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March 20, 2001

VIA HAND DELIVERY

Docket Control
Arizona Corporation Commission
1200 West Washington
Phoenix, Arizona 85007

DOCKET NO. E-01773A-01-0239

DOCKET NO. E-01461A-01-0239

Re: Amended and Restated Purchase and Well Service Agreement Between Trico Electric Cooperative, Inc. ("Trico"), Arizona Electric Power Cooperative, Inc. ("AEPCO") and Phelps Dodge Sierrita, Inc. ("PD Sierrita") (the "Agreement"); Docket Nos. E-01773A and E-01461A

Dear Sir/Madam:

Enclosed and filed on behalf of AEPCO and Trico this date are the original and ten (10) copies of the Agreement. Certain confidential and proprietary rate and other data has been redacted from the Agreement. A complete copy has previously been supplied to Staff.

For several years, AEPCO and Trico have supplied power and energy under two separate Commission approved agreements. (See, for example, most recently, Decision No. 63306.) The parties have decided to consolidate these power supply arrangements in the Agreement.

The parties request that the Commission approve the Agreement so that service may commence under it on May 1, 2001.

Very truly yours,

GALLAGHER & KENNEDY, P.A.

By:

Michael M. Grant

MMG/lmm
10421-0010/912277

Docket Control
March 20, 2001
Page 2

ORIGINAL and ten copies filed
with Docket Control this date.

Linda Maguire

cc: Russ Jones (w/encl.)
Dick Kurtz (w/encl.)
Webb Crockett (w/encl.)
Barbara Keene (w/encl.)

AMENDED AND RESTATED
PURCHASE AND WELL SERVICE AGREEMENT
BETWEEN
TRICO ELECTRIC COOPERATIVE, INC.,
ARIZONA ELECTRIC POWER COOPERATIVE, INC.
AND
PHELPS DODGE SIERRITA, INC.

March 5, 2001

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**AMENDED AND RESTATED
PURCHASE AND WELL SERVICE AGREEMENT
BETWEEN
TRICO ELECTRIC COOPERATIVE, INC.,
ARIZONA ELECTRIC POWER COOPERATIVE, INC.,
AND
PHELPS DODGE SIERRITA CORPORATION**

This AMENDED AND RESTATED PURCHASE AND WELL SERVICE AGREEMENT (Restated Agreement) is entered into by and among TRICO ELECTRIC COOPERATIVE, INC., an Arizona nonprofit corporation (Trico), ARIZONA ELECTRIC POWER COOPERATIVE, INC., a nonprofit electric generation and transmission cooperative corporation organized under the laws of the State of Arizona (AEPCO), and PHELPS DODGE SIERRITA, INC., a Delaware corporation authorized to do business in the State of Arizona (PD Sierrita). Trico, AEPCO, and PD Sierrita are referred to individually as "Party" and collectively as "Parties". Trico and AEPCO are sometimes collectively referred to as "Sellers".

- 1 RECITALS - This Restated Agreement is made with reference to the following facts, among others:
 - 1.1 Trico is engaged in the distribution of electric power and energy in certain areas in the State of Arizona as an electric public service corporation pursuant to certificates of public convenience and necessity issued to Trico by the Arizona Corporation Commission (Certificates). The areas described in Trico's Certificates are referred to herein as the "Certificated Service Area" of Trico. Trico is a member of AEPCO.
 - 1.2 AEPCO is engaged in the generation and transmission of electric power and energy primarily in the State of Arizona, and sells and delivers power and energy to Trico under an all-requirements wholesale power contract.
 - 1.3 PD Sierrita (formerly Cyprus Sierrita Corporation) is a member in good standing of

Trico.

- 1.4 PD Sierrita is engaged in copper mining, milling and electro-wining operations at its Sierrita mine located in Pima County near Tucson, Arizona and has loads associated with its Sierrita mine that are within the Certificated Service Area of Trico. Certain of such loads are served pursuant to the Purchase Agreement between Trico, AEPCO and PD Sierrita, dated April 22, 1994, as amended (Purchase Agreement), and pursuant to the Contingent Well Service Agreement between Trico, AEPCO and PD Sierrita, dated November 16, 1995, as amended (Contingent Well Service Agreement). Other of such loads are served pursuant to agreements between Trico and PD Sierrita and between PD Sierrita and Tucson Electric Power Company (TEP) (collectively, "Existing Contracts"). One of the Existing Contracts is the Settlement Agreement between PD Sierrita and Trico dated December 20, 1985, as amended (Settlement Agreement). In conjunction and contemporaneously with the execution of this Restated Agreement, Trico and PD Sierrita will enter into the Third Amendment to Settlement Agreement.
- 1.5 Pursuant to the Purchase Agreement, Sellers sell firm and interruptible power and energy to PD Sierrita, which AEPCO delivers to PD Sierrita at AEPCO's Bicknell 115 kV switchyard on behalf of Trico, for pumping and electro-wining loads at Twin Buttes portion of the Sierrita mine (Twin Buttes Load). The Twin Buttes Load requires about 9,400 kW at annual peak demand and 63,080,000 kWh of annual energy.
- 1.6 Pursuant to the Contingent Well Service Agreement, Sellers sell contingent power and energy to PD Sierrita, which AEPCO delivers to Trico at Trico's Green Valley substation and Trico delivers to PD Sierrita over a dedicated 24.9 kV distribution line (PD Sierrita Feeder) to facilities of PD Sierrita, for certain water well and pumping loads (Well Load). The Well Load requires about 2,100 kW at annual peak demand and 11,750,000 kWh of annual energy.

1.7 Sellers desire to continue to sell to PD Sierrita and PD Sierrita desires to continue to purchase power and energy from Sellers to serve the Twin Buttes Load and the Well Load.

1.8 By this Restated Agreement, the Parties will terminate, supersede and replace both the Purchase Agreement and the Contingent Well Service Agreement as of the date upon which service begins pursuant to this Restated Agreement.

2 AGREEMENT - In consideration of the premises and mutual covenants contained herein, the Parties agree as follows:

2.1 DEFINITIONS - Terms with initial capitalization used in this Restated Agreement and not defined elsewhere in this Restated Agreement shall have the meaning set forth in the following:

2.1.1 ACC shall mean the Arizona Corporation Commission, an agency of the State of Arizona.

2.1.2 Actual PD Sierrita Purchase shall mean the portion of any supplemental purchase made by AEPCO pursuant to Section 2.6.6 hereof to serve uninterrupted PD Sierrita loads during periods of Resource Deficiency occurring in certain of the Peak Hours of the months of June, July or August.

2.1.3 AEPCO Restructuring shall mean the process by which AEPCO will separate into a generation cooperative, which will retain the AEPCO name, a transmission cooperative, which will be called Southwest Transmission Cooperative, Inc. (Southwest), and a electric services cooperative, which will be called Sierra Southwest Cooperative Services, Inc. (Sierra).

2.1.4 Base Energy Rate shall have the meaning set forth in Section 2.9.1 hereof.

- 2.1.5 Billing Demand shall mean the highest kW occurring in the billing period that results from the sum for all Points of Delivery of the time-coincident Hourly Demand occurring at each Point of Delivery.
- 2.1.6 Collected Funds shall mean funds that have been deemed by the recipient bank, in accordance with standard banking practice, to be cleared and, therefore, immediately available for investment or disbursement.
- 2.1.7 Condition Precedent shall mean the execution and delivery by the Parties of this Restated Agreement and the written approval of RUS and ACC of this Restated Agreement.
- 2.1.8 Date of Initial Service shall mean the date upon which electric service pursuant to the rates, terms and conditions of this Restated Agreement is first provided from Sellers to the Points of Delivery.
- 2.1.9 Demand Rate shall mean the demand rate set forth in Section 2.9.1 hereof as in effect from time to time.
- 2.1.10 Energy Rate shall mean the sum of the Base Energy Rate plus the Escalation Rate, as set forth in Section 2.9.1 hereof.
- 2.1.11 Escalation Rate shall mean 0.5 mill per kWh beginning January 1, 2002, plus an additional 0.5 mill per kWh as of January 1 of calendar year thereafter.
- 2.1.12 Hourly Demand shall mean the highest 30-minute integrated kW of load occurring within each hour as metered at a Point of Delivery.
- 2.1.13 Last Service Date shall mean the last day of any calendar month occurring no earlier than 6 full calendar months after receipt of a notice of termination in accordance with Section 2.3 hereof, in which month service has been

provided to PD Sierrita pursuant to this Restated Agreement.

- 2.1.14 Metered kWh shall mean the energy purchased by PD Sierrita during each billing period pursuant to this Restated Agreement, which shall be equal to the sum of the energy delivered to PD Sierrita at each of the Points of Delivery, as measured by metering located at such Points of Delivery.
- 2.1.15 Net Firm Load shall mean the sum of an hour's expected demands of AEPCO's member cooperatives, including the Well Load and Twin Buttes Load, plus the simultaneous contract demands of AEPCO's contracted firm sales as may be amended from time to time, less the simultaneous contract demands of AEPCO's firm purchases as may be amended from time to time.
- 2.1.16 Net Resource Capacity shall mean the sum of the individual net rated capacities of AEPCO's Apache Generating Station's available generating units as in effect from time to time (currently 520 MW), plus the sum of the contract demands of AEPCO's contingent purchases as in effect from time to time, less the sum of the contract demands of AEPCO's contingent sales as in effect from time to time.
- 2.1.17 Off-Peak Hours shall mean those hours defined within the Western Systems Coordinating Council to represent off-peak load periods, which are currently 11 p.m. to 7 a.m. daily, plus all of Sunday, plus six (6) Holidays (New Years Day, Memorial Day, July 4, Labor Day, Thanksgiving Day, and Christmas Day). Off-Peak Hours represent approximately 43 % of the hours in a year.
- 2.1.18 Open Access Transmission Tariff shall mean the transmission tariff that AEPCO or Southwest Transmission Cooperative, Inc. has filed with the Southwest Regional Transmission Association or has otherwise put into effect in accordance with the applicable industry standards.

- 2.1.19 Peak Hours shall mean those hours that are not Off-Peak Hours.
- 2.1.20 Points of Delivery shall mean have the meaning set forth in Section 2.4 hereof.
- 2.1.21 Purchase Cost shall mean all costs on a mills per kWh basis experienced by AEPCO associated with purchasing energy to supplement Net Resource Capacity, including but not be limited to demand charges, transmission charges and transmission losses, reservation fees, variable O & M allowances and start-up costs, if any.
- 2.1.22 Resource Deficiency shall mean the MW amount, if any, by which the sum of Net Firm Load plus 12% of Net Firm Load exceeds the sum of (i) Net Resource Capacity, plus (ii) operating reserves provided to AEPCO pursuant to agreements with third parties, if any.
- 2.1.23 RUS shall mean the Rural Utilities Service, formerly Rural Electrification Administration or REA, an agency of the United States Department of Agriculture.
- 2.1.24 Taxes and Regulatory Assessments shall mean applicable taxes, assessments and other governmental impositions which are or may in the future be assessed or levied on AEPCO and/or Trico by any governmental authority having jurisdiction, including, but not limited to, BTU, carbon, energy or sales taxes, transaction privilege taxes, and the assessments of the ACC for the ACC, RUCO and/or other third parties, as applicable.

2.2 EFFECTIVE DATE - This Restated Agreement shall become effective upon the date of satisfaction of the Condition Precedent (Effective Date), and if the Condition Precedent is not duly satisfied, each Party shall have the unilateral right to terminate this Restated Agreement. In the event the Condition Precedent is duly satisfied on

or before April 30, 2001, the Effective Date and the Date of Initial Service shall be May 1, 2001. In the event the Condition Precedent has not been satisfied by May 1, 2001, solely because RUS and/or ACC approvals have not been obtained by such date, and the RUS and/or ACC has not disapproved or refused to approve this Restated Agreement prior to such date, then the Effective Date shall be extended to the date following the date that the last of RUS and/or ACC approval is obtained, and the Date of Initial Service shall remain May 1, 2001, which will precede the Effective Date. In such event, service pursuant to this Restated Agreement shall be deemed to be temporary, and shall not constitute a waiver of any Party of, or cause any Party to be estopped from asserting, its right to terminate this Restated Agreement if the Condition Precedent is not duly satisfied. Should RUS or ACC require as a condition of approval any material changes or material modifications of this Restated Agreement that are unacceptable to any Party, this Restated Agreement shall become null and void and shall not be binding on any Party for any purpose. In the event of such unacceptable requirement(s) for change or modification, the Parties shall negotiate in good faith to modify, within 60 days of the receipt of RUS and/or ACC notice of such unacceptable requirement(s), this Restated Agreement so as to attempt to secure approvals by RUS or ACC.

2.3 TERM - This Restated Agreement shall remain in effect through December 31, 2003, and shall continue in effect through the end of each calendar month thereafter until and unless terminated by any Party having provided at least six (6) months prior written notice of termination to each of the other Parties; provided, that all obligations to pay money that were incurred prior to the Last Service Date and are then unpaid shall continue after termination until satisfied.

2.4 POINTS OF DELIVERY - The Points of Delivery hereunder shall be:

2.4.1 For the Well Load, the terminus of the 24.9 kV distribution line emanating from Trico's Green Valley Substation to which PD Sierrita facilities serving the Well Load are connected (PD Sierrita Feeder); provided, however, that

Trico shall not serve any non-PD Sierrita loads from the PD Sierrita Feeder during the term of this Restated Agreement. Trico has installed metering of the PD Sierrita Feeder for billing purposes at the terminus of the PD Sierrita Feeder in Trico's Green Valley Substation, and Trico shall use such metering to measure and record power and energy delivered into the PD Sierrita Feeder.

2.4.2 For the Twin Butte's Load, the terminus of PD Sierrita's 115 kV lines emanating from AEPCO's Bicknell 115 kV switchyard. AEPCO has installed metering of the Twin Buttes Load for billing purposes at the terminus of the PD Sierrita 115 kV lines in the Bicknell 115 kV switchyard, and AEPCO shall use such metering to measure and record power and energy delivered into the PD Sierrita 115 kV lines.

2.5 NEW FACILITIES - To enable knowledge of the extent of any Twin Buttes Load interrupted pursuant to Section 2.6.8 hereof, AEPCO and PD Sierrita shall install radio telemetry equipment at the Bicknell 115 kV switchyard and at PD Sierrita's control room, respectively. AEPCO and PD Sierrita shall share equally in the installed cost of such facilities, which cost is estimated to be \$13,000. Such radio telemetry equipment shall be placed into service as soon as practicable. AEPCO shall be responsible for the procurement of all of the radio equipment and the installation thereof at the Bicknell 115 kV switchyard, and PD Sierrita shall be responsible for the installation of the equipment at the PD Sierrita control room.

2.6 SERVICE TO BE PROVIDED - Sellers agree to sell to PD Sierrita and PD Sierrita agrees to purchase power and energy from Sellers in accordance with the provisions of this Section 2.6, as follows:

2.6.1 Prior to the closing of AEPCO Restructuring, AEPCO will provide and deliver to the Points of Delivery the power and energy purchased by PD Sierrita hereunder. Following the closing of AEPCO Restructuring, AEPCO

will provide the power and energy hereunder and will cause Southwest to deliver such AEPCO power and energy to the Points of Delivery hereunder.

- 2.6.2 Trico shall cause the further delivery of such AEPCO power and energy from the Well Load Point of Delivery to PD Sierrita facilities connected to the PD Sierrita Feeder.
- 2.6.3 PD Sierrita shall cause the further delivery of such AEPCO power and energy over PD Sierrita's facilities to the location of the respective Well Load and Twin Buttes Load.
- 2.6.4 All deliveries hereunder shall be subject to Uncontrollable Forces with respect to the electric generation and delivery systems of the Parties.
- 2.6.5 Each Party shall coordinate, install and maintain compatible protective devices on its respective electric system in order to protect, to the maximum extent practicable, the electric system of each other Party from being affected by outages on such Party's system.
- 2.6.6 Except as otherwise set forth in Section 2.6.9, in the event that AEPCO's system pre-scheduler projects a Resource Deficiency determined in accordance with Section 2.6.7 hereof that would occur in any Peak Hour between 12 p.m. and 8 p.m. in the months of June, July and August of each year, AEPCO shall determine the amount of PD Sierrita loads to attribute to the Resource Deficiency in such hours of such months in accordance with Section 2.6.7 (a) hereof (Potential PD Sierrita Purchase), and at what Purchase Cost AEPCO would be able to purchase and deliver supplemental firm power and energy from third parties to resolve such Resource Deficiency.

(a)

(b)

2.6.7 For the purposes of Section 2.6.6 hereof, AEPCO shall determine any Resource Deficiency based on AEPCO's expected Net Firm Load and AEPCO's expected Net Resource Capacity. To determine its expected Net Firm Load, which shall be rounded to the nearest whole MW, AEPCO shall use: (i) its operating forecast of MW of coincident load of AEPCO's Class A Members, including the Twin Buttes Load and the Well Load; (ii) the pre-scheduled MW of demand related to AEPCO's firm sales agreements; and (iii) the maximum schedule of MW of capacity available pursuant to AEPCO's firm purchase agreements. Similarly, in determining the expected Net Resource Capacity, which shall be rounded to the nearest whole MW, AEPCO shall use: (i) Apache Station net rated capacity of 520 MW, (ii) the maximum schedule of MW of capacity available pursuant to AEPCO's

contingent purchase agreements; and (iii) the pre-scheduled MW of demand pursuant to AEPCO's contingent sales agreements, .

- (a) For any hour of such Resource Deficiency, the amount by hour of any Potential PD Sierrita Purchase shall equal the lesser of: (i) the sum of the expected demands of Twin Buttes Load plus the Well Load, rounded to the nearest whole MW, or (ii) the Resource Deficiency so determined.
- (b) AEPCO shall document, in the form of Exhibit A hereto, made a part hereof, its determination of any Resource Deficiency in writing for each hour of Potential PD Sierrita Purchase, and shall additionally record any Actual PD Sierrita Purchase.

2.6.8 Upon notice to PD Sierrita pursuant to Section 2.6.6 (a) hereof, PD Sierrita may interrupt all or any portion of the Well Load and/or the Twin Buttes Load.

- (a) In order to avoid or minimize the extent of Actual PD Sierrita Purchase, PD Sierrita shall cause any such interruption within the greater of: (i) fifteen (15) minutes after receipt of such notice; or (ii) such longer amount of time as AEPCO may advise at the time of notice to PD Sierrita, and PD Sierrita shall notify AEPCO telephonically of the amount of MW of PD Sierrita load that will not be interrupted.
- (b) Any load interrupted by PD Sierrita shall be restored by PD Sierrita upon the earlier of: (i) the expiration of the Actual PD Sierrita Purchase; (ii) the telephonic notice by AEPCO to PD Sierrita that the Resource Deficiency has been determined to have expired; or (ii) 8 p.m. of that day.

2.6.9 The provisions of Sections 2.6.6, 2.6.7 and 2.6.8 shall no longer apply as of and after the date that AEPCO adds to the capacity of its resources because of: (a) the installation of a new generating unit, or (b) AEPCO executes a new firm or contingent long term power purchase agreement.

2.7 USE OF SERVICE

2.7.1 PD Sierrita shall not resell all or any portion of the power and energy supplied by Sellers pursuant to this Restated Agreement without the written consent of AEPCO.

2.7.2 In the event that changes to PD Sierrita's operations cause unusual voltage fluctuations or disturbances originating within PD Sierrita's system to affect Trico's other customers connected to Trico's Green Valley Substation, PD Sierrita will make reasonable efforts at its sole cost to prevent, remove or resolve any cause of such unusual voltage fluctuations or disturbances.

2.7.3 Except for those loads that remain served under Existing Contracts, PD Sierrita shall purchase its electric power and energy requirements for its loads located within Trico's Certificated Service Area from Trico pursuant to this Restated Agreement.

2.7.4 The Authorized Representatives shall develop and approve procedures for implementing the provisions of Sections 2.6.6, 2.6.7 and 2.6.8. Such procedures shall be consistent with the practical operation of the Sellers' electric systems and PD Sierrita's operations, and necessary or convenient for the implementation of this Restated Agreement, but not inconsistent with the provisions of this Restated Agreement.

2.8 METERING

- 2.8.1 Sellers shall provide, or cause to be provided, metering facilities at each Point of Delivery. Such metering facilities shall measure and record at each Point of Delivery kWh of energy consumed, kW demand on a thirty (30) minute basis, kVar flow and/or power factor at the time of Peak Demand, and any other information necessary or required to bill PD Sierrita pursuant to this Restated Agreement.
- 2.8.2 Sellers shall test, or cause to be tested, the calibration of the meters by comparison of accurate standards at intervals of twelve (12) months and shall give PD Sierrita not less than five working days prior notice of such testing. The phrase "working days" as used herein shall mean Monday through Friday of each week except legal holidays established by law in the State of Arizona. In the event that PD Sierrita participates in any meter test, PD Sierrita shall be deemed to have waived the prior notice from Sellers with respect to such test. PD Sierrita shall have the privilege of observing and participating in all meter tests and the right to have access at any time to the Sellers' meters for comparative readings. Meters registering not more than plus or minus (\pm) one percent (1%) inaccurate shall be deemed to be accurate. The reading of any meter which shall have been disclosed by tests to be inaccurate shall be corrected for the sixty (60) days previous to such tests (or for such shorter period if applicable) in accordance with the percentage of inaccuracy found by such test. If any meter should fail to register for any period, mutually acceptable kW, and/or kVar, and/or kWh estimates shall be made for such period from the best information available. Any correction in billing made in accordance with the above, from metering error, shall be made in the next monthly bill rendered by Sellers to PD Sierrita after the amount of the correction is determined, and such correction, when made and paid, shall constitute full adjustment of any claim between the Parties hereto arising out of such inaccuracy of metering equipment. If PD Sierrita requests a special meter test, Sellers shall conduct same; however, if any special meter tests made at the request of PD Sierrita shall disclose that the meters are recording

accurately as defined above, PD Sierrita shall reimburse Sellers for the cost of such tests, when billed to PD Sierrita.

2.8.3 Sellers shall read the meter or meters used to measure the electrical power and energy delivered hereunder at each Point of Delivery, and shall render monthly statements as a part of the bill to PD Sierrita. These statements shall contain metered information for the billing period for each Point of Delivery, including, but not limited to, Metered kWh, Peak Demand, power factor at the hour of Peak Demand, and illustrate the derivation of each component set forth in Section 2.9 of the rates and charges.

2.9 RATES AND CHARGES - Sellers' rates and charges for service hereunder shall be as follows:

2.9.1 Rates - The following rates shall be in effect for the term of this Restated Agreement:

2.9.1.1

2.9.1.3

2.9.1.4

2.9.1.5

2.9.2 Monthly Charges - The total of the monthly charges to PD Sierrita shall consist of the sum of the following monthly charges:

2.9.2.1 Demand Charge, which shall be equal to Demand Rate times Billing Demand; plus,

2.9.2.2 Energy Charge, which shall be equal to the product of Metered kWh multiplied by the Energy Rate; plus,

2.9.2.3

2.9.2.4 Transmission Charge, which shall be the applicable of: (i) in Period 1, deemed to be within the Demand Charge, or (ii) in Period 2, determined by applying the Billing Demand as Network Load pursuant to Part III of the Open Access Transmission Tariff, as such tariff is in effect from time to time.

2.9.2.5 Schedule 1 Charge, which shall be the product of the Schedule 1 Rate multiplied by the Billing Demand; plus,

2.9.2.6 Power Factor Adjustment Charge, which shall be equal to the sum of the power factor adjustment charges from each Point of Delivery; the power factor adjustment charge at each Point of Delivery shall equal the product of: (a) the sum of (i) the Demand Rate, plus (ii) the rate resulting from dividing the Transmission Charge by the Billing Demand; multiplied by (b) the component of Billing Demand attributable to such Point of Delivery; multiplied by (c) any positive difference obtained by subtracting 1.0 from the absolute value quotient obtained by dividing 0.9 by the measured Power Factor at such Point of Delivery; plus,

2.9.2.7 Franchise Charge, which shall be the product of the Franchise Fee multiplied by Metered kWh; plus,

2.9.2.8 Applicable Taxes and Regulatory Assessments.

2.10 BILLING - Each billing period shall be one (1) calendar month (Billing Month). For each Billing Month, the following shall apply:

2.10.1 Trico shall bill PD Sierrita on or before the fifteenth (15th) day of the month following the Billing Month for the total monthly charge.

2.10.2 In the event that the Date of Initial Service is other than the first day of a calendar month (First Billing Month), the Demand Charge shall be determined from a prorated Demand Rate, which shall be prorated by the relationship of the number of days during the First Billing Month that this Restated Agreement was in effect to the total number of calendar days in the First Billing Month. All other charges shall be determined as provided for in Section 2.9.2.

2.10.3 PD Sierrita shall pay Trico the total of the monthly charges by the later of the 20th day of the month or ten (10) days after receipt of the bill. Payment shall be electronically wire transferred to a bank of Trico's choice, or by any other method which provides Collected Funds on or before payment due date. Amounts not paid by the due date shall be payable with interest accrued on each calendar day from the due date to the date of payment. The interest shall be accrued at a rate of: (a) the then-effective prime commercial lending rate per annum published in the Money Rates section of The Wall Street Journal, or (ii) in the event the interest rate provided for herein should at any time exceed the maximum rate that may be so legally charged, the maximum rate that may be legally charged by Trico to PD Sierrita. Should The Wall Street Journal discontinue publication of the prime commercial lending rate, the Parties shall endeavor to agree on an acceptable substitute.

2.10.4 In the event any portion of any bill is disputed, the disputed amount shall be paid, under protest, when due. If the protested portion of the payment is found to be incorrect, Trico shall promptly cause to be refunded to PD Sierrita any amount due, including interest accrued on each calendar day from the date of payment by PD Sierrita to the date the refund check is mailed by Trico. The same interest rate and computation method shall be applied to the determination of interest due herein as provided in Section 2.10.3 herein.

2.10.5 No payment made to Trico pursuant to this Section 2.10 shall constitute a

waiver of any right of PD Sierrita to contest the correctness of any monthly charge or credit by Trico.

2.10.6 Bills and refunds, if any, shall be mailed or sent by telephone facsimile transmission monthly to PD Sierrita's billing address as designated from time to time in writing by PD Sierrita's Authorized Representative or to PD Sierrita at 6200 West Duval Mine Road, Green Valley, Arizona 85614.

2.10.7 AEPCO shall bill Trico, and Trico shall pay AEPCO, the monthly amounts actually billed to PD Sierrita hereunder less (a) the Franchise Charge, and less (b) any Taxes and Regulatory Assessments imposed directly upon Trico and billed by Trico to PD Sierrita in accordance with Section 2.9.2.8. Trico shall pay such amounts to AEPCO within one (1) day of receipt by Trico of the monthly payment rendered by PD Sierrita hereunder.

2.10.8 Trico shall make the payments to AEPCO provided for in Section 2.10.7 by electronic wire transfer to a bank of AEPCO's choice, or by any other method which provides Collected Funds on or before the payment due date. Interest shall be payable to AEPCO on amounts not paid by the due date at the rates and in the manner as set forth in Section 2.10.3.

2.11 POWER FACTOR - PD Sierrita shall maintain the power factor of the Twin Buttes Load and the Well Load as close to unity as possible. In the event the power factor measured at the time of monthly Peak Demand is less than 90% lagging or leading, PD Sierrita shall pay the Power Factor Adjustment Charge determined in accordance with Section 2.9.2.6.

2.12 LIABILITY

2.12.1 Each Party shall be solely liable for claims of its employees or agents for injuries, death or property damage arising out of, or occurring within, the

scope of its employees' or agents' employment, or such claims arising out of Worker's Compensation Law or Employer's Liability Law; provided, however, that such Party shall not be liable to any other Party in the event such injuries or death or property damage is proximately caused by the negligence or other tortious conduct or omission of any such other Party. Each Party shall indemnify and hold harmless the other Party, its directors, officers, agents and employees from and against any claim or action brought by an agent, employee or member of the indemnifying Party for death, bodily injury, or loss or damage to property, whether direct, indirect or consequential, related to activities undertaken by the indemnified Party within the scope of this Restated Agreement; provided, however, anything in this Section 2.12.1 to the contrary notwithstanding, such Party shall have no liability to indemnify the other Party for death, bodily injury, or loss or damage to property in the event such death, bodily injury, or loss or damage to property is proximately caused by the negligence or other tortious conduct or omission of such other Party.

2.12.2. The provisions of this Section 2.12 shall not be construed so as to relieve any insurer of its obligation to pay any insurance proceeds in accordance with the terms and conditions of any valid insurance policy of any Party.

2.13 AUTHORIZED REPRESENTATIVES - Each Party shall designate within thirty (30) days after execution of this Restated Agreement, by written notice to the other Parties, a representative who is authorized to act in its behalf in the implementation of this Restated Agreement and with respect to those matters contained herein which are the functions and responsibilities of the Authorized Representatives, provided that the Authorized Representatives shall have no authority to modify any of the provisions of this Restated Agreement. Either Party may at any time change the designation of its Authorized Representative by written notice to the other Parties.

2.14 DISPUTES - Upon the occurrence of a dispute, the Authorized Representative of the

Party initiating the dispute shall notify in writing the Authorized Representative of the Party with whom the dispute pertains, and such Authorized Representatives shall in good faith seek to resolve the dispute through negotiations. If such Authorized Representatives are unable to resolve the dispute through negotiation within thirty (30) days of the notice of dispute, each Authorized Representative of the disputing Parties shall reduce the matter to writing and provide such writing to an officer of such Party. The officers of the Parties in dispute shall attempt to resolve the dispute within thirty (30) days. If the dispute is not so resolved, either disputing Party may seek equitable relief.

2.15 AUDIT - PD Sierrita shall have the right to audit, during regular business hours of the Party to be audited, at its own expense, all agreements, books and records regarding any costs, payments, settlements or other supporting information pertaining to this Restated Agreement, subject to the disclosure and confidentiality provisions of any applicable third party contracts or agreements. All records and supporting documentation for billings under this Restated Agreement shall be retained for three (3) years beyond the date of the bill. Adjustments to any costs, payments or settlements discovered by any audit pertaining to matters relating to the electric service being provided pursuant to this Restated Agreement shall be payable by the responsible Party to the owed Party within a reasonable time, and shall include interest accrued on such adjustment for each calendar day from the original due date to the date of payment of such adjustment by the responsible Party at the rate and computation method specified in Section 2.10.3.

2.16 DEDICATION OF FACILITIES - Any undertaking by one Party to any other Party under any provision of this Restated Agreement shall not constitute the dedication of the system or any portion thereof of either Party to the public or to the other Parties, and it is understood and agreed that any such undertaking under any provision of this Restated Agreement by a Party shall cease upon the termination of its obligations hereunder.

2.17 NO THIRD PARTY RIGHTS - Unless otherwise specifically provided in this Restated Agreement, the Parties do not intend to create rights in or to grant remedies to any third party as a beneficiary of this Restated Agreement or of any duty, covenant, obligation or undertaking established hereunder.

2.18 UNCONTROLLABLE FORCES

2.18.1 No Party shall be considered to be in default in the performance of any of its obligations hereunder (other than the obligation of PD Sierrita to pay bills submitted by Trico and the obligation of Trico to pay bills submitted by AEPCO pursuant to Section 2.10) except as enumerated hereunder, when a failure of performance shall be due to Uncontrollable Forces. The Party claiming excused failure of performance shall promptly contact the other Party or Parties, as applicable, and provide written notice that an Uncontrollable Force has caused failure of performance.

2.18.2 The term "Uncontrollable Forces" shall mean any cause beyond the control of the Party unable to perform its obligation, including, but not limited to, the causes hereinafter set forth, which by exercise of due diligence such Party could not reasonably have been expected to avoid and which by exercise of due diligence it has been unable to overcome. Such causes are: acts of God; failure of or threat of immediate failure of facilities; explosions, flood, drought, earthquake, storm, fire, pestilence, lightning and other natural catastrophes; epidemic; war; riot; civil disturbance or disobedience, strike, labor disturbance, disputes or unrest of whatever nature; civil disputes or unrest of whatever nature; labor, material or fuel shortage; sabotage; restraint by court order or public authority; and action or non-action by or inability to obtain the necessary authorizations or approvals from any governmental agency or authority.

2.18.3 A Party shall not, however, be relieved of liability for failure of performance

if such failure be due to causes arising out of its own negligence or to removable or remediable causes which it fails to remove or remedy with reasonable dispatch. Any Party rendered unable to fulfill any obligation by reason of an Uncontrollable Force shall exercise due diligence to remove such inability with all reasonable dispatch.

2.18.4 Nothing contained herein shall be construed so as to require a Party to settle any strike or labor dispute in which it may be involved.

2.18.5 In the event the Sellers are unable to deliver power and energy to PD Sierrita because of Uncontrollable Forces, the Sellers shall not be liable to PD Sierrita for such failure. In such event, Trico shall be entitled to payment from PD Sierrita for the Billing Demand and energy delivered as actually metered during the billing period, and AEPCO shall be entitled to payment from Trico for Billing Demand and energy delivered as actually metered during the billing period, subject to the provisions of Section 2.10.7.

2.19 SUCCESSORS AND ASSIGNS - This Restated Agreement shall be binding upon and inure to the benefit of the permitted successors and assignees of the Parties hereto.

2.19.1 Permitted Assignments - AEPCO and/or Trico, without the approval of PD Sierrita, may assign, transfer, mortgage or pledge their interest in this Restated Agreement to create a security interest for the benefit of the United States of America, acting through the Administrator of the RUS (the Administrator). Thereafter, the Administrator, without the approval of PD Sierrita, may: (i) cause this Restated Agreement to be sold, assigned, transferred or otherwise disposed of to a third party pursuant to the terms governing such security interest, or (ii) if the Administrator first acquires this Restated Agreement pursuant to 7 U.S.C. § 907, sell, assign, transfer or otherwise dispose of AEPCO and/or Trico's interest in this Restated

Agreement to a third party; provided, however, that in either case (a) AEPCO and/or Trico is first in default of its obligations to RUS or other secured party that are secured by such security interest and the Administrator has given PD Sierrita notice of such default; and (b) the Administrator has given PD Sierrita thirty days prior notice of its intention to sell, assign, transfer or otherwise dispose of AEPCO and/or Trico's interest in this Restated Agreement indicating the identity of the intended third-party assignee or purchaser. No permitted sale, assignment, transfer or other disposition shall release or discharge AEPCO and/or Trico from its obligations under this Restated Agreement.

2.19.2 Other Assignment - Except as provided in Section 2.19.1 above, no Party shall assign its interest in the Restated Agreement in whole or part without the prior written consent of the other Party. Such consent shall not be unreasonably withheld.

2.20 **GOVERNING LAW** - This Restated Agreement shall be governed and construed in accordance with the laws of the State of Arizona, without giving effect to its conflict of law principles.

2.21 **WAIVERS** - The waiver by any Party of any breach of any term, covenant or condition contained herein shall not be deemed a waiver of any other term, covenant or condition or any subsequent breach of the same or any other term, covenant or condition contained herein.

2.22 **REGULATORY AND GOVERNMENTAL AUTHORITY** - The effectiveness of this Restated Agreement is subject to the approval of this Restated Agreement by RUS and ACC. Once so approved, the Parties intend that the rates, charges, terms and conditions of service under this Restated Agreement shall remain in effect unless changed by the mutual agreement of the Parties.

2.23 INFORMATION EXCHANGE - The Parties shall cooperate in the exchange of information between themselves in order to further the purposes of this Restated Agreement and to verify compliance with the terms of this Restated Agreement.

2.24 REPRESENTATIONS AND WARRANTIES

2.24.1 AEPCO and Trico hereby represent, warrant and covenant to PD Sierrita as follows:

- (a) AEPCO is a nonprofit electric generation and transmission cooperative corporation; Trico is a nonprofit electric public service corporation; and AEPCO and Trico are each duly organized, validly existing and in good standing under the laws of the State of Arizona and have corporate power and authority to execute and deliver this Restated Agreement and perform each respective obligations hereunder, and to carry on each of their businesses as such respective businesses are now being conducted and as it is contemplated hereunder that they will be conducted during the term hereof.
- (b) The execution, delivery and performance of this Restated Agreement by AEPCO and Trico have been duly and effectively authorized by all requisite corporate action.

2.24.2 PD Sierrita hereby represents, warrants and covenants to Sellers as follows:

- (a) PD Sierrita is a corporation duly organized and validly existing and in good standing under the laws of the State of Delaware and authorized to do business in the State of Arizona and has the power and authority to execute and deliver this Restated Agreement and to perform its obligations hereunder, and to carry on its business as it is now being conducted and as it is contemplated hereunder to be

conducted during the term hereof.

- (b) The execution, delivery and performance of this Restated Agreement by PD Sierrita has been duly and effectively authorized by all requisite action of PD Sierrita.

2.25 ENTIRE AGREEMENT - The complete agreement of the Parties is set forth in this Restated Agreement and all prior communications, whether written or oral, are hereby abrogated and withdrawn. Upon the Effective Date hereunder, both the Purchase Agreement and the Contingent Well Service Agreement shall be superseded hereby and not be of any further force or effect, save for the billing and payment for services provided and purchased thereunder prior to the Effective Date hereunder.

2.26 AMENDMENTS - This Restated Agreement may be amended by, and only by, a written instrument duly executed by each Party.

2.27 GENERAL

2.27.1 Notices - Except only as herein otherwise expressly provided, any notice, demand or request provided for in this Restated Agreement, or served, given or made in connection with it, shall be in writing and shall be deemed properly served, given or made if delivered in person or by any other qualified and recognized delivery service, or sent by United States mail postage prepaid to the persons specified below unless otherwise provided for in this Restated Agreement:

To PD Sierrita:

Manager, Power
Phelps Dodge Sierrita, Inc
2600 N. Central Avenue
Phoenix, Arizona 85004

To Sellers:

Donald W. Kimball
Executive Vice President and
Chief Executive Officer
Arizona Electric Power Cooperative, Inc.
Post Office Box 670
Benson, Arizona 85602

Marv Athey
General Manager
Trico Electric Cooperative, Inc.
Post Office Box 35970
Tucson, Arizona 85740

Any Party may at any time, by written notice to the other Parties, change the designation or address of the person so specified as the one to receive notices pursuant to this Restated Agreement.

2.27.2 Section Headings - Section headings appearing in this Restated Agreement are inserted for convenience only and shall not be construed as interpretations of text.

2.27.3 Signature Clause - The signatories hereto represent that they have been appropriately authorized to enter into this Restated Agreement on behalf of the Party for whom they sign.

2.27.4 Membership in Trico - PD Sierrita shall be a member of Trico and shall remain a member of Trico while this Restated Agreement remains in effect. As such member, PD Sierrita shall be bound by Trico's Articles of Incorporation and Bylaws and such Rules and Regulations as may from time to time be adopted by Trico and approved by the ACC.

2.28 MISCELLANEOUS - The following provisions are made a part of this Restated Agreement:

2.28.1 Regulatory Filing - Sellers shall submit this Restated Agreement to RUS and

ACC promptly after execution and shall diligently pursue prompt written approvals of this Restated Agreement by RUS and ACC. PD Sierrita shall diligently work with Sellers to provide information needed by RUS and ACC that is not otherwise available to Sellers, to support approval by RUS and ACC of this Restated Agreement; provided, to the extent that any information furnished RUS or ACC by PD Sierrita is confidential, PD Sierrita shall have the right to condition furnishing such information to RUS or ACC on RUS and ACC keeping such information confidential.

2.28.2 Trico as Seller - Anything in this Restated Agreement to the contrary notwithstanding, although the electricity purchased by PD Sierrita pursuant to this Restated Agreement will be purchased from Trico and Trico shall in turn purchase such electricity from AEPCO, for purposes of convenience this Restated Agreement refers to the sale of electricity by Sellers to PD Sierrita and matters related to such sale, and such references shall not affect the fact that the electricity purchased by PD Sierrita pursuant to this Restated Agreement shall be purchased solely from Trico.

2.28.3 Pre-Approval Period - In the event that the Date of Initial Service precedes the final approvals of the RUS and/or ACC of this Restated Agreement ("Pre-approval Period") as contemplated in Section 2.2 hereof, Sellers shall bill PD Sierrita and PD Sierrita shall pay for the electric service provided in the Pre-approval Period as if it were provided pursuant to the terms of this Restated Agreement, unless otherwise ordered by RUS and/or unless a hearing on the propriety of this Restated Agreement is set by ACC.

2.28.4 Non-Limitation on Sellers - The Parties agree that nothing in this Restated Agreement shall be construed to prohibit AEPCO or Trico from entering into power sales contracts with third parties, even though sales under such

contracts may cause or increase the number and/or duration of interruptions to PD Sierrita loads pursuant to Section 2.6 hereof, so long as the duration of such interruptions is in accordance with the limits set forth in Section 2.6 hereof.

3 SIGNATURES

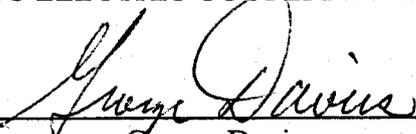
IN WITNESS WHEREOF, this Restated Agreement is hereby executed as of this 12th day of March, 2001.

PHELPS DODGE SIERRITA, INC.

By: 
ROBERT F. WISHART

Its: PRESIDENT

TRICO ELECTRIC COOPERATIVE, INC.

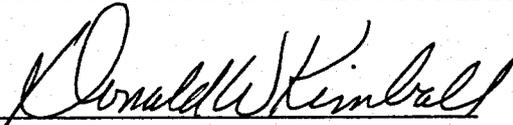
By: 
George Davies

Its: President

ATTEST: _____

Its: Secretary

ARIZONA ELECTRIC POWER COOPERATIVE, INC.

By: 
Donald W. Kimball

Its: Executive Vice President and Chief Executive Officer

EXHIBIT A TO RESTATED AGREEMENT
SAMPLE FORM-RESOURCE DEFICIENCY CALCULATION