

NEW APPLICATION

LOUIS DENETSOSIE

ATTORNEY AT LAW



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Arizona
New Mexico
Navajo Nation

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Tribal
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July 12, 2000

AZ CORP COMMISSION
DOCUMENT CONTROL

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

DOCKET NO. E-n 1824A-00-0504

Dear Sir or Madam:

Attached is an application by Continental Divide Electric Cooperative, Inc., (CDEC) for sale of its electric transmission and distribution systems in the State of Arizona. The purpose of this application is to obtain the approval of the sale of CDEC's electric transmission and distribution system assets and to transfer its certificate of convenience and necessity to the Navajo Tribal Utility Authority (NTUA). The respective boards of directors of the two companies have approved such purchase and copies of the resolutions authorizing the purchase are attached as exhibits to the application. Also, the customers will be notified by publication of a public notice in a newspaper of area wide circulation, a copy of which is also attached to the application. Proof of publication will be provided once publication is made. NTUA and CDEC have both executed a purchase and sale agreement and a purchase power agreement. These documents are also filed with the application.

The Rural Utilities Service has notified NTUA by its Regional Representative that this transaction does not require its approval, only notification.

As shown in the exhibit attached to the application comparing CDEC and NTUA rates, NTUA's rates are generally lower than CDEC's.

If there are any questions concerning this filing, please call me at my office and we will promptly respond to any inquiries.

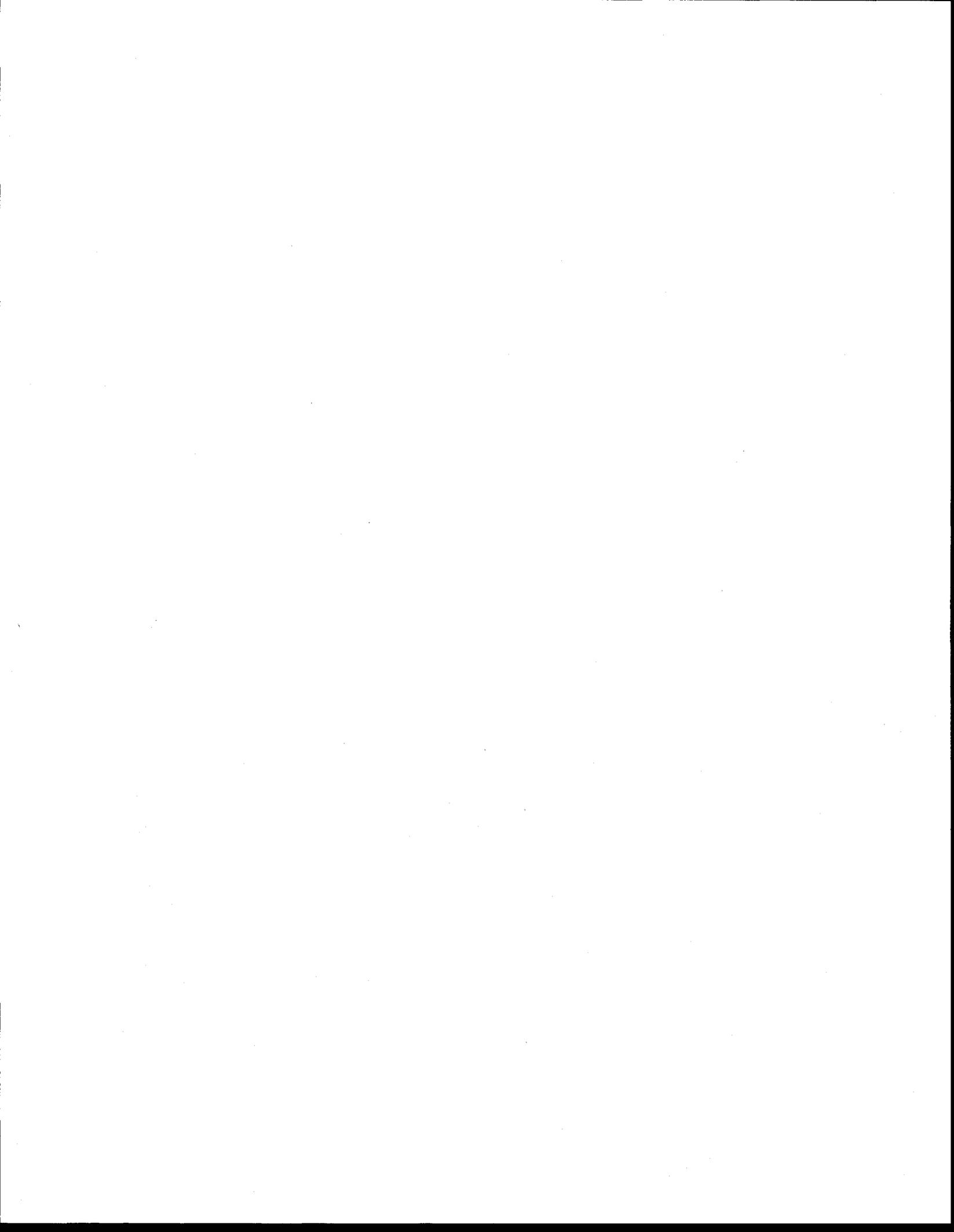
Docket Control
Arizona Corporation Commission
July 12, 2000
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Sincerely,

A handwritten signature in cursive script that reads "Louis Denetsosie".

Louis Denetsosie

Attachments



DEFINITIVE AGREEMENT OF PURCHASE AND SALE

1. This DEFINITIVE AGREEMENT OF PURCHASE AND SALE, dated as of April 13, 2000, (the "Agreement"), by and between CONTINENTAL DIVIDE ELECTRIC COOPERATIVE, INC., ("CDEC"), a corporation organized and existing under the laws of the State of New Mexico and a rural electric cooperative, ("Seller"), and the NAVAJO TRIBAL UTILITY AUTHORITY, ("NTUA"), an organization created by and acting upon the authority of the NAVAJO NATION COUNCIL, ("Buyer"), herein collectively referred to as "Parties" and individually as "Party."
2. RECITALS: This Agreement is made with reference to the following facts, among others:
 - 2.1 CDEC is engaged in the transmission and distribution of electric power and energy in the states of New Mexico and Arizona.
 - 2.2 NTUA is engaged in the transmission and distribution of electric power and energy on the Navajo Reservation, which includes the states of New Mexico, Arizona, and Utah.
 - 2.3 CDEC has been operating an electric utility business on certain portions of the Navajo Reservation since at least May 7, 1964. By terms of the 1964 Franchise, the Navajo Nation granted CDEC rights-of-way for a term of 25 years and upon expiration of the Franchise the Navajo Nation had the option to

purchase CDEC's lines and facilities on the Reservation at such price and terms as shall be negotiated. Additionally, CDEC was granted a transmission easement to serve a portion of its system outside the Reservation.

- 2.4 The Navajo Nation exercised its option to purchase pursuant to the 1964 Franchise, but negotiations for the purchase and sale were not completed prior to the expiration of the Franchise.
- 2.5 CDEC and the Navajo Nation entered into the 1992 Franchise Agreement dated September 24, 1992, attached as Exhibit A which, among other matters, provided for CDEC to continue on an interim basis to provide electric service on the Reservation and install additional facilities and provide electric service on certain additional lands ("New Lands") which were claimed by the Navajo Nation to be a part of the Reservation.
- 2.6 The Navajo Nation notified CDEC by letter dated December 28, 1994, attached as Exhibit B, that it was exercising its option pursuant to the 1992 Agreement to purchase those Additional Facilities constructed on New Lands, and referred to in the 1992 Agreement as "Described Lands", and that NTUA would act as its agent to negotiate and purchase these electrical facilities.
- 2.7 Subject to the obtaining of corporate, regulatory and

lender approvals and agreements, CDEC desires to sell those electrical facilities located on Described Lands as defined in the 1992 Agreement and all remaining facilities in Arizona and certain other facilities located in and around Standing Rock, New Mexico, and as more fully described in Exhibit C. CDEC is also willing to sell to NTUA electrical power and energy.

2.8 NTUA desires to purchase the electrical facilities as described in Exhibit C and to purchase electric power and energy from CDEC for its Arizona operations area currently owned by CDEC.

3. AGREEMENT: The Parties agree as follows:

4. DESCRIPTION OF ELECTRIC FACILITIES TO BE TRANSFERRED:

Seller will assign, transfer, convey and deliver to Buyer, upon the terms and subject to the conditions stated herein, the electric facilities and right-of-way easements described in Exhibit C and within the areas shown on the maps Exhibits D and E. The electric facilities and easements to be transferred, as described in Exhibit C, are hereinafter referred to as the "Electric System." The purchase will include all of CDEC's facilities in the State of Arizona, and approximately 2,400 feet of the 69 kV line in New Mexico to the Lupton Switch, and all of the electrical facilities in the area known as Standing Rock, New Mexico, and the three phase line, operated as single phase, which runs north and parallel to the existing Navajo

Nation Reservation Boundary.

5. PURCHASE PRICE: The purchase price for the Electric System to be sold to Buyer shall be \$2,300,000. If there are any installations or replacements that are in progress but are not complete as of the Closing Date, such costs will be billed to NTUA upon completion of the work and payment will be made after review and acceptance of work. In order to keep this amount to a minimum, CDEC and NTUA will coordinate these activities and attempt to schedule all work to be completed before the Closing Date, or defer such construction until after the Closing Date, if possible.

NTUA will cause to be constructed a distribution line connecting the terminous of CDEC's distribution line in Section 23, Range 13W, Township 19N, thence running in an east-southeast direction for approximately 1.75 miles to CDEC's distribution line which currently terminates in Section 19, Range 13S, Township 19N. NTUA will obtain all necessary permits, easements and rights-of-way necessary to construct the distribution line and transfer such documents along with title to the electric facilities at the time of closing. The line will be constructed in accordance with Rural Utilities Services' (RUS) standards.

6. PURCHASE OF CUSTOMER ACCOUNTS RECEIVABLE: Seller shall furnish Buyer all customer billing information necessary to determine the amount of accounts receivable to be purchased. For the purpose of this Definitive Agreement, all accounts that are over ninety (90) days past due shall

be deemed to be uncollectible and such amounts shall be deducted from the amount paid by Buyer for Seller's electric sales accounts receivable. After the Closing Date, Buyer will be responsible for collecting all accounts receivable purchased and Seller shall be responsible for collecting from all accounts deemed uncollectible. The Parties agree to cooperate to the extent reasonably necessary to correct previous billing errors and make adjustments as necessary.

7. TAXES AND OTHER ASSESSMENTS: Buyer will be responsible for payment of privilege taxes, if applicable, arising as a result of this transaction and Seller shall be responsible for its pro rata share (to the date of closing) of any state and local real and personal property taxes, New Mexico Public Regulation Commission and Arizona Corporation Commission assessments, any city or county franchise taxes, or any other fees, assessments, or taxes due or payable prior to the Closing Date, except for any taxes or fees claimed to be payable to the Navajo Nation which have not been collected through electric rates from the Seller's customers prior to the Closing Date, which tribal taxes and fees shall be the responsibility of Buyer even through arising prior to the Closing Date.

8. CLOSING DATE: The closing of the sale of the Electric System shall take place on the first regular business day of the month following approval of all regulatory authorities, RUS, and the National Rural Utilities

Cooperative Finance Corporation (CFC). The closing shall be at a date, place, and time as is mutually agreeable to the Parties. The date of closing as determined herein shall be referred to as the "Closing Date."

8.1 Conditions of Closing

8.1.1 Wheeling Agreement. Before the Closing Date, CDEC and NTUA will have entered into a (a) purchase power agreement whereby CDEC will sell and NTUA will purchase certain power and energy and (b) a wheeling agreement whereby NTUA agrees to wheel power for CDEC through the system NTUA has purchased to CDEC's distribution facilities in Section 23, Range 13W, Township 19N, to deliver power to CDEC's customers until such time as construction of the distribution line in the area is completed by NTUA. The agreements will contain terms and provisions which are mutually acceptable to the parties.

8.1.2 Certificate from Office of Navajo Tax Commission. At the time of Closing, NTUA will, in lieu of payment for tribal taxes and fees by Buyer pursuant to Sections 7 and 10.1, deliver a certificate from the Office of Navajo Tax Commission that no Navajo Nation taxes are due from or will be assessed against CDEC by virtue of its past operation and ownership of the

Electric System being transferred.

8.1.3 Regulatory and Lender Approval. The Arizona Corporation Commission and New Mexico Public Regulation Commission will have entered final, non-appealable orders authorizing the sale of the Electric System to NTUA and abandoning service in form and substance agreeable to the parties and RUS and CFC will have given their approval and executed and delivered releases of mortgage liens to the assets to be conveyed.

9. DOCUMENTS TO BE DELIVERED BY SELLER: Seller shall deliver the following to Buyer on the Closing Date:

9.1 Deeds, Bills of Sale, and Assignments, if applicable. Seller will provide special warranty deeds, bills of sale, assignments of rights-of-way, releases of mortgages and any encumbrances, and other good and sufficient instruments of transfer, conveyance, and assignment as shall be effective to vest in Buyer title to the Electric System as described in Exhibit C. Title to real property conveyed to Buyer shall be free and clear of all liens and encumbrances except Permitted Encumbrances as set forth in Seller's mortgage created by and during the term of the Seller's ownership. Personal property and fixtures shall only have warranties of title and no other warranties except as consistent with Section 18.8.

9.2. An opinion of counsel for Seller, dated on the

Closing Date, stating that:

- 9.2.1 The execution and delivery of this Agreement by Seller and the consummation of the transactions set forth herein have been duly authorized by the Board of Trustees of Seller and this Agreement has been duly executed and delivered by Seller and constitutes the valid and binding obligation of Seller, enforceable against the Seller, in accordance with their respective terms, provided, however, that enforceability may be limited by bankruptcy, insolvency, or other similar laws of general application relating to or affecting the enforcement of creditors' rights and that the enforcement thereof may be limited by laws with respect to or affecting the remedies provided for in said Agreement or instrument.
- 9.2.2 Necessary regulatory, RUS and CFC approvals have been obtained; and
- 9.2.3. There is no litigation threatened relating to the acquisition of the Electric System which may materially or adversely affect provisions of this Agreement prior to the Closing Date.
- 9.3 The release of the Electric System from any lien with the RUS and CFC has been obtained.
- 9.4 Prior to the Closing Date, Seller shall furnish Buyer with a list of all affected customers served by the

Electric System to be purchased by Buyer. Representatives of Seller and Buyer will meet prior to the Closing Date to establish the level of information available and to effectuate the transfer of information. In the event this Agreement is terminated and Buyer does not obtain ownership of the Electric System, Buyer shall return the customer lists, records, and documents provided by Seller.

9.5 A certificate, dated on the Closing Date, stating that each of the representations and warranties stated in Section 18 hereof are, to the Seller's knowledge, true and correct in all material respects and that Seller has performed and complied in all material respects with all the terms, covenants, agreements, and conditions required by this Agreement to be performed or complied with by it prior to or at the Closing Date.

10. DOCUMENTS TO BE DELIVERED BY BUYER: On the Closing Date Buyer shall deliver the following to Seller:

10.1 The purchase price for the Electric System of \$2,300,000, plus an amount equal to the sum of all possessory interest tax, business activities tax, and other tribal fees and charges claimed by the Navajo Nation to be due and payable by reason of the Electric System and its use by CDEC to the extent not abated, amortized, or credited, shall be paid by Buyer to Seller by certified or official bank check

or wire transfer, payable in Federal Funds to the order of Seller.

10.2 Buyer agrees to pay, perform, and discharge all liabilities and obligations of Seller with regard to refundable advances, if any, relating to the Electric System purchased by Buyer, exclusive of refundable customer deposits.

10.3 An opinion of counsel for Buyer and the Navajo Nation, dated as of the Closing Date, stating that:

10.3.1 the execution and delivery of this Agreement by Buyer and the consummation of the transactions set forth herein have been duly authorized by the Buyer's Management Board and has been duly executed and delivered by Buyer, enforceable against the Buyer, in accordance with their respective terms, provided, however, that enforceability may be limited by bankruptcy, insolvency, or other similar laws of general application relating to or affecting the enforcement of creditors' rights and that the enforcement thereof may be limited by laws with respect to or affecting the remedies provided for in said Agreement or instrument, and

10.3.2 there is no litigation threatened relating to the acquisition of the Electric System other than that already disclosed prior to the

Closing Date.

- 10.4 A certificate, dated the Closing Date, from Buyer to the effect that to the best of its knowledge each of the representations and warranties of Buyer contained in Section 19 are true and correct in all material respects and that Buyer has performed and complied in all material respects with all the terms, covenants, agreements, and conditions required by this Agreement to be performed or complied with prior to or at the Closing Date.
11. RISK OF LOSS: In the event that the Electric System is damaged or suffers a casualty prior to the Closing Date, Seller shall use such efforts as it would use if Seller continued to own and operate the Electric System to repair or replace the damaged portion of the Electric System. In the event that such damage cannot be repaired or replaced prior to the Closing Date, the Closing Date shall take place so long as the Seller continues in good faith to repair or replace the damaged facilities. In the event such damage to the Electric System exceeds ten percent (10%) of the purchase price of either system established in Exhibit C, the Buyer shall have the option of terminating this Agreement at any time within ten (10) calendar days of receipt from Seller of notice of such damage and the fact that such damage exceeds ten percent (10%) of the purchase price of either electric system.
12. APPROVAL OF LEGAL MATTERS BY BUYER'S COUNSEL: All legal

matters in connection with the matters herein provided for or the transactions contemplated hereby and all papers and documents in connection therewith shall be reasonably satisfactory in form and substance to counsel for Buyer and there shall have been furnished to such counsel such corporate and other records and information as counsel for Buyer may reasonably have requested for such purpose.

13. APPROVAL OF LEGAL MATTERS BY SELLER'S COUNSEL: All legal matters in connection with the matters herein provided for or the transactions contemplated hereby and all papers and documents in connection therewith shall be reasonably satisfactory in form and substance to counsel for Seller and there shall have been furnished to such counsel such records and information as counsel for Seller may reasonably have requested for such purpose.

14. EXISTING FRANCHISE: After the Closing Date, Buyer shall assume all of Seller's obligations to supply electricity to those customers served by Seller pursuant to the franchise. Buyer shall hold Seller harmless from all claims made by such customers for electric service after the Closing Date.

15. MEMBERSHIP FEES; CUSTOMER DEPOSITS; CAPITAL CREDITS: Buyer shall have no liability for membership fees, customer deposits, or capital credits owing to Seller's customers. Seller's customers who have paid a membership fee shall be entitled to a refund of such fee in accordance with Seller's Rules and Bylaws subject to amounts owed by CDEC. Customers of Seller may, after termination of service by

Seller, become entitled to refund of Capital Credits from Seller, in accordance with the Bylaws and Rules of Seller subject to amounts owed to CDEC. Seller shall make such patronage capital distributions directly to such customers, in accordance with its Bylaws and Rules subject to amounts owed to CDEC. Buyers shall have no responsibilities or rights with regard to such refunds, except as Buyer themselves were customers of Seller.

16. REGULATORY AUTHORITIES: The covenants of the parties pursuant to Sections 4, 5 and 6 are subject to obtaining the consent and authorizations of regulatory authorities and lenders referred to in Section 8.1.3.
17. RESOLUTION OF OTHER CLAIMS: Seller and Buyer acknowledge that this Agreement resolves all outstanding claims and issues between the parties, including without limitation, franchise performance and operation, damages for severance, claims arising out of the sale and attempts to negotiate the sale, and claims arising out of relationships, communications or contacts with third parties in connection with negotiation and fulfillment of the sale.
18. REPRESENTATIONS AND WARRANTIES BY SELLER: Seller represents and warrants to Buyer, subject to the conditions precedent, consents and approvals which are enumerated as follows:
 - 18.1 Required Consents and Approvals. Other than those disclosed or listed in this Agreement, or otherwise contemplated herein, no notice, consent, approval,

waiver, or other action of any kind is required to be obtained by Seller by virtue of the execution hereof by Seller or in connection with the consummation of any of the transactions contemplated herein. Buyer is aware of the requirement that Seller's members may have to approve the sale by a 2/3 vote. The Parties are also aware that assignment of rights-of-way across tribal trust or allotted Indian lands may require the consent of Navajo Nation, Indian allottees and the United States government.

18.2 Authority Relative to this Agreement. Subject to the enumerated consents and approvals, Seller has the corporate power and authority to enter into this Agreement, to convey the Electric System to Buyer, and to carry out its duties and obligations hereunder and the execution and delivery of this Agreement does not, and the consummation of the transactions contemplated hereby will not, constitute a violation of or default under any provisions of the Articles of Incorporation or Bylaws of Seller or any mortgage, lien, lease, agreement, instrument, order, arbitration award, judgment or decree to which Seller is a party or by which it or its property is bound or affected. The execution and delivery of this Agreement by Seller and the consummation of the transactions contemplated has been duly authorized by Seller's Board of Trustees and no other corporate

proceedings on the part of Seller are necessary to authorize this Agreement and the transactions contemplated herein.

- 18.3 No Litigation. No litigation, proceeding or controversy is pending against Seller, or to its knowledge threatened, before any court or any governmental agency which would have a material adverse effect upon: (a) any license, grant, assignment, franchise, right-of-way, easement or right reasonably necessary for the operation of the Electric System; or (b) the ability of Seller to perform its obligations under this Agreement. No claim or action is pending, or to the best of Seller's knowledge, threatened against Seller arising out of Seller's ownership or operation of the Electric System.
- 18.4 Operating Rights. Seller holds, and has at all times held, all licenses, certificates, permits, franchises and rights from appropriate federal, state or other public authorities reasonably necessary to operate the Electric System described in Exhibit C and for the business it conducts and for the services it provides.
- 18.5 Rights from Private Parties. Seller has not received notice from any private or nongovernmental party that it has violated or has failed to obtain any license, grant, assignment, right-of-way, easement or right

reasonably necessary for the business it conducts and the services it provides, nor does Seller have actual notice of any such violation or failure.

18.6 Personal Property. Seller has, and at all times has had, good and marketable title to all personal property of the Electric System. There are no liens and encumbrances, other than the mortgages, with respect to such personal property. With respect to all personal property comprising a part of the Electric System, Seller has not received notice from any party claiming title to any part of all of such personal property or claiming a lien or other interest adverse to Seller in such personal property, nor does Seller have actual notice of any such claim, lien or interest, other than the mortgages.

18.7 No Violations of Law. The participation of Seller in this Agreement does not cause a violation of any federal, state or local law, statute, rule, regulation or ordinance related to or in any way connected with matters contained in this Agreement.

18.8 CONDITION OF PROPERTY. ALL ASSETS ARE SOLD "AS IS" WITHOUT REPRESENTATION AS TO QUALITY, FUNCTIONALITY, AND WORKABILITY. SELLER MAKES NO WARRANTY, EXPRESS OR IMPLIED, AS TO THE MERCHANTABILITY AND FITNESS FOR A PARTICULAR PURPOSE OF ANY OF THE ASSETS. CDEC will accept for storage and disposal from NTUA any transformers found to contain PCB's. Seller shall

deliver copies of its inventory and records pertaining to transformers to Buyer. Such records shall disclose information regarding PCB transformers to the extent such information is available.

19. REPRESENTATIONS AND WARRANTIES BY BUYERS: Buyer represents and warrants to Seller, subject to the conditions precedent, consents and approvals which are enumerated as follows:

19.1 Required Consents and Approvals. Other than as set forth herein and by this reference made a part hereof, no notice, consent, approval, waiver, or other action of any kind is required to be obtained by Buyer by virtue of the execution hereof by Buyer or in connection with the consummation of any of the transactions contemplated herein.

19.2 Authority Relative to this Agreement. Buyer has the power and authority to enter into this Agreement and to carry out its duties and obligations hereunder. The execution and delivery of this Agreement and the consummation of the transactions contemplated hereby have been duly authorized by the governing body of Buyer, and no other proceedings on the part of Buyer are necessary to authorize this Agreement and the transactions contemplated herein, including formal action from the Navajo Nation. Neither the execution and delivery of this Agreement nor the consummation of the transactions contemplated hereby will

constitute a violation of or default under any of the tribal provisions under which NTUA is organized or by which it is governed or any mortgage, lien, lease, agreement, instrument, order, arbitration award, judgment or decree to which Buyer is a party or by which it or its property is bound or affected.

19.3 No Litigation. No litigation, proceeding or controversy is pending against Buyer, or to its knowledge threatened, before any court or any governmental agency which would have a material adverse effect upon the ability of Buyer to perform its obligations under this Agreement or conduct the operations of the Electric System.

19.4 No Violations of Law. The participation of Buyer in this Agreement does not cause a violation of any federal, state, or local law, statute, rule, regulation, or ordinance related to or in any way connected with matters contained in this Agreement.

20. COVENANTS OF SELLER PENDING THE CLOSING DATE: Pending the Closing, except as otherwise consented to by Buyer, Seller covenants that:

20.1 Maintenance and Improvements. Seller will use its best efforts to maintain the Electric System in the same condition as at the date hereof, reasonable wear from normal usage excepted, and will cause all necessary maintenance and additions, betterments, improvements or extensions to the Electric System

prior to the Closing Date hereof to be made in a reasonable and workmanlike manner in accordance with prudent utility practice.

20.2 Access to Information. Seller will give representatives of Buyer reasonable access in such manner as does not interfere with the normal operation of Seller's electric utility business, during normal business hours and upon reasonable notice, to all of the assets, properties, books, records and agreements of Seller relating to the Electric System. Buyer shall pay Seller, as incurred by Seller and billed to Buyer, the cost of: (a) in-house labor expense plus overhead (b) outside consulting and legal fees, expenses and taxes, provided that Buyer shall not be responsible for more than \$30,000 of outside consulting and legal costs without Buyer's consent. Provided, further, that if Buyer does not consent, then Seller has no obligation to incur additional expenses. Buyer agrees to provide necessary legal representation assisting Seller before the state regulatory commissions.

20.3 Secure Necessary Consents, Etc. Seller will use reasonable efforts to obtain all consents, approvals and agreements required to carry out the transactions contemplated by this Agreement. In the event Seller cannot reasonably obtain a required consent, approval or agreement by a designated Closing Date, despite

good faith efforts to do so, Seller may by notice given in advance of that Closing Date, extend that Closing Date if delay may reasonably be expected to result in obtaining the required consent, approvals or agreements or, if not, terminate this Agreement, in which event neither Party shall have any liability to the other Party. Unless mutually agreed to, there shall be no extension beyond September 24, 2000.

21. COVENANTS OF BUYER PENDING THE CLOSING DATE: Pending the Closing Date, except as otherwise consented to by Seller, Buyer covenants that:

21.0 Furnishing of Information. Buyer shall furnish to Seller all of the information concerning Buyer which may be reasonably required for inclusion in any application to any governmental authority relating to transactions contemplated hereby.

21.1 Secure Necessary Consents, Etc. Buyer shall use its best effort to obtain all consents, approvals, and agreements required to carry out the transactions contemplated by this Agreement. In the event Buyer cannot reasonably obtain a required consent, approval or agreement by a designated Closing Date, despite good faith efforts to do so, Buyer may by notice given in advance of the Closing Date extend the Closing Date if delay may reasonably be expected to result in obtaining the required consent, approvals or agreements or, if not, terminate this Agreement,

in which event neither party shall have any liability to the other Party. Unless mutually agreed upon by the Parties, there shall be no extension beyond September 24, 2000,

22. TERMINATION: This Agreement may be terminated as follows:

22.1 Seller's Right to Terminate. Seller may terminate this Agreement by notice given to Buyer in writing if Seller is entitled to and does elect to terminate in accordance with Section 20.3 or if any final order or decision is rendered after a hearing by a court or agency having jurisdiction that materially impedes or prevents Seller or Buyer from closing the sale of the Electric System.

22.2 Buyer's Right to Terminate. Buyer may terminate its obligations under this Agreement by notice given to Seller in writing if Buyer is entitled to and does elect to terminate in accordance with Section 21.2 or if any order or decision is rendered, after a hearing, by a court or agency having jurisdiction that materially impedes or prevents Seller or Buyer from closing this sale of the Electric System.

23. INDEMNIFICATION:

23.1 Seller will indemnify and hold Buyer harmless from and against any and all loss that may occur as a result of claims, demands, suits, actions, all taxes, legal or administrative proceedings, damages, liabilities, interest or attorney's fees, costs and

expenses, of whatsoever kind or nature, arising from or incurred in connection with or incidental to the operation of the Electric System prior to the Closing Date. Seller's indemnification shall extend to all liability, loss or damage, whether known or unknown, caused by, arising from, or incurred in connection with the operation of the Electric System and/or out of the negligence or other conduct of Seller's officers, employees, or agents, whether or not such negligence or conduct is incidentally or directly related to the operation of the Electric System prior to the Closing Date, except as specifically assumed by Buyer and set forth herein (including but not limited to any claim for past due taxes by the Office of Navajo Tax Commission).

23.2 Buyer will indemnify and hold Seller, its trustees, officers, employees, and its agents, harmless from and or against any and all loss that may occur as a result of claims, demands, suits, actions, legal or administrative proceedings, damages, liabilities, interest or attorney's fees, costs and expenses, of whatsoever kind or nature, arising from or incurred in connection with or incidental to the operation of the Electric System on and after the Closing Date. Buyer's indemnification shall extend to all liability, loss or damage, whether known or unknown, caused by, arising from, or incurred in connection

with any of the foregoing and/or out of the negligence or other conduct of Buyer's officers, employees, or agents, whether or not such negligence or conduct is incidentally or directly related to any of the foregoing, except as specifically assumed by Seller and set forth herein. Such indemnification shall apply even if Buyer can claim immunity from suit.

- 23.3 In case any action shall be brought against an indemnified Party, such indemnified Party shall promptly notify the indemnifying Party in writing, and the indemnifying Party shall assume the defense thereof, including the employment of counsel and payment of all fees and expenses. The indemnified Party shall have the right to employ separate counsel in any such action and participate in the defense thereof, but the fees and expenses of such counsel shall be at the expense of such indemnified Party unless (i) the employment of such counsel has been specifically authorized in writing by the indemnifying Party, (ii) the indemnifying Party has failed to assume the defense and employ counsel or (iii) the named Parties to any such action (including any impleaded Parties) include both the indemnified Party and the indemnifying Party and the indemnified Party shall have been advised by such counsel that there may be one or more legal defenses available to

it which are different from or additional to those available to the indemnifying Party (in which case the indemnifying Party shall not have the right to assume the defense of such action on behalf of such indemnified Party). The indemnifying Party shall not be liable for any settlement of any such action effected without its written consent, but if settled with the written consent of the indemnifying Party or if there be a final judgment for the plaintiff in any such action, the indemnifying Party agrees to indemnify and hold harmless the indemnified Party from and against any loss or liability by reason of such settlement or judgment.

23.4 Buyer and Seller each agree that, should any potentially indemnifiable event occur, they will first seek to recover from insurance proceeds to the extent possible and then, and only then, seek indemnification under the provisions of this Section. To this end, they each waive any right to indemnification hereunder to the extent that an otherwise indemnifiable loss is recovered from insurance proceeds.

24. SURVIVAL OF REPRESENTATIONS AND WARRANTIES: The representations and warranties of Seller and Buyer made in this Agreement and in the documents delivered pursuant hereto shall survive the execution and delivery of this Agreement and the consummation of the transaction

contemplated hereby.

25. MISCELLANEOUS:

26.1 Expenses; Closing Costs. Buyer shall be responsible for all sales and transfer taxes and recording fees, if any, incurred in connection with the respective sales, assignments, transfers, deliveries and conveyances to it pursuant to this Agreement. Except as identified in Section 20.2 herein, all other expenses incurred by or on behalf of the Parties hereto in connection with the authorization, preparation, execution and consummation of this Agreement, including, without limitation, all fees and expense of agents, representatives, legal counsel, consultants, and accountants employed by the Parties hereto, shall be borne solely by the Party who shall have incurred the same.

25.2 Cooperation. The Parties hereto agree to cooperate in making effective the transactions contemplated hereby, and each of them will, at the request of the other, join in taking any action which, though not specified herein, may be reasonably required to be taken in order to consummate the transactions contemplated hereby.

25.3 Further Assurances. From time to time after the Closing Date, Seller will execute such additional instruments of assignment and conveyance and other documents and take such other actions, other than as

set forth in this Agreement, as may be necessary or appropriate to carry out the intent of this Agreement and to vest title to the Electric System.

25.4 Notices. Any and all notices herein provided for or relating to the transactions herein provided for shall be in writing and shall be deemed to have been sufficiently given to Seller if mailed, postage prepaid, by certified or registered mail, addressed:

Continental Divide Electric Cooperative, Inc.
General Manager
Post Office Box 1087
Grants, NM 87020

and to Buyer if mailed, postage prepaid, by certified or registered mail, addressed:

Navajo Tribal Utility Authority
General Manager
Post Office Box 170
Ft. Defiance, AZ 86504

25.5 Section Headings. Section and subsection headings in this Agreement are for convenience only and are not to be construed as a part hereof or in any way limiting or amplifying the provisions hereof.

25.6 Confidentiality. Prior to the Closing Date, and in the event of termination of this Agreement, Seller and Buyer will each use its best efforts to have all confidential information obtained hereunder kept confidential, to the extent permitted by law.

25.7 Entire Agreement; Modification. This Agreement constitutes and contains the entire agreement of the

Parties hereto and includes matters addressed in the Letter of Intent and existing Franchise Agreements and supersedes any and all prior negotiations, correspondence, understandings, and agreements between the Parties respecting the subject matter hereof and may not be modified, altered, or changed in any manner whatsoever except by written agreement between the Parties hereto.

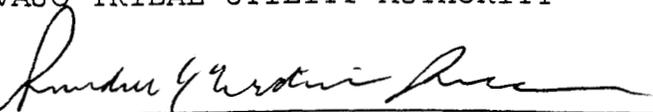
25.8 Counterparts. This Agreement may be executed in several counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument.

25.9 Successors. This Agreement shall inure to the benefit of and be binding upon the successors of any Party hereto, but no right or liability or obligation arising hereunder may be assigned or transferred by any Party except by operation of law.

25.10 Legal Action. Any legal action brought to enforce the provisions of this Agreement or for any breach thereof shall be instituted and maintained in a New Mexico State or Federal District Court.

IN WITNESS WHEREOF, the Parties have caused this Agreement to be executed as of the _____ day of _____, 2000.

NAVAJO TRIBAL UTILITY AUTHORITY

By  _____
General Manager

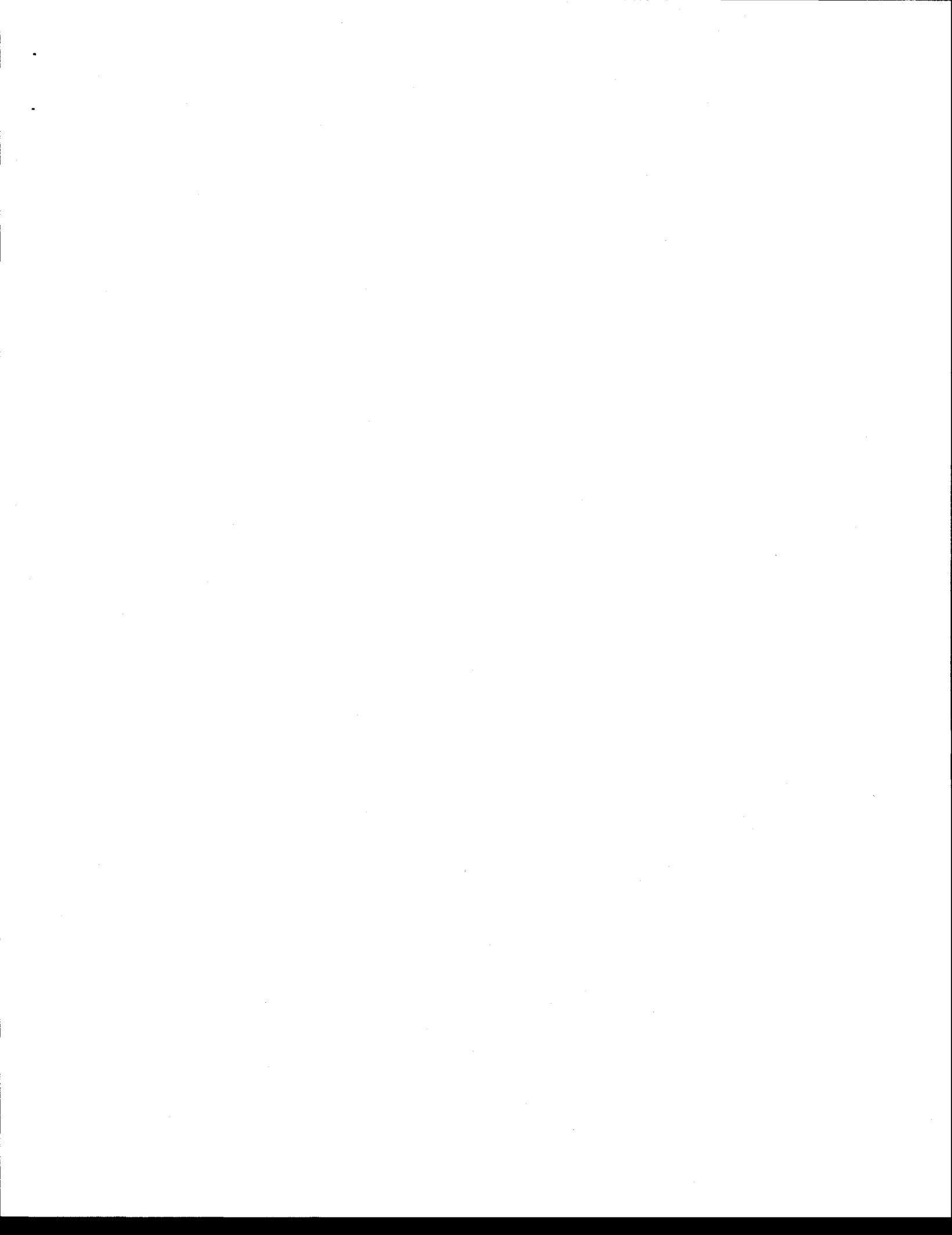


EXHIBIT A

AGREEMENT

THIS AGREEMENT is entered into this 24th day of ~~August~~ ^{September}, 1992, by and between CONTINENTAL DIVIDE ELECTRIC COOPERATIVE, INC. ("CDEC"), a New Mexico electric cooperative corporation, and the NAVAJO NATION ("NATION"), an American Indian Tribe recognized by the United States. Hereinafter CDEC and the NATION may be jointly referred to as the "Parties" and singularly as a "Party".

WITNESSETH:

WHEREAS, CDEC acknowledges the power of the Navajo Nation Council and the delegates to enact and promulgate laws, resolutions, ordinances and regulations, including the power to tax, within the Navajo Reservation ("Reservation");

WHEREAS, the NATION granted CDEC a grant of right-of-way and franchise ("1964 Franchise") on May 7, 1964, for a term of 25 years in the areas described therein, which also provided that the NATION had the option upon expiration to purchase CDEC's lines and facilities within the described areas at such price and terms as shall be negotiated at the time of such sale, and that thereupon the NATION will grant CDEC an easement for a transmission line or trunk-feeder across the Reservation in the Lupton-Houch-Sanders area to serve that part of CDEC's system lying west and south of the Reservation ("Transmission Easement");

WHEREAS, the NATION, through its nominee Navajo Tribal Utility Authority ("NTUA") has exercised the option pursuant to the 1964 Franchise but the Parties have not completed negotiations for the purchase price of CDEC's lines and facilities, creating a gap between the expiration of the 1964 Franchise and NTUA's service to the areas included within the 1964 Franchise;

WHEREAS, CDEC has been providing service to other areas which are or may be claimed by the NATION to be part of the Reservation, which lands, together

with those described in the 1964 Franchise, are described in Exhibit "A" hereto, which Exhibit "A" is incorporated herein by reference (sometimes, the "Described Lands");

WHEREAS, the NATION, through NTUA or other nominee of the NATION (whether NTUA or another nominee, still "NTUA"), desires the option to purchase CDEC's lines and facilities upon Described Lands in addition to those lines and facilities already opted to be purchased pursuant to the 1964 Franchise ("Additional Lines and Facilities") but NTUA is not currently ready to act, and the Parties desire that the purchase of all of the lines and facilities be coordinated as to timing and method of determining the purchase prices; and

WHEREAS, CDEC is willing to continue to provide electric service, including new services, during the period prior to NTUA's purchase of CDEC's lines and facilities, thus providing a bridge for the NATION, through NTUA, assuming the role as the provider of electric service, and the NATION is willing to provide a temporary grant of right-of-way and franchise for CDEC's current and future lines and facilities upon the Described Lands (the "System"), all upon the terms and conditions hereinbelow set forth.

NOW, THEREFORE, in consideration of the mutual covenants of the Parties hereto and for other good and valuable consideration, the receipt and adequacy of which is hereby acknowledged, the Parties agree as follows:

1. The NATION hereby (a) grants to CDEC, its successors and assigns, the temporary right, privilege and franchise to erect, construct, extend, locate, relocate, repair, maintain and operate the System, including any improvements, replacements, betterments and additions thereto, which System consists of, by way of example and not limitation, poles, lines, cables, wires, insulators, transformers, arms, braces, anchors, and other associated structures and appurtenances installed thereon or therewith, in, under or upon the areas of the Reservation described in Exhibit "A",

as reasonably necessary or convenient for CDEC to provide electric service to such areas, and (b) consents to the grant of the permanent right, privilege and franchise to erect, construct, extend, locate, relocate, repair, maintain and operate electric transmission or trunk-feeder lines and related facilities, including any improvements, replacements, betterments and additions thereto, upon and within the Transmission Easement, subject in the case of new facilities to paragraph 12 below and in the case of existing facilities to paragraph 10 below. Provided, however, that the granting of the Transmission Easement shall be a condition precedent to the consummation of any sale of the System to the Nation, pursuant to either paragraph 2 or pursuant to the 1964 Franchise and paragraph 4.

2. This Agreement shall be deemed effective as of the date of execution or the approval by both CDEC and the NATION, whichever occurs later, and shall be for a term of five (5) years. At the end of the franchise, all rights and privileges granted hereby (other than with respect to the Transmission Easement) shall cease unless this Agreement is renewed or re-issued upon such terms and conditions as are then mutually agreeable to the Parties. The NATION may, at its election exercisable by written notice to CDEC delivered no later than six (6) months prior to the expiration, purchase the Additional Lines and Facilities. If the NATION elects to purchase, the purchase price therefor will be that dollar amount equal to the original cost of the Additional Lines and Facilities to be purchased, less the applicable depreciation reserve, exclusive of capital costs contributed by the NATION for the Additional Lines and Facilities to be purchased, as set forth in the books and records of CDEC maintained in accordance with the requirements of the Rural Electrification Administration (the "REA"). If the Parties are unable to resolve the purchase price and/or reach any implementing or operating agreements necessary to consummate the sale, these matters will be determined pursuant to arbitration. The purchase shall be subject to the approval of the Administrator of the REA and may

be subject to authorization by the Regulatory Authority (defined below) as may be required by law applicable to CDEC and other then applicable requirements of law. Obtaining of CDEC's lenders' approvals will be necessary for the release of liens with respect to the Additional Lines and Facilities to be purchased. If the NATION agrees to pay interest at a rate approved by CDEC and payment of the purchase price plus interest is secured in a manner acceptable to CDEC, the Parties may arrange for possession prior to consummation of the purchase by payment of the purchase price. If the NATION does not elect to purchase the Additional Lines and Facilities, CDEC shall have an option period of one (1) year following expiration to remove the same. The Parties shall reasonably cooperate so that any purchase under paragraph 2 will be coordinated with the consummation of the purchase under paragraph 4.

3. CDEC shall, at the written request of the NATION, enter into negotiations with a view, if mutually acceptable terms and conditions are reached, to furnishing the NATION or its nominee with wholesale power and energy. Any resulting agreement shall be subject to any then required lenders' and/or regulatory approvals and any then applicable requirements of law.

4. The purchase price for the lines and facilities to be acquired by the NATION pursuant to its exercise of the option provided in the 1964 Franchise will be the dollar amount equal to the original cost of such lines and facilities, less the applicable depreciation reserve, exclusive of capital costs contributed by the NATION for such lines and facilities, as set forth in the books and records of CDEC maintained in accordance with REA requirements. If the purchase price and/or necessary implementing or operating agreements cannot be agreed to by the time that this 1992 franchise should expire, these matters will be determined pursuant to arbitration. The purchase will be subject to the same requirements for and the same

opportunity to have possession prior to consummation as provided for the purchase of Additional Lines and Facilities if the option is exercised under paragraph 2 above.

5. While this 1992 franchise is in force, CDEC shall furnish and extend electric service to the extent that it has such power, energy and facilities, or can construct or obtain the same, to consumers on the Described Lands, in accordance with established policies (and CDEC's Rules and Regulations not inconsistent with applicable federal or Navajo Nation law) and pursuant to the applicable schedule(s) on file with the New Mexico Public Service and Arizona Corporation Commissions or their respective successors (the "Regulatory Authority") or if none, as approved by the REA, to the jurisdiction of which Regulatory Authority the NATION does not hereby consent, if such jurisdiction does not already exist by law, it being the NATION's intent to contract merely to have applicable tariffs apply to the electric service.

6. CDEC shall comply with all applicable tribal laws and regulations, both current and hereinafter enacted, which are consistent with paragraph 5 above; provided, however, that nothing herein contained is intended to constitute, nor shall be construed as constituting, a waiver of any right of CDEC to question or contest any such law, resolution, ordinance or regulation in any forum having jurisdiction over the Parties and subject matter. Provided, further, that notwithstanding any other provision of this Agreement and in consideration of the unique circumstance of the coordination between NTUA and CDEC to benefit the NATION and consumers within the Described Lands, CDEC shall be entitled to recover (without Regulatory Authority filing, hearing or approval) from consumers receiving electric service upon the Described Lands the sum of taxes payable under the Possessory Interest Tax and all other taxes, fees or charges (together, the "tribal taxes") heretofore paid or which may during the term of the Agreement be payable by CDEC and levied or assessed by the NATION on the electric service rendered or property owned or used by

CDEC in connection therewith, or on the right or privilege of rendering the service, or on any object or event incidental to the rendition of the service, to the extent that the NATION has not abated the tribal taxes or provided for their use as a credit against tribal taxes otherwise due from CDEC. Tribal taxes already paid and not abated or permitted to be credited during the term of this Agreement shall be amortized and recovered (without obtaining Regulatory filing, hearing or approval) so that approximately equal amounts will be recovered in each of the billing periods during the term of this Agreement. Tribal taxes payable during the term of this Agreement shall, after any credit provided for past tribal taxes, be recovered (without obtaining Regulatory filing, hearing or approval) approximately equal in amounts for each of the billing periods during each of the tax periods involved. In no event shall CDEC be left unreimbursed for any such tribal taxes upon the expiration of this Agreement, and if any tribal taxes have been paid by CDEC but have not been recovered from its consumers on the Described Lands through the above amortization schedule, then the purchase price under paragraphs 2 and/or 4 shall be increased to recover the tribal taxes plus interest at the average rate which CDEC pays, during any period in which reimbursement has not occurred, to its supplemental lender with respect to concurrent loans.

7. Subject to the terms of any applicable right-of-way and to other applicable lawful requirements with respect to rights-of-way and easements, (except that no compensation will be required to be paid to or for the benefit of the NATION for (a) any rights-of-way primarily for service to consumers within the Described Lands or (b) the Transmission Easement), CDEC, its agents and employees, may enter in and upon lands within the NATION at any time for the purpose of making excavations, constructing, extending, removing, repairing and maintaining such System as is necessary and convenient for supplying such electric service. Any and all excavations shall be repaired, and obstructions necessarily

associated with the construction, maintenance and operation of the System will be removed as quickly as is reasonably possible under the circumstances.

8. The facilities associated with the System shall, when originally placed and erected, be established in such a manner so as not to interfere with other uses of Tribal lands or its inhabitants except as may be reasonably necessary, and shall be maintained in compliance with (a) the standards and specifications as established, and as amended, by the REA, and (b) other applicable electrical and safety codes.

9. To the extent that the NATION is not at fault, CDEC, its successors and assigns, shall (a) hold the NATION harmless from any and all damages or claims made against the NATION by any third person or other entity on account, or claimed to be on account, of the construction, maintenance and operation of the system on the Described Lands by CDEC, and (b) defend the NATION against any such damages or claims and pay all costs reasonably incurred by the NATION in defense of the same.

10. In order that the NATION and its nominee may be better apprised of the location of the System as installed prior to the effectiveness of the Agreement and pursuant to the 1964 Franchise, CDEC shall supply to NATION or its nominee two (2) copies of maps depicting the location of its system on the Described Lands. At the written request of the Bureau of Indian Affairs ("BIA"), CDEC shall supply the BIA with an additional copy.

11. On or before each October 15th during the term hereof, CDEC shall furnish the NATION with a statistical report on electric service furnished on Reservation lands within the previous calendar year. The report shall include receipts from reservation services and any other data reasonably requested by the NATION.

12. Except for secondary and individual service facilities, CDEC shall, before installing new facilities forming part of the System upon the Described Lands,

supply the NATION and the BIA for approval such documents and instruments as may be necessary to acquire right-of-way easements for any new construction. Nothing herein shall prevent CDEC from making necessary repairs to the system without such approval and, under exigent conditions, other immediate construction for which Tribal approval would otherwise be required, but the result of such action shall be reported to the NATION, if Tribal approval or consent would have otherwise been required. CDEC shall have no liability whatsoever for any delay or failure of the NATION to grant consent for the right-of-way easement.

13. CDEC shall not use or cause to be used any part of Tribal lands for any unlawful conduct or purpose and will take reasonable measures to prevent unlawful conduct by its agents or contractors.

14. Neither of the Parties shall be deemed to be in default in respect to any obligation hereunder, other than (a) the obligation of CDEC to make payments of tribal taxes and (b) the obligations of the NATION to provide the Transmission Easement and other rights-of-way and to allow CDEC to recover tribal taxes pursuant to paragraph 6, if failure of performance should be due to uncontrollable forces, being any cause beyond the control of the Party affected, including, but not limited to, failure of facilities, flood, earthquake, storm, fire, lightning, epidemic, war, riot, civil disturbance, labor dispute, sabotage, inability to obtain capital funding, inability to obtain rights-of-way or permits, failure to obtain necessary governmental approvals or revocation or suspension of the same and restraint by court or governmental authority, which by the exercise of due foresight such Party could not reasonably have been expected to avoid and which by the exercise of due diligence it may not be able to overcome.

15. (a) If either of the Parties considers the other in default of this Agreement, it shall give the other written notice thereof, including a description of the alleged default. The Party receiving the notice shall have thirty (30) days to

remedy the alleged default or within which to commence, and thereafter diligently pursue, actions to remedy the alleged default if the alleged default cannot reasonably be remedied within such time period. If the Party alleged to be in default fails to remedy within the prescribed period or, as the case may be, to complete remedial action within a reasonable time, the other Party, if not then in default, may, upon sixty (60) days written notice, elect to cancel this Agreement, subject, however to the payment of any tribal taxes accrued, CDEC's recovery of all tribal taxes as provided in paragraph 6 and the granting of the Transmission Easement; provided, however, that this Agreement may be cancelled only for a material, continuing breach going to the essence and subject to the dispute resolution provisions of this paragraph 15.

(b) Disputes concerning the purchase price under either paragraph 2 or paragraph 4, recovery of tribal taxes pursuant to paragraph 6, cancellation pursuant to subparagraph (a) of this paragraph 15 and, at the option of the NATION or CDEC, any other dispute shall be subject to and be resolved by arbitration in accordance with this subparagraph (b).

(i) Whenever a dispute is to be resolved by arbitration, the initiating Party shall serve a notice of arbitration on the other Party. Such notice shall set forth on behalf of the initiating Party: the nature of the dispute; the relief requested; a statement of its position with respect to the dispute; and the designation of an arbitrator. Within fifty (50) days of the date of receipt of such notice, the other Party shall serve a written answer setting forth on behalf of such Party: its position with respect to the dispute; any relief such other Party requests; and the designation of an arbitrator. Within fifty (50) days of receipt of such answer, the designated arbitrators shall, by jointly signed written notice to the Parties, appoint a neutral and disinterested arbitrator qualified by knowledge and experience in the subject matter which is in dispute. The panel of arbitrators thus appointed shall prescribe by written notice within fifty (50) days of the appointment of the third arbitrator the rules of

procedure by which the arbitration shall be conducted. Such rules shall include the designation of times, places and other details for the submission of requests for discovery, additional written material, evidence, affidavits, the presentation of oral argument and any other procedural matters which the arbitrators determine need to be prescribed; provided, however, that any such prescription shall be only by unanimous agreement of the panel of arbitrators and, provided further, that if the arbitrators fail to agree with respect to any such matters, the Commercial Arbitration Rules of the American Arbitration Association shall apply to matters not agreed upon. Whenever the last day of any period herein contemplated shall occur on a Saturday, Sunday or national holiday or legal holiday for the NATION or the State of New Mexico, the last day shall be the regular working day next following such Saturday, Sunday or holiday. Any communication which must be rendered within a prescribed number of days shall be timely if deposited in the United States mail, certified, with postage prepaid, on or before the last day of the period in question, as evidenced by the postmark, or if personally delivered on or before such last day. Any period of time set forth herein may be extended by mutual consent of the Parties or by unanimous agreement of the panel of arbitrators.

(ii) In the event that the Party served with a notice of arbitration does not render its answer, designating an arbitrator, within fifty (50) days of the date of receipt of the arbitration notice, the single arbitrator chosen by the initiating Party shall constitute the panel of arbitrators. In the event that the arbitrators designated by the Parties do not appoint a neutral arbitrator within fifty (50) days of the date of the other Party's answer, either Party may apply to the American Arbitration Association, or if such Association is no longer in existence or refuses to act, an association performing similar functions, for the appointment of an arbitrator who is neutral and disinterested and qualified by knowledge and experience in the subject matter which is in dispute, who shall be the third arbitrator.

All arbitration proceedings shall be conducted according to the Commercial Arbitration Rules of the American Arbitration Association except insofar as the same may vary from any provision of this subparagraph (b) and except insofar as the arbitrators may prescribe rules of procedure pursuant to clause (i) above.

(iii) Copies of all notices and answers shall be furnished to all arbitrators. All arbitration proceedings shall be conducted in the State of New Mexico.

(iv) The award disposing of the dispute shall be rendered within (50) days of the oral hearing or, if subsequent written material is presented, within thirty (30) days of the final submission of written material or evidence on behalf of either Party, unless the arbitration panel unanimously agreed to the contrary in the rules of procedure or otherwise. The award shall be rendered by a majority of the arbitration panel, and it shall be in writing. In the event a majority of the arbitration panel is unable to agree upon an award by the date set forth in this clause (iv), the panel may certify such inability to the Parties which shall then discharge the arbitration panel and recommence the procedures of this subparagraph (b).

(v) In no event shall any arbitrator or arbitration panel have any jurisdiction or authority to amend, modify, cancel or rescind any term or condition of this Agreement. The arbitrators shall be limited to arbitrating the factual disputes presented for arbitration and shall have no authority to rule on any legal issues or to make any findings involving the interpretation, legality or enforceability of any provision of this Agreement.

(vi) Each Party shall bear its own expenses, including expenses of its counsel and arbitrator; all expenses and compensation of the neutral arbitrator shall be shared equally by each Party unless the arbitration panel unanimously directs another division.

(vii) At the request of either Party, the award shall be reviewable by the REA, which shall confirm, vacate or modify or correct the award upon substantially the same procedure and bases as would a court pursuant to the Federal Arbitration Act.

16. Any notice or request required to be given hereunder in writing may be hand delivered to the Office of the Manager, CDEC, or the Office of the President of the Navajo Nation and if not so hand delivered, shall be mailed, postage prepaid, certified mail, to the President, Navajo Nation, Post Office Box 308, Window Rock, Arizona 86515, or to the Manager, Continental Divide Electric Cooperative, Inc., Post Office Box 1087, Grants, New Mexico 87020, or such other addresses that may from time to time be supplied in writing by one of the Parties to the other. A copy of all such documents shall be mailed to the General Manager, NTUA, Post Office Box 170, Fort Defiance, Arizona 86504.

17. The Parties will diligently seek approval of this Agreement and during such efforts, CDEC shall continue, for a reasonable period necessary for approval, to provide electric service, including new electric service, to consumers located within the Described Lands in accordance with established policies. This Agreement is subject to the condition subsequent that it must be approved by the Secretary of the Interior or that Secretary's authorized representative, and, if required, by the REA; if such approval(s) has(ve) not been obtained within six (6) months after it becomes effective, this Agreement, except for the granting of the Transmission Easement and paragraph 4 (and subparagraph 15(b) and the provisions of paragraph 6 with respect to paragraph 4) shall be of no further force and effect.

18. The covenants and agreements hereinabove set forth shall extend to and be binding upon the Parties hereto and their respective successors and assigns, but are not intended to benefit or be enforceable by any third persons.

IN WITNESS WHEREOF, the Parties have executed this Agreement on the date first written above.

NAVAJO NATION

By Peterson Zah SEP 24 1992
President

CONTINENTAL DIVIDE ELECTRIC COOPERATIVE, INC.

By Marcelino Trujillo
President

NAVAJO NATION)ss

The foregoing Agreement was acknowledged before me this 24th day of September, 1992, by Peterson Zah, President of the Navajo Nation, a recognized American Indian Tribe, on behalf of the Navajo Nation.

Lesley P. Morris
Notary Public

My Commission Expires:

My Commission Expires March 24, 1996

STATE OF NEW MEXICO)
COUNTY OF Cibola)ss

The foregoing Agreement was acknowledged before me this 13th day of August, 1992, by Marcelino Trujillo President of Continental Divide Electric Cooperative, Inc., a New Mexico corporation, on behalf of the corporation.

Fred C. Lackey
Notary Public

My Commission Expires:

Sept 11, 1993

EXHIBIT "A"

Franchise Area designated on attached CDEC Key Map
updated September 1992.

Legal description of Franchise Lands as follows:

Lands within the Treaty Reservation Boundary

Lupton-Houck Area:

Beginning at a point on the Arizona-New Mexico State Line, the southeast corner of Section 16, Township 23 North, Range 31 East, Apache County, Arizona; thence running west on section line common to Section 16 and 21, 17 and 20 and 18 and 19 of said township and range to the southwest corner of Section 18; thence south along the range line common to Ranges 30 and 31 East to the township line common to Townships 22 and 23 North; thence west along the township line common to Townships 22 and 23 North, to the southwest corner of Section 35, Township 23 North, Range 29 East; thence north along section line common to Sections 34-35, 27-26, 22-23, 15-14, 10-11, and 3-2 of said township and range to the north township line; thence west along said township line to the northwest corner of the township; thence south along the range line common to Ranges 28 and 29 East to the township line common to Townships 22 and 23 North. Thence west along said township line to the northwest corner of Section 1, Township 22 North, Range 28 East; thence south along the section line common to Sections 2-1, 11-12 and 14-13 to the corner common to Sections 13-14-23 and 24 of said township; thence west along the section line common to Sections 14-23 and 15-22 to the corner common to Sections 15, 16, 21 and 22; thence south along the section line common to Sections 21-22, 28-27 and 33-34 to the south line of said township; thence west along the township line common to Townships 21 and 22 North, Range 28 East, to the Navajo Reservation line; thence south and east along the existing Reservation boundary to the Arizona-New Mexico State Line; thence north along the State line to the point of beginning.

This area encompasses approximately 213 square miles.

North West of Sanders:

Starting at the NW corner of Section 1, Township 22 North, Range 28 East; thence extending in a westerly direction along the township line common to Townships 22 North and 23 North to the range line of Range 27 East and 28 East; thence south along said range line to the SW corner of Section 31, Township 22 North, Range 28 East.

This area encompasses Twenty-four (24) sections.

Standing Rock Area:

Beginning at a point on the east boundary of the Navajo Reservation approximately 15.5 miles north of the southeast corner of said Navajo Reservation and being the protracted closing corner of the southeast corner of Section 12, Township 19 North, Range 14 West, McKinley County, New Mexico; thence running west along the protracted section lines common to Sections 12-13, 11-14, 10-15, 9-16, 8-17 and 7-18 to the range line common to Ranges 14 and 15 West. Thence south along said range line to the south boundary of the Navajo Reservation; thence east along said boundary to the southeast corner of the Reservation; thence north along the east boundary of said Reservation to the point of beginning.

This area contains approximately 63 square miles.

Lands Outside the Treaty Reservation Boundary

New Lands purchased by Office of Navajo and Hopi Relocation:

(see attached legal descriptions provided by the
Office of Navajo and Hopi Relocation)



**THE
NAVAJO
NATION**

P. O. DRAWER 308 • WINDOW ROCK, ARIZONA 86515 • (602) 871-6352-55

EXHIBIT B
RECEIVED

JAN 12 1995

UTILITY RESOURCE
SERVICES

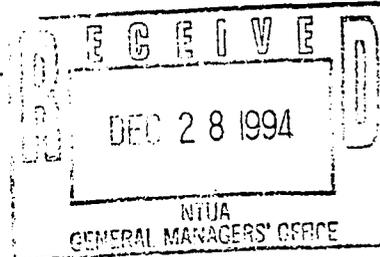
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L. Donatoni
Richard [unclear]
Chris [unclear]
COPY

**PETERSON ZAH
PRESIDENT**

**MARSHALL PLUMMER
VICE PRESIDENT**

DEC 28 1994

Fred Lackey, General Manager
Continental Divide Electric Cooperative, Inc.
P. O. Box 1087
Grants, New Mexico 87020



Dear Mr. Lackey:

Pursuant to Paragraph 2, Page 3, of the present Franchise Agreement between the Navajo Nation and Continental Divide Electric Cooperative, Inc. (CDEC), the Navajo Nation gives notice that it is exercising the option to purchase "Additional Lines and Facilities" as described in the Agreement.

"Additional Lines and Facilities" are defined in the Agreement as CDEC's lines and facilities upon "Described Lands". The legal description for the Described Lands are set forth in Exhibit A attached to the Agreement and includes lands within the Navajo Reservation Boundary, at Lupton and Houck, northwest of Sanders, in the Standing Rock area, and the New Lands which were added to the Navajo Reservation for the benefit of relocatees from the Hopi Partitioned Lands. A copy of Exhibit A is enclosed hereto.

It has been contemplated at all times during the negotiations on the Franchise Agreement and when the Agreement was being considered by the Navajo Nation Council that the Navajo Tribal Utility Authority would purchase the Additional Lines and Facilities to be added to their system. Accordingly, I am designating the Navajo Tribal Utility Authority, its Management Board, and its General Manager, Malcolm P. Dalton, to act on behalf of the Navajo Nation in completing the purchase of the lines and facilities.

It is understood between the Navajo Nation and the Navajo Tribal Utility Authority that the Authority will have the sole responsibility on behalf of the Nation for negotiation and purchase of the facilities. It is further understood that Mr. Dalton will make contact with CDEC in the near future to initiate the negotiations.

If there are any questions concerning this matter, please contact Mr. Dalton at (602) 729-6201.

Very truly yours,

A handwritten signature in black ink, appearing to read "Peterson Zah".

Peterson Zah, President
Navajo Nation

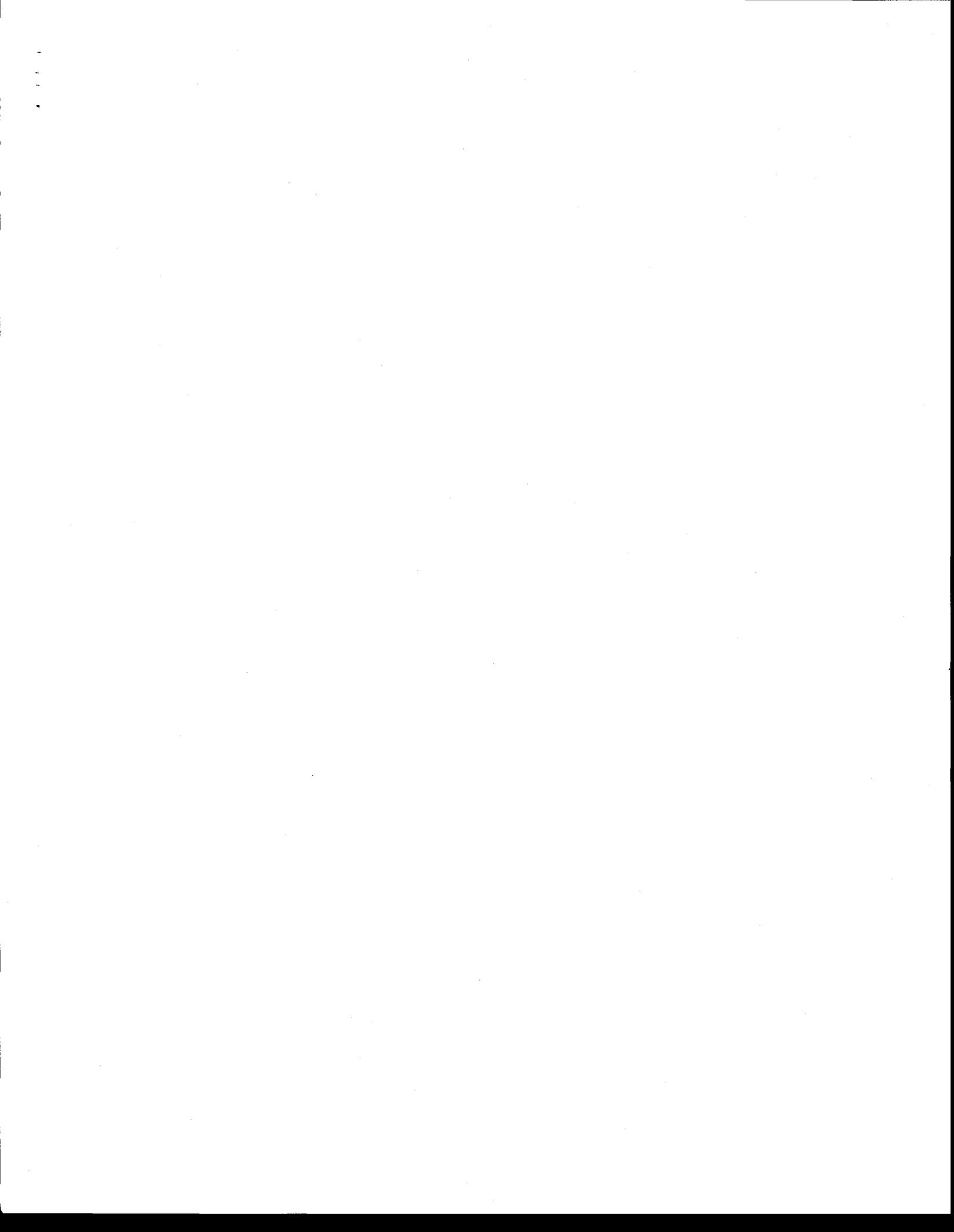


EXHIBIT C

DESCRIPTION OF FACILITIES TO BE PURCHASED

Arizona Facilities -

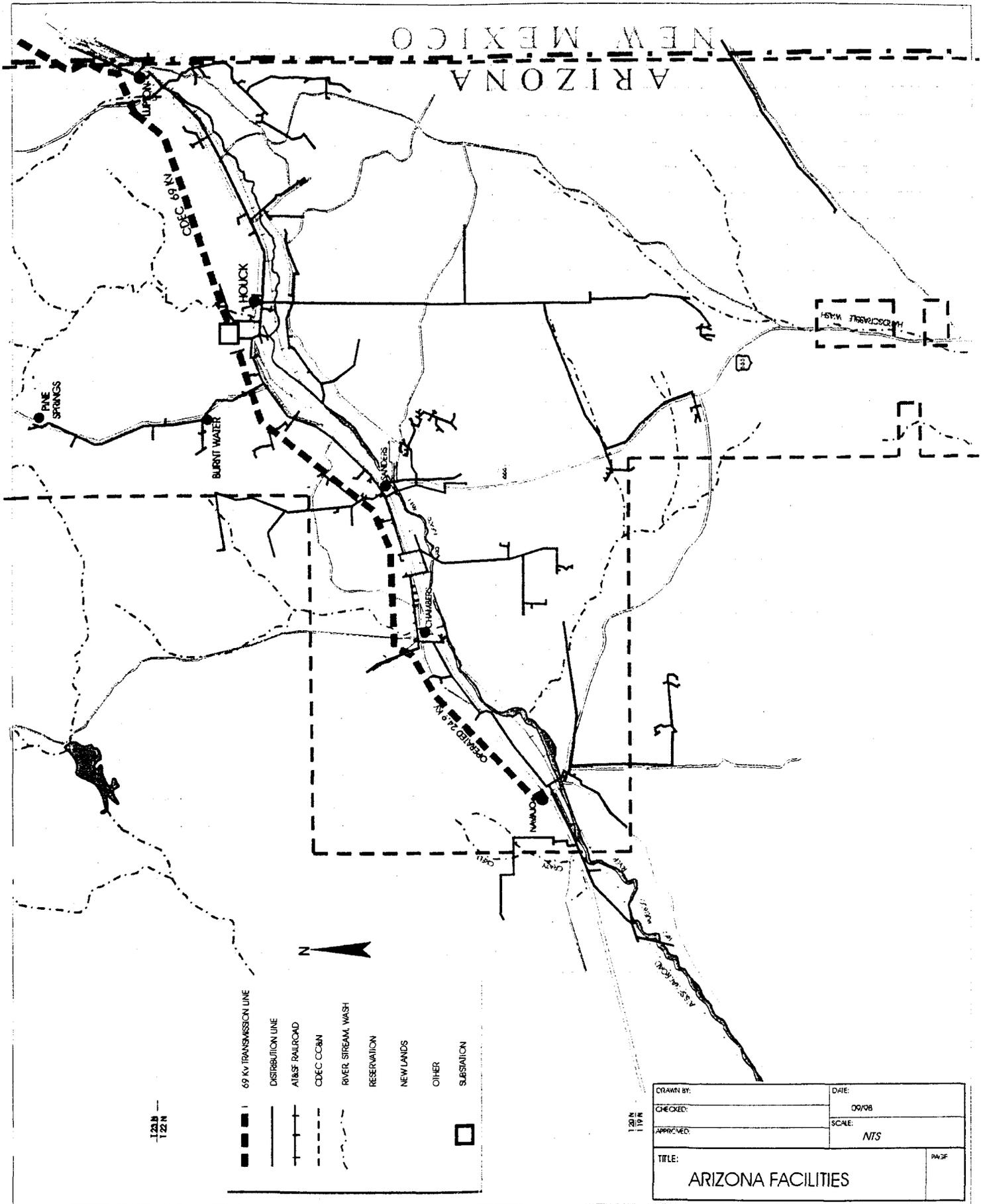
All electric transmission and distribution facilities, including but not limited to, all poles, towers, conductors, wires, and other electrical equipment utilized to provide electric service to customers in the state of Arizona and as shown on the map as Exhibit D, and both inside and outside of CDEC's Certificate of Convenience and Necessity on file with the Arizona Corporation Commission and approximately 2,400 feet of 69 kV line beginning at the point where CDEC's 69 kV line crosses the Arizona - New Mexico state line, Range 21 West, Township 14 North, Section 35, thence running in a Northeasterly direction terminating at the point where CDEC's 69 kV Tap is located, commonly referred to as the Lupton Switch. The area is described as beginning at a point on the Arizona - New Mexico state line, one mile South of the township line common to Township 18 North and Township 19 North, thence West Range 28 East and Range 29 East, thence North, following the range line to a point on the township line common to Township 19 North and Township 20 North, thence West following the township line to a point three (3) miles West of the range line common to Range 26 East, and Range 27 East, thence North following section lines to a 22 North, thence East following the township line to a point one mile West of the range line common to Range 28 East and Range 29 East; thence North following section lines and section lines extended to a point of the township line common to Township 23 North and Township 24 North, thence East along the township line to a point on the range line common to Range 29 East and Range 30 East, thence North following the range line extended to a point on the Navajo Base line, thence East along the Navajo Base line a distance of two (2) miles to a point on the range line common to Range 6 West, Navajo Base line, thence north following the range line to a point on the township line common to Township 1 North and Township 2 North, thence East following the township line to a point on the Arizona - New Mexico state line, thence South following the Arizona - New Mexico state line to the point of beginning. Also, includes all of Township 17 North, Range 29 East, Township 17 North, Range 30 East, Township 17 North, Range 31 East, and Sections 7, 8, 9, 10, 15, 16, 17, 18, 19, 20, 21, 22, 27, 28, 29, 30, 31, 32, 33, and 34 and Township 18 North, Range 31 East all of Apache County, Arizona.

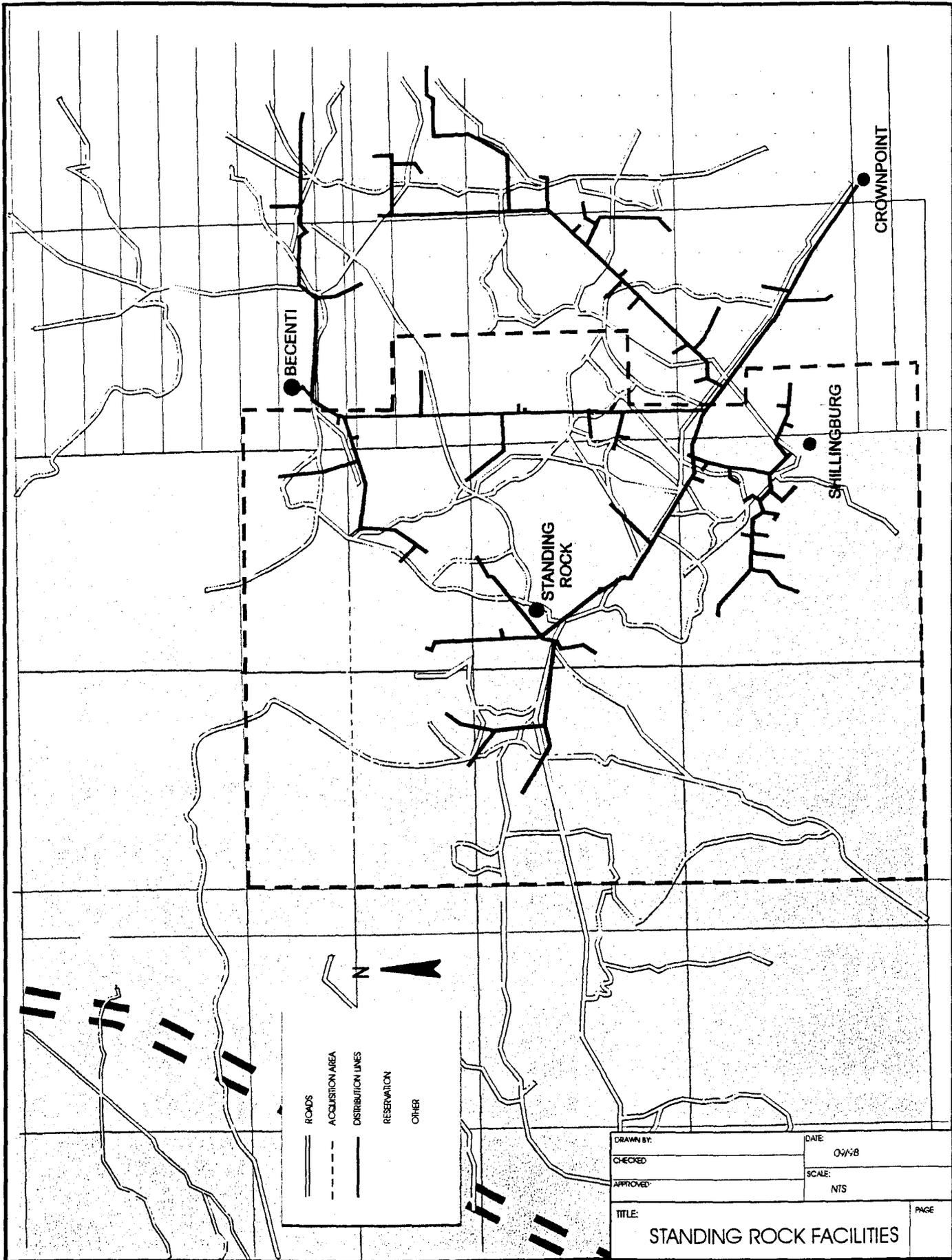
Standing Rock Facilities -

All electric distribution facilities, including but not limited to, all poles, towers, conductors, wires, and other electrical equipment utilized to provide electric service to customers in the Standing Rock Area and the three phase line, operated as single phase, beginning in the Southeast quadrant of Section 31, Township 18 North, Range 13 West and thence North approximately 9.5 miles to Section 8, Township 19 North, Range 13 West, as shown on the map as Exhibit E.

The Acquisition Area, which includes the three phase line mentioned herein, is described as beginning at a point on the Southeast corner of the Navajo Reservation Boundary (Section 36, Township 17 North, Range 14 West), thence East approximately two miles to the section line common to Sections 32 and 33 of Township 17 North, Range 1 West; thence North approximately 4.5 miles to the Southeast corner of Section 5, Township 17 North, Range 13 West; thence West approximately 1 mile the southeast Corner of Section 6, Township 17 North, Range 13 West; thence North approximately 3 miles to the Southeast Corner of Section 1, Township 18 North, Range 13 West; thence East approximately 2 miles to the Southeast corner of Section 21, Township 18 North, Range 13 West; thence North approximately 6 miles to the Southeast Corner of Section 21, Township 19 North, Range 13 West; thence West approximately 2 miles to the Southeast corner of Section 19, Township 19 North, Range 13 West; thence North approximately 4 miles to the Township line common to Township 19 North and Township 20 North; thence West approximately 13 miles to the Range line common to Range 15 West and Range 16 West; thence South approximately 18 miles to the Navajo Reservation Boundary; thence East approximately 12 miles to the point of beginning.

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PURCHASE POWER AGREEMENT

- 1.0 This Purchase Power Agreement, dated April 13, 2000, ("Agreement") by and between Continental Divide Electric Cooperative, Inc. ("CDEC"), a corporation organized and existing under the laws of the state of New Mexico and a rural electric cooperative and the Navajo Tribal Utility Authority ("NTUA"), an organization created by and acting under the authority of the Navajo Nation, herein collectively referred to as "Parties" and individually as "Party."
- 2.0 RECITALS: This Agreement is made with reference to the following facts, among others.
- 2.1 CDEC is engaged in the transmission and distribution of electric power and energy in the states of New Mexico and Arizona.
- 2.2 NTUA is engaged in the transmission and distribution of electric power and energy on the Navajo Reservation which includes the states of New Mexico, Arizona and Utah.
- 2.3 The Parties have entered into a Definitive Agreement of Purchase and Sale dated April 13, 2000, which includes, among other matters, NTUA purchasing power and energy from CDEC for those CDEC customers that reside in the state of Arizona.
- 2.4 Electric system interconnections will exist which allow CDEC to sell and deliver, and NTUA to purchase

and receive power and energy.

2.5 CDEC desires to minimize the financial impact of selling its electric facilities in Arizona to NTUA and NTUA is willing to support CDEC's desires by purchasing power and energy for a period of time as set forth in this Agreement.

3.0 AGREEMENT: The Parties agree as follows:

4.0 EFFECTIVE DATE AND TERM: This Agreement shall become effective upon the execution by both Parties and subject to:

4.1 Execution of the Definitive Agreement of Purchase and Sale, and

4.2 Acceptance by the New Mexico Public Regulation Commission, if applicable, and

4.3 Written approval by the Rural Utilities Services.

4.4 Subject to Sections 4.1, 4.2, and 4.3 herein, this Agreement shall commence on the Closing Date of the Definitive Agreement of Purchase and Sale and shall continue for a period of three (3) years. This Agreement can be terminated by NTUA by giving CDEC written notice no earlier than 180 days prior to the end of the three (3) year period. The Parties may mutually agree to extend this Agreement.

5.0 POINTS OF DELIVERY AND RECEIPTS OF POWER: CDEC shall deliver capacity and energy to NTUA at the following points of delivery:

5.1 At the point called the Lupton Switch, located in New Mexico approximately 2,400 feet northeast of the Arizona - New Mexico state line on CDEC's 69 kV transmission line. This point is referred to herein as the Lupton point of delivery, and

5.2 At the point where CDEC's 24.9 kV line crosses the Arizona, New Mexico state line, herein referred to as the Barth Lake point of delivery.

6.0 METERING POINTS, BILLING POINTS, AND LOSSES:

6.1 For the purposes of metering and billing CDEC shall install metering at the points identified herein. For the Lupton point of delivery the metering point will be the Houck Substation, and for the Barth Lake point of delivery the metering point will be at the pole structure nearest to the Arizona, New Mexico state line. For the Lupton point of delivery, the capacity (kW) and energy (kWh) readings will be adjusted by two percent (2%) for line losses back to the Lupton point of delivery. There will be no loss correction for the Barth Lake point of delivery. Such meters will be of acceptable type and quality as mutually agreed to by the Parties and shall be installed by CDEC at NTUA's expense. Upon the termination of this Agreement, title to and possession of meters shall revert to NTUA.

7.0 COST OF POWER CHARGES: CDEC will obtain power for delivery to NTUA at the lowest possible cost available to CDEC from its contract supplier plus two (2) mills. CDEC shall provide NTUA with written description of the rate showing a breakdown of all costs for delivering power to NTUA.

8.0 BILLING AND PAYMENT:

8.1 CDEC shall bill NTUA monthly on or before the tenth (10th) day of the month following each month service is rendered and at the rates and in accordance with the provisions of Paragraph 7.0. Invoices shall be mailed to NTUA at the following address:

Navajo Tribal Utility Authority
c/o General Manager
Post Office Box 170
Fort Defiance, AZ 86504

NTUA shall pay CDEC by the fifteenth (15th) day after receipt of an invoice. If the due date falls on a weekend day or bank holiday, then such payment will be due on the following banking day. Payment shall be mailed to:

Continental Divide Electric Cooperative, Inc.
Post Office Box 1087
Grants, NM 87020

Amounts not paid by the due date shall be payable with interest accrued on each calendar day from the due date of payment. The interest rate shall be one percent (1%) per month. In the event any portion of any invoice is disputed, the amount disputed shall be

paid "under protest" when due. If the disputed amount is found to be incorrect, CDEC shall promptly refund to NTUA such amount due plus interest accrued at one percent (1%) per month from the date such disputed amount was paid under protest until refunded by CDEC.

8.2 No payment made pursuant to this Section shall constitute a waiver of any right of NTUA to contest the correctness of any charge or credit by CDEC.

8.3 NTUA shall have the right to audit, at its own expense, all books and records regarding any costs, payments, and other supporting documents pertaining to this Agreement. In the event such an audit discloses errors, omissions, or adjustments, payment will be made as soon as possible after the Party has been notified in writing of such finding and payment shall include interest at the rate specified in Section 8.1.

9.0 UNCONTROLLABLE FORCES: Neither Party shall be considered to be in default in the performance of any of its obligations hereunder, other than the obligations to make payments of amounts due pursuant to this Agreement, when failure of performance shall be due to Uncontrollable Forces. The Party claiming Uncontrollable Forces shall promptly contact the other Party and provide written notice that an Uncontrollable Force has occurred. The term "Uncontrollable Forces" shall mean any event beyond the

control of the Party unable to perform any of its obligations hereunder including, but not limited to, failure of or threat of immediate failure of facilities; flood, earthquake, storm, fire, lightning, and other natural catastrophes; epidemic, war, riot, civil disturbance or disobedience; labor dispute, labor or material shortage; sabotage; restraint by court order or public authority; and action or nonaction by, or failure to obtain the necessary authorizations or approvals from any governmental agency or authority, which by exercise of due diligence, such Party could not reasonably have been expected to avoid and which, by exercise of due diligence is unable to overcome. Nothing contained herein shall be construed as to require either Party to settle any strike or labor dispute in which it may be involved.

10.0 ASSIGNMENT OF AGREEMENT: This Agreement shall inure to the benefit of and be binding upon the Parties hereto and their respective successors and assigns; provided, however, that this Agreement, except as hereinafter provided, may not be assigned by either Party except with the prior written consent of the other Party, which consent shall not be unreasonably withheld.

11.0 NOTICES: Any notice, demand, or request provided for in this 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, sent by facsimile transmission (Fax) or sent by United States mail, postage

prepaid, to the persons specified below:

Navajo Tribal Utility Authority
General Manager
Post Office Box 170
Fort Defiance, AZ 86504
Fax #602-729-2135

Continental Divide Electric Cooperative, Inc.
General Manager
Post Office Box 1087
Grants, NM 87020
Fax #505-287-2234

A Party may at any time, by written notice, change the designation or the address of the person so specified.

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

13.0 WAIVERS: The waiver by either 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 of any subsequent breach of the same or any other term, covenant or condition contained herein.

14.0 LIABILITY AND INDEMNITY:

14.1 Each Party shall indemnify and hold harmless each other Party and the directors, officers, and

employees of each such other Party from liability, loss, damage, claim, costs, and expenses (including attorney fees) on account of injury to persons (including death) or damage or destruction of property arising out of or related to the negligent or other acts of the indemnifying Party or its officers, directors, employees, or contractors in the performance of this Agreement; provided, however, that:

14.1.1 Each Party shall be solely responsible to its own employees for all claims or benefits due for injuries occurring in the course of their employment or arising out of any worker's compensation law. No Party shall seek reimbursement or subrogation from any other Party for any benefits paid to the employees of that Party pursuant to any worker's compensation law except as necessary to prevent double recovery by the employee.

14.1.2 No Party and its directors, officers, and employees shall be liable for any loss of earnings, revenues, indirect or consequential damages, or injury which may be incurred by any other Party as a result of curtailments, interruptions or outages in delivery of electric services under this Agreement by reason of any cause whatsoever, other than

gross negligence or willful misconduct.

14.2 Each Party shall indemnify and hold harmless each other Party and its directors, officers, and employees from any liability, loss, claim, cost (including attorney fees) incurred by the indemnified Party in connection with or arising out of claims made by the indemnifying Party's electric service customers as a result of any failure of a Party to provide electric power or energy contemplated by this Agreement for any reason or any cause whatsoever, other than gross negligence or willful misconduct.

15.0 REPRESENTATIONS AND WARRANTIES:

15.1 CDEC hereby represents, warrants and covenants to NTUA as follows:

15.1.1 CDEC is a New Mexico corporation duly organized, validly existing and in good standing under the laws of the State of New Mexico and has corporate power and authority to execute and deliver this Agreement and 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.

15.1.2 The execution, delivery and performance of this Agreement by CDEC has been duly and effectively authorized by all requisite corporate action.

15.2 NTUA hereby represents, warrants and covenants to CDEC as follows:

15.2.1 NTUA is an authority of the Navajo Tribal Council and is duly organized, validly existing and in good standing under the laws of the Navajo Nation, and has the requisite power and authority to execute this 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.

15.2.2 Subject to the provisions of Section 2.2, 2.3, and 2.4 herein, the execution, delivery, and performance of this Agreement by the NTUA have been duly and effectively authorized by all requisite action.

15.2.3 NTUA has full power and authority to execute this Agreement and this Agreement has been duly executed and delivered by the NTUA and is the legal, valid and binding obligation of the NTUA, enforceable against it in accordance with its terms.

16.0 ENTIRE AGREEMENT: The complete agreement of the Parties is set forth in this Agreement and supersedes all prior and contemporaneous communications, whether written or oral.

5-2

49ER WATER COMPANY PURCHASED WATER

	<u>12 mos</u>	<u>7 mos</u>
Gallons sold in the TY	270,503,489	157,793,702
Permanent Rate Decision expected	08/12/2001	
Interim rates effective	02/01/2001	
7 months to recover		

		<u>Water Costs</u>
Purchased water per app	\$ 52,888	Jul \$ 16,655.56
		Aug 20,270.53
Additional purch water	\$ 3,610	Sept 15,108.34
Tucson Water Tie-in	\$ 8,702	Oct 434.12
		Nov 3,176.11
Total Costs to Date	<u>\$ 65,200</u>	Dec 44.65
		Jan 45.84
		<u>55,735.15</u>
Recovery gallons	157,793,702	<u>Tie-in to COTW Costs</u>
Recovery per gallon	\$ 0.0004132	COTW meter \$ 853.79
Recovery per 1,000 gallons	\$ 0.4131977	Crane Machine 1,232.71
		SW Tapping 425.50
		Starlings Drill 138.57
		Sunstate Equip 1,148.94
Proposed Interim		ISS 326.24
Surcharge per 1,000 gallons	\$ 0.41	Kepner 4,571.57
		Trafficade 137.98
Check figure:		Accurate Backflow 40.00
Est. gallons to be sold Feb-Aug 2001	157,793,702	Granite Constr 247.53
Divisor	1,000	Canyon Pipe 301.37
Surcharge Amount	\$ 0.41	Star Aluminum 21.78
		Permits 110.00
Proposed Recovery	<u>\$ 64,695.42</u>	<u>\$ 9,555.98</u>
		<u>\$ 65,291.13</u>

(44.65)
 (45.84)

EXHIBIT NO. 52

Admitted



DESCRIPTION OF FACILITIES TO BE PURCHASED

Arizona Facilities -

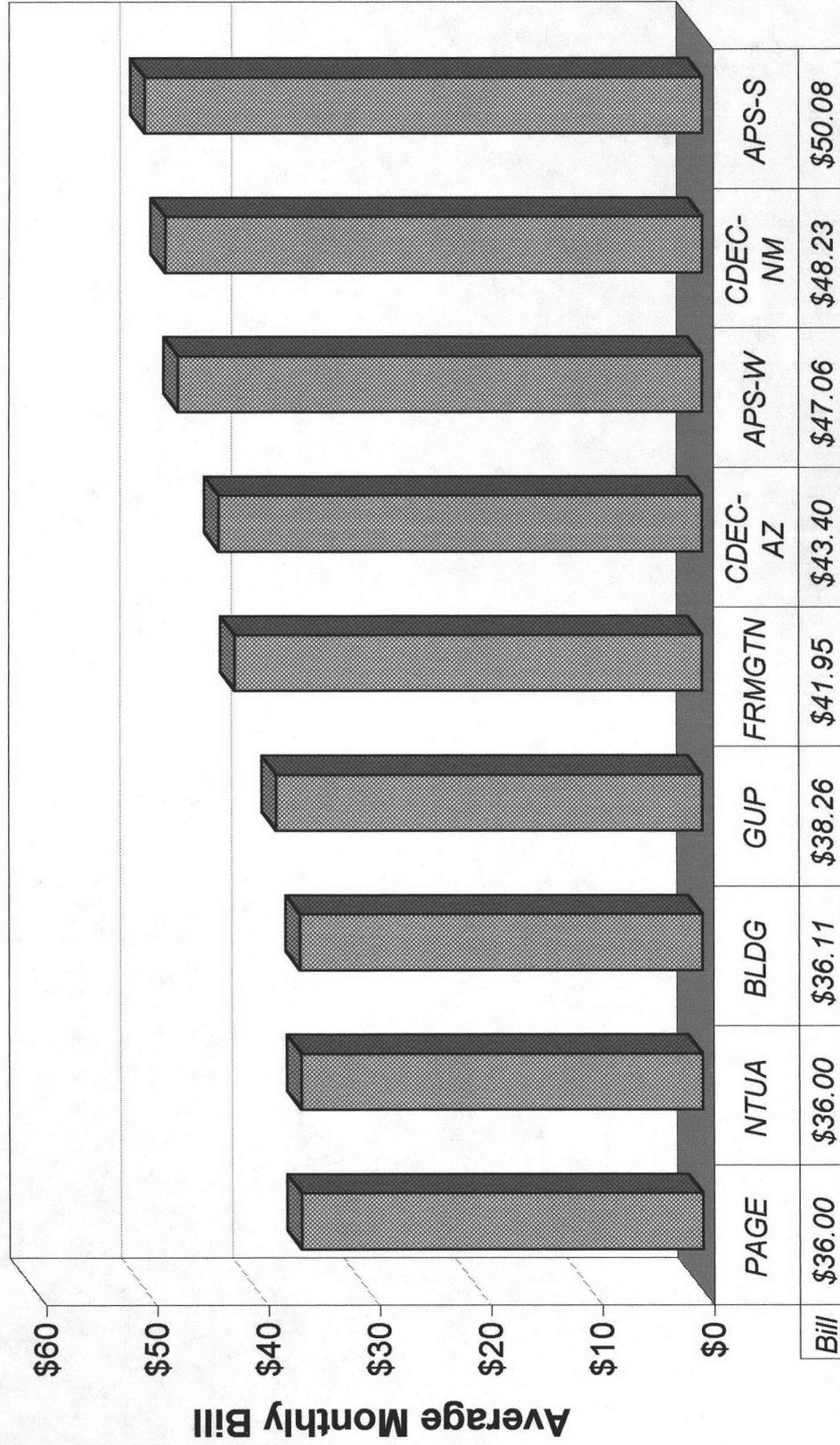
All electric transmission and distribution facilities, including but not limited to, all poles, towers, conductors, wires, and other electrical equipment utilized to provide electric service to customers in the state of Arizona and as shown on the map as Exhibit D, and both inside and outside of CDEC's Certificate of Convenience and Necessity on file with the Arizona Corporation Commission and approximately 2,400 feet of 69 kV line beginning at the point where CDEC's 69 kV line crosses the Arizona - New Mexico state line, Range 21 West, Township 14 North, Section 35, thence running in a Northeasterly direction terminating at the point where CDEC's 69 kV Tap is located, commonly referred to as the Lupton Switch. The area is described as beginning at a point on the Arizona - New Mexico state line, one mile South of the township line common to Township 18 North and Township 19 North, thence West Range 28 East and Range 29 East, thence North, following the range line to a point on the township line common to Township 19 North and Township 20 North, thence West following the township line to a point three (3) miles West of the range line common to Range 26 East, and Range 27 East, thence North following section lines to a 22 North, thence East following the township line to a point one mile West of the range line common to Range 28 East and Range 29 East; thence North following section lines and section lines extended to a point of the township line common to Township 23 North and Township 24 North, thence East along the township line to a point on the range line common to Range 29 East and Range 30 East, thence North following the range line extended to a point on the Navajo Base line, thence East along the Navajo Base line a distance of two (2) miles to a point on the range line common to Range 6 West, Navajo Base line, thence north following the range line to a point on the township line common to Township 1 North and Township 2 North, thence East following the township line to a point on the Arizona - New Mexico state line, thence South following the Arizona - New Mexico state line to the point of beginning. Also, includes all of Township 17 North, Range 29 East, Township 17 North, Range 30 East, Township 17 North, Range 31 East, and Sections 7, 8, 9, 10, 15, 16, 17, 18, 19, 20, 21, 22, 27, 28, 29, 30, 31, 32, 33, and 34 and Township 18 North, Range 31 East all of Apache County, Arizona.

CONTINENTAL
DIVIDE
ELECTRIC
COOP

RATE
SCHEDULES

Rate Comparison

NTUA - Electric Residential Bill Comparison @ 500 kWh Consumption



Residential Rates- Comparison

	NTUA	Arizona CDEC
Charges		
System/Service	\$3.00	\$5.00
Energy (per kWh)	\$0.0660	\$0.07680
Other	None	???
Average Monthly Bill @ 500 kWh:	\$36.00	\$43.40 *

* Taxes not included.

Residential Rates- Comparison

	New Mexico	
	NTUA	CDEC
Charges		
System/Service	\$3.00	\$7.50
Energy (per kWh)	\$0.0660	\$0.08146
Other	None	???
Average Monthly Bill @ 500 kWh:	\$36.00	\$48.23 *

* Excludes taxes.

Commercial Rates- Comparison

Continental Divide Electric Coop. - Arizona			
Charges:	NTUA	Commercial (< 50 kVA)	Large Power (> 50 kVA)
		Option I	Option II
System/Service	\$6.00	\$7.50	\$15.00
Demand			
All KW		\$0.00	\$8.25 / kVA *
All KW			\$8.00 / kVA **
All KW			Off-Peak
All KW			\$2.50 / kVA *
All KW			\$2.25 / kVA **
First 25	\$0.00		
Next 175	\$4.00		
Additional	\$3.00		
Energy (per kWh)			
All KW		\$0.07910	\$0.04623
First 200	\$0.0900		\$0.04623
Next 800	\$0.0800		
Next 6000	\$0.0700		
Additional	\$0.0650		
Other	None	Taxes	Taxes

* Utility Owned Substation

** Customer Owned Substation

Commercial Rates- Comparison

Continental Divide Electric Coop. New Mexico			
	Commercial (< 50 kVA)	Large Power (> 50 kVA)	Large Power (> 50 kVA)
NTUA	Option I	Option I	Option II
Charges:			
System/Service	\$6.00	\$20.00	\$20.00
Demand			<i>On-Peak</i>
All KW	\$0.00	\$9.25 / kVA *	\$10.75 / kVA *
All KW		\$9.00 / kVA **	\$10.50 / kVA **
All KW			<i>Off-Peak</i>
All KW			\$2.50 / kVA *
All KW			\$2.25 / kVA **
First 25	\$0.00		
Next 175	\$4.00		
Additional	\$3.00		
Energy (per kWh)			
All KW	\$0.08275	\$0.0530	\$0.0530
First 200	\$0.0900		
Next 800	\$0.0800		
Next 6000	\$0.0700		
Additional	\$0.0650		
Other	None	Taxes	Taxes

* Utility Owned Substation

** Customer Owned Substation

NM Rate Schedules

CONTINENTAL DIVIDE ELECTRIC COOPERATIVE, INC.
FIRST REVISED RATE NO. 1
CANCELLING ORIGINAL RATE NO. 1

NM

RESIDENTIAL SERVICE
(Schedule "RS")

Page 1 of 5

AVAILABILITY:

Available only for normal domestic power use to individual residences, individual dwelling units, and individual apartments within the Utility's service area. Service under this schedule is not available for master-metered multiple housing units, business establishments or public buildings.

CHARACTER OF SERVICE:

Alternating current, 60 Hertz, at available secondary voltages.

NET RATE PER BILLING PERIOD: (or part thereof/service)

\$7.50 per billing period (System Charge)

X

-PLUS-

All kWh per billing period @ 8.146¢/kWh

X

The system charge shall cover costs of providing electric service, including operation and maintenance of facilities and other administrative costs.

ADVICE NOTICE NO. 22

EFFECTIVE
FOR SERVICE ON

OCT 7 1990

BY NMPSC Rule 540

APPROVED

NEW MEXICO PUBLIC SERVICE COMMISSION

Fred A. Lackey
Fred A. Lackey, Manager

CONTINENTAL DIVIDE ELECTRIC COOPERATIVE, INC.
FIRST REVISED RATE NO. 1
CANCELLING ORIGINAL RATE NO. 1

RESIDENTIAL SERVICE
(Schedule "RS")

Page 2 of 5

MINIMUM CHARGES:

The minimum charges per billing period shall be the highest of the following:

- (1) \$7.50 per billing period with no allowance for kWh. X
- (2) Minimum charges in accordance with Line Extension Policy or contract (no power allowed for the first \$7.50). X
- (3) Minimum charges established by special contract between the consumer and the Utility.

Any energy allowances shall be made only during the billing period in which they occurred.

FUEL & PURCHASED POWER COST ADJUSTMENT:

The Utility shall, if the purchased power expense is increased or decreased above or below the base purchased power cost of \$0.0705664/kWh sold, flow through to the users such increases or decreases, in accordance with N.M.P.S.C. Rule No. 550. X
X
X

EFFECTIVE

ADVICE NOTICE NO. 22

FOR SERVICE ON

OCT 7 1990

BY Nimese Rue. 540

Fred A. Lackey
Fred A. Lackey, Manager

APPROVED

NEW MEXICO PUBLIC SERVICE COMMISSION

CONTINENTAL DIVIDE ELECTRIC COOPERATIVE, INC.
FIRST REVISED RATE NO. 1
CANCELLING ORIGINAL RATE NO. 1

RESIDENTIAL SERVICE
(Schedule "RS")

TAX ADJUSTMENT:

Billing under this schedule may be increased by an amount equal to the sum of the taxes payable under the gross receipts and compensating tax act and of all other taxes, fees, or charges (exclusive of Ad Valorem, State and Federal Income Taxes) payable by the Utility and levied or assessed by any governmental authority on the public utility service rendered, or on the right or privilege of rendering the service, or on any object or event incidental to the rendition of the service.

TERMS OF PAYMENT:

All bills are net and payable within 20 days from the date of bill.

BILLING PERIOD:

The billing period shall be approximately 1/12 of a year but not necessarily a calendar month.

LATE PAYMENT CHARGE:

A late payment charge of one and one-half percent (1 1/2%) per billing period or fraction thereof will be charged on all utility service bills and invoices which are delinquent per the provisions of the tariff. X
X
X

ADVICE NOTICE NO. 22

EFFECTIVE
FOR SERVICE ON

OCT 7 1990

BY NMESC Rule 540

APPROVED
NEW MEXICO PUBLIC SERVICE COMMISSION

Fred A. Lackey
Fred A. Lackey, Manager

CONTINENTAL DIVIDE ELECTRIC COOPERATIVE, INC.
FIRST REVISED RATE NO. 1
CANCELLING ORIGINAL RATE NO. 1

RESIDENTIAL SERVICE
(Schedule "RS")

Page 4 of 5

BUDGET BILLING:

Upon the request of the consumer and for his convenience, the Utility shall provide budget billing in accordance with the rules and regulations filed by the Utility and approved by the New Mexico Public Service Commission.

TEMPORARY OR UNUSUAL SERVICE:

Temporary or unusual service will be covered by the Utility's Rules and Regulations. In such cases, the minimum charges, conditions of furnishings substation equipment, connection and disconnection of service and special conditions will be covered by special agreement with the customer. The customer shall pay for all expenses involved in furnishing the temporary service.

CONDITIONS OF SERVICE:

- (1) The Utility's rules and regulations, filed with the regulatory body shall apply.
- (2) All wiring, pole lines and other electrical equipment electrically on the load side of the metering point shall be considered the distribution system of the consumer and shall be furnished and maintained by the consumer.
- (3) The consumer's installation shall conform to City, State and National Electrical Codes and Electrical Safety Codes.
- (4) The consumer shall not resell or share electric service with others.
- (5) Special conditions of service shall be covered by contract.

ADVICE NOTICE NO. 22

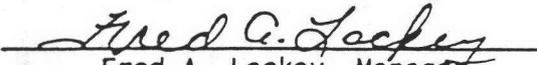
EFFECTIVE
FOR SERVICE _____ ON

OCT 7 1990

BY Nmesc Rule 540

APPROVED

NEW MEXICO PUBLIC SERVICE COMMISSION


Fred A. Lackey, Manager

CONTINENTAL DIVIDE ELECTRIC COOPERATIVE, INC.
FIRST REVISED RATE NO. 1
CANCELLING ORIGINAL RATE NO. 1

RESIDENTIAL SERVICE
(Schedule "RS")

Page 5 of 5

TEMPORARY SURCHARGE:

Upon approval of this tariff by the N.M. Public Service Commission, the Utility shall add to the consumer's net bill as computed above, a surcharge of \$.003 per kWh sold to amortize the one month unrecovered fuel and purchased power adjustment costs which the Utility will realize upon the Commission's acceptance of the Utility's new base cost of purchased power. (Sentence omitted)

X
X

ADVICE NOTICE NO. 22

EFFECTIVE
FOR SERVICE ON

OCT 7 1990

BY NMPSC Rule 540
APPROVED
NEW MEXICO PUBLIC SERVICE COMMISSION

Fred A. Lackey
Fred A. Lackey, Manager

MM

CONTINENTAL DIVIDE ELECTRIC COOPERATIVE, INC.
FIRST REVISED RATE NO. 2
CANCELLING ORIGINAL RATE NO. 2

COMMERCIAL SERVICE
(Schedule "CS")

Page 1 of 5

AVAILABILITY:

Available to all commercial, business, professional, public building and industrial loads requiring less than 50 kVA of transformer capacity at a single service location within the Utility's service area. X

CHARACTER OF SERVICE:

Alternating current, single or three phase, 60 Hertz, at available secondary voltages.

NET RATE PER BILLING PERIOD: (or part thereof/service)

\$10.00 per billing period (System Charge) X

-PLUS-

All kWh per billing period • 8.275¢/kWh X

The system charge shall cover costs of providing electric service, including operation and maintenance of facilities and other administrative costs.

ADVICE NOTICE NO. 22

EFFECTIVE
FOR SERVICE _____ ON

OCT 7 1990

BY Nmpsc Rule 540

APPROVED

NEW MEXICO PUBLIC SERVICE COMMISSION

Fred A. Lackey
Fred A. Lackey, Manager

CONTINENTAL DIVIDE ELECTRIC COOPERATIVE, INC.
FIRST REVISED RATE NO. 2
CANCELLING ORIGINAL RATE NO. 2

COMMERCIAL SERVICE
(Schedule "CS")

Page 2 of 5

MINIMUM CHARGES:

The minimum charges per billing period shall be the highest of the following:

- (1) \$10.00 per billing period with no allowance for kWh. X
- (2) Minimum charges in accordance with Line Extension Policy or contract (no power allowed for the first \$10.00). X
- (3) Minimum charges established by special contract between the consumer and the Utility.

Any energy allowances shall be made only during the billing period in which they occurred.

FUEL & PURCHASED POWER COST ADJUSTMENT:

The Utility shall, if the purchased power expense is increased or decreased above or below the base purchased power cost of \$0.0705664/kWh sold, flow through to the users such increases or decreases, in accordance with N.M.P.S.C. Rule No. 550. X
X
X

ADVICE NOTICE NO. 22

EFFECTIVE
FOR SERVICE ON

OCT 7 1990

BY Nmesc Rule 540

APPROVED
NEW MEXICO PUBLIC SERVICE COMMISSION

Fred A. Lackey
Fred A. Lackey, Manager

CONTINENTAL DIVIDE ELECTRIC COOPERATIVE, INC.
FIRST REVISED RATE NO. 2
CANCELLING ORIGINAL RATE NO. 2

COMMERCIAL SERVICE
(Schedule "CS")

Page 3 of 5

TAX ADJUSTMENT:

Billing under this schedule may be increased by an amount equal to the sum of the taxes payable under the gross receipts and compensating tax act and of all other taxes, fees, or charges (exclusive of Ad Valorem, State and Federal Income Taxes) payable by the Utility and levied or assessed by any governmental authority on the public utility service rendered, or on the right or privilege of rendering the service, or on any object or event incidental to the rendition of the service.

TERMS OF PAYMENT:

All bills are net and payable within 20 days from date of bill.

BILLING PERIOD:

The billing period shall be approximately 1/12 of a year but not necessarily a calendar month.

LATE PAYMENT CHARGE:

A late payment charge of one and one-half percent (1 1/2%) per billing period or fraction thereof will be charged on all utility service bills and invoices which are delinquent per the provisions of the tariff. X
X
X

ADVICE NOTICE NO. 22

EFFECTIVE
FOR SERVICE _____ ON

OCT 7 1990

BY NMESC Rule 540

APPROVED

NEW MEXICO PUBLIC SERVICE COMMISSION

Fred A. Lackey
Fred A. Lackey, Manager

CONTINENTAL DIVIDE ELECTRIC COOPERATIVE, INC.
FIRST REVISED RATE NO. 2
CANCELLING ORIGINAL RATE NO. 2

COMMERCIAL SERVICE
(Schedule "CS")

Page 4 of 5

TEMPORARY OR UNUSUAL SERVICE:

Temporary or unusual service will be covered by the Utility's Rules and Regulations. In such cases, the minimum charges, conditions of furnishing substation equipment, connection and disconnection of service and special conditions will be covered by special agreement with the customer. The customer shall pay for all expenses involved in furnishing the temporary service.

CONDITIONS OF SERVICE:

- (1) The Utility's rules and regulations, filed with the regulatory body shall apply.
- (2) All wiring, pole lines and other electrical equipment electrically on the load side of the metering point shall be considered the distribution system of the consumer and shall be furnished and maintained by the consumer.
- (3) The consumer's installation shall conform to City, State and National Electrical Codes and Electrical Safety Codes.
- (4) The consumer shall not resell or share electric service with others.
- (5) Special conditions of service shall be covered by contract.

ADVICE NOTICE NO. 22

EFFECTIVE
FOR SERVICE ON

OCT 7 1990

BY Nmeso Rule 540

APPROVED
NEW MEXICO PUBLIC SERVICE COMMISSION

Fred A. Lackey
Fred A. Lackey, Manager

CONTINENTAL DIVIDE ELECTRIC COOPERATIVE, INC.
FIRST REVISED RATE NO. 2
CANCELLING ORIGINAL RATE NO. 2

COMMERCIAL SERVICE
(Schedule "CS")

Page 5 of 5

TEMPORARY SURCHARGE:

Upon approval of this tariff by the N.M. Public Service Commission, the Utility shall add to the consumer's net bill as computed above, a surcharge of \$.003 per kWh sold to amortize the one month unrecovered fuel and purchased power adjustment costs which the Utility will realize upon the Commission's acceptance of the Utility's new base cost of purchased power. (Sentence omitted)

EFFECTIVE
FOR SERVICE ON

OCT 7 1990

BY NMSPC Rule 540

APPROVED

NEW MEXICO PUBLIC SERVICE COMMISSION

ADVICE NOTICE NO. 22

Fred A. Lackey
Fred A. Lackey, Manager

NM

CONTINENTAL DIVIDE ELECTRIC COOPERATIVE, INC.
THIRD REVISED RATE NO. 3
CANCELING SECOND REVISED RATE NO. 3

LARGE POWER SERVICE
(Schedule "LPS")

Page 1 of 6

AVAILABILITY:

Available to all consumers within the Utility's service area requiring 50 and up to 5,000 kVA of transformer capacity for all types of usage. X

CHARACTER OF SERVICE:

Alternating current, single or three phase, 60 Hertz, at available primary or secondary voltages.

NET RATE PER BILLING PERIOD: (or part thereof/service)

OPTION I:

\$20.00 per billing period (System Charge)

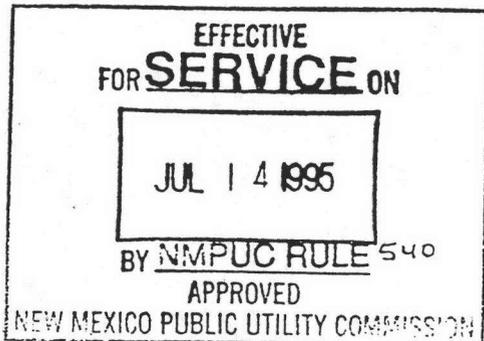
-PLUS-

Demand charge per billing period (All kVA):
Utility-owned Substation: \$9.25/kVA
Consumer-owned Substation: \$9.00/kVA

-PLUS-

Energy charge per billing period (All kVAH): .053/kVAH

ADVICE NOTICE NO. 27



Fred A. Lackey
Fred A. Lackey, Manager

CONTINENTAL DIVIDE ELECTRIC COOPERATIVE, INC
THIRD REVISED RATE NO. 3
CANCELING SECOND REVISED RATE NO.3

LARGE POWER SERVICE
(Schedule "LPS")

Page 2 of 6

NET RATE PER BILLING PERIOD: (or part thereof/service) (continued)

OPTION II: (TIME OF USE OPTION)

\$20.00 per billing period (System Charge)

-PLUS-

On - Peak Demand charge per billing period (All kVA):
Utility-owned Substation: \$10.75/kVA
Consumer-owned Substation: \$10.50/kVA

-PLUS-

Off - Peak Demand charge per billing period (All kVA):
Utility-owned Substation: \$2.50/kVA
Consumer-owned Substation: \$2.25/kVA

-PLUS-

Energy charge per billing period (All kVAH): .053/kVAH

ADVICE NOTICE NO. 27



Fred A. Lackey
Fred A. Lackey, Manager

CONTINENTAL DIVIDE ELECTRIC COOPERATIVE, INC.
THIRD REVISED RATE NO. 3
CANCELING SECOND REVISED RATE NO. 3

LARGE POWER SERVICE
(Schedule "LPS")

Page 3 of 6

MINIMUM CHARGES:

The minimum charges per billing period shall be the highest of the following:

- (1) Minimum charges in accordance with Line Extension Policy.
- (2) Or, \$2.00 per kVA of installed transformer capacity.
- (3) Or, minimum charges established by special contract between the consumer and the Utility.

Payment of the minimum charges shall entitle the consumer to system, demand and energy charge allowances only during the billing period applicable, unless otherwise specified by contract.

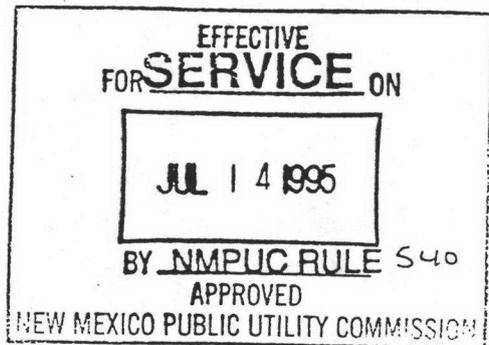
METERING:

The Utility shall install, own and operate suitable demand and power factor measuring devices for billing under this schedule.

BILLING DEMAND:

The monthly kVA Billing Demand shall be normally determined by measurement by taking the highest 15 minute integrated or equivalent thermal kW demand and dividing same by the power factor occurring at time of maximum demand or by the average monthly power factor as determined by ratcheted rkVAH meter. The monthly kVA Billing Demand may also be determined by means of suitable kVA or equivalent demand meters. All demands shall be determined to the nearest kVA.

ADVICE NOTICE NO. 27



Fred A. Lackey
Fred A. Lackey, Manager

CONTINENTAL DIVIDE ELECTRIC COOPERATIVE, INC.
THIRD REVISED RATE NO. 3
CANCELING SECOND REVISED RATE NO. 3

LARGE POWER SERVICE
(Schedule "LPS")

Page 4 of 6

BILLING DEMAND: (continued)

The on-peak billing demand will be the highest kVA demand during the period between 6:00 A.M. and 9:00 P.M. Mountain Standard Time. The off-peak excess billing demand will be the highest kVA demand during the period between 9:00 P.M. and 6:00 A.M. Mountain Standard Time minus the on-peak billing demand, but in no case shall the off-peak excess billing demand be less than zero. The consumer shall be responsible for any additional meter equipment costs when choosing the time of use option.

FUEL & PURCHASED POWER COST ADJUSTMENT:

The Utility shall, if the purchased power expense is increased or decreased above or below the base purchased power cost of \$0.0705664/kWh sold, flow through to the users such increases or decreases, in accordance with N.M.P.U.C. Rule No. 550.

TAX ADJUSTMENT:

Billing under this schedule may be increased by an amount equal to the sum of the taxes payable under the gross receipts and compensating tax act and of all other taxes, fees, or charges (exclusive of Ad Valorem, State and Federal Income Taxes) payable by the Utility and levied or assessed by any governmental authority on the public utility service rendered, or on the right or privilege of rendering the service, or on any object or event incidental to the rendition of the service.

ADVICE NOTICE NO. 27

EFFECTIVE FOR SERVICE ON
JUL 14 1995
BY NMPUC RULE 540 APPROVED
NEW MEXICO PUBLIC UTILITY COMMISSION

Fred A. Lackey
Fred A. Lackey, Manager

CONTINENTAL DIVIDE ELECTRIC COOPERATIVE, INC.
THIRD REVISED RATE NO. 3
CANCELING SECOND REVISED RATE NO. 3

LARGE POWER SERVICE
(Schedule "LPS")

Page 5 of 6

TERMS OF PAYMENT:

The charges for electric service under this schedule are due and payable within twenty (20) days from billing date.

BILLING PERIOD:

The billing period shall be approximately 1/12 of a year but not necessarily a calendar month.

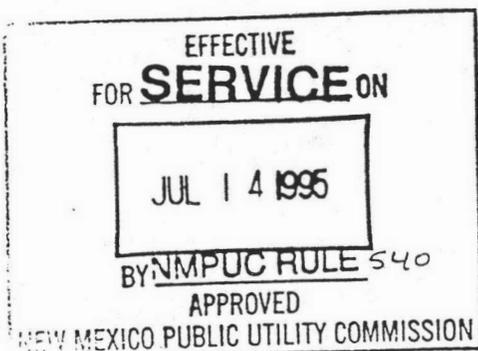
LATE PAYMENT CHARGE:

A late payment charge of one and one-half percent (1 1/2%) per billing period or fraction thereof will be charged on all utility service bills and invoices which are delinquent per the provisions of the tariff.

TEMPORARY OR UNUSUAL SERVICE:

Temporary or unusual service will be covered by the Utility's Rules and Regulations. In such cases, the minimum charges, conditions of furnishing substation equipment, connection and disconnection of service and special conditions will be covered by special agreement with the customer. The customer shall pay for all expenses involved in furnishing the temporary service.

ADVICE NOTICE NO. 27



Fred A. Lackey
Fred A. Lackey, Manager

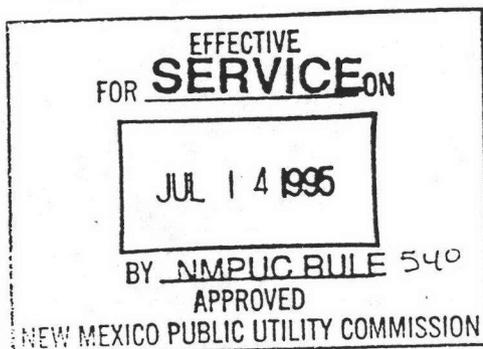
CONTINENTAL DIVIDE ELECTRIC COOPERATIVE
THIRD REVISED RATE NO. 3
CANCELING SECOND REVISED RATE NO.3

LARGE POWER SERVICE
(Schedule "LPS")

Page 6 of 6

CONDITIONS OF SERVICE:

- (1) The Utility's rules and regulations, filed with the regulatory body shall apply.
- (2) All wiring, pole lines and other electrical equipment electrically on the load side of the metering point shall be considered the distribution system of the consumer and shall be furnished and maintained by the consumer.
- (3) The consumer's installation shall conform to City, State and National Electrical Codes and Electrical Safety Codes.
- (4) The consumer shall not resell or share electrical service with others.
- (5) Service will be rendered under this schedule for an initial contract period of not less than 12 months.
- (6) Special conditions of service shall be covered by contract.
- (7) When demand reaches or exceeds 5,000 kW, consumer will be required to enter into contract to meet Plains Electric Generation and Transmission Cooperative Inc.'s Policies. X
X
X
X



ADVICE NOTICE NO. 27

Fred A. Lackey
Fred A. Lackey, Manager

AZ Rate Schedules

CONTINENTAL DIVIDE ELECTRIC COOPERATIVE, INC.
PURCHASED POWER COST ADJUSTMENT FACTORS

ARIZONA	<u>1997</u>	<u>1998</u>	<u>1999</u>
JANUARY	(0.00127325)	(0.00323899)	(0.00117940)
FEBRUARY	(0.00127325)	(0.00323899)	(0.00117940)
MARCH	(0.00127325)	(0.00069419)	(0.00117940)
APRIL	(0.00052783)	(0.00069419)	(0.00117940)
MAY	(0.00052783)	(0.00069419)	(0.00117940)
JUNE	(0.00052783)	(0.00069419)	(0.00117940)
JULY	(0.00052783)	(0.00069419)	(0.00117940)
AUGUST	(0.00323899)	(0.00069419)	(0.00017504)
SEPTEMBER	(0.00323899)	(0.00530898)	(0.00017504)
OCTOBER	(0.00323899)	(0.00530898)	(0.00017504)
NOVEMBER	(0.00323899)	(0.00530898)	(0.00017504)
DECEMBER	(0.00323899)	(0.00530898)	(0.00017504)

CONTINENTAL DIVIDE ELECTRIC COOPERATIVE, INC.
FIRST REVISED RATE NO. 1
CANCELLING ORIGINAL RATE NO. 1

ORIGINAL

RESIDENTIAL SERVICE
(Schedule "RS")

Page 1 of 4

AVAILABILITY:

Available only for normal domestic power use to individual residences, individual dwelling units, and individual apartments within the Utility's service area. Service under this schedule is not available for master-metered multiple housing units, business establishments or public buildings.

CHARACTER OF SERVICE:

Alternating current, 60 Hertz, at available secondary voltages.

NET RATE PER BILLING PERIOD: (or part thereof/service)

5.00 per billing period (System Charge)

-PLUS-

All kWh per billing period @ \$0.0768/kWh

The system charge shall cover costs of providing electric service, including operation and maintenance of facilities and other administrative costs.

APPROVED FOR FILING
IN COMPLIANCE WITH
DECISION #: 57746

Fred A. Lackey
Fred A. Lackey, Manager

EFFECTIVE APRIL 1, 1992

ORIGINAL

CONTINENTAL DIVIDE ELECTRIC COOPERATIVE, INC..
FIRST REVISED RATE NO. 1
CANCELLING ORIGINAL RATE NO. 1

RESIDENTIAL SERVICE
(Schedule "RS")

Page 2 of 4

MINIMUM CHARGES:

The minimum charges per billing period shall be the highest of the following:

- (1) \$5.00 per billing period with no allowance for kWh.
- (2) Minimum charges in accordance with Line Extension Policy or contract (no power allowed for the first \$5.00).
- (3) Minimum charges established by special contract between the consumer and the Utility.

Any energy allowances shall be made only during the billing period in which they occurred.

FUEL & PURCHASED POWER COST ADJUSTMENT:

The Utility shall, if the purchased power expense is increased or decreased above or below the base purchased power cost of \$0.0656732/kWh sold, flow through to the users such increases or decreases, in accordance with Arizona Corporation Commission Rules.

APPROVED FOR FILING
IN COMPLIANCE WITH
DECISION #: 57746

EFFECTIVE APRIL 1, 1992

Fred A. Lackey
Fred A. Lackey, Manager

CONTINENTAL DIVIDE ELECTRIC COOPERATIVE, INC.
FIRST REVISED RATE NO. 1
CANCELLING ORIGINAL RATE NO. 1

ORIGINAL

RESIDENTIAL SERVICE
(Schedule "RS")

Page 3 of 4

TAX ADJUSTMENT:

Billing under this schedule may be increased by an amount equal to the sum of the taxes payable under the gross receipts and compensating tax act and of all other taxes, feeds, or charges (exclusive of Ad Valorem, State and Federal Income Taxes) payable by the Utility and levied or assessed by any governmental authority on the public utility service rendered, or on the right or privilege or rendering the service, or on any object or event incidental to the rendition of the service.

TERMS OF PAYMENT:

All bills are net and payable within 20 days from the date of bill.

BILLING PERIOD:

The billing period shall be approximately 1/12 of a year but not necessarily a calendar month.

LATE PAYMENT CHARGE:

A late payment charge of one and one-half percent (1 1/2%) per billing period or fraction thereof will be charged on all utility service bills and invoices which are delinquent per the provisions of the tariff.

APPROVED FOR FILING
IN COMPLIANCE WITH
DECISION #: 57746

EFFECTIVE APRIL 1, 1992

Fred A. Lackey
Fred A. Lackey, Manager

ORIGINAL

CONTINENTAL DIVIDE ELECTRIC COOPERATIVE, INC.
FIRST REVISED RATE NO. 1
CANCELLING ORIGINAL RATE NO. 1

RESIDENTIAL SERVICE
(Schedule "RS")

Page 4 of 4

BUDGET BILLING:

Upon the request of the consumer and for his convenience, the Utility shall provide budget billing in accordance with the rules and regulations filed by the Utility and approved by the Arizona Corporation Commission.

TEMPORARY OR UNUSUAL SERVICE:

Temporary or unusual service will be covered by the Utility's Rules and Regulations. In such cases the minimum charges, conditions of furnishings substation equipment, connection and disconnection of service and special conditions will be covered by special agreement with the customer. The customer shall pay for all expenses involved in furnishing the temporary service.

CONDITIONS OF SERVICE:

- (1) The Utility's rules and regulations, filed with the regulatory body shall apply.
- (2) All wiring, pole lines and other electrical equipment electrically on the load side of the metering point shall be considered the distribution system of the consumer and shall be furnished and maintained by the consumer.
- (3) The consumer's installation shall conform to City, State and National Electrical Codes and Electrical Safety Codes.
- (4) The consumer shall not resell or share electric service with others.
- (5) Special conditions of service shall be covered by contract.

APPROVED FOR FILING
IN COMPLIANCE WITH
DECISION #: 57746

Fred A. Lackey
Fred A. Lackey, Manager

EFFECTIVE APRIL 1, 1992

CONTINENTAL DIVIDE ELECTRIC COOPERATIVE, INC.
FIRST REVISED RATE NO. 2
CANCELLING ORIGINAL RATE NO. 2

ORIGINAL

COMMERCIAL SERVICE
(Schedule "CS")

Page 1 of 4

AVAILABILITY:

Available to all commercial, business, professional, public building and industrial loads requiring less than 50 kVA of transformer capacity at a single service location within the Utility's service area.

CHARACTER OF SERVICE:

Alternating current, single or three phase, 60 Hertz, at available secondary voltages.

NET RATE PER BILLING PERIOD: (or part thereof/service)

\$7.50 per billing period (System Charge)

-PLUS_

All kWh per billing period @ \$0.0791/kWh

The system charge shall cover costs of providing electric service, including operation and maintenance of facilities and other administrative costs.

APPROVED FOR FILING
IN COMPLIANCE WITH
DECISION #: 57746

EFFECTIVE APRIL 1, 1992

Fred A. Lackey
Fred A. Lackey, Manager

CONTINENTAL DIVIDE ELECTRIC COOPERATIVE, INC.
FIRST REVISED RATE NO. 2
CANCELLING ORIGINAL RATE NO. 2

ORIGINAL

COMMERCIAL SERVICE
(Schedule "CS")

Page 2 of 4

MINIMUM CHARGES:

The minimum charges per billing period shall be the highest of the following:

- (1) \$7.50 per billing period with no allowance for kWh.
- (2) Minimum charges in accordance with Line Extension Policy or contract (no power allowed for the first \$7.50)
- (3) Minimum charges established by special contract between the consumer and the Utility.

Any energy allowances shall be made only during the billing period in which they occurred.

FUEL & PURCHASED POWER COST ADJUSTMENT:

The Utility shall, if the purchased power expense is increased or decreased above or below the base purchased power cost of \$0.0656732/kWh sold, flow through to the user such increases or decreases, in accordance with Arizona Corporation Commission Rules.

APPROVED FOR FILING
IN COMPLIANCE WITH
DECISION #: 57746

Fred A. Lackey
Fred A. Lackey, Manager

ORIGINAL

CONTINENTAL DIVIDE ELECTRIC COOPERATIVE, INC.
FIRST REVISED RATE NO. 2
CANCELLING ORIGINAL RATE NO. 2

COMMERCIAL SERVICE
(Schedule "CS")

Page 3 of 4

TAX ADJUSTMENT:

Billing under this schedule may be increased by an amount equal to the sum of the taxes payable under the gross receipts and compensating tax act and of all other taxes, fees, or charges (exclusive of Ad Valorem, State and Federal Income Taxes) payable by the Utility and levied or assessed by any governmental authority on the public utility service rendered, or on the right or privilege of rendering the service, or on any object or event incidental to the rendition of the service.

TERM OF PAYMENT:

All bills are net and payable within 20 days from date of bill.

BILLING PERIOD:

The billing period shall be approximately 1/12 of a year but not necessarily a calendar month.

LATE PAYMENT CHARGE:

A late payment charge of one and one-half percent (1 1/2%) per billing period or fraction thereof will be charged on all utility service bills and invoices which are delinquent per the provisions of the tariff.

APPROVED FOR FILING
IN COMPLIANCE WITH
DECISION #: 57746

Fred A. Lackey
Fred A. Lackey, Manager

EFFECTIVE APRIL 1, 1992

ORIGINAL

CONTINENTAL DIVIDE ELECTRIC COOPERATIVE, INC.
FIRST REVISED RATE NO. 2
CANCELLING ORIGINAL RATE NO. 2

COMMERCIAL SERVICE
(Schedule "CS")

Page 4 of 4

TEMPORARY OR UNUSUAL SERVICE:

Temporary or unusual service will be covered by the Utility's Rules and Regulations. In such cases, the minimum charges, conditions or furnishing substation equipment, connection and disconnection of service and special conditions will be covered by special agreement with the customer. The customer shall pay for all expenses involved in furnishing the temporary service.

CONDITIONS OF SERVICE:

- (1) The Utility's rules and regulations, filed with the regulatory body shall apply.
- (2) All wiring, pole lines and other electrical equipment electrically on the load side of the metering point shall be considered the distribution system of the consumer and shall be furnished and maintained by the consumer.
- (3) The consumer's installation shall conform to City, State and National Electrical Codes and Electrical Safety Codes.
- (4) The consumer shall not resell or share electric service with others.
- (5) Special conditions of service shall be covered by contract.

APPROVED FOR FILING
IN COMPLIANCE WITH
DECISION #: 57746

Fred A. Lackey
Fred A. Lackey, Manager

EFFECTIVE APRIL 1, 1992

ORIGINAL

CONTINENTAL DIVIDE ELECTRIC COOPERATIVE, INC.
SECOND REVISED RATE NO. 3
CANCELLING FIRST REVISED RATE NO. 3

LARGE POWER SERVICE
(Schedule "LPS")

Page 1 of 6

AVAILABILITY:

Available to all consumers within the Utility's service area requiring 50 kVA or more of transformer capacity for all types of usage. If consumer requires 3,000 KW or more of capacity and requires a transmission delivery voltage of 115,000 volts or higher, this schedule shall not be applicable.

CHARACTER OF SERVICE:

Alternating current, single or three phase, 60 Hertz, at available primary or secondary voltages.

NET RATE PER BILLING PERIOD: (or part thereof/service)

OPTION I:

\$15.00 per billing period (System Charge)

-PLUS-

Demand charge per billing period (All kVA):

Utility-owned Substation:	\$8.25/kVA
Consumer-owned Substation:	\$8.00/kVA

-PLUS-

Energy charge per billing period (All KVAH): \$0.04623 kVAH

APPROVED FOR FILING
IN COMPLIANCE WITH
DECISION #: 57746

Fred A. Lackey
Fred A. Lackey, Manager

EFFECTIVE APRIL 1, 1992

CONTINENTAL DIVIDE ELECTRIC COOPERATIVE, INC.
SECOND REVISED RATE NO. 3
CANCELLING FIRST REVISED RATE NO. 3

ORIGINAL

LARGE POWER SERVICE
(Schedule "LPS")

Page 2 of 6

NET RATE PER BILLING PERIOD: (or part there/of service) -
(continued)

OPTION II: TIME OF USE OPTION:

\$15.00 per billing period (System Charge)

-PLUS-

On - Peak Demand charge per billing period (All kVA):
Utility-owned Substation: \$9.75/kVA
Consumer-owned Substation: \$9.50/kVA

-PLUS-

Off - Peak Demand charge per billing period (All kVA):
Utility -owned Substation: \$2.50/kVA
Consumer-owned Substation: \$2.25/kVA

-PLUS-

Energy charge per billing period (All kVAH): \$0.4623/kVAH

.04623

APPROVED FOR FILING
IN COMPLIANCE WITH
DECISION #: 57746

Fred A. Lackey
Fred A. Lackey, Manager

EFFECTIVE APRIL 1, 1992

CONTINENTAL DIVIDE ELECTRIC COOPERATIVE, INC.
SECOND REVISED RATE NO. 3
CANCELLING FIRST REVISED RATE NO. 3

ORIGINAL

LARGE POWER SERVICE
(Schedule "LPS")

Page 3 of 6

MINIMUM CHARGES:

The minimum charges per billing period shall be the highest of the following:

- (1) Minimum charges in accordance with Line Extension Policy.
- (2) Or, \$2.00 per kVA of installed transformer capacity.
- (3) Or, minimum charges established by special contract between the consumer and the Utility.

Payment of the minimum charges shall entitle the consumer to system, demand and energy charge allowances only during the billing period applicable, unless otherwise specified by contract.

METERING:

The Utility shall install, own and operate suitable demand and power factor measuring devices for billing under this schedule.

BILLING DEMAND:

The monthly kVA Billing Demand shall be normally determined by measurement by taking the highest 15 minute integrated or equivalent thermal kW demand and dividing same by the power factor occurring at time of maximum demand or by the average monthly power factor as determined by a ratcheted rkVAH meter. The monthly KVA Billing Demand may also be determined by means of suitable kVA or equivalent demand meters. All demands shall be determined to the nearest kVA.

APPROVED FOR FILING
IN COMPLIANCE WITH
DECISION #: 57746

Fred A. Lackey
Fred A. Lackey, Manager

EFFECTIVE APRIL 1, 1992

ORIGINAL

CONTINENTAL DIVIDE ELECTRIC COOPERATIVE, INC.
SECOND REVISED RATE NO. 3
CANCELLING FIRST REVISED RATE 3

LARGE POWER SERVICE
(Schedule "LPS")

Page 4 of 6

BILLING DEMAND: (continued)

The on-peak billing demand will be the highest kVA demand during the period between 6:00 A.M. and 9:00 P.M. Mountain Standard Time. The off-peak excess billing demand will be the highest kVA demand during the period between 9:00 P.M. and 6:00 A.M. Mountain Standard Time minus the on-peak billing demand, but in no case shall the off-peak excess billing demand be less than zero. The consumer shall be responsible for any additional meter equipment cost when choosing the time of use option.

FUEL & PURCHASED POWER COST ADJUSTMENT:

The Utility shall, if the purchased power expense is increased or decreased above or below the base purchased power cost of \$0.0656732/kWh sold, flow through the users such increases or decreases, in accordance with the Arizona Corporation Commission's Rules.

TAX ADJUSTMENT:

Billing under this schedule may be increased by an amount equal to the sum of taxes payable under the gross receipts and compensating tax act and of all other taxes, fees, or charges (exclusive of Ad Valorem, State and Federal Income Taxes) Payable by the Utility and levied or assessed by any governmental authority on the public utility service rendered, or on the right or privilege of rendering the service, or on any object or event incidental to the rendition of the service.

APPROVED FOR FILING
IN COMPLIANCE WITH
DECISION #: 57746

Fred A. Lackey
Fred A. Lackey, Manager

EFFECTIVE APRIL 1, 1992

ORIGINAL

CONTINENTAL DIVIDE ELECTRIC COOPERATIVE, INC.
SECOND REVISED RATE NO. 3
CANCELLING FIRST REVISED RATE NO. 3

LARGE POWER SERVICE
(Schedule "LPS")

Page 5 of 6

TERMS OF PAYMENT:

The charges for electric service under this schedule are due and payable within twenty (20) days from billing date.

BILLING PERIOD:

The billing period shall be approximately 1/12 of a year but not necessarily a calendar month.

LATE PAYMENT CHARGE:

A late payment charge of one and one-half percent (1 1/2%) per billing period or fraction thereof will be charged on all utility service bills and invoices which are delinquent per the provisions of the tariff.

TEMPORARY OR UNUSUAL SERVICE:

Temporary or unusual service will be covered by the Utility's Rules and Regulations. In such cases, the minimum charges, conditions of furnishing substation equipment, connection and disconnection of service and special conditions will be covered by special agreement with the customer. The customer shall pay for all expenses involved in furnishing the temporary service.

APPROVED FOR FILING
IN COMPLIANCE WITH
DECISION #: 57746

Fred A. Lackey
Fred A. Lackey, Manager

EFFECTIVE APRIL 1, 1992

CONTINENTAL DIVIDE ELECTRIC COOPERATIVE, INC.
SECOND REVISED RATE NO. 3
CANCELLING FIRST REVISED RATE NO. 3

ORIGINAL

LARGE POWER SERVICE
(Schedule "LPS")

Page 6 of 6

CONDITIONS OF SERVICE:

- (1) The Utility's rules and regulations, filed with the regulatory body shall apply.
- (2) All wiring, pole lines and other electrical equipment electrically on the load side of the metering point shall be considered the distribution system of the consumer and shall be furnished and maintained by the consumer.
- (3) The consumer's installation shall conform to City, State, and National Electrical Codes and Electrical Safety Codes.
- (4) The consumer shall not resell or share electric service with others.
- (5) Service will be rendered under this schedule for an initial contract period of not less than 12 months.
- (6) Special conditions of service shall be covered by contract.

APPROVED FOR FILING IN COMPLIANCE WITH DECISION #: 57746
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Fred A. Lackey
 Fred A. Lackey, Manager

EFFECTIVE APRIL 1, 1992

NTUA Rate Schedule

VOLUME I

ELECTRIC

SERVICE

RATE

SCHEDULES

APPROVED BY: 

DATE OF APPROVAL: September 24, 1992

EFFECTIVE DATE: November 1, 1992

RATE SCHEDULE ER-01

RATE CODE 1

Residential Service

Availability

Available to all customers located in Navajo Country along existing lines of the Authority, where facilities of adequate capacity and suitable voltage are adjacent to the premises to be served.

Applicability

Applicable to electric service required for residential purposes in individual private homes or in individual metered apartments where service is provided at one point of delivery through one meter.

Character of Service

Single phase, 60 hertz, at one standard voltage (120/240 or 120/208 as maybe selected, subject to availability at the premises). Approval of the Authority must be obtained prior to the installation of any motor having a rated capacity of five (5) horsepower or more.

Net Monthly Rate

The monthly billing shall be the sum of the service charge and the energy charge set forth below:

Service Charge \$3.00

Energy Charge

All KWH \$0.0660 per KWH

Monthly Minimum Charge

The monthly minimum charge shall not be less than the monthly service charge.

Adjustment for Purchase Power Cost Changes

The above rates are subject to increase or decrease by the amounts by which the Cost of Purchased Power exceeds or is less than \$0.03574 per KWH sold. The Cost of Purchased Power includes all costs of purchased capacity and energy, and the costs paid to others for the transmission of such power and energy.

Terms and Conditions

Subject to the Authority's rules and regulations for electric service.

APPROVED BY: *Melvin D. Dula*

DATE OF APPROVAL: September 24, 1992

EFFECTIVE DATE: October 1, 1993

RATE SCHEDULE ER-02

RATE CODE 2

Residential Service-Electric Heat

Availability

Available to approved individual residential consumers located in Navajo Country along existing lines of the Authority, when facilities of adequate capacity and suitable voltage are adjacent to the premises to be served.

Applicability

Applicable to electric service required for permanently installed space heating and other residential purposes in individual private homes or apartments where service is provided and measured at one point of delivery through one meter.

Character of Service

Single phase, 60 hertz, at one standard voltage, 120/240 or 120/208 as may be selected, subject to availability at the premises. Approval of the Authority must be obtained prior to the installation of any motor having a rated capacity of five (5) horsepower.

Net Monthly Rate

The monthly billing shall be the sum of the service charge and the energy charge set forth below:

Service Charge \$7.00

Energy Charge

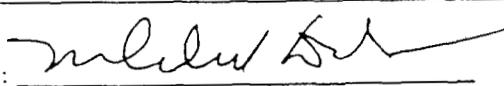
All KWH \$0.0580 per KWH

Monthly Minimum Charge

The monthly minimum charge shall not be less than the monthly service charge.

Special Conditions

- A. The installation of electric space heating according to plans and specifications for construction of the residence which have been approved in advance by the Authority is a prerequisite to the availability of this rate schedule. The Authority does not assume any responsibility for installation or operations of the customer's space heating equipment, nor does the Authority assume any responsibility with respect to the customer's premises, such as the insulation of the area to be heated.

APPROVED BY: 

DATE OF APPROVAL: September 24, 1992

EFFECTIVE DATE: October 1, 1993

RATE SCHEDULE ER-02 (continued)

RATE CODE 2

Special Conditions (continued)

- B. The use of electrical energy as fuel for not less than 90% of the space heating requirements of a residence is necessary to qualify for this rate.
- C. The entire cost of the entrance to service installations under this schedule (except the meter) shall be paid for by the customer.
- D. This rate is not available on a seasonal basis, and the Authority reserves the right to inspect the premises and make such investigations as may be desirable in its sole discretion to determine whether or not the requirements of this rate schedule are being met.
- E. All heaters larger than 1650 watts shall be designated to operate at 208 volts or 240 volts, whichever is available.

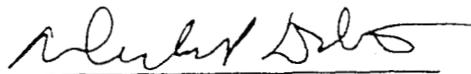
Adjustment for Purchase Power Cost Changes

The above rates are subject to increase or decrease by the amounts by which the Cost of Purchased Power exceeds or is less than \$0.03574 per KWH sold. The Cost of Purchased Power includes all costs of purchased capacity and energy, and the costs paid to others for the transmitting of such power and energy.

Terms and Conditions

Subject to the Authority's rules and regulations for electric service.

APPROVED BY: _____



DATE OF APPROVAL: September 24, 1992

EFFECTIVE DATE: October 1, 1993

RATE SCHEDULE EG-03

RATE CODE 3

General Service

Availability

Available to all consumers located in Navajo Country along existing lines of the Authority, where facilities of adequate capacity and suitable voltage are adjacent to the premises to be served.

Applicability

Applicable for commercial, industrial, institutional, three-phase farm and home service, and all other uses not ordinarily considered as normal residential, home, or farm use.

Character of Service

Normally 120/240 volts, single phase, 240 or 480 volts three-phase or 120/208 volts four-wire, combination single and three-phase, 60 hertz, through a single set of service wires. A demand meter is required for service under this rate schedule when minimum demand is 25 KW or more.

Net Monthly Rate

The monthly billing shall be the sum of the service charge and the demand and energy charges set forth below:

Service Charge \$6.00

Demand Charge:

First 25 KW	None
Next 175 KW	\$4.00 per KW
Additional KW	\$3.00 per KW

Energy Charge:

First 200 KWH	\$0.0900 per KWH
Next 800 KWH	\$0.0800 per KWH
Next 6,000 KWH	\$0.0700 per KWH
Additional KWH	\$0.0650 per KWH

APPROVED BY: *[Signature]*
EFFECTIVE DATE: October 1, 1993

DATE OF APPROVAL: September 24, 1992

RATE SCHEDULE EG-03 (continued) RATE CODE 3

Determination of Billing Demand

The billing demand shall be the maximum 15-minute integrated or thermal kilowatt demand established by the customer during the month for which the bill is rendered, as recorded or indicated by the demand meter and adjusted for power.

If the customer's power factor is less than eighty-five percent (85%), the customer shall be required to pay for eighty-five (85%) of the KVA and KVAH used.

Monthly Minimum Charge

The monthly minimum charge shall be the highest of the following charges:

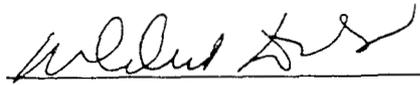
1. A charge of \$16.20 or
2. The minimum monthly charge specified in the customer's service application or contract.

Adjustment for Purchase Power Cost Changes

The above rates are subject to increase or decrease by the amounts by which the Cost of Purchased Power exceeds or is less than \$0.03574 per KWH sold. The Cost of Purchased Power includes all costs of purchased capacity and energy, and the costs paid to others for the transmission of such power and energy.

Terms and Conditions

Subject to the Authority's rules and regulations for electric service.

APPROVED BY: 
EFFECTIVE DATE: October 1, 1993

DATE OF APPROVAL: September 24, 1992

RATE SCHEDULE

RATE CODE

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APPROVED BY: _____

DATE OF APPROVAL: _____

EFFECTIVE DATE: _____

VOLUME I

RATE SCHEDULE

RATE CODE

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APPROVED BY: _____

DATE OF APPROVAL: _____

EFFECTIVE DATE: _____

RATE SCHEDULE EL-04

RATE CODE 4

Oil and Gas Field Service

Availability

Available to all consumers located in Navajo Country along existing lines of the Authority, where facilities of adequate capacity and suitable voltage are adjacent to the premises to be served. A service application or contract shall be entered into between the customer and the Authority for a term of not less than 12 months.

Applicability

Applicable to electric service for installations of oil and gas industry as required at one point of deliver through a single meter at primary voltage available at the location from the Authority's lines.

Character of Service

Normally three-phase, 60 hertz, at the Authority's primary system voltage, with demand metering required.

Net Monthly Rate

The monthly billing shall be the sum of the service charge and the demand and energy charges set forth below:

Service Charge \$12.00

Demand Charge:

All KW \$4.25 per KW

Energy Charge:

All KWH \$0.0605 per KWH

Determination of Billing Demand

The billing demand shall be the maximum 15-minute integrated or thermal kilowatt demand established by the customer during the month for which the bill is rendered, as recorded or indicated by the demand meter and adjusted for power factor as provided in the next paragraph.

If the customer's power factor is less than eighty-five percent (85%), the customer shall be required to pay for eighty-five (85%) of the KVA and KVAH used.

lagging & leading

APPROVED BY: *[Signature]*

DATE OF APPROVAL: September 24, 1992

EFFECTIVE DATE: October 1, 1993

VOLUME I

RATE SCHEDULE EL-04 (continued)

RATE CODE 4

Monthly Minimum Charge

The monthly minimum charge shall be the highest of the following charges:

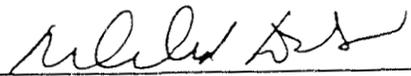
1. A charge of \$90.00 or
2. The minimum monthly charge specified in the customer's service application or contract.

Adjustment for Purchase Power Cost Changes

The above rates are subject to increase or decrease by the amounts by which the Cost of Purchased Power exceeds or is less than \$0.03574 cents per KWH sold. The Cost of Purchased Power includes all costs of purchased capacity and energy, and the costs paid to others for the transmission of such power and energy.

Terms and Conditions

Subject to the Authority's rules and regulations for electric service.

APPROVED BY: 
EFFECTIVE DATE: October 1, 1993

DATE OF APPROVAL: September 24, 1992

VOLUME I

RATE SCHEDULE EL-05

RATE CODE 5

Large Power Service (Primary)

Availability

Available to all customers located in Navajo Country where facilities of adequate capacity and suitable voltage are adjacent to the premises to be served. A written contract shall be entered into between the customer and the Authority for a term of not less than 36 months.

Applicability

Applicable to electric service at primary voltage, as required by customers, and as available from the Authority.

Character of Service

Normally, service at primary voltage, 2,400 volts or higher, three-phase, 60 hertz, with demand metering required.

Net Monthly Rate

The net monthly billing shall be the sum of the demand and energy charges set forth below, subject to adjustments as provided in this rate schedule:

Demand Charge:

All KW (of Billing Demand) \$16.50 per KW

Energy Charge:

All KWH \$0.0200 per KWH

Determination of Billing Demand

The billing demand shall be the higher of (I) the Contract Demand as set forth in a contract between NTUA and the customer, or (II) the maximum fifteen (15) minutes integrated demand established by the customer during the current month or the previous eleven (11) months, as measured by standard metering equipment, but in no event less than 1000 KW.

Monthly Minimum Charge

The monthly minimum charge shall be the demand charge applied to the Billing Demand, as determined above, or as provided in the Contract with the customer.

APPROVED BY: 
EFFECTIVE DATE: October 1, 1993

DATE OF APPROVAL: September 24, 1992

RATE SCHEDULE EL-05 (continued)

RATE CODE 5

Adjustment for Purchase Power Cost Changes

The above rates are subject to increase or decrease by the amounts by which the Cost of Purchased Power exceeds or is less than \$0.03574 per KWH sold. The Cost of Purchased Power includes all costs of purchased capacity and energy, and the costs paid to others for the transmission of such power and energy.

Power Factor Adjustment

The measured demand may be adjusted if, during the period of customer's maximum demand, the power factor is found to be less than ninety percent (90%). The adjustment shall be made by increasing the measured demand one kilowatt for each KVA or fraction thereof by which the actual KVA demand exceeds the KVA demand at ninety percent (90%) power factor.

Peak Demand Adjustment

In the event the momentary peak demands of customer result in an increase in kilowatt Billing Demand to NTUA by a supplier of power to NTUA, a like increase in the billing Demand will be made to the customer.

Excess Delivery

The delivery of power in excess of the contract demand shall not obligate NTUA to continue the delivery of such excess; and in the event that NTUA is unable to continue such deliveries, the billing demand shall reduce accordingly.

Terms and Conditions

Subject to the Authority's rules and regulations for electric service.

APPROVED BY: _____



DATE OF APPROVAL: September 24, 1992

EFFECTIVE DATE: October 1, 1993

RATE SCHEDULE

RATE CODE

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DATE OF APPROVAL: _____

EFFECTIVE DATE: _____

RATE SCHEDULE

RATE CODE

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APPROVED BY: _____

DATE OF APPROVAL: _____

EFFECTIVE DATE: _____

RATE SCHEDULE ES-06

RATE CODE 6

Public Street, Highway and Private Area Lighting

Availability

Available to individual customers, public agencies and government instrumentalities, or other customers of the Authority in Navajo Country located along existing lines of the Authority.

Applicability

Applicable to dusk to dawn overhead lighting of streets, thoroughfares, private areas, alleys, grounds, and other areas.

Character of Service

The Authority will install a dusk to dawn luminaire on existing service poles and maintain the necessary facilities, including lamps, fixtures, controls, and so forth in accordance with its specifications; and supply electric energy for dusk to dawn operation of the lamps. Lamp replacements will be made by the Authority within a reasonable time of a reported outage.

Net Monthly Rate

The net monthly billing shall be as follows:

Monthly Charge \$7.75 per Lamp

Special Conditions - Dusk to Dawn Lights

- A. General. All currently available dusk to dawn lights are equipped with 120 volt, 2 wire ballasts. Other than the lamp, fixture and connection to the unmetered supply on an existing pole and all facilities including new poles and service cable shall be considered as extension facilities and shall be paid for by the customer.
- B. Establishment Fee. A non-refundable establishment fee of \$10.00 per lamp shall be paid in advance by the customer for the establishment of a dusk to dawn light.
- C. Extensions. The maximum span on unguyed #4 duplex is 150 feet. If an extension exceeds 150 feet, an additional pole will be required for each 150-foot span or portion thereof. Customer shall pay all costs attributable to new facilities and extensions.
- D. Ownership of Facilities. All lamps, poles, and fixtures shall be and remain the property of the Authority.

APPROVED BY: [Signature]
EFFECTIVE DATE: November 1, 1992

DATE OF APPROVAL: September 24, 1992

RATE SCHEDULE ES-06 (continued)

RATE CODE 6

- E. Vandalism. Excessive vandalism, as determined in the discretion of the Authority, shall result in removal of the light and any extension facilities. The Authority may give reasonable notice of its intention to terminate service for vandalism.
- F. Maintenance. The customer shall be responsible for any damage to facilities caused by him or instrumentalities under his control. Maintenance of all facilities shall be provided by the Authority.
- G. Outages. It shall be the duty of the customer to report to the Authority the failure of any lamp to burn or to burn adequately. The Authority will, during regular working hours, perform the necessary maintenance to restore proper service within a reasonable time.

Terms and Conditions

Subject to the Authority's rules and regulations for electric service.

APPROVED BY: *[Signature]*

DATE OF APPROVAL: September 24, 1992

EFFECTIVE DATE: November 1, 1992

RATE SCHEDULE ES-07

RATE CODE 7

Special Area Lighting Service

Availability

Available to public agencies and government instrumentalities, or other customers of the Authority in Navajo Country located along existing lines of the Authority.

Applicability

Applicable to lighting of stadiums, athletic grounds, rodeo arenas and other special areas for public agencies, government instrumentalities, and others under a contract for a specified term, where the Authority furnishes electric service to facilities owned by the customer.

Character of Service

Normally, single phase, 60 hertz, at one standard voltage, as may be selected (not over 480 volts), subject to availability at the premises.

Net Monthly Rate

The monthly billing shall be in accordance with contract terms.

Special Conditions

- A. Service under this rate is limited to those situations where high level lighting is required for a specified area, such as an athletic field, rodeo arena and so forth.
- B. Individual contracts must be negotiated with the Authority for such applications.
- C. The Authority reserves the right to require a deposit guaranteeing performance by the customer of the contract payments.

Terms and Conditions

Subject to the Authority's rules and regulations for electric service

APPROVED BY: 
EFFECTIVE DATE: November 1, 1992

DATE OF APPROVAL: September 24, 1992

VOLUME I

RATE SCHEDULE EL-10

RATE CODE 10

Irrigation

Availability

Available to all consumers located in Navajo Country along existing lines of the Authority, where facilities of adequate capacity and suitable voltage are adjacent to the premises to be served.

Applicability

Applicable for irrigating pumping service used for business purposes.

Character of Service

Normally 120/240 volts, single phase, 240 or 480 volts three-phase or 120/208 or 277/480 volts four-wire, combination single and three-phase, 60 hertz, through a single set of service wires. A demand meter is required for service under this rate schedule.

Net Monthly Rate

The monthly billing shall be the sum of the service charge and the demand and energy charges set forth below:

Service Charge \$6.00

Demand Charge:

All KW \$3.50 per KW

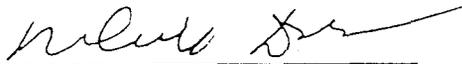
Energy Charge:

All KWH \$0.0570 per KWH

Determination of Billing Demand

The billing demand shall be the maximum 15-minute integrated or thermal kilowatt demand established by the customer during the month for which the bill is rendered, as recorded or indicated by the demand meter and adjusted for power factor as provided in the next paragraph.

If the customer's power factor is less than ninety percent (90%), the customer shall be required to pay for ninety (90%) of the KVA and KVAH used at the KW Demand Charge for KVA and at the KWH Energy Charge for KVAH.

APPROVED BY: 

DATE OF APPROVAL: September 24, 1992

EFFECTIVE DATE: October 1, 1993

RATE SCHEDULE EL-10 (continued)

RATE CODE 10

Monthly Minimum Charge

The monthly minimum charge shall be the highest of the following charges:

1. A charge of \$17.55 or
2. The minimum monthly charge specified in the customer's service application or contract.

Adjustment for Purchase Power Cost Changes

The above rates are subject to increase or decrease by the amounts by which the Cost of Purchased Power exceeds or is less than \$0.03574 per KWH sold. The Cost of Purchased Power includes all costs of purchased capacity and energy, and the costs paid to others for the transmission of such power and energy.

Terms and Conditions

Subject to the Authority's rules and regulations for electric service.

APPROVED BY: *Michael G. [Signature]*

DATE OF APPROVAL: September 24, 1992

EFFECTIVE DATE: October 1, 1993

RATE SCHEDULE PV-01

RATE CODE *

Solar Photovoltaic (PV) Service
(Experimental Pilot Program)

Availability

Available to customers who do not reside along existing electric lines of the Authority, who resides in areas reasonably accessible by standard utility vehicles, and who enter into a Solar Photovoltaic Service Agreement with the Authority.

Eligibility

The Authority has the sole right to determine eligibility for services under this schedule.

Character of Service

Three types of PV systems are available: (1) Two-module (120 Wp) DC system; (2) four-module (240 Wp) DC system; and (3) four-module (240 Wp) AC system. A system will be specified by the Authority based on the service requirements requested by the customer.

All repair and maintenance of the PV system will be provided by the Authority. Prudent utility practices will be followed for all necessary repair or maintenance. The Authority will use its best effort to provide the customer a minimum of 24 hours notice prior to performing preventative maintenance.

The customer is responsible for providing the customer site and the connections from the point of service to the customer's facilities, and for permitting the appropriate access to the PV system. The customer site and customer connections must be approved by the Authority and must meet all safety codes.

Net Monthly Rate

The monthly charge for service under this schedule is as follows:

<u>Type of PV System</u>	<u>*Rate Code</u>	<u>Rate</u>
120 Wp System	18	\$35.00 per month
240 Wp System	19	\$40.00 per month

Special Conditions

- A. In the event the customer cancels the Solar PV Service Agreement, the customer shall pay to the Authority the "non-salvable cost" of the PV system.

APPROVED BY: [Signature]

DATE OF APPROVAL: April 1, 1994

EFFECTIVE DATE: March 10, 1994

RATE SCHEDULE PV-01 (continued)

RATE CODE *

- B. Any use by the customer of the PV system not in compliance with the design specifications for such system or not in compliance with the provisions of this schedule may result in the removal by the Authority of the PV system.
- C. The Authority reserves the right to remove the PV system if the Authority determines that the continued use of the facilities by the customer poses a threat of injury or damage to persons or property.
- D. In the event the Authority removes the PV system under the provisions of Sections B and C above, the customer will be obligated to pay to the Authority the "non-salvable cost" of the PV system.
- E. Electric service under this schedule is limited to that provided by the PV system. The Authority is under no obligation to provide electric service to the customer at any time by means of the Authority's transmission or distribution system.
- F. The PV facilities to be installed pursuant to the agreement will remain the property of the Navajo Tribal Utility Authority. This program is developmental and while the Authority intends to promote and expand its PV capability, it must be recognized that the Authority is not presently able to assure long term availability of service or rate levels. The Authority thus reserves the right to make changes in rates or, if necessary, to terminate the PV service availability.
- G. The Authority shall have sole ownership of the PV system.

Terms and Conditions

- A. Subject to the Authority's rules and regulations for electric service.
- B. New service under this schedule will not be available after April 1, 1996.

APPROVED BY: *[Signature]*
EFFECTIVE DATE: March 10, 1994

DATE OF APPROVAL: April 1, 1994

NAVAJO TRIBAL UTILITY AUTHORITY
P.O. Box 170
Ft. Defiance, AZ 86504

REVISION NO. 2

RATE SCHEDULE ER-01
RIDER A

RATE CODE 21

Life Support/Senior Citizens Discount Program
(Residential Electric Service)

Availability

Available to all qualified customers located in Navajo Country along existing lines of the Authority, where facilities of adequate capacity and suitable voltage are adjacent to the premises to be served.

Applicability

Applicable to electric service billed under Rate Schedule ER-01 where the customer has qualified for the discounted rate as specified in the Authority's plan for administration. All provisions of the Residential Rate Schedule ER-01 will apply except as modified herein.

Net Monthly Rate

The monthly billing shall be in the accordance with Rate Schedule ER-01 except as follows:

Service Charge \$2.79

Plus:

All KW \$0.0614 per KWH

Monthly Minimum Charge

The monthly minimum charge shall not be less than the monthly service charge.

DATE OF APPROVAL: September 24, 1993

EFFECTIVE DATE: October 1, 1993

NAVAJO TRIBAL UTILITY AUTHORITY
P.O. Box 170
Ft. Defiance, AZ 86504

REVISION NO. 2

RATE SCHEDULE ER-02
RIDER A

RATE CODE 22

Life Support/Senior Citizens Discount Program
(Residential Service Electric Heat)

Availability

Available to all qualified customers located in Navajo Country along existing lines of the Authority, where facilities of adequate capacity and suitable voltage are adjacent to the premises to be served.

Applicability

Applicable to electric service billed under Rate Schedule ER-02 where the customer has qualified for the discounted rate as specified in the Authority's plan for administration. All provisions of the Residential Rate Schedule ER-02 will apply except as modified herein.

Net Monthly Rate

The monthly billing shall be in the accordance with Rate Schedule ER-02 except as follows:

Service Charge \$6.51

Plus:

All KW \$0.0539 per KWH

Monthly Minimum Charge

The monthly minimum charge shall not be less than the monthly service charge.

DATE OF APPROVAL: September 24, 1993

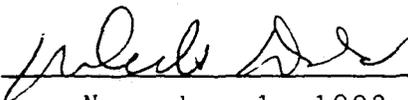
EFFECTIVE DATE: October 1, 1993

NTUA Rules & Regulations

RULES AND REGULATIONS

Rule 25
Resale of Utility

- A. Resale of utility service(s) or the furnishing of utility service(s) to others by any customer will not be permitted, except where such resale or furnishing of service is provided for in the applicable rate schedule and by written agreement between the customer and the Authority. Penalties as provided under the Table of Fees and Charges may be charged for misuse of utility service(s).

APPROVED BY: 
EFFECTIVE DATE: November 1, 1992

DATE OF APPROVAL: September 24, 1992

RULES AND REGULATIONS

Rule 26
Senior Citizen or Life Support
Customer Discount

- A. Residential customers of the Authority who meet the following criteria, shall be granted a discount of seven percent (7%) of the regular charges for the particular service provided.
- B. Each customer must provide reasonable proof that the customer meets the criteria required and each customer shall execute an application, under oath, for such discount as requested by the Authority.
- C. Qualification criteria are as follows:
1. The customer or his/her spouse must be 60 years of age or older; or the customer must be certified by his/her attending licensed physician as requiring continuous utility service due to health conditions which could be life threatening if utility service is discontinued.
 2. Household income (customer, spouse and any resident children) is less than \$16,000 per year except that this household income criteria shall not apply to a customer on a life support system.
 3. Service is provided to an individually metered single family dwelling unit.
- D. The discount provided by this rule is temporary and shall be reviewed by the Authority at regular intervals. The Authority reserves the right to terminate the discount, or to make such revisions or modifications as the Authority, in its sole discretion, deems desirable at any time.

APPROVED BY: 

DATE OF APPROVAL: September 24, 1992

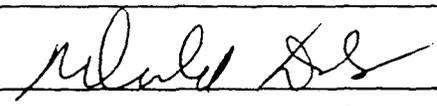
EFFECTIVE DATE: November 1, 1992

RULE AND REGULATIONS

Rule 27
Heater Lighting Charge

A. NATURAL GAS

1. The Authority will honor without charge requests of customers for the lighting of their heating equipment at the beginning of the heating season, provided that the request for such lighting service is received prior to the date specified for such heating season. Such date shall be fixed by the Authority annually and may vary from area to area, but in no event shall be earlier than August 14 in any year.
2. The Authority shall give at least thirty (30) days advance notice of such date of appropriate local publicity. All requests received for heater lighting service after the date specified by the Authority shall be billed at actual cost and such requests received after the date specified for the area shall be honored only after all requests received before the date specified have been fulfilled.

APPROVED BY: 

DATE OF APPROVAL: September 24, 1992

EFFECTIVE DATE: November 1, 1992

RULES AND REGULATIONS

Rule 28
Rates and Unit of Measurement

A. ELECTRIC

1. The rate and fees to be charged by and paid to the Authority for electric service shall be the rates and fees of the Authority legally in effect and on file at the office of the Authority.
2. All billing units to which rates set forth in the Authority's rate schedules are applied are stated in Kilowatt Hour (KWH) and, for certain rate schedules, in Kilowatt (KW) demand. Unless otherwise provided by special contract, the number of KWH delivered to any customer shall be determined by measuring the energy flowing through that customer's meter; and, the number of KW demand delivered to any customer shall be determined by measuring the rate at which energy is delivered through that customer's demand meter.
3. Certain rate schedules require the customer to maintain a given power factor. Where such is the case, billing units may change from KWH and KW to KVAH (Kilovolt Ampere Hours) and KVA (Kilovolt Ampere).

B. NATURAL GAS

1. The rate and fees to be charged by and paid to the Authority for natural gas service shall be the rates of the Authority legally in effect and on file at the office of the Authority.
2. All billing units to which rates set forth in the Authority's rate schedules are applied are stated in Therms. The term "Therm" means 100,000 British Thermal Units (BTU's). Unless otherwise provided by special contract, the number of therms delivered to any customer shall be determined by measuring the volume of gas passing through that customer's meter during any month to the nearest 1,000 cubic feet (MCF); and multiplying that volume by an appropriate Therm Conversion Factor as provided in Subsection B.4. below and multiplying that result by .01.
3. For the purpose of determining volumes delivered, a cubic foot shall be defined as that quantity of gas which occupies one cubic foot of space. Factors may be applied to compensate for differences in temperature and pressure above and below standard conditions. A standard cubic foot of gas shall be that quantity of gas saturated with water vapor, which at a temperature of 60 degrees Fahrenheit and a pressure of 14.73 pounds per square inch absolute (psia) occupies one cubic foot.

APPROVED BY: 

DATE OF APPROVAL: September 24, 1992

EFFECTIVE DATE: November 1, 1992

RULES AND REGULATIONS

Rule 28 (continued)

4. The Therm Conversion Factor shall be determined on a quarterly basis and shall be the product of (1) the weighted average of the heating value (BTU per cubic foot) of the gas delivered to the Authority (stated at 14.73 psia) and (2) the factor used to convert the metering pressure appropriate to the standard pressure of 14.73 psia. The following table indicates the values to be used in pressure conversion:

<u>Pressure Zone</u>	<u>Authority Delivery Area</u>	<u>Factor to Convert Meter Pressure to 14.73 PSIA</u>
1	Navajo	0.794
2	Fort Defiance Window Rock Ganado Kinlichee Tohatchi Twin Lakes Coyote Canyon	0.809
3	Dilkon Greasewood Toyei	0.829
4	Shiprock Fruitland NAPI Chinle Many Farms Nazlini	0.346
5	Leupp Montezuma Creek Aneth	0.366
6	Four Corners Plant (14.73)	1.00

5. The Authority shall have the right but shall not be obligated to install temperature recording or compensating equipment as part of the facilities used in measuring the gas delivered to any non-residential customer.

APPROVED BY: 
EFFECTIVE DATE: November 1, 1992

DATE OF APPROVAL: September 24, 1992

RULES AND REGULATIONS

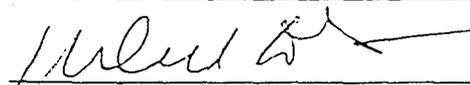
Rule 28 (continued)

C. WATER

1. The rate and fees to be charged by and paid to the Authority for water service shall be the rates and fees of the Authority legally in effect and on file at the office of the Authority.
2. All billing units to which rates set forth in the Authority's rate schedules are applied are in 1,000 gallon units. Unless otherwise provided by special contract, the number of gallons delivered to any customer shall be determined by measuring the volume of water passing through that customer's meter during any month to the nearest 1,000 gallons.

D. WASTEWATER

1. The rate and fees to be charged by and paid to the Authority for wastewater service shall be the rates of the Authority legally in effect and on file at the office of the Authority.
2. All billing units to which rates set forth in the Authority's rate schedules are applied are in 1,000 gallons, as determined by water delivers. Unless otherwise provided by special contract, the number gallons billed shall be determined by the monthly average number of gallons of water delivered to any customer during the Months of October, November, and December, to the nearest 1,000 gallons.
 - a. If metered usage data for October, November, and December is not available for any customer for any reason, the Authority will use the best available evidence for billing calculation purposes, including average data for a particular customer class.
3. All water meters will be billed for wastewater service unless customers are on a wastewater septic tank system or are receiving special use service under Rule 29.

APPROVED BY: 

DATE OF APPROVAL: January 17, 1997

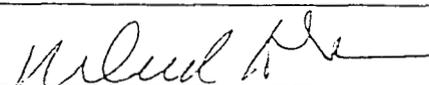
EFFECTIVE DATE: February 1, 1997

VOLUME V

RULES AND REGULATIONS

Rule 29
Special Use Service

- A. Because of continual fluctuation in water supply and demand, the Authority does not provide water service for fire protection; however, with prior approval of the Authority, a customer may install fire hydrants or building sprinkler systems. Prior approval shall be obtained by written contract with the Authority, which will include provisions on indemnification and limitation of the Authority's liability. All such systems shall be metered and billed under a "special use service" designation, for all applicable fees, service charges, penalty charges, and monthly charges.
- B. In order to assure proper operation of fire hydrants, no water shall be drawn through any fire hydrant for any other purpose than fire protection except as provided by contract or by special permit from the Authority.
- C. Every fire protection system connected to the Authority's water system shall be void and clean of any and all contaminants, anti-freeze, or other chemical additives. Also the system shall have backflow prevention devices that meet NTUA, National Fire Code, and Industry standards

APPROVED BY: 

DATE OF APPROVAL: January 17, 1997

EFFECTIVE DATE: February 1, 1997

RULES AND REGULATIONS

Rule 30

General Rules with Respect to Large Users of Water

- A. Before proceeding with the purchase of any equipment which will necessitate the use of large quantities of water within short periods of time, the Authority shall be consulted for advice as to the best method of installation and for information concerning the conditions under which the water will be supplied to the premises of the customer.

3. In general, the Authority reserves the right to limit the size of service connections or openings through which its service is furnished for filling storage tanks, hydraulic equipment, private fire service, or other classes of service capable of drawing relatively large quantities of water and thereby causing undue fluctuations of pressure in portions of the Authority's system.

APPROVED BY: 

DATE OF APPROVAL: September 24, 1992

EFFECTIVE DATE: November 1, 1992

RULES AND REGULATIONS

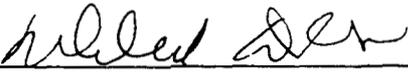
Rule 31
Industrial Commercial Liquid-Waste

A. Prohibited Liquid or Waste Discharges. No person shall discharge or cause to be discharged any of the following described liquids or wastes to any public sewer:

1. Any substances which are controlled by the Environmental Protection Agency (EPA) regulations, including but not limited to heavy metals, radionuclides, volatile and synthetic organics, petroleum products, flammable or explosive; or, if it appears likely, in the opinion of the Authority, that such wastes can harm or have a deleterious effect on a wastewater facility, can have an adverse effect on the receiving stream, or can otherwise endanger life, limb, public property, and/or may otherwise endanger the local environment or constitute a nuisance.
2. Any waters or wastes with a pH less than five point five (5.5) or greater than nine point five (9.5).
3. Any persistent pesticides that have a tendency to concentrate to toxic levels in non-target organisms.
4. Any solid or viscous substance in quantities or of such size that the substances are capable of causing obstruction to the flow in sewers or interfere with the proper operation of the wastewater facilities.
5. Any storm water, surface water, ground water, roof runoff, sub-surface drainage, uncontaminated cooling water, or unpolluted process waters.

B. Pretreatment Requirements. The Authority may require the installation and operation of pretreatment or separation devices and appurtenances at the expense of the customer. These devices shall treat or pretreat the effluent to comply with Section A above, and in addition, shall include but not be limited to the following:

1. Any liquid or vapor having a temperature higher than one-hundred fifty degrees Fahrenheit (150°F).
2. Any water or waste containing fats, grease, wax or oil, whether emulsified or not, in excess of one hundred (100) milligram per liter or containing substances which may solidify or become viscous at temperature between thirty-two degrees Fahrenheit (32°F) and one-hundred-fifty degrees Fahrenheit (150°F).

APPROVED BY: 
EFFECTIVE DATE: November 1, 1992

DATE OF APPROVAL: September 24, 1992

RULES AND REGULATIONS

Rule 31 (Continued)

3. Any water and waste containing high concentrations of inert suspended solids or unusual concentrations of dissolved solids which would cause the wastewater treatment facilities to exceed Colorado River Salinity or any navigable river discharge standards.
4. Any water or waste containing unusual or excessive discoloration caused by materials such as, but not limited to, dye wastes and vegetable tanning solutions.
5. Any unusual slugs or shock volumes of flow or concentration of waste.

C. Maintenance of Customer Owned Facilities. Where pretreatment or flow-equalizing facilities are provided for any liquid-wastes, they shall be continuously maintained in satisfactory and effective operation by the owner at his expense.

D. Control Manholes. The Authority may require the owner of any property to install a suitable control manhole with metering devices and other appurtenances in the building sewer as are needed to facilitate observation, sampling, and measurement of the wastes. Such manhole, when required, shall be accessibly and safely located, constructed in such a manner as to prevent infiltration of ground and surface waters, and be constructed in accordance with plans approved by the Authority. The manhole and all appurtenances shall be installed by the owner at his expense and shall be maintained by him so as to be safe and accessible at all times.

E. Sampling and Tests. The samples shall be taken at a control manhole or at such suitable location prior to discharge into the public sewer. All measurements, tests, and analyses of the characteristics of liquid-wastes shall be determined in accordance with Standard Methods. The type of analyses involved will determine whether a twenty-four (24) hour composite-sample of all outfalls of a premise is appropriate or whether a grab sample, or samples, should be taken. The analysis to be performed and the frequency and type will be specified by the Authority for each liquid-waste to be discharged to a public sewer. All costs related to sampling and analyzing will be the responsibility of the customer.

F. Violation of Discharge Agreement. Any violation of the Discharge Agreement by a customer shall result in the assessment of a penalty fee as provided in the Table of Fees and Charges.

APPROVED BY: *Melvin D. ...*

DATE OF APPROVAL: September 24, 1992

EFFECTIVE DATE: November 1, 1992

RULES AND REGULATIONS

Rule 31 (Continued)

G. Industrial Users Capital Improvement Policy. The charges for treating new or increased commercial and industrial liquid-wastes discharged into the wastewater facilities shall be based on the following policy:

1. The apportionment of capital as well as operation and maintenance costs to the customer for the wastewater system will take into consideration each individual user's contribution as related to the total waste load and take into account the volume and strength of all discharges.
2. The costs to be considered will include, but not be limited to:
 - a. Amortization of the Authority's capital investment in the waste treatment works and interceptor sewers.
 - b. Operation and maintenance of these facilities.
 - c. Any additional costs which are necessary to assure adequate wastewater treatment on a continuous basis.
3. A substantial pre-payment of the capital investment or other financial commitments will be required from each commercial or industry establishment that contributes significantly the total volume or strength of the waste load to be conveyed in any particular wastewater treatment works.

APPROVED BY:



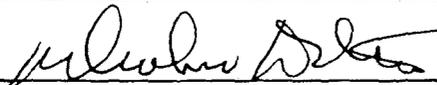
DATE OF APPROVAL: September 24, 1992

EFFECTIVE DATE: November 1, 1992

RULES AND REGULATIONS

Rule 32
Building Sewer Construction and Connection Requirements

- A. No user shall uncover, make any connection with or opening into, use, alter, or disturb any of the Authority's wastewater facilities without first obtaining written permission from the Authority.
- B. The user shall submit a written application for service to the Authority. Refer to Rule 2, "Application for Service".
- C. The user shall submit detailed plans and specifications and any information requested by the Authority relative to the service and any submittal as required by Rule 17, "Extension of Lines", Rule 20, "Services", and/or Rule 23, "Customer's Installations", for the Authority's review and approval. Upon completion of construction and prior to initiation of service, as-built drawings will be submitted at the user's expense to the Authority.
- D. The charge for connection shall be paid to the Authority prior to connection to the Authority's wastewater facilities.
- E. All costs or expenses incidental to the installation, connection, operations, and maintenance of any building drain or building sewer shall be the user's. The user shall indemnify the Authority from any loss or damage that may directly or indirectly be occasioned by the installation of the building drain or building sewer.
- F. A separate and independent building sewer shall be provided for every user. Exceptions to this policy will be handled on an individual basis.
- G. Old building sewers may be used in connection with new buildings only when the old building sewer user's permission is obtained by the new building user and when the existing building sewers are found upon examination and test by the Authority to meet all requirements of these rules. The costs or expenses of the examination and test will be paid for by the new building user.
- H. The size, slope, alignment, materials of construction of a building sewer, and the methods used in excavation, pipe laying, piping jointing, testing, and backfilling shall all conform to the requirements of any building codes, plumbing codes or regulations adopted by the Navajo Nation or the Authority.

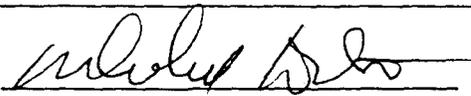
APPROVED BY: 
EFFECTIVE DATE: November 1, 1992

DATE OF APPROVAL: September 24, 1992

RULE AND REGULATIONS

Rule 32 (Continued)

- I. The connection of the building sewer into the Authority's wastewater facilities shall conform to the requirements of any building and plumbing code or other applicable rules and regulations of the Authority. Any deviation from these rules must be approved by the Authority before installation.
- J. Whenever possible, the building sewer shall be brought to the building at an elevation below the basement floor. In all buildings in which any building drain is too low to permit gravity flow to the public sewer, sanitary sewage carried by such building drain shall be lifted by means approved by the Authority and discharged to the building sewer, all at the expense of the user.
- K. The Authority reserves the right to specify the point of connection to the Authority's wastewater facilities.
- L. Any subsequent alterations or additions to building drainings, building sewers, lifting means, or connections to the Authority's wastewater facilities shall not be made without written notice to and prior written approval of the Authority.

APPROVED BY: 

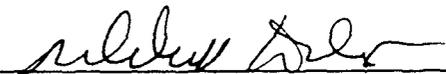
DATE OF APPROVAL: September 24, 1992

EFFECTIVE DATE: November 1, 1992

RULES AND REGULATIONS

Rule 33
Construction Standards

- A. All materials and construction procedures pertaining to the Authority's facilities, connections thereto, and facilities installed as required by these rules shall conform to the Authority's requirements.

APPROVED BY: 
EFFECTIVE DATE: November 1, 1992

DATE OF APPROVAL: September 24, 1992

RULES AND REGULATIONS

Rule 34

Penalties for Violation of Rules and Regulations

- A. Any person who negligently violates any provision of this Tariff or any condition or limitation of permit or plan approved and issued pursuant to this Tariff shall be required to immediately discontinue all such service from the Authority's facilities.
- B. Any person who intentionally violates any provision of this Tariff, or who continues to allow a negligent violation following notice, shall be subject to the penalties set forth in Paragraph D. below. In addition to the penalty set forth in Paragraph D., such person shall be required to pay, prior to resumption of service, all costs and expenses reasonably determined by the Authority to have been incurred by it as a result of the intentional or continued negligent violation.
- C. The Authority reserves the right to discontinue service at any time, without advance notice to the customer for any of the following reasons:
 - 1. Presence of any unsafe condition or prohibited and fraudulent use of the Authority's facilities on the customer's premises.
 - 2. Refusal at any reasonable time to grant the Authority's representatives or agents access to the customer's premises for any lawful purpose.
- D. Penalty charges as provided under the Table of Fees and Charges will be assessed for intentional violations or continued negligent violations, and/or for fraudulent use of the Authority's services. If service is discontinued because of violations set forth in this rule, reconnection will be made only after customer has re-established his credit, paid any penalty charge, if applicable, and in addition, has paid any applicable fees.

APPROVED BY: *M. L. D. D.*

DATE OF APPROVAL: September 24, 1992

EFFECTIVE DATE: November 1, 1992

RULES AND REGULATIONS

Definitions

A. The following definitions shall be applicable wherever these terms are used in these rules and regulations.

1. Authority or NTUA - The Navajo Tribal Utility Authority (or its authorized employee) which (who) furnishes utility service under these rules and regulations.
2. Customer or Consumer - Any person, firm, partnership, public or private corporation, or governmental agency receiving utility service supplied by the Authority, at each point of delivery and for each class or service.

B. ELECTRIC

1. Integrated or Thermal Demand - The demand created by the customer's power requirements averaged over a specified interval of time. Demand is expressed in kilowatts, kilovolt amperes, or reactive kilovolt amperes and is determined by measurement with a standard demand meter or by calculations based upon measurements made by other types of standard metering equipment.
2. KVA-Kilovolt Ampere - Unit of apparent power equal to product of current and voltage at the point of measurement.
3. KVAR-Kilovolt Ampere Reactive - Reactive component of apparent power determined by standard metering equipment and which may be used in determining the power factor at the point of measurement.
4. KW-Kilowatt - Unit of power delivery or the rate at which energy is delivered to the customer.
5. KWH-Kilowatt Hour - Unit of electric energy delivered to the customer.
6. Primary Voltage - Authority's transmission or distribution voltage, or 2,400 volts or higher, used to transmit power to immediate area of customer's premises.
7. Secondary Voltage - Authority's service voltage, normally considered to be 120/240 volts single-phase, 240 volts three-phase, 208 Y/120 volts three-phase, 480 volts, three-phase or 480 Y/277 volts three-phase.

APPROVED BY:



DATE OF APPROVAL: September 24, 1992

EFFECTIVE DATE: November 1, 1992

RULES AND REGULATIONS

Definitions (continued)

8. Power Factor - The ratio of active or useful power (KW) to apparent power (KVA) as indicated by voltage and current (ampere) requirements.
9. Service Drop - The wires or cables connecting customer's facilities to Authority's facilities.

C. NATURAL GAS

1. Gas or Natural Gas - Gas and/or vapors produced from subterranean formations, whether produced gas wells or oil wells, as produced in the natural state, except for the removal of substances required and/or permitted to be removed.
2. Heating Value or BTU Content - The number of British Thermal Units produced by combustion at a constant pressure of one cubic foot of gas when the products of combustion are cooled to the initial temperature of the gas and air, when the water vapor formed during combustion is condensed, and when all the necessary corrections have been applied.
3. Cubic Foot of Gas - The amount of gas which would occupy one cubic foot when at a temperature of 60°F, saturated with water vapor and under a pressure equivalent to that of 30.0 inches mercury column.
4. MCF - The standard abbreviation for 1,000 cubic feet.
5. Service Line - The extension from the Authority's existing gas main to the customer's meter. The ownership, operation and maintenance responsibilities remain with the Authority.
6. Therm - 100,000 British Thermal Units (BTU's).
7. Yard Line - All facilities beyond the customers meter. The ownership, operations and maintenance responsibilities rest with the customer.

D. WATER

1. Gallon - A liquid measure containing 231 cubic inches or four quarts U.S. measure.

APPROVED BY:



DATE OF APPROVAL: September 24, 1992

EFFECTIVE DATE: November 1, 1992

RULES AND REGULATIONS

Definitions (continued)

2. Service Line - The extension from the Authority's existing water main to the customer's meter. The ownership, operation and maintenance responsibilities remain with the Authority.
3. Yard Line - All facilities beyond the customers meter. The ownership, operations and maintenance responsibilities rest with the customer.
4. Dual Metering - Two separate meters, the larger of which is three inches or above and the smaller of which is two inches or below, plumbed in parallel complete with external gate valving and external pressure reducing/check valve, with the appropriate pressure regulating pilot control system installed with the larger meter, and with either a check valve or if needed because of delivery pressure, an additional appropriately sized and regulated pressure reducing/check valve installed with the smaller meter.
5. Compound Metering - A single meter, sized three inches or above, with either one or two registers internally designed with two measuring chambers and the necessary manifold system to divert the lower flows through the smaller measuring chamber but to hydraulically activate at the higher flows to utilize both the larger and smaller measuring chambers. Depending on the delivery pressure, a separate and appropriately sized pressure reducing valve (PRV) may be required in conjunction with the compound meter.

E. WASTEWATER

1. BOD - A five day, 20°C biochemical oxygen demand as determined by methods described in the latest edition of the Standard Methods; this test being an empirical test used to determine the relative oxygen requirements of wastewater, effluent, and polluted waters, the results of this being expressed in terms of milligrams per liter (mg/l).
2. COD - The chemical oxygen demand as determined by methods described in the Standard Methods; this test is used to determine the oxygen equivalent of organic matter in wastewaters, effluents, and polluted waters, the results of this being expressed in terms of milligrams per liter (mg/l).
3. Garbage - Solid wastes from the preparation, cooking and dispensing of food, and from the handling, storing, and sale of produce.

APPROVED BY: 

DATE OF APPROVAL: September 24, 1992

EFFECTIVE DATE: November 1, 1992

RULES AND REGULATIONS

Definitions (continued)

4. Industrial Liquid-Wastes - All waterborne solids, liquids, and gaseous wastes resulting from any industrial manufacturing, food processing operation, or other similar commercial processes other than that from eating establishments, service stations, garages, hospitals, schools, laundries, and laundrettes or uncontaminated water. Wastewaters generated in the development of any natural resource or any mixture of these with water or domestic sewage distinct from normal domestic sewage are also considered industrial liquid-wastes. Industrial manufacturing processes shall include, but not be limited to those that are defined in these rules and accessories; food and allied products; tobacco products; textile mill products; apparel and other finished products made from fabrics and similar materials; lumber and wood products, except furniture; furniture fixtures; printing, publishing, and allied industries; chemicals and allied products, petroleum refining and related industries; rubber and miscellaneous plastic products; leather and leather products; stone, clay, glass, and concrete products; primary metal industries; fabricated metal products, machinery and transportation equipment; machinery, except electrical; electrical machinery, equipment and supplies; transportation equipment; professional, scientific and controlling instruments; photographic and optical goods; watches and clocks; wool processing or cleaning, miscellaneous manufacturing industries.
5. Interference with any Wastewater Facility - Any condition or combination of conditions which cause degradation of the operational efficiency of the municipal wastewater treatment facility of the wastewater treatment process at the facilities.
6. Normal Domestic Wastewater - The normal domestic wastewaters in the sanitary sewer system and those waterborne wastes normally discharged from the sanitary conveniences of buildings, apartment houses, eating establishments, hotels, laundrettes, laundry, hospitals, schools, garages, service stations, office buildings, factories, and institutions for which a sanitary sewer service rate charge is assessed. Normal domestic wastewaters do not include storm surface waters and industrial liquid-wastes. Normal untreated domestic wastewater is defined as having an average biochemical oxygen demand not in excess of 450 milligrams per liter and a suspended solids concentration not in excess of 200 milligrams per liter.

APPROVED BY: 
EFFECTIVE DATE: November 1, 1992

DATE OF APPROVAL: September 24, 1992

RULES AND REGULATIONS

Definitions (continued)

7. pH - The logarithm (base 10) of the reciprocal of the hydrogen ion concentration of wastewater, effluent or polluted water as determined by methods described in the Standard Methods.
8. Public Sewer - A sewer that is part of the sanitary sewer system of the Authority.
9. Sanitary Sewer - The public sewer portion of the Authority's wastewater facility that receives and transports normal domestic wastewaters, but to which storm, surface, and ground waters are not intentionally admitted.
10. Service Line - The extension from the Authority's existing wastewater main to the customer's house or facilities. The installation of a service line is at the customer's expense and the ownership, operation and maintenance responsibilities rest with the customer.
11. Standard Methods - The laboratory procedures set forth in the latest edition (at the time of analysis) of "Standard Methods for the Examination of Water and Wastewater," as prepared, approved, and published jointly by the American Water Works Association and the Water Pollution Control Federation.
12. Storm Sewer - A sewer that carries storm and surface waters and drainage, but that excludes normal domestic wastewaters and industrial liquid-wastes.
13. Suspended Solids - The total suspended matter (non-filterable residue) in a wastewater, effluent, or polluted water, as determined by methods described in the Standard Methods, the results of this test to be given in milligrams per liter (mg/l).
14. Trap - A device for retaining sand, silt, grit, mineral material, petroleum solvents, grease or oil by gravity-differential separation from a wastewater.
15. Unpolluted Process-Water - Any water, uncontaminated cooling water, or liquid waste that does not contain free or emulsified grease or oil; acid or alkali; phenols or other substances imparting taste and odor to a receiving water; solution; and noxious or odorous gases.

APPROVED BY: 

DATE OF APPROVAL: September 24, 1992

EFFECTIVE DATE: November 1, 1992

RULES AND REGULATIONS

Definitions (continued)

16. Wastewater - Any and all of the used water of the particular area including normal domestic wastewaters and industrial liquid-wastes, but not storm and ground waters. Drainage of uncontaminated water is not wastewater. Wastewater may be a combination of the liquid and water-borne wastes from residences, commercial buildings, industrial plants, and institutions.
17. Wastewater Facilities - All elements of the Authority's sewerage system including sewers, structures, equipment, and processes and wastewater treatment units required to collect, transport and treat normal domestic wastewater and industrial liquid-wastes and to dispose of the effluent.
18. Wastewater Treatment Works - An arrangement of devices and structures for treating wastewater, industrial liquid-wastes and sludges from these wastewaters. Wastewater treatment works is sometimes used synonymously with waste treatment plant or sewage treatment plant.

F. SOLAR PHOTOVOLTAIC

1. Photovoltaic (PV) System - The solar module(s), the module mounting structure, the control structure/equipment, wiring, batteries, enclosures, and any other equipment necessary to provide service under this schedule.
2. Point of Service - The point where the customer's electric system is connected to the PV system.
3. Customer Site - The installation site and facilities as determined by the Authority which are necessary for the installation of the PV system.
4. Non-Salvable Cost - The installed cost of the facilities less the difference between the salvable cost of the material removed and the removal labor cost including appropriate overhead costs.

APPROVED BY: 

DATE OF APPROVAL: April 1, 1994

EFFECTIVE DATE: March 10, 1994

TABLE OF FEES AND CHARGES

1. Returned Checks	\$ 15.00
2. Establishment Fee Per Utility	10.00
3. Return Trip Fee to Connect Utility Services	10.00
4. Security Deposit Per Utility (Minimum)	25.00
5. Reconnection Fee Per Utility	10.00
A. After 5:00 p.m.	**
6. Reconnection Fee (Upstream from the Meter)	*
7. Tapping Fee (Water & Wastewater Only)	*
8. Meter Testing Service Fee	
A. Electric	10.00
B. Natural Gas	10.00
C. Water	10.00
9. Increase in connected capacity without proper notice	*
10. Wasteful Use Penalty (15% of Total Water Bill)	
11. Curtailment Penalty Per MMBTU	****
12. Meter Tampering/Fraudulent and/or Misuse Penalty/ Intentional Violation	
A. First Offense	150.00
B. Second Offense	200.00
C. Third Offense	300.00
D. Violation of Discharge Agreement	*

* Actual Cost, Reimbursable Work Order

** Includes overtime rates plus mileage

**** Actual Cost incurred by NTUA due to customer's unauthorized takes

APPROVED BY: *[Signature]*

DATE OF APPROVAL: September 24, 1992

EFFECTIVE DATE: November 1, 1992

VOLUME V

TABLE OF FEES AND CHARGES
(continued)

- 13. Meter Damage Fee *
- 14. Heater Pilot Lighting Fee ***
- 15. Home Energy Audits No Charge

* Actual Cost, Reimbursable Work Order
*** Actual cost after publicized "No Charge" time period

APPROVED BY:  DATE OF APPROVAL: September 24, 1992
EFFECTIVE DATE: November 1, 1992

RESOLUTION OF THE
MANAGEMENT BOARD OF THE
NAVAJO TRIBAL UTILITY AUTHORITY

NTUA-01-97

Amending Rules 28 and 29 of the
Navajo Tribal Utility Authority Tariffs

WHEREAS:

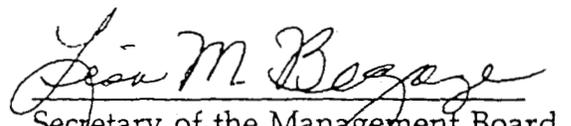
1. Pursuant to its plan of operation, at 21 N.T.C. § 7 (a) (1), the Management Board of the Navajo Tribal Utility Authority is delegated the authority and responsibility for the management and operation of the Authority; and
2. The Management Board is further authorized to adopt rates and charges for utility services pursuant to its plan of operation; and
3. Rules 28 and 29 of the existing tariffs require clarification and necessitate Management Board action on an amendment.

NOW THEREFORE BE IT RESOLVED THAT:

The Management Board of the Navajo Tribal Utility Authority hereby amends and clarifies Rules 28 and 29 of the Navajo Tribal Utility Authority tariffs as set forth in attached Exhibits A and B.

CERTIFICATION

This is to certify that at a duly called meeting held at Gallup, New Mexico on the 17th day of January 1997, at which a quorum was present, the foregoing resolution was considered and adopted by the Management Board of the Navajo Tribal Utility Authority by a vote of 7 in favor, 0 opposed, and 0 abstaining.


Secretary of the Management Board,
Navajo Tribal Utility Authority

VOLUME V

RULES

AND

REGULATIONS

f o r

E l e c t r i c S e r v i c e

N a t u r a l G a s S e r v i c e

W a t e r S e r v i c e

W a s t e w a t e r S e r v i c e

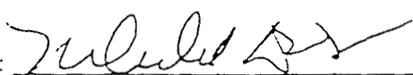
APPROVED BY: 

DATE OF APPROVAL: September 24, 1992

EFFECTIVE DATE: November 1, 1992

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APPROVED BY: 

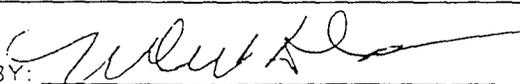
DATE OF APPROVAL: September 24, 1992

EFFECTIVE DATE: November 1, 1992

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APPROVED BY: 

DATE OF APPROVAL: January 17, 1997

EFFECTIVE DATE: February 1, 1997

RULES AND REGULATIONS

Preamble

- A. The Navajo Tribal Utility Authority was organized by the Navajo Nation to provide utility services to the residents in Navajo Country.
- B. The Authority is desirous of rendering the best possible service at all times. In order to accomplish this without discrimination, certain standard practices must be observed.
- C. These rules, regulations, terms and conditions of service set forth the practices which best accomplish this result. Strict compliance will be adhered to.
- D. The rates and charges to be charged by and paid to the Authority for utility services shall be the rates of the Authority in effect and on file at its Authority's offices.
- E. The complete tariff sheets of all the Authority's rates legally in effect in the service area shall be kept at all times in each of the Authority's offices where they will be available for public inspection.
- F. The Authority has responsibility to advise customers of the most advantageous rates available.

APPROVED BY: 

DATE OF APPROVAL: September 24, 1992

EFFECTIVE DATE: November 1, 1992

RULES AND REGULATIONS

Rule 1
Description of Service

A. ELECTRIC

Electric service furnished by the Authority will be of a character known as 60 cycle alternating current in the following standard forms:

1. Residential Service

- a. Residential lighting and fuel installations of three KW and under, at each delivery point will be furnished at the following nominal voltages:
 - 1. 120 volts, two-wire single phase
 - 2. 120/240 volts, three-wire single-phase
 - 3. 120/240 volts, four-wire three-phase (subject to paragraph c. below)
- b. Unless previously agreed upon in writing, service under residential schedules shall not be used for the operation of individual motors with a nameplate rating in excess of five (5) HP.
- c. Three-phase service for residential use will be furnished where existing three-phase lines are already installed or where such lines may be extended as provided in the Residential Rate Schedule and Rule No. 17, "Extension of Lines."
- d. In order to obtain service under the residential rate, the owner of an apartment house, or a single-family house which is converted or constructed to include separate living quarters for more than one family, shall provide separate wiring for each dwelling unit so that service to each separate living quarters can be metered and controlled separately.
- e. Where premises are used and occupied by a customer as a commercial establishment and also as a residence, all service supplied will be billed under the applicable General Service Rate Schedule.
- f. Each separate service or meter location will be metered and billed separately.

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RULES AND REGULATIONS

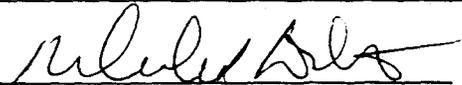
Rule 1 (continued)

2. Commercial and Industrial Service

a. Commercial and industrial service will be furnished at the nominal voltages indicated below:

1. 120/240 volts three-wire single-phase service.
2. 120/240 volts four-wire, three-phase service.
3. 240 volts three-wire three-phase service.
4. 208 Y/120-volt, three-phase, four-wire Y connected service may be furnished to individual customers if the contract billing demand is sufficient in the opinion of the Authority (normally 50 KW or greater) if an approved transformer station location is provided by the customer, and if served from a transformer station dedicated to this customer through a single meter. Customer shall use only motors and equipment rated for 208-volt service.
5. 480-volt, three-phase, three-wire service may be furnished at the option of the Authority if the customer is presently served with such service, or if 480-volt three-phase, three-wire secondaries are available on the Authority's lines immediately adjacent to customer's proposed installation.
6. 480 Y/277-volt, three-phase, four-wire, Y connected service may be furnished to individual customers if the contract billing demand is sufficient in the opinion of the Authority (normally 50 KW or greater) if an approved transformer station location is provided by the customer, and if served from a transformer station dedicated to that customer through a single meter. All single phase lighting and other non-480-volt power requirements will be provided by the customer from this 480-volt service as a part of the customer's electrical system.
7. For loads exceeding 1000 KW, service will be furnished at the Authority's available transmission or distribution voltage of 2,400 volts or higher unless specifically agreed to in writing.

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November 1, 1992

RULES AND REGULATIONS

Rule 1 (continued)

- b. The General Service Schedule, unless otherwise provided for, is applicable to single-phase and/or three-phase service. Three-phase installations will not be made for single motors of less than three (3) horsepower nameplate rating. Single phase service may be required for single motors of five (5) horsepower or less, at option of the Authority, depending on existing service facilities. Where three-phase line extensions are required involving expense not justified by estimated revenue, then the cost of such special extensions will be covered by special written agreement the cost being negotiated between the Authority and customer according to the revenue involved based on three-year anticipated revenue.
- c. All motors above five (5) horsepower shall be three-phase except where single-phase service only is available or it is impracticable or uneconomical to extend three-phase service, in which case the Authority reserves the right to permit single-phase motors larger than five (5) horsepower.
- d. Combined billings for separate single-and three-phase service for commercial or power use will be furnished under a single bill for each meter location provided the customer's wiring is terminated at a single meter location to be determined by the Authority. If service is supplied at more than one service or meter location on the customer's premises, separate billing will be made for each location or service. More than one premise or business will not be served through one meter.
- e. Commercial service shall include service to churches, schools, orphanages, stores, hotels, rooming houses, apartment houses, multiple housing units, motels, trailer courts, restaurants, offices, clubs, theaters, etc., and all other establishments that are not other-wise classified in specific rate schedules. Any establishment carrying on a business, professional, or commercial enterprise, acknowledged or advertised as such, will be considered as commercial, but the absence of such advertising shall not be considered as conclusively establishing that the service is not commercial.
- f. Service to welders, X-ray machines, electric furnaces, hoists, elevators, and other highly intermittent or fluctuating loads shall be considered individually, according to applicable published rate schedules and the following general policy.

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EFFECTIVE DATE: November 1, 1992

DATE OF APPROVAL: September 24, 1992

RULES AND REGULATIONS

Rule 1 (continued)

1. General Power Service: The Authority reserves the right to require the customer to purchase and maintain the necessary transformer capacity to handle such intermittent or fluctuating load.
2. Commercial Light and Small Power Service: Customers in this category may be given the option of installing separate metering and wiring to serve the fluctuating or intermittent load where it is used regularly in their business. Necessary transformer capacity will be provided for this service.
3. The Authority further reserves the right to require the customer to install such corrective equipment necessary to avoid system voltage fluctuations and other disturbances which are detrimental to the service furnished other customers.
 - g. In the event, a separate service or transformer installation or additional transformer capacity is required for fluctuating loads, a charge will be provided for in the rate schedules and will be metered and billed separately on a monthly basis. The customer's wiring to such X-ray, or similar type equipment, shall be installed in a continuous length of rigid conduit or approved cable.
 - h. Installations involving special situations will be given individual consideration. Where customer desires service under conditions other than those described above, any necessary transformer and accessory equipment required to supply the special service requirements shall be supplied, installed and maintained by the customer.
 - i. Large loads may be served at primary or transmission voltage as provided by applicable rate schedules.

3. Frequency Control

Electric service furnished shall be 60 cycle per second alternating current with not more than 0.5 percent (%) plus or minus variation, except for acts of God and other unforeseen causes beyond control of the Authority. In the event of variation from a frequency of 60 cycles per second, the Authority will in each case take immediate steps to restore frequency to 60 cycles per second as soon as possible.

APPROVED BY: 

DATE OF APPROVAL: September 24, 1992

EFFECTIVE DATE: November 1, 1992

RULES AND REGULATIONS

Rule 1 (continued)

B. NATURAL GAS

1. The Authority supplies natural gas through its distribution systems in various settlements of Navajo Country in New Mexico, Utah and Arizona, and the customers located along the wholesale natural gas transmission pipelines on the Navajo Reservation. Gas is supplied for domestic, commercial, and industrial uses.
2. Unless otherwise specified by contract or agreement, deliveries shall be at a pressure of not less than four ounces per square inch gauge.
3. All natural gas furnished shall be of a quality and have a heating value as that gas delivered to the Authority by the wholesale suppliers. In that connection, reference is made to the FERC Gas Tariffs, as filed by the wholesale suppliers for particulars as to the quality and heating value.
4. The Authority will tender delivery of natural gas containing an average total heating value of not less than 900 gross British Thermal Units per cubic foot.
5. When the premises served are used and occupied by a customer as a commercial or professional establishment and also as a residence, all service supplied will be billed under the Commercial Rate Schedule.

C. WATER

1. Water service for domestic, commercial, industrial, sanitary and other purposes shall be of a quality meeting standards of the United States Public Health Service or Environmental Protection Agency.
2. In order to obtain service under the residential rate, the owner of an apartment house or multiple occupancy dwelling shall provide separate piping for each dwelling unit so that service to each separate living unit may be metered and controlled separately.
3. When the premises served are used and occupied by a customer as a commercial or professional establishment and also as a residence, all service supplied will be billed under the General Service Rate Schedule.

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RULES AND REGULATIONS

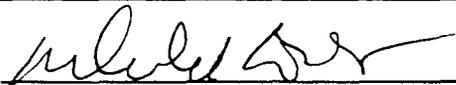
Rule 1 (continued)

4. The Authority reserves the right to inspect the condition of the piping and character of installation of the customer's facilities; and if such piping and/or installation is found to be faulty, the Authority may refuse to provide service. The Authority does not, however, assume responsibility for inspections and shall not be held liable for failure of any piping or installation.
5. All installation connections to the Authority's system shall be made in accordance with the latest revised requirements of the American Standards Association and any other applicable codes.
6. When water service involves periodic large flows compared with normal or low flows, the Authority may require installation of either dual metering or compound metering at its sole discretion. Each meter will be billed as a separate meter.

D. WASTEWATER

1. Wastewater service for domestic, commercial, industrial, sanitary and other purposes shall be of quality meeting standards of the United States Public Health Service or the Environmental Protection Agency.
2. In order to obtain service under the residential rate, the owner of an apartment house or multiple occupancy dwelling shall declare the number of occupancy units involved and accept billings under the Residential Rate Schedule for each unit.
3. When the premises served are used and occupied by a customer as a commercial or professional establishment and also as a residence, all service supplied will be billed under the General Service Rate Schedule.
4. The Authority reserves the right to inspect the condition of the piping and character of installation of the customer's facilities; and if such piping and/or installation is found to be faulty, the Authority may refuse to provide service. The Authority does not, however, assume responsibility for inspections and shall not be held liable for failure of any piping or installation.
5. All installations shall comply with any legally applicable codes.

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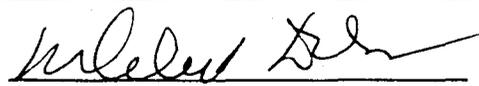
EFFECTIVE DATE:

November 1, 1992

RULES AND REGULATIONS

Rule 2
Application for Service

- A. When new customers, or present customers at a new address, request utility services to be supplied at a location, an "Application for Service" form will be filled out by the customer requesting such service.
- B. The Authority shall have the right to reject any application for proper cause. Acceptance of any application for services and a signed "Customer Meter Request" shall constitute a contract between the Authority and the customer.
- C. Customers may at the time of original application for service or reapplication for service be required to furnish financial statements, credit references, or other evidence of their credit standing satisfactory to the Authority.
- D. Upon acceptance of an application for service by the Authority, such service shall be supplied to the customer under the rates, rules, and regulations as set forth in the Navajo Tribal Utility Authority Tariff.
- E. A potential customer using utility service, without first signing an application, will be held responsible for any amount due for utility supplied through the Authority's meters from the time of the last meter reading noted on the Authority's books or an estimated billing if meters are not available for reading.
- F. Each application for service will cover only one meter installation and one class of service to one customer (as defined herein at a single address or location). A single application for service may not be made to apply to different locations or to cover more than one meter installations at the same address or location even though such service may be used by the same customer.
- G. The Authority shall supply service within a reasonable time after the application or agreement is approved and signed, and after any necessary permits have been obtained. The Authority will advise the customer promptly regarding any unforeseen delays.

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DATE OF APPROVAL: September 24, 1992

EFFECTIVE DATE: November 1, 1992

RULES AND REGULATIONS

Rule 2 (continued)

- H. Special written contract for service is a matter of negotiation between the Authority and the customer and shall cover all matters which may be necessary or appropriate under the individual circumstances involved. To the extent that the provisions of such special contract are at variance with these rules and regulations, the provisions of the contract shall prevail.
- I. A non-refundable establishment fee will be required per utility and shall be paid in advance by the customer for service(s) to be established. The establishment of a utility service to the customer occurs when the customer's facilities are ready and acceptable to the Authority, and the Authority needs only to install or read a meter and turn the service on. Note: A customer shall be informed in advance of a charge, as provided for under the Table of Fees and Charges, for a return trip to connect utility services for incorrect service location, unavailability of customer, non-compliance with service entrance specifications, and related policies.
- J. If the Authority's existing facilities, proximity of lines, line size, or other conditions will not service the customer's requirements, then the customer will be responsible for the cost of any extension or modification required to be able to serve the customer. Any extension or modification to the system shall be subject to the Authority's inspection, control and approval.

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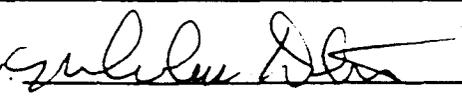
DATE OF APPROVAL: September 24, 1992

EFFECTIVE DATE: November 1, 1992

RULES AND REGULATIONS

Rule 3
Customer Deposit

- A. At the option of the Authority, customers shall be required to pay a refundable security deposit with the Authority to guarantee the return of the Authority's meter in good condition, and the payment of all bills due the Authority at the time service is disconnected.
- B. The Authority may, in its discretion, require a customer to pay a refundable security deposit in any amount up to, but not exceeding, the equivalent of the estimated charges for three billing periods, but not less than the minimum stated in the Table of Fees and Charges, based on the customer's previous history or the estimated usage of such facility.
- C. The deposit may be refunded by the Authority to the customer after a period of 12 months, or upon disconnection of service and payment of all bills due the Authority, or upon establishment of credit to the satisfaction of the Authority.
- D. The Authority will issue to each customer making a deposit a non-assignable receipt, showing the date, amount received, and complete information as to the return of the deposit.
- E. Interest on customer deposits shall begin when deposits are held more than twelve (12) months after being made and interest will be computed at five percent (5%) per annum.
- F. Following any attempt by the Authority to refund the deposit, no interest will be accrued or paid from that date.

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RULES AND REGULATIONS

Rule 4
Notices

- A. Any notice to the Authority must be in writing, and no telephonic communications will be considered proper notice unless or until confirmed in writing. Orders taken orally or over the telephone by an employee of the Authority are for the convenience of the customer and at the customer's risk. The Authority will exercise diligence in carrying out such orders from customers, but it will not be responsible for error, delay, or expense resulting from such procedure.
- B. Any notice by the Authority to customer regarding service such as may be necessary or required in the Authority's operation, may be given orally by an authorized representative of the Authority, or by telephone, telegraph, or by mail deposited in the United States Post Office, addressed to customer as shown on the Authority's records, postage pre-paid. Notice shall be considered given when actually communicated in the case of oral communications, and when deposited in the post office when notice is given by mail.

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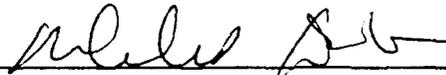
EFFECTIVE DATE:

November 1, 1992

RULES AND REGULATIONS

Rule 5
Reading of Meters

- A. Meters will be read periodically at prescribed intervals by an authorized employee of the Authority.
- B. If in the event a meter reading is not obtained due to, but not limited to, inclement weather, road conditions, vehicle breakdown, and reasons beyond the Authority's control, an estimated bill may be rendered on the basis of past service history.
- C. When one or more consecutive meter readings are not obtained, the Authority will bill the customer on an estimated consumption basis and if necessary the difference adjusted when the meter is again read. The basis for the estimate shall be normal consumption for corresponding periods in preceding years and/or normal consumption for preceding months. At the first reading subsequent to any non-reading, the bill shall be computed in accordance with the applicable rates adjusted with the foregoing provisions. Any minimum bill paid in the period for which the meter reading covers shall be credited to the total amount of the bill.

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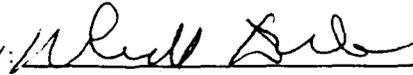
DATE OF APPROVAL: September 24, 1992

EFFECTIVE DATE: November 1, 1992

RULES AND REGULATIONS

Rule 6
Rendering and Payment of Bills

- A. All bills for utility service(s) are due when rendered and payable within 25 days from date of bill.
- B. If bills are delinquent at the expiration of 25 days from date of bill, the utility service(s) may be discontinued by the Authority after five working days written notice has been given to the customer of its intention to do so. If service is discontinued because of non-payment of bills, reconnection will be made only after the customer has re-established his credit, and has paid all applicable fees. (See Table of Fees and Charges).
- C. The words "month", "monthly", or "regular billing period", as used in the rate schedules and rules and regulations, are defined to be the elapsed time between two successive meter readings approximately 30 days apart.
- D. The Authority will promptly investigate any question as to accuracy of the meter or of bills rendered.
- E. If the bill is disputed, the customer has the right to have a conference in regards to the bill.

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RULES AND REGULATIONS

Rule 7
Meter Tests and Adjustments

- A. The Authority may, at its option, test any meter at any time and as often as it sees fit. The Authority will test the accuracy of any meter upon the request of any customer free of charge provided (1) the meter has not been tested within the 12-month period prior thereto, and (2) the customer will accept the results of such test as a basis for the settlement of any difference claimed; otherwise, the customer shall pay in advance a special service fee, as provided under the Table of Fees and Charges, to cover the expense of removing, testing, and replacing the meter. Such service fee shall be refunded to the customer in the event the meter is found, upon test, to be registering more than three percent (3%) fast.
- B. If any meter is found to have been registering more than three percent (3%) fast, the Authority shall refund to the customer the amount equal to the excess charge paid by customer between the date of repair or removal of the faulty meter and the date when the cause of such error occurred, if the later date can be definitely fixed, but no such refund shall be made for a period longer than one-half the time elapsed since the previous test, but not to exceed six months.
- C. If any meter is found to have been registering more than three percent (3%) slow, the Authority may make a charge to the customer for any usage incorrectly metered between the date of repair or removal of the faulty meter and the date when the cause of such error occurred, if the later date can be definitely fixed, but in no event for a period of more than one-half the time since the last previous test, but not to exceed six months.
- D. If a meter is found not to have registered for any period, the Authority shall estimate a charge for the usage used by averaging the amounts registered over similar periods in preceding years.

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RULES AND REGULATIONS

Rule 8
Point of Delivery

A. ELECTRIC

1. The point of delivery of electric service will be at the customer's meter location unless prescribed in writing to be elsewhere.
2. When delivery of service is on the primary side of the customer's transformer, the Authority may install its meter on the secondary side of the transformer. In such case, transformer and other losses occurring between the point of delivery and the meter will be estimated and added to the reading of such meter in determining the monthly consumption of power and energy.

B. NATURAL GAS

1. The point of delivery for all gas delivered to any customer shall be at the point of interconnection between the facilities of the Authority and those of such customer.
2. Unless otherwise agreed to in writing by the Authority, such interconnection as provided under Section B.1. above will be at the Authority's metering equipment serving that customer.

C. WATER

1. The point of delivery for all water delivered to any customer shall be at the point of interconnection between the facilities of the Authority and those of such customer.

D. WASTEWATER

1. The point of delivery is at the connection between the customer service line and those facilities that are owned and operated by the Authority and that receive and transport normal domestic wastewaters.

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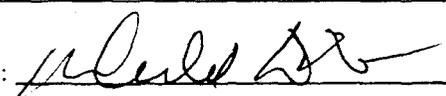
DATE OF APPROVAL: September 24, 1992

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RULES AND REGULATIONS

Rule 9
Increase in Customer's Connected Load

- A. The Authority reserves the right to limit new or additional power, natural gas, water or wastewater service commensurate with the available unre-served capacity in source, transmission, distribution, and/or substation facilities.
- B. Customers contemplating the installation of additional equipment (which is not considered a normal residential or household appliance or equipment), or changes in present equipment, plumbing or wiring, should consult the proper representatives at the Authority's office before proceeding with the installation in order that the Authority may cooperate with the cus-tomer to secure satisfactory and efficient operation of such equipment when installed.
- C. Customers shall give the Authority written notice specifying the increased capacity to be installed and the purpose for which it shall be used, unless otherwise specified in rate schedules or contract. Proper notice shall be considered to have been given upon written notification by the Authority that it will serve the increased load. The Authority will make every effort to supply such increased capacity as soon as possible. However, if necessary, the Authority reserves the right to take 90 days to supply such increased load, or to advise the customer of its inability to supply such increased capacity.
- D. If customer increases his connected capacity without proper notice to the Authority, and thereby damages or destroys or changes the accuracy of the Authority's metering equipment or transformers, the Authority shall charge the customer for necessary repairs or replacement of its equip-ment.

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RULES AND REGULATIONS

Rule 10
Interruption of Service & Curtailments

- A. The Authority will use reasonable diligence in furnishing uninterrupted and regular service to all customers, but the Authority does not guarantee such service and shall not be liable for damages in case of interruption of service, irrespective of the cause of the interruption.
- B. The Authority reserves the right without liability for damages to shut off the supply of any utility service at any time necessary for the purpose of making repairs or changes in the Authority's facilities or in the case of any emergency. In such cases, the Authority will make every reasonable effort to restore service at the earliest possible moment. Whenever possible, interruptions for repairs or changes will be made at times of least inconvenience to customers.
- C. Interruption of service shall not relieve the customer from any charges for service actually rendered, and in no case shall be considered a breach of contract.
- D. Scheduled interruptions due to repairs or construction, the Authority will notify customers directly, when practicable, in advance of such scheduled interruption.
- E. The Authority will always endeavor to give reasonable advance notice of any planned interruption of service or shut-off.
- F. NATURAL GAS
 - 1. If for any reason, the Authority is unable to supply the demand for natural gas, interruption or curtailment of service shall be made in accordance with the following priorities:
 - a. Priority 1 - Residential, small commercial (less than 50 MCF on a peak day).
 - b. Priority 2 - Large commercial requirements (50 MCF or more on a peak day), industrial requirements for plant protection, feedstock and process needs.
 - c. Priority 3 - All industrial requirements not specified in Priorities 2, 4 and 5.

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EFFECTIVE DATE: November 1, 1992

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RULES AND REGULATIONS

Rule 10 (continued)

- d. Priority 4 - Industrial requirements for boiler fuel use at less than 3,000 MCF on a peak day, but more than 1,500 MCF on a peak day, where alternate fuel capabilities can meet such requirements.
- e. Priority 5 - Industrial requirements for large volume (3,000 MCF or more on a peak day), boiler fuel use where alternate fuel capabilities can meet such requirements.
- f. For the purpose of this Rule, the following definitions shall apply:
 - 1. Residential - Service which consists of direct natural gas usage in a residential dwelling for space heating, cooking, air conditioning, water heating and other residential uses.
 - 2. Commercial - Service to customers engaged primarily in the sale of goods or services including institutions and local, state, and federal government agencies for uses other than those involving manufacturing or electric power generation.
 - 3. Industrial - Service to customers engaged primarily in a process which creates or changes raw or unfinished materials into another form or product including the generation of electric power.
 - 4. Plant Protection Gas - Minimum gas volumes required to prevent physical harm to the plant facilities or danger to plant personnel when such protection cannot be afforded through the use of an alternate fuel. This includes the protection of such material in process as would otherwise be destroyed, but shall not include deliveries required to maintain plant production. For the purposes of this definition, propane and other gaseous fuels shall not be considered alternate fuels.
 - 5. Feedstock Gas - Natural gas used as a raw material for its chemical properties in creating an end product.

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EFFECTIVE DATE: November 1, 1992

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RULES AND REGULATIONS

Rule 10 (continued)

6. Process Gas - Gas use for which alternate fuels are not technically feasible such as in applications requiring precise temperature controls and precise flame characteristics. For the purposes of this definition, propane and other gaseous fuels shall not be considered alternate fuels.
 7. Boiler Fuel - Natural gas used as a fuel for the generation of steam or electricity, including the utilization of gas turbines for the generation of electricity.
 8. Alternate Fuel Capabilities - Is defined as a situation where an alternate fuel could have been utilized whether or not the facilities for such use have actually been installed; however, where the use of natural gas is for plant protection, feedstock, or process uses, and the only alternate fuel is propane or other gaseous fuel, then the consumer will be treated as if he had no alternate fuel capacity.
 9. System - Any group of interconnected pipelines or mains owned or operated by the Authority and so situated that they will be unaffected by changes in operation of any other such group of facilities.
2. Curtailments shall be made ratably insofar as feasible within each priority group served by the same system provided however that the Authority may provide by rate schedule for two or more subgroups within any priority group. Total curtailments during a calendar year shall be made to the end that insofar as feasible, all customers within a priority group or subgroup served by the same system may be curtailed in the same proportion that each customer's total requirements during such year bears to the total requirements of all customers in that priority group or subgroup during such year.
 3. No curtailment shall be applied to any customer at any time when any customer in a lower (i.e., higher numbered) priority group, who is served by the same system has not been directed by the Authority to effect full curtailment of the customer's service.
 4. The Authority shall notify in advance each customer to be curtailed under the provisions of this Section of the extent and amount of the curtailment required from the customer. If after such notification,

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DATE OF APPROVAL: September 24, 1992

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RULES AND REGULATIONS

Rule 10 (continued)

any customer (other than a customer in Priority 1) fails to curtail during the required period or to the amount required, such customer shall pay a penalty fee per MMBTU, as provided under the Table of Fees and Charges, for all takes in excess of the authorized amount. In addition, the Authority shall have the right to disconnect any customer who fails to curtail as notified without further notice if service to customers in Priority Group 1 or 2 is threatened.

5. This curtailment procedure may be suspended by the Authority during any emergency when life or property is endangered.
6. Interruptions of service shall not relieve the customer from any charges for service actually rendered and in no case shall be considered a breach of contract.

G. WATER

1. If the Authority finds evidence of excessive waste of water by the customer, the Authority will advise the customer of such condition and allow a reasonable time for correction and/or repairs before discontinuing the service.
2. The Authority reserves the right to restrict the use of water furnished by it in periods of short supply.
 - a. Residential purposes shall have first priority,
 - b. Commercial uses involving the public health shall have next priority.
3. In such periods of short supply, lawn watering, car washing, and other non-essential uses shall be prohibited. Failure of any customer to observe these priorities upon notice shall be cause for suspension of service to such customer.
4. Applicable penalty fee as provided under the Table of Fees and Charges shall be assessed for wasteful use of water during periods of publicly declared water conservations or emergencies.

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RULES AND REGULATIONS

Rule 11
Discontinuance and Restoration of Service

- A. If the Authority detects fraudulent use of any utility(s) by a customer, that customer's service will be shut off without advance notice. Moreover, service will not be resumed until the customer has given satisfactory assurance that such fraudulent use of utility service(s) will be discontinued and shall have paid the Authority an amount estimated by the Authority to be reasonable payment for utilities fraudulently used and not paid for, and in addition, shall have a penalty charge assessed as well as any applicable fees. The Authority also reserves the right to refuse to connect any customer who has been guilty previously of fraudulent use of utility service(s).
- B. In case a dangerous condition (e.g., use of extension cords from one residence to another) is found to exist on the customer's premises, the service will be shut off without an advance notice. The Authority shall notify the customer promptly of the nature of the dangerous condition. If the customer does not remedy the dangerous condition within ten days of being notified, a reconnection charge and any applicable fees will be assessed upon restoring service.
- C. In case utility service(s) is misused or misapplied by the customer so as to cause voltage fluctuations, low pressure or other unsatisfactory conditions affecting the quality, safety, or continuity of service to other customers, the Authority will disconnect such service after two (2) days written notice unless within such time conditions complained of are remedied or discontinued by the customer. The Authority reserves the right to disconnect service without advance notice if the misuse of any utility service causes a dangerous condition or failure of service to other customers. If the Authority is compelled to discontinue service for these causes, a penalty charge in addition to the reconnection fee will be assessed upon restoring service.
- D. If any utility service(s) is resold by the customer without the consent of the Authority, service will be discontinued after two (2) days written notice, and no reconnection will be made until assurance is given, in writing, that the commodity will not be sold again or delivered to any other party. If service is discontinued for this cause, a reconnection fee will be required before service is restored.

APPROVED BY: 

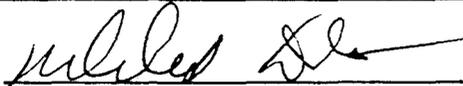
DATE OF APPROVAL: September 24, 1992

EFFECTIVE DATE: November 1, 1992

RULES AND REGULATIONS

Rule 11 (continued)

- E. Customers who intend to move from the premises served, or discontinue the use of utility service(s) or in any way terminate their liability for service hereunder, shall give the Authority reasonable notice of such intention and the customer will be liable for all usage registered until proper notice is given and the Authority has made the final meter reading.
- F. Customers who tamper with, interfere with, or break the seals of meters or other equipment of the Authority installed on customer's premises, will be assessed a penalty fee as provided under the Table of Fees & Charges. In addition, a reconnection fee and any applicable fee will be required if the service is restored after the conditions causing discontinuance are corrected.
- G. The Authority reserves the right to discontinue any utility service and/or the source of supply where the customer is in arrears in payment of bills, for failure to comply with any of these rules and regulations, or for illegal use or diversion. Reconnection will be made after the bill and any penalty charges, in addition to reconnection fees are paid in full.
- H. The following fees shall be paid by a customer who applies for reconnection of service other than during regular business hours:
 - 1. Reconnect Fee (per utility)
 - 2. Employee's wages (computed overtime hourly rate of 1½ times per hour with a required minimum of one hour being charged).
 - 3. Transportation cost (computed at the Authority's current rate per mile)
 - 4. Other applicable fees
- I. Whenever the Authority shall have permanently discontinued utility service to any customer's premises, it shall have the right at any reasonable time thereafter to enter upon the premises and remove therefrom its meter and any of its property there located.
- J. Any customer desiring a temporary turn off of utility service may request such discontinuance from the Authority and at the Authority's option a charge may be made for the discontinuance and restoration of service, when done for the convenience of the customer.

APPROVED BY: 
EFFECTIVE DATE: November 1, 1992

DATE OF APPROVAL: September 24, 1992

RULES AND REGULATIONS

Rule 12
Access to Customer's Premises

- A. Upon presentation of credentials, an authorized representative of the Authority shall have free access to the premises of the customer at all reasonable hours for the purpose of reading the meter, inspecting all equipment relating to the Authority's service, for testing, and changing or removing its meters. The Authority may enter upon the property or premises at any hour under emergency circumstances. If the Authority is refused admittance or prevented from making such inspections or tests as the Authority may deem necessary, service may be discontinued after a five (5) day written notice is given to the customer.

APPROVED BY: 

DATE OF APPROVAL: September 24, 1992

EFFECTIVE DATE: November 1, 1992

RULES AND REGULATIONS

Rule 13
Care of Authority's Property on Customer's Premises

- A. The customer shall use due diligence to protect the property of the Authority that is installed on the customer's premises or on the premises under the customer's control. The customer agrees by accepting service from the Authority that only an authorized employee of the Authority or a person otherwise lawfully entitled to do so shall be permitted to remove or to adjust the Authority's facilities on the customer's premises or premises under the customer's control.
- B. The customer shall hold the Authority harmless from all claims for trespassing, injury to persons, or damage to lawn, trees, shrubs, buildings, or other property that may be caused in the installation or replacement of service wires and other necessary appurtenances to serve the customer, unless it shall be affirmatively proven that the injury to persons or damage to property complained of has been caused by willful fault or negligence on the part of the Authority or its accredited employees.
- C. In case of loss or damage to the Authority's property from the acts of negligence of the customer, the customer shall pay to the Authority the cost of repairing and/or replacing such property.
- D. The Authority will maintain and replace, when necessary, all service wires and appurtenances furnished by the Authority to serve a customer, except for damages caused by vandalism.

APPROVED BY: *[Signature]*

DATE OF APPROVAL: September 24, 1992

EFFECTIVE DATE: November 1, 1992

RULES AND REGULATIONS

Rule 14
Customer's Responsibility for Tenants

- A. Any customer having tenants, whose supply of utility service(s) is dependent upon a blanket agreement between the customer and the Authority covering all the meters on the premises, shall agree to accept responsibility for the full amount, as computed from the registration upon each separate meter.

APPROVED BY: 

DATE OF APPROVAL: September 24, 1992

EFFECTIVE DATE: November 1, 1992

RULES AND REGULATIONS

Rule 15
Responsibility of Authority or Customer
for Utility Service and Equipment

A. ELECTRIC

1. The Authority shall not be liable for any loss or damage caused by unavoidable accidents, extraordinary action of the elements, strikes, mob violence, or other causes over which the Authority exerts no control.
2. The Authority shall not be liable for any loss, damage, or injury whatsoever caused by leakage, escape, or loss of electrical energy after same has passed through the Authority's meter, or defects or lack of customer's wiring, equipment, or protective devices.
3. The Authority requires proper certification by a licensed electrician with proper installation of electrical wiring prior to connection of electric service.
4. The Authority will require an inspection by the Authority's employee of service entrance and meter circuit breaker or main fuse.
5. The customer shall use reasonable care in designing and connecting loads to his circuits so that loads on the individual phases and circuits of the Authority's service to the customer shall be as equally balanced as possible across the various phases.

B. NATURAL GAS

1. The Authority shall be responsible for the safe transmission and handling of gas until it passes the point of delivery as specified in these rules and regulations. The Authority shall also be responsible for the safe installations of its meters, service cocks, regulators, and related fittings (where installed by the Authority), and shall be responsible for the safe maintenance of all property of the Authority downstream from the point of delivery. Except as stated here, the responsibility for the safe conduct, handling and utilization of the gas after it passes the point of delivery shall be that of the customer. In case of loss or damage to the Authority's property from the acts of negligence of the customer, the customer shall pay to the Authority the cost of repairing and/or replacing such property.

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DATE OF APPROVAL: September 24, 1992

EFFECTIVE DATE: November 1, 1992

RULES AND REGULATIONS

Rule 15 (Continued)

2. Although the Authority assumes no responsibility for the safe upkeep or operating condition of any of the customer's yardlines downstream from the point of delivery or of his house piping, fixtures or appliances, the Authority may nevertheless refuse to turn on gas to any customer's premises until all the customer's pipes and appliances have been tested and found to be tight, safe, and free from leaks and in good, safe operating condition. If such proof is requested by the Authority, it shall be in the form of a certificate executed by a licensed plumber or by a certified gas inspector, certifying that such pipes and appliances have been tested and found to be tight, safe, and free from leaks and ready for use. After the gas has been turned on, the Authority may also, though it shall not be obligated to do so, test the customer's pipes and appliances for leakage at any reasonable hour. Whenever leakage is found by such test, the Authority reserves the right to refuse or discontinue service until such leakage is properly corrected.
3. Immediate notice shall be given to the Authority by the customer of any gas escaping on the customer's premises. Under no circumstances shall the Authority be charged with constructive notice of defects in piping, equipment, and/or appliances (other than the meter or other facilities installed by the Authority) downstream from the point of delivery specified in these rules and regulations. Upon receipt of notice of escaping gas, the Authority shall as promptly as may be feasible under the circumstances send its representative to investigate the matter. If leakage is found to be caused by any of the Authority's facilities, the Authority shall have the right to temporarily discontinue service until the leakage can be corrected. In the event the leakage is found to be caused by the facilities of the customer, the Authority shall have the right to discontinue service until the leakage is corrected.
4. All gas piping and installations to be connected to the Authority's system shall be made in accordance with the requirements of the latest revision of the National Bureau of Fire Underwriters Association Gas Safety Manual, the rules and regulations of the Authority as herein set forth, and the written information received from the Authority.

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EFFECTIVE DATE: November 1, 1992

DATE OF APPROVAL: September 24, 1992

RULES AND REGULATIONS

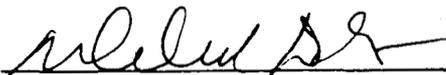
Rule 15 (Continued)

C. WATER

1. The Authority does not assume any responsibility as to the piping or fixtures on any customer's premises and shall not be liable for any loss or damage resulting from the presence of the Authority's water service on such premises. The customer shall use due diligence to protect the Authority's property installed on the customer's premises or on premises under the customer's control, and agrees in accepting service that only an employee of the Authority or person otherwise lawfully entitled to do so shall be permitted to remove or to adjust the Authority's meters, connections, or any other of the Authority's property on customer's premises.
2. The Authority does not assume any responsibility nor does it guarantee adequate quantity or flow of water used for fire fighting purposes. (Refer to Rule 29 "Fire Hydrants and Fire Protection Service").

D. WASTEWATER

1. The Authority does not assume any responsibility as to the piping or fixtures on any customer's premises and shall not be liable for any loss or damage resulting from the presence of the Authority's property providing service on the premises.
2. The customer shall use due diligence to protect the Authority's property installed on the customer's premises or on premises under the customer's control, and agrees in accepting service that only an employee of the Authority or person otherwise lawfully entitled to do so shall be permitted to remove or to adjust the Authority's connections, or any other of the Authority's property on customer's premises.
3. The Authority shall be responsible only for operation and maintenance of that portion of a wastewater system in a community considered as main trunk lines, branch lines, and laterals, and not that portion of a system known as building wastewater service lines. Main trunk lines, branch lines, and laterals are defined as that portion of a

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EFFECTIVE DATE: November 1, 1992

DATE OF APPROVAL: September 24, 1992

RULES AND REGULATIONS

Rule 15 (Continued)

wastewater system extending from manhole to manhole which collects and conveys wastewater from a community to treatment facilities or point of disposition. Building wastewater service lines are defined as those lines which extend from trunk lines, branch lines, or laterals to individual residences or buildings.

4. In no case will the Authority be responsible for repairing, replacing, cleaning, maintaining, or servicing any building wastewater service line or fixtures connected thereto, extending from main trunk lines, branch lines, and laterals which serve individual residences or buildings.

APPROVED BY: 
EFFECTIVE DATE: November 1, 1992

DATE OF APPROVAL: September 24, 1992

RULES AND REGULATIONS

Rule 16
Attachment to Authority's Facilities

- A. Nothing shall be attached to the Authority's poles, pipes, facilities, or equipment.
- B. A special contract is required for joint use facilities. Such attachment shall be so installed that they will not interfere with the ability of the Authority to operate and maintain their facilities nor will they be so installed in the manner which will allow contact with the Authority's facilities should either fail or fall.

APPROVED BY: 
EFFECTIVE DATE: November 1, 1992

DATE OF APPROVAL: September 24, 1992

RULES AND REGULATIONS

Rule 17
Extension of Lines

A. ELECTRIC

1. DEFINITIONS: A line extension for the purpose of this rule is the construction or modification of the Authority's electric distribution system required in order that a consumer or group of consumers may receive electric service. A service drop shall be any secondary service with a voltage of 600 volts or less.
2. FEASIBILITY: The Authority shall not under any circumstances or condition be required to make an extension or enlargement or provide underground facilities that would be economically unfeasible and thereby cause an undue hardship upon the Authority or its then existing customers. In all cases where such existing facilities must be expanded, the Authority will require a written contract for a suitable initial contract period which will justify and support the necessary investment and reservation of capacity required to render such power service.
3. Residential customers to be served shall contract with the Authority to purchase service in accordance with the rates specified in the Authority's rate schedule applicable to such service.
4. Such contract shall be for a period of up to five (5) years.
5. PERMANENT SERVICE:
 - a. Definition: "Permanent Service" as defined herein is construed to mean service to domestic, rural and urban consumers, when use of service and permanency can be reasonably assured.

Consumer shall own the premises involved or have a suitable long term lease, or other right to use the premises satisfactory to the Authority.

All trailers and mobile homes are considered to be non-permanent in nature except when the trailer or mobile home is placed on permanent foundation of concrete, rock or cinder block, with the wheels, axles and tongue arrangement permanently removed.

Recreation-type trailers will not be considered permanent unless they also have been placed on permanent foundation of concrete, rock or cinder block, with the wheels, axles and tongue arrangement permanently removed.

APPROVED BY:



DATE OF APPROVAL:

September 24, 1992

EFFECTIVE DATE:

November 1, 1992

RULES AND REGULATIONS

RULE 17 (Continued)

b. Contract Term: To assure that the additions to plant, lines and system of the Authority required to provide electric service to new consumers will not work an undue hardship upon the Authority or its then existing customers, consumer shall be required to receive service for a period of 60 months and pay the rate specified in the Authority's rate schedules, and under special circumstances, enter into a longer term contract.

c. Extension Charges:

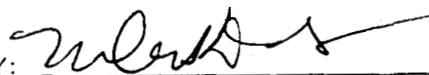
1. Without Charge: The Authority will extend a member extension to any permanent residential consumer provided that the total construction investment required does not exceed a construction cost of \$1,500. Meters and transformers will be provided exclusive of this allowed credit.

2. With Charge: If the construction investment required for the permanent residential consumer does exceed the construction credit as provided under Subsection c.1. above, the consumer will be required to pay for the difference and make an advanced contribution as determined by the Authority's district office prior to the start of construction of any facilities.

In the event the actual construction cost is more or less than the estimated cost, the consumer will be charged or refunded the difference, provided there has been a major design or construction change.

This advance contribution is required to insure that the Authority will recover its construction investment in the line extension and not place undue hardship on existing customers.

For any extension originating off of a line with an established minimum within five years of the original contract, all costs will be re-evaluated to fairly distribute cost to original consumer and new consumer alike. No adjustment will be retroactive beyond date of new extensions. The non-refunded contribution shall become the property of the Authority.

APPROVED BY: 

DATE OF APPROVAL: March 4, 1993

EFFECTIVE DATE: November 1, 1992

RULES AND REGULATIONS

Rule 17 (continued)

In the event construction of the backbone or main trunkline systems is necessary to serve a new residential community, the developer will be required to provide in advance a non-refundable contribution in aid of construction to cover the full-cost of such a system.

3. For commercial or large industrial, the Authority will require a written contract for a suitable initial period which will justify and support the necessary investment and reservation of capacity required to render such power service.

6. ELECTRIC FACILITIES FOR SUB-DIVISION AND LAND DEVELOPMENT:

Platted developments being subdivided for future potential residential homesites or building development will require a non-refundable contribution-in-aid of construction to be made by the commercial developer, to cover the total cost of the basic backbone primary system being installed. Future individual residential connections eventually made, including necessary transformers, service drops, etc., will be extended under the regular residential extension policy.

7. RELOCATION OF AUTHORITY FACILITIES:

When the Authority is requested to relocate its facilities for the benefit and/or convenience of a consumer, the consumer shall reimburse the Authority for the total cost of work before construction begins. In the event the actual construction cost is different than the estimated cost, the owner will be charged or refunded the difference.

8. SPECIAL EXCEPTIONS:

Nothing contained in this rule shall prevent the Authority from providing service to any customer upon terms and conditions other than as provided herein when the Authority, after consideration and review of all of the circumstances, shall find that good cause exists for the establishment of terms and conditions applicable to the service sought different from those set forth in this rule and the establishment of different terms and conditions shall result in fair, just, and reasonable rates of service which are not preferential as to any

APPROVED BY: 

DATE OF APPROVAL: September 24, 1992

EFFECTIVE DATE: November 1, 1992

RULES AND REGULATIONS

Rule 17 (Continued)

customer or unreasonably discriminatory as to any customer, nor shall anything in this rule require the Authority to make an extension that would not be economically feasible and thereby cause undue hardship on other customers.

B. NATURAL GAS

1. The Authority from time to time will make such reasonable extensions of its mains and lines and will install such other facilities as may be required to provide natural gas service to customers making applications therefore.

a. Without charge: The Authority will extend its mains and service lines at no charge to the permanent residential customer provided that the total construction investment required does not exceed the standard three times average annual revenue expected to be generated by the Authority from that customer class.

b. With charge: If the construction investment required for the residential customer does exceed the construction credit as provided under Subsection 1.a. above, the customer will be required to pay the difference and make an advanced contribution as determined by the Authority's district office prior to the start of construction of any facilities.

In the event, the actual construction cost is more or less than the estimated cost, the customer will be charged or refunded the difference, provided there has been a major design or construction change.

c. For a non-residential customer, the Authority will require a written contract for a suitable initial period which will justify and support the necessary investment and reservation capacity required to render such natural gas service. The customer will be required to pay for the full cost of the construction and to make an advanced contribution as determined by the Authority prior to the start of construction of any facilities.

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DATE OF APPROVAL: September 24, 1992

EFFECTIVE DATE: November 1, 1992

RULES AND REGULATIONS

Rule 17 (Continued)

2. Subject to the conditions and limitations set forth in Section B.3. below, the Authority will make refunds of the amounts paid by customers in connection with the main extensions as follows:
 - a. For each new customer connected directly to the extension, an amount will be refunded equal to the proportionate cost of the extension prorated over a five-year allowance extension.
 - b. Each such refund will be made by the Authority as promptly as practicable after service is commenced to the new customer occasioning the refund.
3. The Authority's obligation to make refunds as provided in Section B.2. above shall be subject to the following conditions and limitations:
 - a. No refund will be due or made by reason of any customer connecting with or using gas from a further extension of the particular extension for which payment was made or any other extension connected laterally thereto.
 - b. The Authority will not be required to make any refund on account of connection to the extension of any customer used as a basis for calculation of the proportionate part of the extension cost to be borne by the Authority.
 - c. No refunds will be due or payable on account of any customer connecting to the extension after expiration of a three-year period following completion of the extension.
 - d. The total amount refundable shall in no event exceed the amount paid to the Authority in connection with the extension without any interest whatsoever.
 - e. If more than one party executes the extension agreement, refunds will be payable in equal proportions to the parties executing the extension agreement.
4. Notwithstanding the other provisions of this rule, the Authority shall not be required to make any extension of its mains where under the circumstances prevailing at the time, such extension would prove not economically feasible in the opinion of the Authority.

APPROVED BY: 

DATE OF APPROVAL: September 24, 1992

EFFECTIVE DATE: November 1, 1992

RULES AND REGULATIONS

Rule 17 (Continued)

5. The extensions of mains and lines referred to in this rule are concerned with distribution mains and lines and do not include "yard" lines designated solely to serve the customer involved. The yard lines shall remain the responsibility of the customer served and the Authority shall not pay any cost of such yard lines.
6. The dividing point between the Authority's system and the customer's facility shall be as defined in Rule 8, "Point of Delivery".

C. WATER

1. The Authority from time to time will make such reasonable extensions of its mains and service lines and will install such other facilities as may be required for water service to customers making application therefor.
 - a. Without charge: The Authority will extend its mains and service lines at no charge to the permanent residential customer provided that the total construction investment required does not exceed the standard three times average annual revenue expected to be generated by the Authority from that customer class.
 - b. With charge: If the construction investment required for the residential customer does exceed the construction credit as provided under Subsection 1.a. above, the customer will be required to pay the difference and make an advanced contribution as determined by the Authority's district office prior to the start of construction of any facilities.

In the event, the actual construction cost is more or less than the estimated cost, the customer will be charged or refunded the difference, provided there has been a major design or construction change.
 - c. For all other customers, the total construction cost of the extension will require a non-refundable contribution in aid of construction for the full cost of the extension from said customers.
2. Subject to the conditions and limitations set forth in Section C.3. below, the Authority will make refunds of the amounts paid by customers in connection with the extensions as follows:

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DATE OF APPROVAL: September 24, 1992

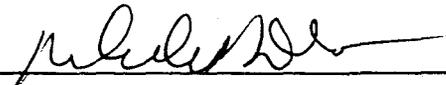
EFFECTIVE DATE: November 1, 1992

RULES AND REGULATIONS

Rule 17 (Continued)

- a. For each new residential customer connected directly to the extension, an amount will be refunded equal to the proportionate cost of the extension prorated over a five-year allowance extension.
- b. Each such refund will be made by the Authority as promptly as practicable after service is commenced to the new customer occasioning the refund.
3. The Authority's obligation to make refunds as provided in Section C.2. shall be subject to the following conditions and limitations:
 - a. No refund will be due or made by reason of any customer connecting with or using water from a further extension of the particular extension for which payment was made or any other extension connected laterally thereto.
 - b. The Authority will not be required to make any refund on account of connection to the extension of any customer used as a basis for calculation of the proportionate part of the extension cost to be borne by the Authority.
 - c. No refunds will be due or payable on account of any customer connecting to the extension after expiration of a five-year period following completion of the extension.
 - d. The total amount refundable shall in no event exceed the amount paid to the Authority in connection with the extension without any interest whatsoever.
 - e. If more than one party executes the extension agreement, refunds will be payable in equal proportions to the parties executing the extension agreement.
4. The Authority shall not under any conditions be obligated or required to make an extension that is not economically feasible.
5. The extensions of mains and lines referred to in this rule are concerned with distribution mains and lines and do not include "yard" lines designated solely to serve the customer involved. The yard lines shall remain the responsibility of the customer served and the Authority shall not pay any cost of such yard lines.

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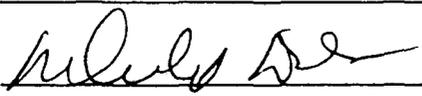
RULES AND REGULATIONS

Rule 17 (Continued)

6. Nothing in this rule shall prevent the Authority from negotiating special arrangements for extensions so long as such agreements are fair and reasonable and do not discriminate unfairly against other customers of the Authority.
7. The Authority reserves the right to inspect such construction while in progress and will require actual supervision by the Authority's representative of the physical connection between the Authority's existing system and any new construction.

D. WASTEWATER

1. In view of the fact that the Authority's wastewater service is provided under rates which return revenue solely for operation and maintenance of the system, the Authority will not undertake extension of its wastewater mains or trunks.
2. Customers requesting service, which will require extensions of the Authority's lines, shall be required to bear the full cost of such extensions, including design, engineering, and construction. All such extensions shall conform to the Authority's over-all plan for its system in the area and all plans and specifications shall be approved in writing by the Authority prior to construction.
3. The Authority reserves the right to inspect such construction while in progress and will require actual supervision by the Authority's representative of the physical connection between the Authority's existing system and any new construction.

APPROVED BY: 

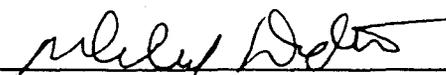
DATE OF APPROVAL: September 24, 1992

EFFECTIVE DATE: November 1, 1992

RULES AND REGULATIONS

Rule 18
Temporary Service

- A. Temporary service, as herein defined, shall refer to service to circuses, bizarres, fairs, rodeos, construction work, concessions, and other enterprises of a temporary nature. If the Authority deems the permanency of a venture questionable, the service may be considered in this class at the option of the Authority. Temporary service shall be continued for a period no longer than 18 months. Thereafter, service may be continued in accordance with terms of the extension policy, as outlined in Rule 17, "Extension of Lines".
- B. The Authority shall require the customer to advance all of the cost of a temporary (up and down costs) service extension, such advance to be retained by the Authority if service is discontinued within 18 months.
- C. Customers under a temporary service agreement shall be billed for service under the filed rate for other service of like character. Service for specialized usage shall be considered as a special case when not covered by a specific rate schedule for that usage. The deposit requirement for guarantee of payment of bills shall be the same as for permanent service.
- D. No additional customer will be connected to a temporary extension.
- E. All temporary service connections shall be approved by the Authority.

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DATE OF APPROVAL: September 24, 1992

EFFECTIVE DATE: November 1, 1992

RULES AND REGULATIONS

Rule 19
Trailer Courts & Mobile Home Parks

A. Service provided to trailer courts or mobile home parks will be considered special and will be provided under the following general policy:

1. Service to permanent office buildings, restrooms, bath houses, laundry facilities, outside lighting, etc., necessary to the general operation of the trailer court will be considered General or Commercial Service, and will be billed under the applicable General Service or Commercial Rate Schedule.
2. Service to a "transient" trailer complex shall be limited to those operations where a trailer is hooked up to available utility services for a period of less than fifteen (15) days. Such service is not to be individually metered, but master metered, and plans and specifications for the service must be submitted to and approved by the Authority. All facilities within the complex will be the responsibility of the developer. Service will be billed under the General Service or Commercial Rate Schedule.
3. The Authority reserves the right to inspect the books and records of any trailer court or mobile home park operation in order to insure compliance with the intent of this Rule insofar as limitations on availability of service under the Commercial Rate or the General Service Rate Schedule is concerned.
4. Under no conditions will the Authority provide facilities beyond the meter, and the Authority reserves the right to discontinue service for violation of this Rule and any other Rule or Regulation of the Authority particularly where safety is involved.
5. Water and sewer services to trailer courts and mobile home parks will be master metered in close proximity to the park boundary and billed at the General or Commercial Rate. All the water and sewer lines within its park shall remain private facilities.

B. ELECTRIC

1. Service to trailer courts, mobile home parks or complexes shall be individually metered to all such trailers or mobile homes, and the developer shall provide individual meter bases, approved by the Authority, in accordance with this rule. Plans and specifications for such individually metered service shall be submitted to and approved by the Authority in advance of service being made available. All such individually metered service shall be billed under the Residential Rate Schedule.

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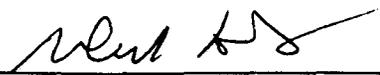
EFFECTIVE DATE: November 1, 1992

RULES AND REGULATIONS

RULE 19 (Continued)

C. NATURAL GAS

1. The provision of Rule 17.B.1.a. and b. shall apply to the installation of natural gas service for existing residential units in trailer courts or mobile home parks, and service to each trailer or mobile home shall be individually metered.
2. In order to qualify for natural gas service, the record owner of the mobile home park must enter into a standard form agreement with the Authority granting the Authority the right to install its lines and meters within the mobile home park, at no additional expense to the Authority and providing for any contribution to be made by the owner of the park where required by operation of Rule 17.B.1.b. In addition, such standard agreement shall obligate the owner of the mobile home park to guarantee the Authority's right to provide natural gas service to the park for a three year period following completion of the installation of the facilities or be responsible for payment of liquidated damages in an amount equivalent to the allowance provided by the Authority toward the construction investment.
3. The Authority under no circumstances will provide natural gas service through the facilities constructed by others except where constructed under the immediate inspection of the Authority's authorized representative.

APPROVED BY: 
EFFECTIVE DATE: November 1, 1992

DATE OF APPROVAL: March 4, 1993

RULES AND REGULATIONS

Rule 20
Services

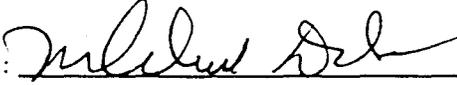
A. Where services are installed and approved, the Authority will install metering equipment upon execution of customer's application for service and the customer's compliance with the Authority's rules and regulations herein set forth as to deposits and service requirements.

1. ELECTRIC

- a. Where service wires are not installed, the Authority will install them, from distribution pole lines to service terminal at exterior of customer's premises, provided it does not exceed the extension allowance for service line.
- b. The practice of extending the service from house to house instead of running a special service or extending the pole lines shall be absolutely prohibited.
- c. Not more than one set of service wires will be run to the same premises for each class of service furnished to the customer except where, in the judgement of the Authority, additional service wires are necessary to supply proper service.
- d. Underground electric service can be supplied to a customer upon request and receipt of the necessary contribution based upon the difference between the underground cost and the cost of an equivalent overhead system.
 - 1. Materials and construction methods as well as items required to be supplied by the customer will be furnished by the Authority's Electrical Engineering Department.

2. NATURAL GAS

- a. The Authority shall design, install, operate and maintain its facilities up to and including the metering equipment. All facilities located after the metering equipment shall be the responsibility of the customer.
- b. No connection shall be made between the facilities of the Authority including the metering equipment and those of the customer, nor shall any facilities of the Authority be disconnected, removed, repaired, or altered, except by the Authority's authorized representatives and agents.

APPROVED BY: 

DATE OF APPROVAL: September 24, 1992

EFFECTIVE DATE: November 1, 1992

RULE AND REGULATIONS

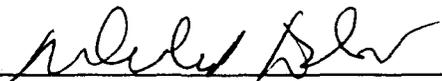
Rule 20 (Continued)

- c. Buildings located on separate lots are to be supplied with individual service connections, except in cases of special contractual arrangements with the Authority.
- d. The Authority may decline service if the conditions do not, in the Authority's sole opinion, afford adequate protection for the occupant or occupants thereof, or the persons or property of others. In no event will gas service be commenced or continued if, to the Authority's knowledge, the customer or customer's facilities fail to meet applicable requirements of law and the National Fuel Gas Code.

3. WATER

- a. The Authority reserves the right to specify the point of service entrance to any premise and must be contacted for exact information regarding the service entrance before any piping in the interior of the building has been started. If such information is not secured, expensive changes in piping installation may result for which the Authority shall not be held liable in any way and will not assume any responsibility.
- b. Not more than one service line for each class of service shall be installed on the premises for any one customer. Where it is desired to arrange the water piping of any building or premise so that separate metering facilities are provided for various portions of same, proper space for facilities must be provided in such building or premise to accommodate all of the Authority's metering equipment for the entire building or premise and piping performed accordingly. All service meters for any particular building or premise must be located in the same space or at the same point outside of buildings or premises. More than one premise will not be served through one meter except a group of buildings under one management or control, and further provided that each building is an integral part of and necessary to the operation of the facility. If separate metering is required to serve an additional premise on the same property, billing will be separate on each meter and will not be combined.

APPROVED BY:



DATE OF APPROVAL: September 24, 1992

EFFECTIVE DATE:

November 1, 1992

RULE AND REGULATIONS

Rule 20 (Continued)

- c. Every customer requesting a new service, or series of services, shall complete and submit for each service a Permission-To-Tap form to the appropriate Authority's office for review, approval, and subsequent processing. This form must include the appropriately sized service schematic and specific materials list for the new connection or connections. In addition, the customer will be required to complete, or have completed to the satisfaction of the Authority, a utility site plan (which will be subsequently submitted as an "as-built" drawing with installation construction notes and changes) indicating the length of service line, placement of valves, meters, and appurtenances, location and station of existing source line, and all other buried and overhead utilities that will affect construction. If appropriate, following construction, the customer will be required to sign an NTUA Utility Transfer Agreement which will allow the Authority to operate and maintain the facility following a one year material and workmanship guarantee provided by agreement with the customer. The customer is also responsible for providing all right-of-way documentation necessary for the new service installation.

- d. The customer shall be responsible for all costs beyond the extension allowance related to the new service connection that will be absorbed subsequently into the Authority's systems for operations and maintenance. The Authority's operation and maintenance responsibility shall cover only that segment of the service line from the main line up to and including the meter. All costs of operation and maintenance of the system from the meter to the building shall remain the responsibility of the customer
 - 1. If requested, the Authority at its sole option shall prepare a construction cost estimate for the customer's review. This estimate shall include the cost of materials, labor, transportation, and all related expenses and overheads applicable to the project. The customer will be required to tender payment prior to the Authority's initiation of construction. If the actual construction cost, including all applicable overhead charges, is more or less than the estimated cost and provided there has been a major design or construction change, the Authority shall collect payment or issue a refund for the difference in costs prior to the Authority's accepting the system.

APPROVED BY: 
EFFECTIVE DATE: November 1, 1992

DATE OF APPROVAL: September 24, 1992

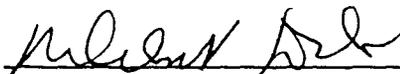
RULE AND REGULATIONS

Rule 20 (Continued)

2. The customer at his expense may retain a private plumbing contractor approved by the Authority to install all service lines and appurtenances. The contractor's materials and workmanship shall conform to the Authority's standards and shall be subject to continual inspection by the Authority during all phases of the construction activity. The Authority will be the sole judge regarding the acceptability of any and all facets of the project, and all deficiencies must be corrected to the satisfaction of the Authority prior to the installation of the meter or initiation of service.
- e. No cross connections with any other source of water shall be made to Authority's lines.
- f. Where the operating water pressure is less than 20 psi and the water pressure and volume is determined by the customer to be less than the customer's requirements, the customer shall at their own expense install a pump and pressure storage tank.
- g. If the water pressure at the customer's service is in excess of 80 psi, the customer shall at his own expense install an adjustable pressure regulating device to reduce delivery pressure to 60 psi.
- h. At the customer's request, the Authority will make an individual engineering study and recommend equipment required to provide adequate service and all special equipment to be purchased, installed and owned by the customer. The customer may be billed for labor, material, and overhead basis.
- i. On all projects wherein construction is performed by the United States Public Health Service under Public Law 86-121 and the finished system is turned over to the Authority complete with customer connections, all service connection charges shall be waived. Additional connections after date of assumption of responsibility by the Authority shall be charged as provided in these rules and regulations and in the rate schedules.

4. WASTEWATER

- a. All customers shall, in addition to the connection charge as provided under the Table of Fees and Charges, bear all costs of service lines and taps to connect with existing mains and trunks.

APPROVED BY: 
EFFECTIVE DATE: November 1, 1992

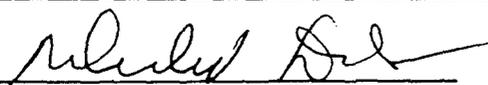
DATE OF APPROVAL: September 24, 1992

RULE AND REGULATIONS

Rule 20 (Continued)

- b. On all projects wherein construction is performed by the United States Public Health Service under Public Law 86-121 and the finished system is turned over to the Authority complete with customer connections, all service connection charges shall be waived. Additional connections after date of assumption of responsibility by the Authority shall be charged as provided in these rules and regulations and in the rate schedules.

- c. Every customer requesting a new service, or series of services, shall complete and submit for each service a Permission-To-Tap form to the appropriate Authority's office for review, approval, and subsequent processing. This form must include the appropriately sized service schematic and specific materials list for the new connection or connections. In addition, the customer will be required to complete, or have completed to the satisfaction of the Authority, a utility site plan (which will be subsequently submitted as an "as-built" drawing with installation construction notes and changes) indicating the length of service line, placement of valves, meters, and appurtenances, location and station of existing source line, and all other buried and overhead utilities that will affect construction. If appropriate, following construction, the customer will be required to sign an NTUA Utility Transfer Agreement which will allow the Authority to operate and maintain the facility following a one year material and workmanship guarantee provided by agreement with the customer. The customer is also responsible for providing all right-of-way documentation necessary for the new service installation.

APPROVED BY: 

DATE OF APPROVAL: September 24, 1992

EFFECTIVE DATE: November 1, 1992

RULES AND REGULATIONS

Rule 21
Transformer Substations

- A. When an indoor installation of transformers, switching equipment, or other apparatus is made by the Authority, the customer shall furnish, without cost to the Authority, a weatherproof building or room upon his property in accordance with specifications of the National Board of Fire Underwriters and NTUA specifications for housing such equipment furnished by the Authority. Said building or room shall be well ventilated and free of excessive moisture or dust. The customer shall also furnish without cost to the Authority, right-of-way for the Authority's pole line, if required.
- B. If an outdoor substation is found necessary or desirable, the customer shall furnish without cost to the Authority sufficient ground area to install such equipment as may be required and provide the necessary right-of-way to serve the station.
- C. If the customer is not the owner of the premises to be served, the owner's written consent to the installation of the substation shall be furnished to the Authority.

APPROVED BY: 

DATE OF APPROVAL: September 24, 1992

EFFECTIVE DATE: November 1, 1992

RULES AND REGULATIONS

Rule 22
Meter Installations

A. Electric and gas meters shall be furnished, installed, owned and maintained by the Authority. Residential water meters up to and including one inch shall be furnished by the Authority. All other water meters shall be approved and subsequently absorbed by the Authority for operation and maintenance, but shall be furnished (paid for) by the customer. The customer shall exercise reasonable care in protecting the Authority's meters from theft or damage, and the customer may be held responsible for deliberately tampering, removing, or damaging any meter. Only the Authority shall be permitted to adjust, repair, connect, disconnect or in any way change the meter or other facilities of the Authority installed as part of the customer's service.

1. ELECTRIC

- a. The Authority reserves the right to seal all meter entrance switches, meter sockets, meter enclosures, and all service entrance boxes regardless of ownership where the operation or tampering with such equipment may affect the registration of the meter or use of energy contrary to the provisions of these rules and regulations or the provisions of the applicable rate schedule.
- b. All meters installed for residential use shall be of the outdoor type which shall be mounted at a height of five feet, six inches (5'6") from the center of the meter to the ground, or standing position from which it is to be read. There shall be an unbroken, exposed conduit run from the service entrance cap to the socket.
- c. The customer shall furnish and install the meter socket and the necessary wiring from service head to meter.
 1. The meter socket shall be located so that it is entirely on the outside of the building. In the event a porch or other structure is built so that the meter location is inaccessible, the meter socket and/or service conduit or cable shall be moved to an accessible location at the expense of the customer. Whenever the construction of a building on an adjacent lot prevents proper access to any meter or the point of attachment of service conductor, the customer shall be responsible for all charges related to moving the meter and/or the service entrance conductor to a location which will be accessible to the Authority's employees.

APPROVED BY: 

DATE OF APPROVAL: September 24, 1992

EFFECTIVE DATE: November 1, 1992

RULE AND REGULATIONS

Rule 22 (Continued)

2. The meter socket shall be so placed that the meter can be set and the sealing ring installed easily. Should any plaster or abutments be installed after the socket is in place that would interfere with the setting of the meter and sealing ring, the customer shall move the socket.
- d. When more than one meter is required for a building such as an apartment building, all of the meter sockets shall be grouped adjacent to each other and must be individually numbered and identified according to apartments. In remodeling, where two separate houses are combined with an addition to form one building, there shall be only one meter. In all remodeling where the meter loop is changed or moved, or any change made in the wiring, it will be necessary to install outdoor meter sockets.
- e. All single-phase meters installed for commercial use that do not require current transformers shall be socket type with the socket installed at a location approved by the Authority. The meter sockets shall be mounted at a height of five feet six inches (5'6") above the finished floor line or ground line to center of the meter as the case may be. The service disconnect switch and cabinet shall be installed adjacent to meter socket or as near the point of service entrance as practicable. An outdoor location is preferred for single-phase commercial meters, provided the meters will not be subject to damage due to a hazardous location.
- f. When single-phase meter installations require current transformers, the customer shall furnish and install a metal cabinet or bracket, approved by the Authority, to mount the transformers. The cabinet or bracket shall be provided with a suitable means for mounting the transformers.
- g. In all installations requiring current transformers, whether single-phase or three-phase, the customer shall provide the meter loop and leads for connection of the current transformers. When the meter is to be placed in the instrument transformer cabinet, a suitable window shall be provided so that the meter can be read without opening the door.

APPROVED BY: 

DATE OF APPROVAL: September 24, 1992

EFFECTIVE DATE: November 1, 1992

RULE AND REGULATIONS

Rule 22 (Continued)

- h. The customer will install a metering instrument cabinet whenever, in the Authority's opinion, customer's load exceeds the capacity of the applicable self-contained meter. Detailed specifications of metering cabinets are available, upon request, at the Authority's office.
- i. A metering instrument cabinet shall be installed by the customer under any of the following conditions:
 - 1. When the single-phase 120/240-volt main or disconnect switch is larger than 350 amperes.
 - 2. When the three-phase 240-volt main or disconnect switch is larger than 200 amperes.
 - 3. When the three-phase 480-volt main or disconnect switch is larger than 200 amperes.
- j. Metering cabinets shall not be used to house customer owned equipment such as distribution panels or other equipment, nor used as a junction box for the distribution of circuits.
- k. All meter loops for single-phase meters that do not require current transformers shall be wired in accordance with the approved meter sequence; that is, (1) Meters, (2) Switch and (3) Fuses. All large capacity meter loops that require meter transformers shall be wired ahead of the main switch.

2. NATURAL GAS

- a. The customer shall furnish a location satisfactory to the Authority on his premises for the Authority's metering equipment which shall be accessible at all times to the Authority's authorized representative.
- b. All meters shall be located where they will not be damaged and where they will be adequately ventilated.

3. WATER

- a. The Authority shall determine the make, manufacturer, style, and installation procedure for all meters used in its system.

APPROVED BY: 
EFFECTIVE DATE: November 1, 1992

DATE OF APPROVAL: September 24, 1992

RULE AND REGULATIONS

Rule 22 (Continued)

- b. All individual meters or meters in tandem shall be installed in the Authority's standard vault or which can be properly sized to contain necessary pressure regulating devices, valves, and appurtenances.
- c. All metering systems shall be located at or near the property boundary or other established limits of land withdrawal of the customer as applicable. In all situations, both the meter and the service line to the meter shall be installed within right-of-way provided to or already retained by the Authority. To facilitate maintenance, all metering devices shall have an unobstructed minimum clear distance of 25 feet from any permanent structure, building wall, or improvement belonging to the customer, unless specifically authorized by the Authority. Whenever practical, meters shall not be installed under concrete, asphalt or other surface improvements which could be damaged during excavation.

4. WASTEWATER

- a. If a non-residential customer with a private water supply system is desirous of connecting to a wastewater system belonging to the Authority, then the appropriate metering system and/or flow testing device, along with the financial, fiduciary, and other obligations shall be structured for each request.

APPROVED BY:



DATE OF APPROVAL:

September 24, 1992

EFFECTIVE DATE:

November 1, 1992

RULES AND REGULATIONS

Rule 23
Customer's Installations

A. ELECTRIC

1. The undertaking of the Authority shall be completed by the supplying of electric current at, or as near as possible to the standard voltage for the class of service rendered at the point of entrance on the customer's premises. Any appliance or equipment required to transform, control, regulate, or utilize such energy must be furnished and maintained by the customer.
2. All wiring between the point of connection with the Authority's service and the meter must be provided by the customer.
3. The customer is requested to consult the proper officials at the Authority's office before proceeding with the installation of wiring, appliances, etc.
4. The customer should obtain information in writing from the Authority as to the kind of service, voltage, frequency, etc., which the Authority has available at a given location, and as to the proper location of the point of connection between the customer's installation and Authority's service connection.
5. Where a new service is to be installed or where the location of a present meter is changed, the wiring from the Authority's service wire to the meter shall be in conduit subject to the approval of the Authority's authorized employee.
6. Where the customer has failed to provide the proper installation for attaching the Authority's service as herein specified, the Authority may refuse to connect until the customer has made the necessary changes at his expense.
7. The location of the point where the customer's service outlet connects the Authority's service shall be determined by the Authority. Customer's conduit or cable shall be carried out of the building to a point at least 12 feet and not more than 25 feet from the ground, except in special cases where the customer has obtained permission from the Authority. At least two feet of wire must extend from the conduit, which must be equipped with an approved weatherproof fitting.

APPROVED BY: 

DATE OF APPROVAL: September 24, 1992

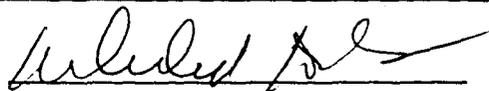
EFFECTIVE DATE: November 1, 1992

RULES AND REGULATIONS

Rule 23 (Continued)

8. All electric wiring and installations to be connected to the Authority's distribution system shall be made in accordance with the Authority's service entrance requirements. The Authority reserves the right in all cases to make final connection of wiring of its system. In case of any damage resulting from unauthorized connections, the customer shall be held responsible for such damage.
9. The customer's wiring should be designed so that there is not more than two percent (2%) loss in voltage between the point where connection is made with the Authority's service and any part of the customer's load at the time of his greatest possible demand.
10. Where fluorescent lighting units or lighting units of similar low power factor are used, capacitors to bring power factor to as near unity as possible shall be part of each unit. Customers will be charged for using KVA and KVAH due to low power factor
11. The Authority will charge for all materials furnished and for all work done on the customer's premises; such as, for trouble calls not occasioned by default or negligence on the part of the Authority, the replacement of fuse plugs, and any other work requested and authorized by the customer for the repair of customer's wiring and equipment. The Authority will not charge for any costs of replacements or repairs to equipment furnished and owned by the Authority on customer's premises, except as otherwise noted herein.
12. Where the customer furnishes the necessary complete substation equipment to take service at primary service voltage, such equipment shall be maintained by the customer and shall include the necessary transformers, structures, controls and protective equipment. The quality and construction of such equipment shall be equivalent to the Authority's standards, shall be approved by the Authority, and meet the code applicable to the installation.
13. Where wiring has been installed either before or after the meter by a private contractor, the contractor shall supply the Authority with a letter certifying the adequacy of such wiring.

APPROVED BY:



DATE OF APPROVAL: September 24, 1992

EFFECTIVE DATE: November 1, 1992

RULES AND REGULATIONS

Rule 23 (Continued)

B. NATURAL GAS

1. The customer shall provide a waiver letter that states:
 - a. The Authority will not be liable for any customer piping done by private contractors.
 - b. All customer piping is free of leaks based upon an acceptable pressure test.

C. WATER

1. The customer shall provide a waiver letter that states:
 - a. The Authority will not be liable for any customer piping done by private contractors.
 - b. All customer piping is free of leaks based upon an acceptable pressure test.

D. WASTEWATER

1. The customer shall provide a waiver letter that states:
 - a. The Authority will not be liable for any customer piping done by private contractors.
 - b. All customer piping is free of leaks based upon an acceptable pressure test.

APPROVED BY: 

DATE OF APPROVAL: September 24, 1992

EFFECTIVE DATE: November 1, 1992

RULES AND REGULATIONS

Rule 24
Motor Installations

- A. Individual installations of three (3) horsepower or smaller shall be single-phase. Exceptions will be made at the Authority's option only at points where three-phase service is available.
- B. All motors of five (5) horsepower or larger shall be three-phase except that, at points where the Authority has no three-phase service, single-phase motors may be permitted on the written approval of the Authority.
- C. Motors of one-half (1/2) horsepower or less may be operated at 120 volts, unless their operation seriously affects the quality of the service rendered in which case they shall be operated at 240 volts. Motors which start frequently and operate intermittently, such as those operating meat grinders, grinding machines, electric organs, water pumps, compressors, welding machines, etc., are usually considered in the latter class.
- D. Single-phase motors larger than one-half (1/2) horsepower shall be operated at 240 volts. All three-phase motors shall be rated to operate at 208 volts except in special cases to be taken up with the Authority.
- E. All motors seven and one-half (7-1/2) horsepower or larger shall be equipped with starting devices or compensators of a type approved by the Authority. Each device must have either low voltage release or low voltage protection attachments unless the main switch is so protected. The installation of a crossline starting equipment must be approved in advance by the Authority's Electric Engineering Department.
- F. Automatic motor-starting equipment shall be so arranged that, in case of interruption of power supply, the circuit will be opened entirely and held open until the starter has been returned to starting position.
- G. Split-phase motors will not be permitted in sizes above one-half (1/2) horsepower.
- H. All motors with a rated capacity of 25 horsepower or larger shall be of the slip-ring or wound-rotor type, except in cases where the use of other types may be approved in advance in writing by the Authority's Electrical Engineering Department.
- I. High-reactance across-line starting motors of types approved by the Authority's Electric Engineering Department may be used up to capacities of 30 horsepower.

APPROVED BY: 

DATE OF APPROVAL: September 24, 1992

EFFECTIVE DATE: November 1, 1992

RULES AND REGULATIONS

Rule 24 (Continued)

- J. The installation of synchronous motors will be permitted only on approval of the Authority.
- K. Add-a-phase or Rotophase equipment that simulates three-phase power from a single-phase may be utilized when approved in advance by the Authority's Electrical Engineering Department.

APPROVED BY: 

DATE OF APPROVAL: September 24, 1992

EFFECTIVE DATE: November 1, 1992

Rus # 7

This data will be used by RUS to review your financial situation. Your response is required (7 U.S.C. 901 et seq.) and is not confidential.

USDA-RUS FINANCIAL AND STATISTICAL REPORT	BORROWER DESIGNATION AZ027 BORROWER NAME AND ADDRESS NAVAJO TRIBAL UTILITY AUTH P O BOX 170 FORT DEFIANCE, AZ 86504-0170
INSTRUCTIONS - Submit an original and two copies to RUS. Round all amounts to nearest dollar. For detailed instructions, see RUS Bulletin 1717B-2	PERIOD ENDED 1999 Annual
CERTIFICATION We hereby certify that the entries in this report are in accordance with the accounts and other records of the system and reflect the status of the system to the best of our knowledge and belief. ALL INSURANCE REQUIRED BY PART 1788 OF 7 CFR CHAPTER XVII, RUS, WAS IN FORCE DURING THE REPORTING PERIOD AND RENEWALS HAVE BEEN OBTAINED FOR ALL POLICIES.	
SIGNATURE OF OFFICE MANAGER OR ACCOUNTANT 	DATE 5-18-2000
SIGNATURE OF MANAGER 	DATE 5-18-00

PART A. STATEMENT OF OPERATIONS

ITEM	YEAR-TO-DATE			THIS MONTH
	LAST YEAR (a)	THIS YEAR (b)	BUDGET (c)	
1. Operating Revenue and Patronage Capital.....	39,737,689	39,349,810	0	3,438,749
2. Power Production Expense.....	0	0	0	0
3. Cost of Purchased Power.....	21,270,973	21,086,740	0	2,419,907
4. Transmission Expense.....	506,746	565,732	0	81,426
5. Distribution Expense - Operation.....	1,897,602	1,719,183	0	236,393
6. Distribution Expense - Maintenance.....	924,816	982,125	0	85,304
7. Consumer Accounts Expense.....	1,658,346	2,000,487	0	256,499
8. Customer Service and Informational Expense.....	5,249	4,124	0	0
9. Sales Expense.....	18,916	26,229	0	0
10. Administrative and General Expense.....	5,095,234	4,974,679	0	523,938
11. Total Operation & Maintenance Expense (2 thru 10).....	31,377,882	31,359,299	0	3,603,467
12. Depreciation and Amortization Expense.....	5,384,876	5,690,992	0	566,373
13. Tax Expense - Property & Gross Receipts.....	0	0	0	0
14. Tax Expense - Other.....	0	0	0	0
15. Interest on Long-Term Debt.....	1,732,728	1,664,534	0	140,382
16. Interest Charged to Construction - Credit.....	0	0	0	0
17. Interest Expense - Other.....	2,470	1,883	0	(142)
18. Other Deductions.....	0	0	0	0
19. Total Cost of Electric Service (11 thru 18).....	38,497,956	38,716,708	0	4,310,080
20. Patronage Capital & Operating Margins (1 minus 19).....	1,239,733	633,102	0	(871,331)
21. Non Operating Margins - Interest.....	640,897	640,717	0	42,521
22. Allowance for Funds Used During Construction.....	522,080	66,436	0	31,773
23. Income (Loss) from Equity Investments.....	0	(253,653)	0	0
24. Non Operating Margins - Other.....	(75,977)	161,473	0	60,329
25. Generation and Transmission Capital Credits.....	0	0	0	0
26. Other Capital Credits and Patronage Dividends.....	0	0	0	0
27. Extraordinary Items.....	0	0	0	0
28. Patronage Capital or Margins (20 thru 27).....	2,326,733	1,248,075	0	(736,708)

PART B. DATA ON TRANSMISSION AND DISTRIBUTION PLANT

ITEM	YEAR-TO-DATE		ITEM	YEAR-TO-DATE	
	LAST YEAR (a)	THIS YEAR (b)		LAST YEAR (a)	THIS YEAR (b)
1. New Services Connected	793	918	5. Miles Transmission	513.06	513.30
2. Services Retired	17	16	6. Miles Distribution - Overhead	5,637.22	5,866.57
Total Services in Place	30,396	31,314	7. Miles Distribution - Underground	36.50	37.64
Idle Services (Exclude Seasonal)	55	77	8. Total Miles Energized (5 + 6 + 7)	6,186.78	6,417.51

USDA-RUS FINANCIAL AND STATISTICAL REPORT	BORROWER DESIGNATION AZ027	PERIOD ENDED 1999 Annual	RUS USE ONLY
INSTRUCTIONS - See RUS Bulletin 1717B - 2			

PART C. BALANCE SHEET

ASSETS AND OTHER DEBITS		LIABILITIES AND OTHER CREDITS	
1. Total Utility Plant in Service.....	163,314,761	30. Memberships.....	0
2. Construction Work in Progress.....	6,066,969	31. Patronage Capital.....	0
3. Total Utility Plant (1+2).....	169,381,730	32. Operating Margins - Prior Years.....	28,635,881
4. Accum. Provision for Depreciation and Amort..	65,171,247	33. Operating Margins - Current Year.....	633,102
5. Net Utility Plant (3-4).....	104,210,483	34. Non-Operating Margins.....	614,973
6. Non-Utility Property (Net).....	380,832	35. Other Margins and Equities.....	53,184,832
7. Investments in Subsidiary Companies.....	0	36. Total Margins & Equities (30 thru 35)	83,068,788
8. Invest. In Assoc. Org. - Patronage Capital.....	0	37. Long-Term Debt - RUS (Net).....	23,126,941
9. Invest. In Assoc. Org. - Other - General Funds	0	(Payments-Unapplied \$ 1,086,500)	
10. Invest. In Assoc. Org. - Oth. - Nongen. Funds..	2,250,677	38. Long-Term Debt - RUS - Econ. Devel. (Net).....	0
11. Investments in Economic Development Projects	0	39. Long-Term Debt - Other - REA Guaranteed.....	0
12. Other Investments.....	0	40. Long-Term Debt - Other (Net)	9,203,086
13. Special Funds.....	0	41. Total Long-Term Debt (37 thru 40).....	32,330,027
14. Total Other Property and Investments (6 thru 13)	2,631,509	42. Obligations Under Capital Leases - Noncurrent	0
15. Cash - General Funds.....	1,144,623	43. Accumulated Operating Provisions.....	0
16. Cash - Construction Funds - Trustee.....	0	44. Total Other Noncurrent Liabilities (42+43).....	0
17. Special Deposits.....	4,033,601	45. Notes Payable.....	0
18. Temporary Investments.....	2,826,376	46. Accounts Payable.....	4,466,750
19. Notes Receivable (Net)	475,693	47. Consumers Deposits.....	61,998
20. Accounts Receivable - Sales of Energy (Net)..	2,593,289	48. Other Current and Accrued Liabilities.....	2,556,130
21. Accounts Receivable - Other (Net).....	1,207,170	49. Total Current & Accrued Liabilities (45 thru 48)	7,084,878
22. Materials and Supplies - Electric and Other.....	1,684,278	50. Deferred Credits.....	4,391,447
23. Prepayments.....	397,113	51. Accumulated Deferred Income Taxes.....	0
24. Other Current and Accrued Assets.....	1,050,900	52. Total Liabilities and Other Credits	
25. Total Current and Accrued Assets (15 thru 24)	15,413,043	(36+41+44+49 thru 51).....	126,875,140
26. Regulatory Assets.....	0	ESTIMATED CONTRIBUTIONS IN AID OF CONSTRUCTION	
27. Other Deferred Debits.....	4,620,105	53. Balance Beginning of Year.....	1,452,508
28. Accumulated Deferred Income Taxes.....	0	54. Amounts Received This Year (Net).....	311,638
29. Total Assets and Other Debits (5+14+25 thru 28)	126,875,140	55. Total Contributions in Aid of Construction.....	1,764,146

PART D. NOTES TO FINANCIAL STATEMENTS

THIS SPACE IS PROVIDED FOR IMPORTANT DISCLOSURE NOTES TO THE FINANCIAL STATEMENT CONTAINED IN THIS REPORT. REPORT ITEMS CONTAINED IN THE INSTRUCTIONS AND ADDITIONAL MATERIAL ITEMS.

(A SEPERATE SHEET MAY BE USED IF ADDITIONAL SPACE IS NEEDED.)

Cash Received From Patronage Capital Refunds: 0

10. Invesment in Associated Org.-Other Nongeneral Funds:

In 1982, the Authority became a member of the National Rural Utilities Cooperative Finance Coporation (CFC).

Membership in CFC requires the purchase of CFC Capital Term Certificate as defined in the subscription agreement.

50. Deferred Credits:

This amount represents a cumulative figure from January 1, 1986 to the current month and is reconciled as follows:

Beginning Balance 01/01/1999:	(\$8,432,387)
Gas Segment - Dr. (Cr.)	25,307
Water & Wastewater Segment - Dr. (Cr.)	86,554
Photovoltaic Segment - Dr. (Cr.)	138,487
Balance as of 12/31/1999	(\$8,299,797)

FINANCIAL AND STATISTICAL REPORT

This data will be used to determine your operating results and financial situation. Your response is required (7 U.S.C.901 et seq.) and is not confidential.

BORROWER DESIGNATION
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INSTRUCTIONS - Submit an original and two copies to RUS. Detailed instructions, see RUS Bulletin 1717B-2.

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PART E. CHANGES IN UTILITY PLANT

ITEM	BALANCE BEGINNING OF YEAR (a)	ADDITIONS (b)	RETIREMENTS (c)	ADJUSTMENTS AND TRANSFERS (d)	BALANCE END OF YEAR (e)	DEPRECIATION RATE (f)
1. Land and Land Rights (360)	0	0	0	0	0	
2. Structures and Improvements (361)	277,185	3,372	0	0	280,557	3.00 %
3. Station Equipment (362)	11,738,137	236,310	204,722	0	11,769,725	3.00 %
4. Storage Battery Equipment (363)	0	0	0	0	0	0.00 %
5. Poles, Towers, and Fixtures (364)	43,779,008	1,752,716	202,620	(166,829)	45,162,275	3.00 %
6. Overhead, Conductors and Devices (365)	28,887,737	1,037,741	77,183	0	29,848,295	3.00 %
7. Underground Conduit (366)	308,729	8,022	0	0	316,751	3.00 %
8. Underground Conductor & Devices (367)	3,507,507	39,365	4,362	0	3,542,510	3.00 %
9. Line Transformers (368)	18,435,200	1,396,823	281,253	0	19,550,770	3.00 %
10. Services (369)	2,243,743	105,911	26,264	0	2,323,390	3.00 %
11. Meters (370)	3,598,233	526,807	361,949	0	3,763,091	3.00 %
12. Installation on Consumers' Premises (371)	0	0	0	0	0	0.00 %
13. Leased Prop. on Consumers, Premises (372)	2,462,873	212,452	5,660	0	2,669,665	3.00 %
14. Street Lighting (373)	0	0	0	0	0	0.00 %
15. SUBTOTAL - Distribution (1 thru 14)	115,238,352	5,319,519	1,164,013	(166,829)	119,227,029	
16. Land and Land Rights (389)	0	0	0	0	0	
17. Structures and Improvements (390)	2,087,229	297,876	17,476	0	2,367,629	3.00 %
18. Office Furniture & Equipment (391)	2,507,885	494,135	118,248	0	2,883,772	10.00 %
19. Transportation Equipment (392)	4,469,103	1,239,390	325,791	0	5,382,702	20.00 %
20. Stores, Tools, Shop, Garage, and Laboratory Equipment (393, 394, 395)	1,028,604	128,245	4,469	0	1,152,380	10.00 %
21. Power - Operated Equipment (396)	1,919,347	59,908	84,202	0	1,895,053	10.00 %
22. Communication Equipment (397)	4,820,379	412,443	3,472	0	5,229,350	10.00 %
23. Miscellaneous Equipment (398)	217,971	13,928	239	0	231,660	10.00 %
24. Other Tangible Property (399)	102,955	3,221	0	0	106,176	10.00 %
25. SUBTOTAL - General Plant (16 thru 24)	17,153,473	2,649,146	553,897	0	19,248,722	
26. Intangibles (301, 302, 303)	0	0	0	0	0	
27. Land and Land Rights, Roads and Trails (350, 359)	0	0	0	0	0	
28. Structures and Improvements (352)	637,057	8,800	0	0	645,857	3.00 %
29. Station Equipment (353)	5,902,022	620,940	0	0	6,522,962	3.00 %
30. Towers and Fixtures and Poles and Fixtures (354, 355)	1,975,022	4,253,730	249	0	6,228,503	3.00 %
31. Overhead Conductors & Devices (356)	3,034,573	2,450,729	0	0	5,485,302	3.00 %
32. Underground Conduit (357)	0	0	0	0	0	0.00 %
33. Underground Conductors and Devices (358)	0	0	0	0	0	0.00 %
34. SUBTOTAL - Transmission Plant (27 thru 33)	11,548,674	7,334,199	249	0	18,882,624	
35. Production Plant - Steam (310 thru 316)	0	0	0	0	0	
36. Production Plant - Nuclear (320 thru 325)	0	0	0	0	0	
37. Production Plant - Hydro (330 thru 336)	0	0	0	0	0	
38. Production Plant - Other (340 thru 346)	0	0	0	0	0	
39. All Other Utility Plant (102, 104-106, 114, 118)	9,915,718	0	0	(3,959,332)	5,956,386	
40 SUBTOTAL (15 + 25 + 26 + 34 + 35 thru 39)	153,856,217	15,302,864	1,718,159	(4,126,161)	163,314,761	
41. Construction Work in Progress .. (107)	5,085,779	981,190			6,066,969	
42. TOTAL UTILITY PLANT (40 + 41)	158,941,996	16,284,054	1,718,159	(4,126,161)	169,381,730	

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INSTRUCTIONS - See RUS Bulletin 1717B-2

PART F. ANALYSIS OF ACCUMULATED PROVISIONS FOR DEPRECIATION - TOTAL ELECTRIC PLANT

ITEM	DISTRIBUTION PLANT (a)	GENERAL PLANT (b)	TRANSMISSION PLANT (c)	OTHER PLANT (d)
1. Balance Beginning of Year.....	38,550,350	16,980,738	3,771,072	0
2. Additions- Depreciation Accruals Charged to:				
a. Depreciation Expense.....	3,742,206	1,328,759	409,263	0
b. Clearing Accounts and Others.....	598,047	548,071	0	0
c. Subtotal (a + b).....	4,340,253	1,876,830	409,263	0
3. Less - Plant Retirements:				
a. Plant Retired.....	509,651	501,892	229	0
b. Removal Cost.....	(325,816)	0	0	0
c. Subtotal (a + b).....	183,835	501,892	229	0
4. Plus Salvaged Materials.....	0	0	0	0
5. TOTAL (2c - 3c + 4).....	4,156,418	1,374,938	409,034	0
6. Other Adjustments - Debit or Credit.....	(71,303)	0	0	0
7. Balance End of Year (1 + 5 + /- 6).....	42,635,465	18,355,676	4,180,106	0

PART G. MATERIALS AND SUPPLIES

ITEM	BALANCE BEGINNING OF YEAR (a)	PURCHASED (b)	SALVAGED (c)	USED (NET) (d)	SOLD (e)	ADJUSTMENT (f)	BALANCE END OF YEAR (g)
1. Electric	1,515,731	2,002,026	0	1,998,113	0	37,748	1,557,392
2. Other (155 + 156)	118,622	262,335	0	255,425	0	1,354	126,886
3. Ratio of Inventory Turnover - Electric Item 1d / $\frac{1a + 1g}{2}$ = 1.3004				4. Inventory - Electric as Percent of Total Utility Plant $\frac{1g}{\text{Item 42e, Part E}} \times 100 = 0.92$			

PART H. SERVICE INTERRUPTIONS

ITEM	AVERAGE HOURS PER CONSUMER BY CAUSE				TOTAL (e)
	POWER SUPPLIER (a)	EXTREME STORM (b)	PREARRANGED (c)	ALL OTHER (d)	
1. Present Year	0.48	1.01	0.06	1.58	3.13
2. Five - Year Average	0.44	1.07	0.08	2.26	3.85

PART I. EMPLOYEE - HOUR AND PAYROLL STATISTICS

1. Number of Full Time Employees	111	4. Payroll Expensed	2,233,264
2. Man-Hours Worked - Regular Time	192,009	5. Payroll Capitalized	718,265
3. Man-Hours Worked - Overtime	14,669	6. Payroll Other	38,487

PART J. PATRONAGE CAPITAL

PART K. DUE FROM CONSUMERS FOR ELECTRIC SERVICE

ITEM	THIS YEAR (a)	CUMULATIVE (b)	
1. General Retirement	0	0	1. AMOUNT DUE OVER 60 DAYS
2. Special Retirements	0	0	
3. Total Retirements (1 + 2)	0	0	
4. Patronage Capital Assigned		0	2. AMOUNT WRITTEN OFF DURING YEAR
5. Patronage Capital Assignable		0	

PART L. kWh PURCHASED AND TOTAL COST

ITEM (a)	RUS USE ONLY SUPPLIER CODE (b)	kWh PURCHASED (c)	TOTAL COST (d)	AVERAGE COST PER kWh (cents) (e)	INCLUDED IN TOTAL COST	
					FUEL COST ADJUSTMENT (f)	WHEELING AND OTHER CHARGES (or Credits) (g)
PACIFICORP ELECTRIC	16845	4,280,767	149,572	3.49	0	0
WESTERN AREA POWER ADMIN	69510	246,740,331	4,290,609	1.74	0	0
TUCSON POWER CO	19038	317,074,819	14,601,498	4.61	0	1,305,357
PUBLIC SERVICE CO OF NM	17290	47,590,166	1,765,843	3.71	0	0
Total		615,686,083	21,086,740	3.42	0	1,305,357

USDA - RUS FINANCIAL AND STATISTICAL REPORT <small>INSTRUCTIONS - See RUS Bulletin 1717B-2</small>	BORROWER DESIGNINATION AZ027 YEAR ENDING 1999 Annual	RUS USE ONLY
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PART M. LONG - TERM LEASES
(If additional space is needed use a separate sheet.)

LIST BELOW ALL "RESTRICTED PROPERTY" * HELD UNDER "LONG - TERM" LEASE. (If none, state "NONE".)		RENTAL THIS YEAR (c)
NAME OF LESSOR (a)	TYPE OF PROPERTY (b)	
1. NONE	NONE	\$ 0
2.		\$ 0
3. TOTAL		\$ 0

* "RESTRICTED PROPERTY" means all properties other than automobiles, trucks, trailers, tractors, other vehicles (including without limitation aircraft and ship), office, garage and warehouse space and office equipment (and without limitation computers). "LONG - TERM" means leases having unexpired terms of more than 12 months (taking into account terms of rental at the option of the lessor, whether or not such leases have been removed).

PART N. ANNUAL MEETING AND BOARD DATA

1. Date of Last Annual Meeting 10/14/1999	2. Total Number of Members 0	3. Number of Members Present at Meeting 0	4. Was Quorum Present? Proxy or Mail <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No
5. Number of Members Voting by Proxy or Mail 0	6. Total Number of Board Members 7	7. Total Amount of Fees and Expenses for Board Members \$87,365	8. Does Manager Have Written Contract? <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No

PART O. LONG - TERM DEBT AND SERVICE REQUIREMENTS

ITEM	BALANCE END OF YEAR (a)	BILLED THIS YEAR			RUS USE ONLY (e)
		INTEREST (b)	PRINCIPAL (c)	TOTAL (d)	
1. Rural Utilities Service (Excludes RUS - Economic Development Loans)	23,126,941	1,062,521	602,519	1,665,040	1
2. National Rural Utilities Cooperative Finance Corporation	9,135,882	599,049	401,887	1,000,936	2
3. Bank for Cooperatives	0	0	0	0	3
4. Federal Financing Bank	0	0	0	0	4
5. RUS - Economic Development Loans	0	0	0	0	5
6. Lease Equipment Purchases	67,204	2,964	34,177	37,141	6
7.					
8.					
9.					
10.					
11.					
12.					
TOTAL (Sum of 1 thru 12)	32,330,027	1,664,534	1,038,583	2,703,117	

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PART R. POWER REQUIREMENTS DATA BASE

CLASSIFICATION	CONSUMER SALES AND REVENUE DATA	JANUARY	FEBRUARY	MARCH	APRIL	MAY	JUNE
		(a)	(b)	(c)	(d)	(e)	(f)
1. Residential Sales (excluding seasonal)	a. No. Consumers Served	27,460	27,449	27,409	27,516	27,526	27,609
	b. kWh Sold	15,633,459	13,270,626	11,518,076	13,329,218	10,134,250	8,393,095
	c. Revenue	956,138	1,142,418	729,148	1,032,811	893,629	646,915
2. Residential Sales Seasonal	a. No. Consumers Served	0	0	0	0	0	0
	b. kWh Sold	0	0	0	0	0	0
	c. Revenue	0	0	0	0	0	0
3. Irrigation Sales	a. No. Consumers Served	76	76	76	75	76	76
	b. kWh Sold	5,742	6,876	1,996	14,170	79,488	198,780
	c. Revenue	5,002	(820)	2,026	2,156	4,850	10,994
4. Comm. and Ind. 1000 kVA or Less	a. No. Consumers Served	2,801	2,809	2,813	2,830	2,843	2,843
	b. kWh Sold	15,833,283	14,077,366	13,224,004	15,150,638	12,326,688	10,620,606
	c. Revenue	1,056,428	1,183,768	858,205	1,172,469	1,056,939	794,294
5. Comm. and Ind. Over 1000 kVA	a. No. Consumers Served	5	5	5	5	5	5
	b. kWh Sold	27,382,247	24,858,795	26,273,831	19,176,367	22,223,386	22,215,259
	c. Revenue	1,386,524	1,321,427	1,351,667	946,768	1,217,212	1,252,051
6. Public Street and Highway Lighting	a. No. Consumers Served	30	30	30	30	30	30
	b. kWh Sold	58,593	61,177	46,071	53,820	47,371	40,676
	c. Revenue	4,621	4,811	3,743	4,292	3,832	3,357
7. Other Sales to Public Auth.	a. No. Consumers Served	337	335	330	331	336	336
	b. kWh Sold	1,341,556	1,062,375	1,062,241	1,283,090	1,040,040	940,575
	c. Revenue	88,941	94,047	67,726	100,332	90,534	74,642
8. Sales for Resale - RUS Borrowers	a. No. Consumers Served	0	0	0	0	0	0
	b. kWh Sold	0	0	0	0	0	0
	c. Revenue	0	0	0	0	0	0
9. Sales for Resale - Others	a. No. Consumers Served	0	0	0	0	0	0
	b. kWh Sold	0	0	0	0	0	0
	c. Revenue	0	0	0	0	0	0
10. TOTAL No. Consumers (lines 1a - 9a)		30,709	30,704	30,663	30,787	30,816	30,899
11. TOTAL kWh Sold (lines 1b - 9b)		60,254,880	53,337,215	52,126,219	49,007,303	45,851,223	42,408,991
12. TOTAL Revenue Received From Sales of Electric Energy (lines 1c - 9c)		3,497,654	3,745,651	3,012,515	3,258,828	3,266,996	2,782,253
13. Other Electric Revenue		84,678	79,641	88,525	88,675	78,677	89,936
14. kWh - Own Use		0	0	0	0	0	0
15. TOTAL kWh Purchased		62,627,386	55,277,981	55,368,435	49,407,834	47,647,025	49,673,425
16. TOTAL kWh Generated		0	0	0	0	0	0
17. Cost of Purchases and Generation		2,187,689	1,917,570	1,885,430	1,869,445	1,556,263	1,835,948
18. Interchange - kWh - Net		0	0	0	0	0	0
19. Peak - Sum All kW Input (Metered)		116,216	109,730	108,091	100,501	91,453	91,580

Coincident Non-Coincident

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PART R. POWER REQUIREMENTS DATA BASE (Continued)
 (SEE PRECEDING PAGE 6 OF RUS FROM 7 FOR HEADINGS OF LINE ITEM NUMBERS BELOW.)

LINE ITEM NUMBER	JULY (g)	AUGUST (h)	SEPTEMBER (i)	OCTOBER (j)	NOVEMBER (k)	DECEMBER (l)	TOTAL (Contains a thru l)
1.	a.	27,683	27,646	27,769	27,842	27,838	27,984
	b.	10,348,029	8,982,848	8,645,130	9,785,906	9,782,311	12,166,501
	c.	795,656	717,945	612,423	797,165	853,204	973,319
2.	a.	0	0	0	0	0	0
	b.	0	0	0	0	0	0
	c.	0	0	0	0	0	0
3.	a.	76	76	76	76	76	76
	b.	305,123	153,224	92,026	189,232	131,983	4,570
	c.	15,673	10,798	6,403	15,631	7,723	(4,249)
4.	a.	2,903	2,904	2,915	2,937	2,908	2,907
	b.	13,029,701	12,086,474	12,411,797	13,435,688	12,233,780	13,126,012
	c.	961,709	936,960	901,183	1,038,286	1,003,173	985,338
5.	a.	5	5	5	5	5	5
	b.	18,892,592	26,879,210	25,621,362	27,245,246	24,341,226	27,670,956
	c.	1,166,321	1,300,867	1,265,338	1,261,167	1,231,440	1,297,987
6.	a.	30	30	30	30	30	30
	b.	47,272	44,488	43,958	50,530	55,448	51,119
	c.	3,833	3,630	3,594	4,060	4,410	4,102
7.	a.	339	340	340	342	341	342
	b.	1,228,639	976,939	976,469	1,050,667	911,473	1,046,249
	c.	92,129	77,221	67,222	84,559	73,292	82,615
8.	a.	0	0	0	0	0	0
	b.	0	0	0	0	0	0
	c.	0	0	0	0	0	0
9.	a.	0	0	0	0	0	0
	b.	0	0	0	0	0	0
	c.	0	0	0	0	0	0
10.	31,036	31,001	31,135	31,232	31,198	31,344	
11.	43,851,356	49,123,183	47,790,742	51,757,269	47,456,221	54,065,407	597,030,009
12.	3,035,321	3,047,421	2,856,163	3,200,868	3,173,242	3,339,112	38,216,024
13.	99,972	108,016	109,415	106,706	99,906	99,639	1,133,786
14.	0	0	0	0	0	0	0
15.	49,860,746	51,727,368	47,322,195	52,773,133	54,666,588	64,400,089	640,752,205
16.	0	0	0	0	0	0	0
17.	1,667,896	1,599,680	1,573,508	1,504,621	1,928,628	2,125,794	21,652,472
18.	0	0	0	0	0	0	0
19.	90,296	80,724	96,238	111,171	111,701	119,471	119,471

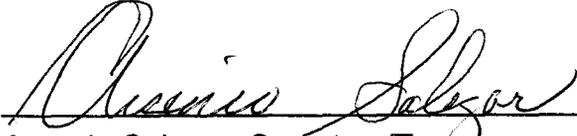
**PUBLIC NOTICE OF AN APPLICATION FOR SALE OF ASSETS
AND/OR TRANSFER OF THE CERTIFICATE OF CONVENIENCE
AND NECESSITY BY CONTINENTAL DIVIDE ELECTRIC
COOPERATIVE**

Continental Divide Electric Cooperative (CDEC) has filed with the Arizona Corporation Commission ("Commission") an application for authority to sell its assets and/or transfer its Certificate of Convenience and Necessity to provide electric service to the Navajo Tribal Utility Authority. If the application is granted, Navajo Tribal Utility Authority would be the exclusive provider of electric service in your area.

The Commission will hold a hearing on this matter. As a property owner or customer you may have the right to intervene in the proceeding. If you do not want to intervene, you may appear at the hearing and make a statement on your own behalf. You may contact the Commission at the address and telephone number listed below for the date and time of the hearing and for more information on intervention. You may not receive any further notice on the proceeding unless requested by you.

If you have any questions or concerns about this application, have any objections to its approval, or wish to make a statement in support of it, you may contact the Consumer Services Section of the Commission at 1200 West Washington Street, Phoenix, Arizona 85007 or call 1-800-222-7000/400 West Congress, North Building, Room 218, Tucson, Arizona 85701 or call 1-800-535-0148.

Agreement which were approved by the above Resolution of the Board of Trustees of
Continental Divide Electric Cooperative, Inc.



Arsenio Salazar, Secretary/Treasurer
Continental Divide Electric Cooperative, Inc.

(Seal)

RESOLUTION
OF THE MANAGEMENT BOARD
OF THE NAVAJO TRIBAL UTILITY AUTHORITY

NTUA-05-00

**Approving the Definitive Agreement for Purchase and
Sale and Purchase Power Agreement between the
Utility Authority and Continental Divide Electric
Cooperative, Inc.**

WHEREAS:

1. Pursuant to 21 NNC § 7(A)(1), the Management Board of the Navajo Tribal Utility Authority (hereinafter "Authority") is delegated the authority and responsibility for the management and operation of the Authority; and
2. Continental Divide Electric Cooperative, Inc. (CDEC) has been operating as an electric utility business on certain portions of the Navajo Indian Reservation since at least May 7, 1964. By terms of a 1964 Franchise, the Navajo Nation granted CDEC rights-of-way for a term of 25 years and upon expiration of the Franchise, the Navajo Nation had the option to purchase CDEC's lines and facilities on the Reservation at such price and terms as shall be negotiated; and
3. CDEC and the Navajo Nation entered into a further Franchise Agreement dated September 24, 1992, providing for CDEC to continue on an interim basis to provide electric service on the Reservation and install additional facilities and provide electric service on certain additional lands ("New Lands") which were added to the Reservation under the Navajo-Hopi Settlement Act, 25 USC § 640d, et seq.; and
4. The Navajo Nation notified CDEC on December 28, 1994, that it was exercising its option pursuant to the 1964 and 1992 agreements to purchase CDEC's electric system located on the Reservation and on the New Lands, and that NTUA would act as its agent to negotiate and purchase these facilities; and

5. Subject to the obtaining of corporate, regulatory, and lender approvals, CDEC desires to sell to the Authority all of its facilities located in Arizona and certain other facilities located in and around Standing Rock, New Mexico, as more fully described in Exhibit C attached to the Definitive Agreement for Purchase and Sale (Exhibit A); and
6. CDEC is also willing to sell power and energy to the Authority for the Arizona facilities, as more fully described in the attached Purchase Power Agreement (Exhibit B); and
7. It is in the best interest of the Authority that the Management Board approve the Definitive Agreement for Purchase and Sale and Purchase Power Agreement with CDEC.

NOW THEREFORE BE IT RESOLVED THAT:

1. The Management Board of the Navajo Tribal Utility Authority hereby approves the Definitive Agreement for Purchase and Sale and a Purchase Power Agreement, between the Authority and Continental Divide Electric Cooperative, Inc., copies of which are attached hereto as Exhibits A and B.
2. The Management Board authorizes the two agreements and directs the General Manager to take further actions as are appropriate to obtain lender and regulatory approvals and to close the purchase and sale, and purchase power agreements.

C E R T I F I C A T I O N

This is to certify that a duly called meeting at Dilcon, Arizona, held on the 27th day of April, 2000, at which a quorum was present, the foregoing Resolution was considered and adopted by the Management Board of the Navajo Tribal Utility Authority by a vote of 6 in favor and 0 opposed, and 0 abstaining.


Benjamin Hanley
Assistant Secretary

**NAVAJO TRIBAL UTILITY AUTHORITY
(A NAVAJO NATION ENTERPRISE)**

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Independent Auditors' Report

The Management Board
Navajo Tribal Utility Authority:

We have audited the accompanying balance sheets of the Navajo Tribal Utility Authority (the Authority) as of December 31, 1999 and 1998, and the related statements of earnings and retained earnings, and cash flows for the years then ended. These financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Authority as of December 31, 1999 and 1998, and the results of its operations and its cash flows for the years then ended in conformity with generally accepted accounting principles.

Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information included in Schedule 1 is presented for purposes of additional analysis and is not a required part of the basic financial statements. The supplementary information included in Schedule 1 has been subjected to the auditing procedures applied in the audits of the basic financial statements and, in our opinion, is fairly presented in all material respects in relation to the basic financial statements taken as a whole.

In accordance with *Government Auditing Standards* we have also issued our report, dated March 24, 2000 on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grants.

As discussed in note 9 to the financial statements, the Authority changed its method of accounting for its pension plan in 1998.

KPMG LLP

March 24, 2000



KPMG LLP, KPMG LLP, a U.S. limited liability partnership, is a member of KPMG International, a Swiss association.

**NAVAJO TRIBAL UTILITY AUTHORITY
(A NAVAJO NATION ENTERPRISE)**

Balance Sheets

December 31, 1999 and 1998

Assets	<u>1999</u>	<u>1998</u>
Utility plant, at original cost (notes 4 and 5):		
Plant in service:		
Electric	\$ 145,602,347	137,490,102
Gas	14,939,295	14,512,307
Water	20,121,196	18,648,771
Wastewater	6,738,569	6,154,739
Photovoltaic	505,132	519,027
Common	35,000,575	33,147,012
	<u>222,907,114</u>	<u>210,471,958</u>
Less accumulated depreciation	92,570,834	84,419,460
	<u>130,336,280</u>	<u>126,052,498</u>
Construction work in progress	8,300,928	7,254,943
Net utility plant	<u>138,637,208</u>	<u>133,307,441</u>
Other property and investments, at cost:		
Nonutility property, net of accumulated depreciation of \$973,474 in 1999 and \$924,621 in 1998	755,003	777,992
Investments in associated organizations (note 2)	2,381,406	2,378,757
Total other property and investments	<u>3,136,409</u>	<u>3,156,749</u>
Current assets:		
Cash and cash equivalents	1,315,111	424,563
Investments – unrestricted	4,033,601	4,713,082
Investments – restricted special funds	2,826,376	2,772,407
Receivables:		
Utility service (note 5)	5,764,217	6,086,465
Unbilled revenues (note 5)	1,962,300	2,290,500
Other	1,318,243	1,130,253
	<u>9,044,760</u>	<u>9,507,218</u>
Less allowance for doubtful receivables	870,017	857,347
Net receivables	8,174,743	8,649,871
Materials and supplies, at average cost	2,996,215	2,278,910
Prepaid expenses	641,937	558,090
Deferred gas costs	291,443	—
Total current assets	<u>20,279,426</u>	<u>19,396,923</u>
Long-term receivables excluding current installments (note 3)	558,817	241,766
Deferred charges	5,737,497	4,995,577
	<u>\$ 168,349,357</u>	<u>161,098,456</u>
Equity and Liabilities		
Equity:		
Investment by Navajo Nation	\$ 17,603,364	17,603,364
Retained earnings	56,795,438	53,966,806
	<u>74,398,802</u>	<u>71,570,170</u>
Contributed capital, net (note 4)	45,441,555	42,809,434
Total equity	<u>119,840,357</u>	<u>114,379,604</u>
Liabilities:		
Long-term debt, excluding current installments (note 5)	32,001,684	32,901,694
Current liabilities:		
Current installments of long-term debt (note 5)	1,175,291	1,073,921
Accounts payable	5,649,321	5,343,492
Customer deposits	144,660	141,042
Accrued expenses	1,365,077	1,547,608
Deferred purchased power revenues	3,911,905	1,912,117
Deferred gas revenues	—	281,300
Deferred credits	2,339,353	1,888,007
Total current liabilities	<u>14,585,607</u>	<u>12,187,487</u>
Customer advances for construction	1,921,709	1,629,671
Commitments and contingencies (notes 9 and 10)		
Total liabilities	<u>48,509,000</u>	<u>46,718,852</u>
	<u>\$ 168,349,357</u>	<u>161,098,456</u>

See accompanying notes to financial statements.

NAVAJO TRIBAL UTILITY AUTHORITY
(A NAVAJO NATION ENTERPRISE)

Statements of Earnings and Retained Earnings

Years ended December 31, 1999 and 1998

	1999	1998
Operating revenues (notes 5 and 7):		
Electric	\$ 37,350,022	38,595,082
Gas	7,285,601	9,980,513
Water	10,030,796	9,851,336
Wastewater	2,749,324	2,730,040
Photovoltaic	24,865	24,000
Total operating revenues	57,440,608	61,180,971
Operating expenses:		
Electricity, gas and water purchased for resale	24,123,672	26,773,038
Operation and maintenance	10,529,231	10,857,154
Customer accounts and sales	4,244,214	3,739,935
Administrative and general	8,832,865	9,285,384
Provision for depreciation (note 8):		
Plant acquired with contributed capital	1,830,905	1,699,776
Other	5,885,398	5,607,304
Total operating expenses	55,446,285	57,962,591
Operating income	1,994,323	3,218,380
Other income (deductions):		
Allowance for funds used during construction	84,738	606,522
Interest earned	654,570	708,098
Decrease in fair market value of investments	(253,653)	—
Jobbing, net	159,196	(63,530)
Other	58,834	(128,534)
Net other income	703,685	1,122,556
Earnings before interest charges	2,698,008	4,340,936
Interest charges:		
Long-term debt	1,697,434	1,764,234
Other	2,847	3,833
Total interest charges	1,700,281	1,768,067
Net earnings before cumulative effect adjustment	997,727	2,572,869
Cumulative effect adjustment for new accounting standard (note 9)	—	645,790
Net earnings	\$ 997,727	3,218,659
Disposition of net earnings:		
Net earnings	\$ 997,727	3,218,659
Credit arising from transfer of depreciation to contributed capital	1,830,905	1,699,776
Earnings transferred to retained earnings	2,828,632	4,918,435
Retained earnings at beginning of year	53,966,806	49,048,371
Retained earnings at end of year	\$ 56,795,438	53,966,806
Pro forma net earnings assuming the new accounting standard is applied retroactively		\$ 2,572,869

See accompanying notes to financial statements.

NAVAJO TRIBAL UTILITY AUTHORITY
(A NAVAJO NATION ENTERPRISE)

Statements of Cash Flows

Years ended December 31, 1999 and 1998

	1999	1998
Cash flows from operating activities:		
Net earnings	\$ 997,727	3,218,659
Adjustments to reconcile net earnings to net cash flows from operating activities:		
Depreciation	9,212,785	8,694,616
Write-off of deferred charges	228,966	333,174
Allowance for funds used during construction	(84,738)	(606,522)
Net decrease in fair market value of investments	253,653	—
Change in certain assets and liabilities:		
Receivables	475,128	(258,291)
Materials and supplies	(717,305)	148,219
Prepaid expenses	(83,847)	(480,140)
Deferred gas and purchased power costs/revenues	1,427,045	1,586,134
Accounts payable	305,829	1,074,372
Customer deposits	3,618	(14,433)
Accrued expenses	(182,531)	(327,024)
Deferred credits	451,346	541,933
Net cash provided by operating activities	12,287,676	13,910,697
Cash flows from investing activities:		
Additions to utility plant	(13,241,366)	(12,065,642)
Additions to nonutility property	(26,116)	(28,482)
Investments in associated organization	(2,649)	(3,093)
Increase in deferred charges	(2,232,415)	(2,279,058)
Purchases of investments	(679,355)	(7,077,168)
Proceeds from investment maturities	1,051,214	6,606,000
Customer advances for construction	69,173	114,205
Net cash used by investing activities	(15,061,514)	(14,733,238)
Cash flows from financing activities:		
Proceeds from long-term debt	244,507	113,252
Principal payments on long-term debt	(1,043,147)	(1,159,969)
Capital contributions for utility facilities that are to be recovered through rates charged to customers	4,463,026	2,139,323
Net cash provided by financing activities	3,664,386	1,092,606
Net increase in cash and cash equivalents	890,548	270,065
Cash and cash equivalents at beginning of year	424,563	154,498
Cash and cash equivalents at end of year	\$ 1,315,111	424,563
Supplemental cash flow disclosures:		
Interest paid	1,700,487	1,768,156
Noncash capital contributions for utility facilities	\$ 835,635	657,884

See accompanying notes to financial statements.

**NAVAJO TRIBAL UTILITY AUTHORITY
(A NAVAJO NATION ENTERPRISE)**

Notes to Financial Statements

December 31, 1999 and 1998

(1) Summary of Significant Accounting Policies

(a) Accounting Entity

The status of the Navajo Tribal Utility Authority (the "Authority") as an enterprise of the Navajo Nation was initiated pursuant to Resolution CD-61-61 of the Navajo Tribal Council, dated December 5, 1961, and was confirmed by Council Resolution CAP-46-65, dated April 22, 1965. The Authority, located in Fort Defiance, Arizona, provides electric, gas, water and wastewater, and photovoltaic services within the Navajo tribal reservation. As a tribal enterprise, the Authority considers itself exempt from federal and state income taxes.

The Authority has 5 major customers that aggregate to approximately 33 percent of net receivables, 41 percent of electric operating revenues, 33 percent of gas operating revenues and 31 percent of total operating revenues as of and for the year ended December 31, 1999.

(b) Regulation and Method of Accounting

The Authority is not regulated by any federal or state utility commissions. The Authority's rates for utility services are regulated by its management board. The accounting records of the Authority are maintained substantially in accordance with the uniform systems of accounts of the Federal Energy Regulatory Commission, Rural Utilities Service ("RUS") and National Association of Regulatory Utility Commissioners, as applicable to the various services.

As a result of the rate-making process governed by the management board, the application of generally accepted accounting principles by the Authority differs in certain respects from the application by nonregulated businesses. Such differences generally regard the time at which certain items enter into the determination of net earnings in order to follow the principle of matching costs and revenues.

(c) Accounting Standards

As an enterprise of the Navajo Nation, the Authority follows proprietary fund accounting as set forth in Statement No. 20 of the Governmental Accounting Standards Board (GASB), *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting*. The Authority has elected not to apply the accounting standards issued by the Financial Accounting Standards Board subsequent to the issuance of GASB Statement No. 20.

**NAVAJO TRIBAL UTILITY AUTHORITY
(A NAVAJO NATION ENTERPRISE)**

Notes to Financial Statements

December 31, 1999 and 1998

(d) Utility Plant

All of the Authority's operations are conducted from utility plants located on tribal land. Utility plant, which is to be recovered through rates charged to customers, is stated at original cost, which includes applicable payroll taxes, pension costs, other fringe benefits, administrative and general costs and an allowance for funds used during construction. Such allowance is computed using the actual rate of borrowed funds where projects are financed by a specific borrowing and 5.1 percent and 8.5 percent for other projects in 1999 and 1998, respectively. The rates used were 5.1 percent and 8.5 percent for all plant in 1999 and 1998, respectively. No allowance is computed on construction projects funded in advance with contributed capital.

Rates charged to water and wastewater customers are not intended to recover depreciation on water and wastewater facilities acquired with contributed capital. This policy was adopted for the reasons that: (1) significant amounts of the capital invested in water and wastewater facilities have been contributed to allow the Authority to construct facilities for which the customer base is not adequate to allow such costs to be recovered through user charges; (2) the Authority anticipates that replacement capital requirements will also come from contributions; and (3) it is the policy of the Authority to provide water service and wastewater treatment at the lowest possible cost in an effort to improve the environmental health of the Navajo people. In accordance with the Authority's application of Statement of Financial Accounting Standards No. 71 of the Financial Accounting Standards Board, *Accounting for the Effects of Certain Types of Regulation*, these facilities, which had an original cost of \$29,641,170 at December 31, 1999 and \$28,805,535 at December 31, 1998, are not considered to be assets of the Authority. In addition, the statements of earnings include revenues and expenses applicable to the Authority's operation and maintenance of certain water and wastewater facilities owned by the Navajo Nation and the Indian Health Service, the original cost of which is estimated to be approximately \$229,492,892 at December 31, 1999 and \$214,043,868 at December 31, 1998. No costs are recorded in the accompanying financial statements for any of the aforementioned facilities or land and, accordingly, no provision for depreciation is recorded.

The cost of electric, gas and photovoltaic assets acquired with contributed capital is included in utility plant in service since depreciation on such facilities is recovered through rates charged to customers. Contributions received from customers to meet their special construction requirements are credited to utility plant.

The Authority expenses the cost of repairs and minor replacements and capitalizes the cost of betterments. Gains or losses resulting from plant retired, or otherwise disposed of in the normal course of business, are credited or charged to accumulated depreciation.

**NAVAJO TRIBAL UTILITY AUTHORITY
(A NAVAJO NATION ENTERPRISE)**

Notes to Financial Statements

December 31, 1999 and 1998

(e) Depreciation

Depreciation is computed by the straight-line method at the following annual rates:

Vehicles	20%
Plant in service – common	3% to 10%
All other plant in service	3% to 5%
Nonutility property	3%

Depreciation charged to operations which is applicable to electric, gas, photovoltaic and common plant in service financed by contributed capital is transferred as a charge against such contributed capital rather than retained earnings.

(f) Revenues and Cost of Electricity and Gas Purchased for Resale

The Authority accrues estimated unbilled revenues from the last cycle billing dates to the end of the fiscal period.

The Authority has adjustment clauses that pass on to customers actual costs of purchased power and gas. Any differences between actual costs of purchased power and gas and those in base rates are reflected as deferred gas costs and deferred purchased power revenues in the balance sheet. Such differences are deferred until the applicable revenue is billed or refunded and recorded. Electricity and gas purchased for resale are stated at actual cost incurred.

(g) Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results may differ from these estimates.

(h) Restricted Special Funds

The Authority is required under certain of its debt covenants to restrict various amounts for payment of debt and contingencies. Restricted investments consist of U.S. government obligations and are recorded at fair value.

**NAVAJO TRIBAL UTILITY AUTHORITY
(A NAVAJO NATION ENTERPRISE)**

Notes to Financial Statements

December 31, 1999 and 1998

(i) Cash and Cash Equivalents

The Authority considers all highly liquid investments with an original maturity of three months or less to be cash equivalents.

The Authority's investments are made up primarily of certificates of deposit, government agency securities and corporate bonds. All investments, with the exception of investments in associated organizations, are recorded at fair value and any changes in fair value are reported as revenue or expense in the Statement of Earnings and Retained Earnings. Fair value is determined by quoted market values as of December 31, 1999. Investments in associated organizations are recorded at amortized cost plus allocated patronage capital, because the investments do not have readily determinable fair values.

All investments are held in the name of the Authority or are fully insured and are therefore, considered Category 1 investments in accordance with Statement No. 3 of the Governmental Accounting Standards Board.

(j) Pension Accounting

The Authority accounts for its pension plan in accordance with Statement No. 27 of the Governmental Accounting Standards Board, *Accounting for Pensions by State and Local Government Employers (GASB 27)*. This Statement established standards for the measurement, recognition and display of pension expense and related liabilities assets, and note disclosures.

(k) Reclassification of Prior Year Amounts

Certain 1998 amounts have been reclassified to conform with the 1999 presentation.

(2) Investments in Associated Organizations

The Authority is a member of the National Rural Utilities Cooperative Finance Corporation ("CFC"). Membership in CFC requires the purchase of CFC Capital Term Certificates as defined in the subscription agreement. The Authority's investment in CFC amounted to \$2,086,846 and \$2,084,197 at December 31, 1999 and 1998, respectively. The Authority is not committed to purchase any additional certificates.

The Authority has an investment of \$294,560 in 1999 and 1998 in Cooperative Services, Inc. ("CSI"). CSI provides computer and data processing services to the Authority.

**NAVAJO TRIBAL UTILITY AUTHORITY
(A NAVAJO NATION ENTERPRISE)**

Notes to Financial Statements

December 31, 1999 and 1998

(3) Long-term Receivables

The Authority has long-term receivables comprised of the following:

	<u>Long-term leases receivable</u>	<u>Pinon note receivable</u>	<u>Other long-term receivables</u>	<u>Total long-term receivables</u>
Total long-term receivable	\$ 369,535	217,699	25,000	612,234
Less – current installments	<u>17,729</u>	<u>23,688</u>	<u>12,000</u>	<u>53,417</u>
Long-term receivables, excluding current installments	<u>\$ 351,806</u>	<u>194,011</u>	<u>13,000</u>	<u>558,817</u>

The current installments of the above long-term receivables are included in other receivables in the accompanying financial statements.

Pinon Note Receivable. During 1998, the Authority borrowed funds from the Economic Development Administration to construct wastewater facilities for the benefit of the Pinon Unified School District (the District) in Pinon, Arizona. As part of this construction, the District signed a note payable to the Authority in the amount of \$262,000 to fund the construction. The District is required to pay \$2,750 on a monthly basis. The note is subject to an interest rate of 4.5% and matures in 2007. The principal balances outstanding on the note as of December 31, 1999 and 1998 were \$217,699 and \$240,347, respectively.

Long-term Leases Receivable. During 1999, the Authority entered into a series of standardized 15-year direct financing leases to finance the purchase, installation and maintenance of photovoltaic systems for residential customers. These financing arrangements are subject to an interest rate of 7.5% and expire at various dates through December 2014. The components of the finance receivables, net, are as follows:

Gross receivables	\$ 595,125
Unearned income	<u>(225,590)</u>
Lease receivables	369,535
Less – current portion	<u>17,729</u>
Long-term lease receivables	<u>\$ 351,806</u>

**NAVAJO TRIBAL UTILITY AUTHORITY
(A NAVAJO NATION ENTERPRISE)**

Notes to Financial Statements

December 31, 1999 and 1998

At December 31, 1999, future payments to be received under direct financing leases were as follows:

<u>Year ending December 31:</u>	<u>Amount</u>
2000	\$ 40,500
2001	40,500
2002	40,500
2003	40,500
Thereafter	<u>433,125</u>
	<u>\$ 595,125</u>

(4) Contributed Capital

Since inception, contributed capital, excluding that for water and wastewater (note 1(d)), in the form of property and grants for the construction of property consists of:

<u>Grantor</u>	<u>December 31,</u>	
	<u>1999</u>	<u>1998</u>
Bureau of Indian Affairs	\$ 5,699,432	5,637,229
Indian Health Service	1,638,836	1,599,221
Other, primarily governmental grants received through the Navajo Nation and grants received from other tribal-related entities	<u>55,315,176</u>	<u>50,953,968</u>
	<u>\$ 62,653,444</u>	<u>58,190,418</u>

Plant in service constructed by the use of contributed capital and related accumulated depreciation are summarized as follows:

	<u>December 31, 1999</u>			<u>December 31, 1998</u>		
	<u>Contributed amount</u>	<u>Accumulated depreciation</u>	<u>Net</u>	<u>Contributed amount</u>	<u>Accumulated depreciation</u>	<u>Net</u>
Electric	\$ 58,049,653	15,709,706	42,339,947	53,755,085	14,032,592	39,722,493
Gas	4,333,076	1,372,464	2,960,612	4,164,618	1,245,038	2,919,580
Photovoltaic	260,715	121,379	139,336	260,715	95,314	165,401
Common	<u>10,000</u>	<u>8,340</u>	<u>1,660</u>	<u>10,000</u>	<u>8,040</u>	<u>1,960</u>
	<u>\$ 62,653,444</u>	<u>17,211,889</u>	<u>45,441,555</u>	<u>58,190,418</u>	<u>15,380,984</u>	<u>42,809,434</u>

NAVAJO TRIBAL UTILITY AUTHORITY
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Notes to Financial Statements

December 31, 1999 and 1998

(5) Long-term Debt

The Authority's long-term debt is summarized as follows:

Payee	Original amount	Interest rate	Final maturity date	Payment (a)	1999	1998	Collateral
Rural Utilities Service ("RUS")	\$ 28,609,000	2% and 5%	2016 and 2024	\$ 416,260 quarterly	23,126,941	23,729,460	Revenues, accounts receivable and contract rights arising from the operation of electric facilities with less than 230,000 volt capacity and such electric facilities
National Rural Utilities Cooperative Finance Corporation ("CFC")	10,598,737	6.20%, 6.45% and 6.50%	2006, 2021 and 2024	250,234 quarterly	9,135,882	9,537,769	Same as above
Economic Development Administration (b)	1,776,115	4.125% - 5.75%	2000 and 2004	9,620	201,843	255,401	All accounts receivable and contract rights arising from the operation of the Shiprock water and wastewater systems and gross revenues from the Fort Defiance, Shiprock, Chinle and Tuba City water systems
Rural Economic and Community Development (b)	762,000	4.50% - 5.00%	2016 and 2038	3,989	611,250	452,985	All revenues, accounts receivable and contract rights arising from the operation of Window Rock and Fort Defiance wastewater systems
Pacific Atlantic equipment lease	152,843	3.60%	2001	4,704	101,059	—	All equipment under lease agreement
Total long-term debt					33,176,975	33,975,615	
Less current installments					1,175,291	1,073,921	
Long-term debt, excluding current installments					\$ 32,001,684	32,901,694	

(a) Except where noted, payments include interest and are due monthly.

(b) The Economic Development Administration and Rural Economic and Community Development loans are co-signed by the Navajo Nation, with the exception of a loan obtained in 1998 with a remaining balance of \$200,847 at year-end.

Maturity requirements on long-term debt outstanding at December 31, 1999 are as follows:

Year ending December 31:	Amount
2000	\$ 1,175,291
2001	1,224,021
2002	1,228,845
2003	1,292,331
2004	1,293,148
Thereafter	26,963,339
	\$ 33,176,975

**NAVAJO TRIBAL UTILITY AUTHORITY
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Notes to Financial Statements

December 31, 1999 and 1998

(6) Short-term Debt

The Authority has a perpetual line of credit with CFC to borrow up to \$6,000,000 at an interest rate of bank prime plus 1 percent (7.05 percent at December 31, 1999), or lower as may be fixed by CFC. At December 31, 1999 and 1998, there were no amounts outstanding.

(7) Transactions with the Navajo Nation and Affiliates

The Authority provides utility services for the Navajo Nation and various other entities and activities of the Navajo Nation. Rates for all such services are in accordance with the Authority's tariffs applicable to all customers. Utility revenues from the Navajo Nation and affiliates approximated \$2,111,179 and \$1,832,400 for the years ended December 31, 1999 and 1998, respectively. Other transactions with the Navajo Nation and affiliates are not significant.

(8) Depreciation

Depreciation is summarized as follows:

	December 31,	
	1999	1998
Charged to:		
Operating expenses	\$ 7,716,303	7,307,080
Transportation clearing	1,836,194	1,633,907
Other income (deductions) – nonutility property	48,601	49,393
Other	252	252
	9,601,350	8,990,632
Total depreciation		
Less depreciation capitalized	388,565	296,016
Depreciation charged to operations	\$ 9,212,785	8,694,616

The provision for depreciation of vehicles is charged to a transportation clearing account, together with other vehicle costs, and subsequently distributed to various accounts, including construction work in progress, based on vehicle usage.

**NAVAJO TRIBAL UTILITY AUTHORITY
(A NAVAJO NATION ENTERPRISE)**

Notes to Financial Statements

December 31, 1999 and 1998

(9) Pension Plan

(a) Plan Description. The Navajo Tribal Utility Authority Employees' Retirement Plan (the Plan) is a single-employer defined benefit pension plan administered by the Authority. The Plan provides retirement benefits to retirees of the Authority and their beneficiaries. Cost-of-living adjustments are provided to retirees and beneficiaries at the discretion of the management board of the Authority. For the January 1, 2000 actuarial valuation, the retirement assumption was changed. The new assumption is that 50 percent of employees retire when they reach the Rule of 85 or age 62 and 20 years of service with remainder retiring at age 65. The prior assumption was that 100 percent of employees would retire when they reached the Rule of 85.

Funding Policy. The Authority's policy is to fund the Plan in accordance with the actuarially determined contribution.

Annual Pension Cost and Net Pension Asset. The Authority's annual pension cost and net pension obligation to the Plan were as follows:

	December 31,	
	1999	1998
Annual required contribution (ARC)	\$ (606,368)	450,415
Interest on net pension asset	(19,858)	(14,505)
Adjustment to annual required contribution	65,443	44,466
Annual pension cost	N/A	480,376
Contributions made	33,047	551,708
Increase in net pension asset	33,047	71,332
Net pension asset at beginning of year	264,727	193,395
Net pension asset at end of year	\$ 297,774	264,727

The annual required contribution for the current year was determined as part of the January 1, 2000 actuarial valuation using the entry age actuarial cost method. The actuarial assumptions included a (a) 7.5 percent investment rate of return and (b) projected salary increases of 5.0 percent per year. Both (a) and (b) assumptions included an inflation component of 3.5 percent. The assumptions did not include future post-retirement benefit increases, however, they did include those increases previously approved by the management board. The actuarial value of assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments over a five-year period. The amortization periods at December 31, 1999 were as follows:

Gains and losses	5 years
Differences between ARC and amounts contributed	5 years
Changes in actuarial assumptions	10 years
Amendment	30 years

**NAVAJO TRIBAL UTILITY AUTHORITY
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Notes to Financial Statements

December 31, 1999 and 1998

Three-year Trend Information			
Year ending December 31:	Annual Pension Cost (APC)	Percentage of APC contributed	Net pension asset
1999	—	N/A	\$ 297,774
1998	480,376	114.8%	264,727
1997	(3,832)	5,592.3	193,395

Accounting Change. A pension asset of \$193,395 was recorded upon adoption of GASB 27 on January 1, 1998. At the time of adoption of GASB 27, the Authority had a pension liability of \$452,395 resulting in a difference of \$645,790 which was reported as a cumulative effect of a change in accounting principle in the accompanying financial statements.

(b) Required Supplementary Information – Unaudited

Schedule of Funding Progress

(Dollar amounts in thousands)

Actuarial valuation date	Actuarial value of assets	Actuarial accrued liability (ARL)	Excess (deficiency) of over AAL	Funded ratio	Covered payroll	Excess as a percentage of covered payroll
1-1-98	25,954	26,683	(729)	97.3%	13,029	5.6%
1-1-99	29,636	25,115	4,521	118.0%	13,509	33.5%
1-1-00	33,206	28,549	4,657	116.3%	14,016	33.2%

(10) Commitments

The Authority has agreements providing for the future purchase and wheeling of electricity to supply its customers. Per the agreements, the Authority is subject to minimum future charges, and these charges are subject to increase based on actual demand. The Authority's total payments under such agreements were approximately \$21,086,740 and \$21,270,973 for the years ended December 31, 1999 and 1998, respectively. These agreements expire at various dates from May 1, 2009 through September 30, 2024.

The Authority has an agreement providing for the future purchase of natural gas to supply its customers. Under this agreement, the Authority's natural gas purchases during 1999 and 1998 were \$3,825,012 and \$6,569,114, respectively. This agreement expires October 31, 2000, subject to renewal.

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Schedules of Operating Income (Loss) by Type of Service

Years ended December 31, 1999 and 1998

	Total		Electric		Gas		Water		Wastewater		Photovoltaic	
	1999	1998	1999	1998	1999	1998	1999	1998	1999	1998	1999	1998
Operating revenues	\$ 58,867,653	62,767,105	39,349,810	39,737,689	6,712,858	10,424,040	10,030,796	9,851,336	2,749,324	2,730,040	24,865	24,000
Operating expenses:												
Electricity, gas and water purchased for resale	25,550,717	28,359,172	21,086,740	21,270,973	3,825,012	6,569,114	638,965	519,085				
Operation and maintenance	10,529,231	10,857,154	3,267,040	3,529,884	701,954	697,769	5,430,432	5,317,047	1,055,701	1,233,183		79,271
Customer accounts and sales (A)	4,244,214	3,739,935	2,030,840	1,782,361	419,433	403,355	1,363,099	1,178,346	420,682	373,867	10,160	2,006
Administrative and general (B)	8,832,865	9,285,384	4,974,679	5,203,512	1,173,177	1,435,836	1,973,816	1,936,968	671,140	688,160	38,053	20,908
Provision for depreciation (C):												
Plant acquired with contributed capital	1,830,905	1,699,776	1,677,320	1,554,767	127,513	118,941					26,072	26,068
Other	5,885,398	5,607,304	4,013,672	3,830,109	470,449	463,860	1,016,451	913,975	358,636	338,651	26,190	60,709
Total operating expenses	56,873,330	59,548,725	37,050,291	37,171,606	6,717,538	9,688,875	10,424,763	9,865,421	2,506,159	2,633,861	174,579	188,962
Operating income (loss)	\$ 1,994,323	3,218,380	2,299,519	2,566,083	(4,680)	735,165	(393,967)	(14,085)	243,165	96,179	(149,714)	(164,962)

Notes:

- (A) Common customer accounts and sales expenses have been allocated based on the number of electric, gas, water and photovoltaic customers. The amount allocated to water is then reallocated between water and wastewater based on revenues.
- (B) Common administrative and general expenses have been allocated based on operating revenue.
- (C) Common depreciation has been allocated based on plant in service.

See accompanying independent auditors' report.