

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

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**DISTRICT COUNCIL**  
**Monday, October 30, 2023, 9:30 AM**  
**SRP Administration Building**  
**1500 N. Mill Avenue, Tempe, AZ 85288**

Call to Order  
Roll Call

- 1. Bonds and Bond Sale Process ..... MIKE MACE, PFM FINANCIAL ADVISORS

Informational presentation to provide supporting education about bonds and the bond sale process.

- 2. 2023 Series B Revenue Bond Sale ..... BRIAN KOCH, JASON RIGGS; MIKE MACE, PFM FINANCIAL ADVISORS; GRANT FRAUNFELDER, MORGAN STANLEY; and TRICIA GASPARINE, CHIESA SHAHINIAN AND GIANTOMASI PC

Request for approval of the **RESOLUTION OF THE COUNCIL APPROVING THE PRIVATE SALE BY THE SALT RIVER PROJECT AGRICULTURAL IMPROVEMENT AND POWER DISTRICT AND RATIFYING AND CONFIRMING TERMS AND CONDITIONS OF NOT EXCEEDING \$650,000,000 IN PAR VALUE SALT RIVER PROJECT ELECTRIC SYSTEM REVENUE BONDS, 2023 SERIES B.**

- 3. Report on Current Events by the General Manager and Chief Executive Officer or Designees ..... JIM PRATT

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

The Council 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.



**THE NEXT COUNCIL MEETING IS SCHEDULED FOR TUESDAY, NOVEMBER 7, 2023**



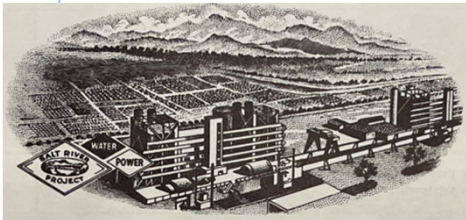
# Issuing Tax-Exempt Debt Bonds and Bond Issues

Presented by

Mike Mace

Managing Director

October 30, 2023



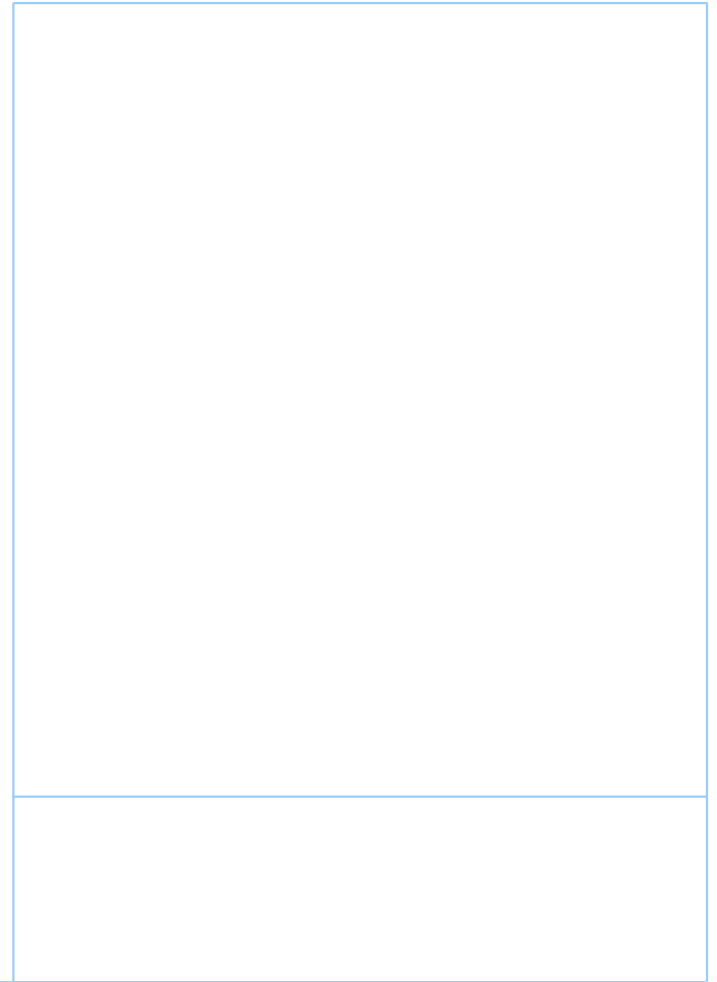
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- I. It Starts with a Bond
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  - B. Some Bond Math
  
- II. Bonds as Part of the Bond Issue
  - A. Bond Issues
  - B. Bond Issue and Overall Repayment
  
- III. Public Power vs IOU Differences



# **I. It Starts with a Bond**



# The Basics of a Bond



## The Basics of a Bond

- **A Loan from the Bond Buyer to the Issuer**
- **A “Portable” Loan – can be bought and sold**
- **Bond Terms Set in Initial Sale:**
  - **Maturity or Due Date**                      **1 to 30+ Years**
  - **Interest Rate/Coupon**                      **0% to ?% - Market**
  - **Initial (Real) Yield**                              **Market Based**
  - **Bond Price as % of Par**                      **Based on Coupon/Yield**
  - **Early Call Dates**                              **Usually 10 yr post sale**
  - **Minimum denomination**                      **\$5,000**

## Bond Math – Coupon, Yield & Price

- Muni Market Quirk – Premium Bonds
  - Bonds sold with initial price greater than 100% of Par Value
  - i.e. a \$5,000 bond sold at 110% or \$5,500
  - Very strong preference of institutional investors (price protection)
  - Issuers like the future refunding savings potential
  - ~90%+ of public power bonds structured as premium bonds
- Sample Bond Math Example:
  - \$1 million of 1 Year Bonds with a Coupon of 5%
  - Market rate of return for 1 Year Bonds is 4%
  - Investors pays ~101% of Par Value, or \$1,010,000 for the Bonds
  - Issuer net rate on \$1,010,000 borrowed is ~4%, based on 5% coupon interest paid on only \$1,000,000, and repayment of \$1,000,000
- After the Initial Bond Sale, Bond Price will move with Rates
  - If market rates go up, Bond market value goes down

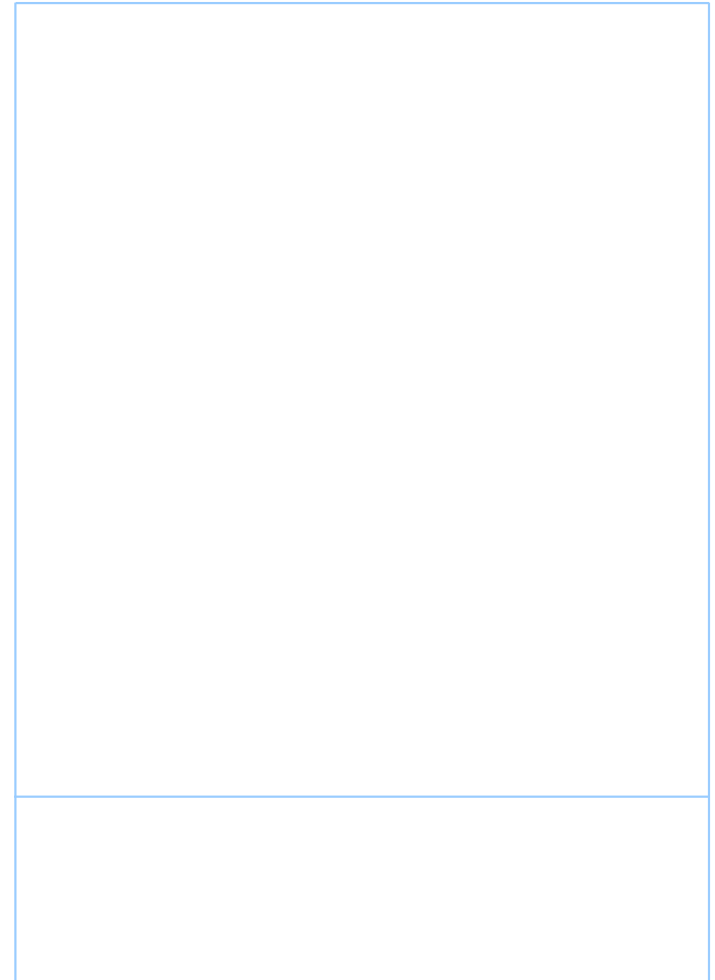
## Tax-Exemption and Interest Rate Impact

- Interest Income on Public Purpose Bonds Generally Exempt from Federal Tax and Often State Tax
- Results in a Lower Borrowing Cost for SRP
- Sample Math for \$100,000 Investment
  - SRP Bond at 4%                      Investor earns/keeps \$4,000 interest
  - For-Profit Bond at 6%              Investor earns \$6,000, but taxed
  - Tax Rate 40% Fed & State        Investor keeps \$3,600
  - (But For-Profits deduct interest expense to reduce their taxes)
- Rate Differentials Typically Do Not Reflect Full Tax Rate

## Bond Issuance vs Bond Trading

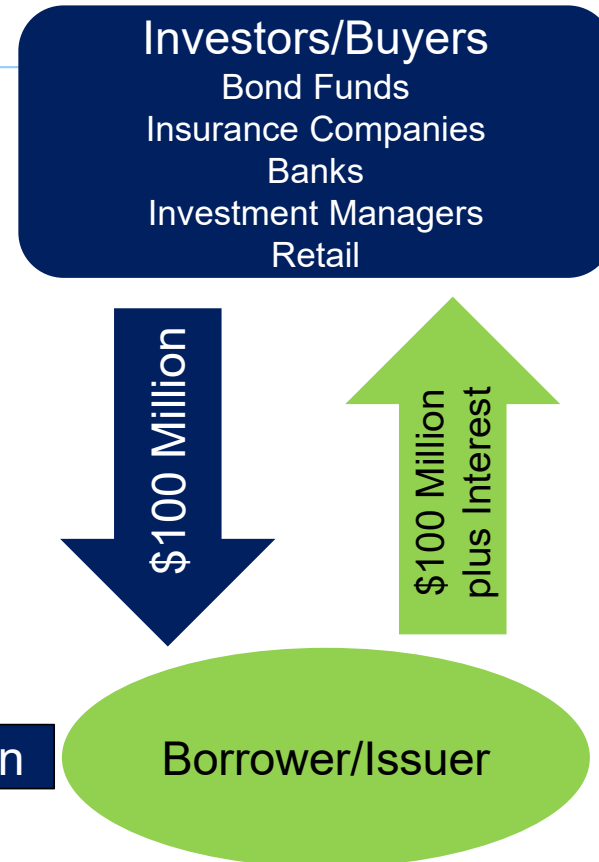
- A Bond is “Born” as a Loan
- But “Lives” and Can be Traded as an Investment
  - Bond Funds, Banks, Insurance Cos, Investment Mgrs, Retail,...
- Each Bond Maturity has a “License Number” or CUSIP
- There are Roughly 1.5 million tax-exempt CUSIPs
- Roughly 50,000 municipal/exempt Issuers
- Many Issues have 20+ CUSIPs
- Market Rates (Rate Investor Need/Want) Change Over Time
- Bond Coupon Stays the Same, but Price Changes with Rates

## **II. Bonds as Part of the Bond Issue**



## Bond Issue

- A single bond or group of individual bonds that constitute a loan from investors to a borrower/issuer.
- Issuer promises to repay, principal and interest





# Recent Public Power Bond Sale Structure - NYPA

**\$734,220,000**  
**Power Authority of the State of New York**  
**Green Transmission Project Revenue Bonds, Series 2023A**

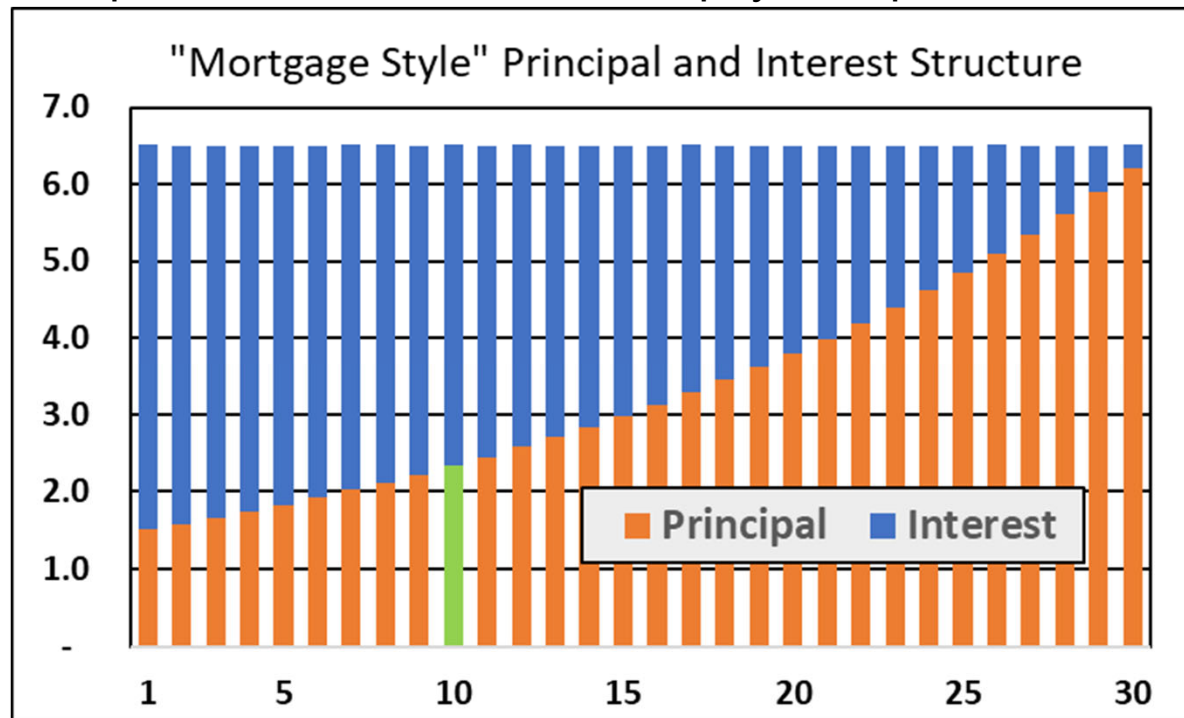
<b>\$366,685,000</b>				
<b>Serial Bonds</b>				
<u>Maturity</u> <u>November 15</u>	<u>Principal</u> <u>Amount</u>	<u>Interest</u> <u>Rate</u>	<u>Yield</u>	<u>CUSIP</u> <u>(65000X)<sup>†</sup></u>
2026	\$11,245,000	5.000%	3.710%	AZ3
2027	36,755,000	5.000	3.720	BA7
2028	39,425,000	5.000	3.730	BB5
2029	23,660,000	5.000	3.750	BC3
2030	18,320,000	5.000	3.810	BD1
2031	18,305,000	5.000	3.850	BE9
2032	18,295,000	5.000	3.880	BF6
2033	18,280,000	5.000	3.930	BG4
2034	18,265,000	5.000	4.010*	BH2
2035	18,250,000	5.000	4.080*	BJ8
2036	18,235,000	5.000	4.180*	BK5
2037	18,220,000	5.000	4.300*	BL3
2038	18,205,000	5.000	4.380*	BM1
2039	18,185,000	5.250	4.430*	BN9
2040	18,215,000	5.250	4.550*	BP4
2041	18,245,000	5.250	4.630*	BQ2
2042	18,275,000	5.250	4.680*	BR0
2043	18,305,000	5.250	4.730*	BS8

- Bonds on the “Menu” for Investors
- 3 to 40 Maturities
- 3.71% to 5.30% Yield
- Various Coupons
- Callable in 10 Years

**\$91,620,000 5.000% Term Bonds due November 15, 2048, Yield 5.030% CUSIP<sup>†</sup> 65000X BT6**  
**\$91,375,000 5.000% Term Bonds due November 15, 2053, Yield 5.080% CUSIP<sup>†</sup> 65000X BU3**  
**\$91,360,000 5.125% Term Bonds due November 15, 2058, Yield 5.220% CUSIP<sup>†</sup> 65000X BV1**  
**\$93,180,000 5.125% Term Bonds due November 15, 2063, Yield 5.300% CUSIP<sup>†</sup> 65000X BW9**

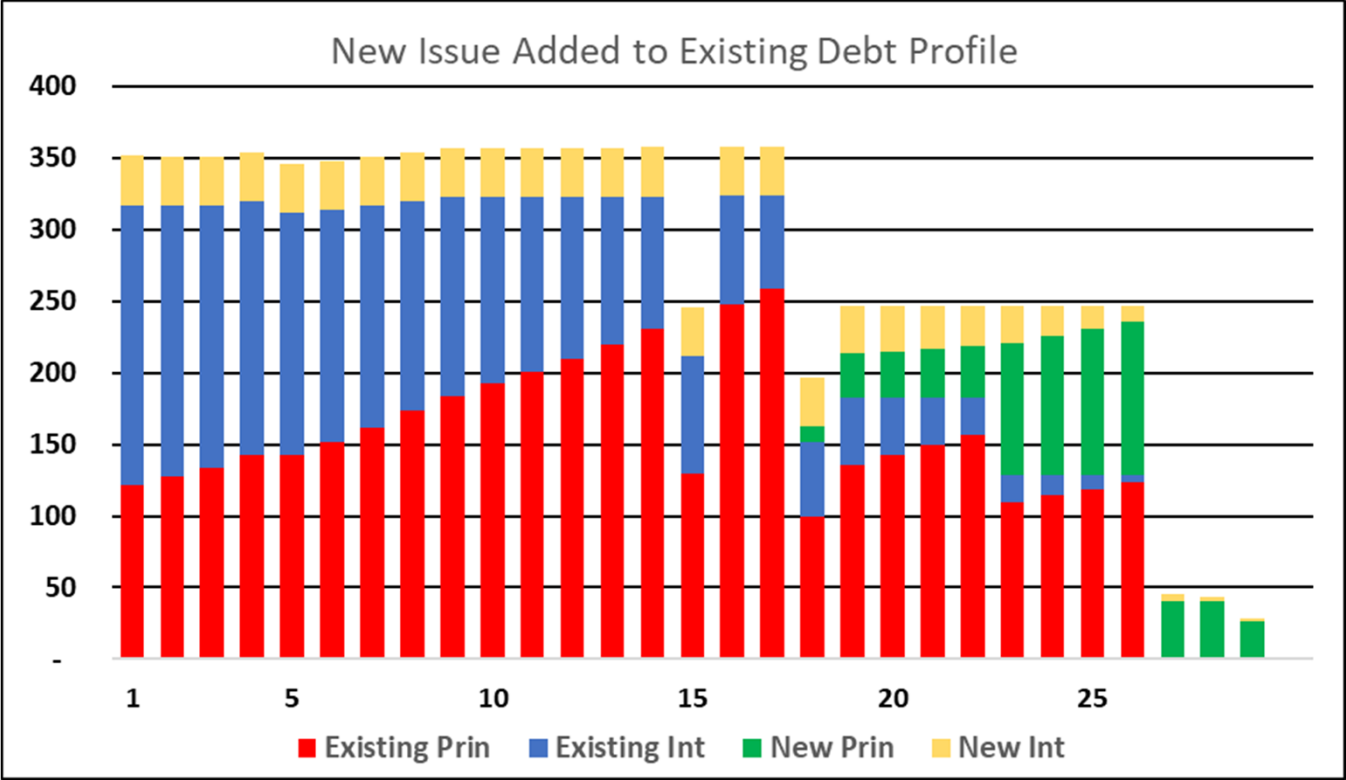
# Bond Issue Repayment Structure

- Individual Bonds are Pieces of the Puzzle
  - To produce an overall annual repayment pattern



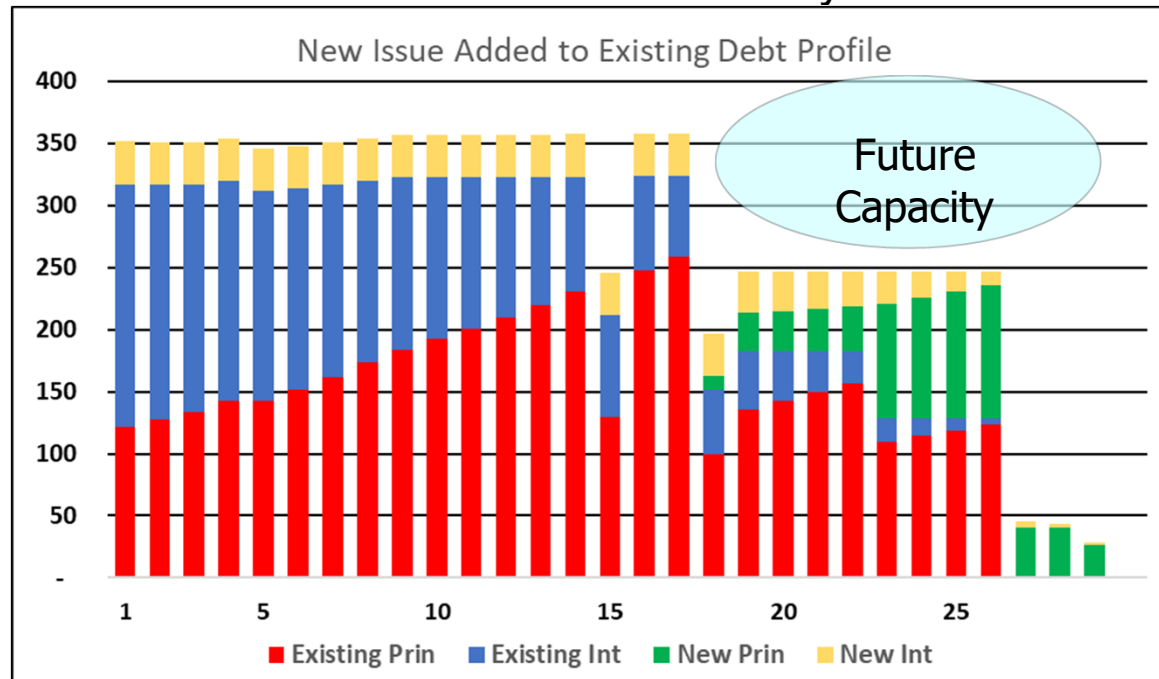
# Bond Issue Repayment Structure

- Fitting a New Issue into and Overall Debt Structure

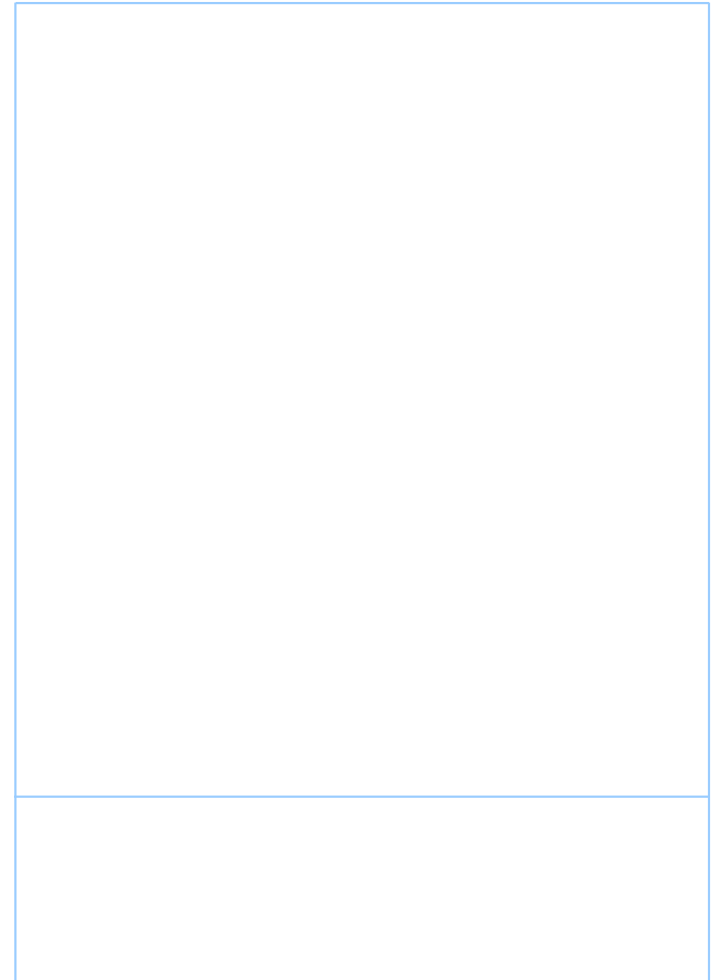


# Bond Issue Repayment Structure

- Fair Allocation of Cost to Current and Future Customers
- Preserve Room for Growth and Flexibility



### **III. Interesting Public Power vs. IOU Differences**



# Sample IOU Bond Sale Earlier in 2023

- \$500 MM Bonds Sold in June
  - 5.55% Bonds at 99.855% Price
  - Rated A3/BBB+/A-
  - US Treasury +1.80%
  - 10 Year “Bullet” Maturity
  - No optional par call
  - 0.65% Underwriting fees



**Arizona Public Service Company**

**5.55% Notes due 2033**

	Per Note	Total
Initial public offering price <sup>(1)</sup>	99.855%	\$499,275,000
Underwriting discount	0.650%	\$ 3,250,000
Proceeds, before expenses, to Arizona Public Service Company	99.205%	\$496,025,000

*Joint Book-Running Managers*

**J.P. Morgan    Truist Securities    RBC Capital Markets    US Bancorp**

*Co-Managers*

**BMO Capital Markets    TD Securities    Cabrera Capital Markets, LLC**

## Comparison Points with Public Power Structure

- IOU Bond Sale in June and SRP Bond Sale in February
- 10 YR US Treasury @ ~3.75% in Both Markets

### IOU Bond Issue Metrics

- \$500 Million
- 10 Year “Bullet” Maturity
- 5.55% Rate
- Rated A3/BBB+/A-
- No optional par call
- 0.65% Underwriting fees

### SRP Bond Issue Metrics

- \$500 Million
- 23 Year Avg Life
- ~4.25% Overall Interest Cost
- Rated Aa1/AA+
- Optional par call in 10 years
- ~0.19% Underwriting fees

Higher Credit Ratings, Lower Rates/Fees and More “Optionality”  
Provide Savings for SRP Customers





# 2023 Series B Bond Sale

October 30th, 2023

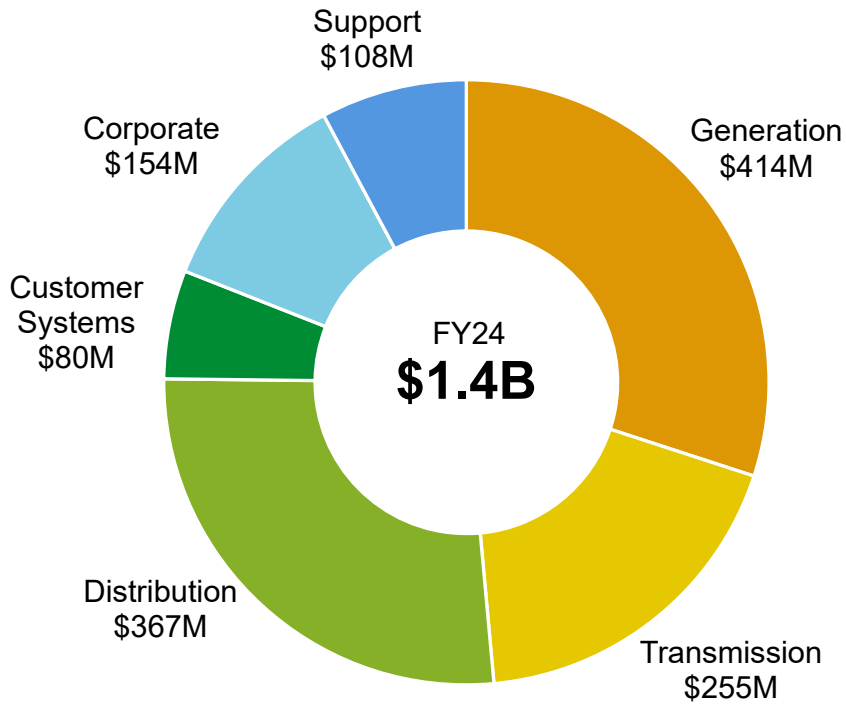
SRP Board & SRP Council Meeting

Brian J. Koch | Treasurer & Senior Director, Financial Services

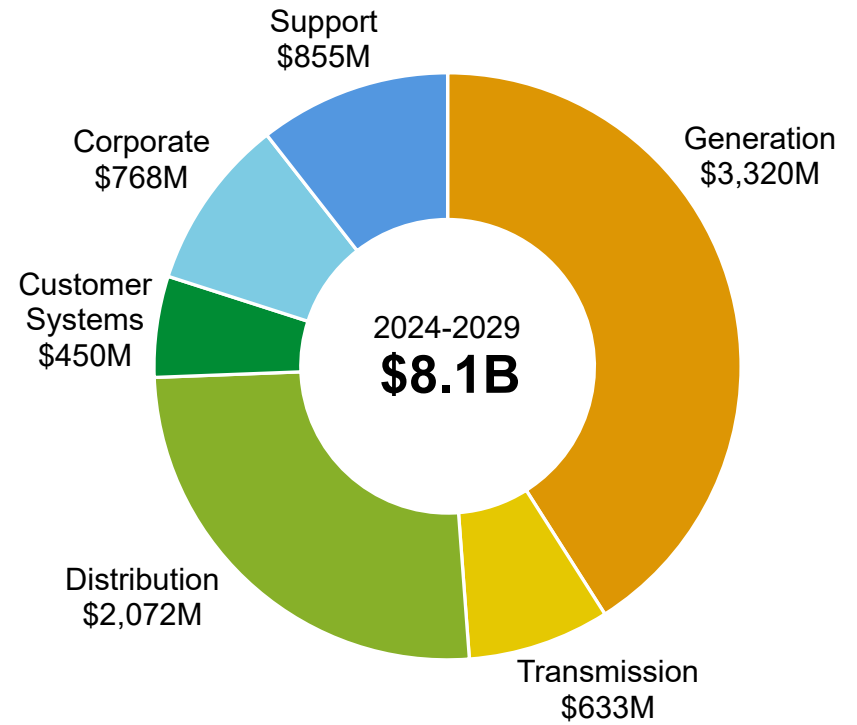
Jason I. Riggs | Director & Asst. Treasurer, Treasury Operations & Compliance

# Board Approved Projected Capital Spend: FY24 and FP24

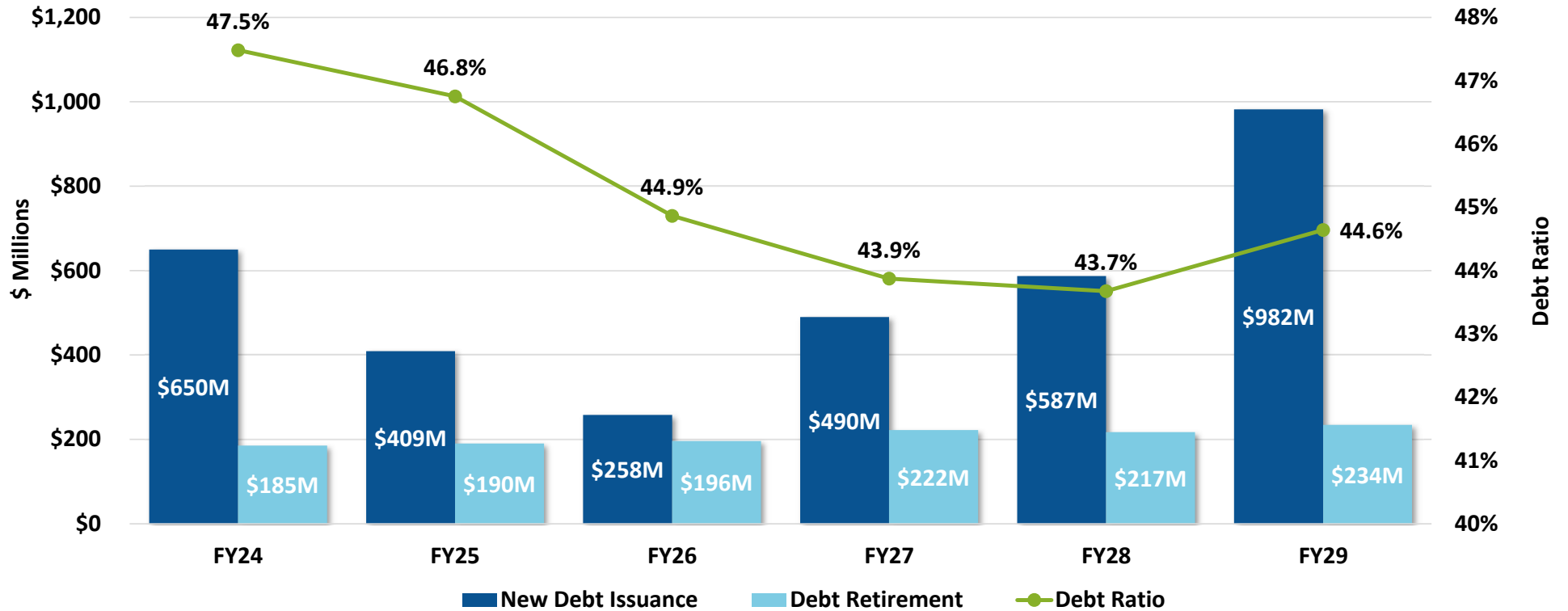
**Capital by Segment**



**Capital by Segment**



# Continued SRP Growth Will Require More Financing



# 2023 Series B Bond Sale Overview

• Par Value Amount:	Not exceeding <b>\$650 million in par value</b> of new money revenue bonds
• Lead Banker:	<b>Morgan Stanley &amp; Co. LLC</b>
• Co-managers:	<b>BofA Securities, Inc.</b> <b>J.P. Morgan Securities LLC</b> <b>Goldman Sachs &amp; Co. LLC</b> <b>TD Securities LLC</b>
• Underwriter's Counsel:	<b>James Normile</b> , <i>Katten Muchin Rosenman LLP</i>
• Financial Advisor:	<b>Michael Mace</b> , <i>PFM Financial Advisors LLC</i>
• Bond Counsel:	<b>Tricia Gasparine</b> , <i>Chiesa Shahinian &amp; Giantomasi PC</i>
• Tax Counsel:	<b>Mitch Rapaport</b> , <i>Nixon Peabody</i>

# Bond Sale Parameters: Guardrails

1

**Par Value**

- Not to exceed **\$650,000,000 in par value**
- Represents the amount of principal to be paid at maturity
- Referred to as “face amount” of a security

2

**True Interest Cost**

- Not to exceed **6.00%**
- Overall rate of interest to be paid over the life of the bonds

3

**Final Maturity**

- Not greater than **31 years**
- Final maturity of the entire bond series cannot exceed 31 years

4

**Redemption Price & Timing**

- Not to exceed **100%**
- Not later than **10.5 years from date of issuance**
- Price & timing at which securities will be redeemed, if called
- Generally, at or above Par
- Stated as % of principal amount called

5

**Underwriter’s Compensation**

- Not to exceed **\$2.00 per \$1,000 of bonds issued**
- Underwriter’s fees for services rendered

# Bond Sale Approval and Execution

Date	Detail
<b>September 11</b> Board & Council	Initial Update on Bond Sale
<b>October 2</b> Board & Council (regular meeting)	Informational Update on Bond Sale
<b>Oct 30</b> Board & Council (special meeting)	<b>Parameters Approval</b>
<b>Week of November 6</b> *	Execute Bond Sale/Sign BPA
<b>December</b> Board & <b>January</b> Council	Review Bond Sale

*\*Planned sale date, subject to market conditions*



# Mike Mace

Managing Director | PFM Financial Advisors





# SRP 2023 Series B Bonds

## PFM Financial Advisors

### *Presentation to the SRP Board and Council*

**Mike Mace, Managing Director**

October 30, 2023

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PFM

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New York, NY  
Philadelphia, PA  
Charlotte, NC  
Chandler, AZ

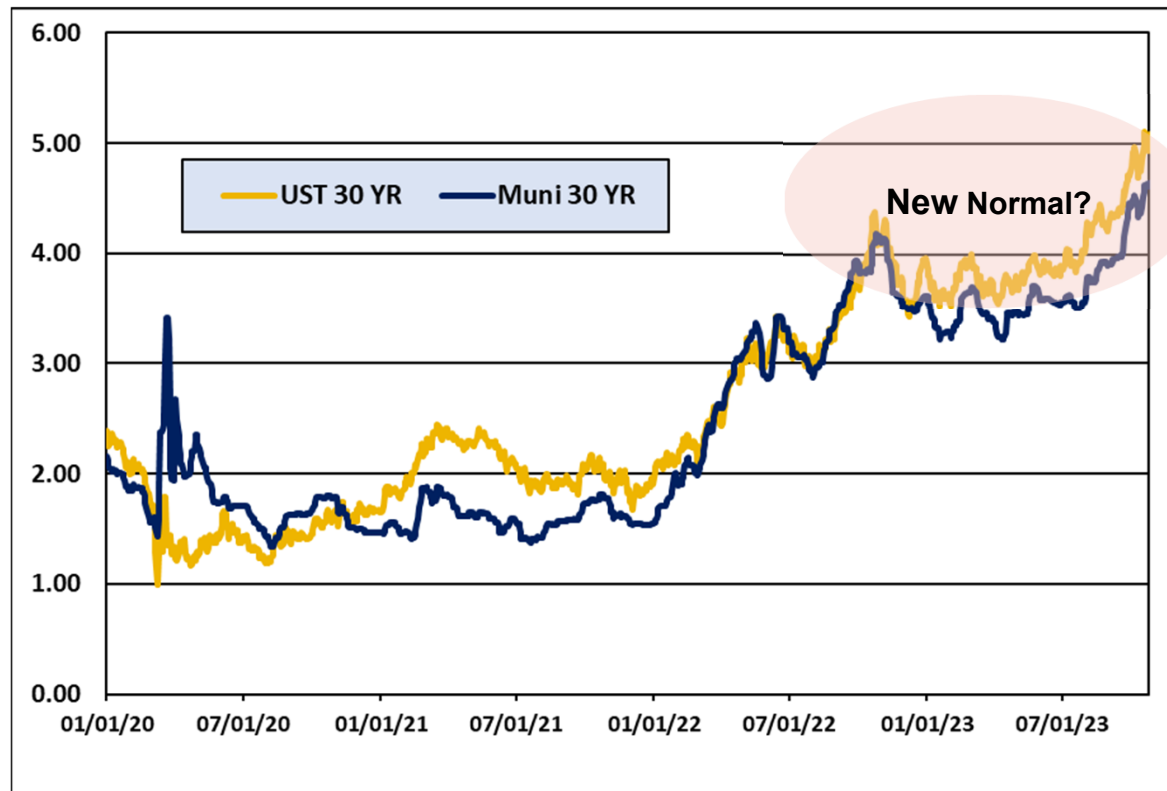
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[pfm.com](http://pfm.com)



## SRP 2023 Series B Bonds – Interest Rates

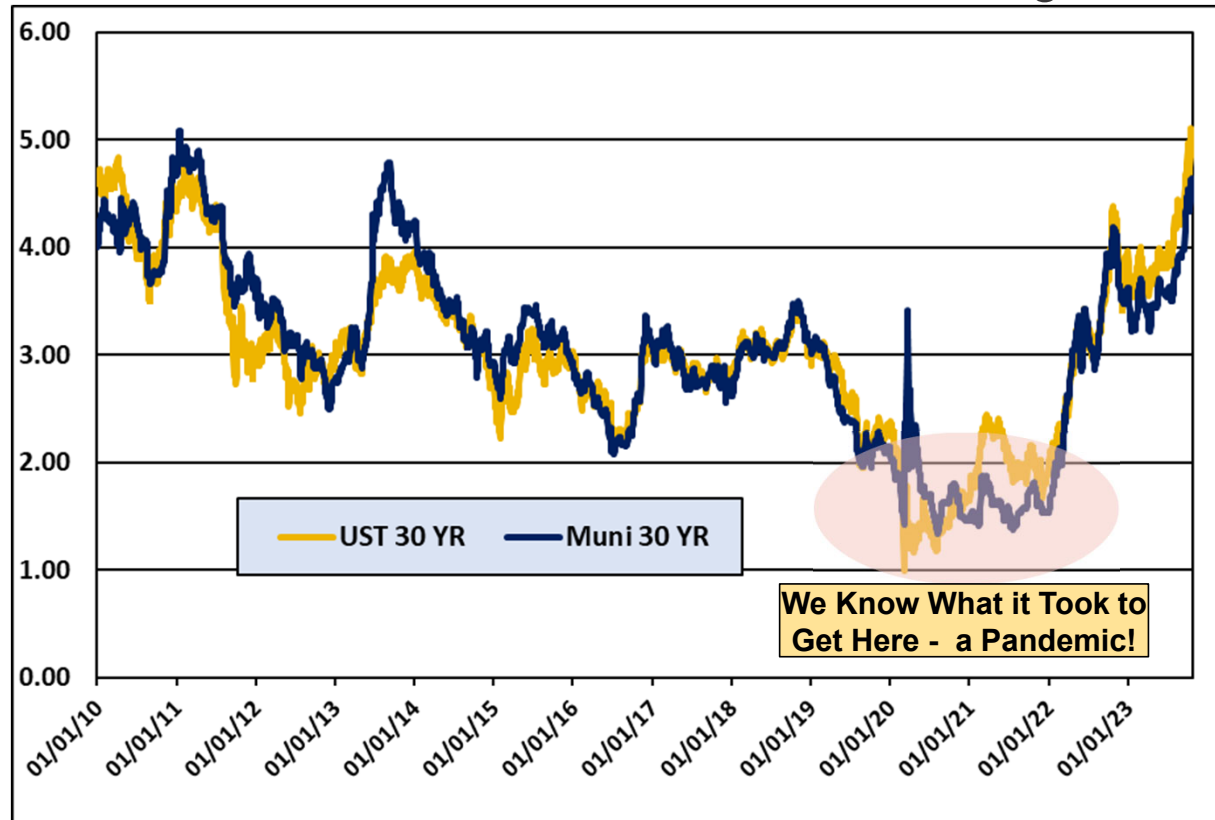
### ◆ The Long Road to Higher Rates Continues





## SRP 2023 Series B Bonds – Interest Rates, the Big Picture

### ◆ Rates Back to Where We Were ~Ten Years Ago





## SRP 2023 Series B Bonds – The Markets Have Changed

### ◆ Borrowers Adjusting to Higher Rates – and Borrowing

#### Public Power Issuance and Rates in 2023

Public Power Issuer	Sale Month	Size (\$MM)	Longest Maturity	Max TE Yield (%)
MEAG Power, GA	Jan	452	40 Year	4.73
<b>SRP February Pricing</b>	<b>Feb</b>	<b>550</b>	<b>27 Year</b>	<b>3.75</b>
Lower Colo River, TX	April	473	30 Year	3.96
Austin, TX	May	418	30 Year	3.94
Orlando, FL	June	245	25 Year	3.85
Seattle, WA	July	274	30 Year	3.90
Lakeland, FL	Aug	154	25 Year	4.57
Colorado Springs, CO	Aug	364	30 Year	4.11
Long Island, NY	Aug	579	30 Year	4.07
Intermountain, UT	Aug	835	20 Year	3.85
San Antonio, TX	Oct	163	20 Year	4.53
Los Angeles, CA	Oct	303	20 Year	4.19
Omaha, NE	Oct	550	30 Year	4.75
NY Power Auth	Oct	734	40 Year	<b>5.30</b>



## SRP 2023 Series B Bonds – The Markets Have Changed

### ◆ Buyers are Out There – for the Right Credit and Yield

- Recent Weeks Have Seen Consistent Demand for AA Credits
- Flexibility to Adjust Maturities can be VERY Helpful
- Potential for Short Term Market Disruptions

### ◆ SRP “Parameters” Approach is Prudent

- All Issuers on the Prior Page Use Parameters Resolutions
- SRP Parameters/Limits are Prudent:

Bond Size is Marketable

Max Maturity Reflects Market Standard

Max Interest Rate Reflects New Market Conditions

~10 Year Optional Call Provides Future Refunding Potential

Very Favorable Underwriting Fees



# Grant Fraunfelder

Executive Director | Morgan Stanley

Morgan Stanley



## **Municipal Market Update**

**SRP Board and Council Meeting**

**October 30th, 2023**

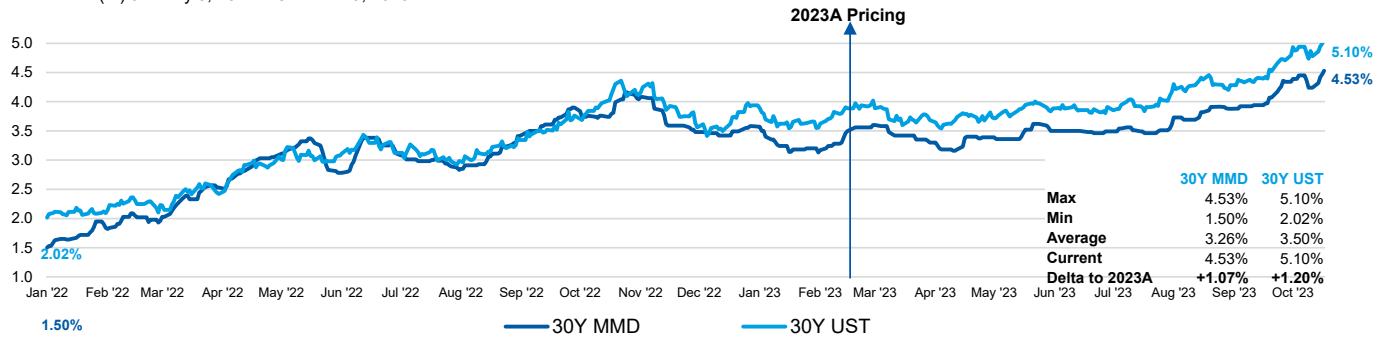


# Navigating a “Higher for Longer” Interest Rate Environment

## With Borrowing Costs At 16-Year Highs, New Issuances Met With Strong Investor Demand

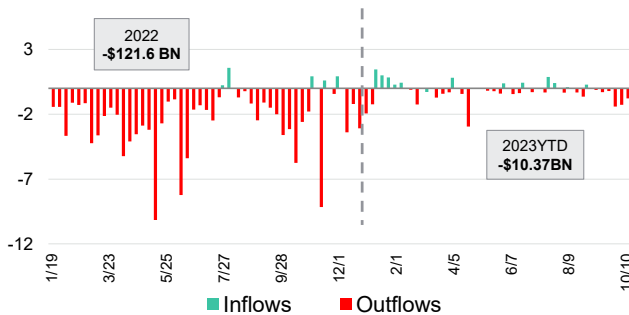
While Municipal Market Rates March Up with Treasuries, the End is in Sight

MMD Rate (%) January 3, 2022 – October 19, 2023



### Muni Bond Funds have Seen ~\$10BN of Outflows YTD

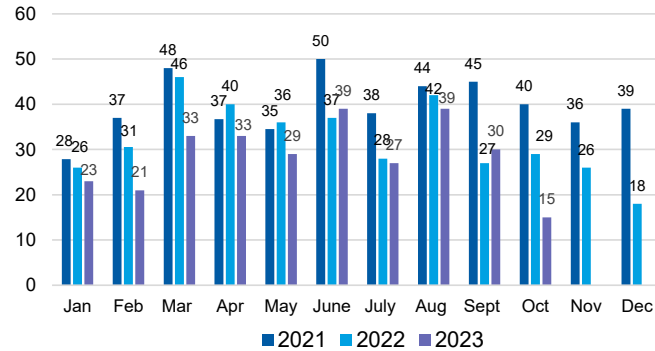
(\$BN) Lipper Fund Flows 2022 – 2023 YTD



Source: Morgan Stanley Matrix, Bloomberg, Lipper, Market Conditions as of 10/19/2023

### Muni Supply Totals Down 9% vs. 2022 and Down 22% vs. 2021


(\$BN) 2021, 2022, and 2023 Total Muni Issuance



## U.S. Economic Calendar

### Key Economic Events Can Impact Pricing Dynamics

November 2023	
<b>Week 1</b>	<b>11/1</b> – <b>FOMC Meeting Day 2</b> , Construction Spending, Motor Vehicle Sales, ADP Survey, ISM Manufacturing <b>11/2</b> – Challenger Survey, Productivity and Costs, Factory Orders <b>11/3</b> – <b>Employment Situation</b> , ISM Services
<b>Week 2</b>	<b>11/7</b> – Trade Balance, Consumer Credit <b>11/8</b> – Wholesale Trade, <b>TARGET PRICING DAY</b> <b>11/10</b> – University of Michigan Consumer Sentiment, Veteran's Day Observed (Some Markets Closed)
<b>Week 3</b>	<b>11/13</b> – NY Fed Survey of Consumer Expectations, Treasury Budget <b>11/14</b> – <b>Consumer Price Index</b> , NFIB Survey, Underlying Inflation Gauge <b>11/15</b> – <b>Retail Sales</b> , Empire State Survey, Producer Price Index, Business Inventories <b>11/16</b> – Philadelphia Fed Survey, Import/Export Prices, Industrial Production, NAHB Housing Market Index
<b>Week 4</b>	<b>11/20</b> – Leading Indicators <b>11/21</b> – Existing Home Sales <b>11/22</b> – Durable Goods, University of Michigan Consumer Sentiment, <b>FOMC Minutes</b> <b>11/23</b> – Thanksgiving Holiday (Markets Closed)

 = Pricing Window

**BOLD** indicates Key Economic Events

## Salt River Project Pricing Comps



Par	\$162,715,000		\$549,760,000		\$363,780,000		\$767,650,000		\$245,130,000	
Ratings	Aa2/AA-/AA-		Aa2/AA/NR		Aa2/AA+/NR		Aa3/NR/AA-		Aa2/AA/AA	
Pricing Date	10/17/2023		10/3/2023		8/15/2023		7/11/2023		6/6/2023	
Call Feature	2/1/2034 @ Par		2/1/2033 @ Par		11/15/2033 @ Par		7/1/2023 @ Par		10/1/2033 @ Par	
	Yield	Credit Spread	Yield	Credit Spread	Yield	Credit Spread	Yield	Credit Spread	Yield	Credit Spread
2024	4.00%	30								
2025			3.85%	11	3.16%	10				
2026	3.78%	19	3.77%	13	3.04%	13	2.98%	14		
2027	3.70%	20	3.67%	17	2.97%	16	2.93%	21		
2028	3.67%	25	3.61%	16	2.94%	17	2.87%	20	2.69%	3
2029	3.68%	24	3.64%	19	2.94%	21	2.92%	26	2.72%	8
2030	3.75%	31	3.69%	24	2.97%	27	2.94%	32	2.71%	14
2031	3.78%	32	3.72%	25	2.97%	30	2.96%	36	2.72%	17
2032	3.80%	32	3.75%	26	2.98%	30	2.97%	38	2.73%	19
2033	3.82%	34	3.76%	27	3.05%	28	2.99%	35	2.79%	19
2034	3.88%	37	3.80%	28	3.13%	29	3.06%	36	2.90%	23
2035	3.96%	37	3.89%	29	3.21%	29	3.14%	36	3.01%	23
2036	4.08%	34	4.03%	29	3.30%	28	3.23%	32	3.13%	23
2037	4.20%	31	4.15%	26	3.42%	28	3.33%	28	3.26%	23
2038	4.29%	30	4.24%	25	3.54%	29	3.45%	31	3.35%	23
2039	4.40%	37	4.33%	30	3.64%	35	3.60%	42	3.46%	30
2040	4.47%	39	4.40%	33	3.70%	37	3.68%	46	3.54%	34
2041	4.50%	37	4.46%	34	3.77%	39	3.72%	45	3.59%	36
2042	4.53%	35	4.52%	35	3.83%	39	3.76%	46	3.64%	38
2043			4.57%	37	3.87%	39	3.75%	41	3.66%	38
2044					3.89%	38	3.80%	42		
2045					3.93%	38	3.85%	45		
2046										
2047										
2048			4.69%	34	4.03%	38			3.85%	40
2049										
2050										
2051										
2052										
2053			4.75%	36	4.11%	40				

## **Process For Board & Council To Place Orders For Bonds**

- A brokerage account at Morgan Stanley or any one of the Co-Managers (Bank of America, Goldman Sachs, J.P. Morgan, or TD Securities) is needed to place a bond order
- Morgan Stanley Financial Advisors can help to set up such an account if needed
- Retail accounts will be given priority on all bonds being issued
- Given the relatively short order period on the day of pricing, your broker should be alerted in advance (at least the day before pricing – expected to be November 8th) to place an order during this period

Morgan Stanley

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**Disclaimer**

## Legal Disclaimer

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Any non-historical interest rates used herein are hypothetical and take into consideration conditions in today's market and other factual information such as the issuer's or obligated person's credit rating, geographic location and market sector. As such, these rates should not be viewed as rates that Morgan Stanley guarantees to achieve for the transaction should we be selected to act as underwriter. Any information about interest rates and terms for SLGs is based on current publically available information and treasury or agency rates for open-market escrows are based on current market interest rates for these types of credits and should not be seen as costs or rates that Morgan Stanley guarantees to achieve for the transaction should we be selected to act as underwriter.

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We have prepared this document and the analyses contained in it based, in part, on certain assumptions and information obtained by us from the recipient, its directors, officers, employees, agents, affiliates and/or from other sources. Our use of such assumptions and information does not imply that we have independently verified or necessarily agree with any of such assumptions or information, and we have assumed and relied upon the accuracy and completeness of such assumptions and information for purposes of this document. Neither we nor any of our affiliates, or our or their respective officers, employees or agents, make any representation or warranty, express or implied, in relation to the accuracy or completeness of the information contained in this document or any oral information provided in connection herewith, or any data it generates and accept no responsibility, obligation or liability (whether direct or indirect, in contract, tort or otherwise) in relation to any of such information. We and our affiliates and our and their respective officers, employees and agents expressly disclaim any and all liability which may be based on this document and any errors therein or omissions therefrom. Neither we nor any of our affiliates, or our or their respective officers, employees or agents, make any representation or warranty, express or implied, that any transaction has been or may be effected on the terms or in the manner stated in this document, or as to the achievement or reasonableness of future projections, management targets, estimates, prospects or returns, if any. Any views or terms contained herein are preliminary only, and are based on financial, economic, market and other conditions prevailing as of the date of this document and are therefore subject to change. We undertake no obligation or responsibility to update any of the information contained in this document. Past performance does not guarantee or predict future performance.

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# Tricia Gasparine

Chair, Public Finance | Chiesa Shahinian & Giantomasi PC (CSG Law)



# Board Resolution

- **Authorizes issuance of not exceeding \$650,000,000 in par value of 2023 Series B Bonds to**
  - (i) pay costs of acquisition and construction of various capital improvements and additions to the District's Electric System and
  - (ii) pay certain costs of issuance of the 2023 Series B Bonds
- **Authorizes private sale of 2023 Series B Bonds to the group of Purchasers listed below, subject to a Purchase Contract, and approves the form of the Purchase Contract**
  - Morgan Stanley & Co. LLC (as Representative),
  - BofA Securities, Inc.,
  - Goldman, Sachs & Co., LLC,
  - J.P. Morgan Securities LLC, and
  - TD Securities (USA) LLC



# Board Resolution (Continued)

- **Delegates to an Authorized Officer of the District the power to determine the final terms of the 2023 Series B Bonds, subject to the following parameters:**
  - par value shall not exceed \$650,000,000
  - final maturity shall not exceed 31 years from the date of issuance
  - true interest cost shall not exceed 6.00% per annum
  - 2023 Series B Bonds shall be subject to optional redemption no later than 10 ½ years from the date of issuance at a redemption price of 100%
  - Underwriters' compensation shall not exceed \$2.00 per \$1,000 of 2023 Series B Bonds issued
- **Approves the forms of the Continuing Disclosure Agreement and the Preliminary Official Statement and authorizes the preparation and delivery of the Preliminary Official Statement and a final Official Statement**
- **Delegates to an Authorized Officer of the District the power to execute and deliver the final form of the Purchase Contract and the Continuing Disclosure Agreement**
- **Appoints U.S. Bank Trust Company, National Association, the District's existing Bond Trustee, as Paying Agent**
- **Authorizes other matters in connection with the foregoing**



# Council Resolution

- **Ratifies, confirms and approves the terms and conditions of the 2023 Series B Bonds, as contained in the Board Resolution**
- **Ratifies, confirms and approves the private sale of the 2023 Series B Bonds to the Purchasers pursuant to the terms and conditions of the Board Resolution and the terms and conditions of the Purchase Contract**



# 2023 Series B Bond Sale Recommendation

Management requests Board approval of the:

***RESOLUTION AUTHORIZING THE ISSUANCE AND SALE OF NOT EXCEEDING \$650,000,000 IN PAR VALUE OF SALT RIVER PROJECT ELECTRIC SYSTEM REVENUE BONDS, 2023 SERIES B OF THE SALT RIVER PROJECT AGRICULTURAL IMPROVEMENT AND POWER DISTRICT, AND PROVIDING FOR THE FORM, DETAILS AND TERMS THEREOF***

Management requests Council approval of the:

***RESOLUTION OF THE COUNCIL APPROVING THE PRIVATE SALE BY THE SALT RIVER PROJECT AGRICULTURAL IMPROVEMENT AND POWER DISTRICT AND RATIFYING AND CONFIRMING TERMS AND CONDITIONS OF NOT EXCEEDING \$650,000,000 IN PAR VALUE OF SALT RIVER PROJECT ELECTRIC SYSTEM REVENUE BONDS, 2023 SERIES B***

**thank you!**



**RESOLUTION OF THE COUNCIL APPROVING THE PRIVATE SALE BY THE SALT RIVER PROJECT AGRICULTURAL IMPROVEMENT AND POWER DISTRICT AND RATIFYING AND CONFIRMING TERMS AND CONDITIONS OF NOT EXCEEDING \$650,000,000 IN PAR VALUE SALT RIVER PROJECT ELECTRIC SYSTEM REVENUE BONDS, 2023 SERIES B**

**WHEREAS**, The Board of Directors (the “Board”) of the Salt River Project Agricultural Improvement and Power District (the “District”), by resolution entitled “Supplemental Resolution Dated September 10, 2001 Authorizing an Amended and Restated Resolution Concerning Revenue Bonds,” which became effective January 11, 2003, as amended and supplemented, has created and established an issue of Salt River Project Electric System Revenue Bonds (the “Bonds”), which Bonds may be authorized from time to time pursuant to Series Resolutions; and

**WHEREAS**, the Board adopted on this date its “RESOLUTION AUTHORIZING THE ISSUANCE AND SALE OF NOT EXCEEDING \$650,000,000 IN PAR VALUE SALT RIVER PROJECT ELECTRIC SYSTEM REVENUE BONDS, 2023 SERIES B OF THE SALT RIVER PROJECT AGRICULTURAL IMPROVEMENT AND POWER DISTRICT, AND PROVIDING FOR THE FORM, DETAILS AND TERMS THEREOF” (the “2023 Bond Resolution”) (the form of which is attached hereto as **Exhibit A**), that, among other things, fixes the form, terms and conditions of the 2023 Series B Bonds, authorizes the issuance of the 2023 Series B Bonds and the private sale of the 2023 Series B Bonds to purchasers represented by and including Morgan Stanley & Co. LLC, BofA Securities, Inc., Goldman, Sachs & Co., LLC, J.P. Morgan Securities LLC, and TD Securities (USA) LLC (hereinafter collectively referred to as the “2023 Purchasers”) pursuant to the terms and conditions of a Purchase Contract, to be dated the date of sale of the 2023 Series B Bonds, by and among the District and the 2023 Purchasers (the “2023 Purchase Contract”) (the form of which is attached hereto as **Exhibit B**); and

**WHEREAS**, pursuant to the 2023 Bond Resolution, (i) the par amount of the 2023 Series B Bonds shall not exceed \$650,000,000, (ii) the final maturity of any 2023 Series B Bonds shall not be later than thirty-one (31) years from the date of issuance of such 2023 Series B Bonds, (iii) the true interest cost of the 2023 Series Bonds shall not exceed six percent (6.00%) per annum, (iv) the 2023 Series B Bonds shall be subject to optional redemption no later than ten and one-half (10 ½) years from the date of issuance of such 2023 Series B Bonds, (v) the Redemption Price for any 2023 Series B Bond shall not exceed one hundred percent (100%) of the principal amount of such 2023 Series B Bond, and (vi) the compensation paid to the 2023 Purchasers shall not exceed \$2.00 per \$1,000 of 2023 Series B Bonds to be issued; and

**WHEREAS**, pursuant to the requirements of Title 48, Chapter 17, Article 7, of the Arizona Revised Statutes, no bonds may be issued by the District unless the Council, by resolution adopted by an affirmative vote of a majority of its members, ratifies and confirms the amount of the bonds authorized to be issued by the Board and, if the Board determines to sell bonds at private sale, such sale shall be subject to prior approval by a majority of the members of the Council;

**NOW, THEREFORE, BE IT RESOLVED**, by the members of the Council of the Salt River Project Agricultural Improvement and Power District as follows:

- (i) The final maturity, redemption provisions and other terms and conditions of the 2023 Series B Bonds, as contained in the 2023 Bond Resolution, are hereby ratified, confirmed and approved.
- (ii) The private sale of not exceeding \$650,000,000 2023 Series Bonds to the 2023 Purchasers, pursuant to the 2023 Bond Resolution and the 2023 Purchase Contract is hereby ratified, confirmed and approved.
- (iii) This resolution shall take effect immediately.





# MEMORANDUM



October 23, 2023

**TO:** SRP Board of Directors

**FROM:** Jason Riggs, Director and Assistant Treasurer, Treasury Operations & Compliance

**SUBJECT:** SRP 2023 Series B New Money Bond Sale

Enclosed you will find a packet of materials in support of the upcoming 2023 Series B New Money Bond Sale that will be presented by Management at the Special Board & Council meeting on October 30<sup>th</sup>:

These materials are similar to what has been provided for prior bond sales; however, given that Management is seeking a parameters resolution approval, these materials are now being provided and acted upon prior to the sale of the bonds.

The Board packet includes the following items:

- Board Resolution authorizing the sale of the bonds, with exhibits;
  - Exhibit A: Opinions & Orders of the Arizona Corporation Commission
  - Exhibit B: Depository Trust Corporation (DTC) Letter of Representations
  - Exhibit C: Form of the 2023 Series B Bond
  - Exhibit D: Form of Purchase Contract
  - Exhibit E: Preliminary Official Statement (POS)
  - Exhibit F: Form of Continuing Disclosure Agreement (CDA)

Management appreciates the opportunity to provide these materials and to pursue the parameters resolution in support of SRP's corporate objectives.



# The Depository Trust Company

A subsidiary of the Depository Trust & Clearing Corporation

## BLANKET ISSUER LETTER OF REPRESENTATIONS

(To be completed by Issuer and Co-Issuer(s), if applicable)

Salt River Project Agricultural Improvement and Power District

(Name of Issuer and Co-Issuer(s), if applicable)

October, 23 2019

(Date)

### The Depository Trust Company

18301 Bermuda Green Drive

Tampa, FL 33647

Attention: Underwriting Department

Ladies and Gentlemen:

This letter sets forth our understanding with respect to all issues (the "Securities") that Issuer shall request to be made eligible for deposit by The Depository Trust Company ("DTC").

Issuer is: **(Note: Issuer shall represent one and cross out the other.)**

~~incorporated in~~ [formed under the laws of] The State of Arizona

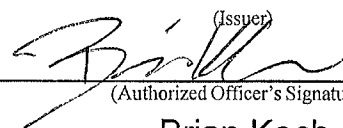
To induce DTC to accept the Securities as eligible for deposit at DTC, and to act in accordance with DTC's Rules with respect to the Securities, Issuer represents to DTC that issuer will comply with the requirements stated in DTC's Operational Arrangements, as they may be amended from time to time.

Very truly yours,

Note:

Schedule A contains statements that DTC believes accurately describe DTC, the method of effecting book-entry transfers of securities distributed through DTC, and certain related matters.

Salt River Project Agricultural Improvement and Power District

By:   
(Authorized Officer's Signature)

Brian Koch

(Print Name)

1500 N. Mill Avenue

(Street Address)

Tempe, AZ USA 85281

(City) (State) (Country) (Zip Code)

(602) 236-2993

(Phone Number)

Brian.Koch@srpnet.com

(E-mail)

**DTCC**

Address)

**SAMPLE OFFERING DOCUMENT LANGUAGE**  
**DESCRIBING BOOK-ENTRY-ONLY ISSUANCE**

(Prepared by DTC--bracketed material may be applicable only to certain issues)

1. The Depository Trust Company (“DTC”), New York, NY, will act as securities depository for the securities (the “Securities”). The Securities will be issued as fully-registered securities registered in the name of Cede & Co. (DTC’s partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Security certificate will be issued for [each issue of] the Securities, [each] in the aggregate principal amount of such issue, and will be deposited with DTC. [If, however, the aggregate principal amount of [any] issue exceeds \$500 million, one certificate will be issued with respect to each \$500 million of principal amount, and an additional certificate will be issued with respect to any remaining principal amount of such issue.]

2. DTC, the world’s largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a “banking organization” within the meaning of the New York Banking Law, a member of the Federal Reserve System, a “clearing corporation” within the meaning of the New York Uniform Commercial Code, and a “clearing agency” registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC’s participants (“Direct Participants”) deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants’ accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation (“DTCC”). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (“Indirect Participants”). DTC has a Standard & Poor’s rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at [www.dtcc.com](http://www.dtcc.com).

3. Purchases of Securities under the DTC system must be made by or through Direct Participants, which will receive a credit for the Securities on DTC’s records. The ownership interest of each actual purchaser of each Security (“Beneficial Owner”) is in turn to be recorded on the Direct and Indirect Participants’ records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Securities are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Securities, except in the event that use of the book-entry system for the Securities is discontinued.

4. To facilitate subsequent transfers, all Securities deposited by Direct Participants with DTC are registered in the name of DTC’s partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Securities with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Securities; DTC’s records reflect only the identity of the Direct Participants to whose accounts such Securities are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

## SCHEDULE A

(To Blanket Issuer Letter of Representations)

5. Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. [Beneficial Owners of Securities may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Securities, such as redemptions, tenders, defaults, and proposed amendments to the Security documents. For example, Beneficial Owners of Securities may wish to ascertain that the nominee holding the Securities for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.]

[6. Redemption notices shall be sent to DTC. If less than all of the Securities within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.]

7. Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Securities unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to Issuer as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts Securities are credited on the record date (identified in a listing attached to the Omnibus Proxy).

8. Redemption proceeds, distributions, and dividend payments on the Securities will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from Issuer or Agent, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, Agent, or Issuer, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of Issuer or Agent, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

[9. A Beneficial Owner shall give notice to elect to have its Securities purchased or tendered, through its Participant, to [Tender/Remarketing] Agent, and shall effect delivery of such Securities by causing the Direct Participant to transfer the Participant's interest in the Securities, on DTC's records, to [Tender/Remarketing] Agent. The requirement for physical delivery of Securities in connection with an optional tender or a mandatory purchase will be deemed satisfied when the ownership rights in the Securities are transferred by Direct Participants on DTC's records and followed by a book-entry credit of tendered Securities to [Tender/Remarketing] Agent's DTC account.]

10. DTC may discontinue providing its services as depository with respect to the Securities at any time by giving reasonable notice to Issuer or Agent. Under such circumstances, in the event that a successor depository is not obtained, Security certificates are required to be printed and delivered.

11. Issuer may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, Security certificates will be printed and delivered to DTC.

12. The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that Issuer believes to be reliable, but Issuer takes no responsibility for the accuracy thereof.



Unless this certificate is presented by an authorized representative of The Depository Trust Company, a New York corporation (“DTC”), to the issuer or its agent for registration of transfer, exchange or payment, and any certificate issued is registered in the name of Cede & Co. or such other name as requested by an authorized representative of DTC (and any payment is made to Cede & Co. or to such other entity as is requested by an authorized representative of DTC), **ANY TRANSFER, PLEDGE OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL INASMUCH AS THE REGISTERED OWNER HEREOF, CEDE & CO., HAS AN INTEREST HEREIN.**

As provided in the Resolutions referred to herein, until the termination of the system of book-entry-only transfers through DTC and notwithstanding any other provision of the Resolutions to the contrary, a portion of the principal amount of this bond may be paid or redeemed without surrender hereof to the Paying Agent. DTC or a nominee, transferee or assignee of DTC of this bond may not rely upon the principal amount indicated hereon as the principal amount hereof outstanding and unpaid. The principal amount hereof outstanding and unpaid shall for all purposes be the amount determined in the manner provided in the Resolutions.

Number R-«NO»

\$«PA»

**UNITED STATES OF AMERICA  
STATE OF ARIZONA COUNTY OF MARICOPA  
SALT RIVER PROJECT AGRICULTURAL  
IMPROVEMENT AND POWER DISTRICT  
SALT RIVER PROJECT ELECTRIC SYSTEM  
REVENUE BOND, 2023 SERIES B**

Interest Rate  
«IR»%

Maturity Date  
January 1, «MD»

Dated Date  
February 28, 2023

CUSIP  
«CUSIP»

Registered Owner: CEDE & CO.

Principal Sum: \$«PA» («WA» DOLLARS)

SALT RIVER PROJECT AGRICULTURAL IMPROVEMENT AND POWER DISTRICT, Maricopa County, Arizona (herein called the “District”), a political subdivision and body politic and corporate organized and existing under the Constitution and laws of the State of Arizona, acknowledges itself indebted to, and for value received hereby promises to pay, solely from the revenues and special funds of the District pledged therefor as hereinafter provided, to the registered owner identified above or registered assigns, on the maturity date set forth above, upon presentation and surrender of this 2023 Series B Bond (as hereinafter defined) at the designated corporate trust office of U.S. Bank Trust Company, National Association (such bank and any successor thereto



being herein called the “Paying Agent”), the principal sum set forth above in any coin or currency of the United States of America which at the time of payment is legal tender for payment of public and private debts, and to pay solely from such revenues and special funds pledged therefor to the registered owner hereof interest on such principal sum from the dated date set forth above or from the most recent interest payment date to which interest has been paid or duly provided for, at the interest rate shown above per annum, payable by check mailed by the Trustee (hereinafter defined), on the first days of January and July (beginning July 1, 2024) in each year to the person in whose name this 2023 Series B Bond is registered as of the close of business on the immediately preceding December 15 or June 15 until the District’s obligation with respect to the payment of such principal sum shall be discharged.

This Bond is one of a duly authorized series of Bonds of the District in the aggregate principal amount of \$[650,000,000] designated as its “Salt River Project Electric System Revenue Bonds, 2023 Series B” (herein called the “2023 Series B Bonds”), issued to finance the costs of acquisition and construction of various capital improvements and additions to the District’s Electric System pursuant to the Constitution and laws of the State of Arizona, including Article 7, Chapter 17, Title 48 of the Arizona Revised Statutes (herein called the “Act”), and under and pursuant to a resolution of the Board of Directors of the District, entitled “Supplemental Resolution Dated September 10, 2001 Authorizing an Amended and Restated Resolution Concerning Revenue Bonds,” which became effective January 11, 2003 as amended and supplemented (the “Resolution Concerning Revenue Bonds”), including by a resolution of the Board of Directors of the District, adopted on October 30, 2023 entitled “Resolution Authorizing the Issuance and Sale of Not Exceeding \$650,000,000 in Par Value Salt River Project Electric System Revenue Bonds, 2023 Series B of the Salt River Project Agricultural Improvement and Power District, and Providing for the Form, Details and Terms Thereof” (the “2023 Bond Resolution”) and a certificate executed by an Authorized Officer of the District dated as of November \_\_, 2023 (the “Officer’s Certificate and, together with the “Resolution Concerning Revenue Bonds and the 2023 Bond Resolution, the “Resolutions”). Each capitalized term not defined herein shall have the meaning set forth in the Resolutions. As provided in the Resolutions, the 2023 Series B Bonds, and the outstanding Electric System Revenue Bonds heretofore issued pursuant to the Resolution Concerning Revenue Bonds, as to principal and interest thereon are payable from and secured by a pledge of the revenues of the District’s Electric System referred to in the Resolutions and other funds held or set aside under the Resolutions. Such pledge is subject and subordinate in all respects to the payment of operating expenses and to the prior pledge of such revenues to the repayment of certain federal loan agreements heretofore or hereafter entered into by the District. Copies of the Resolutions are on file at the office of the District and at the designated corporate trust office of U.S. Bank Trust Company, National Association, Phoenix, Arizona, as Trustee under the Resolutions, or its successor as Trustee (herein called the “Trustee”), and reference to the Resolutions and any and all supplements thereto and modifications and amendments thereof and to the Act is made for a description of the pledge and covenants securing the Bonds, the nature, extent and manner of enforcement of such pledge, the rights and remedies of the registered owners of the

Bonds with respect thereto and the terms and conditions upon which the Bonds are issued and may be issued thereunder.

The 2023 Series B Bonds are being issued by means of a book-entry system, with no physical distribution of bond certificates to be made except as provided in the Resolutions. One bond certificate for each maturity (or, if applicable, each interest rate within a maturity), registered in the name of the Securities Depository nominee, Cede & Co., is being issued for deposit with the Securities Depository and immobilized in its custody. The book-entry system will evidence positions held in the 2023 Series B Bonds by the Securities Depository's participants; beneficial ownership of the 2023 Series B Bonds, in the principal amount of \$5,000 or any integral multiple thereof, shall be evidenced in the records of such participants. Transfers of ownership shall be effected on the records of the Securities Depository and its participants pursuant to rules and procedures established by the Securities Depository and its participants. The District and the Trustee will recognize the Securities Depository nominee, while the registered owner of this 2023 Series B Bond, as the owner of this 2023 Series B Bond for all purposes, including payments of principal of and interest on, this 2023 Series B Bond, notices and voting. Transfers of principal and interest payments to participants of the Securities Depository will be the responsibility of the Securities Depository, and transfers of principal and interest payments to beneficial owners of the 2023 Series B Bonds by participants of the Securities Depository will be the responsibility of such participants and other nominees of such beneficial owners. The District will not be responsible or liable for such transfers of payments or for maintaining, supervising or reviewing the records maintained by the Securities Depository, the Securities Depository nominee, its participants or persons acting through such participants. While the Securities Depository nominee is the owner of this 2023 Series B Bond, notwithstanding any provisions herein contained to the contrary, payments of principal of and interest on this 2023 Series B Bond shall be made in accordance with existing arrangements among the Trustee, the District and the Securities Depository.

This 2023 Series B Bond is transferable as provided in the Resolutions; provided, however, that such transfer may be made only upon books kept for that purpose at the above mentioned office of the Trustee and at the office of any Paying Agent then acting as agent of the Trustee for such purpose, by the registered owner hereof in person, or by his duly authorized attorney, upon surrender of this 2023 Series B Bond together with a written instrument of transfer satisfactory to the Trustee duly executed by the registered owner or his duly authorized attorney, and thereupon a new registered Bond or Bonds, in authorized denominations and for the same aggregate principal amounts, shall be issued to the transferee in exchange therefor as provided in the Resolutions, and upon payment of the charges therein prescribed. The District and the Trustee may deem and treat the person in whose name this 2023 Series B Bond is registered as the absolute owner hereof for the purpose of receiving payment of, or on account of, the principal hereof and interest due hereon and for all other purposes.

The 2023 Series B Bonds are issuable in the form of registered Bonds in the denomination of \$5,000 or any integral multiple of \$5,000. The 2023 Series B Bonds, upon surrender thereof at the designated corporate trust office of the Trustee or at the

office of any Paying Agent then acting as agent for the Trustee for such purpose at the option of the registered owner thereof, may be exchanged for an equal aggregate principal amount of 2023 Series B Bonds of any other authorized denomination, of the same stated maturity, in the same manner, subject to the conditions, and upon the payment of the charges, if any, provided in the Resolutions.

As provided in the Resolutions, Bonds of the District may be issued from time to time pursuant to supplemental resolutions in one or more series, in various principal amounts, may mature at different times, may bear interest at different rates and may otherwise vary. The aggregate principal amount of Bonds which may be issued under the Resolution Concerning Revenue Bonds is not limited except as provided in the Resolution Concerning Revenue Bonds, and all Bonds heretofore issued and to be issued under the Resolution Concerning Revenue Bonds are and will be equally secured by the pledge and covenants made therein.

[The 2023 Series B Bonds maturing on or after January 1, 2034 are subject to redemption at the option of the District prior to maturity, at any time on or after January 1, 2033, as a whole or in part by random selection by the Trustee within a maturity with the same interest rate from maturities selected by the District, at the Redemption Price of 100% of the principal amount of the 2023 Series B Bonds or portions thereof to be redeemed, together with accrued interest up to but not including the redemption date.]

For so long as book entry only system of registration is in effect with respect to the 2023 Series B Bonds if less than all of the 2023 Series B Bonds of a particular maturity (and, if applicable, interest rate within a maturity) is to be redeemed, the particular Beneficial Owner(s) to receive payment of the redemption price with respect to beneficial ownership interests in such 2023 Series B Bonds shall be selected by DTC and the Direct Participants and/or the Indirect Participants.

The 2023 Series B Bonds maturing on January 1, 20\_\_ shall be subject to mandatory sinking fund redemption at a redemption price equal to 100% of the principal amount to be redeemed, plus interest accrued to the redemption date. The mandatory sinking fund redemption payments shall be sufficient to redeem the principal amount of the 2023 Series B Bonds on January 1 in each of the years and in the principal amounts as follows:

Sinking Fund Payment Date ( <u>January 1</u> )	Principal <u>Amount</u>
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\* Final maturity.

The 2023 Series B Bonds maturing on January 1, 20\_\_ shall be subject to mandatory sinking fund redemption at a redemption price equal to 100% of the principal amount to be redeemed, plus interest accrued to the redemption date. The mandatory sinking fund redemption payments shall be sufficient to redeem the principal amount of the 2023 Series B Bonds on January 1 in each of the years and in the principal amounts as follows:

Sinking Fund Payment Date <u>(January 1)</u>	Principal <u>Amount</u>
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\* Final maturity.

The Sinking Fund Installments may be satisfied by the District delivering to the Trustee, no later than 45 days in advance of the date of such Sinking Fund Installment, 2023 Series B Bonds of such maturities theretofore purchased or redeemed by the District otherwise than by operation of the sinking fund redemption provided for herein.

Notice of redemption shall be mailed to the registered owners of the 2023 Series B Bonds not less than 25 days nor more than 50 days prior to the redemption date, all in the manner and upon the terms and conditions set forth in the Resolutions. If notice of redemption shall have been mailed as aforesaid, the 2023 Series B Bonds or portions thereof specified in said notice shall become due and payable on the redemption date therein fixed, and if, on the redemption date, moneys for the redemption of all the 2023 Series B Bonds or portions thereof to be redeemed, together with interest to the redemption date, shall be available for such payment on said date, then from and after the redemption date interest on such Bonds or portions thereof so called for redemption shall cease to accrue and be payable.

This 2023 Series B Bond shall not be entitled to any benefit under the Resolutions or be valid or become obligatory for any purpose until this 2023 Series B Bond shall have been authenticated by the manual signature of a duly authorized signatory of the Trustee or its duly authorized agent on the Certificate of Authentication.

It is hereby certified and recited that all conditions, acts and things required by law and the Resolutions to exist, to have happened and to have been performed precedent to and in the issuance of this 2023 Series B Bond, exist, have happened and have been performed and that the 2023 Series B Bonds, together with all other indebtedness of the District, are within every debt and other limit prescribed by the laws of the State of Arizona.

IN WITNESS WHEREOF, SALT RIVER PROJECT AGRICULTURAL IMPROVEMENT AND POWER DISTRICT, by authority of the Act, has caused this 2023 Series B Bond to be executed by the manual or facsimile signature of its President hereunto duly authorized and the corporate seal of said District or facsimile thereof to be hereunto affixed and attested by the manual or facsimile signature of its Secretary, all as of November \_\_, 2023.

(SEAL)

SALT RIVER PROJECT AGRICULTURAL  
IMPROVEMENT AND POWER DISTRICT

Attest:

By: \_\_\_\_\_  
David Rousseau  
President

By: \_\_\_\_\_  
John M. Felty  
Secretary

CERTIFICATE OF AUTHENTICATION

This is one of the 2023 Series B Bonds delivered pursuant to the Resolutions mentioned within.

U.S. Bank Trust Company, National  
Association, as Trustee

By: \_\_\_\_\_  
Authorized Signatory

DATED: November \_\_, 2023

The undersigned Secretary of the Salt River Project Agricultural Improvement and Power District hereby certifies that the following are full, true and correct copies of the original legal opinions of Chiesa Shahinian & Giantomasi PC, as to the validity and security of the Series of Bonds of which the within 2023 Series B Bond is one, and of Nixon Peabody, LLP as to certain tax matters with respect to the 2023 Series B Bonds, each dated as of the date of delivery of said 2023 Series B Bonds and delivered as of said date.

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Secretary

FOR VALUE RECEIVED the undersigned hereby sells, assigns and transfers unto

PLEASE PRINT OR TYPEWRITE NAME AND **ADDRESS OF TRANSFEREE, ADDRESS** AND SOCIAL SECURITY NUMBER OR OTHER FEDERAL TAX IDENTIFICATION NUMBER OF TRANSFEREE

the within Bond and all rights thereunder, and hereby irrevocably constitutes and appoints \_\_\_\_\_ Attorney to transfer the within Bond on the books kept for registration thereof, with full power of substitution in the premises.

Dated:

Signature Guaranteed by:

Signature guarantee should be made by guarantor institution participating in the Securities Transfer Agents Medallion Program or in such other guarantee program acceptable to the Trustee.

NOTICE: The signature(s) on this assignment must correspond with the name(s) as written on face of the within bond in every particular, without alteration or enlargement or any change whatsoever.





SALT RIVER PROJECT AGRICULTURAL  
IMPROVEMENT AND POWER DISTRICT, ARIZONA

[\$[000,000,000]  
Salt River Project Electric System Revenue Bonds,  
2023 Series B

PURCHASE CONTRACT

November \_\_, 2023

Salt River Project Agricultural  
Improvement and Power District  
PAB 236  
Post Office Box 52025  
Phoenix, Arizona 85072-2025

Ladies and Gentlemen:

Morgan Stanley & Co. LLC, as representative (the “Representative”) of itself and the dealers listed in Annex A attached hereto, as said list may from time to time be changed by the Representative at or prior to the Closing (herein collectively called the “Purchasers” and individually as “Purchaser”), offers to enter into this Purchase Contract (this “Purchase Contract”) with Salt River Project Agricultural Improvement and Power District (herein sometimes called the “District”), which, upon the District’s acceptance of this offer, will be binding upon the District and upon the Purchasers. The Representative need not advise the District of any change in such list but in no event shall any of the Purchasers be eliminated from such list. The offer made hereby is subject to the District’s acceptance thereof by execution of this Purchase Contract and its delivery to the Representative at or prior to 5:00 P.M., Phoenix time, on the date first above written. Terms not otherwise defined in this Purchase Contract shall have the same meanings set forth in the Resolution (defined below) and the Official Statement relating to the Bonds, dated of even date herewith (as the same may be hereafter amended, the “Official Statement”).

1. (a) Upon the terms and conditions and upon the basis of the representations hereinafter set forth, the Purchasers, jointly and severally, hereby agree to purchase from the District, and the District hereby agrees to sell to the Purchasers, all (but not less than all) of the District’s Salt River Project Electric System Revenue Bonds, 2023 Series B (the “Bonds”), at an aggregate price of \$\_\_\_\_\_, which reflects [net] original issue [premium/discount] of \$\_\_\_\_\_ and an underwriters’ discount of \$\_\_\_\_\_. The purchase price for the Bonds to be paid by the Purchasers at the Closing shall be reduced by \$\_\_\_\_\_, the amount of the Deposit made by the Representative on behalf of the Purchasers pursuant to Section 3 hereof, producing a net amount due of \$\_\_\_\_\_. The Bonds shall be dated their date of delivery, shall bear interest payable [July 1, 2024], and thereafter semi-annually on each January 1 and July 1, at the

rate or rates and shall mature on the dates and in the principal amounts set forth on Schedule I attached hereto.

(b) The Bonds shall be as described in, and shall be issued pursuant to, the Supplemental Resolution dated as of September 10, 2001, Authorizing an Amended and Restated Resolution Concerning Revenue Bonds adopted by the Board of Directors of the District, which became effective January 11, 2003, as amended and supplemented (the “Amended and Restated Resolution Concerning Revenue Bonds”), including by the Resolution Authorizing the Issuance and Sale of Not Exceeding \$650,000,000 In Par Value Salt River Project Electric System Revenue Bonds, 2023 Series B of the Salt River Project Agricultural Improvement and Power District, and Providing for the Form, Details and Terms Thereof adopted by the Board of Directors of the District on October 30, 2023 (the “Supplemental Resolution”), and a certificate executed by an Authorized Officer of the District dated as of the date hereof (the “Officer’s Certificate” and, together with the Amended and Restated Resolution Concerning Revenue Bonds and the Supplemental Resolution, the “Resolution”). The Bonds are subject to redemption at the times, in the manner and upon the terms provided in the Resolution. Pursuant to the Resolution, U.S. Bank Trust Company, National Association, as successor in interest to U.S. Bank National Association (herein called the “Trustee”), has been appointed trustee.

2. The Purchasers agree to make a bona fide public offering of all of the Bonds at not in excess of an initial public offering price or prices (or yields less than the offering yields) set forth on the cover of the Official Statement.

(a) The Representative, on behalf of the Purchasers, agrees to assist the District in establishing the issue price of the Bonds and shall execute and deliver to the District at Closing an “issue price” or similar certificate, together with the supporting pricing wires or equivalent communications, substantially in the form attached hereto as Annex B, with such modifications as may be appropriate or necessary, in the reasonable judgment of the Representative, the District and Nixon Peabody LLP, as special tax counsel (“Special Tax Counsel”), to accurately reflect, as applicable, the sales price or prices or the initial offering price or prices to the public of the Bonds.

(b) The District will treat the first price at which 10% of each maturity of the Bonds (the “10% test”) is sold to the public as the issue price of that maturity. At or promptly after the execution of this Purchase Contract, the Representative shall report to the District the price or prices at which the Purchasers have sold to the public each maturity of Bonds. If at that time the 10% test has not been satisfied as to any maturity of the Bonds, the Representative agrees to promptly report to the District the prices at which Bonds of that maturity have been sold by the Purchasers to the public. That reporting obligation shall continue, whether or not the Closing Date has occurred, until either (i) all Bonds of that maturity have been sold or (ii) the 10% test has been satisfied as to the Bonds of that maturity, provided that, the Purchasers’ reporting obligation after the Closing Date may be at reasonable periodic intervals or otherwise upon request of the Representative, the District or Special Tax Counsel. For purposes of this Section, if Bonds mature on the same date but have different interest rates, each separate CUSIP number within that maturity will be treated as a separate maturity of the Bonds.

(c) The Representative confirms that:

(i) any agreement among underwriters, any selling group agreement and each third-party distribution agreement (to which the Representative is a party) relating to the initial sale of the Bonds to the public, together with the related pricing wires, contains or will contain language obligating each Purchaser, each dealer who is a member of the selling group and each broker-dealer that is a party to such third-party distribution agreement, as applicable:

(A)(i) to report the prices at which it sells to the public the unsold Bonds of each maturity allocated to it, whether or not the Closing Date has occurred, until either all Bonds of that maturity allocated to it have been sold or it is notified by the Representative that the 10% test has been satisfied as to the Bonds of that maturity, provided that, the reporting obligation after the Closing Date may be at reasonable periodic intervals or otherwise upon request of the Representative, and (ii) to comply with the hold-the-offering-price rule, if applicable, if and for so long as directed by the Representative and as set forth in the related pricing wires,

(B) to promptly notify the Representative of any sales of Bonds that, to its knowledge, are made to a purchaser who is a related party to an underwriter participating in the initial sale of the Bonds to the public (each such term being used as defined below), and

(C) to acknowledge that, unless otherwise advised by the Purchaser, dealer or broker-dealer, the Representative shall assume that each order submitted by the Purchaser, dealer or broker-dealer is a sale to the public.

(ii) any agreement among underwriters or selling group agreement relating to the initial sale of the Bonds to the public, together with the related pricing wires, contains or will contain language obligating each Purchaser or dealer that is a party to a third-party distribution agreement to be employed in connection with the initial sale of the Bonds to the public to require each broker-dealer that is a party to such third-party distribution agreement to (A) report the prices at which it sells to the public the unsold Bonds of each maturity allocated to it, whether or not the Closing Date has occurred, until either all Bonds of that maturity allocated to it have been sold or it is notified by the Representative or such Purchaser or dealer that the 10% test has been satisfied as to the Bonds of that maturity, provided that, the reporting obligation after the Closing Date may be at reasonable periodic intervals or otherwise upon request of the Representative or such Purchaser or dealer, and (B) comply with the hold-the-offering-price rule, if applicable, if and for so long as directed by the Representative or the Purchaser or the dealer and as set forth in the related pricing wires.

(d) The District acknowledges that, in making the representations set forth in this section, the Representative will rely on (i) the agreement of each Purchaser to comply with the requirements for establishing issue price of the Bonds, including, but not limited to, its agreement to comply with the hold-the-offering-price rule, if applicable to the Bonds, as set forth in an agreement among underwriters and the related pricing wires, (ii) in the event a selling group has been created in connection with the initial sale of the Bonds to the public, the agreement of each dealer who is a member of the selling group to comply with the requirements

for establishing issue price of the Bonds, including, but not limited to, its agreement to comply with the hold-the-offering-price rule, if applicable to the Bonds, as set forth in a selling group agreement and the related pricing wires, and (iii) in the event that a Purchaser or dealer who is a member of the selling group is a party to a third-party distribution agreement that was employed in connection with the initial sale of the Bonds to the public, the agreement of each broker-dealer that is a party to such agreement to comply with the requirements for establishing issue price of the Bonds, including, but not limited to, its agreement to comply with the hold-the-offering-price rule, if applicable to the Bonds, as set forth in the third-party distribution agreement and the related pricing wires. The District further acknowledges that each Purchaser shall be solely liable for its failure to comply with its agreement regarding the requirements for establishing issue price of the Bonds, including, but not limited to, its agreement to comply with the hold-the-offering-price rule, if applicable to the Bonds, and that no Purchaser shall be liable for the failure of any other Purchaser, or of any dealer who is a member of a selling group, or of any broker-dealer that is a party to a third-party distribution agreement, to comply with its corresponding agreement to comply with the requirements for establishing issue price of the Bonds, including, but not limited to, its agreement to comply with the hold-the-offering-price rule, if applicable to the Bonds.

(e) The Purchasers acknowledge that sales of any Bonds to any person that is a related party to an underwriter (each such term being used as defined below) shall not constitute sales to the public for purposes of this Section. Further, for purposes of this Section:

(i) “public” means any person other than an underwriter or a related party;

(ii) “underwriter” means (A) any person that agrees pursuant to a written contract with the District (or with the lead underwriter to form an underwriting syndicate) to participate in the initial sale of the Bonds to the public and (B) any person that agrees pursuant to a written contract directly or indirectly with a person described in clause (A) to participate in the initial sale of the Bonds to the public (including a member of a selling group or a party to a third-party distribution agreement participating in the initial sale of the Bonds to the public);

(iii) a purchaser of any of the Bonds is a “related party” to an underwriter if the underwriter and the purchaser are subject, directly or indirectly, to (A) more than 50% common ownership of the voting power or the total value of their stock, if both entities are corporations (including direct ownership by one corporation of another), (B) more than 50% common ownership of their capital interests or profits interests, if both entities are partnerships (including direct ownership by one partnership of another), or (C) more than 50% common ownership of the value of the outstanding stock of the corporation or the capital interests or profit interests of the partnership, as applicable, if one entity is a corporation and the other entity is a partnership (including direct ownership of the applicable stock or interests by one entity of the other); and

(iv) “sale date” means the date of execution of this Purchase Contract by all parties.

3. On or prior to the date hereof, the Representative, on behalf of the Purchasers, has transferred \$\_\_\_\_\_ (the “Deposit”) to the District via wire transfer. The District agrees to

hold the Deposit in a segregated escrow account as security for the performance by the Purchasers of their obligation to accept and pay for the Bonds at the Closing (as such term is defined in Section 6(b) hereof).

(a) In the event that the Bonds are delivered by the District and accepted and paid for by the Purchasers as contemplated by this Purchase Contract, the District shall apply the Deposit as a credit against the purchase price of the Bonds due from the Representative as described in Section 1(a) hereof.

(b) In the event of the District's failure to deliver the Bonds at the Closing, or if the District shall be unable, at or prior to the date of the Closing, to satisfy the conditions to the obligations of the Purchasers contained herein, or if the obligations of the Purchasers shall be terminated for any reason permitted by this Purchase Contract, the District shall immediately transfer the Deposit back to the Representative. The return of the Deposit shall constitute a full release and discharge of all claims and damages against the District for such failure to deliver the Bonds at the Closing.

(c) If the Purchasers fail (other than for a reason permitted hereunder) to accept and pay for the Bonds upon tender thereof by the District at the Closing as herein provided, the Deposit shall be retained by the District as and for full liquidated damages for such failure and for any and all defaults on the part of the Purchasers, and the retention of such moneys shall constitute a full release and discharge of all claims and damages for such failure and for any and all such defaults for the Bonds.

4. (a) The District has previously delivered to the Purchasers the Preliminary Official Statement dated \_\_\_\_\_, 2023, which, including the cover page and all appendices thereto, is herein referred to as the "Preliminary Official Statement." By execution of this Purchase Contract, the District, within the meaning of Rule 15c2-12 promulgated under the provisions of the Securities Exchange Act of 1934, as amended (the "Rule"), "deems final" the Preliminary Official Statement, except for certain omissions permitted thereunder and except for changes permitted by other applicable law. The District hereby ratifies, confirms and approves the use of the Preliminary Official Statement and the Official Statement, in printed or electronic form, for distribution to prospective purchasers and investors.

(b) As soon as practicable after its preparation, but in no event later than seven business days after the District's acceptance of this Purchase Contract and in order to comply with the Rule and other applicable securities laws, rules or regulations, the District shall deliver to the Representative: (i) an executed copy of the Official Statement which is a "final official statement" for purposes of the Rule, in "designated electronic format" (as defined in MSRB Rule G-32), which copy of the Official Statement is executed on behalf of the District by its President or Vice President and its General Manager and Chief Executive Officer or Associate General Manager and Chief Financial Executive, or its Senior Director of Financial Services and Corporate Treasurer or any Assistant Treasurer, and includes as an Appendix thereto the combined financial statements of the District and the Association as of and for the fiscal years ended April 30, 2022 and 2023, together with the report of PricewaterhouseCoopers LLP, dated June 30, 2023, signed and delivered by that firm with respect to the fiscal years ended April 30, 2022 and 2023; (ii) a sufficient quantity of conformed copies of the Official Statement to enable

the Purchasers to comply with the rules of the Securities and Exchange Commission and the Municipal Securities Rulemaking Board.

(c) At the time of the District's acceptance hereof, the District shall deliver to the Representative four certified copies (one copy at the time of such acceptance and three copies as soon as practicable thereafter) of the Resolution in the form referred to in Section 1(b) hereof.

(d) The District hereby authorizes any and all of this material (including specifically copies of the Preliminary Official Statement, the Official Statement, the Resolution and the information therein contained) to be used in connection with the public offering and sale of the Bonds.

5. (a) The District represents and warrants to each of the Purchasers that (i) at its date and as of the date hereof, the statements and information contained in the Preliminary Official Statement were true and correct and such Preliminary Official Statement did not contain any untrue statement of a material fact or omit any statement or information which should be included therein for the purposes for which the Preliminary Official Statement is to be used or which is necessary to make the statements and information contained therein not misleading; (ii) both at its date and at the time of the Closing, the statements and information contained in the Official Statement (as the same may be supplemented or amended with our approval) will be true and correct and such Official Statement will not contain an untrue statement of a material fact or omit any statement or information which should be included therein for the purposes for which the Official Statement is to be used or which is necessary to make the statements and information contained therein not misleading; and (iii) except as disclosed in the Preliminary Official Statement and the Official Statement, the District has not failed during the previous five years to comply in all material respects with any previous undertakings in a written continuing disclosure contract or agreement under the Rule.

(b) For a twenty-five day period after the date of the Closing, if any event shall occur that would cause the Official Statement, as then supplemented or amended, to contain any untrue statement of a material fact or to omit to state a material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances under which they were made, not misleading, and if in the Purchasers' opinion or that of the District such event requires the preparation and publication of a supplement or amendment to the Official Statement, the District will cause the Official Statement to be amended or supplemented in a form approved by the Purchasers. The Purchasers shall pay the cost of any such supplement or amendment.

6. (a) At 11:00 A.M., New York time, on November \_\_, 2023, or at such other time as shall have been mutually agreed upon by the District and the Representative, the District will deliver, or cause to be delivered, the Bonds, to the Representative, on behalf of the Purchasers, through The Depository Trust Company ("DTC"), in definitive form, bearing proper CUSIP numbers, duly executed on the District's behalf, together with the other documents hereinafter mentioned as delivered to the Representative, and the Representative, on behalf of the Purchasers, will accept such delivery and pay the purchase price of the Bonds as set forth in Section 1(a) hereof by delivering to the District a wire transfer, or at the discretion of the District, a certified or official bank check or checks, for such purchase price payable in federal

funds to the order of the District. The District shall apply the funds referred to in this Section 6(a) for the purpose stated in the Official Statement.

(b) Payment for the delivery of the Bonds as aforesaid shall be made at such place as agreed to by the District and the Purchasers. Such payment and delivery is herein called the “Closing.” The Bonds shall be prepared in fully registered, book-entry-only form and delivered to DTC in denominations of one Bond for each stated maturity in the aggregate principal amount thereof as set forth on the inside front cover of the Official Statement, and shall be made available to the Representative, at least one (1) business day prior to the Closing for purposes of inspection.

7. The obligations of the Purchasers hereunder shall be subject to the performance by the District of its obligations to be performed hereunder at and prior to the Closing, to the accuracy of the representations and warranties of the District herein as of the date hereof and the date of the Official Statement and as of the time of the Closing, and, in the discretion of the Representative, to the following conditions:

(a) At the Closing, the Resolution shall be in full force and effect and shall not have been changed from the forms theretofore delivered to the Representative except as may have been agreed to in writing by the Representative, and the District shall have adopted and there shall be in full force and effect such additional resolutions as shall, in the opinion of Chiesa Shahinian & Giantomasi PC, as Bond Counsel, be necessary in connection with the transactions contemplated hereby.

(b) The Purchasers shall have the right to terminate their obligations under this Purchase Contract to purchase, to accept delivery of and to pay for the Bonds by notifying the District of their election to do so if, after the execution hereof and prior to the Closing:

(i) the marketability of the Bonds or the market price thereof, in the opinion of the Representative, has been materially adversely affected by (A) an amendment to the Constitution of the United States; (B) any legislation (1) enacted by the United States, (2) recommended to the Congress or otherwise endorsed for passage, by press release, other form of notice or otherwise, by the President of the United States, the Treasury Department of the United States, the Internal Revenue Service or the Chairman or ranking minority member of the Committee on Finance of the United States Senate or the Committee on Ways and Means of the United States House of Representatives, or (3) presented as an option for consideration by either such Committee, by the staff of such Committee or by the staff of the Joint Committee on Taxation of the United States Congress, or favorably reported for passage to either House of the Congress by any Committee of such House or by a Conference Committee of both Houses to which such legislation has been referred for consideration; or (C) any decision of any court of the United States or by any ruling or regulation (final, temporary or proposed) on behalf of the Treasury Department of the United States, the Internal Revenue Service or any other authority of the United States or any comparable legislative, judicial or administrative development affecting the federal tax status of the District, its property or income, or the interest on its bonds (including the Bonds);



(ii) there shall occur any outbreak of hostilities or any national or international calamity, crisis or emergency or other calamity or crisis, or an escalation of any thereof, the effect of which on the financial markets of the United States is, in the reasonable judgment of the Representative, after consultation with the District, to materially adversely affect the market for the Bonds;

(iii) a general banking moratorium shall have been declared by federal, New York or Arizona authorities or a major financial crisis or a material disruption in commercial banking or securities settlement or clearances services shall have occurred which, in the reasonable judgment of the Representative, would make the marketing of municipal revenue bonds generally impractical;

(iv) there shall have been any downgrading, suspension or withdrawal, or any official statement as to a possible downgrading (such as being placed on “credit watch” or “negative outlook” or any similar qualification), suspension or withdrawal of any rating by Moody’s Investors Service, Inc. or S&P Global Ratings, a business of Standard & Poor’s Financial Services, LLC, of any securities issued by the District, including the Bonds;

(v) any event or circumstance shall exist that either makes untrue or incorrect in any material respect any statement or information in the Official Statement (other than any statement provided by the Purchasers) or is not reflected in the Official Statement but should be reflected therein in order to make the statements therein, in the light of the circumstances under which they were made, not misleading in any material respect and, in either such event, the District refuses to permit the Official Statement to be supplemented to supply such statement or information, or the effect of the Official Statement as so supplemented is to materially adversely affect the market price or marketability of the Bonds or the ability of the Purchasers to enforce contracts for the sale of the Bonds; or

(vi) there shall be in force a general suspension of trading, minimum or maximum prices for trading shall have been fixed and be in force or maximum ranges for prices for securities shall have been required and be in force on the New York Stock Exchange or other national stock exchange.

(c) At the Closing, the Representative shall receive the opinions of Chiesa Shahinian & Giantomasi PC, as Bond Counsel to the District, and Nixon Peabody LLP, Special Tax Counsel, addressed to the Representative and dated the day of the Closing, in substantially the same form attached as Appendix C to the Official Statement.

(d) At the Closing, the Representative shall receive the unqualified opinion of Chiesa Shahinian & Giantomasi PC, as Bond Counsel to the District, dated the date of Closing, to the effect that:

(i) the District has duly performed all obligations to be performed by it necessary for the issuance of the Bonds on or prior to the date of the Closing pursuant to the Resolution;

(ii) the terms and provisions of the Bonds and the Resolution conform as to form and tenor with the summary in the Official Statement;

(iii) this Purchase Contract and the Continuing Disclosure Agreement have been duly authorized, executed and delivered by the District and constitute valid and legally binding agreements upon the part of the District, in accordance with their terms;

(iv) the Bonds are exempted securities within the meaning of Section 3(a)(2) of the Securities Act of 1933, as amended, and Section 304(a)(4) of the Trust Indenture Act of 1939, as amended, to the extent provided in such Acts, respectively; and it is not necessary in connection with the sale of the Bonds to the public to register the Bonds under the Securities Act of 1933, as amended, or to qualify the Resolution under the Trust Indenture Act of 1939, as amended; and

(v) on the basis of the documents which have been reviewed, to the best of their knowledge, information contained in the Preliminary Official Statement and the Official Statement under the captions “INTRODUCTION,” “PLAN OF FINANCE,” “THE 2023 SERIES B BONDS” (as contained in the Preliminary Official Statement), “SECURITY FOR 2023 SERIES B BONDS” (as contained in the Preliminary Official Statement), “THE 2023 SERIES B BONDS” (as contained in the Official Statement), “SECURITY FOR 2023 SERIES B BONDS” (as contained in the Official Statement), “LEGALITY OF REVENUE BONDS FOR INVESTMENT” and the first paragraph under the caption “CONTINUING DISCLOSURE”, and “Appendix B – Summary of the Resolution,” with respect to legal matters relating to the District and its powers, and the statutes referred to therein, and legal and governmental proceedings, contracts and other documents, did not, as of the respective dates thereof and, in the case of the Preliminary Official Statement, as of the date of this Purchase Contract and, in the case of the Official Statement, does not, on the date of the Closing, contain any untrue statement of material fact, is not materially misleading and does not omit any statement which should be included or referred to therein in order to make the statements made, in light of the circumstances under which they are made, not misleading.

In rendering the foregoing opinions, it is understood that such counsel need express no opinion as to engineering, financial, technical or statistical information contained in the Preliminary Official Statement and the Official Statement, including the Appendices thereto.

(e) At the Closing, the Representative shall receive the unqualified opinion of Michael O’Connor, Associate General Manager and Chief Legal Executive, dated the day of the Closing, to the effect that:

(i) the District has duly performed all obligations to be performed by it necessary for the issuance of the Bonds on or prior to the day of the Closing pursuant to the Resolution;

(ii) neither the execution or delivery by the District of this Purchase Contract, the Resolution or the Continuing Disclosure Agreement, nor the compliance by the District with the terms and conditions thereof, conflicts with or results in a breach of, or will

conflict with or result in a breach of, any of the terms or provisions of any Arizona or federal law particularly applicable to the authority or powers of the District with respect thereto (but not including any provisions of Arizona law applicable to tax or securities matters or federal law applicable to tax or securities matters), in force on the date of such opinion, or (so far as is known to such counsel after inquiry with respect thereto) any regulation, order, writ, injunction or decree applicable to the District of any Arizona or federal court or governmental instrumentality, or results or will result in a breach of any of the terms or provisions of the petition for creation, as amended, of the District or any agreement or instrument to which the District is a party or by which the District is bound, or in any such case constitutes or will constitute a default thereunder, or results or will result in the creation or imposition of any mortgage, charge, pledge or other lien or encumbrance upon any of the properties or assets of the District other than the pledge contemplated by the Resolution;

(iii) all consents, approvals or other actions by or filings with any Arizona or federal governmental authority required for the execution and delivery by the District of this Purchase Contract, the Resolution and the Continuing Disclosure Agreement, and for the performance by the District of the transactions required thereby, have been duly obtained or made and are in full force and effect; and

(iv) on the basis of the documents which have been reviewed, to the best of his knowledge, the information in the Preliminary Official Statement and the Official Statement with respect to statutes, regulations (but not including any provisions of Arizona law applicable to tax or securities matters or federal law applicable to tax or securities matters), legal and governmental proceedings and contracts, did not, as of the respective dates thereof and, in the case of the Preliminary Official Statement, as of the date of this Purchase Contract and, in the case of the Official Statement, does not, on the date of the Closing, contain any untrue statement of a material fact or omit to state any material fact necessary to make the statements therein, in light of the circumstances under which they are made, not misleading.

In rendering the foregoing opinions, it is understood that such counsel need express no opinion as to engineering, financial, technical or statistical information contained in the Preliminary Official Statement and the Official Statement, including the Appendices thereto.

(f) At the Closing, the Representative shall receive the opinion of Spencer Fane LLP legal advisors to the District, dated the day of the Closing, to the same effect as the certificate described in Section 7(i) hereof and to the effect that:

(i) to their knowledge, the District owns and operates the Electric System (as defined in the Resolution and as existing on the date of Closing) and has good title to, or other valid property rights necessary for the operation of the Electric System, subject only to certain rights of the United States and certain other rights, none of which substantially impair the operation of the Electric System by the District or the security for the Bonds;

(ii) the District had the lawful power and authority to adopt the Resolution and the Supplemental Resolution and the provisions and covenants contained therein for the payment and security of the Bonds are valid and binding upon the District; and

(iii) no legislation has been enacted by the Arizona legislature adversely affecting in any manner the power and authority of the District to authorize, issue, execute and deliver the Bonds, the Continuing Disclosure Agreement or this Purchase Contract.

(g) At the time of the execution of this Purchase Contract and at the Closing, the Representative shall receive a letter, dated the date of delivery thereof, of PricewaterhouseCoopers LLP, in a form satisfactory to the Representative and PricewaterhouseCoopers LLP.

(h) [At the Closing, the Representative shall receive a letter, dated within five business days of the Closing, of PricewaterhouseCoopers LLP, stating that they agree to the use of their report dated June 30, 2023 for inclusion in Appendix A of the Preliminary Official Statement and the Official Statement.]

(i) At the Closing, the Representative shall receive a certificate, dated the date of the Closing, signed by the President or the Vice President and the General Manager and Chief Executive Officer or the Associate General Manager and Chief Financial Executive to the effect that, except as disclosed in the Official Statement, no litigation or other proceedings are pending or, to the knowledge of any of the signers of such certificate, threatened in any court or other tribunal of competent jurisdiction, State or Federal, in any way (i) restraining or enjoining the issuance, sale or delivery of any of the Bonds, or (ii) questioning or affecting the validity of this Purchase Contract, the Bonds, the Continuing Disclosure Agreement, the Resolution or the pledge by the District to the Trustee of any moneys or security provided under the Resolution, or (iii) questioning or affecting the validity of the proceedings for the authorization, sale, execution, registration or delivery of the Bonds, or (iv) questioning or affecting the organization of the Board of Directors of the District in office at any time on or prior to the date of the Closing or the legal or corporate existence of the District, or the title to office of the directors or officers thereof, or materially adversely affecting any powers of the District under the statutes of the State of Arizona, including, without limitation, the power of the District to construct and operate its Electric System and to fix and collect rates, fees and other charges in connection therewith.

(j) At the Closing, the Representative shall receive a certificate, dated the date of the Closing, signed by the President or the Vice President and the General Manager and Chief Executive Officer or the Associate General Manager and Chief Financial Executive, to the effect that the statements and information contained in the Official Statement are true and correct in all material respects and the Official Statement does not omit any statement or information which should be included therein for the purpose for which the Official Statement is to be used or which is necessary to make the statements and information contained therein not misleading.

(k) Subsequent to the respective dates as of which information is given in the Official Statement and except as contemplated by the Official Statement, there shall not have been any change in the long-term debt of the District, or any decreases in the net current assets or accumulated net revenues of the District, or any decreases in the operating revenues or net

revenues of the District, or any other change in the financial position or results of operations of the District, which, in the opinion of the Representative, materially affects the market for the Bonds or the sale, at the contemplated offering price, by the Purchasers of the Bonds to be purchased by them.

(l) At or prior to the Closing, the Representative shall have received evidence that the Bonds have received credit ratings of “\_\_\_” and “\_\_\_” from Moody’s Investors Service, Inc. and S&P Global Ratings, a business of Standard & Poor’s Financial Services, LLC, respectively.

(m) At the Closing, the Representative shall receive the opinion, dated the date of the Closing, of Katten Muchin Rosenman LLP, counsel for the Purchasers, with respect to the Bonds, the Preliminary Official Statement, the Official Statement and other related matters as the Representative may reasonably require. In rendering such opinion, Katten Muchin Rosenman LLP may rely as to all matters governed by Arizona law, including the creation and powers of the District, upon the opinion of Bond Counsel.

(n) At the Closing, the Purchasers shall deliver an issue price certificate relating to the Bonds, dated the date of Closing, in form and substance satisfactory to Nixon Peabody LLP, Special Tax Counsel.

(o) At the Closing, the Representative shall receive a certificate, dated the date of the Closing, signed by an Authorized Officer (as defined in the Resolution) of the District, evidencing full compliance with the provisions of clauses (a) and (b) of subsection 1 of Section 2.04 of the Amended and Restated Resolution Concerning Revenue Bonds.

(p) At the Closing, the Representative shall receive duly executed copies of the Officer’s Certificate and Continuing Disclosure Agreement.

(q) At the Closing, the Representative shall receive such additional certificates and other evidence as the Representative may deem necessary to evidence the truth and accuracy as of the time of the Closing of the representations and warranties of the District herein contained and the due performance and satisfaction by the District at or prior to such time of all agreements then to be performed and all conditions then to be satisfied by it, including a certificate or certificates as to the matters referred to in Section 7(k) hereof.

(r) At the Closing, the Representative shall receive a 10b-5 letter from Nixon Peabody LLP, Special Tax Counsel, with respect to the tax disclosure on the cover of the Preliminary Official Statement and the Official Statement and the information contained in the Preliminary Official Statement and the Official Statement under the caption “TAX MATTERS”.

The Official Statement and the opinions and certificates and other evidence referred to above shall be in form and substance satisfactory to the Representative.

If the District shall be unable to satisfy the conditions to the obligations of the Purchasers contained in this Purchase Contract, or if the obligations of the Purchasers shall be terminated for any reason permitted by this Purchase Contract, this Purchase Contract shall terminate and neither the Purchasers nor the District shall be under further obligation hereunder, except as

provided in Section 8 hereof and except that the Deposit referred to in Section 3 hereof shall be returned to the Representative by the District.

8. The Purchasers shall be under no obligation to pay any expenses incident to the performance of the obligations of the District hereunder. The District shall pay the fees and disbursements of Spencer Fane LLP, of Chiesa Shahinian & Giantomasi PC, of Nixon Peabody LLP, of PricewaterhouseCoopers LLP, of PFM Financial Advisors LLC (“PFM”), municipal advisor to the District, and of any consultant or engineer in respect of any matters contemplated by this Purchase Contract not directly retained by the Representative; the cost of printing or otherwise preparing and furnishing to the Representative the documents specified in Section 4 hereof; the cost of preparation and issuance of the Bonds and any charges made by rating agencies for the rating of the Bonds. The District shall be under no obligation to pay any expenses incident to the performance of the obligations of the Purchasers hereunder, other than those included in the expense component of the underwriters’ discount together with such other expenses as the District shall approve. The Purchasers shall pay the cost of printing any supplement or amendment to the Official Statement made in accordance with Section 5(b) hereof, the cost of printing the Agreement Among Underwriters and Purchase Contract; the cost of all Blue Sky memoranda used by them; all advertising expenses in connection with the public offering of the Bonds; and the fees and disbursements of Katten Muchin Rosenman LLP, counsel to the Purchasers.

9. The District acknowledges and agrees that: (i) the primary role of the Purchasers, as underwriters, is to purchase securities, for resale to investors, in an arm’s-length commercial transaction between the District and the Purchasers and that the Purchasers have financial and other interests that differ from those of the District; (ii) the Purchasers are not acting as a municipal advisor (within the meaning of Section 15B of the Securities Exchange Act of 1934, as amended), financial advisor, or fiduciary to the District and have not assumed any advisory or fiduciary responsibility to the District with respect to the transaction contemplated hereby and the discussions, undertakings and procedures leading thereto (irrespective of whether any Purchaser has provided other services or is currently providing other services to the District on other matters); (iii) the only obligations the Purchasers have to the District with respect to the transaction contemplated hereby expressly are set forth in this Purchase Contract; and (iv) the District has consulted its own financial and/or municipal, legal, accounting, tax and other advisors, as applicable, to the extent it deems appropriate. The District has retained PFM as its municipal advisor.

10. This Purchase Contract constitutes the entire agreement between the parties hereto with respect to the matters covered hereby, and supersedes all prior agreements and understandings between the parties. This Purchase Contract shall only be amended, supplemented or modified in a writing signed by both of the parties hereto.

11. Any notice or other communication to be given to the District under this Purchase Contract may be given by delivering the same in writing at its address set forth above, and any notice or other communication to be given to the Purchasers under this Purchase Contract may be given by delivering the same in writing to Morgan Stanley & Co. LLC, 1585 Broadway, 16<sup>th</sup> Floor, New York, New York, 10036, Attention: Grant Fraunfelder, Executive Director.

12. This Purchase Contract is made solely for the benefit of the District and the Purchasers (including the successors or assigns of any Purchaser) and no other person shall acquire or have any right hereunder or by virtue hereof. All the representations, warranties and agreements of the District and of the Purchasers in this Purchase Contract shall remain operative and in full force and effect and shall survive delivery of and payment for the Bonds hereunder and regardless of any investigation made by or on behalf of the Purchasers. The agreements in Sections 3 and 8 hereof shall survive any termination of this Purchase Contract.

MORGAN STANLEY & CO. LLC  
J.P. MORGAN SECURITIES LLC  
BOFA SECURITIES, INC.  
GOLDMAN SACHS & CO. LLC  
TD SECURITIES (USA) LLC

By: Morgan Stanley & Co. LLC,  
as Representative of the Purchasers

By: \_\_\_\_\_  
Name:  
Title:

Accepted by resolution adopted at  
Tempe, Arizona, on November \_\_, 2023

SALT RIVER PROJECT AGRICULTURAL  
IMPROVEMENT AND POWER DISTRICT

By: \_\_\_\_\_  
Name: Brian J. Koch  
Title: Senior Director of Financial Services  
and Corporate Treasurer

Annex A to Purchase Contract

The Purchasers

MORGAN STANLEY & CO. LLC  
J.P. MORGAN SECURITIES LLC  
BOFA SECURITIES, INC.  
GOLDMAN SACHS & CO. LLC  
TD SECURITIES (USA) LLC



Annex B to Purchase Contract

**Certificate of the Representative**

Salt River Project Agricultural  
Improvement and Power District  
PAB 236  
Post Office Box 52025  
Phoenix, Arizona 85072-2025

Nixon Peabody LLP  
799 9<sup>th</sup> Street NW, Suite 500  
Washington, DC 20001

Ladies and Gentlemen:

The undersigned, on behalf of Morgan Stanley & Co. LLC, as representative (the “**Representative**”), of itself and the other underwriters set forth on the cover page of the below-defined Official Statement (collectively, the “**Underwriting Group**”), hereby certifies as set forth below with respect to the sale and issuance of the below-defined 2023 Series B Bonds.

1. We have served as Representative of the Underwriting Group in connection with the sale by the Salt River Project Agricultural Improvement and Power District (the “**District**”) and purchase by the Underwriters of \$[000,000,000] aggregate principal amount of Salt River Project Electric System Revenue Bonds, 2023 Series B (the “**2023 Series B Bonds**”).

2. As of the date of this Certificate of the Representative, for each Maturity of the Series 2023 B Bonds, the first price at which at least 10% of such Maturity was sold to the Public is the respective price listed in **Schedule I** hereto.

3. For purposes of this Certificate of the Representative, the following terms have the following meanings:

(a) *District* means Salt River Project Agricultural Improvement and Power District, the owner and user of the facilities financed and refinanced with proceeds of the 2023 Series B Bonds.

(b) *Maturity* means 2023 Series B Bonds with the same credit and payment terms. 2023 Series B Bonds with different maturity dates, or 2023 Series B Bonds with the same maturity date but different stated interest rates, are treated as separate Maturities.

(c) *Public* means any person (including an individual, trust, estate, partnership, association, company or corporation) other than an Underwriter or a related party to an Underwriter. The term “related party” for purposes of this Certificate of the Representative generally means any two or more persons who have greater than 50 percent common ownership, directly or indirectly.

(d) *Tax Certificate* means the Tax Certificate as to Arbitrage and The Provisions of Sections 141-150 of the Internal Revenue Code of 1986, dated November \_\_, 2023 with respect to the 2023 Series B Bonds.

(e) *Underwriter* means (i) any person that agrees pursuant to a written contract with the District (or with the Representative to form an underwriting syndicate) to participate in the initial sale of the 2023 Series B Bonds to the Public, and (ii) any person that agrees pursuant to a written contract directly or indirectly with a person described in clause (i) of this paragraph to participate in the initial sale of the 2023 Series B Bonds to the Public (including a member of a selling group or a party to a retail distribution agreement participating in the initial sale of the 2023 Series B Bonds to the Public).

The representations set forth in this certificate are limited to factual matters only. Nothing in this certificate represents the Representative's interpretation of any laws, including specifically Sections 103 and 148 of the Internal Revenue Code of 1986, as amended, and the Treasury Regulations thereunder. The Representative understands that the foregoing information will be relied upon by the District with respect to certain of the representations set forth in the Tax Certificate with respect to the 2023 Series B Bonds and by Nixon Peabody LLP in connection with rendering its opinion as special tax counsel that the interest on the 2023 Series B Bonds is excluded from gross income for federal income tax purposes. With respect to 2023 Series B Bonds allotted to Underwriters other than the Representative, statements in this certificate are based solely on information provided to the Representative by such other Underwriters, and has not been independently verified by us; however, we have no reason to believe such information is untrue or such rule has not been complied with, in any material respect.

We understand that Special Tax Counsel may rely upon this Certificate of the Representative, among other things, in providing an opinion with respect to the exclusion from gross income of the interest on the 2023 Series B Bonds pursuant to Section 103 of the Internal Revenue Code of 1986, as amended.

IN WITNESS WHEREOF, the Representative, on behalf of the Underwriters, has caused this Certificate of the Representative to be executed as of the date above first written.

Dated: November \_\_, 2023

**MORGAN STANLEY & CO. LLC**

By: \_\_\_\_\_

Name:

Title:

**Schedule I to Purchase Contract**

Maturity (January 1)	Principal Amount (\$)	Interest Rate (%)	Price
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\$

%

c

\$ _____	_____ %	Term Bond Due _____	1, 20__	Price _____	c
\$ _____	_____ %	Term Bond Due _____	1, 20__	Price _____	c

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c      Calculated to January 1, 20\_\_ first optional redemption date.



**PRELIMINARY OFFICIAL STATEMENT DATED OCTOBER 31, 2023**

**NEW ISSUE**

**FULL BOOK-ENTRY**

*In the opinion of Special Tax Counsel, under existing law and assuming compliance with the tax covenants described herein, and the accuracy of certain representations and certifications made by the Salt River Project Agricultural Improvement and Power District described herein, interest on the 2023 Series B Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986, as amended (the "Code"). Special Tax Counsel is also of the opinion that such interest is not treated as a preference item in calculating the alternative minimum tax imposed under the Code. Special Tax Counsel is further of the opinion that, interest on the 2023 Series B Bonds is exempt from income taxes imposed by the State of Arizona. See "TAX MATTERS" herein regarding certain other tax considerations.*

**\$650,000,000\***

**Salt River Project Agricultural  
Improvement and Power District, Arizona  
Salt River Project Electric System Revenue Bonds, 2023 Series B**

**Dated: Date of Delivery**

**Due: As shown on inside cover**

The Salt River Project Electric System Revenue Bonds, 2023 Series B (the "2023 Series B Bonds") are being issued pursuant to the Supplemental Resolution Dated September 10, 2001, authorizing an Amended and Restated Resolution Concerning Revenue Bonds, which became effective January 11, 2003, as amended and supplemented (the "Resolution"). The 2023 Series B Bonds, together with heretofore and hereafter issued Revenue Bonds, are payable from and secured by a pledge of and lien on all Revenues of the Salt River Project Agricultural Improvement and Power District (the "District") from the ownership and operation of the Electric System after the payment of Operating Expenses.

The 2023 Series B Bonds will be issued in fully registered form and, when issued, will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"). DTC will act as securities depository for the 2023 Series B Bonds. Individual purchases of interests in the 2023 Series B Bonds may be made in book-entry form only, in the principal amount of \$5,000 or any integral multiple thereof. Purchasers of such interests will not receive certificates representing their interests in the 2023 Series B Bonds. Interest with respect to the 2023 Series B Bonds is payable January 1 and July 1 of each year, commencing July 1, 2024.

The principal of, redemption price, if any, and interest on the 2023 Series B Bonds are payable by U.S. Bank Trust Company, National Association, as successor in interest to U.S. Bank National Association, as Trustee, and interest will be payable by check mailed by the Trustee to the registered owner of each the 2023 Series B Bonds as of the immediately preceding December 15 or June 15. So long as Cede & Co. is the registered owner, the Trustee will pay such principal and redemption price, if any, of and interest on the 2023 Series B Bonds to DTC, which will remit such principal, redemption price, if any, and interest to its Direct Participants for subsequent disbursement to the Beneficial Owners of the 2023 Series B Bonds. The 2023 Series B Bonds are subject to optional redemption as described herein. See "THE 2023 SERIES B BONDS — Redemption" herein.

**The 2023 Series B Bonds do not constitute general obligations of the District or obligations of the State of Arizona, and no holder of any of the 2023 Series B Bonds has the right to compel the exercise of the taxing powers of the District to pay the 2023 Series B Bonds or the interest thereon.**

This cover page contains certain information for quick reference only. It is not intended to be a summary of all factors relating to an investment in the 2023 Series B Bonds. Investors should read this Official Statement in its entirety before making an investment decision.

The 2023 Series B Bonds are offered when, as and if issued, and subject to the approval of legality by Chiesa Shahinian & Giantomasi PC, Bond Counsel. Certain legal matters will be passed upon for the District by Nixon Peabody LLP, Special Tax Counsel, and for the Underwriters by Katten Muchin Rosenman LLP. It is expected that the 2023 Series B Bonds will be available for delivery through the facilities of DTC on or about November \_\_, 2023.

**Morgan Stanley**

**BofA Securities**

**Goldman Sachs & Co. LLC**

**J.P. Morgan**

**TD Securities**

Dated: November \_\_, 2023

\*Preliminary, subject to change

THIS IS A PRELIMINARY OFFICIAL STATEMENT, SUBJECT TO CORRECTION, COMPLETION OR AMENDMENT WITHOUT NOTICE, AND IS NOT YET FINALLY ACCEPTED. THE DISTRICT HAS AUTHORIZED THE DISTRIBUTION OF THIS PRELIMINARY OFFICIAL STATEMENT TO PROSPECTIVE PURCHASERS AND OTHERS. UPON THE SALE OF THE 2023 SERIES B BONDS THE DISTRICT WILL COMPLETE, ADOPT AND DELIVER AN OFFICIAL STATEMENT SUBSTANTIALLY IN THIS FORM. THESE SECURITIES MAY NOT BE SOLD NOR MAY AN OFFER TO BUY BE ACCEPTED PRIOR TO THE TIME THIS OFFICIAL STATEMENT IS DELIVERED IN FINAL FORM. UNDER NO CIRCUMSTANCES SHALL THIS PRELIMINARY OFFICIAL STATEMENT CONSTITUTE AN OFFER TO SELL OR THE SOLICITATION OF AN OFFER TO BUY, NOR SHALL THERE BE ANY SALE OF THESE SECURITIES IN ANY JURISDICTION IN WHICH SUCH OFFER, SOLICITATION OR SALE WOULD BE UNLAWFUL PRIOR TO REGISTRATION OR QUALIFICATION UNDER THE SECURITIES LAWS OF ANY SUCH JURISDICTION.

**SALT RIVER PROJECT ELECTRIC SYSTEM REVENUE BONDS,  
2023 SERIES B**

**Serial Bonds**

<u>Maturity*</u> <u>(January 1)</u>	<u>Principal*</u> <u>Amount</u>	<u>Interest</u> <u>Rate</u>	<u>Yield</u>	<u>CUSIP</u> <u>Number<sup>1</sup></u>
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\$ \* \_\_% Term Bonds due January 1, \* Price \_\_\_\_% CUSIP \_\_\_\_\_

\$ \* \_\_% Term Bonds due January 1, \* Price \_\_\_\_% CUSIP \_\_\_\_\_

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\* Preliminary, subject to change

<sup>1</sup> CUSIP is a registered trademark of the American Bankers Association. CUSIP data herein is provided by CUSIP Global Services ("CGS") which is managed on behalf of the American Bankers Association by FactSet Research Systems Inc. This data is not intended to create a database and does not serve in any way as a substitute for the CGS database. CUSIP numbers are provided for convenience of reference only. None of the District, the Underwriters or their agents or counsel assume responsibility for the accuracy of such numbers. The CUSIP number for a specific maturity is subject to being changed after the issuance of the respective 2023 Series B Bonds.

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**MANAGEMENT OF THE DISTRICT**

**BOARD OF DIRECTORS**

David Rousseau, President

Robert C. Arnett	Krista H. O'Brien
Nicholas R. Brown	Mark V. Pace
Mario J. Herrera	Paul E. Rovey
Kevin J. Johnson	John M. White Jr.
Anda G. McAfee	Leslie C. Williams
Randy Miller	Stephen H. Williams
Kathy L. Mohr-Almeida	Keith B. Woods

**PRINCIPAL OFFICERS AND OTHER EXECUTIVES**

Officers:

David Rousseau.....	President
Christopher Dobson.....	Vice President
John M. Felty.....	Corporate Secretary
Brian J. Koch.....	Corporate Treasurer & Senior Director of Financial Services

Executive Management:

Jim Pratt.....	General Manager & Chief Executive Officer
Bobby Olsen.....	Associate General Manager & Chief Planning, Strategy, and Sustainability Executive
Alaina Chabrier.....	Associate General Manager & Chief Communications Executive
John Coggins.....	Associate General Manager & Chief Power System Executive
Robert Taylor.....	Associate General Manager & Chief Public Affairs And Corporate Services Executive
Aidan McSheffrey.....	Associate General Manager & Chief Financial Executive
Michael O'Connor.....	Associate General Manager & Chief Legal Executive
Rudy Navarro.....	Associate General Manager & Chief Customer Executive
Leslie Meyers.....	Associate General Manager & Chief Water Resources And Services Executive
Geri Mingura.....	Associate General Manager & Chief Human Resources Executive

**SPECIAL SERVICES**

Legal Advisors.....	<i>Spencer Fane LLP</i>
Independent Accountants.....	<i>PricewaterhouseCoopers LLP</i>
Bond Counsel.....	<i>Chiesa Shahinian &amp; Giantomasi PC</i>
Special Tax Counsel.....	<i>Nixon Peabody, LLP</i>
Financial Consultant.....	<i>PFM Financial Advisors LLC</i>
Trustee and Paying Agent.....	<i>U.S. Bank Trust Company, National Association</i>

**This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy the 2023 Series B Bonds described herein in any jurisdiction to any person to whom it is unlawful to make such an offer. No dealer, broker, salesman or other person has been authorized by the District or the Underwriters to give any information or to make any representations with respect to the 2023 Series B Bonds other than those contained in this Official Statement and, if given or made, such other information or representations must not be relied upon as having been authorized by the District or the Underwriters.**

The information set forth herein has been furnished by the District and other sources which are believed to be reliable. The information and expressions of opinion contained herein are subject to change without notice and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the District or the Electric System since the date hereof.

THESE SECURITIES HAVE NOT BEEN RECOMMENDED BY ANY FEDERAL OR STATE SECURITIES COMMISSION OR REGULATORY AUTHORITY. FURTHERMORE, THE FOREGOING AUTHORITIES HAVE NOT CONFIRMED THE ACCURACY OR DETERMINED THE ADEQUACY OF THIS OFFICIAL STATEMENT. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

THE UNDERWRITERS MAY OFFER AND SELL THE OFFERED BONDS TO CERTAIN DEALERS AT PRICES LOWER THAN THE PUBLIC OFFERING PRICES STATED ON THE COVER PAGE HEREOF, AND SAID PUBLIC OFFERING PRICES MAY BE CHANGED FROM TIME TO TIME BY THE UNDERWRITERS.

This Official Statement contains forward-looking statements within the meaning of the federal securities laws. Such statements are based on currently available information, expectations, estimates, assumptions and projections, and management's judgment about the power utility industry and general economic conditions. Words such as expects, intends, plans, believes, estimates, anticipates or variations of such words or similar expressions are intended to identify forward-looking statements. The forward-looking statements are not guarantees of future performance. Actual results may vary materially from what is contained in a forward-looking statement. Factors that may cause a result different from those expected or anticipated include, among other things, new legislation, increases in suppliers' prices, particularly prices for fuel in connection with the operation of the Electric System, changes in environmental compliance requirements, acquisitions, changes in customer power use patterns, natural disasters and the impact of weather on operating results. The District assumes no obligation to provide public updates of forward-looking statements.

**The Underwriters have provided the following sentence for inclusion in this Official Statement: The Underwriters have reviewed the information in this Official Statement in accordance with, and as part of, their responsibilities to investors under the federal securities laws as they apply to the facts and circumstances of this transaction, but the Underwriters do not guarantee the accuracy or completeness of such information.**

References to website addresses herein are for informational purposes only and may be in the form of a hyperlink solely for the reader's convenience. Unless specified otherwise, such websites and the information or links contained therein are not incorporated into and are not a part of this Official Statement.



## SUMMARY STATEMENT

**THIS SUMMARY STATEMENT IS SUBJECT IN ALL RESPECTS TO THE MORE COMPLETE INFORMATION CONTAINED IN THIS OFFICIAL STATEMENT AND SHOULD NOT BE CONSIDERED A COMPLETE STATEMENT OF THE FACTS MATERIAL TO MAKING AN INVESTMENT DECISION. THE OFFERING OF THE 2023 SERIES B BONDS TO POTENTIAL INVESTORS IS MADE ONLY BY MEANS OF THE ENTIRE OFFICIAL STATEMENT. CERTAIN TERMS USED HEREIN ARE DEFINED IN THIS OFFICIAL STATEMENT.**

- District:** The District is an agricultural improvement district, organized under the laws of the State of Arizona, which provides electric service in a 2,900 square-mile service territory in parts of Maricopa, Gila and Pinal Counties in Arizona, plus mine loads in an adjacent 2,400 square-mile area in Gila and Pinal Counties.
- The 2023 Series B Bonds:** The 2023 Series B Bonds are being offered in the principal amount per maturity and bearing interest at the rates set forth on the inside cover page of this Official Statement. The 2023 Series B Bonds are authorized pursuant to the Constitution and laws of the State of Arizona and in particular Title 48, Chapter 17, Article 7, Arizona Revised Statutes (the “Act”) and the hereinafter defined Resolution.
- The 2023 Series B Bonds are subject to mandatory sinking fund redemption and/or optional redemption as described herein. See “THE 2023 SERIES B BONDS – Redemption” herein.
- Purpose of the 2023 Series B Bonds:** The 2023 Series B Bonds are being issued to finance capital improvements to the Electric System pursuant to the District’s Capital Improvement Program. See “THE CAPITAL IMPROVEMENT PROGRAM,” “PLAN OF FINANCE” and “SOURCES AND USES OF FUNDS” herein.
- Security for the 2023 Series B Bonds:** The District has covenanted in the Resolution not to issue any bonds or other obligations or create any additional indebtedness, which will have priority over the charge and lien on the Revenues pledged to the Revenue Bonds, except for United States Government Loans hereafter incurred. The District currently has no United States Government Loans outstanding.
- The District has covenanted in the Resolution to maintain the Debt Reserve Account at the Debt Reserve Requirement. As of April 30, 2023, the balance in the Debt Reserve Account was approximately \$81 million, which exceeded the Debt Reserve Requirement. Upon the issuance of the 2023 Series B Bonds, the Debt Reserve Account will continue to exceed the Debt Reserve Requirement.
- The District has covenanted in the Resolution that, among other things, it will at all times maintain rates, fees or charges sufficient for the payment of Operating Expenses of the District and the payment of Debt Service on all Revenue Bonds.
- The financial statements of the District and the Salt River Valley Water Users’ Association (the “Association”) (together “SRP”) are presented on a combined basis due to the relationship between the two. The District’s electric revenues support the operations of the water and irrigation system. See “THE DISTRICT — General” and

“— History” for a further discussion of the relationship between the District and the Association.

The 2023 Series B Bonds do not constitute general obligations of the District or obligations of the State of Arizona, and no holder of any of the 2023 Series B Bonds has the right to compel the exercise of the taxing powers of the District to pay the 2023 Series B Bonds or the interest thereon. See “SECURITY FOR 2023 SERIES B BONDS” herein.

**Outstanding Indebtedness:**

As of April 30, 2023, the District had a total of \$4,654,110,000 in outstanding debt, computed without deducting/adding the unamortized bond discount/premium, consisting of \$4,329,110,000 in Revenue Bonds and general fund debt of \$325,000,000, consisting of \$50,000,000 in promissory notes sold in the tax-exempt commercial paper market and \$275,000,000 in promissory notes sold in the taxable commercial paper market. The promissory notes and revolving credit agreement obligations are payable from the District’s general funds and are not secured by a lien on Revenues of the Electric System. The District does not have any outstanding loans under any of its revolving credit agreements at this time. The District has also agreed to issue its \$277,930,000 Electric System Revenue Bonds, 2025 Series A on March 3, 2025, the proceeds of which will be used to refund \$300,000,000 of the District’s Electric System Revenue Bonds, 2015 Series A. See “SELECTED OPERATIONAL AND FINANCIAL DATA — Additional Financial Matters” herein.

**Limitation on Additional Indebtedness:**

The District is authorized to issue parity Revenue Bonds upon compliance with the provisions of the Resolution. See “Appendix B — Summary of the Resolution” attached hereto. The District may also issue at any time, or from time to time, evidences of indebtedness, which are payable out of Revenues and which may be secured by a pledge of Revenues, provided, however, that such pledge shall be, and shall be expressed to be, subordinate in all respects to the pledge of the Revenues created by the Resolution.

**Authority to Set Electric Prices:**

Under Arizona law, the District is authorized to set electric rates (“prices”). Although the Articles of Incorporation of the Association provide that the Secretary of the Interior may revise such prices, the Secretary of the Interior has never requested any such revision. See “ELECTRIC PRICES” herein.

**Service Area:**

The District’s service area includes the major populated sections of Maricopa County, as well as portions of Pinal and Gila Counties. The District serves approximately half of the population living in the Phoenix-Mesa-Scottsdale Metropolitan Statistical Area (“Phoenix MSA”) and reached a total peak load of approximately 7,691 MW in fiscal year 2023. See “TABLE 8 – Historical Operating Statistics” herein. Approximately 45% of fiscal year 2023 retail electric revenues were received from residential customers. See “TABLE 7 – Customer Accounts, Sales and Revenues Fiscal Year Ended April 30, 2023” herein.

**Transmission and Distribution Facilities:**

The District owns transmission and distribution systems to deliver electricity. These systems include both overhead and underground lines with voltage levels ranging from 12kV to 500kV. In addition,

the District also has acquired rights on transmission systems owned by others. See “THE ELECTRIC SYSTEM — Existing and Future Resources” herein.

**Power Supply Resources:**

The District’s power supply resources are diversified and include generating facilities owned solely by the District, generating facilities in which the District has an ownership interest, and various power purchase contracts. See “THE ELECTRIC SYSTEM — Existing and Future Resources” herein.

**Continuing Disclosure:**

The District has covenanted to provide certain financial information and operating data relating to the Electric System and to provide notices of certain occurrences of certain enumerated events pursuant to the Continuing Disclosure Agreement. See “CONTINUING DISCLOSURE” herein and “Appendix D — Form of Continuing Disclosure Agreement” attached hereto.

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**SALT RIVER PROJECT AGRICULTURAL  
IMPROVEMENT AND POWER DISTRICT, ARIZONA**

**OFFICIAL STATEMENT**

**RELATING TO**

**\$650,000,000\***

**SALT RIVER PROJECT ELECTRIC SYSTEM REVENUE BONDS, 2023 SERIES B**

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**INTRODUCTION**

**General**

The purpose of this Official Statement, which includes the cover page and the Appendices hereto, is to furnish certain information with respect to the Salt River Project Agricultural Improvement and Power District (the "District") and its Salt River Project Electric System Revenue Bonds, 2023 Series B (the "2023 Series B Bonds") to be issued by the District. The mailing address of the District's administrative offices is The Office of the Secretary, PAB315, Post Office Box 52025, Phoenix, Arizona 85072-2025 (telephone number 602-236-5900).

The following material is qualified in its entirety by the detailed information and financial statements appearing elsewhere in this Official Statement and the Appendices hereto. Capitalized terms not defined in this introduction have the meaning ascribed thereto herein.

**Authorization**

Revenue Bonds, which include the 2023 Series B Bonds, are authorized pursuant to the Constitution and laws of the State of Arizona and, in particular, Title 48, Chapter 17, Article 7, Arizona Revised Statutes (the "Act") and the Amended and Restated Resolution Concerning Revenue Bonds, dated as of September 10, 2001, which became effective January 11, 2003, as amended and supplemented (the "Resolution"). The Act requires the prior approval of the issuance of the Revenue Bonds by the Arizona Corporation Commission (the "ACC"). The ACC has approved the issuance of Revenue Bonds in excess of the amount of the 2023 Series B Bonds. Prior to the delivery of the 2023 Series B Bonds, the District's Board will have authorized the issuance of the 2023 Series B Bonds, and the District's Council will have ratified and confirmed the Board's action. See "THE 2023 SERIES B BONDS" herein and "Appendix B — Summary of the Resolution" attached hereto.

---

\*Preliminary, subject to change

**PLAN OF FINANCE**

A portion of the proceeds from the 2023 Series B Bonds will be used to finance capital improvements to the Electric System pursuant to the District's Capital Improvement Program. See "THE CAPITAL IMPROVEMENT PROGRAM" herein. Proceeds of the 2023 Series B Bonds also will be used to pay cost of issuing the 2023 Series B Bonds. The 2023 Series B Bonds will be issued under the Resolution. See "Appendix B — Summary of the Resolution" attached hereto. See "SOURCES AND USES OF FUNDS" herein.

**THE 2023 SERIES B BONDS**

**General**

The 2023 Series B Bonds will be issued in the principal amount of \$650,000,000\* and will be dated and bear interest from their date of delivery. The 2023 Series B Bonds will mature on the dates and in the principal amounts, and bear interest, payable on January 1 and July 1 of each year, commencing July 1, 2024, at the respective rates, as shown on the inside cover page of this Official Statement. The principal of, redemption price, if any, and interest on the 2023 Series B Bonds are payable by the Trustee, and interest thereon will be payable by check mailed by the Trustee

to the registered owner of each 2023 Series B Bond as of the immediately preceding December 15 or June 15.

<sup>\*</sup>Preliminary, subject to change

**Book-Entry-Only System**

The 2023 Series B Bonds will be issued in fully registered form and, when issued, will be registered in the name of Cede & Co., as nominee of DTC. DTC will act as securities depository for the 2023 Series B Bonds. Individual purchases of interests in the 2023 Series B Bonds will be made in book-entry form only, in the principal amount of \$5,000 or any integral multiple thereof. Purchasers of such interests will not receive certificates representing their interests in the 2023 Series B Bonds. So long as Cede & Co. is the registered owner of the 2023 Series B Bonds, the Trustee will make payments of principal and redemption price, if any, of and interest on the 2023 Series B Bonds directly to DTC, which will remit such principal, redemption price, if any, of and interest to the Beneficial Owners as defined in Appendix E hereto) of the 2023 Series B Bonds, as described herein. See "Appendix E — Book-Entry-Only System" attached hereto.

**Redemption\***

*Mandatory Sinking Fund Redemption of 2023 Series B Bonds.* The \_\_\_% 2023 Series B Bonds maturing on January 1, \_\_\_ are subject to mandatory redemption prior to maturity, upon random selection within a maturity by the Trustee, by operation of the Debt Service Fund to satisfy the Sinking Fund Installments required by the Resolution, on and after January 1, 20\_\_ at 100% of the principal amount of such 2023 Series B Bonds to be redeemed together with accrued interest up to, but not including, the redemption date. Such Sinking Fund Installments will be sufficient to redeem such 2023 Series B Bonds on the dates and in the principal amounts shown below.

Sinking Fund Payment Date (January 1)	Principal Amount
	\$

\*\*

\_\_\_\_\_  
\*\*Maturity.

The \_\_\_% 2023 Series B Bonds maturing on January 1, \_\_\_ are subject to mandatory redemption prior to maturity, upon random selection within a maturity by the Trustee, by operation of the Debt Service Fund to satisfy the Sinking Fund Installments required by the Resolution, on and after January 1, 20\_\_ at 100% of the principal amount of such 2023 Series B Bonds to be redeemed together with accrued interest up to, but not including, the redemption date. Such Sinking Fund Installments will be sufficient to redeem such 2023 Series B Bonds on the dates and in the principal amounts shown below.

Sinking Fund Payment Date (January 1)	Principal Amount
	\$

\*\*

\_\_\_\_\_  
\*\*Maturity.

*Optional Redemption of 2023 Series B Bonds.* The 2023 Series B Bonds maturing on or after January 1, \_\_\_ are subject to redemption at the option of the District prior to maturity, at any time on or after January 1, \_\_\_, as a whole or in part by random selection by the Trustee within a maturity with the same interest rate from maturities selected by the District, at the Redemption Price of 100% of the principal amount of the 2023 Series B Bonds or portions thereof to be redeemed, together with accrued interest up to but not including the redemption date.

For so long as book-entry-only system of registration is in effect with respect to the 2023 Series B Bonds, if less than all of the 2023 Series B Bonds of a particular maturity (and, if applicable, interest rate within a maturity) is to



be redeemed, the particular Beneficial Owner(s) (as defined in Appendix E hereto) to receive payment of the redemption price with respect to beneficial ownership interests in such 2023 Series B Bonds shall be selected by DTC and the Direct Participants and/or the Indirect Participants (as defined in Appendix E hereto). See “Appendix E -Book-Entry-Only System” attached hereto.

\*Preliminary, subject to change

**Notice of Redemption.** Notice of redemption will be given to the Bondholders by mail to the registered owners as of the date of the notice of the 2023 Series B Bonds to be redeemed, postage prepaid, not less than 25 days nor more than 50 days prior to the redemption date. Notice having been given in the manner provided in the Resolution, on the redemption dates so designated, the District’s 2023 Series B Bonds or portions thereof so called for redemption shall become due and payable on such redemption date at the redemption price, plus interest accrued and unpaid to, but not including, the redemption date.

Any notice of optional redemption given pursuant to the Resolution may state that it is conditional upon receipt by the Trustee of monies sufficient to pay the redemption price of the 2023 Series B Bonds or upon the satisfaction of any other condition, or that it may be rescinded upon the occurrence of any other event, and any conditional notice so given may be rescinded at any time before payment of such redemption price if any condition so specified is not satisfied or if any such other event occurs. Notice of such rescission shall be given by the Trustee to the registered owners of any 2023 Series B Bonds so affected as promptly as practicable upon the failure of such condition or the occurrence of such event. Failure to give notice of redemption by mail, or any defect in such notice, will not affect the validity of the proceedings for the redemption of any other Electric System Revenue Bonds.

**Registration and Transfer upon Discontinuation of Book-Entry-Only System**

U.S. Bank Trust Company, National Association will act as bond registrar (“Bond Registrar”) and transfer and paying agent for the 2023 Series B Bonds. If the book-entry-only system were discontinued, the following provisions would apply. A 2023 Series B Bond may be transferred on the bond register maintained by the Bond Registrar upon surrender of the 2023 Series B Bond at the principal corporate trust office of the Bond Registrar, accompanied by a written instrument of transfer, in form satisfactory to the Bond Registrar, signed by the registered owner or a duly authorized attorney for the registered owner. Upon surrender for transfer at the principal corporate trust office of the Bond Registrar, any 2023 Series B Bonds may be exchanged for like 2023 Series B Bonds of the same aggregate principal amount, maturity date and interest rate, of any authorized denomination. The Bond Registrar will not be obligated to transfer or exchange any 2023 Series B Bonds during the 15 days preceding the date on which notice of redemption of a 2023 Series B Bonds is to be mailed or any 2023 Series B Bonds that have been called for redemption except the unredeemed portion of any 2023 Series B Bonds being redeemed in part.

**SOURCES AND USES OF FUNDS**

The sources and uses of funds with respect to the 2023 Series B Bonds are as follows:

Sources of Funds	
Principal Amount of 2023 Series B Bonds	_____
[Net] Original Issue Premium/Discount ...	
Total Sources of Funds .....	=====
Uses of Funds	
Deposit to Construction Fund .....	
Cost of Issuance <sup>(1)</sup> .....	_____
Total Uses of Funds .....	=====

<sup>(1)</sup> Includes Underwriters’ discount

## SECURITY FOR 2023 SERIES B BONDS

### General

The Revenue Bonds, including the 2023 Series B Bonds, are payable from and secured by a pledge of and lien on Revenues. Revenues are defined in the Resolution as (i) all revenues, income, rents and receipts derived by the District from the ownership and operation of the Electric System and the proceeds of any insurance covering business interruption loss relating to the Electric System and (ii) interest received on any moneys or securities (other than in the Construction Fund) held pursuant to the Resolution and paid into the Revenue Fund, but not including any such income or receipts attributable directly or indirectly to the ownership or operation of any Separately Financed Project and not including any federal or state grant monies the receipt of which is conditioned upon their expenditure for a particular purpose.

In addition, the Revenue Bonds, including the 2023 Series B Bonds, are also secured by all funds held under the Resolution (except the Rate Stabilization Fund). Such pledge created by the Resolution is subject only to the provisions of the Resolution permitting the application of Revenues for the purposes and upon the terms and conditions set forth in the Resolution.

The 2023 Series B Bonds will not constitute general obligations of the District or obligations of the State of Arizona, and no holder of Revenue Bonds, including the 2023 Series B Bonds, will ever have the right to compel any exercise of the taxing powers of the District to pay the Revenue Bonds or the interest thereon.

SRP's financial statements are presented on a combined basis. Management believes the financial information presented is not materially different from the presentation of the District on a stand-alone basis.

### Debt Reserve Account

The Debt Reserve Account is a reserve fund for the equal benefit of all Revenue Bonds Outstanding under the Resolution. Monies in the Debt Reserve Account (except any excess over the Debt Reserve Requirement that the District may allocate and apply in the same manner as Revenues) will be used solely for the purpose of curing any deficiency in the Debt Service Fund for the payment of principal, interest or Sinking Fund Installments pursuant to the Resolution.

In the past, the District has followed the practice of depositing moneys into the Debt Reserve Account at the time of issuance of additional Revenue Bonds to equal the Debt Reserve Requirement. As of April 30, 2023, the balance in the Debt Reserve Account was approximately \$81 million, which exceeded the Debt Reserve Requirement. Upon issuance of the 2023 Series B Bonds on or about November \_\_, 2023, the account will continue to exceed the Debt Reserve Requirement.

### Rate Covenant

The District covenants in the Resolution that it will charge and collect rates, fees and other charges for the sale of electric power and energy and other services, facilities and commodities of the Electric System as shall be required to provide revenues and income (including investment income) at least sufficient in each fiscal year for the payment of the sum of (i) Operating Expenses during such fiscal year, including reserves, if any, provided therefor in the Annual Budget for such year; (ii) an amount equal to the Aggregate Debt Service for such fiscal year; (iii) the amount, if any, to be paid during such fiscal year into the Debt Reserve Account in the Debt Service Fund; and (iv) all other charges or liens whatsoever payable out of revenues and income during such fiscal year and, to the extent not otherwise provided for, all amounts payable on Subordinated Indebtedness. See "ELECTRIC PRICES" herein.

### Limitations on Additional Indebtedness

The District has covenanted in the Resolution not to issue any bonds or other obligations or create any additional indebtedness, which would have priority over the charge and lien on the Revenues pledged to the Revenue Bonds except for U.S. Government Loans hereafter incurred. The Resolution does not restrict the amount of U.S. Government Loans the District may incur, which would have a prior lien on Revenues. There are no outstanding U.S. Government Loans.

The District may issue additional parity Revenue Bonds in compliance with the Resolution if, among other things, (i) Revenues Available for Debt Service, as the same may be adjusted, of any 12 consecutive calendar months out of

the 24 calendar months next preceding the issuance of such additional Revenue Bonds are not less than 1.10 times the maximum total Debt Service for any succeeding fiscal year on all Revenue Bonds that will be outstanding immediately prior to the issuance of the additional Revenue Bonds, and (ii) estimated Revenues Available for Debt Service, as the same may be adjusted, for each of the five fiscal years immediately following the issuance of such additional Revenue Bonds are not less than 1.10 times the total Debt Service for each such respective fiscal year on all Revenue Bonds outstanding immediately subsequent to the issuance of such additional Revenue Bonds.

### **Subordinated Indebtedness**

The District may, at any time, or from time to time, issue evidences of indebtedness which are payable out of Revenues and which may be secured by a pledge of Revenues provided; however, that such pledge shall be, and shall be expressed to be, subordinate in all respects to the pledge of the Revenues, monies, securities and funds created by the Resolution. See "Appendix B — Summary of the Resolution" attached hereto.

### **Other Covenants**

In addition to the rate covenant described above, the Resolution includes covenants by the District with respect to the sale and/or lease of the Electric System, the operation and maintenance of the Electric System, and certain other matters. See "Appendix B — Summary of the Resolution" attached hereto.

## **THE DISTRICT**

### **General**

The District is an agricultural improvement district organized in 1937 under the laws of the State of Arizona. It operates the Salt River Project (the "Project"), a federal reclamation project, under contracts with the Salt River Valley Water Users' Association (the "Association"), by which it assumed the obligations and assets of the Association, including its obligations to the United States of America for the care, operation and maintenance of the Project. The District owns and operates an electric system (hereinafter described) that generates, purchases, transmits and distributes electric power and energy, and provides electric service to residential, commercial, industrial and agricultural power users in a 2,900 square mile service territory in parts of Maricopa, Gila and Pinal Counties, plus mine loads in an adjacent 2,400 square mile area in Gila and Pinal Counties. The Association operates an irrigation system as the District's agent.

### **History**

The Association, predecessor of the District, was incorporated under the laws of the Territory of Arizona in February 1903 to represent the owners and occupants of lands to be benefited by the Project, which was one of the first projects authorized under the Federal Reclamation Act of 1902. In 1904, the Association and the United States entered into a contract in which the United States agreed to construct and operate dams, power plants and other facilities incident to the operation of irrigation and power works and improvements, and the Association agreed to repay the cost thereof. Initially, the United States constructed, operated and maintained Roosevelt Dam and Granite Reef Dam, which diverted impounded water into a canal system to supply irrigation water to the irrigable lands within the Project. In 1917, the Association entered into a contract with the United States to assume the care, operation and maintenance of the Project (the "1917 Agreement").

On January 25, 1937, the District was formed to secure for the Project the rights, privileges and exemptions granted to political subdivisions of the State of Arizona. Pursuant to a contract approved by the Secretary of Interior in 1937 (the "1937 Agreement"), the Association transferred all of its right, title and interest in and to the works and facilities of the Project to the District. The District agreed to assume the debt of the Association and to issue District bonds to finance capital improvements. The Association agreed to continue to operate and maintain the water supply and irrigation system and the Electric System. In 1949, the 1937 Agreement was amended to provide that the District would assume responsibility for the construction, operation and maintenance of the Electric System and the irrigation and water supply system. The District delegated to the Association, as agent of the District, the direct operation and maintenance of the irrigation system of the Project.

The United States retains a paramount right or claim in the Project that arises from the original construction and operation of certain of the Project's electric and water facilities as a federal reclamation project. Although title to a substantial portion of the District's property, including those properties acquired pursuant to the 1917 Agreement, resides in the United States, the District possesses contractual rights to the use, possession and revenues of these

properties through its agreement with the Association, the 1917 Agreement, subsequent contractual arrangements with the United States, and applicable federal reclamation law. From time to time, the Department of Interior (“DOI”) performs audits of the Project. In addition, the District seeks approval from the DOI for certain transactions such as payments in-lieu of taxes. The District also gives the DOI the opportunity to raise any objections it may have regarding the issuance of Revenue Bonds.

The generation and sale of electrical power and energy represent the major portion of the District’s investment and revenues. Following a long-standing reclamation principle and the District’s enabling statutes in Arizona, a portion of electric revenues available after the payment of Operating Expenses and Debt Service required under the Resolution is used to provide partial support for water and irrigation operations, thereby keeping water storage, distribution and delivery charges at reasonable levels.

### **Organization, Management and Employees**

The District is governed by a Board of Directors (“Board”) and a Council. The Board establishes overall policy, approves the annual budget and major contracts, approves major purchases and sales of assets, sets electric prices, and authorizes bond issuances. The Council enacts and amends by-laws relating to the District and authorizes bond issuances. The General Manager and Chief Executive Officer of the District has management and operational responsibilities for the District.

The District’s Board members are elected from among the electors (landowners) for four-year terms, and consist of the President, who is an ex officio member, and 14 other members, half being elected biennially for four-year terms. The President and Vice President are elected at large by electors of the District. Ten of the District’s Board members (one from each voting division), the President, and the Vice President are elected by votes weighted in proportion to the amount of land owned by each elector. The remaining four Board members are elected at large, with each elector (landowner) being entitled to one vote.

The District’s Council consists of 30 members. Three Council members from each of the ten voting divisions of the District are elected biennially for four-year terms. One half of the members are elected biennially. All Council members are elected by votes weighted in proportion to the amount of land owned by each elector.

The Association has a similar governance structure, excluding the four at-large board positions, thus having an 11-member Board of Governors as opposed to the District’s 15-member Board. The General Manager of the Association has management and operational responsibilities for the Association.

As of October 12, 2023, District and Association employees totaled approximately 5,279, including approximately 1,832 hourly employees represented by the International Brotherhood of Electrical Workers, Local 266 (“IBEW”), but excluding non-regular employees such as temporary employees, provisional employees, students, and contractors. The present labor contracts will expire on November 15, 2023. The District and the IBEW are currently engaged in negotiations for new labor contracts. The current labor contracts contain provisions that prohibit the District’s union employees from organizing in or participating in a labor strike or work stoppage. If the parties cannot agree on new labor contracts, any disputes or differences shall be resolved by mediation and arbitration, if necessary. In the meantime, the District’s union employees will continue to fulfill their work commitments to the District in accordance with the present labor contracts until such time that a new agreement is reached.

### **SRP Leadership Transition**

Following Mike Hummel’s announced retirement from SRP, effective May 1, 2023, the Board of Directors of the District and Association performed a comprehensive search to identify the next General Manager and Chief Executive Officer. On March 24, 2023, the Board of Directors of the District and Association voted to select Jim Pratt, who was then serving as Associate General Manager and Chief Customer Executive, to become SRP’s next General Manager and Chief Executive Officer. Mr. Pratt began his SRP career in 1984 and held a wide variety of leadership roles before being named Associate General Manager and Chief Customer Executive in 2018. Mr. Pratt assumed his new role as General Manager and Chief Executive Officer on May 5, 2023.

### **Economic and Customer Growth in the District’s Service Area**

The District serves approximately half of the population living in the Phoenix MSA (referred to as the “Phoenix-Mesa-Chandler MSA” in U.S. Census Data). As the governmental and economic center of Arizona, the Phoenix

MSA possesses the largest percentage of the state’s residents, businesses, and income. It contains approximately 68% of the state’s population, and more than two-thirds of total employment and total personal income.

The Phoenix MSA has expanded its employment base in the last several years. The local population has continued to grow at a steady pace. The Arizona Department of Administration, Office of Employment and Population statistics, reported that the metropolitan area added more than 773,000 people from July 2012 through July 2022, a compound annual growth rate of approximately 1.7%. Arizona was a top three state in the United States for attracting domestic migrants in 2020 and 2021.

Employment in the Phoenix MSA was resilient throughout the COVID-19 pandemic, with 2021 employment growing 1.4% from the 2019 baseline. The employment base has expanded in the last several years. Professional and business services and educational and health services combined added more than 20,300 positions in 2021, while the manufacturing sector added 3,500 jobs.

Table 1 summarizes several key economic statistics in recent years.

**TABLE 1 — Historical Growth Statistics  
(Annual Averages)**

<u>Year</u>	<u>State of Arizona Population (thousands)<sup>(1)</sup></u>	<u>Phx MSA Population (thousands)<sup>(1)</sup></u>	<u>Phx MSA Non-Agricultural Wage &amp; Salary Employment (thousands)<sup>(2)</sup></u>	<u>Phx MSA Residential Permits<sup>(3)</sup></u>	<u>Phx MSA Personal Income (\$ billions)<sup>(4)</sup></u>
2012 .....	6,474.9	4,266.5	1,760.5	15,967	164.7
2013 .....	6,546.5	4,327.8	1,811.7	18,737	169.0
2014 .....	6,616.0	4,389.5	1,853.1	20,341	179.5
2015 .....	6,701.0	4,464.4	1,915.2	22,402	190.0
2016 .....	6,797.0	4,547.6	1,979.8	28,583	198.8
2017 .....	6,884.5	4,622.2	2,040.0	29,312	210.8
2018 .....	6,982.2	4,703.3	2,108.5	31,343	224.6
2019 .....	7,082.1	4,786.3	2,180.2	35,873	242.6
2020 .....	7,176.4	4,864.9	2,123.3	48,219	267.3
2021 .....	7,285.4	4,946.5	2,220.9	50,581	288.4
2022 .....	7,409.2	5,040.4	2,319.2	47,267	298.3

<sup>(1)</sup> Arizona Department of Administration, Office of Employment and Population Statistics; numbers are estimates as of July 1<sup>st</sup> each year.

<sup>(2)</sup> Arizona Department of Administration, Office of Employment and Population Statistics.

<sup>(3)</sup> U.S. Census Bureau, “Building Permits Survey”.

<sup>(4)</sup> U.S. Bureau of Economic Analysis, "CAINCI County and MSA personal income summary: personal income, population, per capita personal income".

In July 2020, the -4.6% year-over-year employment decrease in the Phoenix MSA represented a net loss of 98,000 jobs compared to July 2019, due to the COVID-19 pandemic. In July 2022, employment had a net gain of 6.0% or 139,000 jobs compared to July 2019.

The Phoenix MSA’s unemployment rate was 4.2% in July 2023. Unemployment rates for the Phoenix MSA, Arizona, and the United States are listed below:

**Comparative Unemployment Rates**

	<u>July 2023</u>	<u>July 2022</u>	<u>July 2021</u>	<u>July 2020</u>	<u>July 2019</u>
Phoenix MSA <sup>(1)</sup> .....	4.2%	3.3%	4.7%	8.9%	4.6%
Arizona.....	3.6%	3.3%	4.9%	8.6%	4.8%
United States.....	3.5%	3.5%	5.4%	10.2%	3.7%

Source: US Department of Labor, Bureau of Labor Statistics and Arizona Department of Administration, Office of Employment and Population Statistics.

<sup>(1)</sup> Not seasonally adjusted.

Recent employment gains have been led by the leisure and hospitality, education and health services, and professional and business services sectors. The District expects to see continued improvements in trade, transportation and utilities, along with gradual growth in the manufacturing sector.

**Phoenix MSA Employment  
(Thousands)**

<u>Year</u>	<u>Natural Resources &amp; Mining</u>	<u>Construction</u>	<u>Manufacturing</u>	<u>Trade, Transportation &amp; Utilities</u>	<u>Information</u>	<u>Financial Activities</u>
2012.....	3.5	86.9	117.7	351.0	32.2	149.7
2013.....	3.6	92.2	118.2	353.9	34.5	157.6
2014.....	3.4	94.1	119.6	362.6	36.1	161.0
2015.....	3.3	97.6	120.9	374.8	37.1	167.0
2016.....	3.2	104.0	121.6	384.6	37.2	176.8
2017.....	3.3	112.4	124.1	392.5	37.7	185.4
2018.....	3.5	123.0	128.8	402.7	39.0	192.0
2019.....	3.6	133.1	133.9	410.2	40.6	200.6
2020.....	2.9	135.6	134.3	414.1	37.9	206.7
2021.....	2.7	140.2	138.8	440.4	40.1	216.8
2022.....	3.0	151.9	147.3	453.8	43.1	218.2

<u>Year</u>	<u>Professional &amp; Business Services</u>	<u>Education &amp; Health Services</u>	<u>Leisure &amp; Hospitality</u>	<u>Other Services</u>	<u>Government</u>
2012.....	286.3	257.6	183.3	62.3	229.9
2013.....	302.2	263.0	191.6	63.7	231.2
2014.....	310.0	271.0	199.1	63.5	232.6
2015.....	324.6	284.4	208.2	63.6	233.6
2016.....	339.2	296.6	215.6	65.6	235.4
2017.....	345.5	311.1	223.4	66.7	238.0
2018.....	358.5	324.3	228.1	69.1	239.4
2019.....	371.9	339.1	233.3	70.3	243.9
2020.....	359.0	336.2	193.4	62.7	240.6
2021.....	374.7	345.6	213.9	68.5	239.1
2022.....	392.4	362.9	235.5	72.4	238.7

Source: Arizona Department of Administration, Office of Employment and Population Statistics.

The Phoenix MSA is home to several corporate headquarters including: AVNET, Republic Services Inc., Freeport-McMoRan, Inc., Insight Enterprises, U-Haul, Carvana, First Solar, ON Semiconductor, Microchip Technology Inc., GoDaddy, Inc., and Viad Corp. In addition, JPMorgan Chase, Wells Fargo, Bank of America, American Express, Charles Schwab, American Airlines, State Farm Mutual, Sentry Insurance Co., Southwest Airlines, and Wal-Mart have substantial regional operations in the Phoenix MSA.

Population and employment growth have been the traditional drivers for the commercial real estate market. The office vacancy rate continued its upward trend increasing to 24.9% in the third quarter of 2023 as large tenants continue to evaluate the efficacy of employees working from home. Industrial real estate activity, as measured by the industrial vacancy rate increased year-over-year to 6.2% in the third quarter of 2023. The increase is a result of 16 million square feet of new industrial space being added to the overall supply due to strong growth in manufacturing, data centers and last mile operations.

The residential real estate market in the Phoenix MSA is a large driver of economic activity. Permits for new homes have steadily increased since 2012 reaching almost 51,000 in 2021 before leveling off in recent years. Home prices grew significantly in recent years, growing over 60% since June 2020 with median sale prices topping out in June of 2022. Prices have retreated in the past year from the 2022 high, falling 7.7% year-over-year in June 2023.

See “SELECTED OPERATIONAL AND FINANCIAL DATA — Customers, Sales, Revenues and Expenses” herein.

## **Irrigation and Water Supply System**

A historic and continuing justification of the Project lies in providing a stable and economic water supply. Agriculture in the plains and valleys of south-central Arizona almost wholly depends upon irrigation due to the low annual rainfall.

The Project provides the water supply for an area of approximately 248,200 acres located within major portions of the cities of Phoenix, Avondale, Glendale, Mesa, Tempe, Chandler, Gilbert, Peoria, Scottsdale and Tolleson.

The water supply for the Association's water service area of the Project is primarily runoff from watersheds consisting of approximately 13,000 square miles which is stored in seven reservoirs, four of which are located on the Salt River, two on the Verde River and one on East Clear Creek. The Association also utilizes a well-established and robust aquifer from which it withdraws groundwater to serve its customers in years when surface water is in limited supply. The Association uses the aquifer to recharge or bank water supplies for future use. Since 1994, the Association has stored more than 1.5 million acre-feet of water, which is approximately twice the annual water demand. The Association also works closely with other large water supply entities in Arizona, and these partnerships have provided, and should continue to provide, supplemental water for the Project.

The Project's C.C. Cragin Reservoir was acquired from Phelps Dodge Corporation (now Freeport-McMoRan, Inc.) in 2005, and ownership of the dam was immediately transferred to the United States Bureau of Reclamation ("USBR"), thereby making it part of the Project's Reservoir System. Water from this relatively small 15,000 acre-foot capacity reservoir on the East Clear Creek Watershed is pumped over the Mogollon Rim where it then flows by gravity into the East Verde River which is a tributary of the Verde River. SRP uses the water rights associated with this reservoir to supplement Project water resources and to assist in resolving water supply and water rights disputes with communities in northern Gila County. In furtherance of the objective of resolving water rights conflicts in the Verde River watershed, the District acquired two agricultural properties and associated water rights which can be used to address local water rights issues. This \$7.1 million investment provides a market-based solution for resolving water rights issues and protecting the flows of the Verde River. The District has invested approximately \$7.5 million for the purchase and management of the properties to date.

The available water supply is important due to its influence on the economy in the area. Since the construction of the dam and reservoir system, the Project has always had sufficient water supply to meet the demands for urban, industrial and agricultural uses within its boundaries. The District's management believes that under established water rights principles relating to water use and studies by the USBR that find the system will continue to be reliable with future climate change, and responsible operation of the reservoir system, the area within the Project water service boundaries has a dependable and assured water supply.

The Southwest has an arid and variable climate leading to high interannual variability in surface water supply. The Project's network of seven reservoirs and approximately 250 active production wells has been developed and is managed to maintain a reliable water supply, even in dry times. For some periods over the past 20 years, the Southwest, including the Project's watershed, has experienced serious drought conditions, but these conditions have been mitigated by contingency management plans resulting in minimal impact to end users. In response to reduced reservoir inflow, the Association has utilized increased groundwater pumping, reductions in water allocations and the purchase or exchange of available supplemental water supplies from the Central Arizona Project.

The true value of the Association's management of water supplies and infrastructure, however, has been demonstrated the past several years as surface water runoff has fluctuated. Due to the severity of drought in 2003 and 2004, the Association reduced the allocation of water to its shareholders and to the valley cities by one-third, only the second time in the Project's long history that allocations have been reduced for consecutive years. In 2005, abundant winter watershed precipitation and runoff refilled reservoirs sufficiently to allow the Association to make full surface water-only deliveries to its shareholders. Normal rain and snow failed to materialize in the winter of 2006 and 2007, suggesting that drought conditions were continuing; however, the winters of 2008, 2009, and 2010 provided sufficiently abundant rain and snow which resulted in full surface water storage and deliveries to Association shareholders once again. The winters of 2011 through 2016 again demonstrated that drought is often a factor in a desert environment as all six winters produced below median inflow. Even so, deliveries to shareholders were not curtailed because the Association was able to balance the peaks and valleys of natural water supply conditions through the conjunctive management of the Project's reservoirs and wells, and remains well-positioned to respond to the natural variability of the Southwestern climate. The winter of 2017 broke the string of 6-years of below median runoff with nearly twice normal runoff and refilled a majority of the reservoir system. After a record

dry winter in 2018, wet winters in 2019 and 2020 resulted in a nearly full reservoir system by late spring 2020. Two more dry winters were observed in 2021-2022, with 2023 being second wettest winter in the last thirty years bringing reservoir storage to record high levels by late March 2023. The combination of surface water from the reservoir system and supplemental groundwater has proven to provide the reliable and resilient water supply necessary for continued economic activity. A study published in 2020 found that the system will continue to be reliable under the range of expected climate futures. The study was conducted by Arizona State University, SRP, and USBR.

The Association operates its groundwater production wells in accordance with a permit issued by the Arizona Department of Environmental Quality (“ADEQ”) pursuant to the Arizona Pollutant Discharge Elimination System program. The permit imposes restrictions on the use of wells having chemical contamination above the permit levels.

To aid in addressing regional water availability issues outside of the Association’s water service area that could impact regional economic productivity, the Project is leading several water supply development efforts in partnership with regional water providers that serve the greater Phoenix Metropolitan Area. These projects aim to leverage flood waters from the Salt and Verde rivers as well as improve regional water conveyance connectivity to further bolster the region’s water resiliency. The water storage projects stand to provide enough water to support approximately 450,000 households each year when implemented. The water conveyance project creates a new interconnection with the Central Arizona Project canal system, which transports water from the Colorado River to Phoenix and Tucson, allowing for improved movement of existing and developed supplies across service areas. These projects will all be implemented with partners, sharing the cost of implementation and supporting regional water security.

See “LITIGATION — Water Rights” for a discussion of additional matters relating to irrigation and water supply.

#### **Telecommunication Facilities**

The District has installed approximately 91,000 strand-miles of fiber optic cable to support communication activities for its water and electric utility operations. Approximately 60% of the available capacity in this system is surplus to its needs. The District has also acquired, through exchanges with other utilities and telecommunications carriers, other fiber optic capacity and has entered into license agreements with telecommunications carriers, such as CenturyLink, Zayo Group, AT&T, and Level 3, among others, as well as with certain enterprise customers to market this excess capacity, and received approximately \$2.4 million in revenue in fiscal year 2023 from this activity.

Additionally, the District makes available certain electric facilities for the purpose of co-locating wireless antenna systems of commercial wireless communications service providers. The District also provides a number of related services to such service providers in conjunction with this activity. The District generated approximately \$12.7 million in revenue from this activity during fiscal year 2023.

#### **Papago Park Center**

Papago Park Center is an approximately 300 acre mixed-use commercial development located on land owned by the District adjacent to its administrative offices. In March 1989, the District leased most portions of the development to Papago Park Center, Inc. (“PPC”), a wholly-owned, incorporated, and taxable subsidiary of the District. The lease between the District and PPC expires on December 31, 2088. PPC, in turn, has and continues to enter into long-term ground subleases with third parties based upon the market value of the property. The land in Papago Park Center has since been developed by third party developers, with the exception of a parcel of approximately 59 acres. That remaining parcel, commonly referred to as The Grand, is in the process of being ground subleased by PPC and developed by third parties. Currently, three leases for two office buildings and one multi-family use building have been signed within the Grand. These leases account for approximately 15.7 acres of the Grand parcel. The lease term to PPC for the Grand has been extended to December 31, 2113. Lease payments from PPC to the District were \$5.3 million and \$5.5 million in fiscal years 2023 and 2022, respectively.

#### **New West Energy Corporation**

In 1997, the District established a wholly-owned, taxable subsidiary, New West Energy Corporation (“New West Energy”), to market, at retail, energy available to the District that was surplus to the needs of its retail customers, and energy that might have been rendered surplus in Arizona by retail competition in the supply of generation. However, as a result of the turmoil in the western energy markets, New West Energy discontinued marketing excess energy in 2001, and is now largely inactive. With the recent passage of H.B. 2101 in April 2022, which repealed the 1998 statutes regarding retail electric competition, New West Energy is expected to remain inactive in the future.



## THE ELECTRIC SYSTEM

### Area Served

The District provides electrical service to major populated sections of Maricopa County, as well as portions of Pinal and Gila Counties. Except for the City of Mesa, which operates its own system, all of the cities within the District's service areas are served in part by the District and in part by Arizona Public Service Company ("APS"). Pursuant to an agreement between the District and APS which was approved by the ACC, the urban areas and the adjacent suburban areas now served by the District's distribution system will continue to be so served even though the latter may be annexed to a city in the future. The District also provides power directly for mining load requirements, principally in Pinal and Gila Counties.

### Projected Peak Loads and Resources

The District annually estimates its future sales of energy by taking into account customer growth, changes in customer usage patterns and historic, as well as projected, weather data. The resource portfolio is examined to determine the expected sources of power and energy that may be used to supply the estimated system requirements.

The projections in Table 2 represent the District's estimate of the most probable components of system peak loads and resources for fiscal years 2024 through 2029. The projections reflected therein are consistent with industry-wide experience and provide the basis for the District's current year operating budget, May 2023 through April 2024. However, they are based on certain assumptions that, if not realized, may adversely affect such projections. These projections are reassessed annually during the winter, as part of the District's annual budget process. If projections of economic and customer growth were to decline as a result of the weakness in the economies of the nation or in the Phoenix-Mesa-Scottsdale MSA, the projections in Table 2 would be revised downward. See "THE DISTRICT — Economic and Customer Growth in the District's Service Area."

The projections shown in Table 2 do not reflect any sales of excess capacity other than sales pursuant to existing agreements. The resources in excess of peak load are expected to be generally gas, coal, and oil-fired resources, which are the District's dispatchable resources.

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**TABLE 2 — Projected Peak Loads and Resources (MW)  
Fiscal Years Ending April 30,**

	<u>2024</u>	<u>2025</u>	<u>2026</u>	<u>2027</u>	<u>2028</u>	<u>2029</u>
Annual Peak:(MW) <sup>(1)(2)</sup>						
Service Territory System Requirements <sup>(3)(4)(5)</sup> .....	8,957	9,510	9,872	10,444	10,422	10,772
Sales for Resale.....	88	88	53	53	53	53
Demand-Side Resources <sup>(5)</sup> .....	(1,210)	(1,280)	(1,352)	(1,430)	(1,110)	(1,124)
Total Peak Load <sup>(6)</sup> .....	7,835	8,318	8,573	9,066	9,365	9,700
Resources:						
Owned:						
Gas and/or Oil <sup>(7)</sup> .....	5,000	5,016	5,016	5,016	5,016	5,016
Coal .....	1,704	1,704	1,704	1,577	1,577	1,447
Nuclear .....	792	802	802	802	802	802
Renewables <sup>(8)</sup> .....	235	235	235	235	235	235
Future Peaking/Intermediate Resources	-	84	84	336	336	336
Purchased:						
Future Demand Response Deemed Resource <sup>(9)</sup>	163	175	188	200	213	225
Tri-State – Tri-State Generation and Transmission Association, Inc. (“Tri-State”) <sup>(10)</sup> .....	100	100	100	100	100	100
Renewable Purchases <sup>(11)</sup> .....	619	614	618	618	617	617
Future Renewable Purchases <sup>(9)</sup> .....	238	708	789	867	1,123	1,603
Other Existing .....	38	38	38	38	38	38
Future Purchases.....	775	846	846	846	846	846
Total Resources .....	9,501	10,147	10,231	10,434	10,690	11,041
Total Resources in Excess of Total Peak Load .....	1,829	2,004	1,846	1,568	1,538	1,566
Planned Reserve Percentage <sup>(12)</sup> .....	21.9	22.1	19.8	17.2	16.4	16.3

(1) The forecast was approved February 2023.

(2) Peak normally occurs in the June through September months of the prior calendar year (the beginning months of the fiscal year).

(3) Arizona law requires the District to meet all distribution area loads under 100,000 kWh, even if some retail customers elect to be served by others.

(4) Projected peak demand for electricity for retail customers does not take into account the impact of demand-side resources that would reduce demand.

(5) Demand-side resources are programs or price plans which incent behavior that results in a reduction of the expected peak demand for electricity of retail customers. Also includes the projected reduction of peak demand due to federal efficiency codes and standards for lighting and heating ventilation and air conditioning (“HVAC”) equipment, as well as customer-owned distributed generation that is already installed.

(6) Projected peak load for retail customers reduced by the impact of demand-side resources and increased by firm wholesale obligations (sales for resale).

(7) Includes planned upgrades on existing combined cycle natural gas units.

(8) Renewables include owned hydro-electric generation.

(9) Storage & renewable purchases, and Demand Response are risk adjusted using effective load carrying capabilities to determine contribution to peak.

(10) The District has a 30-year agreement with Tri-State to purchase 100 MW of capacity from Springerville Unit 3. Commercial operation of Unit 3 began on September 1, 2006.

(11) Renewable purchases include the District’s federal hydro-power and other renewable energy purchase power agreements.

(12) Cannot be derived solely from the information set forth in Table 2. The slightly higher reserve percentages include additional generation assets procured by the District as a result of the 2021 RFP process as well as slightly reduced load forecasts for fiscal years 2024 and 2025.

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## **Reserve Targets**

The District's Financial Plan applies a production cost model to forecast the generating resource portfolio that will meet expected "load" or system demand. The fiscal year 2023 Financial Plan also buffers the highest peak demand expectations with a 16% planning reserve projection in fiscal year 2024. Extreme local weather, industry transformation and sector-wide electrification put responsibility on the District to act as a market resource despite the advanced expense of carrying surplus reserves for risk mitigation. The District believes a 16% peak reserve target balances both economics and reliability.

## **Existing and Future Resources**

The District has various resources available to provide electricity in its service area. Those resources include the generating facilities owned solely by the District, generating facilities in which the District owns one hundred percent (100%) of an individual generating unit but shares common facilities with others, generating facilities in which the District owns a percentage interest in one or more generating units as well as the associated common facilities, and facilities for which the District has entered into agreements with others to purchase power.

The District's high operating standards and management practices result in top asset performance and low outage rates. These practices ensure future economic value of the District's capital investments. In addition to prudent management practices, viability of the District's existing assets is impacted by fuel prices, environmental regulations, emissions reductions targets, and changing operational dynamics based on diversified fleet technology that present new generating and capacity profiles to the industry. The District regularly evaluates a variety of industry risks using objective metrics, third-party research, and subjective collaborations (ex. leadership, stakeholders and board members). Strategic directions are chosen after repeated evaluations of production, costs, market, and regulatory considerations. For example, commitments to retire coal generating assets and buy or build renewable facilities are ongoing. The District regularly evaluates its generating portfolio for the optimal mix of assets that promote safety, reliability, cost and environmental sustainability.

*Economic Viability of Existing Generation Assets.* The District's existing generating stations have long played a vital role in preserving the reliable, low-cost energy and generation capacity District customers have come to expect. These generating stations historically have achieved high availability and low forced outage rates as compared to industry averages. This performance can largely be attributed to prudent operational and maintenance practices. Sustaining and improving this performance will be achieved by continuing a focused effort on asset management procedures which not only monitor equipment performance and health but also include solid preventive, predictive and corrective maintenance activities. By combining these practices with the ongoing application of engineering and technology improvements, the District will help ensure that the future economic and operational value of the majority of its existing assets are maintained.

*Integrated System Plan.* The District has a long-standing track record of using Integrated Resource Planning to plan long-term generation resource decisions with particular focus given to addressing risks and uncertainty to avoid disruptions in customers' power. The many changes in today's power systems require new approaches to optimize a safe, reliable, affordable and environmentally responsible power system. In 2021, the District initiated the first-ever, industry leading integrated system planning process. The first Integrated System Plan is an innovative effort that provides a holistic view of the system that includes generation, transmission, distribution, and customer programs amid uncertain conditions. It is focused on years 2025 to 2035 and will provide a roadmap of activities to address evolving customer expectations, demand growth, and the transition to an increasingly complex, lower carbon grid while maintaining a high standard of customer satisfaction.

During the integrated system planning process, the District has collaborated with stakeholders representing the District's community and customers to provide learning opportunities and build support for a shared vision of the future power system. These engagement opportunities allow the District to hear directly from stakeholders (including residential customers) regarding their sustainability goals, reliability needs, and affordability concerns to inform the Integrated System Plan strategy. This first Integrated System Plan was approved by the District's Board on October 2, 2023.

*Summary of Existing Power Sources during the fiscal year ended April 30, 2023.* The District supplied approximately 24% of net generation from no emissions sources like solar, wind, hydroelectric and nuclear facilities, during the fiscal year ended April 30, 2023 (FY23). Thermal assets supplied approximately 67% of net production

energy (MWh) while other purchases are responsible for approximately 9%. Table 3 provides more detail on District power sources.

To maintain system reliability, the District added two flexible gas combustion turbines at Desert Basin Generating Station in Casa Grande, and Agua Fria Generating Station in Phoenix. Each site added 99 MW of nameplate capacity in summer of 2022 (Fiscal Year 2023).

The District entered into power purchase tolling agreements for Harquahala Generating Project in Tonopah (an unincorporated Census Designated Place in Maricopa County). For summer 2021 through summer 2023, the District received a portion of the total 975 MW of capacity, including 675 MW for summer 2023, with remaining capacity being utilized by other utilities. Beginning in 2024 and continuing through calendar year 2031, Harquahala is exclusively tolled by the District.

In December 2022, the District's Board of Directors approved the continued development at the Copper Crossing Energy and Research Center in Florence which includes a utility-scale advanced solar generation facility capable of generating up to 55 MW of solar energy. This will be the first utility-scale solar asset in the District's portfolio that the District self-develops, owns, and operates. The District will also add 2 flexible gas combustion turbines totaling 99 MW at the Copper Crossing Energy and Research Center by summer 2024.

Historically, the District has contracted generation from renewable resources through power purchase agreements with developers who have access to tax credits. The recent passage of the Inflation Reduction Act allows not-for-profit public power utilities like the District to directly receive federal incentive payments for renewable projects. This may give the District greater ability to develop, operate and advance more renewable resources and potentially reduce costs for customers as the District transitions its generation fleet.

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**TABLE 3 — Fiscal Year 2023 District Power Sources**

	Capability (MW) <sup>(1)</sup>	% of Total	Net Production	
			Amount (MWh) <sup>(2)</sup>	% of Total
<b>District Generation:</b>				
<b>One Hundred Percent Entitlement – Renewable Hydroelectric</b>				
Arizona Falls .....	0	0.00%	42	0.00%
Horse Mesa Dam - Run of River .....	30	0.33%	147,411	0.38%
Mormon Flat Dam - Run of River .....	10	0.11%	73,116	0.19%
Roosevelt Dam .....	34	0.37%	94,991	0.24%
South Consolidated-Canal Plant .....	0	0.00%	0	0.00%
Stewart Mountain Dam .....	0	0.00%	34,852	0.09%
Subtotal Renewable Hydroelectric .....	74	0.81%	350,412	0.90%
Horse Mesa Dam Pumped Storage .....	96	1.05%	23,942	0.06%
Mormon Flat Dam Pumped Storage .....	50	0.55%	11,814	0.03%
Subtotal Pumped Storage Hydroelectric .....	146	1.60%	37,756	0.09%
<b>One Hundred Percent Entitlement – Thermal</b>				
Agua Fria (Steam) .....	381	4.17%	106,312	0.27%
Agua Fria (Gas Turbine) .....	168	1.84%	3,390	0.01%
Agua Fria (Peaking) .....	99	1.08%	21,302	0.05%
Coolidge (Gas Turbine) .....	503	5.51%	399,450	1.02%
Coronado Generating Station (Coal) .....	762	8.34%	3,344,258	8.56%
Desert Basin Combined Cycle (Gas) .....	550	6.02%	1,957,521	5.01%
Desert Basin (Peaking) .....	99	1.08%	17,435	0.04%
Gila River (1+4) .....	1,040	11.38%	5,704,170	14.60%
Kyrene (Steam) .....	0	0.00%	0	0.00%
Kyrene (Gas Turbine) .....	127	1.39%	1,630	0.00%
Kyrene (Combined Cycle) .....	222	2.44%	1,348,216	3.45%
Mesquite (Gas) .....	598	6.54%	3,400,183	8.70%
Santan Combined Cycle (Gas) .....	1,134	12.42%	3,678,435	9.42%
Springerville Generating Station (Coal) .....	415	4.54%	1,431,880	3.67%
Subtotal .....	6,098	66.77%	21,414,182	54.82%
<b>One Hundred Percent Entitlement – Renewable</b>				
Agua Fria Battery .....	25	0.27%	23,439	0.06%
Solar .....	0	0.00%	876	0.00%
Subtotal Other .....	25	0.27%	24,315	0.06%
<b>Participation Plants</b>				
Craig Generating Station .....	243	2.66%	1,227,214	3.14%
Four Corners Generating Station Units 4 & 5 .....	154	1.69%	1,033,471	2.65%
Hayden Generating Station .....	130	1.42%	783,173	2.00%
Palo Verde Nuclear Generating Station .....	698	7.64%	5,860,849	15.00%
Subtotal .....	1,225	13.41%	8,904,707	22.80%
<b>Purchases and Receipts<sup>(3)</sup></b>				
Hoover – Federal Hydro .....	148 <sup>(4)</sup>	1.62%	87,501	0.22%
Colorado River Storage Project .....	67 <sup>(4)</sup>	0.73%	222,155	0.57%
Parker-Davis Dams .....	32 <sup>(5)</sup>	0.35%	147,866	0.38%
TSGT – Tri-State Generation & Transmission (SP3) .....	100 <sup>(10)</sup>	1.09%	531,009	1.36%
Harquahala .....	367 <sup>(6)</sup>	4.02%	1,009,671	2.58%
Dorman Battery .....	10	0.11%	0	0.00%
Renewables – Bonnybrooke Solar .....	52	0.57%	129,941	0.33%
Renewables – NTUA Kayenta Solar 1+2 .....	60 <sup>(6)</sup>	0.66%	59,684	0.15%
Renewables – Pinal Central Energy Center Battery .....	19 <sup>(6)</sup>	0.21%	13,740	0.04%
Renewables – Pinal Central Energy Center Solar .....	35	0.38%	46,591	0.12%
Renewables – Central Line Solar .....	100	1.09%	265,501	0.68%
Renewables – Novo (Biomass) .....	14 <sup>(6)</sup>	0.15%	113,808	0.29%
Renewables – Wind Power Dry Lake I .....	63 <sup>(6)</sup>	0.69%	120,970	0.31%
Renewables – Poseidon Wind Power Dry Lake II .....	65 <sup>(6)</sup>	0.71%	120,729	0.31%
Renewables – Poseidon Solar (Copper Crossing) .....	20	0.22%	50,613	0.13%
Renewables – Power East Line Solar .....	100	1.09%	245,338	0.63%
Renewables – West Line Solar .....	0 <sup>(6)</sup>	0.00%	99,984	0.26%
Renewables – Queen Creek Solar .....	19	0.21%	40,964	0.10%
Renewables – Sandstone Solar .....	45	0.49%	113,625	0.29%
Renewables – Saint Solar (NextEra) .....	100	1.09%	279,845	0.72%
Renewables – CalEnergy Geothermal .....	69 <sup>(6)</sup>	0.76%	626,514	1.60%
Renewables – Cove Fort Geothermal .....	25	0.27%	145,444	0.37%
Renewables – Hudson Ranch Geothermal (Resold to LADWP) .....	55	0.60%	390,773	1.00%
Others Purchases .....	0	0.00%	3,471,380 <sup>(7)(8)</sup>	8.89%
Subtotal .....	1,565	17.14%	8,333,646	21.33%
<b>TOTAL<sup>(9)</sup> .....</b>	<b>9,133</b>	<b>100.00%</b>	<b>39,063,018</b>	<b>100.00%</b>

(1) Load capability during summer system peak. Winter capability may be greater.

(2) Actual net production during the fiscal year ended April 30, 2023.

(3) Purchase and receipt capabilities vary month to month. Listed are the capabilities for the peak month.

(4) Includes MW wheeled for certain electrical/irrigation districts.

(5) Includes 1 MW wheeled for City of Gilbert.

(6) Capability based on actual output during summer peak day/hour: July 11, 2022 HE16

- (7) Other Purchases: Short Term, Loss, Non-Firm, and excluding Bookouts.
- (8) EIM and estimates included.
- (9) Totals may not add due to rounding.
- (10) Based on long-term contract.

**Natural Gas Generation.** The District operates and has 100% ownership of several generating units, some with shared common facilities that utilize natural gas to generate electricity through a variety of single cycle, combined cycle, and steam generating units. All of these generating stations operate in and around the Phoenix metropolitan area: Agua Fria Generating Station, Coolidge Generating Station, Desert Basin Generating Station, Gila River Generating Station Block 1 & Block 4, Kyrene Generating Station, Mesquite Generating Station Block 1, and Santan Generating Station. The total generating capability of these plants in the peak summer month is approximately 4,921 MW. As part of the approved Coolidge Expansion Project, 12 gas turbines will be constructed to offer 575 megawatts (MW) of new power generation to the Coolidge Generating Station. These 12 new turbine units will provide enough power for approximately 139,000 average-size homes. The District expects construction to begin in 2024 with the first six turbine units becoming operational by the summer of 2026 and the remaining six units becoming operational by the summer of 2027.

**Coal Generation.** The District operates and has 100% ownership of the Coronado Generating Station located in St. Johns, Arizona. The District has 100% ownership of Unit 4 of the Springerville Generating Station located in Springerville, Arizona which is operated by Tucson Electric Power (“TEP”). The Coronado Generating Station has a total capacity of 762 MW, and Springerville Unit 4 has a total capacity of 415 MW.

The District has tentatively set retirement dates for Coronado Generating Station Unit 1 and Unit 2 for no later than calendar year 2032, while retirement for Springerville Unit 4 remains undetermined.

**Anticipated Coal Generator Shutdowns**

<u>2025</u>	<u>2027</u>	<u>2028</u>	<u>2031</u>	<u>2032</u>
Craig Unit 1	Hayden Unit 2	Craig Unit 2	Four Corners Units 4 & 5	Coronado Units 1 & 2

See “CERTAIN FACTORS AFFECTING THE ELECTRIC UTILITY INDUSTRY — Environmental — Coronado Generating Station and Springerville Generating Station” for further discussion.

**Jointly-Owned Generation Facilities.** The District has an ownership interest in four jointly-owned generating facilities. The percent participation of the District and the other participants in the facilities is set forth in Table 4. Additional information about each facility follows Table 4.

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**TABLE 4 — District Participation Interests in Existing Generating Facilities <sup>(1)</sup>**

	<b>Four Corners Generating Station Units 4 &amp; 5</b>	<b>Hayden Generating Station Unit 2</b>	<b>Craig Generating Station Units 1 &amp; 2</b>	<b>Palo Verde Nuclear Generating Station</b>
<b>Project Capabilities</b>				
Total Continuous Load Capabilities (MW) .....	1,540	262	856	3,937 <sup>(2)</sup>
<b>Project Participants (%)</b>				
District .....	10.0	50.0	29.0	20.1
Arizona Public Service Company (“APS”) .....	63.0	—	—	29.1
Department of Water & Power, Los Angeles (“LADWP”) .....	—	—	—	5.7
El Paso Electric Company (“El Paso”) .....	—	—	—	15.8
Navajo Transitional Energy Company (“NTEC”) .....	7.0	—	—	—
Nevada Power Company (“NPC”) .....	—	—	—	—
Platte River Power Authority .....	—	—	18.0	—
PacifiCorp .....	—	12.6	19.3	—
Public Service Company of Colorado (“PSCo”) .....	—	37.4	9.7	—
Public Service Company of New Mexico (“PNM”) .....	13.0	—	—	7.6
Southern California Edison Company (“SCE”) .....	—	—	—	15.8
Southern California Public Power Authority (“SCPPA”) .....	—	—	—	5.9
Tri-State .....	—	—	24.0	—
TEP .....	7.0	—	—	—
USBR .....	—	—	—	—
Total Percentage .....	100.0%	100.0%	100.0%	100.0%

<sup>(1)</sup> Generally, if a default by any participant in the payment or performance of an obligation under a participation agreement continues without having been cured or without the participant having commenced and continued to cure the default, then the non-defaulting participants may suspend the right of the defaulting participant to receive its capacity entitlement. In case of default, (1) each non-defaulting participant will bear a portion of the operation and maintenance costs otherwise payable by the defaulting participant in the ratio of the non-defaulting participant’s respective capacity entitlement to the total capacity entitlement of all non-defaulting participants, and (2) the defaulting participant will be liable to the non-defaulting participants for all costs incurred by the non-defaulting participants pursuant to (1) and for all costs in operating the project at a reduced level of generation brought about by the reduction of the capacity entitlement of the defaulting participant. To the District’s knowledge, there are no participants currently in default.

<sup>(2)</sup> Amount shown is maximum dependable capability. Except during summer, normal continuous load capability will usually exceed 3,937 MW, MDC net (Maximum Dependable Capacity, net).

**Craig Generating Station Units 1 and 2.** The District owns 29% of Craig Generating Station (“Craig”) Units 1 and 2, which are operated by Tri-State. The two 428 MW coal-fired generating units commenced commercial operations in 1981 and 1979, respectively. The Craig Units 1 and 2 are located in the Yampa Valley near the City of Craig in northwestern Colorado. The District’s entitlement to power and energy from Craig Units 1 and 2, Four Corners Generating Station (“Four Corners”) Units 4 and 5 and Hayden Generating Station (“Hayden”) Unit 2, is subject to a displacement arrangement with the Western Area Power Administration (“WAPA”). Power and energy is delivered to WAPA and used for WAPA’s customers located in Colorado, New Mexico, Utah and Wyoming. WAPA delivers a similar amount of power and energy to the District from the Glen Canyon Hydroelectric Generating Station. This is a displacement arrangement that reduces transmission investment, operating expenses and energy losses both for WAPA and for the District.

In July 2020, the owners of Craig announced the shutdown date for Unit 2. Previously, the shutdown dates for Craig Unit 1 and Unit 3 (owned by Tri-State) had been announced. The shutdown dates are: Unit 1 – by December 31, 2025; Unit 2 – by September 30, 2028; Unit 3 – by December 31, 2030.

See “THE ELECTRIC SYSTEM — Existing and Future Resources — *Coal*” for comments relating to the coal supply for the Craig Units 1 and 2.

**Four Corners Generating Station Units 4 and 5.** Four Corners Units 4 and 5, operated by APS, are located on the Navajo Nation near Farmington, New Mexico. The District owns 10% of Units 4 and 5, two 770 MW coal-fired generating units, which commenced commercial operations in 1969 and 1970, respectively. The coal for Four

Corners comes from the Navajo Mine located 11 miles away on the Navajo Nation. In January 2020, the owners of Four Corners announced that they will be shutting down Units 4 and 5 by the end of 2031.

**Hayden Generating Station Unit 2.** The District owns 50% of Hayden Unit 2, a 262 MW coal-fired generating unit, which commenced commercial operations in 1976 and is located in Hayden, Colorado. PSCo, an operating company within Xcel Energy, is the operating agent. In January 2021, the owners of Hayden announced that Unit 1 will be shutting down by the end of 2028, and Unit 2 will be shutting down by the end of 2027.

See “THE ELECTRIC SYSTEM — Existing and Future Resources — *Coal*” for comments relating to the coal supply for the Hayden Unit 2.

**Navajo Generating Station.** Navajo Generating Station (“NGS”), located on the Navajo Nation near Page in Northern Arizona, was permanently shut down on November 18, 2019. Decommissioning activities are in progress, and the owners have until December 31, 2025 to complete the decommissioning work. See “THE ELECTRIC SYSTEM — Environmental Matters — *Navajo Generating Station and Four Corners Generating Station Units 4 and 5*” for a discussion of environmental considerations with respect to NGS and administration of federal environmental laws by Indian tribes.

**Palo Verde Nuclear Generating Station.** The District recently acquired a portion of PNM’s ownership interest in the Palo Verde Nuclear Generating Station (“PVNGS”), located near Wintersburg, Arizona and now owns 20.1% of PVNGS. APS is the project manager and operating agent. PVNGS Units 1, 2 and 3 commenced commercial operation in 1985, 1986, and 1987, respectively. In April 2011, the U.S. Nuclear Regulatory Commission (the “NRC”) issued Renewed Facility Operating Licenses for the three PVNGS Units to 2045, 2046 and 2047, respectively. The District is under contract to acquire an additional interest of PNM’s in PVNGS, and, by February 2024, the District may have approximately 20.4% ownership interest in PVNGS.

PVNGS originally consisted of three nominally sized 1,270 MW pressurized water nuclear generating units. The steam generators and low-pressure turbine rotors have been replaced in all three units resulting in an increase of 65 to 71 MW net output (11 to 12 MW as the District share) in each unit. Reactor vessel heads were replaced in all three units. This replacement eliminated industry issues regarding alloy 600 nozzle corrosion cracking in the reactor vessel head.

See “CERTAIN FACTORS AFFECTING THE ELECTRIC UTILITY INDUSTRY — Nuclear Plant Matters” for a discussion of liability issues.

**Purchased Power.** The District supplies a portion of its energy and demand requirements with purchased power from several sources as shown in Table 3. During fiscal year ending in April 2023, approximately 21% of the District’s energy requirements were met with power purchases, of which approximately 9% were firm short-term purchases. The District has entered into various long-term power purchase agreements (PPAs) for renewable energy generation that deliver energy for periods of twenty to thirty years, as reflected in the table below.

The District continues to experience a significant increase in customer electricity demand as Phoenix and Maricopa County lead the nation in population growth and economic development. To meet customers’ growing needs, the District issued an All-Source Request For Proposal (RFP) on March 23, 2023 and is actively evaluating responses. Similarly, the District assessed and executed numerous renewable energy contracts as a result of the October 2021 RFP for additional power generation resources of all types, to meet summer peak capacity needs by 2024 and 2026. Resources selected through these all-source RFP processes support the District’s 2035 Sustainability Goals and related targets for 2,025 MW of solar generation by 2025. As part of the District’s efforts to expand customer-dedicated green energy programs for commercial and industrial customers, three solar PPAs are dedicated to large customers with sustainable initiatives. The renewable energy from the 100 MW East Line Solar project and the 100 MW Saint Solar project serves twelve high usage customers. The Central Line Solar project provides 100 MW since December 2021. All three projects are in Pinal County. These solar projects were the first 300 MW targeting the District’s goal of 2,025 MW new utility-scale solar energy by the end of fiscal year 2025.

There are other landmarks in the District’s dedication to renewable energy and innovation, such as the 25 MW/100MWh lithium-ion battery energy storage system at Agua Fria Generating Station which has been operating since 2019. Likewise, the Pinal Central Solar Photovoltaic Generation Facility, with a capacity of 20 MW together with a 10 MW/40MWh lithium-ion battery energy storage system, has been operating since 2018. In late 2015, the



District entered into an energy and environmental attribute transaction with the Navajo Tribal Utility Authority (“NTUA”) for the Kayenta Solar Project or other qualified solar photovoltaic facilities on the Navajo Nation land in Arizona. The first phase of this project, the Kayenta Solar I Project is a 27 MW solar energy project, that has been operating since 2017. Under this project, the local NTUA consumes the power locally and bundles the solar generation RECs with firm energy from other generation resources and delivers this energy and the RECs to the District. The initial one-year term of this project was extended through March 2038. The second phase of this project, the Kayenta 2 Solar Project, began operations in August 2019 and has a 30-year term. Furthermore, the District continues to have PPAs with hydroelectric facilities such as Hoover, the Colorado River Storage Project (“CRSP”), and the Parker-Davis Project, which totaled 247 MW nameplate capacity in FY2023. Diversification is vital as the ongoing Southwest drought conditions has reduced reservoir inflows which may impact power generation from these facilities in the future. The District has contracted more than 2,500 MW of renewable sourced electric capacity between 2009 and September 2023.

### Summary of Purchased Power from Renewable Energy Sources as of September 2023

Project	Counterparty	Capacity <sup>(1)</sup> (MW)	Fuel	Commercial Operation	Term (End Date)	Location
Novo BioPower	Novo BioPower, LLC	14	Biomass	FY2009	FY2034	Snowflake, AZ
Dry Lake I	Dry Lake Wind Power LLC	63	Wind	FY2010	FY2030	Holbrook, AZ
Dry Lake II	Dry Lake Wind Power II LLC	64	Wind	FY2011	FY2031	Holbrook, AZ
Hudson Ranch I	Hudson Ranch Power I, LLC	55	Geothermal	FY2012	FY2042	Imperial Valley, CA
Queen Creek Solar	Queen Creek Solar, LLC	19	Solar PV	FY2013	FY2033	Queen Creek, AZ
Cove Fort	Enel Cove Fort, LLC	25	Geothermal	FY2014	FY2034	Beaver County, Utah
Sandstone Solar	Sandstone Solar, LLC	45	Solar PV	FY2016	FY2037	Florence, AZ
CalEnergy	CalEnergy, LLC	87	Geothermal	FY2016 - FY2020	FY2040	Imperial Valley, CA
Kayenta Solar	NTUA	27	Solar PV	FY2018	FY2038	Navajo Nation, AZ
Kayenta Solar 2	NTUA	27	Solar PV	FY2020	FY2050	Navajo Nation, AZ
Pinal Central Energy Center	Pinal Central Energy Center, LLC	20 + 10	Solar PV + Storage	FY2018	FY2039	Pinal County, AZ
Saint Solar + Storage	Saint Solar LLC, Saint Energy Storage II, LLC	100 + 100	Solar PV + Storage	FY2021	FY2046	Pinal County, AZ
East Line Solar	East Line Solar LLC	100	Solar PV	FY2021	FY2046	Pinal County, AZ
Central Line Solar	Central Line Solar, LLC	100	Solar PV	FY2022	FY2042	Pinal County, AZ
West Line Solar	West Line Solar, LLC	100	Solar PV	FY2023	FY2048	Eloy, AZ
Babbitt Ranch	Babbitt Ranch Energy Center, LLC	161	Wind	FY2024	FY2054	Coconino County, AZ
Sonoran Energy Center	Sonoran Solar Energy, LLC	260+260	Solar PV + Storage	FY2024	FY2044	Little Rainbow Valley, AZ
Storey Energy Center	Storey Energy Center, LLC	88+88	Solar PV + Storage	FY2024	FY2044	Pinal County, AZ
Brittlebush	Randolph Solar Park LLC	200	Solar	FY2025	FY2050	Pinal County, AZ
Cameron	NGI-Cameron I, LLC	200	Solar	FY2025	FY2050	Navajo Nation, AZ
Sierra Estrella Storage	Sierra Estrella Energy Storage LLC	250	Storage	FY2025	FY2045	Avondale, AZ
Superstition Energy Storage	Superstition Energy Storage LLC	90	Storage	FY2025	FY2045	Gilbert, AZ
CO Bar Solar	CO Bar Solar LLC	400	Solar PV	FY2026	FY2046	Coconino County
CO Bar D	CO Bar Solar LLC	394	Solar PV	FY2026	FY2047	Coconino County

<sup>(1)</sup> Capacity based on manufacturer nameplate capability.

**Coolidge Generating Station.** The District owns and operates the Coolidge Generating Station, a simple cycle combustion turbine electric peaking plant near Randolph, Arizona with a nominal capacity rating of approximately 551 MW. As part of the approved Coolidge Expansion Project, 12 gas turbines will be constructed to offer 575 megawatts (MW) of new power generation, which are each capable of ramping up to full production within ten (10) minutes. This reliable peaking asset will provide enough power for approximately 139,000 average-size homes by supporting the integration of wind, solar and batteries on our system. Like all the District's facilities, it will comply with all local, state and federal air quality regulations which are protective of human health and the environment. The District expects construction to begin in 2024 with the first six turbine units becoming operational by the summer of 2026 and the remaining six units becoming operational by the summer of 2027.

**Gila River Power Station.** The District owns 100% of power blocks 1 and 4 of the Gila River Power Station ("Gila River") and an undivided 50% ownership interest in the facility's common assets, shared spare parts inventory, and infrastructure. Gila River consists of four combined cycle gas-fired generating power blocks, each nominally rated at 550 MW. The District is the operator of the entire Gila River facility.

**Mesquite Generating Station.** The District owns 100% of power block 1 of the Mesquite Generating Station ("Mesquite") which consists of two combined-cycle gas-fired generating power blocks, each nominally rated at 625 MW. Mesquite is located approximately 40 miles west of Phoenix, Arizona. The District also has an undivided 50% ownership interest in most of the facility's common assets and a 32.05% interest in the adjacent switchyard. The District is the operator for the entire facility.

**Peaking Generation Siting.** The timing of new resources procurement or acquisition is driven by the regional demand/load forecast, the development of demand-side response programs, and new or available generating assets throughout the West. Various federal, state and regional initiatives relating to fossil-fuel-fired generating plants may hinder the construction or procurement of additional fossil-fuel-fired generating plants in the future which may have an adverse impact on the District's ability to meet its native load commitments.

**Future Resources.** The District evaluates its options for obtaining reliable resources on a lowest possible cost basis. In addition to the potential future resource options described below, the District balances short-term and long-term energy purchases, refinements to its conservation programs, building its own new generation and ventures with other plant developers to acquire the output from other plants being constructed. Arizona and many other western states have either deferred or re-examined the implementation of deregulation of the electric industry. As a result, certain merchant generators are seeking buyers for sales of power from, or purchases of, their plants. Consistent with its acquisition of the Coolidge Generating Station, Desert Basin Project, Gila River Generating Station Blocks 1 & 4, and Mesquite Block 1, the District continues to evaluate the acquisition of other existing generation facilities.

**Transmission.** Electricity from the District's diversified generation resource mix is delivered to customers over a complex and reliable transmission system, which is integrated into the broader transmission network in the western United States. The District owns, or jointly owns, transmission systems consisting of over 3,200 miles of transmission lines at voltages ranging between 69 kilovolts (kV) and 500kV. The District's transmission system transports electricity from generation resources to the distribution system and ultimately serves the District's retail customers. When it is not prudent to build new or upgrade existing transmission lines, the District meets customers' needs by acquiring contract rights on transmission systems owned by others. The District also uses its transmission system to access generation resources produced by others and to transmit this energy when surplus transmission capacity is available.

A healthy and reliable transmission system is integral to providing safe and reliable power at a reasonable cost. As the demand for electricity increases, it will be necessary to make upgrades, additions, or changes to the transmission system to maintain its health and reliability. Additionally, the quality of the transmission system is also challenged by external forces such as new regulations and policies, fluctuations in the economy and advancements in technology.

In order to maintain a healthy and reliable transmission system the District must determine the need for system improvements years in advance of the actual need. This is accomplished through annual planning studies that assess system performance for the upcoming ten years. These studies are performed in accordance with industry accepted planning standards and practices. The results of the studies are used to design the District's transmission system to reliably serve the expected electric system load. The transmission system upgrades, additions and changes that are needed over the next two years are reflected in the Capital Improvement Program.

**Fuel Supply.** The District’s projected use of fuel and other energy sources by type is shown on the following table, which summarizes the District’s various sources of energy assuming the most efficient utilization of the facilities expected to be available for the dates indicated.

**TABLE 5 — Summary of Projected Energy Sources  
(Expressed as a percentage of total sources)**

<u>Fiscal Year Ending April 30,</u>	<u>Hydro/ Sustainable<sup>(2)</sup></u>	<u>Gas/Oil</u>	<u>Coal</u>	<u>Nuclear</u>	<u>Renewables/ Sustainable<sup>(3)</sup></u>	<u>Other</u>
2024 .....	2.3%	35.3%	28.3%	19.0%	13.8%	1.4%
2025 .....	2.0%	34.2%	26.8%	17.6%	18.6%	0.7%
2026 .....	1.9%	32.5%	26.3%	16.8%	21.6%	0.8%
2027 .....	1.8%	39.0%	19.6%	15.6%	23.0%	1.0%
2028 .....	1.7%	40.3%	18.2%	14.9%	23.9%	1.0%
2029 .....	1.5%	40.2%	14.9%	13.8%	28.2%	1.3%
2030 .....	1.3%	38.9%	11.3%	13.9%	32.8%	1.7%

(1) Reference case FP24 Budget Forecast

(2) Includes federal hydro purchases; hydro resources are included in the District’s Sustainable Portfolio.

(3) Includes renewable energy purchases, renewable resources, energy efficiency and demand response.

(4) Totals may not add due to rounding.

**Coal.** The District has an interest in five coal-fired generating stations. The District plans to shut down Craig Unit 1 on December 31, 2025. Likewise, the anticipated shutdown date for Hayden, Unit 2 is the end of 2027. Craig Unit 2 will retire on September 30, 2028, while the Four Corners Units 4 and 5 is scheduled for closure at the end of 2031. Finally, the anticipated shutdown date for the Coronado Generating Station (“CGS”) is no later than the end of 2032. Similarly, coal supply contracts for Four Corners expire in July 2031, which coincides with the anticipated shutdown date for Units 4 and 5. The current coal supply contract for Hayden Unit 2 became effective January 1, 2012 and will expire in December 2027, which coincides with the anticipated shutdown date for Hayden Unit 2. The current coal supply contract for Craig will expire in December 2025, which coincides with the anticipated shutdown date for Craig Unit 1. The District has three existing coal supply agreements that provide for the supply of coal to both the Coronado Generating Station (“CGS”) and Springerville Unit 4. The District believes it can continue to meet the coal requirements for Craig Unit 2, CGS and Springerville Unit 4 when the current coal supply contracts for these facilities expire. The stockpiles of coal for all coal-fired generating stations are at or above targeted levels for normal operations.

**Natural Gas.** The District utilizes natural gas almost exclusively to fuel its oil or gas-fired units in the Phoenix-Mesa-Scottsdale MSA and plans to continue to do so. The District purchases natural gas pursuant to energy risk management policies and trading strategies designed to minimize financial and operational risk while ensuring that sufficient gas is available to serve the customers of the District.

Natural gas price hedging is primarily accomplished using financial instruments such as exchange-traded futures and options contracts and “over the counter” swaps and options contracts. The vast majority of the District’s hedging activities focus on a rolling six-year period into the future relative to the District’s retail customer demand. See “CERTAIN FACTORS AFFECTING THE ELECTRIC UTILITY INDUSTRY — Status of Competition in Arizona — *Energy Risk Management Program*” herein, for a discussion of the District’s Risk Management Program. In May 2017, the District implemented and executed a defined hedging program through 2027 to mitigate fuel price risk related to the incremental retail gas requirements attributed to the District’s retirement of the Navajo Generating Station.

To date, most of the District’s energy-related hedging transactions have been conducted in the “Over the Counter” (“OTC”) markets. Until the passage of the Dodd-Frank Wall Street Reform and Customer Protection Act (the “Dodd-Frank Act”) in August of 2010, the OTC market was generally unregulated. The Dodd-Frank Act generally subjects OTC transactions to rules and regulations related to, among other things, clearing, margining and reporting requirements. The District has implemented policies and procedures to comply with these rules and regulations.

Natural gas storage contracts are utilized to balance supply and demand as well as help manage price risk and ensure reliable delivery. Natural gas is delivered to the District’s generating facilities via transportation contracts with El Paso Natural Gas Company and Transwestern Pipeline Company.

**SVFC Transaction.** In October 2007, the District entered into a 30-year gas purchase agreement with the Salt Verde Financial Corporation ("SVFC"), an Arizona nonprofit corporation, to purchase approximately 15% of its projected natural gas requirements needed to serve retail customers. The District is obligated to pay only for the gas delivered under this contract. To fulfill its obligation, SVFC entered into a 30-year prepaid gas agreement with Citigroup Energy Inc. SVFC financed the purchase by the issuance of its special obligation gas revenue bonds ("Gas Revenue Bonds"). The Gas Revenue Bonds do not constitute a debt, liability or obligation of the District.

**SEA Transactions.** In April 2021, the District entered into a commodity purchase agreement with Southeast Energy Authority (SEA), a cooperative district and public corporation organized and existing pursuant to the laws of the State of Alabama. Under the 30-year agreement, SEA will sell and deliver to the District and the District will purchase specified quantities of natural gas at a market index price, less a specified discount. The initial gas delivery period (during which time the District is committed to purchase approximately 5,500,000 MM Btu of natural gas each year) began in November 2021 and will end in August 2028. That initial delivery period will be followed by one or more reset periods, during which a recalculated available discount will be applicable. If the available discount during any reset period is less than the minimum discount specified in the agreement, the District may elect not to take the contracted quantity of gas, in which event the District will have no rights or obligations to take or purchase any gas for the duration of that reset period.

After November 2028, the District may choose to switch the commodity being delivered from natural gas to electricity, in which event electricity will be delivered for the duration of the term. After the initial discount period, the District's total potential commitment under this agreement is 126,320,000 MMBtu of natural gas or 12,254,393 MWh of electricity. The expense for the commodity delivered, net of discount, will be recognized in total operating expenses in the Combined Statement of Net Revenues.

In June 2022, the District entered into a second commodity purchase agreement with SEA. Under this 30-year agreement, SEA will sell and deliver to the District and the District will purchase, specified quantities of natural gas at a market index price, less a specified discount. The initial gas delivery period (during which time the District is committed to purchase approximately 3,620,000 MM Btu of natural gas each year) began in January 2023 and will end in June 2028. That initial delivery period will be followed by one or more reset periods, during which a recalculated available discount will be applicable. If the available discount during any reset period is less than the minimum discount specified in the agreement, the District may elect not to take the contracted quantity of gas, in which event the District will have no rights or obligations to take or purchase any gas for the duration of that reset period.

After June 2028, the District may choose to switch the commodity being delivered from natural gas to electricity, in which event electricity will be delivered for the duration of the term. After the initial discount period, the District's total potential commitment under this agreement is 109.94 billion cubic feet of natural gas or 6,414,554 MWh of electricity. The expense for the commodity delivered, net of discount, will be recognized in total operating expenses in the Combined Statement of Net Revenues.

In March 2023, the District entered into a third commodity purchase agreement with SEA. Under this 30-year agreement, SEA will sell and deliver to the District and the District will purchase, specified quantities of natural gas at a market index price, less a specified discount. The initial gas delivery period (during which time the District is committed to purchase approximately 2,760,000 MM Btu of natural gas each year) began in July 2023 and will end in June 2029. That initial delivery period will be followed by one or more reset periods, during which a recalculated available discount will be applicable. If the available discount during any reset period is less than the minimum discount specified in the agreement, the District may elect not to take the contracted quantity of gas, in which event the District will have no rights or obligations to take or purchase any gas for the duration of that reset period.

After July 2029, the District may choose to switch the commodity being delivered from natural gas to electricity, in which event electricity will be delivered for the duration of the term. After the initial discount period, the District's total potential commitment under this agreement is 72.32 billion cubic feet of natural gas or 7,048,596 MWh of electricity. The expense for the commodity delivered, net of discount, will be recognized in total operating expenses in the Combined Statement of Net Revenues.

**Nuclear.** The nuclear fuel cycle for PVNGS is comprised of the following stages: the mining and milling of uranium ore to produce uranium concentrates; the conversion of uranium concentrates to uranium hexafluoride; the

enrichment of uranium hexafluoride; the fabrication of fuel assemblies; the utilization of fuel assemblies in reactors; and the storage and disposal of spent fuel. APS, on behalf of APS, the District, EPE, SCE, PNM, SCPA, and LADWP (the “Palo Verde Participants”), has procured under contract approximately 94% of the materials and services required to provide uranium concentrates in years 2023, 100% in 2024 and 2025, 76% in 2026, 68% in 2027, 57% in 2028, 43% in 2029, 28% in 2030, and 0% in 2031. Concerning the requirements for Conversion Services, the following requirements are currently under contract: 95% in year 2023, 100% in 2024 and 2025, 81% in 2026, 81% in 2027, 77% in 2028, 79% in 2029, 79% in 2030, and 0% in 2031. Concerning the requirements for Enrichment Services, the following requirements are currently under contract: 80% in 2023 through 2026. Concerning the requirements for Fabrication Services, 100% of the requirements are under contract through 2027, and 67% in 2028. APS is examining uranium supplies along with fuel conversion, enrichment, and fabrication services to reduce risks associated with any single component of the supply chain and to better position the Palo Verde Participants when the existing contracts begin to expire.

See “CERTAIN FACTORS AFFECTING THE ELECTRIC UTILITY INDUSTRY — Nuclear Plant Matters” herein, which includes further discussion on spent nuclear fuel.

### **Sustainability Goals & Related Programs**

As the nation’s oldest multi-purpose federal reclamation project, the Salt River Project was founded on the principles of resource stewardship. The District acknowledges the environmental challenges associated with supplying reasonably-priced power to a growing customer base and recognizes that environmental stewardship, resource conservation and efficiency create effective partnerships with its customers. The District is already pursuing a portfolio of initiatives to meet current and future goals and has invested heavily in research and development.

On October 2, 2017, the Board adopted a set of sustainability goals through the year 2035 (“SRP 2035 Sustainability Goals”). The framework for the SRP 2035 Sustainability Goals includes five key pillars: carbon emissions reductions, water resiliency, supply chain and waste reduction, customer and grid enablement, and customer, community and employee engagement and there are several goals in each pillar. To achieve each goal, the District will develop three sets of five-year action plans (FY21-FY25, FY26-FY30, FY31-FY35) that will feature interim milestone targets and associated annual efforts.

Prior to the development of the first set of five-year action plans in FY21, the District conducted a robust stakeholder and Board engagement process that began in FY19 and culminated in FY20. A third party facilitator led a five-month inclusive process that was divided into three phases. The first phase included a workshop with more than 60 community stakeholders where the District shared the goals in detail and collected more than 1,200 comments from participants. In the second phase, the District conducted five full-day meetings with a smaller Advisory Group of 19 stakeholders representing a broad cross section of customers, environmental NGOs, public interest groups, low-income consumer representatives, energy efficiency advocates, academics, municipalities, community development groups and water resource experts. The third and final phase actively engaged the Board and Council and included a full day study session on the recommended enhancements to the goals. Throughout the stakeholder process, the District also solicited comments regarding the SRP 2035 Sustainability Goals on its website. More than 1,000 customers provided more than 4,000 discrete comments on the goals during the public comment period.

On June 3, 2019, the Board adopted the updated SRP 2035 Sustainability Goals. Based on the stakeholder input, the Board increased the aggressiveness of many of the goals and expanded the number of goals from 14 to 20. Highlights of the updated SRP 2035 Sustainability Goals are included in “Appendix F – 2035 Sustainability Goals”. Significantly, the District’s revised carbon reduction goal is to reduce the amount of CO<sub>2</sub> emitted by generation (per megawatt-hour) by 65% from 2005 levels by 2035 and by 90% from 2005 levels by fiscal year 2050. In addition, the District will also seek to enable 500,000 electric vehicles in the District’s service territory and manage the charging for 90% of the electric vehicle load. Finally, in partnership with valley cities and others, the District will also conserve 5 billion gallons of water and work to restore 500,000 acres of forest lands in an effort to preserve the state’s vital watersheds and mitigate catastrophic wildfires.

The SRP 2035 Sustainability Goals position the District as one of the first utilities in the electric power industry to establish a comprehensive sustainability framework designed to reduce environmental impacts and operational costs while also accommodating customer adoption of evolving technologies.

The District provides an energy offering called SRP Solar Choice in which over 6,400 of the District’s residential and small/mid-size business customers support renewable energy. The Solar Choice Program provides customers the

choice of signing up to match 50% or 100% of their electricity use with utility scale solar energy located in the State of Arizona. Additionally, a similar Solar Choice Select program offering was launched to serve the green energy needs of the District's large commercial and industrial customers. The District also has its Residential Shade Tree Program and Healthy Forest Initiative, which allow customers to support tree planting and forest restoration efforts.

Additionally, the District has 51,021 installed residential distributed generation customers as of the end of FY23. Four options are available to take service under for customers who applied for solar subsequent to December 8, 2014. Two are demand-charge rates (E-15 and E-27) and two are net billing rates (E-13 and E-14). Customers who installed prior to this date can take service under any available rate on the District's standard residential offerings.

The District has also continued its investment in energy efficiency and demand response programs. In recent years, the District has invested over \$500 million in energy efficiency initiatives. Examples of these programs include rebates for efficient air conditioning systems, builder incentives for the construction of energy efficient homes, rebates for energy saving devices and HVAC systems within commercial buildings, and e-commerce offerings for discounted smart thermostats, LED lighting, and EV Chargers through the SRP Marketplace. The District continues to grow its residential and commercial demand response programs. The residential Bring Your Own Thermostat program has grown to include over 84,000 smart thermostats in which customers' air conditioning system temperatures are adjusted for a limited number of hours to reduce summer peak load. The comprehensive Business Demand Response program provides customer incentives that execute custom load reduction plans to curtail air conditioning, lighting, refrigeration, and other equipment usage during peak summer hours.

The District's award-winning M-Power® Pre-Pay Program has received national acclaim for its conservation effect and its use of real time technology to display usage information to customers inside the home. Approximately 147,000 customers participate in the program, making it the largest pre-pay program in North America. Studies have consistently demonstrated an average 12% reduction in energy usage for customers who switch to the program and over 90% of customers on the program are satisfied/very satisfied with the program.

Augmenting programs that conserve energy, the District offers a portfolio of programs that shift peak demand. The District's E-26 time-of-use ("TOU") pricing plan, designed to reduce customer load during the summer hours of 2:00 p.m. to 8:00 p.m., is one of the largest in the United States. The District also offers the E-21 and E-22 time-of-use price plans designed to reduce customer load during the summer hours of 3:00 p.m. - 6:00 p.m. and 4:00 p.m. - 7:00 p.m., respectively. Over 34% of the District's residential customers take service under a TOU price plan. Including residential, commercial, and industrial loads, the District has about 56% of its retail sales load taking service under a TOU price plan. See "ELECTRIC PRICES" for further discussion of the District's TOU and M-Power® Programs.

The portfolio of initiatives referenced above, coupled with many other activities and partnerships, will help meet the District's electrical needs while addressing some of the environmental issues facing the industry. The District remains actively engaged at the state, regional and federal level on various regulatory initiatives affecting fossil-fuel-fired power plants. See "CERTAIN FACTORS AFFECTING THE ELECTRIC UTILITY INDUSTRY — Environmental" for further discussion. Also see "Appendix F – 2035 Sustainability Goals" for further detail.

Additionally, the District recognizes the importance of customer and community engagement. This engagement serves to increase customer satisfaction and community trust in the District. The District offers a robust set of programs and initiatives focused on customer and community support and education. These programs span areas of water conservation, pool safety, power line safety, limited income assistance programs, and support for community organizations and teachers, among others. This suite of programmatic offerings also serves to bolster the District's other sustainability objectives in the process by increasing public awareness around water and energy efficiency, the District has a long tradition of maintaining a strong focus on community engagement and continues that focus through these customer and community initiatives. A list highlighting some of these programs is included in Appendix G.

### **Insurance and Liability Matters**

The liability exposure of electric utilities has generally increased over time as the diversity and number of claims and resulting awards has increased. Electric utility insurance needs have increased accordingly in the areas of coverage and policy limits. In general, over the long-term, the commercial insurance market has not satisfied these increased needs. The commercial insurance market is highly cyclical, with cycles characterized by periods of increasing limits and coverage with lower deductibles, followed by periods of coverage and limit restrictions, higher deductibles and, in some cases, non-renewals or cancellations. As a result, several industry mutual companies have

been formed to serve the coverage and limit requirements of the industry, and the District has placed a majority of its liability and directors and officers' insurance with such mutual carriers to ensure long-term stability of its insurance programs. The District does continue to place some liability coverages in the commercial market. Additionally, in 2004 the District established SRP Captive Risk Solutions, Limited ("SRPCRS"), a wholly-owned subsidiary, to provide property insurance coverage for certain acts of terrorism as originally provided by the Federal Terrorism Risk Insurance Act of 2002 and extended by the Terrorism Risk Insurance Program Reauthorization Act of 2007, 2014, and 2019. Additionally, SRPCRS is utilized to provide other coverage to the District when it can provide enhanced or more economical coverage than through the commercial insurance market.

Insurance for boiler and machinery and property risks in the past was obtained primarily from the commercial market, but a portion of that coverage has been placed with industry mutual companies when most economical. The District believes it has adequate coverage and limits, although insurer competition in the commercial market has declined in some years due to increasing utility loss experience, consolidation of insurers and declining investment income. These factors, as well as catastrophic losses such as natural disasters have periodically resulted in higher premiums and deductibles and restricted limits and coverage. The District intends to continue the use of commercial carriers to insure machinery and property risks and to expand the use of industry mutual insurance companies to the extent adequate capacity is available. In response to recent incidents of vandalism at electric facilities throughout the United States, the District has taken significant security measures to protect its Electric System and other assets.

### **Environmental Matters**

**General.** The District's policy is to conduct its operations in compliance with all applicable federal, state, tribal, and local laws, regulations, and rules relating to the environment. The District has implemented a comprehensive compliance assurance program, including audits, to meet that goal. However, due to continued changes resulting from legislative, regulatory and judicial actions, there is no assurance that facilities owned by the District will remain subject to the regulations currently in effect, will always be in compliance with future regulations, or will always be able to obtain all required operating permits. An inability to comply with environmental regulations could result in additional capital expenditures to comply, reduced operating levels, or the complete shutdown of individual electric generating units ("EGUs") not in compliance.

See "CERTAIN FACTORS AFFECTING THE ELECTRIC UTILITY INDUSTRY — Environmental" for further discussion of environmental issues.

See "THE ELECTRIC SYSTEM — Environmental Matters — *Navajo Generating Station and Four Corners Generating Station Units 4 and 5*" below for a discussion of administration of federal environmental laws by Indian tribes.

**Solid and Hazardous Waste Management.** Many normal activities in connection with the operation of the District generate hazardous and non-hazardous wastes. Federal, state, and local laws and regulations governing waste management impose strict liability for cleanup costs and damages resulting from hazardous substance release or contamination, regardless of time or location, on those who generate, transport, store, treat, or dispose of hazardous wastes. At any given time, various District facilities may be subject to inspection by federal, state, or local regulatory authorities to determine compliance with laws and regulations pertaining to hazardous and non-hazardous waste management, and District facilities may be included in studies of contaminated sites by federal and state regulatory authorities. The District has established a plan for managing hazardous waste to ensure compliance with applicable laws and regulations, and independently assesses its facilities to determine whether there is any contamination resulting from its activities. From time to time the District and the Association receive inquiries from regulatory authorities about the status of various contaminants at the District's facilities and respond as appropriate.

**Water Quality.** The federal government and Arizona have extensive regulatory systems governing water quality, including permit programs for discharges to surface water and to groundwater, and superfund programs to clean up groundwater contamination. Nineteen state superfund sites and six federal superfund sites targeting contamination of groundwater are active within the greater Phoenix metropolitan area. SRP has wells located in sixteen of the nineteen state superfund sites and in two of the six federal superfund sites that are threatened or impacted. The Association has agreed with other responsible parties to clean up one federal superfund site, and preliminary reports have identified one District facility as a possible source of contamination for another federal superfund site and an adjacent state superfund site. The full impact, in terms of cost and operational problems, to the District of the reports or laws and regulations pertaining to water quality cannot be quantified at this time.

See “LITIGATION — Environmental Issues — *Superfund Sites*” for discussion of the Motorola 52nd Street Superfund site and the West Van Buren Superfund site.

See “THE DISTRICT — Irrigation and Water Supply System” above for a discussion of well remediation activities.

See “THE ELECTRIC SYSTEM — Environmental Matters — *Navajo Generating Station and Four Corners Generating Station Units 4 and 5*” below for a discussion of administration of federal environmental laws by Indian tribes.

**Air Quality.** Like other electric utilities and industries, the District is subject to federal, state, and local standards to control emissions to protect air quality. The District’s coal-fired generating units are located in the western United States where the federal agencies place a high emphasis on preserving air quality and visibility at large national parks, monuments, wilderness areas and Indian reservations. Because many of the District’s coal-fired generating stations are located in the vicinity of these federal lands, those generating stations may be subject to particularly stringent control standards. These standards substantially increase the cost of, and add to the difficulty of, operating coal-fired EGUs. In addition, many of the District’s natural gas-fired generating stations are located in portions of Maricopa County designated as “nonattainment” with respect to the federal ambient air quality standards for ozone. This designation adds restrictions to the ability of the District to make changes to existing operations, or permit new operations, without meeting highly stringent emissions control requirements and offsetting air emissions increases with reductions elsewhere in the non-attainment area. The District anticipates environmental requirements regarding air emissions will continue to change substantially in the future. Legislative or regulatory mandates related to the Clean Air Act (“CAA”) and climate change initiatives may result in additional requirements for reductions of emissions that are currently regulated, like sulfur dioxide (“SO<sub>2</sub>”), nitrogen oxides (“NOx”), particulate matter (“PM”), mercury, and GHG. The District continues to monitor regional climate change initiatives. While government leaders continue to debate climate change, the District is aggressively pursuing strategies to develop facilities to provide renewable and low-carbon intensity generation capacity and continues to monitor legislative and regulatory developments and provide comments as appropriate.

Based on currently available information, the District cannot estimate or predict its costs to comply with any future proposals and goals, but believes that such costs could be material. See “CERTAIN FACTORS AFFECTING THE ELECTRIC UTILITY INDUSTRY — Environmental” for a discussion of the consent decree with the EPA concerning CGS.

See “THE ELECTRIC SYSTEM — Sustainable Resource Portfolio” and “CERTAIN FACTORS AFFECTING THE ELECTRIC UTILITY INDUSTRY — Environmental” for a discussion of the District’s efforts to address GHG emissions.

See “THE ELECTRIC SYSTEM — Environmental Matters — *Navajo Generating Station and Four Corners Generating Station Units 4 and 5*” below for a discussion of administration of federal environmental laws by Indian tribes.

**Navajo Generating Station and Four Corners Generating Station Units 4 and 5.** Certain environmental laws, including the CAA, the Clean Water Act, and the Safe Drinking Water Act, contain provisions pursuant to which Indian tribes may be treated as states for purposes of administering programs under those acts. The Navajo Nation has obtained EPA approval to administer programs under some of these laws. In general, NGS and Four Corners are regulated by EPA Region IX in San Francisco, California, and comply with applicable federal regulations. APS, as operating agent for Four Corners, entered into a Voluntary Compliance Agreement with the Navajo Nation that establishes contractual authority for the Navajo Nation to issue permits and regulate certain air emissions at Four Corners under certain rules not stricter than those of the EPA. Similarly, the Navajo Nation has contractually agreed that it will regulate or attempt to regulate the decommissioning activities at NGS.



## ELECTRIC PRICES

Under Arizona law, the District's publicly elected Board has the authority to establish electric prices. While the Articles of Incorporation of the Association provide that the Secretary of the Interior may revise electric prices, the Secretary of the Interior has never requested any revision of the District's electric prices. The District is required to follow certain procedures for public notice and a special Board meeting before implementing any changes in its standard electric price plans. As described under "SECURITY FOR 2023 SERIES B BONDS – Rate Covenant" above, the Resolution contains certain covenants of the District relating to pricing.

The District is a summer peaking utility, and for many years, has made an effort to balance the summer-winter load relationships through seasonal price differentials. In addition, the District prices on a time-of-day basis for large commercial and industrial, and certain residential and commercial users.

The District operates in a highly regulated environment in which it has an obligation to deliver electric service to customers within its service area. In 1998, the Arizona Electric Power Competition Act (the "Competition Act") authorized competition in the retail sale of electric generation, recovery of stranded costs, and competition in billing, metering and meter reading.

While retail competition was available to all customers by 2001, only a few customers chose an alternative energy provider, and those customers have since returned to their incumbent utilities. At this time, there is no active retail competition within the District's service territory or, to the knowledge of the District, within the State of Arizona. On April 21, 2022, the Arizona Legislature passed H.B. 2101 which repealed the earlier statutes providing for retail competition in the State of Arizona, and, on April 26, 2022, Governor Ducey signed H.B. 2101 into law.

See "CERTAIN FACTORS AFFECTING THE ELECTRIC UTILITY INDUSTRY — Status of Competition in Arizona — *The Arizona Corporation Commission*" for a discussion of competition among utilities regulated by the ACC.

The District has a long history of promoting price designs that provide customers with the appropriate price signals to reduce load during peak time periods/seasons and use electricity efficiently. All residential, commercial and industrial price plans have seasonally differentiated prices. The District has one of the largest residential Time-of-Use ("TOU") programs in the United States. With commercial and industrial loads included, the District has about 56% of its retail sales load taking service under a TOU price plan. The District also has the largest residential "pre-pay" program in the United States. Under this program customers pay in advance for their electricity. This program, also known as M-Power®, has had the effect of reducing electricity consumption by participating customers by approximately 12%.

The District's price plans have been unbundled since 1999. In May 2002, the District implemented a Fuel & Purchased Power Adjustment Mechanism ("FPPAM") to allow for rate adjustments to recover actual fuel and purchased power costs. The District has had both increases and decreases in the FPPAM since it was implemented (examples as shown below). FPPAM adjustments based on changes to average costs may occur twice per year (May and November). However, if the over/under-collection balance exceeds a range of \$20 million, positive or negative, management may choose to propose additional adjustments, up to a maximum of one (1) per quarter.

In June 2004, the District introduced a Transmission Cost Adjustment Factor ("TCAF") to recover costs the District would incur if the District were required to participate in regional transmission organizations. To date, no costs have been incurred or recovered through the TCAF.

Through a component called the Systems Benefits Charge ("SBC"), the District recovers the costs of programs benefiting the general public, such as discounted rates for low-income customers and customers on medical life support, and for nuclear decommissioning, including the cost of spent fuel storage. SBC continues to be separately identified and included in the District's price plans for the regulated portion of its operations.

In November 2009, the District introduced an Environmental Programs Cost Adjustment Factor ("EPCAF") to recover costs incurred by the District to comply with renewable-energy, energy efficiency and climate-change related requirements imposed by mandate. The frequency of adjustments followed the same rules as FPPAM.

On March 25, 2019, the District's Board concluded a public process by approving changes and adjustments to its price plans, including an overall average annual price decrease of 2.2% beginning with the May 2019 billing cycle, which for most customers begins sometime in April. This overall decrease was comprised of a 1.7% base increase and a 3.9% FPPAM decrease.

In the same public process, the District's Board also approved the restructuring of the EPCAF component of bills. In the years since the EPCAF was established, renewable energy and energy efficiency became an integral part of the District's resource portfolio. Accordingly, the need for a separate price mechanism to collect these costs was no longer necessary; therefore, the Board approved the elimination of EPCAF as a separate, unbundled component of retail price plans. The costs of energy efficiency are now recovered in base rates through the SBC component, and expenses for all renewable PPAs are included in the FPPAM.

In addition to other approved changes and adjustments in the March 2019 public process, the District's Board approved three new price plan options for residential customers who add solar or other technologies to generate some of their energy requirements. The District structured the new E-13, E-14, and E-15 price plans and the existing E-27 price plan for distributed generation customers to be in line with what non-distributed generation customers pay for the same services. Distributed generation customers can now choose from a variety of rate options that include two demand rates and two non-demand rates. In March 2019, the Board also approved updated wholesale transmission rates which to better align the District's rates with generally accepted industry practices and improve the allocation of costs between retail and wholesale transmission customers. In January 2020, the Board approved changes to the District's Open Access Transmission Tariff to address the District's participation in the California Independent System Operator Energy Imbalance Market ("EIM"), the expansion of the network integration transmission service to include service on transmission lines outside the immediate transmission network within the Phoenix metropolitan area ("Valley Network") and the expansion of point-to-point transmission service to include paths within the Valley Network.

On February 1, 2021, the Board voted to approve an eventual overall average annual price increase of 3.9% by approving new FPPAM prices. In consideration of customers, the pandemic and overall economic environment, the proposal delayed implementation of the increased prices until November 2021. To help manage the FPPAM under collection balance of \$50.1 million, the Board also approved to transfer \$82.0 million to the Rate Stabilization Fund which was applied to offset the FPPAM under collection balance on April 30, 2021.

On September 12, 2022, the Board voted to approve two annual FPPAM price increases of 4.7% each, beginning November 2022 and November 2023. Additionally, the Board voted not to collect \$124 million of the existing under-collected balance from customers. On March 28, 2023, the Board voted to approve an additional overall increase through FPPAM rates of 4.9% to the already approved increase of 4.7% effective November 1, 2023, for a total overall price increase of 9.6% compared to current price levels. The District's under-collected balance at the end of July 2023 was \$458 million. According to the Department of Energy EIA-816 Reports for 12 months ending May 31, 2023, the District's electric rates remain lower than average for the Southwest.

## **CAPITAL IMPROVEMENT PROGRAM**

The Capital Improvement Program is a multi-year forecast of all District construction expenditures and is subject to change from time to time for several reasons, including changes in projections for economic and customer growth, changes in construction costs, projects being added, deleted, deferred or completed and changes in the period covered by the forecast. See "THE DISTRICT — Economic and Customer Growth in the District's Service Area."

The Capital Improvement Program for fiscal years 2024 through 2029 totals approximately \$8.1 billion. Of this total, approximately \$7.7 billion is for construction (including contingencies), \$213.3 million is for capitalized administrative and general expenses and \$196.1 million is for capitalized interest. In the past, the District has paid a portion of the cost of the Capital Improvement Program from internally generated funds and a portion from the proceeds of Revenue Bonds. The District anticipates funding approximately 49% of the Capital Improvement Program from Revenue Bonds, other forms of indebtedness and third-party contributions. The remainder is anticipated to be funded by internally generated funds.

The Capital Improvement Program is driven by the need to sustain the generation, transmission, and distribution systems of the District in order to meet customer electricity needs and to maintain a satisfactory level of service reliability. Of the approximately \$8.1 billion Capital Improvement Program, approximately \$3.3 billion is directed

to generating projects. These include funding for such items as plant betterments and future generation facilities. Approximately \$2.1 billion is planned for expansion of the electrical distribution system to meet future growth and to replace aging underground cable. The efforts for pole asset management, line additions and station upgrades account for part of the \$632.8 million planned expenditures for transmission.

To provide for uncertainties in construction costs (including possible schedule changes, and other factors that may affect construction costs) and to provide a scope allowance for projects that may be needed in the future but are not yet identified, the District has included a general contingency allowance in the Capital Improvement Program in addition to specific contingency allowances provided for major construction projects. No assurance is given that the estimated costs and contingency allowance will be adequate for their purposes.

The District updates its Capital Improvement Program annually in April of each year. When projected economic and customer growth declines, the District reviews its Capital Improvement Program to reflect revised demands on the Electric System. See “THE DISTRICT — Economic and Customer Growth in the District’s Service Area.”

Table 6 summarizes the District’s fiscal year 2024 through 2029 Capital Improvement Program.

**TABLE 6 — Fiscal Year 2024 through 2029 Capital Improvement Program  
(\$000s)**

	<u>2024</u>	<u>2025</u>	<u>2026</u>	<u>2027</u>	<u>2028</u>	<u>2029</u>	<u>Total 2024-29</u>
Electric Construction:							
Generation .....	\$ 413,830	\$ 372,511	\$ 396,349	\$ 597,615	\$ 628,616	\$ 910,721	\$ 3,319,642
Transmission .....	255,392	88,071	83,341	102,219	42,208	61,606	632,837
Distribution.....	367,260	354,210	342,851	328,538	343,372	335,563	2,071,794
Customer Systems ...	80,063	80,959	80,220	72,110	71,339	65,591	450,282
Customer Support....	154,351	111,597	160,525	128,879	110,082	102,765	768,199
Subtotal – Electric Construction .....	1,270,896	1,007,348	1,063,285	1,229,361	1,195,617	1,476,246	7,242,754
Contingency Allowance & Risk Portfolio .....	54,140	32,209	47,171	105,847	94,163	111,592	445,123
Subtotal.....	1,325,036	1,039,557	1,110,456	1,335,209	1,289,781	1,587,838	7,687,877
Capitalized Administrative and General Expenses ..	36,578	29,541	30,443	35,765	36,028	44,959	213,313
Capitalized Interest..	17,031	20,513	25,538	29,427	42,837	60,765	196,113
Total <sup>(1)</sup> .....	\$ 1,378,645	\$ 1,089,611	\$ 1,166,437	\$ 1,400,401	\$ 1,368,646	\$ 1,693,562	\$ 8,097,303

<sup>(1)</sup> Totals may not add due to rounding.

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**SELECTED OPERATIONAL AND FINANCIAL DATA**

**Customers, Sales, Revenues and Expenses**

*Classification of Customers.* The District has a diversified customer base. As of the fiscal year ending April 30, 2023, no single customer represented more than 4.0% of operating revenues. The classifications of the District’s electric customers are shown in Table 7.

Unless otherwise indicated, the financial information included below pertains solely to the District and is not prepared on a combined basis consisting of the District and the Association.

**TABLE 7 — 2023 Customer Accounts, Sales, and Revenues**

**Fiscal Year Ended April 30, 2023**

	<b>Customer Accounts as of April 30, 2023</b>	<b>Total Sales (GWh)</b>	<b>%</b>	<b>Sales Revenue (\$000)</b>	<b>%</b>
Residential .....	1,025,378	14,657	39.1	\$ 1,770,474	45.1
Commercial and Small Industrial ...	99,820	12,147	32.4	1,138,205	29.0
Large Industrial .....	26	3,072	8.2	192,232	4.9
Mines .....	20	1,203	3.2	76,566	2.0
Pumps .....	150	22	0.1	2,163	0.1
Public/Private Lighting.....	10,495	169	0.5	31,726	0.8
Interdepartmental.....	1	115	0.3	10,983	0.3
Subtotal/Retail.....	1,135,890	31,385	83.8	3,222,349	82.2
Electric Utilities/Wholesale <sup>(1)</sup> .....	99	6,131	16.2	699,635	17.8
Total .....	1,135,989	37,516	100.0	\$ 3,921,984	100.0

<sup>(1)</sup> The electric industry engages in an activity called “book-out” under which some energy purchases are netted against sales, and power does not actually flow in settlement of the contract. The District presents the impacts of these financially settled contracts on a net basis. Wholesale figures shown are adjusted to exclude book-outs.

As has been historically the case, residential customers accounted for customer classification with the largest energy consumption. With 1,025,378 customers as of April 30, 2023, this group serves as a solid base, bringing in approximately 45.1% of total electric revenues.

The second largest retail customer classification is the commercial and small industrial group; these customers numbered 99,820 as of April 30, 2023, compared to 97,963 as of April 30, 2022. The commercial and small industrial group represents a highly diverse customer base, which includes businesses such as newspapers, dentists, cosmetics, fast food, repair shops, schools, apartments, and grocery stores. The remaining customer categories span a wide range of customers and industries, which include manufacturers, government contractors, gas and chemical producers, agricultural interests, and municipalities.

**Historical Operating Statistics.** The following table shows certain historical operating statistics of the District for the most recent five fiscal years ended April 30 (\$000s). For comparative purposes, certain prior-year amounts have been reclassified to conform with the current-year presentation.

**TABLE 8 — Historical Operating Statistics**

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>
<b>SERVICE:</b>					
Total Customers at Year-End.....	1,135,989	1,112,684	1,093,264	1,074,953	1,057,123
Total Sales (million kWh).....	37,516	38,070	41,339	35,288	37,261
Average Revenue per kWh (cents).....	10.68	9.32	8.37	8.86	9.02
<b>Retail Only:</b>					
Sales (millions kWh).....	31,386	30,327	30,786	28,808	29,139
Increase (Decrease) in Sales (%).....	3.5%	(1.5)%	6.9%	(1.1)%	2.4%
<b>TOTAL OPERATING REVENUES: (1)(9)(10)</b>	<b>\$ 4,008,510</b>	<b>\$ 3,549,396</b>	<b>\$ 3,461,184</b>	<b>\$ 3,125,587</b>	<b>\$ 3,361,218</b>
<b>OPERATING EXPENSES</b>					
Fuel and Purchased Power(2)(9).....	\$ 2,241,285	\$ 985,543	\$ 1,087,585	\$ 1,075,916	\$ 956,329
Operating and Maintenance(3).....	1,155,902	1,094,534	1,079,740	1,033,551	1,096,543
Sales and Payroll Taxes.....	46,720	45,336	43,030	41,896	43,485
Ad Valorem Taxes(4).....	3,331	3,705	3,725	4,467	3,933
Total Operating Expenses(5).....	<u>3,447,238</u>	<u>2,129,118</u>	<u>2,214,080</u>	<u>2,155,830</u>	<u>2,100,290</u>
<b>NET OPERATING REVENUES</b> .....	<b>\$ 561,272</b>	<b>\$ 1,420,278</b>	<b>\$ 1,247,104</b>	<b>\$ 969,757</b>	<b>\$ 1,260,928</b>
<b>VOLUNTARY CONTRIBUTIONS IN LIEU OF TAXES:(6)</b>					
Expensed.....	\$ 112,435	\$ 125,937	\$ 121,221	\$ 124,173	\$ 116,382
Capitalized.....	—	—	—	—	—
Total.....	<u>\$ 112,435</u>	<u>\$ 125,937</u>	<u>\$ 121,221</u>	<u>\$ 124,173</u>	<u>\$ 116,382</u>
<b>OTHER STATISTICS:</b>					
<b>Annual Peak (MW):</b>					
System Requirements.....	7,620	7,571	7,615	7,250	7,305
Total Peak Load(7).....	7,691	7,669	7,714	7,347	7,393
System Load Factor(8).....	48.6%	47.0%	47.5%	47.3%	46.7%
<b>Residential Statistics:</b>					
Annual Average Residential Customers ...	1,016,664	997,470	979,464	964,247	949,411
Annual Sales (million kWh).....	14,657	14,022	14,868	13,227	13,436
Average Annual Usage (kWh).....	14,417	14,057	15,180	13,717	14,152
Average Sales Price per kWh (cents).....	11.98	11.64	11.40	11.52	11.60

(1) Includes inter-company sales and other electric revenue.

(2) Excludes charges for water for power, depreciation on generation and railroad facilities, ad valorem taxes and voluntary contributions in lieu of taxes on railroad facilities and amortization of nuclear fuel.

(3) Excludes depreciation on generation, transmission, distribution and general plant.

(4) Applies to out-of-state properties owned by the District.

(5) District operating expenses and net operating revenues as presented are not in accordance with generally accepted accounting principles ("GAAP") due to the exclusion of depreciation expense and voluntary contributions in lieu of taxes.

(6) See "SELECTED OPERATIONAL AND FINANCIAL DATA — Customers, Sales, Revenues and Expenses — *Voluntary Contributions in Lieu of Taxes.*"

(7) Includes Eastern Mining Area, embedded districts and interruptible load transactions.

(8) System load factor is the ratio of system energy requirements in kWh to the product of the system requirements times the number of hours in a year. These percentages reflect in major part the wide differential between the extreme summer cooling season and the moderate winter heating season.

(9) Total operating revenues and fuel and purchased power have been adjusted for the effects of Accounting Standards Codification Topic 815, *Derivatives and Hedging* ("ASC 815").

(10) SRP adopted ASU 2016-02, *Leases (Topic 842)* in FY2020. As permitted under ASU 2016-02, periods prior to adoption are not restated.

**Voluntary Contributions in Lieu of Taxes.** In accordance with permissive legislation, the District makes voluntary contributions each year to the State of Arizona, school districts, cities, counties, towns and other political subdivisions of the State of Arizona, for which property taxes are levied and within whose boundaries the District has property devoted to furnishing electric service. As a political subdivision of the State of Arizona, the District is exempt from property taxation. The amount paid is computed on the same basis as ad valorem taxes paid by a private utility corporation with allowance for certain water-related deductions. Contributions based on the costs of construction work in progress are capitalized, and those based on plant-in-service are expensed.

See "THE ELECTRIC SYSTEM — Existing and Future Resources — *Purchased Power*" herein.

## **Additional Financial Matters**

**Short-Term Promissory Notes and Credit Agreement Borrowings.** The District's Board has authorized the issuance of up to \$800 million in short-term promissory notes (the "Promissory Notes"). The Promissory Notes are sold in the commercial paper market and mature no more than 270 days from the date of issuance. The Promissory Notes are issued in minimum denominations of \$100,000, in bearer or registered form without coupons, and bear interest from their date at an annual interest rate not in excess of 15%. As of April 30, 2023, the District had \$325 million of Promissory Notes outstanding, consisting of \$50 million in Promissory Notes sold in the tax-exempt commercial paper market and \$275 million in Promissory Notes sold in the taxable commercial paper market.

The District has four revolving credit agreements, a \$200 million revolving credit agreement with U.S. Bank National Association ("U.S. Bank RCA"), a \$175 million revolving credit agreement with JPMorgan Chase Bank, National Association ("JPMorgan RCA"), a \$175 million revolving credit agreement with TD Bank ("TD Bank RCA"), and a \$250 million revolving credit agreement with Bank of America ("Bank of America RCA") (as amended, the "Revolving Credit Agreements"). All four agreements support the \$325 million of Promissory Notes outstanding as of April 30, 2023. The U.S. Bank RCA expires on June 28, 2024, the JPMorgan RCA expires on June 29, 2026, the TD Bank RCA expires on July 14, 2026, and the Bank of America RCA expires on December 9, 2025.

The District has limited the total amount of indebtedness which may be outstanding at one time under the Revolving Credit Agreements, or any agreement in substitution or replacement therefor, and in the commercial paper market to an aggregate of \$800 million. However, the District can issue Promissory Notes in excess of \$800 million if it obtains additional District Board authorization and liquidity/credit facilities equal to such additional Promissory Notes.

The indebtedness of the District evidenced by the Promissory Notes is, and any borrowings under the RCAs and short term credit agreement would be, an unsecured obligation of the District payable from the general funds of the District lawfully available therefor, subject in all respects to the prior lien of U.S. Government Loans, if any, Revenue Bonds and other indebtedness of the District secured by revenues or assets of the District. No specific revenues or assets of the District are pledged to the payment of the Promissory Notes or any borrowings under the RCAs, and the Promissory Notes and such borrowings are not payable from taxes.

**No Default.** The District is not in default in the payment of the principal of or interest on any of its bonds, notes, or other debt obligations. The District is in compliance with all other covenants of its bonds, notes, or other debt obligations.

**Management's Discussion of Operations.** Operating revenues were \$1.3 billion for the three months ended July 31, 2023 (FY24) and \$1.2 billion for the three months ended July 31, 2022 (FY23). In the first quarter of FY24, retail electric revenues increased \$44.9 million, or 4.2%, to \$1.1 billion, primarily due to warmer weather that led to an increase in volumes sold when compared to the same period last year. However, that increase was partially offset by a decrease in wholesale revenues of \$14.9 million, or 12.6%, to \$103.4 million. Wholesale revenues for the first quarter of FY24 included a fair value gain of \$8.3 million compared to a \$9.7 million fair value gain for the same period in FY23. Excluding the fair value adjustments, wholesale revenues would have been \$95.1 million and \$108.6 million in the first quarters of FY24 and FY23, respectively, a decrease of \$13.5 million, or 12.5%, primarily due to a significant decrease in wholesale energy prices. The total number of customers as of July 31, 2023, was 1,138,602, an increase of 2.0% from July 31, 2022.

Operating expenses were \$902.1 million for the first quarter of FY24 and \$896.8 million for the same period in FY23, an increase of \$5.3 million, or 0.6%. Fuel used in electric generation and power purchased include adjustments for the fair value of fuel and power-purchase contracts. Excluding the fair value gains of \$50.9 million and \$45.2 million in the first quarters of FY24 and FY23, respectively, these expenses would have increased \$11.0 million, or 1.2%.

Investment income (loss), net was income of \$74.6 million for the first quarter of FY24 compared to a loss of \$10.1 million for the same period in FY23. Investment income (loss), net includes a fair value gain of \$68.1 million in the first quarter of FY24 and a fair value loss of \$11.8 million in first quarter of FY23.

Net financing costs were \$36.9 million and \$29.8 million for the first quarters of FY24 and FY23, respectively.

Net revenues for the first quarter of FY24 were \$399.5 million, compared with net revenues of \$298.1 million for the first quarter of FY23. Excluding the effects of the changes in the fair value of wholesale revenues, fuel and power-purchase contracts and investment income (loss), net, net revenues would have been \$272.2 million and \$255.0 million for the first quarters of FY24 and FY23, respectively.

*Three Months Ended and as of July 31, 2023 and 2022*

**TABLE 9 – Summary Combined Statement of Net Revenues<sup>(1)</sup>  
(\$000s – Unaudited)**

	<u>2023</u>	<u>2022</u>
Operating Revenues:		
Retail Electric .....	\$1,125,232	\$1,080,381
Water .....	4,824	5,610
Wholesale .....	103,412	118,276
Other Electric .....	23,254	24,351
Total Operating Revenues <sup>(2)</sup> .....	1,256,722	1,228,618
Operating Expenses:		
Purchased Power .....	204,559	220,839
Fuel Used in Electric Generation .....	201,813	204,274
Operations and Maintenance <sup>(2)</sup> .....	302,021	262,683
Depreciation and Amortization .....	151,046	166,142
Taxes and Tax Equivalents .....	<u>42,674</u>	<u>42,815</u>
Total Operating Expenses .....	902,113	896,753
Net Operating Revenues	354,609	331,865
Other Income:		
Investment Income (Loss), net .....	74,625	(10,097)
Other Income (Loss), net .....	<u>7,146</u>	<u>6,081</u>
Total Other Income (Loss), net .....	<u>81,771</u>	<u>(4,016)</u>
Net Financing Costs .....	36,892	29,770
NET REVENUES .....	<u>\$ 399,488</u>	<u>\$ 298,079</u>

<sup>(1)</sup> The unaudited combined financial data reflect the combined net revenues of the District and the Association. This data is prepared in the same manner as the most recently audited Combined Financial Statements attached hereto as Appendix A.

<sup>(2)</sup> Inter-company transactions eliminated.

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**TABLE 10 – Summary Combined Balance Sheets<sup>(1)</sup>**  
(\$000's)

	As of	
	<u>July 31,</u> <u>2023</u> <u>(Unaudited)</u>	<u>April 30,</u> <u>2023</u>
<b>ASSETS</b>		
Utility Plant, at Original Cost .....	\$ 19,743,335	\$ 19,579,457
Less: Accumulated Depreciation.....	<u>(10,289,238)</u>	<u>(10,180,268)</u>
	9,454,097	9,399,189
Other Property and Investments .....	2,219,478	2,235,494
<b>CURRENT ASSETS</b>		
Cash and Cash Equivalents.....	274,565	295,945
Temporary Investments .....	242,415	276,245
Current Portion, Segregated Funds .....	85,275	104,746
Receivables, Net .....	607,502	315,526
Fuel Stocks .....	128,124	110,041
Materials and Supplies.....	354,232	330,204
Current Commodity Derivative Assets .....	6,408	-
Other .....	<u>42,566</u>	<u>45,289</u>
	1,741,087	1,477,996
Deferred Charges and Other Assets.....	<u>813,253</u>	<u>821,578</u>
<b>TOTAL ASSETS .....</b>	<b><u>\$ 14,227,915</u></b>	<b><u>\$ 13,934,257</u></b>
<b>CAPITALIZATION AND LIABILITIES</b>		
<b>CAPITALIZATION</b>		
Long-Term Debt.....	\$ 4,929,452	\$ 4,950,000
Accumulated Net Revenues.....	<u>6,402,078</u>	<u>6,002,590</u>
<b>TOTAL CAPITALIZATION .....</b>	<b><u>11,331,530</u></b>	<b><u>10,953,490</u></b>
<b>CURRENT LIABILITIES</b>		
Current Portion, Long-Term Debt .....	113,930	113,930
Accounts Payable.....	299,805	318,553
Accrued Taxes and Tax Equivalents.....	112,953	121,995
Accrued Interest.....	21,334	67,603
Customers' Deposits .....	142,312	139,589
Current Commodity Derivative Liabilities .....	38,160	98,668
Other .....	261,009	261,037
Deferred Credits and Other Non-Current Liabilities .....	<u>1,906,882</u>	<u>1,859,392</u>
<b>TOTAL CAPITALIZATION AND LIABILITIES .....</b>	<b><u>\$ 14,227,915</u></b>	<b><u>\$ 13,934,257</u></b>

<sup>(1)</sup> The unaudited combined financial data reflect the combined balance sheets of the District and the Association. This data is prepared in the same manner as the most recently audited Combined Financial Statements attached hereto as Appendix A.



**Outstanding Revenue Bond Long-Term Indebtedness.** As of April 30, 2023, the District had outstanding \$4,329,110,000 of Revenue Bonds, excluding any unamortized bond discount/premium.

The following table shows the Revenue Bond Debt Service Requirements immediately preceding the issuance of the 2023 Series B Bonds.

**TABLE 11 — Total Revenue Bond Debt Service Requirements<sup>(1)</sup>**

<u>Years Ending April 30, <sup>(2)</sup></u>	<u>Principal Requirements on Outstanding Revenue Bonds</u>	<u>Interest Requirements on Outstanding Revenue Bonds<sup>(3)</sup></u>	<u>Total Debt Service Requirements</u>
2024 .....	115,546,667	170,834,072	286,380,739
2025 .....	121,325,000	195,694,360	317,019,360
2026 .....	127,385,833	189,628,110	317,013,944
2027 .....	133,751,250	183,258,819	317,010,069
2028 .....	142,689,167	176,571,256	319,260,423
2029 .....	142,640,417	169,436,798	312,077,214
2030 .....	151,573,333	162,304,777	313,878,110
2031 .....	161,478,333	154,726,110	316,204,444
2032 .....	173,145,417	146,652,194	319,797,610
2033 .....	183,917,083	138,363,589	322,280,673
2034 .....	192,290,833	129,988,348	322,279,181
2035 .....	200,997,083	121,282,994	322,280,077
2036 .....	210,014,167	112,266,764	322,280,931
2037 .....	219,687,083	102,595,448	322,282,531
2038 .....	230,565,000	92,543,177	323,108,177
2039 .....	129,155,000	82,189,427	211,344,427
2040 .....	247,181,667	76,224,167	323,405,834
2041 .....	258,986,250	64,421,099	323,407,349
2042 .....	99,398,750	51,963,654	151,362,404
2043 .....	135,412,083	47,044,117	182,456,200
2044 .....	142,126,667	40,326,263	182,452,929
2045 .....	149,180,833	33,275,129	182,455,963
2046 .....	156,455,417	25,996,927	182,452,344
2047 .....	109,651,667	18,631,475	128,283,142
2048 .....	114,301,667	13,979,082	128,280,749
2049 .....	118,783,333	9,498,222	128,281,555
2050 .....	123,493,333	4,790,215	128,283,548

<sup>(1)</sup> Totals may not add due to rounding.

<sup>(2)</sup> Payment amounts for Debt Service are for the years in which they accrue, not for the years in which they are paid.

<sup>(3)</sup> Interest Requirements do not reflect subsidy payments from Build America Bonds.

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The following table shows the actual application of revenues and coverage of Debt Service requirements for fiscal years 2023, 2022, 2021, and 2020.

**TABLE 12 — Historical Application of Revenues and Coverage of Debt Service Requirement  
(\$000's – Unaudited)**

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>
Electric Revenues <sup>(1)(2)</sup> .....	\$ 3,997,060	\$ 3,556,700	\$ 3,480,117	\$ 3,155,136
Operating Expenses <sup>(2)(3)(4)</sup> .....	<u>3,014,555</u>	<u>2,583,732</u>	<u>2,324,204</u>	<u>2,126,054</u>
Revenues from Operations .....	982,505	972,968	1,155,913	1,029,082
Interest and Other Income (Net).....	<u>85,202</u>	<u>66,058</u>	<u>24,057</u>	<u>55,633</u>
Revenues Available for Debt Service.....	1,067,707	1,039,026	1,179,970	1,084,715
Rate Stabilization Funds.....	--	--	--	--
Revenues Available for Debt Service on Revenue Bonds and Subordinated Debt.....	1,067,707	1,039,026	1,179,970	1,084,715
Debt Service Requirements Revenue Bonds .....	296,251	294,412	292,280	276,940
Debt Service Requirements Subordinated Debt .....	<u>10,427</u>	<u>681</u>	<u>1,003</u>	<u>6,648</u>
Total Debt Service .....	<u>306,678</u>	<u>295,093</u>	<u>293,283</u>	<u>283,588</u>
Coverage of Total Revenue Bond Debt Service <sup>(5)</sup> .....	3.60	3.53	4.04	3.92
Coverage of Total Debt Service <sup>(6)</sup> .....	3.48	3.52	4.02	3.82
Balance after Debt Service .....	761,029	743,933	886,687	801,127
Plus: Interest on Construction Fund .....	365	60	627	1,577
Less: Contribution in Lieu of Taxes .....	112,435	125,937	121,221	124,173
Less: Contributions to Water Operations.....	60,730	56,290	65,202	59,158
Less: Falling Water Charges <sup>(7)</sup> .....	<u>7,959</u>	<u>5,465</u>	<u>3,684</u>	<u>2,651</u>
Balance Available for Corporate Purposes.....	<u>\$ 580,270<sup>(8)</sup></u>	<u>\$ 556,301</u>	<u>\$ 697,207</u>	<u>\$ 616,722</u>

<sup>(1)</sup> Includes inter-company sales.

<sup>(2)</sup> Electric Revenues and Operating Expenses do not include the effects of ASC 815, *Derivatives and Hedging*.

<sup>(3)</sup> Includes ad valorem taxes applicable to out-of-state properties owned by the District and payroll taxes. Excludes depreciation, voluntary contributions in lieu of taxes and inter-company charge for water for power and includes price increases.

<sup>(4)</sup> Operating expenses include costs on an accrual basis for post-retirement medical benefits.

<sup>(5)</sup> Figures derived by dividing line "Revenues Available for Debt Service" by line "Debt Service Requirements Revenue Bonds."

<sup>(6)</sup> Figures derived by dividing line "Revenues Available for Debt Service on Revenue Bonds and Subordinated Debt" by line "Total Debt Service."

<sup>(7)</sup> The charges by the Association for water used in hydroelectric generation.

<sup>(8)</sup> May be reconciled with combined net revenues for 2023 as follows:

(\$000's – Unaudited)	
BALANCE AVAILABLE FOR CORPORATE PURPOSES .....	\$ 580,270
Bond principal repayment.....	110,042
Capitalized Interest .....	14,402
Depreciation and amortization .....	(673,243)
Fuel related depreciation (reflected in fuel costs) .....	(3,118)
Realized Earnings on segregated post retirement investment funds.....	(35,233)
Amortization of bond discount/premium, issuance, and refinancing expenses .....	<u>46,090</u>
Net Revenues before impact of fair value adjustments.....	39,210
Impact of fair value adjustments .....	<u>(400,740)</u>
COMBINED NET REVENUES .....	<u>\$ (361,530)</u>

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## CERTAIN FACTORS AFFECTING THE ELECTRIC UTILITY INDUSTRY

### General

The electric utility industry in general has been, and in the future may be, affected by a number of factors that could impact the business affairs, financial condition and competitiveness of an electric utility and the level of utilization of generating facilities, such as those of the District.

Among others, key factors include, (i) the regulatory requirements related to the issues of climate change, (ii) effects of compliance with rapidly changing environmental, safety, licensing, regulatory and legislative requirements, (iii) changes resulting from conservation and demand-side management programs on the timing and use of electric energy, (iii) changes that might result from national energy policies, (iv) “self-generation” by certain industrial and commercial customers, (iv) issues relating to the ability to issue tax-exempt obligations, (v) severe restrictions on the ability to sell to nongovernmental entities electricity from generation projects financed with outstanding tax-exempt obligations, (vi) changes from projected future electricity requirements, (vii) increases in costs, (viii) shifts in the availability and relative costs of different fuels, (ix) effects of the financial difficulties confronting the power marketers, and (x) costs resulting from attempts to change the way transmission providers operate. Any of these factors (as well as other factors) could affect the financial condition of any given electric utility and likely will affect individual utilities in different ways.

The District cannot predict what effects these factors will have on its business operations and financial condition, but the effects could be significant. The following is a brief discussion of certain of these factors. However, this discussion does not purport to be comprehensive or definitive, and these matters are subject to change subsequent to the date of this Official Statement. Extensive information on the electric utility industry is, and will be, available from sources in the public domain, and potential purchasers of the securities of the District should obtain and review such information.

### The Federal Energy Regulatory Commission

FERC regulates the transmission of electricity in interstate commerce. Historically, with limited exceptions, FERC has not regulated transmission services by public power. However, the Energy Policy Act of 2005 (the “Energy Policy Act”) expanded FERC jurisdiction by granting FERC authority to regulate the non-rate terms and conditions, and to a lesser extent, rates, under which public power entities (including the District) provide transmission services, either through a comprehensive rule-making impacting all public power entities or upon a final finding that any one public power entity has engaged in discriminatory practices that impaired fair and open access to its transmission system. The Energy Policy Act explicitly prohibits FERC from requiring public power entities to take actions that would violate a private activity bond rule. To date FERC has declined to generically implement its authority over public power entities, and determined its authority would be used on a case-by-case basis. FERC has thus far only ordered one specific public power entity to file a FERC-approved open access transmission tariff.

In response to FERC’s open access rules for nondiscriminatory transmission and interconnection services, the District developed a Board of Directors-approved Open Access Transmission Tariff (“OATT”) that is publicly posted and sets forth the terms and conditions under which the District operates its transmission system. The District’s terms and conditions for transmission and interconnection services are largely equivalent to the terms and conditions established by FERC in a pro forma tariff. By operating under its own version of a public power entity OATT that is modelled upon the FERC pro forma tariff, the District offers reciprocal service to FERC-jurisdictional public utilities which helps ensure that the District, in turn, has access to the transmission system of those public utilities.

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## Status of Competition in Arizona

In 1998, Arizona enacted the Electric Power Competition Act (the “Competition Act”), which applies to public power entities, like the District. The Competition Act authorized competition in the retail sale of electric generation, recovery of stranded costs, and competition in billing, metering and meter reading. While retail competition was available to all customers by 2001, only a few customers chose an alternative energy provider, and those customers have since returned to their incumbent utilities. At this time, there is no active retail competition within the District’s service territory or, to the knowledge of the District, within the State of Arizona. On April 26, 2022, Governor Ducey signed into law H.B. 2101, which repealed the earlier statutes providing for retail competition in the State of Arizona. The District cannot predict if retail competition may reemerge at some time in the future. See “ELECTRIC PRICES” for further discussion.

*The Arizona Corporation Commission.* The ACC regulates investor-owned and cooperatively-owned utilities, called public service corporations in Arizona. The Arizona Legislature, in the Competition Act, directed the ACC to adopt rules for competition similar to what the Arizona Legislature had enacted for public power entities.

In 1999, the ACC issued its rules for retail electric competition. The rules were challenged in the courts and held to be invalid. At various times since, numerous energy service providers, meter reading, and meter service providers, as well as brokers, large industrial customers and merchant power plant owners have urged the ACC to reinstate some form of retail competition, but none have been successful. In May 2013, when the ACC opened a further inquiry into retail competition and requested that interested parties provide comments on a series of ACC-issued questions. The District participated in this inquiry. On September 11, 2013, the ACC voted to close its inquiry into whether the ACC should consider deregulation of the Arizona electricity market. The ACC’s action was consistent with the position advocated by the District.

In a proceeding filed in 2010, an advocacy group for the solar industry comprised of equipment manufacturers, dealers and installers, and a solar electric provider, petitioned the ACC for a determination that providers of certain solar service agreements were not public service corporations. At issue was whether such providers were public service corporations under the Arizona Constitution and, therefore, regulated by the ACC. The ACC ruled on June 30, 2010, that a solar electric provider providing service to a school, nonprofit organization or governmental entity from a solar facility constructed on the customer’s premises was not subject to ACC jurisdiction as a public service corporation.

In December 2018, a docket was again opened at the ACC for possible modifications to the ACC rules for competition. The ACC staff filed their first report on possible modifications in July 2019 and held a workshop on the topic in the same month. The District participated in the workshop. Following the July workshop, Staff was directed to complete research on the outcomes in other deregulated states and the Commissioners were asked to docket any questions they may have on the matter for interested parties to respond to. On April 26, 2022, Governor Ducey signed into law H.B. 2101 which repealed the 1998 outdated and unused statutes regarding retail electric competition, effectively retaining the policy and practice of vertically integrated utilities.

Beginning in July 2012, the ACC created a buy-through program for APS, which allowed a limited number of large industrial customers to purchase generation from other providers. The ACC has modified the program over the years and has since required TEP to provide a buy-through option. TEP submitted a proposal for a buy-through program in March 2021, and the ACC approved it in December 2022. Under A.R.S. Section 30-810 which became effective September 24, 2022, public power entities such as the District are required to offer a similar buy-through program on or before January 1, 2024. As a result, the District has developed a buy-through program, which was approved by the Board on September 26, 2023 and will be available to a limited number of large customers on January 1, 2024.

*Strengths of the District's Business Strategy.* The District has several strengths with regard to its business strategy. The District has retained its existing vertically integrated infrastructure and is developing additional resources to keep up with its load growth. Its fuel sources for existing generation are diversified, and planned additions include sustainable as well as gas resources. See “THE ELECTRIC SYSTEM—Existing and Future Resources” and “THE ELECTRIC SYSTEM — Projected Peak Loads and Resources” herein.

The District has been preparing for significant changes in the utility industry for well over a decade. The District has implemented initiatives that included extensive debt refinancing, renegotiation of fuel supply agreements, staff reductions, implementation of numerous operating efficiencies and enhancing services

provided to the District's customers. The District also has a diversified customer base and, as of the end of the fiscal year ending April 2023, no single customer provided more than 4.0% of its operating revenues. See "SELECTED OPERATIONAL AND FINANCIAL DATA — Customers, Sales, Revenues and Expenses" herein.

On April 1, 2020, the District formally joined the western EIM. The EIM is a five-minute automated energy market designed to help optimize the dispatch of energy and manage variable generation resources to serve customers. The EIM's advanced market systems automatically find the lowest-cost energy to serve real-time consumer demands of participating utilities. The EIM enables utilities to buy and sell power more efficiently in the hour before the energy is needed, with five-minute plant dispatching, which results in improved efficiencies and cost savings.

The EIM is operated by the California Independent System Operator. Motivated principally by California energy policy advancements and the addition of large amounts of solar and wind to the Western grid, the EIM seeks to provide improved generation dispatch efficiency, enhanced operational flexibility and reduced costs for participants. The EIM is a relatively small part of the overall Western energy market. While EIM transactions occur in five-minute increments, the vast majority of energy purchases and sales in the west occur in day-ahead, month-ahead, and longer time frames. While it is a small market when compared to the overall energy market, it can provide additional economic benefits to participants, particularly with regard to managing variable resources.

The District is regulated by an independent, publicly elected Board of Directors that approves its capital budgets and electric price structure. Together the Board and management have developed these various initiatives in response to the significant changes occurring in the electric utility industry. See "THE DISTRICT — Organization, Management and Employees" herein.

The District has conducted studies showing that customers with high loyalty rates are less likely to select another generation provider. Consequently, the District has implemented projects and programs geared towards enhancing "customer loyalty" by offering them a range of pricing and service options. Moreover, the District is one of the low-cost price leaders in the Southwest. See the discussion of price initiatives under "ELECTRIC PRICES." The District was recognized in 2022 by J.D. Power & Associates for scoring the highest in residential customer satisfaction among electricity providers in the West. The District has received this award 23 out of the last 24 years.

***Energy Risk Management Program.*** The cornerstone of the District's risk management approach is its mission to serve its retail customers. This means that the District builds or acquires resources to serve retail customers, not the wholesale market. However, as a summer peaking utility, there are times during the year when the District's resources exceed its retail load, thus giving rise to wholesale activity. The District has an Energy Risk Management Program to limit exposure to risks inherent in retail and wholesale energy business operations by identifying, measuring, reporting, and managing exposure to market, credit, and operational risks. To meet the goals of the Energy Risk Management Program, the District uses various physical and financial instruments, including forward contracts, futures, swaps, and options. Certain of these activities are accounted for under ASC 815. Under ASC 815, derivative instruments are recorded in the balance sheet as either an asset or liability measured at their fair value. The standard also requires that changes in the fair value of the derivative be recognized each period in earnings or other comprehensive income depending on the purpose for using the derivative and/or its qualification, designation and effectiveness as a hedging transaction. Many of the District's contractual agreements qualify for the normal purchases and sales exception allowed under ASC 815 and are not recorded at market value.

The Energy Risk Management Program is managed according to a policy approved by the District's Board of Directors to address market, credit, and operational risks. The program is overseen by a Risk Oversight Committee composed of senior executives. The District maintains an Energy Risk Management Department separate from the energy marketing area. The Energy Risk Management Department regularly reports to the Risk Oversight Committee.

## **Environmental**

Electric utilities are subject to federal, state and local environmental regulations that continually change due to legislative, regulatory and judicial actions. There is concern by the public, the scientific community, and certain portions of the federal and state governments regarding environmental damage resulting from the use of fossil fuels. Under President Obama's administration, there were a number of regulatory initiatives that affected the electric utility industry. Changes to environmental regulations under the provisions of multiple environmental laws created certain barriers to new facility development and modifications of existing facilities. President Trump's administration set

new environmental priorities and moved forward with actions to revise key regulations put in place by the previous administration. President Biden's administration has sought to reverse many of the Trump administration's regulations, policy and guidance and impose more stringent requirements on the power sector. Because many of these actions have not been proposed or finalized, or are subject to ongoing legal challenges, it is still unclear how these changes will affect the electric utility industry.

The District continually assesses the risk of policy initiatives on its generation assets and develops contingency plans as necessary to comply with future laws and regulations relating to low- or no-greenhouse gas ("GHG") energy and reducing pollutant emissions. The District cannot predict whether additional legislation or rules will be enacted that will affect the District's operations, the impact of any initiatives on the District and, if such laws or rules are enacted, what the costs to the District might be in the future because of such action.

**Air Quality.** Efforts to reduce emissions from fossil fuel power plants are on-going, and increase the cost of, and add to the difficulty of, siting, constructing and operating fossil fuel electric generating units ("EGUs"). As a result of legislative and regulatory initiatives, the District has made reductions in emissions of mercury and other pollutants at its coal-fired power plants, including plants located on the Navajo Nation.

The full significance of air-quality standards and emissions-reduction initiatives to the District in terms of costs and operational impacts is difficult to predict. The cost of fossil fuel purchased by the District may increase and permit fees may increase significantly, resulting in potentially material costs to the District as well as reduced generation. The District assesses the risk of these policy initiatives on its generation assets and develops contingency plans that may include the curtailment or closure of one or more of the District's generating units. The District cannot predict the impact of such initiatives on the District at this time.

**Mercury and Air Toxics Standards.** In February 2012, the EPA published the Mercury and Air Toxics Standards ("MATS") rule, which established new emissions standards for trace metals, acid gases, mercury and organic compounds from existing and new coal- and oil-fired power plants under the CAA. The District determined the rule required new controls for mercury at the District-operated CGS and NGS facilities. The District completed the construction of equipment to support the selected mercury control strategy at each plant prior to the April 2016 deadline for compliance with the MATS mercury limit. No additional controls for MATS compliance were required at any other coal-fired plants in which the District has an interest.

On April 25, 2016, EPA published a supplemental finding that it is "appropriate and necessary" to regulate hazardous air pollutants ("HAP") emissions from coal- and oil-fired EGUs. In June 2016, five petitions for review were filed challenging the final rule and the cases were consolidated. At EPA's request, the consolidated cases have been held in abeyance since April 2017. The District is monitoring the litigation.

On May 22, 2020, EPA published in the *Federal Register* a final rule entitled "National Emission Standards for Hazardous Air Pollutants: Coal- and Oil-Fired Electric Utility Steam Generating Units – Reconsideration of Supplemental Finding and Residual Risk and Technology Review." The rule rescinded the legal basis for the MATS rule and finalized a Risk and Technology Review ("RTR") concluding that no further restrictions on EGU HAP emissions were necessary. On June 19, 2020, numerous environmental, public health, and civil rights groups sued EPA, challenging EPA's decision to rescind the agency's appropriate and necessary finding. On July 21, 2020, environmental groups filed a petition for review of EPA's final RTR. The groups challenge various aspects of the RTR as unlawful and/or arbitrary, including EPA's decision to not set numeric emission limits for organic hazardous air pollutants; EPA's refusal to eliminate the "extended" startup period; the "new rationale" for excluding startup, shutdown, and malfunction ("SSM") emissions from the risk analysis; and the multipath way risk analysis. EPA filed a motion requesting the court hold the cases in abeyance pending EPA's review of the rule, and the court granted the motion on February 16, 2021. On July 13, 2023, the court dismissed the various cases challenging EPA's rule.

On January 31, 2022, EPA proposed to reaffirm that it remains appropriate and necessary to regulate HAP emissions, including mercury, from power plants after considering cost. This action would revoke the 2020 finding that it was not appropriate and necessary to regulate coal- and oil-fired power plant HAP emissions. As part of the proposal, EPA stated the agency is also reviewing the 2020 RTR. Accordingly, the EPA solicited comment on the performance and cost of new or improved technologies that control HAP emissions, improved methods of operation, and risk-related information to further inform the agency's review of the MATS RTR. On February 15, 2023, EPA issued its rule restoring the agency's finding that it is "appropriate and necessary" ("A&N") to regulate power plants' air toxics.

On April 24, 2023, EPA proposed to determine that the 2020 RTR was flawed and that the updated technology review requires certain changes to the MATS. For coal-fired electric generating units (“EGUs”), EPA is proposing to lower the emission limit for filterable particulate matter (“fPM”), which serves as a surrogate for non-mercury hazardous air pollutant metals, from the current 0.030 lbs/mmBtu to 0.010 lbs/mmBtu, and possibly as low as 0.006 lbs/mmBtu. EPA is also proposing to require continuous emissions monitoring systems (“CEMS”) to demonstrate compliance with the fPM standard and eliminating the option to demonstrate compliance by conducting periodic stack testing or PM continuous parameter monitoring systems.\* Affected EGUs would have to comply with the revised standards within three years of the effective date of the final rule. The District is monitoring this activity and cannot predict the outcome at this time.

**Regional Haze Rule.** Provisions of the EPA’s Regional Haze Rule require emissions controls known as Best Available Retrofit Technology (“BART”) for certain coal-fired power plants and other industrial facilities that emit air pollutants that reduce visibility in Class I areas such as national parks. The District has financial interests in several coal-fired power plants that underwent BART analysis during the first planning period of the Regional Haze Rule. States were required to submit to EPA a Regional Haze State Implementation Plan (“SIP”) revision to address the rule’s second planning period no later than July 31, 2021. The SIP revision is required to include measures as needed to make “reasonable progress” towards natural visibility conditions in Class I areas for the period covered by the plan—the years 2018 to 2028. Sources that underwent BART analysis during the first planning period are not exempt from making further reductions to achieve reasonable progress. ADEQ published a draft SIP revision for the second planning period on June 13, 2022. In the draft, ADEQ issued preliminary determinations that no additional controls were warranted for District coal-fired units. The public comment period for the draft SIP revision ended July 14, 2022. On August 15, 2022, ADEQ submitted its *State Implementation Plan Revision: Regional Haze Program (2018-2028)*. On the same date, EPA determined that the Arizona SIP Revision was complete. EPA is currently reviewing the SIP revision to determine whether it meets the criteria for approval. The District is monitoring this activity and cannot predict the outcome at this time.

**Coronado Generating Station.** CGS is subject to source-specific terms under the Arizona Regional Haze SIP. The CGS SIP revision consists of an interim operating strategy that is in effect from December 5, 2017, to December 31, 2025, and a final operating strategy that would take effect on January 1, 2026. The interim operating strategy requires CGS to curtail Unit 1 for various periods during certain winter months. The District is proceeding with a final operating strategy to install Selective Catalytic Reduction (“SCR”) on Unit 1. The new Unit 1 SCR will include components that are currently part of the SCR system for Unit 2. At the end of the project, each Unit will have a separate, dedicated SCR system. The District will couple SCR operations on both units with continued seasonal curtailments of CGS’ operations. Both units will retire no later than year 2032.

The Sierra Club petitioned the EPA to object to the renewal of the CGS Title V air permit on January 10, 2021, alleging that the Title V permit fails to mandate permanent closure of Unit 1 by December 31, 2025, or alternatively fails to require a significant permit revision in the event the District proceeds with SCR installation. The District responded to the petition on February 16, 2022. The EPA issued an order responding to the petition on June 14, 2022, granting the petition in part and denying the petition in part. The EPA granted Sierra Club’s request for an objection regarding whether the permit conditions authorizing the installation of SCR on Unit 1 were appropriately included in the Title V permit because the permit record was inadequate. The EPA directed ADEQ to amend the Title V permit and permit record as necessary to include and explain the extensions authorizing the installation of SCR on Unit 1 and to specify the authority for the permit conditions. Following public notice and comment, ADEQ amended the Title V permit to address EPA’s order. The EPA denied the remainder of the Sierra Club’s claims. On September 30, 2022, EPA published in the *Federal Register* a notice regarding the final order on Sierra Club’s objection to the Title V permit.

On August 12, 2022, the Sierra Club filed a petition in the U.S. Court of Appeals for the Ninth Circuit challenging EPA’s denial of its remaining claims. A stipulation for dismissal was filed on April 6, 2023. On May 5, 2023, the court dismissed the appeal.

**Agua Fria Generating Station (AFGS).** On November 24, 2020, the District submitted a permit renewal application for the existing units at AFGS and a significant permit revision application for two new combustion

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\* EPA is also proposing to lower the mercury emissions limits for EGUS that fire lignite coal, however, the District does not have any units utilizing lignite coal.

turbines on April 30, 2021 to Maricopa County Air Quality Department (MCAQD). MCAQD issued the permit on December 9, 2021. The Sierra Club petitioned EPA to object to the permit, and on July 28, 2022, EPA issued an order granting in part and denying in part the Sierra Club's petition. MCAQD revised the permit to comply with the EPA's order. The revised permit was submitted for public notice and comment and EPA review. During the review period, the Sierra Club submitted comments on revisions and requested a public hearing. EPA made no additional comments on the permit revisions. MCAQD made minor changes to the permit in response to the Sierra Club's comments and issued a revised Title V permit to the District on May 2, 2023. The Sierra Club again petitioned EPA to object to the revised Title V permit on June 1, 2023, alleging that the Title V permit fails to properly limit the potential to emit hazardous air pollutants (HAPs) from AFGS to less than major source levels and as such improperly failed to include applicable requirements for the two new combustion turbines. In its Technical Support Document accompanying the final permit, MCAQD states that AFGS is not a major source of HAPs because the District has requested to limit allowable single and combination HAP below 10 and 25 tpy respectively. The EPA has not responded to Sierra Club's second petition, and on August 29, 2023, Sierra Club filed a Notice of Intent to Sue to EPA for failure to respond the second petition.

***EPA Greenhouse Gas Emissions Regulations.*** The District recognizes the growing importance of the issues concerning climate change (global warming) and the potential implications they could have on its operations. The District closely monitors climate change and other legislative and regulatory developments at the federal, state, and regional levels. Implementation of caps, taxes, or standards on emissions of GHG or other air pollutants from fossil fuel power plants would substantially increase the cost of, and add to the difficulty of siting, constructing, and operating EGUs.

In addition, the District is unable to predict the impact of climate change more generally on the District and its operations and markets. However, such impact may include, for example, effects on the District's operations directly or indirectly through customers or the District's supply chain, increased capital expenditures, costs to purchase or profits from sales of allowances or credits under a "cap-and-trade" system, increased raw material and equipment costs, increased insurance premiums and deductibles as new actuarial tables are developed to reshape coverage, a change in competitive position relative to industry peers and changes to profit or loss arising from increased or decreased demand for the District's production, changes in human population patterns, and potential physical impacts such as changes in rainfall patterns, shortages of water or other natural resources, changing surface water and groundwater levels, changing storm patterns and intensities, and changing temperature levels.

***EPA Carbon Regulations for Existing EGUs.*** On July 8, 2019, EPA published in the *Federal Register* the "Affordable Clean Energy" ("ACE") rule that repealed and replaced the 2015 Clean Power Plan ("CPP"). Unlike the CPP, the ACE rule did not set state and tribal targets for carbon emission reductions. Instead, the rule required states to set carbon emissions performance standards for coal-fired EGUs based on a revised determination that the "best system of emission reduction" is application of heat rate improvement technologies. This rule was applicable to all coal-fired plants in which the District has an interest. Numerous states and cities and environmental groups challenged the ACE rule, and on January 19, 2021, the D.C. Circuit Court vacated and remanded the ACE rule to EPA, finding that the ACE rule, as well as the repeal of the CPP, "hinged on a fundamental misconstruction of" Section 111(d). Multiple petitions for certiorari were filed with the U.S. Supreme Court asking the court to consider the extent of EPA's authority to regulate greenhouse gases at existing power plants. In July 2022, the Supreme Court ruled EPA lacks the authority to regulate power plants by mandating shifting of generation technology across fleets as required by the CPP. On May 11, 2023, EPA proposed five separate rules related to GHG's (2023 Proposed Carbon Rules) to: (i) revise the new source performance standards (NSPS) under Section 111(b) for GHG emissions from new fossil fuel-fired stationary combustion turbine EGUs; (ii) revise the NSPS for GHG emissions from fossil fuel-fired steam generating units that undertake a large modification; (iii) establish emission guidelines pursuant to Section 111(d) for GHG emissions from existing fossil fuel-fired steam generating EGUs, including coal-fired and oil/gas-fired steam generating EGUs; (iv) establish emission guidelines pursuant to Section 111(d) for GHG emissions from the largest, most frequently operated stationary combustion turbines; and (v) repeal the ACE Rule. Public comments on the 2023 Proposed Carbon Rules were due on August 8, 2023.

The 2023 Proposed Carbon Rule for existing fossil-fired EGUs would establish the best system of emission reduction (BSER) for coal-fired utility boilers based on the unit's operating horizon. Once EPA establishes the BSER for existing units, states are required to establish standards of performance that reflect the degree of emission limitation achievable through application of the BSER. These state standards of performance are established in SIPs that must be approved by EPA.



For coal-fired boilers operating past December 31, 2039, EPA is proposing the BSER to be carbon capture and sequestration (CCS) with 90% capture of CO<sub>2</sub> by January 1, 2030. The presumptively approvable emission standard is an 88.4 percent reduction in the unit's annual baseline emission rate on a pound (lb) of CO<sub>2</sub> per MWh-gross basis. For units operating after December 31, 2031, but ceasing operations by December 31, 2039, the BSER would be co-firing with natural gas (40% by volume) by January 1, 2030. The presumptively approvable emission standard is a 16 percent reduction in the unit's annual baseline emission rate. For coal-fired boilers that cease operations on or before December 31, 2031, and coal-fired boilers that cease operations on or before December 31, 2034, that adopt an enforceable capacity factor limit of 20% beginning on January 1, 2030, the proposed BSER is routine methods of operation and maintenance. The presumptively approvable standard is no increase in the CO<sub>2</sub> emission rate.

At this time, the District anticipates that it will have two coal-fired generating stations in operation past December 31, 2031. The Coronado Generating Station is expected to retire no later than 2032. The District has not announced a retirement date for the Springerville Generating Station. The District does not believe it is feasible to implement CCS or co-fire with natural gas at either facility by 2030.

The 2023 Proposed Carbon Rule for existing fossil-fuel fired stationary combustion turbines establishes BSER for the largest, and most frequently used existing natural gas fired combustion turbines. For units with a capacity factor greater than 50 percent and a nameplate capacity greater than 300MW, EPA proposes two BSER pathways. The CCS pathway would establish the BSER as implementation of CCS with 90% capture of CO<sub>2</sub> by 2035, with the presumptively approvable emission standard of 90 lb CO<sub>2</sub>/MWh. The low-GHG hydrogen pathway would set a two-stage BSER of co-firing with low-GHG hydrogen, beginning with 30% by volume in 2032, and 96% by volume beginning in 2038. The presumptively approvable emission rates would be 680 lb CO<sub>2</sub>/MWh and 90 lb CO<sub>2</sub>/MWh, respectively. The District does not believe it is feasible to implement CCS or hydrogen co-firing at its existing natural gas generating units by the timeframes required in the 2023 Proposed Carbon Rule. Thus, if the 2023 Proposed Carbon Rule for existing fossil-fuel fired combustion turbines is implemented as currently purposed, the District will need to operate its large, natural gas units so that the capacity factors do not exceed 50 percent.

The 2023 Proposed Carbon Rule for new fossil-fuel fired stationary combustion turbines establishes BSER and associated standards of performance for new stationary combustion turbines by subcategory. Units in the low load subcategory are defined as having a capacity factor less than 20%. The BSER for the low load category is the use of low emitting fuels with a corresponding standard of performance of 120 lb CO<sub>2</sub>/MWh to 160 lb CO<sub>2</sub>/MWh depending on the fuel type. For units in the intermediate category (capacity factor between 20% and approximately 50%) or base load subcategory (capacity factor greater than 50%) the proposed BSER is co-firing with low-GHG hydrogen or CCS depending on the capacity factor of the units. The District does not believe it is feasible to implement CCS or hydrogen co-firing for new gas units at this time. Thus, any new gas generation in the near term will need to be designed to meet the requirements of the low load subcategory.

The 2023 Proposed Carbon Rule is expected to be immediately challenged once it is finalized. The District cannot predict the outcome of this matter at this time.

The District has already taken significant and material action to reduce its carbon emissions intensity. In 2004, the District Board directed management to enhance its resource portfolio by adding significant amounts of renewable energy and other sustainable resources through the development of the Sustainable Portfolio Plan ("SPP"). The SPP has matured and intensified over the years and the most recent revision to the SPP, approved by the District's Board in 2011, requires the District to meet 20% of its expected retail energy requirements with sustainable (zero carbon) resources by 2020. The SPP commitment was fulfilled and completed as of April 30, 2020. In 2017, the District's Board approved SRP 2035 Sustainability Goals, a new suite of sustainability goals that included commitments to, steadily and meaningfully, decrease the District-related carbon emissions intensity over time from generation resources, operations, transportation, and other initiatives. More specifically, the District set goals to reduce carbon emissions intensity (expressed as pounds of CO<sub>2</sub> per megawatt-hour) from generation resources by 33% and reduce CO<sub>2</sub> from the District's facilities and generation fleet by 30% on a mass basis. In 2018, the District initiated a robust community stakeholder process to review the sustainability goals, which resulted in the District's Board approval in June 2019 of revised goals, including more aggressive measures to decrease CO<sub>2</sub> emissions from generation operations. Under the revised goals, the District will reduce carbon emissions intensity from generation by 65% from 2005 levels by 2035, and by 90% by fiscal year 2050. On October 2, 2023, the District's Board approved an Integrated System Plan (ISP) which includes a set of power system strategies to be implemented between 2025 and 2035. The ISP was developed as part of a two-year planning process that incorporated perspectives from a variety of District stakeholders such as Arizona businesses, universities, environmental organizations, nonprofits, and residential

customers. Previous planning processes utilized by the District mainly considered the power resources that will be needed in the future. The ISP is a holistic roadmap for the District's future power system that factors in evolving customer energy needs while achieving SRP's 2035 Sustainability Goals.

**Ozone National Ambient Air Quality Standards.** Pursuant to the CAA, the EPA is required to review and, if appropriate and necessary, revise each of the established National Ambient Air Quality Standards ("NAAQS") at five-year intervals. Many of the District's natural gas-fired generating stations are located in portions of Maricopa County that have been designated as nonattainment with the ozone NAAQS. In 2008, EPA established the ozone NAAQS at 75 parts per billion ("ppb") based on an 8-hour average. On November 12, 2019, EPA determined that the Phoenix nonattainment area met the 2008 ozone standard.

EPA's proposed attainment determination does not redesignate the area to attainment; however, it avoids reclassifying the area to the higher nonattainment classification of "serious". To be redesignated to attainment, the Maricopa Association of Governments ("MAG") will need to develop a maintenance plan for the Phoenix-Mesa ozone nonattainment area that demonstrates maintenance of the 2008 ozone standard for ten years after redesignation; the EPA must approve this plan. On June 2, 2020, EPA published in the *Federal Register* a final rule approving portions of the MAG 2017 Ozone Plan. In a separate suit, ACLPI also challenged EPA's partial approval and disapproval of the MAG 2017 Ozone Plan. The Ninth Circuit denied ACLPI's petition on July 28, 2022.

On October 1, 2015, the EPA finalized revisions to the NAAQS and lowered both the primary and secondary ozone NAAQS from the 2008 limit of 75 ppb down to 70 ppb. On December 23, 2020, EPA finalized the rule to retain the current primary and secondary NAAQS for ozone at 70ppb. In October 2021, EPA indicated that it would reconsider its 2020 decision to retain the 2015 ozone standard. On August 21, 2023, EPA announced that it was initiating a new review of the ozone NAAQS. In response to this announcement, certain state and municipal petitioners have asked the D.C. Circuit Court to lift the current abeyance over challenges to the 2020 standard. The District is monitoring this litigation and cannot predict the outcome at this time.

With respect to the 2015 standard, EPA published a notice in the June 4, 2018 *Federal Register* designating parts of Gila, Maricopa, Pinal and Yuma Counties in Arizona as "marginal", nonattainment areas. On September 16, 2022, EPA issued a final rule determining that the Yuma area attained the 2015 ozone standard by August 3, 2021. In the same rule, EPA determined that Maricopa County and portions of Pinal and Gila Counties, collectively called the Phoenix-Mesa nonattainment area, failed to attain the 2015 ozone NAAQS by the attainment date of August 3, 2021, and reclassified the Phoenix-Mesa nonattainment area from marginal to moderate for the 2015 ozone pollution standard.

After the effective date of a final nonattainment designation, no permit may be issued for a new stationary source, or for a project at an existing stationary source in a nonattainment area, except in conformance with applicable Nonattainment New Source Review ("NNSR") requirements. The Phoenix-Mesa nonattainment area will be required to attain the 2015 standard no later than August 3, 2024. Sources of ozone and ozone precursors in the Phoenix-Mesa nonattainment area will be required to implement reasonable available control technologies. On December 5, 2022, EPA proposed to partially approve and partially disapprove the SIP for the implementation, maintenance, and enforcement of the 2015 ozone NAAQS submitted by the State of Arizona. EPA proposes to determine that the Arizona SIP remains deficient with respect to Prevention of Significant Deterioration ("PSD") permitting for certain pollutants in certain areas of Arizona. The comment period was open until January 4, 2023. If finalized, these partial disapprovals would not result in any offset or highway sanctions. Arizona needs to modify its SIP to address the required controls necessary to achieve the 70 ppb standard. On September 29, 2023, Sierra Club filed a complaint alleging EPA failed to issue findings that 11 states, including Arizona, did not submit revised nonattainment area SIPs for the 2015 ozone NAAQS by January 1, 2023. On October 18, 2023, EPA published a final action finding that the 11 states, including Arizona, failed to submit SIP revisions by January 1, 2023. This final action triggers a two-year deadline for EPA to issue federal implementation plans (FIPs) for each state that does not submit and receive EPA approval for an acceptable SIP revision addressing the outstanding requirements. The District cannot predict the impact of the 2015 ozone standard on its operations or finances at this time.

**PM<sub>2.5</sub> National Ambient Air Quality Standards.** On January 6, 2023, EPA announced a proposed decision to revise the primary annual PM<sub>2.5</sub> standard from its current level of 12.0 µg/m<sup>3</sup> to within the range of 9.0 to 10.0 µg/m<sup>3</sup>. EPA is not proposing to change the secondary annual PM<sub>2.5</sub> standard, the primary and secondary 24-hour PM<sub>2.5</sub> standards, or primary and secondary PM<sub>10</sub> standards. A change to the primary annual PM<sub>2.5</sub> standard could result in additional areas within Arizona being designated as nonattainment with NAAQS.

On July 21, 2023, EPA published a determination that the West Pinal County failed to attain the 1987 24-hour PM10 NAAQS by the Serious area attainment date of December 31, 2022. As a result of the determination, Arizona is required to revise its SIP and implement measures that provide for annual reduction in the emissions of direct PM10 or a PM10 precursor pollutant within the area of not less than five percent until attainment. The determination reduces the threshold at which EPA's new source review requirements are triggered from 100 tons per year ("TPY") to 70 TPY. The District is monitoring this activity and cannot predict the outcome.

***Solid and Hazardous Waste Management.*** Many normal activities in connection with the operation of the District generate hazardous and non-hazardous wastes. Federal, state, and local laws and regulations governing waste management impose strict liability for cleanup costs and damages resulting from hazardous substance release or contamination, regardless of time or location, on those who generate, transport, store, treat, or dispose of hazardous wastes. At any given time, various District facilities may be subject to inspection by federal, state, or local regulatory authorities to determine compliance with laws and regulations pertaining to hazardous and non-hazardous waste management, and District facilities may be included in studies of contaminated sites by federal and state regulatory authorities. The District has established a plan for managing hazardous waste to ensure compliance with applicable laws and regulations, and independently assesses its facilities to determine whether there is any contamination resulting from its activities. From time to time, the District and the Association receive inquiries from regulatory authorities about the status of various contaminants at the District's facilities and respond as appropriate.

The District disposes of coal combustion residuals ("CCRs"), such as fly ash, bottom ash and flue gas desulfurization ("FGD") sludge at CGS in a dry landfill storage area and a wet surface impoundment. The District completed closure of an inactive CCR facility at CGS in May 2019. CGS sells a portion of its fly ash for beneficial reuse as a constituent in concrete production. At NGS, disposal of CCRs was limited to a dry ash landfill; the District will close this facility as part of the NGS decommissioning process. The District also owns interests in joint participation plants, such as Four Corners, Craig, Hayden and Springerville, which dispose of CCRs in dry storage areas and in wet surface impoundments.

On October 19, 2015, federal criteria for management of CCRs as solid non-hazardous waste ("CCR rule") became effective. The CCR rule is self-implementing and generally requires CCR disposal units to meet certain performance criteria. Units that do not meet the criteria must stop receiving CCRs and either retrofit to attain compliance or close. Costs to comply with this rule include costs for new groundwater monitoring wells, compliance monitoring and the eventual closure of residual ponds and storage areas.

The CCR Rule was challenged, and on August 21, 2018, the United States Court of Appeals for the District of Columbia vacated, as arbitrary and capricious, that portion of the CCR Rule that allowed existing unlined surface impoundments to continue operating unless and until the impoundments were shown to impact groundwater as determined by the groundwater protection standards. In 2020, EPA significantly amended the CCR rule to address the court's vacatur of the 2015 provisions. On August 28, 2020, EPA published in the *Federal Register*, a final rule entitled *Hazardous and Solid Waste Management System: Disposal of Coal Combustion Residuals from Electric Utilities; A Holistic Approach to Closure Part A: Deadline to Initiate Closure* ("Part A rule"). The Part A rule requires regulated entities to cease placing material in unlined surface impoundments on or before April 11, 2021. It establishes a process and criteria by which the owner or operator could apply for site-specific alternate closure provisions for the facility which would allow the unlined CCR surface impoundments to continue to receive CCR and/or non-CCR waste streams beyond April 11, 2021.

On November 12, 2020, EPA finalized a second rule entitled *Hazardous and Solid Waste Management System: Disposal of Coal Combustion Residuals from Electric Utilities; A Holistic Approach to Closure Part B: Alternate Demonstrations for Unlined Surface Impoundments; Implementation of Closure* ("Part B rule"). The Part B rule establishes procedures to allow a limited number of facilities to continue using alternate liners at existing CCR surface impoundments if they can demonstrate to EPA that there is no reasonable probability that release throughout the active life of the impoundment will result in adverse effects to human health or the environment. A facility seeking to make an alternate liner demonstration had to submit an application announcing its intent to submit an alternate liner demonstration with supporting documentation on or before November 30, 2020. If EPA granted the application, the facility had until November 30, 2021, to submit the demonstration. If EPA rejected the application or the demonstration, qualifying facilities could seek site-specific alternate closure provisions under the Part A rule.

With respect to CCR impoundments at CGS, in accordance with the 2016 revisions to the CCR rule, the District completed final closure of an inactive CCR disposal facility at CGS in May 2019. On November 25, 2020, the District

submitted an application under the provisions of the Part B rule to make an alternate liner demonstration for the CGS wet surface impoundment. This facility is permitted under Arizona's Aquifer Protection Program but does not meet the criteria for a lined impoundment as identified in the CCR Rule. EPA did not act on the application in a timely fashion, and, out of abundance of caution, the District submitted its alternate liner demonstration on November 30, 2021. On January 11, 2022, EPA notified the District that its application had been deemed complete. Under the Part B rule, the submission of a complete application tolls the April 11, 2021, cease receipt of waste deadline.

On February 8, 2023, EPA published a proposed decision to deny the District's Part B application.

The proposed decision states that, if EPA denies the District's application, the District must either: (1) submit an application to build a new facility in accordance with 40 C.F.R. § 257.103(f) no later than four months after EPA issues a final decision; or (2) cease using the CGS wet surface impoundment without 135 days of the date EPA issues the order, or such later date as EPA determines is necessary to address grid reliability.

The District believes EPA's proposed decision was wrong and arbitrary and capricious. Notably, EPA failed to consider the results of the District's extensive site characterization and hydrogeologic investigation conducted in 2021 and submitted to EPA over a year before EPA proposed to deny the District's Part B application. On April 10, 2023, the last day of the comment period, the District submitted a comprehensive response setting forth technical and legal reasons why EPA's proposed decision is erroneous and arbitrary and capricious. At this time, the District cannot predict the outcome of this matter.

The rules addressing unlined wet surface impoundments also impact operations at Four Corners. The CCR impoundments at Four Corners were anticipated to require closure under the CCR rules prior to the *USWAG* decision, and, accordingly, the operator of Four Corners has been implementing wet-waste reduction strategies and alternative CCR management practices, and moving forward with construction of CCR surface impoundments that meet CCR rule criteria.

**Navajo Generating Station (NGS).** NGS was a 2,250 megawatt coal-fired power plant located within the boundaries of the Navajo Nation in Coconino County, near Page, Arizona. The plant ceased operation on November 18, 2019. The power plant is owned by the District as well as several other non-tribal entities. The District, as the Operating Agent for NGS, is charged with managing the former operations, maintenance, closure and post-closure compliance obligations of NGS. Each of the plant's co-owners had rights to power generation output from NGS when it was operating and continues to have obligations for decommissioning costs, including costs for managing the plant's CCRs. The District implemented closure actions for NGS in compliance with EPA's current CCR regulations.

On May 18, 2023, EPA published a proposed a rule in the *Federal Register* entitled *Hazardous and Solid Waste Management System: Disposal of Coal Combustion Residuals from Electric Utilities: Legacy Surface Impoundments*. The proposed rule would extend the federal CCR regulations to two new types of units: (1) inactive CCR surface impoundments at inactive facilities (called "legacy surface impoundments"); and (2) coal combustion residual management units (CCRMUs). EPA proposes to define a CCRMU as "any area of land on which any non-containerized accumulations of CCR are received, placed, or otherwise managed" that is not currently regulated as a new or existing landfill or surface impoundment under the existing CCR regulations. In short, the proposed rule would regulate a wide array of previously acceptable CCR management practices. Under the proposed rule, facilities with CCRMUs would be required to install groundwater monitoring networks and implement closure of CCRMUs in accordance with the CCR rule.

The CCRMU provisions of the proposed rule, if finalized, could significantly impact the closure requirements for NGS. The District cannot predict the outcome of this proposed rule at this time.

**Water Quality.** The United States and the State of Arizona have superfund programs to govern clean-up of groundwater contamination. Nineteen state superfund sites and six federal superfund sites targeting contamination are active within the greater Phoenix metropolitan area. Due to the nature of its business, from time to time, the District is involved in various state and federal superfund matters. The District has wells that are threatened or impacted by groundwater contamination located in sixteen of the nineteen state superfund sites and in two of the six federal superfund sites. The Association has agreed with other responsible parties to clean up one federal superfund site, and one District facility has been identified as a possible source of contamination for another federal superfund site. The full impact to the District, in terms of cost and operational impacts, of laws and regulations pertaining to clean-up of contamination

cannot be quantified at this time, but the District believes it has recorded adequate reserves as part of its environmental reserves to cover its related obligations.

**PFAS.** When necessary, the District supplements surface water from its Salt River and Verde River reservoirs with groundwater pumped from its extensive network of more than 250 groundwater wells. In cooperation with municipal and other partners, the District also operates and maintains two underground storage facilities and one groundwater savings facility. Effluent from municipal water treatment plants is recharged into underlying aquifers through the District's underground storage facilities.

Per- and polyfluoroalkyl substances ("PFAS") are a group of environmentally persistent, widespread man-made chemicals used in industrial applications and commercial household products that have received attention as emerging contaminants of concern in the environment. On June 15, 2022, the EPA issued interim updated drinking water health advisories for perfluorooctanoic acid ("PFOA") and perfluorooctane sulfonic acid ("PFOS"). The updated health advisories indicate that some negative health effects may occur with concentrations in drinking water above 0.004 parts per trillion ("ppt") for PFOA and 0.02 ppt for PFOS. EPA's health advisories are non-enforceable and non-regulatory.

On August 26, 2022, EPA proposed to designate PFOA and PFAS, as hazardous substances under the Comprehensive Environmental Response, Compensation and Liability Act ("CERCLA"). EPA is expected to issue a final rule in August 2023. EPA is also evaluating whether to list PFOA, PFOS, perfluorobutane sulfonate and similar chemicals as hazardous constituents under the Resource Conservation and Recovery Act.

On March 14, 2023, EPA announced a proposed National Primary Drinking Water Regulation (NPDWR) under the Safe Drinking Water Act (SDWA) for six per- and polyfluoroalkyl substances. The proposed rule would establish legally enforceable maximum contaminant levels (MCLs) for PFOA, PFOS, perfluorononanoic acid (PFNA), hexafluoropropylene oxide dimer acid (GenX Chemicals), perfluoroheaxane sulfonic acid (PFHxS) and perfluorobutane sulfonic acid (PFBS). EPA is proposing MCLs of 4.0 parts per trillion (ppt) for PFOA and PFOS and is proposing a Hazard Index ("HI") of 1.0 for PFHxS, HFPO-DA and its ammonium salt, PFNA, and PFBS and any mixture containing these substances. EPA explained that it is using the HI approach for these four PFAS compounds because it assesses health risks from simultaneous exposure to mixtures of related chemicals. Although EPA previously issued interim drinking water lifetime health advisories of 0.004 ppt for PFOA and 0.02 ppt for PFOS, EPA determined that an MCL of 4.0 ppt represents the lowest concentration that can be reliably and precisely quantified in "routine laboratory operating conditions."

The proposed limits would require public water systems to monitor for these chemicals and subsequently notify the public and reduce the levels of these PFAS compounds if levels exceed the proposed regulatory standards. In addition, these standards are likely to be taken into account in establishing cleanup levels at contaminated sites and may be incorporated into applicable state water quality standards. The deadline to submit comments on the proposed rule was May 30, 2023 and multiple industry groups, of which the District is a member, filed comments to the proposed rule on behalf of their respective members.

There are no state regulatory limits for PFAS in Arizona. The District is monitoring the regulatory developments regarding PFAS and may incur increased capital expenditures and maintenance costs as a result thereof. The District cannot predict the impact of these regulatory developments at this time.

**Endangered Species.** Several species listed as threatened or endangered under the Endangered Species Act ("ESA") have been discovered in and around reservoirs on the Salt and Verde Rivers, as well as C.C. Cragin Reservoir operated by the District. Potential ESA issues also exist along the Little Colorado River in the vicinity of the Coronado and Springerville Generating Stations. The District obtained Incidental Take Permits ("ITPs") from the United States Fish and Wildlife Service ("USFWS"), which allow full operation of Roosevelt Dam on the Salt River and Horseshoe and Bartlett Dams on the Verde River. The ITPs, and associated Habitat Conservation Plans ("HCPs"), identify the obligations, such as mitigation and wildlife monitoring, the District must undertake to comply with the ESA. The District has established trust funds to pay mitigation and monitoring expenses related to the implementation of both the Roosevelt HCP and Horseshoe-Bartlett HCP and believes it has recorded adequate reserves as a part of its environmental reserves to cover its related obligations.

The District continues to assess potential ESA liabilities and is working closely with the USFWS and other state and federal agencies to address potential species concerns as necessary, but it cannot predict the ultimate outcome at

this time. ESA liabilities on the Little Colorado River have been minimized through acquisition of surface water rights from Lyman Lake and installation of groundwater wells to maintain instream flows in conjunction with CEC compliance for Springerville Unit 4.

USFWS finalized the listing of the northern Mexican and narrow-headed garter snakes as threatened. On April 28, 2021, USFWS designated 217 stream miles as critical habitat for the northern Mexican garter snake. On October 20, 2021, USFWS designated 447 stream miles in the Southwest as critical habitat for the narrow-head garter snake. In December 2019, the District initiated a process to amend the HCP and ITPs addressing operation of the Roosevelt Dam to address the northern Mexican garter snake. The District anticipates issuance of the amended HCP and ITP in early 2024. These species are included in the HCP and ITPs for operation of the Horseshoe and Bartlett dams.

On December 15, 2020, the USFWS determined that the monarch butterfly is a candidate for threatened or endangered species status under the ESA, but due to budget constraints and competing agency priorities, the agency deferred listing this species under the ESA. Since this announcement, environmental groups took legal action to force the USFWS to list the species, which resulted in a settlement requiring the USFWS to submit a proposed finding for the monarch butterfly to the *Federal Register* by September 30, 2024. In an effort to stave off listing, in April 2020, the USFWS announced both a Candidate Conservation Agreement (“CCA”) and Candidate Conservation Agreement with Assurances (“CCAA”) to proactively incentivize transportation and energy partners to preserve monarch butterfly habitats. The District is monitoring this activity, assessing monarch habitat within the District’s transmission and distribution system, and cannot predict the outcome at this time.

### **Wildfire Risk & Liability**

The District owns and operates a significant number of miles of high voltage electric transmission lines which are located outside of the Phoenix metropolitan area and are in areas of desert brush and/or forest. Some of these areas are prone to wildfires, which in turn creates potential risk to the District’s transmission lines in the event of a wildfire, and creates risk to the desert brush and/or forest to the extent there were to be a failure in the District’s transmission lines that could initiate a wildfire. The District has a robust process in place to mitigate such risk associated with wildfires, including vegetation management and a re-closing process that prevents de-energized lines from becoming re-energized. In the event of any loss or liability arising from a wildfire alleged to have been caused by the District’s facilities, the District maintains sufficient insurance coverage to reasonably address potential loss or liability. Unlike the State of California, the State of Arizona has not adopted strict liability as to utilities and has not extended or applied inverse condemnation in the context of wildfire litigation, and thus, the potential liability risk and exposure is significantly less in the State of Arizona than in the State of California.

### **Cybersecurity**

The District handles a variety of confidential business and customer information in the regular course of its business. In the event there is a security breach of the District’s information technology systems such as theft or the unauthorized release of certain types of information, including confidential or proprietary customer, employee, financial or system operating information, it may have a material adverse impact on the District’s reputation, operating results, cash flows or financial condition. The District operates in a highly regulated industry that requires the continued operation of sophisticated information technology systems and network infrastructure. Despite implementation of security measures, the District’s technology systems could be vulnerable to disability, failures or unauthorized access. The District’s electric system facilities including, without limitation, its generation, transmission and distribution facilities, information technology systems and other infrastructure facilities and systems and physical assets could be targets of such unauthorized access. Failures or breaches of the District’s systems could impact the reliability of the District’s generation, transmission and distribution systems and also subject the District to financial harm. If the District’s technology systems were to fail or be breached and if the District was unable to recover in a timely way, the District may not be able to fulfill critical business functions and sensitive confidential information could be compromised, which could have a material adverse impact on the District’s reputation, operating results, cash flows or financial condition.

The District has experienced, and expects to continue to experience, threats and attempted intrusions to the District’s information technology systems, and the District could experience such threats and attempted intrusions to the District’s operational control systems. While the implementation of additional security measures provides additional layers of protection, such measures could also increase costs and could have a material adverse impact on the District’s financial results. The District has obtained cyber insurance to provide coverage for a portion of the losses and damages that may result from a security breach of the District’s information technology systems, but such insurance may not cover the

total loss or damage caused by a breach. These types of events could also require significant management attention and resources and could adversely affect the District's reputation with customers and the public.

The District is subject to laws and rules issued by multiple government and regulatory agencies concerning safeguarding and maintaining the confidentiality of the District's security, as well as customer and business information. The North American Electric Reliability Corporation ("NERC") has issued comprehensive regulations and standards surrounding the security of bulk power systems, and regularly issues updated and additional requirements with which the electric utility industry must comply. The increasing promulgation of NERC rules and standards will increase the District's compliance costs and the District's exposure to the potential risk of violations of the standards, which includes potential financial penalties.

### **Nuclear Plant Matters**

Under the Nuclear Waste Policy Act of 1982, the District was required to pay \$0.001 per kilowatt-hour on its share of net energy generation at PVNGS to the U.S. Department of Energy ("DOE") through April 30, 2015. However, to date, for various reasons, the DOE has not constructed a site for the storage of spent nuclear fuel. Accordingly, APS, the operating agent for PVNGS, has constructed an on-site dry cask storage facility to receive and store PVNGS spent fuel. PVNGS has sufficient capacity at its on-site spent fuel storage installation to store all nuclear spent fuel until December 2027, the end of its first operating license period, and a portion of the spent fuel during the period of extended operation, ending in December 2047. Potentially, and depending on how the NRC rules on the future unloading of spent fuel pools, PVNGS could use high-capacity storage casks to store the balance of any fuel spent during the extended license period. As a result of the DOE not constructing a storage site for the spent nuclear fuel, the DOE has made payments to nuclear facilities to reimburse a portion of the costs that have been incurred for fuel storage to date. The District received reimbursements of \$4.5 million for FY20, \$2.1 million for FY21, \$2.1 million for FY22 and \$2.5 million for FY23. Effective May 15, 2014, the per kilowatt-hour charge on energy generation at PVNGS was reduced to zero. A similar charge could be reinstated in the future.

The NRC has adopted decommissioning rules which require reactor operators to certify that sufficient funds will be available for decommissioning the contaminated portion of nuclear plants in the form of prepayments or external sinking funds, either of which must be segregated from the licensee's assets and outside its administrative control, or by the surety of insurance payable to a trust established for decommissioning costs. The District is collecting funds through its price plans to decommission its share of PVNGS Units 1, 2 and 3. In February 2011, PVNGS received approval for a 20-year operating license renewal from the NRC. As a result, the projected shutdown of PVNGS has been moved from 2024 to 2047. The District projects that it will accumulate \$415 million in 2015 dollars over the life of PVNGS for this purpose. The decommissioning funds are maintained in an external trust in compliance with NRC regulations. The District anticipates being able to continue to collect decommissioning funds in a competitive generation market. As part of the District's purchase of a portion of PNM's interest in PVNGS, PNM has agreed to retain the decommissioning liability relating to the ownership interest formerly held by PNM.

In March 2017, Westinghouse Electric Co. ("Westinghouse"), a subsidiary of Toshiba Corp., filed for bankruptcy protection in federal bankruptcy court for the Southern District of New York. Westinghouse is the only supplier, approved by the NRC, of manufactured fuel rod assemblies to PVNGS. Had Westinghouse failed to perform while in bankruptcy, there is a risk that one or more units at PVNGS may be shut down due to a fuel supply interruption. Westinghouse emerged from bankruptcy in August 2018. To avoid having Westinghouse as the sole permitted source of manufactured fuel rod assemblies, PVNGS submitted a formal package to NRC in July 2018 requesting that its operating license be amended to allow for a second qualified fuel fabrication vendor, Framatome (formerly Areva). The PVNGS operating licenses were amended in March 2020 to allow for a second qualified fuel fabrication vendor, Framatome.

### **Summary**

As discussed above, the electric utility industry is experiencing challenges in a number of areas. The District is unable to predict the extent to which its construction programs and operations will be affected by such factors, but they could result in incurrence of substantial additional costs and could adversely affect its revenues.

## LITIGATION

At the time of delivery of and payment for the 2023 Series B Bonds, the law firm of Spencer Fane LLP, Phoenix, Arizona, legal advisors to the District, will deliver a no-litigation opinion stating substantially that, no litigation is now pending or, to its knowledge threatened, affecting or questioning the organization of the District or the titles or manner of election of the officers or directors of the District to their terms of office, respectively; and no litigation is now pending or, to its knowledge threatened, affecting or questioning the power and authority of the District to issue, execute and deliver the 2023 Series B Bonds or the pledge or application of any moneys or security provided for the payment thereof.

In the normal course of business, the District is a defendant in various legal actions. In management's opinion, except as otherwise noted below, the ultimate resolution of these matters will not have a significant adverse effect on the District's financial position, operations, or cash flows.

### Environmental Issues

**Superfund Sites.** In September 2003, the EPA notified the District that it might be liable under CERCLA as an owner and operator of a facility located within the Motorola 52nd Street Superfund Site Operable Unit 3 ("OU3 Site"). The District completed the remedial investigation at the facility and received a "no further action" letter from EPA, but other potentially responsible parties are still undertaking remedial investigations and feasibility studies at the OU3 Site, and the District could still be liable for past costs incurred and for future work to be conducted within the OU3 Site with regard to groundwater. In December 2022, Honeywell and APS, both potentially responsible parties at the OU3 Site, submitted the Draft Final Revised OU3 Feasibility Study Report to EPA.

At the adjacent West Van Buren Water Quality Assurance Revolving Fund Site ("WVB Site"), a state superfund site, the District has been identified as one of numerous potentially responsible parties for groundwater contamination.

On December 16, 2016, the law firm of Gallagher & Kennedy filed a complaint in federal court in Phoenix, Arizona to recover its costs allegedly incurred and any further costs they expected to incur on behalf of Roosevelt Irrigation District ("RID") under CERCLA ("G&K Complaint") at the WVB Site. The District is not a named defendant in the G&K Complaint. However, the District has been named as a third-party defendant by the current defendants. The court has stayed third party litigation. Defendants filed and were granted partial summary judgment on most of the costs Gallagher & Kennedy alleged it incurred. Gallagher & Kennedy filed a motion for reconsideration of this order. On May 23, 2023, the court denied Gallagher & Kennedy's motion for reconsideration. On June 23, 2023, upon motion by Gallagher & Kennedy, the court dismissed all of Gallagher & Kennedy's claims, entered final judgment in favor of the defendants and dismissed all cross-claims and third-party complaints as moot (including the third-party complaint against the District). On June 27, 2023, Gallagher & Kennedy filed a notice of appeal with the 9<sup>th</sup> Circuit Court of Appeals. Gallagher & Kennedy's opening brief is due November 6, 2023.

On June 26, 2017, ADEQ and the Arizona Department of Water Resources ("ADWR") held a meeting with RID and several of the potentially responsible parties and set out a number of principles for a remedy framework and set a deadline for the parties to reach an agreement on the remedy. The parties were unable to reach such an agreement. As a result of the inability to come to a consensus remedy, on April 24, 2018, ADEQ requested that EPA evaluate expanding the western boundary of the OU3 Site to include certain portions of the WVB Site or adding WVB Site as an Operable Unit 4 ("OU4"). On June 15, 2020, EPA declined to extend the western boundary of the OU3 Site. EPA is continuing its assessment of whether to add the WVB Site separately to the National Priorities List. Subsequently, through further correspondence between Gallagher & Kennedy and EPA, EPA reiterated its determination that the OU3 site will not be extended and that there are no environmental impacts because the WVB groundwater is not used for drinking water purposes. EPA also reiterated that it is continuing its assessment of whether to add the WVB Site to the National Priorities List ("NPL"). On August 10, 2023, ADEQ informed EPA that, because it is working with responsible parties within the WVB Site, a separate NPL listing for the WVB Site may not be necessary and that EPA should postpone, for an undetermined time, its decision whether to separately list the WVB Site.

### Water Rights

**Gila River Adjudication.** The District and the Association are parties to a state water rights adjudication proceeding initiated in 1974 which encompasses the entire Gila River System. This proceeding is pending in the



Superior Court for the State of Arizona, Maricopa County, and will eventually result in the determination of all conflicting rights to water from the Gila River and its tributaries, including the Salt and Verde Rivers. The District and the Association are unable to predict the ultimate outcome of the proceeding.

*Little Colorado River Adjudication.* In 1978, a water rights adjudication was initiated in the Apache County Superior Court for the State of Arizona with regard to the Little Colorado River System, and will eventually result in the determination of all conflicting rights to water from the Little Colorado River and its tributaries, including East Clear Creek, the location of C. C. Cragin Dam and Reservoir. The District is unable to predict the ultimate outcome of this proceeding, but believes an adequate water supply for CGS will remain available and that the rights to C. C. Cragin Dam and Reservoir will be confirmed.

#### **General Litigation Matters**

*Coolidge Expansion Project.* On September 13, 2021, the Board of Directors for the District approved the construction of sixteen new gas-fired combustion turbines, known as the Coolidge Expansion Project (“CEP”). The CEP was intended to address a significant forecasted increase in electricity demand caused by Arizona’s expanding commercial, residential and industrial sectors, while the District at the same time integrates an increasing amount of renewable—but intermittent—power sources like wind and solar. The District filed a siting application with the ACC on December 13, 2021. In accordance with applicable statutory procedure, the District’s application is first considered by the Arizona Power Plant and Transmission Line Siting Committee (“Siting Committee”) and then by the five Commissioners that comprise the ACC. The Siting Committee approved the CEP on February 15, 2022, following an eight-day evidentiary hearing. Thereafter, two intervenors sought review by the ACC which overturned the Siting Committee’s decision. The District requested reconsideration and rehearing of the ACC’s decision, and, on June 6, 2022, the ACC denied the request for rehearing. On July 6, 2022, the District timely appealed the ACC’s decision and filed a complaint in Maricopa County Superior Court. A two-day trial was held on January 4-5, 2023. On January 20, 2023, the court upheld the ACC’s decision with respect to the CEP. The District reached a settlement with the Randolph intervenors and submitted an amended Certificate of Environmental Compatibility (“CEC”) to the ACC which was approved on June 21, 2023. The settlement requires the District to reduce the number of new generation units at the Coolidge Generating Station from sixteen to twelve and has a capacity factor limitation of thirty five percent (35%) for these twelve new generation units. The District and Pinal County Air Quality Control District reached an agreement on the terms of the CEP air permit which is scheduled to be heard by the Coolidge City Council on November 15, 2023. Public comment on the air permit takes place between October 4, 2023 and November 15, 2023. On September 1, 2023, the Sierra Club filed an appeal with the Maricopa County Superior Court challenging the ACC’s approval of the CEC for the CEP. While the Sierra Club’s appeal does not stay construction of the CEP, the appeal alleges that the ACC’s decision was not supported by substantial evidence, violated due process and that the ACC did not conduct an evidentiary hearing on the revised project as was required. Under the appeal, the Sierra Club has the burden to show by clear and satisfactory evidence that the ACC’s decision was unreasonable or unlawful. The District has intervened as a party to this litigation. Although the District will vigorously defend the ACC’s approval of the CEP and remains optimistic with respect to a favorable outcome, the District cannot predict the ultimate likelihood of success regarding this matter.

#### **LEGALITY OF REVENUE BONDS FOR INVESTMENT**

Under the Act, the 2023 Series B Bonds constitute legal investments for savings banks, banks, savings and loan associations, trust companies, executors, administrators, trustees, guardians and other fiduciaries in the State of Arizona and for any board, body, agency or instrumentality of the State of Arizona, or of any county, municipality or other political subdivision of the State of Arizona, and constitute securities which may be deposited by banks, savings and loan associations or trust companies as security for deposits of state, county, municipal and other public funds.

#### **UNDERWRITING**

The Underwriters have jointly and severally agreed, subject to certain conditions, to purchase from the District all, but not less than all, of the 2023 Series B Bonds at an aggregate purchase price of \$ \_\_\_\_\_, reflecting [an] [net] original issue [premium/discount] of \$ \_\_\_\_\_ less an underwriters’ discount of \$ \_\_\_\_\_ from the initial public offering prices set forth on the inside cover page of this Official Statement.

The following two paragraphs have been furnished by the Underwriters for inclusion in this Official Statement. The District does not guarantee the accuracy or completeness of the information contained in such paragraphs and such information is not to be construed as a representation of the District.

The Underwriters and their respective affiliates are full service financial institutions engaged in various activities, which may include securities trading, commercial and investment banking, advisory, investment management, principal investment, hedging, financing and brokerage activities. Certain of the Underwriters and their respective affiliates have, from time to time, performed, and may in the future perform, various investment banking services for the District, for which they received or will receive customary fees and expenses.

In the ordinary course of their various business activities, the Underwriters and their respective affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (which may include bank loans and/or credit default swaps) for their own account and for the accounts of their customers and may at any time hold long and short positions in such securities and instruments. Such investment and securities activities may involve securities and instruments of the District. The Underwriters and their affiliates may also communicate independent investment recommendations, market color or trading ideas and/or publish or express independent research views in respect of such assets, securities or instruments and may at any time hold, or recommend to clients that they should acquire, long and/or short positions in such assets, securities and instruments.

The initial public offering prices or yields set forth on the inside cover page may be changed from time to time by the Underwriters. The Underwriters may offer and sell the Bonds to certain dealers, unit investment trusts or money market funds at prices lower than the public offering prices stated on the inside cover pages.

In addition, certain of the Underwriters have entered into distribution agreements with other broker-dealers (that have not been designated by the District as Underwriters) for the distribution of the 2023 Series B Bonds at the original issue prices. Such agreements generally provide that the relevant Underwriter will share a portion of its underwriting compensation or selling concession with such broker-dealers.

Each of the following paragraphs in this section has been provided by one or more of the Underwriters identified therein. The District does not guarantee the accuracy or completeness of the information contained in such paragraphs and such information is not to be construed as a representation of the District.

J.P. Morgan Securities LLC ("JPMS"), one of the Underwriters of the 2023 Series B Bonds, has entered into negotiated dealer agreements (each, a "Dealer Agreement") with each of Charles Schwab & Co., Inc. ("CS&Co.") and LPL Financial LLC ("LPL") for the retail distribution of certain securities offerings at the original issue prices. Pursuant to each Dealer Agreement, if applicable to this transaction, each of CS&Co. and LPL will purchase 2023 Series B Bonds from JPMS at the original issue price less a negotiated portion of the selling concession applicable to any 2023 Series B Bonds that such firm sells.

BofA Securities, Inc., an underwriter of the 2023 Series B Bonds, has entered into a distribution agreement with its affiliate Merrill Lynch, Pierce, Fenner & Smith Incorporated ("MLPF&S"). As part of this arrangement, BofA Securities, Inc. may distribute securities to MLPF&S, which may in turn distribute such securities to investors through the financial advisor network of MLPF&S. As part of this arrangement, BofA Securities, Inc. may compensate MLPF&S as a dealer for their selling efforts with respect to the 2023 Series B Bonds.

Morgan Stanley, parent company of Morgan Stanley & Co. LLC, one of the Underwriters of the 2023 Series B Bonds, has entered into a retail distribution arrangement with its affiliate Morgan Stanley Smith Barney LLC. As part of the distribution arrangement, Morgan Stanley & Co. LLC may distribute municipal securities to retail investors through the financial advisor network of Morgan Stanley Smith Barney LLC. As part of this arrangement, Morgan Stanley & Co. LLC may compensate Morgan Stanley Smith Barney LLC for its selling efforts with respect to the 2023 Series B Bonds.

TD Securities (USA) LLC, one of the Underwriters, has entered into a negotiated dealer agreement (the "TD Dealer Agreement") with TD Ameritrade for the retail distribution of certain securities offerings, including the 2023 Series B Bonds at the original issue price. Pursuant to the TD Dealer Agreement, TD Ameritrade may purchase the 2023 Series B Bonds from TD Securities (USA) LLC at the original issue prices less a negotiated portion of the selling concession applicable to any of the 2023 Series B Bonds TD Ameritrade sells.

## TAX MATTERS

### Federal Income Taxes

The Code imposes certain requirements that must be met at and subsequent to the issuance and delivery of the 2023 Series B Bonds and for interest thereon to be and remain excluded from gross income for federal income tax purposes. Noncompliance with such requirements could cause the interest on the 2023 Series B Bonds to be included in gross income for federal income tax purposes retroactive to the date of issuance of the 2023 Series B Bonds. Pursuant to the Resolution and the Tax Certificate as to Arbitrage and the Provisions of Sections 141-150 of the Code (the "Tax Certificate"), the District has covenanted to comply with the provisions of the Code applicable to the 2023 Series B Bonds, and has covenanted not to take any action or permit any action that would cause the interest on the 2023 Series B Bonds to be included in gross income under Section 103 of the Code. In addition, the District has made certain representations and certifications in the Tax Certificate. Special Tax Counsel will not independently verify the accuracy of those certifications and representations.

**In the opinion of Nixon Peabody LLP, Special Tax Counsel, under existing law, and assuming compliance with the aforementioned covenants and the accuracy of certain representations and certifications made by the District described above, interest on the 2023 Series B Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Code. Special Tax Counsel is also of the opinion that such interest is not treated as a preference item in calculating the alternative minimum tax imposed under the Code.** For taxable years beginning after December 31, 2022, interest on the 2023 Series B Bonds will be taken into account in computing the alternative minimum tax imposed on certain corporations under the Code to the extent that such interest is included in the "adjusted financial statement income" of such corporations.

### State Taxes

Special Tax Counsel is also of the opinion that, under existing law, interest on the 2023 Series B Bonds is exempt from income taxes imposed by the State of Arizona. Special Tax Counsel expresses no opinion as to the other state or local tax consequences arising with respect to the 2023 Series B Bonds nor as to the taxability of the 2023 Series B Bonds or income therefrom under the laws of any state other than the State of Arizona.

### Original Issue Premium

2023 Series B Bonds sold at prices in excess of their principal amounts are "Premium Bonds." An initial purchaser with an initial adjusted basis in a Premium Bond in excess of its principal amount will have amortizable bond premium which offsets the amount of tax-exempt interest and is not deductible from gross income for federal income tax purposes. The amount of amortizable bond premium for a taxable year is determined actuarially on a constant interest rate basis over the term of each Premium Bond based on the purchaser's yield to maturity (or, in the case of Premium Bonds callable prior to their maturity, over the period to the call date, based on the purchaser's yield to the call date and giving effect to any call premium). For purposes of determining gain or loss on the sale or other disposition of a Premium Bond, an initial purchaser who acquires such obligation with an amortizable bond premium is required to decrease such purchaser's adjusted basis in such Premium Bond annually by the amount of amortizable bond premium for the taxable year. The amortization of bond premium may be taken into account as a reduction in the amount of tax-exempt income for purposes of determining various other tax consequences of owning such Premium Bonds. Owners of the Premium Bonds are advised that they should consult with their own advisors with respect to the state and local tax consequences of owning such Premium Bonds.

### Original Issue Discount

Special Tax Counsel is further of the opinion that the excess of the principal amount of a maturity of the 2023 Series B Bonds over its issue price (i.e., the first price at which price a substantial amount of such maturity of the Bonds was sold to the public, excluding bond houses, brokers or similar persons or organizations acting in the capacity of underwriters or wholesalers) (each, a "Discounted Bond" and collectively the "Discount Bonds") constitutes original issue discount which is excluded from gross income for federal income tax purposes to the same extent as interest on the Bonds. Further, such original issue discount accrues actuarially on a constant interest rate basis over the term of each Discount Bond and the basis of each Discount Bond acquired at such issue price by an initial purchaser thereof will be increased by the amount of such accrued original issue discount. The accrual of original issue discount may be taken into account as an increase in the amount of tax-exempt income for purposes of determining various other tax consequences of owning Discount Bonds, even though there will not be a corresponding cash payment. Owners of the Discount Bonds are advised that they should consult with their own advisor with respect to the state and local tax consequences of owning such Discount Bonds.

### **Ancillary Tax Matters**

Ownership of the 2023 Series B Bonds may result in other federal tax consequences to certain taxpayers, including, without limitation, certain S corporations, foreign corporations with branches in the United States, property and casualty insurance companies, individuals receiving Social Security or Railroad Retirement benefits, individuals seeking to claim the earned income credit, and taxpayers (including banks, thrift institutions and other financial institutions) who may be deemed to have incurred or continued indebtedness to purchase or to carry Bonds. Prospective investors are advised to consult their own tax advisors regarding these rules.

Interest paid on tax-exempt obligations such as the 2023 Series B Bonds is subject to information reporting to the Internal Revenue Service (the "IRS") in a manner similar to interest paid on taxable obligations. In addition, interest on the 2023 Series B Bonds may be subject to backup withholding if such interest is paid to a registered owner that (a) fails to provide certain identifying information (such as the registered owner's taxpayer identification number) in the manner required by the IRS, or (b) has been identified by the IRS as being subject to backup withholding.

Special Tax Counsel is not rendering any opinion on any federal tax matters other than those described under the caption "TAX MATTERS." Prospective investors, particularly those who may be subject to special rules described above, are advised to consult their own tax advisors regarding the federal tax consequences of owning and disposing of the 2023 Series B Bonds, as well as any tax consequences arising under the laws of any state or other taxing jurisdiction.

### **Changes in Law and Post Issuance Events**

Legislative or administrative actions and court decisions, at either the federal or state level, could have an adverse impact on the potential benefits of the exclusion from gross income of the interest on the 2023 Series B Bonds for federal or state income tax purposes, and thus on the value or marketability of the Bonds. This could result from changes to federal or state income tax rates, changes in the structure of federal or state income taxes (including replacement with another type of tax), repeal of the exclusion of the interest on the 2023 Series B from gross income for federal or state income tax purposes, or otherwise. It is not possible to predict whether any legislative or administrative action or court decisions having an adverse impact on the federal or state income tax treatment of holders of the 2023 Series B Bonds may occur. Prospective purchasers of the 2023 Series B Bonds should consult their own tax advisors regarding the impact of any change in law on the 2023 Series B Bonds.

Special Tax Counsel has not undertaken to advise in the future whether any events after the date of issuance and delivery of the 2023 Series B Bonds may affect the tax status of interest on the 2023 Series B Bonds. Special Tax Counsel expresses no opinion as to any federal, state or local tax law consequences with respect to the 2023 Series B Bonds, or the interest thereon, if any action is taken with respect to the 2023 Series B Bonds or the proceeds thereof upon the advice or approval of other counsel.

### **APPROVAL OF LEGAL MATTERS**

Legal matters incident to the authorization and issuance of the 2023 Series B Bonds are subject to the approval of Chiesa Shahinian & Giantomasi PC, Bond Counsel, whose final approving opinion will be delivered with the 2023 Series B Bonds in substantially the form attached hereto as Appendix C. Certain legal matters in connection with the 2023 Series B Bonds will be passed upon for the District by Spencer Fane LLP and by Nixon Peabody LLP, Special Tax Counsel, whose tax opinions will be delivered with the 2023 Series B Bonds in substantially the forms attached hereto as Appendix C. Certain legal matters will be passed upon for the Underwriters by Katten Muchin Rosenman LLP, counsel to the Underwriters.

The various legal opinions and/or certification to be delivered concurrently with the delivery of the 2023 Series B Bonds express the professional judgment of the attorneys rendering the opinions as to the legal issues explicitly addressed therein. In rendering a legal opinion and/or certification, the attorney does not become an insurer or guarantor of that expression of professional judgment, of the transaction opined upon, or the future performance of parties to the transaction. Nor does the rendering of an opinion and/or certification guarantee the outcome of any legal dispute that may arise out of the transaction.

## **RATINGS**

Moody's Investors Service and S&P Global Ratings have given the ratings of \_\_\_ and \_\_\_, respectively, to the 2023 Series B Bonds. Such ratings reflect only the view of such organizations, and an explanation of the significance of such rating may be obtained only from the respective rating agency. There is no assurance that such ratings will be maintained for any given period of time, or that they will not be revised downward, or be withdrawn entirely by the respective rating agency if, in its judgment, circumstances so warrant. Any such downward revision or withdrawal of such ratings may have an adverse effect on the market price of the 2023 Series B Bonds.

## **CONTINUING DISCLOSURE**

Pursuant to a continuing disclosure agreement (the "Continuing Disclosure Agreement"), the District will covenant for the benefit of the holders and Beneficial Owners of the 2023 Series B Bonds to provide certain financial information and operating data relating to the District by not later than 180 days after the end of each of the District's fiscal years (presently, each April 30), commencing with the fiscal year ending April 30, 2024 (the "Annual Report"), and to provide notices of the occurrence of certain enumerated events with respect to the 2023 Series B Bonds within ten (10) business days after the occurrence of such events. The Continuing Disclosure Agreement provides that the Annual Report and any notices of such events will be filed by or on behalf of the District through the Electronic Municipal Market Access system operated by the Municipal Securities Rulemaking Board. Under the Continuing Disclosure Agreement, the sole remedy for any Bondholder upon an event of default is a lawsuit for specific performance in a court of competent jurisdiction. See "Appendix D — Form of Continuing Disclosure Agreement." The District is executing and delivering the Continuing Disclosure Agreement in order to assist the Underwriters in complying with the secondary market disclosure requirements of Rule 15c2-12 of the Securities and Exchange Commission.

## **INDEPENDENT ACCOUNTANTS**

The combined financial statements of the District and its subsidiaries and the Association as of April 30, 2023 and 2022 and for each of the two years in the period ended April 30, 2023, included in this Official Statement, have been audited by PricewaterhouseCoopers LLP, independent accountants, as stated in their report appearing herein.

## **FINANCIAL ADVISOR**

The District has retained PFM Financial Advisors LLC ("PFM") as its financial advisor. Although PFM has assisted in the preparation of this Official Statement, PFM is not obligated to undertake, and has not undertaken to make, an independent verification or to assume responsibility for the accuracy, completeness or fairness of the information contained in this Official Statement.

## **OTHER AVAILABLE INFORMATION**

SRP prepares audited financial statements with respect to each fiscal year ending April 30, which typically become available in July of the following fiscal year. SRP's financial statements are presented on a combined basis including the financial information of both the District and the Association.

SRP also prepares an annual report which includes information relating to SRP's staff, legal and financial services and operations for the fiscal year ending April 30. The annual report typically becomes available in September of the following fiscal year.

Copies of the annual report and audited financial statements for the year ended April 30, 2023 may be obtained by writing to Salt River Project Agricultural Improvement and Power District, Corporate Communications, PAB340, P.O. Box 52025, Phoenix, AZ 85072-2025.

**MISCELLANEOUS**

References herein to the Act, the Resolution and certain other statutes, resolutions and contracts are brief discussions of certain provisions thereof. Such discussions do not purport to be complete, and reference is made to such documents for full and complete statements of such provisions.

Any statements made in this Official Statement involving matters of opinion or of projections, whether or not so expressly stated, are set forth as such and not as representations of fact, and no representation is made that any of the projections will be realized.

The District has authorized the execution and delivery of this Official Statement.

**Salt River Project Agricultural  
Improvement and Power District**

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President

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General Manager and Chief Executive Officer



**CONTINUING DISCLOSURE AGREEMENT**

**Between**

**SALT RIVER PROJECT AGRICULTURAL IMPROVEMENT AND  
POWER DISTRICT**

**and**

**U.S. BANK TRUST COMPANY, NATIONAL ASSOCIATION  
as trustee**

**\$ \_\_\_\_\_  
Salt River Project Electric System Revenue Bonds  
2023 Series B**



**THIS CONTINUING DISCLOSURE AGREEMENT** (this “Agreement”), dated as of November \_\_, 2023, by and between the Salt River Project Agricultural Improvement and Power District (the “District”), an agricultural improvement district duly organized and existing under Title 48, Chapter 17 of the laws of the State of Arizona, A.R.S. sections 48-2301, et seq. (the “Act”) and U.S. Bank Trust Company, National Association, Phoenix, Arizona, as trustee (the “Trustee”) for the \$\_\_\_\_\_ Salt River Project Electric System Revenue Bonds, 2023 Series B (the “Bonds”) to be issued by the District;

**WITNESSETH:**

**WHEREAS**, the District intends to issue the Bonds under and pursuant to (i) the Act and (ii) the District’s Supplemental Resolution, dated as of September 10, 2001 Authorizing an Amended and Restated Resolution Concerning Revenue Bonds, which became effective January 11, 2003, as amended and supplemented (the “Resolution”);

**WHEREAS**, on June 28, 1989, the Securities and Exchange Commission adopted Rule 15c2-12 (“Rule 15c2-12”), as has been, and may be amended, from time to time;

**WHEREAS**, Rule 15c2-12 requires that prior to acting as a broker, dealer or municipal securities dealer (the “Participating Underwriter”) for the Bonds, a Participating Underwriter must comply with the provisions of Rule 15c2-12;

**WHEREAS**, Rule 15c2-12 further provides, among other things, that a Participating Underwriter shall not purchase or sell the District’s Bonds unless the Participating Underwriter has reasonably determined that the District and any “obligated person” (within the meaning of Rule 15c2-12, as amended) have undertaken, either individually or in combination with others, in a written agreement for the benefit of Bondholders, to provide certain information relating to the District, any “obligated person” and the Bonds, to EMMA described herein below;

**WHEREAS**, this Agreement is being executed and delivered by the District and the Trustee for the benefit of the Bondholders, the Beneficial Owners of the Bonds and the Trustee in order to comply with Rule 15c2-12;

**WHEREAS**, the District hereby agrees to provide the information described herein below with respect to itself;

**NOW, THEREFORE**, in consideration of the mutual covenants and agreements herein contained, the District and the Trustee agree as follows:

**Section 1. Definitions**

“Association” shall mean the Salt River Valley Water Users’ Association, predecessor to the District, duly incorporated February 9, 1903 under the laws of the Territory of Arizona.

“Annual Financial Information” shall mean the information specified in Section 3 hereof.

“Audited Financial Statements” shall mean the annual financial statements specified in Section 4 hereof.

“Beneficial Owner” shall mean any person which (a) has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, any of the Bonds (including persons holding Bonds through nominees, depositories or other intermediaries), or (b) is treated as the owner of any Bonds for federal income tax purposes.

“Bondholder” or “Holder” shall mean any registered owner of Bonds and any Beneficial Owner of Bonds who provides evidence satisfactory to the Trustee of such status.

“EMMA” shall mean the Electronic Municipal Market Access system operated by the MSRB for municipal securities disclosures.

“Financial Obligation” shall mean a (i) debt obligation, (ii) derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation, or (iii) guarantee of (i) or (ii), but shall not include any municipal securities (as defined in the Securities and Exchange Act of 1934, as amended) as to which a final official statement (as defined in Rule 15c2-12) has been provided to the MSRB consistent with Rule 15c2-12.

“Independent Accountant” shall mean, with respect to the District, any firm of certified public accountants appointed by the District.

“MSRB” shall mean the Municipal Securities Rulemaking Board.

“Official Statement” shall mean the final official statement of the District relating to the Bonds, dated November \_\_, 2023, as may be amended or supplemented.

“Rule 15c2-12” shall mean Rule 15c2-12(b)(5) adopted by the Securities Exchange Commission under the Securities Exchange Act of 1934, as may be amended from time to time, as amended through the date of this Agreement.

“State” shall mean the State of Arizona.

Capitalized terms not otherwise defined herein shall have the meaning ascribed thereto in the Resolution.

## **Section 2. Obligation to Provide Continuing Disclosure**

The District hereby undertakes for the benefit of the Holders of the Bonds to provide:

- A. to EMMA in an electronic format, accompanied by identifying information, in accordance with the rules and procedures set forth from time to time by the MSRB, no later than 180 days after the end of each fiscal year of the District, commencing with the fiscal year ending April 30, 2024:
  1. the Annual Financial Information relating to such fiscal year together with the Audited Financial Statements for such fiscal year if audited financial statements are then available; provided, however, that if Audited Financial Statements are not then available, the unaudited financial statements, which may be combined with the financial information of the Association, shall be submitted with the Annual Financial Information, and the Audited Financial Statements shall be delivered to EMMA in accordance with the rules and procedures set forth from time to time by the MSRB, when they become available (but in no event later than 350 days after the end of such fiscal year); or
  2. notice to EMMA in accordance with the rules and procedures set forth from time to time by the MSRB, of the District’s failure, if any, to provide any of the information described in Section A.1. hereinabove;
- B. to EMMA in an electronic format, accompanied by identifying information, in accordance with the rules and procedures set forth from time to time by the MSRB, within ten (10) business days after the occurrence of any of the following events, notice of any of the following events with respect to the Bonds:
  1. principal and interest payment delinquencies;
  2. non-payment related default, if material;
  3. unscheduled draws on debt service reserves reflecting financial difficulties;
  4. unscheduled draws on credit enhancements reflecting financial difficulties;
  5. substitution of credit or liquidity providers or their failure to perform;

6. adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Bonds or other material events affecting the tax status of the Bonds;
7. modifications to the rights of Bondholders, if material;
8. Bond calls, if material, and tender offers;
9. defeasances;
10. release, substitution, or sale of property securing repayment of the Bonds, if material;
11. rating changes;
12. bankruptcy, insolvency, receivership or similar event of the District\*;
13. the consummation of a merger, consolidation or acquisition involving the District or the sale of all or substantially all of the assets of the District, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material;
14. appointment of a successor or additional trustee or the change of name of a trustee for the Bonds, if material;
15. incurrence of a Financial Obligation of the District, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a Financial Obligation of the District, any of which effect Bondholders, if material; and
16. default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a Financial Obligation of the District, any of which reflect financial difficulties.

The District shall notify the Trustee upon the occurrence of any of the sixteen events listed in this Section 2.B. promptly upon becoming aware of the occurrence of any such event. The Trustee shall not be deemed to have become aware of the occurrence of any such event unless an officer in its corporate trust department actually becomes aware of the occurrence of any such event. The District shall notify the Trustee upon the transmittal of any such information.

Nothing in this Agreement shall prevent the District from disseminating any information in addition to that required hereunder. If the District disseminates any such additional information, nothing herein shall obligate the District to update such information or include it in any future materials disseminated.

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\* For the purposes of the event identified in clause (12), the event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for the District in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the District, or if such jurisdiction has been assumed by leaving the existing governmental body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the District.

### **Section 3. Annual Financial Information**

Annual Financial Information shall include updated financial and operating information, in each case updated through the last day of the District's prior fiscal year unless otherwise noted, relating to the following information contained in the Official Statement:

- (i) information as to any changes in the District's projected peak loads and resources in substantially the same level of detail as found in Table 2 under the heading "THE ELECTRIC SYSTEM - Projected Peak Loads and Resources";
- (ii) an update of the information listing District power sources and participation interests in power generating facilities in substantially the same level of detail found in Table 3 and Table 4 under the heading "THE ELECTRIC SYSTEM - Existing and Future Resources";
- (iii) information as to any changes or proposed changes in the electric prices charged by the District in substantially the same level of detail as found under the heading "ELECTRIC PRICES";
- (iv) an update of the information relating to customer base and classification, electric power sales, and the District's revenues and expenses in substantially the same level of detail found in Table 7 and Table 8 under the heading "SELECTED OPERATIONAL AND FINANCIAL DATA - Customers, Sales, Revenues and Expenses";
- (v) (a) information as to the authorization or issuance by the District of any notes, other obligations, or parity indebtedness in substantially the same level of detail as found under the heading "SELECTED OPERATIONAL AND FINANCIAL DATA - Additional Financial Matters" and (b) a statement of any default under such notes, other obligations or parity indebtedness;
- (vi) (a) information as to the outstanding balances and required debt service on any United States Government Loans and (b) a statement of any default with respect to such loans;
- (vii) (a) an update, if any, summarizing the District's discussions of operations in substantially the same level of detail as found under the heading "SELECTED OPERATIONAL AND FINANCIAL DATA - Additional Financial Matters," or (b) an annual report;
- (viii) (a) an update of the balance in the Debt Reserve Account and (b) an update of all information relating to actual debt service requirements and coverages for outstanding revenue bonds and other prior and parity debt obligations in substantially the same level of detail as found in Tables 11 and 12 under the heading "SELECTED OPERATIONAL AND FINANCIAL DATA — Additional Financial Matters - Outstanding Revenue Bond Long-Term Indebtedness"; and
- (ix) such narrative explanation as may be necessary to avoid misunderstanding and to assist the reader in understanding the presentation of financial information and operating data concerning, and in judging the financial condition of, the District.

Any or all of the items listed above may be incorporated by reference from other documents, including official statements pertaining to debt issued by the District, which have been submitted to EMMA in accordance with the rules and procedures set forth from time to time by the MSRB. If the document incorporated by reference is a final official statement (within the meaning of Rule 15c2-12), it must also be available from the MSRB. The District shall clearly identify each such other document so incorporated by reference. It is sufficient for the purposes of Rule 15c2-12 and this Agreement that the Annual Financial Information to be provided pursuant to Section 2.A. and Section 3 hereof be submitted to EMMA in accordance with the rules and procedures set forth from time to time by the MSRB no more than once annually.

The requirements contained in this Section 3 are intended to set forth a general description of the type of financial information and operating data to be provided; such descriptions are not intended to state more than general categories of financial information and operating data; and where the provisions of this Section 3 call for information that no longer can be generated or is no longer relevant because the operations to which it related have been materially changed or discontinued, a statement to that effect shall be provided.

### **Section 4. Financial Statements**

The District's annual financial statements for each fiscal year shall be prepared in accordance with generally accepted accounting principles in effect from time to time. Such financial statements shall be audited by an Independent Accountant. The annual financial statements are presented on a combined basis including the financial

information of both the District and the Association. All or any portion of audited or unaudited financial statements may be incorporated by specific reference to any other documents which have been filed with EMMA in accordance with the rules and procedures set forth from time to time by the MSRB; provided, however, that if the document is an official statement, it shall have been filed with the MSRB and need not have been filed elsewhere.

## **Section 5. Remedies**

If the District shall fail to comply with any provision of this Agreement, then the Trustee or any Holder may, but shall not be obligated to, enforce, for the equal benefit and protection of all Holders similarly situated, by mandamus or other suit or proceeding at law or in equity, this Agreement against the District and any of the officers, agents and employees of the District, and may compel the District or any such officers, agents or employees to perform and carry out their duties under this Agreement; **provided, however**, that the sole remedy hereunder shall be limited to an action to compel specific performance of the obligations of the District hereunder and no person or entity shall be entitled to recover monetary damages hereunder under any circumstances; **provided, further**, that any challenge to the adequacy of any information provided pursuant to Section 2 shall be brought only by the Trustee or the Holders of 25% of the aggregate principal amount of the Bonds then outstanding which are affected thereby. Failure to comply with any provision of this Agreement shall not constitute an Event of Default under the Resolution.

## **Section 6. Parties in Interest**

This Agreement is executed and delivered for the sole benefit of the Holders, the Beneficial Owners and the Trustee. No other person shall have any right to enforce the provisions hereof or any other rights hereunder.

## **Section 7. Termination**

This Agreement shall remain in full force and effect until such time as all principal, redemption premiums, if any, and interest on the Bonds shall have been paid in full or legally defeased pursuant to the Resolution (a "Legal Defeasance"); **provided, however**, that if Rule 15c2-12 (or successor provision) shall be amended, modified or changed so that all or any part of the information currently required to be provided thereunder shall no longer be required to be provided thereunder, then this Agreement shall be amended to provide that such information shall no longer be required to be provided hereunder; and **provided, further**, that if and to the extent Rule 15c2-12 (or successor provision), or any provision thereof, shall be declared by a court of competent and final jurisdiction to be, in whole or in part, invalid, unconstitutional, null and void or otherwise inapplicable to the Bonds, then the information required to be provided hereunder, insofar as it was required to be provided by a provision of Rule 15c2-12 so declared, shall no longer be required to be provided hereunder. Upon any Legal Defeasance, the District shall provide notice of such defeasance to EMMA in accordance with the rules and procedures set forth from time to time by the MSRB. Such notice shall state whether the Bonds have been defeased to maturity or to redemption and the timing of such maturity or redemption. Upon any other termination pursuant to this Section 7, the District shall provide notice of such termination to EMMA in accordance with the rules and procedures set forth from time to time by the MSRB.

## **Section 8. Amendment; Change; Modification**

Without the consent of any Holders (except to the extent expressly provided below), the District and the Trustee at any time and from time to time may enter into any amendments or changes to this Agreement for any of the following purposes:

- (i) to comply with or conform to Rule 15c2-12 or any amendments thereto or authoritative interpretations thereof by the Securities Exchange Commission or its staff (whether required or optional) which are applicable to this Agreement;
- (ii) to add a dissemination agent for the information required to be provided hereby and to make any necessary or desirable provisions with respect thereto;
- (iii) to evidence the succession of another person to the District and the assumption by any such successor of the covenants of the District hereunder;

- (iv) to add to the covenants of the District for the benefit of the Holders, or to surrender any right or power herein conferred upon the District; or
- (v) for any other purpose as a result of a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature, or status of the District, or type of business conducted; provided that (1) this Agreement, as amended, would have complied with the requirements of Rule 15c2-12 at the time of the offering of the Bonds, after taking into account any amendments or authoritative interpretations of Rule 15c2-12, as well as any change in circumstances, (2) the amendment or change either (a) does not materially impair the interest of Holders, as determined by bond counsel, or the interest of the Trustee or (b) is approved by the vote or consent of Holders of a majority in outstanding principal amount of the Bonds affected thereby at or prior to the time of such amendment or change and (3) the Trustee receives an opinion of bond counsel that such amendment is authorized or permitted by this Agreement.

The Annual Financial Information for any fiscal year containing any amendment to the operating data or financial information for such fiscal year shall explain, in narrative form, the reasons for such amendment and the impact of the change on the type of operating data or financial information in the Annual Financial Information being provided for such fiscal year. If a change in accounting principles is included in any such amendment, such Annual Financial Information, respectively, shall present a comparison between the financial statements or information prepared on the basis of the amended accounting principles. Such comparison shall include a qualitative discussion of the differences in the accounting principles and the impact of the change in the accounting principles on the presentation of the financial information. To the extent reasonably feasible such comparison shall also be quantitative. A notice of any such change in accounting principles shall be sent to EMMA in accordance with the rules and procedures set forth from time to time by the MSRB.

#### **Section 9. Duties of the Trustee**

- A. The duties of the Trustee under this Agreement shall be limited to those expressly assigned to it hereunder. The District agrees to indemnify and save harmless the Trustee and its officers, directors, employees and agents, for, from and against any loss, expense and liabilities that it may incur arising out of or in the exercise or performance of its powers and duties hereunder, including the costs and expenses (including reasonable attorneys' fees and expenses) of defending against any claim of liability, but excluding liabilities due to the Trustee's gross negligence or willful misconduct. The obligations of the District under this Section 9 shall survive resignation or removal of the Trustee, payment of the Bonds or termination of this Agreement.
- B. No earlier than one day, nor later than 30 days, following the end of each fiscal year of the District (ending April 30, unless the District notifies the Trustee otherwise), the Trustee will notify the District of its obligation to provide the Annual Financial Information in the time and manner described herein; **provided, however**, that any failure by the Trustee to notify the District under this Section 9.B shall not affect the District's obligation hereunder, and the Trustee shall not be responsible in any way for such failure.
- C. The Trustee shall be under no obligation to report any information to EMMA or any Holder. If an officer of the Trustee obtains actual knowledge of the occurrence of an event described in Section 2.B.1. through 2.B.16. hereunder, whether or not such event is material, the Trustee will notify the District of such occurrence; **provided, however**, that any failure by the Trustee to notify the District under this Section 9 shall not affect the District's obligation hereunder, and the Trustee shall not be responsible in any way for such failure.

#### **Section 10. Governing Law**

THIS AGREEMENT SHALL BE GOVERNED BY THE LAWS OF THE STATE DETERMINED WITHOUT REGARD TO PRINCIPLES OF CONFLICT OF LAW, AND THE LAWS OF THE UNITED STATES OF AMERICA, AS APPLICABLE. Any action for enforcement of this Agreement shall be taken in a state or federal court, as appropriate, located in Maricopa County, Arizona. To the fullest extent permitted by law, the District and the Trustee each hereby irrevocably waives any and all rights to a trial by jury, and covenants and agrees that it will not request a trial by jury, with respect to any legal proceeding arising out of or relating to this Agreement.

**Section 11. Counterparts**

This Agreement may be executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed by their duly authorized officers as of the date first above written.

SALT RIVER PROJECT AGRICULTURAL  
IMPROVEMENT AND POWER DISTRICT

By: \_\_\_\_\_  
Brian J. Koch  
Senior Director of Financial  
Services and Corporate Treasurer

U.S. BANK TURST COMPANY, NATIONAL ASSOCIATION  
as Trustee

By: \_\_\_\_\_  
Keith Henselen  
Vice President

[SIGNATURE PAGE TO CONTINUING DISCLOSURE AGREEMENT]