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BEFORE THE ARIZONA CORPORATION COMMISSION

1
2 WILLIAM A. MUNDELL
CHAIRMAN
3 JIM IRVIN
COMMISSIONER
4 MARC SPITZER
COMMISSIONER
5

6 IN THE MATTER OF THE APPLICATION OF THE
7 ARIZONA ELECTRIC DIVISION OF CITIZENS
8 COMMUNICATIONS COMPANY TO CHANGE
9 THE CURRENT PURCHASED POWER AND FUEL
10 ADJUSTMENT CLAUSE RATE, TO ESTABLISH A
11 NEW PURCHASED POWER AND FUEL
ADJUSTMENT CLAUSE BANK, AND TO
REQUEST APPROVED GUIDELINES FOR THE
RECOVERY OF COSTS INCURRED IN
CONNECTION WITH ENERGY RISK
MANAGEMENT INITIATIVES.

DOCKET NO. E-01032C-00-0751

AMENDED APPLICATION

Arizona Corporation Commission

DOCKETED

SEP 19 2001

DOCKETED BY *mtc*

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PHOENIX, ARIZONA 85016-9225
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12
13 The Arizona Electric Division ("AED") of Citizens Communications Company
14 ("Citizens" or "Company") submits this amended application to the Arizona Corporation
15 Commission ("Commission") to update its original application, which was filed on
16 September 28, 2000. In the present amended application, consistent with the original
17 application, AED seeks approval: (i.) to change the current Purchased Power and Fuel
18 Adjustment Clause ("PPFAC") rate to recover the under-collected PPFAC bank balance and the
19 incremental cost of generation as it is reflected in a new contract with Arizona Public Service
20 ("APS"); (ii.) to begin accruing carrying charges on the accumulated balance of power supply
21 costs; and (iii.) to amortize the current PPFAC bank balance over a longer period than the
22 "traditional" 12-month recovery period.

23 During the period since Citizens' original application was filed, the Company has been
24 engaged in a number of efforts seeking ways to mitigate the dramatic increase in power costs to

1 AED customers. The most significant outcome was the negotiation of a new power supply
2 contract with Arizona Public Service (“APS”) that will result in substantial future savings for
3 customers. The new power supply agreement with APS will bring greater rate stability to
4 customers, and, for that reason, AED is no longer seeking all the approvals it had requested in
5 its initial application.¹

6 *I. INTRODUCTION.*

7 As described in AED’s original application, beginning in May 2000, extraordinary and
8 unexpected events in western power markets caused unprecedented increases in the cost of
9 electricity. These changes in the wholesale power market have dramatically increased the
10 balance of unrecovered costs reflected in Citizens’ PPFAC bank and continue to impact the
11 electric markets.

12 As a result, AED has experienced power supply costs through May 2001 that exceed the
13 amounts recovered in base rates through that period. AED’s current PPFAC bank balance now
14 exceeds \$87 million.² AED recognizes that recovery of the uncollected bank balance through the
15 traditional application of the PPFAC surcharges over a period of twelve months would produce
16 increases in customer bills of unprecedented magnitudes, which would cause significant rate
17 shock for customers. The Company believes that the under-collection is the result of
18 extraordinary events that, in turn, require an innovative solution.

19 _____
20 ¹ AED is no longer requesting: (i.) approval for freezing the existing PPFAC bank; (ii.)
21 approval to establish a new bank for prospective power costs; (iii.) approval of its energy risk
22 management initiatives; or (iv.) guidelines for the recovery of costs associated with energy risk
23 management initiatives.

24 ² In its original filing, AED reported a projected bank balance of \$52.3 million as of
September 2000. Exhibit 1 summarizes PPFAC bank activity for the period from August 2000 –
May 2001.

1 Accordingly, this amended application proposes a non-traditional approach to recovery
2 that mitigates the economic burden on customers and provides AED with a reasonable
3 opportunity to recover its costs. In addition, AED is proposing special initiatives for its low-
4 income customers to further mitigate the impact on those customers who are least able to pay
5 increased electric costs.

6 **II. EFFORTS TO MITIGATE INCREASED POWER COSTS.**

7 The unprecedented increase in power costs prompted AED to undertake an expanded
8 effort to mitigate the effects on its customers. During the period since the initial PPFAC
9 application was filed, AED has:

- 10 • Undertaken an extensive review of APS billing data and procedures, as well as the
11 generation resources used to serve Citizens' load;
- 12 • Developed a number of initiatives to reduce the amount of power needed;
- 13 • Initiated programs to assist customers that are unable financially to manage the
14 increased energy costs; and
- 15 • Engaged in the negotiation of a new power supply contract with APS.

16 Although APS and AED had fundamental differences in the interpretation of the former
17 contract, AED's extensive data analysis failed to identify any significant practices that would
18 have resulted in excessive costs for AED. Because substantial portions of the power supply
19 costs billed to AED were based on contract interpretation, AED initiated an in-depth legal
20 analysis of the complex contract issues. AED and APS interpreted certain contract key
21 provisions differently. Based on subsequent discussions between the parties, it became clear that
22 it was not possible to resolve the interpretation issues short of litigation, which is both expensive
23 and lengthy. Further, litigation would do nothing to address the continuing accumulation of
24 unrecovered costs in the PPFAC bank.

1 energy charge (\$.05879/kWh) for the entire term of the contract, and is not
2 subject to any minimum or floor pricing provisions.³

- 3 • **Valencia Power Plant** – Under the terms of the former contract, APS could call
4 on operation of the Valencia power plant only under emergency conditions when
5 its own resources were not adequate to meet its native load. Pursuant to the terms
6 of the new contract, APS may call for operation of Citizens’ Valencia generation
7 for economic reasons. However, Citizens reserves the right to operate the
8 Valencia turbines to generate power from this facility if it is necessary to ensure
9 area reliability.

10 ***B. Benefits to Customers Under the New Contract.***

11 The new contract provides many tangible benefits to AED’s customers, including:

- 12 • **Power Cost Savings** – AED estimates that under the new contract there will be a
13 savings between \$30 million and \$70 million in power supply costs for the June
14 through September 2001 time period. These estimates are based on a range of
15 prices: at the low end, the average summer 2000 power costs; at the high end, the
16 average May 2001 power under the former contract. The new contract protects
17 AED and its customers from volatile short-term market prices, which they were
18 subject to under the former contract. In anticipation that the volatility of current
19 markets will continue for another two to three years, contract savings may exceed
20 two to three times the expected summer 2001 savings.
- 21 • **Long-Term Price Stability** – The Commission has recognized the value of price
22 stability and indicated that it is a goal for the industry. Because power costs
23 represent the major portion of retail electric rates, the seven-year fixed power
24 costs under the new contract will provide valuable price stability for AED’s
customers. Additionally, the benefit of relative price certainty afforded by the
new contract should increase the attractiveness of Citizens’ territory to businesses
and encourage economic development.
- **Stranded Generation Cost Resolution** – The new contract unambiguously
eliminates future generation stranded cost because power charges are 100%
variable (\$/kWh charges only). As customers migrate to competitive suppliers,
no new stranded generation costs will be created, and the calculation of existing
stranded costs will be significantly simplified.
- **Administrative Simplicity** – Charges under the new contract are based simply on
total metered energy and a fixed, uniform unit price, which makes administration

3 While the actual range of prices in the market for electricity that will occur over the period of the APS contract is uncertain, Citizens has determined that the fixed rate pricing is favorable, particularly when compared to long-term power contracts recently entered into by the California Department of Water Resources to serve California retail electric load.

1 of the contract significantly less difficult. This should eliminate interpretation and
2 computation disputes. Moreover, alternative dispute resolution procedures
3 required by the contract provide for timely resolution, in the event any contract
4 disputes arise.

5 ***IV. PROPOSED MODIFICATIONS TO PPFAC.***

6 ***A. Changes in PPFAC Surcharge.***

7 ***1. Extended Amortization Period.***

8 In this amended filing, AED recognizes both that the PPFAC bank balance is now
9 substantially higher than it was in the original September 2000 filing, and that the new APS
10 contract eliminates future price volatility. Consequently, AED is proposing an extended
11 amortization period for the recovery of the PPFAC bank balance.⁴

12 Under the traditional operation of the PPFAC, AED would be requesting the
13 implementation of an adjustment factor to recover the under-recovered bank balance over a 12-
14 month period. Given the current bank balance of approximately \$87 million and an annual sales
15 volume of 1,200,000 MWh, such a proposal would require a PPFAC factor exceeding \$.07/kWh
16 to recover that balance. The current residential average retail electric rates are in the range of
17 \$.085 - .095/kWh. A seven cent recovery factor, almost doubling rates, would undoubtedly
18 cause rate shock and hardship for AED's customers.

19 To avoid significant rate shock and afford AED reasonable opportunity to recover its
20 power supply costs, AED is requesting that the Commission authorize a PPFAC factor that
21 would allow recovery of the bank balance over a seven-year period. This extended amortization
22 period will significantly reduce the size of the adjustor, which in turn will mitigate the increases

23 ⁴ AED no longer believes that a 12-month rolling average adjustment factor for power
24 supply costs is necessary.

1 in the customers' monthly bills. A seven year recovery period is consistent with the term of the
2 new APS contract.

3 **2. Carrying Costs.**

4 In its recent decisions related to the new Purchased Gas Adjustment mechanisms for
5 Arizona local distribution companies, the Commission has recognized that there is an economic
6 cost associated with under-or over-recovered balances in utility commodity adjustment banks.
7 Consequently, Citizens and other Arizona gas utilities are now allowed to accrue carrying costs
8 and credits as part of their gas-cost adjustment mechanisms. Consistent with this policy, the AED
9 is requesting approval to implement a monthly accrual of carrying charges on the over- or under-
10 recovered PPFAC bank balances, based on a six percent interest rate⁵, compounded monthly.

11 **3. Incremental Cost of Generation Under the New Contract.**

12 Energy pricing under the new APS contract for all of Citizens' purchased power
13 requirements is 5.879 cents per kWh. Calculations of power supply costs and recoveries are
14 made on a kWh of *sales* basis and, thus, it is necessary to account for the transmission and
15 distribution losses occurring between the point of power delivery and customers' meters.

16 In making such line loss adjustment to the APS contract rate, Citizens determined the
17 energy loss rates experienced during the test year of its last rate case (10.69%) and used that
18 value to adjust the purchase cost of power to the cost as delivered to customers' meters. Citizens
19 calculated this adjustment as follows:

20
$$$.05879/kWh/(1-loss\ rate)=$.05879/kWh/(1-.1069)=.06583/kWh.$$

21
22
23 ⁵ A six percent interest rate is consistent with the rate used for accruing interest on
24 customer deposits.

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$$.00436/kWh - $.00392/kWh = $.00044/kWh.$$

In summary, AED is requesting a PPFAC adjustor that would incorporate the following components: 1) the incremental cost of generation reflected in the new APS contract, adjusted for losses; 2) the incremental cost of WAPA transmission; and 3) the amortization of the existing PPFAC bank balance of approximately \$87 million recovered with interest computed at six percent over a period of seven years.

Attached Exhibit No. 3 sets forth AED's projection of sales and power supply revenues and costs for the proposed seven-year recovery period. These figures support the requested PPFAC adjustment factor of \$.0267/kWh. Exhibit No. 3 reflects the following components for the proposed adjustment factor:

<i>Incr. Generation Cost</i>	<i>\$.01781/kWh</i>
<i>Incr. WAPA Cost</i>	<i>\$.00044/kWh</i>
<i>Bank Amortization</i> <i>(including carrying costs)</i>	<i><u>\$.00843/kWh</u></i>
<i>TOTAL</i>	<i><u>\$.02668/kWh</u></i>

Exhibit No. 4 to this application illustrates the impact of the proposed adjustor on monthly bills of residential customers. For typical monthly consumption levels of 500 – 750 kWh/mo for customers in Kingman and Nogales, the adjustor would result in bill increases ranging from \$13 - \$20 per month. For customers in Lake Havasu City, where average consumption is approximately double this level, typical bill impacts would fall in the range of \$26 – \$ 40 per month.

A comparison of the increase to customers under the former APS contract and under the new contract is noteworthy. If the rates under the former contract were the basis for this application, Citizens' request would have been twice the requested PPFAC rate. To illustrate: assuming that under the former contract the average power cost charges (on a per kWh sales

1 basis) were 11.4 cents per kWh for the May 2000 – May 2001 period and the reasonable
2 expectation was that power costs would continue to be high for the foreseeable future, Citizens’
3 PPFAC application under the former contract would have sought an adjustment factor of
4 approximately 7.0 cents per kWh.

5 Under the new contract, AED is seeking an increase of only 2.7 cents per kWh. Had the
6 former contract still been in effect, customers’ electric bill impacts (with the required PPFAC
7 surcharge) would have been nearly 2.5 times greater than what is proposed in this application.
8 While Citizens recognizes that any increase in electric costs produces hardship for customers, the
9 outcome achieved through the negotiation of the new APS contract has greatly mitigated the
10 potential impact on rates.

11 ***V. CUSTOMER ASSISTANCE INITIATIVES***

12 Recognizing the significant financial impact of the requested new PPFAC adjustor on its
13 customers, Citizens has developed initiatives to assist customers to handle increases in their
14 electric bills. These initiatives include low-income customer assistance, customer payment
15 arrangements, and customer education.

16 ***A. Low Income Initiatives***

17 To address the needs of financially disadvantaged customers, AED is developing two
18 new programs. In addition to its existing CARES residential tariff that provides bill discounts to
19 qualifying low-income customers, Citizens is establishing a low-income Electricity Assistance
20 Fund to supplement existing governmental programs. Citizens will direct \$100,000 to the fund,
21 which will be distributed in an equitable manner among its three operating districts. The AED
22 will work with governmental agencies to administer the funds to qualifying low-income
23 residential customers. Citizens is now completing the process of establishing agency
24 relationships and the policies and criteria by which the funds will be distributed to customers.

1 Citizens expects these arrangements to be finalized concurrent with the implementation of the
2 new PPFAC adjustor.

3 To supplement the Electricity Assistance Fund, Citizens plans to implement a second
4 assistance effort: the "Helping Hands" program. This program will allow customers to help
5 other needy customers by remitting additional funds directed to Helping Hands with their
6 monthly payment. Citizens will match all such customer contributions dollar-for-dollar. All
7 customer funds collected through Helping Hands and Citizens' matching contributions will be
8 added to of the Electricity Assistance Fund.

9 ***B. Customer Payment Terms and Arrangements***

10 The AED is continuing to implement payment options that were described in its
11 September 2000 application. Some of these efforts already have been initiated, and others will
12 be implemented in conjunction with the initiation of the PPFAC adjustor established through this
13 application. Under the Levelized Billing Option, all residential and small general service
14 customers can pay their annual electric costs in 12 equal monthly payments to avoid the
15 difficulty of facing high bills in the summer when usage is greatest. The Company currently is
16 educating its customers about the availability of the program; and, making sign-up criteria more
17 "user friendly."

18 Citizens also is implementing flexibility in its payment arrangement procedures by:
19 extending the time period between disconnect notice and actual disconnect as special
20 circumstances dictate; allowing for monthly payments scheduled to coincide with the number
21 and date of paychecks received by customers; waiving 1-1/2% late payment fees in special
22 circumstances; and increasing low-income agency referrals.

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C. Customer Education Efforts

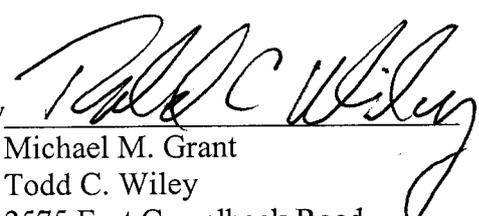
Similar to the action taken when the its original application in this docket was filed, Citizens is planning an extensive communications effort to address the amended application. The goal is to educate customers, media, community leaders, and employees about the status of this filing and to assure that accurate information is available to the public. This will be accomplished through a combination of press releases, press conferences, media advertising, meetings, and other forms of communication.

VI. CONCLUSION.

For the reasons stated above, Citizens respectfully requests that the Commission approve: 1) a new PPFAC rate of \$.0267/kWh; 2) an amortization and recovery period of seven years for the under-collected bank balance of \$87 million; and 3) implementation of a monthly accrual of carrying charges on the accumulated bank balance at a six percent interest rate.

RESPECTFULLY SUBMITTED this 19 day of September, 2001.

GALLAGHER & KENNEDY, P.A.

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Original and ten copies filed this 19th day of September, 2001 with:

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this 19th of September, 2001, to:

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Pinnacle West Capital Corporation

MARKET-BASED RATE TARIFF

1. Availability: Pinnacle West Capital Corporation ("PWCC") makes electric capacity or energy available for sale for resale under this Rate Schedule to any purchaser.
2. Applicability: This schedule is applicable to all sales of electric capacity or energy by PWCC not otherwise subject to a particular rate schedule of PWCC.

This schedule is also available for purchases by the California Independent System Operator Corporation and its suppliers and market participants of Replacement Reserve Service and the following ancillary services as defined by the Commission: Regulation and Frequency Response Service, Energy Imbalance Service, Operating Reserve-Spinning Reserve Service, and Operating Reserve-Supplemental Reserve Service.

This schedule also is applicable to the reassignment of transmission capacity, transmission rights and associated ancillary services, that PWCC has acquired for its own use on the transmission systems of transmission providers.

3. Rates: All sales of electric capacity or energy shall be made at rates established by agreement between the purchaser and PWCC.
4. Other Terms and Conditions:

All other terms and conditions shall be established by agreement between the purchaser and PWCC.
5. Effective Date:

This Rate Schedule shall be effective on the date established by FERC.

6. Reassignment of Transmission Rights:

PWCC may reassign transmission capacity, transmission rights, and associated ancillary services that it has reserved for its own use at a price not to exceed the highest of: (1) the original transmission rate paid by PWCC; (2) the applicable transmission provider's maximum stated firm transmission rate on file at the time of the transmission reassignment; or (3) PWCC's own opportunity costs, capped at the applicable transmission provider's cost of expansion at the time of the sale to the eligible customer. PWCC will not recover opportunity costs in connection with reassignment without making a separate filing under Section 205. Except for the price, the terms and conditions under which the reassignment is made shall be under the terms and conditions governing the original grant by the transmission provider. Transmission and associated ancillary services may only be reassigned to a customer eligible to take service under the transmission provider's open access transmission tariff or other transmission rate schedules. PWCC will report the name of the assignee in its quarterly reports.

Pinnacle West Capital Corporation

MARKET-BASED RATE TARIFF

SERVICE AGREEMENT

This Service Agreement, dated as of June 1, 2001, is entered into by and between Pinnacle West Capital Corporation ("PWCC") and Citizens Communications Company ("Customer"), pursuant to PWCC's Market-Based Rate Tariff, FERC Electric Tariff No. 1 ("Tariff").

Each transaction hereunder will be carried out under terms and conditions as agreed upon by PWCC and the Customer in accordance with the terms and conditions of the Tariff.

IN WITNESS WHEREOF, PWCC and Customer have caused this Service Agreement to be executed by their respective authorized officials as of the date first above written.

**PINNACLE WEST CAPITAL
CORPORATION**

**CITIZENS COMMUNICATIONS COMPANY
(CUSTOMER)**

By: _____

By: _____

Name: _____

Name: _____

Title: _____

Title: _____

Date: _____

Date: _____

Issued by: Alan Propper
Director, Pricing
Issued on: July 16, 2001

Effective: June 1, 2001

POWER SALE AGREEMENT

BETWEEN

PINNACLE WEST CAPITAL CORPORATION

AND

CITIZENS COMMUNICATIONS COMPANY

UNDER PWCC's

MARKET RATE TARIFF

AND

SERVICE AGREEMENT

Issued by: Alan Propper
Director, Pricing
Issued on: July 16, 2001

Effective: June 1, 2001

**POWER SALE AGREEMENT
BETWEEN
PINNACLE WEST CAPITAL CORPORATION
AND
CITIZENS COMMUNICATIONS COMPANY
UNDER
PWCC'S MARKET RATE TARIFF**

THIS POWER SALE AGREEMENT UNDER PINNACLE WEST CAPITAL CORPORATION'S MARKET RATE TARIFF AND SERVICE AGREEMENT, dated as of June 1, 2001, and including all exhibits and Service Schedules attached hereto (the "Agreement"), is entered into by and between Pinnacle West Capital Corporation ("Seller"), and Citizens Communications Company ("Buyer"). In this Agreement, the Seller and the Buyer may be individually referred to as a "Party" or collectively as "Parties". All defined terms have the meanings set forth on Exhibit "A" attached hereto and incorporated herein unless otherwise specifically defined in this Agreement.

WHEREAS, the Parties desire to engage in a transaction with respect to the purchase and sale of Energy Products;

WHEREAS, the Parties desire to enter into this Agreement in order to set forth the terms and conditions relating to said transaction;

NOW, THEREFORE, in consideration of the mutual covenants contained herein, the Parties agree as follows:

**ARTICLE 1
SERVICES PROVIDED; FAILURE TO PERFORM**

1.1 Transaction. The Seller agrees to sell Energy Products to Buyer, and Buyer agrees to pay for such sales, as set forth on the attached **Service Schedule 1**, in accordance with the Seller's Market-Based Rate Power Sales Tariff ("Tariff") on file with the Federal Energy Regulatory Commission ("FERC") and the Seller's Service Agreement dated June 1, 2001 (the "Service Agreement"). The Tariff and the Service Agreement are incorporated in this Agreement by reference. The terms and conditions of this transaction hereunder shall be governed by this Agreement and the Tariff as such Tariff is in effect at the date of execution of this Agreement. The delivery of energy hereunder shall be firm and not subject to interruption except at the times and to the extent Seller interrupts its native load customers.

1.2 Single Agreement. Except as specifically provided in Section 2 of **Service Schedule 1**, if the terms of this Agreement are inconsistent with the Seller's Tariff, the terms of such Tariff shall control with respect to such inconsistent terms. This Agreement is entered into in reliance on the fact that this Agreement, Exhibit "A", Definitions; Exhibit "B", Metering Points; Exhibit "C", Estimated Metering Point Demands; Exhibit "D", Planet Tap Point(s) of Attachment, the Service Schedule 1 and the Tariff form a single agreement between the Parties and, in the absence of the same forming such a single agreement, the Parties would not otherwise enter into this Agreement. The Parties intend for this Agreement to set forth terms applicable to this transaction under PWCC's Market Rate Tariff and do not intend for this Agreement to amend the Tariff.

1.3 Transfer. Unless otherwise agreed and except as otherwise expressly limited in the attached **Service Schedule 1**, as between the Parties, Seller shall be deemed to be in exclusive control and possession of the Energy Products deliverable hereunder and responsible for any damage or injury caused prior to the time the same shall have been delivered to Buyer. At and after delivery of the Energy Products to Buyer at the Delivery Point(s), Buyer shall be deemed to be in exclusive control and possession thereof and responsible for any injury or damage caused thereby.

1.4 Ownership/Risk of Loss/Indemnity. Unless otherwise agreed and except as otherwise expressly limited in the attached **Service Schedule 1**, ownership of the Energy Products and risk of loss shall pass from Seller to Buyer at the Delivery Point. Seller and Buyer each assumes full responsibility and liability for and shall indemnify and hold harmless the other Party from all liability, cost, and expense (including court costs, reasonable attorneys' fees and litigation expenses) on account of any and all damages, claims, suits, judgments, demands, actions, penalties or liabilities (including injury to and death of persons), growing out of the operations conducted or performance hereunder by the indemnifying Party or arising from any act or incident occurring when title to said Energy Product is in the possession of the indemnifying Party; provided that, the indemnifying Party shall not be liable to the extent the same resulted from gross negligence or willful misconduct of the indemnified Party or from the indemnified Party's breach of this Agreement.

1.5 Transmission Arrangements. Unless otherwise agreed and except as otherwise expressly limited in the attached **Service Schedule 1**, Seller shall be responsible for making the arrangements necessary for transmission of Energy Products provided hereunder to all Delivery Points and for all costs, including losses associated with such transmission, to such Delivery Points. Buyer shall be responsible for all such arrangements and costs for the transmission of Energy Products, including losses associated with such transmission, from the Delivery Points.

1.6 Metering.

1.6.1 Seller shall cause to be provided and maintain the metering equipment for measuring the power and energy delivered pursuant to the Service Schedule. Buyer may at its option and at its own expense install check meters.

1.6.2 Seller shall cause, at its own expense, to make or provide for periodic tests and inspections of meters involved hereunder as may be necessary to maintain a commercial standard of accuracy, and will restore to a condition of accuracy any meters found to be inadequate, and will advise Buyer promptly of the results of any such test which show any inaccuracy more than 2% slow or fast. Buyer shall be given notice of, and may have representatives present at, such tests and inspections. Seller will make or cause to have made additional tests of meters at the request of Buyer and in the presence of Buyer's representatives.

1.6.3 If any such periodic or additional tests show that a meter is inaccurate by more than 2% slow or fast, correction shall be made in the billing to Buyer for the previous six (6) billing months, or from the date of the latest test if within the previous billing month, and correction shall be made in meter records for the elapsed period of the month during which the test was made.

1.6.4 The cost of any additional test requested by Buyer shall be borne by Buyer if such test shows a meter accurate within 2% slow or fast, and by Seller if such test shows a meter inaccurate by more than 2% slow or fast.

1.6.5 If at any time a meter should fail to register or its registration should be so erratic as to be meaningless, the estimated correct registration for billing purposes shall be based upon records of check meters, if available, or otherwise upon the best obtainable data.

1.7 Damages for Failure to Deliver or Receive Energy Products.

1.7.1 Buyer Non-Performance. If the amount of Energy Products the Buyer accepts or receives is less than the quantities of Energy Products due under Service Schedule 1 and is not excused by Force Majeure as provided in Article 6 hereto, then the Buyer shall be liable for (a) the amount, if any, by which the Purchase Price differed from the Sales Price (Purchase Price - Sales Price) and the amount by which the quantity received by the Buyer was less than the Energy Product quantity due under Service Schedule 1; plus (b) the amount of transmission charge(s), if any, for firm transmission service upstream of the Delivery Point, which the Seller incurred to achieve the Sales Price, less the reduction, if any, in

transmission charge(s) achieved as a result of the reduction in the Buyer's receipt of electric energy (based on the Seller's reasonable commercial efforts to achieve such reduction). If the total amounts calculated under this article are negative, then neither the Seller nor the Buyer shall pay any amount under this article.

1.7.2 Seller Non-Performance. If the Non-Performing Party is the Seller, and the Seller fails to deliver the quantities of Energy Products due under the Service Schedule 1 and such failure is not excused by Force Majeure as provided by Article 6 hereto, then Seller shall be liable for (a) the product of the amount, if any, by which the Replacement Price differed from the Purchase Price (Replacement Price - Purchase Price) and the amount by which the quantity delivered by the Seller was less than the contract quantity; plus (b) the amount of transmission charge(s), if any, for firm transmission service downstream of the Delivery Point, which Buyer incurred to achieve the Replacement Price, less the reduction, if any, in transmission charge(s) achieved as a result of the reduction in Seller's delivery (based on the Buyer's reasonable commercial effort to achieve such reduction). If the total amounts calculated under this definition are negative, then neither the Buyer nor the Seller shall pay any damages under this article.

1.8 Buyer's Other Resources. Capacity and associated energy purchases made by Buyer that are scheduled in advance by Buyer and received under contracts Buyer may have with other entities that are associated with (a) purchases from the Department of Energy associated with service to Aha Macav Power Service, (b) emergency interconnection purchases that cannot otherwise be purchased from Seller and (c) temporary purchases of capacity and energy from a third party in such amounts and of such duration as required to provide adequate and reliable electric service to Buyer's customers in its service area in Northern Santa Cruz County in and around the communities of Tubac and Amado and including the Mount Hopkins National Observatory, which loads are currently isolated from the Arizona Public Service Company ("APS") control area.

1.9 Valencia Turbines. Seller shall have full authority, control and responsibility for determining the times and seasons for the operation of the Buyer's Valencia Turbines located near Nogales, Arizona ("Turbines"). Seller shall determine when or if it is necessary or advantageous to start up and/or utilize the Turbines and the corresponding duration of the operation of the Turbines. In addition to the other charges specified in this Agreement including the attached Service Schedule 1, Buyer shall also be responsible for the cost of fuel consumed associated with Valencia Turbines operation.

If Seller requests operation of the Valencia Turbines during storm conditions, which could potentially jeopardize reliability in the Nogales region, Buyer will provide switching such that units can be operated, but at a reduced level (i.e. 30 – 35 MW) maximum.

Seller shall dispatch Buyer's Valencia Turbines on an economic basis taking into account the cost of Seller's other resources and the cost of fuel and other operating costs for the Valencia Turbines. Notwithstanding, it is understood that Buyer may require operation of the Valencia Turbines for area reliability reasons even if operation may not be economically advantageous.

ARTICLE 2 BILLING, PAYMENT AND NETTING

2.1 Invoices. Seller shall endeavor to furnish Buyer with a written invoice reflecting the Purchase Price, and any other charges due, on or before the fifteenth (15th) day of each calendar month following the month in which delivery of the Energy Products to Buyer occurred. In the event that underlying data needed to calculate an invoice is unavailable, such data shall be estimated. Such estimates shall be revised when the underlying data becomes available and a true-up adjustment shall be included in a subsequent invoice. Such invoices may be furnished to Buyer by facsimile transmission or by such other method as the Parties agree. Buyer shall promptly provide all information reasonably needed by Seller to calculate the invoices.

2.2 Payment. All invoices shall be due and payable by the later of the twentieth (20th) of the calendar month in which the invoice is received or ten (10) calendar days after the receipt of the invoice. All such payments shall be made by electronic transfer or by such other method as shall cause such payment to be available for the account of Seller on or before the due date.

2.3 Next Business Day. If the last calendar day for a payment due under this Agreement is not a Business Day, then such payment shall be due not later than the Business Day following that calendar day.

2.4 Late Payment. If either Party fails to remit any amount payable by it when due, interest on such Unpaid Amounts shall accrue at the Base Rate from and including the date such payment was due to and including the day such payment is actually made.

2.5 Netting of Payments. If on any day both Parties would owe amounts to the other accruing under this Agreement then, such amounts with respect to each Party shall be aggregated and the Parties shall discharge their obligations to pay through netting, in which case the Party, if any, owing the greater aggregate amount shall pay to the other Party the difference between the amounts owed.

2.6 Disputed Invoices or Payments. If Buyer in good faith disputes the correctness of an invoice, Buyer shall, nevertheless, pay the full amount when due and submit to Seller a written statement detailing the items disputed. The Parties shall attempt in good faith to resolve the dispute

promptly through negotiation. Within fifteen (15) calendar days after delivery of the written statement described above, the Seller shall send a written response to the Buyer. Both the statement and the response shall include: (a) a statement of the Party's position and a summary of arguments supporting that position; and (b) the name and title of the person who will represent that Party and of any other person who may accompany the representative. Within thirty (30) calendar days after delivery of the Buyer's notice, the Parties shall meet at a mutually acceptable time and place and, thereafter, as often as they deem necessary to attempt to resolve the dispute. All negotiations pursuant to this clause shall be confidential and treated as compromise and settlement negotiations for purposes of the Federal Rules of Evidence and any corresponding state rules of evidence. If the matter has not been resolved within sixty (60) calendar days of the Buyer's notice, or if the Parties fail to meet within thirty (30) calendar days after delivery of the Buyer's notice, either Party may initiate the alternative dispute resolution provisions provided in Article 10. Each Party shall pay its own costs, fees and expenses in connection with this dispute resolution process except as otherwise set forth in Article 10.3.

2.7 Refunds. In the event Seller must refund to Buyer in resolution of a dispute, such refund shall include interest at the Base Rate, unless otherwise directed by FERC, accrued from and including the original payment due date to and including the date such sums are refunded.

ARTICLE 3 REPRESENTATIONS AND WARRANTIES

3.1 Mutual Representations and Warranties. Each Party represents and warrants to the other Party, as of the date of this Agreement and as of the date of each delivery of Energy Products to or from the Delivery Point, as applicable, in connection with this Agreement, that:

3.1.1 It is duly organized and validly existing under the laws of the jurisdiction of its organization or incorporation and, if relevant under such laws, in good standing;

3.1.2 It has the corporate, governmental and/or other legal capacity, authority and power to execute this Agreement to which it is a party and to perform its obligations under this Agreement, or other document relating hereto to which it is a party;

3.1.3 Such execution, delivery and performance do not violate or conflict with any law applicable to it, any provision of its constitutional documents, any order or judgment of any court or other agency of government applicable to it or any of its assets or any contractual restriction binding on or affecting it or any of its assets;

3.1.4 No Event of Default under Article 5, or event which with notice and/or lapse of time would constitute such an Event of Default, has occurred and is continuing and no

such event or circumstance would occur as a result of its entering into or performing its obligations under this Agreement or any other document relating hereto to which it is a party;

3.1.5 All governmental and other authorizations, approvals, consents, notices and filings that are required to have been obtained or submitted by it with respect to this Agreement or any other document relating hereto to which it is a party have been or will be obtained or submitted and are in full force and effect and all conditions of any such authorizations, approvals, consents, notices and filings have been complied with;

3.1.6 Its obligations under this Agreement and any other document relating hereto to which it is a party constitute its legal, valid and binding obligations, enforceable in accordance with their respective terms (subject to applicable bankruptcy, reorganization, insolvency, moratorium or similar laws affecting creditors' rights generally and subject, as to enforceability, to equitable principles of general application regardless of whether enforcement is sought in a proceeding in equity or at law);

3.1.7 It has entered into this Agreement in connection with the conduct of its business and it has the ability to make or take delivery of Energy Products;

3.1.8 It is not relying upon any representations of the other Party other than those expressly set forth in this Agreement, or any written Credit Support of the obligations of such other Party;

3.1.9 It has entered into this Agreement hereof with a full understanding of the material terms and risks of the same, and it is capable of assuming those risks;

3.1.10 It has made its trading and investment decisions (including regarding the suitability thereof) based upon its own judgment and any advice from such advisors, as it has deemed necessary and not in reliance upon any view expressed by the other Party; and

3.1.11 It has not received from the other Party any assurances or promises regarding any financial results or benefits under this Agreement hereof.

3.2 Warranties of Seller. Unless otherwise agreed and as expressly limited in the attached **Service Schedule 1**, Seller further warrants with respect to this Agreement, as of the date of each delivery of Energy Products in connection with such Agreement, that Seller is the owner of and has good title to such Energy Products and that such Energy Products are transferred to Buyer and shall pass to Buyer at the Delivery Point specified in the Agreement free and clear of any liens, taxes, claims, security interests or other encumbrances, or any right or interest therein or thereto by any person or entity of any kind whatsoever.

3.3 Limitation of Warranties. ALL OTHER WARRANTIES, WRITTEN OR ORAL, EXPRESS OR IMPLIED, INCLUDING WITHOUT LIMITATION ANY WARRANTY OF MERCHANTABILITY OR OF FITNESS FOR ANY PARTICULAR PURPOSE, ARE DISCLAIMED.

3.4 Survival. This Article 3 survives the expiration or termination of this Agreement.

ARTICLE 4 FINANCIAL RESPONSIBILITY AND INFORMATION

4.1 Material Adverse Change. A Material Adverse Change occurs with respect to either Party or either Party's Credit Support Provider if one exists, if (i) the senior, long-term, unsecured debt rating of such Party falls below an investment grade rating by two (2) of the three (3) agreed to major rating agencies (for purposes of this determination, the three (3) major rating agencies agreed to and their corresponding minimum investment grade ratings are: Standard & Poor's Ratings Services ("S&P"), BBB-; Moody's Investors Services, Inc. ("Moody's"), Baa3; and Fitch IBCA/Duff & Phelps ("Fitch"), BBB-); or (ii) there is any material change since the most recent Transaction in the condition (financial or otherwise), net worth, assets, properties or operations, or in economic conditions, which, taken as a whole, can reasonably be anticipated to impair the ability of such Party to fulfill its obligations; or (iii) the senior, long-term, unsecured debt rating of such Party's Issuer, if any, falls below A by S&P, A2 by Moody's, or A by Fitch, or such Issuer becomes unrated; or (iv) there is reasonable grounds to believe that the creditworthiness of such Party has become unsatisfactory or its ability to perform under this Agreement has been materially impaired.

4.2 Adequate Assurances. If a Material Adverse Change has occurred, the dissatisfied Party (the "First Party") may make a written request of the other Party (the "Second Party") to provide adequate assurance in an amount determined in a commercially reasonable manner, and in a form acceptable to the First Party. Upon receipt of the request, the Second Party shall have three (3) Business Days to provide such assurances before an Event of Default under Article 5 will be deemed to have occurred and the First Party will be entitled to the remedies set forth in Article 5 of this Agreement. If the Second Party provides adequate assurance to the First Party within three (3) Business Days, it is understood that the Second Party shall not in fact have defaulted under this Agreement by incurring a Material Adverse Change.

4.3 Financial Information. If requested by either Party, the other Party shall deliver (i) within 120 days following the end of each fiscal year, a copy of its annual report and the annual report of its Credit Support Provider, if any, containing in each case audited consolidated financial statements for such fiscal year certified by independent certified public accountants and (ii) within 90 days after the end of each of its (and its Credit Support Provider's, if any) first three fiscal

quarters of each fiscal year, a copy of its quarterly report and the quarterly report of its Credit Support Provider, if any, containing unaudited consolidated financial statements for such fiscal quarter. In all cases the statements shall be for the most recent accounting period and prepared in accordance with generally accepted accounting principles in the country in which such Party is organized provided that, should any such statements not be available timely due to a delay in preparation or certification, such delay shall not be considered a default so long as such Party diligently pursues the preparation, certification and delivery of the same. If at any time either Party is required to file financial statements under the Securities Exchange Act of 1934, such Party need not deliver financial information pursuant to this Article 4.3 but shall notify the other Party promptly upon its filing of any Form 8-K.

ARTICLE 5 EVENTS OF DEFAULT; REMEDIES

5.1 Remedies Upon Event of Default. Upon an Event of Default, and so long as such Event of Default is continuing and not cured for a period of three (3) Business Days following written notice by the Performing Party of such Event of Default, the Performing Party may, at its sole option, do one or more of the following with respect to the Defaulting Party:

5.1.1 Withhold or suspend all or part of the payments to the Defaulting Party required hereunder, and/or withhold or suspend all or part of the deliveries of Energy Products to the Defaulting Party required hereunder;

5.1.2 Designate by written notice to the Defaulting Party an Early Termination Date (which shall be no earlier than two (2) Business Days following the date such written notice is received) and liquidate, pursuant to Article 5.2, the transaction existing under this Agreement as of such liquidation; or

5.1.3 Exercise any other rights or remedies available at law or in equity.

5.2 Remedies. Upon the Early Termination Date, the Performing Party shall liquidate all transaction(s) (including any portion of a transaction not yet fully delivered) then outstanding by closing out each transaction being liquidated so that each such transaction is canceled and a Net Settlement Amount is calculated (or, to the extent that in the reasonable opinion of the Performing Party certain of such terminated transactions are commercially impracticable to liquidate and terminate or may not be liquidated and terminated under applicable law on the Early Termination Date, then such transactions shall be terminated and liquidated as soon thereafter as is reasonably practicable, the determination of such liquidated amount shall not delay the payment and calculation of the Net Settlement Amount). No further planned payments or deliveries shall be required to be made in respect to this Agreement after the Early Termination Date except the Net Settlement

Amount. The Performing Party shall notify the Defaulting Party in writing of the amount and basis for calculation of the Net Settlement Amount. If the Net Settlement Amount is a positive number, the Defaulting Party shall, within five (5) Business Days of receipt of such notice, pay to the Performing Party an amount equal to the Net Settlement Amount, which amount shall bear interest at the Base Rate from and including the Early Termination Date to, and including, the date payment is made. If the Net Settlement Amount is a negative number, the Performing Party shall pay to the Defaulting Party an amount equal to the Net Settlement Amount within five (5) Business Days of determining the Net Settlement Amount.

5.3 Disputes. If the Defaulting Party disputes the calculation of the Net Settlement Amount by the Performing Party, such dispute shall be resolved as provided in Article 10. Pending resolution of the dispute, the Defaulting Party shall pay the full amount of the Net Settlement Amount calculated by the Performing Party within three (3) Business Days of receipt of the calculation notice. In the event it is determined that any portion of the Net Settlement Amount should be refunded to the Defaulting Party, the Performing Party shall refund the same within three (3) Business Days of such determination together with interest at the Base Rate from and including the date such payment was made to the Performing Party until and including the date such sums were refunded.

5.4 Set-off. Any Net Settlement Amount payable to one Party (the "Payee") by the other Party (the "Payor") will, at the option of the Performing Party (and without prior notice to the Defaulting Party) be reduced by its set-off against any amount(s) payable (whether at such time or in the future or upon the occurrence of a contingency) by the Payee to the Payor (irrespective of the currency, place of payment or booking office of the obligation) under any other agreement(s) between the Parties or instrument(s) or undertaking(s) issued or executed by one Party to, or in favor of, the other Party. If the Performing Party exercises such option, it shall give notice to the Defaulting Party of any set-off effected under this Article 5.4. If an obligation is unascertained, the Performing Party may in good faith estimate that obligation and set-off in respect of that estimate, subject to such Performing Party accounting to the Defaulting Party when the obligation is ascertained.

5.5 Enforcement of Remedies. Except as provided in this Agreement, the rights, powers, remedies and privileges provided in this Agreement are cumulative and not exclusive of any rights, powers, remedies and privileges provided by law. A failure or delay in exercising any right, power or privilege in respect of this Agreement will not be presumed to operate as a waiver, and a single or partial exercise of any right, power or privilege will not be presumed to preclude any subsequent or further exercise of that right, power or privilege or the exercise of any other right, power or privilege.

5.6 Notices of Default. Each Party agrees to notify the other Party promptly of any event which, with the giving of notice or the passage of time, or both, would constitute an Event of Default with respect to it.

5.7 Forward Contract. The Parties agree that transactions for the forward sale and purchase of Energy Products entered into under this Agreement shall constitute "forward contracts," and that the Parties shall constitute "forward contract merchants," within the meaning of the United States Bankruptcy Code.

5.8 Duty to Mitigate. Each Party agrees that it has a duty to mitigate damages and covenants that it will use commercially reasonable efforts to minimize any damages it may incur as a result of an Event of Default involving the other Party.

5.9 Limitations of Liability. THE PARTIES CONFIRM AND AGREE THAT THE EXPRESS REMEDIES AND MEASURES OF DAMAGES PROVIDED IN THIS AGREEMENT SATISFY THE ESSENTIAL PURPOSES HEREOF. FOR BREACH OF ANY PROVISION FOR WHICH AN EXPRESS REMEDY OR MEASURE OF DAMAGES IS PROVIDED, SUCH EXPRESS REMEDY OR MEASURE OF DAMAGES SHALL BE THE SOLE AND EXCLUSIVE REMEDY THEREFOR. IF NO REMEDY OR MEASURE OF DAMAGES IS EXPRESSLY HEREIN PROVIDED, LIABILITY SHALL BE LIMITED TO DIRECT ACTUAL DAMAGES ONLY, AND SUCH DIRECT ACTUAL DAMAGES SHALL BE THE SOLE AND EXCLUSIVE REMEDY. EXCEPT AS OTHERWISE SPECIFICALLY SET FORTH IN THIS AGREEMENT, THE PARTIES CONFIRM AND AGREE THAT UNDER THIS AGREEMENT, NEITHER PARTY SHALL BE REQUIRED TO PAY OR BE LIABLE FOR SPECIAL, CONSEQUENTIAL, INCIDENTAL, PUNITIVE, EXEMPLARY, OR INDIRECT DAMAGES, LOST PROFIT OR BUSINESS INTERRUPTION DAMAGES, BY STATUTE, IN TORT, CONTRACT OR OTHERWISE. IT IS THE INTENT OF THE PARTIES THAT THE LIMITATIONS HEREIN IMPOSED ON REMEDIES AND THE MEASURE OF DAMAGES BE WITHOUT REGARD TO THE CAUSE OR CAUSES RELATED THERETO, INCLUDING, BUT NOT LIMITED TO, THE NEGLIGENCE OF ANY PARTY, WHETHER SUCH NEGLIGENCE BE SOLE, JOINT OR CONCURRENT, OR ACTIVE OR PASSIVE. TO THE EXTENT ANY DAMAGES REQUIRED TO BE PAID HEREUNDER ARE DEEMED LIQUIDATED, THE PARTIES ACKNOWLEDGE THAT THE DAMAGES ARE DIFFICULT OR IMPOSSIBLE TO DETERMINE, OTHERWISE OBTAINING AN ADEQUATE REMEDY IS INCONVENIENT AND THE LIQUIDATED DAMAGES CONSTITUTE A REASONABLE APPROXIMATION OF THE HARM OR LOSS.

5.10 Survival. This Article 5 survives the expiration or termination of this Agreement.

ARTICLE 6 FORCE MAJEURE

6.1 Suspension of Obligations. Except with regard to a Party's obligation to make payments under the Agreement, in the event either Party hereto is rendered unable, wholly or in part, by Force Majeure to carry out its obligations with respect to this Agreement, it is agreed that upon such Party's (the "Claiming Party") giving notice in writing or by facsimile and the full particulars of such Force Majeure as soon as reasonably possible after the occurrence of the cause relied upon, the obligations of the Claiming Party shall, to the extent, and only to the extent, they are affected by such Force Majeure, be suspended during the continuance of said inability. During the pendency of such Force Majeure, the Claiming Party shall not be liable to the other Party for any claims relating directly or indirectly to the failure to perform under this Agreement, or for or on account of any loss, damage, injury or expense resulting from, or arising out of, the event of Force Majeure. The Party receiving notice of Force Majeure shall have two (2) Business Days following receipt to notify the Claiming Party that it objects to or disputes the existence of an event of Force Majeure. If an event of Force Majeure prevents Seller's delivery of any of the Energy Products as contemplated in this Agreement, Seller shall, at Buyer's request, make its best efforts to secure, on Buyer's behalf and at Buyer's cost, the replacement of the Energy Products which Seller is excused from delivering due to the event of Force Majeure. Seller's best efforts, as described herein, will be undertaken at Seller's discretion, and Seller will have no liability whatsoever for the costs, pricing, delivery, or transmission of the replacement Energy Products secured or obtained, directly or indirectly, for the benefit of Buyer except as expressly agreed to in a separate written agreement executed by the Parties.

6.2 Due Diligence. A Party claiming an event of Force Majeure shall use due diligence to fulfill its obligations hereunder and to remove any disability caused by such event at the earliest practicable time. Nothing herein shall require a Party to settle any strike or labor dispute. The Party claiming an event of Force Majeure shall continue to perform immediately after such cause has been removed.

ARTICLE 7 TAXES AND OTHER CHARGES

7.1 Taxes and Other Charges. Seller shall pay or cause to be paid, all taxes, fees, levies, licenses or charges imposed by any Government Authority ("Taxes") on or with respect to any Energy Products prior to its delivery to Buyer up to and at the Delivery Point, except as specifically defined in this Article 7. Buyer shall pay or cause to be paid all Taxes on or with respect to Energy Products from the Delivery Point (other than ad valorem, franchise, sales tax or income taxes which are related to the sale of the Energy Products and therefore the responsibility of the Seller). In addition, in the event Seller is required by law or regulation to remit or pay Taxes which are Buyer's responsibility hereunder, Buyer shall promptly reimburse Seller for such Taxes. If Buyer is required by law or regulation to remit or pay Taxes, which are Seller's responsibilities hereunder, Buyer may

deduct the amount of any such Taxes from the sums due to Seller hereunder. Nothing shall obligate or cause a Party to pay or be liable to pay any taxes for which it is exempt under the law. Each Party shall indemnify, defend and hold the other Party harmless from any liability against all of any Taxes for which the indemnifying Party is liable.

**ARTICLE 8
NOTICES AND OTHER COMMUNICATIONS**

8.1 Methods. All invoices, payments, statements, notices, and communications made pursuant to this Agreement shall be in writing and made as follows:

8.1.1 All written communications (other than invoices and payments) to the other Party shall be sent by first class, registered, certified or express mail, return receipt requested, postage prepaid, or by comparable delivery service, or by hand, or by facsimile (with the original sent by first class mail) to the following individuals:

8.1.1.1 For the Seller:

Contract Administration: PINNACLE WEST CAPITAL CORPORATION
400 N. 5th Street, Station 9860
Phoenix, AZ 85004
ATTN: Marketing & Trading Contracts Department

Payments to: PINNACLE WEST CAPITAL CORPORATION
Bank Name: Wells Fargo Bank
Power Marketing
Acct No: 437 567 7176
ABA No. 121 000 248

8.1.1.2 For Buyer:

Contract Administration: CITIZENS COMMUNICATIONS COMPANY
1300 South Yale St.
Flagstaff, AZ 86001
ATTN: Dan McCarthy
PHONE: (520) 774-4592, Ext. 2212
FAX: (520) 779-5338

Invoices to: CITIZENS COMMUNICATIONS COMPANY

2202 Stockton Hill Road
Kingman, AZ 86401
ATTN: Teri Rice

8.1.2 Either Party may modify any information specified in Article 8.1.1 by giving written notice to the other Party in accordance with this article.

8.2 Receipt. All written communications made as provided in Article 8.1 shall be deemed given upon receipt by the Party to which it is addressed, which, in the case of facsimile, shall be deemed to occur on the date that transmission is received by the addressee in legible form.

ARTICLE 9 EFFECTIVE DATE AND TERM

9.1 Effective Date. This Agreement shall become effective June 1, 2001, and the Parties expressly agree to this effective date and to support it in any regulatory filings. However, if FERC or any court on review of a FERC order imposes any condition, limitation, or qualification on its approval of this Agreement which, individually, or in the aggregate, either Party reasonably determines to have a material adverse effect on such Party with respect to this Agreement, as applicable, such Party shall as soon as practicable, but in no case more than thirty (30) calendar days, notify the other Party and the Parties shall cooperate on a commercially reasonable basis to renegotiate the terms of this Agreement to preserve the original economic relationship of the Parties with respect to this Agreement. Should the Parties fail to renegotiate the terms of this Agreement, this Agreement shall be null and void and have no further force and effect.

9.2 Termination Date. This Agreement shall terminate at midnight May 31, 2008, unless this Agreement is terminated pursuant to Article 5.

9.3 Previous Obligations. For the period of June 1, 2001 through July 15, 2001, Seller will assume the financial obligations of the Buyer that occurred under the existing Power Service Agreement, dated January 5, 1995, between APS and Buyer and related Service Schedules. Buyer will instruct APS to send invoices for the subject period to Seller.

9.4 Obtaining Regulatory Approval. Each Party will use commercially reasonable efforts to take or cause to be taken, all actions required to obtain the necessary regulatory approvals so that (1) this Agreement shall become effective and any actions taken hereunder shall be effective as provided herein at the earliest practicable date and (2) termination of existing APS and Buyer's agreement, APS Rate Schedule No. 225, termination effective on July 15, 2001.

ARTICLE 10
ALTERNATIVE DISPUTE RESOLUTION

10.1 Alternative Dispute Resolution. All disputes arising under or relating to the terms of this Agreement are subject to the provisions of this Article 10.

10.2 Mediation. Any disputes between the Parties shall first be submitted to a non-binding mediation. The mediation shall be commenced by written request of either Party and shall begin within sixty (60) calendar days of such written notice. The mediator shall be chosen by mutual agreement of the Parties within fifteen (15) calendar days of submission of the above written notice. Any discussions or materials presented during or for purposes of the mediation shall be confidential and governed by the limitations and restrictions of Rule 408 of the Federal and Arizona Rules of Evidence and/or any like regulatory rules. Any arbitration commenced under this Article shall not be initiated until following the completion of the mediation detailed herein.

10.3 Arbitration. Any disputes between the Parties and/or their respective representatives involving or arising under claim, counterclaim, demand, cause of action, dispute, and/or controversy relating to the terms of this Agreement, or the breach thereof (collectively "Claims"), shall be submitted to binding arbitration, whether such Claims sound in contract, tort or otherwise. The arbitration shall be conducted in accordance with the Federal Arbitration Act and by the then-prevailing Commercial Arbitration Rules of the American Arbitration Association. The validity, construction, and interpretation of this agreement to arbitrate and all procedural aspects of the arbitration conducted pursuant hereto shall be decided by the arbitrators. Submission shall be made upon the request of either Party. There shall be three (3) arbitrators. Both the claimant and the respondent shall appoint one (1) arbitrator within twenty (20) calendar days of receipt by the respondent of service of the notice of arbitration. The two (2) arbitrators so appointed shall select the third arbitrator, the chairperson, of the tribunal within twenty (20) calendar days thereafter. The chairperson shall be a person who has over eight (8) years of experience in energy-related transactions, and none of the arbitrators shall have been previously employed by either Party or have any direct interest in either Party or the subject matter of the arbitration, unless such conflict is expressly acknowledged and waived in writing by both Parties. The chairperson shall be bound to schedule and hear the dispute within six (6) months after his/her appointment and shall render the panel's decision within thirty (30) calendar days after the hearing concludes. It is agreed that the arbitrators shall have no authority to award consequential, treble, exemplary, or punitive damages of any type or kind regardless of whether such damages may be available under any law or right, with the Parties hereby affirmatively waiving their rights, if any, to recover or claim such damages. The compensation and any costs and expenses of the arbitrators shall be borne equally by the Parties. Any arbitration proceedings, decision or award rendered hereunder and the validity, effect and interpretation of this arbitration provision shall be governed by the Federal Arbitration Act. The arbitration shall take place in Phoenix, Arizona. The award shall be final and binding on the Parties

and judgment upon any award may be entered in any court of competent jurisdiction. The Parties agree that all information exchanged as a result of any proceeding as described herein shall be deemed confidential.

10.4 Either Party may petition a court of appropriate jurisdiction, as described in Article 11.6, for non-monetary relief relating to any claim of breach of this Agreement in order to prevent undue hardship relating to any such claimed breach pending the appointment of an arbitration panel as described in this Article 10.

ARTICLE 11 GENERAL PROVISIONS

11.1 Entire Agreement, Amendments and Counterparts. The terms of this Agreement constitute the entire agreement between the Parties with regard to its subject matter and may be changed only by mutual written agreement executed by both Parties after the date of this Agreement.

11.2 No Waiver. No waiver by either Party of any one or more defaults by the other Party in the performance of any of the provisions of this Agreement shall operate or be construed as a waiver of any other default or defaults whether of a like kind or different nature. Any delay, short of the maximum statutory period of limitation, in asserting or enforcing any right under this Agreement shall not be deemed a waiver of such right.

11.3 Headings. The headings used for the sections and articles herein are for convenience only and shall not affect the meaning or interpretation of the provisions of this Agreement.

11.4 Confidentiality. All Confidential Information shall be held and treated by the Parties and their agents in confidence, used solely in connection with this Agreement, and shall not, except as hereinafter provided, be disclosed without the other Party's prior written consent. Notwithstanding the foregoing, Confidential Information may be disclosed to a third party to the extent necessary to effectuate the transfer of Energy Products subject to this Agreement, or if necessary, in order to satisfy any regulatory requirement on the part of either Party. In the event that either Party ("Disclosing Party") is requested or required to disclose any Confidential Information, the Disclosing Party shall provide the other Party with prompt written notice of any such request or requirement. This article shall survive the expiration or termination of this Agreement for a period of one (1) year.

11.5 Governing Law. This Agreement shall be governed by, construed and enforced in accordance with the laws of the State of Arizona without regard to principles of conflict of laws. The Parties agree that the Energy Products sold herein are not a "good" within the meaning of the Arizona Uniform Commercial Code.

11.6 Jurisdiction and Costs. Any judicial action arising out of, resulting from or in any way relating to this Agreement or any related agreement or any alleged breach or default under the same or the warranties and representations contained in the same shall be brought only in a state or federal court of competent jurisdiction located in the state of Arizona, county of Maricopa and city of Phoenix, and both Parties waive any right to trial by jury in such action. Any action to enforce an arbitration award may be brought in any jurisdiction. In the event such judicial proceedings are instituted by either Party, the prevailing Party shall be entitled to award of its costs and reasonable attorneys' fees incurred in connection with such proceedings.

11.7 No Third Party Beneficiaries. This Agreement confers no rights whatsoever upon any person or entity other than the Parties and shall not create, or be interpreted as creating, any standard of care, duty or liability to any person or entity not a Party hereto.

11.8 Binding Effect. This Agreement shall be binding on and inure to the benefit of the Parties and their respective successors and permitted assigns, except as expressly provided in this Agreement.

11.9 Recording. Each Party acknowledges and agrees that the other may record telephone conversations and other discussions regarding matters arising under this Agreement. Each Party agrees to obtain the consent of its employees and agents to such recording to the extent required by applicable law. All recordings shall be deemed Confidential Information under this Agreement.

11.10 Regulation of the Parties. Nothing contained in this Agreement shall be construed as subjecting either Party to the jurisdiction of any regulatory agency which would not otherwise normally have jurisdiction over such Party.

11.11 Assignment. Neither Party shall transfer or assign all or any part of this Agreement or its rights or obligations hereunder or thereunder or otherwise dispose of any right, title or interest herein or therein without the prior written consent of the other Party, which consent shall not be unreasonably withheld or delayed. Notwithstanding the foregoing, either Party may, without the need for consent from the other Party, (a) transfer, pledge, or assign this Agreement as security for any financing; or (b) transfer, assign or delegate this Agreement or its rights or obligations hereunder and thereunder to an Affiliate of such party; *provided, however*, that any such assignee shall agree to be bound by the terms and conditions hereof and meets the Credit Support requirements of the other Party, and, *provided, further*, that any transfer, assignment or delegation that does not require consent hereunder shall not, in any way, release the assignor from liability for full performance of any obligations (and only those obligations) arising under this Agreement prior to the effective date of the transfer, assignment or delegation. To the extent a transfer does not require consent, the transferring Party shall provide prompt notice to the other Party of the transfer and the effective date

thereof. Any transfer in violation of this article shall be deemed null and void.

11.12 Records. The Parties shall maintain records of all transactions for a period of three years from the billing date. Each Party has the right, to require the other Party to produce records of such Party's place of business and during regular office hours to the extent reasonably necessary to verify the accuracy of any statement, charge or computation made pursuant to this Agreement. If any such documentation reveals any inaccuracy in any statement, the necessary adjustments in such statement and the payments thereof will be made promptly and shall bear interest calculated at the Base Rate from the date the overpayment or underpayment was made until paid; provided, however, that no adjustment for any statement or payment will be made unless objection to the accuracy thereof was made prior to the lapse of twelve (12) months from the rendition thereof.

11.13 Negotiated Agreement. The Parties hereto agree that they have had meaningful discussion and/or negotiation of the provisions, terms and conditions contained in this Agreement. Therefore, doubtful or ambiguous provisions, if any, contained in this Agreement shall not be construed against the Party who physically drafted and prepared this Agreement.

11.14 Severability. Should any provision of this Agreement be determined to be unenforceable, illegal or otherwise invalid, then said provision(s) or amendment(s) thereto shall be severed from this Agreement, and the remainder shall remain in full force and effect provided the Parties can legally, practically, and commercially continue without such severed provision and that such severance does not defeat the purpose of either or both Parties in entering into this Agreement, unless mutually agreed between the parties.

IN WITNESS THEREOF, the Parties hereto made and executed this Agreement, signed by their duly authorized officers or individuals, as of the day and year first above written.

PINNACLE WEST CAPITAL CORPORATION CITIZENS COMMUNICATIONS COMPANY

By: _____

By: _____

Name: _____

Name: _____

Title: _____

Title: _____

Date: _____

Date: _____

EXHIBIT "A"
DEFINITIONS

As used in this Agreement to which this is Exhibit "A," and the attached **Service Schedule 1**, the following defined terms have the meanings set forth below:

"Affiliate" means, with respect to any person, any entity controlled, directly or indirectly, by such person, any entity that controls, directly or indirectly, such person, or any entity directly or indirectly under common control with such person. For this purpose, "control" of any entity or person means ownership of a majority of the voting power of the entity or person.

"Base Rate" means the lesser of (i) the interest rate per annum published from time to time in the *Wall Street Journal* under "Money Rates" as the "Prime Rate" (or if such rate is no longer published by such entity, a successor or comparable rate agreed to by the Parties) plus two percent (2%) per annum, or (ii) the maximum rate of interest allowed by law. Interest at the Base Rate shall accrue and compound daily based on a 360-day year.

"Business Day" means a 24-hour period ending at 5:00 p.m. Phoenix prevailing time on a weekday on which banks are open for general commercial business in Phoenix, Arizona.

"Buyer's Full Load Requirements" means Buyer's full Energy Products requirements needed to serve Buyer's Customers, as expressly limited herein, excluding Buyer's other resources as referenced and defined in Article 1.8 to this Agreement. "Customers" as used herein, shall be limited to (1) Buyer's retail customers in the current geographic and service areas served by Buyer as of the date of the execution of this Agreement and (2) reasonable and anticipated load growth or load reduction in Buyer's current geographic and service areas as to the foregoing. Buyer is expressly forbidden, and shall make best efforts to prevent its customers, from reselling, directly or indirectly, on a wholesale basis any of the Energy Products provided pursuant to this Agreement.

"Buyer's Transmission Agreement" means Buyer's agreement with the DOE to wheel its Energy Products from the Delivery Points to the Metering Points.

"Capacity" means the electric generating capability, expressed in megawatts (MW) or kilowatt (kW).

"CESP" means an electric service provider supplying Energy Products to retail direct access customer within Buyers' ACC certified area.

“Claiming Party” means the Party which claims that its performance is suspended by Force Majeure.

“Confidential Information” means the terms of the Transaction, including but not limited to, all other material terms thereof. Notwithstanding the foregoing, the following shall not constitute Confidential Information:

- (1) Information which was already in a Party’s possession prior to its receipt from the other Party;
- (2) Information which is obtained from a third person who, insofar as is known to the Party, is not prohibited from transmitting the information to the Party by a contractual, legal or fiduciary obligation to the Party;
- (3) Information which is or becomes publicly available through no fault of the Party; and
- (4) Information which a Party is required to disclose by law, regulation or judicial or administrative order.

“Credit Support” means (i) a Letter of Credit; (ii) a Guaranty; or (iii) such other form of Credit Support, all of which shall be acceptable to the secured Party.

“Credit Support Provider” means (i) a Guarantor; (ii) an Issuer; or (iii) a provider of other form of Credit Support, all of which shall be acceptable to the secured Party.

“Defaulting Party” means the Party with respect to which (or whose Credit Support Provider with respect to which) an Event of Default has occurred.

“Delivery Point” means that delivery point(s) for Energy Products to one or more point(s) at which APS’ facilities are interconnected to the facilities of the DOE, provided that such point(s) are mutually acceptable to the DOE and Seller, or at such other point(s) of delivery as may be agreed upon in writing by authorized representatives of Seller and Buyer.

“DOE” means the United States of America Department of Energy.

“Early Termination Date” means a date for termination of this Agreement, except as otherwise specifically set forth herein.

“Energy” means electric energy of the character commonly known as three-phase, sixty-hertz electric energy that is delivered at the nominal voltage of the Delivery Point expressed in megawatt hours (MWh) or kilowatt hours (kWh).

“Energy Products” means Energy, Capacity and/or ancillary services.

“Event of Default” means, with respect to a Party:

(1) **Payment Default.** Failure by the Party (and if applicable, its Credit Support Provider) to: (i) make, when due, any payment under this Agreement or, if applicable under Credit Support, or (ii) deliver collateral when required by this Agreement pursuant to arrangements entered into in accordance with Article 4, if such failure is not remedied on or before the third (3rd) Business Day after written notice of such failure is given to the Party;

(2) **Breach of Other Agreement.** Failure by the Party to comply with or perform any agreement or obligation (other than an obligation to make any payment under this Agreement) to be complied with or performed by the Party in accordance with this Agreement if such failure is not remedied on or before the fifth (5th) Business Day after notice of such failure is given to the Party;

(3) **Credit Support Default.** (i) the expiration or termination of any Credit Support of such Party’s obligations hereunder or the failing or ceasing of such Credit Support to be in full force and effect for the purpose of this Agreement (in either case other than in accordance with its terms) prior to the satisfaction of all obligations of such Party under this Agreement to which such Credit Support relates without the written consent of the other Party; or (ii) the Credit Support Provider disaffirms, disclaims, repudiates or rejects, in whole or in part, or challenges the validity of, such Credit Support;

(4) **Bankruptcy.** The Party or any Credit Support Provider of such Party:

(1) is dissolved (other than pursuant to a consolidation, amalgamation or merger); (2) becomes insolvent or is unable to pay its debts or fails or admits in writing its inability generally to pay its debts as they become due; (3) makes a general assignment, arrangement or composition with or for the benefit of its creditors; (4) institutes or has instituted against it a proceeding seeking a judgment of insolvency or bankruptcy or any other relief under any bankruptcy or insolvency law or other similar law affecting creditors’ rights; (5) has a resolution passed for its winding-up, official management or liquidation (other than pursuant to a consolidation, amalgamation or merger); (6) seeks or becomes subject to the appointment of an administrator, provisional liquidation, conservator, receiver, trustee, custodian or other similar official for it or for all or substantially all its assets; (7) has a secured party take possession of all or substantially all its assets or has a distress, execution, attachment, sequestration or other legal process levied, enforced or sued on or against all or substantially all its assets and such secured party maintains possession, or any such process is not dismissed, discharged, stayed or restrained, in each case within thirty (30) calendar days thereafter; (8) causes or is subject to any event with respect to it which, under the applicable laws of any jurisdiction, has an analogous effect to any of the events specified in clauses (1) to (4) (inclusive); or (5) takes any action in furtherance of, or indicating its consent to, approval of, or acquiescence in, any of the foregoing acts;

(5) **Merger Without Assumption.** The Party or any Credit Support Provider of such Party consolidates or amalgamates with, or merges with or into, or transfers all or

substantially all its assets to, another entity and, at the time of such consolidation, amalgamation, merger or transfer: (a) the resulting, surviving or transferee entity fails to assume all the obligations of such Party or such Credit Support Provider under this Agreement or any Credit Support to which it or its predecessor was a party by operation of law or pursuant to an agreement reasonably satisfactory to the other Party to this Agreement; or (b) the benefits of any Credit Support fail to extend (without the consent of the other Party) to the performance by such resulting, surviving or transferee entity of its obligations under this Agreement entered into pursuant thereto; or

(6) ***Credit Event Upon Merger.*** The Party or any Credit Support Provider consolidates or amalgamates with, or merges with or into, or transfers all or substantially all its assets to, another entity in a transaction that is not an Event of Default under the definition thereof, but the creditworthiness of such successor is materially weaker (taking into consideration any Credit Support) than the creditworthiness of the assignor before such transfer and assumption, unless the transferee within three (3) Business Days of receiving notice of such event from the other Party has entered into collateral arrangements (and delivered collateral pursuant thereto to such other Party or its custodian) or provided other assurances satisfactory to the other Party as described in Article 4.

(7) ***Failure to Deliver or Receive Energy Product.*** The failure by either Party to deliver or receive all or a substantial portion of the required Energy Products, except as excused by the terms of this Agreement, if such failure is continuing for a period of five (5) calendar days or longer after receipt of written notice by the Non-Defaulting Party as to such failure. The Defaulting Party shall, in any event, be responsible and liable to the Non-Defaulting Party for any and all damages and/or costs arising out of or relating to such default as described by the terms of this Agreement.

“Force Majeure” means an event that (a) is not anticipated as of the effective date of the execution of this Agreement, (b) is not within the reasonable control of the Party claiming Force Majeure (the “Claiming Party”), and (c) could not, in the exercise of reasonable due diligence and Good Utility Practice by the Claiming Party, been prevented or avoided, and which renders the Claiming Party unable to carry out wholly or in part its obligations under this Agreement. Subject to the foregoing, Force Majeure includes, but is not restricted to: an act of God, government priority, material shortage, act or omission of civil or military authority, strike, lockout or other industrial disturbance, act of the public enemy, war, blockade, insurrection, civil disturbances or disobedience, riot, epidemic, landslide, earthquake, fire, storm, lightning, flood, other natural catastrophe, civil disturbance, action or restraint by court order or public authority, judicial, regulatory or governmental action, authority or award, including action by, or inability to obtain necessary authorization or approval from, any governmental agency or authority (so long as the Claiming Party has acted to the fullest extent reasonable to prevent such actions or restraints), failure of the transmission and/or distribution grid to transmit or distribute Energy, including third parties’ transmission facilities, reductions or interruptions in services which may be required by the control area operator or regional transmission organization, material failure of performance by a supplier, including as a result of Force Majeure, of Seller which results in a shutdown or material reduction of any of the generation capacity or output which is owned or controlled by Seller or Seller’s

Affiliate, shutdown or reduction by the Nuclear Regulatory Commission of any of the generation capacity or output which is owned or controlled by Seller or Seller's Affiliate, and any other act or omission similar to the kind herein enumerated not within the control of the affected Party and which by the exercise of reasonable diligence said Party is unable to overcome.

"Good Utility Practice" means any of the practices, methods, and acts engaged in or approved by a significant portion of the electric utility industry during the relevant time period, or any of the practices, methods, and acts which, in the exercise of reasonable judgment in light of the facts known at the time the decision was made, could have been expected to accomplish the desired result at a reasonable cost consistent with good business practices, reliability, safety, and expedition. Good Utility Practice is not intended to be limited to the optimum practice, method, or act to the exclusion of all others, but rather to be acceptable practices, methods, or acts generally accepted in the region. As used in this Agreement, Good Utility Practice shall include a requirement that Seller provide installed and/or purchased generating reserves reasonable needed to supply Fixed Priced Energy Products to Buyer.

"Governmental Authority" means (a) a city, municipality, county, state, or other governmental board or authority, (b) a regulatory or public power board or authority, (c) a public utility district, (d) a joint action agency, (e) a tribal board, authority or agency, or (f) other similar or like political subdivision or public entity of the United States, one or more States or territories or any combination thereof.

"Guarantor" means the entity(ies), if any, executing a Guaranty of the obligations of one Party to the other Party (the "Secured Party"); such Guarantor shall be reasonably acceptable to the Secured Party.

"Guaranty" means a guaranty, hypothecation agreement, or security agreement or any other document containing an obligation of a Guarantor in favor of, and supporting any obligations of, one Party to the other Party (the "Secured Party") in a form and substance reasonably acceptable to the Secured Party.

"Issuer" means as to a Party (the "first Party"), the person(s), if any, executing and delivering to the other Party (the "second Party") a Letter of Credit, Surety Bond or other form of Credit Support document, other than a Guaranty, which Issuer shall be reasonably acceptable to the second Party.

"Market Quotation" means, with respect to the termination of the Transactions under this Agreement and the Performing Party, an amount determined on the basis of quotations from Reference Market-makers. Each quotation will be for an amount, if any, that would be paid to the Performing Party (expressed as a negative number) or by the Performing Party (expressed as a positive number) in consideration of an agreement between the Performing Party (taking into account any existing credit support arrangements with respect to the obligations of such Party) and the quoting Reference Market-maker to enter into a transaction (the "Replacement Transaction") that would have the effect of preserving for the Performing Party the economic equivalent of any payment or delivery (whether the underlying obligation was absolute or contingent and assuming the

satisfaction of each applicable condition precedent) by the Parties in respect of the Transactions that would, but for the occurrence of the relevant Early Termination Date, have been required after that date. For this purpose, Unpaid Amounts in respect of the Transactions are to be excluded but, without limitation, any payment or delivery that would, but for the relevant Early Termination Date, have been required (assuming satisfaction of each applicable condition precedent) after that Early Termination Date is to be included. The Replacement Transaction would be subject to such documentation as such Party and the Reference Market-maker may, in good faith, agree. The Performing Party (or its agent) will request each Reference Market-maker to provide its quotation to the extent reasonably practicable as of the same day and time (without regard to different time zones) on or as soon as reasonably practicable after the relevant Early Termination Date. The day and time as of which those quotations are to be obtained will be selected in good faith by the Performing Party. If more than three quotations are provided, the Market Quotation will be the arithmetic mean of the quotations, without regard to the quotations having the highest and lowest values. If exactly three such quotations are provided, the Market Quotation will be the quotation remaining after disregarding the highest and lowest quotations. For this purpose, if more than one quotation has the same highest value or lowest value, then one of such quotations shall be disregarded. If fewer than three quotations are provided, it will be deemed that the Market Quotation in respect of the Transactions cannot be determined.

“Metering Points” see Exhibit “B”.

“Net Settlement Amount” means, with respect to the termination of the Transaction under this Agreement and the Performing Party, the amount payable after netting the following amounts with respect to the Transaction: the Market Quotations (whether positive or negative) for the Transaction, plus any Unpaid Amounts owing to such Performing Party by the Defaulting Party, less any Unpaid Amounts owing by the Performing Party to the Defaulting Party; provided, however, a Market Quotation cannot be determined or would not (in the reasonable belief of the Performing Party) produce a commercially reasonable result, the Net Settlement Amount shall be determined using the amount the Performing Party reasonably determines in good faith to be its total aggregate losses and costs, including, but not limited to, brokerage fees and commissions (or gains, in which case expressed as a negative number), in connection with this Agreement, including any loss of bargain, cost of funding or, at the election of the Performing Party but without duplication, loss or cost incurred as a result of its terminating, liquidating, obtaining or reestablishing any hedge or related trading position (or any gain resulting from any of them in which case expressed as a negative number). If the Performing Party is calculating its losses, costs or gains according to the proviso above, the amount calculated shall include losses and costs (or gains, in which case expressed as a negative number), in respect of any payment or delivery that would have been required to have been made on or before the Early Termination Date, including payments or deliveries that were not made due to the application of Article 5. In determining a Performing Party’s losses, costs or gains, the Performing Party may, but need not, make such determinations by reference to quotations of relevant rates or prices from one or more leading dealers in the relevant markets. A Party will determine its Net Settlement Amount as of the relevant Early Termination Date, or, if that is not reasonably practicable, as of the earliest date thereafter as is reasonably practicable. Nothing in this provision requires the Performing Party to enter into a replacement transaction.

“Operating Year” means the 12 month period of time beginning 12:01 A.M. each June 1 and ending 12:00 Midnight May 31 of the following calendar year.

“Performing Party” means, upon the occurrence of an Event of Default, the non-Defaulting Party with respect to such Event of Default.

“Point of Attachment No. 1” means that point beyond the Planet Tap Metering Point where Buyer’s facilities connect to APS’ facilities 900 feet East of Planet Substation as shown on Exhibit D.

“Point of Attachment No. 2” means that point beyond the Planet Tap Metering Point where Buyer’s facilities connect to APS’ facilities located on the existing APS 12.5 kV overhead line near the center of Section 32, Township 11 North, Range 16 West, said point being approximately the second pole North of the transition pole from the underground to overhead circuit as shown on Exhibit D.

“Purchase Price” means the price in United States Dollars (unless otherwise agreed) to be paid by the Buyer to the Seller for the purchase of Energy Products. The Purchase Price may be stated in either a per unit Energy Product purchase price or the total purchase price for all Energy Products pursuant to this Agreement.

“Reference Market-makers” means four leading dealers in the relevant market selected by the Party determining a Market Quotation in good faith from among dealers of the highest credit standing which satisfy all the criteria that such Party applies generally at the time in deciding whether to enter into transactions similar to the Transactions.

“Replacement Price” means the price at which the Performing Party, acting in a commercially reasonable manner, effects a purchase of substitute Energy Products in place of the Energy Products not delivered by the Non-Performing Party (plus amounts reasonably incurred by the Performing Party in purchasing such substitute Energy Products including additional transmission charges, if any, incurred by the Performing Party to the Delivery Point), or, absent such a purchase, the market price for such quantity of Energy Products, as determined by the Performing Party in a commercially reasonable manner at the Delivery Point agreed upon by the Performing Party and the Non-Performing Party for the Transaction, provided, however, in no event shall such price include any penalties, ratcheted demand or other similar transmission charges, and provided further, a Party shall not be required to utilize or change its utilization of its owned or controlled assets, including contractual assets, or market positions to minimize the other Party’s liability for damages. For the purpose of this definition, the Performing Party shall be considered to have purchased substitute Energy Product to the extent the Performing Party shall have entered into one or more arrangements in a commercially reasonable manner whereby the Performing Party repurchases its obligation to sell and deliver the Energy Product at the Delivery Point.

“Sales Price” means the price at which the Performing Party, acting in a commercially reasonable manner, effects a resale of the Energy Products not received by the Non-Performing Party (excluding costs reasonably incurred by the Performing Party in reselling such Energy Product, and

excluding additional transmission charges, if any, incurred by the Performing Party in delivering such Energy Product to third party Buyers), or, absent such a resale, the market price for such quantity of Energy Products at the Delivery Point agreed upon by the Performing Party and the Non-Performing Party, as determined by the Performing Party in a commercially reasonable manner, provided, however, in no event shall such price include any penalties, ratcheted demand or similar transmission charges, and provided further, a Party shall not be required to utilize or change its utilization of its owned or controlled assets, including contractual assets, or market positions to minimize the other Party's liability for damages. For purposes of this definition, the Performing Party shall be considered to have resold such Energy Product to the extent the Performing Party shall have entered into one or more arrangements in a commercially reasonable manner whereby the Performing Party repurchases its obligation to purchase and receive the Energy Product at the Delivery Point.

"SC" means competitive scheduling coordinator.

"Transmission Losses" or "TL" means the applicable losses in kilowatts and kilowatthours incurred in the transmission of Energy Products over the DOE's Parker-Davis System or other third party(ies) system from the Delivery Point to the Metering Point.

"Unpaid Amounts" means, with respect to an Early Termination Date, the aggregate of (a) in respect of all terminated transactions, the amounts that became payable (or that would have become payable but for Article 5) to such Party on or prior to such Early Termination Date and which remain unpaid as of the Early Termination Date and (b) in respect of each terminated transaction, for each obligation to deliver Energy Products which was (or would have been but for Article 5) required to be made on or prior to such Early Termination Date and which has not been so settled as at such Early Termination Date, an amount equal to the fair market value of that which was (or would have been) required to be delivered as of the originally scheduled date for delivery, in each case together with (to the extent permitted under applicable law) interest at the Base Rate. The fair market value of any obligation referred to in clause (b) above shall be reasonably determined by the Performing Party.

**SERVICE SCHEDULE 1
TO THE
POWER SALE AGREEMENT
BETWEEN
PINNACLE WEST CAPITAL CORPORATION
AND
CITIZENS COMMUNICATIONS COMPANY**

All terms and provisions contained in the Power Sale Agreement between Pinnacle West Capital Corporation ("Seller") and Citizens Communications Company ("Buyer") (the "Agreement") shall govern this Service Schedule, which further defines the specific terms and conditions as to the sales and purchase of the Energy Products as expressly detailed below:

1. This Agreement will be for the sale and purchase of Buyer's Full Load Requirements (as defined in Exhibit A to this Agreement), beginning 12:01 am on June 1, 2001 and continuing through midnight on May 31, 2008; provided, however, in the event the Effective Date (as specified in Article 9 of this Agreement) occurs following midnight on June 1, 2001, the sale of Buyer's Full Load Requirements will commence upon the Effective Date of this Agreement.

2. Rates: The following rates and charges shall be applicable to Buyer for the Energy Product provided Buyer under this Agreement. Such rates and charges shall be fixed for the period 12:01 A.M. on June 1, 2001 through 12:00 midnight on May 31, 2008. Notwithstanding anything expressed or implied to the contrary in the Tariff, Buyer and Seller each agrees not to seek under the terms of the Federal Power Act or successor authority or to support any unilateral changes or additions to the rates and charges hereunder for the term of this Agreement.

2.1 Base Monthly Rate:

2.1.1 Energy Charge: \$58.79 per MWh of Wholesale Billing Energy

3. Wholesale Billing Energy: Monthly Wholesale Billing Energy (WBE) will be determined as follows:

3.1 $WBE = \Sigma AE$ for all hours.

Where: Σ = The aggregate of the items specified after this sign. In this case, it sums HWBE for all hours at all Metering Points during the billing month.

AE = The Seller supplied energy under this Agreement for each hour which is the sum of the Planet Tap Metering Point's PTHWBE plus HWBE for all other Metering Points including Transmission Losses.

3.2 Where for each Metering Point, except Planet Tap Metering Point (see Section 3.3

for Planet Tap in this Service Schedule):

$$\text{HWBE} = (\text{IDE} - \text{ECOR} - \text{CSCE}) + \text{TL}$$

Where: HWBE = Wholesale billing energy (kWh) supplied by Seller under this Agreement for each hour during the billing month, plus applicable Transmission Losses, provided however, that HWBE for any Metering Point for any hour shall not be less than zero.

IDE = The energy (kWh) metered each hour during the current billing month as determined from hourly interval data.

ECOR = The energy (kWh) scheduled for each corresponding hour during the billing month from Citizens' other resources, as set forth in Article 1.8, less the applicable transmission losses to the Metering Point.

CSCE = The energy (kWh) aggregated by all SCs for CESP's scheduled for each corresponding hour during the billing month less the applicable transmission losses to the Metering Point.

TL = Transmission Losses.

3.3 Where for the Planet Tap Metering Point (including Points of Attachment No. 1 and 2):

The quantity of energy supplied by Seller to Buyer shall be determined from the formula below, provided, (a) the SC(s) has contracted under APS' Open Access Transmission Tariff, or successor Open Access Transmission Tariff, for the delivery of Power over APS' system, and (b) that Transmission Losses shall be added as appropriate and in no event shall the Seller supplied energy be less than zero at a Point of Attachment for any hour in the billing month:

3.3.1
$$\text{PTHWBE} = [(\text{IDE} - \text{ECOR} - \text{CSCE}) \div (1 - \text{DL})] + \text{TL}$$

Where for this Metering Point,

PTHWBE = Hourly wholesale billing energy (kWh) for the Planet Tap Metering Point (Points of Attachment No. 1 and 2 as shown on Exhibit D to this Agreement) supplied by Seller under this Agreement for each hour during the billing month, plus applicable APS distribution losses and Transmission Losses, provided however, that neither Point of Attachment No. 1 nor Point of Attachment No. 2 for any hour shall be less than zero.

IDE = The energy (kWh) metered at the Planet Tap Metering for Points of Attachment No. 1 and 2 for each hour during the current billing month as

determined from hourly interval data.

- ECOR = The energy (kWh) scheduled at the Planet Tap Metering Point for Points of Attachment No. 1 and 2 for each corresponding hour during the billing month from Citizens' other resources, as set forth in Article 1.8, less the applicable transmission losses.
- CSCE = The energy (kWh) aggregated for all SCs for CESP's scheduled at the Planet Tap Metering Point for Points of Attachment No. 1 and 2 for each corresponding hour during the billing month.
- TL = Transmission Losses.
- DL = The applicable APS distribution loss factors for Point of Attachment No. 1 and Point of Attachment No. 2 that are currently in effect at the time of the monthly billing. The loss factors are currently 2% at Point of Attachment No. 1 and 4% at Point of Attachment No. 2.

POWER SALE AGREEMENT
BETWEEN
PINNACLE WEST CAPITAL CORPORATION
AND
CITIZENS COMMUNICATIONS COMPANY

EXHIBIT B

METERING POINTS

“Metering Points” mean:

1. The 230 kV bus at Citizens' Hilltop Substation located near Kingman, Arizona; identified as Hilltop 230 kV Tap of U.S. in Buyer's Transmission Agreement;
2. C.U. Tap (Kingman) on the DOE's 69 kV line from Davis Dam to Kingman; identified as Duval-Warm Springs 69 kV Tap of U. S. in Buyer's Transmission Agreement;
3. The Katherine Wash Tap on the 4 kV line off the DOE's 69 kV bus at Davis Dam; identified as Davis 4.16 kV Tap Katherine Wash on U.S. Davis Dam in Buyer's Transmission Agreement;
4. The 115 kV Bus at the DOE's Nogales Tap Substation located approximately one mile east of the border of the San Xavier Indian Reservation; identified as Nogales 115 kV Tap of U.S. in Buyer's Transmission Agreement;
5. The Planet Tap on the DOE's 69 kV line from Parker Dam to Bagdad; identified as Planet Tap at the point where APS' facilities interconnect with DOE's 69 kV facilities in Buyer's Transmission Agreement;
6. The 230 kV Bus at Citizens' Black Mesa Substation Tap on the DOE's No. 2 230 kV line from Davis Dam to Parker Dam; identified as Black Mesa Substation of CUC 230 kV Tap on Davis Parker Line No. 2 of U.S. in Buyer's Transmission Agreement.
7. The 230 kV bus at Citizens' Griffith Substation located immediately adjacent to the Western Area Power Administration's Griffith 230 kV Switch Yard and the Griffith Energy Project Power Plant near the Griffith Interchange on Interstate Highway 40 in Mohave County AZ.

POWER SALE AGREEMENT
BETWEEN
PINNACLE WEST CAPITAL CORPORATION
AND
CITIZENS COMMUNICATIONS COMPANY

EXHIBIT C

ESTIMATED METERING POINT DEMANDS BY MONTH - MW

Prior to June 1 of each Operating Year, beginning with the 2002 Operating Year, Buyer will give Seller notice in writing of the Estimated Metering Point Demands by month desired by Buyer. Seller will supply or make power available, pursuant to this Agreement, to Buyer at the Metering Points specified herein.

Operating Month	Hilltop Tap	CU Tap (Kingman)	Black Mesa Tap	Griffith Sub.	Planet Tap	Nogales Tap
Jun 2001	53.956	3.890	129.339	39.036	0.024	50.399
Jul 2001	59.249	3.814	135.801	40.000	0.037	48.497
Aug 2001	62.788	4.000	141.933	39.349	0.036	50.234
Sep 2001	56.234	3.164	120.920	36.508	0.030	41.108
Oct 2001	43.010	2.407	93.374	31.417	0.026	39.484
Nov 2001	41.941	2.083	65.952	25.843	0.010	38.001
Dec 2001	44.615	2.583	88.122	28.828	0.015	42.510
Jan 2002	48.389	2.447	95.283	25.790	0.032	45.108
Feb 2002	45.483	2.386	88.032	24.913	0.031	42.370
Mar 2002	42.435	1.969	73.705	21.921	0.028	40.388
Apr 2002	42.594	2.149	89.461	20.900	0.020	38.154
May 2002	50.661	3.367	86.088	21.984	0.030	46.506

CITIZENS COMMUNICATIONS COMPANY

Date: _____ Signature: _____
Title: _____

PINNACLEWEST CAPITAL CORPORATION

Date: _____ Signature: _____
Title: _____

CITIZENS UTILITIES COMPANY
ARIZONA ELECTRIC DIVISION
Fuel Adjustment Long-Term Forecast

Description	Units	July 2001	August 2001	September 2001	October 2001	November 2001	December 2001	January 2002	February 2002	March 2002	April 2002	May 2002	June 2002	July 2002
Beginning Balance	\$	\$87,719,006	\$90,075,833	\$91,915,818	\$93,079,166	\$94,234,388	\$95,892,794	\$97,752,268	\$96,615,070	\$95,554,825	\$94,718,517	\$93,938,528	\$93,533,431	\$93,610,184
1 Generated and Purchased Power	kWh	137,894,893	139,477,910	120,215,667	99,333,682	97,457,546	108,205,879	111,508,618	105,300,740	101,162,709	99,777,761	105,086,200	124,271,041	144,224,175
2 Sales	kWh	123,364,810	135,107,342	126,332,039	99,001,920	87,190,549	95,485,264	107,337,378	101,675,964	95,701,242	93,919,580	93,105,276	103,868,794	129,065,616
Power Supply Costs	\$	200,000	200,000	200,000	457,555	457,555	457,555	457,555	457,555	457,555	457,555	457,555	457,555	200,000
3 Valencia	\$	457,555	457,555	457,555	457,555	457,555	457,555	457,555	457,555	457,555	457,555	457,555	457,555	457,555
4 WAPA charges	\$	8,106,841	8,199,906	7,087,479	5,839,827	5,729,529	6,361,424	6,555,592	6,190,630	5,947,356	5,885,935	6,178,018	7,305,895	8,478,939
5 Energy Charge	\$	8,764,335	8,857,461	7,725,034	6,297,382	6,187,084	6,818,978	7,013,146	6,648,185	6,404,910	6,323,489	6,635,572	7,963,449	9,136,494
Total	\$	0,071,045	0,065,559	0,061,149	0,063,809	0,070,960	0,071,414	0,065,337	0,065,386	0,066,826	0,067,329	0,071,270	0,076,668	0,070,790
Net Unit Cost	\$ / kWh	0.051940	0.051940	0.051940	0.051940	0.051940	0.051940	0.051940	0.051940	0.051940	0.051940	0.051940	0.051940	0.051940
Recoveries:														
6 Power Cost in Base Rates	\$/kWh	0.051940	0.051940	0.051940	0.051940	0.051940	0.051940	0.051940	0.051940	0.051940	0.051940	0.051940	0.051940	0.051940
7 PPFAC Adjustment for New APS Contract	\$/kWh	0.000000	0.000000	0.000000	0.000000	0.000000	0.000000	0.015173	0.015173	0.015173	0.015173	0.015173	0.015173	0.015173
8 PPFAC adjustment for WAPA Recovery	\$/kWh	0.000000	0.000000	0.000000	0.000000	0.000000	0.000000	0.000437	0.000437	0.000437	0.000437	0.000437	0.000437	0.000437
9 PPFAC Adjustment for Recovery of Balance	\$/kWh	0.051940	0.051940	0.051940	0.051940	0.051940	0.051940	0.011065	0.011065	0.011065	0.011065	0.011065	0.011065	0.011065
Total		0.051940	0.051940	0.051940	0.051940	0.051940	0.051940	0.078615	0.078615	0.078615	0.078615	0.078615	0.078615	0.078615
Total Adjustor Needed								0.026675	0.026675	0.026675	0.026675	0.026675	0.026675	0.026675
11 Costs - Recoveries	\$/kWh	0.019105	0.013619	0.009209	0.011669	0.019020	0.019474	-0.019278	-0.013229	-0.011689	-0.011287	-0.007346	-0.001948	-0.007826
12 Net (Over)/Under Power Supply Cost Recovery	\$	\$2,356,827	\$1,839,985	\$1,163,347	\$1,155,222	\$1,658,407	\$1,859,474	(\$1,425,215)	(\$1,345,102)	(\$1,118,673)	(\$1,060,028)	(\$683,928)	(\$202,307)	(\$1,010,040)
13 Balance (subtotal)	\$	\$90,075,833	\$91,915,818	\$93,079,166	\$94,234,388	\$95,892,794	\$97,752,268	\$96,327,053	\$95,269,968	\$94,436,153	\$93,658,489	\$93,254,600	\$93,331,124	\$92,600,144
14 A.D.I.T. @ 40.2%	\$							-38,723,475	-38,298,527	-37,963,333	-37,650,713	-37,488,349	-37,519,112	-37,225,258
15 Balance for interest	\$							\$57,603,577	\$56,971,441	\$56,472,819	\$56,007,776	\$55,766,251	\$55,812,012	\$55,374,886
16 Interest @ 6%	\$							\$288,018	\$284,857	\$282,364	\$280,039	\$278,831	\$279,060	\$276,874
17 Ending Balance	\$							\$96,615,070	\$95,554,825	\$94,718,517	\$93,938,528	\$93,533,431	\$93,610,184	\$92,877,019

Description	August 2002	September 2002	October 2002	November 2002	December 2002	January 2003	February 2003	March 2003	April 2003	May 2003	June 2003	July 2003
Beginning Balance												
1 Generated and Purchased Power	\$92,877,019	\$91,276,329	\$89,360,172	\$87,834,739	\$87,381,275	\$86,903,194	\$85,657,896	\$84,492,130	\$83,558,005	\$82,662,257	\$82,228,978	\$82,181,452
2 Sales	145,869,292	128,403,678	106,741,261	102,282,016	113,426,495	116,930,888	110,387,986	106,084,512	104,622,795	110,667,142	130,484,258	150,557,053
	141,270,232	132,149,248	108,532,435	91,544,908	100,173,963	112,434,275	106,555,206	100,357,608	98,488,713	97,617,745	109,818,323	134,763,228
Power Supply Costs												
3 Valencia	200,000	200,000									200,000	200,000
4 WAPA charges	457,555	457,555	469,717	469,717	469,717	469,717	469,717	469,717	469,717	469,717	469,717	469,717
5 Energy Charge	8,575,656	7,548,852	6,275,319	6,013,160	6,668,344	6,968,488	6,489,710	6,236,708	6,150,774	6,506,121	7,671,170	8,851,249
Total	9,233,210	8,206,407	6,745,035	6,482,876	7,138,060	7,336,204	6,959,426	6,706,425	6,620,491	6,975,838	8,340,886	9,520,966
Net Unit Cost	0.065358	0.062100	0.062148	0.070816	0.071257	0.065267	0.065313	0.066825	0.067221	0.071461	0.075952	0.070650
Recoveries:												
6 Power Cost in Base Rates	0.051940	0.051940	0.051940	0.051940	0.051940	0.051940	0.051940	0.051940	0.051940	0.051940	0.051940	0.051940
7 PPFAC Adjustment for New APS Contract	0.015173	0.015173	0.015173	0.015173	0.015173	0.015173	0.015173	0.015173	0.015173	0.015173	0.015173	0.015173
8 PPFAC adjustment for WAPA Recovery	0.000437	0.000437	0.000437	0.000437	0.000437	0.000437	0.000437	0.000437	0.000437	0.000437	0.000437	0.000437
9 PPFAC Adjustment for Recovery of Balance	0.011065	0.011065	0.011065	0.011065	0.011065	0.011065	0.011065	0.011065	0.011065	0.011065	0.011065	0.011065
Total	0.078615	0.078615	0.078615	0.078615	0.078615	0.078615	0.078615	0.078615	0.078615	0.078615	0.078615	0.078615
10 Total Adjustor Needed	0.026675	0.026675	0.026675	0.026675	0.026675	0.026675	0.026675	0.026675	0.026675	0.026675	0.026675	0.026675
11 Costs - Recoveries	-0.013257	-0.016516	-0.016468	-0.007799	-0.007359	-0.013349	-0.013302	-0.011790	-0.011395	-0.007155	-0.002664	-0.007966
12 Net (Over)/Under Power Supply Cost Recovery	(\$1,872,793)	(\$2,182,547)	(\$1,787,276)	(\$713,955)	(\$737,147)	(\$1,500,851)	(\$1,417,444)	(\$1,183,219)	(\$1,122,230)	(\$698,411)	(\$292,515)	(\$1,073,487)
13 Balance (subtotal)	\$91,004,226	\$89,093,761	\$87,572,896	\$87,120,784	\$86,644,128	\$85,402,343	\$84,240,252	\$83,308,911	\$82,435,775	\$81,983,846	\$81,936,462	\$81,107,965
14 A.D.I.T. @ 40.2%	-36,583,699	-35,815,700	-35,204,304	-35,022,555	-34,830,940	-34,331,742	-33,864,581	-33,490,182	-33,139,181	-32,957,506	-32,938,458	-32,605,402
15 Balance for interest	\$54,420,527	\$53,278,061	\$52,368,592	\$52,098,229	\$51,813,189	\$51,070,601	\$50,375,671	\$49,818,729	\$49,296,593	\$49,026,340	\$48,998,004	\$48,502,563
16 Interest @ 6%	\$272,103	\$266,390	\$261,843	\$260,491	\$259,066	\$255,353	\$251,878	\$249,094	\$246,483	\$245,132	\$244,990	\$242,513
17 Ending Balance	\$91,276,329	\$89,360,172	\$87,834,739	\$87,381,275	\$86,903,194	\$86,557,896	\$84,492,130	\$83,558,005	\$82,662,257	\$82,228,978	\$82,181,452	\$81,350,478

Description	August 2003	September 2003	October 2003	November 2003	December 2003	January 2004	February 2004	March 2004	April 2004	May 2004	June 2004	July 2004
Beginning Balance	\$81,350,478	\$79,817,934	\$77,557,915	\$75,972,083	\$75,497,162	\$74,994,955	\$73,697,447	\$72,483,114	\$71,508,090	\$70,593,742	\$70,084,661	\$70,040,893
1 Generated and Purchased Power	152,265,237	134,125,273	111,661,062	107,068,463	118,631,342	122,150,234	115,465,819	110,992,043	109,450,715	115,126,424	135,111,316	155,950,992
2 Sales	147,443,056	137,965,074	113,441,248	95,857,837	104,832,814	117,531,464	111,428,676	105,002,100	103,042,967	102,113,012	113,681,597	139,572,977
Power Supply Costs												
3 Valencia	200,000	200,000				541,354	541,354	541,354	541,354	541,354	200,000	200,000
4 WAPA charges	469,717	469,717	541,354	541,354	541,354	7,181,212	6,786,235	6,525,222	6,434,608	6,768,282	7,943,194	541,354
5 Energy Charge	8,951,673	7,885,225	6,564,554	6,294,555	6,974,337	7,722,566	7,329,589	7,066,576	6,975,961	7,309,636	8,684,548	9,909,713
Total	9,621,390	8,554,941	7,105,908	6,835,909	7,515,690	0.065706	0.065778	0.067299	0.067700	0.071584	0.076394	0.071000
Net Unit Cost	0.065255	0.062008	0.062640	0.071313	0.071692	0.078615	0.078615	0.078615	0.078615	0.078615	0.078615	0.078615
Recoveries:												
6 Power Cost in Base Rates	0.051940	0.051940	0.051940	0.051940	0.051940	0.051940	0.051940	0.051940	0.051940	0.051940	0.051940	0.051940
7 PPFAC Adjustment for New APS Contract	0.015173	0.015173	0.015173	0.015173	0.015173	0.015173	0.015173	0.015173	0.015173	0.015173	0.015173	0.015173
8 PPFAC adjustment for WAPA Recovery	0.000437	0.000437	0.000437	0.000437	0.000437	0.000437	0.000437	0.000437	0.000437	0.000437	0.000437	0.000437
9 PPFAC Adjustment for Recovery of Balance	0.011065	0.011065	0.011065	0.011065	0.011065	0.011065	0.011065	0.011065	0.011065	0.011065	0.011065	0.011065
Total	0.078615	0.078615	0.078615	0.078615	0.078615	0.078615	0.078615	0.078615	0.078615	0.078615	0.078615	0.078615
10 Total Adjustor Needed	0.026675	0.026675	0.026675	0.026675	0.026675	0.026675	0.026675	0.026675	0.026675	0.026675	0.026675	0.026675
11 Costs - Recoveries	-0.013360	-0.016607	-0.015976	-0.007302	-0.006923	-0.012909	-0.012837	-0.011316	-0.010916	-0.007032	-0.002222	-0.007615
12 Net (Over)/Under Power Supply Cost Recovery	(\$1,969,892)	(\$2,291,226)	(\$1,812,311)	(\$699,985)	(\$725,774)	(\$1,517,206)	(\$1,430,411)	(\$1,188,197)	(\$1,124,794)	(\$718,010)	(\$252,566)	(\$1,062,860)
13 Balance (subtotal)	\$79,380,566	\$77,326,708	\$75,745,604	\$75,272,088	\$74,771,388	\$73,477,748	\$72,267,036	\$71,294,918	\$70,383,296	\$69,875,732	\$69,832,095	\$69,978,032
14 A.D.I.T. @ 40.2%	-31,910,996	-31,085,337	-30,449,733	-30,259,384	-30,058,098	-29,538,055	-29,051,348	-28,660,557	-28,294,085	-28,090,044	-28,072,502	-27,729,169
15 Balance for interest	\$47,469,590	\$46,241,372	\$45,295,871	\$45,012,715	\$44,713,290	\$43,939,693	\$43,215,688	\$42,634,361	\$42,089,211	\$41,785,688	\$41,759,593	\$41,248,863
16 Interest @ 6%	\$237,348	\$231,207	\$226,479	\$225,064	\$223,566	\$219,698	\$216,078	\$213,172	\$210,446	\$208,928	\$208,798	\$206,244
17 Ending Balance	\$79,617,934	\$77,557,915	\$75,972,083	\$75,497,162	\$74,994,955	\$73,697,447	\$72,483,114	\$71,508,090	\$70,593,742	\$70,084,661	\$70,040,893	\$69,184,277

Description	August 2004	September 2004	October 2004	November 2004	December 2004	January 2005	February 2005	March 2005	April 2005	May 2005	June 2005	July 2005
Beginning Balance	\$69,184,277	\$67,391,167	\$65,258,405	\$63,550,587	\$62,993,805	\$62,406,273	\$60,994,766	\$59,669,617	\$58,591,686	\$57,576,635	\$56,882,719	\$56,864,639
1 Generated and Purchased Power	157,724,736	138,889,111	115,598,989	110,870,963	122,865,280	126,500,978	119,566,933	114,916,598	113,291,616	119,158,122	139,887,432	161,517,164
2 Sales	152,743,783	142,897,709	117,438,019	99,242,373	108,575,740	121,724,691	115,390,544	108,727,418	106,673,891	105,681,529	117,670,153	144,536,843
Power Supply Costs												
3 Valencia	200,000	200,000									200,000	200,000
4 WAPA charges	541,354	541,354	539,095	539,095	539,095	539,095	539,095	539,095	539,095	539,095	539,095	539,095
5 Energy Charge	9,272,637	8,165,291	6,796,065	6,518,104	7,223,250	7,436,992	7,029,340	6,755,947	6,660,414	7,005,306	8,223,982	9,495,594
Total	10,013,991	8,906,645	7,335,159	7,057,198	7,762,344	7,976,087	7,568,435	7,295,041	7,544,401	7,544,401	8,963,077	10,234,689
Net Unit Cost	0.065561	0.062329	0.062460	0.071111	0.071492	0.065526	0.065590	0.067095	0.067491	0.071388	0.076171	0.070810
Recoveries:												
6 Power Cost in Base Rates	0.051940	0.051940	0.051940	0.051940	0.051940	0.051940	0.051940	0.051940	0.051940	0.051940	0.051940	0.051940
7 PPFAC Adjustment for New APS Contract	0.015173	0.015173	0.015173	0.015173	0.015173	0.015173	0.015173	0.015173	0.015173	0.015173	0.015173	0.015173
8 PPFAC adjustment for WAPA Recovery	0.000437	0.000437	0.000437	0.000437	0.000437	0.000437	0.000437	0.000437	0.000437	0.000437	0.000437	0.000437
9 PPFAC Adjustment for Recovery of Balance	0.011065	0.011065	0.011065	0.011065	0.011065	0.011065	0.011065	0.011065	0.011065	0.011065	0.011065	0.011065
Total	0.078615	0.078615	0.078615	0.078615	0.078615	0.078615	0.078615	0.078615	0.078615	0.078615	0.078615	0.078615
10 Total Adjustor Needed	0.026675	0.026675	0.026675	0.026675	0.026675	0.026675	0.026675	0.026675	0.026675	0.026675	0.026675	0.026675
11 Costs - Recoveries	-0.013055	-0.016286	-0.016155	-0.007505	-0.007123	-0.013090	-0.013026	-0.011521	-0.011124	-0.007227	-0.002444	-0.007805
12 Net (Over)/Under Power Supply Cost Recovery	(\$1,994,009)	(\$2,327,303)	(\$1,897,267)	(\$744,771)	(\$773,371)	(\$1,593,337)	(\$1,503,029)	(\$1,252,598)	(\$1,186,692)	(\$763,786)	(\$287,599)	(\$1,128,120)
13 Balance (subtotal)	\$67,190,268	\$65,063,864	\$63,361,137	\$62,805,816	\$62,220,234	\$60,812,935	\$59,491,737	\$58,417,019	\$57,404,994	\$56,812,649	\$56,695,121	\$55,736,519
14 A.D.I.T. @ 40.2%	-27,010,488	-26,155,673	-25,471,177	-25,247,938	-25,012,534	-24,446,800	-23,915,678	-23,483,642	-23,076,607	-22,838,765	-22,791,438	-22,406,091
15 Balance for interest	\$40,179,780	\$38,908,190	\$37,889,960	\$37,557,878	\$37,207,700	\$36,366,135	\$35,576,059	\$34,933,377	\$34,328,186	\$33,974,084	\$33,903,682	\$33,330,438
16 Interest @ 6%	\$200,899	\$194,541	\$189,450	\$187,789	\$186,038	\$181,831	\$177,880	\$174,667	\$171,641	\$169,870	\$169,518	\$166,652
17 Ending Balance	\$67,391,167	\$65,258,405	\$63,550,587	\$62,993,805	\$62,406,273	\$60,994,766	\$59,669,617	\$58,591,686	\$57,576,635	\$56,882,719	\$56,864,639	\$55,903,171

Description	August 2005	September 2005	October 2005	November 2005	December 2005	January 2006	February 2006	March 2006	April 2006	May 2006	June 2006	July 2006
Beginning Balance												
1 Generated and Purchased Power	\$55,903,171	\$53,968,964	\$51,682,341	\$49,861,359	\$49,232,305	\$48,569,866	\$47,053,403	\$45,626,618	\$44,455,186	\$43,348,940	\$42,680,254	\$42,553,413
2 Sales	163,357,624	143,803,835	119,663,054	114,796,682	127,237,430	130,995,452	123,804,895	118,972,882	117,261,159	123,324,002	145,755,514	169,134,728
	158,213,231	147,986,627	121,561,330	102,736,803	112,439,752	126,055,899	119,483,842	112,577,818	110,426,646	109,369,341	121,790,925	151,415,288
Power Supply Costs												
3 Valencia	200,000	200,000									200,000	200,000
4 WAPA charges	539,095	539,095	551,968	551,968	551,968	551,968	551,968	551,968	551,968	551,968	551,968	551,968
5 Energy Charge	9,603,795	8,454,227	7,034,991	6,748,898	7,480,288	7,701,223	7,278,490	6,994,416	6,893,784	7,250,218	8,568,967	9,943,431
	10,342,889	9,193,322	7,586,959	7,300,865	8,032,256	8,253,190	7,830,458	7,546,383	7,445,751	7,802,186	9,320,934	10,695,398
Total	0.065373	0.062123	0.062413	0.071064	0.071436	0.065472	0.065536	0.067033	0.067427	0.071338	0.076532	0.070636
Net Unit Cost												
6 Power Cost in Base Rates	0.051940	0.051940	0.051940	0.051940	0.051940	0.051940	0.051940	0.051940	0.051940	0.051940	0.051940	0.051940
7 PPFAC Adjustment for New AFS Contract	0.015173	0.015173	0.015173	0.015173	0.015173	0.015173	0.015173	0.015173	0.015173	0.015173	0.015173	0.015173
8 PPFAC adjustment for WAPA Recovery	0.000437	0.000437	0.000437	0.000437	0.000437	0.000437	0.000437	0.000437	0.000437	0.000437	0.000437	0.000437
9 PPFAC Adjustment for Recovery of Balance	0.011065	0.011065	0.011065	0.011065	0.011065	0.011065	0.011065	0.011065	0.011065	0.011065	0.011065	0.011065
Total	0.078615	0.078615	0.078615	0.078615	0.078615	0.078615	0.078615	0.078615	0.078615	0.078615	0.078615	0.078615
10 Total Adjustor Needed	0.026675	0.026675	0.026675	0.026675	0.026675	0.026675	0.026675	0.026675	0.026675	0.026675	0.026675	0.026675
11 Costs - Recoveries	-0.013242	-0.016493	-0.016203	-0.007552	-0.007179	-0.013143	-0.013080	-0.011583	-0.011188	-0.007277	-0.002083	-0.007979
12 Net (Over)/Under Power Supply Cost Recovery	(\$2,095,093)	(\$2,440,693)	(\$1,969,623)	(\$775,820)	(\$807,230)	(\$1,656,733)	(\$1,562,802)	(\$1,303,957)	(\$1,235,474)	(\$795,919)	(\$253,697)	(\$1,208,161)
13 Balance (subtotal)	\$53,808,078	\$51,528,272	\$49,712,718	\$49,085,539	\$48,425,075	\$46,913,133	\$45,490,601	\$44,322,662	\$43,219,713	\$42,553,021	\$42,426,556	\$41,345,252
14 A.D.I.T. @ 40.2%	-21,630,847	-20,714,365	-19,984,513	-19,732,387	-19,466,880	-18,859,079	-18,287,222	-17,817,710	-17,374,325	-17,106,314	-17,055,476	-16,820,291
15 Balance for interest	\$32,177,231	\$30,813,907	\$29,728,206	\$29,353,152	\$28,958,195	\$28,054,053	\$27,203,380	\$26,504,952	\$25,845,388	\$25,446,706	\$25,371,081	\$24,724,460
16 Interest @ 6%	\$160,886	\$154,070	\$148,641	\$146,768	\$144,791	\$140,270	\$136,017	\$132,525	\$129,227	\$127,234	\$126,855	\$123,622
17 Ending Balance	\$53,968,964	\$51,682,341	\$49,861,359	\$49,232,305	\$48,569,866	\$47,053,403	\$45,626,618	\$44,455,186	\$43,348,940	\$42,680,254	\$42,553,413	\$41,468,874

Description	August 2006	September 2006	October 2006	November 2006	December 2006	January 2007	February 2007	March 2007	April 2007	May 2007	June 2007	July 2007
Beginning Balance					\$34,212,040	\$33,441,438	\$31,786,122	\$30,223,823	\$28,925,128	\$27,693,904	\$26,917,119	\$26,638,221
1 Generated and Purchased Power	\$41,468,874	\$39,374,168	\$36,913,832	\$34,945,886	\$33,625,655	137,507,930	130,053,222	125,033,719	123,231,577	129,495,992	151,783,748	175,068,260
2 Sales	171,044,151	150,749,810	125,733,305	120,726,176	118,187,820	132,282,011	125,464,811	118,308,802	116,056,183	114,930,841	127,798,292	156,707,327
	165,613,256	154,894,337	127,573,254	108,103,045								
Power Supply Costs												
3 Valencia	200,000	200,000			565,227	565,227	565,227	565,227	565,227	565,227	565,227	200,000
4 WAPA charges	551,968	551,968			7,855,852	8,084,091	7,645,829	7,350,732	7,244,784	7,613,069	8,923,367	565,227
5 Energy Charge	10,055,686	8,862,581	7,391,861	7,097,492	6,421,079	8,649,318	8,211,056	7,915,959	7,810,011	8,178,296	9,688,593	10,292,263
	10,807,653	9,614,549	7,957,088	7,662,719	0,071,252	0,065,585	0,065,445	0,066,809	0,067,295	0,071,158	0,075,812	0,070,561
Total												
Net Unit Cost	0.065258	0.062032	0.062373	0.070883	0.071252	0.078615	0.078615	0.078615	0.078615	0.078615	0.078615	0.078615
Recoveries:												
6 Power Cost in Base Rates	0.051940	0.051940	0.051940	0.051940	0.051940	0.051940	0.051940	0.051940	0.051940	0.051940	0.051940	0.051940
7 PPFAC Adjustment for New AFS Contract	0.015173	0.015173	0.015173	0.015173	0.015173	0.015173	0.015173	0.015173	0.015173	0.015173	0.015173	0.015173
8 PPFAC adjustment for WAPA Recovery	0.000437	0.000437	0.000437	0.000437	0.000437	0.000437	0.000437	0.000437	0.000437	0.000437	0.000437	0.000437
9 PPFAC Adjustment for Recovery of Balance	0.011065	0.011065	0.011065	0.011065	0.011065	0.011065	0.011065	0.011065	0.011065	0.011065	0.011065	0.011065
	0.078615	0.078615	0.078615	0.078615	0.078615	0.078615	0.078615	0.078615	0.078615	0.078615	0.078615	0.078615
Total												
10 Total Adjustor Needed	0.026675	0.026675	0.026675	0.026675	0.026675	0.026675	0.026675	0.026675	0.026675	0.026675	0.026675	0.026675
11 Costs - Recoveries	-0.013357	-0.016584	-0.016243	-0.007732	-0.007364	-0.013230	-0.013170	-0.011706	-0.011320	-0.007457	-0.002804	-0.008054
12 Net (Over)/Under Power Supply Cost Recovery	(\$2,212,084)	(\$2,570,379)	(\$2,072,123)	(\$835,835)	(\$870,293)	(\$1,750,073)	(\$1,652,399)	(\$1,384,924)	(\$1,313,781)	(\$857,027)	(\$358,309)	(\$1,262,105)
13 Balance (subtotal)	\$39,256,790	\$36,803,789	\$34,841,709	\$34,110,050	\$33,341,747	\$31,691,365	\$30,133,723	\$28,838,899	\$27,611,346	\$26,836,877	\$26,558,810	\$25,376,116
14 A.D.I.T. @ 40.2%	-15,781,230	-14,795,123	-14,006,367	-13,712,240	-13,403,382	-12,739,929	-12,113,757	-11,593,238	-11,099,761	-10,788,425	-10,676,642	-10,201,199
15 Balance for interest	\$23,475,560	\$22,008,666	\$20,835,342	\$20,397,810	\$19,938,365	\$18,951,436	\$18,019,967	\$17,245,662	\$16,511,585	\$16,048,452	\$15,882,169	\$15,174,917
16 Interest @ 6%	\$117,378	\$110,043	\$104,177	\$101,989	\$99,692	\$94,757	\$90,100	\$86,228	\$82,558	\$80,242	\$79,411	\$75,875
17 Ending Balance	\$39,374,168	\$36,913,832	\$34,945,886	\$34,212,040	\$33,441,438	\$31,786,122	\$30,223,823	\$28,925,128	\$27,693,904	\$26,917,119	\$26,638,221	\$25,451,991

Description	August 2007	September 2007	October 2007	November 2007	December 2007	January 2008	February 2008	March 2008	April 2008	May 2008	June 2008	July 2008
Beginning Balance	\$25,451,991	\$23,217,069	\$20,602,969	\$18,509,011	\$17,692,603	\$16,836,099	\$15,063,193	\$13,386,841	\$11,982,627	\$10,648,319	\$9,785,958	\$8,594,297
1 Generated and Purchased Power	177,048,698	155,990,498	130,072,252	124,921,608	138,295,672	142,307,402	134,580,654	129,367,776	127,471,461	133,942,798	142,820,497	178,162,853
2 Sales	171,443,113	160,419,489	131,971,323	111,837,959	122,316,883	136,906,495	129,836,528	122,423,368	120,065,435	118,868,888	132,195,402	162,172,607
Power Supply Costs	200,000	200,000				578,883	578,883	578,883	578,883	578,883	578,883	200,000
3 Valencia	565,227	565,227	578,883	578,883	578,883	578,883	7,911,997	7,605,532	7,494,047	7,874,497	8,396,417	578,883
4 WAPA charges	10,408,693	9,170,681	7,646,948	7,344,141	8,130,403	8,366,252	8,490,880	8,164,415	8,072,931	8,453,381	9,175,300	10,474,194
5 Energy Charge	11,173,920	9,835,908	8,225,831	7,923,025	8,709,286	8,945,136	8,490,880	8,164,415	8,072,931	8,453,381	9,175,300	11,253,078
Total	0.065176	0.061937	0.062330	0.070844	0.071203	0.065338	0.065397	0.066853	0.067238	0.071115	0.069407	0.069390
Net Unit Cost												
Recoveries:												
6 Power Cost in Base Rates	0.051940	0.051940	0.051940	0.051940	0.051940	0.051940	0.051940	0.051940	0.051940	0.051940	0.051940	0.051940
7 PPFAC Adjustment for New APS Contract	0.015173	0.015173	0.015173	0.015173	0.015173	0.015173	0.015173	0.015173	0.015173	0.015173	0.015173	0.015173
8 PPFAC adjustment for WAPA Recovery	0.000437	0.000437	0.000437	0.000437	0.000437	0.000437	0.000437	0.000437	0.000437	0.000437	0.000437	0.000437
9 PPFAC Adjustment for Recovery of Balance	0.011065	0.011065	0.011065	0.011065	0.011065	0.011065	0.011065	0.011065	0.011065	0.011065	0.011065	0.011065
Total	0.078615	0.078615	0.078615	0.078615	0.078615	0.078615	0.078615	0.078615	0.078615	0.078615	0.078615	0.078615
10 Total Adjustor Needed	0.026675	0.026675	0.026675	0.026675	0.026675	0.026675	0.026675	0.026675	0.026675	0.026675	0.026675	0.026675
11 Costs - Recoveries	-0.013440	-0.016678	-0.016285	-0.007772	-0.007413	-0.013278	-0.013219	-0.011762	-0.011378	-0.007500	-0.009208	-0.009226
12 Net (Over)/Under Power Supply Cost Recovery	(\$2,304,134)	(\$2,675,519)	(\$2,148,135)	(\$869,151)	(\$906,694)	(\$1,817,811)	(\$1,716,259)	(\$1,439,936)	(\$1,366,051)	(\$891,534)	(\$1,217,282)	(\$1,496,172)
13 Balance (subtotal)	\$23,147,857	\$20,541,550	\$18,453,834	\$17,639,860	\$16,785,909	\$15,018,288	\$13,346,934	\$11,946,905	\$10,616,576	\$9,756,785	\$8,568,676	\$7,098,124
14 A.D.I.T. @ 40.2%	-9,305,439	-8,257,703	-7,418,441	-7,091,224	-6,747,935	-6,037,352	-5,365,467	-4,802,656	-4,267,863	-3,922,228	-3,444,446	-2,853,446
15 Balance for interest	\$13,842,419	\$12,283,847	\$11,035,393	\$10,548,636	\$10,037,974	\$8,980,936	\$7,981,467	\$7,144,249	\$6,348,712	\$5,834,558	\$5,124,068	\$4,244,678
16 Interest @ 6%	\$69,212	\$61,419	\$55,177	\$52,743	\$50,190	\$44,905	\$39,907	\$35,721	\$31,744	\$29,173	\$25,620	\$21,223
17 Ending Balance	\$23,217,069	\$20,602,969	\$18,509,011	\$17,692,603	\$16,836,099	\$15,063,193	\$13,386,841	\$11,982,627	\$10,648,319	\$9,785,958	\$8,594,297	\$7,119,348

Description	August 2008	September 2008	October 2008	November 2008	December 2008
Beginning Balance					\$1,348,725
1 Generated and Purchased Power	\$7,119,348	\$5,522,130	\$4,006,750	\$2,567,050	\$2,567,050
2 Sales	196,609,921	182,779,371	147,844,432	123,836,326	136,326,489
	177,462,389	166,021,180	136,513,820	115,699,478	126,584,236
Power Supply Costs					
3 Valencia	200,000	200,000		592,949	592,949
4 WAPA charges	578,883	578,883	592,949	7,280,455	8,014,634
5 Energy Charge	11,558,697	10,745,599	8,691,774	7,873,405	8,607,584
Total	12,337,581	11,524,483	9,284,724	7,873,405	8,607,584
Net Unit Cost	0.069522	0.069416	0.068013	0.068050	0.067999
Recoveries:					
6 Power Cost in Base Rates	0.051940	0.051940	0.051940	0.051940	0.051940
7 PPFAC Adjustment for New AFS Contract	0.015173	0.015173	0.015173	0.015173	0.015173
8 PPFAC adjustment for WAPA Recovery	0.000437	0.000437	0.000437	0.000437	0.000437
9 PPFAC Adjustment for Recovery of Balance	0.011065	0.011065	0.011065	0.011065	0.011065
Total	0.078615	0.078615	0.078615	0.078615	0.078615
10 Total Adjustor Needed	0.026675	0.026675	0.026675	0.026675	0.026675
11 Costs - Recoveries	-0.008093	-0.008200	-0.010602	-0.010565	-0.010616
12 Net (Over)/Under Power Supply Cost Recovery	(\$1,613,680)	(\$1,527,324)	(\$1,447,353)	(\$1,222,346)	(\$1,343,875)
13 Balance (subtotal)	\$5,505,668	\$3,994,806	\$2,559,398	\$1,344,705	\$4,850
14 A.D.I.T. @ 40.2%	-2,213,278	-1,605,912	-1,028,878	-540,571	-1,950
15 Balance for interest	\$3,292,389	\$2,388,894	\$1,530,520	\$804,133	\$2,900
16 Interest @ 6%	\$16,462	\$11,944	\$7,653	\$4,021	\$15
17 Ending Balance	\$5,522,130	\$4,006,750	\$2,567,050	\$1,348,725	\$4,865

Adjustment for new APS rate - Line 7

0.015173

New APS
Cost of
Power

0.05879

Divided by: (

1

minus (

1.04

)

multiplied by

0.067

)

)

minus

0.04802

Generation
included in
base
PPFAC

0.04802

Adjustment for WAPA Recovery - Line 8

	January 2002	February 2002	March 2002	April 2002	May 2002	June 2002	July 2002	August 2002	September 2002	October 2002	November 2002	December 2002	January 2003
Sales	107,337,378	101,675,964	95,701,242	93,919,580	93,105,276	103,869,794	129,065,616	141,270,232	132,149,248	108,532,435	91,544,906	100,173,963	112,434,275
Demand (WAPA) Charges	457,555	457,555	457,555	457,555	457,555	457,555	457,555	457,555	457,555	469,717	469,717	469,717	469,717
WAPA Revenue (a)	467,669	443,002	416,970	409,208	405,660	452,561	562,339	615,514	575,774	472,876	398,861	436,458	489,876
Under/Over Recovery (b)	10,114	-14,552	-40,584	-48,347	-51,895	-4,994	104,784	157,960	118,220	3,159	-70,855	-33,259	20,160
WAPA Balance (c)	10,114	(4,438)	-45,022	-93,369	-145,264	-150,258	-45,473	112,487	230,706	233,866	163,010	129,752	149,911
WAPA Adj. (d)	0.000437	0.000437	0.000437	0.000437	0.000437	0.000437	0.000437	0.000437	0.000437	0.000437	0.000437	0.000437	0.000437

(a) Derived by multiplying the current WAPA recovery amount of .00392 / kWh by the sales kWh in line above.

(b) Difference - subtracting WAPA revenue from WAPA charges

(c) This line tracks the running balance of under or over recovered WAPA amounts

(d) By determining the net under/over recovery between the monthly WAPA revenues and charges, this calculation outlines the additional amount needed to mitigate the WAPA portion of the PPFAC bank.

	February 2003	March 2003	April 2003	May 2003	June 2003	July 2003	August 2003	September 2003	October 2003	November 2003	December 2003	January 2004	February 2004	March 2004	April 2004
	106,555,206	100,357,608	98,488,713	97,617,745	109,818,323	134,763,228	147,443,056	137,965,074	113,441,248	95,857,837	104,832,814	117,531,464	111,428,676	105,002,100	103,042,967
	469,717	469,717	469,717	469,717	469,717	469,717	469,717	469,717	541,354	541,354	541,354	541,354	541,354	541,354	541,354
	464,261	437,258	429,115	425,321	478,478	587,163	642,409	601,114	494,264	417,653	456,757	512,085	485,495	457,494	448,958
	-5,455	-32,458	-40,601	-44,396	8,762	117,447	172,693	131,397	-47,090	-123,701	-84,597	-29,269	-55,859	-83,860	-92,396
	144,456	111,998	71,396	27,000	35,762	153,209	325,902	457,299	410,209	286,508	201,911	172,642	116,783	32,923	-59,473
	0.000437	0.000437	0.000437	0.000437	0.000437	0.000437	0.000437	0.000437	0.000437	0.000437	0.000437	0.000437	0.000437	0.000437	0.000437

May 2004	June 2004	July 2004	August 2004	September 2004	October 2004	November 2004	December 2004	January 2005	February 2005	March 2005	April 2005	May 2005	June 2005	July 2005
102,113,012	113,681,597	139,572,977	152,743,783	142,897,709	117,438,019	99,242,373	108,575,740	121,724,691	115,390,544	108,727,418	106,673,891	105,681,529	117,670,153	144,536,843
541,354	541,354	541,354	541,354	541,354	539,095	539,095	539,095	539,095	539,095	539,095	539,095	539,095	539,095	539,095
444,906	495,311	608,119	665,505	622,605	511,677	432,399	473,064	530,354	502,757	473,725	464,778	460,454	512,689	629,747
-96,447	-46,043	66,766	124,151	81,252	-27,417	-106,696	-66,030	-8,740	-36,338	-65,369	-74,316	-78,640	-26,406	90,652
-155,920	-201,963	-135,197	-11,046	70,205	42,788	-63,907	-129,937	-138,677	-175,015	-240,385	-314,701	-393,341	-419,747	-329,094
0.000437	0.000437	0.000437	0.000437	0.000437	0.000437	0.000437	0.000437	0.000437	0.000437	0.000437	0.000437	0.000437	0.000437	0.000437

August 2005	September 2005	October 2005	November 2005	December 2005	January 2006	February 2006	March 2006	April 2006	May 2006	June 2006	July 2006	August 2006	September 2006	October 2006
158,213,231	147,986,627	121,561,330	102,736,803	112,439,752	126,055,899	119,483,842	112,577,818	110,426,646	109,369,341	121,790,925	151,415,288	165,613,256	154,994,337	127,573,254
539,095	539,095	551,968	551,968	551,968	551,968	551,968	551,968	551,968	551,968	551,968	551,968	551,968	551,968	565,227
689,335	644,778	529,643	447,624	489,900	549,226	520,591	490,502	481,129	476,522	530,643	659,716	721,577	675,310	555,837
150,241	105,683	-22,325	-104,343	-62,068	-2,742	-31,377	-81,466	-70,839	-75,446	-21,325	107,749	169,609	123,343	-9,390
-178,854	-73,170	-95,495	-199,839	-261,907	-264,649	-296,026	-357,492	-428,331	-503,776	-525,101	-417,352	-247,743	-124,400	-133,791
0.000437	0.000437	0.000437	0.000437	0.000437	0.000437	0.000437	0.000437	0.000437	0.000437	0.000437	0.000437	0.000437	0.000437	0.000437

November 2006	December 2006	January 2007	February 2007	March 2007	April 2007	May 2007	June 2007	July 2007	August 2007	September 2007	October 2007	November 2007	December 2007	January 2008
108,103,045	118,187,820	132,282,011	125,464,811	118,308,802	116,056,183	114,930,841	127,798,292	156,707,327	171,443,113	160,419,489	131,971,323	111,837,959	122,316,883	136,906,495
565,227	565,227	565,227	565,227	565,227	565,227	565,227	565,227	565,227	565,227	565,227	578,883	578,883	578,883	578,883
471,005	514,944	576,353	546,650	515,471	505,657	500,754	556,817	682,774	746,978	698,948	574,999	487,278	532,935	596,502
-94,222	-50,283	11,126	-18,577	-49,756	-59,570	-64,473	-8,410	117,547	181,751	133,721	-3,884	-91,605	-45,949	17,618
-228,013	-278,295	-267,169	-285,746	-335,502	-395,072	-459,545	-467,955	-350,408	-168,657	-34,937	-38,821	-130,426	-176,375	-158,757
0.000437	0.000437	0.000437	0.000437	0.000437	0.000437	0.000437	0.000437	0.000437	0.000437	0.000437	0.000437	0.000437	0.000437	0.000437

February 2008	March 2008	April 2008	May 2008	June 2008	July 2008	August 2008	September 2008	October 2008	November 2008	December 2008
129,836,528	122,423,368	120,065,435	118,868,888	132,195,402	162,172,607	177,462,389	166,021,180	136,513,820	115,699,478	126,584,236
578,883	578,883	578,883	578,883	578,883	578,883	578,883	578,883	592,949	592,949	592,949
565,698	533,399	523,125	517,912	575,975	706,586	773,204	723,354	594,791	504,103	551,528
-13,186	-45,485	-55,758	-60,972	-2,908	127,703	194,320	144,471	1,841	-88,847	-41,422
-171,943	-217,427	-273,186	-334,157	-337,065	-209,363	-15,043	129,428	131,270	42,423	1,001
0.000437	0.000437	0.000437	0.000437	0.000437	0.000437	0.000437	0.000437	0.000437	0.000437	0.000437

**Citizens Utilities Company
AED Proposed PPFAC Adjustor
Residential Bill Impacts
August 2001**

Mohave County

Monthly Usage (kWh)	Monthly Bill @ current Rates	Monthly Bill with Proposed Adjustor	Increase \$
250	\$25.44	\$32.11	\$6.67
500	\$44.30	\$57.64	\$13.34
750	\$63.03	\$83.03	\$20.01
1000	\$81.75	\$108.43	\$26.68

Santa Cruz County

Monthly Usage (kWh)	Monthly Bill @ current Rates	Monthly Bill with Proposed Adjustor	Increase \$
250	\$26.54	\$33.21	\$6.67
500	\$46.50	\$59.84	\$13.34
750	\$66.33	\$86.33	\$20.01
1000	\$86.15	\$112.83	\$26.68

Note: Bill amounts include the EFPS surcharge (per ACC Decision No. 63364) but do not include taxes or assessments.