



*A subsidiary of Pinnacle West Capital Corporation*

**Daniel T. Froetscher**  
General Manager  
Energy Delivery

318 N. Marshall  
Casa Grande, AZ 85222

August 22, 2008

Dear APS Customer,

APS has some important news to share with you about your electric service provider.

On August 11, 2008, APS submitted an application to the Arizona Corporation Commission (ACC) for approval to sell its electric distribution facilities in the area to Electrical District No. 3 (ED-3).

Under the application, which must be approved by the ACC, current APS customers who reside within ED-3's proposed service boundary will be served by ED-3. We take great pride in the service we provide our customers, and we struggle with the idea of seeing 4,000 loyal customers transition to another electric service provider. However, we believe our customers will be best served by the move.

Currently, APS customers in the area are served by APS power lines that are connected with ED-3's electric system. This unique arrangement creates occasional confusion regarding which utility is responsible for repairs, can result in delays in restoring service, increases costs for both utilities, and poses a potential risk to the safety of our employees and the public.

Over the past several years, these operational challenges and tremendous growth in the area have prompted the two companies to find a more effective solution to serving the area. Approval of the application will result in a single electric utility with the responsibility of maintaining critical infrastructure and ensuring reliable service in the area. ED-3 currently serves more than 17,000 customers in the area and has proven to be a capable and reliable service provider.

Customers affected by this change will benefit from operational efficiencies that will appear seamless and may not be immediately evident to you. Benefits the two companies expect to result from the sale include:

- Consolidation of facilities under one company to lessen confusion and delays in service restoration while identifying whose facilities belong to which utility;
- Improved employee and public safety; and
- Cost savings.

We understand this letter may prompt more questions than it answers. To be candid, there are some questions that may not have answers at this point, but we are committed to keeping you informed through the process. We have established a Web site, [www.aps.com/ed3](http://www.aps.com/ed3), which will be updated regularly. Should you have questions about the transition, you can call (520) 421-8455.

In the coming months, we plan on hosting a community open house, the details of which will be mailed to you and posted on the Web site mentioned above. In addition, you can share your thoughts and questions with us via e-mail at [ed3@aps.com](mailto:ed3@aps.com).

In the meantime, if there is anything we can do to assist you during this transition, please let us know. It has been our pleasure to serve you.

Sincerely,

A handwritten signature in black ink, appearing to read "Daniel T. Froetscher". The signature is fluid and cursive, with a long horizontal stroke extending to the right.

Daniel T. Froetscher  
APS General Manager of Energy Delivery