



ELECTRICAL DISTRICT NO. 3 OF PINAL COUNTY

HISTORY

Electrical District No. 3 of Pinal County (“ED3” or “District”) is a political subdivision of the State of Arizona formed in 1926 as a Special District by the Pinal County Board of Supervisors. ED3 is a nonprofit utility with a seven (7) member Board of Directors and its purpose is to: a) provide affordable irrigation pumping to agricultural customers, and b) provide power at the lowest possible cost within sound business principles.

ED3 is organized with the authority, rights, and privileges to distribute electrical power and energy to all within its service area pursuant to what is now Chapter 12 of Title 48 of the Arizona Revised Statutes. ED3 is similar to Salt River Project (SRP) serving both rural and urban electric customer needs in western Pinal County.

The formation of the District was completed on January 5, 1926, with the original boundaries comprising approximately 87,000 acres. The area of the District was increased in 1948, when the Board of Directors completed the steps as prescribed by law to annex certain contiguous lands, to approximately 112,000 irrigable acres.

In 1960, the District entered into an agreement with APS to purchase certain APS-owned electrical facilities located within the ED3 boundaries which were used primarily for rendering electric service for irrigation pumping within the District. Simultaneously, an agreement was entered into between ED3 and APS under which ED3 would lease back to APS the acquired properties for operation by APS as the agent for the District. Since 1961 ED3 has owned the transmission and distribution system located within its service area. In 1989, Electrical District No. 1 of Pinal County (“ED1”) and ED3 consolidated their electric operations under ED3.

In 2001, the District terminated the lease back agreement with APS and in March of 2002, the District and APS entered into an agreement under which the District planned to purchase the Sexton Substation and the 69 kV line running from the Sexton Substation and the APS-owned extensions of its distribution facilities fed from the District’s facilities (“Split Ends”). In addition to these facilities within the District boundaries, APS and the District reached an agreement in 2006 to expand the District’s electric service territory to serve the additional Split Ends customers.

The ACC approved the sale of the “Split Ends” and the transfer of all customers within the District’s service area to ED3 in May 2010, expanding ED3’s service boundaries to include approximately 245,500 acres and currently encompass over 384 square miles and includes the City of Maricopa and the Town of Stanfield. This consolidation left ED3 as the sole provider within its service territory and relieved inefficiencies and duplication of facilities and services leaving ED3 as the sole provider within its service territory.

The general area of the District’s service territory is south of the Gila River Indian Community, north of the Tohono Indian Community, east of the Pinal-Maricopa County line and west of the City of Casa Grande. The City of Maricopa and the unincorporated area of the Town of Stanfield are included in the District’s boundaries. The Ak-Chin Indian Reservation is not part of the District; however, the District provides transmission, as well as, operations and maintenance services to the Ak-Chin Indian Reservation.

RECENT EXPANSION

In recent years, the District experienced substantial growth in the number of residential and commercial customers going from a few hundred meters in 2002 to almost 23,000 meter connections in 2011. Between 2002 through 2008, significant population growth within the District's territory brought many changes. The City of Maricopa incorporated and saw a population growth from about 1,000 to approximately 43,000. The District's meter count went from a few hundred to over 18,500 by 2008. During this major growth period, ED3 doubled its substations, added a 69 kV sub-transmission loop, and several hundred miles of both underground and overhead distribution lines to provide the infrastructure to support the area's growth and add reliability to the District's transmission system. The District enhanced its Customer Service Department during this time by adding staff, online services, and a range of billing and payment choices.

To finance this expansion, the District was able to issue tax-exempt bonds. Through its relationship with the Bank of America, a 2006 series of bonds were issued for over \$85 million and a 2007 series for \$30 million. With these funds, the District's electric system grew from \$18 million to about \$140 million. These bonds were issued through a Private Placement and will be retendered for a public offering in late 2011 and mid-2012. These investments well supported the major commercial, retail, and residential development, and will provide ample capacity for continuing growth.

MANAGEMENT

The District is divided into seven (7) Divisions which are governed by a Director elected by the landowners owning at least one-tenth (0.10) acres within the Division's Boundary. Directors serve on the Board for a three (3) year term with staggered term expiration dates. Per ARS § 48-1742 (A) elections are held on the second Saturday in January annually for the Division(s) in which the term of office is expiring.

The Board establishes the policies for management and oversees the business affairs of the District, while the General Manager of the District has management responsibilities for the District. The General Manager directs a full-service utility with a staff of approximately 42, including field operations, engineering, customer service, finance, and administrative personnel.

ED3 is a full service utility with two offices in Maricopa, providing electric services to residential, commercial, agricultural, and industrial users and is responsible for power purchase, construction, operations and maintenance of their electrical system.

DISTRICT OFFICE LOCATIONS

Customer Service Center

19756 N. John Wayne Blvd., Suite 101
Maricopa, AZ 85139
(520) 424-9021

District Administration Office

41630 W. Louis Johnson Drive
Maricopa, AZ 85138-5402
(520) 424-9311

ELECTRIC SYSTEM FACILITIES

The District owns and operates 977 miles of 12 kV distribution lines (597 miles of overhead and 380 miles of underground) and 73 miles of 69 kV distribution lines. The District also owns and operates eleven (11) 69 kV to 12 kV substations and the Maricopa Receiving Substation and a site for construction of a future substation at Pinal West.

POWER SUPPLY RESOURCES

The District purchases power from the Arizona Power Authority (Hoover Power), Western Area Power Authority (WAPA - Salt Lake City Area Integrated Projects "SLCA / IP" and Parker Davis Power), and other energy marketing firms such as Sempra, SRP or APS. In addition, the District is a participant in the Hoover Power Resource Exchange Program and a party to an Integrated Resource Scheduling Agreement which permits the District and other similarly situated utilities to integrate and exchange Hoover, SLCA / IP, and Parker Davis power resources.

The District anticipates that current federal resources under contract and continuation of the Integrated Resource Scheduling procedures and Hoover Resource Exchange Program will be sufficient for the District to meet a portion of its monthly power and energy requirements. However, a larger portion of the District's requirements must be met through Supplemental Power Agreements.

Detailed below are the District's current contractual commitments:

1. Hoover A Capacity and Energy (Contingent Resource)
2. Salt Lake City Area Integrated Projects / Colorado River Storage Project (CRSP) Power (Firm Resource with Firming)
3. Parker-Davis Project (Firm Power)
4. Salt River Project (Firm Capacity and Energy)
5. Sempra Summer Only (June – September) Product (Firm Capacity and Energy)
6. Southwest Public Power Resource (SPPR) (Sempra) Firm Capacity and Energy