



ARIZONA POWER AUTHORITY

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June 26, 1987

Mr. Rod McMullen
President
Central Arizona Water Conservation District
23636 North 7th Street
Phoenix, AZ 85024

RE: Hoover "C" Contracts

Dear Mr. McMullen:

Please find enclosed a copy of the Hoover "C" Energy Contract between the Arizona Power Authority and Central Arizona Water Conservation District, dated April 15, 1987. This contract has been fully executed and is enclosed for your files.

Sincerely,

L. S. Ormsby
Administrator

EXECUTC/A625#415

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HOOVER C ENERGY SALES CONTRACT

BETWEEN

ARIZONA POWER AUTHORITY

AND

CENTRAL ARIZONA WATER CONSERVATION DISTRICT

Dated as of April 15, 1987

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ARIZONA POWER AUTHORITY

Hoover C Energy Sales Contract

This Hoover C Energy Sales Contract, entered into as of the 15th day of April, 1987, 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, pursuant to the Hoover Power Plant Act of 1984 (P.L. 98-381, 98 Stat. 1333) (the "1984 Hoover Act") the Department of Energy is required to offer to the Authority a contract for the sale of Boulder Canyon Project capacity and energy in amounts designated by the 1984 Hoover Act, including the capacity and energy resulting from the program to increase the capacity of the existing generating equipment of the Boulder Canyon Project (the "Uprating Program"):

WHEREAS, the Authority has entered into a contract (the "Boulder Canyon Project Agreement") 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 will provide for the purchase by the Authority of such designated amounts of Boulder Canyon Project capacity and energy required to be offered to the Authority pursuant to the 1984 Hoover Act;

WHEREAS, A.R.S. Sections 45-2501, et. seq. ("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 Authority deems necessary to effectuate the provisions of Title 45;

WHEREAS, the Authority has allocated the capacity and energy offered to the Authority pursuant to Section 105(a)(1)(A) of the 1984 Hoover Act ("Hoover A Power") and Section 105(a)(1)(B) of the 1984 Hoover Act ("Hoover B Power") for the thirty year-four month

period commencing June 1, 1987 in accordance with a marketing plan heretofore adopted by the Authority on June 7, 1985 (the "Hoover Marketing Plan") and the Authority has entered into power sales contracts with power purchasers in the State of Arizona, including purchasers to whom the Authority has allocated such Hoover A Power and Hoover B Power;

WHEREAS, the Authority has also agreed to purchase, pursuant to the Boulder Canyon Project Agreement, the energy offered to the Authority pursuant to Section 105(a)(1)(C) of the 1984 Hoover Act ("Hoover C Energy") as such Hoover C Energy may from time to time be made available to the Authority by Western;

WHEREAS, the power sales contracts providing for the sale of Hoover C Energy and the revenues derived from such contracts will 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 to finance the Authority's share of the cost of the Upgrading Program;

WHEREAS, if Hoover C Energy is part of the Navajo Marketing Plan to be adopted by the Secretary of the Interior pursuant to Section 107(c) of the 1984 Hoover Act, the Authority, in the Hoover Marketing Plan, has indicated its intention to allocate and sell Hoover C Energy in a manner consistent with such Navajo Marketing Plan;

WHEREAS, the final Navajo Marketing Plan has not been adopted by the Secretary of the Interior and until the Navajo Marketing Plan has been adopted and a final provision for sale of Hoover C Energy is made by the Authority, the Authority has determined to provide for the sale of Hoover C Energy to power purchasers in the State of Arizona, including the purchasers of Hoover A Power and Hoover B Power;

WHEREAS, the Authority is entering into this Hoover C Energy Sales Contract to provide the terms relating to the sale by the Authority and the purchase by the Contractor, of Hoover C Energy when the Authority has Hoover C Energy to offer to sell to the Contractor;

WHEREAS, nothing contained in this Hoover C Energy Sales Contract shall be deemed to require the Contractor to purchase any Hoover C Energy offered for sale by the Authority; and

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.

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.

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

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 Hoover A Power, Hoover B Power and Hoover C Energy, 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.

Capacity shall mean kilowatts (kW) or megawatts (MW), as the case may be.

Conservation and Renewable Energy Program shall mean a program developed in accordance with subsection (a) of Section 21 of this Hoover C Energy 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 Hoover C Energy Sales Contract and the successors and assigns to its duties and functions.

Contractors shall mean the parties, including the Contractor, other than the Authority, to Hoover C Energy Sales Contracts.

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

Energy Rate shall mean, with respect to Estimated Energy, the charge or charges announced from time to time by the Authority as the Energy Rate or Energy Rates for Estimated Energy. Energy Rate, with respect to Transaction Energy, shall mean the Energy Rate or Energy Rates agreed to by the Authority and the Contractor for Transaction Energy. The Energy Rate for Estimated Energy and the Energy Rate for Transaction Energy may be the same or may be different.

Estimated Energy shall mean the Hoover C Energy the Contractor is estimated to receive pursuant to the Estimated Hoover C Energy Schedule. Estimated Energy shall not include Transaction Energy.

Estimated Hoover C Energy Schedule shall mean the schedule of Estimated Energy the Contractor is to receive during each Contract Year which is to be issued by the Authority pursuant to subsection (a) of Section 3 of this Hoover C Energy Sales Contract, as such Schedule may be revised from time to time.

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 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 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 C Energy shall consist of Estimated Energy and Transaction Energy.

Hoover Power Sales Contracts shall mean the contracts entered into by the Authority for the sale of Hoover A Power and Hoover B Power to various power purchasers in the State of Arizona.

On Peak Hours shall mean those hours which are defined as "On-Peak Hours" in the Boulder Canyon Project Agreement.

Off Peak Hours shall mean those hours which are defined as "Off Peak Hours" in the Boulder Canyon Project Agreement.

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 Hoover C 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.

Transaction Energy shall mean Hoover C Energy, other than Estimated Energy, purchased by the Contractor from the Authority for an hour, day, week, month or other period of time.

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 C Energy to the Point of Delivery, as the same may be amended and supplemented and any substitution therefor.

SECTION 2. Term

This Hoover C Energy Sales Contract shall become effective when executed by both parties hereto and shall remain in effect until September 30, 2017 unless terminated by the Authority in accordance with the provisions of subsection (g) of Section 3 or Section 13 of this Hoover C Energy Sales Contract or terminated by the Contractor pursuant to Section 26 of this Hoover C Energy Sales Contract.

SECTION 3. Sale and Purchase of Hoover C Energy

(a) To the extent that the Authority has Hoover C Energy available for sale to the Contractor, the Authority shall submit proposals for purchase of Estimated Energy to the Contractor prior to the start of each Contract Year, which proposals shall include the Energy Rate for such Estimated Energy. In the manner and at the times provided in such proposals for purchase, the Contractor shall notify the Authority of the amount of Estimated Energy the Contractor would agree to purchase from the Authority during the Contract Year. The Authority shall advise the Contractor, in writing, no later than forty-five (45) days prior to the start of each Contract Year of the

amount of Estimated Energy the Authority is to make available for delivery to the Contractor during each month of such Contract Year and the Energy Rate therefor. Such amount of Estimated Energy will be based upon the amounts of Hoover C Energy the Contractor has requested to purchase from the Authority pursuant to Contractor's response to the proposals for purchase submitted by the Authority to the Contractor. Within thirty (30) days following receipt of such information from the Authority, the Contractor shall submit to the Authority a preliminary estimate (by months) for delivery of the Estimated Energy. Said preliminary estimate shall be approved or modified, if necessary, by the Authority after consultation with the Contractor. Based upon the approved estimate, the Authority shall furnish the Contractor with an Estimated Hoover C Energy Schedule which shall be effective during the Contract Year unless the amount of Estimated Energy the Contractor is to receive is revised during the Contract Year. In no event shall the amount of Estimated Energy to be made available to the Contractor be increased over the amount contained in the then current Estimated Hoover C Energy Schedule as a result of any such revision without the written consent of the Contractor. In the event the amount of Estimated Energy the Contractor is to receive is revised during the Contract Year, the Authority will advise the Contractor regarding the necessary revisions of the Estimated Hoover C Energy Schedule for the remaining months of the Contract Year. The Authority shall make available to the Contractor the Estimated Energy set forth in the Estimated Hoover C Energy Schedule.

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

(c) The availability of Hoover C Energy to be supplied by the Authority to the Contractor is subject to the availability of Hoover C Energy to the Authority under the Boulder Canyon Project Agreement. The amount of Estimated Energy to be made available to the Contractor in each month of the Contract Year shall be as set forth in the Estimated Hoover C Energy Schedule. Delivery in any monthly billing period of Estimated Energy shall not exceed the amount of Estimated Energy to be made available to the Contractor for such month as set forth in said Estimated Hoover C Energy Schedule. Any reduction in Estimated Energy will be prorated among the Contractors of Estimated Energy in proportion to the allocation of Estimated Energy to all the Contractors for the then current Contract Year as of the date of such reduction. The Authority shall furnish the Contractor with a revised Estimated Hoover C Energy Schedule

which will reflect any increase or decrease in Estimated Energy to be made available to the Contractor as provided in this Section 3 of this Hoover C Energy Sales Contract.

(d) Pursuant to the Boulder Canyon Project Agreement, the Authority is required to return to Western Hoover C Energy which Western has overdelivered to the Authority. If Estimated Energy is scheduled and delivered to the Contractor during any Contract Year by the Authority and subsequent to such delivery of Estimated Energy to the Contractor, Western advises the Authority that Western has overdelivered Hoover C Energy, the Contractor shall be required to return to the Authority or, upon written approval of the Authority, to Western, the Contractor's proportionate share of the amount of Estimated Energy which the Authority has overdelivered during such Contract Year. The return of Energy to the Authority by the Contractor pursuant to this subsection (d) shall be made pursuant to agreed upon written scheduling instructions and unless otherwise agreed, the amount of such Energy shall be (i) returned at mutually agreed upon points and rates of delivery within twelve (12) months after the date of notice to the Contractor from the Authority of a return of Energy pursuant to this subsection (d) and (ii) shall be returned during On-Peak hours or as otherwise directed by the Authority based upon the direction of Western. Such return of Energy may also be accomplished through a reduction of Estimated Energy to be made available to the Contractor in subsequent months of the then current Contract Year. The Authority shall credit the Contractor for all overdelivered Hoover C Energy in the month in which Energy is returned at the average Energy Rate for Estimated Energy in effect during the Contract Year in which the overdelivery occurred.

(e) The Authority may from time to time have Transaction Energy available for purchase by the Contractor on a hourly, daily, weekly, monthly or other basis. Prior to each sale of Transaction Energy the Authority and the Contractor shall determine and agree twenty-four (24) hours preceding the commencement of the sale of Transaction Energy, or as otherwise agreed to by the dispatchers on an hourly basis, as to the (i) daily time schedule of such sale, (ii) the amount of Transaction Energy which can be purchased by the Contractor in any hour in kilowatthours or megawatthours per hour during the period of time when Transaction Energy is available and (iii) the Energy Rate applicable to such Transaction Energy. The Authority shall make available to the Contractor the amount of Transaction Energy agreed to be purchased by the Contractor.

(f) The Contractor shall take and pay for any Hoover C Energy which is delivered or made available for delivery to the Contractor at the Point of Delivery in accordance with this Hoover C Energy Sales Contract. Hoover C Energy actually scheduled for

delivery to the Contractor and dispatched shall be deemed delivered pursuant to this subsection (f).

(g) If Hoover C Energy is part of the Navajo Marketing Plan to be adopted by the Secretary of the Interior of the United States of America pursuant to Section 107(c) of the 1984 Hoover Act, the Authority intends that the offer and sale of Hoover C Energy pursuant to this Hoover C Energy Sales Contract be consistent with said Navajo Marketing Plan. Any offer and sale of designated amounts of Hoover C Energy pursuant to this Hoover C Energy Sales Contract for any period subsequent to the date required for sales of Hoover C Energy by the Authority pursuant to said Navajo Marketing Plan, which is inconsistent with said Navajo Marketing Plan, may be terminated by the Authority upon thirty (30) days written notice to the Contractor.

(h) If the Authority deems it necessary, deliveries of Hoover C Energy will be made pursuant to written scheduling and metering instructions to be developed between the Contractor and the Authority.

SECTION 4. Transmission of Hoover C Energy

(a) 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 party to the Hoover Power Sales Contracts, Hoover C Energy purchased by the Contractor pursuant to this Hoover C Energy Sales Contract and deliver or cause to be delivered such Hoover C Energy to the Contractor, at the Point of Delivery, in accordance with the applicable provisions of the Wheeling Agreement and as adjusted for transmission losses calculated in accordance with subsection (d) of this Section 4; provided that the amount of such Hoover C Energy purchased from the Authority and scheduled for delivery when added to the Energy purchased by the Contractor pursuant to the Hoover Power Sales Contract 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 by the Authority does not exceed the transmission capacity available to deliver Capacity purchased by the Contractor pursuant to the Hoover Power Sales Contract. Nothing in this subsection (a) shall be deemed to preclude the Contractor from providing for its own transmission of Hoover C Energy to be purchased pursuant to this Hoover C Energy Sales Contract or entering into a separate agreement with the Authority for the delivery of Hoover C Energy to be purchased pursuant to this Hoover C Energy Sales Contract.

(b) If the Contractor utilizes a transmission agent or makes other arrangements to transmit its Hoover C Energy 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 6(b) of this Hoover C Energy Sales Contract.

(c) Should the Hoover C Energy of the Contractor be delivered in conjunction with Energy secured by the Contractor under other contracts, the amounts of Hoover C 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.

(d) The Hoover C Energy purchased by and transmitted to the Contractor pursuant to this Hoover C Energy Sales Contract will be adjusted for estimated transmission losses calculated by multiplying the aggregate amount of transmission losses estimated to be charged by Western to the Authority for the delivery of Hoover C Energy pursuant to the Wheeling Agreement during the then current Contract Year by a fraction where the numerator is the Hoover C Energy estimated by the Authority as of the first day of a Contract Year to be purchased by the Contractor during the then current Contract Year and the denominator is the total amount of Hoover C Energy estimated by the Authority as of the first day of a Contract Year to be made available to the Authority by Western under the Boulder Canyon Project Agreement during the then current Contract Year.

SECTION 5. Payment of Energy Rate

(a) The Contractor shall pay in each month for the Estimated Energy and Transaction Energy delivered or made available for delivery at Contractor's Point of Delivery during such month, exclusive of transmission losses, the sum of (i) the product of Estimated Energy so delivered or made available for delivery times the Energy Rate for Estimated Energy and (ii) the product of the Transaction Energy so delivered or made available for delivery times the Energy Rate for Transaction Energy agreed upon between the Contractor and the Authority pursuant to subsection (e) of Section 3 of this Hoover C Energy Sales Contract. Hoover C Energy actually scheduled for delivery to the Contractor and dispatched shall be deemed delivered pursuant to this Section 5(a).

(b) On or before the 10th day of each month after the month in which the Contractor purchases Hoover C Energy pursuant to this Hoover C Energy Sales Contract, the Authority shall render to the Contractor a monthly statement calculated in accordance with subsection (a) of this Section 5, showing in each case with respect

to the preceding month, the amount payable by the Contractor for such month less any credits for the return of overdelivered Energy and the Contractor shall pay such amounts at the times specified in subsection (c) of this Section 5.

(c) Monthly payments required to be paid to the Authority pursuant to this Section 5 shall be due and payable to the Authority at the address of the Authority set forth in Section 18 of this Hoover C Energy Sales Contract, on or before the later of the 15th day after the date of such monthly statement or 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.

(d) If payment in full is not actually received by the Authority on or before the close of business on the due date provided in subsection (c) of this Section 5, 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 provided in subsection (c) of this Section 5, 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 day preceding the due date provided in subsection (c) of this Section 5.

(e) 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 created under the Bond Resolution during the period of the overpayment, shall be properly reflected in the statement next submitted to the Contractor after such determination. If the Authority does not provide the Contractor a monthly statement for Hoover C Energy in the month next succeeding such determination, 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.

(f) The Authority agrees to maintain accurate records and supporting documentation relating to the Energy Rate and the credits for overdelivered Hoover C Energy and such other charges or costs, if any, that are billed to the Contractor under the terms of this Hoover C Energy Sales Contract. Such records and supporting documentation shall be retained for at least three years after the close of each 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.

SECTION 6. Covenants of the Contractor

(a) The Contractor agrees to maintain rates, fees and charges for the sale or use of the Hoover C Energy 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 Hoover C Energy Sales Contract and the obligations of the Contractor, if any, which are equal to or superior to its obligations under this Hoover C Energy Sales Contract. Nothing herein shall be deemed to require the Contractor to satisfy its obligations under this Hoover C Energy 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 C Energy 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 the Hoover C Energy.

(c) The Contractor may be required by the Authority to schedule a minimum rate of delivery of Estimated Energy during the Off-Peak Hours in order to allow the Bureau to comply with required minimum water releases. The amount of Estimated 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 Estimated Energy required for minimum water releases imposed upon the Authority by Western multiplied by a fraction where the numerator is the amount of Estimated Energy scheduled to be received by the Contractor during such monthly billing period and the denominator is the aggregate amount of Estimated Energy to be made available for sale by the Authority to all Contractors during such monthly billing period. If the amount of Estimated Energy and the amount of Energy purchased pursuant to the Hoover Power Sales Contracts and 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 Estimated Energy required to be scheduled by the Contractor for delivery during Off-Peak Hours pursuant to this subsection (c).

(d) 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 Hoover C Energy 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 7. 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 Energy, including, Hoover C Energy 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 8. 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 C Energy during any monthly billing period as provided in this Hoover C Energy 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 Hoover C Energy 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 9. Reactive Power

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

SECTION 10. 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 Contractor has a contract with Western that contains terms substantially similar to this Section 10 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 11. Assignment of Hoover C Energy Sales Contract

(a) This Hoover C Energy Sales Contract shall inure to the benefit of and shall be binding upon the respective successors and assigns of the parties to this Hoover C Energy Sales Contract; provided, however, that, except for the assignment by the Authority authorized by subsection (b) of this Section 11 neither this Hoover C Energy 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 Hoover C Energy 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 Hoover C Energy Sales Contract as security for the payment of the principal (including sinking fund installments) of, premium, if any, and interest on any bonds issued under the Bond Resolution and may deliver possession of this Hoover C Energy 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 12. Default by the Contractor

The following shall constitute a default under this Hoover C Energy 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 Hoover C Energy Sales Contract.

(b) Failure of the Contractor to perform any other obligation under this Hoover C Energy 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 Contractor, after receipt of such notice, is proceeding with reasonable diligence to cure such failure.

SECTION 13. Remedies of the Authority

In the event of any default referred to in Section 12 of this Hoover C Energy 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 or actions 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 Hoover C Energy 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 C Energy 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 Hoover C Energy 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 Hoover C Energy 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 Hoover C Energy Sales Contract then the Authority shall reinstate delivery of Hoover C Energy to the Contractor; and

(c) whether or not the Authority shall have ceased and discontinued delivering or making available for delivery Hoover C Energy pursuant to clause (b) above, if an event of default described in Section 12 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 Hoover C Energy 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 Hoover C Energy Sales Contract with respect to any amounts due on and prior to such date of such termination or the date the delivery of Hoover C Energy was discontinued pursuant to subsection (b) above if such date of discontinuance was earlier than the date of termination.

SECTION 14. Default by the Authority

In the event of any default by the Authority under any covenant, agreement or obligation of this Hoover C Energy 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 15. 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 16. 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 Hoover C Energy Sales Contract, shall not constitute a waiver with respect to any subsequent default, right or matter.

SECTION 17. Relationship to and Compliance with Other Instruments

(a) It is recognized by the parties hereto that the Authority must comply with the requirements of the Bond Resolution, the Boulder Canyon Project Agreement and the Wheeling Agreement and it is therefore agreed that this Hoover C Energy Sales Contract is made subject to the terms and provisions of the Bond Resolution and such Agreements.

(b) This Hoover C Energy Sales Contract is made upon the express condition and with the express covenant that all rights under this Hoover C Energy 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. 1064).

SECTION 18. Notices

Any notice, demand or request required or authorized by this Hoover C Energy Sales Contract, other than payments required by Section 5, 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:

23636 North 7th Street
Phoenix Arizona 85024
Att: General Manager

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

SECTION 19. Severability

In the event that any of the terms, covenants or conditions of this Hoover C Energy 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 Hoover C Energy 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 Hoover C Energy Sales Contract.

SECTION 20. 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 its customers at the lowest possible rates consistent with sound business principles.

SECTION 21. 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 Renewal Energy Program or initial submittal are not corrected within twelve (12) months of Western's notification of deficiencies therein, the Hoover C Energy to be sold to the Contractor in then current or in any future Contract Year shall be reduced by ten percent (10%) if the Authority is directed by Western to reduce the amount of Hoover C Energy to be sold to the Contractor.

(e) If the Contractor has submitted to the Authority a conservation and renewable energy program under the Guidelines and Acceptance Criteria mentioned in (a) above pursuant to the requirements of the Hoover Power Sales Contract, a Conservation and Renewable Energy Program will not be required to be submitted to the Authority pursuant to this Section 21.

SECTION 22. Contract Work Hours and Safety Standards

(a) This Hoover C Energy 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 23. Equal Employment Practices

During the performance of this Hoover C Energy 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 Section, the 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 23(a) through 23(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 this Section 23 of this Hoover C Energy Sales Contract are not intended to alter the responsibilities of the Contractor to comply with laws and regulations governing employment of American Indians.

SECTION 24. 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 Hoover C Energy Sales Contract.

SECTION 25. Amendment

Except as provided for expressly herein, neither this Hoover C Energy 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 Hoover C Energy Sales Contract.

SECTION 26. Termination

This Hoover C Energy Sales Contract may be terminated by the Contractor upon not less than ninety (90) days written notice to the Authority; provided, however, that the effective date of any termination may not occur prior to the last day in which the Contractor has agreed to purchase Hoover C Energy. Any obligation of any party to make payment to the other party or the obligation of the Contractor to return Energy pursuant to subsection (e) of Section 3 of this Hoover C Energy Sales Contract shall survive termination of this Hoover C Energy Sales Contract.

SECTION 27. Applicable Law

This Hoover C Energy Sales 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 Hoover C Energy 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 George S. Johnson
Chairman

Attest:

By Louise F. Magnusson
Assistant Secretary

CENTRAL ARIZONA WATER
CONSERVATION DISTRICT

By Paul W. Mullin
President

Attest:

By Marilyn H. Roslett
Secretary

ARIZONA POWER AUTHORITY
SERVICE SPECIFICATIONS

1. **Applicability.** These service specifications are applicable to the Hoover C Energy Sales Contract dated as of April 15, 1987.
2. **Points of Delivery.** The Authority is obligated to deliver Hoover C Energy contracted for by the Contractor at the Point of Delivery and delivery voltage indicated below:

<u>Point of Delivery Identity and Location</u>	<u>Delivery Voltage</u>
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[TO BE DETERMINED]

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 Hoover C Energy is 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 Hoover C Energy is 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.