson and the National Forest Foundation to proactively improve the health and resiliency of the forests within the watersheds that feed C.C. Cragin Reservoir
- Develop 5,000,000 acre-feet of renewable water supplies through the Gila River Water Storage LLC, a joint venture of SRP and the Gila River Indian Community
- Under agreement with the Salt River Pima-Maricopa Indian Community, SRP agreed to extend the operation of the Granite Reef Underground Storage Project for up to an additional 60 years
- Continue to work to resolve conflicts over the rights to water on the SRP watershed

LOOKING AHEAD

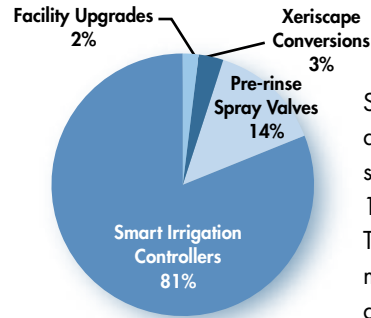
Power-Water Sustainability Nexus



Significant water savings are achieved through SRP's replacement of thermal power generation with renewable hydrogeneration and through energy-efficiency measures.

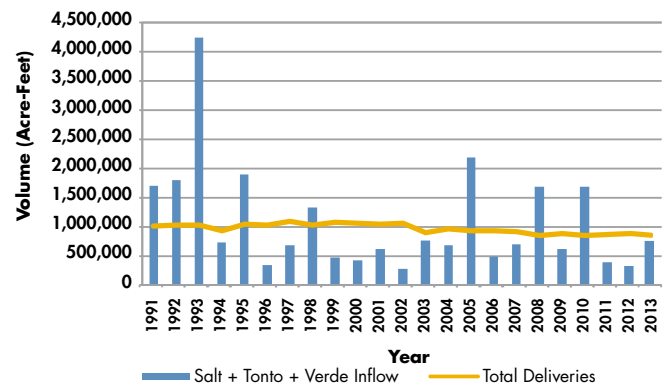
PERFORMANCE

Water-Use Efficiency as of September 2014



Since 2006, SRP has distributed more than 3,300 smart irrigation controllers and 1,800 pre-rinse spray valves. These efforts amount to 84.5 million gallons of water saved annually.

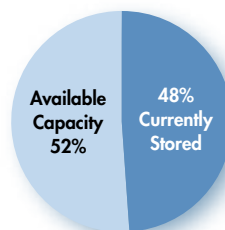
Inflow Variability vs. Supply Stability



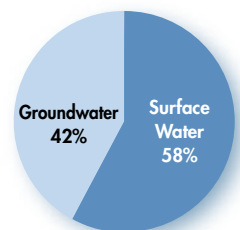
SRP maintains water reliability by using reservoir storage to turn variable annual surface water inflows into a stable long-term supply.

RESOURCES

Total Surface Water Storage Capacity as of September 2014



Supply Mix as of September 2014



Gila River Water Storage LLC Long-term Storage Credits as of September 2014

