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Arizona Power Authority
1810 W. Adams St. Phoenix, AZ 85007
Tel (602) 368-4265 Fax (602) 253-7970

STAFF

Ed Gerak
Executive Director

John T. Underhill, Jr.
Interim Deputy Director

Heather J. Cole
Executive Secretary

HOOVER POWER POOLING PROGRAM

The Hoover Power Pooling Program (the "Program") provides information regarding the Arizona Power Authority's (the "Authority") current approach to Customers' scheduling practices of Hoover Power with respect to the use of "Power Pools," as that term is defined herein. The Program is advisory only and does not impose additional requirements or penalties on the Authority's customers or include confidential information or rules made in accordance with the Arizona Administrative Procedure Act.

It has been, and continues to be, the Program of the Authority to encourage and facilitate transactions between and among the Authority's Contractors that maximize the value of the Hoover resources to such Contractors and their Customers. This Program preserves and extends that intent in conjunction with the new Hoover contracts and services thereunder beginning October 1, 2017.

Authority customers may elect to work directly with the Authority staff when scheduling their Hoover Power Entitlement or they may elect to participate with the Authority through a Power Pool as described herein. This Program is approved by the Authority Commission in accordance with its rules and replaces Authority power pooling arrangements expiring on September 30, 2017.

This Program is intended to deal only with Hoover Power and not the management of customer loads and resources by customers or their representatives.

Preamble

The Participants implement individual power and water conservation programs under federal and state statutes and regulations. For example, the Energy Program Act of 1992 ("EPACT") requires integrated resource planning. The Cooperative Scheduling provided for in this Program will improve efficiencies and economics of electric system dispatch and will further the goals of, and compliance with, EPACT by increasing efficient use of federal power resources.

The eligible Participants are party to an Authority Power Sales Contract ("PSC"), as authorized by Arizona statutes and regulations, with an Allocation of Hoover A Power, Hoover B Power, and Hoover D-1 and/or D-2 Power ("Hoover Power"). The Cooperative Scheduling provided for in this Program shall comply with the Participants' contractual obligations to the Authority, state and federal law and the Authority's rules.

Principles¹

- A. Authority customers participating in the development and operation of a Power Pool will identify the Participants in the Power Pool and the Administrative Agent for the Power Pool.
- B. Participants in a Power Pool will provide to the Authority written authorization for the Administrative Agent designated to act on their behalf under their PSC.
- C. The Participants' planning, scheduling, accounting, and other arrangements prepared by them or for their purposes shall remain the property of the Participant.
- D. Information related to the Hoover Power resource, such as monthly capacity and energy Entitlements including layoff, exchange, and/or banking activities will likely appear on Authority and Western reports and will not be proprietary and confidential.
- E. Each Administrative Agent will receive a copy of Hoover Power Allocations and Entitlements for each month for all of the Authority's customers in any customer's Power Pool. The Authority will provide information in advance when it is available from Western.
- F. The Participants' modifications to the Hoover Power Entitlements will be limited to monthly adjustments among the Power Pool Participants. The Power Pools may include exchanges and layoffs with other Authority customers or other Authority Power Pools. Pursuant to the PSC, adjustments of any kind will require Authority oversight and approval, but such approval shall not be unreasonably withheld. The Administrative Agent will communicate any proposed adjustments with the Authority staff, who will verify these adjustments with the Scheduling Entity(ies), and other Administrative Agents as necessary.
- G. An Administrative Agent may attend operations, scheduling, and accounting coordination sessions on behalf of its Power Pool Participants. The Authority and Power Pool Participants agree to determine appropriate Power Pool information exchange procedures to protect commercially sensitive Participant information while allowing them to fully identify how Hoover Power is scheduled.
- H. An Administrative Agent, in coordination with other approved Power Pools, may participate in monthly Entitlement adjustments between these pools and customers with Authority oversight and approval; however, such approval shall not be unreasonably withheld.
- I. An Administrative Agent may coordinate the purchase by the Authority of supplemental and firming capacity and energy to be re-sold by the Authority to Power Pool Participants. These purchases will be in accordance with agreements between the Authority and the selling party providing the capacity and/or energy.
- J. The Administrative Agent will confirm bulk schedules with the Power Pool Participants' Scheduling Entity(ies) and load serving entity(ies) to confirm monthly, hourly and daily schedules in accordance with good utility practices.
- K. The Authority will not be responsible for the planning and scheduling activities for customer resources that do not involve Hoover Dam capacity and energy.

¹ All capitalized terms shall have the meaning identified in Section 1 hereof.

- L. It is the intent of the Authority that Power Pool schedule modifications will not interfere with other customers' deliveries of Hoover Power, negatively impact other customer's use of their Hoover Power Entitlements via another Power Pool or program, or enable utility customers to engage in practices not acceptable to the host utility.
- M. The Authority will prepare billings for Hoover Power for all Authority customers.

1. DEFINITIONS

For the purpose of this Program, the terms set forth below have the following meanings:

- 1.1 Administrative Agent: The person, entity or entities whom the Participants in a Power Pool designate from time to time pursuant to paragraph 4.1 hereof.
- 1.2 Allocation: The Hoover Capacity and Hoover Energy that the Customer is entitled to receive at the Point of Delivery based on the Allocation in the Post-2017 Marketing Plan, or the Boulder Canyon Project-Post 2017 Resource Pool adopted by Western on December 18, 2014 (79 Fed. Reg. 75544), including associated Ancillary Services and Environmental Attributes.
- 1.3 Authority: The Arizona Power Authority.
- 1.4 Authority Power Sales Contract or "PSC" as defined above: A power sales contract between the Authority and a Participant relating to Hoover A, Hoover B, Hoover C, Hoover D-1, and/or Hoover D-2 capacity and energy.
- 1.5 Contract Year: October 1 of any year through September 30 of the subsequent year.
- 1.6 Cooperative Scheduling: Cooperative scheduling and voluntary exchanging of the Participants' Hoover Power and any additional resources that the Participants in a Power Pool may cooperatively schedule and/or exchange.
- 1.7 Effective Date: The date on which the Authority approves operation of a Power Pool under this Program.
- 1.8 Entitlement: That portion of the Customer's Allocation that the Customer is entitled to receive at the Point of Delivery for the then current Contract Year as reflected in the Capacity and Energy Schedule and adjusted for Hoover power plant outages and lake level restrictions.
- 1.9 Hoover A: The capacity and energy offered to the Authority pursuant to Section 2. (a) of the Hoover Power Allocation Act of 2011 and purchased by the Authority pursuant to the Boulder Canyon Project Agreement.
- 1.10 Hoover B: The capacity and energy offered to the Authority pursuant to Section 2. (b) of the Hoover Power Allocation Act of 2011 and purchased by the Authority pursuant to the Boulder Canyon Project Agreement.
- 1.11 Hoover C: The capacity and energy offered to the Authority pursuant to Section 2. (c) of the Hoover Power Allocation Act of 2011 and purchased by the Authority pursuant to the Boulder Canyon Project Agreement.

- 1.12 Hoover D-1: The capacity and energy offered to the Authority pursuant to Section 2. (d) of the Hoover Power Allocation Act of 2011 and purchased by the Authority pursuant to the Boulder Canyon Project Agreement.
- 1.13 Hoover D-2: The capacity and energy offered to the Authority pursuant to Section 2. (d) of the Hoover Power Allocation Act of 2011 and purchased by the Authority pursuant to the Boulder Canyon Project Agreement.
- 1.14 Hoover Power: Hoover A, Hoover B, Hoover C, Hoover D-1, and Hoover D-2 capacity and/or energy. As used herein, Hoover Power shall mean Monthly Capacity, Monthly Energy and Hoover C, unless the context otherwise requires.
- 1.15 Monthly Capacity: The quantity of Entitlement capacity expressed in kilowatts (kW) that each Participant is entitled to receive each month pursuant to that Participant's Authority Power Sales Contract.
- 1.16 Monthly Energy: The quantity of available energy expressed in kilowatt-hours (kWh) that the Authority is committed to supply and each Participant is entitled to receive each month pursuant to that Participant's Authority Power Sales Contract.
- 1.17 Monthly Scheduling Meeting: A monthly meeting among the Participants, Administrative Agents, and a designated employee or employees of the Authority, to discuss the scheduling of customers' Hoover Power, taking into consideration requests for Cooperative Scheduling. The Monthly Scheduling Meeting is described more fully herein in Section 8.
- 1.18 Participants: Authority customers who have executed a Power Pool Agreement.
- 1.19 Power Pool(s): Any group of two or more Authority customers that chose to work together as a pool in the Cooperative Scheduling of Hoover Capacity and Hoover Energy pursuant to the Program.
- 1.20 Power Pool Agreement: A contract, as contemplated by and authorized pursuant to the PSC, between any group of two or more Authority customers that chose to work together in the Cooperative Scheduling of Hoover Capacity and/or Hoover Energy.

Terms in initial capitalization and not defined in this document shall have the meanings given them in the Authority Power Sales Contract.

2. **OBJECTIVE**

- 2.1 The objective of a Power Pool is to use Cooperative Scheduling to utilize the load and resource diversity among the Participants of each Power Pool, for the optimum scheduling of Hoover Power and the various additional resources available to each Participant. The Participants expect full utilization of Hoover Power and wish to maximize efficient use of all resources at reduced costs to such Participants while, at the same time, enabling the Authority to retain their responsibilities required by state statutes, regulations, and as reflected in the PSC.

3. EXISTING AND APPROVED POWER POOLS

- 3.1 This Program is intended to provide specific guidelines for any proposed or existing Power Pool and to identify certain additional requirements on the Participants and the Administrative Agents.
- 3.2 The Auditor General Report No. 16-111, Recommendation 2.1, specifies that the Authority should ensure that any power pooling arrangements established under the new contracts beginning October 1, 2017, are approved in accordance with its rules. The Auditor General expects the Resource Exchange Program to continue but under the terms of this Program effective October 1, 2017.
- 3.3 At present, the only approved Power Pool overseen by the Authority is an established Power Pool known as the Resource Exchange Program ("REP"). The REP was established by the Arizona Power Authority Commission in 1993, initially as a pilot program, to provide a mechanism for the layoff of Hoover capacity and/or energy and subsequent purchase of the resultant layoff capacity and/or energy by other Authority customers participating in the REP. It has evolved to provide longer term planning windows for layoffs, so Hoover Power is used more efficiently and can accommodate seasonal exchanges with entities like Page Utility and customers with in lieu surface water opportunities. The REP has demonstrated wide spread benefits to many customers who utilize the pooling and exchanges to increase the value of Hoover to their customers and those benefits are intended to be facilitated by this Program, as contemplated by the PSC.

4. ADMINISTRATIVE AGENT

- 4.1 The Participants of each Power Pool shall select an Administrative Agent. Each Power Pool Participant shall contract with its Administrative Agent, as necessary, to fulfill the scheduling and accounting functions required for the operation of the PSC and this Program, which contract may be an extension of an existing contract. Each Participant shall execute such documentation as is necessary to authorize the Administrative Agent to act as that Participant's representative for purposes of scheduling Hoover Power, and any additional resources that are Cooperatively Scheduled, and for such other purposes as are necessary or convenient to carry out activities of an approved Power Pool, including, but not limited to, obtaining copies of power bills and schedules. Each Participant shall provide written notice to the Authority of such authorization. Any Participant that does not notify the Authority that it has selected an Administrative Agent may act on its own behalf in performance of an approved Power Pool.
- 4.2 Each Administrative Agent shall use its reasonable best efforts to propose schedules that fully utilize the Power Pool Participants' Hoover Power Entitlements, and any other Authority resources, as directed and requested by its Power Pool Participants, in accordance with the intent and purpose of the PSC and this Program. An Administrative Agent is authorized to rely upon information provided by the Participants and shall not be responsible for the accuracy of such information or the

results or consequences of Cooperative Scheduling undertaken in reliance on such information.

- 4.3 Each Administrative Agent shall execute a Program Agreement in a form consistent with the form set forth in Exhibit I hereto. Exhibit I outlines specifics for the operation of the existing group of Participants operating under the REP. The additional Exhibits are examples of other Power Pools that may be created pursuant to the PSC, consistent with this Program.

5. COOPERATIVE SCHEDULING, REPORTING, BILLING AND PAYMENT PROCEDURES

- 5.1 This Program allows the Participants in a Power Pool to Cooperatively Schedule Hoover Power.
- 5.2 Prior to the tender or relinquishment of Hoover Power to the Authority pursuant to Section 29(b) of the Authority Power Sales Contract, but subject to the provisions of the Authority Power Sales Contract, Cooperative Scheduling may be undertaken within a single Contract Year for not less than a one-month period by the Administrative Agent on behalf of those Participants which have so directed, or such other period as requested by the Administrative Agent and approved by the Authority.
- 5.3 Participants taking part in Cooperative Scheduling shall provide, or cause to be provided to the Authority, a monthly schedule stating each Participant's Hoover Power Entitlement before the Cooperative Schedule for such month, the amounts of Hoover Power Cooperatively Scheduled to, from or with each Participant, and the net resulting schedule of each Participant. Each Participant's resulting net Hoover Power schedule will be the schedule the Authority employs for the month pursuant to the terms and conditions of the PSC and this Program.
- 5.4 As soon as practicable after monthly schedules are finalized, each Administrative Agent shall prepare a report describing the Cooperative Scheduling undertaken by that Administrative Agent for its Power Pool Participants for that scheduling period. Any Participant acting on its own behalf in the performance of the approved Power Pool shall cause a similar report to be provided for its activities. The form of the report may be modified from time to time, as discussed and agreed to at the Monthly Scheduling Meetings discussed herein at Section 8. A copy of the report shall be made available to the Authority.
- 5.5 Each Participant who Cooperatively Schedules Hoover Power agrees to assume the financial obligation for any amount of Hoover Power scheduled for it pursuant to any Power Pool Agreement.
 - a. The Authority shall bill each Participant for all additional amounts of Hoover Power in a manner consistent with the then current Authority monthly billing process.

- b. Each Participant agrees to pay the Authority for such additional unit of Hoover Power scheduled for it in a manner consistent with the payment process required for Hoover Power. Should a Participant fail to pay for such additional amount of Hoover Power, the Authority may elect to employ the collection process for such amount in a manner consistent with collection of unpaid bills for Hoover Power.
- 5.6 Each Participant ("Disposing Participant") agrees that the Cooperative Scheduling of any of its Monthly Capacity and Monthly Energy Entitlement to another Participant ("Acquiring Participant") pursuant to any Power Pool Agreement shall not relieve the Disposing Participant of its underlying obligation to pay for its Monthly Capacity and Monthly Energy pursuant to the Authority Power Sales Contracts. Each Disposing Participant having part or all of its Monthly Capacity and Monthly Energy Cooperatively Scheduled to another Participant agrees (i) that the Authority bill rendered to such other-Acquiring Participant shall constitute legally sufficient billing by the Authority in compliance with the Authority Power Sales Contract to the Disposing Participant whose Monthly Capacity and Monthly Energy is scheduled to another, should the Authority exercise its rights to collect payment in full from any such Disposing Participant; and (ii) that the administration of any Power Pool Agreement shall not, in any manner, affect the Authority's right to collect payment from any Participant for its Monthly Capacity and Monthly Energy pursuant to the Authority Power Sales Contract.
- 5.7 To maximize the value of the Hoover Resource, the Authority recognizes the benefit that flexibility provides to the Customers. Hoover A shall be purchased and scheduled under a Power Pool Agreement only by Participants having a power purchase certificate and shall be used within the area covered by the power purchase certificate. Except for this restriction, Hoover A, B, D-1, D-2 can be exchanged, purchased and scheduled under a Power Pool Agreement with Participants having a Hoover A, B, D-1, and/or D-2 allocation, subject to the terms and conditions of the Authority Power Sales Contract and limited to available transmission.
- 5.8 No Participant may demand more resource than another Participant is willing to make available to the requesting Participant. No Participant may demand that another Participant accept more of the offering Participant's resource than the other Participant is willing to accept. Notwithstanding a Power Pool Agreement, each Participant is responsible for providing for its own power supply
- 5.9 This Program does not create any separate rights to Hoover Power, and no Power Pool Agreement shall cause the Authority to be in violation of any of its obligations under the Boulder Canyon Project Agreement or any provision of federal or state statutes or regulations.
- 5.10 Cooperative Scheduling may include any resources available to any of the Participants. If additional resources can be Cooperatively Scheduled or exchanged, the Participants may individually or collectively request its Administrative Agent to cooperatively schedule or exchange such additional resources.

5.11 The Authority requests reports of activities only as they relate to Hoover Power.

6. MONTHLY SCHEDULING

6.1 Each Administrative Agent or the Participant shall submit the schedules to the Authority at least four working days before the end of the month, to the extent practicable.

6.2 Each Administrative Agent will attempt to accommodate changes reasonably requested by other Administrative Agents or the Authority if it is reasonably possible to do so without adversely affecting the Participants for whom the Administrative Agent is authorized to act.

7. PARTICIPANTS

7.1 In order to be eligible to become a Participant, an entity must, at the time of delivering the Power Pool Agreement to the Authority, be at least one of the following: (i) a party to an Authority Power Sales Contract with an Allocation of Hoover A Power, (ii) a party to an Authority Power Sales Contract with an Allocation of Hoover B Power, (iii) a party to an Authority Power Sales Contract with an Allocation of Hoover C energy, a party to an Authority Power Sales Contract with an Allocation of Hoover D-1 Power or a party to an Authority Power Sales Contract with an Allocation of Hoover D-2 Power.

7.2 Eligible entities may become Participants by executing a Power Pool Agreement, which will become an Exhibit to this Program, that identifies those eligible entities participating and the specific attributes of their respective power pooling arrangements, and delivering it to the Authority. Exhibit I includes the attributes of the REP and will be known as Power Pool Group I. Exhibit II includes the participants and attributes of the Municipal Power Exchange ("MPX") and will be known as Power Pool Group II. This Program identifies the policies associated with the creation of additional Power Pool Groups that may be formed pursuant to the PSC and Exhibit III includes the attributes of a third entity that will be known as Power Pool Group III.

8. MONTHLY SCHEDULING MEETING

8.1 Hoover Power shall be scheduled pursuant to the PSC, taking into account Power Pool Agreements, as contemplated by Section 5 and 6 herein.

8.2 All Participants are invited to participate in Monthly Scheduling Meetings. The Authority will identify a representative employee or employees to participate in the Monthly Scheduling Meetings. Each Participant may participate in the Monthly Scheduling Meetings, directly or through an Administrative Agent.

8.3 At the Monthly Scheduling Meeting, Participants and the representative employee(s) of the Authority may discuss, as needed, any of the following:

- a. Identification of the form of report to be prepared by the Administrative Agent pursuant to Section 5.4 hereof;
 - b. Identification and resolution, to the maximum extent feasible, of scheduling issues between or among the Participants, Power Pools, Scheduling Entities, Administrative Agents and other Authority customers;
 - c. Discussion of Cooperative Scheduling, and related issues with the Administrative Agents; and
 - d. Review with the Administrative Agent(s), any concerns over the use of Hoover Power or equitable distribution.
- 8.4 Participants, or their Administrative Agent, may participate and be present via telephone or webinar, but must request any such accommodation at least twenty-four (24) hours before any Monthly Scheduling Meeting.
- 8.5 The Authority will provide notice of the Monthly Scheduling Meetings, via email, to all Participants, or their Administrative Agent, at the email address(es) provided by the Participants, or their Administrative Agent(s) to the representative employee(s) of the Authority.
- 8.6 Any Participant, on its own or acting through its Administrative Agent, may request meetings in addition to the Monthly Scheduling Meetings with any other Participants and/or the representative employee(s) of the Authority, to discuss any concerns regarding scheduling Hoover Power, including, but not limited to, concerns related to Power Pools. Notice of any such additional meeting will be provided in a manner consistent with Section 8.5 herein.
- 8.7 The Authority, at the request of an Administrative Agent, any Participant, or on its own behalf, may have meetings at any time in addition to a regularly scheduled Monthly Scheduling Meeting to discuss any concerns regarding scheduling Hoover Power, including, but not limited to, concerns related to Power Pools. Notice of any such additional meetings will be provided in a manner consistent with Section 8.5 herein.
- 8.8 The Authority and any Participant(s) may meet in addition to any of the meetings contemplated herein to discuss other topics.

9. TERM

- 9.1 This Program shall become effective October 1, 2017 and shall remain in effect for five (5) years through September 30, 2022. Unless otherwise terminated by the Authority Commissioners, this program shall automatically renew for consecutive five (5) year terms. Commissioners will notice the program participants at least six months prior to termination of the program.

10. TERMINATION OF PARTICIPANT STATUS

- 10.1 Termination of a Participant's status as a Participant may occur in any of the following ways:
- a. Any Participant may terminate its status as a Participant in an approved Power Pool at any time by giving written notice of termination to the Authority.
 - b. If a Participant no longer meets the eligibility requirements set forth in Section 7 hereof, its status as a Participant is automatically terminated.
- 10.2 Upon termination of a Participant's status as a Participant, all obligations previously incurred by the terminated Participant and the remaining Participants pursuant to PSC and any Power Pool Agreement shall survive until satisfied.

11. ACKNOWLEDGMENTS

- 11.1 Each of the Participants and the Authority agree that it is their several and joint intention that all the terms, covenants and conditions of Authority Power Sales Contracts shall remain in full force and effect, without change, and that the terms and provisions of any Power Pool Agreement shall not alter the terms, covenants and conditions of the Authority Power Sales Contracts in any way and that if a dispute arises concerning the rights of the parties under Power Pool Agreement and the rights of the parties under the Authority Power Sales Contract, the provisions of the Authority Power Sales Contract shall control.
- 11.2 Each of the Participants and the Authority agree that participation in an approved Power Pool shall not be considered (a) a tender or relinquishment of Hoover Capacity or Hoover Energy for purposes of Section 7 of the Authority Power Sales Contract, or (b) standing alone, as justification for any determination pursuant to Section 27 of the Authority Power Sales Contract and/or R12-14-401.D. of the Authority's rules that a Participant's Hoover Power Entitlement has exceeded, for a period of three consecutive Contract Years, the electric load of the Participant or that the Participant's Hoover Power Entitlement can reasonably be expected to exceed, in whole or part, the Participant's loads in the future or future needs; provided, however, the load information provided to the Authority pursuant to any Power Pool Agreement, the PSC, or this Program may be used by the Authority in any such determination.
- 11.3 Participation in Cooperative Scheduling pursuant to an approved Power Pool does not preclude participation in other Cooperative Scheduling, pooling or exchange arrangements.

Unanimously adopted by the Arizona Power Authority Commission this 18 day of July, 2017.

Attest:

Heather J. Cole
Heather J. Cole, Executive Secretary

Dalton H. Cole, Jr.

Dalton H. Cole, Jr., Chairman

EXHIBIT I

Power Pool Group I

Identifying Name:

2017 Resource Exchange Program – Group I

Administrative Agent:

Group Participants:

- 1) a
- 2) a
- 3) a
- 4) a
- 5) a

Group I Description:

The Resource Exchange Program (REP) was established by the Arizona Power Authority Commission in 1993, initially as an experiment, to provide a mechanism for the layoff of Hoover capacity and/or energy and subsequent purchase of the resultant layoff capacity and/or energy by other Authority customers participating in the REP. It has evolved over time to optimize the benefits and reduce overall operating costs through the use of efficient scheduling and the tools provided in the Hoover Power contracts. This Group I is established to provide all of the existing REP attributes and is limited to the coordinated use of Hoover Power by the Group I participants.

The Group I Administrative Agent will submit power schedules to the Authority for each of the Group I participants on a monthly basis.

Group I Operations:

The Administrative Agent will consult with the Group I participants each month to determine the most efficient and cost-effective strategy for each participant, after receiving from the Authority the monthly Entitlements for each entity. The Administrative Agent will administer the Group I operations subject to Authority oversight consistent with contracts with the Authority.

The Administrative Agent, with the consent of the other participants may expand or contract the list of Group I Participants set forth above, and any new participant will execute this Program Agreement.

AGREEMENT:

Each of the undersigned agrees to be bound by the terms and conditions of the Program.

ARIZONA POWER AUTHORITY

By: _____

Its: _____

Dated: _____

[CUSTOMER]

By: _____

Its: _____

Dated: _____

[ADMINISTRATIVE AGENT]

By: _____

Its: _____

Dated: _____

EXHIBIT II

Power Pool Group II - EXAMPLE

Identifying Name: Municipal Power Exchange (MPX)

Program Agreement Effective Date: October 1, 2017

Administrative Agent: TBD

Group II Participants:

- 1) a
- 2) a
- 3) a
- 4) a
- 5) a

Group II Description:

EXAMPLE ONLY: Group II was established by _____ to provide the Group II participants the opportunity to coordinate as a group the use of each participants Hoover Power Allocation. The goal is for each Group II participant and the Group II as a whole, is to optimize the benefits and reduce overall operating costs through the use of efficient scheduling and the tools provided in the Hoover Power contracts.

The purpose of the pool is to schedule participant's Hoover Power to the benefit of all pool participants, operating within the confines of the Authority power sales contract, regulations, and each participant's bill credit contract with the host utility.

The Group II Administrative Agent will submit power schedules to the Authority for each of the Group II participants on a monthly basis using contractual mechanisms such as layoff, banking (if allowable), and supplemental and firming purchases.

Group II Operations:

The Administrative Agent will consult with the Group II participants each month to determine the most efficient and cost-effective strategy for each participant, after receiving from the Authority the monthly Entitlements for each entity. The Administrative Agent will then submit a report to the Authority listing the Hoover capacity and/or energy for each entity to be scheduled. At that time, the Administrative Agent will also consult with the Authority if any supplemental or firming purchases are desired for any entity and to determine the costs for such supplemental or firming power. Subsequent to those discussions the Administrative Agent will arrange for those purchases through the Authority. Each Group II participant will be billed accordingly for Hoover capacity and energy scheduled as well as for any supplemental or firming purchases. The Administrative Agent will provide energy accounting and check out services for each participant and will make that information available to the host utilities (APS, SRP, etc.). The Administrative Agent will also be responsible for ensuring that each participant is scheduling resources appropriately considering the contract

requirements laid out in each entities' power sales contracts with Authority as well as the bill crediting agreements with host utilities.

AGREEMENT:

Each of the undersigned agrees to be bound by the terms and conditions of the Program.

ARIZONA POWER AUTHORITY

By: _____

Its: _____

Dated: _____

[CUSTOMER]

By: _____

Its: _____

Dated: _____

[ADMINISTRATIVE AGENT]

By: _____

Its: _____

Dated: _____

EXHIBIT III

Power Pool Group III

Identifying Name:

Authority Power Pool III

Program Agreement Effective Date:

October 1, 2017

Administrative Agent:

Authority

Group III Participants:

- 1) a
- 2) a
- 3) a
- 4) a
- 5) a

Group III Description:

Group III was established by the Power Sales Agreement to provide an option, consistent with the Authority's regulations, for the Authority customer to participate in programs designed to maximize the value of its Hoover Power Allocation.

Group III participants, with Authority approval, will enter into agreements that provide the participants a mechanism to aggregate or commingle the Group III participants Hoover capacity and energy. With the Authority's approval, not to be unreasonably withheld, the Group III Pooling Program provides for banking of Hoover Power, displacements, exchange of banked Hoover Energy (if applicable) among the Group III participants, and exchanges of Hoover Capacity or Hoover Energy among Customers.

AGREEMENT:

Each of the undersigned agrees to be bound by the terms and conditions of the Program.

ARIZONA POWER AUTHORITY

By: _____

Its: _____

Dated: _____

[CUSTOMER]

By: _____

Its: _____

Dated: _____

[ADMINISTRATIVE AGENT]

By: _____

Its: _____

Dated: _____