



ARIZONA POWER AUTHORITY

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March 27, 1987

MEMORANDUM

To: Post-1987 Authority Customers
From: L. S. Ormsby, Administrator
Arizona Power Authority
Re: Power Sales Contracts

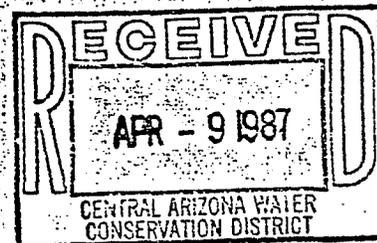
L. S. Ormsby

Enclosed is an executed duplicate original of your Power Sales Contract with the Arizona Power Authority.

Also enclosed, for Hoover Schedule A customers, is a duplicate original Power Purchase Certificate, as required under Arizona Revised Statutes Title 30, Section 151.

If you have any questions relative to these documents, please advise.

Enclosure (s)



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ASSISTANT ADMINISTRATOR

POWER SALES CONTRACT

BETWEEN

ARIZONA POWER AUTHORITY

AND

CENTRAL ARIZONA WATER CONSERVATION DISTRICT

Dated as of September 15, 1986

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ARIZONA POWER AUTHORITY

Power Sales Contract

This Power Sales Contract, entered into as of the fifteenth day of September, 1986, between ARIZONA POWER AUTHORITY, a body corporate and politic of the State of Arizona, (the "Authority") and CENTRAL ARIZONA WATER CONSERVATION DISTRICT (the "Contractor").

W I T N E S S E T H:

WHEREAS, the Authority is a body corporate and politic of the State of Arizona created pursuant to A.R.S. Sections 30-101 et seq. ("Title 30");

WHEREAS, the Authority is authorized by Title 30 to bargain for, take and receive in its own name on behalf of the State of Arizona, electric power developed by the United States of America from the waters of the main stream of the Colorado River which is made available to the State of Arizona in its sovereign capacity;

WHEREAS, the United States of America has been selling Boulder Canyon Project capacity and energy to the Authority pursuant to a contract which terminates on May 31, 1987;

WHEREAS, the Authority, in accordance with contracts which terminate on May 31, 1987 has been selling Boulder Canyon Project capacity and energy to various districts in the State of Arizona in accordance with and in the manner required by Title 30;

WHEREAS, the Hoover Power Plant Act of 1984 (P.L. 98-381, 98 Stat. 1333) has authorized the Department of Interior to increase the capacity (the "Uprating Program") of existing generating equipment of the Boulder Canyon Project and provides for the financing of the cost of the Uprating Program with funds to be advanced by certain non-federal purchasers of Boulder Canyon Project capacity and energy, including the Authority;

WHEREAS, the Authority has entered into a contract with the United States of America, acting through the Bureau of Reclamation of the Department of Interior, under which it has agreed to fund its advance for the Uprating Program as a prepayment of capacity and energy derived from the Uprating Program;

WHEREAS, the Authority has entered into a contract for a thirty year-four month period commencing June 1, 1987 with the United States of America, acting through the Western Area Power Administration of the Department of Energy, which provides for the purchase by the Authority of Arizona's share of Boulder Canyon

Project capacity and energy, including the capacity and energy from the Uprating Program;

WHEREAS, said contract further provides that the Authority is to receive a credit for the funds it has advanced for the purchase of the capacity and energy from the Uprating Program which credit is to be applied against the Authority's cost of purchasing Boulder Canyon Project capacity and energy;

WHEREAS, the Authority is authorized to finance its share of the cost of the Uprating Program through the issuance of bonds or notes of the Authority under A.R.S. Sections 45-2501, et seq. ("Title 45"), which bonds or notes may be secured by a pledge and assignment of the Authority's contracts for Boulder Canyon Project capacity and energy;

WHEREAS, Title 45 provides for the sale by the Authority of its capacity and energy from the Uprating Program to power purchasers within the State of Arizona, including the Contractor, notwithstanding the provisions of Title 30, on such terms and conditions as the Authority deems necessary to effectuate the provisions of Title 45;

WHEREAS, any utility providing electrical service and any district organized to provide electrical service are authorized by Title 45 to enter into contracts with the Authority for the sale and transmission of capacity and energy of the Uprating Program under which such entity is obligated to make payments in amounts which shall be sufficient to enable the Authority to meet all costs allocable to acquiring such capacity and energy including payments of debt service payments on its bonds or notes issued to pay the Authority's share of the cost of the Uprating Program;

WHEREAS, pursuant to Title 30 and Title 45 the Authority has allocated its capacity and energy, other than the hereinafter defined Hoover C Energy, from the Boulder Canyon Project, including the increased capacity and energy from the Uprating Program, for the thirty year-four month period commencing June 1, 1987 in accordance with marketing allocations heretofore determined by the Authority;

WHEREAS, in order to provide for the payment of its cost of purchasing Boulder Canyon Project capacity and energy from the United States of America as well as to provide for the payment of its bonds and notes issued to finance its share of the cost of the Uprating Program, the Authority has determined to enter into power sales contracts with the entities to whom the Authority has allocated Boulder Canyon Project capacity and energy pursuant to Title 30 and Title 45;

WHEREAS, the hereinafter defined Hoover B Power is subject to recapture by the Authority for the benefit of the Central Arizona

Water Conservation District upon the terms and conditions contained herein;

WHEREAS, the power sales contracts providing for the sale of Boulder Canyon Project capacity and energy, the revenues derived from such contracts and the Authority's contracts with the United States of America for such Boulder Canyon Project capacity and energy are to be pledged and assigned by the Authority pursuant to Title 45 as security for the payment of the bonds or notes of the Authority issued or to be issued to finance the purchase of capacity and energy from the Uprating Program;

NOW, THEREFORE, for and in consideration of the mutual covenants and agreements herein contained, it is agreed by and between the parties hereto as follows:

SECTION 1. Definitions

Act shall mean A.R.S. Sections 30-101 et seq., and all laws amendatory thereof or supplemental thereto and A.R.S. Sections 45-2501 et seq. and all laws amendatory thereof or supplemental thereto.

Annex 1 shall mean Annex 1 to this Power Sales Contract which sets forth the allocations, at transmission delivery points, of Hoover A Power and Hoover B Power contained in the Final Hoover Power Marketing Plan adopted by the Authority on June 7, 1985, and if such Hoover Power is required to be reallocated by the Authority for any reason or is recaptured by the Authority pursuant to this Power Sales Contract, as such Annex 1 may be revised by the Authority to reflect such reallocations or such recapture.

Annual Budget shall mean, with respect to a Contract Year, the budget of the Authority prepared by the Authority in accordance with Section 7 hereof for such Contract Year or, in the case of an amended Annual Budget, for the remainder of such Contract Year.

Authority shall mean the Arizona Power Authority, a public body corporate and politic organized and existing under A.R.S. Sections 30-101 et seq., and the successors and assigns to its duties and functions.

Average Monthly Hoover Capacity Entitlement shall mean the aggregate sum of the Hoover Capacity portion of Contractor's Entitlement, as adjusted for transmission losses to the Contractor's Point of Delivery, for each month of the then current Contract Year as estimated by the Authority at the start of such Contract Year and irrespective of the Hoover Capacity actually made available or

delivered to the Contractor for such Contract Year, divided by the number of months in such Contract Year.

Bond Counsel shall mean an attorney or firm of attorneys of recognized standing in the field of law relating to municipal bonds.

Bond Resolution shall mean the Bond Resolution adopted by the Authority on December 6, 1985 providing for the issuance of the Bonds, and all amendments and supplements thereto adopted in accordance with the provisions thereof.

Bonds shall mean the Bonds from time to time issued by the Authority pursuant to the Bond Resolution to pay any part of the Cost of the Project, whether or not any issue of such Bonds shall be subordinated as to payment to any other issue of Bonds, and shall include additional Bonds and refunding Bonds issued in accordance with this Power Sales Contract.

Boulder Canyon Project Agreement shall mean the Agreement between the Authority and Western, authorized by the 1984 Hoover Act, pursuant to which the Authority purchases, among other things, Hoover Power, as the same may be amended or supplemented.

Bureau shall mean the Bureau of Reclamation of the Department of the Interior of the United States of America and the successors and assigns to its duties and functions.

CAWCD shall mean the Central Arizona Water Conservation District, a tax levying public improvement district and a municipal corporation organized and existing under the provisions of A.R.S. Sections 48-3701 et seq.

Capacity shall mean kilowatts (kw) or megawatts (Mw), as the case may be.

Commission shall mean the Commission of the Authority, or if said Commission shall be abolished, the board, body, commission or agency succeeding to the principal functions thereof or to whom the power and duties granted or imposed by the Bond Resolution shall be given by law.

Conservation and Renewable Energy Program shall mean a program developed in accordance with subsection (a) of Section 38 of this Power Sales Contract.

Contract Year shall mean (i) with respect to the first Contract Year, the period from June 1, 1987 to September 30, 1987 and (ii) with respect to each subsequent Contract Year, the period from October 1 of any year through September 30 of the subsequent year or such other period that the Authority designates as a Contract Year.

Contractor shall mean the entity defined as the Contractor in the introductory paragraph of this Power Sales Contract and the successors and assigns to its duties and functions.

Contractor's Entitlement shall mean the Hoover Capacity and Hoover Energy which the Contractor is entitled to receive for the then current Contract Year, without any adjustments for transmission losses, as such amounts of Capacity and Energy may be revised from time to time in accordance with Section 4 and Section 5, respectively, of this Power Sales Contract. Exhibit C sets forth Contractor's Entitlement for the then current Contract Year and Contractor's Entitlement as adjusted for transmission losses calculated as provided in Section 4 and Section 5 of this Power Sales Contract.

Contractors shall mean the parties, including the Contractor, other than the Authority, to Power Sales Contracts.

Cost of the Project shall mean all costs of acquiring and financing the Project which shall include, but shall not be limited to, funds for:

(1) all costs required to be paid by the Authority pursuant to the Uprating Agreement;

(2) the costs incurred by the Authority during the period of construction of the Uprating Program in prepaying for the rights of transmission Capacity which is required to deliver Hoover Power;

(3) interest accruing in whole or in part on Bonds prior to and during construction of the Uprating Program and for such additional period as the Authority may reasonably determine to be necessary;

(4) allowance for working capital requirements of the Project in such amounts as shall be deemed reasonably necessary by the Authority;

(5) the deposit or deposits required to be made under the Bond Resolution from the proceeds of Bonds into any fund or account established pursuant to the Bond Resolution to meet Debt Service reserve requirements for Bonds;

(6) the deposit or deposits required to be made under the Bond Resolution from the proceeds of Bonds into any fund or account established pursuant to the Bond Resolution as a reserve for monthly power purchase payments or as a general or other reserve or into any account established pursuant to the Bond Resolution for working capital;

(7) the costs and expenses, including discounts to the underwriters or other purchasers thereof, if any, incurred in the issuance and sale of the bonds, notes or other evidences of indebtedness from time to time issued, the proceeds of which have been or will be required to be applied to one or more purposes for which Bonds could be issued;

(8) costs of letters of credit, lines of credit, insurance and any other means of providing credit enhancement or credit support in connection with the issuance, sale and marketing of the Bonds;

(9) costs incurred in connection with interest rate exchanges, futures contracts or other similar financing arrangements; and

(10) the payment of principal, premium, if any, and interest when due (whether at the maturity of principal or at the due date of interest or upon redemption or upon purchase) on any notes or other evidences of indebtedness from time to time issued in anticipation of the issuance of Bonds, the proceeds of which have been or will be required to be applied to one or more purposes for which Bonds could be issued.

There shall be applied, as a credit against Cost of the Project, interest earned on investments if and to the extent held or paid into the Construction Fund as required by the Bond Resolution.

Debt Service shall mean, with respect to any period, the aggregate of the amounts required by the Bond Resolution to be paid or deposited during said period into any fund or account created by the Bond Resolution for the sole purpose of paying the principal (including sinking fund installments) of, premium, if any, and interest on all Bonds from time to time outstanding as the same shall become due (whether at the maturity of principal or at the due date of interest or upon redemption or purchase); provided, however, that Debt Service shall not include any amount payable as principal or interest solely by reason of the acceleration of the maturity of the Bonds.

Demand Charge shall mean the Demand Charge set forth in Exhibit B to this Power Sales Contract, as determined pursuant to Section 7 of this Power Sales Contract.

Demand Related Revenue Requirements shall mean all Revenue Requirements determined by the Authority to be Demand Related Revenue Requirements pursuant to Section 7(b) of this Power Sales Contract.

Energy shall mean kilowatt hours (kWh) or gigawatt hours (gWh), as the case may be.

Energy Charge shall mean the Energy Charge set forth in Exhibit B to this Power Sales Contract, as determined pursuant to Section 7 of this Power Sales Contract.

Energy Related Revenue Requirements shall mean all Revenue Requirements determined by the Authority to be Energy Related Revenue Requirements pursuant to Section 7(b) of this Power Sales Contract.

Exhibit C shall mean Exhibit C to this Power Sales Contract which contains the Contractor's Entitlement and Contractor's Entitlement as adjusted for transmission losses calculated as provided in Section 4 and Section 5 of this Power Sales Contract.

1984 Hoover Act shall mean the Hoover Power Plant Act of 1984, Act of August 17, 1984 (P.L. 98-381, 98 Stat. 1333).

Hoover A Capacity shall mean the Capacity portion of Hoover A Power.

Hoover A Energy shall mean the Energy portion of Hoover A Power.

Hoover A Power shall mean the Capacity and associated Energy offered to the Authority pursuant to Section 105(a)(1)(A) of the 1984 Hoover Act and purchased by the Authority pursuant to the Boulder Canyon Project Agreement.

Hoover B Capacity shall mean the Capacity portion of Hoover B Power.

Hoover B Energy shall mean the Energy portion of Hoover B Power.

Hoover B Power shall mean the Capacity and associated Energy offered to the Authority pursuant to Section 105(a)(1)(B) of the 1984 Hoover Act and purchased by the Authority pursuant to the Boulder Canyon Project Agreement.

Hoover C Energy shall mean the Energy offered to the Authority pursuant to Section 105(a)(1)(C) of the 1984 Hoover Act and purchased by the Authority pursuant to the Boulder Canyon Project Agreement.

Hoover Capacity shall mean Hoover A Capacity and Hoover B Capacity.

Hoover Energy shall mean Hoover A Energy and Hoover B Energy.

Hoover Power shall mean Hoover A Power and Hoover B Power.

Loaded Synchronized Generation shall mean the quantity of Synchronized Generation that is supplying Energy.

Point of Delivery shall mean any point or points of delivery on the Parker-Davis Transmission System of the United States of America or the Pinnacle Peak or Liberty Substations points of delivery on the Pacific Northwest-Pacific Southwest Intertie System of the United States of America at which the Authority shall determine to deliver Capacity and Energy to the Contractor as set forth in paragraph 2 of Exhibit A hereto, as such Exhibit may be amended from time to time by written consent of the Authority and the Contractor.

Power Sales Contracts shall mean this Power Sales Contract and the other Power Sales Contracts, dated the date hereof, between the Authority and each of the Contractors, all relating to Hoover Power, as the same may be amended from time to time.

Project shall mean the Authority's right to the Capacity and Energy from the Uprating Program to be financed as a prepayment for Capacity and Energy pursuant to the Uprating Agreement.

Rate Exhibit shall mean Exhibit B attached to this Power Sales Contract, as the same may be revised from time to time as provided by Section 7 of this Power Sales Contract.

Revenue Requirements shall mean all costs and expenses paid or incurred or to be paid or incurred by the Authority in connection with the Project and the acquisition, delivery and transmission of Hoover Power including, without limitation, the following items of cost:

(1) payments of Debt Service and payments which the Authority is required to make into the Debt Service Account in the Debt Service Fund or the Subordinated Indebtedness Fund under the terms of the Bond Resolution to pay Debt Service;

(2) amounts required under the Bond Resolution to be paid or deposited into any fund or account established by the Bond Resolution (other than the Debt Service Account or the Subordinated Indebtedness Fund referred to in clause (1) above), including, but not limited to, any amounts required to be paid or deposited by reason of the transfer of moneys from the Debt Service Reserve Account in the Debt Service Fund to the Debt Service Account in the Debt Service Fund, and any amounts required to be paid into the Monthly Payment Reserve Account;

(3) additional amounts which must be realized by the Authority in order to meet the requirement of any rate covenant with respect to coverage of Debt Service on Bonds contained in the Bond Resolution or which the Authority deems advisable in the marketing of its Bonds;

(4) amounts which the Authority is required to pay pursuant to the Boulder Canyon Project Agreement and the Wheeling Agreement, including, without limitation, and to the extent the same is required to be a Revenue Requirement, the cost of Hoover C Energy to the extent such cost is not otherwise recovered by the Authority from the sale of Hoover C Energy;

(5) working capital requirements and operating reserves required by the Authority in connection with the Boulder Canyon Project Agreement and the Wheeling Agreement;

(6) operating expenses and costs of the Authority (including administrative and general expenses and taxes or payments in lieu thereof) relating to the Project and the acquisition, delivery and transmission of Hoover Power not included in the costs specified in the other items of this definition;

(7) the cost of transmission service for delivery of Hoover Power to the extent not included in clause (4) above;

(8) costs of letters of credit, lines of credit, insurance and any other means of providing credit

enhancement or credit support in connection with the issuance, sale and marketing of the Bonds;

(9) costs incurred in connection with interest rate exchanges, futures contracts or other similar financing arrangements; and

(10) an amount, if needed, not to exceed 0.50 mills for each kilowatt-hour of Hoover Energy sold hereunder to be utilized by the Authority for power development activities provided, however, if any such activities are developed into revenue producing power arrangements then the cost of developing such revenue producing power arrangements and other costs allocable thereto, if any, shall be credited against Revenue Requirements in such amounts and in such Contract Years as shall be determined by the Authority.

Interest earned on amounts on deposit under the Bond Resolution which is allocable to the Project shall be credited against Revenue Requirements to the extent permitted by the Bond Resolution. Amounts, if any, derived by the Authority from the sale of Hoover Energy, over its costs thereof, shall be credited against Revenue Requirements.

Synchronized Generation shall mean the Capacity available from any generating units synchronized to the power system of Western.

Unloaded Synchronized Generation shall mean the difference between scheduled Synchronized Generation and Loaded Synchronized Generation.

Upgrading Agreement shall mean the contract between the Authority and the Bureau pursuant to which the Authority has agreed to advance funds for the Project, as the same may be amended or supplemented.

Upgrading Program shall mean the program authorized by Section 101(a) of the 1984 Hoover Act for increasing the generating Capacity of the original Hoover power plant.

Western shall mean the Western Area Power Administration, an agency of the Department of Energy of the United States of America and the successors and assigns to its duties and functions.

Wheeling Agreement shall mean each and all of the transmission agreements entered into by the Authority for the transmission of Hoover Power hereunder to the Point of Delivery, as the same may be amended and supplemented and any substitution therefor.

SECTION 2. Term

This Contract shall become effective when executed by both parties hereto and the opinion required by Section 33 hereof is delivered to the Authority and shall remain in effect until September 30, 2017 unless terminated in accordance with the provisions of this Power Sales Contract; provided, however, the Authority shall have the right to terminate sales of Hoover A Power on and after June 1, 2007 upon five years' written notice to the Contractor.

SECTION 3. Sale and Purchase of Hoover Capacity and Hoover Energy

(a) The Authority hereby agrees to sell and deliver to the Contractor pursuant to the Act and this Power Sales Contract, commencing on the effective date of recapture of Hoover B Power pursuant to Section 22 of the Power Sales Contracts between the Authority and the Contractors other than CAWCD and extending through the term hereof, Hoover Power at the Point of Delivery in an amount up to Contractor's Entitlement.

(b) The Contractor hereby agrees to take and pay to the Authority for any Hoover Power which is delivered or which is made available for delivery to the Contractor hereunder at its Point of Delivery in each monthly billing period, at the rates and charges set forth in Section 7(f) of this Power Sales Contract, and in accordance with and subject to the provisions of, this Power Sales Contract.

SECTION 4. Hoover Capacity Available to the Contractor

(a) Hoover Energy will be delivered to the Contractor in amounts which the Contractor may from time to time schedule in accordance with Section 5 hereof, subject to the availability of Hoover Capacity, at a rate of delivery up to the Hoover Capacity portion of Contractor's Entitlement; provided, however, such rate of delivery may exceed the Hoover Capacity portion of Contractor's Entitlement where such excess rate of delivery is on an interruptible basis to the extent permitted by, and upon the terms and conditions contained in, the Boulder Canyon Project Agreement. The Hoover Capacity to be made available to the Contractor is based upon the allocation of Hoover Capacity to the Contractor set forth in Annex 1 and will be adjusted for transmission losses calculated in accordance with subsection (d) of this Section 4.

(b) The Hoover B Capacity to be made available to the Authority during the construction of the Uprating Program will be made available in increments. As each increment in Hoover B Capacity becomes available to the Authority pursuant to the Boulder Canyon Project Agreement, the increase will be made available to the Contractors of Hoover B Capacity and will be prorated in proportion to the allocations of Hoover B Capacity to all Contractors as set forth in Annex 1. If any part of the Uprating Program is not completed or if the amount of Hoover B Capacity which results from the Uprating Program is less than the total amount of Hoover B Capacity initially allocated to the Contractors of Hoover B Capacity, the total amount of Hoover B Capacity initially allocated to the Contractors of Hoover B Capacity shall be reduced in proportion to the allocations of Hoover B Capacity to all Contractors of Hoover B Capacity as set forth in Annex 1.

(c) As provided in the Boulder Canyon Project Agreement, increases in Hoover A Capacity and Hoover B Capacity to be made available to the Authority may occur, among other reasons, as a result of the Uprating Program or river operations. In addition, reductions in Hoover A Capacity and Hoover B Capacity respectively, to be made available to the Authority pursuant to the Boulder Canyon Project Agreement, other than those described in the preceding paragraph with respect to Hoover B Capacity, may occur, among other reasons, as a result of forced, scheduled or maintenance outages, river operations or reservoir drawdowns, or as a result of testing of the generators by order of the Secretary of Interior. Any such increase or reduction in Hoover A Capacity will be prorated among the Contractors of Hoover A Capacity in proportion to the allocation of Hoover A Capacity as set forth in Annex 1 and any such increase or reduction in Hoover B Capacity will be prorated among the Contractors of Hoover B Capacity in proportion to the allocation of Hoover B Capacity as set forth in Annex 1.

(d) The Hoover Capacity portion of Contractor's Entitlement will be adjusted for transmission losses calculated by multiplying the aggregate amount of transmission losses charged by Western to the Authority for the delivery of Hoover Capacity pursuant to the Wheeling Agreement by a fraction where the numerator is the Hoover Capacity portion of Contractor's Entitlement and the denominator is the total amount of Hoover Capacity to be made available to the Authority by Western under the Boulder Canyon Project Agreement.

(e) The Authority shall furnish the Contractor a revised Exhibit C which will reflect any increase or decrease in Hoover A Capacity or Hoover B Capacity to be made available to the Contractor as provided in this Section 4 of this Power Sales Contract.

SECTION 5. Monthly Entitlement of Hoover Energy, Scheduling and Synchronized Generation

(a) The amount of Hoover Energy to be made available to the Contractor in each month of the Contract Year shall be as set forth in Exhibit C. Such amount of Hoover Energy is based upon the allocation of Hoover Energy to the Contractor as set forth in Annex 1 and will be adjusted for transmission losses calculated in accordance with subsection (d) of this Section 5. Delivery in any monthly billing period shall not exceed the amount of Hoover Energy to be made available to the Contractor for such month as set forth in said Exhibit C. Any reduction or increase in Hoover A Energy will be prorated among the Contractors of Hoover A Energy in proportion to the allocation of Hoover A Energy as set forth in Annex 1 and any reduction or increase in Hoover B Energy will be prorated among the Contractors of Hoover B Energy in proportion to the allocation of Hoover B Energy as set forth in Annex 1. The Authority shall furnish the Contractor a revised Exhibit C which will reflect any increase or decrease in Hoover A Energy or Hoover B Energy to be made available to the Contractor as provided in this Section 5 of this Power Sales Contract.

(b) The Authority shall advise the Contractor in writing, at least forty-five (45) days prior to the start of the Contract Year, of the amount of Hoover Energy estimated by the Authority to be available for delivery to the Contractor during that Contract Year. This estimate will be based upon Western's determination of Hoover Energy available for delivery to the Authority for such Contract Year. Within thirty (30) days following receipt of such information, the Contractor shall submit in writing a preliminary schedule by months for delivery of the Hoover Energy which preliminary schedule shall be approved, or modified if necessary, by the Authority after consultation with the Contractor. Based upon the approved schedule the Authority shall furnish the Contractor with a final Exhibit C which shall be effective during the Contract Year, unless the annual Hoover power plant generation schedule is revised during such Contract Year. In such event the Authority will consult with the Contractor regarding the necessary revision of the schedule of Hoover Energy set forth in Exhibit C for the remaining months of the Contract Year.

(c) The Contractor may at any time during a Contract Year request that the Authority revise the amount of Hoover Energy the Contractor is scheduled to receive during any month or months of such Contract Year; provided that no such scheduling revision shall decrease the amount of Hoover Energy any other Contractor is scheduled to receive without the consent of such other Contractor. The Authority shall have the right to accept or deny such requests in its sole discretion.

(d) The Hoover Energy portion of Contractor's Entitlement will be adjusted for transmission losses calculated by multiplying the aggregate amount of transmission losses charged by Western to the Authority for the delivery of Hoover Energy pursuant to the Wheeling Agreement by a fraction where the numerator is the Hoover Energy portion of Contractor's Entitlement and the denominator is the total amount of Hoover Energy to be made available to the Authority by Western under the Boulder Canyon Project Agreement.

(e) The Contractor shall have the right to schedule Loaded Synchronized Generation and Unloaded Synchronized Generation, the sum of which shall not exceed the Hoover Capacity portion of Contractor's Entitlement, upon the terms and conditions and subject to the limitations contained in the Boulder Canyon Project Agreement. Synchronized Generation shall be scheduled in advance in accordance with methods and procedures developed by the Authority. The Contractor shall have the right to use previously scheduled Synchronized Generation for regulation, ramping and spinning reserves upon the terms and conditions provided in the Boulder Canyon Project Agreement. The Hoover Energy portion of Contractor's Entitlement shall be reduced during on peak hours for the use of Unloaded Synchronized Generation in the next monthly billing period, or as soon thereafter as possible, to the extent and at the time that Western reduces the Authority's Energy entitlement for such use.

SECTION 6. Transmission of Hoover Power

(a) The Authority will transmit or cause to be transmitted the Hoover Power sold hereunder and deliver or cause the same to be delivered to the Contractor or to Contractor's Hoover Power transmission agent, at the Point of Delivery in accordance with the applicable provisions of the Wheeling Agreement; provided, that the Authority shall have the right to interchange Capacity and Energy otherwise available to the Authority with Hoover Power, insofar as such interchange can be effected without interfering with the delivery of Hoover Power under this Power Sales Contract or increasing the charges to the Contractor under this Power Sales Contract.

(b) The Authority will offer, pursuant to a written agreement or agreements between the Contractor and the Authority, to firm Contractor's Entitlement and under such agreement or agreements the Authority will agree to transmit or cause to be transmitted without charge, so long as such transmission does not result in any increased cost to the Authority or to any other Contractor, any Energy purchased by the Contractor from the Authority or any Energy provided by the Contractor and scheduled by the Authority to firm Contractor's Entitlement and deliver or cause the same to be delivered, as adjusted for transmission losses, to the Contractor or to its Hoover

Power transmission agent, at the Point of Delivery in accordance with applicable provisions of the Wheeling Agreement.

(c) If the Contractor utilizes a transmission agent or makes other arrangements to transmit its Hoover Power from the Point of Delivery to the Contractor, the Contractor agrees that it will not enter into a transmission agreement or other similar arrangement which would result in a violation of the provisions of Section 9(b) of this Power Sales Contract.

(d) Should the Hoover Energy of the Contractor be delivered in conjunction with Energy secured by the Contractor under other contracts, the amounts of Hoover Energy and the rates of delivery thereof shall be determined in accordance with the provisions of written agreements between the parties involved. The agreements may provide for the adoption of delivery schedules to the needs of month-to-month, day-to-day or hour-by-hour operation. Said agreements may also specify the conditions under which inadvertent deliveries, which are greater or less than scheduled deliveries, shall be corrected in later deliveries.

SECTION 7. Annual Budget And Determination of Demand Charge and Energy Charge

(a) The Authority shall prepare, or cause to be prepared, and deliver to each Contractor a proposed Annual Budget at least ninety (90) days prior to the beginning of each Contract Year. The proposed Annual Budget shall itemize for such Contract Year the Authority's estimates of all Revenue Requirements and all revenues and other funds available to the Authority for the payment of such Revenue Requirements as well as the estimated amount of Hoover Power which formed the bases of such estimate of revenues. In preparing the Annual Budget, the Authority, to the extent it incurs costs or expenses that relate to non-Hoover Power functions to be payable from Revenue Requirements, shall delineate such costs and expenses. At any time up to the forty-fifth (45th) day prior to the beginning of the Contract Year, the Contractor may submit any comments with respect to the Annual Budget. After consideration of any comments of the Contractors, the Commission, not less than thirty (30) days prior to the beginning of such Contract Year, shall adopt an Annual Budget for such Contract Year and shall cause copies of such Annual Budget to be delivered to each Contractor. Notwithstanding the foregoing, the Annual Budget for the first Contract Year shall be prepared, considered, adopted and delivered in the manner that the Authority shall deem most practicable under the circumstances.

(b) The Authority shall establish and maintain rates in the Rate Exhibit under this Power Sales Contract and the other Power Sales Contracts which will provide revenues which are sufficient to

meet the estimated Revenue Requirements of the Authority. The demand charges and the energy charges paid by the Authority to Western for Hoover Power under the Boulder Canyon Project Agreement shall be assigned to the Demand Related Revenue Requirements and Energy Related Revenue Requirements, respectively. The balance of the Authority's Revenue Requirements shall be assigned to Demand Related Revenue Requirements and Energy Related Revenue Requirements in the same percentage proportion that Western assigns costs to demand and energy charges in the Boulder Canyon Project Agreement. The Authority shall determine the Demand Charge for each monthly billing period by dividing the estimated Demand Related Revenue Requirements by the product of the number of months in such Contract Year times the total aggregate sum of the Average Monthly Hoover Capacity Entitlement of all the Contractors. The Authority shall determine the Energy Charge by dividing the estimated Energy Related Revenue Requirements by the total aggregate amount of Hoover Energy, as adjusted for transmission losses, estimated by the Authority to be scheduled to be delivered to all Contractors during such Contract Year.

(c) If, at any time after the adoption of the Annual Budget, the Authority estimates that the Revenue Requirements or revenues to be furnished for the Contract Year or any part thereof for which such Annual Budget applies will be greater or less than the Revenue Requirements or revenues set forth in the Annual Budget, then the Authority may prepare an amended Annual Budget and revise the Demand Charge and Energy Charge in the Rate Exhibit in accordance with such amended Annual Budget. The amended Annual Budget shall be adopted by the Commission but with reasonable notice to, and opportunity for comments from, the Contractors and thereafter transmitted to each Contractor and shall supersede the Annual Budget or amended Annual Budget previously provided. The Authority shall also furnish to the Contractor a revised Rate Exhibit, if necessary, to reflect such revised Annual Budget and the effective date of such revised Rate Exhibit which effective date shall not be earlier than the first calendar month following the date of adoption of the revised Annual Budget.

(d) In the event that a budget for the ensuing Contract Year has not been adopted on or before the first day of the Contract Year, the total amount budgeted for the preceding Contract Year shall be the total amount of the temporary budget for such purposes for the ensuing Contract Year. The temporary budget shall be effective only until such time as a permanent budget has been finally adopted and approved by the Commission as provided herein.

(e) The Contractor shall pay the Authority for Hoover Power at the rates and charges set forth in the Rate Exhibit, as the same may be revised from Contract Year to Contract Year and from time to

time within a Contract Year in accordance with the provisions of this Power Sales Contract as a result of an amendment to the Annual Budget.

(f) The Contractor shall pay for Hoover Power in each month the sum of (i) the product of the Demand Charge multiplied by the Contractor's Average Monthly Hoover Capacity Entitlement and (ii) the product of the Energy Charge multiplied by the total aggregate amount of Hoover Energy delivered or made available for delivery at Contractor's Point of Delivery during such month. Hoover Energy actually scheduled for delivery to the Contractor and dispatched shall be deemed delivered pursuant to this Section 7(f).

(g) On or before the 10th day of each month beginning with the second month of the first Contract Year, the Authority shall render to the Contractor a monthly statement showing, in each case with respect to the preceding month, (i) the amount payable by the Contractor in respect of Demand Charges and Energy Charges for such month; (ii) the amount, if any, determined in accordance with this Section 7 to be credited to or paid by the Contractor with respect to any adjustment for actual Demand Related Revenue Requirements and Energy Related Revenue Requirements; and such Contractor shall pay the total of such amounts at the times specified in paragraph (h) of this Section 7.

(h) Monthly payments required to be paid to the Authority pursuant to this Section 7 shall be due and payable to the Authority at the address of the Authority set forth in Section 35 of this Power Sales Contract, on or before the later of (i) the 15th day after the date of such monthly statement or (ii) the 15th day after the date such statement is mailed, as indicated by the postmark date; provided, that, if said 15th day is a Saturday, Sunday or a day on which banks in the State of Arizona are authorized to be closed, the next following day on which banks in the State of Arizona are authorized to be open shall be the day on which such payment shall be due.

(i) If payment in full is not actually received by the Authority on or before the close of business on the due date as provided in paragraph (h) of this Section 7, the Authority shall charge the Contractor an initial late payment charge equal to two percent (2%) of the unpaid amount. Each day after the due date of such payment as provided in paragraph (h) of this Section 7, a charge of five hundredths percent (0.05%) of the principal sum unpaid shall be added until the amount due, including the two percent (2%) initial late payment charge, is paid in full. Payments received will first be applied to the charges for late payment assessed on the principal and then to payment of the principal. Remittances received by mail will be accepted without assessment of such charges if the postmark

indicates that the payment was mailed on or before the due date of such payment as provided in paragraph (h) of this Section 7.

(j) In the event of any dispute as to any portion of any monthly statement, the Contractor shall nevertheless pay the full amount of the disputed charges when due and shall give written notice of the dispute to the Authority by the date such payment is due or within ten days after the Contractor first obtains knowledge of the principal fact on which the dispute is based, whichever is later. Such notice shall identify the disputed bill, state the amount in dispute and set forth a full statement of the grounds on which such dispute is based. No adjustment shall be considered or made for disputed charges unless notice is given as aforesaid. The Authority shall give consideration to such dispute and shall advise the Contractor in writing with regard to its position relative thereto within thirty (30) days following receipt of such written notice. Upon final determination (whether by agreement, arbitration, adjudication or otherwise) of the correct amount, any difference between such correct amount and such full amount, including interest on any overpayment at the average rate of interest borne by amounts of the Authority on deposit in the Debt Service Account in the Debt Service Fund during the period of the overpayment, shall be properly reflected in the statement next submitted to the Contractor after such determination.

(k) Credits required to be made against Revenue Requirements pursuant to the provisions of this Section 7 or as provided in the definition of Revenue Requirements in Section 1 of this Power Sales Contract will be made in the then current Contract Year or the next succeeding Contract Year, as determined by the Authority.

(l) As soon as possible, after the end of each Contract Year, the Authority will submit to the Contractor a detailed statement of the actual aggregate Demand Related Revenue Requirements and Energy Related Revenue Requirements for such Contract Year and any adjustment thereof or credit thereto pursuant to this Section 7, and the Contractor's share of each, and all other amounts, if any, payable by or credited to the Contractor pursuant to this Power Sales Contract for all of the months of such Contract Year, and adjustments of such aggregate Demand Related Revenue Requirements and Energy Related Revenue Requirements, if any, for any prior Contract Year and any adjustment thereof or credit thereto pursuant to this Section 7 allocable to the Contractor, based on such detailed statement. If, on the basis of the statement submitted as provided in this paragraph, the actual aggregate Demand Related Revenue Requirements and Energy Related Revenue Requirements for such Contract Year and any adjustment thereof or credit thereto pursuant to this Section 7 allocable to the Contractor and other amounts payable for such

Contract Year exceed the estimate thereof on the basis of which the Contractor has been billed or are less than the estimate thereof on the basis of which such Contractor has been billed or if the Hoover Capacity and Hoover Energy entitlement is different than that which formed the basis of the Demand Charge and the Energy Charge for such Contract Year, the amount of the deficiency or excess in Demand Related Revenue Requirements or Energy Related Revenue Requirements shall be added or credited, as the case may be, to the Contractor's monthly statement during the current Contract Year in a manner deemed equitable by the Authority. If the Contractor is not entitled to receive any Hoover Power in the next Contract Year, the Authority shall pay to the Contractor any credit due the Contractor and the Contractor shall pay to the Authority any amounts owing the Authority all as determined by such detailed statement of the actual aggregate Demand Related Revenue Requirements and Energy Related Revenue Requirements.

SECTION 8. Nature of Contractor's Obligation

So long as any Hoover Power is delivered or made available for delivery to the Contractor at its Point of Delivery at any time during a monthly billing period, the Contractor shall be required to pay the amounts required to be paid pursuant to Section 7(f) of this Power Sales Contract for such monthly billing period when any Hoover Power is so delivered or made available for delivery. If no Hoover Power is delivered or made available for delivery during any monthly billing period, the Contractor is not required to make any payments pursuant to Section 7(f) of this Power Sales Contract for such monthly billing period. Hoover Energy actually scheduled for delivery to the Contractor and dispatched shall be deemed delivered pursuant to this Section 8.

SECTION 9. Covenants of the Contractor

(a) The Contractor agrees to maintain rates, fees and charges for the sale or use of the Hoover Power purchased hereunder, as allowed by the appropriate regulatory authority, if any, which, together with other available funds, shall provide to the Contractor revenues sufficient to meet its obligations to the Authority under this Power Sales Contract and the obligations of the Contractor, if any, which are equal to or superior to its obligations under this Power Sales Contract. Nothing herein shall be deemed to require the Contractor to satisfy its obligations under this Power Sales Contract from any source which would result in a violation of any statutory or constitutional provisions including, if applicable, payments from ad valorem or property taxes in violation of law.

(b) The Contractor shall not sell, transfer, exchange or otherwise dispose of any of the Hoover Power made available to the

Contractor hereunder other than for resale to its customers in Contractor's service area or its own use, unless such sale, transfer, exchange or other disposition is specifically approved by the Authority which approval shall be in the sole discretion of the Authority; provided nothing herein shall be deemed to prevent banking, pooling or other similar exchange arrangements which will allow the Contractor to ultimately utilize Hoover Power.

(c) The Contractor shall not sell or otherwise dispose of all or substantially all of its business or utilities operations from which it derives revenues to satisfy its obligations to the Authority under this Power Sales Contract except on 90 days' prior written notice to the Authority and, in any event, shall not so sell or otherwise dispose of the same unless all of the following conditions are met: (i) the Contractor shall assign this Power Sales Contract and its rights and interest hereunder to the purchaser of its business or utilities operations and such purchaser shall assume all obligations of the Contractor under this Power Sales Contract; (ii) if and to the extent necessary to reflect such assignment and assumption, the Authority and such purchaser shall enter into an agreement supplemental to this Power Sales Contract to clarify the terms on which Hoover Power is to be sold hereunder by the Authority to such purchaser; (iii) the Authority shall by resolution determine (which determination shall not be unreasonably withheld) that such sale or other disposition will not adversely affect the value of this Power Sales Contract as security for the payment of Bonds and; (iv) the Authority receives an opinion of Bond Counsel that such sale or other disposition will not adversely affect the exemption of interest on Bonds from federal income taxation. For the purposes of this Section 9(c), sale or other disposition of substantially all of its business operations shall mean a sale or other disposition by the Contractor which adversely affects Contractor's ability to continue to make its payments under this Power Sales Contract.

(d) On and after the date of this Power Sales Contract, the Contractor shall not, without written consent of the Authority, lease all or substantially all of its business or utility operations from which it derives revenues to satisfy its obligations under this Power Sales Contract. The Authority will give its written consent to such lease upon being furnished with an opinion of Bond Counsel to the effect that such lease will not adversely affect the exemption of the Bonds from federal income taxation.

(e) The Contractor agrees, that it shall, in accordance with normal accepted utility practice, operate its utility system or the properties of its business operations from which it derives revenues to satisfy its obligations to the Authority under this Power Sales Contract.

(f) The Contractor shall provide or cause to be provided spinning reserve requirements for its load; provided that such reserves meet or exceed the minimum reserve criteria established by the Western Systems Coordinating Council or a successor organization.

(g) The Contractor may be required by the Authority to schedule a minimum rate of delivery of Hoover Energy during the off-peak hours in order to allow the Bureau to comply with required minimum water releases and for Western to fulfill firm Energy purchase obligations. The amount of Hoover Energy to be scheduled by the Contractor with respect to such minimum water releases shall be the product of the overall minimum rate of delivery of Hoover Energy required for minimum water releases imposed upon the Authority by Western multiplied by a fraction where the numerator is the Hoover Energy portion of Contractor's Entitlement during such monthly billing period and the denominator is the aggregate amount of Hoover Energy to be made available for sale by the Authority to all Contractors during such monthly billing period. The amount of Hoover Energy to be scheduled at such minimum rate of delivery in connection with Western's purchases of firming Energy shall be the product of the overall minimum rate of delivery for all such firming Energy imposed upon the Authority by Western multiplied by a fraction where the numerator is the amount of firming Energy purchased by the Authority from Western for the Contractor and the denominator is the aggregate amount of firming Energy purchased by the Authority from Western for all the Contractors. If the amount of Hoover Energy and Hoover C Energy scheduled by the other Contractors for delivery during off-peak hours meets or exceeds the minimum rate of delivery imposed upon the Authority, the Contractor may be permitted, at the sole discretion of the Authority, to reduce the amount of Hoover Energy required to be scheduled by the Contractor for delivery during off-peak hours pursuant to this subsection (g).

(h) The Contractor shall, if applicable, construct, operate, and maintain its power system in a manner which, as determined by the Authority upon written advice of Western, will not interfere with the operation of the system of Western or its transmission agents over which electric services are furnished to the Contractor under this Power Sales Contract, and in a manner which will coordinate with the protective relaying and other protective arrangements of the system(s) of Western or Western's transmission agents.

SECTION 10. Metering

(a) The Authority, at its own expense, shall furnish, own, install and maintain or cause to be furnished, installed and maintained the necessary metering equipment, if required, at each Point of Delivery to measure and record Hoover Power at such Point of

Delivery. Such records shall be available at all reasonable times to authorized agents of the Contractor.

(b) The Authority shall test and calibrate meters or cause meters to be tested and calibrated by comparison with accurate standards at intervals of not more than twelve months. The Authority shall also make or cause to be made special meter tests at any time at the Contractor's request. The cost of all tests shall be borne by the Authority except that if any special meter test made at the Contractor's request shall disclose that the meters are recording accurately, the Contractor shall reimburse the Authority for the cost of such test. Meters registering not more than two percent (2%) above or below normal shall be deemed to be accurate. The readings for any meter which shall have been disclosed by test to be inaccurate shall be corrected in accordance with the percentage of inaccuracy found by such test from the beginning of the billing period immediately preceding the billing period in which the meter test was made. The Authority shall notify the Contractor or cause the Contractor to be notified of any meter test so that the Contractor's representative may be present at such test.

SECTION 11. Right of Access

Duly authorized representatives of the Authority and Contractor shall be permitted to enter the other's premises at all reasonable times in order to carry out the provisions of this Power Sales Contract.

SECTION 12. Licenses and Property Rights

(a) The Authority, upon request from time to time by the Contractor and subject to mutual agreement of the parties, will grant to the Contractor a license or licenses to construct, install, operate, maintain, replace, or repair, either or all, upon property of the Authority such facilities as, in the opinion of the Authority, are necessary or desirable for the purposes of this Power Sales Contract. Said license or licenses shall be in form and of legal sufficiency acceptable to the Contractor and shall remain in effect during the term of this Power Sales Contract and shall expire coincidentally therewith, unless otherwise specified in such license or licenses. Any facilities to be installed by the Contractor pursuant to said license or licenses shall be and remain the property of the Contractor, notwithstanding that the same may have been affixed to the premises, and the Contractor shall have a reasonable time after the expiration of said license or licenses in which to remove its facilities so installed.

(b) The Contractor, upon request from time to time by the Authority and subject to mutual agreement of the parties, will grant

to the Authority a license or licenses to construct, install, operate, maintain, replace, or repair, either or all, upon the property of the Contractor such facilities as, in the opinion of the Contractor, are necessary or desirable for the purposes of this Power Sales Contract. Said license or licenses shall be in form and of legal sufficiency acceptable to the Authority and shall remain in effect during the term of this Power Sales Contract and shall expire coincidentally therewith, unless otherwise specified in such license or licenses. Any facilities so installed by the Authority pursuant to said license or licenses shall be and remain the property of the Authority, notwithstanding that the same may have been affixed to the premises, and the Authority shall have a reasonable time after the expiration of said license or licenses in which to remove its facilities so installed.

(c) All lines, substations and other electrical facilities (except metering equipment installed by the Authority and/or the United States of America) located on the Contractor's side of the Point of Delivery shall be furnished, installed and maintained or caused to be furnished, installed or maintained by the Contractor unless otherwise provided by agreement between the parties or unless maintained by third parties.

(d) All meters and other facilities furnished by the Authority and/or the United States of America shall be and remain the property of the respective owner and the right to remove, replace or repair such meters and other facilities is expressly reserved. The Contractor shall exercise due care to protect such property on the Contractor's premises and in the event of loss or damage to such property caused by Contractor's negligence, the Contractor shall be liable for any damage to said property; similarly, the Authority shall exercise due care to protect the Contractor's property on the Authority's premises and in the event of loss or damage to the Contractor's property caused by Authority's negligence, the Authority shall be liable for any damage to Contractor's property.

SECTION 13. Mutual Standby Capacity and Energy

Whenever the Authority loses the use of generating Capacity at any of the power plants from which it has arrangements to supply Capacity and Energy by reason of (1) an uncontrollable force as hereinafter defined, or (2) shut-down for maintenance, repairs, replacements, installation of equipment or investigation and inspection and the Contractor has available excess generating Capacity at any of its power plants which can be made available to the Authority as conclusively determined by the Contractor, then the Contractor will furnish standby Capacity and Energy to the Authority to offset such loss of generating Capacity to the extent of the Contractor's ability so to do, as conclusively determined by the Contractor. Whenever the

Contractor loses generating Capacity connected to the transmission system in Arizona at which its Point of Delivery is located by reason of (1) an uncontrollable force as hereinafter defined, or (2) shut-down for maintenance, repairs, replacements, installation of equipment or investigation and inspection, and the Authority has available excess generating Capacity at any of its sources of supply which can be made available to the Contractor as conclusively determined by the Authority, then the Authority will furnish standby Capacity and Energy to the Contractor to offset such loss of generating Capacity to the extent of the ability of the Authority so to do, as conclusively determined by the Authority. The rights to mutual standby Capacity and Energy herein granted shall be non-exclusive, and, except as otherwise provided in this Section 13, no charge shall be made by either party for such standby service; however, any Energy delivered in connection with such standby service shall be subsequently returned kilowatt-hour for kilowatt-hour and the party receiving such returned kilowatt-hours shall have the option of requiring that such kilowatt-hours be returned during hours and days when load and resource conditions are similar to those existing at the time the kilowatt-hours were originally delivered. At the option of the supplying party and in lieu of the return of Energy pursuant to the preceding sentence, the receiving party shall pay the supplying party one hundred fifteen percent (115%) of the supplying party's cost incurred in supplying such standby service, including, without limitation, any costs associated with starting up units to provide such service.

SECTION 14. Uncontrollable Force

Neither the Authority nor the Contractor shall be considered to be in default in respect to any obligation hereunder (other than the obligation of the Contractor to pay for the Hoover Power during any monthly billing period as provided in Section 7(f) of this Power Sales Contract) if prevented from fulfilling such obligations by reason of an uncontrollable force, the term uncontrollable force being deemed for the purposes of this Power Sales Contract to mean any cause beyond the control of the party affected, including, but not limited to, failure of facilities, flood, earthquake, storm, lightning, fire, epidemic, pestilence, war, riot, civil disturbance, labor disturbance, sabotage, and restraint by court or public authority, which by due diligence and foresight such party could not reasonably have been expected to avoid. Either party rendered unable to fulfill any obligation by reason of an uncontrollable force shall exercise due diligence to remove such inability with all reasonable dispatch.

SECTION 15. Reactive Power

The Contractor shall meet its own reactive power requirements in accordance with paragraph 3 of Exhibit A hereto.

SECTION 16. Cooperation

If it becomes necessary by reason of any emergency or extraordinary condition for either the Authority or the Contractor to request the other party to furnish personnel, materials, tools, or equipment for the accomplishment of its obligations hereunder, the party so requested shall cooperate with the requesting party and render such assistance as the party so requested may determine to be available. The party making such request, upon receipt of properly itemized bills from the other party, shall promptly reimburse the other party for all costs properly and reasonably incurred by it in providing such assistance. Such costs shall include an amount for administrative and general expenses and such costs are to be determined on the basis of current charges or rates used in its own operations by the party rendering the assistance.

SECTION 17. Construction, Operation and Maintenance Standards

The Contractor shall, if applicable, own, install and maintain or cause to be installed or maintained electrical protective relaying equipment at each point of interconnection with the transmission facilities available to the Authority in accordance with the Wheeling Agreement. The design and operating characteristics of such equipment shall be coordinated with the Authority and subject to the Authority's approval, which approval shall not be unreasonably withheld; provided, that if the Contractor has a contract with Western that contains terms substantially similar to this Section 17 then the Contractor shall only be required to coordinate and seek the approval of Western for such equipment without coordinating or seeking the approval of the Authority therefor.

SECTION 18. Assignment of Power Sales Contract

(a) This Contract shall inure to the benefit of and shall be binding upon the respective successors and assigns of the parties to this Power Sales Contract; provided, however, that, except for the assignment by the Authority authorized by clause (b) of this Section 18 and except for any assignment in connection with the sale, lease or other disposition of all or substantially all of the Contractor's business or utilities operations as provided in Section 9(c) or 9(d) hereof, neither this Power Sales Contract nor any interest herein shall be transferred or assigned by either party hereto except with the consent in writing of the other party hereto, which consent shall

not be unreasonably withheld. No assignment or transfer of this Power Sales Contract shall relieve the parties of any obligation hereunder.

(b) The Contractor acknowledges and agrees that the Authority may assign and pledge to any trustee or similar fiduciary designated in the Bond Resolution all of, or any interest in, its right, title, and interest in and to all payments to be made to the Authority under the provisions of this Power Sales Contract as security for the payment of the principal (including sinking fund installments) of, premium, if any, and interest on any Bonds and may deliver possession of this Power Sales Contract to such trustee in connection therewith, and, upon such assignment, pledge and delivery, the Authority may grant to such trustee any rights and remedies herein provided to the Authority and thereupon any reference herein to the Authority shall be deemed, with the necessary changes in detail, to include such trustee which shall be a third party beneficiary of the covenants and agreements of the Contractor herein contained.

SECTION 19. Records and Accounts

(a) The Authority agrees to maintain accurate records and supporting documentation relating to the Project, Hoover Power, Revenue Requirements, Demand Related Revenue Requirements and Energy Related Revenue Requirements, separate and distinct from its other records and accounts. Such records and supporting documentation shall be retained for at least three years after the close of the Contract Year. Upon written request and reasonable notice, the Authority agrees to provide to the Contractor's auditors or audit representative such records and supporting documentation for its review and inspection. Any exceptions noted in this review will be forwarded to the Authority for its review and response. The Authority agrees to respond within 30 days of receipt and any agreed exception will be adjusted to the period such exception first occurred.

(b) The Authority agrees to obtain any records and supporting documentation from third parties if such information is needed to support rates used in billing the Contractor for Hoover Power purchased by the Contractor pursuant to this Power Sales Contract. The Authority agrees to use its best efforts to obtain such information within sixty (60) days after the request therefor.

(c) The Contractor agrees to maintain accurate records and supporting documentation relating to the conduct of its business or utility operations which provide the source of payment of the Contractor's obligations under this Power Sales Contract and upon written request and reasonable notice agrees to permit the

Authority's auditors or audit representative to inspect such records or documentation. Such records and documentation will be maintained for at least three years after the close of the Contractor's fiscal year.

(d) The Contractor agrees to supply to the Authority upon request a copy, if any, of the annual audit of the Contractor certified by a firm of certified public accountants.

SECTION 20. Information

The Authority and the Contractor will promptly furnish to each other such information as may be reasonably requested from time to time in order to carry out more effectively the intent and purpose of this Power Sales Contract including such information, legal opinions and certificates which the Authority, the Authority's senior managing underwriter or the Authority's financial advisor deem necessary in connection with the issuance of the Bonds. Any legal opinion delivered in substantially the form required by Section 33 of this Power Sales Contract by the Authority or the Contractor, as the case may be, shall be deemed in compliance with this Section 20.

SECTION 21. Bonds

(a) The Authority agrees to use its best efforts to issue Bonds at such times and in such amounts as the Authority shall deem necessary or advantageous, to be used together with any other funds made available to the Authority therefor, to pay all or any part of the Cost of the Project.

(b) Additional Bonds may be sold and issued by the Authority in accordance with the provisions of the Bond Resolution at any time and from time to time in such amounts as the Authority shall deem necessary and advantageous in the event, for any reason, the proceeds derived from the sale of Bonds prior to such time shall be insufficient for the purpose of paying the Cost of the Project.

(c) Any such additional Bonds shall be secured by the pledge made pursuant to the provisions of Section 18(b) of this Power Sales Contract of the payments required to be made by the Contractor under this Power Sales Contract, as such payments may be increased and extended by reason of the issuance of such additional Bonds. Any such additional Bonds issued in accordance with the provisions of this Section 21 and secured by the pledge of such payments may rank equally as to the security afforded by the provisions of this Power Sales Contract with all Bonds theretofore issued pursuant to and secured in accordance with the provisions of the Bond Resolution.

(d) In the event the Authority deems it advantageous to refund any Bonds outstanding, then the Authority may issue and sell refunding Bonds in accordance with the Bond Resolution to be secured by the pledge of the payments required to be made by the Contractor under this Power Sales Contract. Any such refunding Bonds issued in accordance with the provisions of this Section 21 and secured by the pledge of such payments may rank equally as to the security afforded by the provisions of this Power Sales Contract with all Bonds theretofore issued pursuant to and secured in accordance with the provisions of this Power Sales Contract.

SECTION 22. Hoover B Power Recapture

(a) The Authority shall recapture Hoover B Power for the benefit of CAWCD as provided in subsections (a) through (d), inclusive, of Section 22 of the Power Sales Contracts between the Authority and the Contractors other than CAWCD upon the terms and conditions of paragraph 5 of the Summary contained in the Final Hoover Power Marketing Plan adopted by the Authority on June 7, 1985 which terms and conditions are incorporated in this Power Sales Contract by reference in their entirety.

(b) After the recapture by the Authority of Hoover B Power for the benefit of CAWCD pursuant to the provisions of this Section 22, the Authority will sell certain designated amounts of Hoover B Power relinquished to the Authority by CAWCD pursuant to Section 30 of this Power Sales Contract.

SECTION 23. Default by the Contractor

The following shall constitute a default under this Power Sales Contract:

(a) Failure of the Contractor to make to the Authority when due any of the payments for which provision is made in this Power Sales Contract.

(b) Failure of the Contractor to perform any other obligation under this Power Sales Contract for a period of sixty (60) days following written notice from the Authority to the Contractor of such failure; provided, however, the Contractor shall not be deemed in default under this subsection (b) if the Contractor, after receipt of such notice, is proceeding with reasonable diligence to cure such failure.

SECTION 24. Remedies of the Authority

In the event of any default referred to in Section 23 of this Power Sales Contract, the Authority shall have, in addition to any other rights or remedies it may have under law, the following rights and remedies:

(a) the Authority may bring any suit, action, or proceedings in law or in equity, including any special action for specific performance, as may be necessary and appropriate in the sole discretion of the Authority to enforce against the Contractor any covenant, agreement or obligation for which provision is made in this Power Sales Contract;

(b) the Authority may, at any time upon fifteen (15) days written notice to the Contractor, cease and discontinue delivering or making available for delivery Hoover Power to the Contractor so long as such default shall continue; provided, however, that any such cessation and discontinuance shall not relieve the Contractor of any obligation under this Power Sales Contract, including the obligation to pay amounts due on and prior to the date of such cessation and discontinuance and provided further that if the Authority has not terminated this Power Sales Contract pursuant to subsection (c) below and if the Contractor pays all amounts due hereunder, including all late payments, and/or performs all other obligations to be performed under this Power Sales Contract then the Authority shall reinstate delivery of Hoover Power to the Contractor; and

(c) whether or not the Authority shall have ceased and discontinued delivering or making available for delivery Hoover Power pursuant to clause (b) above, if an event of default described in Section 23 shall continue for sixty (60) days, the Authority may at any time thereafter while such default shall be continuing, upon written notice to the Contractor, terminate this Power Sales Contract; provided, however, that any such termination shall not relieve the Contractor of the obligation to pay any amounts required to be paid under this Power Sales Contract with respect to any amounts due on and prior to such date of such termination or the date the delivery of Hoover Power was discontinued pursuant to subsection (b) above if such date of discontinuance was earlier than the date of termination.

SECTION 25. Reallocation of Defaulting Contractor's Hoover Entitlement Following Default

In the event of a default by the Contractor and termination of this Power Sales Contract pursuant to Section 24, the Authority shall reallocate such defaulting Contractor's Entitlement as the Authority shall determine and; provided, further, Hoover B Power will

only be reallocated in a manner which will not affect exemption from interest on the Bonds from federal income taxation.

SECTION 26. Default by the Authority

In the event of any default by the Authority under any covenant, agreement or obligation of this Power Sales Contract, the Contractor's remedy for such default shall be limited to injunction, special action, action for specific performance or any other available equitable remedy designed to enforce any covenant, obligation or agreement of the Authority hereunder as may be necessary or appropriate.

SECTION 27. Abandonment of Remedy

In case any proceeding taken on account of any default shall have been discontinued or abandoned for any reason, the parties to such proceeding shall, unless such parties agree otherwise, be restored to their former positions and rights hereunder, respectively, and all rights, remedies, powers and duties of the Authority and the Contractor shall continue as though no such proceeding had been taken.

SECTION 28. Waivers

Any waiver at any time by either the Authority or the Contractor of its rights with respect to any default of the other party hereto, or with respect to any other matter arising in connection with this Power Sales Contract, shall not constitute a waiver with respect to any subsequent default, right or matter.

SECTION 29. Recaptured, Relinquished or Tendered Hoover Power

(a) If for any reason all or a portion of Contractor's Entitlement has exceeded for a period of three (3) consecutive Contract Years the electric load of the Contractor, the Authority may recapture, in accordance with this Section 29(a), all or a portion of Contractor's Entitlement. The Authority shall give the Contractor at least thirty (30) days notice of a hearing relating to a determination to effect recapture pursuant to this Section 29(a). At such hearing, the Authority shall determine if the Contractor's Entitlement can be reasonably expected to exceed in whole or in part the Contractor's load in the future. Any portion of Contractor's Entitlement, or all of Contractor's Entitlement, as the case may be, the Authority determines to be excess pursuant to the preceding sentence shall be recaptured by the Authority. Any such recapture shall be effective sixty (60) days following written notice to the Contractor of the Authority's determination to recapture. Any such

recapture of Hoover Power shall result in a reduction of the Contractor's Entitlement to the extent of the recapture.

(b) The Contractor may tender or relinquish to the Authority for resale by the Authority, Hoover Power to be made available to the Contractor and not needed by the Contractor. Hoover Power so relinquished or tendered to the Authority shall be returned to the Contractor within sixty (60) days following written notice by the Contractor to the Authority if required to meet the loads of the Contractor. The Authority will use its best efforts to sell such Hoover Power and the net proceeds of the sale thereof shall be applied to satisfy the Contractor's payment obligations hereunder. No tender or relinquishment of such Hoover Power shall relieve the Contractor of its obligations under this Power Sales Contract or, subject to the next succeeding sentence, be deemed a recapture by the Authority pursuant to Section 29(a) of this Power Sales Contract unless such tender or relinquishment shall be for the remaining term of this Power Sales Contract and the Authority shall have sold all or a portion of the Hoover Capacity and Energy to be made available to the Contractor for the remaining term of this Power Sales Contract. The Authority retains the option to recapture pursuant to Section 29(a) a tender or relinquishment pursuant to this Section 29(b) which exceeds three (3) consecutive Contract Years.

SECTION 30. Hoover B Power Relinquished by CAWCD

(a) After recapture of Hoover B Power by the Authority pursuant to Section 22 of this Power Sales Contract, CAWCD will relinquish to the Authority in all Water Years (as hereinafter defined), other than a Surplus Water Year (as hereinafter defined) which immediately follows a non-Surplus Water Year, the amounts of Hoover B Capacity and Hoover B Energy such that the total amount available (at the transmission delivery points assumed in Annex 1) shall be 25.38 Mw and 28.620 gWh, respectively.

(b) If in any Water Year the amount of Hoover B Capacity available to CAWCD as a result of recapture by the Authority is less than 180.77 Mw (determined at said transmission delivery points assumed in Annex 1) or the amount of Hoover B Energy available to CAWCD as a result of recapture by the Authority is less than 203.846 gWh (determined at said transmission delivery points assumed in Annex 1), then the amount of Hoover B Capacity and Hoover B Energy which CAWCD may be required to relinquish to the Authority in such Water Year shall not exceed, in the case of Hoover B Capacity, the amount obtained by multiplying 25.38 Mw by a fraction the numerator of which is the amount of Hoover B Capacity available to CAWCD in such Water Year and the denominator of which is 180.77 Mw, and in the case of Hoover B Energy, the amount obtained by multiplying 28.620 gWh by a fraction the numerator of which is the amount of Hoover B Energy

available to CAWCD in such Water Year and the denominator of which is 203.846 gWh.

(c) CAWCD will notify the Authority no later than August 1st of each year if the following Water Year will be a Surplus Water Year, and the Authority shall accordingly promptly notify the Contractor. A Water Year shall mean the period from October 1 of each year to September 30 of the subsequent year. A Surplus Water Year shall mean a Water Year for which the Bureau has notified CAWCD that CAWCD may withdraw from the Colorado River two million or more acre feet of water.

(d) Notwithstanding Section 22 of this Power Sales Contract, Hoover B Power relinquished by CAWCD pursuant to this Section 30 shall be offered first to the cities, districts and other entities that meet all of the following eligibility requirements ("Eligible Entities"):

- (i) which were Contractors of Hoover B Power as of the date of this Power Sales Contract;
- (ii) the geographic area of which contained, as of February 10, 1983, no persons or entities which were named in the Record of Decision by the Secretary of the Interior of February 10, 1983, to receive a water allocation from the Central Arizona Project; and
- (iii) which had no Hoover capacity and energy contract in effect on June 6, 1985.

(e) Such Hoover B Power so relinquished by CAWCD shall be offered to the Eligible Entities pro rata in proportion to the amount of Hoover B Power recaptured from them pursuant to Section 22 of this Power Sales Contract. Hoover B Power not contracted for by an Eligible Entity shall be offered to the remaining Eligible Entities; provided that no such Eligible Entity will be offered more Hoover B Power under the provisions of this Section 30 than was recaptured from it pursuant to Section 22 of this Power Sales Contract. Any amounts of Hoover B Power relinquished by CAWCD in excess of the amount distributed to the Eligible Entities shall be offered to the remaining Hoover B Power Contractors pro rata in proportion to the amounts of Hoover B Power recaptured from them pursuant to Section 22 of this Power Sales Contract; provided that no such Contractor will be offered more Hoover B Power under the provisions of this Section 30 than was recaptured from it pursuant to Section 22 of this Power Sales Contract. Any remaining relinquished Hoover B Power not contracted for will be returned to CAWCD.

(f) The rates and charges per unit of Hoover B Power paid to the Authority by any Eligible Entity or by any other Hoover B Power Contractor for Hoover B Power relinquished by CAWCD shall be the same rates and charges per unit of Hoover B Power that would have been required to be paid by CAWCD for such Hoover B Power, as established by the Authority.

(g) The provisions of this Section 30 shall not relieve the Contractor from any obligation under the other provisions of this Power Sales Contract. CAWCD shall remain liable for the performance of all of the terms and conditions of CAWCD's Power Sales Contract with the Authority, including, without limitation, the liability and responsibility for payment of all of the Authority's rates and charges associated with Hoover B Power recaptured by the Authority for the benefit of CAWCD.

SECTION 31. Effects of Recapture or Reduced Allocation of Hoover Power

(a) Except as provided in subsection (b) of Section 29 of this Power Sales Contract and subject to the rights of the Contractor to purchase, and its obligation to pay for, any Hoover B Power pursuant to Section 30 of this Power Sales Contract or to purchase and pay for any recaptured, tendered or relinquished Hoover Power pursuant to this Power Sales Contract, in the event that the Contractor's allocation of Hoover Power is recaptured or forfeited in whole or in part or is reduced in part or reduced to zero pursuant to the provisions of this Power Sales Contract, the rights and obligations of the Contractor under this Power Sales Contract, including, but not limited to, its right to receive Hoover Power and its obligation to pay for Hoover Power, shall be reduced in proportion to such recapture, forfeiture or reduction, as the case may be.

(b) If Contractor's allocation of Hoover Power is recaptured in whole or reduced to zero, this Power Sales Contract shall not terminate; provided, however, subject to Section 24 of this Power Sales Contract, the Contractor shall have the right, upon written notice to the Authority, to terminate this Power Sales Contract and upon such termination the Contractor shall no longer have any rights or obligations under this Power Sales Contract, including, but not limited to, the right to any Hoover B Power relinquished by CAWCD to the Authority pursuant to Section 30 of this Power Sales Contract.

(c) All receipts by the Authority from the sale of Hoover B Power relinquished by CAWCD pursuant to Section 30 of this Power Sales Contract shall be credited against CAWCD obligations to the Authority under CAWCD's Power Sales Contract with the Authority.

(d) CAWCD shall remain liable for the performance of all the terms and conditions of CAWCD's Power Sales Contract, including, without limitation, the liability and responsibility for payment of the Authority's rates and charges associated with Hoover B Power recaptured by the Authority for the benefit of CAWCD in the event of any failure by any Eligible Entity or any other Hoover B Power Contractor to pay all applicable rates and charges for Hoover B Power relinquished by CAWCD and acquired by such Eligible Entity or other Hoover B Power Contractor pursuant to the provisions of Section 30 of this Power Sales Contract.

SECTION 32. Power Purchase Certificate

(a) If the Contractor purchases Hoover A Power under this Power Sales Contract, the Authority shall not be required to sell any Hoover A Power to the Contractor until the Contractor has obtained from the Authority a power purchase certificate pursuant to Article 3, Title 30 of the Arizona Revised Statutes.

(b) If the Contractor purchases Hoover A Power under this Power Sales Contract, the Contractor covenants to apply to the Authority for such Power Purchase Certificate with all reasonable dispatch upon execution and delivery of this Power Sales Contract.

SECTION 33. Opinion as to Validity

Upon the execution and delivery of this Power Sales Contract, the Contractor shall furnish the Authority with an opinion by an attorney or firm of attorneys to the effect that (bracketed language indicates provisions which will vary among Contractors):

(a) The Contractor is a [municipal] corporation [or organization] duly created and validly existing pursuant to the Constitution and statutes of the State of Arizona [or a federally recognized Indian tribe located within the State of Arizona].

(b) The Contractor has full legal right and authority to enter into this Power Sales Contract and to carry out its obligations hereunder.

(c) The resolution, authorizing or causing the execution and delivery of the Contract has been duly and lawfully adopted at a meeting duly called and held at which a quorum was present and acting throughout and such meeting was called pursuant to [necessary public notice] [its by-laws].

(d) The governing body of the Contractor duly approved this Power Sales Contract and its execution and delivery on behalf of the Contractor or otherwise provided for its approval and execution; this

Power Sales Contract has been duly authorized, executed and delivered by the Contractor; and, assuming that the Authority has all the requisite power and authority to execute and deliver, and has duly authorized, executed and delivered, this Power Sales Contract, this Power Sales Contract constitutes the legal, valid and binding obligation of the Contractor in accordance with its terms subject, however, to the effect of, and to restrictions and limitations imposed by or resulting from, bankruptcy, insolvency, moratorium, reorganization or other similar laws affecting creditors' rights generally. No opinion need be rendered as to the availability of any particular remedy.

(e) The execution and delivery of this Power Sales Contract by the Contractor, the performance by the Contractor of its obligations hereunder and the consummation of the transactions contemplated herein do not and will not contravene any existing law or any existing order, injunction, judgment, decree, rule or regulation of any court or administrative agency having jurisdiction over the Contractor or its property or result in a breach or violation of any of the terms and provisions of, or constitute a default under, any existing bond resolution, indenture, mortgage, deed of trust or other agreement to which the Contractor is a party or by which it or its property is bound.

(f) [Other than the issuance of a power purchase certificate by the Authority or approval of transmission arrangements by the Authority] all approvals, consents or authorizations of, or registrations or filings with, any governmental or public agency, authority or person required on the part of the Contractor in connection with the execution, delivery and performance of this Power Sales Contract have been obtained or made.

(g) To the knowledge of such attorney or firm of attorneys after due inquiry, there is no litigation or other proceedings pending or threatened in any court or other tribunal of competent jurisdiction (either State or Federal) questioning the creation, organization or existence of the Contractor or the validity, legality or enforceability of this Power Sales Contract.

SECTION 34. Relationship to and Compliance with Other Instruments

(a) It is recognized by the parties hereto that, in undertaking, or causing to be undertaken, the financing of the Project, the Authority must comply with the requirements of the Bond Resolution, the Boulder Canyon Project Agreement, the Wheeling Agreement and the Uprating Agreement, and it is therefore agreed that this Power Sales Contract is made subject to the terms and provisions of the Bond Resolution and such Agreements.

(b) This Power Sales Contract is made upon the express condition and with the express covenant that all rights under this Power Sales Contract shall be subject to and controlled by the Colorado River Compact approved by Section 13(a) of the Boulder Canyon Project Act of December 21, 1928 (45 Stat. 1057).

SECTION 35. Notices

Any notice, demand or request required or authorized by this Power Sales Contract, other than payments required by Section 7, shall be properly given if delivered in person or sent by registered or certified mail, postage prepaid, to the Authority at 1810 West Adams Street, Phoenix, Arizona 85005, Attention: Secretary, and if so delivered or sent to the Contractor at:

Central Arizona Water Conservation District
23636 North 7th Street
Phoenix, Arizona 85024

Att: General Manager

The foregoing addresses may be changed by similar notice at any time.

SECTION 36. Severability

In the event that any of the terms, covenants or conditions of this Power Sales Contract, or the application of any such term, covenant or condition, shall be held invalid or illegal by any court having jurisdiction, it is the intention of each of the parties hereto that such illegality or invalidity shall not affect any other provision hereof, but this Power Sales Contract shall be construed and enforced as if such illegal or invalid provision had not been contained herein unless such court holds that such provisions are not separable from all other provisions of this Power Sales Contract.

SECTION 37. Benefits of Federal Power.

The Contractor agrees that the benefits of Federally generated power shall be made available at fair and reasonable terms to all of the Contractor's customers at the lowest possible rates consistent with sound business principles.

SECTION 38. Conservation and Renewable Energy Program

(a) The Contractor shall develop and implement a conservation and renewable energy program in accordance with the provisions of the "Final Guidelines and Acceptance Criteria for Customer Conservation and Renewable Energy Programs" published in the FEDERAL REGISTER on August 21, 1985 (50 Fed. Reg. 33892, et seq.), and any subsequent amendments thereto.

(b) The Contractor will develop a Conservation and Renewable Energy Program suitable for its own geographic area and type of utility operation and will submit said Program to the Authority, for submission by the Authority to Western by January 1, 1988. Conservation and Renewable Energy Programs shall consist of a designated number of activities as stipulated in the Guidelines and Acceptance Criteria mentioned above and any amendments thereto. Credit is to be given by Western for past accomplishments if they are ongoing and current under the Guidelines and Acceptance Criteria mentioned above and any amendments thereto. Approval and periodic review and verification by Western of the Contractor's Conservation and Renewable Energy Program shall be in accordance with the published Guidelines and Acceptance Criteria mentioned above and any amendments thereto.

(c) The initial Conservation and Renewable Energy Program submitted by the Contractor will either be approved or disapproved by Western within three (3) months of receipt by Western. If an initial submittal is disapproved, a notification of deficiencies in such submittal will be given in writing by Western. Deficiencies must be remedied within twelve (12) months of the date of notification. If an existing Conservation and Renewable Energy Program is revoked at any time after approval, a notification outlining the deficiencies in such Program will be given in writing to the Contractor by Western. Deficiencies must be remedied within twelve (12) months of the date of notification.

(d) If deficiencies in the Contractor's Conservation and Renewable Energy Program or initial submittal are not corrected within twelve (12) months of Western's notification of deficiencies therein, the Contractor's Entitlement shall be reduced by ten percent (10%) if the Authority is directed by Western to reduce Contractor's Entitlement.

SECTION 39. Contract Work Hours and Safety Standards

(a) This Power Sales Contract, to the extent that it is of a character specified in the Contractor Work Hours and Safety Standards Act (40 U.S.C. 327-333), is subject to the following terms

and all other applicable provisions and exceptions of said Act and the regulations of the Secretary of Labor.

(b) A Contractor or subcontractor shall not require or permit any laborer or mechanic to work in excess of 8 hours in any calendar day, or 40 hours in any workweek, on any part of the contract work subject to said Act; unless, the laborer or mechanic receives compensation at a rate not less than 1 1/2 times the basic rate of pay for all hours worked in excess of 8 hours in any calendar day or 40 hours in any workweek, whichever produces the greater amount of overtime.

(c) If the terms of paragraph (b) above are violated, the Contractor and any subcontractor responsible for the violation shall be liable to any affected employee for unpaid wages. In addition, the Contractor and subcontractor shall be liable to the United States for liquidated damages. These damages are computed for each individual laborer or mechanic at \$10 for each calendar day on which the employee was required or permitted to be employed in violation of paragraph (b) above.

(d) The Contracting Officer (as defined in the Boulder Canyon Project Agreement) may withhold from the Contractor, from any moneys payable on account of work performed by the Contractor or subcontractor, such amounts as may administratively be determined to be necessary to satisfy any liabilities of the Contractor or subcontractor for unpaid wages and liquidated damages as provided in paragraph (c) above.

(e) The Contractor agrees not to employ any person undergoing sentence of imprisonment in performing the contract except as provided by 18 U.S.C. 4082(c)(2) and Executive Order 11755, December 29, 1973.

SECTION 40. Equal Employment Practices

During the performance of this Power Sales Contract, and to the extent required by applicable law, the Contractor agrees as follows:

(a) The Contractor will not discriminate against any employee or applicant for employment because of race, color, religion, sex, age or national origin. The Contractor will take affirmative action to ensure that applicants are employed, and that employees are treated during employment, without regard to their race, color, religion, sex, age, or national origin. Such action shall include, but not be limited to, the following: Employment, upgrading, demotion, or transfer; recruitment or recruitment advertising; lay-off or termination; rates of pay or other forms of compensation;

and selection for training, including apprenticeship. The Contractor agrees to post in conspicuous places, available to employees and applicants for employment, notices to be provided by the Contracting Officer setting forth the provisions of this Section.

(b) The Contractor will, in all solicitations or advertisements for employees placed by or on behalf of the Contractor, state that all qualified applicants will receive consideration for employment without regard to race, color, religion, sex, age, or national origin.

(c) The Contractor will send to each labor union or representative of workers with which the Contractor has a collective bargaining agreement or other contract or understanding, a notice, to be provided by the agency Contracting Officer, advising the labor union or workers' representative of the Contractor's commitments under this Section, and shall post copies of the notice on conspicuous places available to employees and applicants for employment.

(d) The Contractor will comply with all provisions of Executive Order No. 11246 of September 24, 1965, and of the rules, regulations, and relevant orders of the Secretary of Labor and to the Age Discrimination Act of 1967 as amended by Public Law 93-259 of April 18, 1974.

(e) The Contractor will furnish all information and reports required by Executive Order No. 11246 of September 24, 1965, and by the rules, regulations, and orders of the Secretary of Labor, or pursuant thereto, and will permit access to its books, records, and accounts by the Contracting Officer and the Secretary of Labor for purposes of investigation to ascertain compliance with such rules, regulations, and orders.

(f) In the event the Contractor fails to comply with any of the provisions of this article, this Power Sales Contract may be cancelled, terminated, or suspended, in whole or in part, and the Contractor may be declared ineligible for further Government contracts in accordance with procedures authorized in Executive Order No. 11246 of September 24, 1965, and such other sanctions may be imposed and remedies invoked as provided in Executive Order No. 11246 of September 24, 1965, or by rule, regulation, or order of the Secretary of Labor, or as otherwise provided by law.

(g) The Contractor will include the provisions of subsections 40(a) through 40(g) in every subcontract or purchase order unless exempted by rules, regulations, or orders of the Secretary of Labor issued pursuant to Section 204 of Executive Order No. 11246 of September 24, 1965, so that such provisions will be binding upon each subcontractor or vendor. The Contractor will take such action with

respect to any subcontract or purchase order as the Contracting Officer may direct as a means of enforcing such provisions, including sanctions for noncompliance; provided, however, that in the event the Contractor becomes involved in, or is threatened with, litigation with a subcontractor or vendor as a result of such direction by the Contracting Officer, the Contractor may request the United States to enter into such litigation to protect the interests of the United States.

(h) The provisions of Section 40 of this Power Sales Contract are not intended to alter the responsibilities of the Contractor to comply with laws and regulations governing employment of American Indians.

SECTION 41. Hoover C Energy

(a) This Power Sales Contract does not allocate or sell any Hoover C Energy and nothing contained in this Power Sales Contract shall require or be deemed to be an allocation or sale of Hoover C Energy by the Authority to the Contractor, any of the other Contractors or any other person.

(b) If the Authority offers to sell pursuant to a separate contract Hoover C Energy and if the Contractor agrees to purchase any such Hoover C Energy from the Authority, the Authority agrees to transmit or cause to be transmitted without charge, so long as such transmission does not result in any increased cost to the Authority or to any other Contractor, such Hoover C Energy and deliver or cause to be delivered, as adjusted for transmission losses, such Hoover C Energy to the Contractor, at the Point of Delivery in accordance with the applicable provisions of the Wheeling Agreement; provided that the amount of such Hoover C Energy purchased from the Authority and scheduled for delivery when added to the Hoover Energy portion of the Contractor's Entitlement and the amount of firming Energy purchased by the Contractor from the Authority and simultaneously scheduled for delivery by the Authority or any Energy provided by the Contractor and also simultaneously scheduled for delivery by the Authority does not exceed the transmission capacity available to deliver the Hoover Capacity portion of Contractor's Entitlement. Nothing in this subsection 41(b) shall be deemed to preclude the Contractor from purchasing, pursuant to a separate agreement with the Authority, Hoover C Energy in such amounts that the aggregate amount of Energy purchased from the Authority exceeds the transmission capacity available to deliver the Hoover Energy portion of Contractor's Entitlement as provided in the preceding sentence if the Contractor provides for its own transmission of such Hoover C Energy or enters into a separate agreement with the Authority for the delivery of such Hoover C Energy.

SECTION 42. Table of Contents and Section Headings

The Table of Contents and section headings appear only as a matter of convenience and shall not be considered a part of this Power Sales Contract.

SECTION 43. Amendment

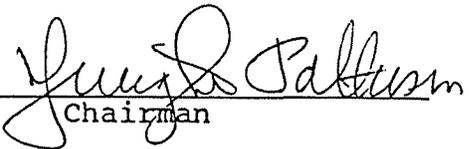
Except as provided for expressly herein, neither this Power Sales Contract nor any terms hereof may be terminated, amended, supplemented, waived or modified except by an instrument in writing executed by each party to this Power Sales Contract.

SECTION 44. Applicable Law

This Contract shall be governed by, construed and enforced in accordance with the laws of the State of Arizona.

IN WITNESS WHEREOF, the parties hereto have caused this Power Sales Contract to be executed by their proper officers, respectively, being thereunto duly authorized, and their respective corporate seals, if any, to be hereto affixed, as of the day, month and year first above written.

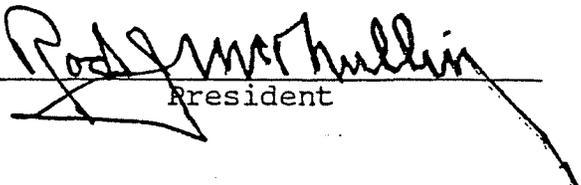
ARIZONA POWER AUTHORITY

By 
Chairman

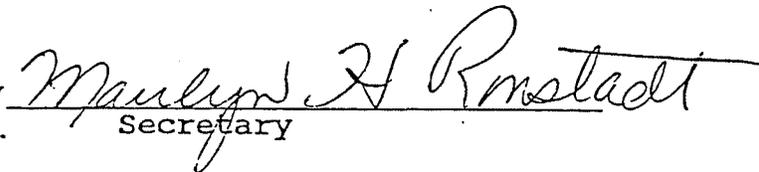
Attest:

By 
Secretary

CENTRAL ARIZONA WATER
CONSERVATION DISTRICT

By 
President

Attest:

By 
Secretary

ARIZONA POWER AUTHORITY
SERVICE SPECIFICATIONS

1. **Applicability.** These service specifications are applicable to the Power Sales Contract dated as of September 15, 1986 covering the supply and delivery of Hoover Power by the Authority to Central Arizona Water Conservation District, Contractor.
2. **Point of Delivery.** The Authority is obligated to deliver Hoover Power contracted for by the Contractor at the Point of Delivery and voltages indicated:

Point of Delivery Identity and <u>Location</u>	Delivery <u>Voltage</u>
------------------------------------------------------	----------------------------

[To be Determined Upon the Effective Date of Recapture]

3. **Reactive Power.** The Contractor shall provide or cause to be provided the reactive kilovolt-amperes required for the supply of its reactive power requirements and its share of the reactive requirements for voltage control at points of interconnection between Western and the Contractor or the Contractor's supplier(s), subcontractor(s) or agent(s). The Parties shall coordinate the utilization of generation control equipment, capacitors or reactors to maintain transmission voltages and reactive flows at acceptable levels for full system performance and stability. It is the Contractor's responsibility to effectuate agreement with its member(s), subcontractor(s) or agent(s) to satisfy its obligations to the Authority hereunder.

4. Adjustments.

If Capacity and Energy are delivered at a substation with metering on the low voltage side of the transformer but the Point of Delivery is on the high voltage side of the transformer which has no metering, or if Capacity and Energy are delivered at a substation with metering on the high voltage side of the transformer but the Point of Delivery is on the low voltage side of the transformer which has no metering, the metered value shall be adjusted to compensate for transformer losses between the delivery voltage level and the metered voltage level. The amount of the increase or decrease in the metered value shall be consistent with the metering and scheduling instructions developed pursuant to the Wheeling Agreement.

5. Load Balancing. Any three phase load at the Point of Delivery will not be unbalanced between phases more than ten per cent (10%). In the event any three-phase load is unbalanced more than ten per cent (10%) the Authority reserves the right to require the Contractor, at the Contractor's expense, to make the necessary changes to correct such condition.

ARIZONA POWER AUTHORITY
POWER SALES RATE SCHEDULE

1. Applicability. Hoover Power.
2. Billing Period. Each calendar month.
3. Character of Service. Electricity furnished under this Exhibit B at each Point of Delivery as set forth in Exhibit A shall be sixty hertz, three phase, alternating current.
4. Billing Rate. The charges for each Billing Period shall be determined as follows:

Demand Charge \$ _____ per kilowatt

Energy Charge \$ _____ per kilowatt-hour

ARIZONA POWER AUTHORITY
HOOVER CAPACITY AND
HOOVER ENERGY ENTITLEMENTS

1. Capacity Entitlement: Hoover Capacity portion of Contractor's Entitlement in Kilowatts(kw) at the Point of Delivery as adjusted for transmission losses, shall be:

Capacity Entitlement

<u>Hoover A Capacity</u> (kw)	<u>Hoover B Capacity</u> (kw)	<u>Total</u>	<u>Loss</u> <u>Factor</u>	<u>Point</u> <u>of Delivery</u> (kw)
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2. Energy Entitlement: Hoover Energy in kilowatt hours (kWh) to be delivered at the Point of Delivery as adjusted for transmission losses for each month of the Contract Year shall be:

A R I Z O N A P O W E R A U T H O R I T Y

TABLE THREE
PAGE 3-3
JUNE 7, 1985

EXISTING APA CONTRACTS
AND
NEW SCHEDULES A AND B ALLOCATIONS AT TRANSMISSION DELIVERY POINTS

ENTITY	EXISTING APA CONTRACT AMOUNTS		NEW SCHEDULE A ALLOCATIONS		NEW SCHEDULE B ALLOCATIONS		NEW TOTAL SCHEDULES A and B ALLOCATIONS	
	kW	kWh	kW	kWh	kW	kWh	TOTAL kW	TOTAL kWh
City of Mesa	--	--	--	--	4,940	5,571,000	4,940	5,571,000
City of Page	--	--	--	--	1,000	1,128,000	1,000	1,128,000
City of Safford	--	--	--	--	2,000	2,255,000	2,000	2,255,000
Town of Thatcher	--	--	--	--	1,010	1,139,000	1,010	1,139,000
Town of Wickenburg	--	--	--	--	2,200	2,481,000	2,200	2,481,000
*Subtotal IRS Tax-Exempts	153,400	645,989,000	181,730	621,143,000	135,580	152,887,000	317,310	774,030,000
Ak-Chin Indian Community	--	--	--	--	1,070	1,207,000	1,070	1,207,000
Arizona Electric Power Cooperative	--	--	--	--	3,300	3,721,000	3,300	3,721,000
Arizona Public Service Company	--	--	--	--	23,930	26,985,000	23,930	26,985,000
Citizens Utilities Company	--	--	--	--	2,800	3,157,000	2,800	3,157,000
Papago Tribal Utility Authority	--	--	--	--	2,370	2,673,000	2,370	2,673,000
San Carlos Project	--	--	--	--	2,470	2,785,000	2,470	2,785,000
Tucson Electric Power Company	--	--	--	--	9,250	10,431,000	9,250	10,431,000
*Subtotal IRS Non Tax-Exempts	--	--	--	--	45,190	50,959,000	45,190	50,959,000
TOTAL:	153,400	645,989,000	181,730	621,143,000	180,770	203,846,000	362,500	824,989,000

Energy Entitlement

<u>Winter Season</u>	<u>Hoover A Energy (kWh)</u>	<u>Hoover B Energy (kWh)</u>	<u>Total Energy (kWh)</u>	<u>Loss Factor</u>	<u>Point of Delivery (kWh)</u>
October					
November					
December					
January					
February					
Total Seasonal Entitlement:					

Energy Entitlement

<u>Summer Season</u>	<u>Hoover A Energy (kWh)</u>	<u>Hoover B Energy (kWh)</u>	<u>Total Energy (kWh)</u>	<u>Loss Factor</u>	<u>Point of Delivery (kWh)</u>
March					
April					
May					
June					
July					
August					
September					
Total Seasonal Entitlement:					

TOTAL ANNUAL
ENERGY
ENTITLEMENT
(kWh):

[If more than one Point of Delivery, then Hoover Capacity and Hoover Energy at each Point of Delivery shall be reflected except Hoover Capacity and Hoover Energy delivery to Contractors that can not separate Capacity and Energy at each Point of Delivery.]

ARIZONA POWER AUTHORITY

TABLE THREE
PAGE 3-1
JUNE 7, 1985

EXISTING APA CONTRACTS
AND
NEW SCHEDULES A AND B ALLOCATIONS

AT TRANSMISSION DELIVERY POINTS

ENTITY	EXISTING APA CONTRACT AMOUNTS		NEW SCHEDULE A ALLOCATIONS		NEW SCHEDULE B ALLOCATIONS		NEW TOTAL SCHEDULES A and B ALLOCATIONS	
	kW	kWh	kW	kWh	kW	kWh	TOTAL kW	TOTAL kWh
Agulla Irrigation District	--	--	2,360	8,066,000	3,690	4,161,000	6,050	12,227,000
Avra Valley Irrigation & Drainage District	--	--	610	2,085,000	970	1,094,000	1,580	3,179,000
Buckeye Water Conservation District	3,000	12,636,000	2,870	9,809,000	0	0	2,870	9,809,000
Central Arizona Water Conservation District	--	--	--	--	0	0	0	0
Chandler Heights Citrus Irrigation District	900	3,792,000	890	3,042,000	0	0	890	3,042,000
Cortaro-Marana Irrigation District	7,800	32,848,000	6,190	21,157,000	0	0	6,190	21,157,000
Electrical District 1, Pinal	--	--	4,990	17,056,000	5,250	5,920,000	10,240	22,976,000
Electrical District 2, Pinal	18,700	78,746,000	18,700	63,916,000	9,370	10,566,000	28,070	74,482,000
Electrical District 3, Pinal	10,300	43,378,000	10,300	35,205,000	17,520	19,757,000	27,820	54,962,000
Electrical District 4, Pinal	18,700	78,746,000	18,700	63,916,000	6,200	6,991,000	24,900	70,907,000
Electrical District 5, Maricopa	1,000	4,212,000	340	1,162,000	0	0	340	1,162,000
Electrical District 5, Pinal	14,200	59,799,000	14,200	48,535,000	2,980	3,360,000	17,180	51,895,000
Electrical District 6, Pinal	7,700	32,429,000	7,700	26,318,000	8,100	9,134,000	15,800	35,452,000

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A R I Z O N A P O W E R A U T H O R I T Y

TABLE THREE
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JUNE 7, 1985

EXISTING APA CONTRACTS
AND
NEW SCHEDULES A AND B ALLOCATIONS

AT TRANSMISSION DELIVERY POINTS

ENTITY	EXISTING APA CONTRACT AMOUNTS		NEW SCHEDULE A ALLOCATIONS		NEW SCHEDULE B ALLOCATIONS		NEW TOTAL SCHEDULES A and B ALLOCATIONS	
	kw	kWh	kw	kWh	kw	kWh	TOTAL kw	TOTAL kWh
Electrical District 7, Maricopa	10,100	42,532,000	10,100	34,521,000	1,430	1,613,000	11,530	36,134,000
Electrical District 8, Maricopa	--	--	12,870	43,989,000	10,390	11,716,000	23,260	55,705,000
Harquahala Power District	--	--	2,390	8,168,000	3,700	4,172,000	6,090	12,340,000
Maricopa Water District	8,500	35,794,000	8,500	29,053,000	2,870	3,236,000	11,370	32,289,000
McMullen Valley Water Conservation & Drainage District	--	--	3,650	12,475,000	5,090	5,740,000	8,740	18,215,000
Ocotillo Water Conservation District	2,300	9,683,000	2,300	7,861,000	0	0	2,300	7,861,000
Queen Creek Irrigation District	--	--	1,700	5,811,000	2,650	2,988,000	4,350	8,799,000
Roosevelt Irrigation District	3,100	13,049,000	3,100	10,596,000	4,750	5,356,000	7,850	15,952,000
Roosevelt Water Conservation District	6,500	27,371,000	6,500	22,217,000	6,290	7,093,000	12,790	29,310,000
Salt River Project	37,300	157,079,000	37,300	127,489,000	24,570	27,707,000	61,870	155,196,000
San Tan Irrigation District	500	2,106,000	500	1,709,000	1,290	1,455,000	1,790	3,164,000
Silverbell Irrigation & Drainage District	--	--	680	2,324,000	--	--	680	2,324,000
Tonopah Irrigation District	--	--	1,490	5,093,000	2,320	2,616,000	3,810	7,709,000
Wellton-Mohawk Irrigation & Drainage District	2,800	11,789,000	2,800	9,570,000	5,000	5,638,000	7,800	15,208,000
*Subtotal Districts:	153,400	645,989,000	181,730	621,143,000	124,430	140,313,000	306,160	761,456,000