

APPENDIX 2.10

CALCULATION OF MARKET PRICE ADJUSTMENT

The Actual Market Value (“AMV”) is the sum of the Monthly Market Value Difference (“MMVD”) for all calendar months beginning with the month of the closing date through December 2019.

$$AMV = \sum_{i=Closing\ Month}^{December\ 2019} MMVD_i$$

If the AMV is between \$0 and \$10,000,000, no Market Price Adjustment (“MPA”) payment will be due by either Party.

If the AMV is greater than \$10,000,000, SRP will make a MPA payment to LADWP equal to 50% of the amount by which the AMV exceeds \$10,000,000.

If the AMV is less than \$0, LADWP will make an MPA payment to SRP equal to the lesser of \$9,000,000 or the absolute value of AMV.

Calculation of MMVD_i

MMVD_i is the difference between actual NGS Market Value (“NGS MV”) and actual NGS Expenses (“NGS EXP”) for a given month *i*.

$$MMVD_i = (NGS\ MV_i - NGS\ EXP_i)$$

Where:

NGS MV_i is the product of actual monthly NGS Generation (“NGS Gen_i”) and the monthly arithmetic mean of the hourly prices of energy, as determined using the Intercontinental Exchange (“ICE”) Day Ahead Firm Palo Verde On-Peak Weighted Average Index price for each NERC On Peak hour and the ICE Day Ahead Firm Palo Verde Off-Peak Weighted Average Index for each NERC Off Peak hour in a given month *i*; and

NGS Gen_i is the actual energy output of the acquired NGS capacity in a given month *i* and is equal to 49.38% of SRP’s share of actual NGS output; and

NGS EXP_i is the sum of all NGS expenses attributable to the acquired NGS capacity and usage of that capacity for a given month *i* and includes all expenses as outlined in greater detail in this Appendix.

In the event of a partial month, which would arise if the closing date does not occur on the first day of the closing month and/or the final month, which would end on December 22, 2019, NGS MV_i, NGS Gen_i and NGS EXP_i would each be prorated according to the ratio of applicable days in the given month and total days in the same month. For example, if closing occurred on July 15, 2016, the ratio would be 16/31. In the last month, December 2019, the ratio would be 22/31.

MPA Payment Example Calculation #1

The AMV is calculated as \$50,000,000. In this instance, since AMV is positive, an MPA payment is due LADWP from SRP. The amount due LADWP would be \$20,000,000:
 $\$20,000,000 = 0.5 \times (\$50,000,000 - \$10,000,000)$.

MPA Payment Example Calculation #2

The AMV is calculated as negative \$30,000,000. In this instance, since AMV is negative, an MPA payment is due SRP from LADWP. The amount due SRP would be \$9,000,000 since the amount due from LADWP is capped at \$9,000,000.

MPA Payment Example Calculation #3

The AMV is calculated as positive \$3,000,000. In this instance, since AMV is between \$0 and \$10,000,000, no MPA payment is due SRP from LADWP.

Calculation of Actual NGS Expenses

NGS EXP_i for a given month *i* includes the following expenses. Except as otherwise and explicitly noted, the amount of each expense attributable to the calculation of NGS EXP will be 49.38% of SRP's total NGS expense liability for each cost category listed below. For costs that are only invoiced to NGS Participants annually, the amount will be applied to the month invoiced and prorated if applicable based on the number of months in the Term which are included in the annual invoice. The Term ("Term") is the period from closing to December 22, 2019.

Coal Cost: The Coal Cost will be calculated using the same methodology as for other NGS owners, except that LADWP's obligations for the Final Mine Reclamation and Retiree Healthcare Costs under the Settlement and Mutual Release (SAMR) will be excluded and paid to Peabody Western Coal Company by LADWP. For greater certainty, the Coal Cost shall be calculated in accordance with the Amended Navajo Station Coal Supply Agreement, dated as of February 18, 1977, as amended by the agreement among the parties thereto, dated as of September 24, 2010, and further amended by the parties thereto in accordance with its terms. The methodology for determining Coal Cost will be the same as shown in Appendix 1, with the previously noted SAMR cost exclusion.

Navajo Nation Coal Lease Amendment Cost: The share of all costs associated with the Navajo Nation Coal Lease Amendment that can be attributed to the NGS Assets and to SRP's period of ownership of the acquired assets. The methodology for determining the Navajo Nation Coal Lease Amendment Cost will be the same as shown in Appendix 2.

Hopi Coal Lease Amendment Cost: The share of all costs associated with the Hopi Coal Lease Amendment that can be attributed to the NGS Assets and to SRP's period of ownership of the acquired assets. The methodology for determining the Hopi Coal Lease Amendment Cost will be the same as shown in Appendix 3.

Fuel Oil Usage Cost: The Fuel Oil Usage Cost per the terms of the NGS Operating Agreement. The methodology for determining the Fuel Oil Usage Cost will be the same as shown in Appendix 4.

O&M Cost: The monthly total O&M Cost as invoiced to the owners of NGS in the form shown in Appendix 5 per the terms of the NGS Operating Agreement.

Property Insurance Cost: The Property Insurance Cost as invoiced to the owners of NGS in the form shown in Appendix 6 per the terms of the NGS Operating Agreement.

Liability Insurance Cost: The Liability Insurance Cost as invoiced to the owners of NGS in the form shown in Appendix 7 per the terms of the NGS Operating Agreement.

Lease Cost: The Lease Cost will be 49.38% of SRP's share of the NGS lease costs during the Term, including any amounts associated with such interest as set forth in the unexecuted Amendment No. 1 to Indenture of Lease Navajo Units 1, 2 and 3 between the Navajo Nation and the Co-Tenants, when and if such amounts become due and payable.

Capital Costs: The Capital Cost will be based on 49.38% of SRP's capital costs, excluding any capital costs paid by LADWP as an owner prior to closing and adjusted based on the in-service dates as follows:

1. 100% for capital projects with in-service dates prior to January 1, 2018
2. 50% for capital projects with in-service dates between January 1, 2018 and December 31, 2018
3. 10% for capital projects with in-service dates between January 1, 2019 and December 22, 2019
4. 0% for capital projects with in-service dates after December 22, 2019

Property Taxes Cost: The Property Taxes Cost will be the incremental cost to SRP as a result of the purchase of the NGS Assets prorated for the Term. The payments are due November 1 for the first half of each calendar year, January 1 through June 30, and May 1 for the second half of the preceding calendar year, July 1 through December 31.

Other Costs: Except as otherwise provided in this paragraph, SRP will include any other costs which are charged to the owners of NGS during the Term, except for those costs already included or excluded in other provisions of this Market Price Adjustment (including those covered by the section on Capital Cost).

Annual Calculations and Final Market Price Adjustment

An annual AMV will be calculated for each calendar year of the Term, with the first AMV provided by August 1 of the calendar year after closing. Any disputes with the annual AMV amount shall be resolved in accordance with Section 11.10 of the Asset Purchase and Sale Agreement by and between SRP and LADWP.

The final MPA calculation will be performed no later than August 1, 2020. Any adjustments as a result of receipt of insurance proceeds, true-up of estimates, subsequent Participant audits, or any other adjustments applicable to the Participants of NGS for Coal Cost, Fuel Oil Usage Cost, O&M Cost (including A&G, employee benefits, including workers compensation benefits and payroll tax withholdings, capital costs, employee bonuses, internal services costs, and any other O&M Cost shared by the Participants), Property and Liability Insurance Cost, Lease Cost, Capital Cost, Property Taxes Cost and any other costs shared by the Participants and charged or chargeable to LADWP hereunder, shall result in a re-calculation of the MPA. The difference between the adjusted MPA and the original MPA shall be refunded to LADWP by SRP or paid by LADWP to SRP as applicable. If LADWP objects to any adjustment, the dispute shall be resolved in accordance with Section 11.10 of the Asset Purchase and Sale Agreement by and between SRP and LADWP.