



**United States
Department of Energy**

**WESTERN AREA
POWER ADMINISTRATION**

**Desert Southwest
Regional Office**

CONTRACT

CONTRACT NO. XX-DSR-XXXXX

**UNITED STATES
DEPARTMENT OF ENERGY
WESTERN AREA POWER ADMINISTRATION
Desert Southwest Customer Service Region
Boulder Canyon Project**

AND

CONTRACTOR NAME

FOR

ELECTRIC SERVICE

CONTRACT NO. XX-DSR-XXXXX

BETWEEN

**UNITED STATES
DEPARTMENT OF ENERGY
WESTERN AREA POWER ADMINISTRATION
Desert Southwest Customer Service Region
Boulder Canyon Project**

AND

CONTRACTOR NAME

FOR

ELECTRIC SERVICE

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CONTRACT NO. XX-DSR-XXXXX

BETWEEN

**UNITED STATES
DEPARTMENT OF ENERGY
WESTERN AREA POWER ADMINISTRATION
Desert Southwest Customer Service Region
Boulder Canyon Project**

AND

CONTRACTOR XYZ

FOR

ELECTRIC SERVICE

1. **PREAMBLE:** This Contract is made this ____ day of _____, 20XX (Contract), pursuant to the following Acts of Congress; Reclamation Act of June 17, 1902 (32 Stat. 388); the Boulder Canyon Project Act of December 21, 1928 (45 Stat. 1057, 43 U.S.C. 617);; the Boulder Canyon Project Adjustment Act of July 19, 1940 (54 Stat. 774, 43 U.S.C. 618); the Colorado River Basin Project Act, of September 30, 1968 (82 Stat. 885, 43 U.S.C. 1501); the Department of Energy Organization Act of August 4, 1977 (91 Stat. 565, 42 U.S.C. 7101); Hoover Power Plant Act of August 17, 1984 (98 Stat. 1333, 43 U.S.C. 619); Hoover Power Allocation Act of December 20, 2011 (125 Stat. 777, 43 U.S.C. 619a) hereinafter called the Hoover Power Allocation Act of 2011 or HPAA; and acts amendatory or supplementary to the foregoing acts, between THE UNITED STATES OF AMERICA, Department of Energy, acting by and through the Administrator, Western Area Power Administration, hereinafter called Western, represented by the officer executing this Contract, and with the

concurrence of the Secretary of the Interior through the Commissioner, Bureau of Reclamation, represented by the Regional Director, Lower Colorado Region insofar as their responsibilities and authority under the Boulder Canyon Project Act (45 Stat. 1057, 43 U.S.C. 617), the Boulder Canyon Project Adjustment Act (54 Stat. 774, 43 U.S.C. 618), the Hoover Power Plant Act of 1984 (98 Stat. 1333, 43 U.S.C. 619 and the Hoover Power Allocation Act of 2011 (125 Stat. 777, 43 U.S.C. 619a) are involved in subsection 6.1, paragraphs 6.1.1, 6.3.1, 6.8.3, and 6.9.6, subsections 7.4, 17.3 and 17.4, and section 23 of the Contract, and CONTRACTOR NAME, or a duly authorized representative, hereinafter called the Contractor or Contractor Name, its successors and assignees; each sometimes individually called Party, and collectively called Parties.

2. **EXPLANATORY RECITALS:**

2.1 Western's Administrator published Conformed General Consolidated Power Marketing Criteria or Regulations for Boulder City Area Projects in Federal Register Notice (77 FR 35671, June 14, 2012), as required by the Hoover Power Allocation Act of 2011, collectively hereinafter called "Conformed Criteria" which serve as the regulations for the sale of electric service from the Boulder Canyon Project (BCP).

2.2 The 2012 Conformed Criteria formally established allocations of Schedule A and Schedule B power to existing Contractors, excess energy provisions under Schedule C, and a resource pool defined as Schedule D. In accordance with Hoover Power Allocation Act of 2011, Western allocated portions of Schedule D to the Arizona Power Authority and the Colorado River Commission of Nevada. Western was directed to allocate the remaining portions of Schedule D to new allottees not receiving contingent capacity and firm energy under Schedule A and Schedule B.

- 2.3 Western's adoption of the Energy Planning and Management Program (EPAMP), dated October 20, 1995 in Federal Register Notice 60 FR 54151 require all BCP electric service contractors to prepare Integrated Resource Plans (IRP) and a Power Marketing Initiative (PMI) under which Western may extend a portion of Federal resource commitments to its existing Contractors. EPAMP was revised in 65 FR 16789 to allow customers more alternatives in meeting the IRP requirements. Federal Register Notice 76 FR 81487 withdraws the requirement of EPAMP PMI to BCP electric service contractors.
- 2.4 In the Federal Register Notice 77 FR 65681, dated October 30, 2012, Western proposed additional marketing criteria, for public comment.
- 2.5 Western announced in the Federal Register Notice 78 FR 79436, dated December 30, 2013, its final marketing criteria and a call for applications.
- 2.6 Western announced in the Federal Register Notice 78 FR 79436, dated December 30, 2013, eligible Contractors, with the exception of Native American tribes, must be ready, willing and able to receive and distribute or use power from Western by October 1, 2016.
- 2.7 Western announced in the Federal Register Notice 78 FR 79443, dated December 30, 2013, the general marketing criteria stating that any allocated Schedule D power not under contract by October 1, 2016, shall be redistributed on a pro-rata basis to the remaining Schedule D new allottees. Any power not allocated and under contract by October 1, 2017, shall be distributed in accordance with the 2012 Conformed Criteria.

- 2.8 Western announced in the Federal Register Notice 79 FR 46432, dated August 8, 2014, proposed allocations for BCP Schedule D resource pool.
- 2.9 Western provided the public opportunities to discuss and comment on the proposed allocations for the BCP Schedule D resource pool and after evaluation of the comments received, Western published notice of final allocations of power from the BCP Schedule D resource pool in the Federal Register Notice 79 FR 75544, dated December 18, 2014.
- 2.10 In the Federal Register Notice 79 FR 75544, dated December 18, 2014, Western approved an allocation of electric service to the Contractor subject to the execution of a definitive contract.
- 2.11 The Hoover Power Allocation Act of 2011, provides for contract offers to existing Contractors of Schedule A and Schedule B Contingent Capacity and Firm Energy, and Schedule C Excess Energy, and Schedule D resource pool for new allottees. Western herein offers such Schedule A and Schedule B Contingent Capacity and Firm Energy, and also offers such Schedule C Excess Energy, and Schedule D resource pool for new allottees, and this Contract evidences such offers and the acceptance of such offers
3. **AGREEMENT:** The Parties agree to the terms and conditions set forth herein.
4. **TERM OF CONTRACT:**
- 4.1 This Contract shall become effective on October 1, 2017, and shall remain in effect until midnight, Mountain Standard Time, September 30, 2067.
- 4.2 The date of initial service hereunder shall be October 1, 2017; Provided, That for non-tribal Schedule D Contractors, this contract shall terminate if the required

transmission and/or delivery arrangements are not made prior to October 1, 2016, in accordance with Federal Register Notice 78 FR 79436, dated December 30, 2013.

4.3 Western reserves the right to terminate this Contract in the event the Contractor does not meet the requirements of the Hoover Power Plant Act specified in this Contract.

5. **DEFINITIONS:** The following terms, when used herein, shall have the meanings specified:

5.1 Actual Energy Charge: Calculation determined in accordance with subsection 7.9.

5.2 Actual Expenses: The amount equal to the authorized expenses actually incurred by or for the benefit of the BCP each Fiscal Year by Western and Reclamation excluding expenses for firming energy purchases.

5.3 Administrator: The Administrator of the Western Area Power Administration.

5.4 Annual Revenue Requirement: The estimated BCP expenses for the Rate Year less any carryover of funds from a prior Fiscal Year; and revenues from other sources.

5.5 Arizona: The State of Arizona, represented, for purposes of this Contract, by the Arizona Power Authority.

5.6 Authorized Representative: A representative of a Party designated in accordance with section 19 hereof.

5.7 Available Capacity: Hoover Powerplant generating capacity which is currently available for use including reductions for derated unit capability and unit outages.

5.8 Available Energy: The amounts of energy available to the Contractors for each Fiscal Year and Billing Period in accordance with section 6 and Exhibit E.

- 5.9 Base Charge: The total charge paid by a Contractor for capacity and energy based on the Annual Revenue Requirement, pursuant to section 7 hereof. The Base Charge shall be composed of a capacity component and an energy component.
- 5.10 Billing Period: The service period beginning on the first day and extending through the last day of any calendar month.
- 5.11 Boulder Canyon Project (BCP): 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.
- 5.12 Boulder Canyon Project Act: The Act of Congress approved December 21, 1928 (45 Stat. 1057), as amended and supplemented.
- 5.13 Boulder Canyon Project Adjustment Act: The Act of Congress approved July 19, 1940 (54 Stat. 774), as amended and supplemented.
- 5.14 Boulder City Area Projects: The Boulder Canyon Project, the Parker-Davis Project, and the United States entitlement in the Navajo Generating Station, also known as the Desert Southwest Region Projects.
- 5.15 Capacity Dollar: The amount of revenue to be billed for BCP capacity sales for each Fiscal Year. Such amount shall be fifty (50) percent of the Annual Revenue Requirement, adjusted by the Energy Deemed Delivered. Western shall then apply the Calculated Energy Rate to each Contractors Energy Deemed Delivered to determine the Contractors Actual Energy Charge in accordance with subsection 7.9 hereof.

- 5.16 Colorado River Basin Dam Fund: The special fund in the United States Treasury established by Section 2(a) of the Boulder Canyon Project Act and available for carrying out the provisions of said Act, the Boulder Canyon Project Adjustment Act, the Hoover Power Plant Act and the Hoover Power Allocation Act of 2011.
- 5.17 Conformed Criteria: The Conformed General Consolidated Power Marketing Criteria or Regulations for Boulder City Area Projects, published in the Federal Register Notice 79 FR 35671, dated June 14, 2012 to implement applicable provisions of the HPAA for the marketing of BCP power.
- 5.18 Contingent Capacity: The aggregate of Schedule A Contingent Capacity, Schedule B Contingent Capacity, and Schedule D Contingent Capacity as set forth in Exhibit A subject to reduction as provided in section 6 herein.
- 5.19 Contractor(s): The Party or Parties specified in Attachment No. 4 that have a fully executed contract with Western for electric service .
- 5.20 Contractors Contingent Capacity: The entities entering into contracts with Western for electric service pursuant to the Hoover Power Allocation Act of 2011.
- 5.21 Contractors Energy Dollar: The amount equal to the Energy Dollar for each Fiscal Year multiplied by each Contractor's Firm Energy percentage, in accordance with subsection 7.8.
- 5.22 Day: A calendar day.
- 5.23 Energy Deemed Delivered: The amount of energy scheduled, delivered, metered, and calculated to be delivered to each Contractor, including Motoring Losses (M_L) and Unloaded Synchronized Generation Losses (S_L) as defined in Exhibit F attached hereto, all determined in accordance with the metering and scheduling instructions developed and agreed upon pursuant to paragraph 6.11.2. Such

energy amount shall exclude energy purchased by Western, at the request of a Contractor, to meet that Contractor's deficiency in Firm Energy pursuant to subsection 6.8.

5.24 Energy Dollar: The amount of revenue to be billed for BCP energy sales for each Fiscal Year. Such amount shall be fifty (50) percent of the Annual Revenue Requirement, adjusted by the Energy Deemed Delivered. Western shall then apply the Calculated Energy Rate to each Contractor's Energy Deemed Delivered to determine the Contractor's Actual Energy Charge in accordance with subsection 7.9 hereof.

5.25 Excess Energy: Energy in excess of 4,501.001 million kilowatt hours in any Year of Operation obligated from the Hoover Powerplant pursuant to section 105 (a) (1) (C), as established by the Hoover Power Allocation Act of 2011 and the Conformed Criteria.

5.26 Firm Energy: Energy obligated from Hoover Powerplant pursuant to Sections 105 (a) (1) (A), 105 (a) (1) (B), and 105 (a) (2), as established by the Hoover Power Allocation Act of 2011 and the Conformed Criteria.

5.27 Firming Energy: Supplemental energy purchased by Western at the request of a Contractor to meet any deficiency in Firm Energy under Section 105 (a) (2), as established by the Hoover Power Allocation Act of 2011.

- 5.28 Fiscal Year: The twelve (12) month period so designated by Federal law. Until changed by Federal law, Fiscal Year means the period commencing October 1 of each year, immediately after midnight of September 30, and ending at midnight of September 30 of the following year.
- 5.29 Hoover Powerplant: The powerplant at Hoover Dam, consisting of seventeen (17) main generating units and appurtenant facilities.
- 5.30 Hoover Power Allocation Act: The Act of Congress approved December 20, 2011 (125 Stat. 777, 43 U.S.C. 619a) amends the Hoover Power Plant Act of 1984 commencing October 1, 2017, for certain statutory schedules governing contracts for delivery of hydroelectric power generated at Hoover Dam to specified localities in Arizona, California, and Nevada.
- 5.31 Hoover Power Plant Act: The Act of Congress approved August 17, 1984 (98 Stat. 1333) and amended December 20, 2011 (125 Stat. 777).
- 5.32 Implementation Agreement: Agreement No. 95-PAO-10616, as amended and restated, or supplemented during the term of this Contract.
- 5.33 Lay Off Power: Power made available from a Contractor that is unable to receive and make use of its allocated capacity and energy.
- 5.34 Loaded Synchronized Generation: The quantity of Synchronized Generation that is supplying energy.

- 5.35 Lower Colorado River Basin Development Fund Contribution
Charge: Charge assessed on energy purchased by Contractors in Arizona, California and Nevada, developed in accordance with Title I, Section 101(c) of Hoover Power Plant Act.
- 5.36 Master Schedule: The schedule, described in subsection 6.9 prepared by Western each year and furnished to the Contractors setting forth Western's estimate of Power available by months from the BCP for the sixteen (16) month period beginning on June 1 of any year and extending through September 30 of the next year for each of the Contractors.
- 5.37 Monthly Capacity Dollar: The Capacity Dollar divided by twelve (12).
- 5.38 Monthly Energy Ratio: The estimated amount of energy each Contractor is to receive each month in accordance with the Master Schedule divided by the total energy that Contractor is to receive in that Fiscal Year under the Master Schedule. The annual sum of the Monthly Energy Ratios for each Fiscal Year shall equal one (1) for each Contractor.
- 5.39 NERC Holidays: Holidays recognized by the North American Electric Reliability Council which are listed in Exhibit E.
- 5.40 Nevada: The State of Nevada, represented, for purposes of this Contract, by the Colorado River Commission of Nevada.
- 5.41 Off-Peak Hours: As defined in Exhibit E.
- 5.42 On-Peak Hours: As defined in Exhibit E.
- 5.43 Overruns: The use of capacity or energy in amounts greater than Contractor's Available Capacity and/or Available Energy provided for in the Contract.

- 5.44 Power: Contingent Capacity, Firm Energy, and Excess Energy.
- 5.45 PRS: The Power Repayment Study used by Western to calculate the Annual Revenue Requirement capacity and energy rates for the BCP.
- 5.46 Rate Year: The next Fiscal Year for which the Annual Revenue Requirement is forecast for annual rate determination purposes in the PRS.
- 5.47 Reclamation: Department of the Interior, Bureau of Reclamation.
- 5.48 Repayable Advance: The portion of the Replacement Capital Advances to be collected from the Schedule D Contractors in accordance with the Implementation Agreement and Hoover Power Allocation Act of 2011.
- 5.49 Replacement Capital Advances: The annual value calculated pursuant to paragraph 7.4.3 hereof, subsection 7.2 and Appendix A of the Implementation Agreement for the purpose of determining Repayable Advances.
- 5.50 Resource Integration Exchange Program (RIE): An exchange of energy facilitated by Western, between BCP Contractors and between BCP Contractors and Parker-Davis Project contractors. Participation in the RIE program is strictly voluntary.
- 5.51 Schedule A Contingent Capacity: The capacity shown in Exhibit A, as established by Hoover Power Allocation Act of 2011 and the Conformed Criteria.
- 5.52 Schedule A Contractor: An entity listed in Exhibit A that enters into a contract with Western pursuant to Section 105 (a) (1) (A), as established by Hoover Power Allocation Act of 2011 and the Conformed Criteria.

- 5.53 Schedule A Firm Energy: The energy shown in Exhibit B, as established by Hoover Power Allocation Act of 2011 and the Conformed Criteria.
- 5.54 Schedule B Contingent Capacity: The capacity shown in Exhibit A, as amended by Hoover Power Allocation Act of 2011 and the Conformed Criteria.
- 5.55 Schedule B Contractor: An entity listed in Exhibit A that enters into a contract with Western pursuant to Section 105 (a) (1) (B), as amended by Hoover Power Allocation Act of 2011 and the Conformed Criteria.
- 5.56 Schedule B Firm Energy: The energy shown in Exhibit B as established by Hoover Power Allocation Act of 2011 and the Conformed Criteria.
- 5.57 Schedule C: The schedule so captioned appearing in Section 105 (a) (1) (C), as established by Hoover Power Allocation Act of 2011 and adopted by the Conformed Criteria, reproduced in Exhibit C and supplemented as to users in California by the 1986 Regulations, as shown in Exhibit B.
- 5.58 Schedule D Contingent Capacity: The capacity shown in Exhibit A, as established by Hoover Power Allocation Act of 2011 and the Conformed Criteria.
- 5.59 Schedule D Contractor: A new allottee listed in Exhibit A, which enters into a contract with Western pursuant to Hoover Power Allocation Act of 2011 and the Conformed Criteria.
- 5.60 Schedule D Firm Energy: The energy shown in Exhibit B as established by HPAA and the Conformed Criteria.
- 5.61 Scheduling Entity: Western or an entity designated by the Contractor to schedule the Contractors Power with Western at the BCP point of delivery as per paragraph 6.10.5.

- 5.62 Summer: The seven (7) month period beginning on the first (1st) day of the March Billing Period of any year, extending through the last day of the September Billing Period of that year.
- 5.63 Synchronized Generation: Contingent Capacity available from any of the generating units synchronized to Western's power system.
- 5.64 Uncontrollable Forces: As defined in Provision 34 of the General Power Contract Provisions.
- 5.65 Unloaded Synchronized Generation: The difference between scheduled Synchronized Generation and Loaded Synchronized Generation. Exhibit F documents the formula for energy used to supply Unloaded Synchronized Generation.
- 5.66 Winter: The five (5) month period beginning on the first (1st) day of the October Billing Period of any year and extending through the last day of the February Billing Period in the next year.
- 5.67 Western Electricity Coordinating Council (WECC): The Western Electricity Coordinating Council, or successor(s).
- 5.68 Year of Operation or Operating Year: The Fiscal Year as defined in subsection 5.28.

6. **ELECTRIC SERVICE TO BE FURNISHED:**

6.1 Water Operations, Power Generation and Delivery Responsibilities:

Nothing in this Contract shall impede or inhibit the statutory requirement that Hoover Dam and Lake Mead shall be used: first, for river regulation, improvement of navigation and flood control; second, for irrigation and domestic uses and satisfaction of present perfected rights in pursuance of Article VIII of the Colorado River Compact; and third, for power.

6.1.1 Responsibilities of Reclamation: Reclamation has the responsibilities for; water operations, power generation, financial integrity, repayment of the BCP and the administration of the Colorado River Dam Fund.

6.1.1.1 Reclamation shall schedule the release of water to meet statutory requirements as specified in subsection 6.1.

6.1.1.2 Reclamation shall release water through the Hoover Powerplant so that energy is generated while Lake Mead is above the minimum power pool; bypass and spills will be avoided unless necessary to meet flood control, dam safety, operations and maintenance requirements, or other critical hydrologic or operational reasons to be determined. Reclamation shall accept the real-time scheduling by Western, in accordance with the monthly and sub-monthly period schedules (including revisions to the monthly and sub-monthly period schedules) provided by Reclamation.

6.1.1.3 Reclamation is responsible for the operation, maintenance, repairs, and replacements, and for investigations and inspections necessary to keep Hoover Dam and powerplant operational in accordance with regulatory, safety, and security requirements, and Reclamation practices and standards. Reclamation will make every effort to schedule and complete all inspections, maintenance, repairs and replacements in a manner that is timely and efficient and coordinate with Western as appropriate.

6.1.1.4 Reclamation shall, except in case of emergency, give Western reasonable notice in advance of any change in delivery of water in accordance with Paragraph 6.9.6 and Western shall promptly forward such notice to the Contractors.

6.1.2 Responsibilities of Western: Western shall operate, maintain, replace and repair the Federal electric delivery system in order to deliver the Contractors Contingent Capacity, Firm Energy, and Excess Energy allocations from the Hoover Powerplant to the BCP point of delivery as set forth in Exhibit D. Western shall calculate the Annual Revenue Requirement and Base Charge, and set rates and charges which will recover costs as set forth in the 10 CFR Part 903 and 10 CFR Part 904. Western shall measure and account for Power deliveries, render bills, and maintain books of account to ensure the financial integrity of the BCP.

6.1.2.1 Western shall accept Power from Reclamation and, subject to the terms and conditions stated in this Contract, schedule, deliver, and measure said Power to the Contractor, from and after the date of initial service as provided in subsection 4.2, at the point(s) of delivery and voltage set forth in Exhibit D.

6.1.2.2 Power being fungible, Western shall be permitted to satisfy its obligations under this Contract by use of generation from Hoover Powerplant or other sources of generation available to Western; Provided, That the measure of the Contractors rights to Power hereunder shall be the quantity of capacity and energy available

from Hoover Powerplant. Power made available to the Contractor shall be deemed to be from Hoover Powerplant. Subject to the Contract rights of all Contractors being preserved, except as provided in paragraph 6.10.2, Western will utilize the BCP to optimize the operation of Federal projects. Western shall be obligated to provide regulation, ramping and reserves to the Contractor in quantities that can be provided by Hoover Powerplant, except as provided in paragraph 6.10.2; Provided, That Western may provide regulation, ramping, and reserves from other resources, if such regulation, ramping and reserves can be made available from such other resources in the same quantity and quality as if such regulation, ramping and reserves were provided by Hoover Powerplant, subject to the limitations of paragraph 6.10.2.

6.1.2.3 If integrated operation of the BCP with other Federal projects confers a direct power benefit upon such other Federal projects, or if a direct power benefit is conferred by other Federal projects upon the BCP, Western shall equitably apportion such benefits and appropriate charges among the other Federal projects on the Colorado River. Western shall provide the Contractor an opportunity to review, discuss, and comment on any integration agreement with a length of three (3) years or longer prior to execution of such agreement.

- 6.2 Undertaking of Western to Provide Contingent Capacity: Western shall provide, and the Contractor shall accept and schedule, the Contractors Contingent Capacity as set forth in this Contract.
- 6.3 Determination of Reductions in Contingent Capacity: Reductions to Contingent Capacity may result due to forced or planned outages, river operation, or reservoir drawdown.
- 6.3.1 Any reduction in capacity due to a reduction in generating capacity or in the use of capacity of the Hoover Powerplant, whether scheduled or unscheduled, shall be determined by Reclamation.
- 6.3.2 Any reduction in capacity due to a reduction in transfer capability, whether scheduled or unscheduled, of the BCP transmission or delivery system, shall be determined by Western.
- 6.4 Allocation of Reductions in Contingent Capacity: Reductions in Contingent Capacity shall be borne pro rata among Schedule A, Schedule B, and Schedule D Contingent Capacity and each Contractor's reduction in Contingent Capacity shall be based on the Contractors' allocation percentages in Exhibit A.
- 6.5 Limitations on Energy Deliveries: Electric energy shall be delivered to the Contractor in quantities which the Contractor may schedule, up to the Contractors Available Capacity. The simultaneous rate of delivery of Firm Energy and Excess Energy at the point of delivery shall not exceed the Contractors Available Capacity. Available Capacity shall be available in any hour within the Billing Period except for reductions pursuant to subsection 6.10.

6.6 Firm Energy Allocations and Excess Energy Priority: Western shall allocate, and deliver, and the Contractor shall schedule Firm Energy and Excess Energy, as follows:

6.6.1 Schedule A Firm Energy: The allocations of Schedule A Firm Energy are listed in Exhibit B.

6.6.2 Schedule B Firm Energy: The allocations of Schedule B Firm Energy are listed in Exhibit B.

6.6.3 Schedule D Firm Energy: The allocations of Schedule D Firm Energy are listed in Exhibit B.

6.6.4 Total of Schedule A, Schedule B, and Schedule D, Firm Energy: The quantity of Firm Energy allocated to each Contractor expressed as a percentage of the aggregate of Schedule A, Schedule B, and Schedule D, Firm Energy allocated to all Contractors is listed in Exhibit B:

6.6.5 Schedule C Excess Energy: The allocation for First, Second, and Third priority Excess Energy is set forth in Exhibit C.

6.6.6 Contractor's Available Energy: Established annually in accordance with subsections 6.7, 6.9, and Exhibit E.

6.7 Annual Energy:

6.7.1 Master Schedule: The Contractor's Available Energy including any Excess Energy for the Summer and the Winter, and for each Billing period of the ensuing sixteen (16)-month period shall be set forth in the final Master Schedule.

Available Energy including any Excess Energy available shall be determined in accordance with Exhibit E utilizing the gross energy that would have been produced at the Hoover Powerplant without any loss of efficiency for providing ramping, reserves, and regulation less station service use (exclusive of motoring energy) less transformer and transmission losses to the point(s) of delivery at the Mead 230-kV Substation.

6.7.2 Allocation of Excess Energy: Whenever Excess Energy is available, Western shall deliver Excess Energy in accordance with the allocation and the order of priority set forth in Schedule C, shown in Exhibit C.

6.8 Deficiencies in Firm Energy:

6.8.1 The difference between 4,527.001 million kilowatt hours and 4,501.001 million kilowatt hours of energy generation during any Fiscal Year is deemed to be a deficiency in Firm Energy. To the extent that the actual generation at Hoover Powerplant in any Fiscal Year (less deliveries thereof to Arizona required by its first priority under Schedule C, whenever actual generation in any Fiscal Year is in excess of 4,501.001 million kilowatt hours) is less than 4,527.001 million kilowatt hours, such deficiency shall be borne by each Contractor according to the percentages shown in Exhibit B.

6.8.2 Change in Characterization of Energy: When Excess Energy is forecast, scheduled, and delivered during any Fiscal Year, and later during such period it is forecast that only Firm Energy or a reduced quantity of Excess

Energy deliveries can be made, the amount of over-delivered Excess Energy shall be accounted for in the energy delivery deviation account. The return of energy to Western by the Contractor receiving such over-delivered Excess Energy shall be made pursuant to written metering and scheduling instructions developed pursuant to paragraph 6.11.2 hereof. Unless otherwise agreed, this amount of energy shall be: (i) returned at mutually agreed upon points and rates of delivery within twelve (12) months after the date of notice of the change in characterization of energy and (ii) returned during On-Peak Hours. Deliveries of such energy returned by the Contractor shall not affect the rights of other Contractors.

6.8.3 Minimum Schedules: The Contractor may be required to schedule a minimum rate of delivery at times to meet minimum power system or water delivery requirements. Western may require Contractors to schedule up to a minimum rate of delivery of energy during low load hours when system frequency is high and/or allow Western to receive energy purchased during Off-Peak Hours. To meet power system minimum requirements, the Contractors hourly minimum schedule will be up to ten (10) percent of the Contractors Available Capacity. In order to allow Reclamation to comply with required minimum water releases Western may require Contractors to schedule a minimum rate of delivery during Off-Peak Hours. The percentage of energy to be taken by the Contractors at the minimum scheduled rate of delivery shall be established on a seasonal basis, and may be increased or decreased as conditions dictate. The monthly minimum rate of delivery for each power Contractor will be computed by dividing the number of kilowatt-hours to be taken during the

month by a Contractor at the minimum rate of delivery, by the number of Off-Peak Hours in the month. The number of kilo-watt hours to be taken during the Off-Peak Hours at the minimum rate of delivery will not exceed twenty-five (25) percent of the Contractors monthly energy allocation, subject to critical conditions pertaining to reservoir drawdown, outages, or river operations.

6.8.4 Purchases of Firming Energy: At the request of the Contractor and at the Contractor's expense, Western shall purchase energy to meet that Contractor's Firm Energy deficiency. Such firming arrangements are to be evidenced by prior written agreement between the Parties that provides for the Contractor to advance fund firming purchases. The price to the Contractor for Firming Energy purchased for the Contractor shall not include the Lower Colorado River Basin Development Fund Contribution Charge.

6.8.5 Lay Off of Energy: Western shall, at the Contractors request, attempt to lay off all or part of the Firm Energy or Excess Energy the Contractor declares to be available for lay off (Lay Off Energy), first to other Contractors in the same schedule from which the allocation originates; second to all other Contractors; and third to any potential purchaser. No other Contractor shall be obligated to accept any Lay Off Energy. The rate to be paid by a purchaser agreeing to accept Lay Off Energy shall be the rate that would have been paid by the Contractor requesting the lay off of such energy. A Contractor requesting Western to lay off Firm Energy or Excess Energy shall not be relieved of its obligation to

pay for such Firm Energy or Excess Energy. Any revenues received by Western under this paragraph shall be credited against the requesting Contractors obligation.

6.8.6 Lay Off Power: In the event a Contractor is unable to receive and make use of its allocated capacity and energy, Western will offer Lay Off Power first to Contractors within the same schedule from which the allocation originates; second to all other Contractors; and third to any potential purchaser. No other Contractor shall be obligated to accept any Lay Off Power. All Lay Off Power offers and resulting capacity and energy adjustments shall be a minimum of one full calendar month proceeding such time as the Contractor is unable to receive and make use of its allocated capacity and energy. The rate to be paid by a purchaser agreeing to accept displaced power shall be the rate that would have been paid by the Contractor relinquishing such power. A Contractor unable to receive and make use of all or part of its allocated capacity and energy shall not be relieved of its obligation to pay for such capacity and energy. Any revenues received by Western under this paragraph shall be credited against the requesting Contractors obligation.

6.9 Procedure for Delivering Quantities of Available Energy:

6.9.1 Integration of BCP: Western will use the BCP with other resources available in order to make the deliveries of Power from the BCP more useful to the Contractors. Such integration shall not impair the rights of any Contractor.

- 6.9.2 Preparation of Draft Master Schedule: Prior to June 1 of each year, Western shall furnish to the Contractor for review two (2) draft Master Schedules. The first draft of the Master Schedule shall contain the following by month for the BCP: (i) Reclamation's seventeen (17) month outage schedule for the Hoover Powerplant showing estimated capacity and outages; and (ii) a draft power generation schedule showing the best forecast of energy and a tabulation of forecasted Available Capacity to the Contractors during the ensuing sixteen (16) month period beginning on the 1st day of the month subsequent to the month the draft Master Schedule is issued. The second draft of the Master Schedule shall contain everything that the first draft of the Master Schedule contained plus the results of any BCP Contractor's participation in the RIE.
- 6.9.3 Contractors Proposed Delivery Schedule: Within fifteen (15) days after receipt of the information listed in paragraph 6.9.2, the Contractor may submit to Western comments on the draft Master Schedules.
- 6.9.4 Issuance of Final Master Schedule: After Western has considered any Contractor(s) comments provided for in paragraph 6.9.3, it shall issue the final Master Schedule. Prior to June 1 of each year, Western shall furnish to the Contractor the final Master Schedule containing by month for the BCP: (i) Reclamation's seventeen (17) month outage schedule for the Hoover Powerplant showing estimated capacity and outages; (ii) a power generation schedule showing the best forecast of energy and a tabulation of forecasted Available Capacity to the Contractors; and (iii) the results of

any BCP Contractor's participation in the RIE during the ensuing sixteen (16) month period beginning on June 1 of the current year and extending through September 30 of the next year for each of the Contractors. The RIE program in no way limits Western's integration of the BCP with other projects and sources available to Western.

6.9.5 Revisions of Master Schedule: In the event of forced outages, or a change in forecasted river operations or in scheduled outages that necessitates a revision of the then effective Master Schedule, a revised Master Schedule shall be furnished to the Contractors, as soon as, possible after the data becomes available

6.9.6 Reclamation's Right to Change Schedules: Reclamation reserves the right to reschedule, temporarily discontinue, reduce, or increase the delivery of water for the generation of electrical energy at any time in coordination with Western to allow for changing reservoir and river conditions; maintenance, repairs, replacements and for investigation and inspections; or by reason of compliance with the statutory requirement referred to in subsection 6.1.

6.10 Use of Generation:

6.10.1 Scheduling Generation: Within the constraints of outages, river operations, or reservoir drawdown, and to the extent the Contractor does not exceed its energy allocation, emergencies excepted, the Contractor shall have the right to schedule Loaded Synchronized Generation and Unloaded Synchronized Generation, the sum of which shall not exceed the Contractors Available Capacity. Synchronized Generation shall be scheduled in advance following the NERC and WECC prescheduling calendars, emergencies

excepted, and accounted for on the basis of such advance schedules, all in accordance with metering and scheduling instructions agreed upon pursuant to paragraph 6.11.2 hereof. The metering and scheduling instructions will provide for modifying such schedules to the needs of day-to-day or hour-by-hour operation.

6.10.2 Regulation, Ramping, and Reserves: Subject to paragraph 6.10.1, the Contractor, through use of a dynamic signal from the Contractor or a Scheduling Entity to a control center designated by Western, or through such other methods and procedures agreed upon by the Contractor and Western, shall have the right to use previously scheduled Synchronized Generation for regulation, ramping from zero (0) to full scheduled Synchronized Generation and the reverse, and reserves; Provided, That a Contractor's use of capacity for regulation, ramping, and reserves shall not (i) have a detrimental effect on power system equipment at Hoover Powerplant or on river operations, as determined by Reclamation pursuant to Subparagraph 6.3; (ii) impair the rights of other Contractors to use capacity for regulation, ramping, and reserves; or (iii) have a detrimental effect on Western's ability to utilize the BCP to optimize the operation of the Federal projects on the Colorado River. If the Contractor's use of capacity for regulation, ramping, and reserves does impair such rights or have such detrimental effect, the Contractor's use of capacity for regulation, ramping, and reserves will be restricted to the extent necessary and for as long as the condition continues to exist or until the impairment or detrimental effect is corrected. Western shall promptly consult with the

Contractors and determine with the Contractors how such impairment or detrimental effect may be corrected. If restriction on the use of the Contractors capacity is due to the impairment of Western's ability to utilize the BCP to optimize the operation of the Federal projects on the Colorado River, Western shall not reduce the Contractors use of capacity for regulation, ramping, and reserves below seventy-five (75) percent of the Contractors Available Capacity for regulation, ramping, and reserves.

6.10.3 Scheduling Under Emergency Conditions: During emergencies, the Contractor shall have the right for up to twelve (12) hours, to schedule capacity in excess of previously scheduled amounts, up to its Contingent Capacity to the extent capacity is available. For purposes of this paragraph and paragraph 6.10.1, an emergency will be determined by the Contractor based upon standard utility practice.

6.10.4 Accounting for Use of Unloaded Synchronized Generation: The Contractors use of energy to support the use of Unloaded Synchronized Generation for regulation, ramping, and reserves in any Billing period shall be accounted for by a reduction during On-Peak Hours in the Contractors Available Energy in the following Billing Period, or as soon thereafter as practicable, unless the written metering and scheduling instructions agreed to pursuant to paragraph 6.11.2 set forth procedures for returning such energy from sources available to the Contractor other than the Hoover

Powerplant during On-Peak Hours in the following Billing Period or as soon thereafter as practicable. The amount of the reduction during On-Peak Hours in the Contractors monthly Available Energy shall be the Contractors proportional share of the energy used to support Unloaded Synchronized Generation for the benefit of all Contractors, and shall be determined in accordance with Exhibit F. The procedure for reducing the Contractors Available Energy or for returning energy under this paragraph shall be set forth in the written metering and scheduling instructions.

6.10.5 Scheduling Entity: In addition to the Authorized Representative(s) designated in section 19, the Contractor shall designate, by written notice to Western, a Scheduling Entity responsible for scheduling the Contractors Hoover energy and capacity allocations. Said Scheduling Entity must be designated at least sixty (60) days prior to energy deliveries to said Scheduling Entity on behalf of the Contractor. The Contractor may change its Scheduling Entity upon sixty (60) days written notice to Western, and the said change shall become effective at the beginning of the Billing Period immediately following the end of such notice period. In the event that the Contractor also designated a Scheduling Entity which is also designated by other Contractors, energy deliveries shall be prorated among the Contractors for whom the Scheduling Entity schedules generation, unless otherwise agreed to in writing by the Contractor(s) and such Scheduling Entity shall be approved by Western. Said proration shall be for a Billing Period and in the

proportions that their respective Firm Energy bear to the aggregate Firm Energy and Excess Energy allocations of the Contractors for whom the Scheduling Entity schedules generation. In the event that the Contractor dynamically schedules generation through a Scheduling Entity that is a Hoover Contractor, energy reductions as provided in Paragraph 6.10.4 shall, as between Western and the Scheduling Entity, be borne by the Scheduling Entity in the absence of other agreement approved by Western. In the event that the Contractor dynamically schedules generation through a Scheduling Entity that is not a Hoover Contractor, energy reductions shall be borne by the Contractor. The procedures for metering and scheduling shall be included in the written metering and scheduling instructions pursuant to paragraph 6.11.2 hereof.

6.11 Coordination of Power System:

6.11.1 Operating Reserves: Each Party shall provide or cause to be provided its operating reserve requirements for its load; Provided, That such reserves shall meet or exceed the minimum reserve criteria established by the WECC or a successor organization.

6.11.2 Metering and Scheduling Instructions: Deliveries of Power shall be made pursuant to written metering and scheduling instructions developed and agreed upon by the Authorized Representatives, or between Western and the Scheduling Entity subject to the approval of the Authorized

Representative of the Contractor, detailing the operating arrangements and scheduling and accounting procedures to be used. Such written metering and scheduling instructions shall be developed in conformity with the following principles:

- 6.11.2.1 Metering and scheduling instructions are intended to implement the terms of the Contract, but not to modify or amend it and are, therefore, subordinate to this Contract.
- 6.11.2.2 It is the Contractors responsibility to effectuate agreement(s) with any third party or parties which may be necessary to enable the Contractor to accept deliveries hereunder including arrangements necessary for dynamic scheduling if desired by the Contractor.
- 6.11.2.3 In the event the Contractors Authorized Representative or Scheduling Entity fails or refuses to execute the initial metering and scheduling instructions or any revised instructions which Western determines to be necessary, Western shall develop and temporarily implement revised instructions until mutually acceptable instructions have been developed and executed by Western, the Scheduling Entity, and the Authorized Representative of the Contractor.

7. **BILLINGS, PAYMENTS, AND SCHEDULE OF RATES:**

- 7.1 General: The Contractor shall pay monthly for electric service hereunder in accordance with the base charge and rates developed pursuant to 10 CFR Part 903 and 10 CFR Part 904, other applicable regulations, and, to the extent applicable,

Department of Energy Order RA 6120.2, as each may hereafter be amended or supplemented, and included in a rate schedule to be developed and attached hereto as Attachment No. 1 and by this reference made a part hereof. Any change of rates shall likewise be developed pursuant to the foregoing regulations and order.

7.2 Payment for Annual Base Charge: The Contractor shall pay for all of its proportionate share of the annual Base Charge as calculated below. Each monthly bill will include both a capacity charge and a charge for the associated firm energy. In addition to the proportionate share of the annual Base Charge the Contractor shall pay the Lower Colorado River Basin Development Fund Contribution Charge on all Energy Deemed Delivered during the Billing Period, except as otherwise provided in paragraph 6.8.4. Western shall continue to bill the Contractor for its portion of the annual base charge, regardless of the actual output of the generating units, for reasons including but not limited to, low reservoir elevation or other uncontrollable forces.

7.3 The Base Charge shall be so calculated as to provide the dollar amount of the estimated Annual Revenue Requirement of the BCP during each of the next five (5) fiscal years. Prior to October 1 of each Rate Year, Western shall determine the Annual Revenue Requirement through the Rate Year Power Repayment Study (PRS) and an estimate for the four (4) fiscal years following the Rate Year. Each year may have a different Base Charge.

7.4 The Annual Revenue Requirement (C) shall be established in accordance with the following formula:

$$C = O\&M + DS + PR + MC + WC + P - (W + VF + B + CO + O), \text{ where}$$

7.4.1 O&M is the cost associated with Reclamation's and Western's projected operation and maintenance costs, which include costs for the operation and maintenance of the visitor facilities.

7.4.2 DS is the debt service cost associated with the annuity with respect to each item of debt to the Treasury, which includes annual interest, capital costs of investments and repayment of the \$25 million allocated to flood control, as defined in 10 CFR Part 904 Section 904.5(b)(2), (5), (6) and (7). Debt associated with the visitor's facility and air slots incurred prior to October 1, 2017 is no longer an obligation of the United States. DS is determined by the uniform debt service associated over its full allowable remaining amortization period; Provided, However, that the cumulative amount of principal to be paid by the Contractors over the term of the Contract shall be no greater than the sum of the principal amounts over such period which would result from uniform annual annuity payments for each debt item issued over its allowable repayment period shown in 10 CFR Part 904 Section 904.5 (c).

7.4.3 PR is the cost associated with Reclamation's and Western's projected replacement costs, which include costs for visitor facilities replacements.

- 7.4.4 MC is BCP related costs to be recovered by the base charge, not defined in any other category within the formula of the Annual Revenue Requirement.
- 7.4.5 WC is the Working Capital adjustment (increase or decrease).
- 7.4.6 P is the payments to the States of Arizona and Nevada, in accordance with 10 CFR Part 904 Section 904.5(b) (4).
- 7.4.7 W is the annual water diversion revenue received by Reclamation pursuant to its water contracts as authorized by the Boulder Canyon Project Act.
- 7.4.8 VF is the revenue associated with the visitor facilities.
- 7.4.9 B is the benefits paid to (-) or benefits received from (+), other Boulder City Area Projects (now Desert Southwest Region Projects).
- 7.4.10 CO is the carryover of revenue surplus (+) or deficit (-) from the previous Fiscal Year as shown in the PRS excluding the funds for the working capital balance.
- 7.4.11 O is revenue and funds from any other source as properly allocated to the BCP in accordance with published regulations.
- 7.5 One-half of the estimated Annual Revenue Requirement shall be provided by revenues from the sale of capacity (Capacity Dollar) and one-half by revenue from the sale of energy (Energy Dollar).
- 7.6 Once the Annual Revenue Requirements are determined for each Rate Year, Western shall calculate a Forecast Capacity Rate and a Forecast Energy Rate. The Forecast Capacity Rate shall be equal to the Capacity Dollar divided by 2,074,000 kilowatts. The Forecast Energy Rate shall be equal to the Energy

Dollar divided by the lesser of the Total Master Schedule Energy or 4,501.001 million kilowatt-hours.

- 7.7 For each month in the Rate Year, Western shall bill each Contractor for a capacity charge equal to the Monthly Capacity Dollar times each Contractors Contingent Capacity percentage.
- 7.8 For each month in the Rate Year, Western shall bill each Contractor for an energy charge equal to that period's Monthly Energy Ratio, times the Contractors Energy Dollar.
- 7.9 Within ninety (90) days after the end of the Fiscal Year and the Energy Deemed Delivered has been determined, Western shall determine the Calculated Energy Rate by dividing fifty (50) percent of the Annual Revenue Requirement by the Energy Deemed Delivered. For any Rate Year in which Energy Deemed Delivered is greater than 4,501.001 million kilowatt hours, Western shall then apply the Calculated Energy Rate to each Contractors Energy Deemed Delivered to determine the Contractors Actual Energy Charge. Western shall then establish a credit or debit for each Contractor based on the difference between the Contractors Energy Dollar and the Contractors Actual Energy Charge. Such credit or debit shall be issued by Western against the Contractor in the month following the calculation or as soon as possible thereafter. The sum of all such credits due the Contractors shall equal the sum of all debits paid by the Contractors in each year.
- 7.10 In any Fiscal Year when a carryover exists due to Actual Expenses being less than the Annual Revenue Requirement and/or the revenues are more than estimated on which capacity and energy payments were based, such carryover shall reduce the next Fiscal Year Annual Revenue Requirement.

- 7.11 Overruns will be as provided for by the Contract using the Forecast Capacity Rate and the Forecast Energy Rate. The capacity component and the energy component of the Base Charge shall be applied, as applicable for each month for each Contractor that incurs Overruns. Such amounts shall be considered other revenue (O) in the Annual Revenue Requirement calculation and shall be carried over to the next Fiscal Year. Additionally, such amount shall not be used in the calculation cited in section 7 hereof.
- 7.12 The Base Charge shall be reviewed annually. The Base Charge shall be adjusted either upward or downward annually if necessary to assure sufficient revenues to effectuate payment of all costs and financial obligations associated with BCP pursuant to 10 CFR Part 904.5. The Administrator shall provide all Contractors an opportunity to comment on any proposed adjustment to the base charge pursuant to the Department of Energy's power rate adjustment procedures then in effect.
- 7.13 The rate methodology and the calculated rates established pursuant to this section 7 for the first Rate Year, and established each fifth Fiscal Year thereafter, shall become effective provisionally upon approval by the Deputy Secretary of Energy subject to final approval by the Federal Energy Regulatory Commission. For all other Fiscal Years, the rate shall become effective upon approval by the Deputy Secretary of Energy.
- 7.14 Billing and Transfer of Funds: Bills will be issued for the preceding month within ten (10) days after the end of the billing period. Payments of bills issued by Western are due and payable by the Contractor before the close of business on the twentieth (20th) calendar day, or the next business day thereafter, if said day is

Saturday, Sunday, or a Federal holiday. Western shall transfer the revenue collected from the Contractor, so that funds are in Reclamation's account by month end.

8. **RESALE OF ELECTRIC ENERGY:**

8.1 **Distribution Principles:** The purpose of making low-cost, Federally-generated power available is to encourage the most widespread use thereof, and therefore: for entities which resell Power purchased under this Contract.

8.1.1 The benefits of Federally-generated power shall be made available at fair and reasonable terms to all of the Contractor's customers at the lowest possible rates consistent with sound business principles; and

8.1.2 The Contractor shall furnish to Western a copy of each schedule of rates in effect on the date of execution of this Contract and a copy of each schedule of rates thereafter adopted; and

8.1.3 The Contractor shall provide Western an annual statement indicating that the charges to its customers are consistent with the principles set forth in paragraph 8.1.1 hereof; and

8.1.4 The Contractor shall provide Western an annual report or, in lieu of the annual report, an annual statement indicating the financial operations of the Contractor's electric system.

8.2 **Sales to Resale Customers:** The Contractor shall require its resale customers to implement the distribution principles of paragraph 8.1.1 hereof, and whenever the Contractor executes, modifies, or amends a contract with a resale customer, it shall include in such contract requirements similar to those set forth in paragraph

8.2.1. No Contractor shall sell for profit any of the Power contracted for

hereunder to any Contractor or to any resale customer of the Contractor for resale by that resale customer.

8.3 Place of Use: All Power purchased by the Contractor under this Contract shall be used only in the State in which that Contractor is located, except as provided in paragraphs 6.8.5, 6.8.6, and subsection 8.4. Delivery arrangements for Native American tribes provided for in the Federal Register Notice 78 FR 79443, dated December 30, 2013, are not subject to State restrictions and may be made with qualified entities within the BCP marketing area.

8.4 Independent System Operators: Contractors shall be permitted to make the transactions required by independent system operators as required to receive the Power purchased by the Contractor under this Contract.

9. **INTEGRATED RESOURCE PLANS AND SMALL CUSTOMER PLANS:**

9.1 The Contractor shall comply with the IRP, Small Customer Plan, or other acceptable plan, as applicable, in accordance with the Energy Planning and Management Program (EPAMP) (65 FR 16789), dated March 30, 2000. EPAMP requires purchasers of Western's electric power services to institute integrated resource planning, which is a planning process for new energy resources that evaluates the full range of energy conservation and energy efficiency alternatives.

9.2 Western shall administer the IRP or other acceptable plan requirements, as applicable, in accordance with the EPAMP.

9.3 Failure to comply with the IRP or acceptable plan requirements, after exhaustion of all appeals, will result in the application of penalties as specified in the EPAMP Federal Register Notice 65 FR 16801, dated March 30, 2000.

9.4 In the event that Western, or any successor agency, shall promulgate changes to the IRP portion of the EPAMP following its initial adoption as published in the

Federal Register Notice 60 FR 54151, dated October 20, 1995, the Contractor, by written notice to Western within ninety (90) days after the effective date of an EPAMP change may elect to terminate this Contract. The termination shall be effective one (1) year from the date of receipt of the notice by Western.

10. **MULTI-SPECIES CONSERVATION PROGRAM:** In accordance with HPAA and the Conformed Criteria each Contractor shall pay its proportionate share of its State's respective contribution (as determined, billed, and collected by the designated agents in accordance with each State's applicable funding agreement) to the cost of the Lower Colorado River Multi-Species Conservation Program (MSCP) (as defined in Section 9401 of the Omnibus Public Land Management Act of 2009 (Public Law 111-11; 123 Stat.1327). These costs will not be billed or collected by Western.
11. **CREDITWORTHINESS:** Contractor agrees to comply with Western's Creditworthiness Procedures for Federal Power Customers dated October 9, 2013, attached hereto as Attachment No. 3, and made part of this Contract the same as if they had been expressly set forth herein and may be revised in accordance with section 15.
12. **REPAYABLE ADVANCES:** In accordance with HPAA, Western shall collect from Schedule D Contractors a pro rata share of Repayable Advances as specified in the Implementation Agreement, as amended.
13. **OBLIGATION TO EXECUTE IMPLEMENTATION AGREEMENT:** The Parties shall complete and mutually agree upon the Implementation Agreement, as consistent with this Contract and in accordance with Hoover Power Allocation Act of 2011. The Implementation Agreement is intended to implement the terms of this Contract, but not to modify or amend it.

14. **REALLOCATION OF SCHEDULE D POWER:** As prescribed by the Federal Register Notice 78 FR 79443, any allocated Schedule D power not under contract by October 1, 2016, shall be redistributed on a pro-rata basis to remaining Schedule D allottees. As prescribed by HPAA, any Schedule D power not under contract by October 1, 2017 shall be distributed in accordance with the 2012 Conformed Criteria. Contractor agrees/does not agree [Contractor Option] to accept any such additional Schedule D power that may become available from reallocation. If such reallocation of Schedule D power is required, Western shall issue new Exhibits A, B, and C to all Contractors to reflect the new allocations. No Contractor's Contingent Capacity or Firm Energy allocation will be reduced by a reallocation of Schedule D power.
15. **ATTACHMENTS:** Inasmuch as certain terms of this Contract may change during the term of this Contract, they will be set forth in attachments as formulated and modified from time to time. The initial attachments are attached hereto, and each is incorporated into this Contract in accordance with its respective terms until superseded by a subsequent attachment. Changes, additions, or modifications to the attachments shall be reflected in new or revised attachments and will be distributed in accordance with Provision 40 of the General Power Contract Provisions.
16. **GENERAL POWER CONTRACT PROVISIONS:** The General Power Contract Provisions effective September 1, 2007, attached hereto as Attachment No. 2, are hereby made a part of this Contract with the same force and effect as if expressly set forth herein; Provided, That (i) Provisions 4, 11, 13, 15 through 30, shall not apply to this Contract.

17. **DISPUTES:**

17.1 **Western Actions Reviewable:** All decisions, directions, and determinations of Western under this Contract, including those decisions, directions, or determinations which call for the exercise of discretion, are subject to review as provided in this Section. However, the Contractor shall comply with any such decision, direction, or determination unless and until it is reversed or modified by the Administrator, by a court, or by arbitration, pursuant to subsection 17.2. Unless the Contractor exercises its rights under subsection 17.2, such decisions, directions, and determinations are binding on the Contractor.

17.2 **Disputes Falling Under the Responsibility of the Administrator of Western:** Any disputes or disagreements as to interpretation or performance of the provisions of Title I of the Hoover Power Plant Act, applicable regulations, or this Contract, that fall under the responsibility of the Administrator, shall be determined in accordance with Section 904.13 of the 1986 Regulations.

17.3 **Reclamation Actions Reviewable:** All decisions, directions, and determinations of Reclamation under this Contract, including those decisions, directions, or determinations which call for the exercise of discretion, are subject to review as provided in this Section. However, the Contractor shall comply with any such decision, direction, or determination unless and until it is reversed or modified by the Secretary of the Interior, by a court, or by arbitration, pursuant to subsection 17.4. Unless the Contractor exercises its rights under subsection 17.4, such decisions, directions, and determinations are binding on the Contractor.

- 17.4 Disputes Falling Under the Responsibility of the Secretary of the Interior: Any disputes or disagreements as to interpretation or performance of the provisions of Title I of the Hoover Power Plant Act, applicable regulations, or this Contract that fall under the responsibility of the Secretary of the Interior shall be determined in accordance with Section 431.8 of the 1986 Reclamation Regulations.
18. **EXHIBITS**: Inasmuch as the delivery conditions, Contingent Capacity, and accounting for use of Unloaded Synchronized Generation may change during the term hereof, they will be set forth in respective Exhibits A through F, as agreed upon from time to time between the Authorized Representatives. The initial Exhibits A through F are attached hereto and made a part hereof, and each shall be in force and effect in accordance with its respective provisions until superseded by a subsequent exhibit executed by the Authorized Representatives. The initial Exhibits may be reissued by Western prior to October 1, 2017, for reallocation of Schedule D power in accordance with section 14, hereto. Each superseding exhibit shall be attached to and become part of this Contract.
19. **AUTHORIZED REPRESENTATIVES**: Each Party, by written notice to the other, shall designate the representative(s) who is (are) authorized to act on its behalf with respect to those matters contained herein which are the functions and responsibilities of its Authorized Representative(s). In case a Party designates more than one representative, the notice shall state the particular matter(s) upon which each designated representative is authorized to act. Either Party may change the designation of its Authorized Representative(s) upon oral notice given to the other and confirmed promptly by written notice.
20. **EFFECT OF SECTION HEADINGS**: Inserted in accordance with Provision 32 of the General Power Contract Provisions and attached hereto as Attachment No. 2.

21. **FUTURE REGULATIONS, MODIFICATIONS, WAIVERS, AND DEFAULTS:**
- 21.1 **Future Regulations:** From time to time additional or amendatory regulations may be promulgated as deemed necessary for the administration of the BCP in accordance with applicable law; Provided, That no right under this Contract shall be impaired, or obligation thereunder be extended thereby.
- 21.2 **Modifications, Extensions, and Waivers:** Any modification, extension, or waiver of any provision or requirement of any regulation or contract granted for the benefit of Contractor(s) in connection with electric service from the BCP shall not be denied to any other Contractor.
- 21.3 **Default or Failure of Performance by Contractors:** A default or failure of performance by Contractor (s) shall not have the effect of diminishing another Contractors rights under its Contract or enlarging its obligations or costs if it is not itself in default.
22. **PRIORITY OF CLAIMS OF THE UNITED STATES:** Claims of the United States arising out of this Contract shall have priority over all others, secured or unsecured.
23. **ACCESS TO BOOKS AND RECORDS:** The Authorized Representative(s) of each Party may request applicable portions of all books and records related to transactions associated with this Contract subject to federal laws, regulations, and Western's and Reclamation's retention policies.
24. **REFERENCE TO SECTION, SUBSECTION, PARAGRAPH, OR SUBPARAGRAPH:** A reference to a section, subsection, paragraph, or subparagraph shall include all the subparts of such referenced section, subsection, paragraph, or subparagraph.

25. **EFFECT OF CONCURRENCE OF RECLAMATION:** Paragraphs, 6.1.1, 6.3.1 and 6.9.6, subsections 17.3 and 17.4, and section 23, of this Contract provide for activities that are beyond the scope of Western's statutory authority but are within the statutory authority of Reclamation. The concurrence in this Contract by Reclamation signifies its contractual commitment to discharge the obligations of the United States, acting through Reclamation as provided in subsection 6.1, paragraph, 6.1.1, 6.3.1, 6.8.3, and 6.9.6, subsections ,7.4, 17.3 and 17.4, and Section 23. The execution of this Contract by Western signifies its contractual commitment to discharge the obligations of the United States, acting through Western, as provided for in all sections, subsections, paragraphs, and subparagraphs of this Contract except paragraph, 6.1.1, 6.3.1 and 6.9.6, subsection 17.3 and 17.4, and section 23.
26. **TRANSFER AND ASSIGMENT:** No Party shall have the right to transfer or assign all or part of its rights and obligations in this Contract without the express prior written consent of the other Party, which shall not be unreasonably withheld. No Party shall be relieved of any of its obligations under this Contract by a transfer or assignment under this section without the express prior written consent of the other Party, which shall not be unreasonably withheld. Any successor to the rights, titles, interests and obligations of a Party under this Contract shall assume and agree to fully perform and discharge all of the obligations hereunder of such Party, and such successor shall notify the other Party in writing of such transfer or assignment and shall furnish evidence of such transfer or assignment.

27. **EXECUTION IN COUNTERPART:** This Contract may be executed in any number of counterparts and, upon execution and delivery by each Party, the executed and delivered counterparts together shall have the same force and effect as an original instrument as if all Parties had signed the same instrument. Any signature page of this Contract may be detached by any counterpart of this Contract without impairing the legal effect of any signatures thereon, and may be attached to another counterpart of this Contract identical in form hereto, by having attached to it one or more signature pages.
28. **AUTHORITY TO EXECUTE:** Each individual signing this Agreement certifies that the Party represented has duly authorized such individual to execute this Agreement that binds and obligates the Party.

[Remainder of Page Intentionally Blank]

The Parties agree this Contract No. XX-DSR-XXXXXX has been executed by duly authorized representatives of the Contractor, Western, and Reclamation and is to be effective in accordance with Section 4, herein.

THE UNITED STATES OF AMERICA
DEPARTMENT OF ENERGY
WESTERN AREA POWER ADMINISTRATION

Date _____

By _____

Title _____

Address _____

CONCURRENCE OF
THE UNITED STATES OF AMERICA
BUREAU OF RECLAMATION

Date _____

By _____

Title _____

Address _____

(SEAL)

ABC COMPANY

ATTEST

By _____

Date _____

Title _____

Title _____

Address _____

CERTIFICATE

I, _____, certify that I am the _____
_____, the state named as Contractor herein; that who signed the above Contract No. _____
_____ on behalf of said Contractor was then its Chairman; and that said Contract was duly
signed for and in behalf of said Contractor by authority of its governing body and is within the
scope of the powers conferred by the laws of the State of _____.

(Title)

Address: _____

Date _____

DRAFT

**UNITED STATES
DEPARTMENT OF ENERGY
WESTERN AREA POWER ADMINISTRATION
BOULDER CANYON PROJECT**

SCHEDULE OF RATES FOR POWER SERVICE

Effective:

June 1, 1987, that being the first day of the June 1987 billing period.

Available:

In the area served by the Boulder Canyon Project.

Applicable:

To power customers served by the Boulder Canyon Project supplied through one meter at one point of delivery, unless otherwise provided by contract.

Character and Conditions of Service:

Alternating current, 60 hertz, three-phase, delivered and metered at the voltages and points established by contract.

Monthly Rate:

CAPACITY CHARGE: The Base Charge capacity rate is \$.75/kW-month for each kW of rated capacity to which each contractor is entitled by contract during the billing period.

ENERGY CHARGE: The Base Charge energy rate is 3.410 mills/kWh for each kWh measured or scheduled at the point of delivery during the billing period, except for purchased power.

The Lower Basin Development Fund Contribution Charge is 4.5 mills/kWh for each kWh measured or scheduled to an Arizona purchaser and 2.5 mills/kWh for each kWh measured or scheduled to a California or Nevada purchaser, except for purchased power.

Billing for Unauthorized Overruns:

For each billing period in which there is a contract violation involving an unauthorized overrun of the contractual power obligations, such overruns shall be billed at 10 times the above Base Charge capacity and energy rates. The Lower Basin Development Fund Contribution Charge shall be also applied to each kWh of overrun.

Adjustments:

None.

WESTERN AREA POWER ADMINISTRATION
GENERAL POWER CONTRACT PROVISIONS

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*Legal Citation Revised September 1, 2007

WESTERN AREA POWER ADMINISTRATION
GENERAL POWER CONTRACT PROVISIONS

I. APPLICABILITY.

1. Applicability.

1.1 These General Power Contract Provisions (Provisions) shall be a part of the contract to which they are attached. In the event these Provisions differ from requirements of the contract, specific terms set forth in the contract shall prevail.

1.2 If the Contractor has member utilities which are either directly or indirectly receiving benefits from the contract, then the Contractor shall require such members to comply with Provisions 10, 17, 18, 19, 29, 30, 36, 43, 44, and 45 of these General Power Contract Provisions.

II. DELIVERY OF SERVICE PROVISIONS.

2. Character of Service.

Electric energy supplied or transmitted under the contract will be three-phase, alternating current, at a nominal frequency of sixty (60) hertz (cycles per second).

3. Use of Capacity or Energy in Excess of Contract Obligation.

The Contractor is not entitled to use Federal power, energy, or capacity in amounts greater than the Western contract delivery obligation in effect for each type of service provided for in the contract except with the approval of Western. Unauthorized overruns of contract delivery obligations shall be subject to charges specified in the contract or the applicable rate schedules. Overruns shall not establish any continuing right thereto and the Contractor shall cease any overruns when requested by Western, or in the case of authorized overruns, when the approval expires, whichever occurs first. Nothing in the contract shall obligate Western to increase any delivery obligation. If additional power, energy, or capacity is not available from Western, the responsibility for securing additional power, energy, or capacity shall rest wholly with the Contractor.

4. Continuity of Service.

Electric service will be supplied or transmitted continuously except for: (1) fluctuations, interruptions, or reductions due to uncontrollable forces, as defined in Provision 34 (Uncontrollable Forces) herein, (2) fluctuations, interruptions, or reductions due to operation of devices installed for power system protection; and (3) temporary fluctuations, interruptions, or reductions, which, in the opinion of the party supplying the service, are necessary or desirable for the purposes of maintenance, repairs, replacements, installation of equipment, or investigation and inspection. The party supplying service, except in case of emergency, will give the party to whom service is being provided reasonable advance notice of such temporary interruptions or reductions and will remove the cause thereof with diligence.

5. Multiple Points of Delivery.

When electric service is supplied at or transmitted to two or more points of delivery under the same rate schedule, said rate schedule shall apply separately to the service supplied at or transmitted to each point of delivery; Provided, That where the meter readings are considered separately, and during abnormal conditions, the Contractors system is interconnected between points of delivery such that duplication of metered power is possible, the meter readings at each affected point of delivery will be adjusted to compensate for duplication of power demand recorded by meters at alternate points of delivery due to abnormal conditions which are beyond the Contractors control or temporary conditions caused by scheduled outages.

6. Metering.

6.1 The total electric power and energy supplied or transmitted under the contract will be measured by metering equipment to be furnished and maintained by Western, a designated representative of Western, or where situations deem it appropriate as determined by Western, by the Contractor or its agent(s). In the event metering equipment is furnished and maintained by the Contractor or its agent(s) and the equipment is used for billing and other accounting purposes by Western, the Contractor shall ensure that the metering equipment complies with applicable metering policies established by Western.

6.2 Meters shall be secured by appropriate security measures and meters shall not be accessed except when the meters are to be inspected, tested, adjusted, or repaired. Representatives of affected parties shall be afforded reasonable opportunity to be present upon such occasions. Metering equipment shall be inspected and tested each year by the party responsible for meter maintenance, unless a different test interval is determined in accordance with good utility practices by an applicable regional metering policy, or as agreed upon by the parties. Meters shall also be tested at any reasonable time upon request by a party hereto, or by an affected supplemental power supplier, transmission agent, or control area operator. Any metering equipment found to be damaged, defective, or inaccurate shall be repaired and readjusted or replaced by the party responsible for meter maintenance as soon as practicable. Meters found with security breaches shall be tested for tampering and, if appropriate, meter readings shall be adjusted by Western pursuant to Provision 6.3 below.

6.3 Except as otherwise provided in Provision 6.4 hereof, should any meter that is used by Western for billing or other accounting purposes fail to register accurately, the electric power and energy supplied or transmitted during the period of failure to register accurately, shall, for billing purposes, be estimated by Western from the best available information.

6.4 If inspections and tests of a meter used by Western for billing or other accounting purposes disclose an error exceeding 2 percent, or a lesser range in error as agreed upon by the parties, then a correction based upon the inaccuracy found shall be made to the service records for the period of inaccuracy as determined by Western. If the period of inaccuracy cannot be determined, the inaccuracy shall be assumed to have existed during the entire monthly billing period immediately preceding the billing period in which the inspection or test was made and the resulting correction shall be made accordingly.

6.5 Any correction in billing or other accounting information that results from a correction in meter records shall be made in a subsequent monthly bill rendered by Western to the Contractor. Payment of such bill shall constitute full adjustment of any claim between the parties arising out of inaccurate metering equipment.

7. Existence of Transmission Service Contract.

If the contract provides for Western to furnish services using the facilities of a third party, the obligation of Western shall be subject to and contingent upon the existence of a transmission service contract granting Western rights to use such facilities. If Western acquires or constructs facilities which would enable it to furnish direct service to the Contractor, Western, at its option, may furnish service over its own facilities.

8. Conditions of Transmission Service.

8.1 When the electric service under the contract is furnished by Western over the facilities of others by virtue of a transmission service arrangement, the power and energy will be furnished at the voltage available and under the conditions which exist from time to time on the transmission system over which the service is supplied.

8.2 Unless otherwise provided in the contract or applicable rate schedule, the Contractor shall maintain a power factor at each point of delivery from Western's transmission agent as required by the transmission agent.

8.3 Western will endeavor to inform the Contractor from time to time of any changes planned or proposed on the system over which the service is supplied, but the costs of any changes made necessary in the Contractor's system, because of changes or conditions on the system over which the service is supplied, shall not be a charge against or a liability of Western.

8.4 If the Contractor, because of changes or conditions on the system over which service under the contract is supplied, is required to make changes on its system at its own expense in order to continue receiving service under the contract, then the Contractor may terminate service under the contract upon not less than sixty (60) days written notice given to Western prior to making such changes, but not thereafter.

8.5 If Western notifies the Contractor that electric service provided for under the contract cannot be delivered to the Contractor because of an insufficiency of capacity available to Western in the facilities of others over which service under the contract is supplied, then the Contractor may terminate service under the contract upon not less than sixty (60) days written notice given to Western prior to the date on which said capacity ceases to be available to Western, but not thereafter.

9. Multiple Points of Delivery Involving Direct and Indirect Deliveries.

When Western has provided line and substation capacity under the contract for the purpose of delivering electric service directly to the Contractor at specified direct points of delivery and also has agreed to absorb transmission service allowance or discounts for deliveries of energy over other system(s) to indirect points of delivery and the Contractor shifts any of its load served under the contract from direct delivery to indirect delivery, Western will not absorb the transmission service costs on such shifted load until the unused capacity, as determined solely by Western, available at the direct delivery points affected is fully utilized.

10. Construction, Operation, and Maintenance of Contractor's Power System.

The Contractor shall, and, if applicable, shall require each of its members or transmission agents to construct, operate, and maintain its power system in a manner which, as determined by Western, will not interfere with the operation of the system of Western or its transmission agents over which electric services are furnished to the Contractor under the contract, and in a manner which will coordinate with the

protective relaying and other protective arrangements of the system(s) of Western or Western's transmission agents. Western may reduce or discontinue furnishing services to the Contractor if, after notice by Western, the Contractor fails or refuses to make such changes as may be necessary to eliminate an unsatisfactory condition on the Contractor's power system which is determined by Western to interfere significantly under current or probable conditions with any service supplied from the power system of Western or from the power system of a transmission agent of Western. Such a reduction or discontinuance of service will not relieve the Contractor of liability for any minimum charges provided for in the contract during the time said services are reduced or discontinued. Nothing in this Provision shall be construed to render Western liable in any manner for any claims, demands, costs, losses, causes of action, damages, or liability of any kind or nature arising out of or resulting from the construction, operation, or maintenance of the Contractor's power system.

III. RATES, BILLING, AND PAYMENT PROVISIONS.

11. Change of Rates.

Rates applicable under the contract shall be subject to change by Western in accordance with appropriate rate adjustment procedures. If at any time the United States promulgates a rate changing a rate then in effect under the contract, it will promptly notify the Contractor thereof. Rates shall become effective as to the contract as of the effective date of such rate. The Contractor, by written notice to Western within ninety (90) days after the effective date of a rate change, may elect to terminate the service billed by Western under the new rate. Said termination shall be effective on the last day of the billing period requested by the Contractor not later than two (2) years after the effective date of the new rate. Service provided by Western shall be paid for at the new rate regardless of whether the Contractor exercises the option to terminate service.

12. Minimum Seasonal or Annual Capacity Charge.

When the rate in effect under the contract provides for a minimum seasonal or annual capacity charge, a statement of the minimum capacity charge due, if any, shall be included in the bill rendered for service for the last billing period of the service season or contract year as appropriate, adjusted for increases or decreases in the contract rate of delivery and for the number of billing periods during the year or season in which service is not provided. Where multiple points of delivery are involved and the contract rate of delivery is stated to be a maximum aggregate rate of delivery for all points, in determining the minimum seasonal or annual capacity charge due, if any, the monthly capacity charges at the individual points of delivery shall be added together.

13. Billing and Payment.

13.1 Western will normally issue bills to the Contractor for services furnished during the preceding month within ten (10) days after the end of the billing period.

13.2 If Western is unable to issue timely monthly bill(s), Western may elect to render estimated bill(s). Such estimated bill(s) shall be subject to the same payment provisions as final bill(s), and any applicable adjustments will be shown on a subsequent monthly bill.

13.3 Payments of bills issued by Western are due and payable by the Contractor before the close of business on the twentieth (20th) calendar day after the date of issuance of each bill or the next business day thereafter if said day is a Saturday, Sunday, or Federal holiday. Bills shall be considered paid when payment is received by Western. Bills will be paid electronically or via the Automated Clearing House method of payment unless a written request to make payments by mail is submitted by the Contractor and approved by Western. Should Western agree to accept payments by mail, these payments will be accepted as timely and without assessment of the charge provided for in Provision 14 (Nonpayment of Bills in Full

When Due) if a United States Post Office first class mail postmark indicates the payment was mailed at least three (3) calendar days before the due date.

13.4 The parties agree that net billing procedures will be used for payments due Western by the Contractor and for payments due the Contractor by Western for the sale or exchange of electric power and energy, use of transmission facilities, operation and maintenance of electric facilities, and other services. Payments due one party in any month shall be offset against payments due the other party in such month, and the resulting net balance shall be paid to the party in whose favor such balance exists. The parties shall exchange such reports and information that either party requires for billing purposes. Net billing shall not be used for any amounts due which are in dispute.

14. Nonpayment of Bills in Full When Due.

14.1 Bills not paid in full by the Contractor by the due date specified in Provision 13 (Billing and Payment) hereof shall bear a charge of five hundredths percent (0.05%) of the principal sum unpaid for each day payment is delinquent, to be added until the amount due is paid in full. Western will also assess a fee of twenty-five dollars (\$25.00) for processing a late payment. Payments received will first be applied to the charges for late payment assessed on the principal and then to payment of the principal.

14.2 Western shall have the right, upon not less than fifteen (15) days advance written notice, to discontinue furnishing the services specified in the contract for nonpayment of bills in full when due, and to refuse to resume such services so long as any part of the amount due remains unpaid. Such a discontinuance of service will not relieve the Contractor of liability for minimum charges during the time service is so discontinued. The rights reserved to Western herein shall be in addition to all other remedies available to Western either by law or in equity, for the breach of any of the terms hereof.

15. Adjustments for Fractional Billing Period.

The demand or capacity charge and minimum charges shall each be proportionately adjusted when fractional billing periods are applicable under this contract. A fractional billing period can occur: 1) at the beginning or end of electric service; 2) at the beginning or end of irrigation pumping service each year; 3) for a fractional billing period under a new rate schedule; or 4) for fractional periods due to withdrawals of electric services. The adjustment will be made based on the ratio of the number of hours that electric service is available to the Contractor in such fractional billing period, to the total number of hours in the billing period involved. Energy billing shall not be affected by fractional billing periods.

16. Adjustments for Curtailments to Firm Service.

16.1 Billing adjustments will be made if firm electric service is interrupted or reduced because of conditions on the power system of the United States for periods of one (1) hour or longer in duration each. Billing adjustments will not be made when such curtailment of electric service is due to a request by the Contractor or a discontinuance of electric service by Western pursuant to Provision 14 (Nonpayment of Bills In Full When Due). For purposes of billing adjustments under this Provision, the term power system of the United States shall include transmission facilities used under contract but not owned by the United States.

16.2 The total number of hours of curtailed firm electric service in any billing period shall be determined by adding: (1) the sum of the number of hours of interrupted electric service to (2) the product, of each reduction, of: the number of hours reduced electric service and the percentage by which electric service was reduced below the delivery obligation of Western at the time of each said reduction of electric service. The demand or capacity charge and applicable minimum charges shall each be proportionately adjusted in the ratio that the total number of hours of electric service determined to have been curtailed bears to the total number of hours in the billing period involved.

16.3 The Contractor shall make written claim within thirty (30) days after receiving the monthly bill, for adjustment on account of any curtailment of firm electric service, for periods of one (1) hour or longer in duration each, alleged to have occurred that is not reflected in said bill. Failure to make such written claim, within said thirty-day (30-day) period, shall constitute a waiver of said claim. All curtailments of electric service, which are due to conditions on the power system of the United States, shall be subject to the terms of this Provision; Provided, That withdrawal of power and energy under the contract shall not be considered a curtailment of electric service.

IV. **POWER SALES PROVISIONS.**

17. Resale of Firm Electric Service (Wholesale Sales for Resale).

The Contractor shall not sell any firm electric power or energy supplied under the contract to any electric utility customer of the Contractor for resale by that utility customer; Provided, That the Contractor may sell the electric power and energy supplied under the contract to its members on condition that said members not sell any of said power and energy to any customer of the member for resale by that customer.

18. Distribution Principles.

The Contractor agrees that the benefits of firm electric power or energy supplied under the contract shall be made available to its consumers at rates that are established at the lowest possible level consistent with sound business principles, and that these rates will be established in an open and public manner. The Contractor further agrees that it will identify the costs of firm electric power or energy supplied under the contract and power from other sources to its consumers upon request. The Contractor will demonstrate compliance with the requirements of this Provision to Western upon request.

19. Contract Subject to Colorado River Compact.

Where the energy sold under the contract is generated from waters of the Colorado River system, the contract is made upon the express condition and with the express covenant that all rights under the contract shall be subject to and controlled by the Colorado River Compact approved by Section 13 (a) of the Boulder Canyon Project Act of December 21, 1928, 43 U.S.C. §§ 617a-e, and the parties to the contract shall observe and be subject to and controlled by said Colorado River Compact in the construction, management, and operation of the dams, reservoirs, and powerplants from which electrical energy is to be furnished by Western to the Contractor under the contract, and in the storage, diversion, delivery, and use of water for the generation of electrical energy to be delivered by Western to the Contractor under the contract.

V. **FACILITIES PROVISIONS.**

20. Design Approval.

All facilities, construction, and installation by the Contractor pursuant to the contract shall be subject to the approval of Western. Facilities interconnections shall normally conform to Western's current "General Requirements for Interconnection," in effect upon the signing of the contract document providing for each interconnection, copies of which are available from Western. At least ninety (90) days, unless otherwise agreed, prior to the date the Contractor proposes to commence construction or to incur an obligation to purchase facilities to be installed pursuant to the contract, whichever date is the earlier, the Contractor shall submit, for the approval of Western, detailed designs, drawings, and specifications of the facilities the Contractor proposes to purchase, construct, and install. The Contractor assumes all risks for construction commenced or obligations to purchase facilities incurred prior to receipt of approval from

Western. Western review and approval of designs and construction work in no way implies that Western is certifying that the designs meet the Contractors needs.

21. Inspection and Acceptance.

Western shall have the right to inspect the materials and work furnished by the Contractor, its agents, employees, and subcontractors pursuant to the contract. Such inspections shall be at reasonable times at the work site. Any materials or work that Western determines is defective or not in accordance with designs, drawings, and specifications, as approved by Western, shall be replaced or modified, as directed by Western, at the sole expense of the Contractor before the new facilities are energized.

22. As-Built Drawings.

Within a reasonable time, as determined by Western, after the completion of construction and installation of facilities pursuant to the contract, the Contractor shall submit to Western marked as-built prints of all Western drawings affected by changes made pursuant to the contract and reproducible drawings the Contractor has prepared showing facilities of Western. The Contractors drawings of Western facilities shall use drawing title blocks, drawing numbers, and shall be prepared in accordance with drafting standards all as approved by Western. Western may prepare, revise, or complete said drawings and bill the Contractor if the Contractor fails to provide such drawings to Western within a reasonable time as determined by Western.

23. Equipment Ownership Markers.

23.1 The Contractor shall identify all movable equipment and, to the extent agreed upon by the parties, all other salvageable facilities constructed or installed on the United States right-of-way or in Western substations pursuant to the contract which are owned by the Contractor, by permanently affixing thereto suitable markers clearly identifying the Contractor as the owner of said equipment and facilities.

23.2 If requested by the Contractor, Western shall identify all movable equipment and, to the extent agreed upon by the parties, all other salvageable facilities constructed or installed on the Contractors right-of-way or in the Contractors substations pursuant to the contract which are owned by the United States, by permanently affixing thereto suitable markers clearly identifying the United States as the owner of said equipment and facilities.

24. Third-Party Use of Facilities.

The Contractor shall notify Western of any proposed system change relating to the facilities governed by the contract or allowing third-party use of the facilities governed by the contract. If Western notifies the Contractor that said system change will, as solely determined by Western, adversely affect the operation of Western's system the Contractor shall, at no cost to Western, provide a solution to said adverse effect acceptable to Western.

25. Changes to Western Control Facilities.

If at any time during the term of the contract, Western determines that changes or additions to control, relay, or communications facilities are necessary to maintain the reliability or control of Western's transmission system, and said changes or additions are entirely or partially required because of the Contractors equipment installed under the contract, such changes or additions shall, after consultation with the Contractor, be made by Western with all costs or a proportionate share of all costs, as determined by Western, to be paid by the Contractor. Western shall notify the Contractor in writing of the necessary changes or additions and the estimated costs to be paid by the Contractor. If the Contractor fails to pay its

share of said estimated costs, Western shall have the right, after giving sixty (60) days' written notice to the Contractor, to terminate the applicable facility installation provisions to the contract and require the removal of the Contractors facilities.

26. Modification of Western Facilities.

Western reserves the right, at any time, to modify its facilities. Western shall keep the Contractor informed of all planned modifications to Western facilities which impact the facilities installation pursuant to the contract. Western shall permit the Contractor to change or modify its facilities, in a manner satisfactory to and at no cost or expense to Western, to retain the facilities interconnection pursuant to the contract. At the Contractors option, Western shall cooperate with the Contractor in planning alternate arrangements for service which shall be implemented at no cost or expense to Western. The Contractor and Western shall modify the contract, as necessary, to conform to the new facilities arrangements.

27. Transmission Rights.

If the contract involves an installation which sectionalizes a Western transmission line, the Contractor hereby agrees to provide a transmission path to Western across such sectionalizing facilities at no cost or expense to Western. Said transmission path shall be at least equal, in terms of capacity and reliability, to the path in the Western transmission line prior to the installation pursuant to the contract.

28. Construction and Safety Procedures.

28.1 The Contractor hereby acknowledges that it is aware of the hazards inherent in high-voltage electric lines and substations, and hereby assumes full responsibility at all times for the adoption and use of necessary safety measures required to prevent accidental harm to personnel engaged in the construction, inspection, testing, operation, maintenance, replacement, or removal activities of the Contractor pursuant to the contract. The Contractor and the authorized employees, agents, and subcontractors of the Contractor shall comply with all applicable safety laws and building and construction codes, including the provisions of Chapter 1 of the Power System Operations Manual, entitled Power System Switching Procedure, and the Occupational Safety and Health Administration regulations, Title 29 C.F.R. §§ 1910 and 1926, as amended or supplemented. In addition to the safety program required herein, upon request of the United States, the Contractor shall provide sufficient information to demonstrate that the Contractors safety program is satisfactory to the United States.

28.2 The Contractor and its authorized employees, agents, and subcontractors shall familiarize themselves with the location and character of all the transmission facilities of Western and interconnections of others relating to the work performed by the Contractor under the contract. Prior to starting any construction, installation, or removal work, the Contractor shall submit a plan of procedure to Western which shall indicate the sequence and method of performing the work in a safe manner. No work shall be performed by the Contractor, its employees, agents, or subcontractors until written authorization to proceed is obtained from Western.

28.3 At all times when the Contractor, its employees, agents, or subcontractors are performing activities of any type pursuant to the contract, such activities shall be under supervision of a qualified employee, agent, or subcontractor of the Contractor who shall be authorized to represent the Contractor in all matters pertaining to the activity being performed. The Contractor and Western will keep each other informed of the names of their designated representatives at the site.

28.4 Upon completion of its work, the Contractor shall remove from the vicinity of the right-of-way of the United States all buildings, rubbish, used materials, concrete forms, and other like material belonging to the Contractor or used under the Contractors direction, and in the event of failure to do so the same may be removed by Western at the expense of the Contractor.

28.5 In the event the Contractor, its employees, agents, or subcontractors fail to comply with any requirement of this Provision, or Provision 21 (Inspection and Acceptance) herein, Western or an authorized representative may issue an order to stop all or any part of the work until such time as the Contractor demonstrates compliance with the provision at issue. The Contractor, its employees, agents, or subcontractors shall make no claim for compensation or damages resulting from such work stoppage.

29. Environmental Compliance.

Facilities installed under the contract by any party shall be constructed, operated, maintained, replaced, transported, and removed subject to compliance with all applicable laws, including but not limited to the National Historic Preservation Act of 1966, 16 U.S.C. §§ 470x-6, the National Environmental Policy Act of 1969, 42 U.S.C. §§ 4321-4347, the Endangered Species Act of 1973, 16 U.S.C. §§ 1531-1544, and the Archaeological Resources Protection Act of 1979, 16 U.S.C. §§ 470aa-470mm, and the regulations and executive orders implementing these laws, as they may be amended or supplemented, as well as any other existing or subsequent applicable laws, regulations, and executive orders.

30. Responsibility for Regulated Materials.

When either party owns equipment containing regulated material located on the other party's substation, switchyard, right-of-way, or other property, the equipment owner shall be responsible for all activities related to regulated materials in such equipment that are necessary to meet the requirements of the Toxic Substances Control Act, 15 U.S.C. §§ 2601-2692, the Resource Conservation and Recovery Act, 42 U.S.C. §§ 6901-6992k, the Comprehensive Environmental Response, Compensation, and Liability Act of 1980, 42 U.S.C. §§ 9601-9675, the Oil Pollution Act of 1990, 33 U.S.C. §§ 2702-2761, the Clean Water Act, 33 U.S.C. §§ 1251-1387, the Safe Drinking Water Act, 42 U.S.C. §§ 300f-j26, and the regulations and executive orders implementing these laws, as they may be amended or supplemented, and any other existing or subsequent applicable laws, regulations, and executive orders. Each party shall label its equipment containing regulated material in accordance with appropriate laws and regulations. If the party owning the equipment does not perform activities required under appropriate laws and regulations within the time frame specified therein, the other party may perform or cause to be performed the required activities after notice to and at the sole expense of the party owning the equipment.

VI. OTHER PROVISIONS.

31. Authorized Representatives of the Parties.

Each party to the contract, by written notice to the other, shall designate the representative(s) who is (are) authorized to act in its behalf with respect to those matters contained in the contract which are the functions and responsibilities of the authorized representatives of the parties. Each party may change the designation of its authorized representative(s) upon oral notice given to the other, confirmed promptly by written notice.

32. Effect of Section Headings.

Section headings or Provision titles appearing in the contract or these General Power Contract Provisions are inserted for convenience only and shall not be construed as interpretations of text.

33. Operating Guidelines and Procedures.

The parties to the contract may agree upon and put into effect from time to time, such other written guidelines and procedures as may be required in order to establish the methods of operation of the power system to be followed in the performance of the contract.

34. Uncontrollable Forces.

Neither party to the contract shall be considered to be in default in performance of any of its obligations under the contract, except to make payment as specified in Provision 13 (Billing and Payment) herein, when a failure of performance shall be due to an uncontrollable force. The term "uncontrollable force" means any cause beyond the control of the party affected, including but not restricted to, failure of or threat of failure of facilities, flood, earthquake, storm, fire, lightning, epidemic, war, riot, civil disturbance or disobedience, labor dispute, labor or material shortage, sabotage, restraint by court order or public authority and action or nonaction by, or failure to obtain the necessary authorizations or approvals from, any governmental agency or authority, which by exercise of due diligence such party could not reasonably have been expected to avoid and which by exercise of due diligence it shall be unable to overcome. Nothing contained herein shall be construed to require a party to settle any strike or labor dispute in which it may be involved. Either party rendered unable to fulfill any of its obligations under the contract by reason of an uncontrollable force shall give prompt written notice of such fact to the other party and shall exercise due diligence to remove such inability with all reasonable dispatch.

35. Liability.

35.1 The Contractor hereby agrees to indemnify and hold harmless the United States, its employees, agents, or contractors from any loss or damage and from any liability on account of personal injury, death, or property damage, or claims for personal injury, death, or property damage of any nature whatsoever and by whomsoever made arising out of the Contractors', its employees', agents', or subcontractors' construction, operation, maintenance, or replacement activities under the contract.

35.2 The United States is liable only for negligence on the part of its officers and employees in accordance with the Federal Tort Claims Act, 28 U.S.C. §§ 1346(b), 1346(c), 2401(b), 2402, 2671, 2672, 2674-2680, as amended or supplemented.

36. Cooperation of Contracting Parties.

If, in the operation and maintenance of their respective power systems or electrical equipment and the utilization thereof for the purposes of the contract, it becomes necessary by reason of any emergency or extraordinary condition for either party to request the other to furnish personnel, materials, tools, and equipment for the accomplishment thereof, the party so requested shall cooperate with the other and render such assistance as the party so requested may determine to be available. The party making such request, upon receipt of properly itemized bills from the other party, shall reimburse the party rendering such assistance for all costs properly and reasonably incurred by it in such performance, including administrative and general expenses, such costs to be determined on the basis of current charges or rates used in its own operations by the party rendering assistance. Issuance and payment of bills for services provided by Western shall be in accordance with Provisions 13 (Billing and Payment) and 14 (Nonpayment of Bills in Full When Due) herein. Western shall pay bills issued by the Contractor for services provided as soon as the necessary vouchers can be prepared which shall normally be within twenty (20) days.

37. Transfer of Interest in Contract or Change in Preference Status.

37.1 No voluntary transfer of the contract or of the rights of the Contractor under the contract shall be made without the prior written approval of the Administrator of Western. Any voluntary transfer of the contract or of the rights of the Contractor under the contract made without the prior written approval of the Administrator of Western may result in the termination of the contract; Provided, That the written approval of the Administrator shall not be unreasonably withheld; Provided further, That if the Contractor operates a project financed in whole or in part by the Rural Utilities Service, the Contractor may transfer or assign its interest in the contract to the Rural Utilities Service or any other department or agency of the Federal Government without such prior written approval; Provided further, That any successor to or assignee of the rights of the Contractor, whether by voluntary transfer, judicial sale, foreclosure sale, or otherwise, shall be subject to all the provisions and conditions of the contract to the same extent as though such successor or assignee were the original Contractor under the contract; and, Provided further, That the execution of a mortgage or trust deed, or judicial or foreclosure sales made thereunder, shall not be deemed voluntary transfers within the meaning of this Provision.

37.2 The Contractor shall maintain its status as an entity eligible for preference in Western's sale of Federal power pursuant to Reclamation law, as amended and supplemented.

37.3 Western shall give the Contractor written notice of Western's proposed determination that the Contractor has violated Provision 37.1 and Western's proposed action in response to the violation.

37.4 The Contractor shall have 120 days after receipt of Western's notice provided under Provision 37.3 to submit a written response to Western. The Contractor may also make an oral presentation to the Administrator during this 120-day period.

37.5 At any time during this process, the Contractor and Western may agree upon corrective action to resolve Western's proposed determination that the Contractor is in violation of Provision 37.1.

37.6 Within 30 days of receipt of the Contractors written response provided under Provision 37.4, Western will notify the Contractor in writing of its final decision. The Administrator's written notice will include the intended action, the effective date thereof, and the reasons for taking the intended action. Implementation of the Administrator's action shall take place no earlier than 60 days from the Contractors receipt of such notice.

37.7 Any successor to Western shall be subject to all the provisions and conditions of the contract to the same extent as though such successor were an original signatory to the contract.

37.8 Nothing in this Provision shall preclude any right to judicial review available to the Contractor under Federal law.

38. Choice of Law and Forum.

Federal law shall control the obligations and procedures established by this contract and the performance and enforcement thereof. The forum for litigation arising from this contract shall exclusively be a Federal court of the United States, unless the parties agree to pursue alternative dispute resolution.

39. Waivers.

Any waivers at any time by either party to the contract of its rights with respect to a default or any other matter arising under or in connection with the contract shall not be deemed a waiver with respect to any subsequent default or matter.

40. Notices.

Any notice, demand, or request specifically required by the contract or these Provisions to be in writing shall be considered properly given when delivered in person or sent by postage prepaid registered or certified mail, commercial delivery service, facsimile, electronic, prepaid telegram, or by other means with prior agreement of the parties, to each party's authorized representative at the principal offices of the party. The designation of the person to be notified may be changed at any time by similar notice. Where facsimile or electronic means are utilized for any communication covered by this Provision, the sending party shall keep a contemporaneous record of such communications and shall verify receipt by the other party.

41. Contingent Upon Appropriations and Authorization.

41.1 Where activities provided for in the contract extend beyond the current fiscal year, continued expenditures by the United States are contingent upon Congress making the necessary appropriations required for the continued performance of the United States' obligations under the contract. In case such appropriation is not made, the Contractor hereby releases the United States from its contractual obligations and from all liability due to the failure of Congress to make such appropriation.

41.2 In order to receive and expend funds advanced from the Contractor necessary for the continued performance of the obligations of the United States under the contract, additional authorization may be required. In case such authorization is not received, the Contractor hereby releases the United States from those contractual obligations and from all liability due to the lack of such authorization.

42. Covenant Against Contingent Fees.

The Contractor warrants that no person or selling agency has been employed or retained to solicit or secure the contract upon an agreement or understanding for a commission, percentage, brokerage, or contingent fee, excepting bona fide employees or bona fide established commercial or selling agencies maintained by the Contractor for the purpose of securing business. For breach or violation of this warranty, Western shall have the right to annul the contract without liability or in its discretion to deduct from the contract price or consideration the full amount of such commission, percentage, brokerage, or contingent fee.

43. Contract Work Hours and Safety Standards.

The contract, to the extent that it is of a character specified in Section 103 of the Contract Work Hours and Safety Standards Act (Act), 40 U.S.C. § 3701, as amended or supplemented, is subject to the provisions of the Act, 40 U.S.C. §§ 3701-3708, as amended or supplemented, and to regulations promulgated by the Secretary of Labor pursuant to the Act.

44. Equal Opportunity Employment Practices.

Section 202 of Executive Order No. 11246, 30 Fed. Reg. 12319 (1965), as amended by Executive Order No. 12086, 43 Fed. Reg. 46501 (1978), as amended or supplemented, which provides, among other things, that the Contractor will not discriminate against any employee or applicant for employment because of race, color, religion, sex, or national origin, is incorporated herein by reference the same as if the specific language had been written into the contract, except that Indian Tribes and tribal organizations may apply Indian preference to the extent permitted by Federal law.

45. Use of Convict Labor.

The Contractor agrees not to employ any person undergoing sentence of imprisonment in performing the contract except as provided by 18 U.S.C. § 3622(c), as amended or supplemented, and Executive Order No. 11755, 39 Fed. Reg. 779 (1973), as amended or supplemented.

**Western Area Power Administration
Federal Power Customer
Creditworthiness Procedures**

1.0 OVERVIEW OF CREDITWORTHINESS PROCEDURES

The purpose of the Western Area Power Administration (Western) Creditworthiness Procedures (Creditworthiness Procedures) is to implement appropriate risk mitigation procedures related to business conducted with Firm Electric Service (FES) Customers. Western supplies power and energy pursuant to its statutory mission outlined in Reclamation Law. Historically, Western's FES Customers have been very creditworthy and these Creditworthiness Procedures recognize that Western's risk of non-payment from FES Customers is low. Western shall conduct a creditworthiness review of the FES Customer using information provided by the FES Customer from the data collection process (Section 2.0) and pursuant to Section 4.1 or at the request of the FES Customer using the criteria outlined in Section 3.1. Therefore, existing FES Customers with a timely payment history as of the date these Creditworthiness Procedures are included in a contract, shall be deemed to have satisfied the creditworthiness requirements at that time and be subject to re-evaluation pursuant to Section 4.1. As a result of Western's creditworthiness review or in response to the FES Customer's notice of any event that may cause an adverse material change in its financial condition, Western may require the FES Customer to provide or increase its provided financial assurances before service will be initiated or continued (Section 4.2).

2.0 ADVERSE MATERIAL CHANGE

The FES Customer must give Western written notice of any event that may cause an adverse material change in its financial condition within five (5) business days of the occurrence of the event. An event that may cause an adverse material change in financial condition may include, but is not limited to the following:

- (a) For entities that initially met the creditworthiness requirements under these Creditworthiness Procedures and are not required to post financial assurance to Western, a change in financial condition that results in a downgrade of long or short-term debt rating by a major bond rating agency or being placed on a credit watch with negative implications by a major credit rating agency; or
- (b) The resignation of key officer(s); or
- (c) The issuance of a regulatory order or the filing of a lawsuit that could materially adversely impact current or future results; or

- (d) A default in payment obligations; or
- (e) Any new investigations, arbitrations, contingencies or changes in affiliate relationships; or
- (f) The filing of a voluntary or involuntary petition to institute bankruptcy proceedings under the United States Bankruptcy Code or any successor statute, or the filing to institute any proceedings under state law concerning actual or potential insolvency.

3.0 CREDIT EVALUATION

3.1 Determining Creditworthiness

FES Customers are considered creditworthy and granted unsecured credit if all of the following exist:

- (a) The FES Customer is not in default of its payment obligations under its contract for firm electric service with Western; and
- (b) The FES Customer is not on Western's subscribed rating service watch list due to FES Customer being rated below investor grade, currently at or below "BB" on Standards & Poor Ratings; and
- (c) The FES Customer is not in default of any payment obligation to Western; and
- (d) The FES Customer is not in bankruptcy proceedings; and
- (e) The FES Customer or its guarantor is a federal, state, or other governmental agency/entity and its financial obligations are backed by the full faith and credit of the United States, state or other governmental entity as applicable: and/or
- (f) The FES Customer has the ability to set rates to cover outstanding obligations.

3.2 Notification

Western shall notify the FES Customer in writing whether relevant financial assurance is required within five (5) business days after determining that a change in creditworthiness status or change in financial assurance is required as determined by review under Section 2.0 or other reviews performed pursuant to Section 4.1.

Western shall, upon the FES Customer's written request, provide a written explanation of the basis for Western's determination via email within five (5) business days for any (a) non-creditworthy determination; (b) changes in creditworthiness status; or (c) changes in requirements for financial assurances.

3.3 Establishing Credit Limits

If a FES Customer is determined to be creditworthy, no credit limit will be established. For non-creditworthy FES Customers, the credit limit for total outstanding energy sales will equal five (5) months of total estimated service charges under the FES Customer's contract for electric service, as determined by Western. If at any time Western determines according to these Creditworthiness Procedures that the FES Customer is not able to fully support its credit exposure based solely on its financial viability, Western may require collateral be provided.

3.4 Secured Credit

3.4.1 Posting Collateral

If a FES Customer fails to provide the collateral as defined in Section 3.4.3 and required by Western within five (5) business days of notification, or as agreed to in writing between the FES Customer and Western, the FES Customer will be deemed in default of its contract for electric service and subject to discontinuing service in accordance with Nonpayment of Bills in Full When Due of the General Power Contract Provisions, as provided for under its contract for electric service.

3.4.2 Required Amount of Collateral

Given Western's current billing practices and payment terms, the required amount of security will be based on the maximum total estimated service charge for outstanding services provided by Western, but not yet paid by the FES Customer, plus an advance of fifteen (15) days of estimated service. In addition to this collateral, Western may also require the FES Customer to prepay fifteen (15) days of estimated service on a fifteen (15) day pre-payment cycle until the FES Customer becomes creditworthy under these guidelines. This represents the potential value of services rendered prior to termination of service in the event of a default arising from a failure of nonpayment.

3.4.3 Acceptable Collateral

Acceptable collateral includes:

- (a) Prepayment for service; or
- (b) An unconditional and irrevocable letter of credit as security to meet the FES Customer's responsibilities and obligations. If this form of collateral is used, it will comply with the requirements as stated in the Uniform Customs and Practice for Documentary Credits; or
- (c) An irrevocable and unconditional corporate guaranty from an entity that satisfies the creditworthiness requirements.
- (d) Prepayment for service; or
- (e) An unconditional and irrevocable letter of credit as security to meet the FES Customer's responsibilities and obligations. If this form of collateral is used, it will comply with the requirements as stated in the Uniform Customs and Practice for Documentary Credits; or
- (f) An irrevocable and unconditional corporate guaranty from an entity that satisfies the creditworthiness requirements.

4.0 RE-EVALUATION

4.1 Timeframe

Western will review its credit evaluation for each FES Customer annually. Timely payments by the FES Customer will be sufficient evidence for re-affirming the current credit arrangements, barring the reporting of any event that may cause an adverse material change. Western, at its sole discretion, may conduct additional reviews and updates of its credit evaluation in response to new facts or occurrences that may bear upon the FES Customer's creditworthiness due to an event that may cause an adverse material change in financial condition of the FES Customer, or if the FES Customer fails to pay invoices from Western on time. These reviews will follow the procedures set forth in Section 3.1.

4.2 Change in Limit/Collateral

As a result of Western's creditworthiness review or in response to the FES Customer's notice of any event that may cause an adverse material change in its financial condition, Western may adjust the FES Customer's credit limit and collateral requirements in accordance with Section 3.3 and Section 3.4, respectively. If required by Western, additional collateral must be posted in accordance with Section 3.4.1.

The FES Customer may make reasonable requests for Western to re-evaluate the FES Customer's creditworthiness pursuant to the criteria detailed in Section 3.1.

5.0 RIGHT TO DRAW UPON FINANCIAL ASSURANCES UPON DEFAULT

Western shall have the right to liquidate, or draw upon, all or a portion of the FES Customer's financial assurance(s) in order to satisfy the FES Customer's total

net obligation to Western under the contract for electric service. The FES Customer shall within five (5) business days, or as agreed to in writing between Western and the FES Customer, replace any liquidated or drawn-upon financial assurances.

6.0 SUSPENSION OF SERVICE

6.1 Notification

Notwithstanding any other provision of a contract with Western, if the FES Customer fails to provide the entirety of required financial assurances described in Section 3.4.3 when due under these Creditworthiness Procedures, Western may suspend service to the FES Customer fifteen (15) days after Western's notification to such FES Customer.

6.2 Length of Suspension

The suspension of service shall continue for the duration of the circumstances that entitle Western to suspend service continue.

6.3 Obligation to Pay

A FES Customer is not obligated to pay for service that is not provided as a result of a suspension of service, however, a discontinuation of service under the contract will not relieve the FES Customer of liability for minimum charges during the time service is so discontinued.

7.0 CONTESTING CREDITWORTHINESS PROCEDURE DETERMINATIONS

The FES Customer may contest any creditworthiness determination by Western by submitting a written notice to Western explaining its reasons for contesting the determination. The notice must include the name of a designated senior representative authorized to represent the FES Customer. The written notice of a dispute of a determination by Western under these Creditworthiness Procedures shall be referred to the Chief Financial Officer of Western for resolution on an informal basis with the designated senior representative of the FES Customer as promptly as practicable. It is expected that a final written decision from Western will be issued within thirty (30) days, or such other period as the FES Customer and Western may mutually agree upon.

DRAFT

ELECTRIC SERVICE CONTRACTORS

Agua Caliente Band of Cahuilla Indians
Anza Electric Cooperative, Inc.
Augustine Band of Cahuilla Indians
Arizona Power Authority
Bishop Paiute Tribe
Cabazon Band of Mission Indians
California Department of Water Resources
Chemehuevi Indian Tribe
City of Anaheim
City of Azusa
City of Banning
City of Boulder City
City of Burbank
City of Cerritos, California
City of Colton
City of Corona, California
City of Glendale, California
City of Los Angeles Department of Water and Power
City of Rancho Cucamonga, California
City of Pasadena
City of Riverside
City of Vernon
City of Victorville, California
Colorado River Commission of Nevada
Fort McDowell Yavapai Nation
Gila River Indian Community
Hualapai Indian Tribe
Imperial Irrigation District
Kaibab Band of Paiute Indians
Las Vegas Paiute Tribe
Metropolitan Water District of Southern California
Morongo Band of Mission Indians
Navajo Tribal Utility Authority
Pascua Yaqui Tribe
Pechanga Band of Luiseno Mission Indians
Salt River Pima-Maricopa Indian Community
San Diego County Water Authority
San Luis Rey River Indian Water Authority
San Manuel Band of Mission Indians
Southern California Edison Company
Timbisha Shoshone Tribe
Tohono O'odham Nation
Tonto Apache Tribe
Torres Martinez Desert Cahuilla Indians
Twenty-Nine Palms Band of Mission Indians
Viejas Band of Kumeyaay Indians