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**COMPLIANCE
MEMORANDUM**

TO: Docket Control Center
FROM: Patrick C. Williams *PCW*
Manager, Compliance and Enforcement
Utilities Division
DATE: May 03, 2002

This Memorandum to the Docket will certify that compliance, as described below, has been met for the referenced utility.

UTILITY: Duke Energy Maricopa, LLC

DOCKET NO. L-00000P-99-0098 **DECISION NO.** 62740, *62995*

COMPLIANCE ACTION:

Submit to the Commission an interconnection agreement with the transmission provider with whom it is interconnecting.

DUE DATE: 07/25/2005 **DATE COMPLIED:** 05/03/2002

Arizona Corporation Commission
DOCKETED

MAY 03 2002

DOCKETED BY	<i>PCW</i>
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AND
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Director of Utilities

Our File Number 38655-00001

May 1, 2002

Pat Williams, Manager
Compliance and Enforcement
Utilities Division
ARIZONA CORPORATION COMMISSION
1200 W. Washington St.
Phoenix, AZ 85007

Re: *ACC Amended Decision NO. 62995*
Duke Energy Arlington Valley, LLC

Dear Mr. Williams:

Enclosed is a copy of the Interconnection Agreement between Duke Energy Arlington Valley, LLC and the Arizona Nuclear Power Project switchyard participants. This agreement is being filed in compliance with Condition No. 5 in ACC Amended Decision No. 62995.

Very truly yours,

LEWIS AND ROCA LLP



Thomas H. Campbell

THC/tjj

Enclosure

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ANPP HASSAYAMPA SWITCHYARD
INTERCONNECTION AGREEMENT
AMONG
ARIZONA PUBLIC SERVICE COMPANY
THE CITY OF LOS ANGELES BY AND THROUGH
THE DEPARTMENT OF WATER AND POWER
EL PASO ELECTRIC COMPANY
PUBLIC SERVICE COMPANY OF NEW MEXICO
SALT RIVER PROJECT AGRICULTURAL IMPROVEMENT AND POWER DISTRICT
SOUTHERN CALIFORNIA PUBLIC POWER AUTHORITY
SOUTHERN CALIFORNIA EDISON COMPANY
AND
DUKE ENERGY ARLINGTON VALLEY, LLC

Execution Copy

ANPP HASSAYAMPA SWITCHYARD
INTERCONNECTION AGREEMENT

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1 ANPP HASSAYAMPA SWITCHYARD
2 INTERCONNECTION AGREEMENT

3 1. PARTIES:

4 The Parties to this ANPP HASSAYAMPA SWITCHYARD INTERCONNECTION
5 AGREEMENT are: ARIZONA PUBLIC SERVICE COMPANY ("APS"), an Arizona
6 corporation; EL PASO ELECTRIC COMPANY ("EPE"), a Texas corporation; THE CITY OF
7 LOS ANGELES BY AND THROUGH THE DEPARTMENT OF WATER AND POWER
8 ("LADWP"), a department organized and existing by virtue of and under the Charter of the
9 City of Los Angeles, a municipal corporation of the State of California; PUBLIC SERVICE
10 COMPANY OF NEW MEXICO ("PNM"), a New Mexico corporation; SALT RIVER PROJECT
11 AGRICULTURAL IMPROVEMENT AND POWER DISTRICT ("SRP"), an agricultural
12 improvement district organized and existing under the laws of the State of Arizona;
13 SOUTHERN CALIFORNIA PUBLIC POWER AUTHORITY ("SCPPA"), a public entity
14 organized and existing under and by virtue of the laws of the State of California;
15 SOUTHERN CALIFORNIA EDISON COMPANY ("SCE"), a California corporation; and
16 DUKE ENERGY ARLINGTON VALLEY, LLC ("Interconnector"), a Delaware limited liability
17 company; individually referred to as "Party" and collectively as "Parties".

18 2. RECITALS:

19 This Agreement is made with reference to the following facts, among others:

20 2.1 The Interconnector intends to construct and operate its Generating Facility for the
21 purpose of generating electric energy for its own use, selling electric power at
22 wholesale, or both.

23 2.2 The ANPP Switchyard Participants intend to operate the Hassayampa Switchyard,

1 the existing ANPP Switchyard, and the string bus facilities connecting them, as a
2 Common Bus Arrangement.

3 2.3 The Interconnector desires to interconnect its Generating Facility to the Hassayampa
4 Switchyard.

5 2.4 The ANPP Switchyard Participants are willing to provide such interconnection under
6 the terms and conditions contained in this Agreement.

7 2.5 The Interconnector understands that (i) this Agreement does not provide any
8 transmission services, control area services, distribution services, or ancillary
9 services, (ii) the ANPP Switchyard Participants have determined and disclosed to the
10 Interconnector that there is currently inadequate outlet transmission capacity from the
11 Common Bus to accommodate the total output of the currently proposed generating
12 projects of all parties that desire an interconnection to the Hassayampa Switchyard,
13 (iii) the ANPP Switchyard Participants shall bear no risk or costs associated with any
14 such inadequacy, (iv) this Agreement does not obligate the ANPP Switchyard
15 Participants to purchase, sell, transmit, or otherwise provide any other rights with
16 respect to power and energy generated by or required for the Generating Facility,
17 other than as provided herein with respect to the Common Bus Arrangement, and (v)
18 this Agreement does not give the Interconnector the right to inject power and energy
19 into the Common Bus, except and only to the extent that all necessary arrangements
20 for transmission rights and service, including transmission-related mitigation
21 requirements, if any, are in place for the delivery thereof.

22 3. AGREEMENT:

23 In consideration of these premises and of the mutual covenants contained herein, the

1 Parties agree as follows:

2 4. DEFINITIONS:

3 The following terms, whether in the singular or plural, when initially capitalized in this
4 Agreement or in amendments or exhibits thereto, shall have the meanings specified:

5 4.1 Accounting Practice: Generally accepted accounting principles, in accordance with
6 the FERC's "Uniform System of Accounts Prescribed for Public Utilities and
7 Licensees," in effect as of the date of this Agreement, and as such system of
8 accounts may be amended and in effect from time to time.

9 4.2 Agreement: This ANPP Hassayampa Switchyard Interconnection Agreement, as
10 such may be amended, supplemented, or revised from time to time.

11 4.3 ANPP: The Arizona Nuclear Power Project.

12 4.4 ANPP Switchyard: The ANPP High Voltage Switchyard at the Palo Verde Nuclear
13 Generating Station near Wintersburg, Arizona, as further defined in the ANPP
14 Switchyard Participation Agreement.

15 4.5 ANPP Switchyard Participants: APS, EPE, LADWP, PNM, SCE, SCPPA, and SRP,
16 and their respective successors.

17 4.6 ANPP Switchyard Participation Agreement: The *ANPP High Voltage Switchyard*
18 *Participation Agreement among the ANPP High Voltage Switchyard Participants*,
19 effective as of August 20, 1981, as amended or supplemented from time to time.

20 4.7 Applicable Requirements: Any Law; any standards, procedures or requirements of (i)
21 WSCC, (ii) any other Person that has the authority to control the operation of the
22 applicable transmission system, or (iii) any other Person that are binding on the
23 Common Bus or on its operation or on the Operator or on any ANPP Switchyard

1 Participant in a way that affects the Common Bus or the Common Bus Arrangement;
2 any standards, procedures or other requirements adopted by the Operator or the
3 E&O Committee in writing pursuant to any provision of this Agreement and in
4 conformance with Good Utility Practice; in each case as amended from time to time
5 and whether now existing or hereafter imposed or arising.

6 4.8 Authorized Representative(s): The Authorized Representative(s) designated
7 pursuant to Section 13.1 herein.

8 4.9 Business Day: Any day other than a Saturday, Sunday or legal holiday in the State of
9 Arizona.

10 4.10 Capital Improvements: Any Unit of Property that is added to the Common Bus,
11 Hassayampa Interconnection Facilities, or the Interconnection Facilities, the
12 enlargement or betterment of any Unit of Property constituting a part of the Common
13 Bus, Hassayampa Interconnection Facilities, or the Interconnection Facilities, and the
14 replacement of any Unit of Property constituting a part of the Common Bus,
15 Hassayampa Interconnection Facilities, or the Interconnection Facilities, irrespective
16 of whether such replacement constitutes an enlargement or betterment of that which
17 it replaces; which additions, betterments, enlargements and replacements in
18 accordance with Accounting Practice would be capitalized.

19 4.11 Common Bus: The ANPP Switchyard and the Hassayampa Switchyard, and the
20 string bus facilities connecting them, and any Capital Improvements thereto.

21 4.12 Common Bus Arrangement: The delivery, sale, purchase, receipt and/or exchange
22 of power and energy at any point within the Common Bus without a transmission
23 charge, transmission credit, reservation, or schedule for transactions or any portions

1 thereof conducted within the Common Bus.

2 4.13 Connection: Each 500 kV termination in the Hassayampa Switchyard or the ANPP
3 Switchyard, as shown in Exhibit D, HASSAYAMPA AND ANPP SWITCHYARDS,
4 attached hereto, as such Exhibit may be revised from time to time.

5 4.14 Constant Dollars: A quantity calculated by multiplying a stated amount of money by a
6 fraction the numerator of which is the United States Department of Labor Consumer
7 Price Index for all Urban Consumers (the "Index") as of the latest date on which such
8 Index was published prior to the date of such calculation and the denominator of
9 which is the Index as of the Effective Date, in each case adjusted to the same base
10 year.

11 4.15 Construction Costs: The "*Construction Costs*" excluding "*Additional Costs*" as such
12 terms are defined in the Funding Agreement.

13 4.16 E&O Committee: The ANPP High Voltage Switchyard Engineering and Operating
14 Committee as established in the ANPP Switchyard Participation Agreement.

15 4.17 Effective Date: The Effective Date shall have the meaning set forth in Section 5.1
16 herein.

17 4.18 FERC: The Federal Energy Regulatory Commission or any successor agency.

18 4.19 Funding Agreement: The *Funding Agreement for the Development of a Satellite*
19 *Switchyard to the ANPP High Voltage Switchyard Between Participating*
20 *Interconnectors and Salt River Project Agricultural Improvement and Power District,*
21 effective as of May 26, 2000, together with the *First Addendum to the Funding*
22 *Agreement*, dated as of January 16, 2001, and as further amended or supplemented
23 from time to time.

1 4.20 Generating Facility: The generating unit(s) described in Exhibit A, GENERATING
2 FACILITY, attached hereto, and associated facilities.

3 4.21 Generating Facility Interconnection Tie Line: The portion located within the
4 Hassayampa Switchyard of the tie line connecting the Generating Facility to the
5 Interconnection Facilities and any other associated equipment.

6 4.22 Generator Initial Synchronization Date: The initial date upon which Interconnector
7 synchronizes a generating unit at its Generating Facility with the Hassayampa
8 Switchyard, including the completion or schedule for the completion of any applicable
9 Mitigation, as determined by the Operator and the E&O Committee in conformance
10 with Good Utility Practice.

11 4.23 Good Utility Practice: Any of the practices, methods and acts engaged in or
12 approved by a significant portion of the electric utility industry within the operating
13 area of the WSCC during the relevant time period, or any of the practices, methods
14 and acts which, in the exercise of reasonable judgment in light of the facts known at
15 the time the decision was made, could have expected to accomplish the desired
16 result at a reasonable cost consistent with good business practices, reliability, safety,
17 and expedition. Good Utility Practice is not intended to be limited to the optimum
18 practice, method, or act to the exclusion of all others, but rather includes any
19 acceptable practices, methods, or acts generally accepted in the WSCC region.

20 4.24 Hassayampa Cost Responsibility Ratio ("Hassayampa CRR"): The ratio of
21 responsibility for costs allocated to the Hassayampa Switchyard as determined by the
22 Operator from time to time pursuant to Section 8.1.4 herein, and in accordance with
23 Exhibit E, HASSAYAMPA COST RESPONSIBILITY RATIO, attached hereto.

- 1 4.25 Hassayampa Interconnection Facilities: The equipment and facilities owned by the
2 Hassayampa Interconnectors that are necessary to connect the Hassayampa
3 Interconnectors' generating facility interconnection tie lines to the Hassayampa
4 Switchyard, including any capital improvements made thereto.
- 5 4.26 Hassayampa Interconnectors: Any Person that has executed an interconnection
6 agreement to connect its facilities to the Hassayampa Switchyard.
- 7 4.27 Hassayampa Switchyard: All Land, easements and other rights and improvements
8 necessary to establish the Satellite Switchyard (as defined in the Funding
9 Agreement) in accordance with this Agreement and the Funding Agreement,
10 including those facilities described in Exhibit B, HASSAYAMPA SWITCHYARD,
11 attached hereto, including any Capital Improvements made to the Hassayampa
12 Switchyard, but excluding the Hassayampa Interconnection Facilities.
- 13 4.28 Interconnection Facilities: The equipment and facilities owned by the Interconnector
14 that are necessary to connect the Generating Facility via the Generating Facility
15 Interconnection Tie Line to the Hassayampa Switchyard, as described in Exhibit C,
16 INTERCONNECTION FACILITIES, attached hereto, including any Capital
17 Improvements made to the Interconnection Facilities, as may be added thereto from
18 time to time.
- 19 4.29 Interconnection Facilities In-Service Date: The initial date upon which the
20 Interconnection Facilities and any Hassayampa Switchyard facilities necessary to
21 operate such Interconnection Facilities can reasonably be expected to operate
22 reliably, including the completion or schedule for the completion of any applicable
23 Mitigation, as determined by the Operator and the E&O Committee in conformance

1 with Good Utility Practice.

2 4.30 Interconnector: The Party to this Agreement designated as the "Interconnector"
3 pursuant to Section 1 herein.

4 4.31 ITCC: The income tax cost component as described in Section 15.2.1 herein, and
5 determined in accordance with Exhibit F, DETERMINATION OF ITCC COMPOSITE
6 RATE, attached hereto.

7 4.32 Kyrene Line Owners: APS, EPE, PNM, and SRP, and their respective successors in
8 interest.

9 4.33 Land: The land on which the Hassayampa Switchyard is located. Such Land shall
10 be described as follows: The Northeast Quarter of Section 15 AND the West Half of
11 the Northwest Quarter of Section 14, Township One South, Range 6 West of the Gila
12 and Salt River Base and Meridian, Maricopa County, Arizona. Except the north 40
13 feet thereof.

14 4.34 Law: Any applicable governmental constitution, charter, act, statute, ordinance,
15 code, rule, regulation, directive, interpretation, order, ruling, injunction, judgment or
16 other executive, administrative, legislative or judicial action, as amended and in effect
17 from time to time and whether now existing or hereafter enacted, adopted,
18 promulgated, entered or otherwise arising.

19 4.35 Mitigation: Any construction, demolition, alteration or other action required to
20 maintain the capability and reliability of the electric system resulting from the
21 establishment of the Hassayampa Switchyard, the interconnection of the generating
22 facilities of the Hassayampa Interconnectors to the Hassayampa Switchyard, the
23 synchronization of the Hassayampa Interconnectors' generating facilities with the

1 Hassayampa Switchyard, or any Material Alteration pursuant to Section 9.1.2 herein.
2 For purposes of this Agreement, Mitigation shall not include transmission-related
3 mitigation necessary for the injection or transmission of power and energy into or
4 from the Common Bus, and nothing in this Agreement shall be deemed to make the
5 ANPP Switchyard Participants responsible for any costs related thereto.

6 4.36 Mitigation Requirements: The Mitigation requirements set forth in Exhibit H,
7 MITIGATION REQUIREMENTS, attached hereto, as may be modified upon submittal
8 of final Generating Facility data and subsequent completion of any additional studies
9 required as result thereof.

10 4.37 Non-Common Bus Interconnector: Any Person interconnecting to facilities other than
11 those comprising the Common Bus.

12 4.38 North Gila Line Owners: APS, Imperial Irrigation District, and San Diego Gas and
13 Electric Company, and their respective successors in interest.

14 4.39 Operating Cost: All costs described in Exhibit G, OPERATING COSTS, attached
15 hereto.

16 4.40 Operating Emergency: An unplanned event or circumstance which reduces or may
17 reduce the capability of the Common Bus or the Hassayampa Interconnection
18 Facilities that would otherwise be available to the Parties under normal system
19 operating conditions.

20 4.41 Operating Work: Any engineering, contract preparation, legal or regulatory work,
21 purchasing, repair, supervision, recruitment, training, expediting, inspection,
22 accounting, insurance, testing, protection, operation, use, management, retirement,
23 reconstruction, maintenance, modification, relocation, any work undertaken by the

1 Operator that is required by Good Utility Practice or Applicable Requirements or
2 necessary for the safe and reliable operation of the Common Bus and the
3 Hassayampa Interconnection Facilities or other work necessitated by an Operating
4 Emergency performed in accordance with this Agreement, and all work undertaken to
5 make Capital Improvements.

6 4.42 Operator: The Person responsible for the operation of the Hassayampa Switchyard,
7 the duties of which are further described in Section 8 herein. As of the Effective
8 Date, the Operator under this Agreement is SRP, acting solely as agent of and for
9 the ANPP Switchyard Participants.

10 4.43 Person: Any natural person or legal entity of any kind, including any partnership,
11 corporation, limited liability company, association, trust or governmental entity,
12 officer, agency or body of any kind.

13 4.44 Pro Rata Share: The ratio utilized for allocation of certain rights and obligations to
14 the Interconnector. Such ratio shall equal the number of Connections in the
15 Hassayampa Switchyard to which the Interconnector is entitled under this
16 Agreement, divided by the total number of Connections (including those requested
17 under the Funding Agreement, but not built) in the Hassayampa Switchyard
18 (excluding the Connections associated with the new string bus, the Kyrene line, and
19 the North Gila line).

20 4.45 Unit of Property: A unit of property as described in the FERC's "List of Units of
21 Property for Use in Connection with Uniform System of Accounts Prescribed for
22 Public Utilities and Licensees" in effect as of January 31, 1998, as modified by FERC
23 Order 598, effective February 5, 1998, and as may be amended from time to time.

1 4.46 WSCC: The Western Systems Coordinating Council or any successor agency.

2 5. EFFECTIVE DATE AND TERMINATION:

3 5.1 Effective Date: Upon due execution and delivery by all the Parties hereto, this
4 Agreement shall become effective (the "Effective Date") on the later of: (i) November
5 1, 2001, or (ii) the date authorized by FERC to become effective. Notwithstanding
6 the foregoing, (i) the provisions of Section 6.2 hereof shall become effective upon
7 due execution of this Agreement by SRP and delivery of the memorandum of
8 easement, and (ii) the provisions of Sections 5.1, 5.2, 5.3, and 25 hereof shall be
9 effective on the date this Agreement has been executed and delivered by all the
10 Parties. No other terms or provisions of this Agreement shall become effective or
11 have any force or effect whatsoever unless and until the Effective Date.

12 5.2 FERC Conditions Or Modifications: The Parties shall request that FERC approve this
13 Agreement without modifications or conditions. If FERC requires modifications of, or
14 conditions to, any of the terms, conditions, rates or charges agreed to herein, the
15 following shall apply:

16 5.2.1 Parties' Acceptance: If no Party takes exception to FERC's order within
17 fourteen (14) calendar days after such Party receives a copy of such order
18 from the Operator, the FERC-ordered modifications and conditions shall
19 become a part of this Agreement. FERC's order must be promptly sent by
20 the Operator to the Parties in accordance with Section 27 herein, with a copy
21 to the Authorized Representatives, but no later than five (5) calendar days
22 after the posting by FERC. The Operator shall set forth such modifications
23 and conditions as Appendix 1 hereto. Such appendix shall constitute an

1 amendment to this Agreement which amendment shall not require signature
2 by the Parties.

3 5.2.2 Non-Acceptance By A Party: Any Party(ies) which takes exception to FERC's
4 conditions or modifications shall, within fourteen (14) calendar days after the
5 receipt by such Party(ies) of FERC's order, give notice to all other Parties of
6 such exception. In such event, the Parties shall continue to act in accordance
7 with the provisions of this Agreement, as allowed or as required by Law, and
8 shall promptly commence good faith negotiations to amend this Agreement in
9 a manner acceptable to FERC to provide similar rights and obligations to the
10 Parties as those originally set forth in this Agreement. Such amendment shall
11 be effective when accepted for filing by FERC. In the event that the Parties
12 amend this Agreement to comply with FERC required modifications or
13 conditions, and FERC subsequently changes its requirements in a manner
14 which would allow the Parties to more nearly achieve the same rights and
15 obligations as those originally set forth in this Agreement, then the Parties
16 shall promptly commence good faith negotiations to further amend this
17 Agreement in a manner which restores the original terms and conditions
18 hereof or as close thereto as possible.

19 5.2.3 Reservation of Rights: Notwithstanding the forgoing, all Parties shall retain
20 their rights to seek rehearing and file an appeal of any orders issued by FERC
21 requiring modification of or conditions to this Agreement.

22 5.3 Termination:

23 This Agreement shall terminate upon the first of the following events to occur: (i) the

1 termination of the ANPP Switchyard Participation Agreement; (ii) written agreement
2 of all Parties to terminate this Agreement; (iii) termination of this Agreement pursuant
3 to Section 22 herein; or (iv) upon no less than ninety (90) calendar days prior written
4 notice of termination by the Interconnector. If and to the extent then required by
5 FERC, notice of such termination shall promptly be filed with FERC and the
6 termination shall be effective as of the date authorized by FERC. For purposes of
7 the foregoing, the ANPP Switchyard Participation Agreement shall not be deemed to
8 have terminated at any time when (i) the ANPP Switchyard is being operated in
9 substantially the same manner as on the Interconnection Facilities In-Service Date
10 and (ii) an agreement pertaining to the operation of the ANPP Switchyard is in effect
11 among the ANPP Switchyard Participants on substantially the same terms as on the
12 Interconnection Facilities In-Service Date.

13 6. OWNERSHIP-LIKE RIGHTS GRANTED AND RESERVED:

14 6.1 Right To Interconnect: Each ANPP Switchyard Participant, to the extent of its
15 interest in the Hassayampa Switchyard and ANPP Switchyard pursuant to the ANPP
16 Switchyard Participation Agreement, hereby grants to the Interconnector, subject to
17 the terms and conditions of this Agreement, the following rights which are herein
18 defined as "Ownership-Like Rights":

19 6.1.1 The right to interconnect its Generating Facility to the Hassayampa
20 Switchyard at the line bay position(s) depicted in Exhibit D, HASSAYAMPA
21 AND ANPP SWITCHYARDS, attached hereto;

22 6.1.2 The exclusive right to use the line bay position(s) in the Hassayampa
23 Switchyard as depicted in Exhibit D, HASSAYAMPA AND ANPP

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SWITCHYARDS, attached hereto;

- 6.1.3 The nonexclusive use of and benefit from the Hassayampa Switchyard;
- 6.1.4 The nonexclusive use of the Common Bus Arrangement;
- 6.1.5 The right to transfer, assign, or otherwise dispose of its rights under this Agreement as provided in Section 20 herein;
- 6.1.6 The right to retain all proceeds derived from any use by it permitted under this Section 6.1;
- 6.1.7 Its rights and obligations with respect to taxes as provided in Section 15 herein; and
- 6.1.8 A non-exclusive easement for the Interconnection Facilities and the Generating Facility Interconnection Tie Line as provided in Section 6.2 herein.

6.2 Easement:

6.2.1 SRP hereby grants to Interconnector, its successors and assigns, subject to the terms and conditions of this Agreement, including, without limitation, any provisions relating to relocation or termination, a non-exclusive easement (the "Easement") on, over, and across the Land for the purposes of locating the Generating Facility Interconnection Tie Line and the Interconnection Facilities, and installing, operating, maintaining, repairing and replacing the Generating Facility Interconnection Tie Line. SRP makes no representation, warranty or covenant of any kind regarding the title to or priority of such Easement. The Generating Facility Interconnection Tie Line shall initially be constructed by Interconnector in the location designated or approved by Operator and shall not be relocated or modified by Interconnector without the consent of

1 Operator. The Generating Facility Interconnection Tie Line and/or
2 Interconnection Facilities shall be relocated at the direction of Operator when
3 and as provided in Section 7.5 herein or any other applicable provision of this
4 Agreement. Subject to the Operator's right to require such relocation,
5 Operator shall not grant rights to any other Hassayampa Interconnector to
6 utilize the Land in any manner which would materially interfere with the use
7 thereof by the Interconnector pursuant to this Section 6.2. Simultaneously
8 with the execution of this Agreement, SRP will execute and deliver to
9 Interconnector a memorandum, in the form attached hereto as Exhibit K,
10 MEMORANDUM OF EASEMENT, evidencing this Easement, and
11 Interconnector may cause such memorandum to be placed of record with the
12 Maricopa County Recorder's office with respect to the Land. Subject to the
13 terms and conditions set forth in this Agreement, including, without limitation,
14 any provisions relating to relocation or termination, the Easement and all
15 rights and privileges appurtenant thereto, whether express or implied, shall be
16 binding upon and inure to the benefit of the heirs, representatives, successors
17 and assigns of each of the Operator, the ANPP Switchyard Participants and
18 Interconnector. The Easement shall terminate without further act of any Party
19 upon termination of this Agreement pursuant to Section 5.3 herein. Upon
20 such termination, Interconnector shall at the request of Operator or any ANPP
21 Switchyard Participant execute and deliver to the requesting Party in
22 recordable form a memorandum evidencing such termination.

23 6.2.2 For purposes of installing, operating, maintaining, or repairing the Generating

1 Facility Interconnection Tie Line, the Interconnector at all reasonable times
2 shall have, upon prior notice to Operator and subject to Operator's reasonable
3 supervision, the right of ingress and egress only to those portions of the Land
4 necessary to enable the Interconnector to perform such installation, operation,
5 maintenance, or replacement.

6 6.2.3 The Interconnector shall provide to the Operator, upon prior notice at all
7 reasonable times and with reasonable supervision, the right of ingress and
8 egress to the Generating Facility and Generating Facility Interconnection Tie
9 Line for any purposes necessary to enable the Operator to perform its duties
10 consistent with Good Utility Practice and Applicable Requirements or to
11 reasonably determine the Interconnector's compliance with this Agreement.

12 6.2.4 Without limiting any other provision of this Agreement pertaining to Applicable
13 Requirements, it is hereby expressly acknowledged and agreed that, while
14 any Party is exercising its rights with respect to the Land pursuant to this
15 Section 6.2, such Party and its personnel, agents and contractors shall
16 comply with Applicable Requirements.

17 6.3 Transaction Rights:

18 6.3.1 Subject to the terms and conditions of this Agreement and Applicable
19 Requirements, the Interconnector is hereby granted the right to physically
20 connect its Generating Facility to the Common Bus using the Generating
21 Facility Interconnection Tie Line and the Interconnection Facilities. However,
22 this right does not give the Interconnector the right to inject power and energy
23 into the Common Bus, except and only to the extent that all necessary

1 arrangements for transmission rights and service, including transmission-
2 related mitigation requirements, if any, are in place for the delivery thereof.
3 This Agreement does not grant the Interconnector the right under any
4 circumstances to inject power and energy into the Common Bus except from
5 the Generating Facility and not in excess of the rated capability thereof.

6 6.3.2 Nothing in this Agreement shall be deemed either expressly or implicitly to
7 obligate any Party to provide or make available to the Interconnector any
8 transmission services, control area services, distribution services, or ancillary
9 services for the transport of energy to or from the Generating Facility and the
10 ANPP Switchyard Participants make no representation to Interconnector
11 regarding the availability of such services.

12 6.3.3 This Agreement provides no obligation for any Party to purchase, sell,
13 transmit, or otherwise provide any other rights, including the right to inject
14 power and energy into the Common Bus, with respect to the power and
15 energy generated by or required for the Generating Facility, other than as
16 provided herein with respect to the Common Bus Arrangement.

17 6.4 Reimbursement: To the extent not prohibited by Law, any interconnection agreement
18 that permits a Hassayampa Interconnector that (i) is not a party to the Funding
19 Agreement to interconnect to the Hassayampa Switchyard, or (ii) is a party to the
20 Funding Agreement, but requests an additional connection to the Hassayampa
21 Switchyard not provided for in the Funding Agreement, shall contain a provision that
22 such Hassayampa Interconnector shall be responsible for and required to pay, within
23 thirty (30) calendar days of execution, its Pro Rata Share (calculated with the

1 inclusion of its requested interconnection(s)) of all Construction Costs associated with
2 the development of the Hassayampa Switchyard and the cost of any Capital
3 Improvements made to the Common Bus for which the other Hassayampa
4 Interconnectors paid or are responsible to pay under their interconnection
5 agreements. The Interconnector shall receive a Pro Rata Share (calculated without
6 the inclusion of such future interconnector) of any such payments received. In the
7 event that the Interconnector incurs costs in association with the accommodation of
8 outages necessary for the initial connection of any future Hassayampa
9 Interconnector that (i) is not a party to the Funding Agreement, or (ii) is a party to the
10 Funding Agreement, but requests an additional connection to the Hassayampa
11 Switchyard not provided for in the Funding Agreement, the Interconnector shall be
12 entitled to seek reimbursement of such costs from the future Hassayampa
13 Interconnector. Such costs shall be determined in accordance with Good Utility
14 Practice and Applicable Requirements and shall include, but shall not be limited to,
15 differential energy costs. Interconnector shall use reasonable efforts to minimize the
16 costs incurred.

17 6.5 During the term of this Agreement, for so long as the ANPP Switchyard Participants
18 are permitted by FERC to operate using the Common Bus Arrangement and do not
19 charge Interconnector a separate charge for transmission services provided within or
20 across the Common Bus, Interconnector agrees that (i) it is not entitled to and will not
21 seek transmission credits associated with costs borne by Interconnector in
22 connection with its Pro Rata Share of costs associated with the Common Bus, (ii) it
23 will not seek to have the costs associated with the Common Bus facilities rolled-in to

1 the transmission rates of any ANPP Switchyard Participant, and (iii) it is not entitled
2 to and will not seek any refund or repayment of or any other direct or indirect means
3 of recovering any such costs, except as provided in Section 6.4 herein. However,
4 nothing in the preceding shall affect the requirements and limitations of Section 6.3
5 herein.

6 7. OWNERSHIP:

7 7.1 The Interconnection Facilities and the Generating Facility Interconnection Tie Line
8 shall be owned by and remain the property of the Interconnector.

9 7.2 At the date of initial execution of this Agreement, SRP owns fee title to the Land.
10 Following the grant of Easement(s) described in Section 6.2 herein, SRP will convey
11 the Land to the ANPP Switchyard Participants as tenants in common in the same
12 proportions as their ownership of the ANPP Switchyard, and each of the ANPP
13 Switchyard Participants agrees to accept such conveyance. Except as provided in
14 the previous two sentences and except for the Hassayampa Interconnection Facilities
15 and the ownership-like rights of the Hassayampa Interconnectors granted in
16 accordance with Section 6 herein, the Common Bus shall continue to be owned by
17 and remain the property of each ANPP Switchyard Participant, Kyrene Line Owner,
18 and North Gila Line Owner to the extent of its respective interest therein.

19 7.3 Except as expressly provided in this Agreement and subject to Applicable
20 Requirements, the ANPP Switchyard Participants shall have the right, in their sole
21 discretion, to interconnect with or allow others to interconnect with, operate and
22 maintain in accordance with Good Utility Practice, expand, sell, or otherwise dispose
23 of any portion of the Common Bus as they may deem necessary or appropriate

1 subject to the terms and conditions of this Agreement. Subject to Section 20.2
2 herein, nothing in this Agreement shall be deemed to limit, expand or otherwise
3 modify the right of each ANPP Switchyard Participant to sell, assign, transfer or
4 otherwise dispose of all or any part of its interest in the Common Bus in accordance
5 with the ANPP Switchyard Participation Agreement.

6 7.4 Nothing in this Agreement shall interfere with or impair the rights or entitlements
7 under any other agreement of any ANPP Switchyard Participant, any Kyrene Line
8 Owner, and/or any North Gila Line Owner existing as of the date of this Agreement,
9 including use of the Common Bus or the existing electric transmission lines and
10 switchyard facilities connected thereto.

11 7.5 The ANPP Switchyard Participants may modify or relocate the Interconnection
12 Facilities or the Generating Facility Interconnection Tie Line, subject to the prior
13 approval of the E&O Committee, as required (i) to meet Applicable Requirements or
14 enable the operation of the Common Bus in accordance with Good Utility Practice,
15 the costs thereof being Operating Costs payable pursuant to Section 11.1 herein, or
16 (ii) to facilitate future Connections in accordance with Good Utility Practice and
17 Applicable Requirements. To the extent permitted by Law, the costs of future
18 Connections, including the costs of modifications or relocations required to facilitate
19 such Connections, shall be payable solely by the Person requesting such
20 Connection. In the event that the ANPP Switchyard Participants propose to make
21 any such modification or relocation, the Operator will notify the Interconnector in
22 advance and provide a reasonable opportunity for consultation. Notwithstanding the
23 foregoing, the Interconnector acknowledges and agrees that the Operator has no

1 obligation under this Agreement to disclose any information which violates either a
2 confidentiality requirement in any ANPP Switchyard Participant's Open Access
3 Transmission Tariff, as provided to the Operator, or any Applicable Requirement.

4 8. OPERATION OF HASSAYAMPA SWITCHYARD:

5 8.1 Operator:

6 8.1.1 The Operator shall act in good faith to operate, maintain, and control the
7 Common Bus and Interconnection Facilities (i) in accordance with Good Utility
8 Practice and Applicable Requirements; and (ii) in accordance with the
9 provisions of this Agreement.

10 8.1.2 The Operator shall act in good faith to perform Operating Work for the
11 Hassayampa Switchyard, including the Interconnection Facilities and
12 budgeted Capital Improvements thereto, in accordance with Good Utility
13 Practice and pursuant to the terms and conditions of this Agreement.

14 8.1.3 The Operator shall continue to perform its duties and responsibilities pursuant
15 to the ANPP Switchyard Participation Agreement.

16 8.1.4 The Operator shall initially compute the Hassayampa CRR in the manner set
17 forth in Exhibit E, HASSAYAMPA COST RESPONSIBILITY RATIO, hereto.
18 For each change in the number of Connections to the ANPP Switchyard, the
19 Hassayampa CRR shall be recomputed promptly and shall be effective upon
20 the in-service date of such Connection. Upon completion of such
21 recomputation, the Operator shall revise Exhibit E, HASSAYAMPA COST
22 RESPONSIBILITY RATIO, in accordance with Section 32.5 herein.

23 8.1.5 The Operator shall recalculate the Pro Rata Share for the Interconnector

1 upon any increase or decrease in the number of Connections in the
2 Hassayampa Switchyard.

3 8.1.6 The Operator shall notify Interconnector of any termination notice received
4 from any other Hassayampa Interconnector, as soon as practicable.

5 8.2 Common Bus Arrangement:

6 8.2.1 The Common Bus shall be operated as a Common Bus Arrangement.

7 8.2.2 There will be no transmission charge or transmission credit associated with
8 service occurring solely within the Common Bus. The absence of a
9 transmission charge shall not be considered a discount for purposes of the
10 ANPP Switchyard Participants' Open Access Transmission Tariffs.

11 8.2.3 Electrical losses in regards to use of the Common Bus Arrangement shall be
12 determined in accordance with Good Utility Practice and allocated between
13 the Hassayampa Switchyard and the ANPP Switchyard by the E&O
14 Committee.

15 8.3 Scheduled Outages: The Parties acknowledge that it may be necessary from time to
16 time for the Operator to de-energize the Interconnection Facilities and/or certain
17 other Connections which now exist or may exist in the future in order to, among other
18 things: (i) perform Operating Work, (ii) install other Connections, and (iii) install any
19 Capital Improvements, modifications, upgrades, or additions required to
20 accommodate a request for interconnection by any Non-Common Bus Interconnector
21 or the provision of transmission service. The Operator, in accordance with Good
22 Utility Practice and Applicable Requirements, shall act in good faith to coordinate the
23 timing and minimize the duration of any scheduled outage of such facilities with the

1 Interconnector, any ANPP Switchyard Participants, or any other Hassayampa
2 Interconnectors that may be affected by such outage. In the event that a scheduled
3 outage will affect only the Interconnector (for example, if the sole purpose of the
4 outage is to perform work on the Interconnection Facilities), then Operator shall notify
5 Interconnector of the Operator's intention to perform such work, including an estimate
6 of the duration of the outage, and, if Interconnector responds on a timely basis, shall
7 schedule such outage at a time acceptable to Interconnector in the Operator's
8 reasonable discretion. If the restoration of the facilities might reasonably be
9 expected to extend beyond the time scheduled by the Operator for the work, the
10 Operator, acting in good faith, shall notify the Interconnector and any ANPP
11 Switchyard Participant that may be affected by such outage regarding the reason for
12 the delay and when the Operator expects to restore the facilities to service.

13 8.4 Operating Emergencies:

14 8.4.1 In the event of an Operating Emergency, the Operator, in accordance with
15 Good Utility Practice and Applicable Requirements, shall act in good faith to
16 take any and all steps reasonably necessary to terminate and, pending such
17 termination and to the extent not inconsistent therewith, mitigate the
18 Operating Emergency.

19 8.4.2 As soon as practicable following the occurrence of an Operating Emergency,
20 the Operator shall advise the Interconnector's scheduling representative, or
21 designee, of the nature and expected duration of the Operating Emergency
22 and the steps taken or planned to be taken for the termination or mitigation of
23 such Operating Emergency.

1 8.4.3 In the event that the Operating Emergency results in the destruction of or
2 damage to the Common Bus or the Hassayampa Interconnection Facilities, or
3 impairs the operation of the Common Bus or the Hassayampa Interconnection
4 Facilities, Operator, in consultation with the ANPP Switchyard Participants, as
5 necessary, shall expend in accordance with Good Utility Practice and
6 Applicable Requirements, any funds necessary or appropriate to repair,
7 restore or reconstruct the damaged or destroyed facilities to the extent
8 necessary to restore the operation of the Common Bus or the Hassayampa
9 Interconnection Facilities to substantially the same general condition as
10 existed prior to the Operating Emergency. Subject to Section 16.2 herein, the
11 Interconnector shall be obligated to pay its Pro Rata Share of the costs of
12 such repair, restoration or reconstruction as Operating Costs in accordance
13 with Section 11.1 herein. In the event that the Operator or any ANPP
14 Switchyard Participant recovers any sums from any third Person in connection
15 with such destruction or damage, the Operator or ANPP Switchyard
16 Participant shall apply such sums to the repair, restoration, or reconstruction
17 work undertaken pursuant to this Section 8.4.3, provided that if the
18 Interconnector has already reimbursed the Operator for such work, the
19 Operator or ANPP Switchyard Participant, as applicable, shall refund to or
20 credit the Interconnector in an amount equal to its Pro Rata Share of the sum
21 recovered.

22 8.4.4 Following the occurrence of an Operating Emergency, the Operator shall be
23 authorized to proceed immediately or at any time thereafter, in its discretion,

1 with any action necessary or appropriate to terminate such Operating
2 Emergency in accordance with Good Utility Practice and Applicable
3 Requirements.

4 8.4.5 Following the termination of any Operating Emergency, the Operator shall
5 submit to the Parties a report containing a summary of the costs incurred and
6 expenditures made in connection with the mitigation and termination of such
7 Operating Emergency and such other information as may be reasonably
8 required by the Parties.

9 9. OPERATION:

10 9.1 Interconnector Obligations:

11 9.1.1 Operation of Facilities: The Interconnector shall operate, maintain, and
12 control the Generating Facility and the generating facility interconnection tie
13 line (i) in accordance with Good Utility Practice and Applicable Requirements,
14 to the extent applicable to the Interconnector; and (ii) in accordance with the
15 provisions of this Agreement. The Interconnector shall cooperate with and
16 timely provide to the Operator all information as the Operator may, acting in
17 good faith, request in order for the Operator to comply with Applicable
18 Requirements.

19 9.1.2 Material Alterations: Interconnector shall give Operator prior notice of any
20 Material Alteration which Interconnector intends to make. For purposes of this
21 Section 9.1.2, "Material Alteration" means any physical change to the
22 Generating Facility or the generating facility interconnection tie line which (i)
23 deviates from any of the applicable information set forth in Exhibit A,

1 GENERATING FACILITY, attached hereto (which may require amendment
2 pursuant to Section 32.5 herein), (ii) fails to conform with any other express
3 requirement of this Agreement, (iii) fails to comply with any Applicable
4 Requirement, (iv) affects the operation of the Common Bus or the electrical
5 systems connected thereto, or (v) requires Mitigation. Interconnector shall
6 give notice of such Material Alteration sufficiently prior to the date when it is
7 planned to be placed in service to allow Operator a reasonable opportunity,
8 using Good Utility Practice, to evaluate the potential impacts thereof, identify
9 any appropriate Mitigation associated therewith and, to the extent such
10 Mitigation affects the Common Bus, complete such Mitigation, all at the
11 expense of Interconnector. If Operator at any time becomes aware of a
12 Material Alteration, whether or not Interconnector has given timely notice
13 thereof, Operator, acting in good faith and consistently with Good Utility
14 Practice, may require Interconnector to operate in a manner which does not
15 violate any of clauses (ii), (iii) or (iv) of this Section, may require
16 Interconnector to perform or cause to be performed Mitigation resulting from
17 such Material Alteration or, if such Mitigation affects the Common Bus, may
18 perform such Mitigation at Interconnector's expense, and may impose specific
19 requirements for the foregoing purposes. If any Material Alteration, in the sole
20 judgment of the Operator, acting in good faith, may endanger life or property
21 or may pose a threat to system reliability, Operator shall proceed immediately
22 or at any time thereafter with any action necessary or appropriate to terminate
23 such endangerment or threat to system reliability. If any Material Alteration

1 causes an Operating Emergency, Operator shall proceed in accordance with
2 Section 8.4 to the extent applicable and consistent with the provisions of this
3 Section. Nothing in this Section is intended to relieve Interconnector from its
4 obligations under any other provisions of this Agreement or to limit any other
5 right or remedy of Operator or any Party as a result of a breach or default by
6 Interconnector.

7 9.2 Control Area Services: The Interconnector shall provide an executed copy of its
8 control area agreement, if applicable, acceptable to the Operator in conformance with
9 Good Utility Practice, prior to the proposed Generator Initial Synchronization Date.

10 9.3 Switching and Tagging Rules: The Interconnector shall abide by the Operator's
11 switching and tagging rules for obtaining clearances for work or for switching
12 operations on equipment located outside the Hassayampa Switchyard up to the first
13 point of disconnection. Operator shall provide training on such procedures for the
14 Interconnector, if requested.

15 9.4 Reactive Power Standards: The Generating Facility power factor design limitation
16 minimum requirement shall be a reactive power capability of sufficient MVAR that
17 would result in a composite power delivery at the Hassayampa Switchyard at a power
18 factor between 0.95 leading and 0.95 lagging at rated capacity. Under normal
19 operating conditions, the Interconnector shall operate the Generating Facility to
20 maintain a voltage at the Hassayampa Switchyard as prescribed by the Operator
21 within the Generating Facility's power factor design limitations. In the event that,
22 under normal operating conditions the Generating Facility is unable to consistently
23 maintain a reactive power capability sufficient to maintain a composite power delivery

1 at the Hassayampa Switchyard at a power factor between 0.95 leading and 0.95
2 lagging, the Interconnector shall take necessary steps to meet such standards,
3 including, but not limited to, the installation of static and/or dynamic reactive power
4 compensating devices. Should the Operator determine, in its sole discretion and in
5 accordance with Good Utility Practice, that operation of the Generating Facility at
6 power factors not in compliance with this Agreement may compromise the reliability
7 or integrity of, or would materially adversely affect, the Common Bus, the Operator
8 may order the Interconnector to disconnect its Generating Facility until such time as
9 required remedies are made.

10 9.5 Operating Expenses: The Interconnector shall be solely responsible for all
11 Generating Facility and Generating Facility Interconnection Tie Line operating
12 expenses.

13 9.6 System Protection:

14 9.6.1 The Interconnector shall, at its expense, install, maintain, and operate system
15 protection facilities, including such protective and regulating devices as are
16 required by Good Utility Practice and Applicable Requirements or as are
17 otherwise reasonably necessary to protect personnel and equipment and to
18 minimize adverse effects to the Common Bus, ANPP Switchyard Participants,
19 or any other Person interconnected to the Common Bus, arising from
20 operation of the Generating Facility. Any such protective or regulating
21 devices that may be required on the ANPP Switchyard Participants' facilities
22 in connection with the operation of the Generating Facility shall be installed at
23 the Interconnector's expense.

1 9.6.2 In compliance with Good Utility Practice and Applicable Requirements,
2 Interconnector shall provide, install, own, and maintain relays, circuit
3 breakers, and all other devices necessary to promptly remove any condition of
4 or affecting the Generating Facility that causes or contributes to any short
5 circuit occurring on the Common Bus. Interconnector shall be responsible for
6 protection of the Generating Facility and the Interconnector's other equipment
7 from such conditions as negative sequence currents, over- or under-
8 frequency, sudden load rejection, over- or under-voltage, and generator loss-
9 of-field. Interconnector shall be solely responsible for provisions to
10 disconnect the Generating Facility and Interconnector's other equipment
11 when any of the above-described disturbances occur.

12 9.7 WSCC Reliability Management System: Interconnector and the ANPP Switchyard
13 Participants shall enter into the WSCC Reliability Management System (RMS)
14 Agreement for Generators, a copy of which shall be attached as Exhibit I,
15 RELIABILITY MANAGEMENT SYSTEM AGREEMENT, hereto.

16 10. SCHEDULING AND DISPATCHING:

17 10.1 The Operator shall develop, prior to the Interconnection Facilities In-Service Date and
18 may amend from time to time, scheduling and dispatching procedures in accordance
19 with Good Utility Practice and Applicable Requirements, with respect to, among other
20 things, congestion management, transmission losses, scheduling, and dispatching
21 for transactions to be conducted into or out of the Common Bus. The Operator shall
22 have the authority to implement and enforce, and the Interconnector shall comply
23 with, any such procedures.

1 10.2 The Interconnector desiring to schedule power and energy into or out of the Common
2 Bus shall first make all necessary arrangements for transmission rights and service
3 for such power and energy and then shall submit, or make arrangements to submit,
4 hourly schedules and any changes thereto to the Operator's schedulers and/or
5 dispatchers in accordance with the scheduling and dispatching procedures
6 established pursuant to Section 10.1 herein. Notwithstanding the notice
7 requirements of Section 27 herein, if the Interconnector does not comply with the
8 established scheduling and dispatching procedures, the Operator shall inform the
9 Interconnector and the other Parties of such failure, and shall not be obligated to
10 accept the schedule of such Interconnector until such scheduling and dispatching
11 procedures have been complied with and requirements have been met.

12 10.3 Interconnector, at its sole expense, shall provide billing quality metering equipment,
13 or such other equipment as deemed necessary by the Operator in accordance with
14 Good Utility Practice and Applicable Requirements, to meet its metering and
15 telemetry requirements for generator unit output and any back feed or auxiliary load
16 requirements of the Generating Facility. The installation, testing, and maintenance of
17 such equipment shall be coordinated between the Operator and the Interconnector.

18 11. COST RESPONSIBILITY:

19 11.1 Operating Cost: The following portion of Operating Costs shall be allocated to the
20 Interconnector:

21 11.1.1 Interconnection Facilities and Hassayampa Switchyard: Its Pro Rata Share of
22 all Operating Costs pertaining to the Hassayampa Interconnection Facilities
23 and the Hassayampa Switchyard (including but not limited to Operator's

1 overhead expenses, applicable labor loading charges, and administrative and
2 general expenses), except that costs for Capital Improvements to the
3 Interconnection Facilities, which Capital Improvements are requested by the
4 Interconnector, shall be the sole responsibility of the Interconnector.

5 11.1.2 ANPP Switchyard: Its Pro Rata Share of the Hassayampa CRR of all
6 Operating Costs pertaining to the ANPP Switchyard (including but not limited
7 to overhead expenses, applicable labor loading charges, and administrative
8 and general expenses) as defined and provided in the ANPP Switchyard
9 Participation Agreement.

10 11.2 Mitigation:

11 11.2.1 Performance of Mitigation: The Operator with respect to the Common Bus
12 and each ANPP Switchyard Participant with respect to its separate facilities,
13 in accordance with Good Utility Practice, shall act in good faith to perform, or
14 cause to be performed, the Mitigation Requirements applicable to each such
15 Party, as specified in Exhibit H, MITIGATION REQUIREMENTS, attached
16 hereto. In the event that any Mitigation Requirements affect the property of
17 any Person other than the Operator or any ANPP Switchyard Participant,
18 Operator shall reasonably cooperate with the Interconnector to cause such
19 Mitigation Requirements to be performed. Except as provided for in Section
20 11.2.3 herein, neither the Operator nor any ANPP Participant shall be
21 required to perform, or cause to be performed, any Mitigation other than the
22 Mitigation Requirements specified in Exhibit H, MITIGATION
23 REQUIREMENTS, attached hereto.

1 11.2.2 Payment for Cost of Mitigation Requirements: Interconnector shall pay
2 Interconnector's share of the cost of the Mitigation Requirements, as set forth
3 in Exhibit H, MITIGATION REQUIREMENTS, attached hereto, provided that
4 Interconnector's share of such costs shall be determined by the E&O
5 Committee in accordance with Good Utility Practice and Applicable
6 Requirements and the E&O Committee informs Interconnector in writing in
7 advance of the basis for such allocation.

8 11.2.3 Future Requests for Mitigation: In the event that the Interconnector, Operator
9 or any ANPP Switchyard Participant receives from any Person a written
10 request for Mitigation or the costs thereof, other than as specified in Exhibit H,
11 MITIGATION REQUIREMENTS, attached hereto, or any other written claim
12 that reasonably may result in a request for Mitigation or the costs thereof, the
13 Party receiving the request shall provide prompt notice thereof, in
14 conformance with Section 27 herein, to all of the Hassayampa
15 Interconnectors, Operator, ANPP Switchyard Participants and the E&O
16 Committee. The E&O Committee shall review the notice and, acting in good
17 faith, promptly determine preliminarily (i) if the notice involves a request for
18 Mitigation or the costs thereof or a claim that reasonably may result in such a
19 request (in either case, a "Mitigation Request"), (ii) which Hassayampa
20 Interconnectors may be responsible for the requested Mitigation in
21 accordance with Good Utility Practice, and (iii) if the notice involves any claim
22 other than a Mitigation Request that may be made against one or more ANPP
23 Switchyard Participants. Upon making such preliminary determination, the

1 E&O Committee shall issue a notice of such preliminary determination to all of
2 the Hassayampa Interconnectors, Operator and ANPP Switchyard
3 Participants. If Interconnector is identified in such a notice from the E&O
4 Committee as potentially responsible for satisfying the Mitigation Request,
5 Interconnector shall, alone or jointly with other similarly identified
6 Hassayampa Interconnectors, respond to the Person making the Mitigation
7 Request and either contest the Mitigation Request or arrange for completion
8 of, or payment for, the requested Mitigation, as applicable, keeping the E&O
9 Committee informed of such activities on a reasonable ongoing basis. If such
10 E&O Committee notice also identifies any claim other than a Mitigation
11 Request against one or more ANPP Switchyard Participants, Interconnector
12 shall act jointly in good faith with such affected ANPP Switchyard
13 Participant(s) in responding to the Person making such claim and the
14 Mitigation Request. If subsequent to issuance of the E&O Committee notice,
15 the E&O Committee, based on further study in conformance with Good Utility
16 Practice, determines that it needs to modify the preliminary determination
17 described above, the E&O Committee shall issue a new notice in the same
18 manner as its initial notice, and Interconnector shall respond in the same
19 manner as is required upon receipt of any initial notice. In the event that the
20 affected Hassayampa Interconnectors agree to satisfy the Mitigation Request
21 and, as a result, work is required within the Common Bus or the property of
22 any ANPP Switchyard Participant, the Operator or ANPP Switchyard
23 Participant(s), as applicable, shall act in good faith to perform the work in

1 accordance with Good Utility Practice, provided that the Interconnector pays
2 for its share of the costs thereof, as determined by the E&O Committee
3 consistent with Section 11.2.2 herein. The limitations and disclaimers of
4 Section 17.2 herein notwithstanding, the Interconnector shall defend,
5 indemnify and hold harmless Operator, the ANPP Switchyard Participants,
6 and any other Hassayampa Interconnector which has entered into an
7 interconnection agreement containing a substantially similar indemnification
8 obligation for, from and against the Interconnector's share, as determined by
9 the E&O Committee consistent with Section 11.2.2 herein, of any Mitigation
10 costs paid or incurred by any Person.

11 12. BILLING AND PAYMENT:

12 12.1 Preparation And Submission Of Budgets For Operating Costs: The Operator shall
13 prepare an initial budget for Operating Costs for the period commencing with the
14 Effective Date to the end of the calendar year. The Operator shall prepare an annual
15 budget for Operating Cost for each calendar year thereafter. Operator shall have the
16 right to amend any such budget from time to time or change to a non-calendar year
17 and shall provide notice to Interconnector of any such change. For purposes of this
18 Section 12, the term "budget" shall include any such amended budget. Each budget
19 shall show the estimated monthly expenses and costs allocated to the Interconnector
20 pursuant to this Agreement. The Operator shall submit such budgets to the E&O
21 Committee concurrently with its submittal of other budgets prepared pursuant to the
22 ANPP Switchyard Participation Agreement.

23 12.2 Budget Approvals: The budget for the estimated Operating Cost (excluding costs for

1 Capital Improvements to Interconnection Facilities that are not necessary to prevent
2 impairment of the operation of the Common Bus) and any other expenses and costs
3 allocated to the Interconnector pursuant to this Agreement shall be subject to the
4 approval of the E&O Committee. Submittal of such budget to the Interconnector shall
5 be for informational purposes only. The budget for the estimated costs of Capital
6 Improvements to the Interconnection Facilities for which the Interconnector is
7 responsible under this Agreement and that are not necessary to prevent impairment
8 of the operation of the Common Bus shall be subject to the approval of the
9 Interconnector, which approval shall not be unreasonably withheld.

10 12.3 Invoices:

11 12.3.1 The Operator shall invoice the Interconnector, as provided in Section 12.3.2
12 herein, on a monthly basis for its applicable share of estimated monthly
13 Operating Cost; provided, that adjustments for actual Operating Cost for such
14 month shall be reflected in the invoice for the calendar month which follows
15 the date of determination of such actual Operating Cost.

16 12.3.2 Invoices prepared by the Operator shall be mailed, or delivered by electronic
17 means, on or before the twenty-fifth (25th) calendar day (the "Mailed Date") of
18 the month two (2) months prior to the month in which the Operator anticipates
19 that the costs will be incurred and payment shall be due and payable by the
20 fifteenth (15) calendar day of the month prior to the month in which the costs
21 are anticipated to be incurred; provided, however, that the payment due date
22 will be extended by one (1) day for each day beyond the Mailed Date that the
23 Operator mailed, or electronically delivered, the invoice. Such invoices shall

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be addressed to the Interconnector as follows:

Duke Energy Arlington Valley, LLC
c/o Duke Energy North America, LLC
Asset Management
Attention: Director of Asset Management
4 Triad Center, Suite 900
Salt Lake City, UT 84108

12.3.3 In the event that the Operator determines, at any time, that any prior invoice was not accurate or complete, Operator may adjust the amount of the current or any succeeding invoice to correct such inaccuracy.

12.3.4 Upon request, Operator will provide to Interconnector documentation reasonably supporting any invoice rendered within the past twelve (12) calendar months.

12.4 Payments:

12.4.1 The Interconnector shall pay or cause to be paid (in funds immediately available as of the due date thereof) each invoice on or before the due date as specified in Section 12.3.2 herein.

12.4.2 All payments, including late payment charges paid pursuant to Section 12.10 herein, received by the Operator pursuant to this Section 12 shall be placed in a demand deposit account from which the Operator shall make disbursements for expenditures and obligations incurred by it in the performance of Operating Work. Interest received, if any, shall be applied toward Operating Cost.

12.4.3 Payment shall be considered made on the date payment is received by the

1 Operator.

2 12.5 Minimum Balance of Account: The Operator shall establish a reasonable minimum
3 balance for the operating account from which the Operator will make disbursements
4 for expenditures and obligations incurred by it pursuant to this Agreement. Such
5 minimum balance shall be reasonably calculated to provide adequate liquidity for
6 normal operations and to allow adequate time for notices and the exercise of
7 remedies against any of the Hassayampa Interconnectors, and may be revised by
8 the Operator from time to time to achieve such purposes. The Operator shall give
9 Interconnector notice of the amount of such minimum balance and any change
10 thereto. The Interconnector shall be responsible for its Pro Rata Share of such
11 minimum balance as in effect from time to time.

12 12.6 Advancement of Funds: Nothing contained in this Agreement shall require the
13 Operator or the ANPP Switchyard Participants to advance their own funds on behalf
14 of the Interconnector.

15 12.7 Creditworthiness: At any time during the term of this Agreement, Operator, acting in
16 good faith, may require the Interconnector to provide and maintain in effect a letter of
17 credit or other form of security acceptable to the Operator to meet the
18 Interconnector's responsibilities and obligations. In any instance where facilities to
19 be built require the Operator to incur costs, Operator will not be obligated to incur any
20 costs until the Interconnector has provided Operator with a letter of credit or other
21 form of security acceptable to the Operator in the amount of such costs.

22 12.8 Cost Allocation: In cases where the allocation of a cost item is to be made between
23 Operating Work and other work, or between Operating Costs and other costs, such

1 allocation shall be made on a fair and equitable basis as reasonably determined by
2 the Operator consistent with the terms of this Agreement.

3 12.9 Disputed Charges: If Interconnector disputes any portion of an amount specified in
4 an invoice, it shall make the total payment specified in said invoice without offset,
5 abatement, or reduction of any kind. If it is determined that an overpayment has
6 been made, the amount determined to be in excess shall be returned to the
7 Interconnector.

8 12.10 Late Payment Charge: Invoiced amounts not received by the Operator on or before
9 the due date specified herein shall accrue interest in accordance with the provisions
10 of 18 CFR Section 35.19a (a) (2) (iii), prorated on a daily basis from the due date to
11 the day such unpaid amount is paid in full.

12 13. COORDINATION AND EXCHANGE OF INFORMATION:

13 13.1 Authorized Representative: The Interconnector, by written notice to Operator, and
14 Operator by written notice to Interconnector, shall each designate one or more
15 Authorized Representatives authorized to act on its behalf with respect to technical
16 and operational matters related to this Agreement. The Interconnector or Operator
17 may change the designation of its Authorized Representative(s) by oral notice
18 confirmed by written notice.

19 13.2 E&O Committee Meetings: As a means of permitting the Interconnector to
20 participate in the coordination and exchange of information on a prompt and orderly
21 basis in connection with matters under this Agreement, the Interconnector shall be
22 entitled to have one (1) non-voting representative attend any meeting of the E&O
23 Committee, unless said E&O Committee, acting in good faith, elects to go into

1 executive session for any reason. Operator shall provide timely notification of such
2 E&O Committee meetings to the Interconnector's Authorized Representative.

3 14. DISPOSITION OF FACILITIES:

4 Upon termination of this Agreement pursuant to Section 22.4.5 herein, Operator shall have
5 the option either to: (i) retain the Interconnection Facilities and/or the Generating Facility
6 Interconnection Tie Line, and pay to Interconnector the Net Salvage Value thereof, or (ii)
7 remove or cause to be removed the Interconnection Facilities and/or the Generating Facility
8 Interconnection Tie Line, deliver or cause to be delivered the salvageable material and
9 equipment of such facilities to Interconnector, repair or cause to be repaired any damage to
10 the Hassayampa Switchyard caused by such removal, and restore or cause to be restored
11 the site to a clean and neat condition. For purposes of the foregoing, the term "Net Salvage
12 Value" shall mean the fair market value of any salvageable material and equipment that
13 would have been delivered to the Interconnector if the Operator had elected to remove the
14 Interconnection Facilities and/or the Generating Facility Interconnection Tie Line, minus all
15 costs and expenses that would have been incurred in removing such facilities, repairing any
16 damage to the Hassayampa Switchyard, and restoring the site to a clean and neat condition.
17 In the event Operator removes the Interconnection Facilities and/or the Generating Facility
18 Interconnection Tie Line, pursuant to this Section 14, Interconnector shall reimburse
19 Operator for the costs of such removal, disposition, repair, and restoration. Such
20 reimbursement shall be paid to Operator on the basis of invoices submitted by Operator to
21 Interconnector pursuant to Section 12.3 hereof, and Operator may require security for such
22 costs in accordance with Section 12.7 before commencing any work. If this Agreement is
23 terminated for any reason other than pursuant to Section 22.4.5 herein, Operator shall

1 proceed under clause (ii) above, unless Interconnector fails to provide security in accordance
2 with Section 12.7 within thirty (30) calendar days after Operator's request therefor.

3 15. TAXES:

4 15.1 Property and Other Taxes:

5 15.1.1 The Interconnector shall use reasonable efforts to have any taxing authority
6 imposing any property taxes or other taxes (excluding any sales or use taxes)
7 or assessments on the Interconnection Facilities, impose such taxes or
8 assessments directly upon the Interconnector on the basis of its ownership
9 interest in the Interconnection Facilities. In the event such tax authorities hold
10 the ANPP Switchyard Participants liable for property taxes, voluntary
11 payments in lieu thereof in accordance with any ANPP Switchyard
12 Participant's normal practices ("in lieu payments"), or other taxes (excluding
13 any sales, use, income, franchise, or gross receipts taxes), all such property
14 taxes (or in lieu payments) or other taxes will be billed to and paid by the
15 Interconnectors.

16 15.1.2 Subject to the terms of Section 14.1 of the Funding Agreement, all taxes and
17 assessments (or contributions in lieu thereof) levied against the property
18 interest of any Party shall be the sole responsibility of the Party upon whom
19 said taxes and assessments are levied, unless such taxes and assessments
20 are levied directly upon an individual Party on behalf of any or all of the other
21 Parties, in which case such taxes and assessments shall be the responsibility
22 of such Parties.

23 15.1.3 Any Party exempted from any taxes assessed against any or all of the other

1 Parties shall be given credit for such exemption.

2 15.1.4 If any taxing authority assesses a transaction privilege tax, use tax, sales tax,
3 gross receipts tax, compensating tax, excise tax, or other tax (including
4 applicable interest and penalties, but excluding any income or franchise tax)
5 against any monies paid by the Interconnector to the Operator on behalf of
6 the ANPP Switchyard Participants, the Interconnector shall, in proportion to its
7 Pro Rata Share, reimburse on an after-tax basis the ANPP Switchyard
8 Participants upon receipt of written notice from the Operator on the
9 assessment of any such tax or shall pay such tax in advance if included in any
10 regular invoice.

11 15.2 Income Taxes:

12 15.2.1 The Interconnector shall be solely responsible for any income taxes imposed
13 upon any or all of the ANPP Switchyard Participants with respect to any
14 payment or transfer of assets made by the Interconnector for Capital
15 Improvements which are not owned by the Interconnector (the "ITCC"). In the
16 event a favorable Private Letter Ruling ("Favorable PLR") is received from the
17 Internal Revenue Service (the "IRS") in accordance with the Funding
18 Agreement, Capital Improvements will not be subject to the ITCC unless any
19 clarification or change in Law renders reliance on such Favorable PLR invalid
20 with respect to subsequent Capital Improvements. To the extent that the IRS
21 determines that some or all of the costs to which ITCC was applied and was
22 paid by the Interconnector under the Funding Agreement or this Agreement
23 are not taxable to an applicable ANPP Switchyard Participant, the Operator

1 shall refund or credit to the Interconnector all excess amounts of ITCC
2 collected from the Interconnector prior to the date of such Favorable PLR,
3 and thereafter the amounts of ITCC payable by the Interconnector shall be
4 reduced in accordance with such Favorable PLR. To the extent such
5 Favorable PLR is not received and all or any portion of amounts which
6 Interconnector is obligated to pay under this Agreement are no longer subject
7 to ITCC due to clarification or change in Law, the Parties will act in good faith,
8 including all necessary communication and cooperation, to determine whether
9 such a clarification or change in Law has occurred. If and to the extent the
10 Parties, acting in good faith, determine that such a clarification or change in
11 Law has occurred, such determination shall have the same effect as a
12 Favorable PLR.

13 15.2.2 The ITCC, as a component of the cost of Capital Improvements, shall be
14 billed to and paid by the Interconnector in accordance with Section 12.3
15 herein.

16 15.2.3 The Operator shall distribute annually the ITCC received from the
17 Interconnector to the applicable ANPP Switchyard Participants in accordance
18 with Section 15.2.2 and Exhibit F, DETERMINATION OF ITCC COMPOSITE
19 RATIO, hereto.

20 15.3 Contesting, Appealing, or Seeking Abatement of Taxes Other than Income Taxes:

21 The Interconnector shall have the right to request the Operator or the ANPP
22 Switchyard Participants, at the expense of the Interconnector, to contest, appeal, or
23 seek abatement of any taxes other than income taxes, asserted or assessed against

1 any of the ANPP Switchyard Participants for which the Interconnector may be
2 required to reimburse the ANPP Switchyard Participants under this Agreement, and
3 the Operator or the ANPP Switchyard Participants, as applicable, acting in good faith,
4 shall determine whether to contest, appeal, or seek abatement of any such taxes. If
5 the Operator or any ANPP Switchyard Participant determines that such Party will
6 contest, appeal, or seek abatement of any tax, then such party shall act in good faith
7 to do so, including any consultation with the Interconnector which it determines in
8 good faith to be necessary or appropriate. To the extent that any taxing authority
9 concludes that any such tax is not taxable to an Operator or an ANPP Switchyard
10 Participant or determines that the amount of any such tax is lower than assessed and
11 if such tax has been paid, issues a refund or credit therefor, such ANPP Participant
12 shall refund or credit to the Interconnector an amount equal to that which the
13 Interconnector may have previously advanced to the Operator for the payment of
14 taxes to that ANPP Switchyard Participant multiplied by the percentage that such tax
15 is reduced.

16 15.4 Interest or Penalties: The Interconnector shall not be responsible for paying any
17 interest or penalties resulting from the Operator's or any ANPP Switchyard
18 Participant's unreasonable delay in invoicing for any taxes for which the
19 Interconnector is responsible under this Section 15 or in paying such taxes after
20 receipt of timely payment from Interconnector.

21 16. INSURANCE:

22 16.1 The Operator, on behalf of the ANPP Switchyard Participants and where applicable
23 on behalf of the Interconnector, shall procure and maintain, or cause to be procured

1 or maintained, with respect to the Hassayampa Switchyard and the Interconnection
2 Facilities, the insurance coverages as set forth in the ANPP Switchyard Participation
3 Agreement and depicted in Exhibit J, INSURANCE, attached hereto and incorporated
4 by this reference; provided that coverages applicable to the Hassayampa Switchyard
5 and the Interconnection Facilities may be amended, in the discretion of the Operator,
6 if like amendments are made for insurance coverages for the ANPP High Voltage
7 Switchyard and Operator shall provide reasonable advance notice to Interconnector
8 to the extent practicable and if advance notice is not practicable, promptly after such
9 amendments are made. Interconnector shall be named as an additional insured
10 under the insurance policies listed in Exhibit J, INSURANCE, Sections J.1.1.1,
11 J.1.1.3, J.1.2.1, and J.1.2.2, attached hereto, applicable to the Hassayampa
12 Switchyard and the Interconnection Facilities, and each policy applicable to the
13 Hassayampa Switchyard and the Interconnection Facilities shall include a waiver of
14 subrogation in favor of Interconnector. To the extent insurance procured by the
15 Operator for the Hassayampa Switchyard and insurance maintained by the
16 Interconnector both apply to a loss, insurance procured for the Hassayampa
17 Switchyard shall be primary and not excess or contributory to any insurance
18 maintained by Interconnector. If requested by Interconnector, the Operator shall
19 furnish Interconnector certificates, within thirty (30) calendar days of the Effective
20 Date, of such insurance evidencing the coverage required to be purchased and
21 maintained by the Operator. Such certificates shall provide that thirty (30) calendar
22 days' written notice shall be given to Interconnector prior to termination or
23 cancellation of, or material change in, the coverage, or if thirty (30) calendar days is

1 not available, the longest notice period, if any, as is reasonably available and ten (10)
2 calendar days for non-payment of premium.

3 16.2 The Operator will hold and apply proceeds received by it under insurance policies
4 covering loss or damage to the Hassayampa Switchyard and the Interconnection
5 Facilities for the purpose of restoring the functionality of the Hassayampa Switchyard
6 and the Interconnection Facilities. In the event that such proceeds are, in the
7 judgment of the Operator, insufficient to restore the Hassayampa Switchyard and the
8 Interconnection Facilities to its design specifications, the Parties shall proceed in
9 accordance with Section 8.4 herein.

10 16.3 Interconnector shall, at its expense, be solely responsible to provide and maintain in
11 effect for the life of this Agreement, insurance against the risks set forth in this
12 Section 16.3. All insurance shall include waivers of subrogation against the Operator
13 and the ANPP Switchyard Participants.

14 16.3.1 Workers' compensation insurance with minimum statutory limits to cover
15 obligations imposed by federal and state statutes having jurisdiction over the
16 Interconnector's employees and Employer's Liability Insurance with a
17 minimum limit of one million dollars (\$1,000,000) per accident.

18 16.3.2 Commercial general liability insurance, including contractual liability, broad
19 form property damage, premises operations, and personal injury coverage in
20 the amount of five million dollars (\$5,000,000) per occurrence for bodily injury
21 and property damage. Such insurance shall cover the Operator and the
22 ANPP Switchyard Participants as additional insureds.

23 16.3.3 "All Risk" Property/Boiler and Machinery insurance including earthquake, and

1 flood with reasonable and customary sub-limits covering the Generating
2 Facility. Such insurance shall provide coverage on a replacement cost basis
3 for the Generating Facility.

4 16.3.4 All insurance policies shall provide for thirty (30) calendar days prior written
5 notice of cancellation or material adverse change, ten (10) calendar days for
6 non-payment of premium. Prior to the initial date of synchronization of the
7 Generating Facility, and annually thereafter upon request by Operator,
8 Interconnector shall provide evidence of insurance to the Operator.

9 16.3.5 Interconnector may, in lieu of purchasing insurance from any third party,
10 self-insure against all or any portion of any of the risks set forth in this Section
11 16.3. Without limiting the foregoing, any deductible and any limitation on the
12 total amount of insurance shall constitute self insurance for purposes hereof.
13 Interconnector shall provide to Operator a description of any self insurance
14 used in complying with any of the insurance requirements of this Section 16 at
15 least thirty (30) calendar days prior to initiating or amending any program of
16 self insurance.

17 16.4 Covenant Not to Sue for Insured Losses: If a Party is required to maintain insurance
18 (including any program of self insurance) with respect to any type or category of risk
19 under any provision of this Agreement, such Party agrees that it will look solely to
20 such insurance for any loss, liability, cost or expense, including attorneys fees and
21 costs of prosecution or defense, pertaining to or resulting from any risk for which
22 such insurance (including any program of self insurance) is required and will not
23 pursue a claim, sue for or execute, levy or otherwise enforce any judgment obtained

1 against Operator or any other Party, including recording or effecting a judgment lien,
2 for any loss, damage, claim, cost, charge or expense arising from any matter for
3 which insurance (including any program of self insurance) is required.

4 17. INDEMNITY, LIABILITY LIMITS AND DAMAGE DISCLAIMERS:

5 17.1 Indemnity: Interconnector shall at all times indemnify, defend and save the Operator
6 and ANPP Switchyard Participants harmless for, from and against any and all
7 damages, losses, claims, including claims and actions relating to injury to or death of
8 any person or damage to or loss of property, demands, suits, recoveries, costs and
9 expenses, court costs, attorney fees, and all other obligations by or to third parties,
10 arising out of or resulting from the Operator's performance of its obligations under
11 this Agreement on behalf of Interconnector, except in cases of negligence or
12 intentional wrongdoing by the Operator.

13 17.2 Limitation of Liability and Disclaimer of Certain Damages by Interconnector: In no
14 event shall a) Interconnector's liability, if any, for each claim relating to the subject
15 matter of this Agreement exceed ten million dollars (\$10,000,000) in Constant
16 Dollars, and b) Interconnector be liable for any special, indirect, incidental,
17 consequential or punitive damages, including but not limited to loss of profit or
18 revenue, loss of the use of equipment, cost of capital, cost of temporary equipment
19 or services, whether based on breach of contract, negligence, gross negligence,
20 willful misconduct, strict liability or other causes of action. All payments due for
21 services under this Agreement shall be deemed to constitute direct (and not special,
22 incidental, indirect or consequential) damages for purposes of this Section 17.2. The
23 provisions, limitations and disclaimers of this Section 17.2 shall not apply to each of

1 the following items: (i) claims for indemnity under Section 17.1, (ii) any amounts
2 payable by Interconnector pursuant to Section 11.2 herein, and (iii) any claim for
3 physical injury to or destruction of the real property or tangible personal property of
4 an ANPP Switchyard Participant, which claim shall be limited to the amounts required
5 to fully abate or repair damage to or to replace such property.

6 17.3 Limitation of Liability and Disclaimer of Certain Damages by Operator and ANPP

7 Switchyard Participants: In no event shall a) the liability, if any, of Operator or any or
8 all ANPP Switchyard Participants, separately or in the aggregate, for each claim
9 relating to the subject matter of this Agreement exceed, in total, ten million dollars
10 (\$10,000,000) in Constant Dollars, and b) any ANPP Switchyard Participant or
11 Operator be liable for any special, indirect, incidental, consequential or punitive
12 damages, including but not limited to loss of profit or revenue, loss of use of
13 equipment, cost of capital, cost of temporary equipment or services, whether based
14 on breach of contract, negligence, gross negligence, willful misconduct, strict liability
15 or other causes of action. In the event there are multiple claims which arise out of
16 the same occurrence, even if such multiple claims are made under the provisions of
17 other interconnection agreements associated with the Hassayampa Switchyard, all
18 such multiple claims shall be deemed to be a single claim arising out of a single
19 occurrence. The aggregate limit of liability with respect to such occurrence shall be
20 ten million dollars (\$10,000,000) and shall apply regardless of the number of claims
21 arising out of the same occurrence. The provisions, limitations and disclaimers of
22 this Section 17.3 shall not apply to any claim for physical injury to or destruction of
23 the real property or tangible personal property of Interconnector, which claim shall be

1 limited to the amounts required to fully abate or repair damage to or to replace such
2 property.

3 17.4 No Relief of Insurer: The provisions of this Section 17 shall not be construed so as to
4 relieve any insurer of its obligation to pay any insurance proceeds in accordance with
5 the terms and conditions of valid and collectible insurance policies furnished
6 hereunder.

7 18. UNCONTROLLABLE FORCES:

8 No Party shall be considered to be in default in the performance of its obligations hereunder
9 (other than the obligations of said Party to make payment of bills rendered hereunder) when
10 a delay in or failure of performance shall be due to an Uncontrollable Force. The term
11 "Uncontrollable Force" shall mean any cause beyond the reasonable control of the Party
12 affected, including but not restricted to failure of facilities, flood, earthquake, storm, fire,
13 lightning, epidemic, war, riot, civil disturbance or disobedience, labor dispute, labor, fuel,
14 transportation or material shortage, sabotage, regulation or restriction imposed by
15 governmental or lawfully established authority, restraint by court order or public authority,
16 which by exercise of due diligence such Party could not reasonably have been expected to
17 avoid and which by exercise of due diligence it shall be unable to overcome. Nothing
18 contained herein shall be construed to require a Party to settle any strike or labor dispute in
19 which it may be involved. Any Party that fails to fulfill any of its obligations hereunder by
20 reason of an Uncontrollable Force shall give prompt written notice of such fact to the other
21 Parties and an estimate, if possible, of when the Party claiming the Uncontrollable Force
22 believes in good faith that the Uncontrollable Force will end and performance will resume.
23 The Party claiming the Uncontrollable Force shall exercise due diligence to resume the

1 performance of such obligation(s) with all reasonable dispatch.

2 19. RELATIONSHIP OF THE PARTIES:

3 The covenants, obligations and liabilities of the Parties are intended to be several and not
4 joint or collective and nothing contained herein shall ever be construed to create an
5 association, joint venture, trust, or partnership, or to impose an association, joint venture,
6 trust or partnership covenant, obligation, or liability on or with regard to any one or more of
7 the Parties. Each Party shall be individually responsible for its own covenants, obligations,
8 and liabilities as herein provided. No Party or group of Parties shall be under the control of
9 nor shall be deemed to control any other Party or the Parties as a group. No Party shall be
10 the agent of nor have a right or power to bind any other Party without its express written
11 consent, except as expressly provided in this Agreement. Interconnector hereby expressly
12 acknowledges and agrees that Operator is not an agent or representative of Interconnector
13 for any purpose.

14 20. SUCCESSORS AND ASSIGNS:

15 20.1 The Interconnector shall not transfer or assign or otherwise dispose of (a "Transfer")
16 all or any part of its rights or interests under this Agreement without the prior written
17 approval of the ANPP Switchyard Participants, which approval shall not be
18 unreasonably withheld, conditioned, or delayed. Notwithstanding the foregoing, the
19 Interconnector may make Transfers as collateral security to one or more unaffiliated
20 third-party lenders and/or to any trust which has entered into an agency agreement in
21 conjunction with the financing of the Generating Facility (a "Financing Transfer")
22 without the ANPP Switchyard Participants' prior approval but shall give prompt notice
23 of any such Financing Transfer to the ANPP Switchyard Participants, and any entity

1 acquiring the transferred interests pursuant to a foreclosure (or any Transfer in lieu of
2 foreclosure thereof) shall be subject to approval by the ANPP Switchyard
3 Participants, which approval shall not be unreasonably withheld, conditioned or
4 delayed. Any purported Transfer which does not (i) except for a Financing Transfer,
5 include all surviving provisions of the Funding Agreement, and (ii) comply with the
6 requirements of this Section 20.1, shall be ineffective as between the ANPP
7 Switchyard Participants and the Interconnector and shall not confer upon the
8 transferee any right, title or interest under this Agreement or in or to the Hassayampa
9 Switchyard. Sale of all or any part of the stock, partnership, membership or other
10 ownership interest in the Interconnector shall not be deemed a Transfer for purposes
11 of this Section 20.

12 20.2 Subject to Section 20.1 herein, this Agreement shall be binding upon and inure to the
13 benefit of the Parties and their respective successors and assigns, or purchasers of
14 any interests of the Parties in the Common Bus.

15 20.3 The ANPP Participants shall promptly notify Interconnector of any change in the
16 identity of the Operator. If the ANPP Participants request approval of any such
17 change in order to satisfy Applicable Requirements, they shall concurrently notify
18 Interconnector of such request. No Person serving as Operator hereunder shall be
19 liable for any acts or omissions of any predecessor or successor Operator. To the
20 extent that the Operator is acting as an agent of the ANPP Participants, the liability of
21 the Operator and of the ANPP Participants for acts or omissions of the Operator shall
22 be determined in accordance with the legal principles applicable to agency in the
23 State of Arizona and other Law. Subject to the obligation to comply with Applicable

1 Requirements and the receipt of necessary authorizations hereunder, if any, nothing
2 in this Agreement is intended to or shall be deemed to prohibit the ANPP Participants
3 from appointing an Operator which is an independent contractor, rather than an
4 agent. In such event, the Operator shall be deemed a Party to this Agreement, and
5 the liability of the Operator and the ANPP Participants shall be governed by the legal
6 principles applicable to independent contractors in the State of Arizona and other
7 Law. Nothing herein is intended to waive the right of any Party to contest whether
8 the Operator is an agent or an independent contractor or the effect of the Arizona
9 legal principles applicable to such relationships under the circumstances. Nothing
10 herein is intended to modify the obligations of any Party to comply with Applicable
11 Requirements or to waive, expressly or impliedly, the right of any Party to exercise all
12 legal, equitable, regulatory or other remedies, including without limitation any rights or
13 obligations to apply, protest or comment to FERC or participate in any FERC
14 proceeding.

15 21. AUDITS:

16 21.1 Right: Subject to Section 21.2 hereof, the Interconnector shall have the right: (i) to
17 audit any costs, payments, settlements, or other supporting information pertaining to
18 this Agreement; and (ii) to designate its own representatives to perform such audit.
19 At least sixty (60) calendar days prior to requesting an audit, the Interconnector shall
20 provide notice to the Operator, other Parties and all other Hassayampa
21 Interconnectors of its intent to audit and the proposed scope of such audit. Any other
22 Hassayampa Interconnector shall have the right to join in and expand the scope of
23 such audit. The Parties and Operator agree to fully cooperate with any such audit(s).

1 22. DEFAULTS:

2 Each of the following events or circumstances shall constitute a "Default" by the responsible
3 Party:

4 22.1 Payment Default: Failure by Interconnector to pay any amount when due under this
5 Agreement which is not cured within five (5) Business Days after receiving written
6 notice thereof from the Operator.

7 22.2 Performance Default: Failure by any Party to perform any of its duties or obligations
8 under this Agreement when and as due (other than the failure to make any payment)
9 which is not cured within thirty (30) calendar days after receipt of written notice
10 thereof from Operator or any Party.

11 22.3 Cure of Default: A Party which is in Default shall take all steps necessary to cure
12 such Default promptly and completely.

13 22.4 Default Remedy:

14 22.4.1 If the Interconnector is in Default, subject to Section 8.4 herein and except as
15 necessary to maintain the safety and reliability of the Common Bus in
16 accordance with Section 8.1.1 herein, Operator shall continue any of the
17 services provided or made available hereunder to Interconnector and not
18 suspend any right granted to Interconnector pursuant to Section 6 hereof;
19 provided that Operator may exercise its rights and remedies set forth in
20 Section 22.4.5 herein. Operator's continuance of Interconnector's service and
21 rights shall not act to relieve Interconnector of any of its duties or obligations
22 under this Agreement.

23 22.4.2 Within ten (10) Business Days after receiving notice that another

1 Hassayampa Interconnector is in breach of its obligation to pay any portion of
2 the Operating Costs and has not cured such breach within the applicable cure
3 period, Interconnector shall pay its Pro Rata Share (calculated without
4 including the terminations of the defaulting entity) of such unpaid amount. In
5 such event, Operator shall diligently exercise its rights and remedies available
6 under contract, at law or in equity against the breaching Hassayampa
7 Interconnector, in order to effectuate the reimbursement of Interconnector.

8 22.4.3 If any Hassayampa Interconnector cures a payment breach after
9 Interconnector has paid any portion thereof, Operator shall reimburse
10 Interconnector out of the amounts paid to effectuate such cure.

11 22.4.4 If any Party failed to perform any duty or obligation under this Agreement and
12 such failure causes or threatens immediate harm to another Party, the
13 affected Party may, whether or not notice has been given or the applicable
14 grace period has expired, and whether or not the dispute resolution procedure
15 set forth in Section 23 herein has been completed, bring an action in any
16 court of competent jurisdiction seeking injunctive relief in accordance with
17 applicable rules of civil procedure.

18 22.4.5 Except as expressly limited by this Agreement, in the event Interconnector is
19 in Default, Operator may without further notice exercise any rights and
20 remedies provided herein or otherwise available at law or in equity, including
21 the right to terminate this Agreement upon giving notice of intent to terminate
22 to the Interconnector and the filing at FERC of a notice of termination for the
23 Agreement, which filing must be accepted for filing by FERC.

1 22.4.6 If the Operator or any ANPP Switchyard Participant is in Default,
2 Interconnector may without further notice exercise any rights and remedies
3 provided for herein or otherwise available at law or equity.

4 23. DISPUTE RESOLUTION:

5 Disputes under this Agreement between the Interconnector and the Operator or any of the
6 ANPP Switchyard Participants (the "Disputants") will be resolved in accordance with the
7 provisions of this Section 23.

8 23.1 Internal Dispute Resolution: Any dispute subject to this Section 23 shall, at the
9 request of any Disputant, be referred to a senior representative of each of the
10 Disputants for resolution on an informal basis as promptly as practicable. In the
11 event the senior representatives are unable to resolve the dispute within thirty (30)
12 calendar days of such referral or such other period as the Disputants may mutually
13 agree, such dispute may, at the mutual agreement of the Disputants, be considered
14 at the next E&O Committee meeting. If the Disputants do not mutually agree to have
15 the dispute considered at the next E&O Committee meeting or do not resolve the
16 dispute as a result of discussions with the E&O Committee, the matter may be
17 submitted to arbitration or mediation on such terms and conditions as the Disputants
18 may agree.

19 23.2 Rights Under the Federal Power Act: Nothing in this Section 23 shall restrict the
20 rights of any Party or Operator to make a filing with the FERC under relevant
21 provisions of the Federal Power Act.

22 23.3 Exercise of Remedies: Nothing in this Section 23 shall be construed to delay the
23 exercise of remedies pursuant to Section 22 pending the resolution of any dispute.

1 24. NONDEDICATION OF FACILITIES:

2 The Parties do not intend to dedicate and nothing in this Agreement shall be construed as
3 constituting a dedication by any Party of its properties or facilities, or any part thereof, to any
4 other Party or to the customers of any Party.

5 25. REGULATORY APPROVALS:

6 25.1 Approvals: Each Party agrees to prepare and submit on a timely basis any required
7 applications or other filings and to cooperate to obtain any state or federal regulatory
8 approvals necessary for the full participation of any Party in the rights and obligations
9 of this Agreement prior to the Interconnection Facilities In-Service Date. A Party shall
10 concurrently notify the other Parties upon making any such submission. Each Party
11 hereto covenants that it shall support the terms and conditions of this Agreement in
12 any hearings before FERC or any other competent regulatory body to whose
13 jurisdiction this Agreement may be subject.

14 25.2 Fees: As soon as practicable after filing this Agreement with FERC, and from time to
15 time thereafter, if required, Operator shall submit a written invoice to the
16 Interconnector for all costs, including but not limited to all filing and regulatory
17 charges and, attorney or other fees, if any, or other costs charged to the ANPP
18 Switchyard Participants by FERC or by any other regulatory body having jurisdiction
19 as a result of the filing of this Agreement, and any amendments thereto, or as a
20 result of any service provided under this Agreement. The Interconnector shall pay or
21 cause to be paid such amount to Operator within sixty (60) days after receipt of such
22 invoice by the Interconnector.

23 |||

1 26. GOVERNING LAW AND VENUE:

2 This Agreement shall be interpreted in accordance with the substantive and procedural laws
3 of the State of Arizona, notwithstanding any Arizona conflict of laws provision to the contrary.
4 Any court action arising under this Agreement shall be initiated and prosecuted in a state or
5 federal court in Maricopa County, Arizona.

6 27. NOTICES:

7 27.1 Recipients: Except as set forth in Section 27.2 herein, any legal notice or
8 communication required by this Agreement shall be in writing, and shall be served,
9 given, made, or delivered in person or sent by registered or certified mail, postage
10 prepaid, to the persons specified below:

11 Arizona Public Service Company

12 Attn: Secretary
13 Mail Station 9046
14 P. O. Box 53999
15 Phoenix, Arizona 85072-3999

16 Department of Water and Power of the City of Los Angeles

17 c/o Assistant General Manager-Power Services
18 P.O. Box 111, Room 1522
19 Los Angeles, California 90051-0100

20 c/o Los Angeles City Attorney Office

21 Contracts Section
22 P.O. Box 111, Room 340
23 Los Angeles, California 90051-0100

El Paso Electric Company

Attn: Secretary
P.O. Box 982
El Paso, Texas 79960-0982

Public Service Company of New Mexico

Attn: Secretary
Alvarado Square
Albuquerque, New Mexico 87158

1 Salt River Project Agricultural Improvement and Power District

2 Attn: Secretary
3 P.O. Box 52025
4 Phoenix, Arizona 85072-2025

5 Southern California Edison Company

6 Attn: Secretary
7 P.O. Box 800
8 Rosemead, California 91770

9 Southern California Public Power Authority

10 c/o Executive Director
11 225 South Lake Avenue, Suite 1410
12 Pasadena, California 91101

13 Duke Energy Arlington Valley, LLC

14 c/o Duke Energy North America, LLC
15 Asset Management
16 Attention: Director of Asset Management
17 4 Triad Center, Suite 900
18 Salt Lake City, UT 84108

19 27.2 Routine Communication: Communications of a routine nature shall be provided to
20 the Interconnector's Authorized Representative and given in a manner consistent with
21 the arrangements as established by the E&O Committee.

22 27.3 Change of Designation: Any Party may, at any time, by notice to all other Parties,
23 designate different or additional persons or different addresses for the giving of
24 notices hereunder.

25 28. ANPP SWITCHYARD PARTICIPANTS' OTHER AGREEMENT:

26 This Agreement sets forth the terms and conditions under which the ANPP Switchyard
27 Participants are providing interconnection service to the Interconnector, and this Agreement
28 does not amend or otherwise affect the terms and conditions governing the ANPP
29 Switchyard Participants under their ANPP Switchyard Participation Agreement. In the event
30 any conflict affecting the ANPP Switchyard Participants in their relationship with each other

1 arises out of an inconsistency between the terms and conditions of this Agreement and the
2 terms and conditions of the ANPP Switchyard Participation Agreement, the terms and
3 conditions of the ANPP Switchyard Participation Agreement shall govern.

4 29. FUNDING AGREEMENT RELATION:

5 The Parties acknowledge that this Agreement is separate from the Funding Agreement and
6 does not replace, supersede or amend the Funding Agreement except as follows: (i) the
7 Funding Agreement is superceded with respect to the obligation of the Interconnector to pay
8 Operating Costs, (ii) Interconnector has no right to transfer, assign or otherwise dispose of
9 its rights or interests under the Funding Agreement unless the Interconnector assigns the
10 Funding Agreement and this Agreement simultaneously to the same Person(s), and (iii) the
11 right to hold, transfer, assign or otherwise dispose of Interconnector's right, title or interest
12 under the Funding Agreement is extinguished if Interconnector terminates this Agreement
13 and such condition shall survive termination of this Agreement. The Funding Agreement
14 remains in effect in all other respects and with respect to the other parties thereto, unless
15 and until otherwise agreed by such other parties.

16 30. ENTIRE AGREEMENT:

17 This Agreement embodies the entire agreement between the Interconnector and the ANPP
18 Switchyard Participants concerning the subject matter hereof and supersedes all prior
19 proposals, representations, negotiations, or letters whether written or oral with respect to the
20 matters herein agreed to. In the event any conflict affecting the Interconnector and the
21 ANPP Switchyard Participants arises between the terms and conditions of this Agreement
22 and the terms and conditions of the Funding Agreement, the terms and conditions of this
23 Agreement shall govern. The Parties hereto shall not be bound by or be liable for any

1 statement, representation, promise, inducement, or understanding of any kind relating to the
2 subject matter hereof not set forth in this Agreement. This Agreement incorporates by
3 reference all documents attached hereto and listed below or incorporated herein by
4 reference. Included as appendices and exhibits to this Agreement and attached hereto are:

- 5 • Exhibit A - Generating Facility
- 6 • Exhibit B - Hassayampa Switchyard
- 7 • Exhibit C - Interconnection Facilities
- 8 • Exhibit D - Hassayampa and ANPP Switchyards (one-line diagrams)
- 9 • Exhibit E - Hassayampa Cost Responsibility Ratio
- 10 • Exhibit F - Determination of ITCC Composite Rate
- 11 • Exhibit G - Operating Costs
- 12 • Exhibit H - Mitigation Requirements
- 13 • Exhibit I - Reliability Management System Agreement
- 14 • Exhibit J - Insurance
- 15 • Exhibit K - Memorandum of Easement

16 31. SECTION HEADINGS AND DEFINITIONS:

17 Section headings in this Agreement are for convenience only and are not to be construed to
18 define, limit, expand, interpret, or amplify the provisions of this Agreement.

19 32. GENERAL PROVISIONS:

20 32.1 Severability: Subject to Section 5 herein, in the event that any term, covenant or
21 condition of this Agreement, or the application of any such term, covenant or
22 condition, shall be held invalid as to any person or circumstance by any court,
23 agency, or other entity having jurisdiction in the premises, the Parties agree that the

1 same shall not affect the validity of this Agreement as a whole, or any part of the
2 Agreement other than the term, covenant, or condition held invalid, and the Parties
3 agree to substitute for the invalid term, covenant, or condition a valid term, covenant,
4 or condition which most closely approximates the economic effect and intent of the
5 invalid term, covenant, or condition.

6 32.2 Third Party Rights: Except as otherwise specifically provided in this Agreement, the
7 Parties do not intend to create rights in or to grant remedies to any third party as a
8 beneficiary of this Agreement or of any duty, covenant, obligation or undertaking
9 established herein.

10 32.3 Waiver: No waiver shall be effective unless in a writing signed by the waiving Party.
11 Any waiver at any time by any Party of its rights with respect to a Default or any other
12 matter arising in connection with this Agreement shall not be construed or deemed a
13 waiver with respect to any other right or remedy or any subsequent Default or matter
14 whether of a similar or different nature. Without limiting the foregoing, payment or
15 delay in exercising any right or remedy shall not constitute a waiver of any kind.

16 32.4 Survival: The termination of this Agreement shall not relieve any Party of its
17 obligations, duties, rights, or requirements under this Agreement incurred prior to
18 termination of this Agreement or which, pursuant to the terms hereof, must be fulfilled
19 or met after the date of termination of this Agreement.

20 32.5 Amendments and Revisions to Exhibits: This Agreement shall only be modified by an
21 amendment signed by all Parties. Unless otherwise provided herein, exhibits may be
22 revised by the Operator as provided in this Agreement; subject, however, to the
23 approval of the E&O Committee, which approval shall not be unreasonably withheld.

1 32.6 Compliance with Law: Facilities installed under this Agreement by Operator shall be
2 constructed, operated, maintained, replaced, upgraded, modified and removed in
3 compliance with any Law, including without limitation, any Law protecting the
4 environment, health, and/or safety.

5 32.7 Interference or Impairment: Except as expressly provided herein, nothing in this
6 Agreement shall interfere with or impair the rights or entitlements of any Party under
7 Applicable Requirements.

8 33. EXECUTION:

9 33.1 Execution by Counterparts: This Agreement may be executed in any number of
10 counterparts, and upon execution of this Agreement by all Parties, the executed
11 counterparts together shall have the same force and effect as an original instrument
12 and as if all Parties had signed the same instrument. Any signature page of this
13 Agreement may be detached from any counterpart hereof without impairing the legal
14 effect of any signature thereon, and may be attached to another counterpart of this
15 Agreement identical in form hereto but having attached to it one or more signature
16 pages.

17 33.2 Execution and Delivery: Upon receipt of all signature pages from all the other
18 Parties, Operator shall: (i) promptly notify the Parties of the date of execution and
19 delivery for the purposes of Section 5.1 hereof, which shall be the date on which the
20 last Party executes such signature pages, and (ii) send to each Party a) by telecopy,
21 a complete set of signature pages, and b) by express mail, a copy of the Agreement,
22 including a full set of original signature pages.

23 \\\

1 34. SIGNATURE CLAUSE:

2 The signatories hereto represent that they have been appropriately authorized to enter into
3 this Agreement on behalf of the Party for whom they sign.

4 INTERCONNECTOR:

5 DUKE ENERGY ARLINGTON VALLEY, LLC

6
7 By: 
8 Title: Senior Vice President
9 Date: August 23, 2001

10 ANPP SWITCHYARD PARTICIPANTS:

11 ARIZONA PUBLIC SERVICE COMPANY

12
13 By: _____
14 Title: _____
15 Date: _____

16 EL PASO ELECTRIC COMPANY

17
18 By: _____
19 Title: _____
20 Date: _____

21 DEPARTMENT OF WATER AND POWER OF THE CITY OF LOS ANGELES

22
23 By: _____
Title: _____
Date: _____

1 34. SIGNATURE CLAUSE:

2 The signatories hereto represent that they have been appropriately authorized to enter into
3 this Agreement on behalf of the Party for whom they sign.

4 INTERCONNECTOR:

5 DUKE ENERGY ARLINGTON VALLEY, LLC

6
7 By: _____
8 Title: _____
9 Date: _____

10 ANPP SWITCHYARD PARTICIPANTS:

11 ARIZONA PUBLIC SERVICE COMPANY

12
13 By: CB Ouse
14 Title: Director TOP
15 Date: 08/23/01

16 EL PASO ELECTRIC COMPANY

17
18 By: _____
19 Title: _____
20 Date: _____

21 DEPARTMENT OF WATER AND POWER OF THE CITY OF LOS ANGELES

22
23 By: _____
Title: _____
Date: _____

1 34. SIGNATURE CLAUSE:

2 The signatories hereto represent that they have been appropriately authorized to enter into
3 this Agreement on behalf of the Party for whom they sign.

4 INTERCONNECTOR:

5 DUKE ENERGY ARLINGTON VALLEY, LLC

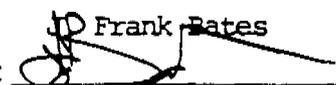
6
7 By: _____
8 Title: _____
9 Date: _____

10 ANPP SWITCHYARD PARTICIPANTS:

11 ARIZONA PUBLIC SERVICE COMPANY

12
13 By: _____
14 Title: _____
15 Date: _____

16 EL PASO ELECTRIC COMPANY

17  Frank Bates
18 By: _____
19 Title: VP-Transmission & Distribution
20 Date: August 23, 2001

21 DEPARTMENT OF WATER AND POWER OF THE CITY OF LOS ANGELES

22 By: _____
23 Title: _____
Date: _____

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PUBLIC SERVICE COMPANY OF NEW MEXICO

By: *RDA Lyman*
Title: Executive Vice President Electric and Gas Services
Date: August 24, 2001

SALT RIVER PROJECT AGRICULTURAL
IMPROVEMENT AND POWER DISTRICT

By: _____
Title: _____
Date: _____

SOUTHERN CALIFORNIA PUBLIC POWER AUTHORITY

By: _____
Title: _____
Date: _____

SOUTHERN CALIFORNIA EDISON COMPANY

By: _____
Title: _____
Date: _____

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PUBLIC SERVICE COMPANY OF NEW MEXICO

By: _____
Title: _____
Date: _____

SALT RIVER PROJECT AGRICULTURAL
IMPROVEMENT AND POWER DISTRICT

By: David M. Asghini
Title: Assoc. Gen. Mgr.
Date: 8-24-01

SOUTHERN CALIFORNIA PUBLIC POWER AUTHORITY

By: _____
Title: _____
Date: _____

SOUTHERN CALIFORNIA EDISON COMPANY

By: _____
Title: _____
Date: _____

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PUBLIC SERVICE COMPANY OF NEW MEXICO

By: _____
Title: _____
Date: _____

SALT RIVER PROJECT AGRICULTURAL
IMPROVEMENT AND POWER DISTRICT

By: _____
Title: _____
Date: _____

SOUTHERN CALIFORNIA PUBLIC POWER AUTHORITY

By: Kenneth J. De Sanis
Title: President
Date: 8/27/01

SOUTHERN CALIFORNIA EDISON COMPANY

By: _____
Title: _____
Date: _____

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PUBLIC SERVICE COMPANY OF NEW MEXICO

By: _____
Title: _____
Date: _____

SALT RIVER PROJECT AGRICULTURAL
IMPROVEMENT AND POWER DISTRICT

By: _____
Title: _____
Date: _____

SOUTHERN CALIFORNIA PUBLIC POWER AUTHORITY

By: _____
Title: _____
Date: _____

SOUTHERN CALIFORNIA EDISON COMPANY

By: *A. L. Grant* A. L. Grant
Title: Vice President
Date: August 23, 2001

APPROVED
STEPHEN E. PICKETT
Vice President and
General Counsel
By *M. L. Sommes*
Attorney
8-23, 2001

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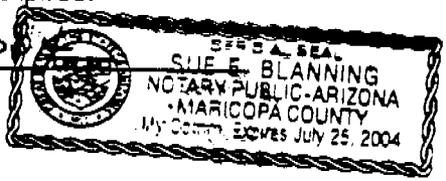
STATE OF
ARIZONA]
COUNTY OF] SS.
MARICOPA]

The foregoing instrument was acknowledged before me on 8-24-01, 2001
by David G. Areghini, Associate General Manager, Power, Construction & Eng. Serv of Salt
River Project Agricultural Improvement and Power District, an Arizona agricultural improvement
district, on behalf thereof.

Sue E. Blanning
Notary Public

My Commission Expires:

7-25-2004



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EXHIBIT A

GENERATING FACILITY

A.1 Generating Facility Information

A.1.1 Location of Generating Facility: 39027 W. Elliot Road, Arlington, Arizona

A.1.2 Description of Generating Facility: The following is a description of the Generating Facility provided by the Interconnector. Additional information shall be provided by Interconnector as requested by Operator.

ARLINGTON VALLEY ENERGY FACILITY

Arlington Valley Energy Facility Phase 1 and Phase 2 will be two identical combined-cycle generating plants. Each Phase is a 600 megawatt combined-cycle natural gas fueled power plant.

A.1.2.1 ARLINGTON VALLEY ENERGY FACILITY PHASE 1:

Phase 1 consists of two (2) gas turbine-generators (GTG), two (2) heat recovery steam generators (HRSG), one (1) steam turbine generator, and associated power block and plant equipment. A Distributed Control System (DCS) is provided to control plant output, monitor and maintain reliable operation, and improve thermal performance. The steam turbine surface condenser is cooled via a cooling tower.

A.1.2.1.1 Heat Recovery Steam Generators

The steam source consists of two (2) HRSGs, each designed to produce 398,149 lb/hr of high pressure (HP) steam at 1863 psia and 1054 °F at the ambient temperature of 79 °F.

1 The anticipated Generator Initial Synchronization Date for Unit
2 #1 is February 9, 2002. The anticipated Generator Initial
3 Synchronization Date for Unit #2 is March 9, 2002. The
4 anticipated commercial operation date for the power plant is
5 May 31, 2002.

6 **A.1.2.2 ARLINGTON VALLEY ENERGY FACILITY PHASE 2:**

7 A detailed description of the Generating Facility Phase 2 is unavailable at
8 the time of preparing this document. The anticipated Generator Initial
9 Synchronization Date for Unit #3 is February 2003. The anticipated
10 Generator Initial Synchronization Date for Unit #4 is March 2003. The
11 anticipated commercial operation date for Phase 2 is May 2003.

12 **A.2 Description of Transformation Equipment**

13 The following is a description of the Transformation Equipment provided by the
14 Interconnector. Additional information shall be provided by Interconnector as requested by
15 Operator.

16 **A.2.1 ARLINGTON VALLEY ENERGY FACILITY PHASE 1:**

17 Each of the generators has its own dedicated connection to the 500 kV bus at the
18 plant through a Generator Step-Up (GSU) transformer and 500 kV circuit breaker.
19 The two Gas Turbine GSUs are 18/500 kV three-phase oil filled transformers with
20 132/176/220 MVA ratings. The steam turbine GSU is also an 18/500 kV three-phase
21 oil filled transformer. Its rating is 216/288/360 MVA. The 500 kV bus at the plant
22 then interconnects to the Hassayampa Switchyard through a single 500 kV tie-line of
23 approximately 2.5 miles in length.

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A.2.2 ARLINGTON VALLEY ENERGY FACILITY PHASE 2:

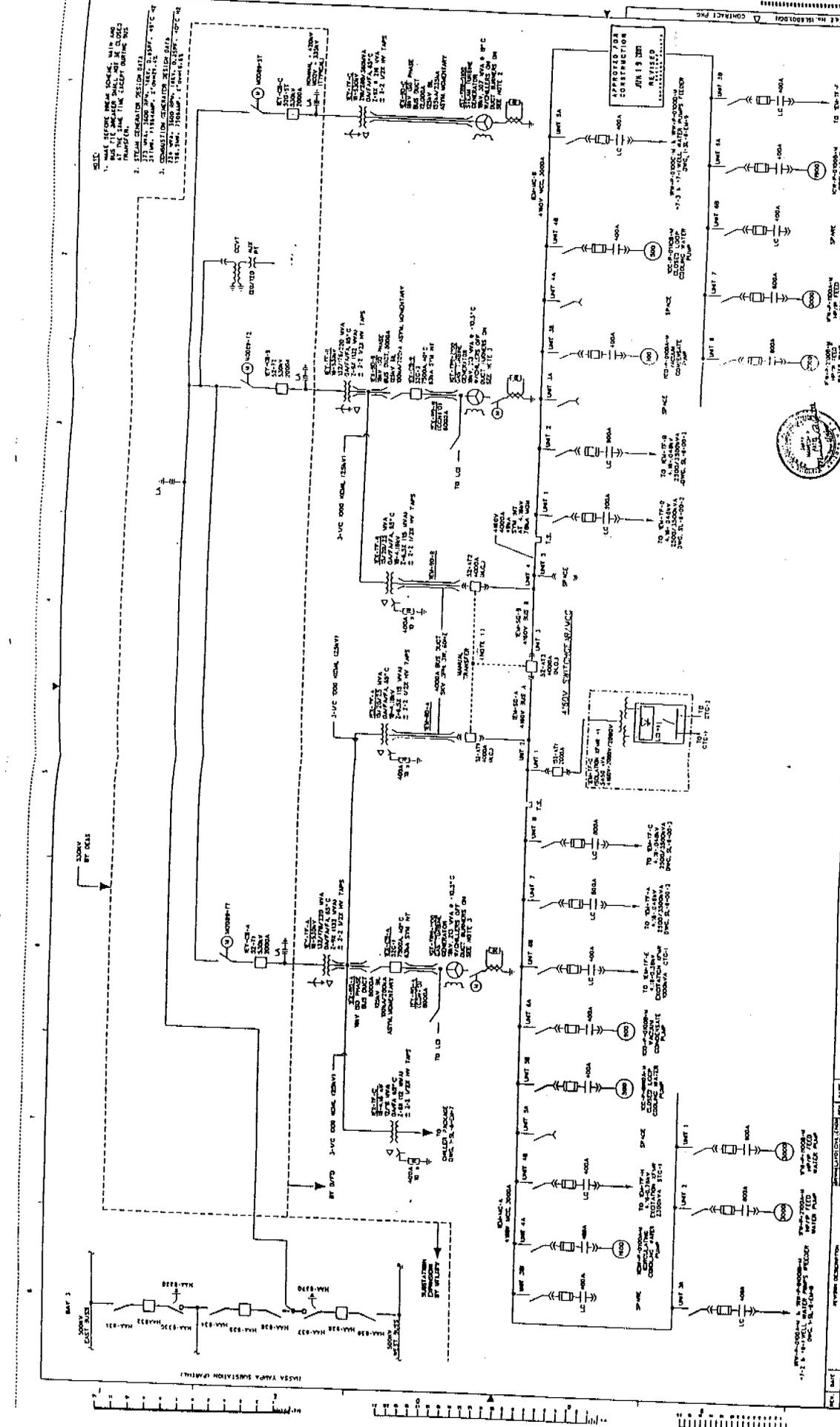
A detailed description of the transformation equipment for Phase 2 is unavailable at the time of preparing this document and shall be provided prior to the implementation of Phase 2.

A.3 Point of Interconnection

The "point of interconnection" with the ANPP system is the 500 kV bus at the Hassayampa Switchyard.

A.4 One-Line Diagram of Generating Facility

See Attached



NO.	DATE	BY	DESCRIPTION
1	11/15/00
2
3

APPROVED FOR REVIEW	DATE	BY	DESCRIPTION
APPROVED FOR DESIGN	DATE	BY	DESCRIPTION
APPROVED FOR CONSTRUCTION	DATE	BY	DESCRIPTION

DUKE ENERGY MARICOPA, L.L.C.	ARLINGTON VALLEY ENERGY FACILITY
ELECTRICAL OVERALL ONE LINE DIAGRAM	
PDC-1A	
PROJECT NO.	89370-1-15-6-00
DATE	11/15/00
SCALE	AS SHOWN
DESIGNER	...
CHECKER	...
APPROVER	...

DATE: 11/15/00
 SHEET: 1 OF 1
 PROJECT: ARLINGTON VALLEY ENERGY FACILITY
 DRAWING: ELECTRICAL OVERALL ONE LINE DIAGRAM
 PDC-1A

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4 **EXHIBIT B**

5 **HASSAYAMPA SWITCHYARD**

6 For the purposes of this Agreement the Hassayampa Switchyard shall include but not be limited to
7 the following facilities in the locations as indicated:

8 **B.1 Hassayampa Switchyard:**

9 B.1.1 Land and fencing.

10 B.1.2 Grounding system, overhead static wire, conduit and cable trench system.

11 B.1.3 AC and DC auxiliary power systems.

12 B.1.4 Control house and maintenance building and associated equipment therein.

13 B.1.5 Communications system, control system and site security system.

14 B.1.6 Main Buses including surge arrestors, CCVTs, control cable and bus protection
15 relays.

16 B.1.7 All facilities required for the termination of the three (3) string buses to the ANPP
17 Switchyard, the Kyrene line and the North Gila line.

18 B.1.8 Facilities installed in Bays 2, 8 and 9 in the location for a future line termination.

19 **B.2 New String Bus:**

20 New string bus from the ANPP Switchyard to the Hassayampa Switchyard.
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EXHIBIT C

INTERCONNECTION FACILITIES

C.1 The Interconnection Facilities shall include but not be limited to the items described below:

C.1.1 One (1) line dead end structure.

C.1.2 One and a half 500 kV circuit breakers, one and a half sets of three (3) current transformers, one (1) set of three (3) metering quality coupling capacitor voltage transformers, and three (3) disconnect switches (one with ground blades).

C.1.3 Switch supports, CT supports, bus supports, CCVT supports, and tie-down structures.

C.1.4 Insulators, conductors and associated hardware.

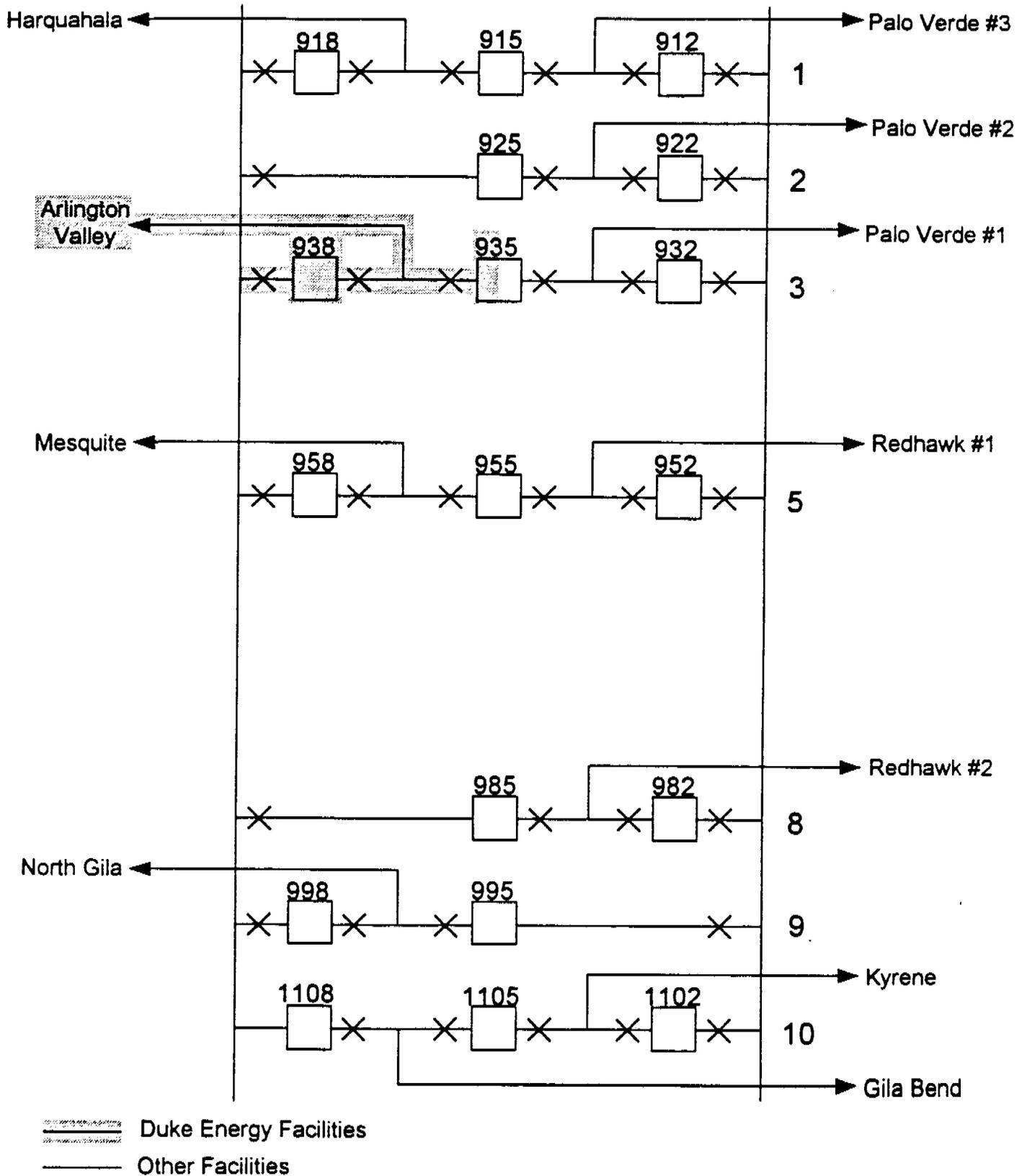
C.1.5 Protective relaying systems, metering, and interface with control, monitoring and communication equipment.

C.1.6 Structure and equipment foundations, grounding and conduit.

C.2 Electrical Diagram of Interconnection Facilities:

See Attached

Exhibit C – Diagram of Interconnection Facilities for Duke Energy



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EXHIBIT D

HASSAYAMPA AND ANPP SWITCHYARDS

One-line diagram of Hassayampa and ANPP Switchyards

Exhibit D – Oneline Diagram of Hassayampa Switchyard

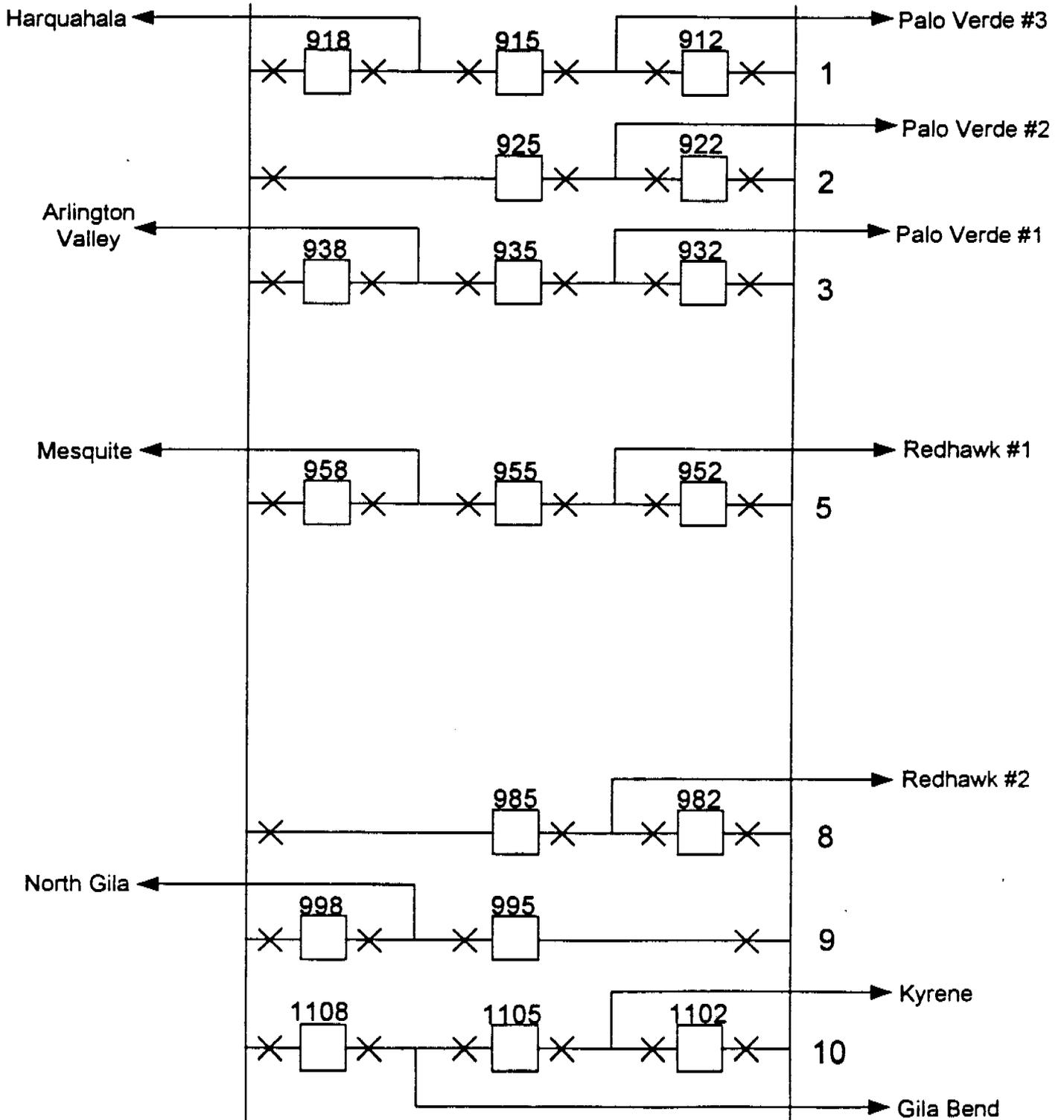
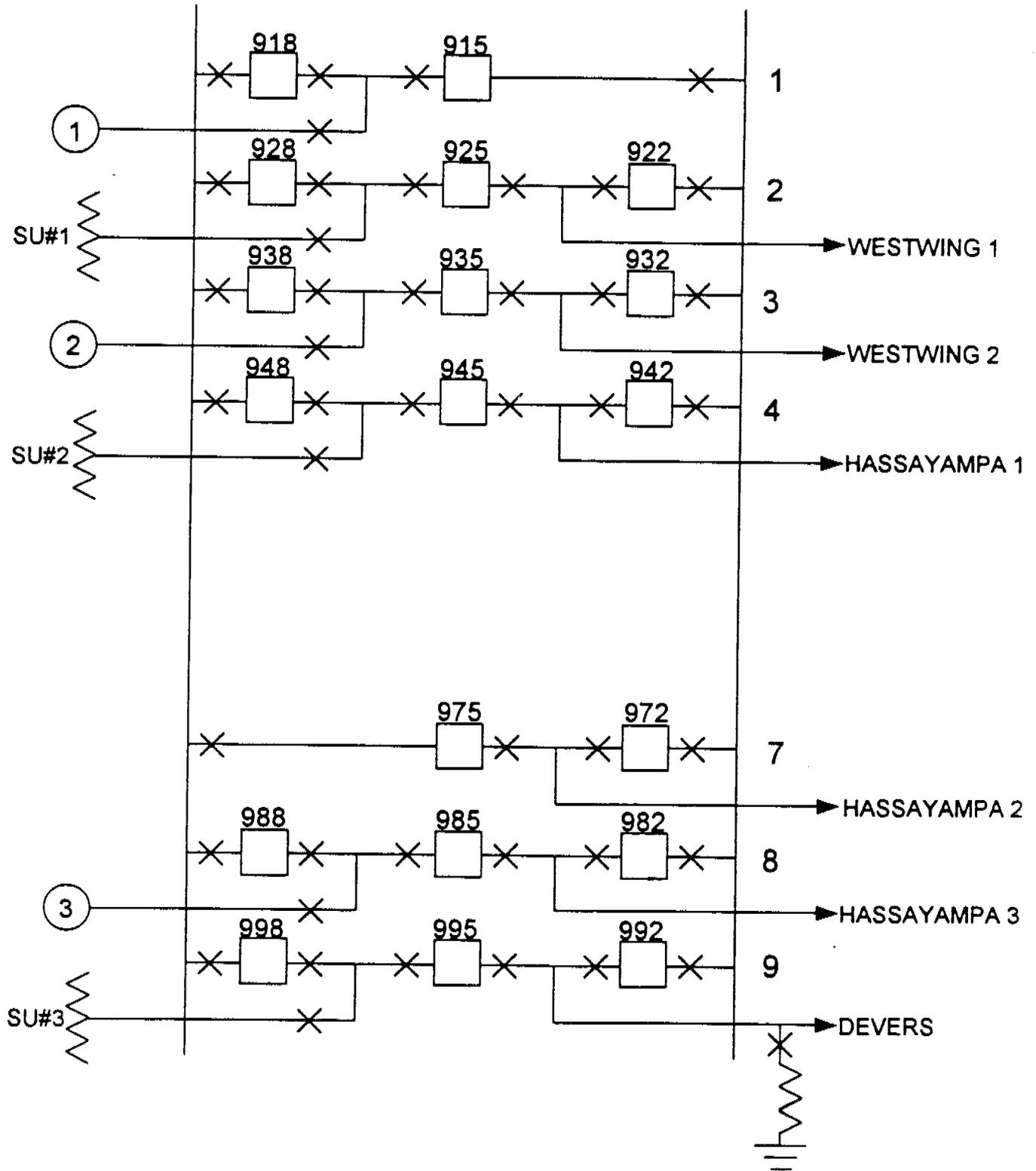


Exhibit D – Oneline Diagram of ANPP Switchyard



1 EXHIBIT E

2 HASSAYAMPA COST RESPONSIBILITY RATIO

3
4 E.1 The Hassayampa Cost Responsibility Ratio ("Hassayampa CRR") shall be determined in
5 accordance with the following calculation:

6
7 Hassayampa CRR = $\frac{X}{Z}$
8

9 Where:

10 X = Number of Connections in the ANPP Switchyard allocated to Hassayampa
11 Switchyard

12 Z = Total Number of Connection in ANPP Switchyard

13 E.2 The initial calculation of the Hassayampa CRR as of the date and execution of this
14 Agreement shall be as follows:

15 X = 1

16 Z = 12

17 Therefore:

18
19 Hassayampa CRR = $\frac{X}{Z} = \frac{1}{12} = 0.0833 = 8.33\%$
20
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EXHIBIT F

DETERMINATION OF
ITCC COMPOSITE RATE

<u>Company</u>	<u>Ownership %</u>	<u>ITCC %</u>	<u>Composite %</u>
APS	27.41	31	8.50
EPE	14.86	35	5.20
LADWP	3.07	0	0
PNM	9.60	33	3.17
SCE	20.72	34	7.04
SCPPA	5.56	0	0
SRP	18.78	0	0
COMPOSITE RATE (%)			23.91

1 Operator or the ANPP High Voltage Switchyard Participants with respect to the
2 preparation of agreements relating to the Hassayampa Switchyard or Operating
3 Work.

4 G.1.6 All costs of apparatus, including rental charges, and energy utilized for Operating
5 Work.

6 G.1.7 All costs of insurance.

7 G.1.8 All federal, state or local taxes of any character imposed upon Operating Work.

8 G.1.9 All costs of relocating existing facilities including without limitation demolition and
9 reconstruction, acquisition of lands and permits, and any upgrades or modifications
10 required by Law or otherwise caused by Operating Work.

11 G.1.10 All costs of enforcing or attempting to enforce the provisions of insurance policies,
12 payment and performance bonds, contracts executed by the Operator for Operating
13 Work, and warranties obtained by the Operator and which are extended to the
14 facilities to be provided hereunder.

15 G.1.11 Any other operating costs listed, described, or implicit in this Agreement.

16 G.2. Notwithstanding the foregoing, the following shall not constitute Operating Costs under this
17 Agreement: any costs incurred in connection with (i) any work (including any work
18 undertaken to make Capital Improvements or other modifications, additions, or upgrades)
19 undertaken to facilitate the interconnection of any Non-Common Bus Interconnector; (ii) any
20 work (including any work undertaken to make Capital Improvements, or other modifications,
21 additions, or upgrades) undertaken to facilitate the provision of a transmission service
22 request; (iii) any work associated with the installation of any Capital Improvements,
23 modifications, additions, or upgrades to the Common Bus or any other transmission facilities

1 in order to facilitate the Connection of any Hassayampa Interconnector that (a) is not a party
2 to the Funding Agreement, or (b) is a party to the Funding Agreement, but requests an
3 additional Connection to the Hassayampa Switchyard not provided for in the Funding
4 Agreement; and (iv) any engineering, contract preparation, legal or regulatory work,
5 purchasing, repair, supervision, recruitment, training, expediting, inspection, accounting,
6 insurance, testing, protection, operation, use, management, retirement, reconstruction,
7 maintenance, modification, relocation, or other work undertaken in accordance with Good
8 Utility Practice or Applicable Requirements associated with any Capital Improvements,
9 modifications, additions, or upgrades described in (ii) and (iii) herein.

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1 EXHIBIT H

2 MITIGATION REQUIREMENTS

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4 H.1 Mitigation Requirements:

5 In accordance with the short-circuit analysis performed for the proposed Hassayampa
6 Interconnections, the following Mitigation facilities shall be installed:

7 H.1.1 Prior to the Generator Initial Synchronization Date, or as otherwise determined by the
8 E&O Committee, four (4) 230 kV breakers at the Westwing 230 kV Switchyard shall
9 be replaced.

10 H.1.2 Prior to the Generator Initial Synchronization Date, or as otherwise determined by the
11 E&O Committee, nine (9) 230 kV breakers at the Kyrene 230 kV Switchyard shall be
12 replaced and/or upgraded.

13 H.2 Party Responsible for Performance of the Mitigation:

14 Arizona Public Service Company, as operating agent for the Westwing 230 kV Switchyard,
15 shall oversee the installation of the Mitigation facilities described in Section H.1.1 above.
16 Salt River Project, as operating agent for the Kyrene 230 kV Switchyard, shall oversee the
17 installation of the Mitigation facilities described in Section H.1.2 above.

18 H.3 Cost of Mitigation:

19 Total estimated cost of Mitigation facilities described in Section H.1 above, is \$1.7 Million.
20 Interconnector's share of the cost of the Mitigation facilities described in Section H.1 above
21 shall be determined by the E&O Committee in accordance with Good Utility Practice and
22 Applicable Requirements.
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EXHIBIT I

RELIABILITY MANAGEMENT SYSTEM AGREEMENT

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APPENDIX B

MODEL STAND-ALONE GENERATOR AGREEMENT

[Contract to be entered into between the Transmission Operator and a Generator]

RELIABILITY MANAGEMENT SYSTEM AGREEMENT

by and between

[TRANSMISSION OPERATOR]

and

[GENERATOR]

THIS RELIABILITY MANAGEMENT SYSTEM AGREEMENT (the "Agreement"), is entered into this ___ day of _____, 1999, by and between _____ (the "Transmission Operator") and _____ (the "Generator").

WHEREAS, there is a need to maintain the reliability of the interconnected electric systems encompassed by the WSCC in a restructured and competitive electric utility industry;

WHEREAS, with the transition of the electric industry to a more competitive structure, it is desirable to have a uniform set of electric system operating rules within the Western Interconnection, applicable in a fair, comparable and non-discriminatory manner, with which all market participants comply; and

WHEREAS, the members of the WSCC, including the Transmission Operator, have determined that a contractual Reliability Management System provides a reasonable, currently available means of maintaining such reliability.

NOW, THEREFORE, in consideration of the mutual agreements contained herein, and other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the Transmission Operator and the Generator agree as follows:

1. PURPOSE OF AGREEMENT

The purpose of this Agreement is to maintain the reliable operation of the Western Interconnection through the Generator's commitment to comply with certain reliability standards.

2. DEFINITIONS

In addition to terms defined in the beginning of this Agreement and in the Recitals hereto, for purposes of this Agreement the following terms shall have the meanings set forth beside them below.

Control Area means an electric system or systems, bounded by interconnection metering and telemetry, capable of controlling generation to maintain its interchange schedule with other Control Areas and contributing to frequency regulation of the Western Interconnection.

FERC means the Federal Energy Regulatory Commission or a successor agency.

Member means any party to the WSCC Agreement.

Party means either the Generator or the Transmission Operator and **Parties** means both of the Generator and the Transmission Operator.

Reliability Management System or **RMS** means the contractual reliability management program implemented through the WSCC Reliability Criteria Agreement, the WSCC RMS Agreement, this Agreement, and any similar contractual arrangement.

Western Interconnection means the area comprising those states and provinces, or portions thereof, in Western Canada, Northern Mexico and the Western United States in which Members of the WSCC operate synchronously connected transmission systems.

Working Day means Monday through Friday except for recognized legal holidays in the state in which any notice is received pursuant to Section 7.

WSCC means the Western Systems Coordinating Council or a successor entity.

WSCC Agreement means the Western Systems Coordinating Council Agreement dated March 20, 1967, as such may be amended from time to time.

WSCC Reliability Criteria Agreement means the Western Systems Coordinating Council Reliability Criteria Agreement dated _____, 1999 among the WSCC and certain of its member transmission operators, as such may be amended from time to time.

WSCC RMS Agreement means an agreement between the WSCC and the Transmission Operator requiring the Transmission Operator to comply with the reliability criteria contained in the WSCC Reliability Criteria Agreement.

WSCC Staff means those employees of the WSCC, including personnel hired by the WSCC on a contract basis, designated as responsible for the administration of the RMS.

3. TERM AND TERMINATION

3.1 Term. This Agreement shall become effective on the later of:

- (a) the date of execution; or
- (b) the effective date of the WSCC RMS Agreement.

3.2 Notice of Termination of WSCC RMS Agreement. The Transmission Operator shall give the Generator notice of any notice of termination of the WSCC RMS Agreement by the WSCC or by the Transmission Operator within fifteen (15) days of receipt by the WSCC or the Transmission Operator of such notice of termination.

3.3 Termination by the Generator. The Generator may terminate this Agreement as follows:

- (a) following the termination of the WSCC RMS Agreement for any reason by the WSCC or by the Transmission Operator, provided such notice is

provided within forty-five (45) days of the termination of the WSCC RMS Agreement;

- (b) following the effective date of an amendment to the requirements of the WSCC Reliability Criteria Agreement that adversely affects the Generator, provided notice of such termination is given within forty-five (45) days of the date of issuance of a FERC order accepting such amendment for filing, provided further that the forty-five (45) day period within which notice of termination is required may be extended by the Generator for an additional forty-five (45) days if the Generator gives written notice to the Transmission Operator of such requested extension within the initial forty-five (45) day period; or
- (c) for any reason on one year's written notice to the Transmission Operator and the WSCC.

3.4 Termination by the Transmission Operator. The Transmission Operator may terminate this Agreement on thirty (30) days' written notice following the termination of the WSCC RMS Agreement for any reason by the WSCC or by the Transmission Operator, provided such notice is provided within thirty (30) days of the termination of the WSCC RMS Agreement.

3.5 Mutual Agreement. This Agreement may be terminated at any time by the mutual agreement of the Transmission Operator and the Generator.

4. COMPLIANCE WITH AND AMENDMENT OF WSCC RELIABILITY CRITERIA

4.1 Compliance with Reliability Criteria. The Generator agrees to comply with the requirements of the WSCC Reliability Criteria Agreement, including the applicable WSCC reliability criteria contained in Section IV of Annex A thereof, and, in the event of failure to comply, agrees to be subject to the sanctions applicable to such failure. Each and all of the provisions of the WSCC Reliability Criteria Agreement are hereby incorporated by reference into this Agreement as though set forth fully herein, and the Generator shall for all purposes be considered a Participant, and shall be entitled to all of the rights and privileges and be subject to all of the obligations of a Participant, under and in connection with the WSCC Reliability Criteria Agreement, including but not limited to the rights, privileges and obligations set forth in Sections 5, 6 and 10 of the WSCC Reliability Criteria Agreement.

4.2 Modifications to WSCC Reliability Criteria Agreement. The Transmission Operator shall notify the Generator within fifteen (15) days of the receipt of notice from the WSCC of the initiation of any WSCC process to

modify the WSCC Reliability Criteria Agreement. The WSCC RMS Agreement specifies that such process shall comply with the procedures, rules, and regulations then applicable to the WSCC for modifications to reliability criteria.

- 4.3 Notice of Modifications to WSCC Reliability Criteria Agreement.** If, following the process specified in Section 4.2, any modification to the WSCC Reliability Criteria Agreement is to take effect, the Transmission Operator shall provide notice to the Generator at least forty-five (45) days before such modification is scheduled to take effect.
- 4.4 Effective Date.** Any modification to the WSCC Reliability Criteria Agreement shall take effect on the date specified by FERC in an order accepting such modification for filing.
- 4.5 Transfer of Control or Sale of Generation Facilities.** In any sale or transfer of control of any generation facilities subject to this Agreement, the Generator shall as a condition of such sale or transfer require the acquiring party or transferee with respect to the transferred facilities either to assume the obligations of the Generator with respect to this Agreement or to enter into an agreement with the Control Area Operator in substantially the form of this Agreement.

5. SANCTIONS

- 5.1 Payment of Monetary Sanctions.** The Generator shall be responsible for payment directly to the WSCC of any monetary sanction assessed against the Generator pursuant to this Agreement and the WSCC Reliability Criteria Agreement. Any such payment shall be made pursuant to the procedures specified in the WSCC Reliability Criteria Agreement.
- 5.2 Publication.** The Generator consents to the release by the WSCC of information related to the Generator's compliance with this Agreement only in accordance with the WSCC Reliability Criteria Agreement.
- 5.3 Reserved Rights.** Nothing in the RMS or the WSCC Reliability Criteria Agreement shall affect the right of the Transmission Operator, subject to any necessary regulatory approval, to take such other measures to maintain reliability, including disconnection, which the Transmission Operator may otherwise be entitled to take.

6. THIRD PARTIES

Except for the rights and obligations between the WSCC and Generator specified in Sections 4 and 5, this Agreement creates contractual rights and obligations solely between the Parties. Nothing in this Agreement shall create, as between the Parties or with respect to the WSCC: (1) any obligation or liability whatsoever (other than as expressly provided in this Agreement), or (2) any duty or standard of care whatsoever. In addition, nothing in this Agreement shall create any duty, liability, or standard of care whatsoever as to any other party. Except for the rights, as a third-party beneficiary with respect to Sections 4 and 5, of the WSCC against Generator, no third party shall have any rights whatsoever with respect to enforcement of any provision of this Agreement. Transmission Operator and Generator expressly intend that the WSCC is a third-party beneficiary to this Agreement, and the WSCC shall have the right to seek to enforce against Generator any provisions of Sections 4 and 5, provided that specific performance shall be the sole remedy available to the WSCC pursuant to this Agreement, and Generator shall not be liable to the WSCC pursuant to this Agreement for damages of any kind whatsoever (other than the payment of sanctions to the WSCC, if so construed), whether direct, compensatory, special, indirect, consequential, or punitive.

7. NOTICES

Any notice, demand or request required or authorized by this Agreement to be given in writing to a Party shall be delivered by hand, courier or overnight delivery service, mailed by certified mail (return receipt requested) postage prepaid, faxed, or delivered by mutually agreed electronic means to such Party at the following address:

Fax: _____

Fax: _____

The designation of such person and/or address may be changed at any time by either Party upon receipt by the other of written notice. Such a notice served by mail shall be effective upon receipt. Notice transmitted by facsimile shall be

effective upon receipt if received prior to 5:00 p.m. on a Working Day, and if not received prior to 5:00 p.m. on a Working Day, receipt shall be effective on the next Working Day.

8. APPLICABILITY

This Agreement (including all appendices hereto and, by reference, the WSCC Reliability Criteria Agreement) constitutes the entire understanding between the Parties hereto with respect to the subject matter hereof, supersedes any and all previous understandings between the Parties with respect to the subject matter hereof, and binds and inures to the benefit of the Parties and their successors.

9. AMENDMENT

No amendment of all or any part of this Agreement shall be valid unless it is reduced to writing and signed by both Parties hereto. The terms and conditions herein specified shall remain in effect throughout the term and shall not be subject to change through application to the FERC or other governmental body or authority, absent the agreement of the Parties.

10. INTERPRETATION

Interpretation and performance of this Agreement shall be in accordance with, and shall be controlled by, the laws of the State of _____ but without giving effect to the provisions thereof relating to conflicts of law. Article and section headings are for convenience only and shall not affect the interpretation of this Agreement. References to articles, sections and appendices are, unless the context otherwise requires, references to articles, sections and appendices of this Agreement.

11. PROHIBITION ON ASSIGNMENT

This Agreement may not be assigned by either Party without the consent of the other Party, which consent shall not be unreasonably withheld; provided that the Generator may without the consent of the WSCC assign the obligations of the Generator pursuant to this Agreement to a transferee with respect to any obligations assumed by the transferee by virtue of Section 4.5 of this Agreement.

12. SEVERABILITY

If one or more provisions herein shall be invalid, illegal or unenforceable in any respect, it shall be given effect to the extent permitted by applicable law, and such invalidity, illegality or unenforceability shall not affect the validity of the other provisions of this Agreement.

13. COUNTERPARTS

This Agreement may be executed in counterparts and each shall have the same force and effect as an original.

IN WITNESS WHEREOF, the Transmission Operator and the Generator have each caused this Reliability Management System Agreement to be executed by their respective duly authorized officers as of the date first above written.

By: _____
Name: _____
Title: _____

By: _____
Name: _____
Title: _____

1 J.1.1.2 Professional Errors and Omissions Liability Insurance covering the
2 Operator and the ANPP Switchyard Participants for liability only to
3 direct or indirect purchasers of Interconnector's power arising out
4 of or relating to the performance of Operating Work with
5 deductibles or self-insured retentions and limits as determined
6 solely by the ANPP Switchyard Participants after reasonable
7 consultation with the Interconnector.

8 J.1.1.3 Automobile Liability insurance with an each occurrence limit of \$33
9 million.

10 J.1.1.4 Aircraft Liability Coverage for aircraft, owned, non-owned or hired
11 in an amount not less than \$10 million, if applicable.

12 J.1.1.5 Worker' Compensation insurance with minimum statutory limits to
13 cover obligations imposed by federal and state statues having
14 jurisdiction over the Operator's employees and Employer's Liability
15 insurance with a minimum limit of one million dollars (\$1,000,000)
16 per accident.

17 J.1.2 Property Exposures

18 J.1.2.1 Unless otherwise directed by the Administrative Committee for the
19 ANPP Switchyard at all times the Operator shall have and maintain
20 in force and effect or cause to have and maintain in force and
21 effect property insurance. Except as otherwise authorized herein
22 or directed by the Administrative Committee for the ANPP
23 Switchyard, such insurance shall be maintained for the insurable

1 replacement cost, as the Administrative Committee for the ANPP
2 Switchyard shall direct or in the absence of any such direction as
3 the Operator may in its sole discretion determine, of all insurable
4 property of the Hassayampa Switchyard as determined from time
5 to time by independent qualified appraisers selected by the
6 Operator.

7 J.1.2.2 In the event any Capital Improvements are undertaken the
8 Operator shall procure and maintain, or cause to be procured and
9 maintained, "All Risk" Builder's Risk property insurance.

10 J.1.3 Surety Exposures/Crime Insurance

11 The standard form of Employees Dishonesty Bond or Crime Insurance, with
12 limits of \$25 million covering loss of property of the Hassayampa Switchyard
13 or funds of the ANPP Switchyard Participants and Hassayampa
14 Interconnectors due to the dishonest or fraudulent acts committed by an
15 officer or employee of the Operator and any ANPP Switchyard Participant,
16 Hassayampa Interconnector, or contractor who is engaged in Operating Work
17 or Capital Improvements.

EXHIBIT K

MEMORANDUM OF EASEMENT

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EXHIBIT K

When recorded mail to:

**MEMORANDUM OF EASEMENT
(HASSAYAMPA SWITCHYARD)**

THIS MEMORANDUM OF EASEMENT (the "Memorandum") is made as of the _____ day of _____, 2001, by Salt River Project Agricultural Improvement and Power District, an Arizona agricultural improvement district (the "Grantor") and Duke Energy Arlington Valley, LLC, a Delaware limited liability company (the "Grantee"). Notice is hereby given that Grantor has granted a non-exclusive easement (the "Easement") to Grantee on, over and across the real property which is legally described in Exhibit A attached hereto and incorporated herein by this reference for the purpose of locating a Generating Facility Interconnection Tie Line and Interconnection Facilities and installing, operating, maintaining, repairing and replacing the Generating Facility Interconnection Tie Line, all in accordance with and pursuant to that certain ANPP Hassayampa Switchyard Interconnection Agreement (the "Agreement") by and among Grantor, Grantee and certain other parties. The Easement shall expire automatically and without further act of any party upon termination of the Agreement. The purposes and other terms and conditions of or pertaining to such Easement are set forth in such Agreement. Capitalized terms used herein shall have the same meaning as provided in the Agreement. In the event of any conflict or inconsistency between the provisions of this Memorandum and those of the Agreement, the terms and provisions of the Agreement shall prevail.

This Memorandum may be executed in any number of counterparts with the same effect as if the parties had signed the same document. All counterparts shall be construed together and constitute one document.

IN WITNESS WHEREOF, the parties executed this instrument as of the day and year set forth above.

GRANTOR:

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

By: _____
Name: _____
Its: _____

GRANTEE:

DUKE ENERGY ARLINGTON VALLEY, LLC

By: _____
Name: _____
Its: _____

STATE OF]
] SS.
COUNTY OF]

The foregoing instrument was acknowledged before me on _____, 2001
by _____, _____ of
Salt River Project Agricultural Improvement and Power District, an Arizona agricultural
improvement district, on behalf thereof.

Notary Public

My Commission Expires:

STATE OF]
] SS.
COUNTY OF]

The foregoing instrument was acknowledged before me on _____, 2001
by _____, _____ of
Duke Energy Arlington Valley, LLC, a Delaware limited liability company, on behalf thereof.

Notary Public

My Commission Expires:

EXHIBIT A

[LEGAL DESCRIPTION OF LAND]

The Northeast Quarter of Section 15 AND the West Half of the Northwest Quarter of Section 14,
Township One South, Range 6 West of the Gila and Salt River Base and Meridian, Maricopa County,
Arizona. Except the north 40 feet thereof.