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ARIZONA POWER AUTHORITY

SCHEDULING ENTITY AGREEMENT
BETWEEN
ARIZONA POWER AUTHORITY
AND
SALT RIVER PROJECT
AGRICULTURAL IMPROVEMENT AND POWER DISTRICT

Execution Copy

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EXHIBIT A, Scheduling and Accounting Procedures

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EXHIBIT C, Authority Purchasers' Entitlements, Firming Power and Supplemental Power

EXHIBIT D, Metering and Scheduling Instructions

**SCHEDULING ENTITY AGREEMENT
BETWEEN
ARIZONA POWER AUTHORITY
AND
SALT RIVER PROJECT
AGRICULTURAL IMPROVEMENT AND POWER DISTRICT**

This Agreement, with an effective date as specified in Section 2.1 hereof, between the Arizona Power Authority, a body corporate and politic of the State of Arizona (Authority), and Salt River Project Agricultural Improvement and Power District, an agricultural improvement district organized and existing under the laws of the State of Arizona (SRP), sometimes herein individually called "Party", and sometimes herein collectively called "Parties";

W I T N E S S E T H:

WHEREAS, the Authority has entered into a contract for a thirty year and four month period with service commencing June 1, 1987 with the United States of America, acting by and through the Western Area Power Administration (Western), which provides for the purchase by the Authority of Arizona's share of Hoover Resources;

WHEREAS, the Authority has allocated the capacity and energy from Arizona's share of Hoover Resources to qualified purchasers in the State of Arizona for the thirty year and four month period commencing June 1, 1987 in accordance with marketing allocations heretofore determined by the Authority;

WHEREAS, the Authority has entered into contracts for the sale of Hoover Resources and Firming Power to power purchasers within the State of Arizona (including SRP) under the Purchaser's Power Sales Contract dated September 15, 1986 and under the Purchaser's Hoover C Energy Sales Contract;

WHEREAS, The Authority-Western Contract permits the Authority to designate a Scheduling Entity responsible for dynamically scheduling the Authority's Entitlement;

WHEREAS, SRP has served as the Authority's Scheduling Entity since 1988 under an

original Scheduling Entity Agreement and three subsequent amendments;

WHEREAS, by the Authority designating SRP as its Scheduling Entity, it is the intent of the Parties that the scheduling of the Authority's Entitlement and Firming Power will be improved to the benefit of the Parties.

NOW, THEREFORE, for and in consideration of the mutual covenants and agreements herein contained, it is agreed by and between the Parties as follows:

SECTION 1 - DEFINITIONS

1.1 Arizona: The State of Arizona, represented, for purposes of this Agreement, by the Arizona Power Authority.

1.2 Authority: The Arizona Power Authority, a public body corporate and politic, organized and existing under A.R.S. Section 30-101, et seq., and any lawful successor to its duties and functions.

1.3 Authority's Entitlement: Hoover Resources which the Authority is entitled to receive for the then-current Contract Year, without any adjustments for transmission losses, as such amounts of capacity and energy may be revised from time to time, in accordance with the Authority-Western Contract.

1.4 Authority Purchaser or Authority Purchasers: One or more purchasers of Hoover Resources, Firming Power or Supplemental Power who purchase such power pursuant to contracts with the Authority.

1.5 Authority Purchaser's Entitlement: The Hoover Resources which each Authority Purchaser is contractually authorized to receive for the then-current Contract Year, without any adjustment for transmission losses, as such amounts of Hoover Resources may be revised from time to time, in accordance with the Purchaser's Power Sales Contract and the Purchaser's Hoover C Energy Sales Contract, as such contracts may be amended or supplemented.

1.6 Authority-Western Contract: The Electric Service Contract between the Authority and

Western, Contract No. DE-MS65-86WP39574, authorized by the Hoover Power Plant Act, as such contract may be amended or supplemented, pursuant to which the Authority purchases, among other things, Hoover Resources.

1.7 **Authorized Representative**: The representative(s) of a Party designated in accordance with Section 15 of this Agreement.

1.8 **Authorized Representative (Western)**: The representative(s) of the Authority, designated in accordance with Section 13 of the Authority-Western Contract.

1.9 **Billing Period**: The service period beginning on the first day and extending through the last day of any calendar month.

1.10 **Boulder Canyon Project**: All works authorized by the Boulder Canyon Project Act, the Hoover Power Plant Act, and any future additions authorized by Congress, to be constructed and owned by the United States, but exclusive of the main canal and appurtenances authorized by the Boulder Canyon Project Act, known as the All-American Canal.

1.11 **Contract Year**: The period from October 1 of any year through September 30 of the following year, or such other period as may be designated by the Authorized Representatives.

1.12 **Control Area**: An electric system which dynamically regulates its generation through application of an instantaneous or nearly instantaneous automatic generation control scheme in order to maintain its interchange schedules with other control areas, and to contribute its frequency bias control obligation to the interconnected system, all in accordance with the reliability criteria of the North American Electric Reliability Council and Western Electricity Coordinating Council, or any successor organizations. As of the date of execution of this Agreement, the following entities are recognized as Control Areas:

Arizona Public Service Company (APS)

Salt River Project (SRP)

Tucson Electric Power company (TEP)

Western Area Power Administration (Western)

1.13 **Energy Bank**: An account that represents the difference between the amount of Firm

1 Energy and Schedule C Energy made available by Western to SRP and that delivered to
2 the Authority Purchasers. Energy is banked pursuant to Sections 11.8 and 11.10 and the
3 Energy Bank balance is the contract year-to-date cumulative energy balance, at the end of
4 each month, as calculated pursuant to Exhibit A Section 2.5.

5 1.14 **Exhibit A:** Exhibit A to this Agreement (as Exhibit A may be amended from time to
6 time), attached hereto and incorporated herein by reference, which contains the
7 Scheduling and Accounting Procedures between SRP and the Authority necessary to
8 implement this Agreement in accordance with Section 8 of this Agreement.
9

10 1.15 **Exhibit B:** Exhibit B to this Agreement (as Exhibit B may be amended from time to time),
11 attached hereto and incorporated herein by reference, which contains the method of
12 accounting for use of Unloaded Synchronized Generation for regulation, ramping and
13 spinning reserves pursuant to Section 6 of this Agreement.

14 1.16 **Exhibit C:** Exhibit C to this Agreement (as Exhibit C may be amended from time to time),
15 attached hereto and incorporated herein by reference is the Control Area and/or Self-Tracking
16 System report, which contains: (1) the Authority Purchaser's Entitlements at the Boulder
17 Canyon Project's point of delivery for the then-current Contract Year, (2) the Authority
18 Purchaser's Entitlements as adjusted for transmission losses, (3) Firming Power at Points of
19 Delivery, and (4) Supplemental Power at Points of Delivery.

20 1.17 **Exhibit D:** Exhibit D to this Agreement (as Exhibit D may be amended from time to time),
21 attached hereto and incorporated herein by reference, which contains the Metering and
22 Scheduling Instructions, pursuant to the Authority-Western Contract, to be used by the
23 Parties in scheduling and accounting for deliveries of Hoover Resources, Firming Power and
24 Supplemental Power hereunder in accordance with Section 7 of this Agreement.

25 1.18 **Federal Projects on the Colorado River:** The Boulder Canyon Project, the Parker-Davis
26 Project, and the Glen Canyon, Flaming Gorge and Wayne Aspinall units of the Colorado
27 River Storage Project.
28

- 1.19 **Firm Energy:** Energy under contract from Hoover Powerplant, pursuant to Section 105(a)(1)(A) or Section 105(a)(1)(B), or both, of the Hoover Power Plant Act.
- 1.20 **Firming Energy:** Energy purchased by Western at the request of the Authority, under Section 5.4.7 of the Authority-Western Contract to meet any deficiency of Firm Energy under Section 105(a)(2) of the Hoover Power Plant Act.
- 1.21 **Firming Power:** Firming Energy and firming capacity and/or energy offered to and purchased by an Authority Purchaser from the Authority pursuant to Section 6(b) of the Purchaser's Power Sales Contract. Firming Power offered by the Authority includes (a) capacity in an amount up to 100 percent of Schedule A Contract Capacity and Schedule B Contract Capacity and/or (b) energy in an amount up to 100 percent capacity factor of Schedule A Contract Capacity and Schedule B Contract Capacity.
- 1.22 **Hoover Contractors:** The entities entering into contracts with Western for electric service pursuant to the Hoover Power Plant Act.
- 1.23 **Hoover Powerplant:** The powerplant at Hoover Dam, consisting of 17 main generating units and appurtenant facilities.
- 1.24 **Hoover Power Plant Act:** The Act of Congress approved August 17, 1984 (98 Stat. 1333).
- 1.25 **Hoover Resources:** Schedule A Power, Schedule B Power and Schedule C Energy offered to and purchased by the Authority pursuant to the Authority-Western Contract, including any excess capacity determined pursuant to paragraph 5.2.2 of the Authority-Western Contract.
- 1.26 **Loaded Synchronized Generation:** The quantity of Synchronized Generation that is supplying energy.
- 1.27 **Master Schedule:** The schedule prepared by Western each year and furnished to the Authority setting forth Western's estimate of Hoover Resources available by months for the 16 month period beginning on June 1 of any year and extending through September 30 of the next succeeding year (as such schedule may be revised pursuant to the Authority-Western Contract).
- 1.28 **Metering and Scheduling Instructions:** The Metering and Scheduling Instructions,

prepared in accordance with Section 7 of this Agreement.

1.29 **Normal Business Day:** Monday through Friday inclusive, except for the North American Electric Reliability Council (NERC) Holidays (currently New Year's Day, Memorial Day, Independence Day, Labor Day, Thanksgiving Day and Christmas Day).

1.30 **Off-Peak Hours:** All day on Sundays and NERC Holidays, and the hours, as specified in the Authority-Western Contract, as amended and defined in the Metering and Scheduling Instructions.

1.31 **On-Peak Hours:** All times other than Off-Peak Hours.

1.32 **Desert Southwest Region Projects:** The Boulder Canyon Project, the Parker-Davis Project, and the United States entitlement in the Navajo Generating Station (a feature of the Central Arizona Project).

1.33 **Point of Delivery:** Any Point (or Points) of Delivery as approved by Western on the Parker-Davis Project Transmission System of Western or the Pinnacle Peak and Liberty Substations Points of Delivery on the Pacific Northwest-Pacific Southwest Intertie Project of Western at which the Authority shall determine to deliver capacity and energy to Authority Purchasers as set forth in the exhibits to the Transmission Agreement, as such exhibits may be amended from time to time.

1.34 **Purchaser's Hoover C Energy Sales Contract:** The contract between the Authority and each Authority Purchaser for the purchase of Schedule C energy, dated April 15, 1987, as such contract may be amended or supplemented.

1.35 **Purchaser's Power Sales Contract:** The contract between the Authority and each Authority Purchaser for such Authority Purchaser's respective entitlement to Schedule A Power and Schedule B Power, dated September 15, 1986, as such contract may be amended or supplemented.

1.36 **Reclamation:** The United States Department of the Interior, Bureau of Reclamation.

1.37 **Schedule A Contract Capacity:** The quantity of Schedule A Contract Capacity calculated in accordance with paragraphs 5.2.3 and 5.2.5 of the Authority-Western Contract.

- 1.38 **Schedule A Contractor:** An entity listed in Table 1 in paragraph 5.2.3 of the Authority-Western Contract that enters into a contract with Western pursuant to Section 105 (a)(1)(A) of the Hoover Power Plant Act.
- 1.39 **Schedule A Energy:** The energy component of Schedule A Power.
- 1.40 **Schedule A Power:** The contingent capacity and associated energy offered to the Authority pursuant to Section 105(a)(1)(A) of the Hoover Power Plant Act and purchased by the Authority pursuant to the Authority-Western Contract.
- 1.41 **Schedule B Contract Capacity:** The quantity of Schedule B Contract Capacity calculated in accordance with paragraphs 5.2.3 and 5.2.5 of the Authority-Western Contract.
- 1.42 **Schedule B Contractor:** An entity listed in Table 2 in paragraph 5.2.3 of the Authority-Western Contract that enters into a contract with Western pursuant to Section 105(a)(1)(B) of the Hoover Power Plant Act and enters into a Reclamation Contract.
- 1.43 **Schedule B Power:** The contingent capacity and associated energy offered to the Authority pursuant to Section 105(a)(1)(B) of the Hoover Power Plant Act and purchased by the Authority pursuant to the Authority-Western Contract.
- 1.44 **Schedule C Energy:** The energy offered to the Authority pursuant to Section 105(a)(1)(C) of the Hoover Power Plant Act and purchased by the Authority pursuant to the Authority-Western Contract.
- 1.45 **Scheduling and Accounting Procedures:** The Scheduling and Accounting Procedures prepared in accordance with Section 8 of this Agreement.
- 1.46 **Scheduling Entity:** The entity designated by the Authority to act as its scheduling entity as authorized by the Authority-Western Contract.
- 1.47 **Self-Tracking System:** A portion of a Control Area completely bounded by real-time metering that enables the Self-Tracking System operator to match the aggregate generation within such portion of the Control Area to the aggregate demand within such portion of the Control Area on a second-to-second basis. As of the date of execution of this Agreement, Arizona Electric Power Cooperative (AEPCO) is recognized as a Self-Tracking System

within Western's Control Area.

1.48 **SRP**: The Salt River Project Agricultural Improvement and Power District, a political subdivision of the State of Arizona, and any lawful successor to its duties and functions.

1.49 **Summer Season**: The seven-month period beginning on the first day of the March Billing Period of any year, extending through the last day of the September Billing Period of that year.

1.50 **Supplemental Power**: Any capacity and/or energy sold by the Authority in addition to the Authority Purchaser's Entitlements and Firming Power.

1.51 **Synchronized Generation**: The capacity available from any of the Hoover Powerplant generating units synchronized to the power system of Western.

1.52 **Transmission Agreement**: Each and all of the agreements entered into by the Authority with Western for the transmission of Hoover Resources, Firming Power and Supplemental Power to the Point of Delivery as any such agreement may be amended or supplemented (and any replacement thereof).

1.53 **Uncontrollable Force**: As defined in Section 16 of this Agreement.

1.54 **Unloaded Synchronized Generation**: The difference between scheduled Synchronized Generation and Loaded Synchronized Generation.

1.55 **Western**: The Western Area Power Administration, an agency of the Department of Energy of the United States of America and any lawful successor to its duties and functions.

1.56 **Winter Season**: The five-month period beginning on the first day of the October Billing Period of any year and extending through the last day of the February Billing Period in the next succeeding year.

SECTION 2 - TERM

2.1 This Agreement shall be effective as of October 1, 2004 and shall remain in effect until September 30, 2011, unless terminated pursuant to Section 13.

SECTION 3 - SCHEDULING ENTITY

3.1 The Authority hereby designates SRP as its Scheduling Entity pursuant to Sections 5.6.2 and 5.6.5 of the Authority-Western Contract and SRP will serve as the Authority's Scheduling Entity for the purpose of scheduling Hoover Resources. When requested by the Authority, SRP will also serve as the Authority's Scheduling Entity for Firming Power and Supplemental Power.

3.2 Under terms and conditions approved by the Authority and SRP, and to the extent necessary to effectuate this Agreement, the Authority hereby appoints SRP as an Authorized Representative (Western). As an Authorized Representative (Western), SRP, to the extent necessary to effectuate this Agreement, shall be entitled to exercise the Authority's rights and perform the Authority's obligations under the Authority-Western Contract; provided, however, that any exercise of such rights and performance of such obligations by SRP shall automatically terminate upon termination of this Agreement.

3.3 Within the constraints of outages, Colorado River operations, or reservoir drawdown, and to the extent the Authority does not exceed the Authority's Entitlement of energy, emergencies excepted, SRP shall have the right to schedule Loaded Synchronized Generation and Unloaded Synchronized Generation, the sum of which shall not exceed the Authority's Entitlement. SRP shall be subject to the charges specified in Article II, Section 3 of the General Power Contract Provisions of the Authority-Western Contract in the event any unauthorized overruns of contract delivery obligations are a direct result of SRP's use of the Authority's Entitlement. Synchronized Generation shall be scheduled, in advance, no later than the last Normal Business Day prior to delivery, emergencies excepted, and accounted for on the basis of hourly quantities scheduled by the respective dispatchers, all in accordance with Metering and Scheduling Instructions prepared pursuant to Section 7 of this Agreement. The Metering and Scheduling Instructions will provide for modifying such schedules to the needs of day-to-day or hour-by-hour operation.

3.4 SRP shall pay to the Authority \$5,400,000.00 annually, which the Authority shall use to reduce, by the same amount, its capacity and energy revenue requirements and corresponding rates to

1 all Authority Purchasers. One-half of SRP's annual payment shall be used to reduce the annual
2 Hoover Resources capacity revenue requirements and one-half to reduce the annual Hoover
3 Resources energy revenue requirements. The payments by SRP to the Authority shall be made in
4 twelve (12) equal monthly payments of \$450,000.00 invoiced by and due to the Authority pursuant
5 to Purchaser's (SRP's) Power Sales Contract beginning with the invoice for the October 2004
6 deliveries. Such invoiced amount shall be identified as a separate line item on the regular monthly
7 power invoice submitted to SRP by the Authority.

8 **SECTION 4 - REGULATION, RAMPING AND SPINNING RESERVES**

9 4.1 Subject to Section 3 of this Agreement, SRP, through use of a dynamic signal from SRP's
10 control center to a control center designated by Western (or through such other methods and
11 procedures agreed upon by the Parties), shall have the right to use previously scheduled
12 Synchronized Generation for regulation, ramping from zero to full scheduled Synchronized
13 Generation (and the reverse), and spinning reserves; provided, that SRP's use of Authority's Schedule
14 B Contract Capacity for regulation, ramping and spinning reserves shall not (i) have a detrimental
15 effect on power system equipment at Hoover Powerplant or on the Colorado River operations, as
16 determined by Reclamation pursuant to subparagraph 5.2.4.1 of the Authority-Western Contract; (ii)
17 impair the rights of other Hoover Contractors to use their Schedule A Contract Capacity for
18 regulation, ramping and spinning reserves; or (iii) have a detrimental effect on Western's ability to
19 utilize the Boulder Canyon Project to optimize the operation of the Desert Southwest Region
20 Projects and Federal Projects on the Colorado River. If SRP's use of the Authority's Schedule B
21 Contract Capacity for regulation, ramping and spinning reserves does impair such rights or have such
22 detrimental effect, SRP's use of the Authority's Schedule B Contract Capacity for regulation, ramping
23 and spinning reserves will be restricted to the extent necessary and for as long as the condition
24 continues to exist or until the impairment or detrimental effect is corrected. The Authority-Western
25 Contract provides that Western shall promptly consult with the Hoover Contractors (in this instance,
26 the Authority) and determine the manner in which such impairment or detrimental effect may be
27

corrected. The Authority agrees that SRP, as the Authority's Scheduling Entity, shall be a Party to this consultation. If restriction on the use of the Authority's Schedule B Contract Capacity is due to the impairment of Western's ability to utilize the Boulder Canyon Project to optimize the operation of the Desert Southwest Region Projects and Federal Projects on the Colorado River, the Authority-Western Contract provides that Western shall not reduce the use of the Authority's Schedule B Contract Capacity (and, therefore, SRP's use of capacity) for regulation, ramping and spinning reserves below 75 percent of the Authority's Schedule B Contract Capacity for regulation, ramping and spinning reserves.

SECTION 5 - SCHEDULING UNDER EMERGENCY CONDITIONS

5.1 During emergencies, SRP shall have the right for up to 12 hours, to schedule Hoover Resources capacity in excess of previously scheduled amounts to the extent such capacity is available. In the event delivery of Hoover Resources energy during emergencies causes the Authority's Entitlement of monthly energy to be exceeded, the energy delivered in excess of the monthly energy entitlement shall be returned to Western by SRP from sources available to SRP during On-Peak Hours within seven days of the occurrence of the emergency or as otherwise agreed; provided, however, that the Authority Entitlement shall not be reduced. For purposes of this Section 5 and Section 3 of this Agreement, the existence or occurrence of an emergency will be determined by SRP, such determination to be based upon standard utility practice.

SECTION 6 - ACCOUNTING FOR USE OF UNLOADED SYNCHRONIZED GENERATION

6.1 The use of energy to support the use of Unloaded Synchronized Generation for regulation, ramping and spinning reserves in any Billing Period shall be accounted for by a reduction during On-Peak Hours in the Authority's Entitlement (energy portion thereof) in the following Billing Period, or as soon thereafter as practicable. The amount of the reduction during On-Peak Hours in the Authority's Entitlement (energy portion thereof) shall be the proportional share of the energy used by SRP relative to the energy used at the Hoover Powerplant by all Schedule A and Schedule B

1 Contractors to support Unloaded Synchronized Generation and shall be determined in accordance
2 with Exhibit B. The Scheduling and Accounting Procedures prepared pursuant to Section 8 of this
3 Agreement shall set forth procedures for returning such energy to the Authority from sources
4 available to SRP during On-Peak Hours in the following Billing Period or as soon thereafter as
5 practicable.

6 **SECTION 7 - METERING AND SCHEDULING INSTRUCTIONS**

7 7.1 The Authority and SRP, as the Authority's Authorized Representative (Western), and
8 Western shall develop Metering and Scheduling Instructions pursuant to the Authority-Western
9 Contract. The Metering and Scheduling Instructions shall detail the operating arrangements and
10 scheduling and accounting procedures to be used by the Parties in scheduling and accounting for
11 deliveries of Hoover Resources, Firming Power and Supplemental Power hereunder. The form of
12 Metering and Scheduling Instructions shall be attached as Exhibit D.

13 7.2 Metering and Scheduling Instructions developed hereunder are intended to implement, but
14 shall not modify or amend this Agreement, the Authority-Western Contract, the Purchaser's Power
15 Sales Contract or the Purchaser's Hoover C Energy Sales Contract. The provisions of the Authority-
16 Western Contract and of this Agreement shall govern concerning any conflicting provisions with the
17 Metering and Scheduling Instructions.
18

19 **SECTION 8 - SCHEDULING AND ACCOUNTING PROCEDURES**

20 8.1 As between SRP and the Authority, operating arrangements, scheduling, and accounting
21 procedures, as may be necessary to implement this Agreement or to supplement the Metering and
22 Scheduling Instructions required by Section 7 of this Agreement, shall be developed and agreed upon
23 by the Parties as soon as possible after the effective date of this Agreement, such procedures to be
24 attached as Exhibit A in the form of Scheduling and Accounting Procedures.

25 8.2 The Authorized Representative of the Parties shall have the responsibility and the authority to
26 develop the Scheduling and Accounting Procedures and to revise and amend them from time to time
27
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as necessary to implement this Agreement.

SECTION 9 - MINIMUM SCHEDULES

9.1 If required by Western, SRP shall schedule the Authority's pro rata share of the minimum rate of delivery of energy during Off-Peak Hours as provided in this Section 9.

9.2 The Authority's hourly minimum rate of delivery of energy as a result of Reclamation complying with required minimum water releases is the lesser of (i) 25 percent of the Authority's Entitlement (the associated energy portion thereof) for the Billing Period involved divided by the Off-Peak Hours for that period; or (ii) the Authority's proportional share of the total energy generated at the Hoover Powerplant for the Billing Period involved multiplied by the overall minimum rate of delivery of energy for required minimum water releases. Purchases of Firming Power or Supplemental Power will not affect the minimum rate of delivery required by minimum water releases.

9.3 In addition to the minimum rate of delivery requirements above, if the Authority has requested the purchase of Firming Energy, the Authority's hourly minimum rate of delivery of Firming Energy, shall be the Authority's proportional share of the total energy purchased by Western for all Hoover Contractors requesting such purchases, multiplied by the overall minimum rate of delivery of all such purchased energy as determined by Western.

SECTION 10 - PURCHASES OF FIRMING POWER AND SUPPLEMENTAL POWER

10.1 At the Authority's request, SRP will act as the Authority's Scheduling Entity with respect to Firming Power and Supplemental Power. If requested by the Authority, SRP will schedule and deliver Firming Power and Supplemental Power to Authority Purchasers.

10.2 Firming Power and Supplemental Power arrangements are to be evidenced by prior written agreements between the supplier and the Authority. If such agreements require that Firming Power or Supplemental Power be delivered at specified hourly schedules, SRP may require simultaneous deliveries of such Firming Power or Supplemental Power to the Authority Purchasers that have requested such Firming Power or Supplemental Power.

1 **SECTION 11 - SCHEDULING**

2 11.1 The Authority will arrange for SRP to receive any preliminary, final, and revised Master
3 Schedules from Western. The Authority will consult with SRP regarding SRP's desired monthly
4 distribution of Hoover Resources and SRP's comments on the Master Schedule, and the Authority
5 will notify Western of such information.

6 11.2 The Authority will advise the Authority Purchasers, in writing, prior to the start of the
7 Contract Year, of the Master Schedule as submitted to the Authority by Western. The Authority will
8 determine, and so inform SRP prior to the start of the Contract Year, the amounts of Hoover
9 Resources requested by Authority Purchasers by months and seasons for the ensuing Contract Year.
10 SRP will provide Summer Season energy to Authority Purchasers in an amount that does not exceed
11 10 percentage points greater than the percentage of Summer Season energy set forth in the Master
12 Schedule, but if the resultant percentage is less than 80 percent, SRP will provide in the Summer
13 Season a minimum of 80 percent of the total annual energy set forth in the Master Schedule. SRP
14 will not limit any Authority Purchaser's Summer Season energy schedules until SRP has first limited
15 its own Summer Season energy schedule to a maximum of 70 percent of its percentage share of the
16 total annual energy set forth in the Master Schedule. The Authority will use the energy schedules
17 requested by Authority Purchasers, as adjusted, to complete the energy schedules for the Winter and
18 Summer Seasons, by months, in the form set forth in Exhibit C. The Authority hereby authorizes
19 SRP to schedule and account with each Control Area and/or Self-Tracking System for the expected
20 schedules as set forth in Exhibit C. Exhibit C will be revised by the Authority if and when Western
21 revises the Master Schedule or if and when, subject to Section 11.7 of this Agreement, any Authority
22 Purchaser requests a change in its energy schedule. Any revisions of the Hoover Resources energy
23 portion of Exhibit C during the then-current Winter Season shall be subject to the aforementioned
24 limitations on the maximum energy schedules for the Summer Season, if so requested by SRP. Any
25 revisions to the Hoover Resources energy portion of Exhibit C during the then-current Summer
26 Season shall not be subject to the aforementioned limitations on the maximum energy schedules for
27

the Summer Season.

11.3 Subject to Section 11.5 and Section 11.6 of this Agreement, SRP is required to deliver the total Authority Purchaser's Entitlement as adjusted to reflect losses on the transmission system. Whenever average losses exceed actual losses on an annual basis, SRP will credit to the Authority, in kilowatt-hours, 50 percent of the difference between the actual losses and the average losses. For purposes of this Section, "average losses" are the losses which would have been charged to the Authority by Western if the total Authority Purchaser's Entitlement had, in fact, been transmitted from Mead Substation to Point of Delivery in accordance with the Transmission Agreement; "actual losses" are the transmission losses charged to the Authority by Western. SRP is not providing transmission services on its system under this Agreement.

11.4 The amount of Hoover Resources set forth in Exhibit C will be scheduled for delivery by SRP to Authority Purchasers and the amount will be in effect during the Contract Year unless the Authority's Entitlement to Hoover Resources is revised, or a request from an Authority Purchaser is received for a schedule change, in which event, the Authority will consult with SRP concerning any necessary revisions to Exhibit C during the remaining affected months of the Contract Year.

11.5 Revisions to Exhibit C will be made not later than the third Normal Business Day before the beginning of a month, unless a request made by an Authority Purchaser, or by SRP for more frequent revisions, in the opinion of the Authority, warrant a revision to Exhibit C and provided that other Authority Purchasers will not be adversely affected.

11.6 In the event a reduction of energy in the then-current month's Master Schedule is 15 percent or less, SRP will absorb the reduction. In the event a reduction of the then-current month's Master Schedule is greater than 15 percent, SRP will have the right to require the Authority to allocate that portion of the amount of the reduction which is greater than 15 percent but less than 30 percent, to the Authority Purchasers other than SRP; provided, however, that the portion of the reduction which is greater than 30 percent will be shared by all Authority Purchasers in proportion to the Authority Purchaser's Entitlement. No Authority Purchaser will be allocated a reduction which exceeds the Authority Purchaser's remaining allocation for the then-current month. Except as expressly stated

1 herein, nothing in this Section 11.6 shall be construed to modify, amend, or impair any of the terms
2 of, or any rights or obligations of SRP under the Purchaser's Power Sales Contract between the
3 Authority and SRP.

4 **11.7** In the event of an increase of energy in the then-current month's Master Schedule, SRP will
5 absorb the increase. An increase in the Authority's Entitlement, or any portion thereof, will be
6 rescheduled for Authority Purchasers either during the time of such increase or at a later time during
7 the Contract Year.

8 **11.8** SRP will schedule the total Authority Purchaser's Entitlement, as set forth in Exhibit C, to
9 Authority Purchasers or Control Area(s) and/or Self-Tracking System(s) with no daily/hourly
10 scheduling restrictions other than those imposed by Western. SRP will adjust its system generation
11 in order to accommodate the difference between the Authority's Master Schedule and Exhibit C
12 schedules. Such energy adjustments may require SRP to bank energy, and such energy return shall
13 be made on a one kilowatt-hour for one kilowatt-hour basis. SRP and the Authority will consult with
14 each other concerning daily/hourly scheduling restrictions imposed by Western, and seek to alleviate
15 any adverse impact of any such restrictions.

16 **11.9** It is the intent of the Parties that the total Authority Purchaser's Entitlement shall be
17 scheduled for delivery to Authority Purchasers prior to the end of each Contract Year. Subject to the
18 provisions of Section 11.8 of this Agreement, in the event all of the Authority Purchaser's
19 Entitlement has not been scheduled for delivery to Authority's Purchasers by the end of any Contract
20 Year, the remaining energy shall be scheduled for delivery to the Authority Purchasers during the
21 following Contract Year.

22 **11.10** Notwithstanding any other provisions of this Section 11, SRP and the Authority agree to use
23 their best efforts to schedule Hoover Resources energy to Authority Purchasers such that the Energy
24 Bank balance as determined by Attachment 7 of Exhibit A (Scheduling and Accounting Procedures)
25 to the Agreement, does not exceed 85,000 MWh for the scheduling month of May for any year. For
26 the purposes of this calculation, the Energy Bank balance limit does not include energy banked for
27 SRP or by SRP on behalf of the Central Arizona Water Conservation District.
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1 **SECTION 12 - POWER EXCHANGE**

2 **12.1** SRP shall have the right to simultaneously exchange Hoover Resources, Firming Power and
3 Supplemental Power with capacity and energy that is available to SRP from other sources, and to
4 deliver exchanged capacity and energy to third parties, insofar as such exchange can be effected
5 without (i) interfering with the delivery of any Authority Purchaser's Entitlement, (ii) increasing
6 annual transmission losses under the Purchaser's Power Sales Contracts, (iii) increasing any costs to
7 Authority Purchasers under the Purchaser's Power Sales Contract and the Transmission Agreement,
8 or (iv) decreasing any delivery of Hoover Resources to Authority Purchasers within the State of
9 Arizona. Section 8.3 of the Authority-Western Contract provides that all power sold to the Authority
10 under said contract shall be used in Arizona. In performing its obligations under this Agreement,
11 SRP agrees to comply with such provision of the Authority-Western Contract.

12 **SECTION 13 - TERMINATION**

13 **13.1** If at any time during the term of this Agreement, either Party can demonstrate and gives
14 written notice to the other Party that a federal or State of Arizona legislative, regulatory or judicial
15 action, or action by a third party or parties (other than naturally occurring hydrology-related events)
16 alters the rights and benefits under this Agreement of the Party providing notice, the Parties agree to
17 negotiate such modifications or adjustments to the Agreement as are needed to equitably compensate
18 for the change in benefits. The negotiations will be conducted pursuant to the following procedures:

19 **13.1.1** For a period not to exceed sixty (60) days from the date of the notice specified in
20 Section 13.1, the Authorized Representatives shall attempt to negotiate mutually satisfactory
21 modifications or revisions to the Agreement.

22 **13.1.2** If the Authorized Representatives are unable to mutually agree within the sixty (60)
23 day period specified in 13.1.1, the negotiation shall be elevated to executive level
24 representatives of the Parties for a period not to exceed thirty (30) days from the date of the
25 expiration of the sixty (60) day period specified in Section 13.1.1.

26 **13.1.3** If within the thirty (30) day period specified in Section 13.1.2, the executive level
27

representatives are unable to agree upon mutually satisfactory modifications or adjustments to the Agreement, either Party, upon written notice to the other Party, may terminate the Agreement without further liability. In the event of termination under this Section, the termination shall become effective as specified in Section 13.2, below.

13.2 Termination pursuant to notice given under Section 13.1.3 shall become effective on the anniversary date of this Agreement which is at least twelve (12) calendar months after the date upon which written notice of termination is given.

13.3 During any period of negotiation and prior to the effective date of termination, both Parties shall continue to perform all of the terms and conditions of the Agreement.

13.4 If this Agreement is terminated pursuant to this Section 13, any Energy Bank Balance remaining on the effective date of termination shall be treated as follows:

13.4.1 If the Energy Bank balance is positive, the energy remaining shall be deemed to be Schedule A Energy and shall be purchased by SRP at the then-current Authority Schedule A Energy rate.

13.4.2 If the Energy Bank balance is negative, the negative energy balance shall be deemed to be SRP Schedule A Energy returned to the Authority for scheduling to and use by other Authority Purchasers, and the next regular monthly power invoice submitted to SRP by the Authority shall be reduced by the negative energy balance times the then current Authority Schedule A Energy rate.

SECTION 14 - OTHER CONTRACTS

14.1 The terms and conditions contained in the Authority-Western Contract and in the Transmission Agreement are hereby adopted by reference as a part of this Agreement. The terms and conditions contained in the Authority-Western Contract and in the Transmission Agreement shall control and shall be applied in the interpretation and enforcement of the terms and conditions of this Agreement.

14.2 SRP shall comply with Articles 16, 25, 27, 30, 31, 39, 40 and 41 of the General Power

Contract Provisions (dated July 15, 1985) of the Authority-Western Contract and, to the extent required by such General Power Contract Provisions, the above-numbered Articles are hereby adopted by reference as though fully set forth herein; provided, however, that Article 40 is not intended to alter responsibility of SRP to comply with laws and regulations governing employment of American Indians.

SECTION 15 - AUTHORIZED REPRESENTATIVES

15.1 Each Party, by written notice to the other, within 30 days after the effective date of this Agreement, shall designate one or more representatives who are authorized to act on its behalf with respect to those matters contained herein which are the functions and responsibilities of its Authorized Representatives. In case a Party designates more than one representative, the notice shall state the particular matters upon which each designated representative is authorized to act. Either Party may change the designation of its Authorized Representatives upon oral notice given to the other and confirmed promptly by written notice.

15.2 The Parties shall share communications from Western and shall jointly participate in meetings between Western and Hoover Contractors pertaining to the metering and scheduling of Hoover Resources or other meetings or functions affecting the operations of Hoover Powerplant, the Colorado River, and the delivery of capacity and energy by Western.

SECTION 16 - UNCONTROLLABLE FORCE

16.1 Neither Party shall be considered to be in default in the performance of any of its obligations under this Agreement if failure of performance shall be due to an Uncontrollable Force. The term "Uncontrollable Force" shall mean any cause beyond the control of the Party affected, including, but not limited to, failure of or threat of failure of facilities, flood, earthquake, tornado, volcanic eruption, storm, fire, lightning, epidemic, war, riot, civil disturbance or disobedience, strike, labor dispute, labor or materials shortage, sabotage, restraint by order of a court having jurisdiction or an order by a public authority having jurisdiction, and action or nonaction by or failure to obtain

1 authorizations or approvals from any governmental agency or authority, which by exercise of due
2 diligence and foresight such Party could not reasonably have been expected to avoid and which by
3 exercise of due diligence it has been unable to overcome. Nothing contained herein shall be
4 construed so as to require a Party to settle any strike or labor dispute in which it may be involved.
5 Either Party rendered unable to fulfill any obligation under this Agreement by reason of an
6 Uncontrollable Force shall give prompt notice of such fact to the other Party and shall exercise due
7 diligence to remove such inability with all reasonable dispatch.

8 **SECTION 17 - SEVERABILITY**

9 17.1 In the event that any of the terms, covenants or conditions (or portion thereof) of this
10 Agreement or the application of any such term, covenant or condition (or portion thereof), shall be
11 held invalid or illegal by any court having jurisdiction, it is the intention of each of the Parties hereto
12 that such illegal or invalid provision or portion thereof shall not affect any other provision hereof, but
13 this Agreement shall be construed and enforced as if such illegal or invalid provision or portion
14 thereof had not been contained herein unless it is finally determined by a court of last resort that such
15 provisions or portion thereof are not separable from all other provisions of this Agreement, in which
16 event, this Agreement shall terminate.

17 **SECTION 18 - WAIVERS**

18 18.1 None of the provisions of this Agreement shall be considered waived by either Party unless
19 such waiver is given in writing and the other Party consents to such waiver. The failure of either
20 Party to insist, in any one or more instances, upon strict performance of any of the provisions of this
21 Agreement, or to take advantage of any of its rights hereunder, shall not be construed a waiver of any
22 such provisions or the relinquishment of any such rights in the future.
23

24 **SECTION 19- NOTICES**

25 19.1 Any notice, demand or request provided for in this Agreement, or served, given or made in
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1 connection with this Agreement, shall be in writing and shall be deemed properly served, given or
2 made if delivered in person or sent by United States mail or other qualified and recognized delivery
3 service, postage prepaid, to the persons specified below:

4 ARIZONA POWER AUTHORITY

5 c/o Executive Director

6 1810 West Adams

7 Phoenix, Arizona 85007

9 SALT RIVER PROJECT AGRICULTURAL

10 IMPROVEMENT AND POWER DISTRICT

11 c/o Secretary

12 P. O. Box 52025

13 Phoenix, Arizona 85072-2025

14 **19.2** A Party may at any time, by written notice, change the designation or the address of the
15 person to whom notices are to be sent. This Section 19.2 does not apply to notices and requests of a
16 routine character in connection with delivery or receipt of power and energy or in connection with
17 operation of facilities and such notices and requests shall be given in such manner as the Authorized
18 Representatives from time to time shall arrange.

19
20 **SECTION 20 - LIABILITY**

21 **20.1** If either Party defaults in the performance of any obligation required to be performed under
22 this Agreement, the other Party may bring an action for injunction, special action, action for specific
23 performance, or any other available equitable remedy designed to enforce any obligations required to
24 be performed by the defaulting Party; provided, however, that, notwithstanding any provision of this
25 Agreement to the contrary, if either Party, knowingly or intentionally, or with conscious indifference
26 to the consequences thereof, defaults in the performance of any obligation required to be performed
27

1 under this Agreement, the other Party may bring any suit, action, or proceeding, in law or in equity,
2 including by way of example and not limitation, an action for money damages, which in the
3 judgment of the non-defaulting Party, may be appropriate.

4 **20.2** Except (1) for any judgment debt for damages resulting from action knowingly or
5 intentionally taken or not taken with conscious indifference to the consequences thereof, and (2) to
6 the extent that any judgment debt is collectible from valid insurance, each Party hereby extends to
7 the other Party and all of its directors or members of its governing body, officers, and employees, its
8 covenant not to execute on any judgment obtained against the other Party for direct or consequential
9 loss for damage to its property or for personal injury which results from the performance or
10 nonperformance of this Agreement.

11 **20.3** The provisions of this Section 20 shall not be construed so as to relieve any insurer of its
12 obligation to pay any insurance proceeds in accordance with the terms and conditions of any
13 insurance policy or policies issued by such insurer.

14 **SECTION 21 - NONDEDICATION OF FACILITIES**

15 **21.1** The Parties do not intend to dedicate and nothing in this Agreement shall be construed as
16 constituting a dedication by either Party of its properties or facilities, or any part thereof, to the other
17 Party or to the customers of the other Party.

18 **SECTION 22 - GOVERNING LAW**

19 **22.1** It is understood and agreed by both Parties that this Agreement is made under and shall be
20 governed, interpreted and enforced under and by the laws of the State of Arizona.

21 **SECTION 23 - ASSIGNMENT**

22 **23.1** Neither Party to this Agreement shall assign or transfer any right, duty or obligation under
23 this Agreement without the prior written consent of the other Party.
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1 23.2 Nothing herein shall constitute an assignment or transfer by the Authority to SRP, of any of
2 the Authority's rights under the Authority-Western Contract or under any Purchaser's Power Sales
3 Contract or Purchaser's Hoover C Energy Sales Contract.
4

5 **SECTION 24 - NO THIRD PARTY RIGHTS**

6 24.1 No third party shall be entitled, either directly or indirectly, to assert any rights or privileges
7 under this Agreement; provided, however, that this Section 24 shall not interfere with any of the
8 rights or obligations that exist under the terms of the contracts referred to in Section 14 of this
9 Agreement.
10

11 **SECTION 25 - ENTIRE AGREEMENT**

12 25.1 This Agreement, together with the attached Exhibits A, B, C and D, constitutes the entire
13 understanding between the Parties with respect to the subject matter contained herein and
14 supercedes any prior understandings, negotiations, or agreements, whether written or oral, respecting
15 the subject matter; provided, however, that by mutual agreement, the Parties may revise Exhibits A,
16 B, C and D without the necessity of revising the entire Agreement.
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1 **SECTION 26 - SIGNATURE CLAUSES**

2 The signatories hereto represent that they have been appropriately authorized to enter into this
3 Agreement on behalf of the Party for whom they sign. This Agreement is hereby executed as of the
4 16th day of December, 2003.

5 ARIZONA POWER AUTHORITY

6
7 By: 

8 Title: CHAIRMAN

9
10 ATTEST:

11 By: 

12 Secretary

13
14 SALT RIVER PROJECT AGRICULTURAL
15 IMPROVEMENT AND POWER DISTRICT

16 By: 

17 Title: President

18
19 ATTEST:

20 By: 

21 Secretary

SCHEDULING AND ACCOUNTING PROCEDURES

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SECTION 1 - TERM OF SCHEDULING AND ACCOUNTING PROCEDURES

These Scheduling and Accounting Procedures will become effective on October 1, 2004 and terminate with the Scheduling Entity Agreement (Agreement). The Scheduling and Accounting Procedures will survive the Agreement for determination of accounting results for the last Contract Year.

SECTION 2 - SCHEDULING AND ACCOUNTING PROCEDURES

2.1 Hoover and Supplemental Power Scheduling

2.1.A In accordance with Section 8 of the Agreement, the following Scheduling and Accounting Procedures will be used by both Parties to determine the monthly and year-end accounting results.

2.1.B Annual Schedule

2.1.B.1 Prior to the beginning of a Contract Year, SRP will, upon request, provide the Authority with SRP's desired monthly distribution of the annual energy projected to be available in the "draft" and/or "final" Master Schedule as submitted to the Authority and SRP by Western. The Authority will provide Western with this information.

2.1.B.2 The Authority shall advise the Authority Purchasers, in writing, prior to the start of the Contract Year, of the Master Schedule as submitted to the Authority by Western.

2.1.B.3 The Authority shall determine, and so inform SRP, prior to the start of the Contract Year, the amounts of Hoover Resources requested by Authority Purchasers by months and seasons for the ensuing Contract Year.

2.1.C Monthly Schedule

2.1.C.1 SRP will schedule Firm Energy, Firming Energy, and Schedule C Energy from Western as specified in the Target Schedule submitted by Western to the Authority and SRP prior to each month. The Target Schedule, as determined by Western, is the monthly Master Schedule with various adjustments, as exemplified in Attachment 1. SRP may request revisions to the Target Schedule without prior consultation with the Authority but will notify the Authority of any resulting changes the same day. SRP will schedule Schedule A Contract Capacity and Schedule B Contract Capacity from Western as specified in the

monthly Master Schedule adjusted due to Colorado River release changes for flood control or downstream water requirements, or unscheduled generator unit outages.

2.1.C.2 SRP will schedule Firming Power (other than Firming Energy) and Supplemental Power from the supplier at times and in hourly quantities requested by SRP, unless otherwise restricted by the supplier. Such restrictions may result in SRP transferring such restrictions to the Authority Purchaser as set forth in Sections 2.1.C.8 and 2.1.C.9 hereof.

2.1.C.3 If SRP requests the Authority Purchasers to absorb a reduction in the Target Schedule during the then-current month, the Authority power scheduler will determine revised schedules for the Authority Purchasers. SRP will not make such a request unless the reduction in the Target Schedule exceeds 15 percent. Reductions in each Authority Purchaser's then-current month's schedule will not apply to SRP's Authority Purchaser's Entitlement unless the reduction in the Target Schedule exceeds 30 percent.

2.1.C.4 SRP will absorb any increases in the Target Schedule into the Energy Bank during the then-current month.

2.1.C.5 Any increase or reduction in the Authority's Entitlement will be allocated by the Authority to Authority Purchasers either during the then-current month or at a later time during the Contract Year.

2.1.C.6 The Authority will develop Monthly Capacity Schedules (Attachment 2) and Monthly Energy Schedules (Attachment 3). The Monthly Capacity Schedules will include the Authority's share of the projected average available Hoover capacity for the month, and any capacity for Supplemental Power and/or Firming Power. When a Hoover unit is scheduled out of service in the Hoover Dam 17 Month Operating Schedule (Attachment 4) for a portion of a calendar month, the capacity credit attributable to that unit for the account of the Authority will be based on the then-current maximum operating capacity of the unit multiplied by the number of days the unit is in service during a month and divided by the total calendar days in that month. The Monthly Energy Schedules will include Firm Energy, Schedule C Energy and the energy portion of any Firming Power and/or Supplemental

Power. Preliminary Monthly Capacity Schedules and Monthly Energy Schedules and revisions thereto will be prepared by the Authority and incorporated in Exhibit C and the control area report (Attachment 5).

2.1.C.7 The amount of energy set forth in the Monthly Energy Schedules and the amount of capacity set forth in the Monthly Capacity Schedules, as may be adjusted pursuant to Section 2.1.C.9 hereof, will be scheduled for delivery by SRP to Authority Purchasers. The Monthly Energy Schedules and Monthly Capacity Schedules will be revised by the Authority if and when an Authority Purchaser requests a change in its energy and/or capacity schedule. Pre-schedules will be prepared on or by the third Normal Business Day before the beginning of a month, unless a request is made by an Authority Purchaser or by SRP for more frequent revisions and conditions and, in the opinion of the Authority, such revisions are warranted.

2.1.C.8 SRP will schedule and account with the Control and/or Self-Tracking Systems Areas for the expected energy schedules as set forth in the Monthly Energy Schedules sheet; provided SRP may require that Supplemental Power be scheduled to the Control Areas and/or Self-Tracking Systems at the same time and in hourly quantities that are being received by SRP from the supplier.

2.1.C.9 The Hoover energy scheduled in accordance with Section 2.1.C.8 hereof will be limited to hourly quantities that are in proportion to the then-current Hoover capacity made available by Western to SRP plus the capacity portion of any Firming Power made available to SRP. The Supplemental Power scheduled in accordance with Section 2.1.C.8 hereof will be limited to the hourly quantities made available by the supplier to SRP, unless otherwise agreed to at SRP's discretion.

2.1.D Motoring and S_L Energy Schedule

2.1.D.1 Motoring and S_L energy will be scheduled back to Western by SRP via a static schedule or through a reduction in the Target Schedule with the Authority's concurrence, which concurrence shall not be unreasonably withheld.

2.1.D.2 SRP will notify the Authority of any change in the methodology of returning motoring and S_L energy.

2.2 Determination of Firm Energy and Firming Energy Winter Season Percentage

2.2.A The Authority shall use the Firm Energy schedules requested by Authority Purchasers, as adjusted, to complete the energy schedules of the Winter and Summer Seasons by months as set forth in Exhibit C. Any revisions of Exhibit C made during the then-current Winter Season, shall be subject to the limitation set forth in Section 2.2.B hereof.

2.2.B If SRP so requests, the Authority will review the Firm Energy and Firming Energy schedules requested by the Authority Purchasers to determine if any Authority Purchaser is able to make adjustments such that the Authority's Entitlement scheduled for use during the then-current Winter Season is not lower than the lesser of (i) 20 percent of the total annual energy in the Master Schedule or (ii) the Winter Season energy in the Master Schedule minus 10 percent of the total annual energy in the Master Schedule. Such adjustments will not be requested until SRP has first limited its Winter Season schedule of Firm Energy and Firming Energy to not less than 30 percent of its percentage share of the total annual energy in the Master Schedule. If an Authority Purchaser notifies the Authority that such adjustments result in a hardship, the Authority will determine if such Authority Purchaser's Firm Energy schedule for the Winter Season, when added to its allocation of other federal hydrogeneration for the same time period, exceeds its Winter Season load. If such is the case, SRP will permit the Authority to shift the Authority Purchaser's Firm Energy which would be in excess of the Authority Purchaser's Winter Season load, to the Summer Season.

2.2.C The Authority will use the methodology as exemplified by Attachment 6 to determine the initial and final Firm Energy and Firming Energy Winter Season percentage.

2.3 Monthly Energy Loss Savings Calculation

2.3.A Energy Loss Savings will be determined monthly by SRP operations in accordance with Attachment 7. The first page of Attachment 7 represents the transmission loss calculation approved by Western pursuant to the transmission contract between the Authority and Western. The second

page represents the calculation of actual Energy Loss Savings. The third page represents the calculation of Average Losses with SRP deliveries at Mead 230 Substation deleted

2.3.B SRP and the Authority will share equally actual Energy Loss Savings and the Authority's share of Energy Loss Savings shall be accounted for in the Energy Bank.

2.4 Energy Loss Savings for Supplemental Power

2.4.A If SRP receives Supplemental Power at a substation within its control area that avoids transmission service by Western to Pinnacle Peak Substation, SRP will share the Energy Loss Savings equally with the Authority Purchaser provided that SRP does not incur a transmission charge to deliver Supplemental Power to Pinnacle Peak Substation.

2.4.B The amount of Supplemental Power scheduled to the Authority Purchaser by SRP at Pinnacle Peak Substation will be reduced by SRP's transmission loss obligation and SRP's half of the Energy Loss Savings.

2.5 Energy Bank

2.5.A The Energy Bank (Attachment 8) represents energy "deemed" to be banked for Authority Purchasers, i.e., any deviation between SRP and Western is not used in the computation of the APA Energy Bank balance.

2.5.B The status of the Energy Bank will be determined on a monthly basis for each Contract Year.

2.5.C The energy components used to determine the Energy Bank balance are described in Sections 2.5.C.1 through 2.5.C.8 hereof.

2.5.C.1 "Target Schedule" is the Authority's monthly Hoover energy entitlement that SRP may schedule from Western, as exemplified in Attachment 1.

2.5.C.2 "Deviation" is the difference between the Target Schedule and the actual energy scheduled from Western by SRP, as exemplified in Attachment 9 as "Delta." Deviation is from two months prior.

2.5.C.3 "Motoring Assessment" is the motoring energy charged to SRP that SRP agrees to return via a reduction in the Target Schedule or a direct schedule to Western. Motoring

Assessment is from two months prior, and is exemplified in Attachment 9 as "Net Motoring Assessment."

2.5.C.4 "HVR Actual Losses" are the losses exemplified in Attachment 7 on line 51 of page 1.

2.5.C.5 "Hoover Allocation @ Load" is exemplified in Attachment 3 as "Sched to Cust."

2.5.C.6 "Energy Loss Savings" are the loss savings exemplified in Attachment 7 on line 11 of page 2.

2.5.C.7 "Banking Energy" for a month is the net of the energy described in Sections 2.5.C.1 through 2.5.C.6. hereof.

2.5.C.8 "Accum Bank Balance" at the end of a month is the net of the Banking Energy for the month and the Accum Bank Balance from the immediately prior month. The Accum Bank Balance at the end of one Contract Year will be applied to the first month of the immediately succeeding Contract Year.

2.6 Accounting for Supplemental Power

2.6.A Accounting for Supplemental Power

2.6.A.1 Schedules of Supplemental Power will be included on the Monthly Capacity Schedules and Monthly Energy Schedules sheets. These Supplemental Power schedules may include firm and non-firm schedules.

2.6.A.2 For those Authority Purchasers that will be assessed transmission losses by the Control Area or other utility for energy associated with Supplemental Power, such transmission losses will not be included in the Monthly Energy Schedules sheet, but will be included in the energy schedules from the supplier or the billing if SRP is the supplier. SRP will schedule transmission losses to the appropriate utility.

2.6.A.3 At the end of the month, the Authority will verify with SRP the MWh and kW amounts received by SRP and/or provided to each Authority Purchaser.

2.7 Schedule Information To Be Exchanged Between The Authority and SRP

2.7.A Information Provided by the Authority

2.7.A.1 Prior to each month, the Authority will provide SRP with Monthly Capacity Schedules and Monthly Energy Schedules sheets. Revisions will be provided as soon as practicable after such revision is made.

2.7.A.2 The Authority will provide SRP with the control area report. Revisions to the control area report will be provided to SRP monthly.

2.7.A.3 Each month during the then-current Winter Season, the Authority will provide SRP with the determination of initial and final Firm Energy and Firming Energy Winter Season Percentage as exemplified in Attachment 6.

2.7.B Information Provided by SRP

2.7.B.1 SRP will insure the Authority receives the "FINAL APA READ SHEET" metering information the same day it is received from Western as exemplified by Attachment 10.

2.7.B.2 SRP will insure the Authority receives any revision made to the Target Schedule for the then current or ensuing month the same day SRP is aware of such revision.

2.7.B.3 Periodically during the month, SRP will inform the Authority of the hourly Hoover capacity available to SRP, the hourly, daily and/or monthly Supplemental Power scheduled to SRP, and the combined Firm Energy, Firming Energy and Supplemental Power scheduled to each Control Area.

2.7.B.4 On a monthly basis, SRP will provide the Authority with the Energy Bank balance using a methodology as exemplified in Attachment 8.

2.7.B.5 On a weekly basis, SRP will provide the Authority with the Hoover capacity projected by Western to be available to the Authority Purchasers based on the projected generating unit status provided by Western. Projections are determined at least one day in advance and do not reflect actual operation. The "Projected APA Capacity" and "Projected Unavailable Hoover Unit Status" are exemplified in Attachment 11.

OY2004 - October 2003 to September 2004

APA Capacity At Delivery

Iooover and Supplemental Total

kW Loss Factor = 0.964503410

Exhibit C

Customer/Ctrl Area	Avg Bill	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Total
Aguila I.D.	4,620	4,893	5,135	3,202	2,842	3,508	3,734	3,613	5,722	5,722	5,722	5,722	5,722	55,537
Buckeye W.C.D.	2,188	5,114	4,353	1,517	1,345	1,662	1,769	1,712	2,710	2,710	2,710	2,710	2,710	31,023
ED #3, Pinal	11,678	42,660	38,731	8,096	7,185	8,867	9,441	9,134	14,463	14,463	14,463	14,463	14,463	196,429
ED #5, Pinal	0	0	0	0	0	0	0	0	0	0	0	0	0	0
ED #6, Pinal	1,003	570	66	698	314	289	654	629	797	779	742	565	1,000	7,103
ED #7, Maricopa	7,711	7,717	7,539	5,346	4,744	5,856	6,235	6,032	9,551	9,551	9,551	9,551	9,551	91,224
ED #8, Maricopa	17,775	35,423	26,805	12,322	10,934	13,495	14,368	13,901	22,013	22,013	22,013	22,013	22,013	237,313
Harquahala P.D.	1,829	6,042	3,990	1,268	1,126	1,389	1,479	1,430	2,265	2,265	2,265	2,265	2,265	28,049
Maricopa W.D.	6,493	8,476	8,175	4,501	3,994	4,930	5,249	5,078	8,041	8,041	8,041	8,041	8,041	80,608
McMullen Vly W.C.&D.D.	6,678	8,986	6,555	4,629	4,107	5,068	5,396	5,222	8,269	8,269	8,269	8,269	8,269	81,309
Roosevelt I.D.	2,365	8,873	6,659	1,640	1,454	1,796	1,912	1,850	2,929	2,929	2,929	2,929	2,929	38,829
Tonopah I.D.	1,138	3,136	2,130	789	700	864	920	890	1,410	1,410	1,410	1,410	1,410	16,479
Wickenburg	1,682	2,433	2,303	1,166	1,035	1,277	1,360	1,316	2,083	2,083	2,083	2,083	2,083	21,305
Total APS	65,161	134,323	112,442	45,174	39,781	49,001	52,517	50,807	80,253	80,235	80,198	80,021	80,456	885,208
C.A.W.C.D.	118,695	101,060	99,622	82,286	73,019	90,115	95,947	92,831	146,996	146,996	146,996	146,996	146,996	1,369,860
Chandler Heights C.I.D.	683	582	573	474	421	519	552	534	846	846	846	846	846	7,885
ED #4, Pinal	14,286	13,408	11,991	9,904	8,789	10,846	11,548	11,173	17,692	17,692	17,692	17,692	17,692	166,119
ED #5, Maricopa	258	369	216	178	158	195	207	201	318	318	318	318	318	3,114
ED #5, Pinal	10,849	9,237	9,105	7,521	6,673	8,236	8,769	8,485	13,436	13,436	13,436	13,436	13,436	125,206
ED #6, Pinal	4,880	4,440	4,872	3,381	3,305	4,178	4,102	3,973	6,489	6,507	6,544	6,721	6,286	60,798
Ocotillo W.C.D.	1,756	1,495	1,474	1,217	1,080	1,393	1,419	1,372	2,174	2,174	2,174	2,174	2,174	20,260
Queen Creek I.D.	1,300	1,107	1,091	901	800	987	1,051	1,017	1,610	1,610	1,610	1,610	1,610	15,004
Roosevelt I.D.	0	931	198	0	0	0	0	0	0	0	0	0	0	1,129
Roosevelt W.C.D.	4,966	4,227	4,168	3,442	3,055	3,769	4,013	3,883	6,149	6,149	6,149	6,149	6,149	57,302
Salt River Project	28,490	24,258	23,913	19,752	17,527	21,631	23,030	22,283	35,284	35,284	35,284	35,284	35,284	328,814
San Tan I.D.	383	342	320	265	235	290	309	299	473	473	473	473	473	4,425
Total SRP	186,546	161,456	157,543	129,321	115,062	142,099	150,947	146,051	231,467	231,485	231,522	231,699	231,264	2,159,916
ED #2, Pinal	14,287	12,163	11,991	9,904	8,789	10,846	11,548	11,173	17,692	17,692	17,692	17,692	17,692	164,874
Page	764	650	641	530	470	580	617	597	946	946	946	946	946	8,815
Wellton-Mohawk I.D.	2,137	1,820	1,794	1,461	1,315	1,622	1,727	1,671	2,647	2,647	2,647	2,647	2,647	24,665
Total WAPA	17,188	14,633	14,426	11,915	10,574	13,048	13,892	13,441	21,285	21,285	21,285	21,285	21,285	198,354
Cortaro-Marana I.D.	4,730	4,028	3,970	3,279	2,910	3,591	3,823	3,700	5,858	5,858	5,858	5,858	5,858	54,591
Total TEPCo	4,730	4,028	3,970	3,279	2,910	3,591	3,823	3,700	5,858	5,858	5,858	5,858	5,858	54,591
Avra Valley Irrig & D.D.	463	548	389	321	285	351	374	362	573	573	573	573	573	5,495
Gila Resources	1,528	2,952	4,282	1,059	939	1,160	1,235	1,195	1,892	1,892	1,892	1,892	1,892	22,282
Silverbell I.D.	522	444	438	362	321	395	421	408	646	646	646	646	646	6,019
Thatcher	772	1,976	1,934	534	475	585	623	603	955	955	955	955	955	11,505
Total AEPco	3,284	5,920	7,043	2,276	2,020	2,491	2,653	2,568	4,066	4,066	4,066	4,066	4,066	45,301
Total APA	276,909	320,360	295,424	191,965	170,347	210,230	223,832	216,567	342,929	342,929	342,929	342,929	342,929	3,343,370

Exhibit C

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TEMPORARY
METERING AND SCHEDULING INSTRUCTIONS
BETWEEN
WESTERN AREA POWER ADMINISTRATION
AND
SALT RIVER PROJECT AGRICULTURAL IMPROVEMENT AND POWER DISTRICT

The Parties to these temporary Metering and Scheduling Instructions (Instructions) are Western Area Power Administration (Western) and Salt River Project Agricultural Improvement and Power District (SRP) as the Arizona Power Authority's (Authority) Scheduling Entity and Authorized Representative.

These Instructions are in fulfillment of paragraph 5.7.3 of the Boulder Canyon Project Contract No. DE-MS65-86WP39574 (Contract) between Western and the Authority, Contract No. DE-MS65-86WP39502 (the Transmission Agreement) between Western and the Authority, and Section 7.1 of the proposed Hoover Scheduling Entity Agreement (Agreement) between the Authority and SRP. The Contract, Transmission Agreement, and the Agreement require that the Parties agree in writing on procedures for operation, scheduling, and accounting of capacity and energy marketed by Western from the Boulder Canyon Project.

These Instructions are intended to temporarily implement the terms of the Contract, the Transmission Agreement and the Agreement, but are not to modify or amend them and are, therefore, subordinate to the Contract, the Transmission Agreement, and the Agreement.

These Instructions shall become effective on May 1, 1989, and shall remain in effect until they are superseded by revised Instructions, or until the long term Instructions are implemented.

The Parties are working in good faith to complete and to mutually agree upon accounting and scheduling procedures. These procedures shall include, but not be limited to, appropriate transmission losses. It is mutually agreed that if the long term accounting procedures affect operations and power deliveries for the months of October 1988 through the period this temporary MSI No. 50A (as revised) is in effect, any accounting differences will be reconciled as soon as is practicable. These new accounting and scheduling procedures shall be included in the long term Instructions.

Western shall account for the Authority's Hoover entitlement and SRP's use of unloaded synchronized generation for regulation, ramping, and spinning reserves (motoring energy) as scheduled by SRP for the months of October 1988 through the period this temporary MSI No. 50A (as revised) is in effect, in accordance with the Contract. Any adjustments due to motoring energy and energy overruns/underruns shall be subtracted from/added to the Authority's Hoover entitlement for the second month following the occurrence. In the event Western adjusts the Authority's Hoover entitlement due to motoring energy and energy overruns/underruns, the obligation of SRP to return the energy to the Authority is provided for in the Agreement.

The Authority shall be responsible for charges for unauthorized overruns of capacity and/or energy in excess of contract obligations as specified in Article 3 of the General Power Contract Provisions attached to the Contract.

Any obligations of SRP to pay for energy or to account for energy to the Authority due to unauthorized overruns/underruns outside the established limit (2%) is provided for in the Agreement.

The Parties agree that during the term of these Instructions, if Western's transmission is limited, Western shall have the right to require SRP to adjust Hoover generation schedules on a real-time basis for the Authority's energy commitments west of Phoenix. Western is willing to accept non-firm schedules from SRP for the Authority's loads to the extent capacity is available. SRP agrees to provide to Western an hourly load pattern schedule for the Authority's energy commitments west of Phoenix.

SRP schedules to other entities through Western at the Mead bus that are supported by resources at the Mead bus will be accepted by Western pending further clarification of the Contract and Transmission Agreement. These arrangements do not preclude SRP's schedules at Mead bus pursuant to other contractual arrangements.

The points of delivery and points of receipt are in the Contract, Agreement, and Transmission Agreement.

These Instructions are concurred in by Western Area Power Administration and Salt River Project Agricultural Improvement and Power District, acting for this purpose through their respective authorized and undersigned representatives:

WESTERN AREA POWER ADMINISTRATION

BY: *John Samuels*

TITLE: District Manager

ADDRESS: 615 S. 43rd Avenue

Phoenix, Arizona 85005

DATE: 5/26/89

SALT RIVER PROJECT AGRICULTURAL
IMPROVEMENT AND POWER DISTRICT

BY: *C. J. Williams*

TITLE: Manager, System Operations

ADDRESS: P.O. Box 52025

Phoenix, Arizona 85072-2025

DATE: 6/9/89