

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

BOARD OF DIRECTORS
Tuesday, September 17, 2024, 9:30 AM
SRP Administration Building
1500 N. Mill Avenue, Tempe, AZ 85288

Call to Order
Roll Call

1. Bonds and Bond Sale ProcessMIKE MACE, PFM FINANCIAL ADVISORS

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

2. 2024 Series Revenue Bond SaleJON HUBBARD, JASON RIGGS;
MIKE MACE, PFM FINANCIAL ADVISORS;
BRAD WALKER, BANK OF AMERICA; and
TRICIA GASPARINE, CHIESA SHAHINIAN AND GIANTOMASI PC

Request for approval of the **RESOLUTION AUTHORIZING THE ISSUANCE AND SALE OF NOT EXCEEDING \$800,000,000 IN PAR VALUE SALT RIVER PROJECT ELECTRIC SYSTEM REVENUE BONDS, 2024 SERIES OF THE SALT RIVER PROJECT AGRICULTURAL IMPROVEMENT AND POWER DISTRICT, AND PROVIDING FOR THE FORM, DETAILS AND TERMS THEREOF.**

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

The Board may vote during the meeting to go into Executive Session, pursuant to A.R.S. §38-431.03 (A)(3), for the purpose of discussion or consultation for legal advice with legal counsel to the Board on any of the matters listed on the agenda.

The Board may go into Closed Session, pursuant to A.R.S. §30-805(B), for discussion of records and proceedings relating to competitive activity, including trade secrets or privileged or confidential commercial or financial information.

Visitors: The public has the option to attend in-person or observe via Zoom and may receive teleconference information by contacting the Corporate Secretary's Office at (602) 236-4398. If attending in-person, all property in your possession, including purses, briefcases, packages, or containers, will be subject to inspection.



**THE NEXT BOARD MEETING IS SCHEDULED FOR
MONDAY, OCTOBER 7, 2024**

09/10/2024

Issuing Tax-Exempt Debt Bonds and Bond Issues

Presented by

Mike Mace

Senior Director

September 17, 2024

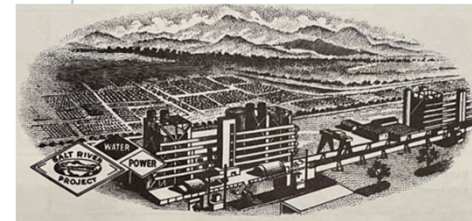


Table of Contents

I. Basic Bond Features

- A. Bond Terms and Provisions

- B. Some Bond Math

- C. A Bond Issue

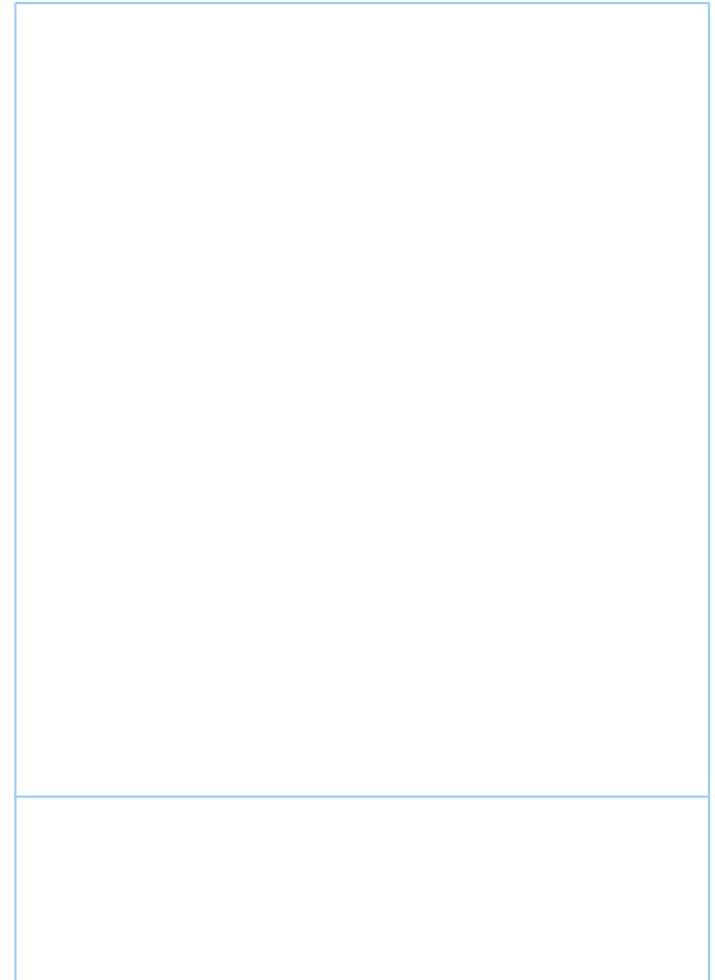
II. The Bond Sale Process

- A. Investor Outreach and Communication

- B. The Bond Sale and Pricing

III. Public Power vs IOU Differences

I. Basic Bond Features



Basic Bond Features

- **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 vs Yield**
 - **Early Call Dates** **Usually 10 years after sale**
 - **Minimum denomination** **\$5,000**

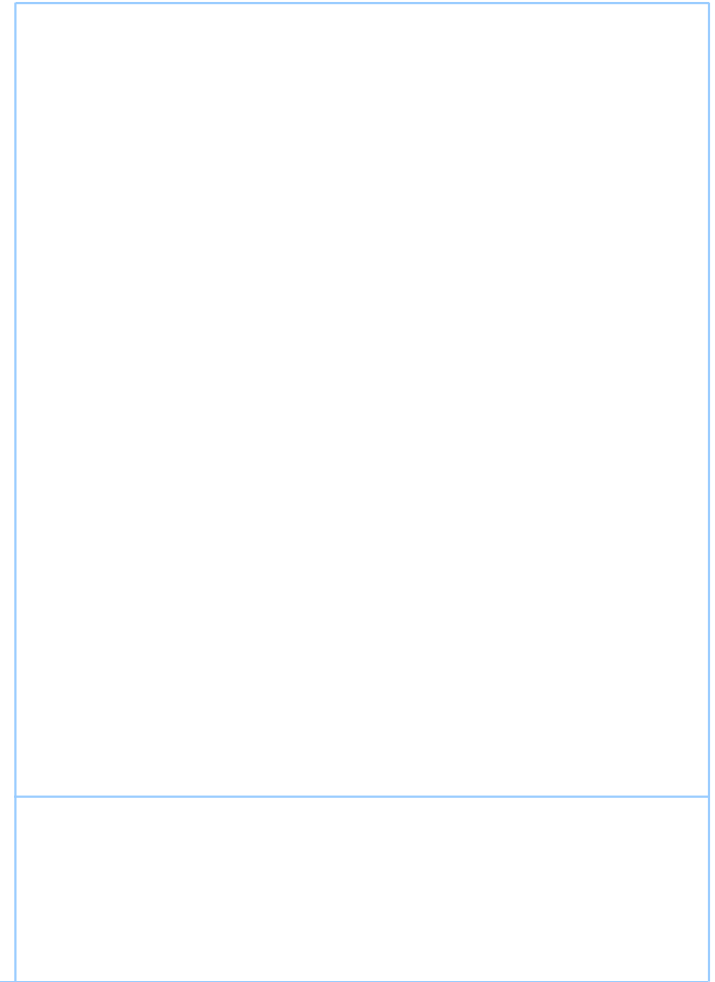
Bond Math – Coupon, Yield, & Price

- Muni Market Quirk – Premium Bonds – Coupon Higher than Yield
 - Bonds sold with initial price greater than 100% of Par Value
 - Very strong preference of institutional investors (price protection)
 - Issuers like the future refunding savings potential
 - ~90%+ of public power bonds structured as premium bonds
- 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 \$1,050,000
- 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 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

II. The Bond Sale Process



The Bond Sale and Investor Communication Process

- Ongoing Investor Communication Throughout the Year
 - Generally focused on larger institutional investors/holders
 - Required SEC/MSRB continuing disclosure on EMMA
 - annual/periodic financials
 - rating changes
 - material events
 - voluntary disclosure
 - Investors can sign up for instant notice of EMMA filings related to their credits
 - Easy to follow SRP Investor Website
 - Participation/Presentation at larger conference events (LPPC and bank sponsored)
 - Responsiveness to investor questions throughout the year
 - Investors can (but rarely do) view Board/Council meetings and materials

The Bond Sale and Investor Communication Process

- Investor Communication Prior to a Bond Sale
 - Post Notice of Sale on EMMA to alert investors and allow communication about sale
 - Electronic distribution/posting of POS disclosure document and investor presentation
 - Answer specific investor questions in the weeks before sale
 - Topics limited to public information in POS and disclosure filings
 - Structure “wire” if needed in week prior to sale – debt amortization and bond maturities
 - PreMarketing “wire” in the week of sale provides preliminary interest rate thoughts
 - Bond Pricing Day!

The Bond Sale and Investor Communication Process

- Bond Pricing
 - PreMarketing Wire reflects extensive data/input from various sources
 - Rates on every other comparable (and SRP) bond offering
 - Yields/Prices on every comparable (and SRP) secondary market bond trade
 - Independent underwriting team member and PFM interest rate view on new SRP bonds
 - Investor response to recent comparable sales (“The Book” of orders)
 - General economic and geopolitical new
 - PreMarketing Wire reveals collective view of “Spreads to AAA Muni Indices”
 - The pricing language of new bond sales and many bond trades
 - The equalizer of being able to compare credits, bonds and rates

Bond Pricing – the Day Before the Sale – PreMarketing Views

- Example: SRP 2023B Syndicate Views



\$650,000,000
SALT RIVER PROJECT AGRICULTURAL
IMPROVEMENT AND POWER DISTRICT, ARIZONA
Salt River Project Electric System Revenue Bonds, 2023 Series B

- Recommended Initial Spreads to AAA Muni Index by Various Underwriters
- Basis Points to be Added to the AAA Index Rate for Each Bond Maturity Offered

5.00%/5.25% Coupons

Maturity	Par	Consensus	Morgan Stanley	Bank of America	Goldman Sachs	JP Morgan	TD Securities
1/1/2042	33,425M	22	22	20	25	28	18
1/1/2043	25,880M	22	22	20	26	28	20
1/1/2048	247,110M	25/20	25/20	23/17	28/23	30/25	25/21
1/1/2053	343,585M	28/23	28/23	25/19	30/25	30/25	27/22
Total	650,000M						

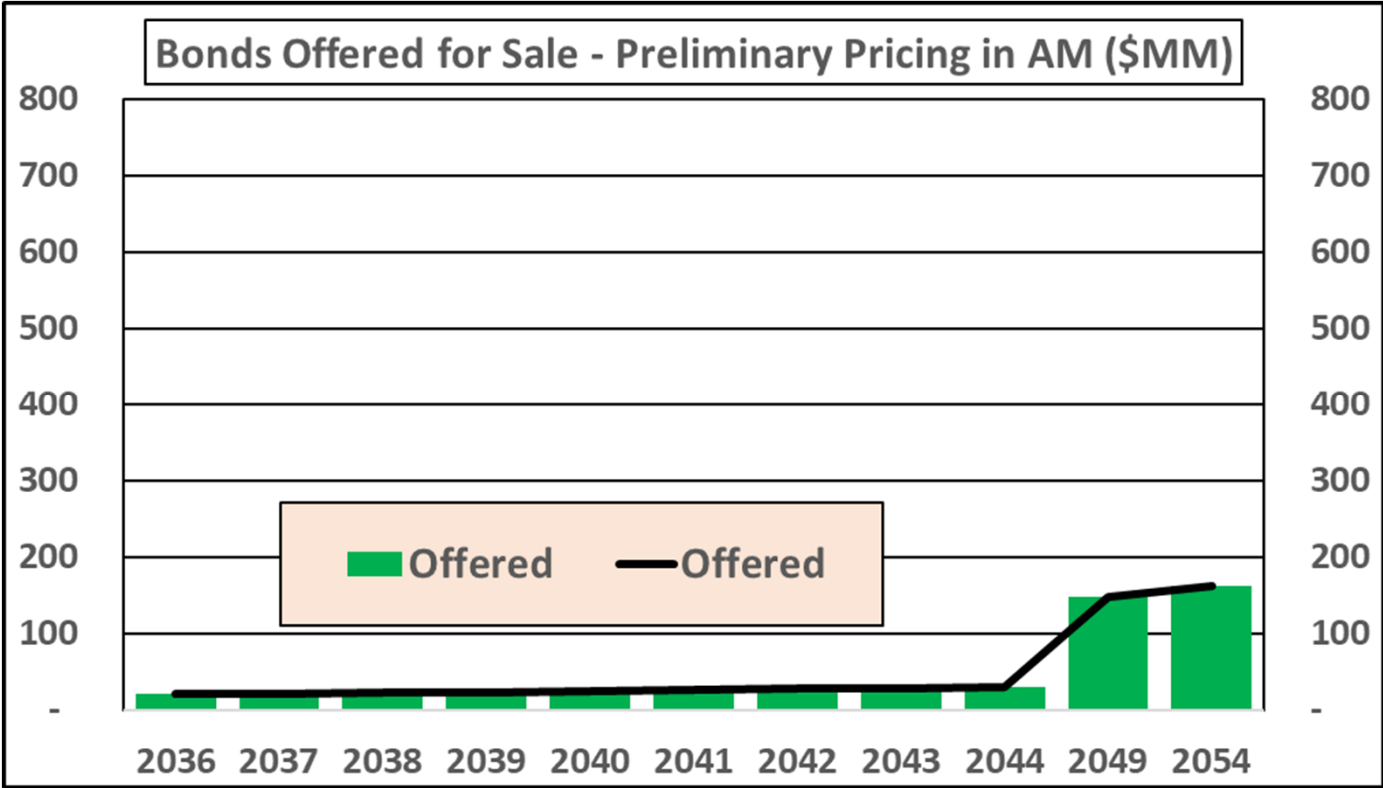
Bond Pricing – AM the Day of Sale

- Example: SRP 2023B Preliminary Pricing Wire “Menu” to the “Street”

MATURITY	SPREAD	AMOUNT*	COUPON	PRICE	ADD'L TAKEDOWN (Pts)
01/01/2043	+20	33,765M	5.00%	4.27	0.15
(Approx. \$ Price PTC 01/01/2034 105.939 Approx. YTM 4.532)					
01/01/2044	+20	26,150M	5.00%	4.30	0.15
(Approx. \$ Price PTC 01/01/2034 105.686 Approx. YTM 4.565)					
01/01/2048	+25	247,390M	5.00%	4.54	0.15
(Approx. \$ Price PTC 01/01/2034 103.691 Approx. YTM 4.741)					
01/01/2053	+20	342,695M	5.25%	4.53	0.15
(Approx. \$ Price PTC 01/01/2034 105.784 Approx. YTM 4.876)					

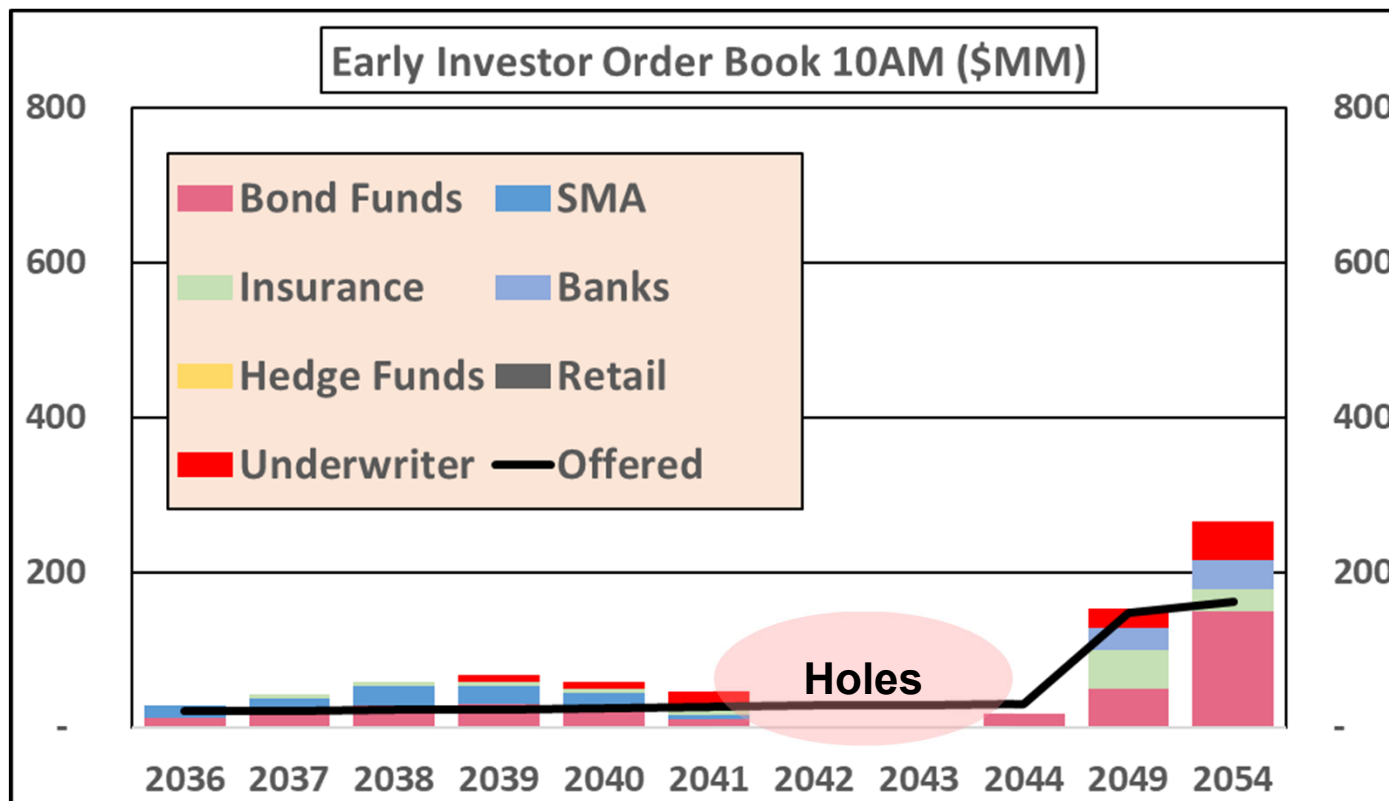
Bond Pricing – Investor Orders

- Sample Order Book Graphics – Initially Offered Bonds 9AM



Bond Pricing – Investor Orders

- Sample Order Book Graphics – Early in the Order Period – 10AM



Some Bond Funds Early

SMA – Separately Managed Accounts (Retail)

Underwriter Orders

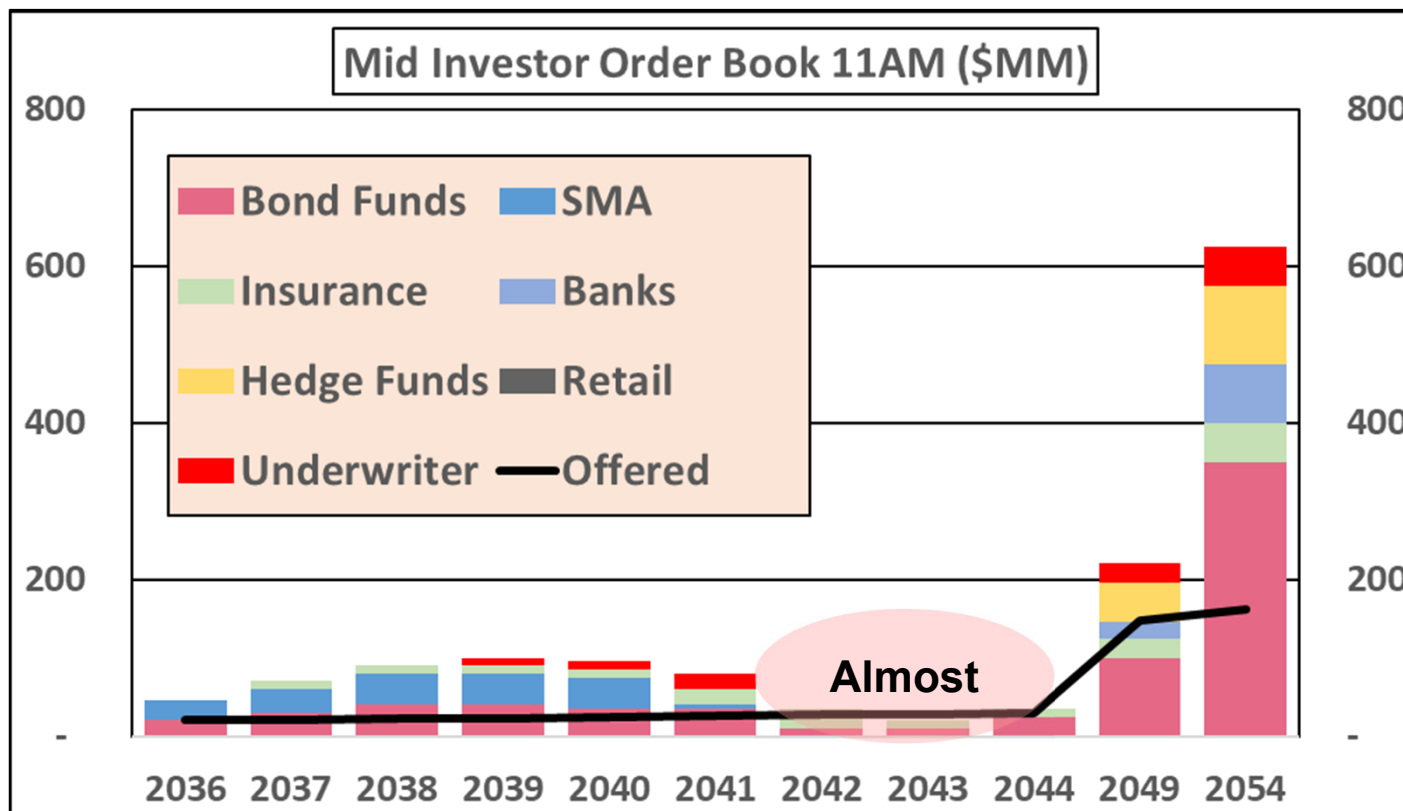
Some Insurance (for AA)

No Hedge Funds

Some “Holes in the Book”

Bond Pricing – Investor Orders

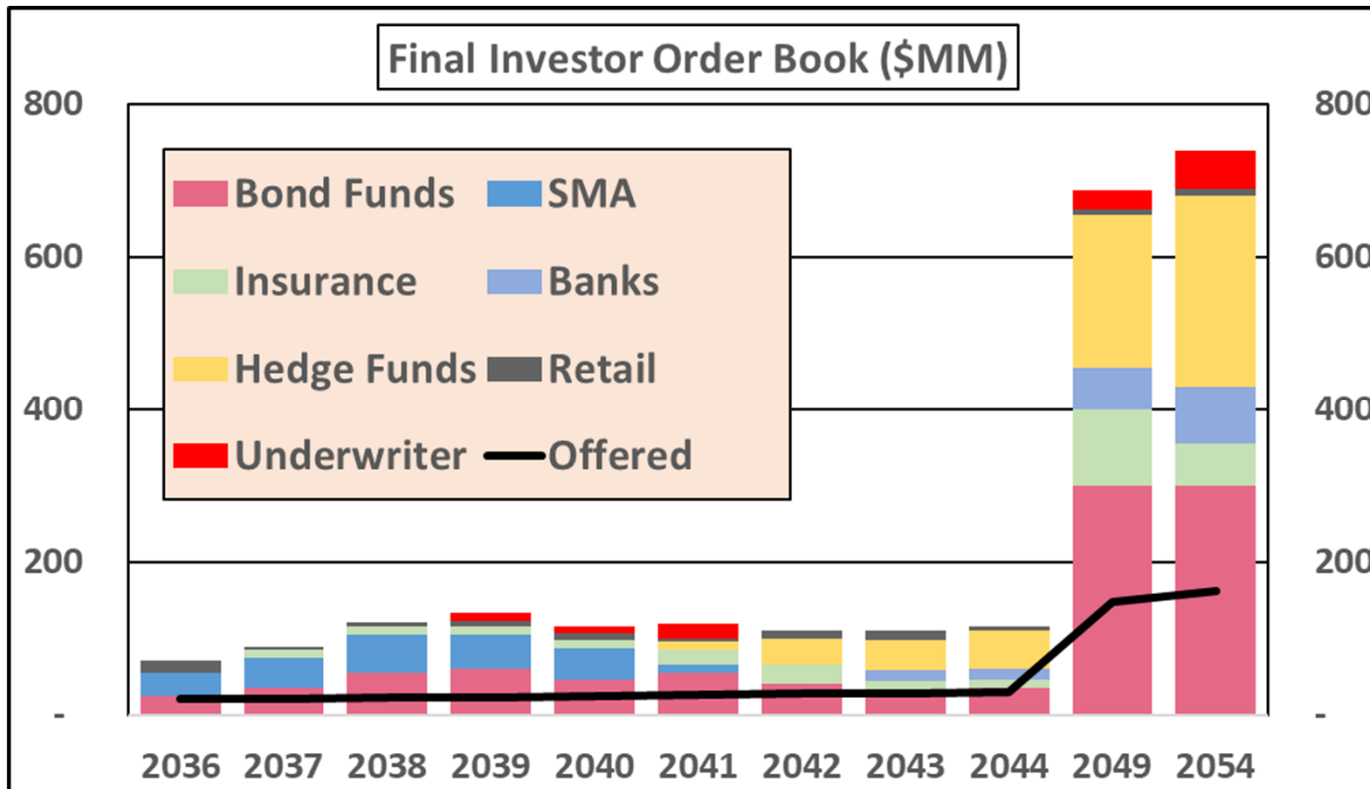
- Sample Order Book Graphics – Mid Order Period – 11AM



Bond Funds Decide
SMA – Separately Managed Accounts (Retail)
Underwriter Orders Same
Some More Insurance
Limited Hedge Funds
Some "Weakness" Remains

Bond Pricing – Investor Orders

- Sample Order Book Graphics – Final Order Book – Noon



More Bond Funds

SMA – Separately Managed Accounts (Retail)

Underwriter Orders Same

Little More Insurance

Hedge Funds More Big

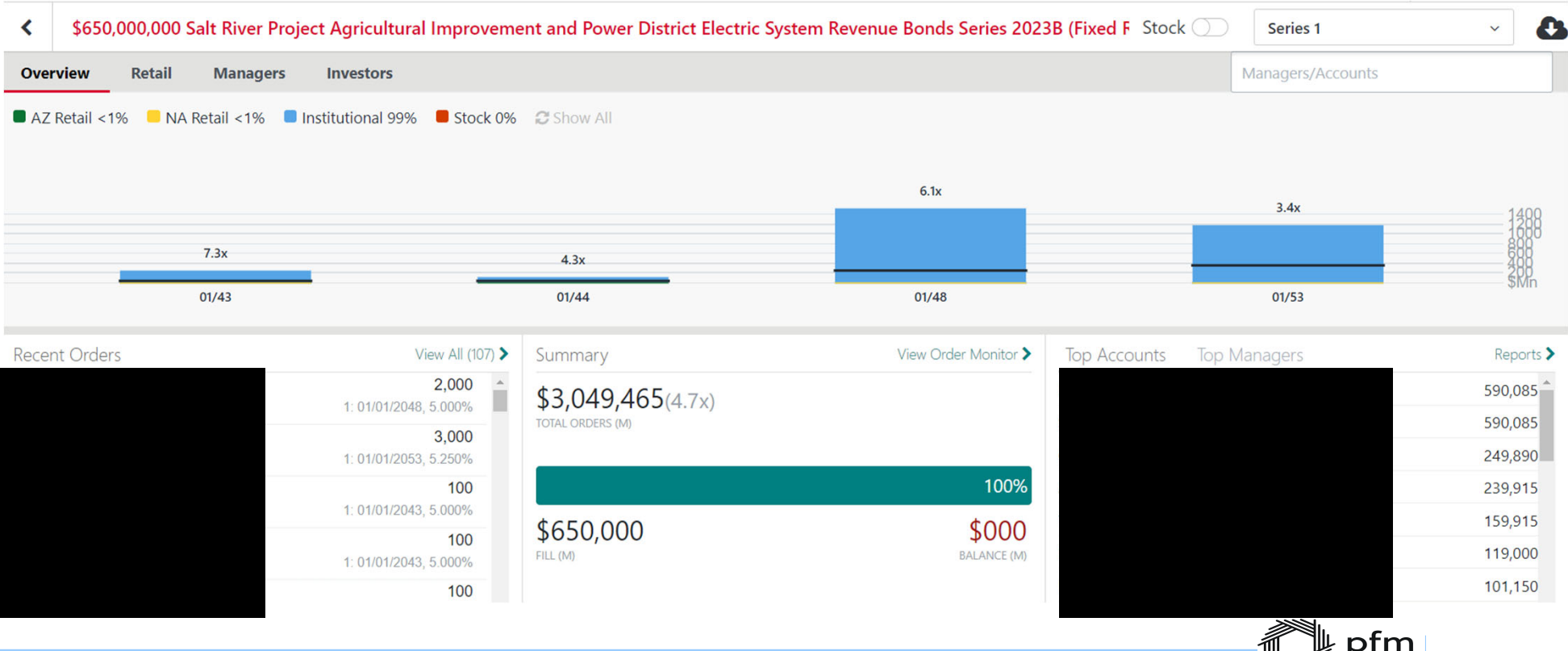
No Soft Spots

3-5X Subscribed

Maybe 3-6BP Rate Move

Bond Pricing – SRP Investor Orders

- Final SRP 2023 B Order Book



Bond Pricing - Strategy

- Investor Approach
 - Investors see all data, and have existing bond holdings valued frequently
 - Some hold SRP bonds: 2023B 5.25% maturing in 2053
Data service valued at 112.123% and yield of ~3.70% or AAA +20BP
 - Investors compare new issues to other primary and secondary market offerings
 - Secondary market shows prices for \$10k to \$10mm trades, not \$1Bn sales
 - Investors are well-informed and know the market
 - Their goal is the highest possible interest rate
- SRP Pricing Goal – Lowest Possible Rates for Preferred Structure


Bond Pricing - Strategy

- Pricing Strategy
 - Low, aggressive initial pricing rates
 - Hope to just clear the market with investors willing to take lowest rate
 - Have underwriters buy remaining balances if not too large (maybe less than 20% of the bonds)
 - Downside – not enough orders and have to reprice at higher rates to “chase” investor orders
 - Set a rate where you are confident in getting sufficient investor orders
 - Hope to get multiple times subscribed and lower rates at the end of the day
 - Maybe get “piling on” with big investor orders hoping to some bonds
 - Downside – price too “cheap” and don’t get enough orders to lower yields
 - The process is more art (and maybe some luck) versus “science”

Sample IOU Bond Sale Earlier in 2024

- \$450 MM Bonds Sold in May
 - 5.70% Bonds at 99.726% Price
 - Rated Baa1/BBB+/A-
 - US Treasury +1.25%
 - 10 Year “Bullet” Maturity
 - 0.65% Underwriting fees

\$450,000,000



Arizona Public Service Company

5.70% Notes due 2034

	Per Note	Total
Initial public offering price ⁽¹⁾	99.726%	\$448,767,000
Underwriting discount	0.650%	\$ 2,925,000
Proceeds, before expenses, to Arizona Public Service Company	99.076%	\$445,842,000

MUFG

PNC Capital Markets LLC

Mizuho

TD Securities

US Bancorp

Co-Manager

Independence Point Securities

Comparison Points – IOU vs Public Power

- IOU Bond Sale in May and SRP Current Market
- Compare Hypothetical 10 Year Bond Maturity
- 10 Year US Treasury @ ~3.65% Today

IOU 10Yr Bond Metrics

- Interest is taxable
- 4.90% 10 Year Bond Rate
- 3.65% UST+1.25%
- Rated Baa3/BBB+/A-
- 0.65% Underwriting fees

SRP 10Yr Bond Metrics

- Interest is tax-exempt
- 2.85% 10 Year Bond Rate
- 2.60% AAA Muni +.25%
- Rated Aa1/AA+
- <0.20% Underwriting fees

Higher Credit Ratings, Lower Rates/Fees + \$1+BN Savings for SRP Customers

Comparison Points with Public Power Structure

- IOU Bond Sale in June and SRP Bond Sale in February
- 10 Year 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

2024 Series Bond Sale

September 17th, 2024

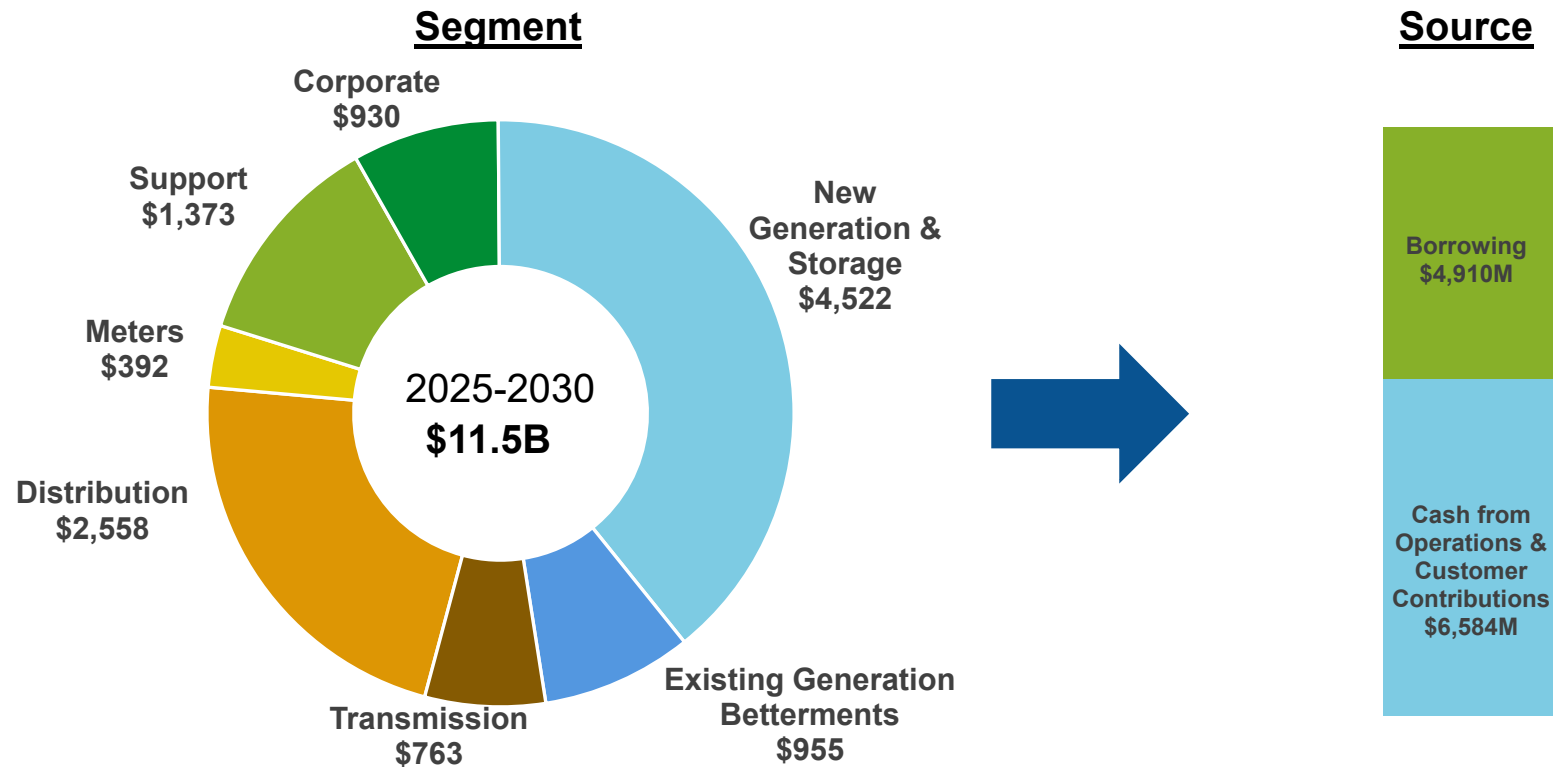
SRP Board & SRP Council Meeting

Jon W. Hubbard | Treasurer & Senior Director, Financial Operations & Compliance

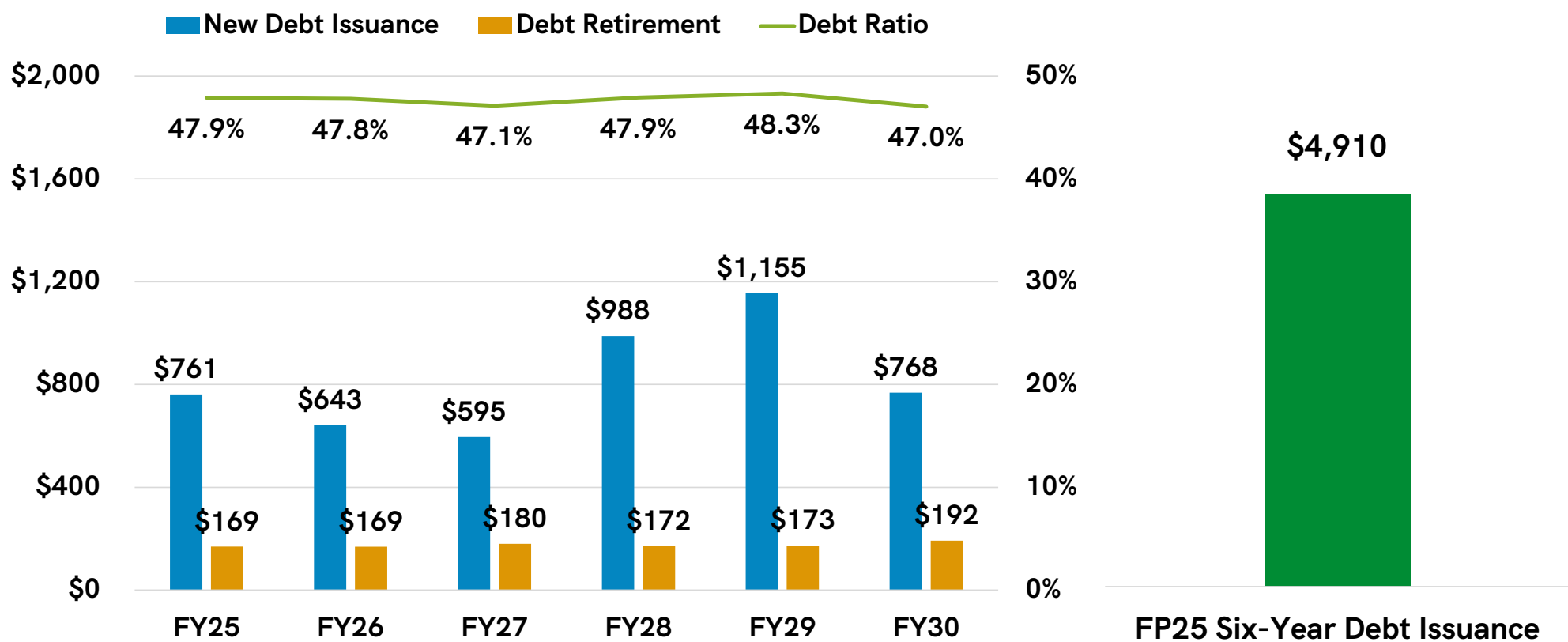
Jason I. Riggs | Director & Asst. Treasurer, Treasury Operations & Compliance

FP25 6-Year District Capital Spend Outlook

~57% sourced by internally generated funds, remaining amount financed

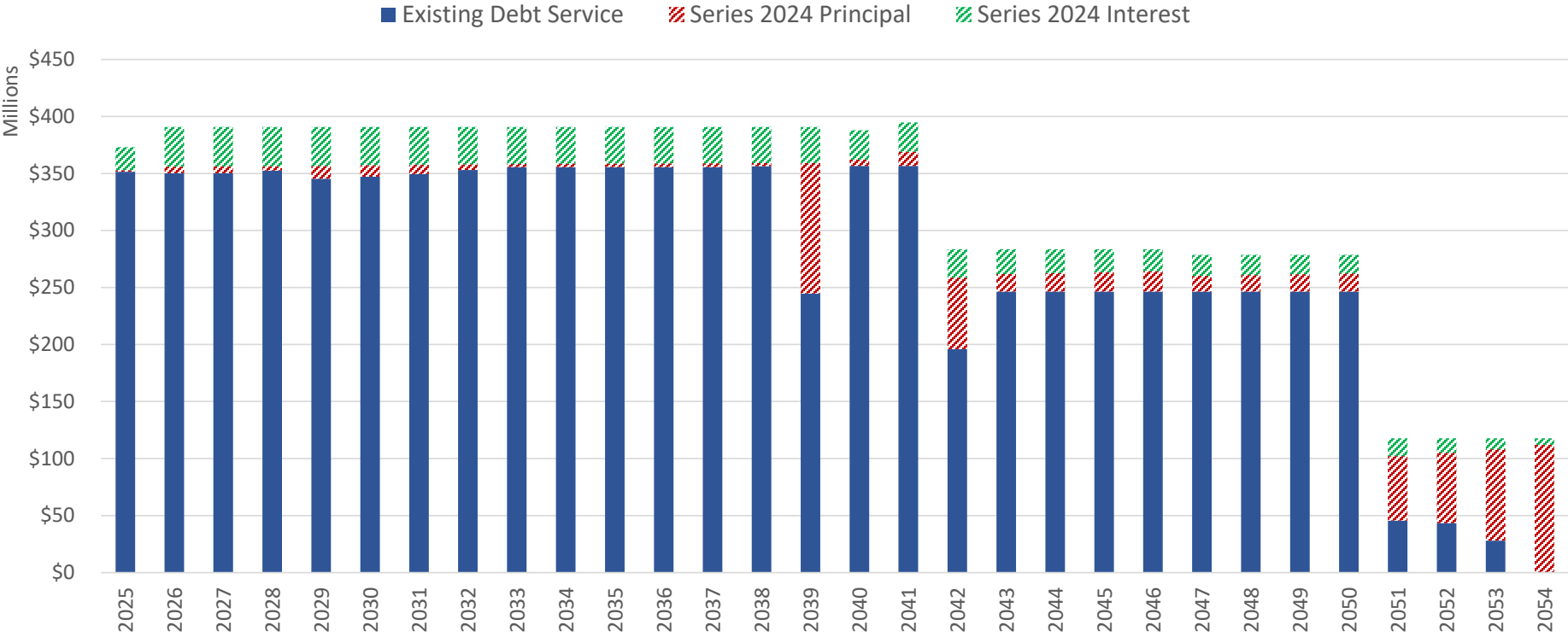


Continued SRP Growth Will Require More Financing

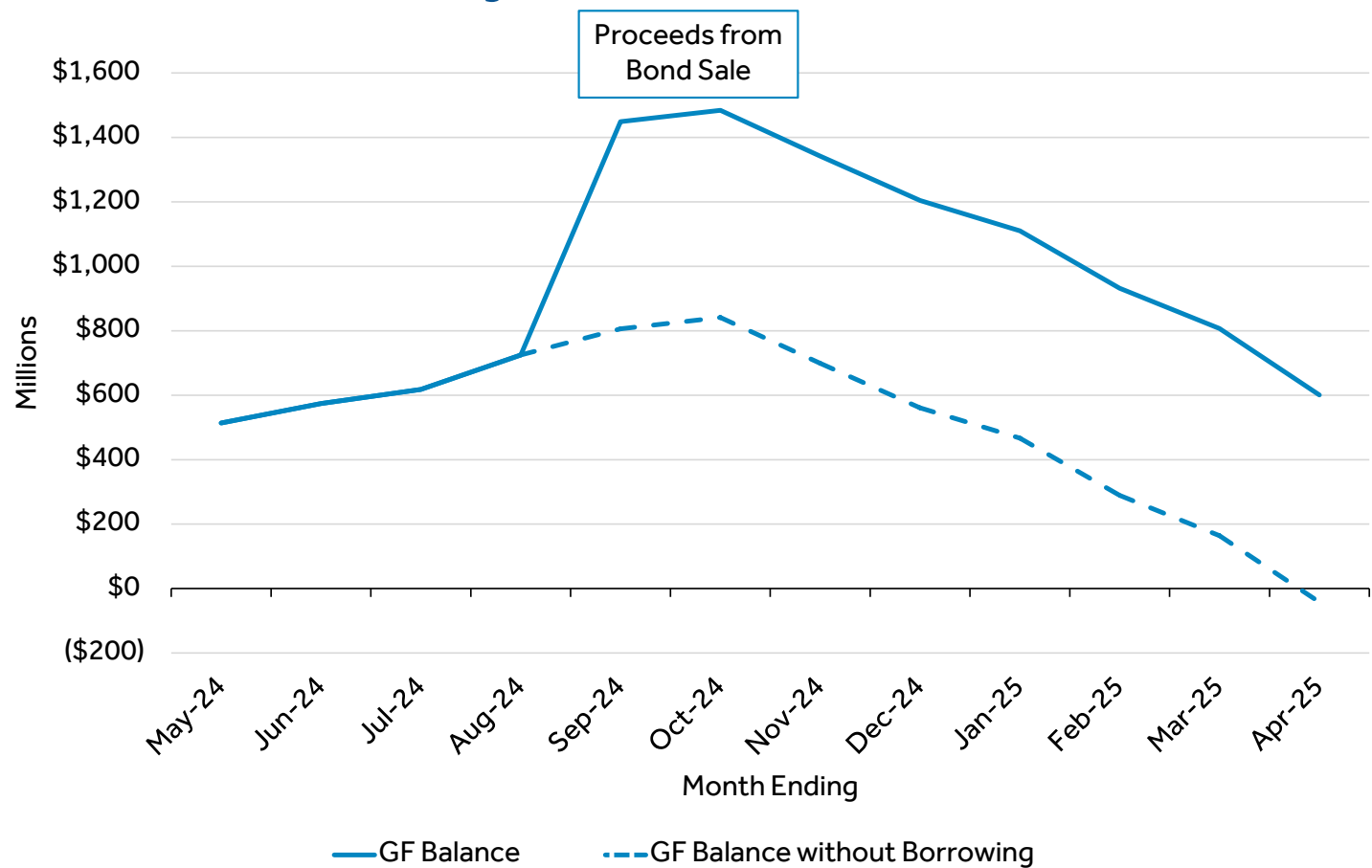


2024 Series Bond Sale

Preliminary Debt Service After 2024 Series



FY25 General Fund Projection



2024 Series Bond Sale Overview

• Par Value Amount	Not exceeding \$800 million in par value of new money revenue bonds
• Lead Banker:	BofA Securities, Inc.
• Co-managers:	J.P. Morgan Securities LLC Goldman Sachs & Co. LLC Morgan Stanley & Co. LLC TD Securities LLC
• Underwriter's Counsel:	James Normile , <i>Katten Muchin Rosenman LLP</i>
• Financial Advisor:	Michael Mace , <i>PFM Financial Advisors LLC</i>
• Bond Counsel:	Tricia Gasparine , <i>Chiesa Shahinian & Giantomasi PC</i>
• Tax Counsel:	Mitch Rapaport , <i>Nixon Peabody</i>
• Arizona Counsel:	Bill Clarke/Raj Gangadean , <i>Spencer Fane</i>

Parameters Process Considerations

- Board and Council approval is still required
 - Allows for robust and less time sensitive Board and Council discussions *prior* to bond sale
- Standard industry practice
 - Utilized by LPPC peers
 - Successfully utilized by SRP in most recent bond sale
- Underwriter and Investor preferences
 - Optimize investor demand
- Creates pricing day flexibility to mitigate market risks/volatility
 - Avoids reputational and financial risk of conducting a bond offering and pricing, then failing to execute and deliver bonds

Bond Sale Parameters: Guardrails

1	2	3	4	5	6
Par Amount	True Interest Cost	Final Maturity	Call Option	Purchaser's Compensation	Pricing Execution
<ul style="list-style-type: none"> • Not to exceed \$800 million • Represents the amount of principal to be paid at maturity • Referred to as “face amount” of a security 	<ul style="list-style-type: none"> • Not to exceed 5.5% • Overall rate of interest to be paid over the life of the bonds 	<ul style="list-style-type: none"> • No greater than 40 years • Final maturity of the entire bond series cannot exceed 40 years 	<ul style="list-style-type: none"> • Not to exceed 100% • 10-year call option • SRP has the right to call/refinance any time after 10 years 	<ul style="list-style-type: none"> • Not to exceed \$2.00 per \$1,000 of bonds issued • Compensation to Underwriters for services rendered • Also referred to as Underwriter's Discount / Fee 	<ul style="list-style-type: none"> • After B&C approval, execute pricing before 12/31/2024

Bond Sale Approval and Execution

Date	Detail
August 5 Board & August 6 Council	Initial Update on Bond Sale
Sept 17 Board & Council (special meeting)	Parameters Approval
Week of September 23 *	Execute Bond Sale/Sign Bond Purchase Agreement
Board and Council Meeting after sale	Review Bond Sale

**Planned sale date, subject to market conditions*



Mike Mace

Senior Director | PFM Financial Advisors



SRP 2024 Series Bonds

PFM Financial Advisors

Presentation to the SRP Board and Council

Mike Mace, Senior Director

September 17, 2024

PFM

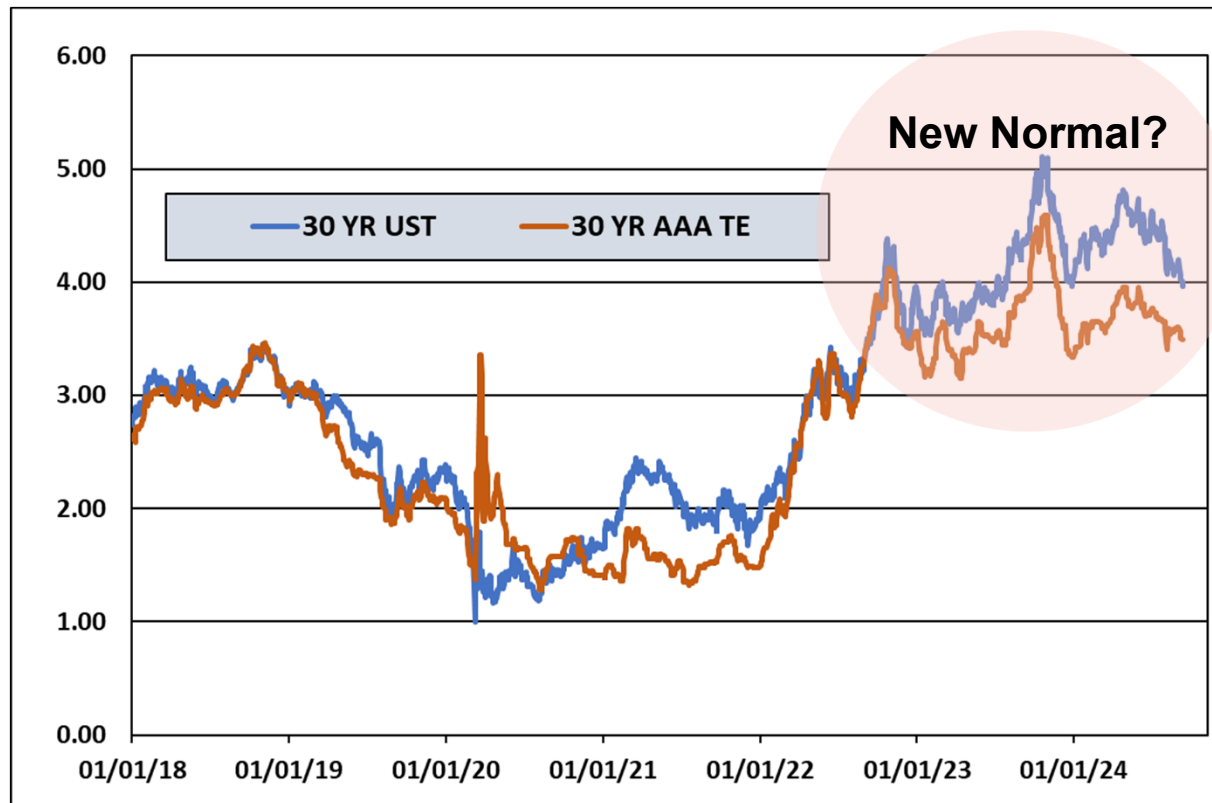
New York, NY
Philadelphia, PA
Charlotte, NC
Chandler, AZ

[pfm.com](https://www.pfm.com)



SRP 2024 Series Bonds – Recent Interest Rate Trends

◆ A Long Road to Higher, Yet Stable (?) Rate Environment





SRP 2024 Series Bonds – An Active Public Power Bond Market

◆ Growing Capital Needs, Refunding Activity and Affordable Rates

Recent Public Power Issuance and Rates

Public Power Issuer	Sale Date	Size (\$MM)	Final Maturity	Yield	Coupon
MEAG Power	Sep-05	398	30 Years	3.95%	5.25%
Orlando Util Comm	Sep-04	269	26 Years	3.86%	5.00%
San Antonio City Pub Serv	Aug-28	757	30 Years	4.02%	5.25%
Greenville Elec, TX	Aug-27	126	30 Years	4.15%	5.25%
Grant County WA PUD	Aug-21	180	20 Years	4.09%	4.00%
LA Dept of Water/Power	Aug-08	270	30 Years	3.73%	5.25%
Colorado Springs Util, CO	Aug-07	378	30 Years	3.87%	5.25%
Knoxville Elec, TM	Aug-07	91	30 Years	4.11%	4.00%
Anaheim Elec, CA	Aug-06	109	15 Years	2.88%	5.00%
Long Island Pow Auth	Aug-06	1,005	30 Years	3.78% 3.72%	5.00% 5.25%



SRP 2024 Series Bonds – Election Influences Borrowers

◆ Most Muni Issuers Avoiding Election Timeframe

- Large advance volume in September and October - \$50+Bn per month
- Outstanding bond redemptions/maturities exceed \$30 Bn per Month
- Investors seem to have anticipated supply and have \$\$\$
- Recent transactions have seen very strong demand
- Investors receiving small bond allotments on large orders
- Investors are still quite sensitive to news and data

◆ SRP “Parameters” Approach is Prudent

- Nearly all major public power utilities use parameters resolutions
- SRP parameters/limits are prudent:
 - Bond size is marketable
 - Max maturity reflects market standard
 - Max rate reflects market
 - Very favorable underwriting fees
 - ~10 year pall provides future refunding potential



Brad Walker

Managing Director | BofA Securities

Market Overview

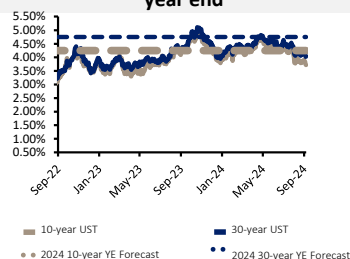
Potential Factors Impacting the Debt Markets

1

Interest Rate Outlook

- Data from the July FOMC meeting raised concerns about a sharper-than-expected slowdown in the financial markets. The Fed remains cautious and data-driven
- Looking ahead, rate cuts could be triggered by either slowing inflation or a deterioration in economic activity
- July CPI was broadly in line with expectations, with headline and core CPI inflation rising by 0.2% month-over-month. Recent inflation prints suggest disinflation is back on track, helping to pave the way for Fed rate cuts later this year
- BofA economists forecast a rate cut cycle that begins in September, with 25 basis points rate cuts every meeting through March 2025 then every quarter until a terminal of 3.25%-3.5% by end-2025

BofA Economists are forecasting 30-yr and 10-yr UST to be at 4.75% and 4.25%, respectively, by year end

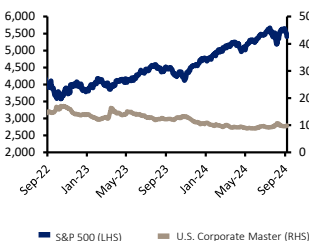


2

Market Volatility

- 2Q GDP beat expectations, increasing 2.8% versus 2.0% expected and versus 1.4% in 1Q
- On September 4, SIFMA reset at 2.84%, a decrease of 8 bps from the August 28 reset of 2.92%
- Since the end of May, 10-YR MMD fell 45 bps to 2.63% while the 10-YR UST fell 79 bps to 3.72% as of September 6. During this same period, 30-YR MMD fell 41 bps to 3.52% while the 30-YR UST fell 62 bps to 4.03%

Equity markets remain volatile and continue to be under pressure in recent months

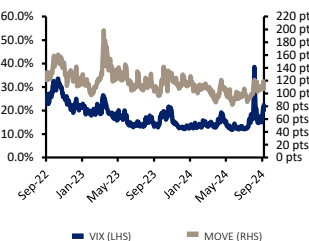


3

Politics

- The Biden Administration announced the approval of \$7.4 billion in additional student loan debt relief for 277,000 borrowers. This action comes as nearly 8 million borrowers have been helped by the SAVE plan
- A California law raising the minimum wage for fast-food workers to \$20 per hour took effect in April, which could keep markets jittery about firming price pressures
- Under the new "T+1" settlement cycle, starting May 28, 2024, all applicable securities transactions from the U.S. financial institutions will settle in one business day of their transaction date

Market volatility has increased over the past several months, especially in the bond markets

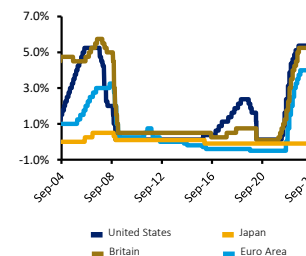


4

Central Banks

- Members from the FOMC unanimously voted to hold its benchmark overnight borrowing rate targeted between 5.25%-5.5% at the July meeting
- At the central bank's annual gathering in Jackson Hole, Fed Chair Powell gave his strongest signal yet that interest-rate cuts are coming soon, intending to stave off a further weakening of the U.S. labor market.
- On June 5, the Bank of Canada lowered interest rates by 25 bps to 4.75%, down from a more than two-decade high of 5%
- On June 7, the European Central Bank lowered interest rates by 25 bps to 3.75%, its first rate cut in five years
- On August 1, the Bank of England (BoE) cut rates to 5% from a 16-yr high of 5.25%. That was BoE's first cut since March 2020

Inflation has pushed central banks to shrink their balance sheets



Market Overview

Historical Rates: US Treasury (taxable) and Municipal (tax-exempt)

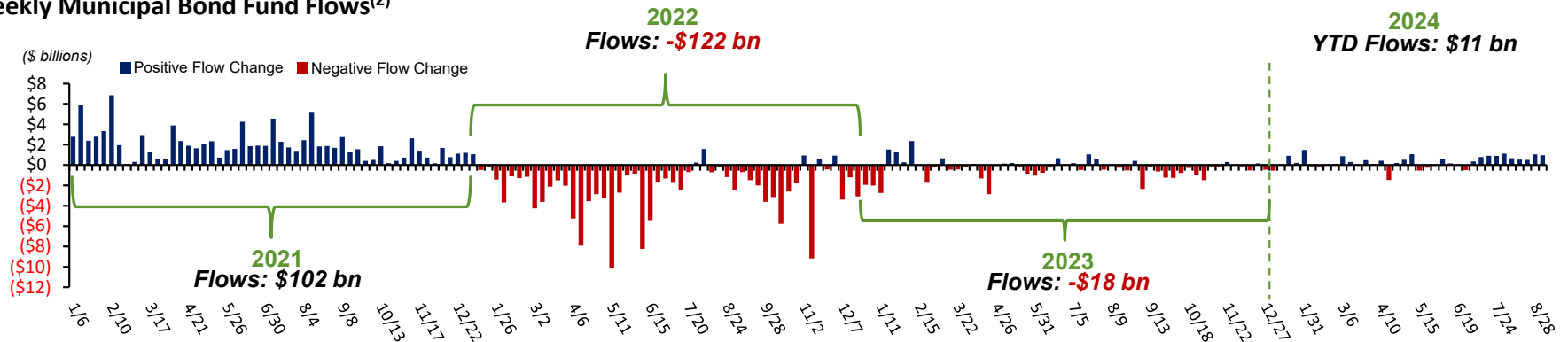


Market Overview

Municipal Supply and Demand

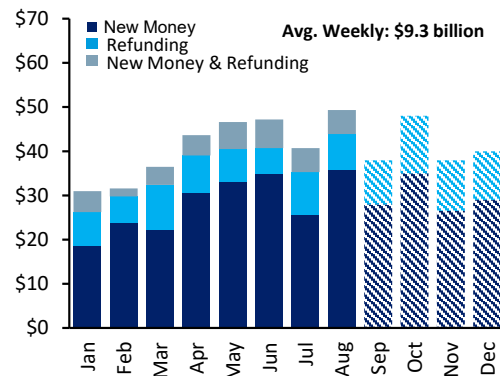


Weekly Municipal Bond Fund Flows⁽²⁾



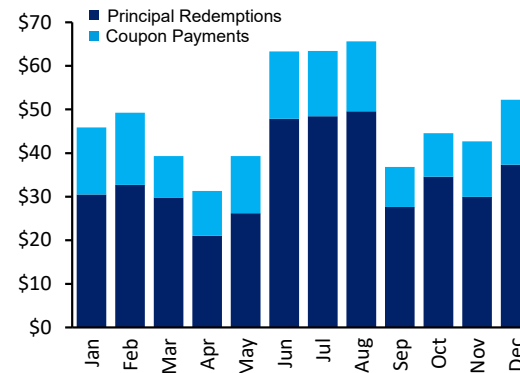
Actual & Projected Municipal Issuance⁽¹⁾

(\$ billions)



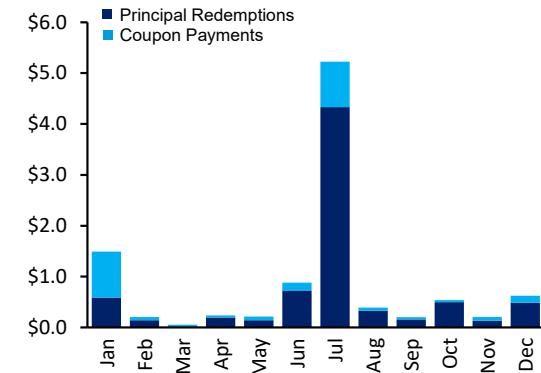
Projected 2024 National Redemptions⁽¹⁾

(\$ billions)



Projected 2024 AZ Redemptions⁽¹⁾

(\$ billions)



(1) Source: BofA Securities Research.

(2) Source: Lipper U.S. Fund Flows as of 9/4/24; data includes weekly and monthly reporting funds.

Market Overview

Economic Data Calendar and SRP Target Pricing/ Closing Dates



September 2024						
S	M	T	W	T	F	S
1	2	3	4	5	6	7
8	9	10	11	12	13	14
15	16	17	18	19	20	21
22	23	24	25	26	27	28
29	30					

October 2024						
S	M	T	W	T	F	S
		1	2	3	4	5
6	7	8	9	10	11	12
13	14	15	16	17	18	19
20	21	22	23	24	25	26
27	28	29	30	31		

■ Holiday

MONDAY	TUESDAY	WEDNESDAY	THURSDAY	FRIDAY
9	10 Redbook Index YoY – Sep 6 (8:55AM)	11 MBA Mortgage Applications – Sep 6 (7:00AM) Consumer Price Index MoM & YoY – Aug (8:30AM)	12 Producer Price Index MoM & YoY – Aug (8:30AM)	13
16	17 Redbook Index YoY – Sep 13 (8:55AM)	18 MBA Mortgage Applications – Sep 13 (7:00AM) Fed Interest Rate Decision – (2:00PM) and FOMC Projections	19 Philadelphia Fed Manufacturing Survey – Sep (8:30AM)	20
23	24 Redbook Index YoY – Sep 20 (8:55AM) Consumer Confidence – Sep (10:00AM) Richmond Fed Manufacturing Index – Sep (10:00AM)	25 MBA Mortgage Applications – Sep 20 (7:00AM) *PRICING DAY*	26 Chicago Fed National Activity Index – Aug (8:30AM) GDP Annualized – Q2 (8:30AM) Kansas Fed Manufacturing Activity – Sep (11:00AM)	27 Michigan Consumer Sentiment Index – Sep (10:00AM) UoM 5-year Consumer Inflation Expectation – Sep (10:00AM)
30 Dallas Fed Manufacturing Business Index – Sep (10:30AM)	1 Redbook Index YoY – Sep 27 (8:55AM)	2 MBA Mortgage Applications – Sep 27 (7:00AM)	3	4 Unemployment Rate – Sep (8:30AM)
7	8 Redbook Index YoY – Oct 4 (8:55AM)	9 MBA Mortgage Applications – Oct 4 (7:00AM) *CLOSING DAY*	10 CPI YoY & MoM – Sep (8:30AM)	11 PPI – Sep (8:30AM)

Placing Orders for Bonds

Individual Retail Investors



- A brokerage account is needed at one of the underwriters for individuals to place an order for SRP's Series 2024 bonds:
 - Bank of America / Merrill Lynch (Senior Manager)
 - Goldman Sachs, J.P. Morgan, Morgan Stanley, or TD Securities (Co-Managers)
- A local Phoenix-area Merrill Lynch Financial Advisor can help to set up such an account, if needed
 - Contact Brian Friedman at (602) 954-5008 with any questions
- Retail accounts will be given priority on all bonds being issued

To ensure retail orders get submitted in a timely manner on Pricing Day (and receive priority treatment), brokers should be given advance notice



Tricia Gasparine

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

Board Resolution

- **Authorizes issuance of not exceeding \$800,000,000 in par value of 2024 Series Bonds, in one or more Series, 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 2024 Series Bonds
- **Authorizes private sale of 2024 Series Bonds to the group of Purchasers listed below, subject to a Purchase Contract, and approves the form of the Purchase Contract**
 - BofA Securities, Inc. (as Representative),
 - Goldman, Sachs & Co., LLC,
 - J.P. Morgan Securities LLC,
 - Morgan Stanley & Co. LLC
 - TD Securities (USA) LLC



Board Resolution (Continued)

- **Delegates to an Authorized Officer of the District the power to determine the final terms of the 2024 Series Bonds, subject to the following parameters:**
 - par value shall not exceed \$800,000,000
 - final maturity shall not exceed 40 years from the date of issuance
 - true interest cost shall not exceed 5.50% per annum
 - 2024 Series 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 2024 Series Bonds issued
 - the 2024 Series Bonds shall be sold not later than December 31, 2024
- **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 2024 Series Bonds, as contained in the Board Resolution**
- **Ratifies, confirms and approves the private sale of the 2024 Series Bonds to the Purchasers pursuant to the terms and conditions of the Board Resolution and the terms and conditions of the Purchase Contract**



2024 Series Bond Sale Recommendation

Management requests Board approval of the:

RESOLUTION AUTHORIZING THE ISSUANCE AND SALE OF NOT EXCEEDING \$800,000,000 IN PAR VALUE OF SALT RIVER PROJECT ELECTRIC SYSTEM REVENUE BONDS, 2024 SERIES 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 \$800,000,000 IN PAR VALUE OF SALT RIVER PROJECT ELECTRIC SYSTEM REVENUE BONDS, 2024 SERIES

thank you!



RESOLUTION AUTHORIZING THE ISSUANCE AND SALE OF NOT EXCEEDING \$800,000,000 IN PAR VALUE SALT RIVER PROJECT ELECTRIC SYSTEM REVENUE BONDS, 2024 SERIES OF THE SALT RIVER PROJECT AGRICULTURAL IMPROVEMENT AND POWER DISTRICT, AND PROVIDING FOR THE FORM, DETAILS AND TERMS THEREOF

WHEREAS, the members of the Board of Directors (the “Board of Directors”) 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 (the “Resolution”), have created and established an issue of Salt River Project Electric System Revenue Bonds (the “Bonds”), which may be authorized from time to time pursuant to Series Resolutions; and

WHEREAS, the Arizona Corporation Commission (the “Commission”) has approved by its Opinions and Orders described in **Exhibit A** hereto the issuance of Bonds in an aggregate principal amount not to exceed \$800,000,000 to pay the costs of various improvements and additions to the District’s Electric System and to pay certain costs of the issuance of the Bonds; and

WHEREAS, the Board of Directors has determined to use a portion of the authorization applicable to the Commission’s Opinions and Orders described in **Exhibit A** hereto to issue 2024 Series Bonds, in one or more Series, in an amount not to exceed \$800,000,000 to (i) finance the 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 2024 Series Bonds; and

WHEREAS, due to volatile interest rate conditions and in order to achieve the most advantageous pricing for the 2024 Series Bonds, the Board of Directors desires to authorize the sale of the 2024 Series Bonds, within certain explicit parameters set forth herein, to a group of purchasers represented by and including BofA Securities, Inc., Goldman, Sachs & Co., LLC, J.P. Morgan Securities LLC, Morgan Stanley & Co. LLC and TD Securities (USA) LLC (hereinafter collectively referred to as the “Purchasers”); and

WHEREAS, the Board of Directors desires the District to sell the 2024 Series Bonds to the Purchasers pursuant to the terms and conditions set forth herein to provide moneys to carry out the aforesaid purposes of the District; and

WHEREAS, Title 48, Chapter 17, Article 7, of the Arizona Revised Statutes requires that the private sale of Bonds be subject to prior approval by a majority of the members of the Council of the District and that no Bonds be issued 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 of Directors (together the “Council Approval and Ratification Requirement”); and

WHEREAS, the Board of Directors desires to approve the preparation and distribution of a Preliminary Official Statement and approve the preparation, execution and delivery of an Official Statement for the 2024 Series Bonds; and

WHEREAS, the Board of Directors desires to authorize the proper officers and employees of the District to take all necessary steps to complete the sale, issuance and delivery as aforesaid and as provided herein of not exceeding \$800,000,000 2024 Series Bonds; and

NOW, THEREFORE, BE IT RESOLVED BY THE BOARD OF DIRECTORS OF THE SALT RIVER PROJECT AGRICULTURAL IMPROVEMENT AND POWER DISTRICT AS FOLLOWS:

SECTION 1. Series Resolution. This Series Resolution (hereinafter referred to as “Resolution Authorizing the Issuance and Sale of Not Exceeding \$800,000,000 2024 Series Bonds” or as “2024 Series Resolution”) is adopted in accordance with the provisions of the Resolution and pursuant to the authority contained in Title 48, Chapter 17 of the Arizona Revised Statutes, as amended.

SECTION 2. Definitions. This 2024 Series Resolution and the Resolution are herein collectively referred to as the “Resolutions.” All terms which are defined in the Resolution shall have the same meanings, respectively, in this 2024 Series Resolution, as such terms are given in the Resolution. In this 2024 Series Resolution:

“Authorized Officer of the District” shall mean the General Manager and Chief Executive Officer, Associate General Manager and Chief Financial Executive or Senior Director of Financial Operations and Compliance and Corporate Treasurer of the District.

“Code” shall mean the Internal Revenue Code of 1986, as amended, and the applicable regulations promulgated thereunder or applicable thereto.

“DTC” shall mean The Depository Trust Company or any successor thereto.

“Interest Payment Date” shall mean, with respect to each Series of 2024 Series Bonds, each interest payment date as shall be set forth in the Officer’s Certificate.

“Officer’s Certificate” shall mean the certificate to be executed by an Authorized Officer of the District pursuant to Section 12 of this 2024 Series Resolution.

“Representation Letter” shall mean the DTC Blanket Issuer Letter of the Representation dated October 23, 2019, a copy of which is attached as **Exhibit B** hereto.

“Securities Depositories” shall mean The Depository Trust Company or such other registered securities depository or depositories holding substantial amounts of obligations of types similar to the 2024 Series Bonds.

“Trustee” shall mean U.S. Bank Trust Company, National Association, as successor in interest to U.S. Bank National Association, Phoenix, Arizona, appointed pursuant to Article IX of the Resolution, and its successor or successors and any other corporation which may at any time be substituted in its place pursuant to the Resolution.

“2024 Series Bonds” shall mean the Bonds authorized by Section 3 hereof.

SECTION 3. Principal Amount, Designation, True Interest Cost, Final Maturity, Series and Allocations. (a) Pursuant to the provisions of the Resolutions, the District is hereby authorized to sell and issue one or more Series of Bonds in the aggregate principal amount not exceeding \$800,000,000. Such Bonds shall be designated as “Salt River Project Electric System Revenue Bonds, 2024 Series” and shall be further distinguished by the letter of the Series, as may be determined by an Authorized Officer of the District in the Officer’s Certificate, with the first such Series of 2024 Bonds being designated “2024 Series A”. The 2024 Series Bonds may also be issued and sold in one or more sub-Series as may be provided in the Officer’s Certificate.

(b) The respective principal amounts, interest rate or rates, dated date, date of sale, redemption provisions and maturity provisions with respect to the 2024 Series Bonds shall be as determined by the Authorized Officers of the District, in accordance with Section 12 of this 2024 Series Resolution, by an Officer’s Certificate executed by any Authorized Officer of the District; provided, however, that (i) the final maturity of any 2024 Series Bonds shall not be later than forty (40) years from the date of issuance of such 2024 Series Bonds; (ii) the true interest cost of the 2024 Series Bonds shall not exceed five and one-half percent (5.50%) per annum; (iii) the 2024 Series Bonds shall be subject to optional redemption no later than ten and one-half (10 ½) years from the date of issuance of such 2024 Series Bonds; (iv) the Redemption Price for any 2024 Series Bond shall not exceed one hundred percent (100%) of the principal amount of such 2024 Series Bond; and (v) the 2024 Series Bonds shall be sold not later than December 31, 2024.

(c) In order to comply with the Opinions and Orders of the Commission, the District reserves the right, and shall, if necessary to comply with such Opinions and Orders, change the allocations to such Opinions and Orders as set forth in **Exhibit A** hereto.

SECTION 4. Purpose. The purposes for which the 2024 Series Bonds are issued are: 1) to provide moneys for the payment of the costs of acquisition and construction of various capital improvements and additions to the District’s Electric System and 2) to pay certain costs of issuance of the 2024 Series Bonds.

SECTION 5. Authorization of Private Sale; Appointment of Parties; Approval of Purchase Contract; Selection of Representative and Underwriters.

(a) The District hereby determines to sell the 2024 Series Bonds pursuant to a private sale and hereby approves the selection of BofA Securities, Inc. as representative

(the “Representative”) on behalf of itself and Goldman, Sachs & Co., LLC, J.P. Morgan Securities LLC, Morgan Stanley & Co. LLC and TD Securities (USA) LLC (collectively, the “Purchasers” or the “Underwriters”) for the 2024 Series Bonds.

(b) The purchase of the 2024 Series Bonds by the Underwriters and the sale of the 2024 Series Bonds by the District to the Underwriters shall be subject to the execution by the District and the Representative, as representative of the Underwriters, of a Purchase Contract relating to the 2024 Series Bonds (the “Purchase Contract”) which is hereby approved in substantially the form presented to this meeting as **Exhibit D**, provided that an Authorized Officer of the District is hereby authorized, with the advice of legal counsel, to make such changes, insertions and deletions to and omissions from such form as may be necessary or appropriate. The Authorized Officers of the District are each hereby authorized and directed, in consultation with legal counsel, to negotiate the terms of the Purchase Contract. The Authorized Officers of the District are, and each such Authorized Officer of the District is, hereby authorized and directed on behalf of the District to approve the terms of the Purchase Contract relating to the sale of the 2024 Series Bonds and to execute and deliver such Purchase Contract to the Representative, as representative of the Underwriters, provided that the provisions of such Purchase Contract are acceptable to legal counsel to the District and (i) the amount of the compensation to be paid to the Underwriters does not exceed \$2.00 per \$1,000 of 2024 Series Bonds issued and (ii) the aggregate principal amount, true interest cost, interest rate, date of sale, final maturity date, optional redemption date and Redemption Price of the 2024 Series Bonds shall not exceed the limitations set forth in Section 3 of this 2024 Series Resolution.

SECTION 6. Denominations, Numbers and Letters. The 2024 Series Bonds shall be issued only as fully registered bonds without coupons, subject to the provisions regarding a book-entry only system as described in Section 7 hereof, and the 2024 Series Bonds shall be issued in the denomination of \$5,000, or any integral multiple thereof, in all cases not exceeding the aggregate principal amount of 2024 Series Bonds maturing on the maturity date of the bond for which the denomination is to be specified.

SECTION 7. Book-Entry 2024 Series Bonds. (a) Beneficial ownership interests in the 2024 Series Bonds will be available in book-entry form only. Purchasers of beneficial ownership interests in the 2024 Series Bonds will not receive certificates representing their interests in the 2024 Series Bonds and will not be Bondholders or owners of the Bonds under the Resolution. DTC, an automated clearinghouse for securities transactions, will act as the Securities Depository for the 2024 Series Bonds. The 2024 Series Bonds 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 Bond certificate will be issued for each maturity (or, if applicable, each interest rate within a maturity) of the 2024 Series Bonds, in the aggregate principal amount of such maturity (or, if applicable, such interest rate within a maturity), and will be deposited with DTC.

DTC holds securities that its participants (“Participants”) deposit with DTC. Direct Participants include securities brokers and dealers, banks, trust companies, clearing

corporations and certain other organizations (“Direct Participants”). Access to the DTC system is also available to others, such as securities brokers and dealers, banks, and trust companies that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (“Indirect Participants”).

Purchases of the 2024 Series Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the 2024 Series Bonds on DTC’s records. The ownership interest of each actual purchaser of each 2024 Series Bond (“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, but Beneficial Owners are expected to receive written confirmation providing details of the transactions, 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 2024 Series Bonds are to be accomplished by entries made on the books of Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in the 2024 Series Bonds, except in the event that use of the book-entry system for the 2024 Series Bonds is discontinued.

To facilitate subsequent transfers, all 2024 Series Bonds deposited by 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 2024 Series Bonds with DTC and their registration in the name of Cede & Co. or such other nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the 2024 Series Bonds; DTC’s records reflect only the identity of the Direct Participants to whose accounts such 2024 Series Bonds are credited, which may or may not be the Beneficial Owners. The Participants will remain responsible for keeping account of their holdings on behalf of their customers.

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.

Redemption notices shall be sent to DTC. If less than all of the 2024 Series Bonds are being redeemed, DTC’s practice is to determine by lot the amount of the interest of each Direct Participant in such 2024 Series Bonds to be redeemed.

Neither DTC nor Cede & Co. (nor such other DTC nominee) will consent or vote with respect to the 2024 Series Bonds. Under its usual procedures, DTC mails an Omnibus Proxy to the District 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 the 2024 Series Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal and interest payments on the 2024 Series Bonds 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 the District or the Trustee, on each payment 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, the Trustee or the District, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal and interest to DTC is the responsibility of the District or the Trustee, disbursement of such payments to Direct Participants shall be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners shall be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as securities depository with respect to the 2024 Series Bonds at any time by giving reasonable notice to the District. Under such circumstances, in the event that a successor securities depository is not obtained, the 2024 Series Bond certificates are required to be printed and delivered. The District may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). In that event, the 2024 Series Bond certificates will be printed and delivered.

Beneficial Owners will not be recognized by the Trustee as registered owners for purposes of this 2024 Series Resolution, and Beneficial Owners will be permitted to exercise the rights of registered owners only indirectly through DTC and the Direct and Indirect Participants.

(b) In the event definitive 2024 Series Bonds are issued, the provision of the Resolution, including but not limited to Sections 3.04 and 3.05 of the Resolution, shall apply to, among other things, the transfer and exchange of such definitive 2024 Series Bonds and the method of payment of principal of and interest on such definitive 2024 Series Bonds. Whenever DTC requests the District and the Trustee to do so, the Trustee and the District will cooperate with DTC in taking appropriate action after reasonable notice (i) to make available one or more separate definitive 2024 Series Bonds evidencing the Bonds to any DTC Participant having 2024 Series Bonds credited to its DTC account or (ii) to arrange for another securities depository to maintain custody of definitive 2024 Series Bonds.

(c) Notwithstanding any other provision of the Resolution to the contrary, so long as any 2024 Series Bond is registered in the name of Cede & Co., as nominee of DTC, all payments with respect to the principal of and interest on such 2024 Series Bond and all notices with respect to such 2024 Series Bond shall be made and given to Cede & Co., as nominee of DTC.

(d) In connection with any notice or other communication to be provided to Bondholders pursuant to the Resolutions by the District or the Trustee with

respect to any consent or other action to be taken by Bondholders, the District or the Trustee, as the case may be, shall, to the extent possible, establish a record date for such consent or other action and give DTC notice of such record date not less than 15 calendar days in advance of such record date.

SECTION 8. Paying Agent. Subject to the provisions of Section 7 hereof, the principal of the 2024 Series Bonds shall be payable at the designated corporate trust office of the Trustee under the Resolutions (or at the principal office of any successor Trustee appointed pursuant to the Resolutions) or at any other place which may be provided for such payment by the appointment of any other Paying Agent or Paying Agents as authorized by the Resolutions. The Trustee is hereby appointed the Paying Agent for the 2024 Series Bonds. The interest on the 2024 Series Bonds will be payable by wired transfer or by check mailed by the Trustee on each Interest Payment Date.

SECTION 9. Redemption Terms. The 2024 Series Bonds shall be subject to redemption prior to maturity on such terms and conditions as may be set forth in the Officer's Certificate, provided that, as set forth in Section 3 of this 2024 Series Resolution, the 2024 Series Bonds shall be subject to optional redemption no later than ten and one-half (10 ½) years from the date of issuance of such 2024 Series Bonds, and the Redemption Price for any 2024 Series Bond shall not exceed one hundred percent (100%) of the principal amount of such 2024 Series Bond.

SECTION 10. Application of the Proceeds of 2024 Series Bonds. The proceeds of the 2024 Series Bonds shall be applied simultaneously with the delivery of the 2024 Series Bonds for the purposes set forth in Section 4 of this 2024 Series Resolution as provided in the Officer's Certificate.

SECTION 11. Form of 2024 Series Bonds. Subject to the provisions of the Resolutions, the 2024 Series Bonds and the Certificate of Authentication shall be in substantially the form of **Exhibit C** hereto.

SECTION 12. Additional Proceedings.

As additional proceedings of the District in connection with the issuance, sale and delivery of the 2024 Series Bonds, there is hereby delegated to the Authorized Officers of the District the power to take the following actions and make the following determinations by Officer's Certificate executed by any Authorized Officer of the District:

(a) To determine, subject to the provisions of this 2024 Series Resolution, the appropriate Series designations, respective principal amounts, interest rate or rates, dated date, date of sale, maturity dates, Interest Payment Dates, Redemption Prices and other redemption provisions of the 2024 Series Bonds and any other provisions necessary to comply with the Resolutions or deemed necessary or advisable by such Authorized Officer of the District which are not in conflict with or in substitution for the provisions of the Resolutions, provided, however, that the aggregate principal amount, true interest cost, date of sale, final maturity date, optional redemption date and

Redemption Prices of the 2024 Series Bonds shall not exceed the applicable limitations set forth in Section 3 of this 2024 Series Resolution;

(b) To determine the application of the proceeds of the 2024 Series Bonds for the purposes stated in Section 4 of this 2024 Series Resolution;

(c) To negotiate, execute, deliver and perform the Purchase Contract in connection with the private sale of the 2024 Series Bonds;

(d) In order to provide accurate accounting records and reports, to determine the amount of the issuance costs resulting from the issuance of the 2024 Series Bonds to be amortized monthly over the life of the 2024 Series Bonds; and

(e) To make such other determinations, to execute such other documents, instruments and papers and to do such acts and things as may be necessary or advisable in connection with the issuance, sale and delivery of, and security for, the 2024 Series Bonds and which are not inconsistent with the provisions of the Resolutions, including this 2024 Series Resolution.

Any and all actions heretofore taken by the Authorized Officers of the District in connection with the transactions authorized and contemplated by this 2024 Series Resolution are hereby ratified.

All matters determined by an Authorized Officer of the District under the authority of this 2024 Series Resolution shall constitute and be deemed matters incorporated into this 2024 Series Resolution and approved by the District, and, whenever an Authorized Officer of the District is authorized or directed to take any action pursuant to this 2024 Series Resolution with or upon the advice, consent or consultation with or by any other person, agency, office or official, a certificate of such Authorized Officer of the District may be relied upon as being determinative that such advice, consultation or consent has in fact occurred and that such actions of the Authorized Officer of the District are valid and binding.

The Officer's Certificate executed by an Authorized Officer of the District pursuant to this Section 12 shall constitute a supplement to, and be deemed to supplement, the Resolutions and all matters determined by an Authorized Officer of the District in such Officer's Certificate shall be deemed matters incorporated into and a part of the Resolutions.

SECTION 13. Execution, Delivery and Authentication. The 2024 Series Bonds shall be executed by imprinting thereon the manual or facsimile signature of the President or Vice President of the District and by affixing thereto the corporate seal of the District or facsimile thereof and said signature and seal shall be attested by the manual or facsimile signature of the Corporate Secretary or an Assistant Secretary of the District. The President or the Senior Director of Financial Operations and Compliance and Corporate Treasurer of the District or their designees are hereby authorized and directed to deliver the 2024 Series Bonds executed in the foregoing

manner to the Purchasers upon payment of the purchase price pursuant to the terms and conditions of the Purchase Contract. There is hereby authorized to be printed or otherwise reproduced on the back of, or attached to, each of the 2024 Series Bonds, the opinion of Chiesa Shahinian & Giantomasi PC, Bond Counsel, the opinion of Nixon Peabody, LLP, Special Tax Counsel, and a certification executed by the manual or facsimile signature of the Corporate Secretary or an Assistant Secretary of the District with respect to the form and delivery of said opinion. All Officers of the District and employees designated by Officers are authorized to sign and execute all certificates and documents required for the sale and delivery of the 2024 Series Bonds.

The Trustee (or its duly designated agent) as Authenticating Agent is hereby authorized and directed to manually execute the Certificate of Authentication appearing on the 2024 Series Bonds. No 2024 Series Bond shall be issued and delivered hereunder without the manual signature of an authorized representative of the Trustee or its Authenticating Agent appearing on such Certificate of Authentication.

SECTION 14. Approval of the Preliminary Official Statement. A Preliminary Official Statement (the "Preliminary Official Statement") relating to the sale of the 2024 Series Bonds, in substantially the form presented to this meeting as **Exhibit E**, is hereby approved, provided that an Authorized Officer of the District is hereby authorized, with the advice of legal counsel, to make such changes, insertions or deletions to and omissions from the form of the Preliminary Official Statement, as may be necessary or appropriate. An Authorized Officer is hereby authorized, with the advice of legal counsel, to execute and deliver a certificate, or to include a provision in the Bond Purchase Contract, that "deems final" the Preliminary Official Statement relating to the 2024 Series Bonds pursuant to the provisions of Rule 15c2-12, and such certificate or provision relating thereto shall be in a form acceptable to legal counsel.

SECTION 15. Approval of Final Official Statement and Continuing Disclosure Agreement. The Authorized Officers of the District and staff of the District are authorized to prepare and deliver to the Purchasers an Official Statement, relating to the 2024 Series Bonds and dated the sale date of the 2024 Series Bonds, substantially in the form of the Preliminary Official Statement, with such changes, amendments, modifications, insertions, omissions or additions, as may be approved by an Authorized Officer of the District in consultation with legal counsel.

The form of the Continuing Disclosure Agreement attached hereto as **Exhibit F** is hereby approved. The President, or the Vice President, or the General Manager and Chief Executive Officer, or the Associate General Manager and Chief Financial Executive or the Senior Director of Financial Operations and Compliance and Corporate Treasurer or any Assistant Treasurer of the District are hereby each authorized and directed to execute and deliver the Official Statement, for and on behalf of the District, to the Purchasers, and the Continuing Disclosure Agreement to the Trustee. The Secretary or an Assistant Secretary of the District are each hereby authorized to attest signatures, if required.

SECTION 16. Reserved.

SECTION 17. Arbitrage Covenant. The District covenants and agrees that it shall not direct or permit any action which would cause any 2024 Series Bond to be an “arbitrage bond” within the meaning of Section 148 of the Code or direct or permit any action inconsistent with the applicable regulations thereunder as amended from time to time and as applicable to the 2024 Series Bonds. The provisions of this Section 17 shall survive any defeasance of the 2024 Series Bonds pursuant to the Resolution.

SECTION 18. Tax Exemption. In order to maintain the exclusion from Federal gross income of interest on the 2024 Series Bonds, the District shall comply with the provisions of the Code applicable to the 2024 Series Bonds, including without limitation the provisions of the Code relating to the computation of the yield on investments of the gross proceeds of the 2024 Series Bonds, reporting of earnings on the gross proceeds of the 2024 Series Bonds, and rebate of excess earnings to the Department of the Treasury of the United States of America and shall not take any action or permit any action that would cause the interest on the 2024 Series Bonds to be included in gross income under Section 103 of the Code or cause interest on the 2024 Series Bonds to be an item of tax preference under Section 57 of the Code. In furtherance of the foregoing, the District shall comply with the Tax Certificate as to Arbitrage and the Provisions of Sections 141-150 of the Code, to be executed by an Authorized Officer of the District at the time the 2024 Series Bonds are issued, as such Tax Certificate may be amended from time to time, as a source of guidance for achieving compliance with the Code, and such officers are hereby authorized and directed to execute and deliver such Tax Certificate for and on behalf of the District. The provisions of this Section 18 shall survive any defeasance of the 2024 Series Bonds pursuant to the Resolution.

SECTION 19. Severability. If any one or more of the covenants or agreements provided in this 2024 Series Resolution on the part of the District or any Fiduciary to be performed should be contrary to law, then such covenant or covenants or agreement or agreements shall be deemed severable from the remaining covenants and agreements, and shall in no way affect the validity of the other provisions of this 2024 Series Resolution, so long as this 2024 Series Resolution as so modified continues to express, without material change, the original intentions of the District or any Fiduciary as to the subject matter of this 2024 Series Resolution and the deletion of such portion of this 2024 Series Resolution will not substantially impair the respective benefits or expectations of the District or any Fiduciary.

SECTION 20. Effective Date. This 2024 Series Resolution shall take effect immediately upon adoption.

EXHIBIT A

Opinions & Orders of the Arizona Corporation Commission

<u>Order</u>	<u>Order Date</u>
78770	11/21/2022



0000208024

BEFORE THE ARIZONA CORPORATION COMMISSION

LEA MÁRQUEZ PETERSON

Chairwoman

SANDRA D. KENNEDY

Commissioner

JUSTIN OLSON

Commissioner

ANNA TOVAR

Commissioner

JIM O'CONNOR

Commissioner

Arizona Corporation Commission

DOCKETED

NOV 21 2022

DOCKETED BYJm

IN THE MATTER OF THE APPLICATION
OF SALT RIVER PROJECT
AGRICULTURAL IMPROVEMENT AND
POWER DISTRICT FOR AN ORDER
AUTHORIZING ITS ISSUANCE OF
REVENUE BONDS AND REFUNDING
REVENUE BONDS.

DOCKET NO. E-02217B-22-0208

DECISION NO. 78770ORDER

Open Meeting
November 9, and November 10, 2022
Phoenix, Arizona

BY THE COMMISSION:

FINDINGS OF FACT**Background**

1. Salt River Project Agricultural Improvement and Power District ("SRP" or "District") is a political subdivision of the State of Arizona organized in 1937. SRP is principally engaged in the purchase and sale of electricity to over one million residential, commercial and wholesale customers in Maricopa, Pinal, and Gila Counties in Arizona. SRP generates electricity in the States of Arizona, New Mexico and Colorado, primarily for sale in Arizona.

2. On July 20, 2022, SRP filed an application with the Arizona Corporation Commission ("Commission") requesting an order authorizing the District's issuance of Revenue Bond and Refunding Revenue Bonds. SRP seeks Commission authorization to issue Revenue Bonds in an amount not to exceed \$1,800,000,000, and issue Refunding Revenue Bonds in an amount not to exceed \$3,000,000,000, an aggregate amount not to exceed \$4,800,000,000.

...

Revenue Bonds

3. SRP states that the purpose of the proposed Revenue Bonds is to "...to pay or reimburse SRP for the construction costs of improvements, replacements, additions, extensions and betterments of SRP's electric system...." SRP further states the proposed capital investments are necessary and in anticipation of significant population growth in Maricopa County, that will require "...35 percent growth in peak electricity demand by 2030, which is the equivalent to serve nearly 600,000 average size Arizona home."¹ The District further reports that aside from the projected customer growth, it "... is in the process of transforming its generation fleet and its transmission and distribution system to support a low carbon energy future. SRP's steadfast commitment to sustainability is exemplified by its pledge to reduce carbon intensity by more than 65 percent by 2035 and 90 percent by 2050."² SRP believes that "The authorization to issue Revenue Bonds will help finance the addition of needed generation capacity, and the transmission and distribution improvements necessary to meet SRP's 2035 sustainability commitment."³

4. SRP indicates that it plans to issue the proposed Revenue Bonds in several series, depending on the construction needs, market conditions and its bond rating at the time of the transaction. The Revenue Bonds will be issued in varied amounts, with each maturity not to exceed 50 years, and at prevailing interest rates at the time of issuance. SRP reports that its current bond ratings are AA+ by Standard and Poor's ("S&P") and Aa1 by Moody's Investors Service ("Moody's").

Refunding Revenue Bonds

5. SRP proposes Refunding Revenue Bond in an amount not to exceed \$3,000,000,000, "...will be used to refinance existing debt, if financially advantageous to do so"⁴. SRP states that the Refunding Revenue Bonds will have the same characteristics as the Revenue Bonds, with varied maturities and interest rates, depending on market conditions. The proceeds of the proposed Refunding Revenue Bonds will be utilized to repay existing debt, and refinance existing debt at

¹ Company application page 1, paragraph 2.

² Company application page 1, paragraph 2.

³ Company application page 1, paragraph 2.

⁴ Company application, page 1, paragraph 1.

1 lower interest rates, for the benefit of its ratepayers.

2 **Public Notice**

3 6. On September 16, 2022, SRP docketed a Notice of Affidavit of Publication,
4 confirming that the notice of this financing application was published in the Arizona Republic on
5 August 16, 2022, and Arizona Business Gazette on August 18, 2022, newspapers of general
6 circulations.

7 **Staff Analysis and Recommendations**

8 *Engineering Analysis*

9 7. Staff Engineering has reviewed SRP's projected capital investments for fiscal years
10 2023 through 2028. Staff has determined that the projects and related costs are reasonable and in
11 the public interest. Details of Staff Engineering analysis and recommendations are in
12 Attachment A.

13 *Financial Analysis*

14 8. Staff's financial analysis is based on SRP's financial statements for the fiscal year
15 ended April 30, 2022, as shown on Schedule TDP-1. Column A presents the actual results of
16 selected financial information. Column B presents proforma financial information that modifies
17 Column A to reflect the effect of the \$1,800,000,000 of additional Revenue Bonds. Column B does
18 not reflect SRP's proposed issuance of \$3,000,000,000 of Refunding Revenue Bond since the
19 proceeds will be utilized to repay and/or refinance existing debt.

20 9. As shown on Schedule TDP-1, Staff's analysis assumes 5 percent annual interest rate
21 and an average maturity of 30 years for the Revenue Bonds, based on SRP's representation to Staff.
22 Staff also assumes the District's issuance of \$1,800,000,00 of new Revenue Bond in this analysis.

23 10. Staff notes that SRP's capital structure as of April 30, 2022, is comprised of 1.0
24 percent short-term debt, 41.3 percent long-term debt, and 57.7 percent equity (Schedule TDP-1,
25 Column A). As shown on Schedule TDP-1, Column B, Staff has determined that SRP's issuance of
26 \$1,800,000,000 of additional Revenue Bonds would result in a capital structure that is comprised of
27 0.8 percent short-term debt, 49.6 percent long-term debt and 49.6 percent equity.

28 11. Using the debt service amounts calculated on TDP-2, Staff has determined that upon

1 issuance of the District's proposed \$1,800,000,000 of Revenue Bonds, SRP will have a Debt Service
2 Coverage("DSC") of 3.47. The DSC represents the number of times cash flow from operations (i.e.,
3 operating income plus income tax, depreciation and amortization expenses) covers required
4 principal and interest payments on debt. A DSC greater than 1.0 means cash flow from operations
5 is sufficient to cover debt obligations. A DSC less than 1.0 means that debt service obligations
6 cannot be met by cash generated from operations. As a result, Staff has determined that SRP has
7 adequate cash flow from its operation to service its existing debt as well as the proposed Revenue
8 Bonds.

9 **Conclusion**

10 12. Based on these findings, Staff concludes that SRP's issuance of additional Revenue
11 Bonds not to exceed \$1,800,000,000 and issuance of Refunding Revenue Bonds not to exceed
12 \$3,000,000,000, would not impair the District's financial viability or its ability to continue to serve
13 its ratepayers. Staff also determined that this financing application is within SRP's organizational
14 powers, compatible with the public interest, and consistent with sound financial practices.

15 13. Staff concludes that the District's projected capital investments for 2023-2028 are
16 reasonable and necessary for provision of service.

17 14. Staff further concludes it is in the public interest for the Commission to authorize
18 SRP to issue its requested additional Revenue Bonds, in an amount not to exceed \$1,800,000,000;
19 and Refunding Revenue Bonds, in an amount not to exceed \$3,000,000,000, for a term not to exceed
20 50 years for each issuance, and at the prevailing interest rate.

21 **Recommendations**

22 15. Staff recommends that the Commission authorize SRP's request to issue Revenue
23 Bonds in an amount not to exceed \$1,800,000,000, for a term not to exceed 50 years for each
24 issuance, and at the prevailing interest rates, for the purposes described in the application, on/or
25 before January 1, 2031. Staff further recommends that the Commission approval granted herein
26 shall expire on January 1, 2031, for any unissued balance of the \$1,800,000,000 of Revenue Bond
27 authorized in this proceeding.

28 16. Staff further recommends that the Commission authorize SRP's request to issue

1 Refunding Revenue Bonds in an amount not to exceed \$3,000,000,000 to refund and refinance its
2 existing revenue bonds, on/or before January 1, 2031. Staff further recommends that the
3 Commission approval granted herein shall expire on January 1, 2031, for any unissued balance of
4 the \$3,000,000,000 of Refunding Revenue Bond authorized in this proceeding.

5 17. Staff further recommends authorizing SRP to engage in any transaction and to
6 execute any documents necessary to effectuate the authorizations granted.

7 18. Staff further recommends that the Commission order the District to file with Docket
8 Control, as a compliance item in this docket, within 60 days of the execution of any financing
9 transaction authorized herein; a copy of all notes and other documents memorializing the transaction
10 and a written summary providing an overview of the transaction that includes, but is not limited to,
11 the business rationale for the transaction, the terms and conditions of the transaction, and a
12 demonstration that the rates and terms were consistent with those generally available to comparable
13 entities at the time; and for any refunding transaction that it is economically beneficial.

14 CONCLUSIONS OF LAW

15 1. Salt River Project Agricultural Improvement and Power District is a political
16 subdivision of the State of Arizona pursuant to Article 13, Section 7 of the Arizona Constitution,
17 and an agricultural improvement district duly organized under and existing under Title 48, Chapter
18 17 of the laws of the State of Arizona (A.R.S. § 48-2301 *et seq.*).

19 2. The Commission has jurisdiction over Salt River Project Agricultural Improvement
20 and Power District regarding the subject matter of the application pursuant to A.R.S. §§ 40-302 and
21 48-2465(B).

22 3. Approval of the financing is consistent with the Commission's authority under the
23 Arizona Constitution, Arizona Revised Statutes, and applicable case law.

24 4. Salt River Project Agricultural Improvement and Power District proposed issuance
25 of Revenue Bonds and the Refunding Revenue Bonds as requested in the application are within its
26 powers as an agricultural improvement district pursuant to A.R.S. §§ 48-2465 and 48-2471(B) and
27 are compatible with the public interest.

28 5. The requested Revenue Bonds and Refunding Revenue Bonds authority approved

1 herein is for the purposes stated in this application, and is reasonably necessary for those purposes,
2 and such purposes are not, wholly or in part, reasonably chargeable to operating expenses or to
3 income.

4 6. It is in the public interest to approve the Salt River Project Agricultural Improvement
5 and Power District 's requested authority for issuance of Revenue Bonds and Refunding Revenue
6 Bonds, as discussed herein.

7 7. Notice of this application was given in accordance with the law.

8 ORDER

9 IT IS THEREFORE ORDERED that the Salt River Project Agricultural Improvement and
10 Power District is hereby authorized to issue Revenue Bonds in an amount not to exceed
11 \$1,800,000,000, with maturity not to exceed 50 years for each issuance, at the prevailing market
12 rates, on/or before January 1, 2031.

13 IT IS FURTHER ORDERED that the Salt River Project Agricultural Improvement and
14 Power District authorized to issue Refunding Revenue Bonds in an amount not to exceed
15 \$3,000,000,000, with maturity not to exceed 50 years for each issuance, at the prevailing market
16 rates, on/or before January 1, 2031.

17 IT IS FURTHER ORDERED that Commission authority granted herein shall expire on
18 January 1, 2031, if the Salt River Project Agricultural Improvement and Power District does not
19 issue any portion of its requested \$1,800,000,000 of Revenue Bond and \$3,000,000,000 of
20 Refunding Revenue Bonds.

21 IT IS FURTHER ORDERED that Salt River Project Agricultural Improvement and Power
22 District is hereby authorized to engage in any transaction and to execute any documents necessary
23 to effectuate the authorizations herein.

24 IT IS FURTHER ORDERED that the Salt River Project Agricultural Improvement and
25 Power District shall file with Docket Control, as a compliance item in this docket, within 60 days of
26 the execution of any financing transaction authorized herein; a copy of all notes and other documents
27 memorializing the transaction and a written summary providing an overview of the transaction that
28 includes, but is not limited to, the business rationale for the transaction, the terms and conditions of

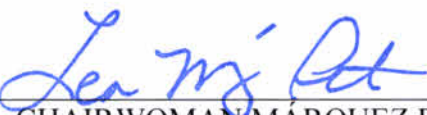
the transaction, and a demonstration that the rates and terms were consistent with those generally available to comparable entities at the time; and for any refunding transaction that it is economically beneficial.

IT IS FURTHER ORDERED that the authorizations granted herein are expressly conditioned upon Salt River Project Agricultural Improvement and Power District's use of the proceeds derived thereby for purposes set forth in the application.

IT IS FURTHER ORDERED that Salt River Project Agricultural Improvement and Power District shall file as a compliance item on this docket, information as to any bill increases associated with the \$1,800,000,000 of Revenue Bonds over the next 8 years of spend.

IT IS FURTHER ORDERED that this Decision shall become effective immediately.

BY THE ORDER OF THE ARIZONA CORPORATION COMMISSION



CHAIRWOMAN MARQUEZ PETERSON



COMMISSIONER KENNEDY



COMMISSIONER OLSON




COMMISSIONER TOVAR



COMMISSIONER O'CONNOR



IN WITNESS WHEREOF, I, MATTHEW J. NEUBERT, Executive Director of the Arizona Corporation Commission, have hereunto, set my hand and caused the official seal of this Commission to be affixed at the Capitol, in the City of Phoenix, this 21 day of November, 2022.



MATTHEW J. NEUBERT
EXECUTIVE DIRECTOR

DISSENT: _____

DISSENT: _____

EOA:TDP:jn/SJE

1 Salt River Project Agricultural Improvement and Power District
2 Docket No. E-02217B-22-0208

3 Lenin Arthanari
4 Salt River Project Agricultural Improvement And Power District
5 Post Office Box 52025
6 PAB381
7 Phoenix, Arizona 85072-2025
8 Lenin.Arthanari@srpnet.com

9 **Consented to Service by Email**

10 Robin Mitchell
11 Director/Chief Counsel, Legal Division
12 Arizona Corporation Commission
13 1200 West Washington Street
14 Phoenix, Arizona 85007
15 legaldiv@azcc.gov
16 utildivservicebyemail@azcc.gov

17 **Consented to Service by Email**

EXHIBIT B

DTC Blanket Letter of Representation

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

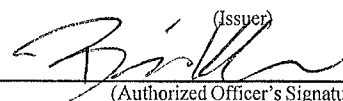
To induce DTC to accept the Securities as eligible for deposit at DTC, and to act in accordance with DTC's Rules with respect to the Securities, Issuer represents to DTC that issuer will comply with the requirements stated in DTC's Operational Arrangements, as they may be amended from time to time.

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.

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.

EXHIBIT C

Form of 2024 Series Bond

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.

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, 2024 SERIES [A][B]**

Interest Rate
«IR»%

Maturity Date
[January][May] 1, «MD»

Dated Date
October __, 2024

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 2024 Series [A][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 January 1, 2025)][May and November (beginning January 1, 2025)] in each year to the person in whose name this 2024 Series [A][B] Bond is registered as of the close of business on the immediately preceding [December 15 or June 15][April 15 or October 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 \$_____ designated as its "Salt River Project Electric System Revenue Bonds, 2024 Series [A][B]" (herein called the "2024 Series [A][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 September 17, 2024 entitled "Resolution Authorizing the Issuance and Sale of Not Exceeding \$800,000,000 in Par Value Salt River Project Electric System Revenue Bonds, 2024 Series of the Salt River Project Agricultural Improvement and Power District, and Providing for the Form, Details and Terms Thereof" (the "2024 Bond Resolution") and a certificate executed by an Authorized Officer of the District dated as of October __, 2024 (the "Officer's Certificate" and, together with the Resolution Concerning Revenue Bonds and the 2024 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 2024 Series [A][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 2024 Series [A][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 2024 Series [A][B] Bonds by the Securities Depository's participants; beneficial ownership of the 2024 Series [A][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 2024 Series [A][B] Bond, as the owner of this 2024 Series [A][B] Bond for all purposes, including payments of principal of and interest on, this 2024 Series [A][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 2024 Series [A][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 2024 Series [A][B] Bond, notwithstanding any provisions herein contained to the contrary, payments of principal of and interest on this 2024 Series [A][B] Bond shall be made in accordance with existing arrangements among the Trustee, the District and the Securities Depository.

This 2024 Series [A][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 2024 Series [A][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 2024 Series [A][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 2024 Series [A][B] Bonds are issuable in the form of registered Bonds in the denomination of \$5,000 or any integral multiple of \$5,000. The 2024 Series [A][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 2024 Series [A][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 2024 Series [A][B] Bonds are subject to redemption at the option of the District prior to maturity, at any time on or after [January 1][May 1], 203_, 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 2024 Series [A][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 2024 Series [A][B] Bonds, if less than all of the 2024 Series [A][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 2024 Series [A][B] Bonds shall be selected by DTC and the Direct Participants and/or the Indirect Participants.

The 2024 Series [A][B] Bonds maturing on [January][May] 1, 20__ 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 Resolutions, on and after [January][May] 1, 20__ at 100% of the principal amount of such 2024 Series [A][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 2024 Series [A][B] Bonds on the dates and in the principal amounts shown below.

Sinking Fund Payment Date ([January][May] 1)	Principal Amount
20__	\$
20__	
20__	
20__*	

*Final Maturity.

The 2024 Series [A][B] Bonds maturing on [January][May] 1, 20__ 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 Resolutions, on and after [January][May] 1, 20__ at 100% of the principal amount of such 2024 Series [A][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 2024 Series [A][B] Bonds on the dates and in the principal amounts shown below.

Sinking Fund Payment Date ([January][May] 1)	Principal Amount
20__	\$
20__	
20__	
20__	
20__*	

*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, 2024 Series [A][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 2024 Series [A][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 2024 Series [A][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 2024 Series [A][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 2024 Series [A][B] Bond shall not be entitled to any benefit under the Resolutions or be valid or become obligatory for any purpose until this 2024 Series [A][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 2024 Series [A][B] Bond, exist, have happened and have been performed and that the 2024 Series [A][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 2024 Series [A][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 _____, 2024.

(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 2024 Series [A][B] Bonds delivered pursuant to the Resolutions mentioned within.

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

By: _____
Authorized Signatory

DATED: _____, 2024

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 2024 Series [A][B] Bond is one, and of Nixon Peabody, LLP as to certain tax matters with respect to the 2024 Series [A][B] Bonds, each dated as of the date of delivery of said 2024 Series [A][B] Bonds and delivered as of said date.

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.

EXHIBIT D

Form of Purchase Contract

SALT RIVER PROJECT AGRICULTURAL
IMPROVEMENT AND POWER DISTRICT, ARIZONA

Electric System Revenue Bonds, \$[Par 2024A] 2024 Series A	Electric System Revenue Bonds, \$[Par 2024B] 2024 Series B
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PURCHASE CONTRACT

[Pricing Date]

Salt River Project Agricultural
Improvement and Power District
PAB 236
Post Office Box 52149
Phoenix, Arizona 85072-2025

Ladies and Gentlemen:

BofA Securities, Inc., 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 each individually as a “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 (i) Salt River Project Electric System Revenue Bonds, 2024 Series A (the “2024 Series A Bonds”), at an aggregate price of \$_____, which reflects [an original issue premium] of \$_____ and an underwriters’ discount of \$_____ and (ii) Salt River Project Electric System Revenue Bonds, 2024 Series B (the “2024 Series B Bonds” and, together with the 2024 Series A Bonds, the “Bonds”), at an aggregate price of \$_____, which reflects [an original issue premium] 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 \$[Deposit Amount], 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 January 1, 2025, and thereafter semi-

annually on each July 1 and January 1, in the case of the 2024 Series A Bonds, or May 1, 2025, and thereafter semi-annually on each May 1 and November 1, in the case of the 2024 Series B Bonds, in each case 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 \$800,000,000 In Par Value Salt River Project Electric System Revenue Bonds, 2024 Series 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 September 17, 2024 (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 an initial 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.

(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 \$[Deposit Amount] (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 September 18, 2024, 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, 2023 and 2024, together with the report of PricewaterhouseCoopers LLP, dated June 28, 2024, signed and delivered by that firm with respect to the fiscal years ended April 30, 2023 and 2024; (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 required to be included therein or necessary to make the statements and information contained therein, in the light of the circumstances under which they were made, 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 required to be included therein or necessary to make the statements and information contained therein, in the light of the circumstances under which they were made, 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 [Closing Date], 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 is required to be included therein or is necessary 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 Official Statement is not 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 2024 SERIES BONDS” (as contained in the Preliminary Official Statement), “SECURITY FOR 2024 SERIES BONDS” (as contained in the Preliminary Official Statement), “THE 2024 SERIES BONDS” (as contained in the Official Statement), “SECURITY FOR 2024 SERIES 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 required to be included or referred to therein or necessary in order to make the statements made 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.

(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 28, 2024 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 required to be included therein or necessary to make the statements and information contained therein, in the light of the circumstances under which they were made, 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 “Aa1” and “AA+” 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 BofA Securities, Inc., 315 Montgomery Street, Suite 1st Floor, San Francisco, CA 94104 Attention: Bradford M. Walker, Managing 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.

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

By: BofA Securities, Inc.,
as Representative of the Purchasers

By: _____
Bradford M. Walker
Managing Director

SALT RIVER PROJECT AGRICULTURAL
IMPROVEMENT AND POWER DISTRICT

By: _____
Jon W. Hubbard
Corporate Treasurer and Senior Director
of Financial Operations & Compliance

Annex A to Purchase Contract

The Purchasers

BOFA SECURITIES, INC.
GOLDMAN SACHS & CO. LLC
J.P. MORGAN SECURITIES LLC
MORGAN STANLEY & 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 52149
Phoenix, Arizona 85072-2025

Nixon Peabody LLP
799 9th Street NW, Suite 500
Washington, DC 20001

Ladies and Gentlemen:

The undersigned, on behalf of BofA Securities, Inc., 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 2024 Series 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 \$[Par Amount] aggregate principal amount of Salt River Project Electric System Revenue Bonds, 2024 Series A (the “**2024 Series A Bonds**”) and \$[Par Amount] aggregate principal amount of Salt River Project Electric System Revenue Bonds, 2024 Series B (the “**2024 Series B Bonds**”) and, together with the 2024 Series A Bonds, the “**2024 Series Bonds**”).

2. As of the date of this Certificate of the Representative, for each Maturity of the 2024 Series 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 2024 Series Bonds.

(b) *Maturity* means 2024 Series Bonds with the same credit and payment terms. 2024 Series Bonds with different maturity dates, or 2024 Series 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 [Closing Date] with respect to the 2024 Series 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 2024 Series 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 2024 Series 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 2024 Series 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 2024 Series Bonds and by Nixon Peabody LLP in connection with rendering its opinion as special tax counsel that the interest on the 2024 Series Bonds is excluded from gross income for federal income tax purposes. With respect to 2024 Series 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 2024 Series 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: [Closing Date]

BOFA SECURITIES, INC.

Bradford M. Walker
Managing Director

Schedule I to Purchase Contract

2024 Series A Bonds

<u>Maturity (January 1)</u>	<u>Principal Amount (\$)</u>	<u>Interest Rate (%)</u>	<u>Price</u>
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\$ _____ % Term Bond Due January 1, 20 __, Price _____

_____ ^c Calculated to January 1, 20 __ first optional redemption date.

2024 Series B Bonds

<u>Maturity (May 1)</u>	<u>Principal Amount (\$)</u>	<u>Interest Rate (%)</u>	<u>Price</u>
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\$ _____ % Term Bond Due May 1, 20 __, Price _____

_____ ^c Calculated to _____ 1, 20 __ first optional redemption date.

EXHIBIT E

Form of Preliminary Official Statement

PRELIMINARY OFFICIAL STATEMENT DATED SEPTEMBER 18, 2024

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 2024 Series 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 2024 Series Bonds is exempt from income taxes imposed by the State of Arizona. See "TAX MATTERS" herein regarding certain other tax considerations.



\$700,000,000*
**Salt River Project Agricultural
Improvement and Power District, Arizona**
Salt River Project Electric System Revenue Bonds

\$ _____
2024 Series A

\$ _____
2024 Series B

Dated: Date of Delivery

Due: As shown on inside cover

The Salt River Project Electric System Revenue Bonds, 2024 Series A (the "2024 Series A Bonds") and Salt River Project Electric System Revenue Bonds, 2024 Series B (the "2024 Series B Bonds" and, together with the 2024 Series A Bonds, the "2024 Series 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 2024 Series 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 2024 Series 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 2024 Series Bonds. Individual purchases of interests in the 2024 Series 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 2024 Series Bonds. Interest with respect to the 2024 Series A Bonds is payable January 1 and July 1 of each year, commencing January 1, 2025. Interest with respect to the 2024 Series B Bonds is payable May 1 and November 1 of each year, commencing May 1, 2025.

The principal of, redemption price, if any, and interest on the 2024 Series Bonds are payable by U.S. Bank Trust Company, National Association, as successor in interest to U.S. Bank National Association, as Trustee. Interest on the 2024 Series A Bonds will be payable by check mailed by the Trustee to the registered owner of each the 2024 Series A Bonds as of the immediately preceding December 15 or June 15. Interest on the 2024 Series B Bonds will be payable by check mailed by the Trustee to the registered owner of each the 2024 Series B Bonds as of the immediately preceding April 15 or October 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 2024 Series 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 2024 Series Bonds. The 2024 Series Bonds are subject to optional redemption as described herein. See "THE 2024 Series Bonds — Redemption" herein.

The 2024 Series Bonds do not constitute general obligations of the District or obligations of the State of Arizona, and no holder of any of the 2024 Series Bonds has the right to compel the exercise of the taxing powers of the District to pay the 2024 Series 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 2024 Series Bonds. Investors should read this Official Statement in its entirety before making an investment decision.

The 2024 Series 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 2024 Series Bonds will be available for delivery through the facilities of DTC on or about October __, 2024.

THIS IS A PRELIMINARY OFFICIAL STATEMENT, SUBJECT TO CORRECTION, COMPLETION OR AMENDMENT WITHOUT NOTICE, AND CHANGE, 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 2024 SERIES 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.

PRELIMINARY OFFICIAL STATEMENT DATED SEPTEMBER 18, 2024

BofA Securities

J.P. Morgan

Goldman Sachs & Co. LLC

Morgan Stanley

TD Securities (USA)

Dated: September __, 2024

*Preliminary, subject to change

SALT RIVER PROJECT ELECTRIC SYSTEM REVENUE BONDS

2024 SERIES A

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>Number¹</u>
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\$ ____% Term Bonds due January 1, ____* Price ____% CUSIP _____

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

2024 SERIES B

Serial Bonds

<u>Maturity*</u> <u>(May 1)</u>	<u>Principal*</u> <u>Amount</u>	<u>Interest</u> <u>Rate</u>	<u>Yield</u>	<u>CUSIP</u> <u>Number¹</u>
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\$ ____% Term Bonds due May 1, ____* Price ____% CUSIP _____

\$ ____% Term Bonds due May 1, ____* Price ____% CUSIP _____

* Preliminary, subject to change

¹ CUSIP is a registered trademark of the American Bankers Association. CUSIP data herein is provided by CUSIP Global Services (“CUSIPGS”) 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 CUSIPGS 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 2024 Series Bonds.

MANAGEMENT OF THE DISTRICT

BOARD OF DIRECTORS

David Rousseau, President

Robert C. Arnett	Kathy L. Mohr-Almeida
Nicholas R. Brown	Krista H. O'Brien
Casey Clowes	Mark V. Pace
Mario J. Herrera	Paul E. Rovey
Kevin J. Johnson	John M. White Jr.
Sandra D. Kennedy	Leslie C. Williams
Randy Miller	Stephen H. Williams

PRINCIPAL OFFICERS AND OTHER EXECUTIVES

Officers:

David Rousseau.....	President
Christopher Dobson	Vice President
John M. Felty	Corporate Secretary
Jon Hubbard	Corporate Treasurer & Senior Director of Financial Operations And Compliance

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
Brian Koch	Associate General Manager & Chief Financial Executive
Michael O'Connor	Associate General Manager & Chief Legal Executive
Vanessa Kisicki.....	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 Advisor.....	<i>Spencer Fane LLP</i>
Independent Accountant.....	<i>PricewaterhouseCoopers LLP</i>
Bond Counsel	<i>Chiesa Shahinian & 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 2024 Series 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 2024 Series 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 2024 SERIES 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 2024 Series Bonds:

The 2024 Series 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 2024 Series 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 2024 Series Bonds are subject to mandatory sinking fund redemption and/or optional redemption as described herein. See “THE 2024 SERIES BONDS – Redemption” herein.

Purpose of the 2024 Series Bonds:

The 2024 Series 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 2024 Series 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, 2024, the balance in the Debt Reserve Account was approximately \$81 million, which exceeded the Debt Reserve Requirement. Upon the issuance of the 2024 Series 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 2024 Series Bonds do not constitute general obligations of the District or obligations of the State of Arizona, and no holder of any of the 2024 Series Bonds has the right to compel the exercise of the taxing powers of the District to pay the 2024 Series Bonds or the interest thereon. See “SECURITY FOR 2024 SERIES BONDS” herein.

Outstanding Indebtedness:

As of April 30, 2024, the District had a total of \$5,190,180,000 in outstanding debt (computed without deducting/adding the unamortized bond discount/premium) consisting of \$4,865,180,000 in Revenue Bonds and \$325,000,000 in general fund debt, 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 8,269 MW in fiscal year 2024. See “TABLE 8 – Historical Operating Statistics” herein. Approximately 46% of fiscal year 2024 retail electric revenues were received from residential customers. See “TABLE 7 – Customer Accounts, Sales and Revenues Fiscal Year Ended April 30, 2024” 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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TABLE OF CONTENTS

	<u>Page</u>
SUMMARY STATEMENT	1
INTRODUCTION	2
GENERAL	2
AUTHORIZATION.....	2
PLAN OF FINANCE	2
THE 2024 SERIES BONDS	3
GENERAL	3
BOOK-ENTRY-ONLY SYSTEM	3
REDEMPTION *	3
REGISTRATION AND TRANSFER UPON DISCONTINUATION OF BOOK-ENTRY-ONLY SYSTEM.....	5
SOURCES AND USES OF FUNDS	5
SECURITY FOR 2024 SERIES BONDS	6
GENERAL	6
DEBT RESERVE ACCOUNT	6
RATE COVENANT	6
LIMITATIONS ON ADDITIONAL INDEBTEDNESS	6
SUBORDINATED INDEBTEDNESS	7
OTHER COVENANTS	7
THE DISTRICT	7
GENERAL	7
HISTORY	7
ORGANIZATION, MANAGEMENT AND EMPLOYEES.....	8
ECONOMIC AND CUSTOMER GROWTH IN THE DISTRICT'S SERVICE AREA.....	8
IRRIGATION AND WATER SUPPLY SYSTEM	10
TELECOMMUNICATION FACILITIES	12
PAPAGO PARK CENTER	12
NEW WEST ENERGY CORPORATION	12
THE ELECTRIC SYSTEM.....	13
AREA SERVED	13
PROJECTED PEAK LOADS AND RESOURCES	13
RESERVE TARGETS	15
EXISTING AND FUTURE RESOURCES	15
SUMMARY OF PURCHASED POWER FROM RENEWABLE ENERGY SOURCES SINCE 2009	22
SUSTAINABILITY GOALS & RELATED PROGRAMS	26
INSURANCE AND LIABILITY MATTERS	28
ENVIRONMENTAL MATTERS.....	28
ELECTRIC PRICES	30
CAPITAL IMPROVEMENT PROGRAM	31
SELECTED OPERATIONAL AND FINANCIAL DATA	33
CUSTOMERS, SALES, REVENUES AND EXPENSES	33
ADDITIONAL FINANCIAL MATTERS.....	35
CERTAIN FACTORS AFFECTING THE ELECTRIC UTILITY INDUSTRY	40
GENERAL	40

TABLE OF CONTENTS

	<u>Page</u>
THE FEDERAL ENERGY REGULATORY COMMISSION	40
STATUS OF COMPETITION IN ARIZONA	41
ENVIRONMENTAL.....	42
WILDFIRE RISK & LIABILITY.....	50
CYBERSECURITY	50
NUCLEAR PLANT MATTERS.....	51
SUMMARY.....	51
LITIGATION	52
ENVIRONMENTAL ISSUES.....	52
WATER RIGHTS	53
GENERAL LITIGATION MATTERS.....	53
LEGALITY OF REVENUE BONDS FOR INVESTMENT.....	54
UNDERWRITING.....	54
TAX MATTERS	55
FEDERAL INCOME TAXES	55
STATE TAXES.....	56
ORIGINAL ISSUE PREMIUM	56
ORIGINAL ISSUE DISCOUNT.....	56
ANCILLARY TAX MATTERS	56
CHANGES IN LAW AND POST ISSUANCE EVENTS	57
APPROVAL OF LEGAL MATTERS	57
RATINGS	57
CONTINUING DISCLOSURE	58
INDEPENDENT ACCOUNTANTS.....	58
FINANCIAL ADVISOR	58
OTHER AVAILABLE INFORMATION	58
MISCELLANEOUS.....	58
APPENDIX A — REPORT OF INDEPENDENT AUDITORS AND COMBINED FINANCIAL STATEMENTS.....	A-1
APPENDIX B — SUMMARY OF THE RESOLUTION	B-1
APPENDIX C — FORMS OF BOND OPINION AND SPECIAL TAX COUNSEL OPINION.....	C-1
APPENDIX D — FORM OF CONTINUING DISCLOSURE AGREEMENT.....	D-1
APPENDIX E — BOOK-ENTRY-ONLY SYSTEM	E-1
APPENDIX F — 2035 SUSTAINABILITY GOALS.....	F-1
APPENDIX G —CUSTOMER AND COMMUNITY PROGRAMS	G-1

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

OFFICIAL STATEMENT

RELATING TO

\$700,000,000*

SALT RIVER PROJECT ELECTRIC SYSTEM REVENUE BONDS

\$ _____*
2024 SERIES A

\$ _____*
2024 SERIES B

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, 2024 Series A (the "2024 Series A Bonds") and Salt River Project Electric System Revenue Bonds, 2024 Series B (the "2024 Series B Bonds" and, together with the 2024 Series A Bonds, the "2024 Series Bonds"). 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, including the 2024 Series 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 2024 Series Bonds. Prior to the delivery of the 2024 Series Bonds, the District's Board will have authorized the issuance of the 2024 Series Bonds, and the District's Council will have ratified and confirmed the Board's action. See "THE 2024 SERIES BONDS" herein and "Appendix B — Summary of the Resolution" attached hereto.

PLAN OF FINANCE

A portion of the proceeds from the 2024 Series 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 2024 Series Bonds also will be used to pay the cost of issuing the 2024 Series Bonds. The 2024 Series Bonds will be issued under the Resolution. See "Appendix B — Summary of the Resolution" attached hereto. See "SOURCES AND USES OF FUNDS" herein.

* Preliminary, subject to change.

THE 2024 SERIES BONDS

General

The 2024 Series A Bonds will be issued in the principal amount of \$ _____* and will be dated and bear interest from their date of delivery. The 2024 Series A 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 January 1, 2025, 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 2024 Series A Bonds are payable by the Trustee, and interest thereon will be payable by check mailed by the Trustee to the registered owner of each 2024 Series A Bond as of the immediately preceding December 15 or June 15.

The 2024 Series B Bonds will be issued in the principal amount of \$ _____* and will be dated and bear interest from their date of delivery. The 2024 Series B Bonds will mature on the dates and in the principal amounts, and bear interest, payable on May 1 and November 1 of each year, commencing May 1, 2025, 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 2024 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 2024 Series B Bond as of the immediately preceding April 15 or October 15.

Book-Entry-Only System

The 2024 Series 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 2024 Series Bonds. Individual purchases of interests in the 2024 Series 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 2024 Series Bonds. So long as Cede & Co. is the registered owner of the 2024 Series Bonds, the Trustee will make payments of principal and redemption price, if any, of and interest on the 2024 Series Bonds directly to DTC, which will remit such principal, redemption price, if any, of and interest to the Beneficial Owner(s) (as defined in Appendix E hereto) of the 2024 Series Bonds, as described herein. See "Appendix E — Book-Entry-Only System" attached hereto.

Redemption*

Mandatory Sinking Fund Redemption of 2024 Series A Bonds. The ____% 2024 Series A 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, ____ at 100% of the principal amount of such 2024 Series A 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 2024 Series A Bonds on the dates and in the principal amounts shown below.

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

..

**Maturity.

The ____% 2024 Series A 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, ____ at 100% of the principal amount of such 2024 Series A 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 2024 Series A Bonds on the dates and in the principal amounts shown below.

* Preliminary, subject to change.

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

Mandatory Sinking Fund Redemption of 2024 Series B Bonds. The ___% 2024 Series B Bonds maturing on May 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 May 1, ___ at 100% of the principal amount of such 2024 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 2024 Series B Bonds on the dates and in the principal amounts shown below.

Sinking Fund Payment Date (May 1)	Principal Amount
	\$
..	
**Maturity.	

The ___% 2024 Series B Bonds maturing on May 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 May 1, ___ at 100% of the principal amount of such 2024 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 2024 Series B Bonds on the dates and in the principal amounts shown below.

Sinking Fund Payment Date (May 1)	Principal Amount
	\$
..	
**Maturity.	

Optional Redemption of 2024 Series Bonds. The 2024 Series 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 2024 Series 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 2024 Series Bonds, if less than all of the 2024 Series 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 2024 Series 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.

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 2024 Series 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 2024 Series 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 2024 Series 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 2024 Series 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 2024 Series Bonds. If the book-entry-only system were discontinued, the following provisions would apply. A 2024 Series Bond may be transferred on the bond register maintained by the Bond Registrar upon surrender of the 2024 Series 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 2024 Series Bonds may be exchanged for like 2024 Series 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 2024 Series Bonds during the 15 days preceding the date on which notice of redemption of a 2024 Series Bonds is to be mailed or any 2024 Series Bonds that have been called for redemption except the unredeemed portion of any 2024 Series Bonds being redeemed in part.

SOURCES AND USES OF FUNDS

The sources and uses of funds with respect to the 2024 Series Bonds are as follows:

	2024 Series A	2024 Series B	Total
Sources of Funds			
Principal Amount of 2024 Series Bonds...			
[Net] Original Issue Premium/Discount....			
Total Sources of Funds.....			
Uses of Funds			
Deposit to Construction Fund			
Cost of Issuance ⁽¹⁾			
Total Uses of Funds.....			

⁽¹⁾Includes Underwriters’ discount

SECURITY FOR 2024 SERIES BONDS

General

The Revenue Bonds, including the 2024 Series 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 2024 Series 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 2024 Series Bonds will not constitute general obligations of the District or obligations of the State of Arizona, and no holder of Revenue Bonds, including the 2024 Series 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, 2024, the balance in the Debt Reserve Account was approximately \$81 million, which exceeded the Debt Reserve Requirement. Upon issuance of the 2024 Series Bonds on or about October __, 2024, 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 July 15, 2024, District and Association employees totaled approximately 5,735, including approximately 1,995 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, 2026. 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.

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 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 nearly 866,000 people from July 2012 through July 2023, a compound annual growth rate of approximately 1.7%. Arizona ranked among the top three states in the United States for net domestic migration in 2020 and 2021 and remained in the top five in 2022.

The employment base in Phoenix MSA has expanded in the last several years. Professional and business services and private education and health services combined added more than 84,500 positions since 2020, while the manufacturing sector added 15,100 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) ⁽¹⁾</u>	<u>Phx MSA Population (thousands) ⁽¹⁾</u>	<u>Phx MSA Non-Agricultural Wage & Salary Employment (thousands) ⁽²⁾</u>	<u>Phx MSA Residential Permits ⁽³⁾</u>	<u>Phx MSA Personal Income (\$ billions) ⁽⁴⁾</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	2,220.8	50,581	288.4
2022.....	7,409.2	5,040.4	2,334.8	47,804	298.3
2023.....	7,525.1	5,132.5	2,404.6	45,616	NA ⁽⁵⁾

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

⁽²⁾ Arizona Department of Administration, Office of Employment and Population Statistics.

⁽³⁾ U.S. Census Bureau, "Building Permits Survey".

⁽⁴⁾ U.S. Bureau of Economic Analysis (US BEA), "CAINCI County and MSA personal income summary: personal income, population, per capita personal income".

⁽⁵⁾ According to the US BEA, the 2023 Personal Income data is scheduled for release on November 14, 2024.

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. From July 2019 to July 2024, employment had a net gain of 13.6% or 288,900 jobs.

The Phoenix MSA's unemployment rate was 3.9% in July 2024. Unemployment rates for the Phoenix MSA, Arizona, and the United States are listed below:

Comparative Unemployment Rates ⁽¹⁾

	<u>July 2024 ⁽²⁾</u>	<u>July 2023</u>	<u>July 2022</u>	<u>July 2021</u>	<u>July 2020</u>	<u>July 2019</u>
Phoenix MSA ⁽¹⁾	3.9%	4.2%	3.3%	4.7%	8.9%	4.6%
Arizona.....	3.4%	3.6%	3.3%	4.9%	8.6%	4.8%
United States.....	4.3%	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.

⁽¹⁾ Not seasonally adjusted.

⁽²⁾ July 2024 data is preliminary.

Recent employment gains have been led by the leisure and hospitality, private education and health services, and trade, transportation and utilities 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 & Mining</u>	<u>Construction</u>	<u>Manufacturing</u>	<u>Trade, Transportation & Utilities</u>	<u>Information</u>	<u>Financial Activities</u>
2012.....	3.5	86.9	117.7	351.0	32.2	148.6
2013.....	3.6	92.2	118.2	353.9	34.5	156.5
2014.....	3.4	94.1	119.6	362.6	36.1	159.7
2015.....	3.3	97.6	120.9	374.8	37.1	165.6
2016.....	3.2	104.0	121.6	384.6	37.2	175.4
2017.....	3.3	112.4	124.1	392.5	37.7	183.9
2018.....	3.5	123.0	128.8	402.7	39.0	190.7
2019.....	3.5	133.1	133.9	410.2	40.6	199.3
2020.....	2.9	135.6	134.3	414.1	37.9	205.5
2021.....	2.7	140.2	138.8	440.4	40.1	215.7
2022.....	3.0	154.0	147.4	461.3	43.5	216.2
2023.....	3.5	168.9	149.4	469.8	42.7	211.9

<u>Year</u>	<u>Professional & Business Services</u>	<u>Private Education & Health Services</u>	<u>Leisure & Hospitality</u>	<u>Other Services</u>	<u>Government</u>
2012.....	286.3	258.7	183.3	62.3	229.9
2013.....	302.2	264.2	191.6	63.7	231.2
2014.....	310.0	272.2	199.1	63.5	232.6
2015.....	324.6	285.8	208.2	63.6	233.6
2016.....	339.2	298.0	215.6	65.6	235.4
2017.....	345.5	312.5	223.4	66.7	238.0
2018.....	358.5	325.6	228.1	69.1	239.4
2019.....	371.9	340.4	233.3	70.3	243.9
2020.....	359.0	337.4	193.4	62.7	240.6
2021.....	374.7	346.8	213.9	68.5	239.1
2022.....	390.6	365.3	238.6	73.5	241.4
2023.....	389.4	391.5	251.2	76.6	249.7

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. As of the second quarter of 2024, total office vacancies are at 18.3% and are expected to continue rising in the latter half of 2024 due to the limited demand for office space. Industrial real estate activity, as measured by the industrial vacancy rate, increased year-over-year to 11.0% in the second quarter of 2024, with availability rates rising to 14.6%.

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 50% since June 2020 with median sale prices peaking in May of 2022 at \$475,000. Since peaking in 2022, prices have retreated, decreasing by 5.6% as of June 2024.

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. Water delivered by SRP through its network of canals and laterals and groundwater pumping wells (Irrigation and Water Supply System) is used for municipal, industrial, irrigation, and other purposes. 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 270 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 experienced in 2021-2022, with 2023 being the second wettest winter in the last thirty years bringing reservoir storage to record high levels by late March 2023. The winter of 2023-2024 was near normal, resulting in reservoir storage just below capacity by the end of spring. 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 100,000 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 present-day operations but is critical to facilitate growth and minimize impacts to customers in the event of a disruption. 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 2024 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 \$11.7 million in revenue from this activity during fiscal year 2024.

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 in both fiscal years 2024 and 2023.

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 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. SRP applies effective load carrying capability (ELCC) adjustments to all generation technology types to reflect their contributions to maintaining the reliability of the SRP system.

The projections in Table 2 represent the District's estimate of the most probable components of system peak loads and commensurate generating resources for fiscal years 2025 through 2030. The projections reflected therein are consistent with industry-wide experience and provide the basis for the District's fuel and purchase power budget, May 2024 through April 2025. 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 because of the weakness in the economies of the nation or in the Phoenix-Mesa-Scottsdale MSA, the projections in Table 2 would be revised. 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.

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TABLE 2 — Projected Peak Loads and Resources (MW) ⁽¹⁾
Fiscal Years Ending April 30,

	<u>2025</u>	<u>2026</u>	<u>2027</u>	<u>2028</u>	<u>2029</u>	<u>2030</u>
Annual Peak:(MW) ⁽²⁾⁽³⁾						
Service Territory System Requirements ⁽⁴⁾⁽⁵⁾	9,531	9,895	10,437	10,908	11,339	11,772
Sales for Resale.....	95	60	60	60	60	60
Demand-Side Resources ⁽⁵⁾	(1,369)	(1,264)	(1,326)	(1,376)	(1,422)	(1,466)
Total Peak Load ⁽⁶⁾	8,257	8,691	9,171	9,592	9,977	10,366
Resources:						
Owned:						
Gas ⁽⁷⁾	4,548	4,572	4,572	4,572	4,572	4,572
Coal	1,623	1,623	1,502	1,502	1,378	1,265
Nuclear	822	822	822	822	822	783
Hydro Power	220	220	220	220	220	220
Future Peaking/Intermediate Resources:	81	81	316	551	551	551
Purchased:						
Future Demand Response Deemed Resource	130	143	156	167	178	189
Tri-State – Tri-State Generation and Transmission Association, Inc. (“Tri-State”) ⁽⁸⁾	95	95	95	95	95	95
Renewable Purchases ⁽⁹⁾	971	971	934	934	934	934
Future Renewable Purchases	685	702	1,241	1,548	1,991	2,527
Other Existing	47	47	47	47	47	47
Future Purchases.....	787	787	787	787	787	787
Total Resources	9,879	9,920	10,537	11,078	11,397	11,781
Total Resources in Excess of Total Peak Load	1,753	1,372	1,522	1,654	1,599	1,604
Planned Reserve Percentage ⁽¹⁰⁾	18.6	14.1	14.2	16.2	14.7	14.0

⁽¹⁾ All resource capacities (including renewables) are represented in terms of effective load carrying capability (ELCC), rather than nameplate capacity. ELCC is used to reflect their contributions to maintaining the reliability of the SRP system. ELCC reflects the ability of a resource to provide energy during times of system stress, which are typically during afternoon and evening hours on hot summer days.

⁽²⁾ The forecast was approved in the first quarter of calendar year 2024.

⁽³⁾ Peak normally occurs in the June through September months of the prior calendar year (the beginning months of the fiscal year).

⁽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. Some SRP gas assets have fuel oil capability only for fuel constraint emergencies.

⁽⁸⁾ 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. On December 1, 2023, Tri-State announced that with possible federal funding to offset closure and stranded asset costs, Tri-State’s preferred plan proposes a retirement date for Springerville Unit 3 by September 15, 2031, subject to the necessary regulatory approvals.

⁽⁹⁾ Renewable purchases include the District’s federal hydro-power and other renewable energy purchase power agreements.

⁽¹⁰⁾ 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 ongoing All Source Request for Proposal processes. Likewise, it is driven by lower load forecasts for FY25 peak demand versus the prior year’s data set on the same timeframe.

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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 2025 Financial Plan also buffers the highest peak demand expectations with an 18.6% planning reserve projection in fiscal year 2025. 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 an 18.6% peak reserve target balances 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 strategy was approved by the District's Board on October 2, 2023.

Summary of Existing Power Sources during the fiscal year ended April 30, 2024. The District supplied approximately 25% of net generation from no emissions sources like solar, wind, hydroelectric and nuclear facilities, during the fiscal year ended April 30, 2024 (FY24). Thermal assets supplied approximately 66% 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 (FY23).

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. During summer of 2024, the District also added 2 flexible gas combustion turbines totaling 99 MW at the Copper Crossing Energy and Research Center.

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 or to negotiate more favorable terms on power purchase agreements with developers, and potentially reduce costs for customers as the District transitions its generation fleet.

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TABLE 3 — Fiscal Year 2024 District Power Sources

District Generation:	Capability (MW) ⁽¹⁾	% of Total	Net Production Amount (MWh) ⁽²⁾	% of Total
100% Entitlement --- Renewable Hydroelectric:				
Arizona Falls	1	0.01%	41	0.00%
Horse Mesa Dam	33	0.30%	71,639	0.17%
Mormon Flat Dam	12	0.11%	43,712	0.10%
Roosevelt Dam	35	0.32%	78,104	0.18%
South Consolidated-Canal Plant	1	0.01%	0	0.00%
Stewart Mountain Dam	<u>13</u>	<u>0.12%</u>	<u>33,383</u>	<u>0.08%</u>
Subtotal	94	0.86%	226,879	0.52%
Horse Mesa Pumped Storage Generation (HM4)	118	1.08%	25,128	0.06%
Mormon Flat Pumped Storage Generation (MF2)	<u>54</u>	<u>0.49%</u>	<u>11,117</u>	<u>0.03%</u>
Subtotal	172	1.58%	36,245	0.08%
100% Entitlement --- Thermal				
Agua Fria 1-3 (Steam)	389	3.56%	101,410	0.23%
Agua Fria 7-8 (Peaking)	99	0.91%	12,460	0.03%
Agua Fria 4-6 (Gas Turbine)	241	2.21%	3,054	0.01%
Coolidge Block A-C (Gas Turbines)	564	5.16%	431,711	1.00%
Copper Crossing Gas 1-2	99	0.91%	0	0.00%
Coronado Generating Station 1-2 (Coal)	762	6.98%	3,168,124	7.32%
Desert Basin Combined Cycle (Gas)	618	5.66%	3,207,735	7.41%
Desert Basin 4-5 (Peaking)	99	0.91%	18,440	0.04%
Gila	1,183	10.83%	4,797,886	11.08%
Kyrene (Gas Turbine) 4-6	174	1.59%	3,270	0.01%
Kyrene (Combined Cycle) 7	264	2.42%	1,139,509	2.63%
Mesquite	625	5.72%	3,566,590	8.24%
Santan (Combined Cycle) 1-4	412	3.77%	866,602	2.00%
Santan (Peaking) 5-6	950	8.70%	4,991,067	11.52%
Springerville 4 (minus payback)	<u>415</u>	<u>3.80%</u>	<u>1,697,906</u>	<u>3.92%</u>
Subtotal	6,894	63.13%	24,005,764	55.43%
100% Entitlement --- Renewable				
Agua Fria Battery (Bolster)	25	0.23%	26,438	0.06%
Solar (rooftop)	<u>0</u>	<u>0.00%</u>	<u>912</u>	<u>0.00%</u>
Subtotal	25	0.23%	27,350	0.06%
Participation Plants:				
Craig Generating Station 1-2	248	2.27%	994,150	2.30%
Four Corners Generating Station (Units 4&5-Payback)	154	1.41%	851,310	1.97%
Hayden Generating Station 2	131	1.20%	753,307	1.74%
Palo Verde Nuclear Generating Station	<u>654</u>	<u>5.99%</u>	<u>6,454,021</u>	<u>14.90%</u>
Subtotal	1,187	10.87%	9,052,788	20.90%
Purchases and Receipts ⁽³⁾ :				
Colorado River Storage Project (CRSP+Tribes)	67 ⁽⁴⁾	0.61%	298,419	0.69%
Hoover - Federal Hydro (APA, HMBC+Tribes)	148 ⁽⁴⁾	1.36%	87,722	0.20%
Parker-Davis Dams (Gilbert+USBR)	32 ⁽⁵⁾	0.29%	150,049	0.35%
Other Purchases	52	0.48%	4,013,908 ⁽⁷⁾⁽⁸⁾	9.27%
TSGT -- Tri-State Generation & Transmission (SPV)	100 ⁽¹⁰⁾	0.92%	304,449	0.70%
Biomass Renewable Purchases:				
NOVO (Biomass) ⁽⁶⁾	14	0.13%	116,574	0.27%
Tolling Purchases:				
Harquahala	0 ⁽⁶⁾	0.00%	1,591,153	3.67%
Geothermal Purchases:				
CalEnergy Geothermal	87 ⁽⁶⁾	0.80%	627,436	1.45%
Cove Fort Geothermal	25	0.23%	150,809	0.35%
Hudson Ranch Geothermal	55	0.50%	379,286	0.88%
Solar Renewable Purchases:				
Central Line Solar	100	0.92%	260,931	0.60%
East Line Solar	100	0.92%	245,361	0.57%
Granja/Eleven Mile) Solar	300	2.75%	47,460	0.11%
NTUA Kayenta Solar 1+2	55 ⁽⁶⁾	0.50%	146,658	0.34%

Pinal Central Energy Center Solar	35	0.32%	40,999	0.09%
Poseidon Copper Crossing	20	0.18%	50,853	0.12%
Queen Creek Solar	19	0.17%	46,058	0.11%
Sonoran Solar Energy	260	2.38%	449,987	1.04%
Storey Solar Energy	88	0.81%	129,242	0.30%
Saint Solar (NextEra)	100	0.92%	260,753	0.60%
Sandstone Solar	45	0.41%	110,911	0.26%
West Line Solar	100 ⁽⁶⁾	0.92%	271,917	0.63%
Battery Energy Storage System ("BESS") Resources ⁽¹¹⁾:				
Dorman (AES)	0	0.00%	0	0.00%
Pinal Central Energy Center Battery	10 ⁽⁶⁾	0.09%	13,367	0.03%
Sonoran Battery BESS	260	2.38%	-41,234	-0.10%
Storey Battery BESS	88	0.81%	-5,121	-0.01%
Saint Solar Battery BESS	100	0.92%	-6,549	-0.02%
Sierra Estrella BESS	0	0.00%	298	0.00%
Superstition BESS	0	0.00%	0	0.00%
(Granja/Eleven) Mile BESS	0	0.00%	-2,221	-0.01%
Wind Purchases:				
Wind Power Dry Lake I	63 ⁽⁶⁾	0.58%	105,076	0.24%
Poseidon Wind Power Dry Lake II	64 ⁽⁶⁾	0.59%	113,091	0.26%
Babbitt Ranch Energy Center	161	1.47%	0	0.00%
Subtotal	2,548	23.33%	9,957,642	22.99%
TOTAL ⁽⁹⁾	10,920	100.00	43,306,668	100.00

Notes

⁽¹⁾ Load capability nameplate from FERC 714, GRTD, & OATI.

⁽²⁾ Actual net production (retail & wholesale MWhs included) during the fiscal year ended April 30th. Source MWh from System Load.

⁽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 (EDID). Source PCI/OATI.

⁽⁵⁾ Includes 1 MW wheeled for Gilbert PD.

⁽⁶⁾ Capability based on actual output during summer Peak Day/HR: July 18, 2023 @ HE 17.

⁽⁷⁾ Other Purchases: Short term, Loss, Non-Firm, and excluding Bookouts (WT).

⁽⁸⁾ EIM & Estimates included.

⁽⁹⁾ Totals may not add correctly due to rounding.

⁽¹⁰⁾ Based on Long Term Contract.

⁽¹¹⁾ Production represents net charge and discharge; negative values reflect the round-trip efficiencies of each BESS within the fiscal year

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 I & 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 5,618 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. Construction began on June 1, 2024. The District expects the first six turbine units to be operational by the summer of 2026 and the remaining six units to be 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 other participants in the facilities is set forth in Table 4. Additional information about each facility follows Table 4.

TABLE 4 — District Participation Interests in Existing Generating Facilities ⁽¹⁾

	<u>Four Corners Generating Station Units 4 & 5</u>	<u>Hayden Generating Station Unit 2</u>	<u>Craig Generating Station Units 1 & 2</u>	<u>Palo Verde Nuclear Generating Station</u>
Project Capabilities				
Total Continuous Load Capabilities (MW).....	1,540	262	856	3,937 ⁽²⁾
Project Participants (%)				
District	10.0	50.0	29.0	20.4
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	—	—	7.3
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%

⁽¹⁾ 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.

⁽²⁾ 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 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 are 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 January 1, 2028.

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 have been completed, however, additional remediation work will be undertaken in response to new regulations impacting coal combustion residuals that will go into effect on November 8, 2024. See “CERTAIN FACTORS AFFECTING THE ELECTRIC UTILITY INDUSTRY — Environmental — *Solid and Hazardous Waste Management*” for further discussion of new regulations impacting coal combustion residuals with respect to the District’s coal-fired generating plants.

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 20.4% 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.

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 2024, approximately 23% 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 eighteen to thirty years, as reflected in the following table.

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 Proposals (RFP) on February 20, 2024 and is actively evaluating

responses. Similarly, the District assessed and executed numerous renewable energy contracts as a result of the February 2023 and October 2021 Requests for Proposals for additional power generation resources of all types, to meet future summer peak capacity needs. Resources selected through these all-source RFP processes support the District's 2035 Sustainability Goals. 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.

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 intermittent Southwest drought conditions have reduced reservoir inflows which may impact power generation from these facilities in the future. The District has contracted more than 3,500 MW of renewable sourced electric capacity since 2009.

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Summary of Purchased Power from Renewable Energy Sources Since 2009

<u>Project Name</u>	<u>Counterparty</u>	<u>Capacity ⁽¹⁾ (MW)</u>	<u>Fuel</u>	<u>Commercial Operation</u>	<u>Term (End Date)</u>	<u>Location</u>
Novo BioPower	Novo BioPower, LLC	14	Biomass	FY2009	FY2034	Snowflake, AZ
Dry Lake I	Dry Lake Wind Power LLC	63	Wind	FY2010	FY2030	Navajo County, AZ (7 miles NW of Snowflake)
Dry Lake II	Dry Lake Wind Power II LLC	64	Wind	FY2011	FY2031	Navajo County, AZ (7 miles NW of Snowflake)
Hudson Ranch I	Hudson Ranch Power I, LLC	55	Geothermal	FY2012	FY2042	Imperial Valley, CA (9 miles NW of Calipatria, CA)
Queen Creek Solar	Siete Solar, LLC	19	Solar	FY2013	FY2033	Queen Creek, AZ
Cove Fort	Enel Cove Fort, LLC	25	Geothermal	FY2014	FY2034	Beaver, UT (3 miles south of Cove Fort)
CalEnergy	CalEnergy, LLC	87	Geothermal	FY2016	FY2037	Imperial Valley, CA (9 miles NW of Calipatria, CA)
Sandstone Solar	Sandstone Solar, LLC	45	Solar	FY2016	FY2040	Florence, AZ
Kayenta 1	Navajo Tribal Utility Authority (NTUA)	27	Solar	FY2018	FY2037	Kayenta, AZ (48 miles NE of Shonto)
Kayenta 2	Navajo Tribal Utility Authority (NTUA)	28	Solar	FY2020	FY2050	Navajo Nation, AZ
Pinal Central Energy Center	Pinal Central Energy Center, LLC	20+10	Solar+BESS	FY2018	FY2050	Pinal County, AZ (10 miles SW of Coolidge)
East Line Solar	East Line Solar LLC	100	Solar	FY2021	FY2039	Coolidge, AZ
Saint Solar	Saint Solar, LLC	100	Solar	FY2021	FY2046	Coolidge, AZ
Central Line Solar	Central Line Solar, LLC	100	Solar	FY2022	FY2046	Coolidge/Eloy, AZ
West Line Solar	West Line Solar, LLC	100	Solar	FY2023	FY2042	Eloy, AZ
Saint Battery	Saint Energy Storage II, LLC	100	BESS	FY2024	FY2041	Coolidge, AZ
Sonoran Energy Center	Sonoran Solar Energy, LLC	260+260	Solar+BESS	FY2024	FY2044	Little Rainbow Valley, AZ
Storey Energy Center	Storey Energy Center, LLC	88+88	Solar+BESS	FY2024	FY2044	Coolidge, AZ
Babbitt Ranch	Babbitt Ranch Energy Center, LLC	161	Wind	FY2025	FY2055	Coconino County, AZ
Brittlebush	Randolph Solar Park LLC	200	Solar	FY2025	FY2050	Coolidge, AZ
Eleven Mile	Eleven Mile Solar Center, LLC	300+300	Solar+BESS	FY2025	FY2045	Pinal County, AZ
Sierra Estrella Storage	Randolph Solar Park LLC	250	BESS	FY2025	FY2045	Avondale, AZ
Superstition Energy Storage	Superstition Energy Storage LLC	90	BESS	FY2025	FY2045	Gilbert, AZ
Flatland	Flatland Storage, LLC	200	BESS	FY2026	FY2051	Pinal County, AZ
Co Bar	CO Bar Solar LLC	400	Solar	FY2027	FY2047	Coconino County, AZ
Signal Butte	Signal Butte Grid, LLC	250	BESS	FY2027	FY2046	Mesa, AZ
CO Bar D	CO Bar Solar D, LLC	394	Solar	FY2028	FY2048	Coconino County, AZ
Cameron	NGI-Cameron I, LLC	TBD	Solar	TBD	TBD	Navajo Nation, AZ

⁽¹⁾ 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 rating of approximately 564 megawatts (MW) nameplate capacity. 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. Construction began on June 1, 2024. The District expects the first six turbine units to be operational by the summer of 2026 and the remaining six units to be 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 generating resource options to develop a portfolio that balances reliability, affordability, and sustainability. 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.

Pumped Storage Project. Pumped storage hydropower provides long-duration energy storage that can help increase SRP's supply of reliable, affordable, and sustainable energy. SRP has been operating pumped storage units on the Horse Mesa and Mormon Flat dams for over 40 years. As part of the Salt River Pumped Storage Project, SRP is exploring opportunities to expand pumped storage hydropower on the Salt River reservoir system. SRP is evaluating two potential sites for a new pumped storage hydropower facility to pair with Apache Lake on the Salt River. The pumped storage hydropower facility would require construction of a new reservoir to act as the upper reservoir and additional transmission infrastructure. The results from the engineering design efforts, environmental surveying and public input are assisting SRP in selecting a preferred pumped storage site and transmission routes for permitting efforts.

As SRP adds significantly more solar to its power system, there will be a need for a diverse portfolio of long-duration energy storage to store solar energy generated during the day and dispatch it overnight to ensure reliable electric service around the clock. Pumped storage hydropower provides a large-scale way to store and deliver electricity to customers. The Pumped Storage Project will support grid reliability, boost renewable energy supply, and reduce carbon intensity.

The new pumped storage facility would have a capacity of between 1,000 MW and 2,000 MW — enough power to serve approximately 225,000 to 450,000 homes for 10 hours after each time the reservoir refills. Following engineering feasibility assessments and environmental permitting, the decision to begin construction would occur in 2027. This timeline, subject to the receipt of all necessary regulatory approvals, permits and the availability of the

required project expertise, equipment and funding for a construction project of this size and scope, would allow for a facility to be constructed and online by 2033 to help meet SRP's significant resource need.

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 3,300 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. The District continues to monitor external factors that influence the need for transmission system enhancements like 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 six 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 projects the District's various energy sources, ultimately dispatched.

TABLE 5 — Summary of Projected Energy Sources ⁽¹⁾⁽²⁾
(Expressed as a percentage of total sources)

Fiscal Year Ending April 30,	Hydro/ Sustainable ⁽³⁾	Gas ⁽⁴⁾	Coal	Nuclear	Renewables/ Sustainable ⁽⁵⁾	Other
2025	2.2%	35.9%	19.4%	17.2%	24.5%	0.8%
2026	2.0%	37.0%	19.4%	16.1%	24.4%	1.0%
2027	1.8%	38.5%	18.5%	14.8%	25.3%	1.2%
2028	1.7%	35.6%	16.6%	13.8%	31.1%	1.2%
2029	1.6%	36.5%	13.4%	12.9%	34.2%	1.4%
2030	1.5%	36.4%	9.8%	11.6%	38.9%	1.8%
2031	1.5%	36.2%	5.4%	11.2%	43.2%	2.5%

⁽¹⁾ Reference case FP25 Budget Forecast. These percentages are only representative of SRP retail projected needs.

⁽²⁾ Totals may not add due to rounding.

⁽³⁾ Includes federal hydro purchases; hydro resources are included in the District's Sustainable Portfolio.

⁽⁴⁾ Some SRP gas assets have fuel oil capability used only for fuel constraints emergencies.

⁽⁵⁾ Includes renewable energy purchases, renewable resources, energy efficiency and customer dedicated.

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 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 except the Hayden

plant. SRP is attempting to restore the inventory level at Hayden and expects the level to be within the targeted level for normal operation by the end of calendar year 2024.

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 MMBtu 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 MMBtu 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, SCPPA, and LADWP (the "Palo Verde Participants"), has procured under contract approximately 100% of the materials and services required to provide uranium concentrates in years 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: 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 2024 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 an initial set of sustainability goals through the year 2035 ("SRP 2035 Sustainability Goals"). Subsequently, on June 3, 2019, the Board adopted an updated and expanded suite of SRP 2035 Sustainability Goals following an extensive stakeholder process. Most recently, on March 4, 2024, the Board approved updated 2035 Corporate Goals, including the 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 and community engagement and there are several goals within each pillar.

Prior to updating the goals, the District conducted a robust stakeholder and Board engagement process. Between September 2023 and January 2024, a stakeholder Advisory Group met six times to review and discuss the 2035 Sustainability Goals in their current form and the proposed updates recommended by SRP, including a special session to discuss the generation carbon goal in greater detail at the request of the Advisory Group. Meetings were facilitated by a third-party consultant.

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 CO₂ emitted by generation (per MWh) by 82% from 2005 levels (~284 lbs./MWh) by 2035, and to achieve net-zero carbon emissions by 2050. In addition, the District will also seek to support adoption of 1 million (as forecasted by third-party industry consultants) electric vehicles (EVs) in SRP’s service territory and manage 90% of EV charging. Finally, in partnerships with valley cities and others, the District will also achieve 5 billion gallons of water conservation by 2035 through partnership and increase SRP’s leadership role in forest restoration treatments through partnerships, influence, education, and support for industry to thin 800,000 total acres by 2035.

The District provides an energy offering called SRP Solar Choice in which over 6,300 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 over 57,000 residential customers who have installed solar on their homes as of the end of FY24. 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 continues 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 high efficiency air conditioning systems, discounted smart thermostats, LED lighting and EV chargers through SRP’s e-commerce marketplace. Additional examples include home builder incentives for the construction of energy efficient homes and rebates for HVAC and various building systems within commercial buildings. The District continues to grow its residential and commercial demand response programs. The residential Bring Your Own Thermostat program has grown to include over 90,000 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 process-related 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 149,000 customers participate in the program as of July 2024, 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. 32% of the District’s residential customers take service under a TOU price plan. Including residential, commercial, and industrial loads, the District has about 53% 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 continuing to address challenges 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 for compliance, 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. 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 ("SO₂"), nitrogen oxides ("NO_x"), particulate matter ("PM"), mercury, and GHG. The District continues to monitor regional climate change initiatives. The District also 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 "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.

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 not 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 2024 SERIES 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 53% 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.

SALT RIVER PROJECT
COMBINED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED APRIL 30, 2024 AND 2023
(Thousands)

	<u>2024</u>	<u>2023</u>
Cash Flows from Operating Activities		
Net Revenues (Expenses)	\$ 405,557	\$ (361,530)
Adjustments to reconcile net revenues to net cash provided by operating activities:		
Depreciation and amortization	613,191	670,091
Amortization of nuclear fuel	40,231	39,028
Amortization of bond discount (premium) and Issuance expenses	(45,163)	(46,090)
Amortization of operating lease right of use assets	9,634	9,393
Change in fair value of derivative instruments, net of collateral	47,091	175,892
Change in fair value of investment securities	(92,089)	23,120
Realized gain on investing activities	(17,478)	(15,267)
Other	(19,002)	(2,920)
Decrease (increase) in:		
Fuel stocks and materials and supplies	(122,628)	(70,924)
Receivables, net of allowance for doubtful accounts	(5,707)	(29,825)
Other current assets	(18,110)	(2,986)
Deferred charges and other assets	8,285	4,620
Increase (decrease) in:		
Accounts payable	(21,053)	51,736
Accrued taxes and tax equivalents	3,736	(7,219)
Accrued interest	15,740	4,688
Customers' deposits and other current liabilities	17,867	(16,688)
Deferred credits and other non-current liabilities	(94,614)	(62,397)
Net cash provided by operating activities	<u>725,488</u>	<u>362,722</u>
Cash Flows from Investing Activities		
Capital expenditures	(1,507,350)	(1,311,014)
Plant acquisition	-	(34,979)
Contributions in aid of construction	264,258	313,912
Proceeds from disposition of assets	12,665	11,577
Purchases of investments	(354,347)	(216,908)
Sales of investments	152,384	70,287
Maturities of investments	281,254	231,896
Other investing activities	6,347	-
Net cash used for investing activities	<u>(1,144,789)</u>	<u>(935,229)</u>
Cash Flows from Financing Activities		
Proceeds from issuance of Revenue Bonds, net of debt issuance costs	684,688	554,716
Repayment of Revenue Bonds	(113,930)	(108,910)
Repayment of Revolving Credit Agreement loan	-	(3,500)
Net cash provided by financing activities	<u>570,758</u>	<u>442,306</u>
Net (Decrease) Increase in Cash, Cash Equivalents and Restricted Cash	<u>151,457</u>	<u>(130,201)</u>
Balance at Beginning of Year in Cash, Cash Equivalents and Restricted Cash	<u>482,469</u>	<u>612,670</u>
Balance at End of Year in Cash, Cash Equivalents and Restricted Cash	<u>\$ 633,926</u>	<u>\$ 482,469</u>
Supplemental Information		
Cash paid for interest, net of capitalized interest	\$ 191,801	\$ 173,257

The accompanying notes are an integral part of these combined financial statements.

SALT RIVER PROJECT
COMBINED STATEMENTS OF NET REVENUES
FOR THE YEARS ENDED APRIL 30, 2024 AND 2023
(Thousands)

	<u>2024</u>	<u>2023</u>
Operating Revenues		
Retail electric	\$ 3,492,861	\$ 3,211,366
Other electric	83,681	86,526
Wholesale	543,862	699,635
Water	25,491	24,019
Total operating revenues	<u>4,145,895</u>	<u>4,021,546</u>
Operating Expenses		
Power purchased	677,439	704,023
Fuel used in electric generation	989,900	1,537,262
Operations and maintenance	1,356,527	1,236,743
Depreciation and amortization	613,191	670,091
Taxes and tax equivalents	166,397	165,514
Total operating expenses	<u>3,803,454</u>	<u>4,313,633</u>
Net operating revenues (expenses)	<u>342,441</u>	<u>(292,087)</u>
Other (Expense) Income		
Investment income (loss), net	174,256	30,762
Other income, net	51,238	31,650
Total other income (expense), net	<u>225,494</u>	<u>62,412</u>
Net revenues (expenses) before financing costs	<u>567,935</u>	<u>(229,675)</u>
Financing Costs		
Interest on bonds, net	208,479	178,369
Capitalized interest	(24,172)	(14,402)
Amortization of bond discount (premium) and issuance expenses	(45,163)	(46,090)
Interest on other obligations	23,234	13,978
Net financing costs	<u>162,378</u>	<u>131,855</u>
Net Revenues (Expenses)	<u>\$ 405,557</u>	<u>\$ (361,530)</u>

The accompanying notes are an integral part of these combined financial statements.

**SALT RIVER PROJECT
COMBINED BALANCE SHEETS
APRIL 30, 2024 AND 2023
(Thousands)**

	<u>2024</u>	<u>2023</u>
<u>CAPITALIZATION AND LIABILITIES</u>		
Long-term Debt	\$ 5,470,941	\$ 4,950,900
Accumulated Net Revenues	<u>6,408,147</u>	<u>6,002,590</u>
Total Capitalization	<u>11,879,088</u>	<u>10,953,490</u>
Current Liabilities		
Current portion of long-term debt	118,780	113,930
Accounts payable	318,925	318,553
Accrued taxes and tax equivalents	125,731	121,995
Accrued interest	83,343	67,603
Customers' deposits	148,430	139,589
Current commodity derivative liabilities	92,446	98,668
Other current liabilities	<u>271,213</u>	<u>261,037</u>
	<u>1,158,868</u>	<u>1,121,375</u>
Deferred Credits and Other Non-current Liabilities		
Accrued post-retirement liability	641,161	713,636
Asset retirement obligations	545,504	377,324
Non-current commodity derivative liabilities	32,181	9,427
Other deferred credits and other non-current liabilities	<u>863,439</u>	<u>759,005</u>
	<u>2,082,285</u>	<u>1,859,392</u>
Commitments and Contingencies (Notes 9, 10, 11, 12, 13, 14 and 15)		
Total Capitalization and Liabilities	<u>\$ 15,120,241</u>	<u>\$ 13,934,257</u>

The accompanying notes are an integral part of these combined financial statements.

**SALT RIVER PROJECT
COMBINED BALANCE SHEETS
APRIL 30, 2024 AND 2023
(Thousands)**

	<u>ASSETS</u>		
		<u>2024</u>	<u>2023</u>
Utility Plant			
Plant in Service-			
Electric	\$	17,250,489	\$ 16,683,057
Irrigation		606,510	596,210
Common		<u>1,418,835</u>	<u>1,342,623</u>
Total plant in service		19,275,834	18,621,890
Less: accumulated depreciation on plant in service		<u>(10,572,916)</u>	<u>(10,180,268)</u>
		8,702,918	8,441,622
Plant held for future use		45,270	45,270
Construction work in progress		1,407,653	770,196
Nuclear fuel, net		<u>145,259</u>	<u>142,101</u>
		<u>10,301,100</u>	<u>9,399,189</u>
Other Property and Investments			
Non-utility property and other investments		422,559	391,218
Segregated funds, net of current portion		<u>1,982,219</u>	<u>1,844,276</u>
		<u>2,404,778</u>	<u>2,235,494</u>
Current Assets			
Cash and cash equivalents		490,430	295,945
Temporary investments		146,121	276,245
Current portion, segregated funds		122,443	104,746
Receivables, net of allowance for doubtful accounts of \$5,418 and \$5,847, respectively		314,463	315,526
Fuel stocks		141,146	110,041
Materials and supplies		427,154	330,204
Other current assets		<u>66,671</u>	<u>45,289</u>
		<u>1,708,428</u>	<u>1,477,996</u>
Deferred Charges and Other Assets			
Accumulated post-retirement asset		264,155	-
Regulatory assets		302,845	587,937
Non-current commodity derivative assets		6,457	37,016
Other deferred charges and other assets		<u>132,478</u>	<u>196,625</u>
		<u>705,935</u>	<u>821,578</u>
Total Assets		<u>\$ 15,120,241</u>	<u>\$ 13,934,257</u>

The accompanying notes are an integral part of these combined financial statements.



In performing an audit in accordance with US GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the combined financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the combined financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the combined financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

PricewaterhouseCoopers LLP

June 28, 2024



Report of Independent Auditors

To Management, the Board of Directors of Salt River Project Agricultural Improvement and Power District and the Board of Governors of Salt River Valley Water Users' Association

Opinion

We have audited the accompanying combined financial statements of Salt River Project Agricultural Improvement and Power District and its subsidiaries and the Salt River Valley Water Users' Association (the "Company"), which comprise the combined balance sheets as of April 30, 2024 and 2023, and the related combined statements of net revenues and of cash flows for the years then ended, including the related notes (collectively referred to as the "combined financial statements").

In our opinion, the accompanying combined financial statements present fairly, in all material respects, the financial position of the Company as of April 30, 2024 and 2023, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (US GAAS). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Combined Financial Statements section of our report. We are required to be independent of the Company and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Combined Financial Statements

Management is responsible for the preparation and fair presentation of the combined financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of combined financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the combined financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for one year after the date the combined financial statements are available to be issued.

Auditors' Responsibilities for the Audit of the Combined Financial Statements

Our objectives are to obtain reasonable assurance about whether the combined financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with US GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the combined financial statements.

PricewaterhouseCoopers LLP, 4300 E Camelback Rd, Suite 475, Phoenix, Arizona 85018
T: (602) 364 8000, www.pwc.com/us

**APPENDIX A — Report of Independent Auditors and Combined Financial Statements
as of April 30, 2024 and 2023**

**SALT RIVER PROJECT
COMBINED FINANCIAL STATEMENTS
AS OF APRIL 30, 2024 AND 2023
TOGETHER WITH REPORT OF
INDEPENDENT AUDITORS**

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**

President

General Manager and Chief Executive Officer

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 2024 Series 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, 2025 (the “Annual Report”), and to provide notices of the occurrence of certain enumerated events with respect to the 2024 Series 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.

While the District believes that it has complied in all material respects with its continuing disclosure obligations during the preceding five years, certain of the District’s disclosure filings were not initially linked to all of the relevant CUSIPs. The District has corrected each identified CUSIP linking issue and believes that all filings are now properly linked to each applicable CUSIP. The District became aware of these linking issues on September 4, 2024 and filed a timely failure to file notice on EMMA.

INDEPENDENT ACCOUNTANTS

The combined financial statements of the District and its subsidiaries and the Association as of April 30, 2024 and 2023 and for each of the two years in the period ended April 30, 2024, 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, 2024 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.

Interest paid on tax-exempt obligations such as the 2024 Series 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 2024 Series 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 as to any federal tax matters other than those described in the opinions attached as Appendix C. 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 2024 Series 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 2024 Series Bonds for federal or state income tax purposes, and thus on the value or marketability of the 2024 Series 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 2024 Series Bonds from gross income for federal or state income tax purposes, or otherwise. It is not possible to predict whether any legislative or administrative actions or court decisions having an adverse impact on the federal or state income tax treatment of holders of the 2024 Series Bonds may occur. Prospective purchasers of the 2024 Series Bonds should consult their own tax advisors regarding the impact of any change in law on the 2024 Series Bonds.

Special Tax Counsel has not undertaken to advise in the future whether any events after the date of issuance and delivery of the 2024 Series Bonds may affect the tax status of interest on the 2024 Series Bonds. Special Tax Counsel expresses no opinion as to any federal, state or local tax law consequences with respect to the 2024 Series Bonds, or the interest thereon, if any action is taken with respect to the 2024 Series 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 2024 Series Bonds are subject to the approval of Chiesa Shahinian & Giantomasi PC, Bond Counsel, whose final approving opinion will be delivered with the 2024 Series Bonds in substantially the form attached hereto as Appendix C. Certain legal matters in connection with the 2024 Series Bonds will be passed upon for the District by Spencer Fane LLP and by Nixon Peabody LLP, Special Tax Counsel, whose tax opinion will be delivered with the 2024 Series Bonds in substantially the form 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 2024 Series 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 2024 Series 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 2024 Series Bonds.

requirements of the Code in order to maintain the exclusion of the interest on the 2024 Series Bonds from gross income for federal income tax purposes pursuant to Section 103 of the Code. In addition, the District has made certain representations and certifications in the Resolution and the Tax Certificate. Special Tax Counsel will not independently verify the accuracy of those representations and certifications.

In the opinion of Nixon Peabody LLP, Special Tax Counsel, under existing law and assuming compliance with the aforementioned covenant, and the accuracy of certain representations and certifications made by the District described above, interest on the 2024 Series 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. Interest on the 2024 Series 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 interest on the 2024 Series Bonds is exempt from income taxes imposed by the State of Arizona. Special Tax Counsel expresses no opinion as to other state or local tax consequences arising with respect to the 2024 Series Bonds nor as to the taxability of the 2024 Series Bonds or the income therefrom under the laws of any state other than the State of Arizona.

Original Issue Premium

2024 Series 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 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 2024 Series Bonds over its issue price (i.e., the first price at which price a substantial amount of such maturity of the 2024 Series 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 “Discount 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 2024 Series 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 the 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 advisors with respect to the state and local tax consequences of owning such Discount Bonds.

Ancillary Tax Matters

Ownership of the 2024 Series 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 the 2024 Series Bonds. Prospective investors are advised to consult their own tax advisors regarding these rules.

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 2024 Series 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.

BofA Securities, Inc., an underwriter of the 2024 Series 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 2024 Series Bonds.

J.P. Morgan Securities LLC (“JPMS”), one of the Underwriters of the 2024 Series 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 2024 Series Bonds from JPMS at the original issue price less a negotiated portion of the selling concession applicable to any 2024 Series Bonds that such firm sells.

Morgan Stanley, parent company of Morgan Stanley & Co. LLC, one of the Underwriters of the 2024 Series 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 2024 Series Bonds.

TD Securities (USA) LLC (“TD Securities”), one of the Underwriters, has entered into a negotiated dealer agreement (the “TD Dealer Agreement”) with InvestorLink Capital Markets, LLC (“ICM”) for the retail distribution of certain securities offerings, including the 2024 Series Bonds at the original issue price. Pursuant to the TD Dealer Agreement, ICM may purchase the 2024 Series Bonds from TD Securities at the original issue prices less a negotiated portion of the selling concession applicable to any of the 2024 Series Bonds TD Securities sells.

TAX MATTERS

Federal Income Taxes

The Internal Revenue Code of 1986, as amended (the “Code”), imposes certain requirements that must be met subsequent to the issuance and delivery of the 2024 Series Bonds 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 2024 Series Bonds to be included in gross income for federal income tax purposes retroactive to the date of issue of the 2024 Series 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 applicable

Solar United Neighbors. On August 12, 2024, Solar United Neighbors, Vote Solar, Karen Schedler, and Jeremy Helms (collectively “SUN”) jointly filed a complaint against the District in the District Court of Arizona, alleging the District has not implemented Federal Energy Regulatory Commission (“FERC”) regulations under the Public Utility Regulatory Policies Act of 1978 (“PURPA”). The District accepted service of the Complaint on August 16, 2024. In this matter, SUN alleges the District’s rates for residential solar customers are discriminatory when compared to the rates for non-solar customers. In its Complaint, SUN requests that the court order the District to implement FERC’s regulations, require the District to make non-solar customer rates available to solar residential customers, and for the District to disgorge excess amounts collected from residential solar customers. The District is evaluating the complaint and intends to respond to the Complaint by October 11, 2024.

Stewart. On August 29, 2024, the District received a Notice of Claim (“Notice”) from Beus O’Connor McGroder PLLC on behalf of William Richard Stewart IV, Kelly Colleen Stewart, and their two minor children, William Stewart V (“Liam”) and Aspen Stewart, regarding an electrical contact incident that occurred at their residence in Scottsdale. The Notice alleges that on March 12, 2024, the Stewarts’ 10-year-old son, Liam, climbed onto the roof to retrieve a football that had landed there while he and his younger brother, Aspen, were playing ball in the backyard. While on the roof, Liam lost his balance and grabbed two “exposed splices and/or wires” causing him to “receive a severe electric shock.” Liam sustained second and third-degree burns to both hands and has undergone skin grafts to repair the third-degree burns. The Stewarts claim significant losses and assert that Liam will face permanent impairment, disability, and scarring, and may need multiple additional surgeries to improve hand function. They also allege that Aspen suffered mental anguish from witnessing the event, which has resulted in physical injury, including loss of sleep, appetite changes, headaches, and gastrointestinal distress. The Notice contends that the District is at fault for failing to, among other things, properly secure and maintain the splices and the service wires, which allegedly were not insulated in contravention of established safety standards, and failing to maintain the correct height of the powerlines above the ground in the backyard in violation of the District’s and NESC specifications. The Notice asserts multiple tort claims including negligence, gross negligence, negligence per se, negligent infliction of emotional distress, negligent undertaking, negligent hiring, retention, training, and supervision, and loss of consortium and seeks punitive damages. The Notice demands on behalf of the Stewarts a total of \$32,000,000 to settle their claims. The District is assessing the claims and preparing its defense.

LEGALITY OF REVENUE BONDS FOR INVESTMENT

Under the Act, the 2024 Series 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 2024 Series 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 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.

may not be necessary and EPA agreed to 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 but believes the general nature, extent, and priority of the Association and District water rights will be confirmed.

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 (CEP). The District filed a siting application for the CEP with the ACC on December 13, 2021. After substantial opposition and judicial challenges, the District ultimately reached a settlement with the intervenors from the community of Randolph, Arizona and submitted an application for an amended certificate of environmental compatibility to the ACC which was approved on June 12, 2023. The settlement requires the District to reduce the number of new generation units at the Coolidge Generating Station from sixteen (16) to twelve (12) and has a capacity factor limitation of thirty percent (30%) averaged across the twelve (12) new generation units. The settlement also requires the District to fund certain Randolph community programs and improvements. Litigation regarding the amended CEC has ended and the District has started constructing the CEP.

Forgen. On June 26, 2024, the District received a Notice of Claim from Forgen, LLC (Forgen), an independent contractor retained by the District for the NGS decommissioning project (the “Project”). During Forgen’s performance of the Project work, several disputes arose between the parties regarding significant Project delays, change order requests (“CORs”), and the increased Project costs resulting from such delays. Forgen contends that the District, as the authorized agent of the NGS owners, owes \$13,327,024.42 for the additional work required by the CORs, while the District disputes the validity of these additional costs as well as the additional time requested by Forgen to complete the Project work. The District, in turn, claims that it incurred approximately \$6,893,341.59 in additional costs as a result of Forgen’s actions causing the Project delays. The parties mediated the dispute on June 19, 2024, but did not reach an agreement. The District will vigorously defend the interests of the NGS owners if a lawsuit is filed. To the extent that any amounts are paid to Forgen for the Project work, these amounts shall be shared among the NGS owners on a pro rata basis.

Midwest Energy Emissions Corp. On July 17, 2024, Midwest Energy Emissions Corp. (“ME2C”) filed a complaint against the District and several other owners of coal-fired generating stations in the District Court of Arizona, alleging federal claims of infringement of five patents that cover certain mercury control methods involving the application of bromine-containing additives to coal and the injection of activated carbon sorbents to combusted coal for capture and removal of mercury from flue gas. ME2C alleges that the District and the other defendants are using these patented methods without license at Springerville Generating Station, Coronado Generating Station, and other coal-fired power plants owned or operated by the defendants. ME2C previously filed a patent infringement lawsuit in July 2019, that asserted similar allegations of infringement against various entities involved in producing refined coal and coal-fired power plant operators. ME2C claims it settled with the majority of those defendants and prevailed against the remaining defendants after a jury trial was held, including obtaining a jury verdict finding the defendants to be liable for contributory negligence and induced infringement of two patents and that the infringement was willful. In this matter, ME2C also alleges that defendants’ infringement of its patents is willful and is seeking an unspecified amount of damages and any enhanced damages as a result of the infringement. ME2C also seeks an injunction prohibiting defendants from further acts of infringement. The Complaint was served on the District on July 24, 2024. The District is evaluating the Complaint and intends to respond to the Complaint by September 23, 2024.

LITIGATION

At the time of delivery of and payment for the 2024 Series 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 2024 Series 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. Honeywell and APS, both potentially responsible parties at the OU3 Site, have submitted the Draft Final Revised OU3 Feasibility Study Report to EPA and EPA is currently reviewing the document.

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 9th Circuit Court of Appeals. Briefing is complete and oral argument was held on August 12, 2024. On August 30, 2024, the 9th Circuit issued a decision upholding G&K's right to recover costs related to G&K's own time and resources expended on the RID cleanup effort provided that such costs met the appropriate requirements for recovery under CERCLA while denying G&K's rights to recover costs related to invoices from subcontractors since G&K had not adequately shown that it had actually incurred these subcontractor costs, thus reversing in part and affirming in part the district court's earlier decision. The 9th Circuit remanded this matter to the district court for further proceedings consistent with its ruling.

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

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, \$2.5 million for FY23 and the FY24 payment of \$3.4 million was received in June 2024. 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.

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10 ITPs for non-federal rights-of-way activities. The District is monitoring this activity, assessing monarch butterfly 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 also operates some lower voltage distribution lines, 69kV and lower, in a part of its retail service area, with less than 5,000 retail customers impacted. The District has a robust process in place to mitigate such risk associated with wildfires, including vegetation management, a Board approved Public Safety Prevention Shutoff ("PSPS") for the limited retail service area impacted 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 operates an enterprise cybersecurity program to manage cyber risk. This program is overseen by a Board appointed oversight committee that includes key executives from the Chief Executive Officer's staff. The District has a dedicated cybersecurity team that reports directly to the Chief Financial Executive.

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.

environment. On June 15, 2022, 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 April 10, 2024, EPA promulgated the final National Primary Drinking Water Regulation (“NPDWR”) under the Safe Drinking Water Act (“SDWA”) for six PFAS substances. The rule establishes legally enforceable maximum contaminant levels for the PFAS substances identified in the rule. The 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 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. On May 8, 2024, EPA designated PFOA and PFOS, including their salts and structural isomers, as CERCLA (Comprehensive Environmental Response Compensation and Liability Act) hazardous substances.

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 outcome of this matter or its effects on the District’s financial condition, net revenues, and cash flows at this time.

Hydropower Operations. SRP contracts with the United States for hydropower generated from the Colorado River reservoirs operated by the U.S. Bureau of Reclamation, including Glen Canyon and Hoover Dams. Hydrogeneration at those facilities is impacted by the Colorado River water supply and operating parameters, including water storage and deliveries through the various hydropower units to Lower Colorado River Basin water users. These resources are important to the District’s power portfolio, as they can be rapidly dispatched to assist in balancing the electrical transmission grid. The production capabilities of these resources will be impacted by current negotiations over the post-2026 operating guidelines for the reservoir system, particularly related to management contingencies for lower watershed yields due to increasing average temperature. In addition, the Bureau of Reclamation issued a Record of Decision on July 3, 2024, to address two issues related to Glen Canyon Dam operations, including (1) responding to the threat of smallmouth bass proliferation below the dam, and (2) incorporating the latest sediment science to assess when to conduct high-flow experiments. SRP expects these operational items will impact dam operations, including less water moving through the hydropower generators, and although these items will impact the hydropower resources the District can deploy to meet its power demands, the District does not anticipate material impacts to its power operations.

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 obtained an amendment to the Roosevelt ITP on March 22, 2024, to cover impacts to the Northern Mexican Garter snake (“NMGS”), which was listed as a threatened species in 2014. The NMGS amendment requires the District to add to the Roosevelt Dam trust account sufficient funds to implement the required mitigation by March 2029.

On December 15, 2020, the USFWS announced that listing the monarch butterfly as threatened or endangered under the ESA is warranted but precluded by other higher priority listings. In January 2021, the Center for Biological Diversity sued the Department of Interior/USFWS for failure to list the Monarch Butterfly as a threatened or endangered species. The lawsuit resulted in a settlement requiring USFWS to submit a proposed finding for the Monarch Butterfly to the *Federal Register* by December 4, 2024. Listing of this species may have implications for construction and maintenance activities along the District’s power line corridors. If the species is listed, the District’s potential for “take” liability is being assessed to determine if ESA coverage may be required under ESA Section 7 for federal rights-of-way or Section

predict the ultimate outcome of this matter or its effects on the District's financial condition, net revenues and cash flows at this time.

On May 8, 2024, EPA promulgated a rule that 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"). A CCRMU is any area of land on which any non-containerized accumulation of CCR is received, is placed, or is otherwise managed that is not currently regulated as a new or existing landfill or surface impoundment under the existing CCR regulations. Under the proposed rule, active facilities with CCRMUs containing more than 1,000 tons of CCR must comply with the CCR Rule's groundwater monitoring, corrective action, closure, and post-closure requirements. Prior to 2015, the District beneficially reused CCR material in several areas or applications of NGS. While the District believes EPA's rule is unlawful as applied to CCR material beneficially used onsite, if EPA's rule is upheld, the District will need to undertake additional monitoring and closure activities at NGS. The District estimates that the total cost for the NGS owners to comply with the proposed rule would be approximately \$106 million and the District's pro rata share would be approximately \$22 million. The rule becomes effective on November 8, 2024. A host of different groups have filed suit in the D.C. Circuit Court alleging the rule exceeds EPA's statutory authority, is an abuse of discretion or not in accordance with law.

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, 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.

Coolidge Expansion Project (CEP). On September 13, 2021, the Board of Directors for the District approved the construction of sixteen new gas-fired combustion turbines at the Coolidge Generating Station, known as the Coolidge Expansion Project ("CEP"). The CEP is 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 for the CEP with the ACC on December 13, 2021. After substantial opposition and judicial challenges, the District ultimately reached a settlement with the intervenors from the community of Randolph, Arizona. The settlement requires the District to reduce the number of new generation units at the Coolidge Generating Station from sixteen (16) to twelve (12). The District submitted an application for an amended certificate of environmental compatibility for the CEP to the ACC which was approved on June 12, 2023. Pinal County Air Quality Control District ("PCAQCD") issued the air permit authorizing construction of the CEP on March 26, 2024. On May 13, 2024, the Sierra Club filed a Petition for Objection to the air permit with the EPA. EPA was required to respond to the petition within 60 days of the date it is filed. EPA did not respond, and the Sierra Club filed a Notice of Intent to Sue. The District has started construction of the CEP. At this time, the District cannot predict the outcome of this matter or its effects on the District's financial condition, net revenues, and cash flows.

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.

Per- and Poly Fluoroalkyl Substances ("PFAS"). When necessary, the District supplements surface water from its Salt River and Verde River reservoirs with groundwater pumped from its extensive network of 270 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.

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

the record deficiency identified by the Supreme Court. EPA anticipates completing this review by November 30, 2024. It is unknown whether EPA will proceed to finalize the Proposed Supplemental rule affecting Arizona due to the current stay of the Good Neighbor Plan.

PM_{2.5} National Ambient Air Quality Standards. On January 6, 2023, EPA announced a proposed decision to revise the primary annual PM_{2.5} standard from its current level of 12.0 µg/m³ to within the range of 9.0 to 10.0 µg/m³. EPA is not proposing to change the secondary annual PM_{2.5} standard, the primary and secondary 24-hour PM_{2.5} standards, or primary and secondary PM₁₀ standards. EPA issued a final rule on February 7, 2024, that sets the primary NAAQS for PM_{2.5} at 9 µg/m³. This change to the primary annual PM_{2.5} standard could result in additional areas within Arizona being designated as nonattainment with NAAQS. The State of Arizona has one year to submit recommendations to EPA as to whether or not each state is attaining PM_{2.5} and PM₁₀ standards. Final attainment and nonattainment designations are expected in 2026. The District cannot predict the impact of this standard on its operations or finances at this time.

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.

On April 15, 2024, EPA published in the *Federal Register* a proposed rule to retain the current secondary NAAQS for NO_x and PM and revise the secondary NAAQS for SO_x to a level within the range of 10 to 15 ppb annually, averaged over three (3) years. The deadline to submit comments on the proposed rule is June 14, 2024. The Company is monitoring this activity and cannot predict the outcome at this time.

Solid and Hazardous Waste Management. 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 and a wet surface impoundment. 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 Generating Station, Hayden Generating Station and Springerville Generating Station, 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.

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.

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. 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 disagrees with EPA's proposed decision and on April 10, 2023, the District submitted a comprehensive response supporting the District's Part B application. While the District believes it has submitted a robust application and alternate liner demonstration that meets the requirements of the Part B rule, the District cannot

annually, averaged over three (3) years. The deadline to submit comments on the proposed rule was June 14, 2024. The District is monitoring this activity 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.

On February 16, 2024, EPA published a proposed rule partially disapproving infrastructure SIP submissions for five states, including Arizona, and expanding the existing Good Neighbor Federal Implementation Plan (“Good Neighbor Plan”)* to apply to these states (“Proposed Supplemental Rule”). Under the Proposed Supplemental Rule, power plants and other industries in Arizona will be subject to additional emission control requirements, emission monitoring and reporting, and power plants will also be subject to a NOx emission ozone season trading program that will be applicable between May 1 and September 30 each year, beginning in 2025. The trading requirements apply to all fossil generation with nameplate capacity in excess of 25MW. The allocation of emission allowances will decrease over a five-year period by fixed amounts before transitioning to dynamic budgeting in 2030. In its current form, the Proposed Supplemental Rule could require NOx emissions reductions equivalent to the installation of SCR on Agua Fria Unit 3. The District is already in the process of installing SCR on Unit 1 at the Coronado Generating Station. The District cannot predict the impact of the Proposed Supplemental Rule or the Good Neighbor Plan on its operations at this time.

The Good Neighbor Plan was challenged by various states and industry parties in August 2023. On June 27, 2024, the Supreme Court granted a motion to stay the Good Neighbor Plan until the D.C. Circuit makes its decision on the merits of the rule. EPA seeks partial remand the Good Neighbor FIP so that it can take supplemental action to address

* Before issuing the Good Neighbor Plan, in February 2023, EPA determined that 23 states contributed significantly to the nonattainment or interfered with maintenance of the 2015 ozone NAAQS in another state and disapproved SIPs for 21 states. On June 5, 2023, EPA promulgated the Good Neighbor Plan which originally applied to 23 states in total: Alabama, Arkansas, California, Illinois, Indiana, Kentucky, Louisiana, Maryland, Michigan, Minnesota, Mississippi, Missouri, Nevada, New Jersey, New York, Ohio, Oklahoma, Pennsylvania, Texas, Utah, Virginia, West Virginia, and Wisconsin. Twenty-two of those states are part of the electric generating unit (EGU) trading program. After challenging the SIP disapproval in court, 12 states obtained judicial stays of the SIP disapproval, the prerequisite for implementing the Good Neighbor Plan (the Federal Implementation Plan). EPA subsequently issued an interim rule staying the Good Neighbor Plan in the 12 states whose SIP disapproval were judicially stayed.

lb CO₂/MWh to 160 lb CO₂/MWh depending on the fuel type being utilized. For units in the 'intermediate' category (having an annual capacity factor between 20% and approximately 40%), the BSER is the use of highly efficient simple cycle technology, coupled with best operating and maintenance practices and a corresponding performance standard of 1,170 lb CO₂/MWh. For new fossil-fueled stationary combustion turbines operating in the 'base load' subcategory (having an annual capacity factor greater than 40%), the Section 111 GHG Rule establishes BSER as highly efficient combined cycle generation with 90% CCS by January 1, 2032. The District does not believe it is feasible to implement CCS for new gas units at this time. Thus, any generation constructed in the near term will be designed to operate with a capacity factor less than 40% and meet the corresponding performance standards set forth in the Section 111 GHG Rule. Several petitions for review of the Section 111 GHG Rule were filed in the D.C. Circuit Court and have been consolidated into *West Virginia v EPA*, Case No. 24-1120. Various motions to stay the Section 111 GHG Rule were filed and denied. A number of petitioners filed emergency stay applications in the U.S. Supreme Court after the D.C. Circuit Court denied their motions to stay. The District is monitoring this activity and cannot predict the outcome at this time.

The EPA announced on March 26, 2024, that the agency would not move forward with GHG standards for existing gas turbines at this time. On March 27, 2024, EPA opened a non-regulatory docket and issued questions to gather input about ways to "design a stronger, more durable approach to greenhouse gas regulation" for natural gas-fired turbines. This docket closed May 28, 2024. 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, required 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 CO₂ per megawatt-hour) from generation resources by 33% and reduce CO₂ 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 CO₂ 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. On October 1, 2015, EPA finalized NAAQS and lowered both the primary and secondary ozone standard from the 2008 limit of 75 parts per billion ("ppb") down to 70 ppb based on an 8-hour average. In September 2018, Arizona submitted its SIP for the 2015 ozone NAAQS to EPA.

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 will no longer pursue reconsideration of the 2020 decision and instead will initiate 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. On February 2, 2024, the Court granted EPA's request to remand without vacatur, the 2020 ozone NAAQS rule. EPA states that the voluntary remand will allow EPA to focus its resources on addressing the "significant issues" raised by the Clean Air Scientific Advisory Committee ("CASAC"). The District is monitoring this activity and cannot predict the outcome at this time.

On April 15, 2024, EPA published in the *Federal Register* a proposed rule to retain the current secondary NAAQS for NO_x and PM, and revise the secondary NAAQS for SO_x to a level within the range of 10 to 15 ppb

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.

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 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. 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 to the second petition. On January 30, 2024, EPA issued an order granting in part and denying in part Sierra Club's second petition. MCAQD revised the Agua Fria Title V permit and held a public hearing on May 6, 2024, on its proposed revisions to the permit. MCAQD issued a revised Title V permit on June 20, 2024.

EPA Greenhouse Gas Emissions Regulations. The District recognizes the 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 May 9, 2024, EPA published a final rule ("Section 111 GHG Rule") regulating GHGs from EGUs. This rule sets forth New Source Performance Standards ("NSPS") for new, modified, and reconstructed stationary combustion turbine EGUs and emissions guidelines for existing coal- and oil/gas-fired steam generating EGUs. The rule establishes distinct "best systems of emissions reduction" ("BSER") and standards of performance for affected units for defined subcategories. The standards for each subcategory are based on developing and established technologies, including carbon capture and sequestration ("CCS") and natural gas co-firing. For some subcategories, BSER is implemented in phases to accommodate anticipated availability of developing control technologies.

At this time, the District anticipates that it will have three coal-fired generating units in operation past December 31, 2031. The two-unit Coronado Generating Station is expected to retire no later than 2032. The District has not announced a retirement date for Springerville Generating Station Unit 4. For units operating past 2031 but shutting down before 2039, the Section 111 GHG Rule identifies co-firing with natural gas as the BSER and establishes a presumptively approvable emission standard equivalent to a 16% reduction in the annual carbon-dioxide emission rate. Units operating past 2039, the BSER is CCS with a 90% capture efficiency. The District does not believe it is feasible to implement CCS. The District is evaluating options that would meet the final rule requirements.

The Section 111 GHG Rule establishes BSER and associated standards of performance for new fossil-fuel fired stationary combustion turbines by subcategory. For units in the 'low load' subcategory (having an annual capacity factor less than 20%), the BSER is the use of low emitting fuels with a corresponding performance standard of 120

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. Many of these actions were finalized in 2024, but are now subject to legal challenges. It is still unclear how these new requirements 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 EGUs. As a result of legislative and regulatory initiatives, the District has made reductions in emissions of mercury and other pollutants at its fossil fuel-fired power plants.

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. On May 7, 2024, EPA published a final rule establishing revised emission standards for hazardous air pollutants ("HAPS") from coal-and oil-fired EGUs ("May 2024 Rule"). For coal-fired EGUs, the May 2024 Rule lowered the emission limit for filterable particulate matter ("fPM"), which serves as a surrogate for non-mercury HAP metals, from the current 0.030 lbs/mmBtu to 0.010 lbs/mmBtu. The May 2024 Rule requires use of continuous emissions monitoring systems ("CEMS") to demonstrate compliance with the fPM standard. Affected EGUs have to comply with the revised standards and monitoring requirements by July 8, 2027.

The Electric Generators MATS Coalition, of which the District is a member, and America's Power filed a petition for review of the May 2024 Rule in the U.S. Court of Appeals for the D.C. Circuit ("D.C. Circuit") on June 17, 2024, and a motion to stay the May 2024 Rule on July 8, 2024. The D.C. Circuit denied the motion to stay. The District cannot predict the effects of this matter on its financial condition, net revenues, and cash flows 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. On May 31, 2024, EPA published a proposed rule to partially approve and partially disapprove ADEQ's SIP. The District commented on the proposed rule in July 2024. The District cannot predict the effects of this action on its financial condition, net revenues, and cash flows 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

provided more than 3.0% 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 2023 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 24 out of the last 25 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

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 developed a buy-through program, which was approved by the Board on September 26, 2023, and is available to a limited number of large customers.

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, 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 2024, no single customer

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, (iv) changes that might result from national energy policies, (v) “self-generation” by certain industrial and commercial customers, (vi) issues relating to the ability to issue tax-exempt obligations, (vii) severe restrictions on the ability to sell to nongovernmental entities electricity from generation projects financed with outstanding tax-exempt obligations, (viii) changes from projected future electricity requirements, (ix) increases in costs, (x) shifts in the availability and relative costs of different fuels, (xi) effects of the financial difficulties confronting the power marketers, and (xii) 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 (including the District). However, the Energy Policy Act of 2005 (the “Energy Policy Act”) authorizes FERC to require an unregulated transmitting utility to provide transmission services: (1) at rates comparable to those that it charges itself; and (2) on other terms and conditions comparable to those under which it provides transmission services to itself, and that are not unduly discriminatory or preferential. 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 generally implement its authority over public power entities, and determined its authority would be used on a case-by-case basis.

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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The following table shows the actual application of revenues and coverage of Debt Service requirements for fiscal years 2024, 2023, 2022, and 2021.

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

	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>
Electric Revenues ⁽¹⁾⁽²⁾	\$ 4,108,634	\$ 3,997,060	\$ 3,556,700	\$ 3,480,117
Operating Expenses ⁽²⁾⁽³⁾⁽⁴⁾	<u>2,904,669</u>	<u>3,014,555</u>	<u>2,583,732</u>	<u>2,324,204</u>
Revenues from Operations	1,203,965	982,505	972,968	1,155,913
Interest and Other Income (Net)	<u>126,611</u>	<u>85,202</u>	<u>66,058</u>	<u>24,057</u>
Revenues Available for Debt Service	1,330,576	1,067,707	1,039,026	1,179,970
Rate Stabilization Funds	--	--	--	--
Revenues Available for Debt Service on Revenue Bonds and Subordinated Debt	1,330,576	1,067,707	1,039,026	1,179,970
Debt Service Requirements Revenue Bonds	331,866	296,251	294,412	292,280
Debt Service Requirements Subordinated Debt	<u>16,746</u>	<u>10,427</u>	<u>681</u>	<u>1,003</u>
Total Debt Service	<u>348,612</u>	<u>306,678</u>	<u>295,093</u>	<u>293,283</u>
Coverage of Total Revenue Bond Debt Service ⁽⁵⁾	4.01	3.60	3.53	4.04
Coverage of Total Debt Service ⁽⁶⁾	3.82	3.48	3.52	4.02
Balance after Debt Service	981,964	761,029	743,933	886,687
Plus: Interest on Construction Fund	4,583	365	60	627
Less: Contribution in Lieu of Taxes	107,613	112,435	125,937	121,221
Less: Contributions to Water Operations	66,633	60,730	56,290	65,202
Less: Falling Water Charges ⁽⁷⁾	<u>8,491</u>	<u>7,959</u>	<u>5,465</u>	<u>3,684</u>
Balance Available for Corporate Purposes	<u>\$ 803,810⁽⁸⁾</u>	<u>\$ 580,270</u>	<u>\$ 556,301</u>	<u>\$ 697,207</u>

⁽¹⁾ Includes inter-company sales.

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

⁽³⁾ 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.

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

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

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

⁽⁷⁾ The charges by the Association for water used in hydroelectric generation.

⁽⁸⁾ May be reconciled with combined net revenues for 2024 as follows:

(\$000's – Unaudited)	
BALANCE AVAILABLE FOR CORPORATE PURPOSES	\$ 803,810
Bond principal repayment	115,547
Capitalized Interest	24,172
Depreciation and amortization	(615,417)
Fuel related depreciation (reflected in fuel costs)	(3,230)
Realized Earnings on segregated post-retirement investment funds	(38,181)
Amortization of bond discount/premium, issuance, and refinancing expenses	<u>45,163</u>
Net Revenues before impact of fair value adjustments	331,864
Impact of fair value adjustments	<u>73,693</u>
COMBINED NET REVENUES	<u>\$ 405,557</u>

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Outstanding Revenue Bond Long-Term Indebtedness. As of April 30, 2024, the District had outstanding \$4,865,180,000 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 2024 Series Bonds.

TABLE 11 — Total Revenue Bond Debt Service Requirements ⁽¹⁾⁽²⁾

Years Ending April 30, ⁽³⁾	Principal Requirements on Outstanding Revenue Bonds	Interest Requirements on Outstanding Revenue Bonds ⁽⁴⁾	Total Debt Service Requirements
2025	121,325,000	230,286,532	351,611,532
2026	127,385,833	222,984,848	350,370,681
2027	133,751,250	216,615,556	350,366,806
2028	142,689,167	209,927,994	352,617,160
2029	142,640,417	202,793,535	345,433,952
2030	151,573,333	195,661,514	347,234,848
2031	161,478,333	188,082,848	349,561,181
2032	173,145,417	180,008,931	353,154,348
2033	183,917,083	171,720,327	355,637,410
2034	192,290,833	163,345,085	355,635,919
2035	200,997,083	154,639,731	355,636,814
2036	210,014,167	145,623,502	355,637,669
2037	219,687,083	135,952,185	355,639,269
2038	230,565,000	125,899,914	356,464,914
2039	129,155,000	115,546,164	244,701,164
2040	247,181,667	109,580,905	356,762,572
2041	258,986,250	97,777,836	356,764,086
2042	110,653,750	85,320,392	195,974,142
2043	166,638,750	79,838,104	246,476,854
2044	174,918,333	71,558,917	246,477,250
2045	183,607,500	62,868,200	246,475,700
2046	192,607,083	53,868,665	246,475,748
2047	201,778,333	44,695,629	246,473,963
2048	211,038,333	35,436,903	246,475,237
2049	220,425,000	26,050,685	246,475,685
2050	230,470,000	16,006,490	246,476,490
2051	40,000,000	5,600,000	45,600,000
2052	40,000,000	3,500,000	43,500,000
2053	26,666,667	1,400,000	28,066,667

⁽¹⁾ Totals may not add due to rounding.

⁽²⁾ Excludes impact of 2025 Series A Refunding Bonds scheduled to close on March 3, 2025.

⁽³⁾ Payment amounts for Debt Service are for the years in which they accrue, not for the years in which they are paid.

⁽⁴⁾ Interest Requirements do not reflect subsidy payments from Build America Bonds.

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TABLE 10 – Summary Combined Balance Sheets ⁽¹⁾
(\$000's)

	As of	
	<u>April 30, 2024</u>	<u>April 30, 2023</u>
ASSETS		
Utility Plant, at Original Cost	\$ 19,275,834	\$ 18,621,890
Less: Accumulated Depreciation.....	<u>(10,572,916)</u>	<u>(10,180,268)</u>
	8,702,918	8,441,622
Other Property and Investments	2,404,778	2,235,494
CURRENT ASSETS		
Cash and Cash Equivalents.....	490,430	295,945
Temporary Investments	146,121	276,245
Current Portion, Segregated Funds	122,443	104,746
Receivables, Net	314,463	315,526
Fuel Stocks	141,146	110,041
Materials and Supplies.....	427,154	330,204
Other	<u>66,671</u>	<u>45,289</u>
	1,708,428	1,477,996
Deferred Charges and Other Assets.....	<u>705,935</u>	<u>821,578</u>
TOTAL ASSETS	<u>\$ 15,120,241</u>	<u>\$ 13,934,257</u>
CAPITALIZATION AND LIABILITIES		
CAPITALIZATION		
Long-Term Debt.....	\$ 5,470,941	\$ 4,950,900
Accumulated Net Revenues.....	<u>6,408,147</u>	<u>6,002,590</u>
TOTAL CAPITALIZATION	<u>11,879,088</u>	<u>10,953,490</u>
CURRENT LIABILITIES		
Current Portion, Long-Term Debt	118,780	113,930
Accounts Payable.....	318,925	318,553
Accrued Taxes and Tax Equivalents.....	125,731	121,995
Accrued Interest.....	83,343	67,603
Customers' Deposits.....	148,430	139,589
Current Commodity Derivative Liabilities	92,446	98,668
Other	271,213	261,037
Deferred Credits and Other Non-Current Liabilities	<u>2,082,285</u>	<u>1,859,392</u>
TOTAL CAPITALIZATION AND LIABILITIES.....	<u>\$ 15,120,241</u>	<u>\$ 13,934,257</u>

⁽¹⁾ The audited 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.

Net revenue for FY24 was \$405.6 million compared to a net loss for FY23 of \$361.5 million. Excluding the effects of the changes in the fair value of fuel and purchased-power contracts, wholesale positions and investments, net revenues would have been \$331.9 million and \$39.2 million for FY24 and FY23, respectively.

Fiscal Year Ended as of April 30, 2024 and 2023.

TABLE 9 – Summary Combined Statement of Net Revenues ⁽¹⁾
(\$000s – Audited)

	<u>2024</u>	<u>2023</u>
Operating Revenues:		
Retail Electric	\$ 3,492,861	\$ 3,211,366
Other Electric	83,681	86,526
Wholesale	543,862	699,635
Water	25,491	24,019
Total Operating Revenues ⁽²⁾	4,145,895	4,021,546
Operating Expenses:		
Purchased Power	677,439	704,023
Fuel Used in Electric Generation	989,900	1,537,262
Operations and Maintenance ⁽²⁾	1,356,527	1,236,743
Depreciation and Amortization	613,191	670,091
Taxes and Tax Equivalents	166,397	165,514
Total Operating Expenses	3,803,454	4,313,633
Net Operating Revenues (Expenses)	342,441	(292,087)
Other (Expense) Income:		
Investment Income (Loss), net	174,256	30,762
Other Income (Loss), net	51,238	31,650
Total Other Income (Expense), net	225,494	62,412
Net Financing Costs	162,378	131,855
NET REVENUES	<u>\$ 405,557</u>	<u>\$ (361,530)</u>

⁽¹⁾ The audited 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.

⁽²⁾ Inter-company transactions eliminated.

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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, 2024, 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, 2024. The U.S. Bank RCA expires on June 27, 2025, 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 \$4.1 billion for fiscal year 2024 (FY24) and \$4.0 billion for fiscal year 2023 (FY23), an increase of \$124.3 million, or 3.1%. The increase in operating revenues was due to higher retail electric revenues, partially offset by a decrease in wholesale revenues. FY24 retail electric revenues increased \$281.5 million, or 8.8%, to \$3.5 billion, primarily due to higher volumes sold driven by higher average temperatures in FY24 compared to FY23. Wholesale revenues decreased \$155.8 million, or 22.3%, to \$543.9 million compared to FY23. FY24 wholesale revenues included fair value gains of \$21.4 million compared to a \$13.8 million fair value gain in FY23. Excluding the fair value adjustments, FY24 wholesale revenues would have been \$522.4 million compared to \$685.8 million in FY23, a decrease of \$163.4 million or 23.8%. The decrease is primarily due to significantly lower average sales prices compared to FY23. The total number of customer accounts was 1,158,912 as of April 30, 2024, a 2.0% increase from the previous year.

Operating expenses were \$3.8 billion for FY24 and \$4.3 billion for FY23, a decrease of \$510.2 million, or 11.8%. The decrease in operating expenses was primarily due to lower market prices for purchased power and natural gas. Fuel used in electric generation includes adjustments for the fair value of certain fuel contracts. Excluding the fair value losses of \$79.1 million and \$427.1 million in FY24 and FY23, respectively, fuel used in electric generation would have decreased \$199.4 million, or 18.0%.

Investment income (loss), net was income of \$174.3 million for FY24 compared to \$30.8 million for FY23. Investment income (loss), net includes fair value gains of \$130.9 and \$13.1 million for FY24 and FY23, respectively.

Net financing costs were \$162.4 million and \$131.9 million in FY24 and FY23, respectively.

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

	2024	2023	2022	2021	2020
SERVICE:					
Total Customers at Year-End.....	1,158,913	1,135,989	1,112,684	1,093,264	1,074,953
Total Sales (million kWh).....	41,608	37,516	38,070	41,339	35,288
Average Revenue per kWh (cents).....	9.92	10.68	9.32	8.37	8.86
Retail Only:					
Sales (millions kWh).....	32,050	31,386	30,327	30,786	28,808
Increase (Decrease) in Sales (%)	2.1%	3.5%	(1.5)%	6.9%	(1.1)%
TOTAL OPERATING REVENUES: ⁽¹⁾⁽⁹⁾⁽¹⁰⁾	<u>\$ 4,129,447</u>	<u>\$ 4,008,510</u>	<u>\$ 3,549,396</u>	<u>\$ 3,461,184</u>	<u>\$ 3,125,587</u>
OPERATING EXPENSES					
Fuel and Purchased Power ⁽²⁾⁽⁹⁾	\$ 1,667,339	\$ 2,241,285	\$ 985,543	\$ 1,087,585	\$ 1,075,916
Operating and Maintenance ⁽³⁾	1,266,693	1,155,902	1,094,534	1,079,740	1,033,551
Sales and Payroll Taxes	51,933	46,720	45,336	43,030	41,896
Ad Valorem Taxes ⁽⁴⁾	3,331	3,331	3,705	3,725	4,467
Total Operating Expenses ⁽⁵⁾	<u>2,989,296</u>	<u>3,447,238</u>	<u>2,129,118</u>	<u>2,214,080</u>	<u>2,155,830</u>
NET OPERATING REVENUES	<u>\$ 1,140,151</u>	<u>\$ 561,272</u>	<u>\$ 1,420,278</u>	<u>\$ 1,247,104</u>	<u>\$ 969,757</u>
VOLUNTARY CONTRIBUTIONS IN LIEU OF TAXES: ⁽⁶⁾					
Expensed.....	\$ 107,613	\$ 112,435	\$ 125,937	\$ 121,221	\$ 124,173
Capitalized	—	—	—	—	—
Total.....	<u>\$ 107,613</u>	<u>\$ 112,435</u>	<u>\$ 125,937</u>	<u>\$ 121,221</u>	<u>\$ 124,173</u>
OTHER STATISTICS:					
Annual Peak (MW):					
System Requirements	8,163	7,620	7,571	7,615	7,250
Total Peak Load ⁽⁷⁾	8,269	7,691	7,669	7,714	7,347
System Load Factor (%) ⁽⁸⁾	46.7%	48.6%	47.0%	47.5%	47.3%
Residential Statistics:					
Annual Average Residential Customers ...	1,037,805	1,016,664	997,470	979,464	964,247
Annual Sales (million kWh)	14,651	14,657	14,022	14,868	13,227
Average Annual Usage (kWh).....	14,118	14,417	14,057	15,180	13,717
Average Sales Price per kWh (cents).....	12.72	11.98	11.64	11.40	11.52

(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.

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, 2024, no single customer represented more than 3.0% 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 — 2024 Customer Accounts, Sales, and Revenues
Fiscal Year Ended April 30, 2024

	Customer Accounts	Total Sales (GWh)	%	Sales Revenue (\$000)	%
Residential	1,046,451	14,652	35.2	\$ 1,871,298	46.3
Commercial and Small Industrial ...	102,188	12,652	30.4	1,270,553	31.4
Large Industrial	30	3,160	7.6	221,824	5.5
Mines	20	1,320	3.2	94,604	2.3
Pumps	154	22	0.1	2,182	0.1
Public/Private Lighting	9,928	159	0.4	32,400	0.8
Interdepartmental	<u>1</u>	<u>85</u>	<u>0.2</u>	<u>9,043</u>	<u>0.2</u>
Subtotal/Retail	1,158,772	32,050	77.1	3,501,904	86.6
Electric Utilities/Wholesale ⁽¹⁾	<u>141</u>	<u>9,558</u>	<u>22.9</u>	<u>543,862</u>	<u>13.4</u>
Total	<u>1,158,913</u>	<u>41,608</u>	<u>100.0</u>	<u>\$ 4,045,766</u>	<u>100.0</u>

⁽¹⁾ 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 1,046,541 customers as of April 30, 2024, this group serves as a solid base, bringing in approximately 46.3% of total electric revenues.

The second largest retail customer classification is the commercial and small industrial group; these customers numbered 102,188 as of April 30, 2024 compared to 99,820 as of April 30, 2023. 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.

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 \$11.5 billion Capital Improvement Program, approximately \$5.5 billion is directed to generating projects. These include funding for such items as plant betterments and future generation facilities. Approximately \$2.6 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 \$762.7 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 changes, 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 2025 through 2030 Capital Improvement Program.

**TABLE 6 — Fiscal Year 2025 through 2030 Capital Improvement Program
(\$000s)**

	<u>2025</u>	<u>2026</u>	<u>2027</u>	<u>2028</u>	<u>2029</u>	<u>2030</u>	<u>Total 2025-30</u>
Electric Construction:							
Generation	\$ 561,371	\$ 590,600	\$ 752,372	\$ 1,055,713	\$ 1,344,453	\$ 1,172,762	\$ 5,477,271
Transmission	198,109	151,671	93,008	147,855	122,721	49,307	762,672
Distribution.....	504,410	439,903	417,041	398,199	396,715	402,150	2,558,418
Customer Systems ...	46,744	65,084	66,134	69,522	70,744	73,618	391,846
Operational Support.	214,873	205,586	177,304	125,020	113,846	93,751	930,381
Subtotal – Electric Construction	1,525,507	1,452,844	1,505,859	1,796,309	2,048,479	1,791,589	10,120,587
Contingency Allowance & Risk Portfolio	73,198	95,341	132,115	124,727	159,386	236,739	821,507
Subtotal.....	1,598,705	1,548,185	1,637,974	1,921,037	2,207,865	2,028,328	10,942,095
Capitalized Administrative and General Expenses ..	49,363	45,643	47,787	58,980	67,616	59,084	328,473
Capitalized Interest..	28,915	32,105	38,619	39,312	45,635	38,540	223,126
Total ⁽¹⁾	\$ 1,676,983	\$ 1,625,934	\$ 1,724,380	\$ 2,019,328	\$ 2,321,116	\$ 2,125,953	\$ 11,493,694

⁽¹⁾ Totals may not add due to rounding.

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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 (“OATT”) 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. On September 9, 2024, the Board voted to approve an annual FPPAM price increase of 3.9%, effective November 1, 2024, which will help the District fully recover its existing under-collected balance in approximately 18 months. At the end of July 2024, the District’s under-collected balance was approximately \$306 million. According to the Department of Energy EIA-861M Report for 12 months ending June 30, 2024, 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 2025 through 2030 totals approximately \$11.5 billion. Of this total, approximately \$10.9 billion is for construction (including contingencies), \$328.5 million is for capitalized administrative and general expenses and \$223.1 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 43% of the Capital Improvement

one year to submit recommendations to EPA as to whether or not each state is attaining the PM2.5 and PM10 standards. Final attainment and nonattainment designations are expected in 2026.

The full significance of air quality standards and emissions reduction initiatives to the District in terms of costs and operational problems is difficult to predict. In addition, the cost of fossil fuel purchased by the District may increase and permit fees may increase significantly, resulting in potentially material increased costs to the District as well as reduced generation. 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.

Solid and Hazardous Waste Management: The District disposes of coal combustion residuals (CCRs,) such as fly ash, bottom ash and flue gas desulfurization sludge at CGS in a dry landfill and a wet surface impoundment. 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 Generating Station, Hayden Generating Station and Springerville Generating Station (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.

On November 12, 2020, the 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 (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.

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. The District submitted its alternate liner demonstration on November 30, 2021. On January 11, 2022, the 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 within 135 days of the date EPA issues the order, or such later date as EPA determines is necessary to address grid reliability.

The District disagrees with EPA's proposed decision and on April 10, 2023, the District submitted to the docket a comprehensive response supporting the District's Part B application. While the District believes it has submitted a robust application and alternate liner demonstration that meets the requirements of the Part B rule, the District cannot predict the effects on its financial condition, net revenues and cash flows at this time.

On May 8, 2024, the EPA promulgated a rule that 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). A CCRMU is any area of land on which any non-containerized accumulation of CCR is received, is placed, or is otherwise managed that is not currently regulated as a new or existing landfill or surface impoundment under the existing CCR regulations. Under the proposed rule, active facilities with CCRMUS containing more than 1,000 tons of CCR must comply with the CCR Rule's groundwater monitoring, corrective action, closure, and post-closure requirements. Prior to 2015, the District beneficially reused CCR material in several areas or applications of NGS. While the District believes EPA's rule is

and partially disapprove ADEQ's SIP. The District is evaluating the proposed rule and cannot predict the effects on its financial condition, net revenues and cash flows at this time.

Ozone National Ambient Air Quality Standards – Pursuant to the Clean Air Act (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. On October 1, 2015, the EPA finalized revisions to the NAAQS and lowered both the primary and secondary ozone standard from the 2008 limit of 75 parts per billion (ppb) down to 70 ppb based on an eight hour average. In September 2018, Arizona submitted its SIP for the 2015 ozone NAAQS to the EPA.

On February 16, 2024, EPA published a proposed supplemental rule partially disapproving Arizona's SIP and expanding an existing federal implementation plan referred to as Good Neighbor Plan to apply to Arizona (Proposed Supplemental Rule). Under the Proposed Supplemental Rule, power plants and other industries in Arizona will be subject to additional emission control requirements, emission monitoring and reporting, and power plants in Arizona will be subject to a NOx emission trading program during ozone season that will occur from May 1 to September 30 each year, beginning in 2025. The trading requirements apply to all fossil generation with nameplate capacity in excess of 25MW. The allocation of emission allowances will decrease over a five-year period by fixed amounts before transitioning to dynamic budgeting. In its current form, the Proposed Supplemental Rule could require the installation of selective catalytic reduction (SCR) on Agua Fria Unit 3, or equivalent emission reductions. The District is in the process of installing SCR on Unit 1 at the Coronado Generating Station. The District submitted extensive comments on the Proposed Supplemental Rule and cannot predict the effects on its financial condition, net revenues and cash flows at this time.

On September 16, 2022, 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. As a result of the moderate 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.

The moderate nonattainment designation also resulted in a requirement for the State of Arizona to modify its SIP to address the required controls necessary to achieve the 2015 standard in accordance with the moderate nonattainment deadlines. On October 18, 2023, EPA published a final action finding that the 11 states, including Arizona, failed to submit SIP revisions to address the required controls necessary to achieve the 2015 70 ppb standard. This action starts an eighteen-month sanction clock requiring emissions offsets equivalent to a two-to-one ratio from new or modified major facilities and a twenty-four-month sanction clock imposing restrictions on federal highway funding. In addition, this final action triggers a two-year deadline for EPA to issue a federal implementation plan (FIP) for each state that does not submit and receive EPA approval for an acceptable SIP revision addressing the outstanding requirements. The sanctions clock can only be stopped if the Phoenix-Mesa nonattainment area demonstrates attainment with the standard, or the State submits and receives approval for an acceptable SIP revision addressing the outstanding requirements. The District cannot predict the effects on its financial condition, net revenues and cash flows at this time.

PM_{2.5} National Ambient Air Quality Standards – On January 6, 2023, EPA announced a proposed decision to revise the primary annual PM_{2.5} standard from its current level of 12.0 ug/m³ to within the range of 9.0 to 10.0 ug/m³. EPA is not proposing to change the secondary annual PM_{2.5} standard, the primary and secondary 24-hour PM_{2.5} standards, or primary and secondary PM₁₀ standards. EPA issued a final rule on February 7, 2024, that sets the primary annual NAAQS for PM_{2.5} at 9 ug/m³. This change to the primary annual PM_{2.5} standard could result in additional areas within Arizona being designated as nonattainment with this standard. The District cannot predict the impact of a revised primary annual PM_{2.5} standard on its operations, financial condition, net revenues and cash flows at this time. The State of Arizona has

Combined Balance Sheets. As of April 30, 2024 and 2023, SRP had accrued liabilities of \$26.9 million and \$29.0 million, respectively, for environmental matters. The following topics highlight some of the major environmental compliance issues affecting SRP.

Superfund: The United States and the State of Arizona have superfund programs to govern cleanup of groundwater contamination. Nineteen state superfund sites and six federal superfund sites targeting contamination are active within the Greater Phoenix metropolitan area. SRP 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 and one state superfund site. While SRP is unable at this time to predict the outcome of these superfund matters, it has recorded estimated liabilities to cover expected liabilities related to these issues.

Air quality: Compliance with air quality regulations designed to reduce emissions from fossil fuel power plants will increase the cost of, and add to the difficulty of, siting, constructing and operating electric generating units (EGUs). As a result of legislative and regulatory initiatives, the District has reduced emissions of mercury and other pollutants at its coal-fired power plants. 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 renewable energy and restricting greenhouse gas emissions.

EPA Carbon Regulations for Electric Generating Units – On May 9, 2024, EPA published a final rule (Section 111 GHG Rule) regulating greenhouse gases (GHGs) from EGUs. The Section 111 GHG Rule sets forth New Source Performance Standards (NSPS) for new, modified, and reconstructed stationary combustion turbine EGUs and emissions guidelines for existing coal- and oil/gas-fired steam generating EGUs. The rule establishes distinct “best systems of emission reduction” (BSER) and standards of performance for affected units using defined subcategories. The standards for each subcategory are based on developing and established technologies, including carbon capture and sequestration (CCS) and natural gas co-firing. For some subcategories, BSER is implemented in phases to accommodate anticipated availability of developing control technologies.

Several petitions for review of the Section 111 GHG Rule were filed in the D.C. Circuit Court and have been consolidated into *West Virginia v. EPA*, Case No. 24-1120. Various motions to stay the Section 111 GHG Rule have also been filed. The District cannot predict the effects of this matter on its financial condition, net revenues, and cash flows at this time.

Mercury and Air Toxics Standards – On May 7, 2024, EPA published a final rule establishing new emission standards for hazardous air pollutants (HAPs) from coal- and oil-fired EGUs (May 2024 Rule). For coal-fired EGUs, the May 2024 Rule lowered the emission limit for filterable particulate matter (fPM,) which serves as a surrogate for non-mercury HAP metals, from the current 0.030 lbs/MMBtu to 0.010 lbs/MMBtu. The May 2024 Rule requires continuous emissions monitoring systems (CEMS) to demonstrate compliance with the fPM standard with an averaging period of 30 operating days. Affected EGUs have to comply with the revised standards by July 8, 2027. The District cannot predict the effects of this matter on its financial condition, net revenues, and cash flows at this time.

Regional Haze – Provisions of EPA’s Regional Haze Rule require emissions controls known as Best Available Retrofit Technology (BART) for 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. The Arizona Department of Environmental Quality (ADEQ) conducted an initial analysis of Coronado Generating Station and Springerville Unit 4 as part of the State Implementation Plan (SIP) development process. The ADEQ has issued preliminary determinations that additional controls are not warranted for either facility. On August 15, 2022, the ADEQ submitted its SIP revision to EPA. On May 31, 2024, the EPA published a proposed rule to partially approve

District's total potential commitment under this agreement is 72,010,000 MMBtu of natural gas or 7,018,383 MWh of electricity.

For all three commodity purchase transactions with SEA, the expense for the commodity delivered, net of discount, is recognized in total operating expenses in the Combined Statement of Net Revenues.

Nuclear Matters

Nuclear Insurance: Under existing law, public liability claims arising from a single nuclear incident are limited to \$13.6 billion. PVNGS participants insure for this potential liability through commercial insurance carriers to the maximum amount available, \$450.0 million, with the balance covered by an industrywide retrospective assessment program as required by the Price-Anderson Act. The maximum assessment per reactor per nuclear incident under the retrospective program is \$137.6 million, including a 5% surcharge applicable in certain circumstances. Based on the District's ownership share of PVNGS, the maximum potential assessment would be \$83.1 million, including the 5% surcharge.

PVNGS participants also maintain "all risk," including nuclear hazards, insurance for property damage to, and decontamination of, property at PVNGS in the aggregate amount of \$2.8 billion. The District also secured insurance against portions of any increased cost of generation or purchased power and any business interruption resulting from a sudden and unforeseen accidental outage of any of the three units. The insurance coverage discussed in this and the previous paragraph is subject to certain policy conditions and exclusions.

Spent Nuclear Fuel: 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 for the construction of a site for the storage of spent nuclear fuel. However, to date, for various reasons, the DOE has not constructed a storage site. Accordingly, Arizona Public Service Company, 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 future spent fuel during the period of extended operation, ending in December 2047. 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. SRP did not receive a payment for fiscal year 2024 and received \$2.5 million for fiscal year 2023. 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 District's share of on-site interim storage at PVNGS is recovered through the District's base prices as a component of the system benefits charge. As of April 30, 2023, the District's accrued spent fuel storage cost was \$24.6 million and is included in deferred credits and other non-current liabilities on the accompanying Combined Balance Sheets. In November 2023, the updated decommissioning cost study for PVNGS identified spent fuel storage costs to be part of the District's asset retirement obligations for PVNGS. As of April 30, 2024, the District's accrued spent fuel storage cost is included in asset retirement obligations on the accompanying Combined Balance Sheets.

Environmental Matters

SRP is subject to numerous legislative, administrative and regulatory requirements at the federal, state and local levels, as well as lawsuits relative to air quality, water quality, hazardous waste disposal and other environmental matters. Contingent losses and environmental liabilities are recorded when it is probable a loss has occurred and the amount of the loss can be reasonably estimated. When a range of the probable loss exists and no amount within the range is a better estimate than any other amount, SRP records a loss contingency at the minimum amount in the range, which is included in deferred credits and other non-current liabilities on the accompanying

payment from SVFC to the District of certain excess cash resulting from a portion of SVFC's investment income, which effectively reduces the price the District pays for the gas. The excess cash amounts received by the District from SVFC were \$3.2 million and \$3.0 million in fiscal years 2024 and 2023, respectively. SVFC is a related party to the District.

Commodity Purchase Agreement

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 MMBtu 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 natural gas or 12,254,393 MWh of electricity.

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 MMBtu 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 90,020,000 MMBtu of natural gas or 10,851,011 MWh of electricity.

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 MMBtu of natural gas each year) began in July 2023 and will end in May 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 to terminate the agreement or 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 is obligated to pay only for actual energy delivered and will have no obligation with respect to any facilities that do not start commercial operations. Some of these agreements include a price adjustment clause that will affect the future cost. While certain of these agreements provide a minimum production or performance guarantee, the District considers all production-based payments from renewable fuel source facilities to be contingent on future production of the facility. Therefore, even though certain of these agreements may be considered finance leases, SRP has not recorded a finance lease obligation for guaranteed minimum lease payments due to the contingent nature of such payments. The District has concluded that it is not the primary beneficiary of these VIEs since it does not control operations and maintenance, which it believes are the primary activities that most significantly affect the economic activities of the entity.

The District is a part owner of a limited liability company (LLC) formed during fiscal year 2010 to market long-term water storage credits. The District did not make capital contributions nor receive capital distributions in fiscal years 2024 and 2023. The District's investment in the LLC was \$7.2 million and \$6.1 million as of April 30, 2024 and 2023, respectively. The District accounts for its investment in the LLC as an equity method investment within non-utility property and other investments in the accompanying Combined Balance Sheets. The District has a future maximum exposure up to a \$25.0 million contribution limit. The primary risks associated with this VIE relate to the marketing of the water storage credits. The District has concluded that it is not the primary beneficiary of this VIE since it does not have power to direct the activities related to the marketing of the long-term water storage credits, which it believes are the primary activities that most significantly affect the economic activities of the entity.

(15) COMMITMENTS AND CONTINGENCIES:

Purchased Power and Fuel Supply

The District had various firm, non-cancelable purchase commitments as of April 30, 2024, which are not recognized in the accompanying Combined Balance Sheets. The following table presents estimated future payments pertaining to firm purchase commitments with remaining terms greater than one year (in thousands):

	Purchased Power Contracts	Fuel Supply Contracts	Total
2025	\$ 30,994	\$ 251,769	\$ 282,763
2026	31,218	188,748	219,966
2027	31,478	89,916	121,394
2028	31,828	70,851	102,679
2029	32,013	55,273	87,286
Thereafter	241,373	100,211	341,584

In addition to the commitments in the table above, the District has long-term commodity purchase agreements described below.

Gas Purchase Agreement

In October 2007, the District entered into a 30-year gas purchase agreement with Salt Verde Financial Corporation (SVFC), an Arizona nonprofit corporation formed for the primary purpose of supplying natural gas to the District. Under the agreement, the District is committed to purchase 10,420,000 MMBtu each year during fiscal years 2025 through 2029, and 93,780,000 MMBtu over the balance of the term. The District receives a discount from market prices and is obligated to pay only for gas delivered. Payments, net of the discount, to SVFC under the agreement were \$20.8 million and \$70.1 million in fiscal years 2024 and 2023, respectively. The agreement also provides for

In January 2024, the District completed the purchase of capacity and acquired additional ownership interest in PVNGS, which was owned by certain lessors and leased to Public Service Company of New Mexico (PNM). The District also acquired additional transmission capacity from PNM. The purchase of the additional interest in PVNGS increased the District's ownership share of PVNGS to approximately 20%. The District paid \$1.8 million, \$17.7 million and \$46.9 million during fiscal year 2024, 2023 and 2022, respectively, for the purchase of plant capacity and transmission assets of PVNGS. As a part of the purchase transaction, the District prepaid \$46.9 million in fiscal year 2022. The prepayment was recognized in Utility Plant in fiscal year 2024 when the purchase was completed and is considered a non-cash investing activity.

The following table reflects the District's investment in jointly owned transmission facilities as of April 30, 2024 (in thousands):

Transmission Facility	Plant In Service	Accumulated Depreciation	Construction Work in Progress
Mead Phoenix	\$ 54,059	\$ (25,077)	\$ 83
Southwest Valley	97,591	(29,227)	4,844
Southeast Valley	303,396	(75,413)	1,153
Morgan-Pinnacle Peak	73,008	(18,857)	-
Southern Transmission	61,880	(41,956)	794
Mesquite	17,553	(7,010)	393
ANPP	98,308	(37,737)	4,078
Kyrene-Knox	12,443	(2,330)	2
Total	\$ 718,238	\$ (237,607)	\$ 11,347

The District's ownership interests in the jointly owned transmission facilities vary by facility and for the various projects within each facility.

(14) VARIABLE INTEREST ENTITIES:

SRP follows guidance that defines a variable interest entity (VIE) as a legal entity whose equity owners do not have sufficient equity at risk or lack certain characteristics of a controlling financial interest in the entity. This guidance identifies the primary beneficiary as the variable interest holder that has the power to direct the activities that most significantly affect the VIE's economic performance (power criterion) and has the obligation to absorb losses or the right to receive benefits from the VIE (losses/benefits criterion). The primary beneficiary is required to consolidate the VIE unless specific exceptions or exclusions are met. SRP considers both qualitative and quantitative factors to form a conclusion whether it, or another interest holder, meets the power criterion and the losses/benefits criterion. SRP performs ongoing reassessments of its VIEs to determine if the primary beneficiary changes each reporting period.

Unconsolidated VIEs

While SRP is not required to consolidate any VIE as of April 30, 2024 or 2023, it held variable interests in certain VIEs as described below.

The District has entered into various long-term power purchase agreements with renewable energy generation facilities that extend for periods of 20 to 30 years. The District receives the power and renewable energy credits from these facilities. The capacity of all these facilities combined is approximately 298 MW. The amounts that the District paid to these projects were \$119.0 million and \$125.1 million for fiscal years 2024 and 2023, respectively. With the exception of projects for which the District is obligated to pay operating and maintenance expenses, the

Employee Performance Incentive Compensation Program

The EPIC program, a cash-based incentive program, covers substantially all regular employees and is based on the achievement of pre-established targets for each fiscal year. The total compensation expense, including payroll taxes, recognized for the EPIC program for fiscal years ended April 30, 2024 and 2023 was \$29.8 million and \$33.0 million, respectively.

Employee Sick Leave Plan

The SRP Employee Sick Leave Plan provides payment to employees for unused sick leave. Employees accumulate sick days at a rate of one day per month. The accumulation, up to the personal maximum, can be carried forward year after year. For most employees, the personal maximum is 720 hours. For sick leave hours accumulated in excess of the personal maximum, a lump sum payment at half pay is made annually in January of each year based on the hourly rate at time of payment, and the accumulated sick leave is then returned to the personal maximum. Upon death or retirement, payment is made for any unused sick leave hours. The payments for death or retirement are based on the hourly rate of pay at death or retirement. SRP has an accrual for unpaid sick leave of approximately \$59.2 million and \$59.8 million as of April 30, 2024 and 2023, respectively. The accrual is recorded in other current liabilities and other deferred credits and noncurrent liabilities on the Combined Balance Sheets. The accrual is determined actuarially based on various assumptions, including future pay raises, discount rate and the amount of the accrual that will ultimately be paid out.

(13) INTERESTS IN JOINTLY OWNED ELECTRIC UTILITY PLANTS AND TRANSMISSION FACILITIES:

The District has entered into various agreements with other electric utilities for the joint ownership of electric generating and transmission facilities. Each participating owner in these facilities must provide for the cost of its ownership share. The District's share of expenses of the jointly owned plants and transmission facilities is included in operations and maintenance expense in the accompanying Combined Statements of Net Revenues.

The following table reflects the District's ownership interests in jointly owned facilities at electric utility plants as of April 30, 2024 (in thousands):

Generating Station	Ownership Share	Plant in Service	Accumulated Depreciation	Construction Work in Progress
Four Corners (NM) (Units 4 & 5)	10.00%	\$ 296,463	\$ (221,867)	\$ 4,947
Hayden (CO) (Unit 2)	50.00%	195,523	(179,298)	1,178
Craig (CO) (Units 1 & 2)	29.00%	371,240	(348,317)	1,157
Mesquite Common (AZ)	50.00%	86,815	(39,675)	110
PVNGS (AZ) (Units 1, 2 & 3)	17.49%-25.42%	1,803,167	(1,205,346)	33,785
Springerville Common (AZ)	17.05%-50.00%	46,833	(11,543)	951
Gila River Common (AZ)	50.00%	50,730	(27,858)	656
Total		\$ 2,850,771	\$ (2,033,904)	\$ 42,784

In February 2017, the non-federal owners of NGS decided to discontinue their participation in the plant beyond the end of the then existing lease with the Navajo Nation for the land on which the plant was constructed. In December 2019, the lease ended and decommissioning activities, including required monitoring activities, began and will continue for thirty-four years. The District holds a 23.2% decommissioning participation rate; consequently, the District owns 23.2% of the monitoring assets and their infrastructure which will remain at NGS and will be depreciated over their remaining life.

deriving such prices. Additionally, SRP selectively corroborates the fair values of securities by comparison to other market-based price sources. The fair values of fixed-income securities are based on evaluated prices that reflect observable market information, such as actual trade information of similar securities, adjusted for observable differences, and are categorized as Level 2.

Common stocks: The fair values of shares in preferred and common corporate stocks are based on inputs that are quoted prices in active markets for identical assets and, therefore, have been categorized as Level 1 in the fair value hierarchy. Equity securities held individually are primarily traded on exchanges that contain only actively traded securities due to the volume trading requirements imposed by these exchanges.

Real estate: Real estate commingled funds are funds with a direct investment in a pool of real estate properties. These funds are valued by investment managers on a periodic basis using pricing models that use independent appraisals from sources with professional qualifications. The valuations of the real estate funds are sensitive to market factors outside the control of the Plan, including interest rate levels and economic activity. The valuations, although done quarterly by independent qualified appraisers, may vary due to these factors.

For an explanation of the valuation methodologies used to determine fair value of the assets of the Plan that are not listed above, refer to Note [8], FAIR VALUE MEASUREMENTS.

Long-term Rate of Return

The expected return on Plan assets is based on a review of the Plan asset allocations and consultations with a third-party investment consultant and the Plan actuary, considering market and economic indicators, historical market returns, correlations and volatility, and recent professional or academic research.

Employer Contributions

SRP expects to contribute \$75.0 million to the Plan over the next fiscal year.

Benefits Payments

SRP expects to pay benefits in the amounts as follows in fiscal years ending April 30 (in thousands):

	Post-retirement Benefits		
	Pension Benefits	Before Subsidy*	Net
2025	\$ 142,491	\$ 33,790	\$ 33,283
2026	146,790	35,172	34,649
2027	150,690	36,568	36,034
2028	154,467	37,861	37,319
2029	158,121	39,028	38,479
2030 through 2034	842,792	214,952	212,205

*Estimated future benefit payments, including prescription drug benefits, prior to federal drug subsidy receipts expected as a result of the Medicare Prescription Drug, Improvement and Modernization Act of 2003.

Defined Contribution Plan

SRP's Employees' 401(k) Plan (the 401(k) Plan) covers substantially all employees. The 401(k) Plan receives employee pre-tax and post-tax contributions and partial employer matching contributions. Employees who are contributing to the 401(k) Plan are eligible to receive partial employer matching contributions of \$0.90 on every dollar contributed up to the first 6% of their base pay that they contribute to the 401(k) Plan. Employer matching contributions to the 401(k) Plan were \$29.0 million and \$25.4 million during fiscal years ended April 30, 2024 and 2023, respectively.

The Plan's weighted-average asset allocations as of April 30 are as follows:

	Target Allocations	2024	2023
Equity securities	60%	62%	63%
Debt securities	30%	29%	26%
Real estate	10%	9%	11%
Total	100%	100%	100%

The investment policy, as authorized by the Board, allows management to reallocate Plan assets at any time within a tolerance range up to plus or minus 5% from the target asset allocation which allows for flexibility in managing the assets based on prevailing market conditions and does not require automatic rebalancing if the actual allocation strays from the target allocation.

Fair Value of Plan Assets

Assets measured at fair value using NAV are not categorized in the fair value hierarchy. These assets are listed in the column "Other" in the following tables to permit reconciliation to amounts presented elsewhere.

The following table sets forth the fair value of Plan assets, by asset category, as of April 30, 2024 (in thousands):

	Level 1	Level 2	Other	Total
Cash and cash equivalents	\$ 6,598	\$ -	\$ -	\$ 6,598
Mutual funds	147,543	-	-	147,543
Government securities	-	95,068	-	95,068
Corporate bonds	-	692,344	-	692,344
Common stocks	97,795	-	-	97,795
Commingled funds	-	-	1,458,621	1,458,621
Real estate	-	-	256,362	256,362
Total assets	<u>\$ 251,936</u>	<u>\$ 787,412</u>	<u>\$ 1,714,983</u>	<u>\$ 2,754,331</u>

The following table sets forth the fair value of Plan assets, by asset category, as of April 30, 2023 (in thousands):

	Level 1	Level 2	Other	Total
Cash and cash equivalents	\$ 29,680	\$ -	\$ -	\$ 29,680
Mutual funds	120,179	-	-	120,179
Government securities	-	103,421	-	103,421
Corporate bonds	-	572,458	-	572,458
Common stocks	81,449	-	-	81,449
Commingled funds	-	-	1,427,533	1,427,533
Real estate	-	-	288,929	288,929
Total assets	<u>\$ 231,308</u>	<u>\$ 675,879</u>	<u>\$ 1,716,462</u>	<u>\$ 2,623,649</u>

For a description of the fair value hierarchy, refer to Note [8], FAIR VALUE MEASUREMENTS.

Valuation Methodologies

Corporate bonds: For fixed-income securities, multiple prices and price types are obtained from pricing vendors whenever possible, which enables cross-provider validations in addition to checks for unusual daily movements. A primary price source is identified based on asset type, class or issue for each security. SRP has obtained an understanding of how these prices are derived, including the nature and observability of the inputs used in

Weighted-average assumptions used to calculate net periodic benefit costs were as follows:

	Pension Benefits		Post-retirement Benefits	
	2024	2023	2024	2023
Discount rate	5.13%	4.50%	5.13%	4.50%
Expected return on Plan assets	7.75%	7.75%	N/A	N/A
Rate of compensation increase	4.55%	4.70%	N/A	N/A

A 6.75% annual increase in per capita costs of healthcare benefits was assumed during fiscal year 2024; these rates were assumed to decrease uniformly until equaling 4.75% in all future years.

The components of net periodic benefit costs for the fiscal years ended April 30 are as follows (in thousands):

	Pension Benefits		Post-retirement Benefits	
	2024	2023	2024	2023
Service cost	\$ 68,047	\$ 77,316	\$ 19,136	\$ 19,603
Interest cost	132,178	122,242	36,316	33,214
Expected return on Plan assets	(215,200)	(207,980)	-	-
Amortization of net actuarial loss	136	15,446	182	519
Amortization of prior service cost	4,682	2,068	68	68
Net periodic benefit cost	\$ (10,157)	\$ 9,092	\$ 55,702	\$ 53,404

Plan Assets

The Board has established an investment policy for Plan assets and has delegated oversight of such assets to a compensation committee (the Committee). The investment policy sets forth the objective of providing for future pension benefits by targeting returns consistent with a stated tolerance of risk. The investment policy is based on analysis of the characteristics of the Plan sponsors, actuarial factors, current Plan condition, liquidity needs and legal requirements. The primary investment strategies are diversification of assets, stated asset allocation targets and ranges, and external management of Plan assets. The Committee determines the overall target asset allocation ratio for the Plan and defines the target asset allocation ratio deemed most appropriate for the needs of the Plan and the risk tolerance of the District.

The market value of investments (reflecting returns, contributions and benefit payments) within the Plan trust appreciated 7.54% during fiscal year 2024, compared to appreciation of 0.93% during fiscal year 2023. Changes in the Plan's funded status affect the assets and liabilities recorded on the Combined Balance Sheets in accordance with authoritative guidance for regulated enterprises. Due to the District's regulatory treatment, the recognition of funded status is offset by regulatory assets or liabilities and is recovered through customer rates. There have been numerous legislative changes in recent years that have affected funding requirements. The Moving Ahead for Progress in the 21st Century Act (MAP-21), the Highway and Transportation Funding Act of 2014 (HAFTA), the Bipartisan Budget Act of 2015 (BBA15), the American Rescue Plan Act of 2021 (ARPA), and the Infrastructure Investment and Jobs Act (IIJA) were signed into law at the end of 2021. All of these acts have decreased the level of minimum required contributions.

The following tables outline changes in benefit obligations, plan assets, the funded status of the plans and amounts included in the accompanying Combined Financial Statements, as of and for the years ended April 30 (in thousands):

	Pension Benefits		Post-retirement Benefits	
	2024	2023	2024	2023
Change in benefit obligation				
Benefit obligation at beginning of year	\$ 2,645,635	\$ 2,781,007	\$ 725,032	\$ 755,302
Service cost	68,047	77,316	19,136	19,603
Interest cost	132,178	122,242	36,316	33,214
Actuarial gain	(217,390)	(240,364)	(73,236)	(48,750)
Benefits paid	(138,294)	(129,562)	(33,241)	(34,337)
Plan amendment (COLA)	-	34,996	-	-
Benefit obligation at end of year	2,490,176	2,645,635	674,007	725,032
Change in plan assets				
Fair value of plan assets at beginning of year	2,623,649	2,653,952	-	-
Actual return on plan assets	193,976	24,259	-	-
Employer contributions	75,000	75,000	33,241	34,337
Benefits paid	(138,294)	(129,562)	(33,241)	(34,337)
Fair value of plan assets at end of year	2,754,331	2,623,649	-	-
Funded status at end of year	\$ 264,155	\$ (21,986)	\$ (674,007)	\$ (725,032)
Amounts recognized in Combined Balance Sheets				
Accumulated post-retirement asset	\$ 264,155	\$ -	\$ -	\$ -
Other current liabilities	-	-	(32,846)	(33,382)
Accrued post-retirement liability	-	(21,986)	(641,161)	(691,650)
Net asset (liability) recognized	\$ 264,155	\$ (21,986)	\$ (674,007)	\$ (725,032)
Amounts recognized as a regulatory asset				
Prior service cost	\$ 48,404	\$ 53,086	\$ 244	\$ 312
Net actuarial loss (gain)	297,873	494,175	(127,959)	(54,541)
Net regulatory asset (liability)	\$ 346,277	\$ 547,261	\$ (127,715)	\$ (54,229)

Actuarial gains related to changes in the benefit obligation during the year ended April 30, 2024 were \$217.4 million and \$73.2 million for pension benefits and post-retirement benefits, respectively, primarily due to a change in the discount rate from 5.13% in fiscal year 2023 to 5.83% in fiscal year 2024.

Actuarial gains related to changes in the benefit obligation during the year ended April 30, 2023 were \$240.4 million and \$48.8 million for pension benefits and post-retirement benefits, respectively, primarily due to a change in the discount rate from 4.50% in fiscal year 2022 to 5.13% in fiscal year 2023.

The accumulated benefit obligation for pension benefits was \$2.2 billion and \$2.4 billion as of April 30, 2024 and 2023, respectively.

SRP internally funds its other post-retirement benefits obligation. As of April 30, 2024 and 2023, \$1.2 billion and \$1.1 billion of segregated funds, respectively, were designated for this purpose.

The weighted-average assumptions used to calculate actuarial present values of benefit obligations as of April 30 were as follows:

	Pension Benefits		Post-retirement Benefits	
	2024	2023	2024	2023
Discount rate	5.83%	5.13%	5.83%	5.13%
Rate of compensation increase	4.55%	4.70%	N/A	N/A

The undiscounted cash flows to be received from lease payments in fiscal years ending April 30 are summarized below (in thousands):

2025	\$	7,932
2026		7,758
2027		7,676
2028		7,659
2029		7,620
Thereafter		<u>836,560</u>
Total	\$	<u>875,205</u>

(12) EMPLOYEE BENEFIT PLANS AND INCENTIVE PROGRAMS:

Defined Benefit Pension Plan and Other Post-retirement Benefits

SRP's Employees' Retirement Plan (the Plan) covers substantially all employees. The Plan is funded entirely from SRP contributions and the income earned on invested Plan assets. SRP contributed \$75.0 million in each fiscal year ended April 30, 2024 and 2023.

SRP provides a non-contributory defined benefit medical plan for retired employees and their eligible dependents (contributory for employees hired January 1, 2000, or later) and a non-contributory defined benefit life insurance plan for retired employees. Employees are eligible for coverage if they retire at age 65 or older with at least five years of vested service under the Plan (ten years for those hired January 1, 2000, or later), or at any time after attainment of age 55 with a minimum of ten years of vested service under the Plan (twenty years for those hired January 1, 2000, or later). The funding policy is discretionary.

U.S. GAAP requires employers to recognize the overfunded or underfunded positions of defined benefit pension and other post-retirement plans in their balance sheets. Any actuarial gains and losses, prior service costs and transition assets or obligations must be recorded on the balance sheet with an offset to accumulated other comprehensive income until the amounts are amortized as a component of net periodic benefit costs.

The Board has authorized the District to collect future amounts associated with the pension and other post-retirement plan liabilities as part of the pricing process. The District established a regulatory asset for the amounts otherwise chargeable to accumulated other comprehensive income that are expected to be recovered through prices in future periods. The changes in actuarial gains and losses, prior service costs and transition assets or obligations pertaining to the regulatory asset are recognized as an adjustment to the regulatory asset or liability accounts, as these amounts are recognized as components of net periodic pension costs each fiscal year. The District's amortization amounts for fiscal year 2024 were \$4.8 million for prior service cost and \$0.3 million for net actuarial loss. The District's amortization amounts for fiscal year 2023 were \$2.1 million for prior service cost and \$16.0 million for net actuarial loss.

The following table provides information related to SRP's lease costs for the fiscal year ended April 30, 2023 (in thousands):

	PPA Leases	Other Leases	Total
Operating lease cost	\$ -	\$ 9,393	\$ 9,393
Variable lease cost	143,234	-	143,234
Short-term lease cost	-	597	597
Total	<u>\$ 143,234</u>	<u>\$ 9,990</u>	<u>\$ 153,224</u>

Lease costs related to PPA Leases are recorded in power purchased in the Combined Statements of Net Revenues. Lease costs for other leases are included as a component of operating expenses in the accompanying Combined Statements of Net Revenues. Variable lease costs are recognized in the period the costs are incurred and primarily relate to renewable energy PPA Leases. Payments under most renewable energy PPA Leases are dependent upon environmental factors, and due to the inherent uncertainty associated with the reliability of the energy source, the payments are considered variable and are excluded from the measurement of lease liabilities and right-of-use lease assets.

The following maturity analysis reconciles expected undiscounted cash flows in years ending April 30 to the operating lease liability as of April 30, 2024 (in thousands):

2025	\$ 7,399
2026	7,419
2027	7,439
2028	7,461
2029	7,483
Thereafter	<u>27,889</u>
Total lease commitments	65,090
Less: interest	<u>(5,528)</u>
Total	<u>\$ 59,562</u>

The following table provides additional information related to operating lease liabilities, as of April 30:

	2024	2023
Weighted-average remaining lease term	11 years	12 years
Weighted-average discount rate*	1.87%	1.83%
Cash paid for leasing arrangements (operating cash flow), in millions	\$7.2	\$7.1

*When an implicit rate is not readily determinable, an Incremental borrowing rate is utilized, determining the present value of lease payments. The rate is based on expected term and information available at the commencement date.

Lessor

SRP leases land and other assets to third parties that are classified as operating leases. These leases have varying terms, provisions, expiration dates and term extension options. Remaining lease terms range from 1 to 91 years. Lease income is reported in other income in the accompanying Combined Statements of Net Revenues. During the fiscal years ended April 30, 2024 and 2023, lease income was \$7.8 million and \$8.5 million, respectively.

On May 24, 2024, the revolving credit agreement with U.S. Bank National Association was extended, resulting in a new maturity date of June 27, 2025.

(11) LEASES:

SRP leases land, buildings, equipment and other property to facilitate operations of generating stations through operating rental agreements with varying terms, provisions and expiration dates. SRP also has certain power purchase agreements that qualify as lease arrangements (PPA Leases). SRP's leases have remaining terms that expire in 2024 through 2045.

Lessee

SRP enters into various agreements to purchase power, electric capacity and other energy products that may be accounted for as a lease when SRP has the right to determine when and how the generating unit operates or is designed. SRP may elect to terminate certain leases if the projects are decommissioned or otherwise permanently removed from service. SRP's lease agreements do not contain any material residual value guarantees or restrictive covenants.

SRP recognizes lease assets and liabilities upon lease commencement. The following table provides information related to the classification of lease balances on the Combined Balance Sheets as of April 30 (in thousands):

	<u>2024</u>	<u>2023</u>
Assets		
Other deferred charges and other assets		
Operating lease right-of-use assets	\$ 82,653	\$ 89,153
Total lease assets	<u>\$ 82,653</u>	<u>\$ 89,153</u>
Liabilities		
Other current liabilities		
Short-term operating lease liabilities	\$ 7,149	\$ 7,031
Other deferred credits and other non-current liabilities		
Long-term operating lease liabilities	52,413	56,602
Total lease liabilities	<u>\$ 59,562</u>	<u>\$ 63,633</u>

The following table provides information related to SRP's lease costs for the fiscal year ended April 30, 2024 (in thousands):

	<u>PPA Leases</u>	<u>Other Leases</u>	<u>Total</u>
Operating lease cost	\$ -	\$ 9,634	\$ 9,634
Variable lease cost	164,045	-	164,045
Short-term lease cost	-	341	341
Total	<u>\$ 164,045</u>	<u>\$ 9,975</u>	<u>\$ 174,020</u>

In April 2022, the District entered into a forward delivery contract to issue \$277.9 million of Series A Electric System Revenue Bonds in March 2025. The proceeds of the bonds will be used to refund \$300.0 million of 2015 Series A Bonds outstanding in March 2025. The transaction will be reflected in the Combined Financial Statements for the fiscal year ending April 30, 2025.

In February 2023, the District issued \$500.0 million of 2023 Series A Electric System Revenue Bonds at an average effective interest rate of 4.2%. The proceeds of the bonds were used to pay costs of issuance and to fund capital improvements of the District.

In November 2023, the District issued \$650.0 million of 2023 Series B Electric System Revenue Bonds at an average effective interest rate of 4.8%. The proceeds of the bonds were used to pay costs of issuance and to fund capital improvements of the District.

Interest, Build America Bonds subsidy payments, and the amortization of bond discount, premium and issuance costs on the various issues result in an effective rate of 3.8% over the remaining term of the bonds.

As of April 30, 2024, the District had authorization to issue additional Electric System Revenue Bonds totaling \$1.2 billion in principal amount and Electric System Refunding Revenue Bonds totaling \$5.1 billion in principal amount.

(10) COMMERCIAL PAPER AND CREDIT AGREEMENTS:

The District is authorized by the Board to issue up to \$800.0 million in commercial paper. The District had \$50.0 million of Series C Commercial Paper outstanding as of April 30, 2024 and 2023, and an additional \$275.0 million of Series D-1 Commercial Paper outstanding as of April 30, 2024 and 2023. As of April 30, 2024 and 2023, the Series C issue had a weighted average interest rate to the District of 3.54% and 3.15%, respectively. As of April 30, 2024 and 2023, the Series D-1 issue had a weighted average interest rate to the District of 5.37% and 4.94%, respectively. The commercial paper matures not more than 270 days from the date of issuance and is an unsecured obligation of the District.

As of April 30, 2024, the District has four revolving line-of-credit agreements (in thousands):

Credit Institution	Credit Amount	Expiration
U.S. Bank National Association	\$ 200,000	June 28, 2024
Bank of America, N.A.	250,000	December 9, 2025
J.P. Morgan Chase Bank, National Association	175,000	June 29, 2026
TD Bank, N.A.	175,000	July 14, 2026

The revolving line-of-credit agreements support the \$325.0 million of outstanding commercial paper as of April 30, 2024. Commercial paper is classified as long-term debt in the accompanying Combined Balance Sheets.

The revolving line-of-credit agreements contain various conditions precedent to borrowings that include, but are not limited to, compliance with the covenants set forth in the agreements, the continued accuracy of representations and warranties, no existence of default, and maintenance of certain investment grade ratings on the District's revenue bonds. The District was in compliance with the various covenants as of April 30, 2024 and 2023. Alternative sources of funds to support the commercial paper program include existing funds on hand or the issuance of alternative debt, such as revenue bonds.

The remaining unallocated \$475.0 million in credit available under the four lines of credit as of April 30, 2024 may be used to support the issuance of additional commercial paper or for other general corporate purposes.

(9) LONG-TERM DEBT:

Long-term debt consists of the following as of April 30 (in thousands):

	<u>Maturity</u>	<u>Interest Rate</u>	<u>2024</u>	<u>2023</u>
Revenue bonds				
2010 Series A	2040 – 2041	4.84%	\$ 490,915	\$ 490,915
2015 Series A	2026 – 2045	3.00%-5.00%	867,285	867,285
2016 Series A	2025 – 2038	4.00%-5.00%	626,280	652,960
2017 Series A	2025 – 2039	5.00%	623,555	657,415
2019 Series A	2025 – 2049	3.00%-5.00%	430,875	438,745
2020 Series A	2025 – 2048	2.38%-5.00%	177,330	177,330
2020 Series B	2048 – 2050	2.57%	100,000	100,000
2021 Series A	2025 – 2029	5.00%	205,875	251,395
2022 Series A	2030 – 2032	5.00%	193,065	193,065
2023 Series A	2029 – 2050	5.00%	500,000	500,000
2023 Series B	2043 – 2053	5.00%-5.25%	650,000	-
Total revenue bonds			4,865,180	4,329,110
Unamortized bond premium (discount), net			409,969	419,979
Unamortized debt issuance costs			(10,428)	(9,259)
Total revenue bonds outstanding			5,264,721	4,739,830
Commercial paper			325,000	325,000
Total long-term debt and short-term debt			5,589,721	5,064,830
Less: Current portion of long-term debt			(118,780)	(113,930)
Total long-term debt			\$ 5,470,941	\$ 4,950,900

The annual maturities of revenue bonds as of April 30, 2024, due in fiscal years ending April 30, are as follows (in thousands):

2025	\$ 118,780
2026	126,415
2027	129,205
2028	142,690
2029	142,260
Thereafter	4,205,830
Total	\$ 4,865,180

Revenue Bonds

Revenue bonds are secured by a pledge of, and a lien on, the revenues of the electric system, after deducting operating expenses, as defined in the amended and restated bond resolution, effective in January 2003, as amended (Bond Resolution). The Bond Resolution requires the District to charge and collect revenues sufficient to fund the debt reserve account and pay operating expenses, debt service and all other charges and liens payable out of revenues and income. Under the terms of the Bond Resolution, the District makes debt service deposits to a non-trusted segregated fund. Included in segregated funds in the accompanying Combined Balance Sheets are \$203.1 million and \$185.3 million of debt-service related funds as of April 30, 2024 and 2023, respectively. Additionally, the Bond Resolution requires the District to maintain a debt service coverage ratio of 1.1 or greater on outstanding revenue bonds. To be eligible to issue additional revenue bonds, the District must anticipate sufficient revenues to maintain that ratio post-issuance. For the fiscal years ended April 30, 2024 and 2023, the debt service coverage ratio was 4.0 and 3.6, respectively. A substantial portion of the revenue bonds are callable by the District ten years after issuance.

Margin and Collateral Deposits

Margin and collateral deposit assets and liabilities include cash deposited with, and received from, counterparties and brokers as credit support under energy contracts. The amount of margin and collateral deposits varies based on changes in the fair value of the positions. SRP presents its margin and cash collateral deposits net with its derivative positions on the accompanying Combined Balance Sheets. Net margin and collateral deposits (liabilities) were \$3.5 million and (\$13.4 million) as of April 30, 2024 and 2023, respectively. See Note [7], DERIVATIVE INSTRUMENTS.

Changes in Level 3 Fair Value Measurements

The tables below include the reconciliation of changes to the balance sheet amounts for the fiscal years ended April 30 for commodity derivative instruments classified as Level 3 in the fair value hierarchy; this determination is based upon unobservable inputs to the overall fair value measurement (in thousands):

	2024	2023
Beginning balance, May 1	\$ (18,650)	\$ (7,360)
Transfers out of Level 3	103	(12,586)
Net realized and unrealized gain (loss) included in earnings	4,412	(5,255)
Net purchases (sales)	-	(103)
Settlements	10,438	6,654
Ending balance, April 30	<u>\$ (3,697)</u>	<u>\$ (18,650)</u>

Realized and unrealized gains and losses included in earnings identified above are included in wholesale revenues, power purchased or fuel used in electric generation, as appropriate in the accompanying Combined Statements of Net Revenues. The transfers out of Level 3 for each fiscal year primarily represent derivative positions for which the maturity date has moved to within a time frame such that there are published price curves available to use for performing the valuations.

Fair Value Disclosures

U.S. GAAP requires disclosure of the estimated fair value of certain financial instruments and the methods and significant assumptions used to estimate their fair values. Many but not all of the financial instruments are recorded at fair value on the accompanying Combined Balance Sheets. Financial instruments held by SRP are discussed below.

Financial instruments for which fair value approximates carrying value: Certain financial instruments that are not carried at fair value on the accompanying Combined Balance Sheets are carried at amounts that approximate fair value due to their short-term nature and generally negligible credit risk. The instruments include receivables, accounts payable, customers' deposits, other current liabilities, commercial paper and loans against the District's revolving line-of-credit agreements.

Financial instruments for which fair value does not approximate carrying value: SRP presents long-term debt at carrying value on the accompanying Combined Balance Sheets. The collective fair value of the District's revenue bonds, including the current portion, was estimated by using industry leading pricing services from independent sources. As of April 30, 2024 and 2023, the carrying amount of the District's revenue bonds, including current portion and accrued interest, was \$5.3 billion and \$4.8 billion, respectively, and the estimated fair value was \$5.0 billion and \$4.6 billion, respectively. These estimated fair values are classified as Level 2 in the fair value hierarchy. (See Note [9], LONG-TERM DEBT, for further discussion of the District's revenue bonds.)

The following table provides quantitative information regarding significant unobservable inputs in SRP's Level 3 fair value measurements as of April 30, 2023:

	<u>Fair Value (in thousands)</u>		<u>Unobservable Inputs</u>	
	<u>Assets</u>	<u>Liabilities</u>	<u>Range</u>	<u>Weighted Average*</u>
Forward contracts	\$ -	\$ (1,125)		
Market price per MWh			\$88.40 - \$89.75	\$89.13
Market price per MMBtu			N/A	N/A
Option contracts	\$ -	\$ (17,525)		
Market price per MWh			\$39.42 - \$163.22	86.74
Power volatility			45.62%-138.37%	66.40%
Market price per MMBtu			\$2.81 - \$7.49	\$4.59
Gas volatility			44.80% - 86.30%	58.38%

*Unobservable inputs were weighted by the relative commodity quantity in each contract.

See Note [7], DERIVATIVE INSTRUMENTS, for additional detail of derivatives.

Investments Calculated at Net Asset Value

As of April 30, 2024, the fair value measurement of investments calculated at NAV (or its equivalent), as well as the nature and risks of those investments, is as follows:

	<u>Fair Value (in thousands)</u>	<u>Unfunded Commitments</u>	<u>Redemption Frequency</u>	<u>Redemption Notice Period</u>
Commingled funds:				
Fixed income funds	\$ 309,888	None	Daily	N/A
Private equity fund	1,736	\$3.0 million	N/A	N/A
Total commingled funds	<u>\$ 311,624</u>			

As of April 30, 2023, the fair value measurement of investments calculated at NAV (or its equivalent), as well as the nature and risks of those investments, is as follows:

	<u>Fair Value (in thousands)</u>	<u>Unfunded Commitments</u>	<u>Redemption Frequency</u>	<u>Redemption Notice Period</u>
Commingled funds:				
Fixed income funds	\$ 285,241	None	Daily	N/A
Private equity fund	811	\$4.0 million	N/A	N/A
Total commingled funds	<u>\$ 286,052</u>			

Fixed income commingled funds: These funds are actively managed funds used by an investment manager to diversify an overall portfolio of separately managed fixed-income securities. The funds may invest in fixed-income securities of varying duration, maturity, credit quality and geographic location. The securities may be non-U.S. securities.

Private equity commingled fund: This fund invests primarily in privately held early stage and emerging growth technology companies and businesses primarily based in, or having existing or potential strategic and economic ties to, the State of Arizona.

Government securities: The fair value of government securities is derived from quoted prices on similar assets in active or non-active markets, from pricing models whose inputs are observable for the substantially full term of the asset, or from pricing models whose inputs are derived principally from or corroborated by observable market data through correlation or other means; therefore, these securities have been categorized as Level 2 in the fair value hierarchy.

Commodity Derivative Instruments

The fair values of gas swaps and power swaps that are priced based on inputs using quoted prices on published exchanges or indexes have been categorized as Level 1 in the fair value hierarchy. These include gas and power swaps traded on exchanges.

The fair values of gas swaps, power swaps, gas options, power options and power deals that are priced based on inputs obtained through pricing agencies and developed pricing models, using similar observable items in active and inactive markets, are classified as Level 2 in the fair value hierarchy.

The fair values of derivative assets and liabilities that are valued using pricing models with significant unobservable market data traded in less active or underdeveloped markets are classified as Level 3 in the fair value hierarchy. Level 3 items include gas swaps, power swaps, gas options, power options and power deals. These inputs reflect management's own assumptions about the assumptions a market participant would use in pricing the asset or liability.

SRP periodically transacts at locations, market price points or in time blocks that are non-standard or illiquid for which no prices are available from an independent pricing source. In these cases, SRP applies adjustments based on historical price curve relationships to a more liquid price point as a proxy for market prices. Such transactions are classified as Level 3.

SRP estimates the fair value of certain of its options using Black-Scholes option pricing models, which include inputs such as implied volatility, correlations, interest rates and forward price curves.

All the assumptions above include adjustments for counterparty credit risk, using credit default swap data, bond yields, when available, or external credit ratings.

SRP's assessment of the significance of a particular input to the fair value measurements requires judgment and may affect the valuation of fair value assets and liabilities and their placement within the fair value hierarchy levels. SRP reviews the assumptions underlying its contracts monthly.

The following table provides quantitative information regarding significant unobservable inputs in SRP's Level 3 fair value measurements as of April 30, 2024:

	Fair Value (in thousands)		Unobservable Inputs	
	Assets	Liabilities	Range	Weighted Average*
Option contracts	\$ 193	\$ (3,890)		
Market price per MWh			\$19.48 - \$103.14	59.42
Power volatility			37.56% - 82.08%	50.47%
Market price per MMBtu			\$1.07 - \$7.31	\$3.11
Gas volatility			35.10% - 114.00%	57.89%

*Unobservable Inputs were weighted by the relative commodity quantity in each contract.

The following table sets forth, by level within the fair value hierarchy, SRP's financial assets and liabilities that were accounted for at fair value on a recurring basis as of April 30, 2023 (in thousands):

	Level 1	Level 2	Level 3	Other	Netting and Collateral	Total
Assets						
Cash and cash equivalents:						
Money market funds	\$ -	\$ 285,000	\$ -	\$ -	\$ -	\$ 285,000
Total cash and cash equivalents	-	285,000	-	-	-	285,000
Non-utility property and other investments:						
Money market funds	-	21,928	-	-	-	21,928
Mutual funds	57,938	-	-	-	-	57,938
Total non-utility property and other investments	57,938	21,928	-	-	-	79,866
Segregated funds, net of current portion:						
Money market funds	-	59,850	-	-	-	59,850
Mutual funds	1,409,072	-	-	-	-	1,409,072
Commingled funds	-	-	-	286,052	-	286,052
Government securities	-	9,524	-	-	-	9,524
Total segregated funds, net of current portion	1,409,072	69,374	-	286,052	-	1,764,498
Current portion of segregated funds:						
Money market funds	-	104,746	-	-	-	104,746
Total current portion of segregated funds	-	104,746	-	-	-	104,746
Derivative instruments:						
Commodities	180	91,423	-	-	(54,587)	37,016
Total derivative instruments	180	91,423	-	-	(54,587)	37,016
Total assets	\$1,467,190	\$ 572,471	\$ -	\$ 286,052	\$ (54,587)	\$2,271,126
Liabilities						
Derivative instruments:						
Commodities	\$ (510)	\$ (130,166)	\$ (18,650)	\$ -	\$ 41,231	\$ (108,095)
Total derivative instruments	(510)	(130,166)	(18,650)	-	41,231	(108,095)
Total liabilities	\$ (510)	\$ (130,166)	\$ (18,650)	\$ -	\$ 41,231	\$ (108,095)

Valuation Methodologies

Securities

Money market funds: Investments with maturities of three months or less when purchased, including certain short-term fixed income securities, are considered cash equivalents. The fair value of shares in money market funds are priced based on inputs obtained from Bloomberg, a pricing service whose prices are obtained from direct feeds from exchanges, that are either directly or indirectly observable. Even though the NAV of the fund(s) is kept at \$1 per share, and transactions occur at that price, the underlying value of the securities may or may not be equal to \$1 per share; therefore, these funds are classified as Level 2 in the fair value hierarchy.

Mutual funds: The fair values of shares in mutual funds are based on inputs that are quoted prices in active markets for identical assets and, therefore, have been categorized as Level 1 in the fair value hierarchy. This category may include exchange-traded funds, which are similar to mutual funds in their structure but trade actively on exchanges like stocks. Mutual funds are priced using active market exchanges.

Commingled funds: Commingled funds are maintained by investment companies and hold certain investments in accordance with a stated set of fund objectives, which are consistent with SRP's overall investment strategy. For equity and fixed-income commingled funds, the fund administrator values the fund using the NAV per fund share, derived from the quoted prices in active markets of the underlying securities. Investments in non-publicly traded companies held in private equity funds are valued based on good-faith estimates of fair value performed by the fund manager. Commingled funds are measured at fair value using NAV as a practical expedient and are not categorized in the fair value hierarchy. These assets are listed as "Other" in the fair value hierarchy.

The following table sets forth, by level within the fair value hierarchy, SRP's financial assets and liabilities that were accounted for at fair value on a recurring basis as of April 30, 2024 (in thousands):

	Level 1	Level 2	Level 3	Other	Netting and Collateral	Total
Assets						
Cash and cash equivalents:						
Money market funds	\$ -	\$ 489,000	\$ -	\$ -	\$ -	\$ 489,000
Total cash and cash equivalents	-	489,000	-	-	-	489,000
Non-utility property and other investments:						
Money market funds	-	18,062	-	-	-	18,062
Mutual funds	59,916	-	-	-	-	59,916
Total non-utility property and other investments	59,916	18,062	-	-	-	77,978
Segregated funds, net of current portion:						
Money market funds and US treasury bills	-	2,976	-	-	-	2,976
Mutual funds	1,576,902	-	-	-	-	1,576,902
Commingled funds	-	-	-	311,624	-	311,624
Government securities	-	10,911	-	-	-	10,911
Total segregated funds, net of current portion	1,576,902	13,887	-	311,624	-	1,902,413
Current portion of segregated funds:						
Money market funds	-	122,443	-	-	-	122,443
Total current portion of segregated funds	-	122,443	-	-	-	122,443
Derivative Instruments:						
Commodities	-	47,166	193	-	(40,902)	6,457
Total derivative instruments	-	47,166	193	-	(40,902)	6,457
Total assets	\$1,636,818	\$ 690,558	\$ 193	\$ 311,624	\$ (40,902)	\$2,598,291
Liabilities						
Derivative instruments:						
Commodities	\$ -	\$ (165,128)	\$ (3,890)	\$ -	\$ 44,391	\$ (124,627)
Total derivative instruments	-	(165,128)	(3,890)	-	44,391	(124,627)
Total liabilities	\$ -	(165,128)	\$ (3,890)	\$ -	\$ 44,391	\$ (124,627)

The aggregate fair value of all derivative liabilities with credit-risk-related contingent features as of April 30, 2024, was \$121.7 million. As of April 30, 2024, the District posted collateral in the amount of \$3.5 million as credit support under energy contracts for which the collateralization threshold was exceeded. If the credit-risk-related contingent features underlying these agreements were triggered on April 30, 2024, the District could be required to post up to \$118.2 million of additional collateral to its counterparties.

(8) FAIR VALUE MEASUREMENTS:

SRP accounts for fair value in accordance with authoritative guidance, which defines fair value, establishes methods for measuring fair value by applying one of three observable market techniques (market approach, income approach or cost approach) and establishes required disclosures about fair value measurements. This guidance defines fair value as the price that would be received for an asset or paid to transfer a liability, in the most advantageous market for the asset or liability in an arms-length transaction between willing market participants at the measurement date. SRP determines fair value of most of its financial instruments based on the market approach, which is defined as a valuation technique that uses prices and other relevant information generated by market transactions involving identical or comparable assets or liabilities. Certain derivative positions are valued using the income approach, which derives fair value from estimated future cash flows, risk-adjusted discount rates and other inputs.

SRP classifies its financial instruments into the fair value hierarchy based on the inputs used to determine fair value. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). The three levels of the fair value hierarchy are as follows:

Level 1: Financial assets and liabilities whose values are based on unadjusted quoted prices for identical assets or liabilities in an active market.

Level 2: Financial assets and liabilities whose values are based on quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in non-active markets, pricing models whose inputs are observable for substantially the full term of the assets or liabilities and pricing models whose inputs are derived principally from or corroborated by observable market data through correlation or other means.

Level 3: Financial assets and liabilities whose values are based on prices or valuation techniques that require inputs that are both unobservable and significant to the overall fair value measurement. These inputs reflect management's own assumptions about the assumptions a market participant would use in pricing the asset or liability.

Assets measured at fair value using net asset value (NAV) as a practical expedient are not categorized in the fair value hierarchy. These assets are listed in the column "Other" in the following tables.

The District has the following gross derivative volumes, by type, as of April 30, 2023:

Commodity	Unit of Measure	Sales Volumes	Purchases Volumes
Natural gas options, swaps and forward arrangements	MMBtu	8,040,000	341,010,000
Electricity options, swaps and forward arrangements	MWh	624,475	99,000
Liquefied fuel swaps	Gallon	-	5,328,200

Presentation of Derivative Instruments in the Financial Statements

The following tables provide information about the gross fair values, netting, and collateral and margin deposits for derivative hedging instruments in the accompanying Combined Balance Sheets as of April 30 (in thousands):

	<u>2024</u>				
	Current Commodity Derivative Assets	Non-current Commodity Derivative Assets	Current Commodity Derivative Liabilities	Non-current Commodity Derivative Liabilities	Net Assets (Liabilities)
Commodities	\$ 6,474	\$ 40,885	\$ (102,409)	\$ (66,609)	\$ (121,659)
Netting	(6,474)	(34,428)	6,474	34,428	-
Collateral and margin deposits	-	-	3,489	-	3,489
Total	\$ -	\$ 6,457	\$ (92,446)	\$ (32,181)	\$ (118,170)

	<u>2023</u>				
	Current Commodity Derivative Assets	Non-current Commodity Derivative Assets	Current Commodity Derivative Liabilities	Non-current Commodity Derivative Liabilities	Net Assets (Liabilities)
Commodities	\$ 6,465	\$ 85,138	\$ (111,377)	\$ (37,949)	\$ (57,723)
Netting	(6,465)	(28,522)	6,465	28,522	-
Collateral and margin deposits	-	(19,600)	6,244	-	(13,356)
Total	\$ -	\$ 37,016	\$ (98,668)	\$ (9,427)	\$ (71,079)

The following tables summarize the District's unrealized gains (losses) associated with derivatives not designated as hedging instruments in the accompanying Combined Statements of Net Revenues for the fiscal year (in thousands):

	<u>2024</u>			
	Operating Revenues	Power Purchased	Fuel Used In Electric Generation	Change in Unrealized Gain (Loss)
Commodities	\$ 21,437	\$ 500	\$ (79,116)	\$ (57,179)

	<u>2023</u>			
	Operating Revenues	Power Purchased	Fuel Used In Electric Generation	Change in Unrealized Gain (Loss)
Commodities	\$ 13,801	\$ (500)	\$ (427,100)	\$ (413,799)

Credit-Related Contingent Features

Certain of the District's derivative instruments contain provisions that require the District to post additional collateral upon certain credit events. If the District's debt were to fall below investment grade, the counterparties to the derivative instruments could demand immediate and ongoing full overnight collateralization on derivative instruments in net liability positions.

The following table summarizes unrealized gains (losses) recognized during the fiscal year ending April 30 on trading securities still held as of April 30 (in thousands):

	2024	2023
Non-utility property and other investments	\$ 6,404	\$ (1,732)
Segregated funds, net of current portion	137,461	(36,521)
Total	<u>\$ 143,865</u>	<u>\$ (38,253)</u>

(7) DERIVATIVE INSTRUMENTS:

Energy Risk Management Activities

The District has an energy risk management program to limit exposure to risks inherent in normal energy business operations. The goal of the energy risk management program is to measure and manage exposure to market risks, credit risks and operational risks. Specific goals of the energy risk management program include reducing the impact of market fluctuations on energy commodity prices associated with customer energy requirements, reducing excess generation and fuel expenses, meeting customer pricing needs and maximizing the value of physical generating assets. The District employs established policies and procedures to meet the goals of the energy risk management program using various physical and financial instruments, including forward contracts, futures, swaps and options.

Certain of these transactions are accounted for as commodity derivatives and are recorded in the accompanying Combined Balance Sheets as either an asset or liability measured at their fair value. Derivative instruments and the related collateral accounts, if applicable, that are subject to master netting agreements are presented as a net asset or liability in the accompanying Combined Balance Sheets. Changes in the fair value of commodity derivatives are recognized each period in net operating revenues and included in the accompanying Combined Statements of Net Revenues and classified as part of operating cash flows in the accompanying Combined Statements of Cash Flows. Some of the District's contractual agreements qualify and are designated for the normal purchases and normal sales exception and are not recorded at fair value in the accompanying Combined Balance Sheets. This exception applies to physical sales and purchases of power or fuel when it is probable that physical delivery will occur; the pricing provisions are clearly and closely related to the underlying asset; and the documentation requirements are met. If a contract qualifies for the normal purchases and normal sales scope exception, the District accounts for the contract using settlement accounting (costs and revenues are recorded when physical delivery occurs). SRP has not elected to use hedge accounting for its derivative instruments.

See Note [8], FAIR VALUE MEASUREMENTS, for additional information on derivative valuation.

Derivative Volumes

The District has the following gross derivative volumes, by type, as of April 30, 2024:

Commodity	Unit of Measure	Sales Volumes	Purchases Volumes
Natural gas options, swaps and forward arrangements	MMBtu	17,400,000	355,000,000
Electricity options, swaps and forward arrangements	MWh	205,835	-
Liquefied fuel swaps	Gallon	-	5,346,400

The following table summarizes line items included in the accompanying Combined Balance Sheets as of April 30 that include amounts recorded at fair value pursuant to the fair value option (in thousands):

	Measurement Attribute	2024	2023
Cash and cash equivalents			
Cash	N/A	\$ 1,430	\$ 10,945
Money market funds	Fair value	489,000	285,000
Total cash and cash equivalents		<u>\$ 490,430</u>	<u>\$ 295,945</u>
Non-utility property and other investments			
Money market funds	Fair value	\$ 18,062	\$ 21,928
Equity investments	Fair value	59,916	57,938
Held-to-maturity debt investments	Amortized cost	156,787	136,880
Non-utility property	N/A	187,794	174,472
Total non-utility property and other investments		<u>\$ 422,559</u>	<u>\$ 391,218</u>
Segregated funds, net of current portion			
Cash	N/A	\$ 15	\$ -
Money market funds and US treasury bills	Fair value	2,976	59,850
Equity investments	Fair value	1,888,526	1,695,124
Trading debt investments	Fair value	10,911	9,524
Held-to-maturity debt investments	Amortized cost	79,791	79,778
Total segregated funds, net of current portion		<u>\$ 1,982,219</u>	<u>\$ 1,844,276</u>
Temporary investments			
Held-to-maturity debt investments	Amortized cost	\$ 146,121	\$ 276,245
Total temporary investments		<u>\$ 146,121</u>	<u>\$ 276,245</u>
Current portion of segregated funds			
Money market funds	Fair value	\$ 122,443	\$ 104,746
Total current portion of segregated funds		<u>\$ 122,443</u>	<u>\$ 104,746</u>

SRP's investments in debt securities are measured and reported at amortized cost when there is intent and ability to hold the security to maturity. SRP's amortized cost and fair value of held-to-maturity debt securities were \$382.7 million and \$363.7 million, respectively, as of April 30, 2024 and \$492.9 million and \$469.1 million, respectively, as of April 30, 2023. As of April 30, 2024, SRP's investments in debt securities have maturity dates ranging from June 2024 to February 2036.

As of April 30, 2024, the gross unrecognized holding gains and losses on held-to-maturity debt securities were approximately \$39 thousand and \$19.1 million, respectively.

SRP's equity investments and trading debt investments are measured at fair value with unrealized gains and losses included in investment income, net. Unrealized gains and losses on NDT investments are included in the nuclear decommissioning regulatory liability.

(6) FAIR VALUE OF FINANCIAL INSTRUMENTS:

SRP invests in U.S. government obligations, certificates of deposit and other marketable investments. Such investments are classified as cash and cash equivalents, temporary investments, other investments and segregated funds in the accompanying Combined Balance Sheets depending on the purpose and duration of the investment.

Fair Value Option

SRP adopted authoritative guidance which permits an entity to measure many financial instruments and certain other items at fair value. SRP has elected the fair value option for all investment securities other than debt securities classified as held-to-maturity. Election of the fair value option for debt securities requires the security to be reported as a trading security.

The fair value option was elected because management believes that fair value best represents the nature of the investments. While the investment securities held in these funds are reported as trading securities, the investments continue to be managed with a long-term focus. Accordingly, all purchases and sales within these funds are presented separately in the accompanying Combined Statements of Cash Flows as investing cash flows, consistent with the nature and purpose for which the securities are acquired.

Realized and unrealized gains and losses on these investments are included in investment income, net, in the accompanying Combined Statements of Net Revenues.

Some wholesale contracts are accounted for as derivative instruments. Fair value adjustments for these contracts increased wholesale revenue by \$21.4 million and increased wholesale revenue by \$13.8 million in fiscal years 2024 and 2023, respectively. See Note [7], DERIVATIVE INSTRUMENTS.

SRP generates transmission revenues by allowing other entities to use the District's transmission facilities to transmit power. Payment for transmission services is generally due monthly and revenues are recognized over time because the customer consumes the transmission service as it is provided. Transmission revenues are included in other electric revenues.

SRP generates telecommunications revenues by allowing companies to use the District's infrastructure to place antennas that are used to transmit communications signals. Payment for telecommunication services is generally due up front and revenues are recognized over time as the service is provided. Telecommunication revenues are included in other electric revenues.

SRP generates water revenues from delivering water to SRP water customers through annual charges, supplemental water charges and various other fees. Payment of water charges and fees is generally due up front annually and revenues are recognized over time as water is delivered.

The following table summarizes SRP's sources of revenues for the fiscal years ended April 30 (in thousands):

	2024	2023
Electric		
Residential	\$ 1,871,298	\$ 1,770,474
Commercial	1,270,553	1,138,205
Other retail customers	351,010	302,687
Total retail electric revenues	3,492,861	3,211,366
Other electric	83,681	86,526
Wholesale	543,862	699,635
Total electric operating revenues	4,120,404	3,997,527
Water	25,491	24,019
Total operating revenues	\$ 4,145,895	\$ 4,021,546

Deferred revenue balances are included in other current liabilities and were \$114.1 million and \$97.8 million as of April 30, 2024 and 2023, respectively. The deferred revenues generally represent amounts paid by or receivable from customers for which the associated performance obligation has not yet been satisfied. Substantially all of the deferred revenue balances are recognized within one year. SRP's other contract assets are not significant.

Contracts with remaining performance obligations include the supply and delivery of various electric and water products and services. Contracts with variable volumes and/or variable pricing are excluded from disclosure of remaining performance obligations because the related consideration under the contracts are variable at inception. Contract lengths vary from cancelable to multiyear.

SRP does not disclose the value of remaining performance obligations when (1) the performance obligation is part of a contract that has an original expected duration of one year or less, (2) revenue is recognized from the satisfaction of the performance obligation in accordance with the "right to invoice" practical expedient, or (3) the consideration is allocated entirely to a wholly unsatisfied performance obligation or to a wholly unsatisfied promise to transfer a distinct good or service that forms part of a series of distinct goods or services. After applying these exemptions, SRP's contracts with customers have no material remaining performance obligations.

The accompanying Combined Balance Sheets include the following regulatory assets and liabilities as of April 30 (in thousands):

	<u>2024</u>	<u>2023</u>
Assets		
Pension and other post-retirement benefits (Note [12])	\$ 218,562	\$ 493,032
Bond defeasance	67,693	75,826
Other	16,590	19,079
Total regulatory assets	<u>\$ 302,845</u>	<u>\$ 587,937</u>
Liabilities		
Nuclear decommissioning	\$ 429,415	\$ 372,096
Depreciation	51,186	58,255
Bond defeasance	26,420	31,033
Accumulated cost of removal of plant assets	98,198	-
Total regulatory liabilities	<u>\$ 605,219</u>	<u>\$ 461,384</u>

The pension and other post-retirement benefits regulatory asset is adjusted as changes in actuarial gains and losses, prior service costs and transition assets or obligations are recognized as components of net periodic pension costs each fiscal year and is recovered through prices charged to customers.

Bond defeasance regulatory assets and liabilities are recovered over the remaining original amortization periods of the reacquired debt ending in various years through fiscal year 2039.

The nuclear decommissioning regulatory liability is any difference between current fiscal year costs and revenues associated with nuclear decommissioning and earnings (losses) on the NDT. Such amounts are deferred in accordance with authoritative guidance for regulated enterprises and have no impact to SRP's earnings.

The depreciation regulatory liability, which results from depreciation that is accelerated in excess of straight-line depreciation, is being refunded over the estimated remaining lives of the assets.

The regulatory liability for accumulated cost of removal of plant assets is an estimation of future costs of removal of plant assets not covered by an asset retirement obligation and is adjusted as actual expenses are paid.

(5) REVENUES:

SRP generates revenues primarily from the sale and delivery of electricity to retail customers. Retail revenues, including unbilled amounts, are generally recognized over time based upon volumes delivered because the customer consumes the electricity as it is delivered. Retail revenues are typically based on prices subject to regulatory oversight and are billed and received monthly. Payment is generally due in the month following delivery. See Note [4], REGULATORY MATTERS, for discussion of SRP's regulation and pricing policies. The estimated retail revenue for electricity delivered but not yet billed, recognized in retail electric revenues and recorded as receivables, net, was \$137.1 million and \$131.5 million for the fiscal years ended and as of April 30, 2024 and 2023, respectively.

SRP generates wholesale revenues primarily from excess energy sales, which are recognized over time as the energy is delivered because the customer consumes the electricity as it is delivered. Payments for wholesale sales are generally due in the month following delivery.

creates its own buy-through program. The District Board approved the program in September 2023 and the program began in January 2024.

Regulation and Pricing Policies

Under Arizona law, the District's publicly elected Board of Directors (the Board) has the authority to establish electric prices. The District is required to follow certain public notice and special Board meeting procedures before implementing any changes in the standard electric price plans. The financial statements reflect the pricing policies of the Board.

The District's price plans include a base price component and a Fuel and Purchased Power Adjustment Mechanism (FPPAM). Base prices recover costs for generation, transmission, distribution, customer services, metering, meter reading, billing and collections, and system benefits charges that are not otherwise recovered through the FPPAM. The FPPAM was implemented in May 2002 to adjust for increases and decreases in fuel costs and, as of May 1, 2019, also includes renewable purchased power agreements. Through a system benefits charge to the District's transmission and distribution customers, the District recovers the costs of programs benefiting the general public, such as discounted rates for low-income customers, energy efficiency and nuclear decommissioning, including the cost of spent fuel storage.

On September 12, 2022, the Board voted to approve two increases to FPPAM prices: the first overall 4.7% increase effective November 1, 2022, and the second increase of the same magnitude effective a year later, November 1, 2023. The Board also approved forgoing future collection of \$124.0 million of the under-collected FPPAM balance, using the District's strong financial position to reduce the need for price increases in the future. 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.

Regulatory Accounting

SRP accounts for the financial effects of the regulated portion of its operations in accordance with the provisions of authoritative guidance for regulated enterprises, which requires cost-based, rate-regulated utilities to reflect the impacts of regulatory decisions in their financial statements. SRP records regulatory assets, which represent probable future recovery of certain costs from customers through the pricing process, and regulatory liabilities which represent probable future credits to customers through the pricing process or current collections for future expected costs. Based on actions of the Board, SRP believes the future collection of costs deferred as regulatory assets is probable. If events were to occur making recovery of these regulatory assets no longer probable, SRP would be required to write off the remaining balance of such assets as a one-time charge to net revenues. None of the regulatory assets earn a return.

(3) ACCOUNTING PRONOUNCEMENTS:

In March 2020, the FASB issued ASU 2020-04, *Reference Rate Reform*, as amended. The amendments in this update provide optional expedients and exceptions for applying U.S. GAAP to contracts that reference the London Interbank Offered Rate or another reference rate expected to be discontinued by reference rate reform. In December 2022, the FASB issued ASU 2022-06, which amended the dates when an entity may elect to apply this update to any time from March 12, 2020 through December 31, 2024. Once elected, the expedients must be applied prospectively for all eligible contracts. SRP has not identified any contracts that would be affected by this update. If any contracts are modified to replace a reference rate, SRP will elect the expedients provided by these updates.

(4) REGULATORY MATTERS:

The Electric Utility Industry

The District operates in a regulated environment in which it has an obligation to deliver electric service to customers within its service area. In 1998, Arizona legislature enacted the Arizona Electric Power Competition Act (the Act), which applies to public power entities like the District. The Act authorized competition in the retail sales 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 returned to their incumbent utilities.

The Arizona Corporation Commission (ACC) regulates investor-owned and cooperatively owned utilities, called public service corporations in Arizona. The Arizona Legislature, in the 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, meter reading and meter service providers, 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, the ACC opened an inquiry into retail competition and requested that interested parties provide comments on a series of ACC-issued questions. The District participated in that inquiry. On September 11, 2013, the ACC voted to close the 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 but there was insufficient support to modify the rules of competition. However, effective July 1, 2012, the ACC approved a buy-through program for a major utility allowing a limited number of large industrial customers to purchase generation from other providers. In December 2020, the ACC approved a similar buy-through program for a second major utility in the state. The ACC continues to evaluate these programs as part of rate case proceedings and continues to modify these programs as needed.

In August 2021, an entity filed application to provide competitive electric generation services in Arizona under the 1998 law. This action led to discussions which resulted in the ACC requesting a legal opinion from the Arizona Attorney General. This action resulted in an ACC directive stating that all matters be held in abeyance until a finding from the Attorney General is received. That opinion was not issued and there was a change in the Attorney General. The new Attorney General has not signaled interest in issuing an opinion.

During the 2022 legislative session, House Bill 2101 was enacted and has since become effective. House Bill 2101 repealed statutes and removed the requirement that a competitive market exist in the sale of electric generation service in Arizona. As part of the House Bill 2101 stakeholder process, the District negotiated an agreement that

Income Taxes

The District, as a political subdivision of the State of Arizona, is exempt from federal and Arizona state income taxes. The Association, as a private corporation, is not exempt from federal and Arizona state income taxes. However, the Association is not liable for income taxes on operations relating to its acting as an agent for the District on the basis of a settlement with the Commissioner of Internal Revenue in 1949, which was approved by the Secretary of the Treasury. The Association is liable for income taxes on activities where it is not acting as an agent of the District. Income taxes related to the Association and to the District's wholly owned taxable subsidiaries' operations are not material to the accompanying Combined Financial Statements.

Voluntary Contributions in Lieu of Taxes

As a political subdivision of the State of Arizona, the District is exempt from property taxation. In accordance with Arizona law, 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 included in its electric system. The amount paid is computed on the same basis as ad valorem taxes paid by a private utility corporation with an allowance for certain water-related deductions. Such contributions are included in taxes and tax equivalents in the Combined Statements of Net Revenues.

Sales and Use Taxes

The District is required by various government authorities, including states and municipalities, to collect and remit taxes on certain retail sales. Such taxes are recorded on a net basis and excluded from revenues and expenses in the accompanying Combined Financial Statements.

Concentrations of Credit Risk

Financial instruments that potentially subject SRP to credit risk consist of cash and cash equivalents, temporary and other investments, and segregated funds. Certain balances exceed Federal Deposit Insurance Corporation (FDIC) insured limits or are invested in money market accounts with investment banks that are not FDIC insured. SRP's cash and cash equivalents, temporary and other investments, and segregated funds are placed in creditworthy financial institutions and certain money market accounts that invest in U.S. Treasury securities or other obligations issued or guaranteed by the U.S. government or its agencies or instrumentalities.

The use of contractual arrangements to manage the risks associated with changes in energy commodity prices creates credit risks resulting from the possibility of nonperformance by counterparties pursuant to the terms of their contractual obligations. In addition, volatile energy prices can create significant credit exposure from energy market receivables and mark-to-market valuations. The District has a credit policy for wholesale counterparties, continuously monitors credit exposures and routinely assesses the financial strength of its counterparties. The District minimizes credit risk by dealing primarily with creditworthy counterparties, entering into standardized agreements that allow netting of exposures to and from a single counterparty, and requiring letters of credit, parent guarantees or other collateral when it does not consider the financial strength of the counterparty sufficient.

Subsequent Events

SRP follows authoritative guidance which requires an entity to evaluate subsequent events through the date that the financial statements are either issued or available to be issued. Subsequent events for SRP have been evaluated through June 28, 2024, which is the date that the financial statements were issued.

pertinent market studies, and observed customer behavior. The allowance is adjusted periodically for this experience rate and is maintained until either receipt of payment or the likelihood of collection is considered remote, at which time the allowance and the corresponding receivable balance are written off.

The following table summarizes SRP's changes in allowance for doubtful accounts for the fiscal years ended April 30 (in thousands):

	<u>2024</u>	<u>2023</u>
Beginning balance, May 1	\$ 5,847	\$ 5,494
Provision for doubtful accounts	8,866	4,688
Write-offs	(9,295)	(4,335)
Ending balance, April 30	<u>\$ 5,418</u>	<u>\$ 5,847</u>

Fuel Stocks and Materials and Supplies

Fuel stocks and materials and supplies are stated at weighted-average cost and are valued using the average cost method.

Other Current Liabilities

The accompanying Combined Balance Sheets include the following other current liabilities as of April 30 (in thousands):

	<u>2024</u>	<u>2023</u>
Sick, vacation and holiday accrual	\$ 57,353	\$ 55,103
Customer prepayments	65,513	56,154
Employee Performance Incentive Compensation (EPIC)	27,412	30,697
Post-retirement benefits	32,846	33,382
Other	88,089	85,701
Total other current liabilities	<u>\$ 271,213</u>	<u>\$ 261,037</u>

Other Deferred Credits and Non-current Liabilities

The accompanying Combined Balance Sheets include the following other deferred credits and non-current liabilities as of April 30 (in thousands):

	<u>2024</u>	<u>2023</u>
Regulatory liabilities	\$ 605,219	\$ 461,384
Sick, vacation and holiday accrual	54,022	54,952
Long-term operating lease liabilities	52,413	56,602
Mine reclamation and other environmental obligations	47,563	49,083
Other	104,222	136,984
Total other deferred credits and non-current liabilities	<u>\$ 863,439</u>	<u>\$ 759,005</u>

Financing Costs

Bond discount, premium and issuance expenses are deferred and amortized using the effective interest method over the terms of the related bond issues.

Segregated Funds

The District sets aside funds that are segregated due to management intent and to support various purposes. The District also has certain segregated funds that are legally restricted. The following amounts are included in segregated funds in the accompanying Combined Balance Sheets as of April 30 (in thousands):

	2024	2023
Segregated funds – legally restricted		
Nuclear Decommissioning Trust	\$ 642,173	\$ 576,441
Debt Reserve Fund	80,611	80,598
Construction Fund	15	57,322
Other	38,799	35,851
Total segregated funds – legally restricted	<u>761,598</u>	<u>750,212</u>
Segregated funds – other		
Benefits funds	1,218,886	1,093,253
Debt Service Fund	122,443	104,746
Other	1,735	811
Total segregated funds – other	<u>1,343,064</u>	<u>1,198,810</u>
Total segregated funds, including current portion	<u>\$ 2,104,662</u>	<u>\$ 1,949,022</u>

Nuclear Decommissioning

In accordance with regulations of the Nuclear Regulatory Commission, the District maintains a trust for the decommissioning of PVNGS. The NDT funds are invested in debt and equity securities. All NDT debt securities are reported as trading securities. SRP has elected the fair value option for such securities. Changes in fair value related to the NDT securities are included in the nuclear decommissioning regulatory liability with no impact to net revenues. The NDT funds are classified as segregated funds in the accompanying Combined Balance Sheets.

Cash and Cash Equivalents

Cash equivalents include money market funds and highly liquid short-term investments with original maturities of three months or less.

The following table provides a reconciliation of cash, cash equivalents and restricted cash reported within the Combined Balance Sheets and the Combined Statements of Cash Flows as of April 30 (in thousands):

	2024	2023
Cash and cash equivalents	\$ 490,430	\$ 295,945
Cash and cash equivalents included in non-utility property and other investments	18,062	21,928
Cash and cash equivalents included in segregated funds	121,653	104,147
Restricted cash and cash equivalents included in segregated funds	3,781	60,449
Total cash, cash equivalents and restricted cash	<u>\$ 633,926</u>	<u>\$ 482,469</u>

Amounts included in restricted cash represent those required to be set aside per terms of contractual agreements, bond indentures or other legal stipulations.

Allowance for Doubtful Accounts

Allowance for doubtful accounts is provided for electric customer accounts and other non-energy receivables balances based upon the current expected credit loss, which is measured using a historical experience rate of write-offs, adjusted for economic factors that include expected recoveries, the current economic environment,

estimating when final removal will occur and determining the credit-adjusted, risk-free interest rates to be utilized in discounting future liabilities. Subsequent to the initial recognition, the liability is adjusted for any revisions to the estimated future cash flows associated with the asset retirement obligation (with corresponding adjustments to utility plant), which can occur due to a number of factors, including, but not limited to, cost escalation, changes in technology applicable to the assets to be retired, changes in federal, state and local regulations and changes to the estimated decommissioning date of the assets, as well as for the accretion of the liability due to the passage of time until the obligation is settled.

The following table summarizes the asset retirement obligation activity of the District as of and for the fiscal years ended April 30 (in thousands):

	<u>2024</u>	<u>2023</u>
Beginning balance, May 1	\$ 377,324	\$ 372,802
Additions	-	-
Settlements, net	(4,096)	(10,641)
Revisions to estimates	155,108	61
Accretion expense	<u>17,168</u>	<u>15,102</u>
Ending balance, April 30	<u>\$ 545,504</u>	<u>\$ 377,324</u>

The revisions to estimates of the asset retirement obligation in fiscal year 2024 are primarily due to the updated decommissioning cost study for PVNGS. See Note [15], COMMITMENTS AND CONTINGENCIES under Nuclear Matters for additional discussion.

Investments in Debt and Equity Securities

SRP invests in various debt and equity securities. Debt securities in which SRP has the intent and ability to hold to maturity are classified as held-to-maturity securities and reported at amortized cost. Debt securities that are bought and held with the likelihood of selling them in the near term are classified as trading securities and reported at fair value, with unrealized gains and losses included in investment income, net. SRP has adopted the fair value option for all debt and equity securities other than debt securities classified as held-to-maturity. All such securities are reported at fair value, with unrealized gains and losses included in investment (loss) income, net, with the exception of the Nuclear Decommissioning Trust (NDT) for which unrealized gains and losses are recorded in regulatory liabilities (see table in Segregated Funds). SRP does not classify any securities as available-for-sale.

Temporary Investments

Debt and equity securities that are short-term in nature and are expected to be sold or converted to cash in the next twelve months are classified as temporary investments on the Combined Balance Sheets, unless they meet the definition of a cash equivalent.

both the interim and permanent disposal of spent nuclear fuel are components of fuel expense. Nuclear fuel amortization was \$40.2 million and \$39.0 million in fiscal years 2024 and 2023, respectively. The balance of nuclear fuel includes \$115.9 million and \$114.8 million of in-process stock, which is not yet being amortized, as of April 30, 2024 and 2023, respectively.

Software Costs

SRP capitalizes costs incurred to purchase and develop internal-use computer software and implementation costs incurred in a cloud computing arrangement that is a service contract and amortizes such costs over the recovery periods of the products. Capitalized software costs are included in utility plant and cloud computing costs are included in other deferred charges and other assets in the accompanying Combined Balance Sheets. The following table summarizes the capitalized computer software and capitalized cloud computing arrangement implementation costs as of April 30 (in thousands):

	2024		2023	
	Software	Cloud Computing	Software	Cloud Computing
Asset balance	\$ 732,310	\$ 41,927	\$ 723,991	\$ 39,029
Accumulated amortization	603,491	12,448	571,925	9,043

For the fiscal years ended April 30, 2024 and 2023, amortization expense for capitalized software costs was \$31.6 million and \$33.5 million, respectively. Amortization expense for capitalized cloud computing arrangements implementation costs was \$3.4 million and \$4.3 million for the fiscal years ended April 30, 2024 and 2023, respectively.

The following table presents estimated future amortization expense pertaining to capitalized software costs and capitalized cloud computing arrangement implementation costs in fiscal years ending April 30 (in thousands):

	Software	Cloud Computing
2025	\$ 24,951	\$ 4,143
2026	15,236	3,775
2027	13,265	3,600
2028	12,974	3,573
2029	12,374	3,546

Asset Retirement Obligations

SRP accounts for its asset retirement obligations in accordance with authoritative guidance, which requires the recognition and measurement of liabilities for legal obligations associated with the retirement of tangible long-lived assets. Liabilities for asset retirement obligations are recognized at fair value as incurred and capitalized as part of the cost of the related tangible long-lived assets. Accretion of the liabilities, due to the passage of time, is an operating expense and the capitalized cost is depreciated over the estimated recovery periods of the long-lived assets. Retirement obligations associated with long-lived assets are those for which a legal obligation exists under enacted laws, statutes and contracts, including obligations arising under the doctrine of promissory estoppel.

The District has identified retirement obligations for its share of Palo Verde Nuclear Generating Station (PVNGS), Navajo Generating Station (NGS), Four Corners Generating Station (Four Corners), and certain other assets. Amounts recorded for asset retirement obligations are subject to various assumptions and determinations, such as determining whether an obligation exists to remove assets, estimating the fair value of the costs of removal,

By virtue of SRP operating a federal reclamation project under contract, with the federal government's paramount rights, asset ownership and certain approval rights, SRP is subject to accounting standards as set forth by the Federal Accounting Standards Advisory Board (FASAB). Entities reporting in accordance with the standards issued by the Financial Accounting Standards Board (FASB) prior to October 19, 1999 (the date the American Institute of Certified Public Accountants designated the FASAB as the accounting standard-setting body for entities under the federal government), are permitted to continue to report in accordance with those standards. As permitted, SRP has elected to report its financial statements in accordance with FASB standards.

(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Utility Plant

Utility plant is stated at the historical cost of construction. Capitalized construction costs include labor, materials, services purchased under contract, and allocations of indirect charges for engineering, supervision, transportation and administrative expenses and an allowance for funds used during construction (AFUDC). The cost of property that is replaced, removed or abandoned, less salvage, is charged to accumulated depreciation. Repairs and maintenance costs are charged to operations and maintenance expense.

Depreciation expense is computed on a straight-line basis over recovery periods of the various classes of plant assets. Depreciation expense for utility plant totaled \$507.9 million and \$663.8 million for the fiscal years ended April 30, 2024 and 2023, respectively. The following table reflects the District's average depreciation rates on the average cost of depreciable assets for the fiscal years ended April 30:

	2024	2023
Average electric depreciation rate	2.95%	3.32%
Average irrigation depreciation rate	2.61%	2.15%
Average common depreciation rate	5.31%	6.33%

There was an increase of \$20.7 million and \$5.0 million in property, plant and equipment purchases within accounts payable for the fiscal years ended April 30, 2024 and 2023, respectively. Such changes are considered a non-cash investing activity.

Plant Held for Future Use

Plant held for future use primarily includes the cost of land acquired for future operations, including generation, transmission and other purposes. Once development starts on the new facility, the costs will be moved to plant in service.

Allowance for Funds Used During Construction

AFUDC is the estimated cost of funds used to finance plant additions and is recovered in prices through depreciation expense over the useful life of the related asset. AFUDC is capitalized during certain plant construction and is included in capitalized interest in the accompanying Combined Statements of Net Revenues. Composite rates of 3.39% and 3.10% were applied in fiscal years 2024 and 2023, respectively, to calculate interest on funds used to finance construction work in progress, resulting in \$24.2 million and \$14.4 million of interest capitalized, respectively.

Nuclear Fuel

SRP amortizes the cost of nuclear fuel using the units-of-production method. The units-of-production method is an amortization method based on actual physical usage. The nuclear fuel amortization and accrued expenses for

**SALT RIVER PROJECT
NOTES TO COMBINED FINANCIAL STATEMENTS
APRIL 30, 2024 AND 2023**

(1) BASIS OF PRESENTATION:

The Company

The Salt River Project Agricultural Improvement and Power District (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 has 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 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, incorporated under the laws of the Territory of Arizona in 1903, operates an irrigation system as the agent of the District. The District and the Association are together referred to as Salt River Project or SRP.

Principles of Combination

The accompanying Combined Financial Statements reflect the combined accounts of the Association and the District. The District's financial statements are consolidated with its wholly owned taxable subsidiaries: SRP Captive Risk Solutions, Limited (CRS), Papago Park Center, Inc. (PPC), New West Energy Corporation (New West Energy), and Horizon Acquisitions LLC (Horizon). CRS is a domestic captive insurer, incorporated and domiciled in Arizona, which is utilized to enhance the District's property, casualty and medical insurance programs. PPC is a real estate management company. New West Energy was used 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 but is now largely inactive. Horizon is a land acquisition company. Net revenues, assets and liabilities related to the District's wholly owned taxable subsidiaries' operations are not material to the accompanying Combined Financial Statements. All intercompany transactions and balances have been eliminated.

Possession and Use of Utility Plant

The United States of America 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. Rights to the possession and use of, and to all revenues produced by, these facilities are evidenced by contractual arrangements with the United States of America. The Department of Interior has the right to perform audits of certain of the operations of the Project. In addition, the District seeks approval from the Department of Interior for certain transactions such as payments of in-lieu taxes. The District also gives the Department of Interior the opportunity to raise any objections it may have regarding the issuance of revenue bonds.

Basis of Accounting

The accompanying Combined Financial Statements are presented in conformity with accounting principles generally accepted in the United States of America (U.S. GAAP). The preparation of financial statements in compliance with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts in the financial statements and disclosures of contingencies. Actual results could differ from the estimates.

unlawful as applied to CCR material beneficially used onsite, if EPA's rule is upheld, the District will need to undertake additional monitoring and closure activities at NGS. The District estimates that the total cost for the plant to comply with the proposed rule for NGS would be between \$65.0 million and \$75.0 million. The rule becomes effective on November 4, 2024.

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, which is operated by the District. Potential ESA issues also exist along the Little Colorado River in the vicinity of CGS and Springerville. The District obtained Incidental Take Permits (ITPs) from the U.S. 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 in 2003 and 2008. 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 to cover its related obligations. The District obtained an amendment to the Roosevelt ITP on March 22, 2024, to cover impacts to the Northern Mexican Garter snake (NMGS), which was listed as a threatened species in 2014. The NMGS amendment requires the District to add to the Roosevelt Dam trust account sufficient funds to implement the requirement mitigation by March 2029.

In December 2020, the USFWS announced that listing the Monarch Butterfly as endangered or threatened under the ESA is warranted but precluded by other higher priority listings. In January 2021, the Center for Biological Diversity sued the Department of Interior/USFWS for failure to list the monarch. The lawsuit resulted in a settlement requiring USFWS to submit a proposed finding for the Monarch Butterfly by December 4, 2024. Listing of this species may have implications for construction and maintenance activities along the District's power line corridors. If the species is listed, the District's potential for "take" liability is being assessed to determine if ESA coverage may be required under ESA Section 7 for federal rights-of-way or Section 10 ITPs for non-federal rights-of-way activities.

Per- and Poly Fluoroalkyl Substances (PFAS): When necessary, the District supplements surface water from its Salt River and Verde River reservoirs with groundwater pumped from its extensive network of 270 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.

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, 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 April 10, 2024, EPA promulgated the final National Primary Drinking Water Regulation (NPDWR) under the Safe Drinking Water Act (SDWA) for six per- and polyfluoroalkyl PFAS substances (PFAS). The rule establishes legally enforceable maximum contaminant levels for the PFAS substances identified in the rule. The 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 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. On May 8, 2024, EPA designated PFOA and PFOS, including their salts and structural isomers, as CERCLA (Comprehensive Environmental Response Compensation and Liability Act) hazardous substances.

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 effects on its financial condition, net revenues and cash flows at this time.

Legal Matters

Water Rights: The District and the Association are parties to a state water-rights adjudication proceeding initiated in 1974 that 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 this proceeding.

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.

Coolidge Expansion Project: On September 13, 2021, the Board approved the construction of sixteen new gas-fired combustion turbines, known as the Coolidge Expansion Project (CEP). The CEP is 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 Arizona Corporation Commission (ACC) on December 13, 2021. After substantial opposition and judicial challenges, the Arizona Corporation Commission (ACC) voted to approve an amended certificate of environmental compatibility (Amended CEC) for the project on June 12, 2023. Litigation regarding the Amended CEC has ended.

During the course of the ACC proceedings, the District resolved community opposition to the CEP through a settlement agreement. The terms of the settlement between the District and the Randolph parties include a commitment by the District to fund certain Randolph community programs and improvements contingent upon the commencement of construction of the CEP. The cost of the programs and improvements is estimated to be approximately \$23.8 million.

Pinal County Air Quality Control District (PACQCD) issued the air permit on March 26, 2024. On May 13, 2024, the Sierra Club filed a Petition for Objection to the air permit with the EPA. EPA is required to respond to the petition within 60 days of the date it is filed. The District has started constructing the CEP. At this time, the District cannot predict the effects on its financial condition, net revenues and cash flows at this time.

Other Litigation: In the normal course of business, SRP is exposed to various litigations or is a defendant in various litigation matters. In management's opinion, except as otherwise noted herein, the ultimate resolution of these matters will not have a material adverse effect on SRP's financial position or results of operations.

Other Matters

Self-insurance: SRP maintains various self-insurance retentions for certain casualty and property exposures. In addition, SRP has insurance coverage for amounts in excess of its self-insurance retention levels. SRP provides reserves based on management's best estimate of claims, including incurred but not reported claims. In management's opinion, the reserves established for these claims are adequate and any changes will not have a material adverse effect on SRP's financial position or results of operations. SRP records the reserves in deferred credits and other non-current liabilities on the accompanying Combined Balance Sheets.

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APPENDIX B — Summary of the Resolution

SUMMARY OF THE RESOLUTION

The following is a summary of certain provisions of the Amended and Restated Bond Resolution. Such summary does not purport to be complete, and reference is made to the Resolution for full and complete statements of such provisions.

Certain Definitions

The following are definitions in summary form of certain terms contained in the Resolution and used herein and in the Official Statement:

Accounting Practice: Generally accepted accounting principles appropriate to the electric utility industry.

Aggregate Debt Service: For any fiscal year, and as of any date of calculation, the sum of the amounts of Debt Service for such year with respect to all Series.

Cost of Construction: The District's cost of physical construction, costs of acquisition by or for the District of a Project for the Electric System, and costs of the District incidental to such construction or acquisition, the cost of any indemnity and surety bonds and premiums on insurance during construction, engineering expenses, legal fees and expenses, cost of financing, audits, fees and expenses of the Fiduciaries, amounts, if any, required by the Resolution or any Series Resolution to be paid into the Debt Service Fund upon the issuance of any Series of Revenue Bonds, payments when due (whether at the maturity of principal or the due date of interest or upon redemption) on any indebtedness of the District (other than the Revenue Bonds) incurred for a Project for the Electric System, costs of machinery, equipment and supplies and initial working capital and reserves required by the District for the commencement of operation of a Project for the Electric System, and any other costs properly attributable to such construction or acquisition, as determined by Accounting Practice, and shall include reimbursement to the District for any such items of Cost of Construction theretofore paid by the District. Any Series Resolution may provide for additional items to be included in the aforesaid Cost of Construction.

Debt Reserve Account Credit Facility: A letter of credit, revolving credit agreement, surety bond, insurance policy or similar obligation, arrangement or instrument issued by a bank, insurance company or other financial institution, having a rating in the highest rating category from a nationally recognized rating agency, which shall be deposited in the Debt Reserve Account and which provides for the payment of all or a portion of the Debt Reserve Requirement.

Debt Reserve Requirement: As of any date of calculation, an amount equal to one-half of the average annual interest cost for all Outstanding Revenue Bonds, which may be satisfied by the deposit of cash or securities in the Debt Reserve Account or by the deposit of a Debt Reserve Account Credit Facility in the Debt Reserve Account in lieu of or in partial substitution for cash or securities on deposit therein. For purposes of determining the average annual interest cost for any Outstanding Bonds which bear interest at a variable rate, the District shall assume the same average interest cost applicable to such Outstanding Bonds for the previous Fiscal Year.

Debt Service: For any period, as of any date of calculation and with respect to any Series, an amount equal to the sum of (i) interest accruing during such period on Revenue Bonds of such Series (except to the extent that such interest is to be paid from deposits in the Debt Service Account in the Debt Service Fund made from Revenue Bond proceeds, as described in the Resolution), and (ii) that portion of each Principal Installment for such Series which would accrue during such period if such Principal Installment were deemed to accrue daily in equal amounts from the next preceding Principal Installment due date for such Series (or, if there be no such preceding Principal Installment due date, from a date one year preceding the due date of such Principal Installment). Such interest and Principal Installments for such Series shall be calculated on the assumption that no Revenue Bonds of such Series Outstanding at the date of calculation will cease to be Outstanding except by reason of the payment of each Principal Installment on the due date thereof.

Defeasance Securities: Any of the following securities, if and to the extent the same are at the time legal for investment of District funds:

- (i) Any security which is (a) a direct obligation of or unconditionally guaranteed by, the United States of America or the State of Arizona or (b) an obligation of an agency or instrumentality of the United States of America

the payment of which is unconditionally guaranteed as a full faith and credit obligation by the United States of America, which is not callable or redeemable at the option of the issuer thereof;

(ii) Any depositary receipt issued by a bank as custodian with respect to any Defeasance Securities which are specified in clause (i) above and held by such bank for the account of the holder of such depositary receipt, or with respect to any specific payment of principal or interest on any such Defeasance Securities which are so specified and held, by such bank for the account of the holder of such depositary receipt, or with respect to any specific payment of principal or interest on any such Defeasance Securities which are so specified and held, provided that (except as required by law) such custodian is not authorized to make any deduction from the amount payable to the holder of such depositary receipt from any amount received by the custodian in respect of the Defeasance Securities or the specific payment of principal or interest evidenced by such depositary receipt;

(iii) Certificates of deposit, whether negotiable or non-negotiable, and banker's acceptances whose maturity value shall not be greater than 1/25 of the capital and surplus of the accepting bank or commercial paper issued by the parent holding company of any such bank which at the time of investment has an outstanding unsecured, uninsured and unguaranteed debt issue rated in the highest short-term rating category by a nationally recognized rating agency;

(iv) Any obligation of any state or political subdivision of a state or of any agency or instrumentality of any state or political subdivision ("Municipal Bond") which Municipal Bond is fully secured as to principal and interest by an irrevocable pledge of moneys or direct and general obligations of, or obligations guaranteed by, the United States of America, which moneys or obligations are segregated in trust and pledged for the benefit of the holder of the Municipal Bond, and which Municipal Bond is rated in the highest rating category by at least two nationally recognized rating agencies, and provided, however, that such Municipal Bond is accompanied by (1) a Counsel's Opinion to the effect that such Municipal Bond will be required for the purposes of the investment being made therein and (2) a report of a nationally recognized independent certified account verifying that the moneys and obligations so segregated are sufficient to pay the principal of, premium, if any, and interest on the Municipal Bond; and

(v) Any other security designated in a Series Resolution as Defeasance Securities for purposes of defeasing the Bonds authorized by such Series Resolution.

Electric System: Properties and assets to which legal title is vested in the District and was so vested on the date of adoption of the Resolution and all properties and assets acquired by the District as renewals and replacements, additions and expansion, and improvements thereto, as recorded in the books of the District pursuant to Accounting Practices, but shall not include properties and assets that may be hereafter purchased, constructed or otherwise acquired by the District as a separate system or facility, the revenue of which may be pledged to the payment of bonds or other forms of indebtedness issued to purchase, construct or otherwise acquire such separate system or facility and shall not include properties or assets charged to Irrigation Plant or any Separately Financed Project.

Federal Subsidy: Any subsidy, reimbursement or other payment from the federal government of the United States of America under the American Recovery and Reinvestment Act of 2009 (or any similar legislation or regulation of the federal government of the United States of America or any other governmental entity or any extension of any of such legislation or regulation).

Fiscal Year: The period commencing May 1 and ending April 30 for each twelve-month period or any other consecutive twelve month period designated by the District from time to time.

Investment Securities: Any securities if and to the extent the same are at the time legal for investment of District funds.

Irrigation Plant: All land and land rights, structure, facilities and equipment used or usable by the District or the Salt River Valley Water Users' Association solely for the development, storage, transportation, distribution and delivery of water to the owners or occupants of the lands within the Salt River Project having rights thereto or to anyone acting on behalf thereof pursuant to contracts with the Salt River Valley Water Users' Association or the District.

Operating Expenses: The District's expenses of operating the Electric System, including, without limiting the generality of the foregoing, all costs of purchased power, operation, maintenance, generation, production, transmission, distribution, repairs, replacements, engineering and transportation required for the operation of the Electric System (including any payments made pursuant to a "take-or-pay" electric supply or energy contract that obligates the District to pay for fuel, energy or power, so long as fuel or energy is delivered or made available for

delivery), administrative and general, audit, legal, financial, pension, retirement, health, hospitalization, insurance, taxes and any other expenses actually paid or accrued, without limitation, expenses of the District applicable to the Electric System, as recorded on its books pursuant to Accounting Practice and any other expenses of the District applicable to the Electric System, as recorded on its books pursuant to Accounting Practice, and any other expenses incurred or payments by the District under the provisions of the Resolution or in discharge of obligations required to be paid by local, state or federal laws, all to the extent properly allocable to the Electric System under Accounting Practice, including those expenses the payment of which is not immediately required, such as those expenses related to the funding of a reserve in the Operating Fund. Operating Expenses shall not include any costs or expenses for new construction, falling water used in hydroelectric operations of the District, charges for depreciation, voluntary payments in lieu of taxes and operation, maintenance, repairs, replacement and construction of the Irrigation Plant.

Principal Installment: As of any date of calculation, and with respect to any Series of Revenue Bonds, (i) the principal amount of Revenue Bonds of such Series due on a certain future date for which no Sinking Fund Installments have been established, or (ii) the unsatisfied balance of any Sinking Fund Installments due on a certain future date for bonds of such Series, plus the amount of sinking fund redemption premiums, if any, which would be applicable upon redemption of such Revenue Bonds in a principal amount equal to said unsatisfied balance of such Sinking Fund Installments or (iii) if such future dates coincide as to different Revenue Bonds of such Series, the sum of such principal amount of Revenue Bonds and of such unsatisfied balance of Sinking Fund Installments due on such future date plus such applicable redemption premiums, if any.

Project: The purchase, replacement, construction, leasing or acquisition of any real or personal property or interest therein, works or facilities which the District is authorized by law to purchase, replace, construct, lease or otherwise acquire, or the improvement, reconstruction, extension or addition to any real or personal property, works or facilities owned or operated by the District, or any program of development involving real or personal property, works or facilities which the District is authorized by law to purchase, replace, construct, lease or otherwise acquire or the improvement, reconstruction, extension or addition to such program.

Put Bonds: Bonds which, by their terms, may be tendered by and at the option of the owner thereof, or are subject to a mandatory tender, for payment or purchase prior to the stated maturity or redemption date thereof.

Rate Stabilization Fund: The Salt River Project Electric System Rate Stabilization Fund established in the Resolution.

Revenues: (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.

Revenues Available for Debt Service: For any fiscal year or period of 12 calendar months shall mean all Revenues less Operating Expenses for such Fiscal Year or period.

Trustee: The Trustee is currently U.S. Bank Trust Company, National Association.

(Resolution, Section 1.01).

Pledge of Revenues and Funds

The payment of the principal and redemption price of, and interest on, the Revenue Bonds is secured by (i) the proceeds of sale of the Bonds, (ii) the Revenues, and (iii) all Funds (except the Rate Stabilization Fund) established by the Resolution, including the investments, if any, thereof.

(Resolution, Section 5.01).

Additional Bonds

The District may from time to time issue Bonds pursuant to a Series Resolution which will rank on a parity with and be secured by an equal charge and lien on the Revenues, upon satisfaction of the conditions to the issuance of Bonds contained in Section 2.02 of the Resolution, only if, (a) Revenues Available For Debt Service, adjusted as provided in this caption, of any 12 consecutive calendar months out of the 24 calendar months next preceding the issuance of such proposed additional Bonds, are not less than one and ten hundredths (1 10/100) times the maximum

total Debt Service for any succeeding year on all Bonds which will be outstanding immediately prior to the issuance of the proposed additional Bonds, and (b) the estimated Revenues Available For Debt Service, adjusted as provided in this caption, for each of the five (5) Fiscal Years immediately following the issuance of such proposed additional Bonds are not less than one and ten hundredths (1 10/100) times the total, for each such respective Fiscal Year, of the Debt Service on all Bonds which will be outstanding immediately subsequent to the issuance of the proposed additional Bonds.

Prior to the issuance of any additional Bonds evidencing additional indebtedness, the payment of principal, interest and Redemption Price of which additional Bonds will be a lien on the Revenues on a parity with previously issued Series of Bonds, the District shall obtain a certificate of an Authorized Officer of the District evidencing full compliance with the provisions of this caption.

In determining the amount of Revenues Available For Debt Service for the purposes of this caption, the Authorized Officer of the District may adjust the Revenues Available For Debt Service by adding thereto the following:

(i) in the event the District shall have acquired an operating utility or facility subsequent to the beginning of the 12 month period selected pursuant to this caption, an estimate made by an Authorized Officer of the District of such additional Revenues Available For Debt Service for such 12 month period which would have resulted had such operating utility or facility been acquired at the beginning of such 12 month period;

(ii) in the event any adjustment of rates with respect to the Electric System shall have become effective subsequent to the beginning of the 12 month period selected pursuant to this caption, an estimate made by an Authorized Officer of the District of such additional Revenues Available For Debt Service for such 12 month period which would have resulted had such rate adjustment been in effect for the entire period; and

(iii) an estimate made by an Authorized Officer of the District of the amounts from the Rate Stabilization Fund which have been transferred to pay Debt Service for the 12 month period selected pursuant to this caption.

In determining the amount of estimated Revenues Available For Debt Service for the purpose of this caption, the Authorized Officer of the District may adjust the estimated Revenues Available For Debt Service by adding thereto any estimated increase in revenue resulting from any increase in electric rates or any amount on deposit in the Rate Stabilization Fund which is expected to be transferred by the District to pay Debt Service or to offset any increase in electric rates, which, in the opinion of the Authorized Officer of the District, are economically feasible, and reasonably considered necessary based on projected operations for such 5 year period.

For purposes of the calculations specified in this section: (1) any calculation of Debt Service on Outstanding Bonds for any period of time shall be reduced by the amount of any Federal Subsidy that the District receives, or expects to receive, during such period of time relating to or in connection with such Outstanding Bonds; and (2) to the extent the calculation of Debt Service on Outstanding Bonds is reduced by the Federal Subsidy as provided in clause (1) of this paragraph, any calculation of Revenues for any period of time shall be reduced by the amount of any Federal Subsidy received or expected to be received by the District with respect to or in connection with such Outstanding Bonds during such period of time.

The certificate required by this caption shall be conclusive evidence and the only evidence required to show compliance with the provisions and requirements of this caption.

(Resolution, Section 2.04).

Refunding Bonds

One or more Series of Refunding Bonds may be issued at any time to refund any part or all of the Bonds of any one or more Series then Outstanding. Refunding Bonds shall be issued in a principal amount sufficient, together with other moneys available therefor, to accomplish such refunding and to make the deposits in the Debt Service Fund required by this caption or by the provisions of the Series Resolution authorizing such Bonds.

Refunding Bonds of each Series issued to refund any part or all of the Bonds of any one or more Series then Outstanding may be delivered by the District upon receipt by the Trustee of:

(a) Irrevocable instructions to the Trustee, satisfactory to it, to give due notice of redemption of all the Bonds to be refunded on a redemption date specified in such instructions;

(b) If the Bonds to be refunded are not by their terms subject to redemption within the next succeeding 60 days, irrevocable instructions to the Trustee, satisfactory to it, to make due publication of the notice provided for under the caption entitled "Defeasance" to the Holders of the Bonds being refunded;

(c) Either (i) moneys in an amount sufficient to effect payment at the applicable Redemption Price of the Bonds to be refunded, together with accrued interest on such Bonds to the redemption date, which moneys shall be held by the Trustee or any one or more of the Paying Agents in a separate account irrevocably in trust for the benefit of such Refunding Bonds until such time as such amount shall be assigned to the respective Holders of the Bonds to be refunded for payment of the Redemption Price of the Bonds to be refunded, together with accrued interest, on the redemption date, or (ii) Defeasance Securities in such principal amounts, of such maturities, bearing such interest, and otherwise having such terms and qualifications, as shall be necessary to comply with the provisions under the caption entitled "Defeasance" and any moneys required pursuant to said caption, which Defeasance Securities and moneys shall be held in trust and used only as provided in subsection (c)(i) of this caption; and

(d) Either (i) a certificate of an Authorized Officer of the District as required by the caption entitled "Additional Bonds" or (ii) a certificate of an Authorized Officer of the District setting forth (1) the Aggregate Debt Service for the then current and each future Fiscal Year to and including the Fiscal Year next preceding the date of the latest maturity of any Bonds of any Series then Outstanding (A) with respect to the Bonds of all Series Outstanding immediately prior to the date of delivery of such Refunding Bonds, and (B) with respect to the Bonds of all Series to be Outstanding immediately thereafter, and (2) that the Aggregate Debt Service set forth for each Fiscal Year pursuant to (B) above is no greater than that set forth for such Fiscal Year pursuant to (A) above.

The proceeds, including accrued interest, of the Refunding Bonds of each such Series shall be applied simultaneously with the delivery of such Bonds in the manner provided in the Series Resolution authorizing such Bonds.

Any balance of the proceeds of Refunding Bonds not needed for the purposes provided in this caption or in the Series Resolution authorizing such Bonds may be used by the District, to the extent necessary, to pay any expenses incurred in connection with the issuance of such Refunding Bonds and, thereafter, any remaining balance not so needed by the District shall be deposited in the Revenue Fund.

(Resolution, Section 2.05).

Separately Financed Projects

Nothing in this Resolution shall prevent the District from authorizing and issuing bonds, notes or other obligations or evidences of indebtedness, other than Bonds, for any project authorized by the Act, or from financing any such project from other available funds (such project being referred to herein as a "Separately Financed Project"), if the debt service on such bonds, notes, or other obligations or evidences of indebtedness, if any, and the District's share of any operating expenses related to such Separately Financed Project, are payable solely from the revenues or other income derived from the ownership or operation of such Separately Financed Project.

(Resolution, Section 2.06).

Subordinated Indebtedness

The District may, at any time, or from time to time, issue evidences of indebtedness 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, moneys, securities and funds created by the Resolution.

(Resolution, Section 5.09).

Establishment of Funds and Application Thereof

The Resolution creates and establishes the following Funds and Accounts:

- (1) Salt River Project Electric System Construction Fund, to be held by the District,
- (2) Salt River Project Electric System Revenue Fund, to be held by the District,
- (3) Salt River Project Electric System Debt Service Account, to be held by the Trustee,
- (4) Salt River Project Electric System Debt Reserve Account, to be held by the Trustee,
- (5) Salt River Project Electric System Rate Stabilization Fund, to be held by the District, and
- (6) Salt River Project Electric System Redemption Fund, to be held by the Trustee.

Construction Fund: There shall be paid into the Construction Fund the amounts required to be so paid by the provisions of the Resolution, and there may be paid into the Construction Fund, at the option of the District, any moneys received for or in connection with the Electric System by the District from any other source, unless required to be otherwise applied as provided by the Resolution.

The proceeds of insurance maintained pursuant to the Resolution against physical loss of or damage to a Project, or of contractors' performance bonds with respect thereto, pertaining to the period of construction thereof, shall be paid into the Construction Fund.

Unless otherwise provided herein, amounts in the Construction Fund shall be applied to the purpose or purposes specified in the Series Resolution authorizing the Bonds.

Notwithstanding any of the other provisions of this subheading, to the extent that other moneys are not available therefor, amounts in the Construction Fund shall be applied to the payment of principal of and interest on Bonds when due.

Amounts in the Construction Fund shall be invested by the District to the fullest extent practicable in Investment Securities maturing in such amounts and at such times as may be necessary to provide funds when needed to pay the Cost of Construction or such other purpose to which such moneys are applicable. The District may, and to the extent required for payments from the Construction Fund shall, sell any such Investment Securities at any time, and the proceeds of such sale, and of all payments at maturity and upon redemption of such investments, shall be held in the Construction Fund. Interest received on moneys or securities in the Construction Fund shall be deposited in the Construction Fund.

Revenues and Revenue Fund: The Resolution establishes a Revenue Fund and provides that there shall be promptly deposited by the District to the credit of the Revenue Fund all Revenues.

Payment of Operating Expenses: The District (a) shall out of the moneys in the Revenue Fund, pay, free and clear of any lien or pledge created by the Resolution, all amounts required for reasonable and necessary Operating Expenses, and (b) may at all times retain in the Revenue Fund amounts deemed by the District to be reasonable and necessary for working capital and reserves for Operating Expenses including expenses which do not recur annually; provided that the total amount of such reserves set aside during any year shall not exceed 20% of the amount of Operating Expenses for such year.

Payments Into Certain Funds: The District shall out of the moneys in the Revenue Fund not retained therein pursuant to this subheading, on or before each date for the payment of Debt Service, transfer and apply such amount to the Debt Service Fund (i) for credit to the Debt Service Account, to the extent required so that the balance in said Account shall equal the Aggregate Debt Service; provided that, for the purposes of computing the amount to be allocated to said Account, there shall be excluded the amount, if any, set aside in said Account which was deposited therein from the Rate Stabilization Fund or from the proceeds of Bonds less an amount equal to the interest accrued and unpaid and to accrue on Bonds (or any Refunding Bonds issued to refund Bonds) to the last day of the then current calendar month; and (ii) for credit to the Debt Reserve Account, an amount equal to one-twelfth of twenty percent ($1/12$ of 20%) of the amount necessary to make the total amount of moneys on deposit therein equal to the Debt Reserve Requirement; provided, however, that no deposits shall be required if the District shall deposit a Debt Reserve Account Credit Facility in the Debt Reserve Account in satisfaction of the Debt Reserve Requirement.

The District may out of the moneys in the Revenue Fund not retained therein pursuant to this subheading or applied pursuant to this subheading, upon a determination by an Authorized Officer of the District at any time prior to the next Debt Service payment date that sufficient funds are or will be available in the Debt Service Account to pay Debt Service on the next Debt Service payment date and that sufficient moneys, securities or a Debt Reserve Account Credit Facility equal to the Debt Reserve Requirement are or will be on deposit in the Debt Reserve Account to satisfy the Debt Reserve Requirement, transfer such amount as follows and in the following order:

- (1) To the Rate Stabilization Fund, an amount deemed necessary by the District which may be used by the District for any lawful purpose; and
- (2) To the General Fund, any such remaining balance in the Revenue Fund. Any amount so transferred to the General Fund of the District may be used by the District for any lawful purpose.

Provided, however, that so long as there shall be held in the Debt Service Fund an amount sufficient to fully pay all Outstanding Bonds in accordance with their terms (including principal or applicable sinking fund Redemption Price and interest thereon), no deposits shall be required to be made into the Debt Service Fund.

Debt Service Fund: Debt Service Account: The Trustee shall pay out of the Debt Service Account to the respective Paying Agents (i) on or before each interest payment date for any of the Bonds, the amount required for the interest payable on such date; (ii) on or before each Principal Installment due date, the amount required for the Principal Installment payable on such due date; and (iii) on or before the day preceding any redemption date for the Bonds, the amount required for the payment of interest on the Bonds then to be redeemed. Such amounts shall be applied by the Paying Agents on and after the due dates thereof. The Trustee shall also pay out of the Debt Service Account the accrued interest included in the purchase price of the Bonds purchased for retirement.

Amounts accumulated in the Debt Service Account with respect to any Sinking Fund Installment (together with amounts accumulated therein with respect to interest on the Bonds for which such Sinking Fund Installment was established) may and, if so directed by the District, shall be applied by the Trustee, on or prior to the 60th day preceding the due date of such Sinking Fund Installment, to (i) the purchase of Bonds of the Series for which such Sinking Fund Installment was established, or (ii) the redemption at the applicable sinking fund Redemption Prices pursuant to Article IV of the Resolution, of such Bonds, if then redeemable by their terms. After the 60th day but on or prior to the 40th day preceding the due date of such Sinking Fund Installment, any amounts then on deposit in the Debt Service Account (exclusive of amounts, if any, set aside in said Account which were deposited therein from the proceeds of additional Bonds) may and, if so directed by the District, shall be applied by the Trustee to the purchase of Bonds of the Series for which such Sinking Fund Installment was established in an amount not exceeding that necessary to complete the retirement of the unsatisfied balance of such Sinking Fund Installment. All purchases of any Bonds pursuant to this subheading shall be made at prices not exceeding the applicable sinking fund Redemption Price of such Bonds plus accrued interest, and such purchases shall be made in such manner as the Trustee shall determine. The applicable sinking fund Redemption Price (or principal amount of maturing Bonds) of any Bonds so purchased or redeemed shall be deemed to constitute part of the Debt Service Account until such Sinking Fund Installment date, for the purpose of calculating the amount of such Account. As soon as practicable after the 40th day preceding the due date of any such Sinking Fund Installment, the Trustee shall proceed to call for redemption, by giving notice as provided in Section 4.05 of the Resolution, on such due date Bonds of the Series for which such Sinking Fund Installment was established (except in the case of Bonds maturing on a Sinking Fund Installment date) in such amount as shall be necessary to complete the retirement of the unsatisfied balance of such Sinking Fund Installment. The Trustee shall pay out of the Debt Service Account to the appropriate Paying Agents, on or before the day preceding such redemption date (or maturity date), the amount required for the redemption of the Bonds so called for redemption (or for the payment of such Bonds then maturing), and such amount shall be applied by such Paying Agents to such redemption (or payment). All expenses in connection with the purchase or redemption of Bonds shall be paid by the District from the Revenue Fund as an Operating Expense.

The amount, if any, deposited in the Debt Service Account from the proceeds of each Series of Bonds shall be set aside in such Account and applied to the payment of interest on the Bonds of such Series (or Refunding Bonds issued to refund such Bonds) as the same becomes due and payable.

Debt Reserve Account: If on the first working day of any month the amount on deposit in the Debt Reserve Account shall be less than the Debt Reserve Requirement, the Trustee shall apply amounts from the Debt Service Fund to the extent necessary to make good the deficiency. In the event that there is on deposit in the Debt Reserve Account moneys and a Debt Reserve Account Credit Facility, the Trustee shall withdraw moneys prior to making a draw or claim, as the case may be, on a Debt Reserve Account Credit Facility.

Whenever the amount on deposit in the Debt Reserve Account shall exceed the Debt Reserve Requirement, such excess shall be allocated and applied by the District in the same manner as Revenues pursuant to the subheading entitled "Payments Into Certain Funds" under the caption entitled "Establishment of Funds and Application Thereof".

Whenever the amount in the Debt Reserve Account, together with the amount in the Debt Service Account, is sufficient to fully pay all Outstanding Bonds in accordance with their terms (including principal or applicable sinking fund Redemption Price and interest thereon), the funds on deposit in the Debt Reserve Account shall be transferred to the Debt Service Account.

The District may cause to be delivered to the Trustee for deposit into the Debt Service Account, and the Trustee shall upon its receipt so deposit, a Debt Reserve Account Credit Facility for the benefit of the Bondholders, which Debt Reserve Account Credit Facility shall be payable or available to be drawn upon, as the case may be (upon the giving of notice as required thereunder), on any date on which a deficiency in the Debt Service Fund exists which cannot be cured by moneys in any other fund or account held hereunder and available for such purpose; provided, however, (i) if a disbursement is made under the Debt Reserve Account Credit Facility, the District shall either reinstate the maximum limits of such Debt Reserve Account Credit Facility within twelve (12) months following such

disbursement equal to the Debt Reserve Requirement or deposit into the Debt Reserve Account moneys in the amount of the disbursement made under such Debt Reserve Account Credit Facility, or a combination of such alternatives as shall equal the Debt Reserve Requirement; (ii) if any such Debt Reserve Account Credit Facility for deposit in the Debt Service Reserve Fund is obtained and if six (6) months prior to the expiration thereof, the Debt Reserve Account is less than the Debt Reserve Requirement, the District shall cause the reinstatement of the maximum limits of such existing Debt Reserve Account Credit Facility, or shall obtain a substitute to the extent necessary to fund the Debt Reserve Account at the Debt Reserve Requirement; and (v) if a nationally recognized rating agency shall downgrade the rating of the Bonds, if any, as a result of such deposit of any such Debt Reserve Account Credit Facility or the rating of the provider thereof drops below the highest rating category for a nationally recognized rating agency, then the District shall deliver to the Trustee for deposit in the Debt Reserve Account a replacement of such Debt Reserve Account Credit Facility, in like amount and form acceptable to the Trustee and such that the nationally recognized rating agency will not reduce or withdraw their ratings, if any, on the Bonds, or deposit moneys in an amount sufficient to fund the Debt Reserve Account in an amount equal to the Debt Reserve Requirement within twelve (12) months following such downgrade.

Rate Stabilization Fund: There may be deposited in the Rate Stabilization Fund any amounts deemed necessary by the District to be used for any lawful purpose of the District, including but not limited to making any deposits required by the Resolution to any Fund, as determined by the District; provided, however, that no such deposit to any such Fund shall be required; provided further, however, that if at any time the amounts in the Operating Fund or Debt Service Fund shall be less than the current requirements thereof, the District shall withdraw from the Rate Stabilization Fund and deposit in such other Funds the amount necessary (or all the moneys in the Rate Stabilization Fund, if less than the amounts necessary, applying available amounts in the order of priority and otherwise as specified under the subheading entitled "Payments Into Certain Funds" under the caption entitled "Establishment of Funds and Application Thereof") to make up such deficiency. Amounts on deposit in the Rate Stabilization Fund may be invested by the District to the fullest extent practicable in Investment Securities. The District may sell any such Investment Securities at any time, and the proceeds of such sale, and of all payments at maturity and upon redemption of such investments, shall be held in the Rate Stabilization Fund. Interest received on moneys or securities in the Rate Stabilization Fund shall be deposited in the Rate Stabilization Fund. Amounts in the Rate Stabilization Fund which the District may determine to be in excess of the amount required to be maintained therein shall be transferred to the Revenue Fund. Amounts on deposit in the Rate Stabilization Fund are not subject to the lien or pledge created by the Resolution.

Redemption Fund: There shall be deposited in the Redemption Fund amounts required to be deposited therein pursuant to the subheading entitled "Creation of Liens: Sale and Lease of Properties" under the caption entitled "Certain Other Covenants" and the caption entitled "Reconstruction; Application of Insurance Proceeds". Amounts in the Redemption Fund shall be used by the District for the purchase or redemption of any Bonds, and expenses in connection with the purchase or redemption of any Bonds.

(Resolution, Sections 5.02-5.08; 5.10).

Operation and Maintenance of Electric System

The District shall at all times operate or cause to be operated the Electric System properly and in an efficient and economical manner, consistent with good business and utility operating practices, and shall maintain, preserve, reconstruct and keep the same or cause the same to be so maintained, preserved, reconstructed and kept, with the appurtenances and every part and parcel thereof, in good repair, working order and condition, and shall from time to time make, or cause to be made, all necessary and proper repairs, replacements and renewals so that at all times the operation of the Electric System may be properly and advantageously conducted; provided, however, that nothing contained herein shall prevent the District from exercising its powers under the subheading entitled "Creation of Liens: Sale and Lease of Properties" under the caption entitled "Certain Other Covenants"; provided further, however, that any sale-leaseback or lease-leaseback of any part of the Electric System or other similar contractual arrangements, the effect of which is that the District continues to retain the Revenues therefrom, shall not constitute a lease or disposition of such part of the Electric System for purposes described under the subheading entitled "Creation of Liens: Sale and Lease of Properties" under the caption entitled "Certain Other Covenants" and any proceeds therefrom shall be treated as Revenues.

(Resolution, Section 7.10).

Reconstruction; Application of Insurance Proceeds

If any useful portion of the Electric System shall be damaged or destroyed, the District shall, as expeditiously as possible, continuously and diligently prosecute the reconstruction or replacement thereof, unless the District determines that such reconstruction and replacement is not in the interest of the District and the Bondholders. The proceeds of any insurance shall be paid on account of such damage or destruction, other than business interruption loss insurance, shall be held by the District in the Construction Fund and made available for, and to the extent necessary be applied to, the cost of such reconstruction or replacement, or shall be applied to the construction or acquisition of any properties or assets of the Electric System. Pending such application, such proceeds may be invested by the District in Investment Securities which mature not later than such times as shall be necessary to provide moneys when needed to pay such cost of reconstruction or replacement or acquisition. Interest earned on such investments shall be deposited in the Construction Fund. The proceeds of any such insurance not applied by the District to constructing or replacing damaged or destroyed property or in acquiring property or assets of the Electric System shall be paid to the Trustee for deposit in the Redemption Fund.

The proceeds of business interruption loss insurance, if any, shall be paid into the Revenue Fund.

(Resolution, Section 7.13).

Transfer from General Fund

In the event there is a deficiency in the Debt Service Account and if such a deficiency is not paid from other sources, the District shall transfer money in the General Fund to the Debt Service Account an amount sufficient to make up such deficiency.

(Resolution, Section 7.17).

Electric System Rate Covenant

The District shall 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:

- (a) Operating Expenses during such Fiscal Year, including reserves, if any, therefor provided for in the Annual Budget for such year;
- (b) An amount equal to the Aggregate Debt Service for such Fiscal Year;
- (c) The amount, if any, to be paid during such Fiscal Year into the Debt Reserve Account in the Debt Service Fund; and
- (d) 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.

If, in any Fiscal Year, the revenues and income collected shall not have been sufficient to provide all of the payments and meet all other requirements as specified in the preceding paragraphs in this caption, the District shall as promptly as permitted by law establish and place in effect a schedule of rates, fees and charges which will cause sufficient revenues and income to be collected. For purposes of this caption, at any time, revenues and income collected shall include any amounts withdrawn or expected to be withdrawn thereafter in any Fiscal Year from the Rate Stabilization Fund which were on deposit therein prior to such Fiscal Year.

The failure in any Fiscal Year to comply with the Electric System Rate Covenant shall not constitute an Event of Default under the Resolution, if the District shall comply with the requirements of the immediately preceding paragraph.

For purposes of the calculations specified in this section: (1) any calculation of Debt Service on Outstanding Bonds for any period of time shall be reduced by the amount of any Federal Subsidy that the District receives or expects to receive during such period of time relating to or in connection with such Outstanding Bonds; and (2) to the extent the calculation of Debt Service on Outstanding Bonds is reduced by the Federal Subsidy as provided in clause (1) of this paragraph, any calculation of Revenues for any period of time shall be reduced by the amount of any Federal Subsidy received or expected to be received by the District with respect to or in connection with such Outstanding Bonds during such period of time.

(Resolution, Section 7.11).

Certain Other Covenants

No Free Service: The District will not furnish or supply power or energy free of charge to any person, firm or corporation, public or private, and the District shall promptly enforce the payment of any and all accounts owing to the District by reason of the ownership and operation of the Electric System, to the extent dictated by sound business practice.

(Resolution, Section 7.11-3).

Power to Operate Electric System and Collect Rates and Fees: The District has good right and lawful power to construct, reconstruct, improve, maintain, operate and repair the Electric System, and to fix and collect rates, fees, rents and other charges in connection therewith.

(Resolution, Section 7.06).

Creation of Liens; Sale and Lease of Property: The District shall not hereafter issue any bonds or other evidences of indebtedness payable out of or secured by a pledge of any revenues or income of the Electric System, except as in this Resolution provided.

The District shall not issue any bonds or other evidences of indebtedness other than the Bonds, payable out of or secured by a pledge of any revenues or income of the Electric System or of the moneys, securities or funds held or set aside by the District or by the Fiduciaries under the Resolution and shall not create or cause to be created any lien or charge on any revenues or income of the Electric System, or such moneys, securities or funds; provided, however, that nothing contained in the Resolution shall prevent the District from issuing Subordinated Indebtedness as provided in the caption entitled "Subordinated Indebtedness", and provided further that the District may, for its authorized purposes, make or assume loans with the United States of America, which loans may be secured by lien on revenues and income of the Electric System prior to the lien of the Bonds issued hereunder.

The District may sell or exchange at any time and from time to time any property constituting part of the Electric System and may lease or make contracts or grant licenses for the operation of, or grant easements or other rights with respect to, any part of the Electric System if (i) in the sole judgment of the District it is advisable to take such action, (ii) such action shall not impair the ability of the District to make Debt Service payments, and (iii) such action does not materially impede or unduly restrict the operation by the District of the Electric System. Except as provided under the caption entitled "Operation and Maintenance of Electric System", any proceeds of any such sale, exchange, lease, contract or license shall at the discretion of the District be deposited in the Redemption Fund for application to the purchase or redemption of Bonds or be applied for any lawful purpose.

(Resolution, Section 7.07).

Insurance: The District shall provide protection for the Electric System in accordance with sound electric utility practice which may consist of insurance, self-insurance and indemnities. Any insurance shall be in the form of policies or contracts for insurance with insurers of good standing, shall be payable to the District as its interest may appear, and may provide for such deductibles, exclusions, limitations, restrictions and restrictive endorsements customary in policies for similar coverage issued to entities operating properties similar to the properties of the Electric System. Any self-insurance shall be in the amounts, manner and of the types provided by entities operating properties similar to the properties of the Electric System.

(Resolution, Section 7.12).

Accounts and Reports: The District shall keep, in accordance with Accounting Practice, proper books of record and account of its transactions relating to the Electric System and the Funds and Accounts established by the Resolution, together with all contracts for the sale of power and energy and all other books and papers of the District, including insurance policies, relating to the Electric System and such Funds and accounts.

The Trustee shall advise the District promptly after the end of each month of its transactions during such month relating to the funds and accounts held by it under the Resolution.

The District shall annually, within 180 days after the close of each fiscal year, file with the Trustee, and otherwise as provided by law, a copy of the annual report of the District for such year, accompanied by an Accountant's Report. In addition, the District will file with the Trustee a statement, or statements, accompanied by an Accountant's Report of each fund and account established under the Resolution, summarizing the receipts therein and disbursements

therefrom during such year and the amounts held therein at the end of each year. Such Accountant's Report on the statement summarizing the transactions in the funds established under the Resolution shall state whether or not, to the knowledge of the signer, the District is in default with respect to any of the covenants, agreements or conditions as set forth under the subheading entitled "Events of Default" under the caption entitled "Events of Default and Remedies", insofar as they pertain to accounting matters and, if so, the nature of such default; provided, however, that to the extent such statement would be contrary to the then current recommendations of the American Institute of Certified Public Accountants or other governing or regulatory entities that provide similar guidance, the District may file a certificate with the Trustee executed by an Authorized Officer of the District certifying to those matters not otherwise stated in the Accountant's Report, which District certification, together with the Accountant's Report so filed, shall be deemed to have satisfied the requirements of this paragraph.

The reports, statements and other documents required to be furnished to the Trustee pursuant to this caption shall be available for the inspection of the Revenue Bondholders at the office of the Trustee and shall be mailed to each Revenue Bondholder who shall file a written request therefore with the District.

(Resolution, Section 7.14).

Defeasance

If the District shall pay or cause to be paid or there shall otherwise be paid, to the Holders of any Bonds the principal or Redemption Price, if applicable, and interest due or to become due thereon, at the times and in the manner stipulated therein and in the Resolution, then the pledge of any Revenues, and other moneys and securities pledged under the Resolution and all covenants, agreements and other obligations of the District to the Bondholders, shall thereupon cease, terminate and become void and be discharged and satisfied. In such event, the Trustee shall cause an accounting for such period or periods as shall be requested by the District to be prepared and filed with the District and, upon the request of the District, shall execute and deliver to the District all such instruments as may be desirable to evidence such discharge and satisfaction, and the Fiduciaries shall pay over or deliver to the District all moneys or securities held by them pursuant to the Resolution which are not required for the payment of principal or Redemption Price, if applicable, on Bonds or payment of interest. If the District shall pay or cause to be paid, or there shall otherwise be paid, to the Holders of all Outstanding Bonds of a particular Series the principal or Redemption Price, if applicable, and interest due or to become due thereon, at the times and in the manner stipulated therein and in the Resolution, such Bonds shall cease to be entitled to any lien, benefit or security under the Resolution, and all covenants, agreements and obligations of the District to the Holders of such Bonds shall thereupon cease, terminate and become void and be discharged and satisfied.

Bonds or the principal or interest installments or Redemption Price for the payment or redemption of which moneys shall have been set aside and shall be held in trust by the Paying Agents (through deposit by the District of funds for such payment or redemption or otherwise) at the maturity or redemption date thereof shall be deemed to have been paid within the meaning and with the effect expressed in the preceding paragraph. Any Outstanding Bonds of any Series shall prior to the maturity or redemption date thereof be deemed to have been paid within the meaning and with the effect expressed in the preceding paragraph if (a) in case any of said Bonds are to be redeemed on any date prior to their maturity, the District shall have given to the Trustee in form satisfactory to it irrevocable instructions to publish as provided in Article IV of the Resolution notice of redemption of such Bonds on said date, (b) there shall have been deposited with the Trustee either moneys in an amount which shall be sufficient, or Defeasance Securities the principal of and the interest on which when due will provide moneys which, together with the moneys, if any, deposited with the Trustee at the same time, shall be sufficient, to pay when due the principal or Redemption Price, if applicable, and interest due and to become due on said Bonds on and prior to the redemption date or maturity date thereof, as the case may be, and (c) in the event said Bonds are not by their terms subject to redemption within the next succeeding 60 days, the District shall have given the Trustee in form satisfactory to it irrevocable instructions to publish, as soon as practicable, at least twice, at an interval of not less than seven days between publications, in the Authorized Newspapers a notice to the owners of such Bonds that the deposit required by (b) above has been made with the Trustee and that said Bonds are deemed to have been paid in accordance with this caption and stating such maturity or redemption date upon which moneys are available for the payment of the principal or Redemption Price, if applicable, on said Bonds. Neither Defeasance Securities nor moneys deposited with the Trustee pursuant to this caption nor principal or interest payments on any such Defeasance Securities shall be withdrawn or used for any purpose other than, and shall be held in trust for, the payment of the principal or Redemption Price, if applicable, and interest on said Bonds; provided that any cash received from such principal or interest payments on such Defeasance Securities deposited with the Trustee, if not then needed for such purpose, shall, to the extent practicable, be reinvested in Defeasance Securities maturing at times and in amounts sufficient to pay when due the principal or Redemption

Price, if applicable, and interest to become due on said Bonds on and prior to such redemption date or maturity date thereof, as the case may be, and interest earned from such reinvestments shall be paid over to the District, as received by the Trustee, free and clear of any trust, lien or pledge.

Anything in the Resolution to the contrary notwithstanding, any moneys held by a Fiduciary in trust for the payment and discharge of any of the Bonds which remain unclaimed for five years after the date when such Bonds have become due and payable, either at their stated maturity dates or by call for earlier redemption, if such moneys were held by the Fiduciary at such date, or for five years after the date of deposit of such moneys if deposited with the Fiduciary after the said date when such Bonds became due and payable, shall, at the written request of the District, be repaid by the Fiduciary to the District, as its absolute property and free from trust, and the Fiduciary shall thereupon be released and discharged with respect thereto and the Bondholders shall look only to the District for the payment of such Bonds; provided, however, that before being required to make any such payment to the District, the Fiduciary shall, at the expense of the District, cause to be published at least twice, at an interval of not less than seven days between publications, in the Authorized Newspapers, a notice that said moneys remain unclaimed and that, after a date named in said notice, which date shall be not less than 30 days after the date of the first publication of such notice, the balance of such moneys then unclaimed will be returned to the District.

(Resolution, Section 12.01).

Events of Default and Remedies

Events of Default: If one or more of the following events (in the Resolution called "Events of Default") shall happen, that is to say:

(i) if default shall be made in the due and punctual payment of the principal or Redemption Price of any Bond when and as the same shall become due and payable, whether at maturity or by call for redemption, or otherwise,

(ii) if default shall be made in the due and punctual payment of any installment of interest on any Bond or the unsatisfied balance of any Sinking Fund Installment therefor (except when such Installment is due on the maturity date of such Bond), when and as such interest installment or Sinking Fund Installment shall become due and payable, and such default shall continue for a period of 30 days,

(iii) if default shall be made by the District in the performance or observance of the covenants, agreements and conditions on its part as provided under the caption entitled "Electric System Rate Covenant",

(iv) if default shall be made by the District in the performance or observance of any other of the covenants, agreements or conditions on its part in the Resolution or in the Bonds contained, and such default shall continue for a period of 60 days after written notice thereof to the District by the Trustee or to the District and to the Trustee by the Holders of not less than a majority in principal amount of the Bonds Outstanding, provided that if such default shall be such that it cannot be corrected within such sixty day period, it shall not constitute an Event of Default if corrective action is instituted within such period and diligently pursued until the failure is corrected, or

(v) if (1) a decree or order for relief is entered by a court having jurisdiction of the District adjudging the District a bankrupt or insolvent or approving as properly filed a petition seeking reorganization, arrangement, adjustment or composition in respect of the District in any involuntary case under the Federal bankruptcy laws, or under any other applicable law or statute of the United States of America or of the State of Arizona; (2) a receiver, liquidator, assignee, custodian, trustee, sequester or other similar official of the District or of any substantial portion of its property is appointed; or (3) the winding up or liquidation of its affairs is ordered and the continuance of any such decree or order unstayed and in effect for a period of sixty (60) consecutive days, then, and in each and every such case, so long as such Event of Default shall not have been remedied, unless the principal of all the Bonds shall have already become due and payable, either the Trustee (by notice in writing to the District), or the Holders of not less than 25% in principal amount of the Bonds Outstanding (by notice in writing to the District and the Trustee), may declare the principal of all the Bonds then Outstanding and the interest accrued thereon, to be due and payable immediately, and upon any such declaration the same shall become and be immediately due and payable, anything in the Resolution or in any of the Bonds contained to the contrary notwithstanding. The right of the Trustee or of the Holders of not less than 25% in principal amount of the Bonds to make any such declaration as aforesaid, however, is subject to the condition that if, at any time after such declaration, but before the Bonds shall have matured by their terms, all overdue installments of interest upon the Bonds, together with interest on such overdue installments of interest to the extent permitted by law, and the reasonable and proper charges, expenses and liabilities of the Trustee, and all other sums then payable by the District under the Resolution (except the principal of, and interest accrued since the next preceding interest date on, the Bonds due and payable

solely by virtue of such declaration) shall either be paid by or for the account of the District or provision satisfactory to the Trustee shall be made for such payment, and all defaults under the Bonds or under the Resolution (other than the payment of principal and interest due and payable solely by reason of such declaration) shall be made good or be secured to the satisfaction of the Trustee or provision deemed by the Trustee to be adequate shall be made therefor, then and in every such case the Holders of a majority in principal amount of the Bonds Outstanding, by written notice to the District and to the Trustee, may rescind such declaration and annul such default in its entirety, or, if the Trustee shall have acted itself, and if there shall not have been theretofore delivered to the Trustee written direction to the contrary by the Holders of a majority in principal amount of the Bonds then Outstanding, then any such declaration shall ipso facto be deemed to be rescinded and any such default and its consequences shall ipso facto be deemed to be annulled, but no such rescission and annulment shall extend to or affect any subsequent default or impair or exhaust any right or power consequent thereon.

Accounting and Examination of Records After Default: The District covenants that if an Event of Default shall have happened and shall not have been remedied, the books of record and account of the District and all other records relating to the Electric System shall at all times be subject to the inspection and use of the Trustee and of its agents and attorneys, including the engineer or firm of engineers appointed pursuant to the subheading entitled "Application of Revenues and other Moneys After Default" under this caption.

The District covenants that if an Event of Default shall happen and shall not have been remedied, the District, upon demand of the Trustee, will account, as if it were the trustee of an express trust, for all Revenues and other moneys, securities and funds pledged or held under the Resolution for such period as shall be stated in such demand.

Application of Revenues and other Moneys After Default: The District covenants that if an Event of Default shall happen and shall not have been remedied, the District, upon demand of the Trustee, shall pay over to the Trustee (i) forthwith, all moneys, securities and funds then held by the District in any Fund or Account under the Resolution, and (ii) all Revenues as promptly as practicable after receipt thereof.

During the continuance of an Event of Default, the Trustee shall apply such moneys, securities, funds and Revenues and the income therefrom as follows and in the following order:

(i) to the payment of the amounts required for reasonable and necessary Operating Expenses, and for reasonable renewals, repairs and replacements of the Electric System necessary to prevent loss of Revenues, as certified to the Trustee by an independent engineer or firm of engineers of recognized standing (who may be an engineer or firm of engineers retained by the District for other purposes) selected by the Trustee. For this purpose the books of record and accounts of the District relating to the Electric System shall at all times be subject to the inspection of such engineer or firm of engineers during the continuance of such Event of Default;

(ii) to the payment of the reasonable and proper charges, expenses and liabilities of the Trustee and of any engineer or firm of engineers selected by the Trustee pursuant to Article VIII of the Resolution;

(iii) to the payment of the interest and principal or Redemption Price then due on the Bonds, subject to the provisions of Section 7.02 of the Resolution, as follows:

(a) unless the principal of all of the Bonds shall have become or have been declared due and payable,

First: To the payment to the persons entitled thereto of all installments of interest then due in the order of the maturity of such installments, and, if the amount available shall not be sufficient to pay in full any installment or installments maturing on the same date, then to the payment thereof ratably, according to the amounts due thereon, to the persons entitled thereto, without any discrimination or preference; and

Second: To the payment to the persons entitled thereto of the unpaid principal or Redemption Price of any Bonds which shall have become due, whether at maturity or by call for redemption, in the order of their due dates, and if the amount available shall not be sufficient to pay in full all the Bonds due on any date, then to the payment thereof ratably, according to the amounts of principal or Redemption Price due on such date, to the persons entitled thereto, without any discrimination or preference.

(b) if the principal of all of the Bonds shall have become or have been declared due and payable, to the payment of the principal and interest then due and unpaid upon the Bonds without preference or priority of principal over interest or of interest over principal, or of any installment of interest over any other installment of interest, or of any Bonds over any other Bond, ratably, according to the amounts due respectively for principal and interest, to the persons entitled thereto without any discrimination or preference.

If and whenever all overdue installments of interest on all Bonds, together with the reasonable and proper charges, expenses and liabilities of the Trustee, and all other sums payable by the District under the Resolution, including the principal and Redemption Price of and accrued unpaid interest on all Bonds which shall then be payable by declaration or otherwise, shall either be paid by or for the account of the District, or provision satisfactory to the Trustee shall be made for such payment, and all defaults under the Resolution or the Bonds shall be made good or secured to the satisfaction of the Trustee or provision deemed by the Trustee to be adequate shall be made therefor, the Trustee shall pay over to the District all moneys, securities, funds and Revenues then remaining unexpended in the hands of the Trustee (except moneys, securities, funds or Revenues deposited or pledged, or required by the terms of the Resolution to be deposited or pledged, with the Trustee), and thereupon the District and the Trustee shall be restored, respectively, to their former positions and rights under the Resolution, and all Revenues shall thereafter be applied as provided in Article V of the Resolution. No such payment over to the District by the Trustee or resumption of the application of Revenues as provided in Article V of the Resolution shall extend to or affect any subsequent default under the Resolution or impair any right consequent thereon.

Proceedings Brought by Trustee: If an Event of Default shall happen and shall not have been remedied, then and in every such case, the Trustee, by its agents and attorneys, may proceed, and upon written request of the Holders of not less than [a majority] in principal amount of the Bonds Outstanding shall proceed, to protect and enforce its right and the rights of the Holders of the Bonds under the Resolution forthwith by a suit or suits in equity or at law, whether for the specific performance of any covenant herein contained, or in aid of the execution of any power herein granted, or for an accounting against the District as if the District were the trustee of an express trust, or in the enforcement of any other legal or equitable right as the Trustee, being advised by counsel, shall deem most effectual to enforce any of its rights or to perform any of its duties under the Resolution.

All rights of action under the Resolution may be enforced by the Trustee without the possession of any of the Bonds or the production thereof on the trial or other proceedings, and any such suit or proceedings instituted by the Trustee shall be brought in its name.

The Holders of not less than a majority in principal amount of the Bonds at the time Outstanding may direct the time, method and place of conducting any proceeding for any remedy available to the Trustee, or exercising any trust or power conferred upon the Trustee, provided that the Trustee shall have the right to decline to follow any such direction if the Trustee shall be advised by counsel that the action or proceeding so directed may not lawfully be taken, or if the Trustee in good faith shall determine that the action or proceeding so directed would involve the Trustee in personal liability or be unjustly prejudicial to the Bondholders not parties to such direction.

Upon commencing a suit in equity or upon other commencement of judicial proceedings by the Trustee to enforce any right under the Resolution, the Trustee shall be entitled to exercise any and all rights and powers conferred in the Resolution and provided to be exercised by the Trustee upon the occurrence of an Event of Default.

Regardless of the happening of an Event of Default, the Trustee shall have power to, but unless requested in writing by the Holders of a majority in principal amount of the Bonds then Outstanding, and furnished with reasonable security and indemnity, shall be under no obligation to, institute and maintain such suits and proceedings as it may be advised shall be necessary or expedient to prevent any impairment of the security under the Resolution by any acts which may be unlawful or in violation of the Resolution, and such suits and proceedings as the Trustee may be advised shall be necessary or expedient to preserve or protect its interest and the interest of the Bondholders.

Restriction on Bondholder's Action: No Holder of any Bond shall have any right to institute any suit, action or proceeding at law or in equity for the enforcement of any provision of the Resolution or the execution of any trust under the Resolution or for any remedy under the Resolution, unless such Holder shall have previously given to the Trustee written notice of the happening of an Event of Default, as provided in Article VIII of the Resolution, and the Holders of [not less than a majority] in principal amount of the Bonds then Outstanding shall have filed a written request with the Trustee, and shall have offered it reasonable opportunity, either to exercise the powers granted in the Resolution or by the Act or by the laws of Arizona or to institute such action, suit or proceeding in its own name, and unless such Holders shall have offered to the Trustee adequate security and indemnity against the costs, expenses and liabilities to be incurred therein or thereby, and the Trustee shall have refused to comply with such request for a period of 60 days after receipt by it of such notice, request and offer of indemnity, it being understood and intended that no one or more Holders of Bonds shall have any right in any manner whatever by his or their action to affect, disturb or prejudice the pledge created by the Resolution, or to enforce any right under the Resolution, except in the manner therein provided; and that all proceedings at law or in equity to enforce any provision of the Resolution shall be instituted, had and maintained in the manner provided in the Resolution and for the equal benefit of all Holders of the Outstanding Bonds, subject only to the provisions of Section 7.02 of the Resolution.

Nothing in the Resolution or in the Bonds contained shall affect or impair the obligation of the District, which is absolute and unconditional, to pay at the respective dates of maturity and places therein expressed the principal of and interest on the Bonds to the respective Holders thereof, or affect or impair the right of action, which is also absolute and unconditional, of any Holder to enforce such payment of his Bond.

Remedies Not Exclusive: No remedy by the terms of the Resolution conferred upon or reserved to the Trustee or the Bondholders is intended to be exclusive of any other remedy, but each and every such remedy shall be cumulative and shall be in addition to every other remedy given under the Resolution or existing at law or equity or by statute on or after the date of adoption of this Resolution.

Effect of Waiver and Other Circumstances: No delay or omission of the Trustee or of any Bondholder to exercise any right or power arising upon the happening of an Event of Default shall impair any right or power or shall be construed to be a waiver of any such default or be an acquiescence therein; and every power and remedy given by Article VIII of the Resolution to the Trustee or to the Bondholders may be exercised from time to time and as often as may be deemed expedient by the Trustee or by the Bondholders.

Prior to the declaration of maturity of the Bonds as provided under the subheading entitled "Events of Default" under this caption, the Holders of not less than 25% in principal amount of the Bonds at the time Outstanding, or their attorneys-in-fact duly authorized, may, on behalf of the Holders of all of the Bonds waive any past default under the Resolution and its consequences, except a default in the payment of interest on or principal of or premium (if any) on any of the Bonds. No such waiver shall extend to any subsequent or other default or impair any right consequent thereon.

Notice of Default: The Trustee shall promptly mail to registered Holders of Bonds, and to all Bondholders who shall have filed their names and addresses with the Trustee for such purpose written notice of the occurrence of any Event of Default. If for any Fiscal Year the Revenues shall be insufficient to comply with the provisions under the caption entitled "Electric System Rate Covenant", the Trustee, on or before the 30th day after receipt of the annual audit, shall mail to such registered Holders and such Bondholders written notice of such failure.

Responsibilities of Fiduciaries: The recitals of fact herein and in the Bonds contained shall be taken as the statements of the District and no Fiduciary assumes any responsibility for the correctness of the same. No Fiduciary makes any representations as to the validity or sufficiency of the Resolution or of any Bonds issued thereunder or as to the security afforded by the Resolution, and no Fiduciary shall incur any liability in respect thereof. No Fiduciary shall be under any responsibility or duty with respect to the application of any moneys paid to the District or to any other Fiduciary. No Fiduciary shall be under any obligation or duty to perform any act, which would involve it in expense or liability, or to institute or defend any suit in respect hereof, or to advance any of its own moneys, unless properly indemnified. Subject to the provisions of the following paragraph, no Fiduciary shall be liable in connection with the performance of its duties hereunder except for its own negligence, misconduct or default.

The Trustee, prior to the occurrence of an Event of Default and after the curing of all Events of Default which may have occurred, undertakes to perform such duties and only such duties as are specifically set forth in the Resolution. In case an Event of Default has occurred (which has not been cured) the Trustee shall exercise such of the rights and powers vested in it by the Resolution, and use the same degree of care and skill in their exercise, as a prudent man would exercise or use under the circumstances in the conduct of his own affairs. Any provision of the Resolution relating to action taken or to be taken by the Trustee or to evidence upon which the Trustee may rely shall be subject to the provisions of this subheading.

(Resolution, Sections 8.01-8.08, 9.03).

Supplemental Resolutions

For any one or more of the following purposes and at any time or from time to time, a Supplemental Resolution of the District may be adopted, which, upon the filing with the Trustee of a copy thereof certified by an Authorized Officer of the District, shall be fully effective in accordance with its terms:

- (1) To close the Resolution against, or provide limitations and restrictions in addition to the limitations and restrictions contained in the Resolution on, the delivery of Bonds or the issuance of other evidences of indebtedness;
- (2) To add to the covenants and agreements of the District in the Resolution, other covenants and agreements to be observed by the District which are not contrary to or inconsistent with the Resolution as theretofore in effect;

(3) To add to the limitations and restrictions in the Resolution, other limitations and restrictions to be observed by the District which are not contrary to or inconsistent with the Resolution as theretofore in effect;

(4) To authorize Bonds of a Series and, in connection therewith, specify and determine the matters and things referred to in Section 2.02 of the Resolution, and also any other matters and things relative to such Bonds which are not contrary to or inconsistent with the Resolution as theretofore in effect, or to amend, modify or rescind any such authorization, specification or determination at any time prior to the first delivery of such Bonds;

(5) To confirm, as further assurance, any pledge under, and the subjection to any lien or pledge created or to be created by, the Resolution, of the Revenues or of any other moneys, securities or funds;

(6) To modify any of the provisions of the Resolution in any respect whatever, provided that (i) such modification shall be, and be expressed to be, effective only after all Bonds of any Series Outstanding at the date of the adoption of such Supplemental Resolution shall cease to be Outstanding, and (ii) such Supplemental Resolution shall be specifically referred to in the text of all Bonds of any Series delivered after the date of the adoption of such Supplemental Resolution and of Bonds issued in exchange therefor or in place thereof;

(7) To modify any of the provisions of the Resolution to permit compliance with any amendment to the Internal Revenue Code of 1986, as amended, or any successor thereto, as the same may be in effect from time to time, if, in the Opinion of Bond Counsel, failure to so modify the Resolution either would adversely affect the ability of the District to issue Bonds the interest on which is excludable from gross income for purposes of federal income taxation, or is necessary or advisable to preserve such exclusion with respect to any Outstanding Bonds;

(8) To comply with such regulations and procedures as are from time to time in effect relating to establishing and maintaining a book-entry-only system;

(9) To provide for the issuance of Bonds in coupon form payable to bearer;

(10) To comply with the requirements of any nationally recognized rating agency in order to maintain or improve a rating on the Bonds by such rating agency;

(11) To cure any ambiguity, supply any omission, or cure or correct any defect or inconsistent provision in the Resolution; or

(12) To insert such provisions clarifying matters or questions arising under the Resolution as are necessary or desirable and are not contrary to or inconsistent with the Resolution as theretofore in effect.

Supplemental Resolutions Effective With Consent of Trustee: At any time or from time to time, a Supplemental Resolution may be adopted subject to consent by Bondholders in accordance with and subject to the provisions of Article XI of the Resolution, which Supplemental Resolution, upon the filing with the Trustee of a copy thereof certified by an Authorized Officer of the District and upon compliance with the provisions of said Article XI, shall become fully effective in accordance with its terms as provided in said Article XI.

General Provisions: The Resolution shall not be modified or amended in any respect except as provided in and in accordance with and subject to the provisions of Article X and Article XI of the Resolution. Nothing in Article X or Article XI of the Resolution contained shall affect or limit the right or obligation of the District to adopt, make, do, execute, acknowledge or deliver any resolution, act or other instrument pursuant to the provisions of Section 7.04 of the Resolution or the right or obligation of the District to execute and deliver to any Fiduciary any instrument which elsewhere in the Resolution it is provided shall be delivered to said Fiduciary.

Any Supplemental Resolution referred to and permitted or authorized by this caption may be adopted by the District without the consent of any of the Bondholders, but shall become effective only on the conditions, to the extent and at the time provided in said Sections, respectively. The copy of every Supplemental Resolution when filed with the Trustee shall be accompanied by a Counsel's Opinion stating that such Supplemental Resolution has been duly and lawfully adopted in accordance with the provisions of the Resolution, is authorized or permitted by the Resolution, and is valid and binding upon the District and enforceable in accordance with its terms.

The Trustee is authorized to accept the delivery of a certified copy of any Supplemental Resolution referred to and permitted or authorized by this caption and subheading and to make all further agreements and stipulations which may be therein contained, and the Trustee, in taking such action, shall be fully protected in relying on an opinion of counsel (which may be a Counsel's Opinion) that such Supplemental Resolution is authorized or permitted by the provisions of the Resolution.

No Supplemental Resolution shall change or modify any of the rights or obligations of any Fiduciary without its written assent thereto.

(Resolution, Section 10.01-10.03).

Amendment with Consent of Bondholders

Any modification or amendment of the Resolution and of the rights and obligations of the District and of the Holders of the Bonds thereunder, in any particular, may be made by a Supplemental Resolution, with the written consent given as provided in the following paragraph of the Holders of at least two-thirds in principal amount of the Bonds Outstanding at the time such consent is given, and (ii) in case less than all of the several Series of Bonds then Outstanding or less than all the Bonds of a Series then Outstanding are affected by the modification or amendment, of the Holders of at least two-thirds in principal amount of the Bonds so affected and Outstanding at the time such consent is given, and (iii) in case the modification or amendment changes the terms of any Sinking Fund Installment, of Holders of at least two-thirds in principal amount of the Bonds entitled to such Sinking Fund Installment and Outstanding at the time such consent is given; provided, however, that if such modification or amendment will, by its terms, not take effect so long as any Bonds of any specified like Series and maturity remain Outstanding, the consent of the Holders of such Bonds shall not be required and such Bonds shall not be deemed to be Outstanding for the purpose of any calculation of Outstanding Bonds under this paragraph. No such modification or amendment shall permit a change in the terms of redemption or maturity of the principal of any Outstanding Bond or of any installment of interest thereon or a reduction in the principal amount or the Redemption Price thereof or in the rate of interest thereon without the consent of the Holder of such Bond, or shall reduce the percentages or otherwise affect the classes of Bonds the consent of the Holders of which is required to effect any such modification or amendment, or shall change or modify any of the rights or obligations of any Fiduciary without its written assent thereto. For the purpose of this paragraph, a Series shall be deemed to be affected by a modification or amendment of the Resolution if the same adversely affects or diminishes the rights of the Holders of Bonds of such Series.

The District may at any time adopt a Supplemental Resolution making a modification or amendment permitted by the preceding paragraph, to take effect when and as provided in this paragraph. A copy of such Supplemental Resolution (or brief summary thereof or reference thereto in form approved by Trustee, together with a request to Bondholders for their consent thereto in form satisfactory to the Trustee), shall be mailed by the District to Bondholders and shall be published in the Authorized Newspapers at least once a week for two successive weeks (but failure to mail such copy and request shall not affect the validity of the Supplemental Resolution when consented to as provided in this paragraph). Such Supplemental Resolution shall not be effective unless and until (i) there shall have been filed with the Trustee (a) the written consents of Holders of the percentages of Outstanding Bonds specified in the preceding paragraph and (b) a Counsel's Opinion stating that such Supplemental Resolution has been duly and lawfully adopted and filed by the District in accordance with the provisions of the Resolution, is authorized or permitted by the Resolution, and is valid and binding upon the District and enforceable in accordance with its terms, and (ii) a notice shall have been published as provided in this paragraph. Each such consent shall be effective only if accompanied by proof of the holding, at the date of such consent, of the Bonds with respect to which such consent is given, which proof shall be such as is permitted by Section 12.02 of the Resolution. A certificate or certificates by the Trustee filed with the Trustee that it has examined such proof and such proof is sufficient in accordance with Section 12.02 of the Resolution shall be conclusive that the consents have been given by the Holders of the Bonds described in such certificate or certificates of the Trustee. Any such consent shall be binding upon the Holder of the Bonds giving such consent and, anything in Section 12.02 of the Resolution to the contrary notwithstanding, upon any subsequent Holder of such Bonds and of any Bonds issued in exchange therefor (whether or not such subsequent Holder thereof has notice thereof) unless such consent is revoked in writing by the Holder of such Bonds giving such consent or a subsequent Holder thereof by filing with the Trustee, prior to the time when the written statement of the Trustee provided for in this paragraph is filed, such revocation and, if such Bonds are transferable by delivery, proof that such Bonds are held by the signer of such revocation in the manner permitted by Section 12.02 of the Resolution. The fact that a consent has not been revoked may likewise be proved by a certificate of the Trustee filed with the Trustee to the effect that no revocation thereof is on file with the Trustee. At any time after the Holders of the required percentages of Bonds shall have filed their consents to the Supplemental Resolution, the Trustee shall make and file with the District and the Trustee a written statement that the Holders of such required percentages of Bonds have filed such consents. Such written statement shall be conclusive that such consents have been so filed. At any time thereafter notice, stating in substance that the Supplemental Resolution (which may be referred to as Supplemental Resolution adopted by the District on a stated date, a copy of which is on file with the Trustee) has been consented to by the Holders of the required percentages of Bonds and will be effective as provided in this paragraph, may be given to

Bondholders by the District by mailing such notice to Bondholders (but failure to mail such notice shall not prevent such Supplemental Resolution from becoming effective and binding as provided in this paragraph) and by publishing the same in the Authorized Newspapers at least once not more than 90 days after the Holders of the required percentages of Bonds shall have filed their consents to the Supplemental Resolution and the written statement of the Trustee hereinabove provided for is filed. The District shall file with the Trustee proof of the publication of such notice and, if the same shall have been mailed to Bondholders, of the mailing thereof. A record, consisting of the papers required or permitted by this paragraph to be filed with the Trustee, shall be proof of the matters therein stated. Such Supplemental Resolution making such amendment or modification shall be deemed conclusively binding upon the District, the Fiduciaries and the Holders of all Bonds at the expiration of 40 days after the filing with the Trustee of the proof of the first publication of such last mentioned notice, except in the event of a final decree of a court of competent jurisdiction setting aside such Supplemental Resolution in a legal action or equitable proceeding for such purpose commenced within such 40 day period; provided, however, that any Fiduciary and the District during such 40 day period and any such further period during which any such action or proceeding may be pending shall be entitled in their absolute discretion to take such action, or to refrain from taking such action, with respect to such Supplemental Resolution as they may deem expedient.

(Resolution, Sections 11.02 and 11.03).

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APPENDIX C — FORMS OF BOND OPINION AND SPECIAL TAX COUNSEL OPINION

[UPON DELIVERY OF THE 2024 SERIES BONDS, CHIESA SHAHINIAN & GIANTOMASI PC, BOND COUNSEL, IS EXPECTED TO RENDER ITS APPROVING LEGAL OPINION IN SUBSTANTIALLY THE FOLLOWING FORM]

[CLOSING DATE]

Board of Directors
Salt River Project Agricultural
Improvement and Power District
Tempe, Arizona 85281

Ladies and Gentlemen:

We have examined the Constitution and statutes of the State of Arizona, certified copies of the proceedings of the Board of Directors of the Salt River Project Agricultural Improvement and Power District (the “District”) and other proofs submitted to us relative to the issuance and sale by the District, a body politic and corporate and political subdivision of the State of Arizona, of \$_____ Salt River Project Electric System Revenue Bonds, 2024 Series A (the “2024 Series A Bonds”) and \$_____ Salt River Project Electric System Revenue Bonds, 2024 Series B (the “2024 Series B Bonds” and, together with the 2024 Series A Bonds, the “2024 Series Bonds”).

The 2024 Series Bonds consist of bonds bearing interest at fixed rates. The 2024 Series Bonds are dated the date hereof and mature and bear interest at the times and rates shown on the inside front cover of the Official Statement dated, _____, 2024 relating to the 2024 Series Bonds, and in the manner and upon the terms provided therein and in the Resolutions (as hereinafter defined). The 2024 Series Bonds are subject to redemption prior to maturity as provided in the Resolutions.

We have also examined the form of said 2024 Series Bonds.

We are of the opinion that such proceedings and proofs show lawful authority for the issuance and sale of the 2024 Series Bonds pursuant to the Constitution and statutes of the State of Arizona, including particularly Title 48, Chapter 17, Article 7, Arizona Revised Statutes, and other applicable provisions of law, and pursuant and subject to the provisions, terms and conditions of a resolution, dated as of September 10, 2001, which became effective January 11, 2003, entitled “Supplemental Resolution Authorizing an Amended and Restated Resolution Concerning Revenue Bonds” as amended and supplemented, and a resolution dated as of September 17, 2024 entitled “Resolution Authorizing The Issuance and Sale of Not Exceeding \$800,000,000 in Par Value Salt River Project Electric System Revenue Bonds, 2024 Series of the Salt River Project Agricultural Improvement and Power District, and Providing for the Form, Details and Terms Thereof” and an Officer’s Certificate dated as of the sale date of the 2024 Series Bonds (collectively, the “Resolutions”), all duly adopted or executed by the District, as applicable, and that the 2024 Series Bonds are valid and legally binding special obligations of the District.

We are further of the opinion that the District, in the Resolutions, has lawfully covenanted and is legally obligated to charge and collect, and revise from time to time whenever necessary, such fees and other charges for the sale of electric power and energy which will be sufficient in each year to pay the necessary expenses of operating and maintaining the District’s electric system, the principal of and interest on the 2024 Series Bonds and all other indebtedness maturing and becoming due in such year, and all reserve or other payments required by the Resolutions in such year, subject to restrictions, if any, imposed by or on behalf of the United States of America, all in the manner provided in the Resolutions.

We are further of the opinion that the 2024 Series Bonds, and the outstanding Electric System Revenue Bonds heretofore issued pursuant to the Resolutions, as to principal or redemption price thereof and interest thereon are payable on a parity from and secured by a valid and equal pledge of the revenues of the District’s electric system and other funds held or set aside under the Resolutions. Such pledge is subject and subordinate to the pledges and liens

created by United States of America loan agreements hereafter entered into by the District, all in the manner provided in the Resolutions.

We are further of the opinion that the District may, within the terms, limitations and conditions contained in the Resolutions, issue pari passu additional Electric System Revenue Bonds payable from the revenues derived from the District's electric system, ranking equally as to lien on and source and security for payment from the revenues derived from the District's electric system, with the 2024 Series Bonds and any pari passu additional Electric System Revenue Bonds heretofore or hereafter issued, all in the manner provided in the Resolutions.

We are further of the opinion that the District has validly entered into further covenants and agreements with the holders of the 2024 Series Bonds for the exact terms of which reference is made to the Resolutions.

The foregoing opinions are subject to the effect of bankruptcy, reorganization, moratorium and other similar laws, judicial decisions and principles of equity relating to or affecting the enforcement of creditors' rights or contractual obligations generally and judicial discretion.

This opinion letter is issued as of the date hereof and is subject to the assumptions and qualifications set forth herein, and we assume no obligation to update, revise or supplement this opinion to reflect any facts or circumstances that may hereafter come to our attention, or any changes in law, or in interpretations thereof, that may hereafter occur, or for any other reason whatsoever.

In rendering the foregoing opinions, we have made a review of those laws and regulations and legal proceedings that, in our experience, are normally deemed necessary to approve the legality of the 2024 Series Bonds. In rendering the foregoing opinions we have not been requested to examine any document or financial or other information concerning the District or the projects to be financed with the 2024 Series Bonds other than the record of proceedings referred to above, and we express no opinion as to the accuracy, adequacy or sufficiency of any financial or other information which has been or will be supplied to purchasers of the 2024 Series Bonds.

Very truly yours,

[UPON DELIVERY OF THE 2024 SERIES BONDS, NIXON PEABODY LLP SPECIAL TAX COUNSEL, IS EXPECTED TO RENDER ITS LEGAL OPINION IN SUBSTANTIALLY THE FOLLOWING FORM]

_____, 2024

Board of Directors
Salt River Project Agricultural
Improvement and Power District
Tempe, Arizona 85281

Ladies and Gentlemen:

We have acted as Special Tax Counsel to the Salt River Project Agricultural Improvement and Power District (the "District") in connection with the issuance by the District on the date hereof of \$_____ Salt River Project Electric System Revenue Bonds, 2024 Series A (the "2024 Series A Bonds") and \$_____ Salt River Project Electric System Revenue Bonds, 2024 Series B (the "2024 Series B Bonds" and, together with the 2024 Series A Bonds, the "2024 Series Bonds").

In connection with such representation, in our capacity as Special Tax Counsel to the District, we have examined copies of (i) a resolution, dated as of September 10, 2001, which became effective January 11, 2003, entitled "Supplemental Resolution Authorizing an Amended and Restated Resolution Concerning Revenue Bonds" as amended and supplemented, (ii) a resolution dated as of September 17, 2024 entitled "Resolution Authorizing The Issuance and Sale of Not Exceeding \$800,000,000 in Par Value Salt River Project Electric System Revenue Bonds, 2024 Series of the Salt River Project Agricultural Improvement and Power District, and Providing for the Form, Details and Terms Thereof" (collectively, the "Resolutions"), (iii) the opinions of Chiesa Shahnian & Giantomasi PC, bond counsel to the District ("Bond Counsel") and opinions of counsel to the District, of even date herewith, (iv) the Tax Certificate as to Arbitrage and The Provisions of Sections 141-150 of the Internal Revenue Code of 1986 (the "Tax Certificate") and (v) originals, executed counterparts or copies of such other agreements, legal opinions, documents, proceedings, records, instruments, certificates and certificates of public authorities and have reviewed such matters of law as we have deemed necessary for the purpose of providing this opinion (collectively, the "Reviewed Materials"). In rendering the opinions set forth below, we have relied upon the approving opinions of Bond Counsel delivered on even date herewith, relating among other things to the validity of the 2024 Series Bonds.

The Internal Revenue Code of 1986, as amended (the "Code") sets forth certain requirements which must be met subsequent to the issuance and delivery of the 2024 Series Bonds 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 2024 Series Bonds to be included in gross income for federal income tax purposes retroactive to the date of issuance of the 2024 Series Bonds. Pursuant to the Resolutions, the District has covenanted to comply with the provisions of the Code applicable to the 2024 Series Bonds, and has covenanted not to take any action or permit any action that would cause the interest on the 2024 Series Bonds to be included in gross income under Section 103 of the Code. In addition, the District has made certain certifications and representations in the Tax Certificate. We have not independently verified the accuracy of those certifications and representations.

Based upon our review of the Reviewed Materials and the assumption that the execution, delivery, and performance, as applicable, of the Reviewed Materials by each of the parties thereto are within such party's powers and have been duly authorized by all necessary action, we are of the opinion that, under existing law and assuming compliance with the tax covenants described herein, and the accuracy of the aforementioned certifications and representations:

1. Interest on the 2024 Series Bonds (including any original issue discount properly allocable thereto) is excluded from gross income of the owners thereof for federal income tax purposes under Section 103 of the Code.

2. Interest on the 2024 Series Bonds is not treated as a preference item in calculating the alternative minimum tax imposed under the Code; for taxable years beginning after December 31, 2023, interest on the 2024 Series 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; and

3. Interest on the Bonds is exempt from income taxes imposed by the State of Arizona.

Except as stated above, we express no opinion as to any other federal or state tax consequences of the ownership or disposition of the Bonds. Furthermore, we express no opinion as to any federal, state, or local tax law consequences with respect to the Bonds, or the interest thereon, if any action is taken with respect to the Bonds or the proceeds thereof upon the advice or approval of other counsel.

Very truly yours,

APPENDIX D — Form of Continuing Disclosure Agreement

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
2024 Series A**

**\$ _____
Salt River Project Electric System Revenue Bonds
2024 Series B**

THIS CONTINUING DISCLOSURE AGREEMENT (this "Agreement"), dated as of _____, 2024, 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, 2024 Series A (the "2024 Series A Bonds") and \$ _____ Salt River Project Electric System Revenue Bonds, 2024 Series B (the "2024 Series B Bonds" and, together with the 2024 Series A Bonds, 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 September __, 2024, 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, commencing with the fiscal year ending April 30, 2025:
 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.

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";

* 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.

- 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.

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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: _____
Jon W. Hubbard
Corporate Treasurer and Senior Director of
Financial Operations & Compliance

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

By: _____
Keith Henselen
Vice President

APPENDIX E — Book-Entry-Only System

The Depository Trust Company (“DTC”), New York, New York, will act as securities depository for the 2024 Series Bonds. Reference to the 2024 Series Bonds hereunder shall mean all 2024 Series Bonds held through DTC. The 2024 Series Bonds will be issued as fully-registered bonds 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 Bond certificate will be issued for each maturity of the 2024 Series Bonds, each in the aggregate principal amount of such maturity.

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, 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 both U.S. and non-U.S. securities brokers and dealers, bank 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.

Purchases of the 2024 Series Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the 2024 Series Bonds on DTC’s records. The ownership interest of each actual purchaser of each 2024 Series Bond (a “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 2024 Series Bonds 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 the 2024 Series Bonds, except in the event that use of the book-entry system for the 2024 Series Bonds is discontinued.

To facilitate subsequent transfers, all 2024 Series Bonds 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 2024 Series Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not affect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the 2024 Series Bonds; DTC’s records reflect only the identity of the Direct Participants to whose accounts such 2024 Series Bonds are credited, which may or may not be the Beneficial Owners. The Direct Participants will remain responsible for keeping account of their holdings on behalf of their customers.

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.

Redemption notices shall be sent to DTC. If less than all of the 2024 Series Bonds are being redeemed, DTC’s practice is to determine by lot the amount of the interest of each Direct Participant in such Offered Bond to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the 2024 Series Bonds unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the District 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 the 2024 Series Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Redemption proceeds and principal and interest payments on the 2024 Series Bonds 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 the District on the payment 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, the Trustee or the District, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds and principal and interest payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the District or the Trustee, disbursement of such payments to Direct Participants shall be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners shall be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as depository with respect to the 2024 Series Bonds at any time by giving reasonable notice to the District. Under such circumstances, in the event that a successor depository is not obtained, Offered Bond certificates are required to be printed and delivered.

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

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

No assurance can be given by the District that DTC will make prompt transfer of payments to the Participants or that Participants will make prompt transfer of payments to Beneficial Owners. The District is not responsible or liable for payment by DTC or Participants or for sending transaction statements or for maintaining, supervising or reviewing records maintained by DTC or Participants.

For every transfer and exchange of the 2024 Series Bonds, the Beneficial Owners may be charged a sum sufficient to cover any tax, fee or other charge that may be imposed in relation thereto.

Unless otherwise noted, certain of the information contained in this Appendix E has been extracted from information furnished by DTC. The District does not make any representation as to the completeness or the accuracy of such information or as to the absence of material adverse changes in such information subsequent to the date hereof.

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APPENDIX F — 2035 Sustainability Goals

SRP is a community-based not-for-profit water and power company, and we're committed to building a sustainable future in the Valley. SRP's 2035 Sustainability Goals are about making decisions through the eyes of future generations, balancing costs and impacts while providing reliable, sustainable water and power for today and tomorrow. Please find below links to SRP Sustainability Overview, FY23 Progress Update, and 2035 Sustainability Goals FY21 – FY25 Action Plan.

Links:

- [SRP Sustainability overview | SRP \(srpnet.com\)](https://www.srpnet.com/sustainability/overview)
- [FY23 Progress update | SRP \(srpnet.com\)](https://www.srpnet.com/sustainability/fy23-progress-update)
- [2035 Sustainability Goals FY21 - FY25 Action Plan | SRP \(srpnet.com\)](https://www.srpnet.com/sustainability/2035-goals-fy21-fy25-action-plan)

APPENDIX G —Customer and Community Programs

Links:

Energy efficiency and customer incentives:

- [Residential rebates | SRP \(savewithsrp.com\)](https://www.srpnet.com/About/Doing_Business/Incentives_and_Rebates/Residential_Rebates/Pages/default.aspx)
- [Savings rebates and tools for businesses | SRP \(savewithsrpbiz.com\)](https://www.srpnet.com/About/Doing_Business/Incentives_and_Rebates/Business_Rebates/Pages/default.aspx)
- [SRP marketplace | SRP \(srpmarketplace.com\)](https://www.srpmarketplace.com/)

Community support/education:

- [Grants and corporate contributions | SRP \(srpnet.com\)](https://www.srpnet.com/About/Doing_Business/Community_Support/Pages/default.aspx)
- [Offering support for teachers | SRP \(srpnet.com\)](https://www.srpnet.com/About/Doing_Business/Community_Support/Pages/default.aspx)

Customer resources:

- [SRP financial assistance | SRP \(srpnet.com\)](https://www.srpnet.com/About/Doing_Business/Financial_Assistance/Pages/default.aspx)
- [Limited-income assistance programs | SRP \(srpnet.com\)](https://www.srpnet.com/About/Doing_Business/Financial_Assistance/Pages/default.aspx)

Safety:

- [Power outages and storm safety | SRP \(srpnet.com\)](https://www.srpnet.com/About/Doing_Business/Safety/Pages/default.aspx)
- [Water and pool safety tools, tips and resources | SRP \(srpnet.com\)](https://www.srpnet.com/About/Doing_Business/Safety/Pages/default.aspx)
- [Electrical safety tips for home and work | SRP \(srpnet.com\)](https://www.srpnet.com/About/Doing_Business/Safety/Pages/default.aspx)
- [Overhead and underground power line safety | SRP \(srpnet.com\)](https://www.srpnet.com/About/Doing_Business/Safety/Pages/default.aspx)
- [Contact SRP to trim trees near power lines | SRP \(srpnet.com\)](https://www.srpnet.com/About/Doing_Business/Safety/Pages/default.aspx)

SALT RIVER PROJECT
COMBINED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED APRIL 30, 2024 AND 2023
(Thousands)

	<u>2024</u>	<u>2023</u>
Cash Flows from Operating Activities		
Net Revenues (Expenses)	\$ 405,557	\$ (361,530)
Adjustments to reconcile net revenues to net cash provided by operating activities:		
Depreciation and amortization	613,191	670,091
Amortization of nuclear fuel	40,231	39,028
Amortization of bond discount (premium) and Issuance expenses	(45,163)	(46,090)
Amortization of operating lease right of use assets	9,634	9,393
Change in fair value of derivative instruments, net of collateral	47,091	175,892
Change in fair value of investment securities	(92,089)	23,120
Realized gain on investing activities	(17,478)	(15,267)
Other	(19,002)	(2,920)
Decrease (increase) in:		
Fuel stocks and materials and supplies	(122,628)	(70,924)
Receivables, net of allowance for doubtful accounts	(5,707)	(29,825)
Other current assets	(18,110)	(2,986)
Deferred charges and other assets	8,285	4,620
Increase (decrease) in:		
Accounts payable	(21,053)	51,736
Accrued taxes and tax equivalents	3,736	(7,219)
Accrued interest	15,740	4,688
Customers' deposits and other current liabilities	17,867	(16,688)
Deferred credits and other non-current liabilities	(94,614)	(62,397)
Net cash provided by operating activities	<u>725,488</u>	<u>362,722</u>
Cash Flows from Investing Activities		
Capital expenditures	(1,507,350)	(1,311,014)
Plant acquisition	-	(34,979)
Contributions in aid of construction	264,258	313,912
Proceeds from disposition of assets	12,665	11,577
Purchases of investments	(354,347)	(216,908)
Sales of investments	152,384	70,287
Maturities of investments	281,254	231,896
Other investing activities	6,347	-
Net cash used for investing activities	<u>(1,144,789)</u>	<u>(935,229)</u>
Cash Flows from Financing Activities		
Proceeds from issuance of Revenue Bonds, net of debt issuance costs	684,688	554,716
Repayment of Revenue Bonds	(113,930)	(108,910)
Repayment of Revolving Credit Agreement loan	-	(3,500)
Net cash provided by financing activities	<u>570,758</u>	<u>442,306</u>
Net (Decrease) Increase in Cash, Cash Equivalents and Restricted Cash	<u>151,457</u>	<u>(130,201)</u>
Balance at Beginning of Year in Cash, Cash Equivalents and Restricted Cash	<u>482,469</u>	<u>612,670</u>
Balance at End of Year in Cash, Cash Equivalents and Restricted Cash	<u>\$ 633,926</u>	<u>\$ 482,469</u>
Supplemental Information		
Cash paid for interest, net of capitalized interest	\$ 191,801	\$ 173,257

The accompanying notes are an integral part of these combined financial statements.

SALT RIVER PROJECT
COMBINED STATEMENTS OF NET REVENUES
FOR THE YEARS ENDED APRIL 30, 2024 AND 2023
(Thousands)

	<u>2024</u>	<u>2023</u>
Operating Revenues		
Retail electric	\$ 3,492,861	\$ 3,211,366
Other electric	83,681	86,526
Wholesale	543,862	699,635
Water	25,491	24,019
Total operating revenues	<u>4,145,895</u>	<u>4,021,546</u>
Operating Expenses		
Power purchased	677,439	704,023
Fuel used in electric generation	989,900	1,537,262
Operations and maintenance	1,356,527	1,236,743
Depreciation and amortization	613,191	670,091
Taxes and tax equivalents	166,397	165,514
Total operating expenses	<u>3,803,454</u>	<u>4,313,633</u>
Net operating revenues (expenses)	<u>342,441</u>	<u>(292,087)</u>
Other (Expense) Income		
Investment income (loss), net	174,256	30,762
Other income, net	51,238	31,650
Total other income (expense), net	<u>225,494</u>	<u>62,412</u>
Net revenues (expenses) before financing costs	<u>567,935</u>	<u>(229,675)</u>
Financing Costs		
Interest on bonds, net	208,479	178,369
Capitalized interest	(24,172)	(14,402)
Amortization of bond discount (premium) and issuance expenses	(45,163)	(46,090)
Interest on other obligations	23,234	13,978
Net financing costs	<u>162,378</u>	<u>131,855</u>
Net Revenues (Expenses)	<u>\$ 405,557</u>	<u>\$ (361,530)</u>

The accompanying notes are an integral part of these combined financial statements.

**SALT RIVER PROJECT
COMBINED BALANCE SHEETS
APRIL 30, 2024 AND 2023
(Thousands)**

	<u>2024</u>	<u>2023</u>
<u>CAPITALIZATION AND LIABILITIES</u>		
Long-term Debt	\$ 5,470,941	\$ 4,950,900
Accumulated Net Revenues	<u>6,408,147</u>	<u>6,002,590</u>
Total Capitalization	<u>11,879,088</u>	<u>10,953,490</u>
Current Liabilities		
Current portion of long-term debt	118,780	113,930
Accounts payable	318,925	318,553
Accrued taxes and tax equivalents	125,731	121,995
Accrued interest	83,343	67,603
Customers' deposits	148,430	139,589
Current commodity derivative liabilities	92,446	98,668
Other current liabilities	<u>271,213</u>	<u>261,037</u>
	<u>1,158,868</u>	<u>1,121,375</u>
Deferred Credits and Other Non-current Liabilities		
Accrued post-retirement liability	641,161	713,636
Asset retirement obligations	545,504	377,324
Non-current commodity derivative liabilities	32,181	9,427
Other deferred credits and other non-current liabilities	<u>863,439</u>	<u>759,005</u>
	<u>2,082,285</u>	<u>1,859,392</u>
Commitments and Contingencies (Notes 9, 10, 11, 12, 13, 14 and 15)		
Total Capitalization and Liabilities	<u>\$ 15,120,241</u>	<u>\$ 13,934,257</u>

The accompanying notes are an integral part of these combined financial statements.

**SALT RIVER PROJECT
COMBINED BALANCE SHEETS
APRIL 30, 2024 AND 2023
(Thousands)**

	<u>ASSETS</u>		
		<u>2024</u>	<u>2023</u>
Utility Plant			
Plant in Service-			
Electric	\$	17,250,489	\$ 16,683,057
Irrigation		606,510	596,210
Common		<u>1,418,835</u>	<u>1,342,623</u>
Total plant in service		19,275,834	18,621,890
Less: accumulated depreciation on plant in service		<u>(10,572,916)</u>	<u>(10,180,268)</u>
		8,702,918	8,441,622
Plant held for future use		45,270	45,270
Construction work in progress		1,407,653	770,196
Nuclear fuel, net		<u>145,259</u>	<u>142,101</u>
		<u>10,301,100</u>	<u>9,399,189</u>
Other Property and Investments			
Non-utility property and other investments		422,559	391,218
Segregated funds, net of current portion		<u>1,982,219</u>	<u>1,844,276</u>
		<u>2,404,778</u>	<u>2,235,494</u>
Current Assets			
Cash and cash equivalents		490,430	295,945
Temporary investments		146,121	276,245
Current portion, segregated funds		122,443	104,746
Receivables, net of allowance for doubtful accounts of \$5,418 and \$5,847, respectively		314,463	315,526
Fuel stocks		141,146	110,041
Materials and supplies		427,154	330,204
Other current assets		<u>66,671</u>	<u>45,289</u>
		<u>1,708,428</u>	<u>1,477,996</u>
Deferred Charges and Other Assets			
Accumulated post-retirement asset		264,155	-
Regulatory assets		302,845	587,937
Non-current commodity derivative assets		6,457	37,016
Other deferred charges and other assets		<u>132,478</u>	<u>196,625</u>
		<u>705,935</u>	<u>821,578</u>
Total Assets		<u>\$ 15,120,241</u>	<u>\$ 13,934,257</u>

The accompanying notes are an integral part of these combined financial statements.



In performing an audit in accordance with US GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the combined financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the combined financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the combined financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

PricewaterhouseCoopers LLP

June 28, 2024



Report of Independent Auditors

To Management, the Board of Directors of Salt River Project Agricultural Improvement and Power District and the Board of Governors of Salt River Valley Water Users' Association

Opinion

We have audited the accompanying combined financial statements of Salt River Project Agricultural Improvement and Power District and its subsidiaries and the Salt River Valley Water Users' Association (the "Company"), which comprise the combined balance sheets as of April 30, 2024 and 2023, and the related combined statements of net revenues and of cash flows for the years then ended, including the related notes (collectively referred to as the "combined financial statements").

In our opinion, the accompanying combined financial statements present fairly, in all material respects, the financial position of the Company as of April 30, 2024 and 2023, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (US GAAS). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Combined Financial Statements section of our report. We are required to be independent of the Company and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Combined Financial Statements

Management is responsible for the preparation and fair presentation of the combined financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of combined financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the combined financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for one year after the date the combined financial statements are available to be issued.

Auditors' Responsibilities for the Audit of the Combined Financial Statements

Our objectives are to obtain reasonable assurance about whether the combined financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with US GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the combined financial statements.

PricewaterhouseCoopers LLP, 4300 E Camelback Rd, Suite 475, Phoenix, Arizona 85018
T: (602) 364 8000, www.pwc.com/us

**APPENDIX A — Report of Independent Auditors and Combined Financial Statements
as of April 30, 2024 and 2023**

SALT RIVER PROJECT
COMBINED FINANCIAL STATEMENTS
AS OF APRIL 30, 2024 AND 2023
TOGETHER WITH REPORT OF
INDEPENDENT AUDITORS

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**

President

General Manager and Chief Executive Officer

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 2024 Series 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, 2025 (the “Annual Report”), and to provide notices of the occurrence of certain enumerated events with respect to the 2024 Series 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.

While the District believes that it has complied in all material respects with its continuing disclosure obligations during the preceding five years, certain of the District’s disclosure filings were not initially linked to all of the relevant CUSIPs. The District has corrected each identified CUSIP linking issue and believes that all filings are now properly linked to each applicable CUSIP. The District became aware of these linking issues on September 4, 2024 and filed a timely failure to file notice on EMMA.

INDEPENDENT ACCOUNTANTS

The combined financial statements of the District and its subsidiaries and the Association as of April 30, 2024 and 2023 and for each of the two years in the period ended April 30, 2024, 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, 2024 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.

Interest paid on tax-exempt obligations such as the 2024 Series 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 2024 Series 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 as to any federal tax matters other than those described in the opinions attached as Appendix C. 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 2024 Series 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 2024 Series Bonds for federal or state income tax purposes, and thus on the value or marketability of the 2024 Series 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 2024 Series Bonds from gross income for federal or state income tax purposes, or otherwise. It is not possible to predict whether any legislative or administrative actions or court decisions having an adverse impact on the federal or state income tax treatment of holders of the 2024 Series Bonds may occur. Prospective purchasers of the 2024 Series Bonds should consult their own tax advisors regarding the impact of any change in law on the 2024 Series Bonds.

Special Tax Counsel has not undertaken to advise in the future whether any events after the date of issuance and delivery of the 2024 Series Bonds may affect the tax status of interest on the 2024 Series Bonds. Special Tax Counsel expresses no opinion as to any federal, state or local tax law consequences with respect to the 2024 Series Bonds, or the interest thereon, if any action is taken with respect to the 2024 Series 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 2024 Series Bonds are subject to the approval of Chiesa Shahinian & Giantomasi PC, Bond Counsel, whose final approving opinion will be delivered with the 2024 Series Bonds in substantially the form attached hereto as Appendix C. Certain legal matters in connection with the 2024 Series Bonds will be passed upon for the District by Spencer Fane LLP and by Nixon Peabody LLP, Special Tax Counsel, whose tax opinion will be delivered with the 2024 Series Bonds in substantially the form 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 2024 Series 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 2024 Series 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 2024 Series Bonds.

requirements of the Code in order to maintain the exclusion of the interest on the 2024 Series Bonds from gross income for federal income tax purposes pursuant to Section 103 of the Code. In addition, the District has made certain representations and certifications in the Resolution and the Tax Certificate. Special Tax Counsel will not independently verify the accuracy of those representations and certifications.

In the opinion of Nixon Peabody LLP, Special Tax Counsel, under existing law and assuming compliance with the aforementioned covenant, and the accuracy of certain representations and certifications made by the District described above, interest on the 2024 Series 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. Interest on the 2024 Series 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 interest on the 2024 Series Bonds is exempt from income taxes imposed by the State of Arizona. Special Tax Counsel expresses no opinion as to other state or local tax consequences arising with respect to the 2024 Series Bonds nor as to the taxability of the 2024 Series Bonds or the income therefrom under the laws of any state other than the State of Arizona.

Original Issue Premium

2024 Series 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 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 2024 Series Bonds over its issue price (i.e., the first price at which price a substantial amount of such maturity of the 2024 Series 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 “Discount 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 2024 Series 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 the 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 advisors with respect to the state and local tax consequences of owning such Discount Bonds.

Ancillary Tax Matters

Ownership of the 2024 Series 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 the 2024 Series Bonds. Prospective investors are advised to consult their own tax advisors regarding these rules.

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 2024 Series 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.

BofA Securities, Inc., an underwriter of the 2024 Series 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 2024 Series Bonds.

J.P. Morgan Securities LLC (“JPMS”), one of the Underwriters of the 2024 Series 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 2024 Series Bonds from JPMS at the original issue price less a negotiated portion of the selling concession applicable to any 2024 Series Bonds that such firm sells.

Morgan Stanley, parent company of Morgan Stanley & Co. LLC, one of the Underwriters of the 2024 Series 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 2024 Series Bonds.

TD Securities (USA) LLC (“TD Securities”), one of the Underwriters, has entered into a negotiated dealer agreement (the “TD Dealer Agreement”) with InvestorLink Capital Markets, LLC (“ICM”) for the retail distribution of certain securities offerings, including the 2024 Series Bonds at the original issue price. Pursuant to the TD Dealer Agreement, ICM may purchase the 2024 Series Bonds from TD Securities at the original issue prices less a negotiated portion of the selling concession applicable to any of the 2024 Series Bonds TD Securities sells.

TAX MATTERS

Federal Income Taxes

The Internal Revenue Code of 1986, as amended (the “Code”), imposes certain requirements that must be met subsequent to the issuance and delivery of the 2024 Series Bonds 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 2024 Series Bonds to be included in gross income for federal income tax purposes retroactive to the date of issue of the 2024 Series 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 applicable

Solar United Neighbors. On August 12, 2024, Solar United Neighbors, Vote Solar, Karen Schedler, and Jeremy Helms (collectively “SUN”) jointly filed a complaint against the District in the District Court of Arizona, alleging the District has not implemented Federal Energy Regulatory Commission (“FERC”) regulations under the Public Utility Regulatory Policies Act of 1978 (“PURPA”). The District accepted service of the Complaint on August 16, 2024. In this matter, SUN alleges the District’s rates for residential solar customers are discriminatory when compared to the rates for non-solar customers. In its Complaint, SUN requests that the court order the District to implement FERC’s regulations, require the District to make non-solar customer rates available to solar residential customers, and for the District to disgorge excess amounts collected from residential solar customers. The District is evaluating the complaint and intends to respond to the Complaint by October 11, 2024.

Stewart. On August 29, 2024, the District received a Notice of Claim (“Notice”) from Beus O’Connor McGroder PLLC on behalf of William Richard Stewart IV, Kelly Colleen Stewart, and their two minor children, William Stewart V (“Liam”) and Aspen Stewart, regarding an electrical contact incident that occurred at their residence in Scottsdale. The Notice alleges that on March 12, 2024, the Stewarts’ 10-year-old son, Liam, climbed onto the roof to retrieve a football that had landed there while he and his younger brother, Aspen, were playing ball in the backyard. While on the roof, Liam lost his balance and grabbed two “exposed splices and/or wires” causing him to “receive a severe electric shock.” Liam sustained second and third-degree burns to both hands and has undergone skin grafts to repair the third-degree burns. The Stewarts claim significant losses and assert that Liam will face permanent impairment, disability, and scarring, and may need multiple additional surgeries to improve hand function. They also allege that Aspen suffered mental anguish from witnessing the event, which has resulted in physical injury, including loss of sleep, appetite changes, headaches, and gastrointestinal distress. The Notice contends that the District is at fault for failing to, among other things, properly secure and maintain the splices and the service wires, which allegedly were not insulated in contravention of established safety standards, and failing to maintain the correct height of the powerlines above the ground in the backyard in violation of the District’s and NESC specifications. The Notice asserts multiple tort claims including negligence, gross negligence, negligence per se, negligent infliction of emotional distress, negligent undertaking, negligent hiring, retention, training, and supervision, and loss of consortium and seeks punitive damages. The Notice demands on behalf of the Stewarts a total of \$32,000,000 to settle their claims. The District is assessing the claims and preparing its defense.

LEGALITY OF REVENUE BONDS FOR INVESTMENT

Under the Act, the 2024 Series 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 2024 Series 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 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.

may not be necessary and EPA agreed to 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 but believes the general nature, extent, and priority of the Association and District water rights will be confirmed.

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 (CEP). The District filed a siting application for the CEP with the ACC on December 13, 2021. After substantial opposition and judicial challenges, the District ultimately reached a settlement with the intervenors from the community of Randolph, Arizona and submitted an application for an amended certificate of environmental compatibility to the ACC which was approved on June 12, 2023. The settlement requires the District to reduce the number of new generation units at the Coolidge Generating Station from sixteen (16) to twelve (12) and has a capacity factor limitation of thirty percent (30%) averaged across the twelve (12) new generation units. The settlement also requires the District to fund certain Randolph community programs and improvements. Litigation regarding the amended CEC has ended and the District has started constructing the CEP.

Forgen. On June 26, 2024, the District received a Notice of Claim from Forgen, LLC (Forgen), an independent contractor retained by the District for the NGS decommissioning project (the “Project”). During Forgen’s performance of the Project work, several disputes arose between the parties regarding significant Project delays, change order requests (“CORs”), and the increased Project costs resulting from such delays. Forgen contends that the District, as the authorized agent of the NGS owners, owes \$13,327,024.42 for the additional work required by the CORs, while the District disputes the validity of these additional costs as well as the additional time requested by Forgen to complete the Project work. The District, in turn, claims that it incurred approximately \$6,893,341.59 in additional costs as a result of Forgen’s actions causing the Project delays. The parties mediated the dispute on June 19, 2024, but did not reach an agreement. The District will vigorously defend the interests of the NGS owners if a lawsuit is filed. To the extent that any amounts are paid to Forgen for the Project work, these amounts shall be shared among the NGS owners on a pro rata basis.

Midwest Energy Emissions Corp. On July 17, 2024, Midwest Energy Emissions Corp. (“ME2C”) filed a complaint against the District and several other owners of coal-fired generating stations in the District Court of Arizona, alleging federal claims of infringement of five patents that cover certain mercury control methods involving the application of bromine-containing additives to coal and the injection of activated carbon sorbents to combusted coal for capture and removal of mercury from flue gas. ME2C alleges that the District and the other defendants are using these patented methods without license at Springerville Generating Station, Coronado Generating Station, and other coal-fired power plants owned or operated by the defendants. ME2C previously filed a patent infringement lawsuit in July 2019, that asserted similar allegations of infringement against various entities involved in producing refined coal and coal-fired power plant operators. ME2C claims it settled with the majority of those defendants and prevailed against the remaining defendants after a jury trial was held, including obtaining a jury verdict finding the defendants to be liable for contributory negligence and induced infringement of two patents and that the infringement was willful. In this matter, ME2C also alleges that defendants’ infringement of its patents is willful and is seeking an unspecified amount of damages and any enhanced damages as a result of the infringement. ME2C also seeks an injunction prohibiting defendants from further acts of infringement. The Complaint was served on the District on July 24, 2024. The District is evaluating the Complaint and intends to respond to the Complaint by September 23, 2024.

LITIGATION

At the time of delivery of and payment for the 2024 Series 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 2024 Series 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. Honeywell and APS, both potentially responsible parties at the OU3 Site, have submitted the Draft Final Revised OU3 Feasibility Study Report to EPA and EPA is currently reviewing the document.

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 9th Circuit Court of Appeals. Briefing is complete and oral argument was held on August 12, 2024. On August 30, 2024, the 9th Circuit issued a decision upholding G&K's right to recover costs related to G&K's own time and resources expended on the RID cleanup effort provided that such costs met the appropriate requirements for recovery under CERCLA while denying G&K's rights to recover costs related to invoices from subcontractors since G&K had not adequately shown that it had actually incurred these subcontractor costs, thus reversing in part and affirming in part the district court's earlier decision. The 9th Circuit remanded this matter to the district court for further proceedings consistent with its ruling.

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

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, \$2.5 million for FY23 and the FY24 payment of \$3.4 million was received in June 2024. 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.

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10 ITPs for non-federal rights-of-way activities. The District is monitoring this activity, assessing monarch butterfly 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 also operates some lower voltage distribution lines, 69kV and lower, in a part of its retail service area, with less than 5,000 retail customers impacted. The District has a robust process in place to mitigate such risk associated with wildfires, including vegetation management, a Board approved Public Safety Prevention Shutoff ("PSPS") for the limited retail service area impacted 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 operates an enterprise cybersecurity program to manage cyber risk. This program is overseen by a Board appointed oversight committee that includes key executives from the Chief Executive Officer's staff. The District has a dedicated cybersecurity team that reports directly to the Chief Financial Executive.

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.

environment. On June 15, 2022, 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 April 10, 2024, EPA promulgated the final National Primary Drinking Water Regulation (“NPDWR”) under the Safe Drinking Water Act (“SDWA”) for six PFAS substances. The rule establishes legally enforceable maximum contaminant levels for the PFAS substances identified in the rule. The 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 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. On May 8, 2024, EPA designated PFOA and PFOS, including their salts and structural isomers, as CERCLA (Comprehensive Environmental Response Compensation and Liability Act) hazardous substances.

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 outcome of this matter or its effects on the District’s financial condition, net revenues, and cash flows at this time.

Hydropower Operations. SRP contracts with the United States for hydropower generated from the Colorado River reservoirs operated by the U.S. Bureau of Reclamation, including Glen Canyon and Hoover Dams. Hydrogeneration at those facilities is impacted by the Colorado River water supply and operating parameters, including water storage and deliveries through the various hydropower units to Lower Colorado River Basin water users. These resources are important to the District’s power portfolio, as they can be rapidly dispatched to assist in balancing the electrical transmission grid. The production capabilities of these resources will be impacted by current negotiations over the post-2026 operating guidelines for the reservoir system, particularly related to management contingencies for lower watershed yields due to increasing average temperature. In addition, the Bureau of Reclamation issued a Record of Decision on July 3, 2024, to address two issues related to Glen Canyon Dam operations, including (1) responding to the threat of smallmouth bass proliferation below the dam, and (2) incorporating the latest sediment science to assess when to conduct high-flow experiments. SRP expects these operational items will impact dam operations, including less water moving through the hydropower generators, and although these items will impact the hydropower resources the District can deploy to meet its power demands, the District does not anticipate material impacts to its power operations.

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 obtained an amendment to the Roosevelt ITP on March 22, 2024, to cover impacts to the Northern Mexican Garter snake (“NMGS”), which was listed as a threatened species in 2014. The NMGS amendment requires the District to add to the Roosevelt Dam trust account sufficient funds to implement the required mitigation by March 2029.

On December 15, 2020, the USFWS announced that listing the monarch butterfly as threatened or endangered under the ESA is warranted but precluded by other higher priority listings. In January 2021, the Center for Biological Diversity sued the Department of Interior/USFWS for failure to list the Monarch Butterfly as a threatened or endangered species. The lawsuit resulted in a settlement requiring USFWS to submit a proposed finding for the Monarch Butterfly to the *Federal Register* by December 4, 2024. Listing of this species may have implications for construction and maintenance activities along the District’s power line corridors. If the species is listed, the District’s potential for “take” liability is being assessed to determine if ESA coverage may be required under ESA Section 7 for federal rights-of-way or Section

predict the ultimate outcome of this matter or its effects on the District's financial condition, net revenues and cash flows at this time.

On May 8, 2024, EPA promulgated a rule that 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"). A CCRMU is any area of land on which any non-containerized accumulation of CCR is received, is placed, or is otherwise managed that is not currently regulated as a new or existing landfill or surface impoundment under the existing CCR regulations. Under the proposed rule, active facilities with CCRMUs containing more than 1,000 tons of CCR must comply with the CCR Rule's groundwater monitoring, corrective action, closure, and post-closure requirements. Prior to 2015, the District beneficially reused CCR material in several areas or applications of NGS. While the District believes EPA's rule is unlawful as applied to CCR material beneficially used onsite, if EPA's rule is upheld, the District will need to undertake additional monitoring and closure activities at NGS. The District estimates that the total cost for the NGS owners to comply with the proposed rule would be approximately \$106 million and the District's pro rata share would be approximately \$22 million. The rule becomes effective on November 8, 2024. A host of different groups have filed suit in the D.C. Circuit Court alleging the rule exceeds EPA's statutory authority, is an abuse of discretion or not in accordance with law.

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, 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.

Coolidge Expansion Project (CEP). On September 13, 2021, the Board of Directors for the District approved the construction of sixteen new gas-fired combustion turbines at the Coolidge Generating Station, known as the Coolidge Expansion Project ("CEP"). The CEP is 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 for the CEP with the ACC on December 13, 2021. After substantial opposition and judicial challenges, the District ultimately reached a settlement with the intervenors from the community of Randolph, Arizona. The settlement requires the District to reduce the number of new generation units at the Coolidge Generating Station from sixteen (16) to twelve (12). The District submitted an application for an amended certificate of environmental compatibility for the CEP to the ACC which was approved on June 12, 2023. Pinal County Air Quality Control District ("PCAQCD") issued the air permit authorizing construction of the CEP on March 26, 2024. On May 13, 2024, the Sierra Club filed a Petition for Objection to the air permit with the EPA. EPA was required to respond to the petition within 60 days of the date it is filed. EPA did not respond, and the Sierra Club filed a Notice of Intent to Sue. The District has started construction of the CEP. At this time, the District cannot predict the outcome of this matter or its effects on the District's financial condition, net revenues, and cash flows.

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.

Per- and Poly Fluoroalkyl Substances ("PFAS"). When necessary, the District supplements surface water from its Salt River and Verde River reservoirs with groundwater pumped from its extensive network of 270 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.

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

the record deficiency identified by the Supreme Court. EPA anticipates completing this review by November 30, 2024. It is unknown whether EPA will proceed to finalize the Proposed Supplemental rule affecting Arizona due to the current stay of the Good Neighbor Plan.

PM_{2.5} National Ambient Air Quality Standards. On January 6, 2023, EPA announced a proposed decision to revise the primary annual PM_{2.5} standard from its current level of 12.0 µg/m³ to within the range of 9.0 to 10.0 µg/m³. EPA is not proposing to change the secondary annual PM_{2.5} standard, the primary and secondary 24-hour PM_{2.5} standards, or primary and secondary PM₁₀ standards. EPA issued a final rule on February 7, 2024, that sets the primary NAAQS for PM_{2.5} at 9 µg/m³. This change to the primary annual PM_{2.5} standard could result in additional areas within Arizona being designated as nonattainment with NAAQS. The State of Arizona has one year to submit recommendations to EPA as to whether or not each state is attaining PM_{2.5} and PM₁₀ standards. Final attainment and nonattainment designations are expected in 2026. The District cannot predict the impact of this standard on its operations or finances at this time.

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.

On April 15, 2024, EPA published in the *Federal Register* a proposed rule to retain the current secondary NAAQS for NO_x and PM and revise the secondary NAAQS for SO_x to a level within the range of 10 to 15 ppb annually, averaged over three (3) years. The deadline to submit comments on the proposed rule is June 14, 2024. The Company is monitoring this activity and cannot predict the outcome at this time.

Solid and Hazardous Waste Management. 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 and a wet surface impoundment. 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 Generating Station, Hayden Generating Station and Springerville Generating Station, 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.

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.

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. 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 disagrees with EPA's proposed decision and on April 10, 2023, the District submitted a comprehensive response supporting the District's Part B application. While the District believes it has submitted a robust application and alternate liner demonstration that meets the requirements of the Part B rule, the District cannot

annually, averaged over three (3) years. The deadline to submit comments on the proposed rule was June 14, 2024. The District is monitoring this activity 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.

On February 16, 2024, EPA published a proposed rule partially disapproving infrastructure SIP submissions for five states, including Arizona, and expanding the existing Good Neighbor Federal Implementation Plan (“Good Neighbor Plan”)* to apply to these states (“Proposed Supplemental Rule”). Under the Proposed Supplemental Rule, power plants and other industries in Arizona will be subject to additional emission control requirements, emission monitoring and reporting, and power plants will also be subject to a NOx emission ozone season trading program that will be applicable between May 1 and September 30 each year, beginning in 2025. The trading requirements apply to all fossil generation with nameplate capacity in excess of 25MW. The allocation of emission allowances will decrease over a five-year period by fixed amounts before transitioning to dynamic budgeting in 2030. In its current form, the Proposed Supplemental Rule could require NOx emissions reductions equivalent to the installation of SCR on Agua Fria Unit 3. The District is already in the process of installing SCR on Unit 1 at the Coronado Generating Station. The District cannot predict the impact of the Proposed Supplemental Rule or the Good Neighbor Plan on its operations at this time.

The Good Neighbor Plan was challenged by various states and industry parties in August 2023. On June 27, 2024, the Supreme Court granted a motion to stay the Good Neighbor Plan until the D.C. Circuit makes its decision on the merits of the rule. EPA seeks partial remand the Good Neighbor FIP so that it can take supplemental action to address

* Before issuing the Good Neighbor Plan, in February 2023, EPA determined that 23 states contributed significantly to the nonattainment or interfered with maintenance of the 2015 ozone NAAQS in another state and disapproved SIPs for 21 states. On June 5, 2023, EPA promulgated the Good Neighbor Plan which originally applied to 23 states in total: Alabama, Arkansas, California, Illinois, Indiana, Kentucky, Louisiana, Maryland, Michigan, Minnesota, Mississippi, Missouri, Nevada, New Jersey, New York, Ohio, Oklahoma, Pennsylvania, Texas, Utah, Virginia, West Virginia, and Wisconsin. Twenty-two of those states are part of the electric generating unit (EGU) trading program. After challenging the SIP disapproval in court, 12 states obtained judicial stays of the SIP disapproval, the prerequisite for implementing the Good Neighbor Plan (the Federal Implementation Plan). EPA subsequently issued an interim rule staying the Good Neighbor Plan in the 12 states whose SIP disapproval were judicially stayed.

lb CO₂/MWh to 160 lb CO₂/MWh depending on the fuel type being utilized. For units in the 'intermediate' category (having an annual capacity factor between 20% and approximately 40%), the BSER is the use of highly efficient simple cycle technology, coupled with best operating and maintenance practices and a corresponding performance standard of 1,170 lb CO₂/MWh. For new fossil-fueled stationary combustion turbines operating in the 'base load' subcategory (having an annual capacity factor greater than 40%), the Section 111 GHG Rule establishes BSER as highly efficient combined cycle generation with 90% CCS by January 1, 2032. The District does not believe it is feasible to implement CCS for new gas units at this time. Thus, any generation constructed in the near term will be designed to operate with a capacity factor less than 40% and meet the corresponding performance standards set forth in the Section 111 GHG Rule. Several petitions for review of the Section 111 GHG Rule were filed in the D.C. Circuit Court and have been consolidated into *West Virginia v EPA*, Case No. 24-1120. Various motions to stay the Section 111 GHG Rule were filed and denied. A number of petitioners filed emergency stay applications in the U.S. Supreme Court after the D.C. Circuit Court denied their motions to stay. The District is monitoring this activity and cannot predict the outcome at this time.

The EPA announced on March 26, 2024, that the agency would not move forward with GHG standards for existing gas turbines at this time. On March 27, 2024, EPA opened a non-regulatory docket and issued questions to gather input about ways to "design a stronger, more durable approach to greenhouse gas regulation" for natural gas-fired turbines. This docket closed May 28, 2024. 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, required 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 CO₂ per megawatt-hour) from generation resources by 33% and reduce CO₂ 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 CO₂ 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. On October 1, 2015, EPA finalized NAAQS and lowered both the primary and secondary ozone standard from the 2008 limit of 75 parts per billion ("ppb") down to 70 ppb based on an 8-hour average. In September 2018, Arizona submitted its SIP for the 2015 ozone NAAQS to EPA.

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 will no longer pursue reconsideration of the 2020 decision and instead will initiate 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. On February 2, 2024, the Court granted EPA's request to remand without vacatur, the 2020 ozone NAAQS rule. EPA states that the voluntary remand will allow EPA to focus its resources on addressing the "significant issues" raised by the Clean Air Scientific Advisory Committee ("CASAC"). The District is monitoring this activity and cannot predict the outcome at this time.

On April 15, 2024, EPA published in the *Federal Register* a proposed rule to retain the current secondary NAAQS for NO_x and PM, and revise the secondary NAAQS for SO_x to a level within the range of 10 to 15 ppb

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.

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 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. 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 to the second petition. On January 30, 2024, EPA issued an order granting in part and denying in part Sierra Club's second petition. MCAQD revised the Agua Fria Title V permit and held a public hearing on May 6, 2024, on its proposed revisions to the permit. MCAQD issued a revised Title V permit on June 20, 2024.

EPA Greenhouse Gas Emissions Regulations. The District recognizes the 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 May 9, 2024, EPA published a final rule ("Section 111 GHG Rule") regulating GHGs from EGUs. This rule sets forth New Source Performance Standards ("NSPS") for new, modified, and reconstructed stationary combustion turbine EGUs and emissions guidelines for existing coal- and oil/gas-fired steam generating EGUs. The rule establishes distinct "best systems of emissions reduction" ("BSER") and standards of performance for affected units for defined subcategories. The standards for each subcategory are based on developing and established technologies, including carbon capture and sequestration ("CCS") and natural gas co-firing. For some subcategories, BSER is implemented in phases to accommodate anticipated availability of developing control technologies.

At this time, the District anticipates that it will have three coal-fired generating units in operation past December 31, 2031. The two-unit Coronado Generating Station is expected to retire no later than 2032. The District has not announced a retirement date for Springerville Generating Station Unit 4. For units operating past 2031 but shutting down before 2039, the Section 111 GHG Rule identifies co-firing with natural gas as the BSER and establishes a presumptively approvable emission standard equivalent to a 16% reduction in the annual carbon-dioxide emission rate. Units operating past 2039, the BSER is CCS with a 90% capture efficiency. The District does not believe it is feasible to implement CCS. The District is evaluating options that would meet the final rule requirements.

The Section 111 GHG Rule establishes BSER and associated standards of performance for new fossil-fuel fired stationary combustion turbines by subcategory. For units in the 'low load' subcategory (having an annual capacity factor less than 20%), the BSER is the use of low emitting fuels with a corresponding performance standard of 120

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. Many of these actions were finalized in 2024, but are now subject to legal challenges. It is still unclear how these new requirements 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 EGUs. As a result of legislative and regulatory initiatives, the District has made reductions in emissions of mercury and other pollutants at its fossil fuel-fired power plants.

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. On May 7, 2024, EPA published a final rule establishing revised emission standards for hazardous air pollutants ("HAPS") from coal-and oil-fired EGUs ("May 2024 Rule"). For coal-fired EGUs, the May 2024 Rule lowered the emission limit for filterable particulate matter ("fPM"), which serves as a surrogate for non-mercury HAP metals, from the current 0.030 lbs/mmBtu to 0.010 lbs/mmBtu. The May 2024 Rule requires use of continuous emissions monitoring systems ("CEMS") to demonstrate compliance with the fPM standard. Affected EGUs have to comply with the revised standards and monitoring requirements by July 8, 2027.

The Electric Generators MATS Coalition, of which the District is a member, and America's Power filed a petition for review of the May 2024 Rule in the U.S. Court of Appeals for the D.C. Circuit ("D.C. Circuit") on June 17, 2024, and a motion to stay the May 2024 Rule on July 8, 2024. The D.C. Circuit denied the motion to stay. The District cannot predict the effects of this matter on its financial condition, net revenues, and cash flows 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. On May 31, 2024, EPA published a proposed rule to partially approve and partially disapprove ADEQ's SIP. The District commented on the proposed rule in July 2024. The District cannot predict the effects of this action on its financial condition, net revenues, and cash flows 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

provided more than 3.0% 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 2023 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 24 out of the last 25 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

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 developed a buy-through program, which was approved by the Board on September 26, 2023, and is available to a limited number of large customers.

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, 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 2024, no single customer

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, (iv) changes that might result from national energy policies, (v) “self-generation” by certain industrial and commercial customers, (vi) issues relating to the ability to issue tax-exempt obligations, (vii) severe restrictions on the ability to sell to nongovernmental entities electricity from generation projects financed with outstanding tax-exempt obligations, (viii) changes from projected future electricity requirements, (ix) increases in costs, (x) shifts in the availability and relative costs of different fuels, (xi) effects of the financial difficulties confronting the power marketers, and (xii) 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 (including the District). However, the Energy Policy Act of 2005 (the “Energy Policy Act”) authorizes FERC to require an unregulated transmitting utility to provide transmission services: (1) at rates comparable to those that it charges itself; and (2) on other terms and conditions comparable to those under which it provides transmission services to itself, and that are not unduly discriminatory or preferential. 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 generally implement its authority over public power entities, and determined its authority would be used on a case-by-case basis.

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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The following table shows the actual application of revenues and coverage of Debt Service requirements for fiscal years 2024, 2023, 2022, and 2021.

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

	2024	2023	2022	2021
Electric Revenues ⁽¹⁾⁽²⁾	\$ 4,108,634	\$ 3,997,060	\$ 3,556,700	\$ 3,480,117
Operating Expenses ⁽²⁾⁽³⁾⁽⁴⁾	<u>2,904,669</u>	<u>3,014,555</u>	<u>2,583,732</u>	<u>2,324,204</u>
Revenues from Operations	1,203,965	982,505	972,968	1,155,913
Interest and Other Income (Net)	<u>126,611</u>	<u>85,202</u>	<u>66,058</u>	<u>24,057</u>
Revenues Available for Debt Service	1,330,576	1,067,707	1,039,026	1,179,970
Rate Stabilization Funds	--	--	--	--
Revenues Available for Debt Service on Revenue Bonds and Subordinated Debt	1,330,576	1,067,707	1,039,026	1,179,970
Debt Service Requirements Revenue Bonds	331,866	296,251	294,412	292,280
Debt Service Requirements Subordinated Debt	<u>16,746</u>	<u>10,427</u>	<u>681</u>	<u>1,003</u>
Total Debt Service	<u>348,612</u>	<u>306,678</u>	<u>295,093</u>	<u>293,283</u>
Coverage of Total Revenue Bond Debt Service ⁽⁵⁾	4.01	3.60	3.53	4.04
Coverage of Total Debt Service ⁽⁶⁾	3.82	3.48	3.52	4.02
Balance after Debt Service	981,964	761,029	743,933	886,687
Plus: Interest on Construction Fund	4,583	365	60	627
Less: Contribution in Lieu of Taxes	107,613	112,435	125,937	121,221
Less: Contributions to Water Operations	66,633	60,730	56,290	65,202
Less: Falling Water Charges ⁽⁷⁾	<u>8,491</u>	<u>7,959</u>	<u>5,465</u>	<u>3,684</u>
Balance Available for Corporate Purposes	<u>\$ 803,810⁽⁸⁾</u>	<u>\$ 580,270</u>	<u>\$ 556,301</u>	<u>\$ 697,207</u>

⁽¹⁾ Includes inter-company sales.

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

⁽³⁾ 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.

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

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

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

⁽⁷⁾ The charges by the Association for water used in hydroelectric generation.

⁽⁸⁾ May be reconciled with combined net revenues for 2024 as follows:

(\$000's – Unaudited)	
BALANCE AVAILABLE FOR CORPORATE PURPOSES	\$ 803,810
Bond principal repayment	115,547
Capitalized Interest	24,172
Depreciation and amortization	(615,417)
Fuel related depreciation (reflected in fuel costs)	(3,230)
Realized Earnings on segregated post-retirement investment funds	(38,181)
Amortization of bond discount/premium, issuance, and refinancing expenses	<u>45,163</u>
Net Revenues before impact of fair value adjustments	331,864
Impact of fair value adjustments	<u>73,693</u>
COMBINED NET REVENUES	<u>\$ 405,557</u>

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Outstanding Revenue Bond Long-Term Indebtedness. As of April 30, 2024, the District had outstanding \$4,865,180,000 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 2024 Series Bonds.

TABLE 11 — Total Revenue Bond Debt Service Requirements ⁽¹⁾⁽²⁾

Years Ending April 30, ⁽³⁾	Principal Requirements on Outstanding Revenue Bonds	Interest Requirements on Outstanding Revenue Bonds ⁽⁴⁾	Total Debt Service Requirements
2025	121,325,000	230,286,532	351,611,532
2026	127,385,833	222,984,848	350,370,681
2027	133,751,250	216,615,556	350,366,806
2028	142,689,167	209,927,994	352,617,160
2029	142,640,417	202,793,535	345,433,952
2030	151,573,333	195,661,514	347,234,848
2031	161,478,333	188,082,848	349,561,181
2032	173,145,417	180,008,931	353,154,348
2033	183,917,083	171,720,327	355,637,410
2034	192,290,833	163,345,085	355,635,919
2035	200,997,083	154,639,731	355,636,814
2036	210,014,167	145,623,502	355,637,669
2037	219,687,083	135,952,185	355,639,269
2038	230,565,000	125,899,914	356,464,914
2039	129,155,000	115,546,164	244,701,164
2040	247,181,667	109,580,905	356,762,572
2041	258,986,250	97,777,836	356,764,086
2042	110,653,750	85,320,392	195,974,142
2043	166,638,750	79,838,104	246,476,854
2044	174,918,333	71,558,917	246,477,250
2045	183,607,500	62,868,200	246,475,700
2046	192,607,083	53,868,665	246,475,748
2047	201,778,333	44,695,629	246,473,963
2048	211,038,333	35,436,903	246,475,237
2049	220,425,000	26,050,685	246,475,685
2050	230,470,000	16,006,490	246,476,490
2051	40,000,000	5,600,000	45,600,000
2052	40,000,000	3,500,000	43,500,000
2053	26,666,667	1,400,000	28,066,667

⁽¹⁾ Totals may not add due to rounding.

⁽²⁾ Excludes impact of 2025 Series A Refunding Bonds scheduled to close on March 3, 2025.

⁽³⁾ Payment amounts for Debt Service are for the years in which they accrue, not for the years in which they are paid.

⁽⁴⁾ Interest Requirements do not reflect subsidy payments from Build America Bonds.

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TABLE 10 – Summary Combined Balance Sheets ⁽¹⁾
(\$000's)

	As of	
	<u>April 30, 2024</u>	<u>April 30, 2023</u>
ASSETS		
Utility Plant, at Original Cost	\$ 19,275,834	\$ 18,621,890
Less: Accumulated Depreciation.....	<u>(10,572,916)</u>	<u>(10,180,268)</u>
	8,702,918	8,441,622
Other Property and Investments	2,404,778	2,235,494
CURRENT ASSETS		
Cash and Cash Equivalents.....	490,430	295,945
Temporary Investments	146,121	276,245
Current Portion, Segregated Funds	122,443	104,746
Receivables, Net	314,463	315,526
Fuel Stocks	141,146	110,041
Materials and Supplies.....	427,154	330,204
Other	<u>66,671</u>	<u>45,289</u>
	1,708,428	1,477,996
Deferred Charges and Other Assets.....	<u>705,935</u>	<u>821,578</u>
TOTAL ASSETS	<u>\$ 15,120,241</u>	<u>\$ 13,934,257</u>
CAPITALIZATION AND LIABILITIES		
CAPITALIZATION		
Long-Term Debt.....	\$ 5,470,941	\$ 4,950,900
Accumulated Net Revenues.....	<u>6,408,147</u>	<u>6,002,590</u>
TOTAL CAPITALIZATION	<u>11,879,088</u>	<u>10,953,490</u>
CURRENT LIABILITIES		
Current Portion, Long-Term Debt	118,780	113,930
Accounts Payable.....	318,925	318,553
Accrued Taxes and Tax Equivalents.....	125,731	121,995
Accrued Interest.....	83,343	67,603
Customers' Deposits.....	148,430	139,589
Current Commodity Derivative Liabilities	92,446	98,668
Other	271,213	261,037
Deferred Credits and Other Non-Current Liabilities	<u>2,082,285</u>	<u>1,859,392</u>
TOTAL CAPITALIZATION AND LIABILITIES.....	<u>\$ 15,120,241</u>	<u>\$ 13,934,257</u>

⁽¹⁾ The audited 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.

Net revenue for FY24 was \$405.6 million compared to a net loss for FY23 of \$361.5 million. Excluding the effects of the changes in the fair value of fuel and purchased-power contracts, wholesale positions and investments, net revenues would have been \$331.9 million and \$39.2 million for FY24 and FY23, respectively.

Fiscal Year Ended as of April 30, 2024 and 2023.

TABLE 9 – Summary Combined Statement of Net Revenues ⁽¹⁾
(\$000s – Audited)

	<u>2024</u>	<u>2023</u>
Operating Revenues:		
Retail Electric	\$ 3,492,861	\$ 3,211,366
Other Electric	83,681	86,526
Wholesale	543,862	699,635
Water	25,491	24,019
Total Operating Revenues ⁽²⁾	4,145,895	4,021,546
Operating Expenses:		
Purchased Power	677,439	704,023
Fuel Used in Electric Generation	989,900	1,537,262
Operations and Maintenance ⁽²⁾	1,356,527	1,236,743
Depreciation and Amortization	613,191	670,091
Taxes and Tax Equivalents	166,397	165,514
Total Operating Expenses	3,803,454	4,313,633
Net Operating Revenues (Expenses)	342,441	(292,087)
Other (Expense) Income:		
Investment Income (Loss), net	174,256	30,762
Other Income (Loss), net	51,238	31,650
Total Other Income (Expense), net	225,494	62,412
Net Financing Costs	162,378	131,855
NET REVENUES	<u>\$ 405,557</u>	<u>\$ (361,530)</u>

⁽¹⁾ The audited 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.

⁽²⁾ Inter-company transactions eliminated.

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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, 2024, 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, 2024. The U.S. Bank RCA expires on June 27, 2025, 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 \$4.1 billion for fiscal year 2024 (FY24) and \$4.0 billion for fiscal year 2023 (FY23), an increase of \$124.3 million, or 3.1%. The increase in operating revenues was due to higher retail electric revenues, partially offset by a decrease in wholesale revenues. FY24 retail electric revenues increased \$281.5 million, or 8.8%, to \$3.5 billion, primarily due to higher volumes sold driven by higher average temperatures in FY24 compared to FY23. Wholesale revenues decreased \$155.8 million, or 22.3%, to \$543.9 million compared to FY23. FY24 wholesale revenues included fair value gains of \$21.4 million compared to a \$13.8 million fair value gain in FY23. Excluding the fair value adjustments, FY24 wholesale revenues would have been \$522.4 million compared to \$685.8 million in FY23, a decrease of \$163.4 million or 23.8%. The decrease is primarily due to significantly lower average sales prices compared to FY23. The total number of customer accounts was 1,158,912 as of April 30, 2024, a 2.0% increase from the previous year.

Operating expenses were \$3.8 billion for FY24 and \$4.3 billion for FY23, a decrease of \$510.2 million, or 11.8%. The decrease in operating expenses was primarily due to lower market prices for purchased power and natural gas. Fuel used in electric generation includes adjustments for the fair value of certain fuel contracts. Excluding the fair value losses of \$79.1 million and \$427.1 million in FY24 and FY23, respectively, fuel used in electric generation would have decreased \$199.4 million, or 18.0%.

Investment income (loss), net was income of \$174.3 million for FY24 compared to \$30.8 million for FY23. Investment income (loss), net includes fair value gains of \$130.9 and \$13.1 million for FY24 and FY23, respectively.

Net financing costs were \$162.4 million and \$131.9 million in FY24 and FY23, respectively.

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

	2024	2023	2022	2021	2020
SERVICE:					
Total Customers at Year-End.....	1,158,913	1,135,989	1,112,684	1,093,264	1,074,953
Total Sales (million kWh).....	41,608	37,516	38,070	41,339	35,288
Average Revenue per kWh (cents).....	9.92	10.68	9.32	8.37	8.86
Retail Only:					
Sales (millions kWh).....	32,050	31,386	30,327	30,786	28,808
Increase (Decrease) in Sales (%)	2.1%	3.5%	(1.5)%	6.9%	(1.1)%
TOTAL OPERATING REVENUES: ⁽¹⁾⁽⁹⁾⁽¹⁰⁾	<u>\$ 4,129,447</u>	<u>\$ 4,008,510</u>	<u>\$ 3,549,396</u>	<u>\$ 3,461,184</u>	<u>\$ 3,125,587</u>
OPERATING EXPENSES					
Fuel and Purchased Power ⁽²⁾⁽⁹⁾	\$ 1,667,339	\$ 2,241,285	\$ 985,543	\$ 1,087,585	\$ 1,075,916
Operating and Maintenance ⁽³⁾	1,266,693	1,155,902	1,094,534	1,079,740	1,033,551
Sales and Payroll Taxes	51,933	46,720	45,336	43,030	41,896
Ad Valorem Taxes ⁽⁴⁾	3,331	3,331	3,705	3,725	4,467
Total Operating Expenses ⁽⁵⁾	<u>2,989,296</u>	<u>3,447,238</u>	<u>2,129,118</u>	<u>2,214,080</u>	<u>2,155,830</u>
NET OPERATING REVENUES	<u>\$ 1,140,151</u>	<u>\$ 561,272</u>	<u>\$ 1,420,278</u>	<u>\$ 1,247,104</u>	<u>\$ 969,757</u>
VOLUNTARY CONTRIBUTIONS IN LIEU OF TAXES: ⁽⁶⁾					
Expensed.....	\$ 107,613	\$ 112,435	\$ 125,937	\$ 121,221	\$ 124,173
Capitalized	—	—	—	—	—
Total.....	<u>\$ 107,613</u>	<u>\$ 112,435</u>	<u>\$ 125,937</u>	<u>\$ 121,221</u>	<u>\$ 124,173</u>
OTHER STATISTICS:					
Annual Peak (MW):					
System Requirements	8,163	7,620	7,571	7,615	7,250
Total Peak Load ⁽⁷⁾	8,269	7,691	7,669	7,714	7,347
System Load Factor (%) ⁽⁸⁾	46.7%	48.6%	47.0%	47.5%	47.3%
Residential Statistics:					
Annual Average Residential Customers ...	1,037,805	1,016,664	997,470	979,464	964,247
Annual Sales (million kWh)	14,651	14,657	14,022	14,868	13,227
Average Annual Usage (kWh).....	14,118	14,417	14,057	15,180	13,717
Average Sales Price per kWh (cents).....	12.72	11.98	11.64	11.40	11.52

(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.

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, 2024, no single customer represented more than 3.0% 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 — 2024 Customer Accounts, Sales, and Revenues
Fiscal Year Ended April 30, 2024

	Customer Accounts	Total Sales (GWh)	%	Sales Revenue (\$000)	%
Residential	1,046,451	14,652	35.2	\$ 1,871,298	46.3
Commercial and Small Industrial ...	102,188	12,652	30.4	1,270,553	31.4
Large Industrial	30	3,160	7.6	221,824	5.5
Mines	20	1,320	3.2	94,604	2.3
Pumps	154	22	0.1	2,182	0.1
Public/Private Lighting	9,928	159	0.4	32,400	0.8
Interdepartmental	<u>1</u>	<u>85</u>	<u>0.2</u>	<u>9,043</u>	<u>0.2</u>
Subtotal/Retail	1,158,772	32,050	77.1	3,501,904	86.6
Electric Utilities/Wholesale ⁽¹⁾	<u>141</u>	<u>9,558</u>	<u>22.9</u>	<u>543,862</u>	<u>13.4</u>
Total	<u>1,158,913</u>	<u>41,608</u>	<u>100.0</u>	<u>\$ 4,045,766</u>	<u>100.0</u>

⁽¹⁾ 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 1,046,541 customers as of April 30, 2024, this group serves as a solid base, bringing in approximately 46.3% of total electric revenues.

The second largest retail customer classification is the commercial and small industrial group; these customers numbered 102,188 as of April 30, 2024 compared to 99,820 as of April 30, 2023. 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.

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 \$11.5 billion Capital Improvement Program, approximately \$5.5 billion is directed to generating projects. These include funding for such items as plant betterments and future generation facilities. Approximately \$2.6 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 \$762.7 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 changes, 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 2025 through 2030 Capital Improvement Program.

**TABLE 6 — Fiscal Year 2025 through 2030 Capital Improvement Program
(\$000s)**

	<u>2025</u>	<u>2026</u>	<u>2027</u>	<u>2028</u>	<u>2029</u>	<u>2030</u>	<u>Total 2025-30</u>
Electric Construction:							
Generation	\$ 561,371	\$ 590,600	\$ 752,372	\$ 1,055,713	\$ 1,344,453	\$ 1,172,762	\$ 5,477,271
Transmission	198,109	151,671	93,008	147,855	122,721	49,307	762,672
Distribution.....	504,410	439,903	417,041	398,199	396,715	402,150	2,558,418
Customer Systems ...	46,744	65,084	66,134	69,522	70,744	73,618	391,846
Operational Support.	214,873	205,586	177,304	125,020	113,846	93,751	930,381
Subtotal – Electric Construction	1,525,507	1,452,844	1,505,859	1,796,309	2,048,479	1,791,589	10,120,587
Contingency Allowance & Risk Portfolio	73,198	95,341	132,115	124,727	159,386	236,739	821,507
Subtotal.....	1,598,705	1,548,185	1,637,974	1,921,037	2,207,865	2,028,328	10,942,095
Capitalized Administrative and General Expenses ..	49,363	45,643	47,787	58,980	67,616	59,084	328,473
Capitalized Interest..	28,915	32,105	38,619	39,312	45,635	38,540	223,126
Total ⁽¹⁾	\$ 1,676,983	\$ 1,625,934	\$ 1,724,380	\$ 2,019,328	\$ 2,321,116	\$ 2,125,953	\$ 11,493,694

⁽¹⁾ Totals may not add due to rounding.

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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 (“OATT”) 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. On September 9, 2024, the Board voted to approve an annual FPPAM price increase of 3.9%, effective November 1, 2024, which will help the District fully recover its existing under-collected balance in approximately 18 months. At the end of July 2024, the District’s under-collected balance was approximately \$306 million. According to the Department of Energy EIA-861M Report for 12 months ending June 30, 2024, 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 2025 through 2030 totals approximately \$11.5 billion. Of this total, approximately \$10.9 billion is for construction (including contingencies), \$328.5 million is for capitalized administrative and general expenses and \$223.1 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 43% of the Capital Improvement

one year to submit recommendations to EPA as to whether or not each state is attaining the PM2.5 and PM10 standards. Final attainment and nonattainment designations are expected in 2026.

The full significance of air quality standards and emissions reduction initiatives to the District in terms of costs and operational problems is difficult to predict. In addition, the cost of fossil fuel purchased by the District may increase and permit fees may increase significantly, resulting in potentially material increased costs to the District as well as reduced generation. 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.

Solid and Hazardous Waste Management: The District disposes of coal combustion residuals (CCRs,) such as fly ash, bottom ash and flue gas desulfurization sludge at CGS in a dry landfill and a wet surface impoundment. 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 Generating Station, Hayden Generating Station and Springerville Generating Station (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.

On November 12, 2020, the 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 (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.

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. The District submitted its alternate liner demonstration on November 30, 2021. On January 11, 2022, the 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 within 135 days of the date EPA issues the order, or such later date as EPA determines is necessary to address grid reliability.

The District disagrees with EPA's proposed decision and on April 10, 2023, the District submitted to the docket a comprehensive response supporting the District's Part B application. While the District believes it has submitted a robust application and alternate liner demonstration that meets the requirements of the Part B rule, the District cannot predict the effects on its financial condition, net revenues and cash flows at this time.

On May 8, 2024, the EPA promulgated a rule that 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). A CCRMU is any area of land on which any non-containerized accumulation of CCR is received, is placed, or is otherwise managed that is not currently regulated as a new or existing landfill or surface impoundment under the existing CCR regulations. Under the proposed rule, active facilities with CCRMUS containing more than 1,000 tons of CCR must comply with the CCR Rule's groundwater monitoring, corrective action, closure, and post-closure requirements. Prior to 2015, the District beneficially reused CCR material in several areas or applications of NGS. While the District believes EPA's rule is

and partially disapprove ADEQ's SIP. The District is evaluating the proposed rule and cannot predict the effects on its financial condition, net revenues and cash flows at this time.

Ozone National Ambient Air Quality Standards – Pursuant to the Clean Air Act (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. On October 1, 2015, the EPA finalized revisions to the NAAQS and lowered both the primary and secondary ozone standard from the 2008 limit of 75 parts per billion (ppb) down to 70 ppb based on an eight hour average. In September 2018, Arizona submitted its SIP for the 2015 ozone NAAQS to the EPA.

On February 16, 2024, EPA published a proposed supplemental rule partially disapproving Arizona's SIP and expanding an existing federal implementation plan referred to as Good Neighbor Plan to apply to Arizona (Proposed Supplemental Rule). Under the Proposed Supplemental Rule, power plants and other industries in Arizona will be subject to additional emission control requirements, emission monitoring and reporting, and power plants in Arizona will be subject to a NOx emission trading program during ozone season that will occur from May 1 to September 30 each year, beginning in 2025. The trading requirements apply to all fossil generation with nameplate capacity in excess of 25MW. The allocation of emission allowances will decrease over a five-year period by fixed amounts before transitioning to dynamic budgeting. In its current form, the Proposed Supplemental Rule could require the installation of selective catalytic reduction (SCR) on Agua Fria Unit 3, or equivalent emission reductions. The District is in the process of installing SCR on Unit 1 at the Coronado Generating Station. The District submitted extensive comments on the Proposed Supplemental Rule and cannot predict the effects on its financial condition, net revenues and cash flows at this time.

On September 16, 2022, 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. As a result of the moderate 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.

The moderate nonattainment designation also resulted in a requirement for the State of Arizona to modify its SIP to address the required controls necessary to achieve the 2015 standard in accordance with the moderate nonattainment deadlines. On October 18, 2023, EPA published a final action finding that the 11 states, including Arizona, failed to submit SIP revisions to address the required controls necessary to achieve the 2015 70 ppb standard. This action starts an eighteen-month sanction clock requiring emissions offsets equivalent to a two-to-one ratio from new or modified major facilities and a twenty-four-month sanction clock imposing restrictions on federal highway funding. In addition, this final action triggers a two-year deadline for EPA to issue a federal implementation plan (FIP) for each state that does not submit and receive EPA approval for an acceptable SIP revision addressing the outstanding requirements. The sanctions clock can only be stopped if the Phoenix-Mesa nonattainment area demonstrates attainment with the standard, or the State submits and receives approval for an acceptable SIP revision addressing the outstanding requirements. The District cannot predict the effects on its financial condition, net revenues and cash flows at this time.

PM_{2.5} National Ambient Air Quality Standards – On January 6, 2023, EPA announced a proposed decision to revise the primary annual PM_{2.5} standard from its current level of 12.0 ug/m³ to within the range of 9.0 to 10.0 ug/m³. EPA is not proposing to change the secondary annual PM_{2.5} standard, the primary and secondary 24-hour PM_{2.5} standards, or primary and secondary PM₁₀ standards. EPA issued a final rule on February 7, 2024, that sets the primary annual NAAQS for PM_{2.5} at 9 ug/m³. This change to the primary annual PM_{2.5} standard could result in additional areas within Arizona being designated as nonattainment with this standard. The District cannot predict the impact of a revised primary annual PM_{2.5} standard on its operations, financial condition, net revenues and cash flows at this time. The State of Arizona has

Combined Balance Sheets. As of April 30, 2024 and 2023, SRP had accrued liabilities of \$26.9 million and \$29.0 million, respectively, for environmental matters. The following topics highlight some of the major environmental compliance issues affecting SRP.

Superfund: The United States and the State of Arizona have superfund programs to govern cleanup of groundwater contamination. Nineteen state superfund sites and six federal superfund sites targeting contamination are active within the Greater Phoenix metropolitan area. SRP 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 and one state superfund site. While SRP is unable at this time to predict the outcome of these superfund matters, it has recorded estimated liabilities to cover expected liabilities related to these issues.

Air quality: Compliance with air quality regulations designed to reduce emissions from fossil fuel power plants will increase the cost of, and add to the difficulty of, siting, constructing and operating electric generating units (EGUs). As a result of legislative and regulatory initiatives, the District has reduced emissions of mercury and other pollutants at its coal-fired power plants. 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 renewable energy and restricting greenhouse gas emissions.

EPA Carbon Regulations for Electric Generating Units – On May 9, 2024, EPA published a final rule (Section 111 GHG Rule) regulating greenhouse gases (GHGs) from EGUs. The Section 111 GHG Rule sets forth New Source Performance Standards (NSPS) for new, modified, and reconstructed stationary combustion turbine EGUs and emissions guidelines for existing coal- and oil/gas-fired steam generating EGUs. The rule establishes distinct “best systems of emission reduction” (BSER) and standards of performance for affected units using defined subcategories. The standards for each subcategory are based on developing and established technologies, including carbon capture and sequestration (CCS) and natural gas co-firing. For some subcategories, BSER is implemented in phases to accommodate anticipated availability of developing control technologies.

Several petitions for review of the Section 111 GHG Rule were filed in the D.C. Circuit Court and have been consolidated into *West Virginia v. EPA*, Case No. 24-1120. Various motions to stay the Section 111 GHG Rule have also been filed. The District cannot predict the effects of this matter on its financial condition, net revenues, and cash flows at this time.

Mercury and Air Toxics Standards – On May 7, 2024, EPA published a final rule establishing new emission standards for hazardous air pollutants (HAPs) from coal- and oil-fired EGUs (May 2024 Rule). For coal-fired EGUs, the May 2024 Rule lowered the emission limit for filterable particulate matter (fPM,) which serves as a surrogate for non-mercury HAP metals, from the current 0.030 lbs/MMBtu to 0.010 lbs/MMBtu. The May 2024 Rule requires continuous emissions monitoring systems (CEMS) to demonstrate compliance with the fPM standard with an averaging period of 30 operating days. Affected EGUs have to comply with the revised standards by July 8, 2027. The District cannot predict the effects of this matter on its financial condition, net revenues, and cash flows at this time.

Regional Haze – Provisions of EPA’s Regional Haze Rule require emissions controls known as Best Available Retrofit Technology (BART) for 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. The Arizona Department of Environmental Quality (ADEQ) conducted an initial analysis of Coronado Generating Station and Springerville Unit 4 as part of the State Implementation Plan (SIP) development process. The ADEQ has issued preliminary determinations that additional controls are not warranted for either facility. On August 15, 2022, the ADEQ submitted its SIP revision to EPA. On May 31, 2024, the EPA published a proposed rule to partially approve

District's total potential commitment under this agreement is 72,010,000 MMBtu of natural gas or 7,018,383 MWh of electricity.

For all three commodity purchase transactions with SEA, the expense for the commodity delivered, net of discount, is recognized in total operating expenses in the Combined Statement of Net Revenues.

Nuclear Matters

Nuclear Insurance: Under existing law, public liability claims arising from a single nuclear incident are limited to \$13.6 billion. PVNGS participants insure for this potential liability through commercial insurance carriers to the maximum amount available, \$450.0 million, with the balance covered by an industrywide retrospective assessment program as required by the Price-Anderson Act. The maximum assessment per reactor per nuclear incident under the retrospective program is \$137.6 million, including a 5% surcharge applicable in certain circumstances. Based on the District's ownership share of PVNGS, the maximum potential assessment would be \$83.1 million, including the 5% surcharge.

PVNGS participants also maintain "all risk," including nuclear hazards, insurance for property damage to, and decontamination of, property at PVNGS in the aggregate amount of \$2.8 billion. The District also secured insurance against portions of any increased cost of generation or purchased power and any business interruption resulting from a sudden and unforeseen accidental outage of any of the three units. The insurance coverage discussed in this and the previous paragraph is subject to certain policy conditions and exclusions.

Spent Nuclear Fuel: 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 for the construction of a site for the storage of spent nuclear fuel. However, to date, for various reasons, the DOE has not constructed a storage site. Accordingly, Arizona Public Service Company, 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 future spent fuel during the period of extended operation, ending in December 2047. 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. SRP did not receive a payment for fiscal year 2024 and received \$2.5 million for fiscal year 2023. 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 District's share of on-site interim storage at PVNGS is recovered through the District's base prices as a component of the system benefits charge. As of April 30, 2023, the District's accrued spent fuel storage cost was \$24.6 million and is included in deferred credits and other non-current liabilities on the accompanying Combined Balance Sheets. In November 2023, the updated decommissioning cost study for PVNGS identified spent fuel storage costs to be part of the District's asset retirement obligations for PVNGS. As of April 30, 2024, the District's accrued spent fuel storage cost is included in asset retirement obligations on the accompanying Combined Balance Sheets.

Environmental Matters

SRP is subject to numerous legislative, administrative and regulatory requirements at the federal, state and local levels, as well as lawsuits relative to air quality, water quality, hazardous waste disposal and other environmental matters. Contingent losses and environmental liabilities are recorded when it is probable a loss has occurred and the amount of the loss can be reasonably estimated. When a range of the probable loss exists and no amount within the range is a better estimate than any other amount, SRP records a loss contingency at the minimum amount in the range, which is included in deferred credits and other non-current liabilities on the accompanying

payment from SVFC to the District of certain excess cash resulting from a portion of SVFC's investment income, which effectively reduces the price the District pays for the gas. The excess cash amounts received by the District from SVFC were \$3.2 million and \$3.0 million in fiscal years 2024 and 2023, respectively. SVFC is a related party to the District.

Commodity Purchase Agreement

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 MMBtu 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 natural gas or 12,254,393 MWh of electricity.

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 MMBtu 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 90,020,000 MMBtu of natural gas or 10,851,011 MWh of electricity.

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 MMBtu of natural gas each year) began in July 2023 and will end in May 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 to terminate the agreement or 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 is obligated to pay only for actual energy delivered and will have no obligation with respect to any facilities that do not start commercial operations. Some of these agreements include a price adjustment clause that will affect the future cost. While certain of these agreements provide a minimum production or performance guarantee, the District considers all production-based payments from renewable fuel source facilities to be contingent on future production of the facility. Therefore, even though certain of these agreements may be considered finance leases, SRP has not recorded a finance lease obligation for guaranteed minimum lease payments due to the contingent nature of such payments. The District has concluded that it is not the primary beneficiary of these VIEs since it does not control operations and maintenance, which it believes are the primary activities that most significantly affect the economic activities of the entity.

The District is a part owner of a limited liability company (LLC) formed during fiscal year 2010 to market long-term water storage credits. The District did not make capital contributions nor receive capital distributions in fiscal years 2024 and 2023. The District's investment in the LLC was \$7.2 million and \$6.1 million as of April 30, 2024 and 2023, respectively. The District accounts for its investment in the LLC as an equity method investment within non-utility property and other investments in the accompanying Combined Balance Sheets. The District has a future maximum exposure up to a \$25.0 million contribution limit. The primary risks associated with this VIE relate to the marketing of the water storage credits. The District has concluded that it is not the primary beneficiary of this VIE since it does not have power to direct the activities related to the marketing of the long-term water storage credits, which it believes are the primary activities that most significantly affect the economic activities of the entity.

(15) COMMITMENTS AND CONTINGENCIES:

Purchased Power and Fuel Supply

The District had various firm, non-cancelable purchase commitments as of April 30, 2024, which are not recognized in the accompanying Combined Balance Sheets. The following table presents estimated future payments pertaining to firm purchase commitments with remaining terms greater than one year (in thousands):

	Purchased Power Contracts	Fuel Supply Contracts	Total
2025	\$ 30,994	\$ 251,769	\$ 282,763
2026	31,218	188,748	219,966
2027	31,478	89,916	121,394
2028	31,828	70,851	102,679
2029	32,013	55,273	87,286
Thereafter	241,373	100,211	341,584

In addition to the commitments in the table above, the District has long-term commodity purchase agreements described below.

Gas Purchase Agreement

In October 2007, the District entered into a 30-year gas purchase agreement with Salt Verde Financial Corporation (SVFC), an Arizona nonprofit corporation formed for the primary purpose of supplying natural gas to the District. Under the agreement, the District is committed to purchase 10,420,000 MMBtu each year during fiscal years 2025 through 2029, and 93,780,000 MMBtu over the balance of the term. The District receives a discount from market prices and is obligated to pay only for gas delivered. Payments, net of the discount, to SVFC under the agreement were \$20.8 million and \$70.1 million in fiscal years 2024 and 2023, respectively. The agreement also provides for

In January 2024, the District completed the purchase of capacity and acquired additional ownership interest in PVNGS, which was owned by certain lessors and leased to Public Service Company of New Mexico (PNM). The District also acquired additional transmission capacity from PNM. The purchase of the additional interest in PVNGS increased the District's ownership share of PVNGS to approximately 20%. The District paid \$1.8 million, \$17.7 million and \$46.9 million during fiscal year 2024, 2023 and 2022, respectively, for the purchase of plant capacity and transmission assets of PVNGS. As a part of the purchase transaction, the District prepaid \$46.9 million in fiscal year 2022. The prepayment was recognized in Utility Plant in fiscal year 2024 when the purchase was completed and is considered a non-cash investing activity.

The following table reflects the District's investment in jointly owned transmission facilities as of April 30, 2024 (in thousands):

Transmission Facility	Plant In Service	Accumulated Depreciation	Construction Work in Progress
Mead Phoenix	\$ 54,059	\$ (25,077)	\$ 83
Southwest Valley	97,591	(29,227)	4,844
Southeast Valley	303,396	(75,413)	1,153
Morgan-Pinnacle Peak	73,008	(18,857)	-
Southern Transmission	61,880	(41,956)	794
Mesquite	17,553	(7,010)	393
ANPP	98,308	(37,737)	4,078
Kyrene-Knox	12,443	(2,330)	2
Total	\$ 718,238	\$ (237,607)	\$ 11,347

The District's ownership interests in the jointly owned transmission facilities vary by facility and for the various projects within each facility.

(14) VARIABLE INTEREST ENTITIES:

SRP follows guidance that defines a variable interest entity (VIE) as a legal entity whose equity owners do not have sufficient equity at risk or lack certain characteristics of a controlling financial interest in the entity. This guidance identifies the primary beneficiary as the variable interest holder that has the power to direct the activities that most significantly affect the VIE's economic performance (power criterion) and has the obligation to absorb losses or the right to receive benefits from the VIE (losses/benefits criterion). The primary beneficiary is required to consolidate the VIE unless specific exceptions or exclusions are met. SRP considers both qualitative and quantitative factors to form a conclusion whether it, or another interest holder, meets the power criterion and the losses/benefits criterion. SRP performs ongoing reassessments of its VIEs to determine if the primary beneficiary changes each reporting period.

Unconsolidated VIEs

While SRP is not required to consolidate any VIE as of April 30, 2024 or 2023, it held variable interests in certain VIEs as described below.

The District has entered into various long-term power purchase agreements with renewable energy generation facilities that extend for periods of 20 to 30 years. The District receives the power and renewable energy credits from these facilities. The capacity of all these facilities combined is approximately 298 MW. The amounts that the District paid to these projects were \$119.0 million and \$125.1 million for fiscal years 2024 and 2023, respectively. With the exception of projects for which the District is obligated to pay operating and maintenance expenses, the

Employee Performance Incentive Compensation Program

The EPIC program, a cash-based incentive program, covers substantially all regular employees and is based on the achievement of pre-established targets for each fiscal year. The total compensation expense, including payroll taxes, recognized for the EPIC program for fiscal years ended April 30, 2024 and 2023 was \$29.8 million and \$33.0 million, respectively.

Employee Sick Leave Plan

The SRP Employee Sick Leave Plan provides payment to employees for unused sick leave. Employees accumulate sick days at a rate of one day per month. The accumulation, up to the personal maximum, can be carried forward year after year. For most employees, the personal maximum is 720 hours. For sick leave hours accumulated in excess of the personal maximum, a lump sum payment at half pay is made annually in January of each year based on the hourly rate at time of payment, and the accumulated sick leave is then returned to the personal maximum. Upon death or retirement, payment is made for any unused sick leave hours. The payments for death or retirement are based on the hourly rate of pay at death or retirement. SRP has an accrual for unpaid sick leave of approximately \$59.2 million and \$59.8 million as of April 30, 2024 and 2023, respectively. The accrual is recorded in other current liabilities and other deferred credits and noncurrent liabilities on the Combined Balance Sheets. The accrual is determined actuarially based on various assumptions, including future pay raises, discount rate and the amount of the accrual that will ultimately be paid out.

(13) INTERESTS IN JOINTLY OWNED ELECTRIC UTILITY PLANTS AND TRANSMISSION FACILITIES:

The District has entered into various agreements with other electric utilities for the joint ownership of electric generating and transmission facilities. Each participating owner in these facilities must provide for the cost of its ownership share. The District's share of expenses of the jointly owned plants and transmission facilities is included in operations and maintenance expense in the accompanying Combined Statements of Net Revenues.

The following table reflects the District's ownership interests in jointly owned facilities at electric utility plants as of April 30, 2024 (in thousands):

Generating Station	Ownership Share	Plant in Service	Accumulated Depreciation	Construction Work in Progress
Four Corners (NM) (Units 4 & 5)	10.00%	\$ 296,463	\$ (221,867)	\$ 4,947
Hayden (CO) (Unit 2)	50.00%	195,523	(179,298)	1,178
Craig (CO) (Units 1 & 2)	29.00%	371,240	(348,317)	1,157
Mesquite Common (AZ)	50.00%	86,815	(39,675)	110
PVNGS (AZ) (Units 1, 2 & 3)	17.49%-25.42%	1,803,167	(1,205,346)	33,785
Springerville Common (AZ)	17.05%-50.00%	46,833	(11,543)	951
Gila River Common (AZ)	50.00%	50,730	(27,858)	656
Total		\$ 2,850,771	\$ (2,033,904)	\$ 42,784

In February 2017, the non-federal owners of NGS decided to discontinue their participation in the plant beyond the end of the then existing lease with the Navajo Nation for the land on which the plant was constructed. In December 2019, the lease ended and decommissioning activities, including required monitoring activities, began and will continue for thirty-four years. The District holds a 23.2% decommissioning participation rate; consequently, the District owns 23.2% of the monitoring assets and their infrastructure which will remain at NGS and will be depreciated over their remaining life.

deriving such prices. Additionally, SRP selectively corroborates the fair values of securities by comparison to other market-based price sources. The fair values of fixed-income securities are based on evaluated prices that reflect observable market information, such as actual trade information of similar securities, adjusted for observable differences, and are categorized as Level 2.

Common stocks: The fair values of shares in preferred and common corporate stocks are based on inputs that are quoted prices in active markets for identical assets and, therefore, have been categorized as Level 1 in the fair value hierarchy. Equity securities held individually are primarily traded on exchanges that contain only actively traded securities due to the volume trading requirements imposed by these exchanges.

Real estate: Real estate commingled funds are funds with a direct investment in a pool of real estate properties. These funds are valued by investment managers on a periodic basis using pricing models that use independent appraisals from sources with professional qualifications. The valuations of the real estate funds are sensitive to market factors outside the control of the Plan, including interest rate levels and economic activity. The valuations, although done quarterly by independent qualified appraisers, may vary due to these factors.

For an explanation of the valuation methodologies used to determine fair value of the assets of the Plan that are not listed above, refer to Note [8], FAIR VALUE MEASUREMENTS.

Long-term Rate of Return

The expected return on Plan assets is based on a review of the Plan asset allocations and consultations with a third-party investment consultant and the Plan actuary, considering market and economic indicators, historical market returns, correlations and volatility, and recent professional or academic research.

Employer Contributions

SRP expects to contribute \$75.0 million to the Plan over the next fiscal year.

Benefits Payments

SRP expects to pay benefits in the amounts as follows in fiscal years ending April 30 (in thousands):

	Post-retirement Benefits		
	Pension Benefits	Before Subsidy*	Net
2025	\$ 142,491	\$ 33,790	\$ 33,283
2026	146,790	35,172	34,649
2027	150,690	36,568	36,034
2028	154,467	37,861	37,319
2029	158,121	39,028	38,479
2030 through 2034	842,792	214,952	212,205

*Estimated future benefit payments, including prescription drug benefits, prior to federal drug subsidy receipts expected as a result of the Medicare Prescription Drug, Improvement and Modernization Act of 2003.

Defined Contribution Plan

SRP's Employees' 401(k) Plan (the 401(k) Plan) covers substantially all employees. The 401(k) Plan receives employee pre-tax and post-tax contributions and partial employer matching contributions. Employees who are contributing to the 401(k) Plan are eligible to receive partial employer matching contributions of \$0.90 on every dollar contributed up to the first 6% of their base pay that they contribute to the 401(k) Plan. Employer matching contributions to the 401(k) Plan were \$29.0 million and \$25.4 million during fiscal years ended April 30, 2024 and 2023, respectively.

The Plan's weighted-average asset allocations as of April 30 are as follows:

	Target Allocations	2024	2023
Equity securities	60%	62%	63%
Debt securities	30%	29%	26%
Real estate	10%	9%	11%
Total	100%	100%	100%

The investment policy, as authorized by the Board, allows management to reallocate Plan assets at any time within a tolerance range up to plus or minus 5% from the target asset allocation which allows for flexibility in managing the assets based on prevailing market conditions and does not require automatic rebalancing if the actual allocation strays from the target allocation.

Fair Value of Plan Assets

Assets measured at fair value using NAV are not categorized in the fair value hierarchy. These assets are listed in the column "Other" in the following tables to permit reconciliation to amounts presented elsewhere.

The following table sets forth the fair value of Plan assets, by asset category, as of April 30, 2024 (in thousands):

	Level 1	Level 2	Other	Total
Cash and cash equivalents	\$ 6,598	\$ -	\$ -	\$ 6,598
Mutual funds	147,543	-	-	147,543
Government securities	-	95,068	-	95,068
Corporate bonds	-	692,344	-	692,344
Common stocks	97,795	-	-	97,795
Commingled funds	-	-	1,458,621	1,458,621
Real estate	-	-	256,362	256,362
Total assets	<u>\$ 251,936</u>	<u>\$ 787,412</u>	<u>\$ 1,714,983</u>	<u>\$ 2,754,331</u>

The following table sets forth the fair value of Plan assets, by asset category, as of April 30, 2023 (in thousands):

	Level 1	Level 2	Other	Total
Cash and cash equivalents	\$ 29,680	\$ -	\$ -	\$ 29,680
Mutual funds	120,179	-	-	120,179
Government securities	-	103,421	-	103,421
Corporate bonds	-	572,458	-	572,458
Common stocks	81,449	-	-	81,449
Commingled funds	-	-	1,427,533	1,427,533
Real estate	-	-	288,929	288,929
Total assets	<u>\$ 231,308</u>	<u>\$ 675,879</u>	<u>\$ 1,716,462</u>	<u>\$ 2,623,649</u>

For a description of the fair value hierarchy, refer to Note [8], FAIR VALUE MEASUREMENTS.

Valuation Methodologies

Corporate bonds: For fixed-income securities, multiple prices and price types are obtained from pricing vendors whenever possible, which enables cross-provider validations in addition to checks for unusual daily movements. A primary price source is identified based on asset type, class or issue for each security. SRP has obtained an understanding of how these prices are derived, including the nature and observability of the inputs used in

Weighted-average assumptions used to calculate net periodic benefit costs were as follows:

	Pension Benefits		Post-retirement Benefits	
	2024	2023	2024	2023
Discount rate	5.13%	4.50%	5.13%	4.50%
Expected return on Plan assets	7.75%	7.75%	N/A	N/A
Rate of compensation increase	4.55%	4.70%	N/A	N/A

A 6.75% annual increase in per capita costs of healthcare benefits was assumed during fiscal year 2024; these rates were assumed to decrease uniformly until equaling 4.75% in all future years.

The components of net periodic benefit costs for the fiscal years ended April 30 are as follows (in thousands):

	Pension Benefits		Post-retirement Benefits	
	2024	2023	2024	2023
Service cost	\$ 68,047	\$ 77,316	\$ 19,136	\$ 19,603
Interest cost	132,178	122,242	36,316	33,214
Expected return on Plan assets	(215,200)	(207,980)	-	-
Amortization of net actuarial loss	136	15,446	182	519
Amortization of prior service cost	4,682	2,068	68	68
Net periodic benefit cost	\$ (10,157)	\$ 9,092	\$ 55,702	\$ 53,404

Plan Assets

The Board has established an investment policy for Plan assets and has delegated oversight of such assets to a compensation committee (the Committee). The investment policy sets forth the objective of providing for future pension benefits by targeting returns consistent with a stated tolerance of risk. The investment policy is based on analysis of the characteristics of the Plan sponsors, actuarial factors, current Plan condition, liquidity needs and legal requirements. The primary investment strategies are diversification of assets, stated asset allocation targets and ranges, and external management of Plan assets. The Committee determines the overall target asset allocation ratio for the Plan and defines the target asset allocation ratio deemed most appropriate for the needs of the Plan and the risk tolerance of the District.

The market value of investments (reflecting returns, contributions and benefit payments) within the Plan trust appreciated 7.54% during fiscal year 2024, compared to appreciation of 0.93% during fiscal year 2023. Changes in the Plan's funded status affect the assets and liabilities recorded on the Combined Balance Sheets in accordance with authoritative guidance for regulated enterprises. Due to the District's regulatory treatment, the recognition of funded status is offset by regulatory assets or liabilities and is recovered through customer rates. There have been numerous legislative changes in recent years that have affected funding requirements. The Moving Ahead for Progress in the 21st Century Act (MAP-21), the Highway and Transportation Funding Act of 2014 (HAFTA), the Bipartisan Budget Act of 2015 (BBA15), the American Rescue Plan Act of 2021 (ARPA), and the Infrastructure Investment and Jobs Act (IIJA) were signed into law at the end of 2021. All of these acts have decreased the level of minimum required contributions.

The following tables outline changes in benefit obligations, plan assets, the funded status of the plans and amounts included in the accompanying Combined Financial Statements, as of and for the years ended April 30 (in thousands):

	Pension Benefits		Post-retirement Benefits	
	2024	2023	2024	2023
Change in benefit obligation				
Benefit obligation at beginning of year	\$ 2,645,635	\$ 2,781,007	\$ 725,032	\$ 755,302
Service cost	68,047	77,316	19,136	19,603
Interest cost	132,178	122,242	36,316	33,214
Actuarial gain	(217,390)	(240,364)	(73,236)	(48,750)
Benefits paid	(138,294)	(129,562)	(33,241)	(34,337)
Plan amendment (COLA)	-	34,996	-	-
Benefit obligation at end of year	2,490,176	2,645,635	674,007	725,032
Change in plan assets				
Fair value of plan assets at beginning of year	2,623,649	2,653,952	-	-
Actual return on plan assets	193,976	24,259	-	-
Employer contributions	75,000	75,000	33,241	34,337
Benefits paid	(138,294)	(129,562)	(33,241)	(34,337)
Fair value of plan assets at end of year	2,754,331	2,623,649	-	-
Funded status at end of year	\$ 264,155	\$ (21,986)	\$ (674,007)	\$ (725,032)
Amounts recognized in Combined Balance Sheets				
Accumulated post-retirement asset	\$ 264,155	\$ -	\$ -	\$ -
Other current liabilities	-	-	(32,846)	(33,382)
Accrued post-retirement liability	-	(21,986)	(641,161)	(691,650)
Net asset (liability) recognized	\$ 264,155	\$ (21,986)	\$ (674,007)	\$ (725,032)
Amounts recognized as a regulatory asset				
Prior service cost	\$ 48,404	\$ 53,086	\$ 244	\$ 312
Net actuarial loss (gain)	297,873	494,175	(127,959)	(54,541)
Net regulatory asset (liability)	\$ 346,277	\$ 547,261	\$ (127,715)	\$ (54,229)

Actuarial gains related to changes in the benefit obligation during the year ended April 30, 2024 were \$217.4 million and \$73.2 million for pension benefits and post-retirement benefits, respectively, primarily due to a change in the discount rate from 5.13% in fiscal year 2023 to 5.83% in fiscal year 2024.

Actuarial gains related to changes in the benefit obligation during the year ended April 30, 2023 were \$240.4 million and \$48.8 million for pension benefits and post-retirement benefits, respectively, primarily due to a change in the discount rate from 4.50% in fiscal year 2022 to 5.13% in fiscal year 2023.

The accumulated benefit obligation for pension benefits was \$2.2 billion and \$2.4 billion as of April 30, 2024 and 2023, respectively.

SRP internally funds its other post-retirement benefits obligation. As of April 30, 2024 and 2023, \$1.2 billion and \$1.1 billion of segregated funds, respectively, were designated for this purpose.

The weighted-average assumptions used to calculate actuarial present values of benefit obligations as of April 30 were as follows:

	Pension Benefits		Post-retirement Benefits	
	2024	2023	2024	2023
Discount rate	5.83%	5.13%	5.83%	5.13%
Rate of compensation increase	4.55%	4.70%	N/A	N/A

The undiscounted cash flows to be received from lease payments in fiscal years ending April 30 are summarized below (in thousands):

2025	\$	7,932
2026		7,758
2027		7,676
2028		7,659
2029		7,620
Thereafter		<u>836,560</u>
Total	\$	<u>875,205</u>

(12) EMPLOYEE BENEFIT PLANS AND INCENTIVE PROGRAMS:

Defined Benefit Pension Plan and Other Post-retirement Benefits

SRP's Employees' Retirement Plan (the Plan) covers substantially all employees. The Plan is funded entirely from SRP contributions and the income earned on invested Plan assets. SRP contributed \$75.0 million in each fiscal year ended April 30, 2024 and 2023.

SRP provides a non-contributory defined benefit medical plan for retired employees and their eligible dependents (contributory for employees hired January 1, 2000, or later) and a non-contributory defined benefit life insurance plan for retired employees. Employees are eligible for coverage if they retire at age 65 or older with at least five years of vested service under the Plan (ten years for those hired January 1, 2000, or later), or at any time after attainment of age 55 with a minimum of ten years of vested service under the Plan (twenty years for those hired January 1, 2000, or later). The funding policy is discretionary.

U.S. GAAP requires employers to recognize the overfunded or underfunded positions of defined benefit pension and other post-retirement plans in their balance sheets. Any actuarial gains and losses, prior service costs and transition assets or obligations must be recorded on the balance sheet with an offset to accumulated other comprehensive income until the amounts are amortized as a component of net periodic benefit costs.

The Board has authorized the District to collect future amounts associated with the pension and other post-retirement plan liabilities as part of the pricing process. The District established a regulatory asset for the amounts otherwise chargeable to accumulated other comprehensive income that are expected to be recovered through prices in future periods. The changes in actuarial gains and losses, prior service costs and transition assets or obligations pertaining to the regulatory asset are recognized as an adjustment to the regulatory asset or liability accounts, as these amounts are recognized as components of net periodic pension costs each fiscal year. The District's amortization amounts for fiscal year 2024 were \$4.8 million for prior service cost and \$0.3 million for net actuarial loss. The District's amortization amounts for fiscal year 2023 were \$2.1 million for prior service cost and \$16.0 million for net actuarial loss.

The following table provides information related to SRP's lease costs for the fiscal year ended April 30, 2023 (in thousands):

	PPA Leases	Other Leases	Total
Operating lease cost	\$ -	\$ 9,393	\$ 9,393
Variable lease cost	143,234	-	143,234
Short-term lease cost	-	597	597
Total	<u>\$ 143,234</u>	<u>\$ 9,990</u>	<u>\$ 153,224</u>

Lease costs related to PPA Leases are recorded in power purchased in the Combined Statements of Net Revenues. Lease costs for other leases are included as a component of operating expenses in the accompanying Combined Statements of Net Revenues. Variable lease costs are recognized in the period the costs are incurred and primarily relate to renewable energy PPA Leases. Payments under most renewable energy PPA Leases are dependent upon environmental factors, and due to the inherent uncertainty associated with the reliability of the energy source, the payments are considered variable and are excluded from the measurement of lease liabilities and right-of-use lease assets.

The following maturity analysis reconciles expected undiscounted cash flows in years ending April 30 to the operating lease liability as of April 30, 2024 (in thousands):

2025	\$ 7,399
2026	7,419
2027	7,439
2028	7,461
2029	7,483
Thereafter	<u>27,889</u>
Total lease commitments	65,090
Less: interest	<u>(5,528)</u>
Total	<u>\$ 59,562</u>

The following table provides additional information related to operating lease liabilities, as of April 30:

	2024	2023
Weighted-average remaining lease term	11 years	12 years
Weighted-average discount rate*	1.87%	1.83%
Cash paid for leasing arrangements (operating cash flow), in millions	\$7.2	\$7.1

*When an implicit rate is not readily determinable, an Incremental borrowing rate is utilized, determining the present value of lease payments. The rate is based on expected term and information available at the commencement date.

Lessor

SRP leases land and other assets to third parties that are classified as operating leases. These leases have varying terms, provisions, expiration dates and term extension options. Remaining lease terms range from 1 to 91 years. Lease income is reported in other income in the accompanying Combined Statements of Net Revenues. During the fiscal years ended April 30, 2024 and 2023, lease income was \$7.8 million and \$8.5 million, respectively.

On May 24, 2024, the revolving credit agreement with U.S. Bank National Association was extended, resulting in a new maturity date of June 27, 2025.

(11) LEASES:

SRP leases land, buildings, equipment and other property to facilitate operations of generating stations through operating rental agreements with varying terms, provisions and expiration dates. SRP also has certain power purchase agreements that qualify as lease arrangements (PPA Leases). SRP's leases have remaining terms that expire in 2024 through 2045.

Lessee

SRP enters into various agreements to purchase power, electric capacity and other energy products that may be accounted for as a lease when SRP has the right to determine when and how the generating unit operates or is designed. SRP may elect to terminate certain leases if the projects are decommissioned or otherwise permanently removed from service. SRP's lease agreements do not contain any material residual value guarantees or restrictive covenants.

SRP recognizes lease assets and liabilities upon lease commencement. The following table provides information related to the classification of lease balances on the Combined Balance Sheets as of April 30 (in thousands):

	<u>2024</u>	<u>2023</u>
Assets		
Other deferred charges and other assets		
Operating lease right-of-use assets	\$ 82,653	\$ 89,153
Total lease assets	<u>\$ 82,653</u>	<u>\$ 89,153</u>
Liabilities		
Other current liabilities		
Short-term operating lease liabilities	\$ 7,149	\$ 7,031
Other deferred credits and other non-current liabilities		
Long-term operating lease liabilities	52,413	56,602
Total lease liabilities	<u>\$ 59,562</u>	<u>\$ 63,633</u>

The following table provides information related to SRP's lease costs for the fiscal year ended April 30, 2024 (in thousands):

	<u>PPA Leases</u>	<u>Other Leases</u>	<u>Total</u>
Operating lease cost	\$ -	\$ 9,634	\$ 9,634
Variable lease cost	164,045	-	164,045
Short-term lease cost	-	341	341
Total	<u>\$ 164,045</u>	<u>\$ 9,975</u>	<u>\$ 174,020</u>

In April 2022, the District entered into a forward delivery contract to issue \$277.9 million of Series A Electric System Revenue Bonds in March 2025. The proceeds of the bonds will be used to refund \$300.0 million of 2015 Series A Bonds outstanding in March 2025. The transaction will be reflected in the Combined Financial Statements for the fiscal year ending April 30, 2025.

In February 2023, the District issued \$500.0 million of 2023 Series A Electric System Revenue Bonds at an average effective interest rate of 4.2%. The proceeds of the bonds were used to pay costs of issuance and to fund capital improvements of the District.

In November 2023, the District issued \$650.0 million of 2023 Series B Electric System Revenue Bonds at an average effective interest rate of 4.8%. The proceeds of the bonds were used to pay costs of issuance and to fund capital improvements of the District.

Interest, Build America Bonds subsidy payments, and the amortization of bond discount, premium and issuance costs on the various issues result in an effective rate of 3.8% over the remaining term of the bonds.

As of April 30, 2024, the District had authorization to issue additional Electric System Revenue Bonds totaling \$1.2 billion in principal amount and Electric System Refunding Revenue Bonds totaling \$5.1 billion in principal amount.

(10) COMMERCIAL PAPER AND CREDIT AGREEMENTS:

The District is authorized by the Board to issue up to \$800.0 million in commercial paper. The District had \$50.0 million of Series C Commercial Paper outstanding as of April 30, 2024 and 2023, and an additional \$275.0 million of Series D-1 Commercial Paper outstanding as of April 30, 2024 and 2023. As of April 30, 2024 and 2023, the Series C issue had a weighted average interest rate to the District of 3.54% and 3.15%, respectively. As of April 30, 2024 and 2023, the Series D-1 issue had a weighted average interest rate to the District of 5.37% and 4.94%, respectively. The commercial paper matures not more than 270 days from the date of issuance and is an unsecured obligation of the District.

As of April 30, 2024, the District has four revolving line-of-credit agreements (in thousands):

Credit Institution	Credit Amount	Expiration
U.S. Bank National Association	\$ 200,000	June 28, 2024
Bank of America, N.A.	250,000	December 9, 2025
J.P. Morgan Chase Bank, National Association	175,000	June 29, 2026
TD Bank, N.A.	175,000	July 14, 2026

The revolving line-of-credit agreements support the \$325.0 million of outstanding commercial paper as of April 30, 2024. Commercial paper is classified as long-term debt in the accompanying Combined Balance Sheets.

The revolving line-of-credit agreements contain various conditions precedent to borrowings that include, but are not limited to, compliance with the covenants set forth in the agreements, the continued accuracy of representations and warranties, no existence of default, and maintenance of certain investment grade ratings on the District's revenue bonds. The District was in compliance with the various covenants as of April 30, 2024 and 2023. Alternative sources of funds to support the commercial paper program include existing funds on hand or the issuance of alternative debt, such as revenue bonds.

The remaining unallocated \$475.0 million in credit available under the four lines of credit as of April 30, 2024 may be used to support the issuance of additional commercial paper or for other general corporate purposes.

(9) LONG-TERM DEBT:

Long-term debt consists of the following as of April 30 (in thousands):

	<u>Maturity</u>	<u>Interest Rate</u>	<u>2024</u>	<u>2023</u>
Revenue bonds				
2010 Series A	2040 – 2041	4.84%	\$ 490,915	\$ 490,915
2015 Series A	2026 – 2045	3.00%-5.00%	867,285	867,285
2016 Series A	2025 – 2038	4.00%-5.00%	626,280	652,960
2017 Series A	2025 – 2039	5.00%	623,555	657,415
2019 Series A	2025 – 2049	3.00%-5.00%	430,875	438,745
2020 Series A	2025 – 2048	2.38%-5.00%	177,330	177,330
2020 Series B	2048 – 2050	2.57%	100,000	100,000
2021 Series A	2025 – 2029	5.00%	205,875	251,395
2022 Series A	2030 – 2032	5.00%	193,065	193,065
2023 Series A	2029 – 2050	5.00%	500,000	500,000
2023 Series B	2043 – 2053	5.00%-5.25%	650,000	-
Total revenue bonds			4,865,180	4,329,110
Unamortized bond premium (discount), net			409,969	419,979
Unamortized debt issuance costs			(10,428)	(9,259)
Total revenue bonds outstanding			5,264,721	4,739,830
Commercial paper			325,000	325,000
Total long-term debt and short-term debt			5,589,721	5,064,830
Less: Current portion of long-term debt			(118,780)	(113,930)
Total long-term debt			\$ 5,470,941	\$ 4,950,900

The annual maturities of revenue bonds as of April 30, 2024, due in fiscal years ending April 30, are as follows (in thousands):

2025	\$ 118,780
2026	126,415
2027	129,205
2028	142,690
2029	142,260
Thereafter	4,205,830
Total	\$ 4,865,180

Revenue Bonds

Revenue bonds are secured by a pledge of, and a lien on, the revenues of the electric system, after deducting operating expenses, as defined in the amended and restated bond resolution, effective in January 2003, as amended (Bond Resolution). The Bond Resolution requires the District to charge and collect revenues sufficient to fund the debt reserve account and pay operating expenses, debt service and all other charges and liens payable out of revenues and income. Under the terms of the Bond Resolution, the District makes debt service deposits to a non-trusted segregated fund. Included in segregated funds in the accompanying Combined Balance Sheets are \$203.1 million and \$185.3 million of debt-service related funds as of April 30, 2024 and 2023, respectively. Additionally, the Bond Resolution requires the District to maintain a debt service coverage ratio of 1.1 or greater on outstanding revenue bonds. To be eligible to issue additional revenue bonds, the District must anticipate sufficient revenues to maintain that ratio post-issuance. For the fiscal years ended April 30, 2024 and 2023, the debt service coverage ratio was 4.0 and 3.6, respectively. A substantial portion of the revenue bonds are callable by the District ten years after issuance.

Margin and Collateral Deposits

Margin and collateral deposit assets and liabilities include cash deposited with, and received from, counterparties and brokers as credit support under energy contracts. The amount of margin and collateral deposits varies based on changes in the fair value of the positions. SRP presents its margin and cash collateral deposits net with its derivative positions on the accompanying Combined Balance Sheets. Net margin and collateral deposits (liabilities) were \$3.5 million and (\$13.4 million) as of April 30, 2024 and 2023, respectively. See Note [7], DERIVATIVE INSTRUMENTS.

Changes in Level 3 Fair Value Measurements

The tables below include the reconciliation of changes to the balance sheet amounts for the fiscal years ended April 30 for commodity derivative instruments classified as Level 3 in the fair value hierarchy; this determination is based upon unobservable inputs to the overall fair value measurement (in thousands):

	2024	2023
Beginning balance, May 1	\$ (18,650)	\$ (7,360)
Transfers out of Level 3	103	(12,586)
Net realized and unrealized gain (loss) included in earnings	4,412	(5,255)
Net purchases (sales)	-	(103)
Settlements	10,438	6,654
Ending balance, April 30	<u>\$ (3,697)</u>	<u>\$ (18,650)</u>

Realized and unrealized gains and losses included in earnings identified above are included in wholesale revenues, power purchased or fuel used in electric generation, as appropriate in the accompanying Combined Statements of Net Revenues. The transfers out of Level 3 for each fiscal year primarily represent derivative positions for which the maturity date has moved to within a time frame such that there are published price curves available to use for performing the valuations.

Fair Value Disclosures

U.S. GAAP requires disclosure of the estimated fair value of certain financial instruments and the methods and significant assumptions used to estimate their fair values. Many but not all of the financial instruments are recorded at fair value on the accompanying Combined Balance Sheets. Financial instruments held by SRP are discussed below.

Financial instruments for which fair value approximates carrying value: Certain financial instruments that are not carried at fair value on the accompanying Combined Balance Sheets are carried at amounts that approximate fair value due to their short-term nature and generally negligible credit risk. The instruments include receivables, accounts payable, customers' deposits, other current liabilities, commercial paper and loans against the District's revolving line-of-credit agreements.

Financial instruments for which fair value does not approximate carrying value: SRP presents long-term debt at carrying value on the accompanying Combined Balance Sheets. The collective fair value of the District's revenue bonds, including the current portion, was estimated by using industry leading pricing services from independent sources. As of April 30, 2024 and 2023, the carrying amount of the District's revenue bonds, including current portion and accrued interest, was \$5.3 billion and \$4.8 billion, respectively, and the estimated fair value was \$5.0 billion and \$4.6 billion, respectively. These estimated fair values are classified as Level 2 in the fair value hierarchy. (See Note [9], LONG-TERM DEBT, for further discussion of the District's revenue bonds.)

The following table provides quantitative information regarding significant unobservable inputs in SRP's Level 3 fair value measurements as of April 30, 2023:

	<u>Fair Value (in thousands)</u>		<u>Unobservable Inputs</u>	
	<u>Assets</u>	<u>Liabilities</u>	<u>Range</u>	<u>Weighted Average*</u>
Forward contracts	\$ -	\$ (1,125)		
Market price per MWh			\$88.40 - \$89.75	\$89.13
Market price per MMBtu			N/A	N/A
Option contracts	\$ -	\$ (17,525)		
Market price per MWh			\$39.42 - \$163.22	86.74
Power volatility			45.62%-138.37%	66.40%
Market price per MMBtu			\$2.81 - \$7.49	\$4.59
Gas volatility			44.80% - 86.30%	58.38%

*Unobservable inputs were weighted by the relative commodity quantity in each contract.

See Note [7], DERIVATIVE INSTRUMENTS, for additional detail of derivatives.

Investments Calculated at Net Asset Value

As of April 30, 2024, the fair value measurement of investments calculated at NAV (or its equivalent), as well as the nature and risks of those investments, is as follows:

	<u>Fair Value (in thousands)</u>	<u>Unfunded Commitments</u>	<u>Redemption Frequency</u>	<u>Redemption Notice Period</u>
Commingled funds:				
Fixed income funds	\$ 309,888	None	Daily	N/A
Private equity fund	1,736	\$3.0 million	N/A	N/A
Total commingled funds	<u>\$ 311,624</u>			

As of April 30, 2023, the fair value measurement of investments calculated at NAV (or its equivalent), as well as the nature and risks of those investments, is as follows:

	<u>Fair Value (in thousands)</u>	<u>Unfunded Commitments</u>	<u>Redemption Frequency</u>	<u>Redemption Notice Period</u>
Commingled funds:				
Fixed income funds	\$ 285,241	None	Daily	N/A
Private equity fund	811	\$4.0 million	N/A	N/A
Total commingled funds	<u>\$ 286,052</u>			

Fixed income commingled funds: These funds are actively managed funds used by an investment manager to diversify an overall portfolio of separately managed fixed-income securities. The funds may invest in fixed-income securities of varying duration, maturity, credit quality and geographic location. The securities may be non-U.S. securities.

Private equity commingled fund: This fund invests primarily in privately held early stage and emerging growth technology companies and businesses primarily based in, or having existing or potential strategic and economic ties to, the State of Arizona.

Government securities: The fair value of government securities is derived from quoted prices on similar assets in active or non-active markets, from pricing models whose inputs are observable for the substantially full term of the asset, or from pricing models whose inputs are derived principally from or corroborated by observable market data through correlation or other means; therefore, these securities have been categorized as Level 2 in the fair value hierarchy.

Commodity Derivative Instruments

The fair values of gas swaps and power swaps that are priced based on inputs using quoted prices on published exchanges or indexes have been categorized as Level 1 in the fair value hierarchy. These include gas and power swaps traded on exchanges.

The fair values of gas swaps, power swaps, gas options, power options and power deals that are priced based on inputs obtained through pricing agencies and developed pricing models, using similar observable items in active and inactive markets, are classified as Level 2 in the fair value hierarchy.

The fair values of derivative assets and liabilities that are valued using pricing models with significant unobservable market data traded in less active or underdeveloped markets are classified as Level 3 in the fair value hierarchy. Level 3 items include gas swaps, power swaps, gas options, power options and power deals. These inputs reflect management's own assumptions about the assumptions a market participant would use in pricing the asset or liability.

SRP periodically transacts at locations, market price points or in time blocks that are non-standard or illiquid for which no prices are available from an independent pricing source. In these cases, SRP applies adjustments based on historical price curve relationships to a more liquid price point as a proxy for market prices. Such transactions are classified as Level 3.

SRP estimates the fair value of certain of its options using Black-Scholes option pricing models, which include inputs such as implied volatility, correlations, interest rates and forward price curves.

All the assumptions above include adjustments for counterparty credit risk, using credit default swap data, bond yields, when available, or external credit ratings.

SRP's assessment of the significance of a particular input to the fair value measurements requires judgment and may affect the valuation of fair value assets and liabilities and their placement within the fair value hierarchy levels. SRP reviews the assumptions underlying its contracts monthly.

The following table provides quantitative information regarding significant unobservable inputs in SRP's Level 3 fair value measurements as of April 30, 2024:

	Fair Value (in thousands)		Unobservable Inputs	
	Assets	Liabilities	Range	Weighted Average*
Option contracts	\$ 193	\$ (3,890)		
Market price per MWh			\$19.48 - \$103.14	59.42
Power volatility			37.56% - 82.08%	50.47%
Market price per MMBtu			\$1.07 - \$7.31	\$3.11
Gas volatility			35.10% - 114.00%	57.89%

*Unobservable Inputs were weighted by the relative commodity quantity in each contract.

The following table sets forth, by level within the fair value hierarchy, SRP's financial assets and liabilities that were accounted for at fair value on a recurring basis as of April 30, 2023 (in thousands):

	Level 1	Level 2	Level 3	Other	Netting and Collateral	Total
Assets						
Cash and cash equivalents:						
Money market funds	\$ -	\$ 285,000	\$ -	\$ -	\$ -	\$ 285,000
Total cash and cash equivalents	-	285,000	-	-	-	285,000
Non-utility property and other investments:						
Money market funds	-	21,928	-	-	-	21,928
Mutual funds	57,938	-	-	-	-	57,938
Total non-utility property and other investments	57,938	21,928	-	-	-	79,866
Segregated funds, net of current portion:						
Money market funds	-	59,850	-	-	-	59,850
Mutual funds	1,409,072	-	-	-	-	1,409,072
Commingled funds	-	-	-	286,052	-	286,052
Government securities	-	9,524	-	-	-	9,524
Total segregated funds, net of current portion	1,409,072	69,374	-	286,052	-	1,764,498
Current portion of segregated funds:						
Money market funds	-	104,746	-	-	-	104,746
Total current portion of segregated funds	-	104,746	-	-	-	104,746
Derivative instruments:						
Commodities	180	91,423	-	-	(54,587)	37,016
Total derivative instruments	180	91,423	-	-	(54,587)	37,016
Total assets	\$1,467,190	\$ 572,471	\$ -	\$ 286,052	\$ (54,587)	\$2,271,126
Liabilities						
Derivative instruments:						
Commodities	\$ (510)	\$ (130,166)	\$ (18,650)	\$ -	\$ 41,231	\$ (108,095)
Total derivative instruments	(510)	(130,166)	(18,650)	-	41,231	(108,095)
Total liabilities	\$ (510)	\$ (130,166)	\$ (18,650)	\$ -	\$ 41,231	\$ (108,095)

Valuation Methodologies

Securities

Money market funds: Investments with maturities of three months or less when purchased, including certain short-term fixed income securities, are considered cash equivalents. The fair value of shares in money market funds are priced based on inputs obtained from Bloomberg, a pricing service whose prices are obtained from direct feeds from exchanges, that are either directly or indirectly observable. Even though the NAV of the fund(s) is kept at \$1 per share, and transactions occur at that price, the underlying value of the securities may or may not be equal to \$1 per share; therefore, these funds are classified as Level 2 in the fair value hierarchy.

Mutual funds: The fair values of shares in mutual funds are based on inputs that are quoted prices in active markets for identical assets and, therefore, have been categorized as Level 1 in the fair value hierarchy. This category may include exchange-traded funds, which are similar to mutual funds in their structure but trade actively on exchanges like stocks. Mutual funds are priced using active market exchanges.

Commingled funds: Commingled funds are maintained by investment companies and hold certain investments in accordance with a stated set of fund objectives, which are consistent with SRP's overall investment strategy. For equity and fixed-income commingled funds, the fund administrator values the fund using the NAV per fund share, derived from the quoted prices in active markets of the underlying securities. Investments in non-publicly traded companies held in private equity funds are valued based on good-faith estimates of fair value performed by the fund manager. Commingled funds are measured at fair value using NAV as a practical expedient and are not categorized in the fair value hierarchy. These assets are listed as "Other" in the fair value hierarchy.

The following table sets forth, by level within the fair value hierarchy, SRP's financial assets and liabilities that were accounted for at fair value on a recurring basis as of April 30, 2024 (in thousands):

	Level 1	Level 2	Level 3	Other	Netting and Collateral	Total
Assets						
Cash and cash equivalents:						
Money market funds	\$ -	\$ 489,000	\$ -	\$ -	\$ -	\$ 489,000
Total cash and cash equivalents	-	489,000	-	-	-	489,000
Non-utility property and other investments:						
Money market funds	-	18,062	-	-	-	18,062
Mutual funds	59,916	-	-	-	-	59,916
Total non-utility property and other investments	59,916	18,062	-	-	-	77,978
Segregated funds, net of current portion:						
Money market funds and US treasury bills	-	2,976	-	-	-	2,976
Mutual funds	1,576,902	-	-	-	-	1,576,902
Commingled funds	-	-	-	311,624	-	311,624
Government securities	-	10,911	-	-	-	10,911
Total segregated funds, net of current portion	1,576,902	13,887	-	311,624	-	1,902,413
Current portion of segregated funds:						
Money market funds	-	122,443	-	-	-	122,443
Total current portion of segregated funds	-	122,443	-	-	-	122,443
Derivative Instruments:						
Commodities	-	47,166	193	-	(40,902)	6,457
Total derivative instruments	-	47,166	193	-	(40,902)	6,457
Total assets	\$1,636,818	\$ 690,558	\$ 193	\$ 311,624	\$ (40,902)	\$2,598,291
Liabilities						
Derivative instruments:						
Commodities	\$ -	\$ (165,128)	\$ (3,890)	\$ -	\$ 44,391	\$ (124,627)
Total derivative instruments	-	(165,128)	(3,890)	-	44,391	(124,627)
Total liabilities	\$ -	(165,128)	\$ (3,890)	\$ -	\$ 44,391	\$ (124,627)

The aggregate fair value of all derivative liabilities with credit-risk-related contingent features as of April 30, 2024, was \$121.7 million. As of April 30, 2024, the District posted collateral in the amount of \$3.5 million as credit support under energy contracts for which the collateralization threshold was exceeded. If the credit-risk-related contingent features underlying these agreements were triggered on April 30, 2024, the District could be required to post up to \$118.2 million of additional collateral to its counterparties.

(8) FAIR VALUE MEASUREMENTS:

SRP accounts for fair value in accordance with authoritative guidance, which defines fair value, establishes methods for measuring fair value by applying one of three observable market techniques (market approach, income approach or cost approach) and establishes required disclosures about fair value measurements. This guidance defines fair value as the price that would be received for an asset or paid to transfer a liability, in the most advantageous market for the asset or liability in an arms-length transaction between willing market participants at the measurement date. SRP determines fair value of most of its financial instruments based on the market approach, which is defined as a valuation technique that uses prices and other relevant information generated by market transactions involving identical or comparable assets or liabilities. Certain derivative positions are valued using the income approach, which derives fair value from estimated future cash flows, risk-adjusted discount rates and other inputs.

SRP classifies its financial instruments into the fair value hierarchy based on the inputs used to determine fair value. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). The three levels of the fair value hierarchy are as follows:

Level 1: Financial assets and liabilities whose values are based on unadjusted quoted prices for identical assets or liabilities in an active market.

Level 2: Financial assets and liabilities whose values are based on quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in non-active markets, pricing models whose inputs are observable for substantially the full term of the assets or liabilities and pricing models whose inputs are derived principally from or corroborated by observable market data through correlation or other means.

Level 3: Financial assets and liabilities whose values are based on prices or valuation techniques that require inputs that are both unobservable and significant to the overall fair value measurement. These inputs reflect management's own assumptions about the assumptions a market participant would use in pricing the asset or liability.

Assets measured at fair value using net asset value (NAV) as a practical expedient are not categorized in the fair value hierarchy. These assets are listed in the column "Other" in the following tables.

The District has the following gross derivative volumes, by type, as of April 30, 2023:

Commodity	Unit of Measure	Sales Volumes	Purchases Volumes
Natural gas options, swaps and forward arrangements	MMBtu	8,040,000	341,010,000
Electricity options, swaps and forward arrangements	MWh	624,475	99,000
Liquefied fuel swaps	Gallon	-	5,328,200

Presentation of Derivative Instruments in the Financial Statements

The following tables provide information about the gross fair values, netting, and collateral and margin deposits for derivative hedging instruments in the accompanying Combined Balance Sheets as of April 30 (in thousands):

	<u>2024</u>				
	Current Commodity Derivative Assets	Non-current Commodity Derivative Assets	Current Commodity Derivative Liabilities	Non-current Commodity Derivative Liabilities	Net Assets (Liabilities)
Commodities	\$ 6,474	\$ 40,885	\$ (102,409)	\$ (66,609)	\$ (121,659)
Netting	(6,474)	(34,428)	6,474	34,428	-
Collateral and margin deposits	-	-	3,489	-	3,489
Total	\$ -	\$ 6,457	\$ (92,446)	\$ (32,181)	\$ (118,170)

	<u>2023</u>				
	Current Commodity Derivative Assets	Non-current Commodity Derivative Assets	Current Commodity Derivative Liabilities	Non-current Commodity Derivative Liabilities	Net Assets (Liabilities)
Commodities	\$ 6,465	\$ 85,138	\$ (111,377)	\$ (37,949)	\$ (57,723)
Netting	(6,465)	(28,522)	6,465	28,522	-
Collateral and margin deposits	-	(19,600)	6,244	-	(13,356)
Total	\$ -	\$ 37,016	\$ (98,668)	\$ (9,427)	\$ (71,079)

The following tables summarize the District's unrealized gains (losses) associated with derivatives not designated as hedging instruments in the accompanying Combined Statements of Net Revenues for the fiscal year (in thousands):

	<u>2024</u>			
	Operating Revenues	Power Purchased	Fuel Used In Electric Generation	Change in Unrealized Gain (Loss)
Commodities	\$ 21,437	\$ 500	\$ (79,116)	\$ (57,179)

	<u>2023</u>			
	Operating Revenues	Power Purchased	Fuel Used In Electric Generation	Change in Unrealized Gain (Loss)
Commodities	\$ 13,801	\$ (500)	\$ (427,100)	\$ (413,799)

Credit-Related Contingent Features

Certain of the District's derivative instruments contain provisions that require the District to post additional collateral upon certain credit events. If the District's debt were to fall below investment grade, the counterparties to the derivative instruments could demand immediate and ongoing full overnight collateralization on derivative instruments in net liability positions.

The following table summarizes unrealized gains (losses) recognized during the fiscal year ending April 30 on trading securities still held as of April 30 (in thousands):

	2024	2023
Non-utility property and other investments	\$ 6,404	\$ (1,732)
Segregated funds, net of current portion	137,461	(36,521)
Total	<u>\$ 143,865</u>	<u>\$ (38,253)</u>

(7) DERIVATIVE INSTRUMENTS:

Energy Risk Management Activities

The District has an energy risk management program to limit exposure to risks inherent in normal energy business operations. The goal of the energy risk management program is to measure and manage exposure to market risks, credit risks and operational risks. Specific goals of the energy risk management program include reducing the impact of market fluctuations on energy commodity prices associated with customer energy requirements, reducing excess generation and fuel expenses, meeting customer pricing needs and maximizing the value of physical generating assets. The District employs established policies and procedures to meet the goals of the energy risk management program using various physical and financial instruments, including forward contracts, futures, swaps and options.

Certain of these transactions are accounted for as commodity derivatives and are recorded in the accompanying Combined Balance Sheets as either an asset or liability measured at their fair value. Derivative instruments and the related collateral accounts, if applicable, that are subject to master netting agreements are presented as a net asset or liability in the accompanying Combined Balance Sheets. Changes in the fair value of commodity derivatives are recognized each period in net operating revenues and included in the accompanying Combined Statements of Net Revenues and classified as part of operating cash flows in the accompanying Combined Statements of Cash Flows. Some of the District's contractual agreements qualify and are designated for the normal purchases and normal sales exception and are not recorded at fair value in the accompanying Combined Balance Sheets. This exception applies to physical sales and purchases of power or fuel when it is probable that physical delivery will occur; the pricing provisions are clearly and closely related to the underlying asset; and the documentation requirements are met. If a contract qualifies for the normal purchases and normal sales scope exception, the District accounts for the contract using settlement accounting (costs and revenues are recorded when physical delivery occurs). SRP has not elected to use hedge accounting for its derivative instruments.

See Note [8], FAIR VALUE MEASUREMENTS, for additional information on derivative valuation.

Derivative Volumes

The District has the following gross derivative volumes, by type, as of April 30, 2024:

Commodity	Unit of Measure	Sales Volumes	Purchases Volumes
Natural gas options, swaps and forward arrangements	MMBtu	17,400,000	355,000,000
Electricity options, swaps and forward arrangements	MWh	205,835	-
Liquefied fuel swaps	Gallon	-	5,346,400

The following table summarizes line items included in the accompanying Combined Balance Sheets as of April 30 that include amounts recorded at fair value pursuant to the fair value option (in thousands):

	Measurement Attribute	2024	2023
Cash and cash equivalents			
Cash	N/A	\$ 1,430	\$ 10,945
Money market funds	Fair value	489,000	285,000
Total cash and cash equivalents		<u>\$ 490,430</u>	<u>\$ 295,945</u>
Non-utility property and other investments			
Money market funds	Fair value	\$ 18,062	\$ 21,928
Equity investments	Fair value	59,916	57,938
Held-to-maturity debt investments	Amortized cost	156,787	136,880
Non-utility property	N/A	187,794	174,472
Total non-utility property and other investments		<u>\$ 422,559</u>	<u>\$ 391,218</u>
Segregated funds, net of current portion			
Cash	N/A	\$ 15	\$ -
Money market funds and US treasury bills	Fair value	2,976	59,850
Equity investments	Fair value	1,888,526	1,695,124
Trading debt investments	Fair value	10,911	9,524
Held-to-maturity debt investments	Amortized cost	79,791	79,778
Total segregated funds, net of current portion		<u>\$ 1,982,219</u>	<u>\$ 1,844,276</u>
Temporary investments			
Held-to-maturity debt investments	Amortized cost	\$ 146,121	\$ 276,245
Total temporary investments		<u>\$ 146,121</u>	<u>\$ 276,245</u>
Current portion of segregated funds			
Money market funds	Fair value	\$ 122,443	\$ 104,746
Total current portion of segregated funds		<u>\$ 122,443</u>	<u>\$ 104,746</u>

SRP's investments in debt securities are measured and reported at amortized cost when there is intent and ability to hold the security to maturity. SRP's amortized cost and fair value of held-to-maturity debt securities were \$382.7 million and \$363.7 million, respectively, as of April 30, 2024 and \$492.9 million and \$469.1 million, respectively, as of April 30, 2023. As of April 30, 2024, SRP's investments in debt securities have maturity dates ranging from June 2024 to February 2036.

As of April 30, 2024, the gross unrecognized holding gains and losses on held-to-maturity debt securities were approximately \$39 thousand and \$19.1 million, respectively.

SRP's equity investments and trading debt investments are measured at fair value with unrealized gains and losses included in investment income, net. Unrealized gains and losses on NDT investments are included in the nuclear decommissioning regulatory liability.

(6) FAIR VALUE OF FINANCIAL INSTRUMENTS:

SRP invests in U.S. government obligations, certificates of deposit and other marketable investments. Such investments are classified as cash and cash equivalents, temporary investments, other investments and segregated funds in the accompanying Combined Balance Sheets depending on the purpose and duration of the investment.

Fair Value Option

SRP adopted authoritative guidance which permits an entity to measure many financial instruments and certain other items at fair value. SRP has elected the fair value option for all investment securities other than debt securities classified as held-to-maturity. Election of the fair value option for debt securities requires the security to be reported as a trading security.

The fair value option was elected because management believes that fair value best represents the nature of the investments. While the investment securities held in these funds are reported as trading securities, the investments continue to be managed with a long-term focus. Accordingly, all purchases and sales within these funds are presented separately in the accompanying Combined Statements of Cash Flows as investing cash flows, consistent with the nature and purpose for which the securities are acquired.

Realized and unrealized gains and losses on these investments are included in investment income, net, in the accompanying Combined Statements of Net Revenues.

Some wholesale contracts are accounted for as derivative instruments. Fair value adjustments for these contracts increased wholesale revenue by \$21.4 million and increased wholesale revenue by \$13.8 million in fiscal years 2024 and 2023, respectively. See Note [7], DERIVATIVE INSTRUMENTS.

SRP generates transmission revenues by allowing other entities to use the District's transmission facilities to transmit power. Payment for transmission services is generally due monthly and revenues are recognized over time because the customer consumes the transmission service as it is provided. Transmission revenues are included in other electric revenues.

SRP generates telecommunications revenues by allowing companies to use the District's infrastructure to place antennas that are used to transmit communications signals. Payment for telecommunication services is generally due up front and revenues are recognized over time as the service is provided. Telecommunication revenues are included in other electric revenues.

SRP generates water revenues from delivering water to SRP water customers through annual charges, supplemental water charges and various other fees. Payment of water charges and fees is generally due up front annually and revenues are recognized over time as water is delivered.

The following table summarizes SRP's sources of revenues for the fiscal years ended April 30 (in thousands):

	2024	2023
Electric		
Residential	\$ 1,871,298	\$ 1,770,474
Commercial	1,270,553	1,138,205
Other retail customers	351,010	302,687
Total retail electric revenues	3,492,861	3,211,366
Other electric	83,681	86,526
Wholesale	543,862	699,635
Total electric operating revenues	4,120,404	3,997,527
Water	25,491	24,019
Total operating revenues	\$ 4,145,895	\$ 4,021,546

Deferred revenue balances are included in other current liabilities and were \$114.1 million and \$97.8 million as of April 30, 2024 and 2023, respectively. The deferred revenues generally represent amounts paid by or receivable from customers for which the associated performance obligation has not yet been satisfied. Substantially all of the deferred revenue balances are recognized within one year. SRP's other contract assets are not significant.

Contracts with remaining performance obligations include the supply and delivery of various electric and water products and services. Contracts with variable volumes and/or variable pricing are excluded from disclosure of remaining performance obligations because the related consideration under the contracts are variable at inception. Contract lengths vary from cancelable to multiyear.

SRP does not disclose the value of remaining performance obligations when (1) the performance obligation is part of a contract that has an original expected duration of one year or less, (2) revenue is recognized from the satisfaction of the performance obligation in accordance with the "right to invoice" practical expedient, or (3) the consideration is allocated entirely to a wholly unsatisfied performance obligation or to a wholly unsatisfied promise to transfer a distinct good or service that forms part of a series of distinct goods or services. After applying these exemptions, SRP's contracts with customers have no material remaining performance obligations.

The accompanying Combined Balance Sheets include the following regulatory assets and liabilities as of April 30 (in thousands):

	<u>2024</u>	<u>2023</u>
Assets		
Pension and other post-retirement benefits (Note [12])	\$ 218,562	\$ 493,032
Bond defeasance	67,693	75,826
Other	16,590	19,079
Total regulatory assets	<u>\$ 302,845</u>	<u>\$ 587,937</u>
Liabilities		
Nuclear decommissioning	\$ 429,415	\$ 372,096
Depreciation	51,186	58,255
Bond defeasance	26,420	31,033
Accumulated cost of removal of plant assets	98,198	-
Total regulatory liabilities	<u>\$ 605,219</u>	<u>\$ 461,384</u>

The pension and other post-retirement benefits regulatory asset is adjusted as changes in actuarial gains and losses, prior service costs and transition assets or obligations are recognized as components of net periodic pension costs each fiscal year and is recovered through prices charged to customers.

Bond defeasance regulatory assets and liabilities are recovered over the remaining original amortization periods of the reacquired debt ending in various years through fiscal year 2039.

The nuclear decommissioning regulatory liability is any difference between current fiscal year costs and revenues associated with nuclear decommissioning and earnings (losses) on the NDT. Such amounts are deferred in accordance with authoritative guidance for regulated enterprises and have no impact to SRP's earnings.

The depreciation regulatory liability, which results from depreciation that is accelerated in excess of straight-line depreciation, is being refunded over the estimated remaining lives of the assets.

The regulatory liability for accumulated cost of removal of plant assets is an estimation of future costs of removal of plant assets not covered by an asset retirement obligation and is adjusted as actual expenses are paid.

(5) REVENUES:

SRP generates revenues primarily from the sale and delivery of electricity to retail customers. Retail revenues, including unbilled amounts, are generally recognized over time based upon volumes delivered because the customer consumes the electricity as it is delivered. Retail revenues are typically based on prices subject to regulatory oversight and are billed and received monthly. Payment is generally due in the month following delivery. See Note [4], REGULATORY MATTERS, for discussion of SRP's regulation and pricing policies. The estimated retail revenue for electricity delivered but not yet billed, recognized in retail electric revenues and recorded as receivables, net, was \$137.1 million and \$131.5 million for the fiscal years ended and as of April 30, 2024 and 2023, respectively.

SRP generates wholesale revenues primarily from excess energy sales, which are recognized over time as the energy is delivered because the customer consumes the electricity as it is delivered. Payments for wholesale sales are generally due in the month following delivery.

creates its own buy-through program. The District Board approved the program in September 2023 and the program began in January 2024.

Regulation and Pricing Policies

Under Arizona law, the District's publicly elected Board of Directors (the Board) has the authority to establish electric prices. The District is required to follow certain public notice and special Board meeting procedures before implementing any changes in the standard electric price plans. The financial statements reflect the pricing policies of the Board.

The District's price plans include a base price component and a Fuel and Purchased Power Adjustment Mechanism (FPPAM). Base prices recover costs for generation, transmission, distribution, customer services, metering, meter reading, billing and collections, and system benefits charges that are not otherwise recovered through the FPPAM. The FPPAM was implemented in May 2002 to adjust for increases and decreases in fuel costs and, as of May 1, 2019, also includes renewable purchased power agreements. Through a system benefits charge to the District's transmission and distribution customers, the District recovers the costs of programs benefiting the general public, such as discounted rates for low-income customers, energy efficiency and nuclear decommissioning, including the cost of spent fuel storage.

On September 12, 2022, the Board voted to approve two increases to FPPAM prices: the first overall 4.7% increase effective November 1, 2022, and the second increase of the same magnitude effective a year later, November 1, 2023. The Board also approved forgoing future collection of \$124.0 million of the under-collected FPPAM balance, using the District's strong financial position to reduce the need for price increases in the future. 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.

Regulatory Accounting

SRP accounts for the financial effects of the regulated portion of its operations in accordance with the provisions of authoritative guidance for regulated enterprises, which requires cost-based, rate-regulated utilities to reflect the impacts of regulatory decisions in their financial statements. SRP records regulatory assets, which represent probable future recovery of certain costs from customers through the pricing process, and regulatory liabilities which represent probable future credits to customers through the pricing process or current collections for future expected costs. Based on actions of the Board, SRP believes the future collection of costs deferred as regulatory assets is probable. If events were to occur making recovery of these regulatory assets no longer probable, SRP would be required to write off the remaining balance of such assets as a one-time charge to net revenues. None of the regulatory assets earn a return.

(3) ACCOUNTING PRONOUNCEMENTS:

In March 2020, the FASB issued ASU 2020-04, *Reference Rate Reform*, as amended. The amendments in this update provide optional expedients and exceptions for applying U.S. GAAP to contracts that reference the London Interbank Offered Rate or another reference rate expected to be discontinued by reference rate reform. In December 2022, the FASB issued ASU 2022-06, which amended the dates when an entity may elect to apply this update to any time from March 12, 2020 through December 31, 2024. Once elected, the expedients must be applied prospectively for all eligible contracts. SRP has not identified any contracts that would be affected by this update. If any contracts are modified to replace a reference rate, SRP will elect the expedients provided by these updates.

(4) REGULATORY MATTERS:

The Electric Utility Industry

The District operates in a regulated environment in which it has an obligation to deliver electric service to customers within its service area. In 1998, Arizona legislature enacted the Arizona Electric Power Competition Act (the Act), which applies to public power entities like the District. The Act authorized competition in the retail sales 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 returned to their incumbent utilities.

The Arizona Corporation Commission (ACC) regulates investor-owned and cooperatively owned utilities, called public service corporations in Arizona. The Arizona Legislature, in the 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, meter reading and meter service providers, 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, the ACC opened an inquiry into retail competition and requested that interested parties provide comments on a series of ACC-issued questions. The District participated in that inquiry. On September 11, 2013, the ACC voted to close the 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 but there was insufficient support to modify the rules of competition. However, effective July 1, 2012, the ACC approved a buy-through program for a major utility allowing a limited number of large industrial customers to purchase generation from other providers. In December 2020, the ACC approved a similar buy-through program for a second major utility in the state. The ACC continues to evaluate these programs as part of rate case proceedings and continues to modify these programs as needed.

In August 2021, an entity filed application to provide competitive electric generation services in Arizona under the 1998 law. This action led to discussions which resulted in the ACC requesting a legal opinion from the Arizona Attorney General. This action resulted in an ACC directive stating that all matters be held in abeyance until a finding from the Attorney General is received. That opinion was not issued and there was a change in the Attorney General. The new Attorney General has not signaled interest in issuing an opinion.

During the 2022 legislative session, House Bill 2101 was enacted and has since become effective. House Bill 2101 repealed statutes and removed the requirement that a competitive market exist in the sale of electric generation service in Arizona. As part of the House Bill 2101 stakeholder process, the District negotiated an agreement that

Income Taxes

The District, as a political subdivision of the State of Arizona, is exempt from federal and Arizona state income taxes. The Association, as a private corporation, is not exempt from federal and Arizona state income taxes. However, the Association is not liable for income taxes on operations relating to its acting as an agent for the District on the basis of a settlement with the Commissioner of Internal Revenue in 1949, which was approved by the Secretary of the Treasury. The Association is liable for income taxes on activities where it is not acting as an agent of the District. Income taxes related to the Association and to the District's wholly owned taxable subsidiaries' operations are not material to the accompanying Combined Financial Statements.

Voluntary Contributions in Lieu of Taxes

As a political subdivision of the State of Arizona, the District is exempt from property taxation. In accordance with Arizona law, 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 included in its electric system. The amount paid is computed on the same basis as ad valorem taxes paid by a private utility corporation with an allowance for certain water-related deductions. Such contributions are included in taxes and tax equivalents in the Combined Statements of Net Revenues.

Sales and Use Taxes

The District is required by various government authorities, including states and municipalities, to collect and remit taxes on certain retail sales. Such taxes are recorded on a net basis and excluded from revenues and expenses in the accompanying Combined Financial Statements.

Concentrations of Credit Risk

Financial instruments that potentially subject SRP to credit risk consist of cash and cash equivalents, temporary and other investments, and segregated funds. Certain balances exceed Federal Deposit Insurance Corporation (FDIC) insured limits or are invested in money market accounts with investment banks that are not FDIC insured. SRP's cash and cash equivalents, temporary and other investments, and segregated funds are placed in creditworthy financial institutions and certain money market accounts that invest in U.S. Treasury securities or other obligations issued or guaranteed by the U.S. government or its agencies or instrumentalities.

The use of contractual arrangements to manage the risks associated with changes in energy commodity prices creates credit risks resulting from the possibility of nonperformance by counterparties pursuant to the terms of their contractual obligations. In addition, volatile energy prices can create significant credit exposure from energy market receivables and mark-to-market valuations. The District has a credit policy for wholesale counterparties, continuously monitors credit exposures and routinely assesses the financial strength of its counterparties. The District minimizes credit risk by dealing primarily with creditworthy counterparties, entering into standardized agreements that allow netting of exposures to and from a single counterparty, and requiring letters of credit, parent guarantees or other collateral when it does not consider the financial strength of the counterparty sufficient.

Subsequent Events

SRP follows authoritative guidance which requires an entity to evaluate subsequent events through the date that the financial statements are either issued or available to be issued. Subsequent events for SRP have been evaluated through June 28, 2024, which is the date that the financial statements were issued.

pertinent market studies, and observed customer behavior. The allowance is adjusted periodically for this experience rate and is maintained until either receipt of payment or the likelihood of collection is considered remote, at which time the allowance and the corresponding receivable balance are written off.

The following table summarizes SRP's changes in allowance for doubtful accounts for the fiscal years ended April 30 (in thousands):

	<u>2024</u>	<u>2023</u>
Beginning balance, May 1	\$ 5,847	\$ 5,494
Provision for doubtful accounts	8,866	4,688
Write-offs	(9,295)	(4,335)
Ending balance, April 30	<u>\$ 5,418</u>	<u>\$ 5,847</u>

Fuel Stocks and Materials and Supplies

Fuel stocks and materials and supplies are stated at weighted-average cost and are valued using the average cost method.

Other Current Liabilities

The accompanying Combined Balance Sheets include the following other current liabilities as of April 30 (in thousands):

	<u>2024</u>	<u>2023</u>
Sick, vacation and holiday accrual	\$ 57,353	\$ 55,103
Customer prepayments	65,513	56,154
Employee Performance Incentive Compensation (EPIC)	27,412	30,697
Post-retirement benefits	32,846	33,382
Other	88,089	85,701
Total other current liabilities	<u>\$ 271,213</u>	<u>\$ 261,037</u>

Other Deferred Credits and Non-current Liabilities

The accompanying Combined Balance Sheets include the following other deferred credits and non-current liabilities as of April 30 (in thousands):

	<u>2024</u>	<u>2023</u>
Regulatory liabilities	\$ 605,219	\$ 461,384
Sick, vacation and holiday accrual	54,022	54,952
Long-term operating lease liabilities	52,413	56,602
Mine reclamation and other environmental obligations	47,563	49,083
Other	104,222	136,984
Total other deferred credits and non-current liabilities	<u>\$ 863,439</u>	<u>\$ 759,005</u>

Financing Costs

Bond discount, premium and issuance expenses are deferred and amortized using the effective interest method over the terms of the related bond issues.

Segregated Funds

The District sets aside funds that are segregated due to management intent and to support various purposes. The District also has certain segregated funds that are legally restricted. The following amounts are included in segregated funds in the accompanying Combined Balance Sheets as of April 30 (in thousands):

	2024	2023
Segregated funds – legally restricted		
Nuclear Decommissioning Trust	\$ 642,173	\$ 576,441
Debt Reserve Fund	80,611	80,598
Construction Fund	15	57,322
Other	38,799	35,851
Total segregated funds – legally restricted	<u>761,598</u>	<u>750,212</u>
Segregated funds – other		
Benefits funds	1,218,886	1,093,253
Debt Service Fund	122,443	104,746
Other	1,735	811
Total segregated funds – other	<u>1,343,064</u>	<u>1,198,810</u>
Total segregated funds, including current portion	<u>\$ 2,104,662</u>	<u>\$ 1,949,022</u>

Nuclear Decommissioning

In accordance with regulations of the Nuclear Regulatory Commission, the District maintains a trust for the decommissioning of PVNGS. The NDT funds are invested in debt and equity securities. All NDT debt securities are reported as trading securities. SRP has elected the fair value option for such securities. Changes in fair value related to the NDT securities are included in the nuclear decommissioning regulatory liability with no impact to net revenues. The NDT funds are classified as segregated funds in the accompanying Combined Balance Sheets.

Cash and Cash Equivalents

Cash equivalents include money market funds and highly liquid short-term investments with original maturities of three months or less.

The following table provides a reconciliation of cash, cash equivalents and restricted cash reported within the Combined Balance Sheets and the Combined Statements of Cash Flows as of April 30 (in thousands):

	2024	2023
Cash and cash equivalents	\$ 490,430	\$ 295,945
Cash and cash equivalents included in non-utility property and other investments	18,062	21,928
Cash and cash equivalents included in segregated funds	121,653	104,147
Restricted cash and cash equivalents included in segregated funds	3,781	60,449
Total cash, cash equivalents and restricted cash	<u>\$ 633,926</u>	<u>\$ 482,469</u>

Amounts included in restricted cash represent those required to be set aside per terms of contractual agreements, bond indentures or other legal stipulations.

Allowance for Doubtful Accounts

Allowance for doubtful accounts is provided for electric customer accounts and other non-energy receivables balances based upon the current expected credit loss, which is measured using a historical experience rate of write-offs, adjusted for economic factors that include expected recoveries, the current economic environment,

estimating when final removal will occur and determining the credit-adjusted, risk-free interest rates to be utilized in discounting future liabilities. Subsequent to the initial recognition, the liability is adjusted for any revisions to the estimated future cash flows associated with the asset retirement obligation (with corresponding adjustments to utility plant), which can occur due to a number of factors, including, but not limited to, cost escalation, changes in technology applicable to the assets to be retired, changes in federal, state and local regulations and changes to the estimated decommissioning date of the assets, as well as for the accretion of the liability due to the passage of time until the obligation is settled.

The following table summarizes the asset retirement obligation activity of the District as of and for the fiscal years ended April 30 (in thousands):

	<u>2024</u>	<u>2023</u>
Beginning balance, May 1	\$ 377,324	\$ 372,802
Additions	-	-
Settlements, net	(4,096)	(10,641)
Revisions to estimates	155,108	61
Accretion expense	<u>17,168</u>	<u>15,102</u>
Ending balance, April 30	<u>\$ 545,504</u>	<u>\$ 377,324</u>

The revisions to estimates of the asset retirement obligation in fiscal year 2024 are primarily due to the updated decommissioning cost study for PVNGS. See Note [15], COMMITMENTS AND CONTINGENCIES under Nuclear Matters for additional discussion.

Investments in Debt and Equity Securities

SRP invests in various debt and equity securities. Debt securities in which SRP has the intent and ability to hold to maturity are classified as held-to-maturity securities and reported at amortized cost. Debt securities that are bought and held with the likelihood of selling them in the near term are classified as trading securities and reported at fair value, with unrealized gains and losses included in investment income, net. SRP has adopted the fair value option for all debt and equity securities other than debt securities classified as held-to-maturity. All such securities are reported at fair value, with unrealized gains and losses included in investment (loss) income, net, with the exception of the Nuclear Decommissioning Trust (NDT) for which unrealized gains and losses are recorded in regulatory liabilities (see table in Segregated Funds). SRP does not classify any securities as available-for-sale.

Temporary Investments

Debt and equity securities that are short-term in nature and are expected to be sold or converted to cash in the next twelve months are classified as temporary investments on the Combined Balance Sheets, unless they meet the definition of a cash equivalent.

both the interim and permanent disposal of spent nuclear fuel are components of fuel expense. Nuclear fuel amortization was \$40.2 million and \$39.0 million in fiscal years 2024 and 2023, respectively. The balance of nuclear fuel includes \$115.9 million and \$114.8 million of in-process stock, which is not yet being amortized, as of April 30, 2024 and 2023, respectively.

Software Costs

SRP capitalizes costs incurred to purchase and develop internal-use computer software and implementation costs incurred in a cloud computing arrangement that is a service contract and amortizes such costs over the recovery periods of the products. Capitalized software costs are included in utility plant and cloud computing costs are included in other deferred charges and other assets in the accompanying Combined Balance Sheets. The following table summarizes the capitalized computer software and capitalized cloud computing arrangement implementation costs as of April 30 (in thousands):

	2024		2023	
	Software	Cloud Computing	Software	Cloud Computing
Asset balance	\$ 732,310	\$ 41,927	\$ 723,991	\$ 39,029
Accumulated amortization	603,491	12,448	571,925	9,043

For the fiscal years ended April 30, 2024 and 2023, amortization expense for capitalized software costs was \$31.6 million and \$33.5 million, respectively. Amortization expense for capitalized cloud computing arrangements implementation costs was \$3.4 million and \$4.3 million for the fiscal years ended April 30, 2024 and 2023, respectively.

The following table presents estimated future amortization expense pertaining to capitalized software costs and capitalized cloud computing arrangement implementation costs in fiscal years ending April 30 (in thousands):

	Software	Cloud Computing
2025	\$ 24,951	\$ 4,143
2026	15,236	3,775
2027	13,265	3,600
2028	12,974	3,573
2029	12,374	3,546

Asset Retirement Obligations

SRP accounts for its asset retirement obligations in accordance with authoritative guidance, which requires the recognition and measurement of liabilities for legal obligations associated with the retirement of tangible long-lived assets. Liabilities for asset retirement obligations are recognized at fair value as incurred and capitalized as part of the cost of the related tangible long-lived assets. Accretion of the liabilities, due to the passage of time, is an operating expense and the capitalized cost is depreciated over the estimated recovery periods of the long-lived assets. Retirement obligations associated with long-lived assets are those for which a legal obligation exists under enacted laws, statutes and contracts, including obligations arising under the doctrine of promissory estoppel.

The District has identified retirement obligations for its share of Palo Verde Nuclear Generating Station (PVNGS), Navajo Generating Station (NGS), Four Corners Generating Station (Four Corners), and certain other assets. Amounts recorded for asset retirement obligations are subject to various assumptions and determinations, such as determining whether an obligation exists to remove assets, estimating the fair value of the costs of removal,

By virtue of SRP operating a federal reclamation project under contract, with the federal government's paramount rights, asset ownership and certain approval rights, SRP is subject to accounting standards as set forth by the Federal Accounting Standards Advisory Board (FASAB). Entities reporting in accordance with the standards issued by the Financial Accounting Standards Board (FASB) prior to October 19, 1999 (the date the American Institute of Certified Public Accountants designated the FASAB as the accounting standard-setting body for entities under the federal government), are permitted to continue to report in accordance with those standards. As permitted, SRP has elected to report its financial statements in accordance with FASB standards.

(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Utility Plant

Utility plant is stated at the historical cost of construction. Capitalized construction costs include labor, materials, services purchased under contract, and allocations of indirect charges for engineering, supervision, transportation and administrative expenses and an allowance for funds used during construction (AFUDC). The cost of property that is replaced, removed or abandoned, less salvage, is charged to accumulated depreciation. Repairs and maintenance costs are charged to operations and maintenance expense.

Depreciation expense is computed on a straight-line basis over recovery periods of the various classes of plant assets. Depreciation expense for utility plant totaled \$507.9 million and \$663.8 million for the fiscal years ended April 30, 2024 and 2023, respectively. The following table reflects the District's average depreciation rates on the average cost of depreciable assets for the fiscal years ended April 30:

	2024	2023
Average electric depreciation rate	2.95%	3.32%
Average irrigation depreciation rate	2.61%	2.15%
Average common depreciation rate	5.31%	6.33%

There was an increase of \$20.7 million and \$5.0 million in property, plant and equipment purchases within accounts payable for the fiscal years ended April 30, 2024 and 2023, respectively. Such changes are considered a non-cash investing activity.

Plant Held for Future Use

Plant held for future use primarily includes the cost of land acquired for future operations, including generation, transmission and other purposes. Once development starts on the new facility, the costs will be moved to plant in service.

Allowance for Funds Used During Construction

AFUDC is the estimated cost of funds used to finance plant additions and is recovered in prices through depreciation expense over the useful life of the related asset. AFUDC is capitalized during certain plant construction and is included in capitalized interest in the accompanying Combined Statements of Net Revenues. Composite rates of 3.39% and 3.10% were applied in fiscal years 2024 and 2023, respectively, to calculate interest on funds used to finance construction work in progress, resulting in \$24.2 million and \$14.4 million of interest capitalized, respectively.

Nuclear Fuel

SRP amortizes the cost of nuclear fuel using the units-of-production method. The units-of-production method is an amortization method based on actual physical usage. The nuclear fuel amortization and accrued expenses for

**SALT RIVER PROJECT
NOTES TO COMBINED FINANCIAL STATEMENTS
APRIL 30, 2024 AND 2023**

(1) BASIS OF PRESENTATION:

The Company

The Salt River Project Agricultural Improvement and Power District (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 has 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 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, incorporated under the laws of the Territory of Arizona in 1903, operates an irrigation system as the agent of the District. The District and the Association are together referred to as Salt River Project or SRP.

Principles of Combination

The accompanying Combined Financial Statements reflect the combined accounts of the Association and the District. The District's financial statements are consolidated with its wholly owned taxable subsidiaries: SRP Captive Risk Solutions, Limited (CRS), Papago Park Center, Inc. (PPC), New West Energy Corporation (New West Energy), and Horizon Acquisitions LLC (Horizon). CRS is a domestic captive insurer, incorporated and domiciled in Arizona, which is utilized to enhance the District's property, casualty and medical insurance programs. PPC is a real estate management company. New West Energy was used 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 but is now largely inactive. Horizon is a land acquisition company. Net revenues, assets and liabilities related to the District's wholly owned taxable subsidiaries' operations are not material to the accompanying Combined Financial Statements. All intercompany transactions and balances have been eliminated.

Possession and Use of Utility Plant

The United States of America 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. Rights to the possession and use of, and to all revenues produced by, these facilities are evidenced by contractual arrangements with the United States of America. The Department of Interior has the right to perform audits of certain of the operations of the Project. In addition, the District seeks approval from the Department of Interior for certain transactions such as payments of in-lieu taxes. The District also gives the Department of Interior the opportunity to raise any objections it may have regarding the issuance of revenue bonds.

Basis of Accounting

The accompanying Combined Financial Statements are presented in conformity with accounting principles generally accepted in the United States of America (U.S. GAAP). The preparation of financial statements in compliance with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts in the financial statements and disclosures of contingencies. Actual results could differ from the estimates.

unlawful as applied to CCR material beneficially used onsite, if EPA's rule is upheld, the District will need to undertake additional monitoring and closure activities at NGS. The District estimates that the total cost for the plant to comply with the proposed rule for NGS would be between \$65.0 million and \$75.0 million. The rule becomes effective on November 4, 2024.

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, which is operated by the District. Potential ESA issues also exist along the Little Colorado River in the vicinity of CGS and Springerville. The District obtained Incidental Take Permits (ITPs) from the U.S. 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 in 2003 and 2008. 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 to cover its related obligations. The District obtained an amendment to the Roosevelt ITP on March 22, 2024, to cover impacts to the Northern Mexican Garter snake (NMGS), which was listed as a threatened species in 2014. The NMGS amendment requires the District to add to the Roosevelt Dam trust account sufficient funds to implement the requirement mitigation by March 2029.

In December 2020, the USFWS announced that listing the Monarch Butterfly as endangered or threatened under the ESA is warranted but precluded by other higher priority listings. In January 2021, the Center for Biological Diversity sued the Department of Interior/USFWS for failure to list the monarch. The lawsuit resulted in a settlement requiring USFWS to submit a proposed finding for the Monarch Butterfly by December 4, 2024. Listing of this species may have implications for construction and maintenance activities along the District's power line corridors. If the species is listed, the District's potential for "take" liability is being assessed to determine if ESA coverage may be required under ESA Section 7 for federal rights-of-way or Section 10 ITPs for non-federal rights-of-way activities.

Per- and Poly Fluoroalkyl Substances (PFAS): When necessary, the District supplements surface water from its Salt River and Verde River reservoirs with groundwater pumped from its extensive network of 270 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.

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, 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 April 10, 2024, EPA promulgated the final National Primary Drinking Water Regulation (NPDWR) under the Safe Drinking Water Act (SDWA) for six per- and polyfluoroalkyl PFAS substances (PFAS). The rule establishes legally enforceable maximum contaminant levels for the PFAS substances identified in the rule. The 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 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. On May 8, 2024, EPA designated PFOA and PFOS, including their salts and structural isomers, as CERCLA (Comprehensive Environmental Response Compensation and Liability Act) hazardous substances.

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 effects on its financial condition, net revenues and cash flows at this time.

Legal Matters

Water Rights: The District and the Association are parties to a state water-rights adjudication proceeding initiated in 1974 that 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 this proceeding.

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.

Coolidge Expansion Project: On September 13, 2021, the Board approved the construction of sixteen new gas-fired combustion turbines, known as the Coolidge Expansion Project (CEP). The CEP is 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 Arizona Corporation Commission (ACC) on December 13, 2021. After substantial opposition and judicial challenges, the Arizona Corporation Commission (ACC) voted to approve an amended certificate of environmental compatibility (Amended CEC) for the project on June 12, 2023. Litigation regarding the Amended CEC has ended.

During the course of the ACC proceedings, the District resolved community opposition to the CEP through a settlement agreement. The terms of the settlement between the District and the Randolph parties include a commitment by the District to fund certain Randolph community programs and improvements contingent upon the commencement of construction of the CEP. The cost of the programs and improvements is estimated to be approximately \$23.8 million.

Pinal County Air Quality Control District (PCAQCD) issued the air permit on March 26, 2024. On May 13, 2024, the Sierra Club filed a Petition for Objection to the air permit with the EPA. EPA is required to respond to the petition within 60 days of the date it is filed. The District has started constructing the CEP. At this time, the District cannot predict the effects on its financial condition, net revenues and cash flows at this time.

Other Litigation: In the normal course of business, SRP is exposed to various litigations or is a defendant in various litigation matters. In management's opinion, except as otherwise noted herein, the ultimate resolution of these matters will not have a material adverse effect on SRP's financial position or results of operations.

Other Matters

Self-insurance: SRP maintains various self-insurance retentions for certain casualty and property exposures. In addition, SRP has insurance coverage for amounts in excess of its self-insurance retention levels. SRP provides reserves based on management's best estimate of claims, including incurred but not reported claims. In management's opinion, the reserves established for these claims are adequate and any changes will not have a material adverse effect on SRP's financial position or results of operations. SRP records the reserves in deferred credits and other non-current liabilities on the accompanying Combined Balance Sheets.

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APPENDIX B — Summary of the Resolution

SUMMARY OF THE RESOLUTION

The following is a summary of certain provisions of the Amended and Restated Bond Resolution. Such summary does not purport to be complete, and reference is made to the Resolution for full and complete statements of such provisions.

Certain Definitions

The following are definitions in summary form of certain terms contained in the Resolution and used herein and in the Official Statement:

Accounting Practice: Generally accepted accounting principles appropriate to the electric utility industry.

Aggregate Debt Service: For any fiscal year, and as of any date of calculation, the sum of the amounts of Debt Service for such year with respect to all Series.

Cost of Construction: The District's cost of physical construction, costs of acquisition by or for the District of a Project for the Electric System, and costs of the District incidental to such construction or acquisition, the cost of any indemnity and surety bonds and premiums on insurance during construction, engineering expenses, legal fees and expenses, cost of financing, audits, fees and expenses of the Fiduciaries, amounts, if any, required by the Resolution or any Series Resolution to be paid into the Debt Service Fund upon the issuance of any Series of Revenue Bonds, payments when due (whether at the maturity of principal or the due date of interest or upon redemption) on any indebtedness of the District (other than the Revenue Bonds) incurred for a Project for the Electric System, costs of machinery, equipment and supplies and initial working capital and reserves required by the District for the commencement of operation of a Project for the Electric System, and any other costs properly attributable to such construction or acquisition, as determined by Accounting Practice, and shall include reimbursement to the District for any such items of Cost of Construction theretofore paid by the District. Any Series Resolution may provide for additional items to be included in the aforesaid Cost of Construction.

Debt Reserve Account Credit Facility: A letter of credit, revolving credit agreement, surety bond, insurance policy or similar obligation, arrangement or instrument issued by a bank, insurance company or other financial institution, having a rating in the highest rating category from a nationally recognized rating agency, which shall be deposited in the Debt Reserve Account and which provides for the payment of all or a portion of the Debt Reserve Requirement.

Debt Reserve Requirement: As of any date of calculation, an amount equal to one-half of the average annual interest cost for all Outstanding Revenue Bonds, which may be satisfied by the deposit of cash or securities in the Debt Reserve Account or by the deposit of a Debt Reserve Account Credit Facility in the Debt Reserve Account in lieu of or in partial substitution for cash or securities on deposit therein. For purposes of determining the average annual interest cost for any Outstanding Bonds which bear interest at a variable rate, the District shall assume the same average interest cost applicable to such Outstanding Bonds for the previous Fiscal Year.

Debt Service: For any period, as of any date of calculation and with respect to any Series, an amount equal to the sum of (i) interest accruing during such period on Revenue Bonds of such Series (except to the extent that such interest is to be paid from deposits in the Debt Service Account in the Debt Service Fund made from Revenue Bond proceeds, as described in the Resolution), and (ii) that portion of each Principal Installment for such Series which would accrue during such period if such Principal Installment were deemed to accrue daily in equal amounts from the next preceding Principal Installment due date for such Series (or, if there be no such preceding Principal Installment due date, from a date one year preceding the due date of such Principal Installment). Such interest and Principal Installments for such Series shall be calculated on the assumption that no Revenue Bonds of such Series Outstanding at the date of calculation will cease to be Outstanding except by reason of the payment of each Principal Installment on the due date thereof.

Defeasance Securities: Any of the following securities, if and to the extent the same are at the time legal for investment of District funds:

- (i) Any security which is (a) a direct obligation of or unconditionally guaranteed by, the United States of America or the State of Arizona or (b) an obligation of an agency or instrumentality of the United States of America

the payment of which is unconditionally guaranteed as a full faith and credit obligation by the United States of America, which is not callable or redeemable at the option of the issuer thereof;

(ii) Any depositary receipt issued by a bank as custodian with respect to any Defeasance Securities which are specified in clause (i) above and held by such bank for the account of the holder of such depositary receipt, or with respect to any specific payment of principal or interest on any such Defeasance Securities which are so specified and held, by such bank for the account of the holder of such depositary receipt, or with respect to any specific payment of principal or interest on any such Defeasance Securities which are so specified and held, provided that (except as required by law) such custodian is not authorized to make any deduction from the amount payable to the holder of such depositary receipt from any amount received by the custodian in respect of the Defeasance Securities or the specific payment of principal or interest evidenced by such depositary receipt;

(iii) Certificates of deposit, whether negotiable or non-negotiable, and banker's acceptances whose maturity value shall not be greater than 1/25 of the capital and surplus of the accepting bank or commercial paper issued by the parent holding company of any such bank which at the time of investment has an outstanding unsecured, uninsured and unguaranteed debt issue rated in the highest short-term rating category by a nationally recognized rating agency;

(iv) Any obligation of any state or political subdivision of a state or of any agency or instrumentality of any state or political subdivision ("Municipal Bond") which Municipal Bond is fully secured as to principal and interest by an irrevocable pledge of moneys or direct and general obligations of, or obligations guaranteed by, the United States of America, which moneys or obligations are segregated in trust and pledged for the benefit of the holder of the Municipal Bond, and which Municipal Bond is rated in the highest rating category by at least two nationally recognized rating agencies, and provided, however, that such Municipal Bond is accompanied by (1) a Counsel's Opinion to the effect that such Municipal Bond will be required for the purposes of the investment being made therein and (2) a report of a nationally recognized independent certified account verifying that the moneys and obligations so segregated are sufficient to pay the principal of, premium, if any, and interest on the Municipal Bond; and

(v) Any other security designated in a Series Resolution as Defeasance Securities for purposes of defeasing the Bonds authorized by such Series Resolution.

Electric System: Properties and assets to which legal title is vested in the District and was so vested on the date of adoption of the Resolution and all properties and assets acquired by the District as renewals and replacements, additions and expansion, and improvements thereto, as recorded in the books of the District pursuant to Accounting Practices, but shall not include properties and assets that may be hereafter purchased, constructed or otherwise acquired by the District as a separate system or facility, the revenue of which may be pledged to the payment of bonds or other forms of indebtedness issued to purchase, construct or otherwise acquire such separate system or facility and shall not include properties or assets charged to Irrigation Plant or any Separately Financed Project.

Federal Subsidy: Any subsidy, reimbursement or other payment from the federal government of the United States of America under the American Recovery and Reinvestment Act of 2009 (or any similar legislation or regulation of the federal government of the United States of America or any other governmental entity or any extension of any of such legislation or regulation).

Fiscal Year: The period commencing May 1 and ending April 30 for each twelve-month period or any other consecutive twelve month period designated by the District from time to time.

Investment Securities: Any securities if and to the extent the same are at the time legal for investment of District funds.

Irrigation Plant: All land and land rights, structure, facilities and equipment used or usable by the District or the Salt River Valley Water Users' Association solely for the development, storage, transportation, distribution and delivery of water to the owners or occupants of the lands within the Salt River Project having rights thereto or to anyone acting on behalf thereof pursuant to contracts with the Salt River Valley Water Users' Association or the District.

Operating Expenses: The District's expenses of operating the Electric System, including, without limiting the generality of the foregoing, all costs of purchased power, operation, maintenance, generation, production, transmission, distribution, repairs, replacements, engineering and transportation required for the operation of the Electric System (including any payments made pursuant to a "take-or-pay" electric supply or energy contract that obligates the District to pay for fuel, energy or power, so long as fuel or energy is delivered or made available for

delivery), administrative and general, audit, legal, financial, pension, retirement, health, hospitalization, insurance, taxes and any other expenses actually paid or accrued, without limitation, expenses of the District applicable to the Electric System, as recorded on its books pursuant to Accounting Practice and any other expenses of the District applicable to the Electric System, as recorded on its books pursuant to Accounting Practice, and any other expenses incurred or payments by the District under the provisions of the Resolution or in discharge of obligations required to be paid by local, state or federal laws, all to the extent properly allocable to the Electric System under Accounting Practice, including those expenses the payment of which is not immediately required, such as those expenses related to the funding of a reserve in the Operating Fund. Operating Expenses shall not include any costs or expenses for new construction, falling water used in hydroelectric operations of the District, charges for depreciation, voluntary payments in lieu of taxes and operation, maintenance, repairs, replacement and construction of the Irrigation Plant.

Principal Installment: As of any date of calculation, and with respect to any Series of Revenue Bonds, (i) the principal amount of Revenue Bonds of such Series due on a certain future date for which no Sinking Fund Installments have been established, or (ii) the unsatisfied balance of any Sinking Fund Installments due on a certain future date for bonds of such Series, plus the amount of sinking fund redemption premiums, if any, which would be applicable upon redemption of such Revenue Bonds in a principal amount equal to said unsatisfied balance of such Sinking Fund Installments or (iii) if such future dates coincide as to different Revenue Bonds of such Series, the sum of such principal amount of Revenue Bonds and of such unsatisfied balance of Sinking Fund Installments due on such future date plus such applicable redemption premiums, if any.

Project: The purchase, replacement, construction, leasing or acquisition of any real or personal property or interest therein, works or facilities which the District is authorized by law to purchase, replace, construct, lease or otherwise acquire, or the improvement, reconstruction, extension or addition to any real or personal property, works or facilities owned or operated by the District, or any program of development involving real or personal property, works or facilities which the District is authorized by law to purchase, replace, construct, lease or otherwise acquire or the improvement, reconstruction, extension or addition to such program.

Put Bonds: Bonds which, by their terms, may be tendered by and at the option of the owner thereof, or are subject to a mandatory tender, for payment or purchase prior to the stated maturity or redemption date thereof.

Rate Stabilization Fund: The Salt River Project Electric System Rate Stabilization Fund established in the Resolution.

Revenues: (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.

Revenues Available for Debt Service: For any fiscal year or period of 12 calendar months shall mean all Revenues less Operating Expenses for such Fiscal Year or period.

Trustee: The Trustee is currently U.S. Bank Trust Company, National Association.

(Resolution, Section 1.01).

Pledge of Revenues and Funds

The payment of the principal and redemption price of, and interest on, the Revenue Bonds is secured by (i) the proceeds of sale of the Bonds, (ii) the Revenues, and (iii) all Funds (except the Rate Stabilization Fund) established by the Resolution, including the investments, if any, thereof.

(Resolution, Section 5.01).

Additional Bonds

The District may from time to time issue Bonds pursuant to a Series Resolution which will rank on a parity with and be secured by an equal charge and lien on the Revenues, upon satisfaction of the conditions to the issuance of Bonds contained in Section 2.02 of the Resolution, only if, (a) Revenues Available For Debt Service, adjusted as provided in this caption, of any 12 consecutive calendar months out of the 24 calendar months next preceding the issuance of such proposed additional Bonds, are not less than one and ten hundredths (1 10/100) times the maximum

total Debt Service for any succeeding year on all Bonds which will be outstanding immediately prior to the issuance of the proposed additional Bonds, and (b) the estimated Revenues Available For Debt Service, adjusted as provided in this caption, for each of the five (5) Fiscal Years immediately following the issuance of such proposed additional Bonds are not less than one and ten hundredths (1 10/100) times the total, for each such respective Fiscal Year, of the Debt Service on all Bonds which will be outstanding immediately subsequent to the issuance of the proposed additional Bonds.

Prior to the issuance of any additional Bonds evidencing additional indebtedness, the payment of principal, interest and Redemption Price of which additional Bonds will be a lien on the Revenues on a parity with previously issued Series of Bonds, the District shall obtain a certificate of an Authorized Officer of the District evidencing full compliance with the provisions of this caption.

In determining the amount of Revenues Available For Debt Service for the purposes of this caption, the Authorized Officer of the District may adjust the Revenues Available For Debt Service by adding thereto the following:

(i) in the event the District shall have acquired an operating utility or facility subsequent to the beginning of the 12 month period selected pursuant to this caption, an estimate made by an Authorized Officer of the District of such additional Revenues Available For Debt Service for such 12 month period which would have resulted had such operating utility or facility been acquired at the beginning of such 12 month period;

(ii) in the event any adjustment of rates with respect to the Electric System shall have become effective subsequent to the beginning of the 12 month period selected pursuant to this caption, an estimate made by an Authorized Officer of the District of such additional Revenues Available For Debt Service for such 12 month period which would have resulted had such rate adjustment been in effect for the entire period; and

(iii) an estimate made by an Authorized Officer of the District of the amounts from the Rate Stabilization Fund which have been transferred to pay Debt Service for the 12 month period selected pursuant to this caption.

In determining the amount of estimated Revenues Available For Debt Service for the purpose of this caption, the Authorized Officer of the District may adjust the estimated Revenues Available For Debt Service by adding thereto any estimated increase in revenue resulting from any increase in electric rates or any amount on deposit in the Rate Stabilization Fund which is expected to be transferred by the District to pay Debt Service or to offset any increase in electric rates, which, in the opinion of the Authorized Officer of the District, are economically feasible, and reasonably considered necessary based on projected operations for such 5 year period.

For purposes of the calculations specified in this section: (1) any calculation of Debt Service on Outstanding Bonds for any period of time shall be reduced by the amount of any Federal Subsidy that the District receives, or expects to receive, during such period of time relating to or in connection with such Outstanding Bonds; and (2) to the extent the calculation of Debt Service on Outstanding Bonds is reduced by the Federal Subsidy as provided in clause (1) of this paragraph, any calculation of Revenues for any period of time shall be reduced by the amount of any Federal Subsidy received or expected to be received by the District with respect to or in connection with such Outstanding Bonds during such period of time.

The certificate required by this caption shall be conclusive evidence and the only evidence required to show compliance with the provisions and requirements of this caption.

(Resolution, Section 2.04).

Refunding Bonds

One or more Series of Refunding Bonds may be issued at any time to refund any part or all of the Bonds of any one or more Series then Outstanding. Refunding Bonds shall be issued in a principal amount sufficient, together with other moneys available therefor, to accomplish such refunding and to make the deposits in the Debt Service Fund required by this caption or by the provisions of the Series Resolution authorizing such Bonds.

Refunding Bonds of each Series issued to refund any part or all of the Bonds of any one or more Series then Outstanding may be delivered by the District upon receipt by the Trustee of:

(a) Irrevocable instructions to the Trustee, satisfactory to it, to give due notice of redemption of all the Bonds to be refunded on a redemption date specified in such instructions;

(b) If the Bonds to be refunded are not by their terms subject to redemption within the next succeeding 60 days, irrevocable instructions to the Trustee, satisfactory to it, to make due publication of the notice provided for under the caption entitled "Defeasance" to the Holders of the Bonds being refunded;

(c) Either (i) moneys in an amount sufficient to effect payment at the applicable Redemption Price of the Bonds to be refunded, together with accrued interest on such Bonds to the redemption date, which moneys shall be held by the Trustee or any one or more of the Paying Agents in a separate account irrevocably in trust for the benefit of such Refunding Bonds until such time as such amount shall be assigned to the respective Holders of the Bonds to be refunded for payment of the Redemption Price of the Bonds to be refunded, together with accrued interest, on the redemption date, or (ii) Defeasance Securities in such principal amounts, of such maturities, bearing such interest, and otherwise having such terms and qualifications, as shall be necessary to comply with the provisions under the caption entitled "Defeasance" and any moneys required pursuant to said caption, which Defeasance Securities and moneys shall be held in trust and used only as provided in subsection (c)(i) of this caption; and

(d) Either (i) a certificate of an Authorized Officer of the District as required by the caption entitled "Additional Bonds" or (ii) a certificate of an Authorized Officer of the District setting forth (1) the Aggregate Debt Service for the then current and each future Fiscal Year to and including the Fiscal Year next preceding the date of the latest maturity of any Bonds of any Series then Outstanding (A) with respect to the Bonds of all Series Outstanding immediately prior to the date of delivery of such Refunding Bonds, and (B) with respect to the Bonds of all Series to be Outstanding immediately thereafter, and (2) that the Aggregate Debt Service set forth for each Fiscal Year pursuant to (B) above is no greater than that set forth for such Fiscal Year pursuant to (A) above.

The proceeds, including accrued interest, of the Refunding Bonds of each such Series shall be applied simultaneously with the delivery of such Bonds in the manner provided in the Series Resolution authorizing such Bonds.

Any balance of the proceeds of Refunding Bonds not needed for the purposes provided in this caption or in the Series Resolution authorizing such Bonds may be used by the District, to the extent necessary, to pay any expenses incurred in connection with the issuance of such Refunding Bonds and, thereafter, any remaining balance not so needed by the District shall be deposited in the Revenue Fund.

(Resolution, Section 2.05).

Separately Financed Projects

Nothing in this Resolution shall prevent the District from authorizing and issuing bonds, notes or other obligations or evidences of indebtedness, other than Bonds, for any project authorized by the Act, or from financing any such project from other available funds (such project being referred to herein as a "Separately Financed Project"), if the debt service on such bonds, notes, or other obligations or evidences of indebtedness, if any, and the District's share of any operating expenses related to such Separately Financed Project, are payable solely from the revenues or other income derived from the ownership or operation of such Separately Financed Project.

(Resolution, Section 2.06).

Subordinated Indebtedness

The District may, at any time, or from time to time, issue evidences of indebtedness 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, moneys, securities and funds created by the Resolution.

(Resolution, Section 5.09).

Establishment of Funds and Application Thereof

The Resolution creates and establishes the following Funds and Accounts:

- (1) Salt River Project Electric System Construction Fund, to be held by the District,
- (2) Salt River Project Electric System Revenue Fund, to be held by the District,
- (3) Salt River Project Electric System Debt Service Account, to be held by the Trustee,
- (4) Salt River Project Electric System Debt Reserve Account, to be held by the Trustee,
- (5) Salt River Project Electric System Rate Stabilization Fund, to be held by the District, and
- (6) Salt River Project Electric System Redemption Fund, to be held by the Trustee.

Construction Fund: There shall be paid into the Construction Fund the amounts required to be so paid by the provisions of the Resolution, and there may be paid into the Construction Fund, at the option of the District, any moneys received for or in connection with the Electric System by the District from any other source, unless required to be otherwise applied as provided by the Resolution.

The proceeds of insurance maintained pursuant to the Resolution against physical loss of or damage to a Project, or of contractors' performance bonds with respect thereto, pertaining to the period of construction thereof, shall be paid into the Construction Fund.

Unless otherwise provided herein, amounts in the Construction Fund shall be applied to the purpose or purposes specified in the Series Resolution authorizing the Bonds.

Notwithstanding any of the other provisions of this subheading, to the extent that other moneys are not available therefor, amounts in the Construction Fund shall be applied to the payment of principal of and interest on Bonds when due.

Amounts in the Construction Fund shall be invested by the District to the fullest extent practicable in Investment Securities maturing in such amounts and at such times as may be necessary to provide funds when needed to pay the Cost of Construction or such other purpose to which such moneys are applicable. The District may, and to the extent required for payments from the Construction Fund shall, sell any such Investment Securities at any time, and the proceeds of such sale, and of all payments at maturity and upon redemption of such investments, shall be held in the Construction Fund. Interest received on moneys or securities in the Construction Fund shall be deposited in the Construction Fund.

Revenues and Revenue Fund: The Resolution establishes a Revenue Fund and provides that there shall be promptly deposited by the District to the credit of the Revenue Fund all Revenues.

Payment of Operating Expenses: The District (a) shall out of the moneys in the Revenue Fund, pay, free and clear of any lien or pledge created by the Resolution, all amounts required for reasonable and necessary Operating Expenses, and (b) may at all times retain in the Revenue Fund amounts deemed by the District to be reasonable and necessary for working capital and reserves for Operating Expenses including expenses which do not recur annually; provided that the total amount of such reserves set aside during any year shall not exceed 20% of the amount of Operating Expenses for such year.

Payments Into Certain Funds: The District shall out of the moneys in the Revenue Fund not retained therein pursuant to this subheading, on or before each date for the payment of Debt Service, transfer and apply such amount to the Debt Service Fund (i) for credit to the Debt Service Account, to the extent required so that the balance in said Account shall equal the Aggregate Debt Service; provided that, for the purposes of computing the amount to be allocated to said Account, there shall be excluded the amount, if any, set aside in said Account which was deposited therein from the Rate Stabilization Fund or from the proceeds of Bonds less an amount equal to the interest accrued and unpaid and to accrue on Bonds (or any Refunding Bonds issued to refund Bonds) to the last day of the then current calendar month; and (ii) for credit to the Debt Reserve Account, an amount equal to one-twelfth of twenty percent ($1/12$ of 20%) of the amount necessary to make the total amount of moneys on deposit therein equal to the Debt Reserve Requirement; provided, however, that no deposits shall be required if the District shall deposit a Debt Reserve Account Credit Facility in the Debt Reserve Account in satisfaction of the Debt Reserve Requirement.

The District may out of the moneys in the Revenue Fund not retained therein pursuant to this subheading or applied pursuant to this subheading, upon a determination by an Authorized Officer of the District at any time prior to the next Debt Service payment date that sufficient funds are or will be available in the Debt Service Account to pay Debt Service on the next Debt Service payment date and that sufficient moneys, securities or a Debt Reserve Account Credit Facility equal to the Debt Reserve Requirement are or will be on deposit in the Debt Reserve Account to satisfy the Debt Reserve Requirement, transfer such amount as follows and in the following order:

- (1) To the Rate Stabilization Fund, an amount deemed necessary by the District which may be used by the District for any lawful purpose; and
- (2) To the General Fund, any such remaining balance in the Revenue Fund. Any amount so transferred to the General Fund of the District may be used by the District for any lawful purpose.

Provided, however, that so long as there shall be held in the Debt Service Fund an amount sufficient to fully pay all Outstanding Bonds in accordance with their terms (including principal or applicable sinking fund Redemption Price and interest thereon), no deposits shall be required to be made into the Debt Service Fund.

Debt Service Fund: Debt Service Account: The Trustee shall pay out of the Debt Service Account to the respective Paying Agents (i) on or before each interest payment date for any of the Bonds, the amount required for the interest payable on such date; (ii) on or before each Principal Installment due date, the amount required for the Principal Installment payable on such due date; and (iii) on or before the day preceding any redemption date for the Bonds, the amount required for the payment of interest on the Bonds then to be redeemed. Such amounts shall be applied by the Paying Agents on and after the due dates thereof. The Trustee shall also pay out of the Debt Service Account the accrued interest included in the purchase price of the Bonds purchased for retirement.

Amounts accumulated in the Debt Service Account with respect to any Sinking Fund Installment (together with amounts accumulated therein with respect to interest on the Bonds for which such Sinking Fund Installment was established) may and, if so directed by the District, shall be applied by the Trustee, on or prior to the 60th day preceding the due date of such Sinking Fund Installment, to (i) the purchase of Bonds of the Series for which such Sinking Fund Installment was established, or (ii) the redemption at the applicable sinking fund Redemption Prices pursuant to Article IV of the Resolution, of such Bonds, if then redeemable by their terms. After the 60th day but on or prior to the 40th day preceding the due date of such Sinking Fund Installment, any amounts then on deposit in the Debt Service Account (exclusive of amounts, if any, set aside in said Account which were deposited therein from the proceeds of additional Bonds) may and, if so directed by the District, shall be applied by the Trustee to the purchase of Bonds of the Series for which such Sinking Fund Installment was established in an amount not exceeding that necessary to complete the retirement of the unsatisfied balance of such Sinking Fund Installment. All purchases of any Bonds pursuant to this subheading shall be made at prices not exceeding the applicable sinking fund Redemption Price of such Bonds plus accrued interest, and such purchases shall be made in such manner as the Trustee shall determine. The applicable sinking fund Redemption Price (or principal amount of maturing Bonds) of any Bonds so purchased or redeemed shall be deemed to constitute part of the Debt Service Account until such Sinking Fund Installment date, for the purpose of calculating the amount of such Account. As soon as practicable after the 40th day preceding the due date of any such Sinking Fund Installment, the Trustee shall proceed to call for redemption, by giving notice as provided in Section 4.05 of the Resolution, on such due date Bonds of the Series for which such Sinking Fund Installment was established (except in the case of Bonds maturing on a Sinking Fund Installment date) in such amount as shall be necessary to complete the retirement of the unsatisfied balance of such Sinking Fund Installment. The Trustee shall pay out of the Debt Service Account to the appropriate Paying Agents, on or before the day preceding such redemption date (or maturity date), the amount required for the redemption of the Bonds so called for redemption (or for the payment of such Bonds then maturing), and such amount shall be applied by such Paying Agents to such redemption (or payment). All expenses in connection with the purchase or redemption of Bonds shall be paid by the District from the Revenue Fund as an Operating Expense.

The amount, if any, deposited in the Debt Service Account from the proceeds of each Series of Bonds shall be set aside in such Account and applied to the payment of interest on the Bonds of such Series (or Refunding Bonds issued to refund such Bonds) as the same becomes due and payable.

Debt Reserve Account: If on the first working day of any month the amount on deposit in the Debt Reserve Account shall be less than the Debt Reserve Requirement, the Trustee shall apply amounts from the Debt Service Fund to the extent necessary to make good the deficiency. In the event that there is on deposit in the Debt Reserve Account moneys and a Debt Reserve Account Credit Facility, the Trustee shall withdraw moneys prior to making a draw or claim, as the case may be, on a Debt Reserve Account Credit Facility.

Whenever the amount on deposit in the Debt Reserve Account shall exceed the Debt Reserve Requirement, such excess shall be allocated and applied by the District in the same manner as Revenues pursuant to the subheading entitled "Payments Into Certain Funds" under the caption entitled "Establishment of Funds and Application Thereof".

Whenever the amount in the Debt Reserve Account, together with the amount in the Debt Service Account, is sufficient to fully pay all Outstanding Bonds in accordance with their terms (including principal or applicable sinking fund Redemption Price and interest thereon), the funds on deposit in the Debt Reserve Account shall be transferred to the Debt Service Account.

The District may cause to be delivered to the Trustee for deposit into the Debt Service Account, and the Trustee shall upon its receipt so deposit, a Debt Reserve Account Credit Facility for the benefit of the Bondholders, which Debt Reserve Account Credit Facility shall be payable or available to be drawn upon, as the case may be (upon the giving of notice as required thereunder), on any date on which a deficiency in the Debt Service Fund exists which cannot be cured by moneys in any other fund or account held hereunder and available for such purpose; provided, however, (i) if a disbursement is made under the Debt Reserve Account Credit Facility, the District shall either reinstate the maximum limits of such Debt Reserve Account Credit Facility within twelve (12) months following such

disbursement equal to the Debt Reserve Requirement or deposit into the Debt Reserve Account moneys in the amount of the disbursement made under such Debt Reserve Account Credit Facility, or a combination of such alternatives as shall equal the Debt Reserve Requirement; (ii) if any such Debt Reserve Account Credit Facility for deposit in the Debt Service Reserve Fund is obtained and if six (6) months prior to the expiration thereof, the Debt Reserve Account is less than the Debt Reserve Requirement, the District shall cause the reinstatement of the maximum limits of such existing Debt Reserve Account Credit Facility, or shall obtain a substitute to the extent necessary to fund the Debt Reserve Account at the Debt Reserve Requirement; and (v) if a nationally recognized rating agency shall downgrade the rating of the Bonds, if any, as a result of such deposit of any such Debt Reserve Account Credit Facility or the rating of the provider thereof drops below the highest rating category for a nationally recognized rating agency, then the District shall deliver to the Trustee for deposit in the Debt Reserve Account a replacement of such Debt Reserve Account Credit Facility, in like amount and form acceptable to the Trustee and such that the nationally recognized rating agency will not reduce or withdraw their ratings, if any, on the Bonds, or deposit moneys in an amount sufficient to fund the Debt Reserve Account in an amount equal to the Debt Reserve Requirement within twelve (12) months following such downgrade.

Rate Stabilization Fund: There may be deposited in the Rate Stabilization Fund any amounts deemed necessary by the District to be used for any lawful purpose of the District, including but not limited to making any deposits required by the Resolution to any Fund, as determined by the District; provided, however, that no such deposit to any such Fund shall be required; provided further, however, that if at any time the amounts in the Operating Fund or Debt Service Fund shall be less than the current requirements thereof, the District shall withdraw from the Rate Stabilization Fund and deposit in such other Funds the amount necessary (or all the moneys in the Rate Stabilization Fund, if less than the amounts necessary, applying available amounts in the order of priority and otherwise as specified under the subheading entitled "Payments Into Certain Funds" under the caption entitled "Establishment of Funds and Application Thereof") to make up such deficiency. Amounts on deposit in the Rate Stabilization Fund may be invested by the District to the fullest extent practicable in Investment Securities. The District may sell any such Investment Securities at any time, and the proceeds of such sale, and of all payments at maturity and upon redemption of such investments, shall be held in the Rate Stabilization Fund. Interest received on moneys or securities in the Rate Stabilization Fund shall be deposited in the Rate Stabilization Fund. Amounts in the Rate Stabilization Fund which the District may determine to be in excess of the amount required to be maintained therein shall be transferred to the Revenue Fund. Amounts on deposit in the Rate Stabilization Fund are not subject to the lien or pledge created by the Resolution.

Redemption Fund: There shall be deposited in the Redemption Fund amounts required to be deposited therein pursuant to the subheading entitled "Creation of Liens: Sale and Lease of Properties" under the caption entitled "Certain Other Covenants" and the caption entitled "Reconstruction; Application of Insurance Proceeds". Amounts in the Redemption Fund shall be used by the District for the purchase or redemption of any Bonds, and expenses in connection with the purchase or redemption of any Bonds.

(Resolution, Sections 5.02-5.08; 5.10).

Operation and Maintenance of Electric System

The District shall at all times operate or cause to be operated the Electric System properly and in an efficient and economical manner, consistent with good business and utility operating practices, and shall maintain, preserve, reconstruct and keep the same or cause the same to be so maintained, preserved, reconstructed and kept, with the appurtenances and every part and parcel thereof, in good repair, working order and condition, and shall from time to time make, or cause to be made, all necessary and proper repairs, replacements and renewals so that at all times the operation of the Electric System may be properly and advantageously conducted; provided, however, that nothing contained herein shall prevent the District from exercising its powers under the subheading entitled "Creation of Liens: Sale and Lease of Properties" under the caption entitled "Certain Other Covenants"; provided further, however, that any sale-leaseback or lease-leaseback of any part of the Electric System or other similar contractual arrangements, the effect of which is that the District continues to retain the Revenues therefrom, shall not constitute a lease or disposition of such part of the Electric System for purposes described under the subheading entitled "Creation of Liens: Sale and Lease of Properties" under the caption entitled "Certain Other Covenants" and any proceeds therefrom shall be treated as Revenues.

(Resolution, Section 7.10).

Reconstruction; Application of Insurance Proceeds

If any useful portion of the Electric System shall be damaged or destroyed, the District shall, as expeditiously as possible, continuously and diligently prosecute the reconstruction or replacement thereof, unless the District determines that such reconstruction and replacement is not in the interest of the District and the Bondholders. The proceeds of any insurance shall be paid on account of such damage or destruction, other than business interruption loss insurance, shall be held by the District in the Construction Fund and made available for, and to the extent necessary be applied to, the cost of such reconstruction or replacement, or shall be applied to the construction or acquisition of any properties or assets of the Electric System. Pending such application, such proceeds may be invested by the District in Investment Securities which mature not later than such times as shall be necessary to provide moneys when needed to pay such cost of reconstruction or replacement or acquisition. Interest earned on such investments shall be deposited in the Construction Fund. The proceeds of any such insurance not applied by the District to constructing or replacing damaged or destroyed property or in acquiring property or assets of the Electric System shall be paid to the Trustee for deposit in the Redemption Fund.

The proceeds of business interruption loss insurance, if any, shall be paid into the Revenue Fund.

(Resolution, Section 7.13).

Transfer from General Fund

In the event there is a deficiency in the Debt Service Account and if such a deficiency is not paid from other sources, the District shall transfer money in the General Fund to the Debt Service Account an amount sufficient to make up such deficiency.

(Resolution, Section 7.17).

Electric System Rate Covenant

The District shall 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:

- (a) Operating Expenses during such Fiscal Year, including reserves, if any, therefor provided for in the Annual Budget for such year;
- (b) An amount equal to the Aggregate Debt Service for such Fiscal Year;
- (c) The amount, if any, to be paid during such Fiscal Year into the Debt Reserve Account in the Debt Service Fund; and
- (d) 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.

If, in any Fiscal Year, the revenues and income collected shall not have been sufficient to provide all of the payments and meet all other requirements as specified in the preceding paragraphs in this caption, the District shall as promptly as permitted by law establish and place in effect a schedule of rates, fees and charges which will cause sufficient revenues and income to be collected. For purposes of this caption, at any time, revenues and income collected shall include any amounts withdrawn or expected to be withdrawn thereafter in any Fiscal Year from the Rate Stabilization Fund which were on deposit therein prior to such Fiscal Year.

The failure in any Fiscal Year to comply with the Electric System Rate Covenant shall not constitute an Event of Default under the Resolution, if the District shall comply with the requirements of the immediately preceding paragraph.

For purposes of the calculations specified in this section: (1) any calculation of Debt Service on Outstanding Bonds for any period of time shall be reduced by the amount of any Federal Subsidy that the District receives or expects to receive during such period of time relating to or in connection with such Outstanding Bonds; and (2) to the extent the calculation of Debt Service on Outstanding Bonds is reduced by the Federal Subsidy as provided in clause (1) of this paragraph, any calculation of Revenues for any period of time shall be reduced by the amount of any Federal Subsidy received or expected to be received by the District with respect to or in connection with such Outstanding Bonds during such period of time.

(Resolution, Section 7.11).

Certain Other Covenants

No Free Service: The District will not furnish or supply power or energy free of charge to any person, firm or corporation, public or private, and the District shall promptly enforce the payment of any and all accounts owing to the District by reason of the ownership and operation of the Electric System, to the extent dictated by sound business practice.

(Resolution, Section 7.11-3).

Power to Operate Electric System and Collect Rates and Fees: The District has good right and lawful power to construct, reconstruct, improve, maintain, operate and repair the Electric System, and to fix and collect rates, fees, rents and other charges in connection therewith.

(Resolution, Section 7.06).

Creation of Liens; Sale and Lease of Property: The District shall not hereafter issue any bonds or other evidences of indebtedness payable out of or secured by a pledge of any revenues or income of the Electric System, except as in this Resolution provided.

The District shall not issue any bonds or other evidences of indebtedness other than the Bonds, payable out of or secured by a pledge of any revenues or income of the Electric System or of the moneys, securities or funds held or set aside by the District or by the Fiduciaries under the Resolution and shall not create or cause to be created any lien or charge on any revenues or income of the Electric System, or such moneys, securities or funds; provided, however, that nothing contained in the Resolution shall prevent the District from issuing Subordinated Indebtedness as provided in the caption entitled "Subordinated Indebtedness", and provided further that the District may, for its authorized purposes, make or assume loans with the United States of America, which loans may be secured by lien on revenues and income of the Electric System prior to the lien of the Bonds issued hereunder.

The District may sell or exchange at any time and from time to time any property constituting part of the Electric System and may lease or make contracts or grant licenses for the operation of, or grant easements or other rights with respect to, any part of the Electric System if (i) in the sole judgment of the District it is advisable to take such action, (ii) such action shall not impair the ability of the District to make Debt Service payments, and (iii) such action does not materially impede or unduly restrict the operation by the District of the Electric System. Except as provided under the caption entitled "Operation and Maintenance of Electric System", any proceeds of any such sale, exchange, lease, contract or license shall at the discretion of the District be deposited in the Redemption Fund for application to the purchase or redemption of Bonds or be applied for any lawful purpose.

(Resolution, Section 7.07).

Insurance: The District shall provide protection for the Electric System in accordance with sound electric utility practice which may consist of insurance, self-insurance and indemnities. Any insurance shall be in the form of policies or contracts for insurance with insurers of good standing, shall be payable to the District as its interest may appear, and may provide for such deductibles, exclusions, limitations, restrictions and restrictive endorsements customary in policies for similar coverage issued to entities operating properties similar to the properties of the Electric System. Any self-insurance shall be in the amounts, manner and of the types provided by entities operating properties similar to the properties of the Electric System.

(Resolution, Section 7.12).

Accounts and Reports: The District shall keep, in accordance with Accounting Practice, proper books of record and account of its transactions relating to the Electric System and the Funds and Accounts established by the Resolution, together with all contracts for the sale of power and energy and all other books and papers of the District, including insurance policies, relating to the Electric System and such Funds and accounts.

The Trustee shall advise the District promptly after the end of each month of its transactions during such month relating to the funds and accounts held by it under the Resolution.

The District shall annually, within 180 days after the close of each fiscal year, file with the Trustee, and otherwise as provided by law, a copy of the annual report of the District for such year, accompanied by an Accountant's Report. In addition, the District will file with the Trustee a statement, or statements, accompanied by an Accountant's Report of each fund and account established under the Resolution, summarizing the receipts therein and disbursements

therefrom during such year and the amounts held therein at the end of each year. Such Accountant's Report on the statement summarizing the transactions in the funds established under the Resolution shall state whether or not, to the knowledge of the signer, the District is in default with respect to any of the covenants, agreements or conditions as set forth under the subheading entitled "Events of Default" under the caption entitled "Events of Default and Remedies", insofar as they pertain to accounting matters and, if so, the nature of such default; provided, however, that to the extent such statement would be contrary to the then current recommendations of the American Institute of Certified Public Accountants or other governing or regulatory entities that provide similar guidance, the District may file a certificate with the Trustee executed by an Authorized Officer of the District certifying to those matters not otherwise stated in the Accountant's Report, which District certification, together with the Accountant's Report so filed, shall be deemed to have satisfied the requirements of this paragraph.

The reports, statements and other documents required to be furnished to the Trustee pursuant to this caption shall be available for the inspection of the Revenue Bondholders at the office of the Trustee and shall be mailed to each Revenue Bondholder who shall file a written request therefore with the District.

(Resolution, Section 7.14).

Defeasance

If the District shall pay or cause to be paid or there shall otherwise be paid, to the Holders of any Bonds the principal or Redemption Price, if applicable, and interest due or to become due thereon, at the times and in the manner stipulated therein and in the Resolution, then the pledge of any Revenues, and other moneys and securities pledged under the Resolution and all covenants, agreements and other obligations of the District to the Bondholders, shall thereupon cease, terminate and become void and be discharged and satisfied. In such event, the Trustee shall cause an accounting for such period or periods as shall be requested by the District to be prepared and filed with the District and, upon the request of the District, shall execute and deliver to the District all such instruments as may be desirable to evidence such discharge and satisfaction, and the Fiduciaries shall pay over or deliver to the District all moneys or securities held by them pursuant to the Resolution which are not required for the payment of principal or Redemption Price, if applicable, on Bonds or payment of interest. If the District shall pay or cause to be paid, or there shall otherwise be paid, to the Holders of all Outstanding Bonds of a particular Series the principal or Redemption Price, if applicable, and interest due or to become due thereon, at the times and in the manner stipulated therein and in the Resolution, such Bonds shall cease to be entitled to any lien, benefit or security under the Resolution, and all covenants, agreements and obligations of the District to the Holders of such Bonds shall thereupon cease, terminate and become void and be discharged and satisfied.

Bonds or the principal or interest installments or Redemption Price for the payment or redemption of which moneys shall have been set aside and shall be held in trust by the Paying Agents (through deposit by the District of funds for such payment or redemption or otherwise) at the maturity or redemption date thereof shall be deemed to have been paid within the meaning and with the effect expressed in the preceding paragraph. Any Outstanding Bonds of any Series shall prior to the maturity or redemption date thereof be deemed to have been paid within the meaning and with the effect expressed in the preceding paragraph if (a) in case any of said Bonds are to be redeemed on any date prior to their maturity, the District shall have given to the Trustee in form satisfactory to it irrevocable instructions to publish as provided in Article IV of the Resolution notice of redemption of such Bonds on said date, (b) there shall have been deposited with the Trustee either moneys in an amount which shall be sufficient, or Defeasance Securities the principal of and the interest on which when due will provide moneys which, together with the moneys, if any, deposited with the Trustee at the same time, shall be sufficient, to pay when due the principal or Redemption Price, if applicable, and interest due and to become due on said Bonds on and prior to the redemption date or maturity date thereof, as the case may be, and (c) in the event said Bonds are not by their terms subject to redemption within the next succeeding 60 days, the District shall have given the Trustee in form satisfactory to it irrevocable instructions to publish, as soon as practicable, at least twice, at an interval of not less than seven days between publications, in the Authorized Newspapers a notice to the owners of such Bonds that the deposit required by (b) above has been made with the Trustee and that said Bonds are deemed to have been paid in accordance with this caption and stating such maturity or redemption date upon which moneys are available for the payment of the principal or Redemption Price, if applicable, on said Bonds. Neither Defeasance Securities nor moneys deposited with the Trustee pursuant to this caption nor principal or interest payments on any such Defeasance Securities shall be withdrawn or used for any purpose other than, and shall be held in trust for, the payment of the principal or Redemption Price, if applicable, and interest on said Bonds; provided that any cash received from such principal or interest payments on such Defeasance Securities deposited with the Trustee, if not then needed for such purpose, shall, to the extent practicable, be reinvested in Defeasance Securities maturing at times and in amounts sufficient to pay when due the principal or Redemption

Price, if applicable, and interest to become due on said Bonds on and prior to such redemption date or maturity date thereof, as the case may be, and interest earned from such reinvestments shall be paid over to the District, as received by the Trustee, free and clear of any trust, lien or pledge.

Anything in the Resolution to the contrary notwithstanding, any moneys held by a Fiduciary in trust for the payment and discharge of any of the Bonds which remain unclaimed for five years after the date when such Bonds have become due and payable, either at their stated maturity dates or by call for earlier redemption, if such moneys were held by the Fiduciary at such date, or for five years after the date of deposit of such moneys if deposited with the Fiduciary after the said date when such Bonds became due and payable, shall, at the written request of the District, be repaid by the Fiduciary to the District, as its absolute property and free from trust, and the Fiduciary shall thereupon be released and discharged with respect thereto and the Bondholders shall look only to the District for the payment of such Bonds; provided, however, that before being required to make any such payment to the District, the Fiduciary shall, at the expense of the District, cause to be published at least twice, at an interval of not less than seven days between publications, in the Authorized Newspapers, a notice that said moneys remain unclaimed and that, after a date named in said notice, which date shall be not less than 30 days after the date of the first publication of such notice, the balance of such moneys then unclaimed will be returned to the District.

(Resolution, Section 12.01).

Events of Default and Remedies

Events of Default: If one or more of the following events (in the Resolution called "Events of Default") shall happen, that is to say:

(i) if default shall be made in the due and punctual payment of the principal or Redemption Price of any Bond when and as the same shall become due and payable, whether at maturity or by call for redemption, or otherwise,

(ii) if default shall be made in the due and punctual payment of any installment of interest on any Bond or the unsatisfied balance of any Sinking Fund Installment therefor (except when such Installment is due on the maturity date of such Bond), when and as such interest installment or Sinking Fund Installment shall become due and payable, and such default shall continue for a period of 30 days,

(iii) if default shall be made by the District in the performance or observance of the covenants, agreements and conditions on its part as provided under the caption entitled "Electric System Rate Covenant",

(iv) if default shall be made by the District in the performance or observance of any other of the covenants, agreements or conditions on its part in the Resolution or in the Bonds contained, and such default shall continue for a period of 60 days after written notice thereof to the District by the Trustee or to the District and to the Trustee by the Holders of not less than a majority in principal amount of the Bonds Outstanding, provided that if such default shall be such that it cannot be corrected within such sixty day period, it shall not constitute an Event of Default if corrective action is instituted within such period and diligently pursued until the failure is corrected, or

(v) if (1) a decree or order for relief is entered by a court having jurisdiction of the District adjudging the District a bankrupt or insolvent or approving as properly filed a petition seeking reorganization, arrangement, adjustment or composition in respect of the District in any involuntary case under the Federal bankruptcy laws, or under any other applicable law or statute of the United States of America or of the State of Arizona; (2) a receiver, liquidator, assignee, custodian, trustee, sequester or other similar official of the District or of any substantial portion of its property is appointed; or (3) the winding up or liquidation of its affairs is ordered and the continuance of any such decree or order unstayed and in effect for a period of sixty (60) consecutive days, then, and in each and every such case, so long as such Event of Default shall not have been remedied, unless the principal of all the Bonds shall have already become due and payable, either the Trustee (by notice in writing to the District), or the Holders of not less than 25% in principal amount of the Bonds Outstanding (by notice in writing to the District and the Trustee), may declare the principal of all the Bonds then Outstanding and the interest accrued thereon, to be due and payable immediately, and upon any such declaration the same shall become and be immediately due and payable, anything in the Resolution or in any of the Bonds contained to the contrary notwithstanding. The right of the Trustee or of the Holders of not less than 25% in principal amount of the Bonds to make any such declaration as aforesaid, however, is subject to the condition that if, at any time after such declaration, but before the Bonds shall have matured by their terms, all overdue installments of interest upon the Bonds, together with interest on such overdue installments of interest to the extent permitted by law, and the reasonable and proper charges, expenses and liabilities of the Trustee, and all other sums then payable by the District under the Resolution (except the principal of, and interest accrued since the next preceding interest date on, the Bonds due and payable

solely by virtue of such declaration) shall either be paid by or for the account of the District or provision satisfactory to the Trustee shall be made for such payment, and all defaults under the Bonds or under the Resolution (other than the payment of principal and interest due and payable solely by reason of such declaration) shall be made good or be secured to the satisfaction of the Trustee or provision deemed by the Trustee to be adequate shall be made therefor, then and in every such case the Holders of a majority in principal amount of the Bonds Outstanding, by written notice to the District and to the Trustee, may rescind such declaration and annul such default in its entirety, or, if the Trustee shall have acted itself, and if there shall not have been theretofore delivered to the Trustee written direction to the contrary by the Holders of a majority in principal amount of the Bonds then Outstanding, then any such declaration shall ipso facto be deemed to be rescinded and any such default and its consequences shall ipso facto be deemed to be annulled, but no such rescission and annulment shall extend to or affect any subsequent default or impair or exhaust any right or power consequent thereon.

Accounting and Examination of Records After Default: The District covenants that if an Event of Default shall have happened and shall not have been remedied, the books of record and account of the District and all other records relating to the Electric System shall at all times be subject to the inspection and use of the Trustee and of its agents and attorneys, including the engineer or firm of engineers appointed pursuant to the subheading entitled "Application of Revenues and other Moneys After Default" under this caption.

The District covenants that if an Event of Default shall happen and shall not have been remedied, the District, upon demand of the Trustee, will account, as if it were the trustee of an express trust, for all Revenues and other moneys, securities and funds pledged or held under the Resolution for such period as shall be stated in such demand.

Application of Revenues and other Moneys After Default: The District covenants that if an Event of Default shall happen and shall not have been remedied, the District, upon demand of the Trustee, shall pay over to the Trustee (i) forthwith, all moneys, securities and funds then held by the District in any Fund or Account under the Resolution, and (ii) all Revenues as promptly as practicable after receipt thereof.

During the continuance of an Event of Default, the Trustee shall apply such moneys, securities, funds and Revenues and the income therefrom as follows and in the following order:

(i) to the payment of the amounts required for reasonable and necessary Operating Expenses, and for reasonable renewals, repairs and replacements of the Electric System necessary to prevent loss of Revenues, as certified to the Trustee by an independent engineer or firm of engineers of recognized standing (who may be an engineer or firm of engineers retained by the District for other purposes) selected by the Trustee. For this purpose the books of record and accounts of the District relating to the Electric System shall at all times be subject to the inspection of such engineer or firm of engineers during the continuance of such Event of Default;

(ii) to the payment of the reasonable and proper charges, expenses and liabilities of the Trustee and of any engineer or firm of engineers selected by the Trustee pursuant to Article VIII of the Resolution;

(iii) to the payment of the interest and principal or Redemption Price then due on the Bonds, subject to the provisions of Section 7.02 of the Resolution, as follows:

(a) unless the principal of all of the Bonds shall have become or have been declared due and payable,

First: To the payment to the persons entitled thereto of all installments of interest then due in the order of the maturity of such installments, and, if the amount available shall not be sufficient to pay in full any installment or installments maturing on the same date, then to the payment thereof ratably, according to the amounts due thereon, to the persons entitled thereto, without any discrimination or preference; and

Second: To the payment to the persons entitled thereto of the unpaid principal or Redemption Price of any Bonds which shall have become due, whether at maturity or by call for redemption, in the order of their due dates, and if the amount available shall not be sufficient to pay in full all the Bonds due on any date, then to the payment thereof ratably, according to the amounts of principal or Redemption Price due on such date, to the persons entitled thereto, without any discrimination or preference.

(b) if the principal of all of the Bonds shall have become or have been declared due and payable, to the payment of the principal and interest then due and unpaid upon the Bonds without preference or priority of principal over interest or of interest over principal, or of any installment of interest over any other installment of interest, or of any Bonds over any other Bond, ratably, according to the amounts due respectively for principal and interest, to the persons entitled thereto without any discrimination or preference.

If and whenever all overdue installments of interest on all Bonds, together with the reasonable and proper charges, expenses and liabilities of the Trustee, and all other sums payable by the District under the Resolution, including the principal and Redemption Price of and accrued unpaid interest on all Bonds which shall then be payable by declaration or otherwise, shall either be paid by or for the account of the District, or provision satisfactory to the Trustee shall be made for such payment, and all defaults under the Resolution or the Bonds shall be made good or secured to the satisfaction of the Trustee or provision deemed by the Trustee to be adequate shall be made therefor, the Trustee shall pay over to the District all moneys, securities, funds and Revenues then remaining unexpended in the hands of the Trustee (except moneys, securities, funds or Revenues deposited or pledged, or required by the terms of the Resolution to be deposited or pledged, with the Trustee), and thereupon the District and the Trustee shall be restored, respectively, to their former positions and rights under the Resolution, and all Revenues shall thereafter be applied as provided in Article V of the Resolution. No such payment over to the District by the Trustee or resumption of the application of Revenues as provided in Article V of the Resolution shall extend to or affect any subsequent default under the Resolution or impair any right consequent thereon.

Proceedings Brought by Trustee: If an Event of Default shall happen and shall not have been remedied, then and in every such case, the Trustee, by its agents and attorneys, may proceed, and upon written request of the Holders of not less than [a majority] in principal amount of the Bonds Outstanding shall proceed, to protect and enforce its right and the rights of the Holders of the Bonds under the Resolution forthwith by a suit or suits in equity or at law, whether for the specific performance of any covenant herein contained, or in aid of the execution of any power herein granted, or for an accounting against the District as if the District were the trustee of an express trust, or in the enforcement of any other legal or equitable right as the Trustee, being advised by counsel, shall deem most effectual to enforce any of its rights or to perform any of its duties under the Resolution.

All rights of action under the Resolution may be enforced by the Trustee without the possession of any of the Bonds or the production thereof on the trial or other proceedings, and any such suit or proceedings instituted by the Trustee shall be brought in its name.

The Holders of not less than a majority in principal amount of the Bonds at the time Outstanding may direct the time, method and place of conducting any proceeding for any remedy available to the Trustee, or exercising any trust or power conferred upon the Trustee, provided that the Trustee shall have the right to decline to follow any such direction if the Trustee shall be advised by counsel that the action or proceeding so directed may not lawfully be taken, or if the Trustee in good faith shall determine that the action or proceeding so directed would involve the Trustee in personal liability or be unjustly prejudicial to the Bondholders not parties to such direction.

Upon commencing a suit in equity or upon other commencement of judicial proceedings by the Trustee to enforce any right under the Resolution, the Trustee shall be entitled to exercise any and all rights and powers conferred in the Resolution and provided to be exercised by the Trustee upon the occurrence of an Event of Default.

Regardless of the happening of an Event of Default, the Trustee shall have power to, but unless requested in writing by the Holders of a majority in principal amount of the Bonds then Outstanding, and furnished with reasonable security and indemnity, shall be under no obligation to, institute and maintain such suits and proceedings as it may be advised shall be necessary or expedient to prevent any impairment of the security under the Resolution by any acts which may be unlawful or in violation of the Resolution, and such suits and proceedings as the Trustee may be advised shall be necessary or expedient to preserve or protect its interest and the interest of the Bondholders.

Restriction on Bondholder's Action: No Holder of any Bond shall have any right to institute any suit, action or proceeding at law or in equity for the enforcement of any provision of the Resolution or the execution of any trust under the Resolution or for any remedy under the Resolution, unless such Holder shall have previously given to the Trustee written notice of the happening of an Event of Default, as provided in Article VIII of the Resolution, and the Holders of [not less than a majority] in principal amount of the Bonds then Outstanding shall have filed a written request with the Trustee, and shall have offered it reasonable opportunity, either to exercise the powers granted in the Resolution or by the Act or by the laws of Arizona or to institute such action, suit or proceeding in its own name, and unless such Holders shall have offered to the Trustee adequate security and indemnity against the costs, expenses and liabilities to be incurred therein or thereby, and the Trustee shall have refused to comply with such request for a period of 60 days after receipt by it of such notice, request and offer of indemnity, it being understood and intended that no one or more Holders of Bonds shall have any right in any manner whatever by his or their action to affect, disturb or prejudice the pledge created by the Resolution, or to enforce any right under the Resolution, except in the manner therein provided; and that all proceedings at law or in equity to enforce any provision of the Resolution shall be instituted, had and maintained in the manner provided in the Resolution and for the equal benefit of all Holders of the Outstanding Bonds, subject only to the provisions of Section 7.02 of the Resolution.

Nothing in the Resolution or in the Bonds contained shall affect or impair the obligation of the District, which is absolute and unconditional, to pay at the respective dates of maturity and places therein expressed the principal of and interest on the Bonds to the respective Holders thereof, or affect or impair the right of action, which is also absolute and unconditional, of any Holder to enforce such payment of his Bond.

Remedies Not Exclusive: No remedy by the terms of the Resolution conferred upon or reserved to the Trustee or the Bondholders is intended to be exclusive of any other remedy, but each and every such remedy shall be cumulative and shall be in addition to every other remedy given under the Resolution or existing at law or equity or by statute on or after the date of adoption of this Resolution.

Effect of Waiver and Other Circumstances: No delay or omission of the Trustee or of any Bondholder to exercise any right or power arising upon the happening of an Event of Default shall impair any right or power or shall be construed to be a waiver of any such default or be an acquiescence therein; and every power and remedy given by Article VIII of the Resolution to the Trustee or to the Bondholders may be exercised from time to time and as often as may be deemed expedient by the Trustee or by the Bondholders.

Prior to the declaration of maturity of the Bonds as provided under the subheading entitled "Events of Default" under this caption, the Holders of not less than 25% in principal amount of the Bonds at the time Outstanding, or their attorneys-in-fact duly authorized, may, on behalf of the Holders of all of the Bonds waive any past default under the Resolution and its consequences, except a default in the payment of interest on or principal of or premium (if any) on any of the Bonds. No such waiver shall extend to any subsequent or other default or impair any right consequent thereon.

Notice of Default: The Trustee shall promptly mail to registered Holders of Bonds, and to all Bondholders who shall have filed their names and addresses with the Trustee for such purpose written notice of the occurrence of any Event of Default. If for any Fiscal Year the Revenues shall be insufficient to comply with the provisions under the caption entitled "Electric System Rate Covenant", the Trustee, on or before the 30th day after receipt of the annual audit, shall mail to such registered Holders and such Bondholders written notice of such failure.

Responsibilities of Fiduciaries: The recitals of fact herein and in the Bonds contained shall be taken as the statements of the District and no Fiduciary assumes any responsibility for the correctness of the same. No Fiduciary makes any representations as to the validity or sufficiency of the Resolution or of any Bonds issued thereunder or as to the security afforded by the Resolution, and no Fiduciary shall incur any liability in respect thereof. No Fiduciary shall be under any responsibility or duty with respect to the application of any moneys paid to the District or to any other Fiduciary. No Fiduciary shall be under any obligation or duty to perform any act, which would involve it in expense or liability, or to institute or defend any suit in respect hereof, or to advance any of its own moneys, unless properly indemnified. Subject to the provisions of the following paragraph, no Fiduciary shall be liable in connection with the performance of its duties hereunder except for its own negligence, misconduct or default.

The Trustee, prior to the occurrence of an Event of Default and after the curing of all Events of Default which may have occurred, undertakes to perform such duties and only such duties as are specifically set forth in the Resolution. In case an Event of Default has occurred (which has not been cured) the Trustee shall exercise such of the rights and powers vested in it by the Resolution, and use the same degree of care and skill in their exercise, as a prudent man would exercise or use under the circumstances in the conduct of his own affairs. Any provision of the Resolution relating to action taken or to be taken by the Trustee or to evidence upon which the Trustee may rely shall be subject to the provisions of this subheading.

(Resolution, Sections 8.01-8.08, 9.03).

Supplemental Resolutions

For any one or more of the following purposes and at any time or from time to time, a Supplemental Resolution of the District may be adopted, which, upon the filing with the Trustee of a copy thereof certified by an Authorized Officer of the District, shall be fully effective in accordance with its terms:

- (1) To close the Resolution against, or provide limitations and restrictions in addition to the limitations and restrictions contained in the Resolution on, the delivery of Bonds or the issuance of other evidences of indebtedness;
- (2) To add to the covenants and agreements of the District in the Resolution, other covenants and agreements to be observed by the District which are not contrary to or inconsistent with the Resolution as theretofore in effect;

(3) To add to the limitations and restrictions in the Resolution, other limitations and restrictions to be observed by the District which are not contrary to or inconsistent with the Resolution as theretofore in effect;

(4) To authorize Bonds of a Series and, in connection therewith, specify and determine the matters and things referred to in Section 2.02 of the Resolution, and also any other matters and things relative to such Bonds which are not contrary to or inconsistent with the Resolution as theretofore in effect, or to amend, modify or rescind any such authorization, specification or determination at any time prior to the first delivery of such Bonds;

(5) To confirm, as further assurance, any pledge under, and the subjection to any lien or pledge created or to be created by, the Resolution, of the Revenues or of any other moneys, securities or funds;

(6) To modify any of the provisions of the Resolution in any respect whatever, provided that (i) such modification shall be, and be expressed to be, effective only after all Bonds of any Series Outstanding at the date of the adoption of such Supplemental Resolution shall cease to be Outstanding, and (ii) such Supplemental Resolution shall be specifically referred to in the text of all Bonds of any Series delivered after the date of the adoption of such Supplemental Resolution and of Bonds issued in exchange therefor or in place thereof;

(7) To modify any of the provisions of the Resolution to permit compliance with any amendment to the Internal Revenue Code of 1986, as amended, or any successor thereto, as the same may be in effect from time to time, if, in the Opinion of Bond Counsel, failure to so modify the Resolution either would adversely affect the ability of the District to issue Bonds the interest on which is excludable from gross income for purposes of federal income taxation, or is necessary or advisable to preserve such exclusion with respect to any Outstanding Bonds;

(8) To comply with such regulations and procedures as are from time to time in effect relating to establishing and maintaining a book-entry-only system;

(9) To provide for the issuance of Bonds in coupon form payable to bearer;

(10) To comply with the requirements of any nationally recognized rating agency in order to maintain or improve a rating on the Bonds by such rating agency;

(11) To cure any ambiguity, supply any omission, or cure or correct any defect or inconsistent provision in the Resolution; or

(12) To insert such provisions clarifying matters or questions arising under the Resolution as are necessary or desirable and are not contrary to or inconsistent with the Resolution as theretofore in effect.

Supplemental Resolutions Effective With Consent of Trustee: At any time or from time to time, a Supplemental Resolution may be adopted subject to consent by Bondholders in accordance with and subject to the provisions of Article XI of the Resolution, which Supplemental Resolution, upon the filing with the Trustee of a copy thereof certified by an Authorized Officer of the District and upon compliance with the provisions of said Article XI, shall become fully effective in accordance with its terms as provided in said Article XI.

General Provisions: The Resolution shall not be modified or amended in any respect except as provided in and in accordance with and subject to the provisions of Article X and Article XI of the Resolution. Nothing in Article X or Article XI of the Resolution contained shall affect or limit the right or obligation of the District to adopt, make, do, execute, acknowledge or deliver any resolution, act or other instrument pursuant to the provisions of Section 7.04 of the Resolution or the right or obligation of the District to execute and deliver to any Fiduciary any instrument which elsewhere in the Resolution it is provided shall be delivered to said Fiduciary.

Any Supplemental Resolution referred to and permitted or authorized by this caption may be adopted by the District without the consent of any of the Bondholders, but shall become effective only on the conditions, to the extent and at the time provided in said Sections, respectively. The copy of every Supplemental Resolution when filed with the Trustee shall be accompanied by a Counsel's Opinion stating that such Supplemental Resolution has been duly and lawfully adopted in accordance with the provisions of the Resolution, is authorized or permitted by the Resolution, and is valid and binding upon the District and enforceable in accordance with its terms.

The Trustee is authorized to accept the delivery of a certified copy of any Supplemental Resolution referred to and permitted or authorized by this caption and subheading and to make all further agreements and stipulations which may be therein contained, and the Trustee, in taking such action, shall be fully protected in relying on an opinion of counsel (which may be a Counsel's Opinion) that such Supplemental Resolution is authorized or permitted by the provisions of the Resolution.

No Supplemental Resolution shall change or modify any of the rights or obligations of any Fiduciary without its written assent thereto.

(Resolution, Section 10.01-10.03).

Amendment with Consent of Bondholders

Any modification or amendment of the Resolution and of the rights and obligations of the District and of the Holders of the Bonds thereunder, in any particular, may be made by a Supplemental Resolution, with the written consent given as provided in the following paragraph of the Holders of at least two-thirds in principal amount of the Bonds Outstanding at the time such consent is given, and (ii) in case less than all of the several Series of Bonds then Outstanding or less than all the Bonds of a Series then Outstanding are affected by the modification or amendment, of the Holders of at least two-thirds in principal amount of the Bonds so affected and Outstanding at the time such consent is given, and (iii) in case the modification or amendment changes the terms of any Sinking Fund Installment, of Holders of at least two-thirds in principal amount of the Bonds entitled to such Sinking Fund Installment and Outstanding at the time such consent is given; provided, however, that if such modification or amendment will, by its terms, not take effect so long as any Bonds of any specified like Series and maturity remain Outstanding, the consent of the Holders of such Bonds shall not be required and such Bonds shall not be deemed to be Outstanding for the purpose of any calculation of Outstanding Bonds under this paragraph. No such modification or amendment shall permit a change in the terms of redemption or maturity of the principal of any Outstanding Bond or of any installment of interest thereon or a reduction in the principal amount or the Redemption Price thereof or in the rate of interest thereon without the consent of the Holder of such Bond, or shall reduce the percentages or otherwise affect the classes of Bonds the consent of the Holders of which is required to effect any such modification or amendment, or shall change or modify any of the rights or obligations of any Fiduciary without its written assent thereto. For the purpose of this paragraph, a Series shall be deemed to be affected by a modification or amendment of the Resolution if the same adversely affects or diminishes the rights of the Holders of Bonds of such Series.

The District may at any time adopt a Supplemental Resolution making a modification or amendment permitted by the preceding paragraph, to take effect when and as provided in this paragraph. A copy of such Supplemental Resolution (or brief summary thereof or reference thereto in form approved by Trustee, together with a request to Bondholders for their consent thereto in form satisfactory to the Trustee), shall be mailed by the District to Bondholders and shall be published in the Authorized Newspapers at least once a week for two successive weeks (but failure to mail such copy and request shall not affect the validity of the Supplemental Resolution when consented to as provided in this paragraph). Such Supplemental Resolution shall not be effective unless and until (i) there shall have been filed with the Trustee (a) the written consents of Holders of the percentages of Outstanding Bonds specified in the preceding paragraph and (b) a Counsel's Opinion stating that such Supplemental Resolution has been duly and lawfully adopted and filed by the District in accordance with the provisions of the Resolution, is authorized or permitted by the Resolution, and is valid and binding upon the District and enforceable in accordance with its terms, and (ii) a notice shall have been published as provided in this paragraph. Each such consent shall be effective only if accompanied by proof of the holding, at the date of such consent, of the Bonds with respect to which such consent is given, which proof shall be such as is permitted by Section 12.02 of the Resolution. A certificate or certificates by the Trustee filed with the Trustee that it has examined such proof and such proof is sufficient in accordance with Section 12.02 of the Resolution shall be conclusive that the consents have been given by the Holders of the Bonds described in such certificate or certificates of the Trustee. Any such consent shall be binding upon the Holder of the Bonds giving such consent and, anything in Section 12.02 of the Resolution to the contrary notwithstanding, upon any subsequent Holder of such Bonds and of any Bonds issued in exchange therefor (whether or not such subsequent Holder thereof has notice thereof) unless such consent is revoked in writing by the Holder of such Bonds giving such consent or a subsequent Holder thereof by filing with the Trustee, prior to the time when the written statement of the Trustee provided for in this paragraph is filed, such revocation and, if such Bonds are transferable by delivery, proof that such Bonds are held by the signer of such revocation in the manner permitted by Section 12.02 of the Resolution. The fact that a consent has not been revoked may likewise be proved by a certificate of the Trustee filed with the Trustee to the effect that no revocation thereof is on file with the Trustee. At any time after the Holders of the required percentages of Bonds shall have filed their consents to the Supplemental Resolution, the Trustee shall make and file with the District and the Trustee a written statement that the Holders of such required percentages of Bonds have filed such consents. Such written statement shall be conclusive that such consents have been so filed. At any time thereafter notice, stating in substance that the Supplemental Resolution (which may be referred to as Supplemental Resolution adopted by the District on a stated date, a copy of which is on file with the Trustee) has been consented to by the Holders of the required percentages of Bonds and will be effective as provided in this paragraph, may be given to

Bondholders by the District by mailing such notice to Bondholders (but failure to mail such notice shall not prevent such Supplemental Resolution from becoming effective and binding as provided in this paragraph) and by publishing the same in the Authorized Newspapers at least once not more than 90 days after the Holders of the required percentages of Bonds shall have filed their consents to the Supplemental Resolution and the written statement of the Trustee hereinabove provided for is filed. The District shall file with the Trustee proof of the publication of such notice and, if the same shall have been mailed to Bondholders, of the mailing thereof. A record, consisting of the papers required or permitted by this paragraph to be filed with the Trustee, shall be proof of the matters therein stated. Such Supplemental Resolution making such amendment or modification shall be deemed conclusively binding upon the District, the Fiduciaries and the Holders of all Bonds at the expiration of 40 days after the filing with the Trustee of the proof of the first publication of such last mentioned notice, except in the event of a final decree of a court of competent jurisdiction setting aside such Supplemental Resolution in a legal action or equitable proceeding for such purpose commenced within such 40 day period; provided, however, that any Fiduciary and the District during such 40 day period and any such further period during which any such action or proceeding may be pending shall be entitled in their absolute discretion to take such action, or to refrain from taking such action, with respect to such Supplemental Resolution as they may deem expedient.

(Resolution, Sections 11.02 and 11.03).

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APPENDIX C — FORMS OF BOND OPINION AND SPECIAL TAX COUNSEL OPINION

[UPON DELIVERY OF THE 2024 SERIES BONDS, CHIESA SHAHINIAN & GIANTOMASI PC, BOND COUNSEL, IS EXPECTED TO RENDER ITS APPROVING LEGAL OPINION IN SUBSTANTIALLY THE FOLLOWING FORM]

[CLOSING DATE]

Board of Directors
Salt River Project Agricultural
Improvement and Power District
Tempe, Arizona 85281

Ladies and Gentlemen:

We have examined the Constitution and statutes of the State of Arizona, certified copies of the proceedings of the Board of Directors of the Salt River Project Agricultural Improvement and Power District (the “District”) and other proofs submitted to us relative to the issuance and sale by the District, a body politic and corporate and political subdivision of the State of Arizona, of \$_____ Salt River Project Electric System Revenue Bonds, 2024 Series A (the “2024 Series A Bonds”) and \$_____ Salt River Project Electric System Revenue Bonds, 2024 Series B (the “2024 Series B Bonds” and, together with the 2024 Series A Bonds, the “2024 Series Bonds”).

The 2024 Series Bonds consist of bonds bearing interest at fixed rates. The 2024 Series Bonds are dated the date hereof and mature and bear interest at the times and rates shown on the inside front cover of the Official Statement dated, _____, 2024 relating to the 2024 Series Bonds, and in the manner and upon the terms provided therein and in the Resolutions (as hereinafter defined). The 2024 Series Bonds are subject to redemption prior to maturity as provided in the Resolutions.

We have also examined the form of said 2024 Series Bonds.

We are of the opinion that such proceedings and proofs show lawful authority for the issuance and sale of the 2024 Series Bonds pursuant to the Constitution and statutes of the State of Arizona, including particularly Title 48, Chapter 17, Article 7, Arizona Revised Statutes, and other applicable provisions of law, and pursuant and subject to the provisions, terms and conditions of a resolution, dated as of September 10, 2001, which became effective January 11, 2003, entitled “Supplemental Resolution Authorizing an Amended and Restated Resolution Concerning Revenue Bonds” as amended and supplemented, and a resolution dated as of September 17, 2024 entitled “Resolution Authorizing The Issuance and Sale of Not Exceeding \$800,000,000 in Par Value Salt River Project Electric System Revenue Bonds, 2024 Series of the Salt River Project Agricultural Improvement and Power District, and Providing for the Form, Details and Terms Thereof” and an Officer’s Certificate dated as of the sale date of the 2024 Series Bonds (collectively, the “Resolutions”), all duly adopted or executed by the District, as applicable, and that the 2024 Series Bonds are valid and legally binding special obligations of the District.

We are further of the opinion that the District, in the Resolutions, has lawfully covenanted and is legally obligated to charge and collect, and revise from time to time whenever necessary, such fees and other charges for the sale of electric power and energy which will be sufficient in each year to pay the necessary expenses of operating and maintaining the District’s electric system, the principal of and interest on the 2024 Series Bonds and all other indebtedness maturing and becoming due in such year, and all reserve or other payments required by the Resolutions in such year, subject to restrictions, if any, imposed by or on behalf of the United States of America, all in the manner provided in the Resolutions.

We are further of the opinion that the 2024 Series Bonds, and the outstanding Electric System Revenue Bonds heretofore issued pursuant to the Resolutions, as to principal or redemption price thereof and interest thereon are payable on a parity from and secured by a valid and equal pledge of the revenues of the District’s electric system and other funds held or set aside under the Resolutions. Such pledge is subject and subordinate to the pledges and liens

created by United States of America loan agreements hereafter entered into by the District, all in the manner provided in the Resolutions.

We are further of the opinion that the District may, within the terms, limitations and conditions contained in the Resolutions, issue pari passu additional Electric System Revenue Bonds payable from the revenues derived from the District's electric system, ranking equally as to lien on and source and security for payment from the revenues derived from the District's electric system, with the 2024 Series Bonds and any pari passu additional Electric System Revenue Bonds heretofore or hereafter issued, all in the manner provided in the Resolutions.

We are further of the opinion that the District has validly entered into further covenants and agreements with the holders of the 2024 Series Bonds for the exact terms of which reference is made to the Resolutions.

The foregoing opinions are subject to the effect of bankruptcy, reorganization, moratorium and other similar laws, judicial decisions and principles of equity relating to or affecting the enforcement of creditors' rights or contractual obligations generally and judicial discretion.

This opinion letter is issued as of the date hereof and is subject to the assumptions and qualifications set forth herein, and we assume no obligation to update, revise or supplement this opinion to reflect any facts or circumstances that may hereafter come to our attention, or any changes in law, or in interpretations thereof, that may hereafter occur, or for any other reason whatsoever.

In rendering the foregoing opinions, we have made a review of those laws and regulations and legal proceedings that, in our experience, are normally deemed necessary to approve the legality of the 2024 Series Bonds. In rendering the foregoing opinions we have not been requested to examine any document or financial or other information concerning the District or the projects to be financed with the 2024 Series Bonds other than the record of proceedings referred to above, and we express no opinion as to the accuracy, adequacy or sufficiency of any financial or other information which has been or will be supplied to purchasers of the 2024 Series Bonds.

Very truly yours,

[UPON DELIVERY OF THE 2024 SERIES BONDS, NIXON PEABODY LLP SPECIAL TAX COUNSEL, IS EXPECTED TO RENDER ITS LEGAL OPINION IN SUBSTANTIALLY THE FOLLOWING FORM]

_____, 2024

Board of Directors
Salt River Project Agricultural
Improvement and Power District
Tempe, Arizona 85281

Ladies and Gentlemen:

We have acted as Special Tax Counsel to the Salt River Project Agricultural Improvement and Power District (the "District") in connection with the issuance by the District on the date hereof of \$_____ Salt River Project Electric System Revenue Bonds, 2024 Series A (the "2024 Series A Bonds") and \$_____ Salt River Project Electric System Revenue Bonds, 2024 Series B (the "2024 Series B Bonds" and, together with the 2024 Series A Bonds, the "2024 Series Bonds").

In connection with such representation, in our capacity as Special Tax Counsel to the District, we have examined copies of (i) a resolution, dated as of September 10, 2001, which became effective January 11, 2003, entitled "Supplemental Resolution Authorizing an Amended and Restated Resolution Concerning Revenue Bonds" as amended and supplemented, (ii) a resolution dated as of September 17, 2024 entitled "Resolution Authorizing The Issuance and Sale of Not Exceeding \$800,000,000 in Par Value Salt River Project Electric System Revenue Bonds, 2024 Series of the Salt River Project Agricultural Improvement and Power District, and Providing for the Form, Details and Terms Thereof" (collectively, the "Resolutions"), (iii) the opinions of Chiesa Shahanian & Giantomasi PC, bond counsel to the District ("Bond Counsel") and opinions of counsel to the District, of even date herewith, (iv) the Tax Certificate as to Arbitrage and The Provisions of Sections 141-150 of the Internal Revenue Code of 1986 (the "Tax Certificate") and (v) originals, executed counterparts or copies of such other agreements, legal opinions, documents, proceedings, records, instruments, certificates and certificates of public authorities and have reviewed such matters of law as we have deemed necessary for the purpose of providing this opinion (collectively, the "Reviewed Materials"). In rendering the opinions set forth below, we have relied upon the approving opinions of Bond Counsel delivered on even date herewith, relating among other things to the validity of the 2024 Series Bonds.

The Internal Revenue Code of 1986, as amended (the "Code") sets forth certain requirements which must be met subsequent to the issuance and delivery of the 2024 Series Bonds 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 2024 Series Bonds to be included in gross income for federal income tax purposes retroactive to the date of issuance of the 2024 Series Bonds. Pursuant to the Resolutions, the District has covenanted to comply with the provisions of the Code applicable to the 2024 Series Bonds, and has covenanted not to take any action or permit any action that would cause the interest on the 2024 Series Bonds to be included in gross income under Section 103 of the Code. In addition, the District has made certain certifications and representations in the Tax Certificate. We have not independently verified the accuracy of those certifications and representations.

Based upon our review of the Reviewed Materials and the assumption that the execution, delivery, and performance, as applicable, of the Reviewed Materials by each of the parties thereto are within such party's powers and have been duly authorized by all necessary action, we are of the opinion that, under existing law and assuming compliance with the tax covenants described herein, and the accuracy of the aforementioned certifications and representations:

1. Interest on the 2024 Series Bonds (including any original issue discount properly allocable thereto) is excluded from gross income of the owners thereof for federal income tax purposes under Section 103 of the Code.

2. Interest on the 2024 Series Bonds is not treated as a preference item in calculating the alternative minimum tax imposed under the Code; for taxable years beginning after December 31, 2023, interest on the 2024 Series 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; and

3. Interest on the Bonds is exempt from income taxes imposed by the State of Arizona.

Except as stated above, we express no opinion as to any other federal or state tax consequences of the ownership or disposition of the Bonds. Furthermore, we express no opinion as to any federal, state, or local tax law consequences with respect to the Bonds, or the interest thereon, if any action is taken with respect to the Bonds or the proceeds thereof upon the advice or approval of other counsel.

Very truly yours,

APPENDIX D — Form of Continuing Disclosure Agreement

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
2024 Series A**

**\$ _____
Salt River Project Electric System Revenue Bonds
2024 Series B**

THIS CONTINUING DISCLOSURE AGREEMENT (this "Agreement"), dated as of _____, 2024, 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, 2024 Series A (the "2024 Series A Bonds") and \$ _____ Salt River Project Electric System Revenue Bonds, 2024 Series B (the "2024 Series B Bonds" and, together with the 2024 Series A Bonds, 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 September __, 2024, 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, commencing with the fiscal year ending April 30, 2025:
 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.

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";

* 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.

- 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.

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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: _____
Jon W. Hubbard
Corporate Treasurer and Senior Director of
Financial Operations & Compliance

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

By: _____
Keith Henselen
Vice President

APPENDIX E — Book-Entry-Only System

The Depository Trust Company (“DTC”), New York, New York, will act as securities depository for the 2024 Series Bonds. Reference to the 2024 Series Bonds hereunder shall mean all 2024 Series Bonds held through DTC. The 2024 Series Bonds will be issued as fully-registered bonds 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 Bond certificate will be issued for each maturity of the 2024 Series Bonds, each in the aggregate principal amount of such maturity.

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, 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 both U.S. and non-U.S. securities brokers and dealers, bank 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.

Purchases of the 2024 Series Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the 2024 Series Bonds on DTC’s records. The ownership interest of each actual purchaser of each 2024 Series Bond (a “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 2024 Series Bonds 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 the 2024 Series Bonds, except in the event that use of the book-entry system for the 2024 Series Bonds is discontinued.

To facilitate subsequent transfers, all 2024 Series Bonds 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 2024 Series Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not affect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the 2024 Series Bonds; DTC’s records reflect only the identity of the Direct Participants to whose accounts such 2024 Series Bonds are credited, which may or may not be the Beneficial Owners. The Direct Participants will remain responsible for keeping account of their holdings on behalf of their customers.

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.

Redemption notices shall be sent to DTC. If less than all of the 2024 Series Bonds are being redeemed, DTC’s practice is to determine by lot the amount of the interest of each Direct Participant in such Offered Bond to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the 2024 Series Bonds unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the District 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 the 2024 Series Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Redemption proceeds and principal and interest payments on the 2024 Series Bonds 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 the District on the payment 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, the Trustee or the District, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds and principal and interest payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the District or the Trustee, disbursement of such payments to Direct Participants shall be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners shall be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as depository with respect to the 2024 Series Bonds at any time by giving reasonable notice to the District. Under such circumstances, in the event that a successor depository is not obtained, Offered Bond certificates are required to be printed and delivered.

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

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

No assurance can be given by the District that DTC will make prompt transfer of payments to the Participants or that Participants will make prompt transfer of payments to Beneficial Owners. The District is not responsible or liable for payment by DTC or Participants or for sending transaction statements or for maintaining, supervising or reviewing records maintained by DTC or Participants.

For every transfer and exchange of the 2024 Series Bonds, the Beneficial Owners may be charged a sum sufficient to cover any tax, fee or other charge that may be imposed in relation thereto.

Unless otherwise noted, certain of the information contained in this Appendix E has been extracted from information furnished by DTC. The District does not make any representation as to the completeness or the accuracy of such information or as to the absence of material adverse changes in such information subsequent to the date hereof.

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APPENDIX F — 2035 Sustainability Goals

SRP is a community-based not-for-profit water and power company, and we're committed to building a sustainable future in the Valley. SRP's 2035 Sustainability Goals are about making decisions through the eyes of future generations, balancing costs and impacts while providing reliable, sustainable water and power for today and tomorrow. Please find below links to SRP Sustainability Overview, FY23 Progress Update, and 2035 Sustainability Goals FY21 – FY25 Action Plan.

Links:

- [SRP Sustainability overview | SRP \(srpnet.com\)](#)
- [FY23 Progress update | SRP \(srpnet.com\)](#)
- [2035 Sustainability Goals FY21 - FY25 Action Plan | SRP \(srpnet.com\)](#)

APPENDIX G —Customer and Community Programs

Links:

Energy efficiency and customer incentives:

- [Residential rebates | SRP \(savewithsrp.com\)](https://www.srpnet.com/About/Doing_Business/Rebates/Pages/Residential-Rebates.aspx)
- [Savings rebates and tools for businesses | SRP \(savewithsrpbiz.com\)](https://www.srpnet.com/About/Doing_Business/Rebates/Pages/Savings-Rebates-and-Tools-for-Businesses.aspx)
- [SRP marketplace | SRP \(srpmarketplace.com\)](https://www.srpnet.com/About/Doing_Business/Marketplace/Pages/SRP-Marketplace.aspx)

Community support/education:

- [Grants and corporate contributions | SRP \(srpnet.com\)](https://www.srpnet.com/About/Doing_Business/Grants-and-Corporate-Contributions/Pages/Grants-and-Corporate-Contributions.aspx)
- [Offering support for teachers | SRP \(srpnet.com\)](https://www.srpnet.com/About/Doing_Business/Offering-Support-for-Teachers/Pages/Offering-Support-for-Teachers.aspx)

Customer resources:

- [SRP financial assistance | SRP \(srpnet.com\)](https://www.srpnet.com/About/Doing_Business/Financial-Assistance/Pages/SRP-Financial-Assistance.aspx)
- [Limited-income assistance programs | SRP \(srpnet.com\)](https://www.srpnet.com/About/Doing_Business/Limited-Income-Assistance-Programs/Pages/Limited-Income-Assistance-Programs.aspx)

Safety:

- [Power outages and storm safety | SRP \(srpnet.com\)](https://www.srpnet.com/About/Doing_Business/Power-Outages-and-Storm-Safety/Pages/Power-Outages-and-Storm-Safety.aspx)
- [Water and pool safety tools, tips and resources | SRP \(srpnet.com\)](https://www.srpnet.com/About/Doing_Business/Water-and-Pool-Safety-Tools-Tips-and-Resources/Pages/Water-and-Pool-Safety-Tools-Tips-and-Resources.aspx)
- [Electrical safety tips for home and work | SRP \(srpnet.com\)](https://www.srpnet.com/About/Doing_Business/Electrical-Safety-Tips-for-Home-and-Work/Pages/Electrical-Safety-Tips-for-Home-and-Work.aspx)
- [Overhead and underground power line safety | SRP \(srpnet.com\)](https://www.srpnet.com/About/Doing_Business/Overhead-and-Underground-Power-Line-Safety/Pages/Overhead-and-Underground-Power-Line-Safety.aspx)
- [Contact SRP to trim trees near power lines | SRP \(srpnet.com\)](https://www.srpnet.com/About/Doing_Business/Contact-SRP-to-trim-trees-near-power-lines/Pages/Contact-SRP-to-trim-trees-near-power-lines.aspx)

EXHIBIT F

Form of Continuing Disclosure Agreement

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
2024 Series A

\$ _____
Salt River Project Electric System Revenue Bonds
2024 Series B

THIS CONTINUING DISCLOSURE AGREEMENT (this “Agreement”), dated as of _____, 2024, 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, 2024 Series A (the “2024 Series A Bonds”) and \$_____ Salt River Project Electric System Revenue Bonds, 2024 Series B (the “2024 Series B Bonds” and, together with the 2024 Series A Bonds, 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 ____, 2024, 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, commencing with the fiscal year ending April 30, 2025:
 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.

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";

* 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.

- (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.

(The remainder of this page intentionally left blank)

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: _____
Jon W. Hubbard
Corporate Treasurer and Senior Director
Financial Operations & Compliance

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

By: _____
Keith Henselen
Vice President

