

ANPP HASSAYAMPA SWITCHYARD

INTERCONNECTION AGREEMENT

AMONG

ARIZONA PUBLIC SERVICE COMPANY

THE CITY OF LOS ANGELES BY AND THROUGH

THE DEPARTMENT OF WATER AND POWER

EL PASO ELECTRIC COMPANY

PUBLIC SERVICE COMPANY OF NEW MEXICO

SALT RIVER PROJECT AGRICULTURAL IMPROVEMENT AND POWER DISTRICT

SOUTHERN CALIFORNIA PUBLIC POWER AUTHORITY

SOUTHERN CALIFORNIA EDISON COMPANY

AND

MESQUITE POWER, LLC

Execution Copy



ANPP HASSAYAMPA SWITCHYARD  
INTERCONNECTION AGREEMENT

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ANPP HASSAYAMPA SWITCHYARD  
INTERCONNECTION AGREEMENT

1. PARTIES:

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

2. RECITALS:

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

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

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

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

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

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

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

22 3. AGREEMENT:

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



Parties agree as follows:

4. DEFINITIONS:

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

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

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

4.3 ANPP: The Arizona Nuclear Power Project.

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

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

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

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

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

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

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

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

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

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



thereof conducted within the Common Bus.

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

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

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

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

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

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

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

- 1        4.20    Generating Facility: The generating unit(s) described in Exhibit A, GENERATING  
2        FACILITY, attached hereto, and associated facilities.
- 3        4.21    Generating Facility Interconnection Tie Line: The portion located within the  
4        Hassayampa Switchyard of the tie line connecting the Generating Facility to the  
5        Interconnection Facilities and any other associated equipment.
- 6        4.22    Generator Initial Synchronization Date: The initial date upon which Interconnector  
7        synchronizes a generating unit at its Generating Facility with the Hassayampa  
8        Switchyard, including the completion or schedule for the completion of any applicable  
9        Mitigation, as determined by the Operator and the E&O Committee in conformance  
10       with Good Utility Practice.
- 11       4.23    Good Utility Practice: Any of the practices, methods and acts engaged in or  
12       approved by a significant portion of the electric utility industry within the operating  
13       area of the WSCC during the relevant time period, or any of the practices, methods  
14       and acts which, in the exercise of reasonable judgment in light of the facts known at  
15       the time the decision was made, could have expected to accomplish the desired  
16       result at a reasonable cost consistent with good business practices, reliability, safety,  
17       and expedition. Good Utility Practice is not intended to be limited to the optimum  
18       practice, method, or act to the exclusion of all others, but rather includes any  
19       acceptable practices, methods, or acts generally accepted in the WSCC region.
- 20       4.24    Hassayampa Cost Responsibility Ratio ("Hassayampa CRR"): The ratio of  
21       responsibility for costs allocated to the Hassayampa Switchyard as determined by the  
22       Operator from time to time pursuant to Section 8.1.4 herein, and in accordance with  
23       Exhibit E, HASSAYAMPA COST RESPONSIBILITY RATIO, attached hereto.



1       4.25   Hassavampa Interconnection Facilities: The equipment and facilities owned by the  
2       Hassayampa Interconnectors that are necessary to connect the Hassayampa  
3       Interconnectors' generating facility interconnection tie lines to the Hassayampa  
4       Switchyard, including any capital improvements made thereto.

5       4.26   Hassavampa Interconnectors: Any Person that has executed an interconnection  
6       agreement to connect its facilities to the Hassayampa Switchyard.

7       4.27   Hassavampa Switchyard: All Land, easements and other rights and improvements  
8       necessary to establish the Satellite Switchyard (as defined in the Funding  
9       Agreement) in accordance with this Agreement and the Funding Agreement,  
10      including those facilities described in Exhibit B, HASSAYAMPA SWITCHYARD,  
11      attached hereto, including any Capital Improvements made to the Hassayampa  
12      Switchyard, but excluding the Hassayampa Interconnection Facilities.

13      4.28   Interconnection Facilities: The equipment and facilities owned by the Interconnector  
14      that are necessary to connect the Generating Facility via the Generating Facility  
15      Interconnection Tie Line to the Hassayampa Switchyard, as described in Exhibit C,  
16      INTERCONNECTION FACILITIES, attached hereto, including any Capital  
17      Improvements made to the Interconnection Facilities, as may be added thereto from  
18      time to time.

19      4.29   Interconnection Facilities In-Service Date: The initial date upon which the  
20      Interconnection Facilities and any Hassayampa Switchyard facilities necessary to  
21      operate such Interconnection Facilities can reasonably be expected to operate  
22      reliably, including the completion or schedule for the completion of any applicable  
23      Mitigation, as determined by the Operator and the E&O Committee in conformance

1 with Good Utility Practice.

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

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

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

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

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

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

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

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

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

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

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

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

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



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

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

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

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

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

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

2 5. EFFECTIVE DATE AND TERMINATION:

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

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

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

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

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

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

22 5.3 Termination:

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



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

13 6. OWNERSHIP-LIKE RIGHTS GRANTED AND RESERVED:

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

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

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

1 SWITCHYARDS, attached hereto;

2 6.1.3 The nonexclusive use of and benefit from the Hassayampa Switchyard;

3 6.1.4 The nonexclusive use of the Common Bus Arrangement;

4 6.1.5 The right to transfer, assign, or otherwise dispose of its rights under this  
5 Agreement as provided in Section 20 herein;

6 6.1.6 The right to retain all proceeds derived from any use by it permitted under this  
7 Section 6.1;

8 6.1.7 Its rights and obligations with respect to taxes as provided in Section 15  
9 herein; and

10 6.1.8 A non-exclusive easement for the Interconnection Facilities and the  
11 Generating Facility Interconnection Tie Line as provided in Section 6.2 herein.

12 6.2 Easement:

13 6.2.1 SRP hereby grants to Interconnector, its successors and assigns, subject to  
14 the terms and conditions of this Agreement, including, without limitation, any  
15 provisions relating to relocation or termination, a non-exclusive easement (the  
16 "Easement") on, over, and across the Land for the purposes of locating the  
17 Generating Facility Interconnection Tie Line and the Interconnection Facilities,  
18 and installing, operating, maintaining, repairing and replacing the Generating  
19 Facility Interconnection Tie Line. SRP makes no representation, warranty or  
20 covenant of any kind regarding the title to or priority of such Easement. The  
21 Generating Facility Interconnection Tie Line shall initially be constructed by  
22 Interconnector in the location designated or approved by Operator and shall  
23 not be relocated or modified by Interconnector without the consent of



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

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

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

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

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

17 6.3 Transaction Rights:

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

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

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

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

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



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

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

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

6 7. OWNERSHIP:

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

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

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



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

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

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

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

8. OPERATION OF HASSAYAMPA SWITCHYARD:

8.1 Operator:

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

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

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

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

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

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

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

5       8.2   Common Bus Arrangement:

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

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

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

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



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

#### 13 8.4 Operating Emergencies:

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

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

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

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

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

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

9 9. OPERATION:

10 9.1 Interconnector Obligations:

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

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



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

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

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

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

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

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

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

13 9.6 System Protection:

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



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

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

16 10. SCHEDULING AND DISPATCHING:

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

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

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

18 **11. COST RESPONSIBILITY:**

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

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

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

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

10       11.2 Mitigation:

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



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

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

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

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

11 **12. BILLING AND PAYMENT:**

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

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



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

10 12.3 Invoices:

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

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

1 be addressed to the Interconnector as follows:

2 Mesquite Power, LLC  
3 c/o Sempra Energy Resources  
4 101 Ash Street  
5 San Diego, CA 92101  
6 Attention: Marty C. Swartz

7 12.3.3 In the event that the Operator determines, at any time, that any prior invoice  
8 was not accurate or complete, Operator may adjust the amount of the current  
9 or any succeeding invoice to correct such inaccuracy.

10 12.3.4 Upon request, Operator will provide to Interconnector documentation  
11 reasonably supporting any invoice rendered within the past twelve (12)  
12 calendar months.

13 12.4 Payments:

14 12.4.1 The Interconnector shall pay or cause to be paid (in funds immediately  
15 available as of the due date thereof) each invoice on or before the due date  
16 as specified in Section 12.3.2 herein.

17 12.4.2 All payments, including late payment charges paid pursuant to Section 12.10  
18 herein, received by the Operator pursuant to this Section 12 shall be placed in  
19 a demand deposit account from which the Operator shall make  
20 disbursements for expenditures and obligations incurred by it in the  
21 performance of Operating Work. Interest received, if any, shall be applied  
22 toward Operating Cost.

23 12.4.3 Payment shall be considered made on the date payment is received by the  
Operator.

1       12.5   Minimum Balance of Account: The Operator shall establish a reasonable minimum  
2           balance for the operating account from which the Operator will make disbursements  
3           for expenditures and obligations incurred by it pursuant to this Agreement. Such  
4           minimum balance shall be reasonably calculated to provide adequate liquidity for  
5           normal operations and to allow adequate time for notices and the exercise of  
6           remedies against any of the Hassayampa Interconnectors, and may be revised by  
7           the Operator from time to time to achieve such purposes. The Operator shall give  
8           Interconnector notice of the amount of such minimum balance and any change  
9           thereto. The Interconnector shall be responsible for its Pro Rata Share of such  
10          minimum balance as in effect from time to time.

11       12.6   Advancement of Funds: Nothing contained in this Agreement shall require the  
12           Operator or the ANPP Switchyard Participants to advance their own funds on behalf  
13           of the Interconnector.

14       12.7   Creditworthiness: At any time during the term of this Agreement, Operator, acting in  
15           good faith, may require the Interconnector to provide and maintain in effect a letter of  
16           credit or other form of security acceptable to the Operator to meet the  
17           Interconnector's responsibilities and obligations. In any instance where facilities to  
18           be built require the Operator to incur costs, Operator will not be obligated to incur any  
19           costs until the Interconnector has provided Operator with a letter of credit or other  
20           form of security acceptable to the Operator in the amount of such costs.

21       12.8   Cost Allocation: In cases where the allocation of a cost item is to be made between  
22           Operating Work and other work, or between Operating Costs and other costs, such  
23           allocation shall be made on a fair and equitable basis as reasonably determined by



the Operator consistent with the terms of this Agreement.

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

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

### 13. COORDINATION AND EXCHANGE OF INFORMATION:

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

13.2 E&O Committee Meetings: As a means of permitting the Interconnector to participate in the coordination and exchange of information on a prompt and orderly basis in connection with matters under this Agreement, the Interconnector shall be entitled to have one (1) non-voting representative attend any meeting of the E&O Committee, unless said E&O Committee, acting in good faith, elects to go into executive session for any reason. Operator shall provide timely notification of such

1 E&O Committee meetings to the Interconnector's Authorized Representative.

2 14. DISPOSITION OF FACILITIES:

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

1 with Section 12.7 within thirty (30) calendar days after Operator's request therefor.

2 15. TAXES:

3 15.1 Property and Other Taxes:

4 15.1.1 The Interconnector shall use reasonable efforts to have any taxing authority  
5 imposing any property taxes or other taxes (excluding any sales or use taxes)  
6 or assessments on the Interconnection Facilities, impose such taxes or  
7 assessments directly upon the Interconnector on the basis of its ownership  
8 interest in the Interconnection Facilities. In the event such tax authorities hold  
9 the ANPP Switchyard Participants liable for property taxes, voluntary  
10 payments in lieu thereof in accordance with any ANPP Switchyard  
11 Participant's normal practices ("in lieu payments"), or other taxes (excluding  
12 any sales, use, income, franchise, or gross receipts taxes), all such property  
13 taxes (or in lieu payments) or other taxes will be billed to and paid by the  
14 Interconnectors.

15 15.1.2 Subject to the terms of Section 14.1 of the Funding Agreement, all taxes and  
16 assessments (or contributions in lieu thereof) levied against the property  
17 interest of any Party shall be the sole responsibility of the Party upon whom  
18 said taxes and assessments are levied, unless such taxes and assessments  
19 are levied directly upon an individual Party on behalf of any or all of the other  
20 Parties, in which case such taxes and assessments shall be the responsibility  
21 of such Parties.

22 15.1.3 Any Party exempted from any taxes assessed against any or all of the other  
23 Parties shall be given credit for such exemption.



1 15.1.4 If any taxing authority assesses a transaction privilege tax, use tax, sales tax,  
2 gross receipts tax, compensating tax, excise tax, or other tax (including  
3 applicable interest and penalties, but excluding any income or franchise tax)  
4 against any monies paid by the Interconnector to the Operator on behalf of  
5 the ANPP Switchyard Participants, the Interconnector shall, in proportion to its  
6 Pro Rata Share, reimburse on an after-tax basis the ANPP Switchyard  
7 Participants upon receipt of written notice from the Operator on the  
8 assessment of any such tax or shall pay such tax in advance if included in any  
9 regular invoice.

10 15.2 Income Taxes:

11 15.2.1 The Interconnector shall be solely responsible for any income taxes imposed  
12 upon any or all of the ANPP Switchyard Participants with respect to any  
13 payment or transfer of assets made by the Interconnector for Capital  
14 Improvements which are not owned by the Interconnector (the "ITCC"). In the  
15 event a favorable Private Letter Ruling ("Favorable PLR") is received from the  
16 Internal Revenue Service (the "IRS") in accordance with the Funding  
17 Agreement, Capital Improvements will not be subject to the ITCC unless any  
18 clarification or change in Law renders reliance on such Favorable PLR invalid  
19 with respect to subsequent Capital Improvements. To the extent that the IRS  
20 determines that some or all of the costs to which ITCC was applied and was  
21 paid by the Interconnector under the Funding Agreement or this Agreement  
22 are not taxable to an applicable ANPP Switchyard Participant, the Operator  
23 shall refund or credit to the Interconnector all excess amounts of ITCC

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

12 15.2.2 The ITCC, as a component of the cost of Capital Improvements, shall be  
13 billed to and paid by the Interconnector in accordance with Section 12.3  
14 herein.

15 15.2.3 The Operator shall distribute annually the ITCC received from the  
16 Interconnector to the applicable ANPP Switchyard Participants in accordance  
17 with Section 15.2.2 and Exhibit F, DETERMINATION OF ITCC COMPOSITE  
18 RATIO, hereto.

19 15.3 Contesting, Appealing, or Seeking Abatement of Taxes Other than Income Taxes:

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

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

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

20 16. INSURANCE:

21 16.1 The Operator, on behalf of the ANPP Switchyard Participants and where applicable  
22 on behalf of the Interconnector, shall procure and maintain, or cause to be procured  
23 or maintained, with respect to the Hassayampa Switchyard and the Interconnection



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

1 calendar days for non-payment of premium.

2 16.2 The Operator will hold and apply proceeds received by it under insurance policies  
3 covering loss or damage to the Hassayampa Switchyard and the Interconnection  
4 Facilities for the purpose of restoring the functionality of the Hassayampa Switchyard  
5 and the Interconnection Facilities. In the event that such proceeds are, in the  
6 judgment of the Operator, insufficient to restore the Hassayampa Switchyard and the  
7 Interconnection Facilities to its design specifications, the Parties shall proceed in  
8 accordance with Section 8.4 herein.

9 16.3 Interconnector shall, at its expense, be solely responsible to provide and maintain in  
10 effect for the life of this Agreement, insurance against the risks set forth in this  
11 Section 16.3. All insurance shall include waivers of subrogation against the Operator  
12 and the ANPP Switchyard Participants.

13 16.3.1 Workers' compensation insurance with minimum statutory limits to cover  
14 obligations imposed by federal and state statutes having jurisdiction over the  
15 Interconnector's employees and Employer's Liability Insurance with a  
16 minimum limit of one million dollars (\$1,000,000) per accident.

17 16.3.2 Commercial general liability insurance, including contractual liability, broad  
18 form property damage, premises operations, and personal injury coverage in  
19 the amount of five million dollars (\$5,000,000) per occurrence for bodily injury  
20 and property damage. Such insurance shall cover the Operator and the  
21 ANPP Switchyard Participants as additional insureds.

22 16.3.3 "All Risk" Property/Boiler and Machinery insurance including earthquake, and  
23 flood with reasonable and customary sub-limits covering the Generating



1 Facility. Such insurance shall provide coverage on a replacement cost basis  
2 for the Generating Facility.

3 16.3.4 All insurance policies shall provide for thirty (30) calendar days prior written  
4 notice of cancellation or material adverse change, ten (10) calendar days for  
5 non-payment of premium. Prior to the initial date of synchronization of the  
6 Generating Facility, and annually thereafter upon request by Operator,  
7 Interconnector shall provide evidence of insurance to the Operator.

8 16.3.5 Interconnector may, in lieu of purchasing insurance from any third party,  
9 self-insure against all or any portion of any of the risks set forth in this Section  
10 16.3. Without limiting the foregoing, any deductible and any limitation on the  
11 total amount of insurance shall constitute self insurance for purposes hereof.  
12 Interconnector shall provide to Operator a description of any self insurance  
13 used in complying with any of the insurance requirements of this Section 16 at  
14 least thirty (30) calendar days prior to initiating or amending any program of  
15 self insurance.

16 16.4 Covenant Not to Sue for Insured Losses: If a Party is required to maintain insurance  
17 (including any program of self insurance) with respect to any type or category of risk  
18 under any provision of this Agreement, such Party agrees that it will look solely to  
19 such insurance for any loss, liability, cost or expense, including attorneys fees and  
20 costs of prosecution or defense, pertaining to or resulting from any risk for which  
21 such insurance (including any program of self insurance) is required and will not  
22 pursue a claim, sue for or execute, levy or otherwise enforce any judgment obtained  
23 against Operator or any other Party, including recording or effecting a judgment lien,



1 for any loss, damage, claim, cost, charge or expense arising from any matter for  
2 which insurance (including any program of self insurance) is required.

3 17. INDEMNITY, LIABILITY LIMITS AND DAMAGE DISCLAIMERS:

4 17.1 Indemnity: Interconnector shall at all times indemnify, defend and save the Operator  
5 and ANPP Switchyard Participants harmless for, from and against any and all  
6 damages, losses, claims, including claims and actions relating to injury to or death of  
7 any person or damage to or loss of property, demands, suits, recoveries, costs and  
8 expenses, court costs, attorney fees, and all other obligations by or to third parties,  
9 arising out of or resulting from the Operator's performance of its obligations under  
10 this Agreement on behalf of Interconnector, except in cases of negligence or  
11 intentional wrongdoing by the Operator.

12 17.2 Limitation of Liability and Disclaimer of Certain Damages by Interconnector: In no  
13 event shall a) Interconnector's liability, if any, for each claim relating to the subject  
14 matter of this Agreement exceed ten million dollars (\$10,000,000) in Constant  
15 Dollars, and b) Interconnector be liable for any special, indirect, incidental,  
16 consequential or punitive damages, including but not limited to loss of profit or  
17 revenue, loss of the use of equipment, cost of capital, cost of temporary equipment  
18 or services, whether based on breach of contract, negligence, gross negligence,  
19 willful misconduct, strict liability or other causes of action. All payments due for  
20 services under this Agreement shall be deemed to constitute direct (and not special,  
21 incidental, indirect or consequential) damages for purposes of this Section 17.2. The  
22 provisions, limitations and disclaimers of this Section 17.2 shall not apply to each of  
23 the following items: (i) claims for indemnity under Section 17.1, (ii) any amounts

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

5 17.3 Limitation of Liability and Disclaimer of Certain Damages by Operator and ANPP  
6 Switchyard Participants: In no event shall a) the liability, if any, of Operator or any or  
7 all ANPP Switchyard Participants, separately or in the aggregate, for each claim  
8 relating to the subject matter of this Agreement exceed, in total, ten million dollars  
9 (\$10,000,000) in Constant Dollars, and b) any ANPP Switchyard Participant or  
10 Operator be liable for any special, indirect, incidental, consequential or punitive  
11 damages, including but not limited to loss of profit or revenue, loss of use of  
12 equipment, cost of capital, cost of temporary equipment or services, whether based  
13 on breach of contract, negligence, gross negligence, willful misconduct, strict liability  
14 or other causes of action. In the event there are multiple claims which arise out of  
15 the same occurrence, even if such multiple claims are made under the provisions of  
16 other interconnection agreements associated with the Hassayampa Switchyard, all  
17 such multiple claims shall be deemed to be a single claim arising out of a single  
18 occurrence. The aggregate limit of liability with respect to such occurrence shall be  
19 ten million dollars (\$10,000,000) and shall apply regardless of the number of claims  
20 arising out of the same occurrence. The provisions, limitations and disclaimers of  
21 this Section 17.3 shall not apply to any claim for physical injury to or destruction of  
22 the real property or tangible personal property of Interconnector, which claim shall be  
23 limited to the amounts required to fully abate or repair damage to or to replace such



1 property.

2 17.4 No Relief of Insurer: The provisions of this Section 17 shall not be construed so as to  
3 relieve any insurer of its obligation to pay any insurance proceeds in accordance with  
4 the terms and conditions of valid and collectible insurance policies furnished  
5 hereunder.

6 18. UNCONTROLLABLE FORCES:

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



1 19. RELATIONSHIP OF THE PARTIES:

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

13 20. SUCCESSORS AND ASSIGNS:

14 20.1 The Interconnector shall not transfer or assign or otherwise dispose of (a "Transfer")  
15 all or any part of its rights or interests under this Agreement without the prior written  
16 approval of the ANPP Switchyard Participants, which approval shall not be  
17 unreasonably withheld, conditioned, or delayed. Notwithstanding the foregoing, the  
18 Interconnector may make Transfers as collateral security to one or more unaffiliated  
19 third-party lenders and/or to any trust which has entered into an agency agreement in  
20 conjunction with the financing of the Generating Facility (a "Financing Transfer")  
21 without the ANPP Switchyard Participants' prior approval but shall give prompt notice  
22 of any such Financing Transfer to the ANPP Switchyard Participants, and any entity  
23 acquiring the transferred interests pursuant to a foreclosure (or any Transfer in lieu of

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

11 20.2 Subject to Section 20.1 herein, this Agreement shall be binding upon and inure to the  
12 benefit of the Parties and their respective successors and assigns, or purchasers of  
13 any interests of the Parties in the Common Bus.

14 20.3 The ANPP Participants shall promptly notify Interconnector of any change in the  
15 identity of the Operator. If the ANPP Participants request approval of any such  
16 change in order to satisfy Applicable Requirements, they shall concurrently notify  
17 Interconnector of such request. No Person serving as Operator hereunder shall be  
18 liable for any acts or omissions of any predecessor or successor Operator. To the  
19 extent that the Operator is acting as an agent of the ANPP Participants, the liability of  
20 the Operator and of the ANPP Participants for acts or omissions of the Operator shall  
21 be determined in accordance with the legal principles applicable to agency in the  
22 State of Arizona and other Law. Subject to the obligation to comply with Applicable  
23 Requirements and the receipt of necessary authorizations hereunder, if any, nothing



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

14 21. AUDITS:

15 21.1 Right: Subject to Section 21.2 hereof, the Interconnector shall have the right: (i) to  
16 audit any costs, payments, settlements, or other supporting information pertaining to  
17 this Agreement; and (ii) to designate its own representatives to perform such audit.  
18 At least sixty (60) calendar days prior to requesting an audit, the Interconnector shall  
19 provide notice to the Operator, other Parties and all other Hassayampa  
20 Interconnectors of its intent to audit and the proposed scope of such audit. Any other  
21 Hassayampa Interconnector shall have the right to join in and expand the scope of  
22 such audit. The Parties and Operator agree to fully cooperate with any such audit(s).

23 21.2 Conditions: Any audit undertaken by the Interconnector or by the representatives



1           thereof shall: (i) be conducted only during Operator's normal business hours; (ii) be  
2           performed in conformance with generally accepted auditing standards; and (iii) be  
3           limited to the three (3) year period following the end of the calendar year in which the  
4           costs being audited were invoiced. In no event, however, shall the Interconnector be  
5           entitled to conduct an audit pursuant to the provisions of this Agreement, if the  
6           Interconnector or any other Hassayampa Interconnector has conducted an audit in  
7           the same calendar year.

8           21.3   Costs: All audit costs and expenses of the Interconnector shall be its sole  
9           responsibility.

10          21.4   Record Retention Period: Operator shall retain all necessary records and documents  
11          for the three (3) year audit period specified in Section 21.2 hereof, or until any audit  
12          in progress is completed or until any dispute arising from such audit is resolved,  
13          whichever condition requires the longer retention.

14          21.5   Notice: Upon completion of any audit conducted hereunder, the Interconnector shall  
15          promptly make such audit results available to the Operator, each Party and all other  
16          Hassayampa Interconnectors, and shall provide notice to Operator, to each Party and  
17          all other Hassayampa Interconnectors of any exception taken as a result of an audit.  
18          If Operator and the Interconnector determine that an exception resulting from an  
19          audit reflects an error in the billing, Operator, in the next succeeding monthly  
20          invoice(s), shall credit or bill the Interconnector for the amount of such exception,  
21          without interest.

22    22.    DEFAULTS:

23          Each of the following events or circumstances shall constitute a "Default" by the responsible

1 Party:

2 22.1 Payment Default: Failure by Interconnector to pay any amount when due under this  
3 Agreement which is not cured within five (5) Business Days after receiving written  
4 notice thereof from the Operator.

5 22.2 Performance Default: Failure by any Party to perform any of its duties or obligations  
6 under this Agreement when and as due (other than the failure to make any payment)  
7 which is not cured within thirty (30) calendar days after receipt of written notice  
8 thereof from Operator or any Party.

9 22.3 Cure of Default: A Party which is in Default shall take all steps necessary to cure  
10 such Default promptly and completely.

11 22.4 Default Remedy:

2 22.4.1 If the Interconnector is in Default, subject to Section 8.4 herein and except as  
13 necessary to maintain the safety and reliability of the Common Bus in  
14 accordance with Section 8.1.1 herein, Operator shall continue any of the  
15 services provided or made available hereunder to Interconnector and not  
16 suspend any right granted to Interconnector pursuant to Section 6 hereof;  
17 provided that Operator may exercise its rights and remedies set forth in  
18 Section 22.4.5 herein. Operator's continuance of Interconnector's service and  
19 rights shall not act to relieve Interconnector of any of its duties or obligations  
20 under this Agreement.

21 22.4.2 Within ten (10) Business Days after receiving notice that another  
22 Hassayampa Interconnector is in breach of its obligation to pay any portion of  
23 the Operating Costs and has not cured such breach within the applicable cure

1 period, Interconnector shall pay its Pro Rata Share (calculated without  
2 including the terminations of the defaulting entity) of such unpaid amount. In  
3 such event, Operator shall diligently exercise its rights and remedies available  
4 under contract, at law or in equity against the breaching Hassayampa  
5 Interconnector, in order to effectuate the reimbursement of Interconnector.

6 22.4.3 If any Hassayampa Interconnector cures a payment breach after  
7 Interconnector has paid any portion thereof, Operator shall reimburse  
8 Interconnector out of the amounts paid to effectuate such cure.

9 22.4.4 If any Party failed to perform any duty or obligation under this Agreement and  
10 such failure causes or threatens immediate harm to another Party, the  
11 affected Party may, whether or not notice has been given or the applicable  
12 grace period has expired, and whether or not the dispute resolution procedure  
13 set forth in Section 23 herein has been completed, bring an action in any  
14 court of competent jurisdiction seeking injunctive relief in accordance with  
15 applicable rules of civil procedure.

16 22.4.5 Except as expressly limited by this Agreement, in the event Interconnector is  
17 in Default, Operator may without further notice exercise any rights and  
18 remedies provided herein or otherwise available at law or in equity, including  
19 the right to terminate this Agreement upon giving notice of intent to terminate  
20 to the Interconnector and the filing at FERC of a notice of termination for the  
21 Agreement, which filing must be accepted for filing by FERC.

22 22.4.6 If the Operator or any ANPP Switchyard Participant is in Default,  
23 Interconnector may without further notice exercise any rights and remedies



provided for herein or otherwise available at law or equity.

23. DISPUTE RESOLUTION:

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

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

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

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

24. NONDEDICATION OF FACILITIES:

The Parties do not intend to dedicate and nothing in this Agreement shall be construed as

1 constituting a dedication by any Party of its properties or facilities, or any part thereof, to any  
2 other Party or to the customers of any Party.

3 25. REGULATORY APPROVALS:

4 25.1 Approvals: Each Party agrees to prepare and submit on a timely basis any required  
5 applications or other filings and to cooperate to obtain any state or federal regulatory  
6 approvals necessary for the full participation of any Party in the rights and obligations  
7 of this Agreement prior to the Interconnection Facilities In-Service Date. A Party shall  
8 concurrently notify the other Parties upon making any such submission. Each Party  
9 hereto covenants that it shall support the terms and conditions of this Agreement in  
10 any hearings before FERC or any other competent regulatory body to whose  
11 jurisdiction this Agreement may be subject.

12 25.2 Fees: As soon as practicable after filing this Agreement with FERC, and from time to  
13 time thereafter, if required, Operator shall submit a written invoice to the  
14 Interconnector for all costs, including but not limited to all filing and regulatory  
15 charges and, attorney or other fees, if any, or other costs charged to the ANPP  
16 Switchyard Participants by FERC or by any other regulatory body having jurisdiction  
17 as a result of the filing of this Agreement, and any amendments thereto, or as a  
18 result of any service provided under this Agreement. The Interconnector shall pay or  
19 cause to be paid such amount to Operator within sixty (60) days after receipt of such  
20 invoice by the Interconnector.

21 26. GOVERNING LAW AND VENUE:

22 This Agreement shall be interpreted in accordance with the substantive and procedural laws  
23 of the State of Arizona, notwithstanding any Arizona conflict of laws provision to the contrary.

1 Any court action arising under this Agreement shall be initiated and prosecuted in a state or  
2 federal court in Maricopa County, Arizona.

3 27. NOTICES:

4 27.1 Recipients: Except as set forth in Section 27.2 herein, any legal notice or  
5 communication required by this Agreement shall be in writing, and shall be served,  
6 given, made, or delivered in person or sent by registered or certified mail, postage  
7 prepaid, to the persons specified below:

8 Arizona Public Service Company  
9 Attn: Secretary  
10 Mail Station 9046  
11 P. O. Box 53999  
12 Phoenix, Arizona 85072-3999

13 Department of Water and Power of the City of Los Angeles  
14 c/o Assistant General Manager-Power Services  
15 P.O. Box 111, Room 1522  
16 Los Angeles, California 90051-0100

17 c/o Los Angeles City Attorney Office  
18 Contracts Section  
19 P.O. Box 111, Room 340  
20 Los Angeles, California 90051-0100

21 El Paso Electric Company  
22 Attn: Secretary  
23 P.O. Box 982  
El Paso, Texas 79960-0982

Public Service Company of New Mexico  
Attn: Secretary  
Alvarado Square  
Albuquerque, New Mexico 87158

Salt River Project Agricultural Improvement and Power District  
Attn: Secretary  
P.O. Box 52025  
Phoenix, Arizona 85072-2025



1 Southern California Edison Company  
2 Attn: Secretary  
3 P.O. Box 800  
4 Rosemead, California 91770

5 Southern California Public Power Authority  
6 c/o Executive Director  
7 225 South Lake Avenue, Suite 1410  
8 Pasadena, California 91101

9 Mesquite Power, LLC  
10 c/o Sempra Energy Resources  
11 101 Ash Street  
12 San Diego, CA 92101  
13 Attention: Vice President Planning and Analysis

14 27.2 Routine Communication: Communications of a routine nature shall be provided to  
15 the Interconnector's Authorized Representative and given in a manner consistent with  
16 the arrangements as established by the E&O Committee.

17 27.3 Change of Designation: Any Party may, at any time, by notice to all other Parties,  
18 designate different or additional persons or different addresses for the giving of  
19 notices hereunder.

20 28. ANPP SWITCHYARD PARTICIPANTS' OTHER AGREEMENT:

21 This Agreement sets forth the terms and conditions under which the ANPP Switchyard  
22 Participants are providing interconnection service to the Interconnector, and this Agreement  
23 does not amend or otherwise affect the terms and conditions governing the ANPP  
Switchyard Participants under their ANPP Switchyard Participation Agreement. In the event  
any conflict affecting the ANPP Switchyard Participants in their relationship with each other  
arises out of an inconsistency between the terms and conditions of this Agreement and the  
terms and conditions of the ANPP Switchyard Participation Agreement, the terms and  
conditions of the ANPP Switchyard Participation Agreement shall govern.

1 29. FUNDING AGREEMENT RELATION:

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

13 30. ENTIRE AGREEMENT:

14 This Agreement embodies the entire agreement between the Interconnector and the ANPP  
15 Switchyard Participants concerning the subject matter hereof and supersedes all prior  
16 proposals, representations, negotiations, or letters whether written or oral with respect to the  
17 matters herein agreed to. In the event any conflict affecting the Interconnector and the  
18 ANPP Switchyard Participants arises between the terms and conditions of this Agreement  
19 and the terms and conditions of the Funding Agreement, the terms and conditions of this  
20 Agreement shall govern. The Parties hereto shall not be bound by or be liable for any  
21 statement, representation, promise, inducement, or understanding of any kind relating to the  
22 subject matter hereof not set forth in this Agreement. This Agreement incorporates by  
23 reference all documents attached hereto and listed below or incorporated herein by

reference. Included as appendices and exhibits to this Agreement and attached hereto are:

- Exhibit A - Generating Facility
- Exhibit B - Hassayampa Switchyard
- Exhibit C - Interconnection Facilities
- Exhibit D - Hassayampa and ANPP Switchyards (one-line diagrams)
- Exhibit E - Hassayampa Cost Responsibility Ratio
- Exhibit F - Determination of ITCC Composite Rate
- Exhibit G - Operating Costs
- Exhibit H – Mitigation Requirements
- Exhibit I – Reliability Management System Agreement
- Exhibit J - Insurance
- Exhibit K – Memorandum of Easement

**31. SECTION HEADINGS AND DEFINITIONS:**

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

**32. GENERAL PROVISIONS:**

**32.1 Severability:** Subject to Section 5 herein, in the event that any term, covenant or condition of this Agreement, or the application of any such term, covenant or condition, shall be held invalid as to any person or circumstance by any court, agency, or other entity having jurisdiction in the premises, the Parties agree that the same shall not affect the validity of this Agreement as a whole, or any part of the Agreement other than the term, covenant, or condition held invalid, and the Parties agree to substitute for the invalid term, covenant, or condition a valid term, covenant,



1 or condition which most closely approximates the economic effect and intent of the  
2 invalid term, covenant, or condition.

3 32.2 Third Party Rights: Except as otherwise specifically provided in this Agreement, the  
4 Parties do not intend to create rights in or to grant remedies to any third party as a  
5 beneficiary of this Agreement or of any duty, covenant, obligation or undertaking  
6 established herein.

7 32.3 Waiver: No waiver shall be effective unless in a writing signed by the waiving Party.  
8 Any waiver at any time by any Party of its rights with respect to a Default or any other  
9 matter arising in connection with this Agreement shall not be construed or deemed a  
10 waiver with respect to any other right or remedy or any subsequent Default or matter  
11 whether of a similar or different nature. Without limiting the foregoing, payment or  
12 delay in exercising any right or remedy shall not constitute a waiver of any kind.

13 32.4 Survival: The termination of this Agreement shall not relieve any Party of its  
14 obligations, duties, rights, or requirements under this Agreement incurred prior to  
15 termination of this Agreement or which, pursuant to the terms hereof, must be fulfilled  
16 or met after the date of termination of this Agreement.

17 32.5 Amendments and Revisions to Exhibits: This Agreement shall only be modified by an  
18 amendment signed by all Parties. Unless otherwise provided herein, exhibits may be  
19 revised by the Operator as provided in this Agreement; subject, however, to the  
20 approval of the E&O Committee, which approval shall not be unreasonably withheld.

21 32.6 Compliance with Law: Facilities installed under this Agreement by Operator shall be  
22 constructed, operated, maintained, replaced, upgraded, modified and removed in  
23 compliance with any Law, including without limitation, any Law protecting the

environment, health, and/or safety.

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

33. EXECUTION:

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

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

III

III

III

III

1 34. SIGNATURE CLAUSE:

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

4 INTERCONNECTOR:

5 MESQUITE POWER, LLC

6

7 By:  
8 Title:  
9 Date:

10 ANPP SWITCHYARD PARTICIPANTS:

11 ARIZONA PUBLIC SERVICE COMPANY

12

13 By: *CB Ouse*  
14 Title: *Director ICP*  
15 Date: *08/23/01*

16

17 EL PASO ELECTRIC COMPANY

18

19 By:  
20 Title:  
21 Date:

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

23

24 By:  
25 Title:  
26 Date:

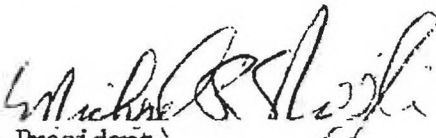


34. SIGNATURE CLAUSE:

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

**INTERCONNECTOR:**

MESQUITE POWER, LLC

By:   
Title: President  
Date: August 27, 2001

MCT

**ANPP SWITCHYARD PARTICIPANTS:**

ARIZONA PUBLIC SERVICE COMPANY

By:  
Title:  
Date:

EL PASO ELECTRIC COMPANY

By:  
Title:  
Date:

DEPARTMENT OF WATER AND POWER OF THE CITY OF LOS ANGELES

By: Marcie L. Edwards  
Title: General Manager  
Date:  
And: Barbara E. Moschos  
Board Secretary

1 34. SIGNATURE CLAUSE:

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

4 **INTERCONNECTOR:**

5 MESQUITE POWER, LLC  
6

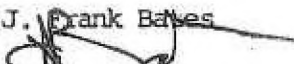
7 By:  
8 Title:  
9 Date:

10 **ANPP SWITCHYARD PARTICIPANTS:**

11 ARIZONA PUBLIC SERVICE COMPANY  
12

13 By:  
14 Title:  
15 Date:

16 EL PASO ELECTRIC COMPANY

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

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

22 By:  
23 Title:  
Date:

1  
2 By:  
3 Title:  
4 Date:

5 EL PASO ELECTRIC COMPANY

6  
7 By:  
8 Title:  
9 Date:

10 DEPARTMENT OF WATER AND POWER OF  
11 THE CITY OF LOS ANGELES

12 BY

13 BOARD OF WATER AND POWER COMMISSIONERS  
14 THE CITY OF LOS ANGELES

15 By:

16 DAVID H. WIGGS, General Manager

17 And:

18 Secretary

19 Date:

20 DEC 06 2001

21 APPROVED AS TO FORM AND LEGALITY  
22 ROCKARD J. DELGADILLO, CITY ATTORNEY

23 SEP 06 2001

BY

FAY A. CHU  
Deputy City Attorney

REQUIRES CITY COUNCIL  
APPROVAL

AUTHORIZED BY RES. 002 063  
SEP 18 2001



1 PUBLIC SERVICE COMPANY OF NEW MEXICO

2  
3 By: 

4 Title: Executive Vice President Electric and Gas Services

5 Date: August 24, 2001

6 SALT RIVER PROJECT AGRICULTURAL  
7 IMPROVEMENT AND POWER DISTRICT

8  
9 By:

10 Title:

11 Date:

12 SOUTHERN CALIFORNIA PUBLIC POWER AUTHORITY

13  
14 By:

15 Title:

16 Date:

17 SOUTHERN CALIFORNIA EDISON COMPANY

18  
19 By:

20 Title:

21 Date:

1 PUBLIC SERVICE COMPANY OF NEW MEXICO

2  
3 By:  
4 Title:  
5 Date:

6 SALT RIVER PROJECT AGRICULTURAL  
7 IMPROVEMENT AND POWER DISTRICT

8  
9 By:  
10 Title:  
11 Date:

*Don J. G. ...*  
*...*  
8-28-01

12 SOUTHERN CALIFORNIA PUBLIC POWER AUTHORITY

13  
14 By:  
15 Title:  
16 Date:

17 SOUTHERN CALIFORNIA EDISON COMPANY

18  
19 By:  
20 Title:  
21 Date:

1 PUBLIC SERVICE COMPANY OF NEW MEXICO

2  
3 By:  
4 Title:  
5 Date:

6 SALT RIVER PROJECT AGRICULTURAL  
7 IMPROVEMENT AND POWER DISTRICT

8  
9 By:  
10 Title:  
11 Date:

12 SOUTHERN CALIFORNIA PUBLIC POWER AUTHORITY

13  
14 By: *Kenneth J. De Jesus*  
15 Title: President  
16 Date: 8/27/01

17 SOUTHERN CALIFORNIA EDISON COMPANY

18  
19 By:  
20 Title:  
21 Date:



1 PUBLIC SERVICE COMPANY OF NEW MEXICO

2  
3 By:  
4 Title:  
5 Date:


6 SALT RIVER PROJECT AGRICULTURAL  
7 IMPROVEMENT AND POWER DISTRICT

8  
9 By:  
10 Title:  
11 Date:

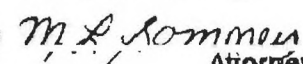
12 SOUTHERN CALIFORNIA PUBLIC POWER AUTHORITY

13  
14 By:  
15 Title:  
16 Date:

17 SOUTHERN CALIFORNIA EDISON COMPANY

18  
19 By:  A. L. Grant  
20 Title: Vice President  
21 Date: August 23, 2001

**APPROVED**  
**STEPHEN E. PICKETT**  
Vice President and  
General Counsel

By  Attorney  
8-23, 2001

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23

STATE OF  
*ARIZONA* }  
COUNTY OF } SS.  
*MARICOPA* }

The foregoing instrument was acknowledged before me on *8-28-01* 2001  
by *David G. Areahini* Associate General Manager, Power, Const. & Engr. Svcs. of Salt  
River Project Agricultural Improvement and Power District, an Arizona agricultural improvement  
district, on behalf thereof.

*Sue E. Blanning*  
Notary Public *U*

My Commission Expires  
*7-25-2004*



1 EXHIBIT A

2 GENERATING FACILITY

3  
4 A.1 **Generating Facility Information**

5 A.1.1 **Location of Generating Facility:** The Mesquite Generating Station is located near  
6 the Palo Verde Nuclear Generating Station, 40 miles west of Phoenix, in Maricopa  
7 County, Arizona. The legal description for the plant site is the west half of Section  
8 15, Township 1S, Range 6W of the Gila and Salt River Base and Meridian, Maricopa  
9 County, Arizona.

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

13 MESQUITE GENERATING STATION

14 The facility will consist of two (2) power blocks with each power block consisting of  
15 two (2) GE Model PG7421FA gas turbine generators (GTG's). Exhaust gas from  
16 each of GTG will be directed into a dedicated supplementary fired heat recovery  
17 steam generator (HRSG) for the generation of high-pressure, intermediate-pressure,  
18 and low pressure steam. Supplementary firing capability will be provided in each  
19 HRSG to generate additional steam for peak power production. The steam  
20 generated in the HRSG of each power block shall be supplied to one of two,  
21 dedicated, single, tandem-compound, reheat double downflow exhaust, steam  
22 turbine generators (STG), each with a nominal capacity of 320 MW. The summer  
23 and winter rated capacity are provided below with the summer rated capacities  
shown at the average summer ambient temperature of 95° F and the yearly average  
temperature of 73° F. The winter rated capacities are shown at the minimum  
recorded temperature of 17° F. The summer rated capacities for the steam turbine  
are based on maximum duct firing.

Summer Rated Capacity of GTG:

115,720 kW (95° F ambient)  
162,800 kW (73° F ambient)



1 Winter Rated Capacity of GTG:

2 180,130 kW (17° F ambient)

3 Summer Rated Capacity of STG:

4 317,190 kW (95° F ambient)

5 319,000 kW (73° F ambient)

6 Winter Rated Capacity of STG:

7 283,630 kW (17° F ambient)

8 Summer Rated Capacity of Station:

9 Gross – 1,257,260 kW (95° F ambient)

10 Net – 1,218,480 kW (95° F ambient)

Gross – 1,289,200 kW (73° F ambient)

Net – 1,250,020 kW (73° F ambient)

11 Winter Rated Capacity of Station:

12 Gross – 1,287,780 kW (17° F ambient)

13 Net – 1,250,080 kW (17° F ambient)

14 The following dates reflect the current schedule for backfeed, synchronization and  
15 commercial operation. These actual dates may be slightly earlier or later than  
16 scheduled depending on the actual construction progress.

17 Backfeed Date: October 1, 2002

18 Synchronization Date Block 1: February 28, 2003

Commercial Operation Date Block 1: June 1, 2003

19 Synchronization Date Block 2: July 23, 2003

Commercial Operation Date Block 2: November 6, 2003

## 20 A.2 Description of Transformation Equipment

21 The following is a description of the Transformation Equipment provided by the  
22 Interconnector. Additional information shall be provided by Interconnector as requested by  
23 Operator.

Each GTG and STG will be connected to a generator step-up transformer (GSU) to an intermediate switchyard with a 230-kV voltage. The GTG GSU's will be rated 123/164/205 MVA, Z=9.0% @ 123 MVA, 235/18-kV, with +/- two 2.5% taps and the STG GSU's will be rated 253/336/420 MVA, Z=9.6% @ 253 MVA, 235/18-kV, with +/- two 2.5% taps.

The GSU's will all be connected to a common switchyard 230-kV bus. This bus will be connected to the Hassayampa 500-kV Switchyard via three single-phase autotransformers rated 300/400/500 MVA (per phase), Z=8.0% at 300MVA, 500/230-kV, with one -2.5% tap and three +2.5% taps.

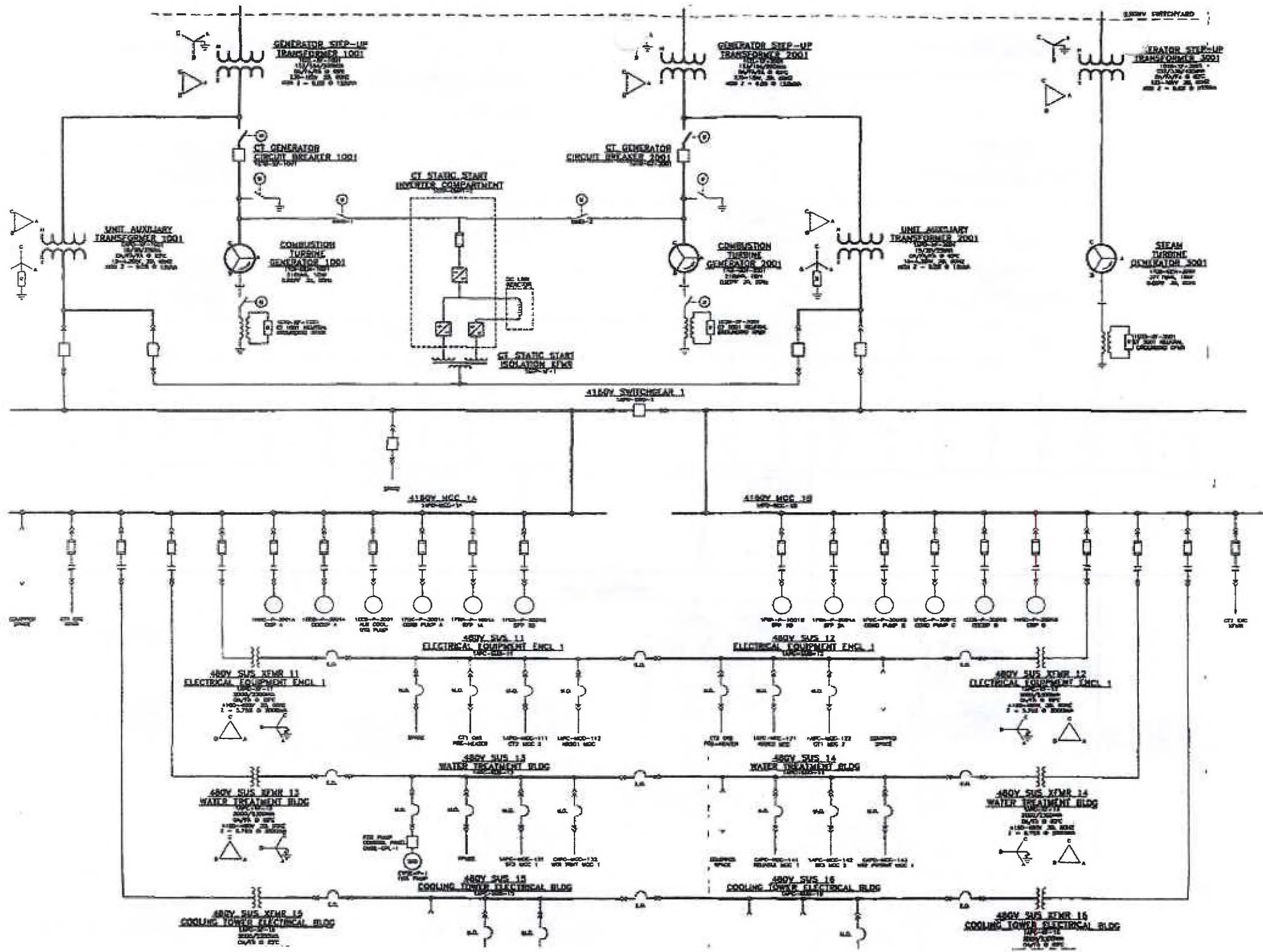
#### A.3 Point of Interconnection

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

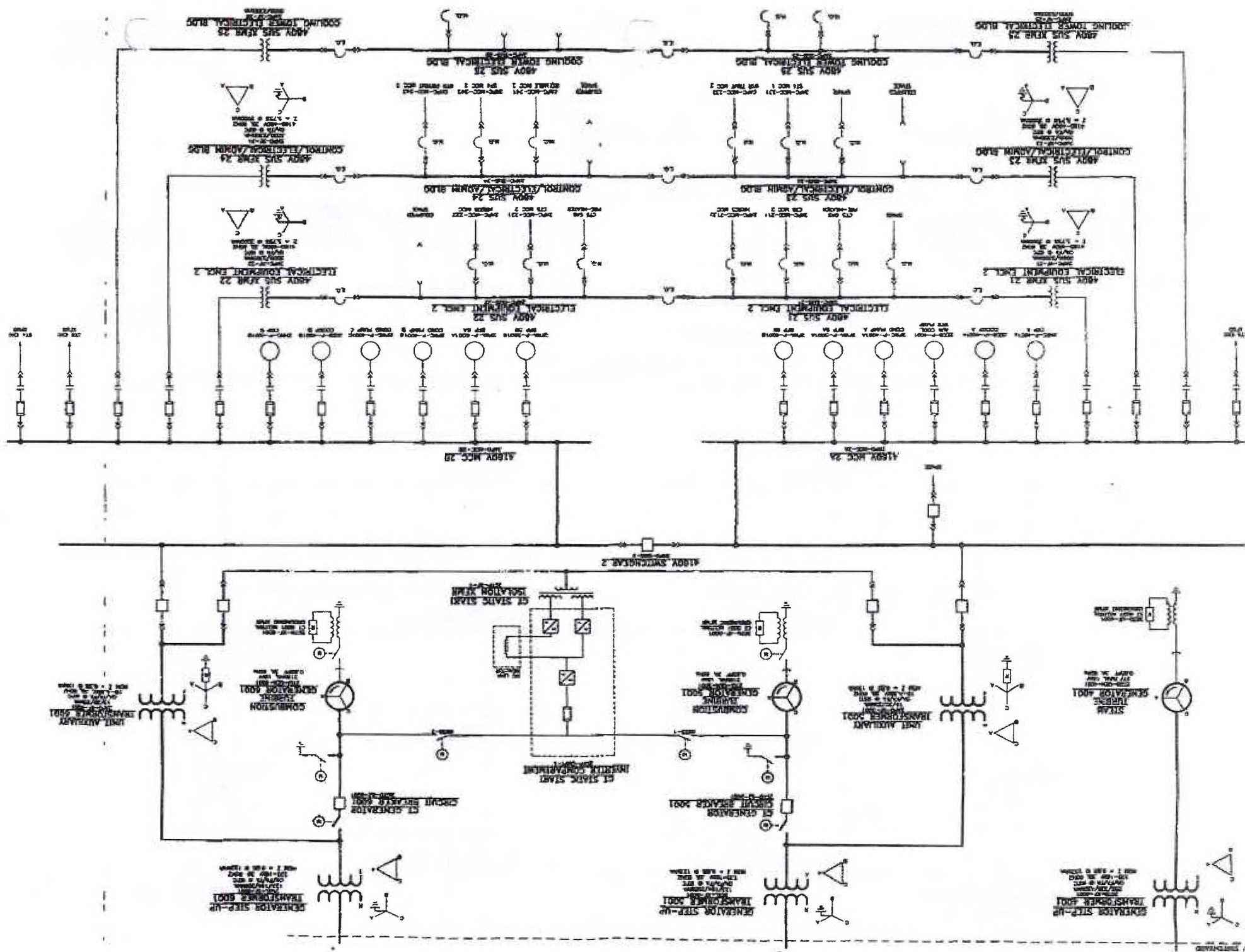
#### A.4 One-Line Diagram of Generating Facility

See Attached

Drawing No.	Title
ES-0200	230 kV One Line Diagram
065162-1APD-E1001	One Line Diagram Power Block 1
065162-2APD-E1001	One Line Diagram Power Block 2

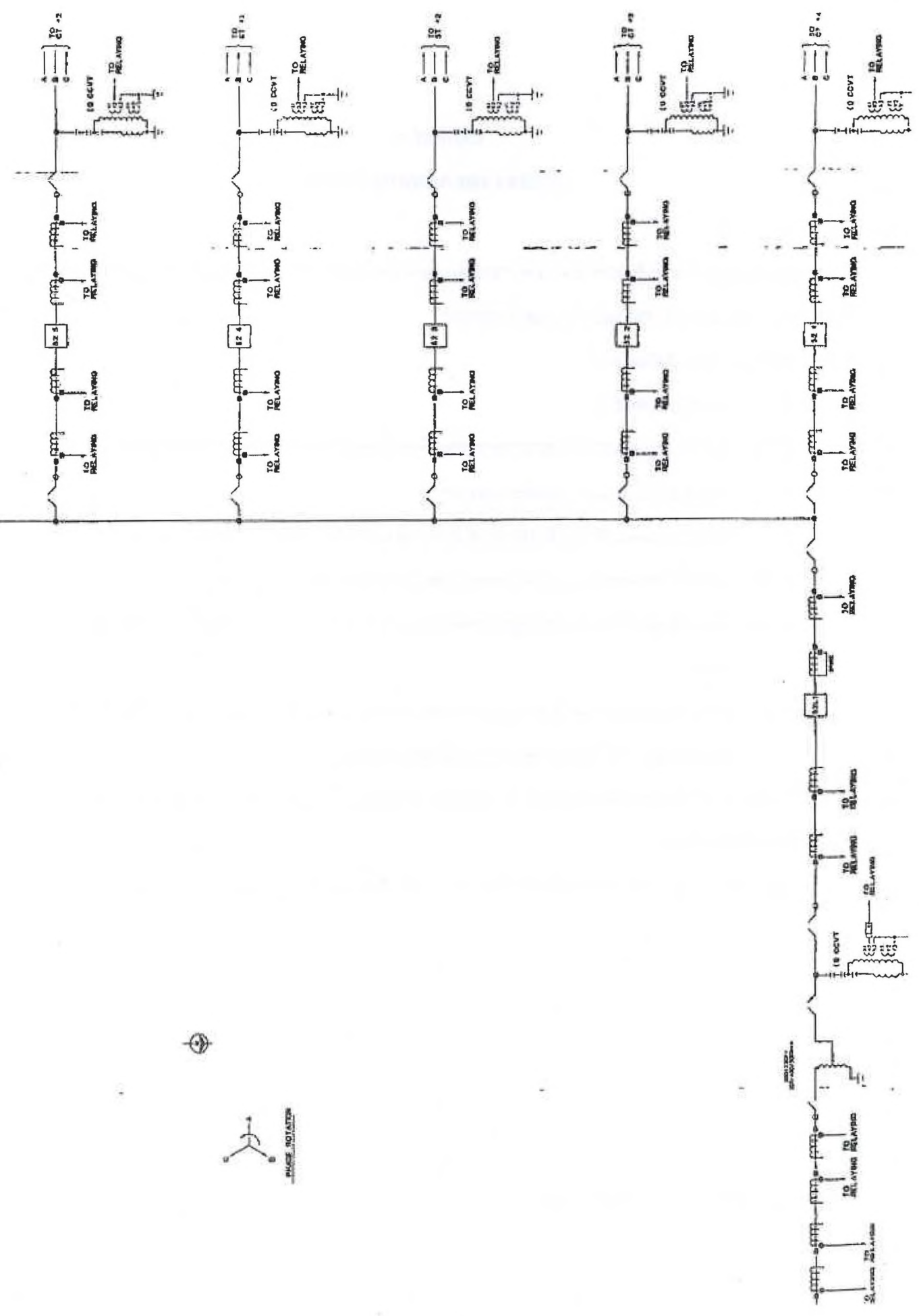








RELAYING RELAYING RELAYING



RELAYING

**EXHIBIT B**

**HASSAYAMPA SWITCHYARD**

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

**B.1 Hassayampa Switchyard:**

B.1.1 Land and fencing.

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

B.1.3 AC and DC auxiliary power systems.

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

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

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

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

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

**B.2 New String Bus:**

New string bus from the ANPP Switchyard to the Hassayampa Switchyard.





# Exhibit C – Diagram of Interconnection Facilities for Mesquite Power

Harquahala ⇐

⇒ Palo Verde #3

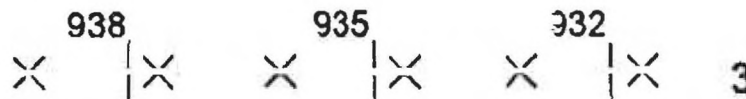


⇒ Palo Verde #2



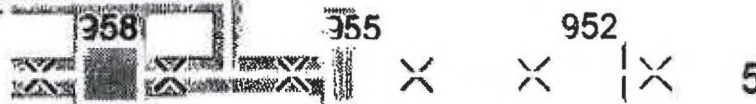
Arlington Valley ⇐

⇒ Palo Verde #1

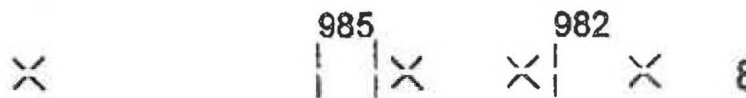


Mesquite

⇒ Redhawk #1



⇒ Redhawk #2



North Gila ⇐

⇒ Kyrene



⇒ Gila Bend



Sempra Energy Facilities

Other Facilities

**EXHIBIT D**

**HASSAYAMPA AND ANPP SWITCHYARDS**

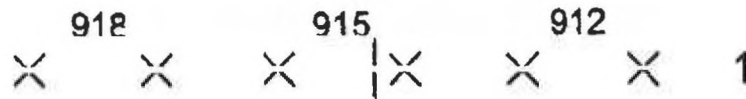
**One-line diagram of Hassayampa and ANPP Switchyards**



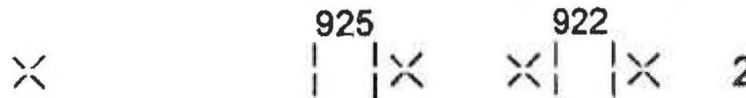
# Exhibit D – Oneline Diagram of Hassayampa Switchyard

Harquahala ⇐

► Palo Verde #3

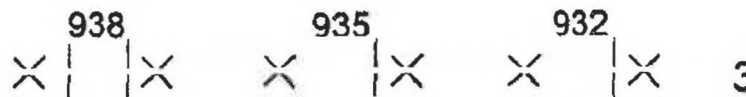


► Palo Verde #2



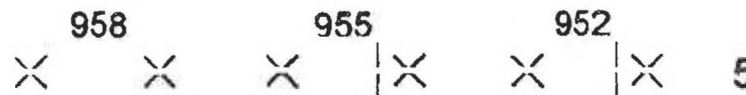
Arlington Valley ⇐

► Palo Verde #1

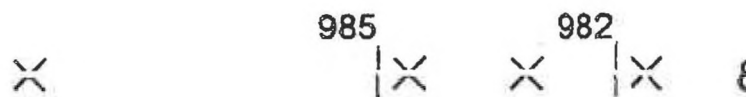


Mesquite ⇐

► Redhawk #1

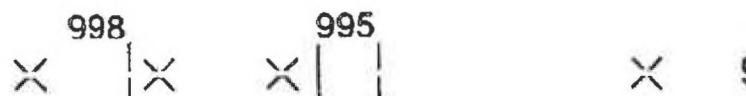


► Redhawk #2

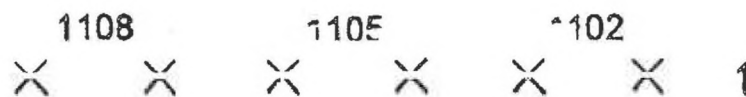


North Gila ⇐

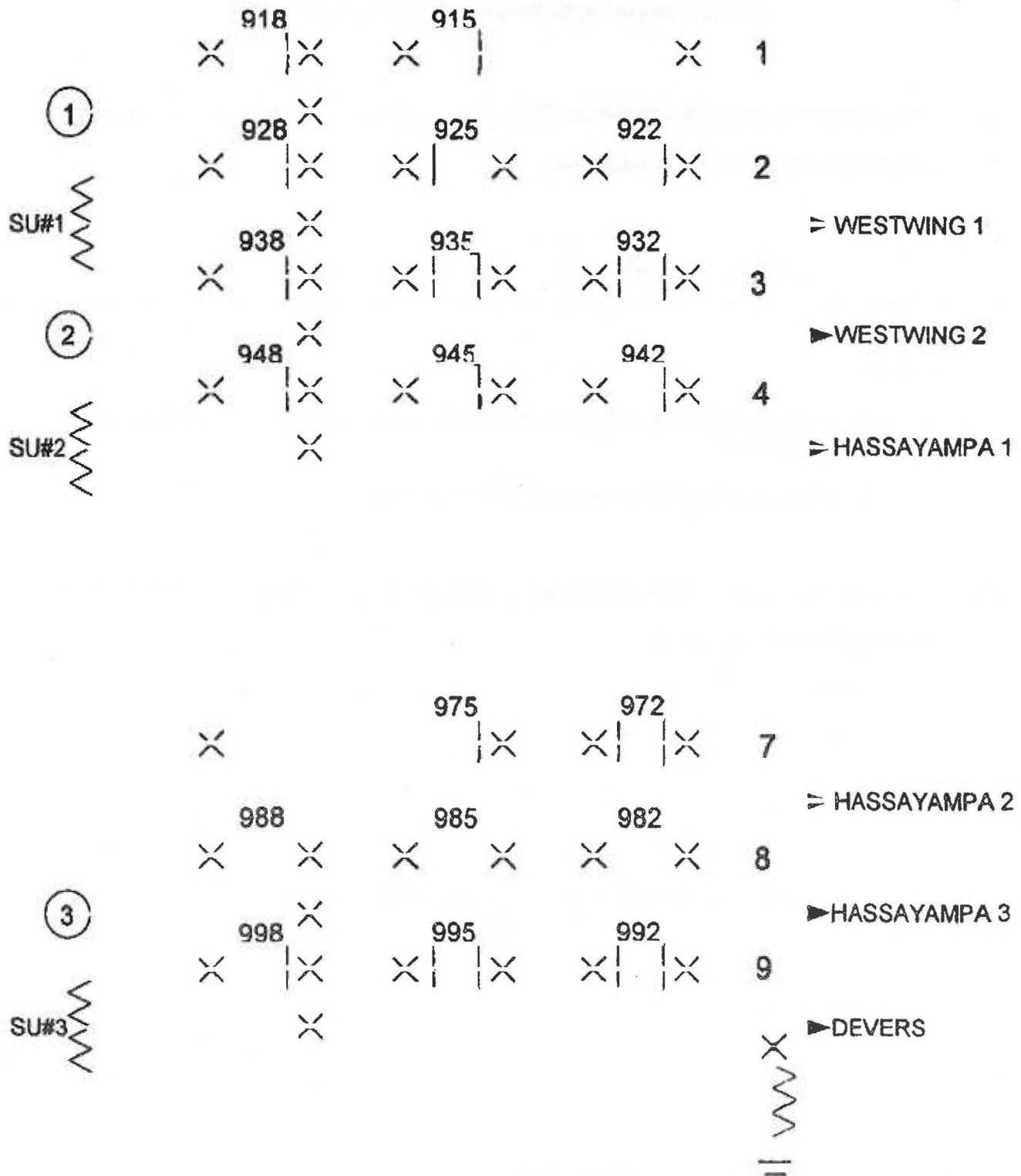
► Kyrene



► Gila Bend



# Exhibit D – Oneline Diagram of ANPP Switchyard



1 EXHIBIT E

2 HASSAYAMPA COST RESPONSIBILITY RATIO

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

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

9 Where:

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

12 Z = Total Number of Connection in ANPP Switchyard

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

15 X = 1

16 Z = 12

17 Therefore:

18  
19 Hassayampa CRR =  $\frac{X}{Z} = \frac{1}{12} = 0.0833 = 8.33\%$   
20  
21  
22  
23



EXHIBIT F

DETERMINATION OF  
ITCC COMPOSITE RATE

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

1 **EXHIBIT G**

2 **OPERATING COSTS**

3  
4 G.1. Operating Costs shall consist of any expense, fee, loss, liability, charge, debit or other cost  
5 of any kind paid, incurred or suffered by Operator in the course of or as a result of  
6 performing any Operating Work. Such costs shall include, but not be limited to the following:

7 G.1.1 All of the Operator's internal costs of labor, services and studies performed as a part  
8 of Operating Work.

9 G.1.2 Payroll and other expenses of Operator's employees performing Operating Work,  
10 including without limitation properly allocated labor loading charges, such as  
11 department overhead, time-off allowance, payroll taxes, worker's compensation  
12 insurance, retirement and death benefits and other employee benefits; provided,  
13 however, that the Operator, acting in good faith, may allocate to the Operating Costs  
14 a reasonable percentage of the payroll and other expenses of any employee who, in  
15 accordance with the Operator's standard operating procedures, does not keep time  
16 sheets.

17 G.1.3 An allowance for the Operator's administrative and general expenses, to cover the  
18 costs of services rendered by it in the performance of Operating Work.

19 G.1.4 All costs for components of Operating Work, including without limitation overhead  
20 costs associated with Operating Work (including properly allocated department  
21 overheads), as set forth in the Electric Plant Instructions of the FERC System of  
22 Accounts.

23 G.1.5 All costs, including those of outside consultants and attorneys, incurred by the

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

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

6 G.1.7 All costs of insurance.

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

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

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

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

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



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

1 **EXHIBIT H**

2 **MITIGATION REQUIREMENTS**

3  
4 **H.1 Mitigation Requirements:**

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

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

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

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

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

18 **H.3 Cost of Mitigation:**

19 Total estimated cost of Mitigation facilities described in Section H.1 above, is \$1.7 Million.  
20 Interconnector's share of the cost of the Mitigation facilities described in Section H.1 above  
21 shall be determined by the E&O Committee in accordance with Good Utility Practice and  
22 Applicable Requirements.  
23

**EXHIBIT I**

**RELIABILITY MANAGEMENT SYSTEM AGREEMENT**



## MODEL STAND-ALONE GENERATOR AGREEMENT

## RELIABILITY MANAGEMENT SYSTEM AGREEMENT

## by and between

[TRANSMISSION OPERATOR]

and

[GENERATOR]

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

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

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

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

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

## **1. PURPOSE OF AGREEMENT**

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

## **2. DEFINITIONS**

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

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

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

**Member** means any party to the WSCC Agreement.

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

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

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

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

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

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

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

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

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

### **3. TERM AND TERMINATION**

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

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

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

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

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



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

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

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

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

#### **4. COMPLIANCE WITH AND AMENDMENT OF WSCC RELIABILITY CRITERIA**

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

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

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

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

## **5. SANCTIONS**

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

## **6. THIRD PARTIES**



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

## 7. NOTICES

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

Fax:

Fax:

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



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

## **8. APPLICABILITY**

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

## **9. AMENDMENT**

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

## **10. INTERPRETATION**

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

## **11. PROHIBITION ON ASSIGNMENT**

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

## **12. SEVERABILITY**

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

### 13. COUNTERPARTS

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

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

By:  
Name:  
Title:

By:  
Name:  
Title:

**EXHIBIT J**  
**INSURANCE**

**J. Project Insurance**

J.1 Unless otherwise specified by the Administrative Committee for the ANPP Switchyard during the performance of Operating Work or Capital Improvements, the Operator shall procure and maintain in force, or cause to be procured and maintained in force, so as to be effective not later than the date on which the Operator shall first incur a risk of loss, damage or liability, insurance for the following casualty, automobile, property, and surety exposures.

**J.1.1 Casualty Exposures**

J.1.1.1 Commercial General Liability insurance, with a combined single limit per occurrence for bodily injury and property damage not less than \$33 million. Policy extensions shall include coverage for:

1. Personal Injury
2. Explosion, Collapse and Underground (X.C.U.)
3. Broad Form Property Damage
4. Employees as Insureds
5. Blanket Contractual Liability
6. Owners and Contractors Protective Liability
7. Products and/or Completed Operations
8. Liability arising out of the ownership, maintenance or use of all vehicles, owned, non-owned or hired.



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

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

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

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

17 J.1.2 Property Exposures

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

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

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

10 J.1.3 Surety Exposures/Crime Insurance

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

**EXHIBIT K**

**MEMORANDUM OF EASEMENT**

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EXHIBIT K

When recorded mail to:

BRYAN CAVE LLP  
Two North Central Avenue  
Suite 2200  
Phoenix, AZ 85004-4406  
Attn: Steven A. Hirsch, Esq.

**MEMORANDUM OF EASEMENT  
(HASSAYAMPA SWITCHYARD)**

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

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

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

**GRANTOR:**

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

By:  
Name:  
Its:

**MESQUITE POWER, LLC**

STATE OF               ] ]  
COUNTY OF          ] SS.

Notary Public

2

## EXHIBIT A

### LEGAL DESCRIPTION OF LAND

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



STATE OF CALIFORNIA    ]  
  ] SS.  
COUNTY OF SAN DIEGO   ]

The foregoing instrument was acknowledged before me on August       , 2001, by Michael R. Niggli, President of Mesquite Power, LLC, a Delaware limited liability company, on behalf thereof.

Notary Public

My Commission Expires: