

Proposed Environmental Programs Cost Adjustment Factor Budget for Fiscal Year 2015

SRP implemented the Environmental Programs Cost Adjustment Factor (EPCAF) in November 2009 to track costs and revenues related to SRP's renewable energy and energy efficiency programs adopted to comply with SRP's sustainable portfolio standard, as well as costs incurred as a result of environmental mandates imposed upon SRP, either legislatively, or by regulation. The EPCAF is a component of all SRP retail price plans and is currently set at \$.0060 per kilowatt-hour. Management tracks EPCAF revenues and expenses monthly and the SRP Board of Directors conducts a review of management's proposed EPCAF budget.

The EPCAF budget for each fiscal year is established by the Board annually and is published on SRP's website. Changes to the EPCAF can be made annually with the approval of the budget for the upcoming fiscal year or more frequently if expenses and revenues deviate greatly.

The following draft of the proposed EPCAF expenditure budget for fiscal year 2015, which begins on May 1, 2014, will be presented to the Finance and Budget Committee on March 20, 2014. Any modifications to the proposed EPCAF budget will be communicated at the March 20 Finance and Budget Committee meeting and will be posted to SRP's website before being considered for final approval by the Board on March 27, 2014. Management will not recommend any increases to the current EPCAF factor or to any of SRP's price plans during this process.

**Environmental Programs Cost Adjustment Factor (EPCAF)
Proposed Budget for Fiscal Year 2015 (May 1, 2014 - April 30, 2015)**

Sustainable Portfolio	FY15 Budget (\$000)
Renewables	
Renewable Energy Research and Development	\$ 814
Solar Incentives	6,304
Demonstration Projects	1,031
Hydro	589
Wind Purchases	27,741
Geothermal Purchases	60,322
Renewable Energy Credit (REC) Purchases	700
Solar Purchases	11,917
Landfill Gas, Biomass and Other	11,798
Renewable Capital-Related Costs	1,755
Total Renewables	\$ 122,971
Energy Efficiency Programs	
Residential	\$ 21,789
Commercial	28,539
M-Power	4,389
Demand Response	3,705
Total Energy Efficiency	\$ 58,422
Total	\$ 181,393