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Our File Number 38655-00008

July 17, 2002

VIA HAND DELIVERY

Arizona Corporation Commission
DOCKETED

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AZ CORP COMMISSION
DOCUMENT CONTROL

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Docket Control - Utilities Division
Arizona Corporation Commission
1200 W. Washington Street
Phoenix, Arizona 85007

Re: Duke Energy Arlington Valley Facility II - ACC Decision No. 64717
Docket No. ~~L-00000P-01-0117~~

- AND -

Duke Energy Arlington Valley Facility I - ACC Decision No: 62995
Docket No: L-00000P-~~01-0098~~

99 Bh

In compliance with Condition #6 of A.C.C. Decision No: 62995 and
Condition #4 of A.C.C. Decision No: 64717, Duke Energy Arlington Valley, LLC files
a copy of its WECC Reliability Management System Agreement that was executed on
June 19, 2002.

Very truly yours,

LEWIS AND ROCA LLP

Thomas H. Campbell

THC/bjg
Enclosure

cc: Patrick Williams (w/enc.)

THIS RELIABILITY MANAGEMENT SYSTEM AGREEMENT

(the "Agreement"), is entered into this 19 day of June, 2002, by and between Salt River Project Agricultural Improvement and Power District (the "Transmission Operator") and Duke Energy Arlington Valley, LLC (the "Generator").

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

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

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

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

1. PURPOSE OF AGREEMENT

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

2. DEFINITIONS

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

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

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

Member means any party to the WECC Agreement.

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

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

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

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

WECC means the Western Electricity Coordinating Council (formerly known as the Western Systems Coordinating Council) or a successor entity.

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

WECC Reliability Criteria Agreement means the Western Systems Coordinating Council Reliability Criteria Agreement dated June 18, 1999 among the WECC and certain of its member transmission operators, as such may be amended from time to time.

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

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

3. TERM AND TERMINATION

3.1 Term.

This Agreement shall become effective on the later of:

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

3.2 Notice of Termination of WECC RMS Agreement.

The Transmission Operator shall give the Generator notice of any notice of termination of the WECC RMS Agreement by the WECC or by the Transmission Operator within

fifteen (15) days of receipt by the WECC or the Transmission Operator of such notice of termination.

3.3 Termination by the Generator.

The Generator may terminate this Agreement as follows:

- (a) following the termination of the WECC RMS Agreement for any reason by the WECC or by the Transmission Operator, provided such notice is provided within forty-five (45) days of the termination of the WECC RMS Agreement;
- (b) following the effective date of an amendment to the requirements of the WECC Reliability Criteria Agreement that adversely affects the Generator, provided notice of such termination is given within forty-five (45) days of the date of issuance of a FERC order accepting such amendment for filing, provided further that the forty-five (45) day period within which notice of termination is required may be extended by the Generator for an additional forty-five (45) days if the Generator gives written notice to the Transmission Operator of such requested extension within the initial forty-five (45) day period; or
- (c) for any reason on six (6) months written notice to the Transmission Operator and the WECC.

3.4 Termination by the Transmission Operator.

The Transmission Operator may terminate this Agreement as follows:

- (a) on thirty (30) days written notice following the termination of the WECC RMS Agreement for any reason by the WECC or by the Transmission Operator, provided such notice is provided within thirty (30) days of the termination of the WECC RMS Agreement;
- (b) following the effective date of an amendment to the requirements of the WECC Reliability Criteria Agreement that adversely affects the Transmission Operator, provided notice of such termination is given within forty-five (45) days of the date of issuance of a FERC order accepting such amendment for filing, provided further that the forty-five (45) day period within which notice of termination is required may be extended by the Transmission Operator for an additional forty-five (45) days if the Transmission Operator gives written notice to the Generator of such requested extension within the initial forty-five (45) day period; or
- (c) for any reason on six (6) months written notice to the Generator and the WECC.

3.5 Mutual Agreement.

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

4. COMPLIANCE WITH AND AMENDMENT OF WECC RELIABILITY CRITERIA

4.1 Compliance with Reliability Criteria.

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

4.2 Modifications to WECC Reliability Criteria Agreement.

The Transmission Operator shall notify the Generator within fifteen (15) days of the receipt of notice from the WECC of the initiation of any WECC process to modify the WECC Reliability Criteria Agreement. The WECC RMS Agreement specifies that such process shall comply with the procedures, rules, and regulations then applicable to the WECC for modifications to reliability criteria.

4.3 Notice of Modifications to WECC Reliability Criteria Agreement.

If, following the process specified in Section 4.2, any modification to the WECC Reliability Criteria Agreement is to take effect, the Transmission Operator shall provide notice to the Generator at least forty-five (45) days before such modification is scheduled to take effect.

4.4 Effective Date.

Any modification to the WECC Reliability Criteria Agreement shall take effect on the date specified by FERC in an order accepting such modification for filing.

4.5 Transfer of Control or Sale of Generation Facilities.

In any sale or transfer of control of any generation facilities subject to this Agreement, the Generator shall as a condition of such sale or transfer require the acquiring party or transferee with respect to the transferred facilities either to assume the obligations of the Generator with respect to this Agreement or to enter into an agreement with the Control Area Operator in substantially the form of this Agreement.

5. SANCTIONS

5.1 Payment of Monetary Sanctions.

The Generator shall be responsible for payment directly to the WECC of any monetary sanction assessed against the Generator pursuant to this Agreement and the WECC Reliability Criteria Agreement. Any such payment shall be made pursuant to the procedures specified in the WECC Reliability Criteria Agreement.

5.2 Publication.

The Generator consents to the release by the WECC of Information related to the Generator's compliance with this Agreement only in accordance with the WECC Reliability Criteria Agreement.

5.3 Reserved Rights.

Nothing in the RMS or the WECC Reliability Criteria Agreement shall affect the right of the Transmission Operator, subject to any necessary regulatory approval, to take such other measures to maintain reliability, including disconnection, which the Transmission Operator may otherwise be entitled to take.

6. THIRD PARTIES

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

7. NOTICES

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

Salt River Project Agricultural Improvement and Power District:

Attn: Secretary
P.O. Box 52025
Phoenix, AZ 85072-2025

Duke Energy Arlington Valley, LLC:

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

The designation of such person and/or address may be changed at any time by either Party upon receipt by the other of written notice. Such a notice served by mail shall be effective upon receipt. Notice transmitted by facsimile shall be effective upon receipt if received prior to 5:00 p.m. on a Working Day, and if not received prior to 5:00 p.m. on a Working Day, receipt shall be effective on the next Working Day.

8. APPLICABILITY

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

9. AMENDMENT

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

10. INTERPRETATION

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

11. PROHIBITION ON ASSIGNMENT

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

12. SEVERABILITY

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

13. COUNTERPARTS

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

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

Salt River Project Agricultural Improvement and Power District

By: *Doug W. Jumper*
Name: _____
Title: *Manager System Operations*
Date: *June 19, 2002*

Duke Energy Arlington Valley, LLC

By: *Paul X. English III*
Name: Paul X. English, III
Title: Vice President
Date: *14 JUNE 2002*

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