

Appendix 9.1(a)(iii)
Form of FIRM ENTITLEMENT AGREEMENT

This **FIRM ENTITLEMENT AGREEMENT** (“Agreement”) is made this ___ day of _____, 201_ (the “Effective Date”) by and between the DEPARTMENT OF WATER AND POWER OF THE CITY OF LOS ANGELES, a department organized and existing under the Charter of the City of Los Angeles (“Los Angeles” or “LADWP”), and SALT RIVER PROJECT AGRICULTURAL IMPROVEMENT AND POWER DISTRICT, an agricultural improvement district organized and operating under the laws of the State of Arizona (“SRP”), hereinafter each individually referred to as “Party” and collectively referred to as the “Parties.”

RECITALS

WHEREAS, Los Angeles and SRP are “Parties,” “Participants,” and “Co-Tenants” to the Navajo Co-Tenancy Agreement (the “Co-Tenancy Agreement”) dated as of July 23, 1979, as amended through the date hereof, by which certain terms and conditions are established relating to their interests in, or their ownership of, and rights to use the “Transmission System,” as that term is defined in the Co-Tenancy Agreement;

WHEREAS, pursuant to Section 8.2 of the Co-Tenancy Agreement, “[a]ny Participant may acquire firm entitlement in the Transmission System in addition to that provided for in Section 8.1 hereof upon the written agreement of all Participants having cost responsibility under the Project Agreements for the facilities over which such firm entitlement is sought, provided that said firm entitlement does not materially interfere with the right of any other Participant to utilize its entitlement. . . .”

WHEREAS, Los Angeles has acquired and owns a 48.9% undivided interest as tenant in common in the Navajo-Crystal 500 kV line, the Crystal-McCullough 500 kV line, the Navajo-Crystal Line Compensation (Navajo end), the Crystal-McCullough Line Compensation (McCullough end), and the Western Transmission Communications System, as described in Section 6.2.7 of the Co-Tenancy Agreement (collectively, the “Western Transmission System”);

WHEREAS, Los Angeles and SRP have entered into an Asset Purchase and Sale Agreement dated as of [**Insert Date**], pursuant to which Los Angeles will sell and transfer to SRP its interests in the Navajo Generating Station, SRP will sell and transfer its interest in the land underlying the former Mohave Generating Station and its interest in the Eldorado Transmission System to Los Angeles, and Los Angeles will purchase power from SRP for a specified period of time, among other matters (the “APA”);

WHEREAS, on the Effective Date (as defined above) Los Angeles will have all necessary rights and consents to allow SRP to use a firm entitlement of 350 MW on the Navajo-Crystal Line and a firm entitlement of 350 MW on the Crystal-McCullough Line

described in Section 1.1 herein (the "Firm Entitlement Rights") for the Term of this Agreement;

WHEREAS, in conjunction with the APA, Los Angeles desires to grant to SRP and SRP desires to accept the firm Entitlement Rights provided under the Co-Tenancy Agreement;

WHEREAS, the Firm Entitlement Rights granted herein do not materially interfere with the right of any other Participant to utilize its entitlement as provided in Section 8.1 of the Co-Tenancy Agreement;

WHEREAS, the Firm Entitlement Rights acquired by SRP are subject to the provisions of the Edison-Navajo Transmission Agreement, and LADWP has requested and SRP has agreed to make the Firm Entitlement Rights available when requested by Southern California Edison (SCE) pursuant to the Edison-Navajo Transmission Agreement; and

WHEREAS, capitalized terms that are not defined in this Agreement shall have the meanings ascribed to such terms in the APA.

AGREEMENT

NOW, THEREFORE, for mutually agreeable consideration and the mutual covenants and agreements of the Parties contained herein, the Parties agree as follows:

1. GRANT OF FIRM ENTITLEMENT RIGHTS

1.1 Grant of firm entitlement to use of Los Angeles' rights in the Western Transmission System.

1.1.1. To be effective upon the Effective Date, for the Term of this Agreement, Los Angeles hereby grants its full rights under the Co-Tenancy Agreement to (i) 350 MW of the transmission capacity of the Navajo-Crystal 500 kV Line and (ii) 350 MW of the transmission capacity of the Crystal-McCullough 500 kV Line to SRP, as contemplated by Section 8.2 thereof. The conveyance by Los Angeles to SRP of this 350 MW firm entitlement over these two lines represents a total of 17.5% of the 2,000 MW line ratings of the Navajo-Crystal 500 kV Line and Crystal-McCullough 500 kV Line, from Los Angeles' total 48.9% interest in the two lines (978 MW), as set forth in Section 6.2.7 of the Co-Tenancy Agreement. The 350 MW is a fixed amount.

1.1.2 Payment for firm entitlement to 350 MW of Los Angeles' rights in the Western Transmission System.

1.1.2.1 For the Term of this Agreement, except as noted below with respect to capital costs, SRP will reimburse Los Angeles for a proportionate

35.8% share of the following costs that are billed to Los Angeles for: (i) the Navajo-Crystal 500 kV Line; (ii) Crystal-McCullough 500 kV Line; (iii) Navajo-Crystal Line Compensation (Navajo end), (iv) Crystal-McCullough Line Compensation (McCullough end), and (v) Western Transmission Communications pursuant to the operation and maintenance agreements governing these transmission systems: actual operation and maintenance costs, and actual land lease costs:

1.1.2.2 Notwithstanding the foregoing, SRP shall only be responsible for capital costs as follows, based on the in-service date of that capital item:

- (a) 100% of the 35.8% share for capital costs of capital items with an in-service date between the Effective Date and December 31, 2017,
- (b) 50% of that 35.8% share (17.9%) for capital costs of capital items with an in-service date between January 1, 2018 and December 31, 2018, and
- (c) 10% of that 35.8% share (3.58%) for capital costs of capital items with an in-service date between January 1, 2019 and December 22, 2019, and 0% thereafter.

By way of clarification, if a capital item does not have an in-service date during the relevant period, SRP shall not be responsible for any of the capital costs associated with that item.

1.1.2.3 SRP will pay Los Angeles 35.8% of the amount invoiced each month to Los Angeles for no-load losses on the Western Transmission System as those losses are calculated under the current interim loss methodology approved by the Transmission Engineering and Operating Committee pursuant to the Co-Tenancy Agreement. SRP will pay Los Angeles a proportionate share of the amount invoiced to Los Angeles each month for load losses on the Western Transmission System as those losses are calculated under the current interim loss methodology approved by the Transmission Engineering and Operating Committee pursuant to the Co-Tenancy Agreement with the proportionate share determined for each hour during the billing period by calculating the ratio of SRP's energy schedule to Los Angeles' energy schedule. For those hours during which one Party had an energy schedule and the other Party did not have an energy schedule, the Party with the energy schedule will be responsible for 100% of the invoiced load losses associated with that hour. For the purposes of calculating the proportionate share, Los Angeles energy schedule shall include any energy schedules associated with transmission service on the Western Transmission System that Los Angeles has sold to third parties. When a new loss calculation/allocation methodology is developed and approved by the Transmission Engineering and Operating Committee, SRP will pay a similar proportional share of no-load and load losses as allocated to Los Angeles as

calculated under any such new loss methodology and a similar proportional share of any true up for any difference between the interim loss methodology and any subsequent new loss methodology used during the Term of this Agreement.

2. EDISON-NAVAJO TRANSMISSION AGREEMENT

2.1 The Parties agree that the firm entitlements to transmission capacity granted to SRP pursuant to Section 1 of this Agreement are subject to the provisions of the Edison-Navajo Transmission Agreement. During the Term of this Agreement, SRP agrees that it will make available its proportional share of transmission capacity on the Crystal-McCullough, Navajo-Crystal, and Navajo-Moenkopi lines as required pursuant to Sections 10.1 of that agreement when requested by SCE pursuant to the provisions of the Edison-Navajo Transmission Agreement. Moreover SRP will be the benefactor, in its proportional share of transmission capacity, of any reciprocity or other rights accorded to Los Angeles under the Edison-Navajo Transmission Agreement.

3. EFFECTIVE DATE, TERM AND TERMINATION

3.1 Effective Date. This Agreement shall become effective on the Effective Date.

3.2 Term. The Term of this Agreement shall be from January 1, 2016, through December 22, 2019.

4. NOTICES, BILLING AND PAYMENT

4.1 Notices shall be provided pursuant to the same procedures as set forth in Section 11.3 of the APA.

4.2 Los Angeles shall provide SRP with copies of all billing statements, and supporting materials received from the Operating Agents of the Western Transmission System, together with all material correspondence received from the Participants with respect to proposed operation, capital improvement and maintenance projects and expenses for that system, within five business days after receipt thereof, unless SRP is shown to have received a copy thereof already.

4.3 SRP shall pay Los Angeles for amounts due hereunder no later than five days following the date the payment is due by LADWP to the Operating Agents for the Western Transmission System.

4.4 SRP will not have the right to approve or disapprove O&M budgets or Capital Improvements proposed for any portion of the Firm Entitlements on the Western Transmission System or the Western Transmission Communication System it receives from Los Angeles pursuant to this Agreement. Notwithstanding the foregoing, Los Angeles will make knowledgeable personnel available and will consult with SRP concerning O&M budgets and/or Capital Improvements.

5. **DISPUTE RESOLUTION.** The provisions of Appendix 11.10(c) of the APA shall apply to any disputes that arise among the Parties pursuant to this Agreement.

6. **MISCELLANEOUS AGREEMENTS AND ACKNOWLEDGEMENTS**

6.1. **Expenses.** Except as otherwise provided herein, each Party is responsible for its own costs and expenses (including attorneys' and consultants' fees, cost and expenses) incurred in connection with this Agreement and the consummation of the transactions contemplated by this Agreement.

6.2. **Entire Document.** This Agreement contains the entire agreement between the Parties with respect to the transactions contemplated hereby and superseded all negotiations, representations, warranties, commitments, offers, contracts and writings prior to the execution date of this Agreement, written or oral. No waiver and no modification or amendment of any provision of this Agreement is effective unless made in writing and duly signed by the Parties referring specifically to this Agreement, and then only to the specific purpose, extent and interest so provided.

6.3. **Assignability.** This Agreement is binding upon and inures to the benefit of the successors and assigns of the Parties, but is not assignable by either Party without the prior written consent of the other Party, which consent may be granted or withheld in such Party's reasonable discretion; provided that any purported assignment that would violate or otherwise invalidate the grant of firm entitlement under Section 8.2 or any other provision under the Co-Tenancy Agreement shall be null and void and have no force or effect. Any such assignment is conditioned on the assignee's agreement in writing to assume the assigning Party's duties and obligations under this Agreement. Any assignment effected in accordance with this Section 6.3 will not relieve the assigning Party of its obligations and liabilities under this Agreement. Any assignment effected in accordance with this Section 6.3 is subject to the provisions of the Co-Tenancy Agreement which restricts such assignment to other Participants only.

6.4. **Governing Law.** The validity, interpretation and effect of this Agreement are governed by and will be construed in accordance with the laws of the State of Arizona, without regard to conflicts of law doctrines except to the extent that certain matters are preempted by Federal law or are governed by the law of the jurisdiction of organization of the respective Parties.

6.5. **Regulatory.** The Parties hereunder, both "non-public utilities" under the Federal Power Act, waive no rights with respect to the lack of Federal Energy Regulatory Commission ("FERC") jurisdiction over this Agreement to the extent that this Agreement is the subject of any proceedings under the Federal Power Act or before FERC. If for any reason this Agreement is subject to changes or conditions imposed by an order of FERC or a court of competent jurisdiction that one or both Parties declare to the other Party to be unacceptable, within 15 days of issuance, this Agreement shall be terminated.

6.6. No Third Party Beneficiaries. Except as may be specifically set forth in this Agreement, nothing in this Agreement, whether express or implied, is intended to confer any rights or remedies under or by reason of this Agreement on any persons other than the Parties and their respective permitted successors and assigns, nor is anything in this Agreement intended to relieve or discharge the obligation or liability of any third persons to any Party, nor give any third Persons any right of subrogation or action against any Party.

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


[Signature page follows]

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

LADWP:

DEPARTMENT OF WATER AND POWER
OF THE CITY OF LOS ANGELES,
a department organized and existing under the
Charter of the City of Los Angeles, California

APPROVED AS TO FORM AND LEGALITY
MICHAEL N. FEUER, CITY ATTORNEY

BY  **MAY 13 2015**

VAUGHN MINASSIAN
DEPUTY CITY ATTORNEY

By: _____

Name: Marcie L. Edwards

Title: General Manager

Date: _____

And: _____
SRP: Barbara E. Moschos, Board Secretary

SALT RIVER PROJECT AGRICULTURAL
IMPROVEMENT AND POWER DISTRICT,
a political subdivision of the State of Arizona

By: _____

Name: _____

Title: _____