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PALO VERDE NUCLEAR GENERATING STATION

—————
POWER SALES CONTRACT

between

SOUTHERN CALIFORNIA PUBLIC POWER AUTHORITY

and

CITY OF RIVERSIDE

—————
Dated as of July 1, 1981

[SRP]

TABLE OF CONTENTS*

SECTION	TITLE	PAGE
1.	PARTIES . . . . .	.1
2.	RECITALS . . . . .	.1
3.	AGREEMENT . . . . .	.2
4.	DEFINITIONS . . . . .	.2
4.1.	Act . . . . .	.2
4.2.	Agency Agreement . . . . .	.2
4.3.	Agency Costs . . . . .	.2
4.4.	Agent . . . . .	.2
4.5.	Aggregate Debt Service . . . . .	.2
4.6.	Annual Budget . . . . .	.3
4.7.	Assignment Agreement . . . . .	.3
4.8.	Authority Expenses . . . . .	.3
4.9.	Authority Percentage . . . . .	.3
4.10.	Available Generating Capability . . . . .	.3
4.11.	Base Load Period . . . . .	.3
4.12.	Billing Statement . . . . .	.3
4.13.	Councilmen . . . . .	.4
4.14.	Bonds . . . . .	.4
4.15.	Bond Anticipation Notes . . . . .	.4
4.16.	Bond Counsel . . . . .	.4

*This Table of Contents appears for convenience only and shall not be considered a part of this Power Sales Contract.

TABLE OF CONTENTS, Continued

SECTION	TITLE	PAGE
4.17.	Bond Indenture . . . . .	.4
4.18.	Capital Improvements . . . . .	.4
4.19.	Construction Costs . . . . .	.4
4.20.	Construction Fund. . . . .	.4
4.21.	Construction Permit . . . . .	.4
4.22.	Cost of Acquisition and Construction . . . . .	.4
4.23.	Date of Firm Operation . . . . .	.6
4.24.	Debt Service . . . . .	.6
4.25.	Federal Tax Exemption . . . . .	.7
4.26.	Fiscal Year . . . . .	.7
4.27.	Fuel Expense . . . . .	.7
4.28.	Generation Station . . . . .	.7
4.29.	Los Angeles . . . . .	.7
4.30.	Minimum Generating Capability . . . . .	.7
4.31.	Month . . . . .	.7
4.32.	Monthly Power Costs . . . . .	.7
4.33.	Operating Agent	10
4.34.	Operating Emergencies	10
4.35.	Operating Work	10
4.36.	Operation and Maintenance Costs	10
4.37.	Outstanding	10
4.38.	Participation Agreement	10

TABLE OF CONTENTS, Continued

SECTION	TITLE	PAGE
4.39.	Plant	10
4.40.	Plant Agreements	10
4.41.	Points of Delivery	10
4.42.	Power Sales Contract	10
4.43.	Power Supply Year	11
4.44.	Principal Installment	11
4.45.	Project	11
4.46.	Project Agreements	11
4.47.	Project Entitlement Share	11
4.48.	Project Manager	11
4.49.	Project Participants	11
4.50.	Prudent Utility Practice	11
4.51.	PVUV Agreement	12
4.52.	Series	12
4.53.	SRP	12
4.54.	Start-Up Period	12
4.55.	Supplemental Indenture	12
4.56.	Transmission Agreements	12
4.57.	Trustee	12
4.58.	Uncontrollable Forces	12
4.59.	Uniform System of Accounts	13
4.60.	Zero Net Load	13

TABLE OF CONTENTS, Continued

SECTION	TITLE	PAGE
5.	OBLIGATIONS OF THE AUTHORITY AND RIVERSIDE	13
5.1.	Obligation to Supply and Take Capacity and Energy; Authority to Cause Acquisition, Construction and Operation.	13
5.2.	Adoption of Annual Budget.	13
5.3.	Reports.	14
5.4.	Records and Accounts.	14
5.5.	Adjustment of Billing.	15
5.6.	Disputed Monthly Billing Statement.	16
5.7.	Source of Payments.	16
5.8.	Project Participant to Supply Information.	16
5.11.	Rate Covenant.	16
6.	DUTIES AND RESPONSIBILITIES OF THE AUTHORITY AND COUNCILMEN	17
6.1.	Authority Duties and Responsibilities; Councilmen.	17
6.2.	Audits of Project Manager, Operating Agent and Contractors.	18
7.	CHARGES AND BILLINGS	19
7.1.	Allocation of Monthly Power Costs.	19
7.2.	Computation of Monthly Payments.	19
7.3.	Basis and Billing of Minimum and Variable/ Cost Component.	19
7.4.	Time of Billings and Payment Thereof; Billing Statement.	19

TABLE OF CONTENTS, Continued

SECTION	TITLE	PAGE
7.5.	Interest on Unpaid Bills.	20
7.6.	Cost, Billing and Payment for Energy Delivered Prior to Date of Firm Operation.	20
8.	COMMENCEMENT OF PAYMENT OBLIGATION; OBLIGATION UNCONDITIONAL	20
9.	GENERATION STATION CAPACITY AND ENERGY ENTITLEMENTS	20
9.1.	Obligation to Take Energy During Start- Up Periods and Base Load Periods.	20
9.2.	Participants Entitled to Schedule During Other Times.	21
9.3.	Other Scheduling Matters.	21
9.4.	Operation Subject to Outages and Curtailments.	21
9.5.	Scheduling Pursuant to Councilmen Procedures.	21
9.6.	Generation Station Control Not to Diminish Participant's Rights.	22
9.7.	Participant Obligated for Start-Up and Shut-Down Energy.	22
9.8.	Points of Delivery and Changes; Transmission From Point of Delivery.	22
9.9.	Sale of Energy by Participants.	22
10.	SWITCHYARD ENTITLEMENTS	22
11.	PLEDGE OF PAYMENTS	23
12.	ISSUANCE OF BONDS	23

TABLE OF CONTENTS, Continued

SECTION	TITLE	PAGE
12.1.	Bonds for Cost of Acquisition and Construction and Payment of Notes.	23
12.2.	Additional Bonds.	23
12.3.	Obligation of Authority to Issue Bonds.	23
12.4.	Rights to Enforce Authority Obligations; Expenses of Defense.	23
12.5.	Refunding Bonds.	24
12.6.	Certain Provisions Regarding Bonds.	24
12.7.	Participants to Furnish Information.	25
13.	ADJUSTMENT OF MONTHLY POWER COSTS	25
14.	DEFAULT	25
14.1.	Remedies.	25
14.2.	Transfer of Rights of Defaulting Project Participants.	26
15.	CHARACTER, CONTINUITY OF SERVICE AND INTERCONNECTIONS	26
15.1.	Curtailment for Emergencies or Repairs.	26
15.2.	Uncontrollable Forces.	27
15.3.	Electric Interconnections Not to Cause Jeopardy.	27
16.	SEVERAL LIABILITY; LIABILITY; EXCULPATION; INDEMNIFICATION	27
16.1.	Participants' Obligation Several.	27
16.2.	No Liability of Authority, Councilmen, Officers, Etc.	28

TABLE OF CONTENTS, Continued

SECTION	TITLE	PAGE
16.3.	Extent of Exculpation; Enforcement of Rights in Equity.	28
16.4.	No Relief from Insurer's Obligations.	28
16.5.	Limitation of Liability of Authority, Employees, Etc.	28
17.	RESTRICTIONS ON DISPOSITION	29
17.1.	Restrictions on Disposition of Participant's Entire System.	29
17.2.	Restriction on Disposition of Project Entitlement Share.	29
18.	ASSIGNMENT OF CONTRACT	30
19.	EFFECTIVE DATE AND TERM	30
19.1.	Effective Date of Power Sales Contracts.	30
19.2.	Forfeiture of Project Participation.	30
19.3.	Procedure for Disposal of Forfeited Amounts.	31
19.4.	Ownership by Authority; Disposition of Capacity after Power Sales Contracts Expire.	33
20.	SALE OF ENTIRE PROJECT OUTPUT; RELATIONSHIP TO AND COMPLIANCE WITH OTHER INSTRUMENTS	33
20.1.	Authority to Sell Entire Output.	33
20.2.	Construction and Operation Subject to Bond Indenture, Licenses, Etc.	33
20.3.	Authority to Comply with Bond Indenture, Licenses, Etc.; Expenses of Enforcement.	34

TABLE OF CONTENTS, Continued

SECTION	TITLE	PAGE
21.	SEVERABILITY	34
22.	TERMINATION OR AMENDMENT	34
22.1.	Limitation on Amendment Affecting Bond Security.	34
22.2.	Limitation on Amendments Affecting Participants.	35
22.3.	Amendment of Power Sales Contract With Respect to Transmission Agreements.	35
22.4.	Limitation on Amendments to Bond Indenture.	35
22.5.	Termination of Power Sales Contract Under Certain Circumstances.	35
23.	GOVERNING LAW	36
24.	ARBITRATION	36
25.	NOTICES	36
25.1.	. . . . .	36
25.2.	. . . . .	36
26.	HEADINGS NOT BINDING	37

TESTIMONIUM

SIGNATURES AND SEALS

APPENDIX A - Participants, Participations, Entitlements and Cost Shares

APPENDIX B - Form of Opinion of Counsel

POWER SALES CONTRACT

1. **PARTIES:** This Contract, made and entered into as of July 1, 1981, by and between SOUTHERN CALIFORNIA PUBLIC POWER AUTHORITY, established pursuant to the laws of the State of California (hereinafter referred to as the "Authority"), and CITY OF RIVERSIDE, a municipal corporation of the State of California (hereinafter referred to as "Riverside").

2. **RECITALS:** This contract is made with reference to the following facts among others:
 - 2.1. The Authority, together with Riverside and certain suppliers of electric energy in California, have discussed the desirability of the Authority financing, pursuant to the California Joint Exercise of Powers Act, all or a portion of the costs of acquisition and constructing the Project.

 - 2.2. The Authority has heretofore entered into an Agency Agreement with Los Angeles which provides for Los Angeles to undertake on behalf of the Authority certain work related to the Project, including studies and estimates and such other activities as are necessary to the securing of regulatory approvals and the meeting of environmental requirements to acquire the Project and to determine the cost of the Project and other activities relating to the acquisition, construction, operation and maintenance of the Project.

 - 2.3. The Project Participants listed on Appendix A hereto have each elected to take the percentage of the output of the Project listed next to their respective names on Appendix A hereto as their Project Entitlement Shares.

 - 2.4. The Authority has, in accordance with the terms of the Agency Agreement, completed for execution this contract, the Assignment Agreement, the Transmission Agreement, and the Bond Indenture.

 - 2.5. Riverside is interested in participating in the Project in order to meet the future power needs of its customers and to realize the savings in capital and operating costs and economies of scale of large electric generating units and to lessen its dependence on oil-fired generation.

 - 2.6. The Authority will, to the extent not already done, cause to be undertaken all steps necessary to secure such governmental permits, licenses, and approvals as are necessary for the Project, and will proceed as appropriate to undertake or cause to be undertaken the

financing, acquisition, construction, equipping and operation of the Project. The Authority will sell the output attributable to the Project to Riverside and to the other entities contracting with the Authority therefor pursuant to the Power Sales Contracts.

2.7. The Authority intends to issue Bonds under the Act sufficient to pay the costs of acquiring, constructing and equipping the Project. The Authority may also issue Bond Anticipation Notes to provide temporary financing for such costs. In order to enable the Authority to issue such Bonds or Bond Anticipation Notes, or both, it is necessary for the Authority to have binding contracts with Project Participants, and all payments required to be made in accordance with the provisions of such contracts, including payments required to be made under this contract, are to be pledged by the Authority as security for the payment of such Bonds, and the interest thereon, and the interest on any such Bond Anticipation Notes subject to the application thereof to such purposes and on such terms as provided in the Bond Indenture herein defined.

3. **AGREEMENT:** For and in consideration of the premises and the mutual covenants and agreements hereinafter set forth, and in order to pay the Authority for its costs of Riverside's share of the capacity and energy from the Project furnished under this contract, it is agreed by and between the parties hereto as follows:

4. **DEFINITIONS:**

4.1. **Act:** The Joint Exercise of Powers Act, being Sections 6500 through 6579.5, inclusive, of the Government Code of the State of California, as amended and supplemented.

4.2. **Agency Agreement:** That certain Palo Verde Nuclear Generating Station Agency Agreement dated as of July 1, 1981 between the Authority and the Agent.

4.3. **Agency Costs:** The term Agency Costs shall have the meaning ascribed thereto in the Agency Agreement.

4.4. **Agent:** Los Angeles, as Agent under the Agency Agreement.

4.5. **Aggregate Debt Service:** The term Aggregate Debt Service shall have the meaning ascribed thereto in the Bond Indenture.

- 4.6. Annual Budget: The budget adopted by the Councilmen pursuant to Section 5.2 hereof not less than 30 nor more than 45 days prior to the beginning of each Power Supply Year, including any amendments thereto, which shall show a detailed estimate of the items for such Year upon which Monthly Power Costs for such Year are computed and all revenues, income, or other funds to be applied to such costs, for and applicable to such Power Supply Year.
- 4.7. Assignment Agreement: The Assignment Agreement between the Authority and SRP providing for the acquisition by the Authority from SRP of a portion of the interest of SRP in the Plant and the Plant Agreements, as such Agreement may be amended from time to time.
- 4.8. Authority Expenses: The costs, expenses and fees incurred by the Authority in carrying out its duties, responsibilities and obligations, and exercising its rights, under the Act and the Project Agreements. These costs, expenses and fees shall include the following:
- 4.8.1. Fees and expenses of the Authority's legal counsel.
 - 4.8.2. Agency Costs incurred or paid under the Agency Agreement.
 - 4.8.3. All reasonable costs and expenses incurred by the Authority pursuant to Section 20.3 of the Power Sales Contracts.
 - 4.8.4. All reasonable costs and expenses (including those of the Authority's legal counsel) payable in accordance with Section 12.4 of the Power Sales Contracts.
- 4.9. Authority Percentage: A percentage, equal to the percentage of the Authority's Generation Entitlement Share under the Assignment Agreement and the Participation Agreement.
- 4.10. Available Generating Capability: The term Available Generating Capability shall have the meaning ascribed thereto in the Participation Agreement.
- 4.11. Base Load Period: The term Base Load Period shall have the meaning ascribed thereto in the Participation Agreement.
- 4.12. Billing Statement: The written statement prepared (or caused to be prepared) each Month by the Authority

pursuant to Section 7.4 which shall be based upon the Annual Budget and which shall show for such Month the amount to be paid to the Trustee by Riverside in accordance with the provisions of Sections 8 and 11 hereof.

- 4.13. Councilmen: The Councilmen of the Authority, as constituted from time to time.
- 4.14. Bonds: The parity bonds issued by the Authority and outstanding pursuant to the provisions of the Bond Indenture to finance or refinance the Cost of Acquisition and Construction. Bonds shall include additional parity Bonds issued pursuant to the provisions of Section 12.2 hereof, and refunding Bonds issued pursuant to the provisions of Section 12.5 hereof.
- 4.15. Bond Anticipation Notes: The term Bond Anticipation Notes shall have the meaning ascribed thereto in the Bond Indenture.
- 4.16. Bond Counsel: An attorney or firm of attorneys of recognized national standing in the field of law relating to municipal bonds.
- 4.17. Bond Indenture: The Indenture of Trust dated as of July 1, 1981 between the Trustee and the Authority, as from time to time amended and supplemented in conformity with its provisions and the provisions of the Power Sales Contracts.
- 4.18. Capital Improvements: The term Capital Improvements shall have the meaning ascribed thereto in the Participation Agreement.
- 4.19. Construction Costs: ~~The term Construction Costs shall~~ have the meaning ascribed thereto in the Participation Agreement.
- 4.20. Construction Fund: The term Construction Fund shall have the meaning ascribed thereto in the Bond Indenture.
- 4.21. Construction Permit: The amendments to the construction permit (heretofore obtained under the Participation Agreement from the Nuclear Regulatory Commission) necessary to effectuate the acquisition of the Project by the Authority.
- 4.22. Cost of Acquisition and Construction: All costs and expenses of planning, engineering, designing, acquiring, constructing, installing, equipping and financing the Project, placing in operation or retiring,

decommissioning or disposing of the Project, and obtaining governmental approvals, certificates, permits and licenses with respect thereto heretofore or hereafter paid or incurred by or on behalf of the Authority and not otherwise (i) previously paid as Agency Costs, (ii) paid from the proceeds of insurance, or (iii) included in Monthly Power Costs under the Power Sales Contracts. Such costs shall include amounts required to be paid under the Participation Agreement and the Assignment Agreement which are applied or are to be applied thereunder to the payment of the cost of acquiring or constructing the Project. There shall be applied, as a credit against the Cost of Acquisition and Construction, all receipts, revenues and other moneys received from the sale of surplus equipment, materials and supplies and interest earned on investments all if and to the extent held or paid into the Construction Fund. Subject to the foregoing restrictions, the Cost of Acquisition and Construction shall include, but shall not be limited to, funds required for the following:

- 4.22.1. Costs of preliminary investigation and development, the performance or acquisition of feasibility and planning studies, the securing of regulatory approvals, costs for initial fuel and reload fuel for the Project, land and land rights, engineering, contractors' fees, labor, materials, equipment, utility services and supplies, legal fees and working capital and reserves in such amounts as shall be required during construction of the Project and for placing the Project in operation;
- 4.22.2. The purchase price or prices payable by the Authority pursuant to the Assignment Agreement;
- 4.22.3. Construction Costs of the Project;
- 4.22.4. Costs of acquisition of, and working capital and reserves for the acquisition of, resources, facilities and supplies for initial fuel and reload fuel for the Project, including, but not limited to, the cost of processing, fabrication, transportation, delivery, storage and disposal of such fuel, and working capital and reserves therefor;
- 4.22.5. All costs incurred or associated with the salvage, discontinuance, decommissioning and

disposition or sale of properties required to be paid by the Authority in accordance with the Participation Agreement;

- 4.22.6. To the extent not provided for as an operating expense of the Project, the Authority Expenses;
- 4.22.7. Financial and legal costs and expenses and such amounts of working capital and reserves as are required by the Bond Indenture;
- 4.22.8. Subject to the requirements of the Act, interest accruing in whole or in part on Bonds prior to and during construction and for such additional period, consistent with the Act, as the Authority may reasonably determine to be necessary for the placing of the Project or any facility thereof in operation in accordance with the provisions of the Bond Indenture;
- 4.22.9. Amounts, if any, required by the Bond Indenture to be paid from the proceeds of Bonds issued to finance the Cost of Acquisition and Construction into the Debt Service Reserve Account in the Debt Service Fund or the Reserve and Contingency Fund or into any other funds or accounts established pursuant to the Bond Indenture;
- 4.22.10. The payment of principal, premium, if any, and interest due (whether at the maturity of principal or at the due date of interest or upon redemption) of any note or evidence of indebtedness issued in anticipation of Bonds for the purpose of financing Cost of Acquisition and Construction of the Project; and
- 4.22.11. All other costs properly allocable to the acquisition and construction of the Project.
- 4.23. Date of Firm Operation: The term Date of Firm Operation shall have the meaning ascribed thereto in the Participation Agreement.
- 4.24. Debt Service: With respect to any period, the aggregate of the amounts required by the Bond Indenture to be paid during said period into any fund or account created by the Bond Indenture for the sole purpose of paying the

principal (including sinking fund installments) of and premium, if any, and interest (net of any interest subsidy with respect to Bonds paid to or for the account of the Authority by any governmental body or agency) on all the Bonds from time to time outstanding as the same shall become due; provided, however, that Debt Service shall not include any acceleration of the maturity of the Bonds.

- 4.25. Federal Tax Exemption: The exemption from Federal income taxation of interest paid or to be paid on the Bonds or notes or other obligations issued by the Authority in respect of the Project.
- 4.26. Fiscal Year: The twelve-month period commencing at 12:01 a.m. on July 1 of each year and ending at immediately prior to such time on the following July 1.
- 4.27. Fuel Expense: Fuel Expense shall have the meaning ascribed thereto in the Participation Agreement.
- 4.28. Generation Station: The generation station for the Project.
- 4.29. Los Angeles: The Department of Water and Power of The City of Los Angeles, a department organized and existing under the Charter of The City of Los Angeles, a municipal corporation of the State of California, and the successors of such department.
- 4.30. Minimum Generating Capability: The term Minimum Generating Capability shall have the meaning ascribed thereto in the Participation Agreement.
- 4.31. Month: A calendar month.
- 4.32. Monthly Power Costs: All of the Authority's costs to the extent not paid from the proceeds of Bonds, notes, or other evidence of indebtedness issued in anticipation of Bonds, resulting from the ownership, operation and maintenance of, and renewals and replacements to, the Project. There shall be applied, as a credit against Monthly Power Costs, all receipts, revenues and other moneys received from the sale of surplus equipment, materials and supplies and energy sold prior to the Date of Firm Operation, and interest earned on investments if and to the extent not credited against the Cost of Acquisition and Construction. Monthly Power Costs shall consist of a minimum cost component and a variable cost component attributable to the Project, and shall include, but not be limited to, the items of cost and expense

referred to in this Section 4.32 that are attributable to the Project and are accrued or paid during each Month of each Power Supply Year. In the event any Power Supply Year shall embrace fewer than 12 Months, the fraction expressed in the following Sections 4.32.1.3, 4.32.1.4 and 4.32.1.5 shall be adjusted accordingly, and, in the event of any revision of the Annual Budget after the commencement of any Power Supply Year, the amount determined pursuant to the following Sections 4.32.1.3, 4.32.1.4 and 4.32.1.5 shall be appropriately adjusted so that any increase or decrease in the portion of the Annual Budget applicable to said Sections shall be evenly apportioned over the remaining Months of such Power Supply Year.

4.32.1. The minimum cost component of the Monthly Power Costs shall consist of:

4.32.1.1. The amount which is required under the Bond Indenture to be paid or deposited during such Month into any funds or accounts established by the Bond Indenture for Debt Service and for any reserve requirements for Bonds.

4.32.1.2. The amount which is required to be paid or deposited during such month into any fund or account established by the Bond Indenture or otherwise for the payment of interest (net of any interest subsidy with respect to Bonds paid to or for the account of the Authority by any governmental body or agency) on notes or on other evidences of indebtedness issued in anticipation of the issuance of Bonds.

4.32.1.3. One-twelfth of the amount (not otherwise included under any item in this Section 4.32.1 or in Section 4.32.2) which is required under the Bond Indenture to be paid or deposited during such Power Supply Year into any other fund or account established by the Bond Indenture, and shall include, without limitation, any amounts required to make up a deficiency in any fund required or permitted by the Bond Indenture whether or not resulting from a default in

payments by any Project Participant of amounts due under any Power Sales Contract.

- 4.32.1.4. One-twelfth of the costs of producing and delivering capacity and energy during such Power Supply Year, including, but not limited to, (i) Operation and Maintenance Costs and costs of Operating Work incurred pursuant to the Participation Agreement, administrative and general costs, insurance costs (including amounts to fund any self-insurance program), overhead costs and any other costs payable in connection with the output of the Project and (ii) Authority Expenses and all other costs related to the conducting of the business of the Authority with respect to the Project including salaries, fees for legal, engineering, financial and other services, insurance costs incurred pursuant to the Agency Agreement and all other expenses properly related to the conduct of such business; provided, however, that minimum costs included under this Section 4.32.1.4 shall with respect to fuel costs include only the fixed costs of fuel incurred under Appendix F to the Participation Agreement.
- 4.32.1.5. One-twelfth of the amount necessary during such Power Supply Year to pay or provide reserves for all taxes required to be paid by the Authority with respect to its ownership interests in the Plant to the extent not included in costs of Operating Work or Construction Costs.
- 4.32.2. The variable cost component of the Monthly Power Costs with respect to any Month shall include:
 - 4.32.2.1. The Authority's share of any payments of fuel costs under the Participation Agreement not covered by Section 4.32.1.4.

- 4.32.2.2. The Authority's cost of transmission under the Transmission Agreements.
- 4.33. Operating Agent: The term Operating Agent shall have the meaning ascribed thereto in the Participation Agreement and shall include the operating agent under Section I.3.1 of Appendix I to such Agreement or the managing member under the PVUV Agreement, as appropriate.
- 4.34. Operating Emergencies: The term Operating Emergencies shall have the meaning ascribed thereto in the Participation Agreement.
- 4.35. Operating Work: The term Operating Work shall have the meaning ascribed thereto in the Participation Agreement.
- 4.36. Operation and Maintenance Costs: The operation and maintenance costs described in Section 11 of the Participation Agreement.
- 4.37. Outstanding: The term Outstanding shall have the meaning ascribed thereto in the Bond Indenture.
- 4.38. Participation Agreement: The Arizona Nuclear Power Project Participation Agreement, dated August 23, 1973, as heretofore amended by Amendment Nos. 1 through 5 and as hereafter amended from time to time.
- 4.39. Plant: The Palo Verde Nuclear Generating Station, the ANPP High Voltage Switchyard and the ANPP Transmission System and certain facilities related thereto, as more fully described in Appendix A or Appendix I, as the case may be, to the Participation Agreement, as such Appendices may be revised from time to time.
- 4.40. Plant Agreements: The term Plant Agreements shall have the meaning ascribed to the term Project Agreements in the Participation Agreement.
- 4.41. Points of Delivery: The points of delivery to Project Participants of output of the Project pursuant to Section 9.8 hereof.
- 4.42. Power Sales Contract: This contract or any contract with terms which shall be similar in substance to the terms of this contract and which may contain such variations or differences from the terms of this contract as shall be approved by the Authority as not deviating from the substance of this contract, together with amendments thereto, entered into by the Authority and a Project Participant.

- 4.43. **Power Supply Year:** The Fiscal Year, except that the first Power Supply Year shall begin on the first to occur of (i) the date to which all interest is capitalized with respect to all Bonds and Bond Anticipation Notes, or (ii) the date which is one year prior to the first principal installment date for any Bonds, or (iii) the Date of Firm Operation of the first generating unit of the Project to be placed in service.
- 4.44. **Principal Installment:** The term Principal Installment shall have the meaning ascribed thereto in the Bond Indenture.
- 4.45. **Project:** The interest of the Authority in the Plant and the Plant Agreements acquired by the Authority pursuant to the Assignment Agreement.
- 4.46. **Project Agreements:** Prior to the respective termination dates thereof, the Bond Indenture, the Power Sales Contracts, the Assignment Agreement, the Transmission Agreements, the Agency Agreement, the Plant Agreements, the Construction Permit and any other contract designated a Project Agreement by the Councilmen.
- 4.47. **Project Entitlement Share:** The percentage entitlement of each Project Participant in any Power Supply Year in the Project as set forth in Appendix A, as such Share may be revised in accordance with this contract.
- 4.48. **Project Manager:** The term Project Manager shall have the meaning ascribed thereto in the Participation Agreement and shall include the project manager under Section I.3.1 of Appendix I to such Agreement or the Managing Member under the PVUV Agreement, as appropriate.
- 4.49. **Project Participants:** The Project Participants named in Appendix A, excluding any Project Participant who withdraws entirely from participation in the Project in accordance with this contract.
- 4.50. **Prudent Utility Practice:** Any of the practices, methods and acts, which, in the exercise of reasonable judgment in the light of the facts (including but not limited to the practices, methods and acts engaged in or approved by a significant portion of the electrical utility industry prior thereto) known at the time the decision was made, would have been expected to accomplish the desired result at the lowest reasonable cost consistent with good business practices, reliability, safety and expedition, taking into account the fact that Prudent

Utility Practice is not intended to be limited to the optimum practice, methods or acts to the exclusion of all others, but rather to be a spectrum of possible practices, methods or acts which could have been expected to accomplish the desired result at the lowest reasonable cost consistent with reliability, safety and expedition. Prudent Utility Practice includes due regard for manufacturers' warranties and requirements of governmental agencies of competent jurisdiction and shall apply not only to functional parts of the Project, but also to appropriate structures, landscaping, painting, signs, lighting, other facilities and public relations programs reasonably designed to promote public enjoyment, understanding and acceptance of the Project.

- 4.51. PVUV Agreement: The term PVUV Agreement shall mean the Palo Verde Uranium Venture Agreement dated as of January 7, 1977, as heretofore or hereafter amended from time to time.
- 4.52. Series: The term Series shall have the meaning ascribed thereto in the Bond Indenture.
- 4.53. SRP: Salt River Project Agricultural Improvement and Power District, an agricultural improvement district organized and existing under and by virtue of the laws of the State of Arizona.
- 4.54. Start-Up Period: The term Start-Up Period shall have the meaning ascribed thereto in the Participation Agreement.
- 4.55. Supplemental Indenture: The term Supplemental Indenture shall have the meaning ascribed thereto in the Bond Indenture.
- 4.56. Transmission Agreements: The Transmission Agreement between the Authority and SRP, entered into pursuant to Section 9 of the Assignment Agreement, together with any memoranda of agreement, letters of intent or definitive agreements providing for the transmission of output from the Generation Station to the Project Participants, as any such Agreement may be amended and supplemented from time to time.
- 4.57. Trustee: The Trustee, from time to time, under the Bond Indenture.
- 4.58. Uncontrollable Forces: Any cause beyond the control of the party affected, including but not restricted to inability of the Authority to sell Bonds, failure of or

threat of failure of facilities, flood, earthquake, tornado, 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 non-action by or failure to obtain the necessary authorizations or approvals from any governmental agency or authority, any of 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.

- 4.59. **Uniform System of Accounts:** The "Uniform Systems of Accounts prescribed for Class A and B Public Utilities and Licensees" as prescribed and, from time to time, as amended or modified or substitution therefor made by the Federal Energy Regulatory Commission or its successor, whether or not the Authority is subject to Federal Energy Regulatory Commission jurisdiction.
- 4.60. **Zero Net Load:** The term Zero Net Load shall have the meaning ascribed thereto in the Participation Agreement.

5. **OBLIGATIONS OF THE AUTHORITY AND RIVERSIDE:**

- 5.1. **Obligation to Supply and Take Capacity and Energy; Authority to Cause Acquisition, Construction and Operation.** The Authority has received elections from each Project Participant for its Project Entitlement Share. The Authority shall provide or cause to be provided and Riverside shall take its entire share of capacity and energy from the Project pursuant to the terms of this contract. The Authority will cause to be undertaken the planning, negotiating, designing, acquiring, constructing, insuring, contracting for, administering, operating, and maintaining the Project pursuant to the Project Agreements to effectuate the delivery and sale of such share of capacity and energy to Riverside.
- 5.2. **Adoption of Annual Budget.** In each case reflecting the most recent available budgeting and other information provided to the Authority pursuant to the Participation Agreement (including Section 12 thereof) and the Transmission Agreements, the Authority will prepare or cause to be prepared, and submit to Riverside and the other Project Participants, at least 90 days prior to the beginning of each Power Supply Year, a proposed Annual Budget for such Power Supply Year. Riverside and the other Project Participants may submit to the Authority, at any time until the Annual Budget is adopted, any matters or suggestions relating to the Annual Budget.

The Councilmen shall adopt the Annual Budget not less than 30 nor more than 45 days prior to the beginning of such Power Supply Year and shall cause copies of such adopted Annual Budget to be delivered to Riverside, the Trustee and other Project Participants; provided, however, the Annual Budget for the first Power Supply Year shall be prepared, considered, adopted and delivered in the most practicable manner available prior to the date upon which such first Power Supply Year begins. Each adopted Annual Budget for a particular Power Supply Year shall incorporate therein all items comprising a part of Monthly Power Costs for such Power Supply Year and other items required by Section 709 of the Bond Indenture. As required from time to time during any Power Supply Year after 30 days notice to Riverside and all other Project Participants, the Councilmen may, pursuant to the foregoing provisions for adopting the Annual Budget, adopt an amended Annual Budget for and applicable to such Power Supply Year for the remainder of such Power Supply Year. In addition, the Authority shall comply with Section 709 of the Bond Indenture regarding quarterly review and amendments to the Annual Budgets. The Annual Budget shall establish the basis for the billing of the minimum cost components of Monthly Power Costs and shall establish the rate of billing for the variable cost component, all as hereinafter provided.

- 5.3. Reports. Subject to the provisions of the Plant Agreements, the Authority will prepare or cause to be prepared and issue to Riverside and the other Project Participants the following reports each Power Supply Year:
 - 5.3.1. Financial and operating statement relating to the Project.
 - 5.3.2. Status of Annual Budget.
 - 5.3.3. Status of construction budget of the Project during construction.
 - 5.3.4. Analysis of operations relating to the Project.
- 5.4. Records and Accounts. The Authority will keep or cause to be kept accurate records and accounts with respect to the Project as well as of the operations of the Project in a manner similar to the Uniform System of Accounts. Said accounts shall be audited annually by an independent firm of certified public accountants experienced in electric utility accounting and selected

by the Authority. Such audit shall be completed and submitted to the Authority within 120 days after the close of each Fiscal Year. Subject to the provisions of the Plant Agreements, all transactions of the Authority and the Project Manager and the Operating Agent relating to the Project with respect to each Fiscal Year shall be subject to such an audit. There shall be promptly furnished to Riverside and the other Project Participants copies of annual and other audits. Subject to the provisions of the Plant Agreements, Riverside shall have the right at its own expense to examine and copy the records and accounts referred to above on reasonable notice during regular business hours.

- 5.5. **Adjustment of Billing.** On or before 120 days after the end of each Power Supply Year, the Authority will submit (or cause to be submitted) to Riverside and the other Project Participants a detailed statement of the actual aggregate Monthly Power Costs and other amounts payable hereunder, including credits thereto, for all of the Months of such Power Supply Year, and the adjustments of the aggregate Monthly Power Costs and other amounts payable hereunder, if any, for any prior Power Supply Year, based on the annual audit of accounts provided for in Section 5.4. If, on the basis of the statement submitted as provided in this Section 5.5, the actual aggregate Monthly Power Costs and other amounts payable for any Power Supply Year exceed the amount thereof which Riverside and the other Project Participants have been billed, Riverside shall promptly pay to the Trustee its share of such excess. If, on the basis of the statement submitted pursuant to this Section 5.5, the actual aggregate Monthly Power Costs or other amounts payable for any Power Supply Year are less than the amount therefor which Riverside and the other Project Participants have been billed, the Authority shall credit such excess against Riverside's and the other Project Participants' next monthly payment. In the event that the failure of Riverside to make its payments in accordance with this contract shall have resulted in the application of amounts in any reserve or working fund under the Bond Indenture to the payment of costs payable from such reserve or working fund and the other Project Participants shall have made up the deficiency created by such application or paid additional amounts into such reserve or working fund, amounts thereafter paid to the Trustee by Riverside for application to such past due payments including interest shall be credited on the Billing Statements of such other Project Participants in the next Month or Months as shall be appropriate.

- 5.6. **Disputed Monthly Billing Statement.** In case any portion of any Billing Statement received by Riverside pursuant to this Contract shall be in bona fide dispute, Riverside shall pay the Trustee the full amount of such Billing Statement, and, upon determination of the correct amount, the difference between such correct amount and such full amount, if any, including interest at one percent per month on any overpayment, will be credited to Riverside by the Authority after such determination; provided, however that such interest shall not accrue on any overpayment that is acknowledged by or on behalf of the Authority and returned to Riverside by the fifth day following the receipt by the Authority of the disputed overpayment. In the event such Billing Statement is in dispute, the Authority will give consideration to such dispute and will advise Riverside with regard to the position of the Authority relative thereto within 30 days following written notification by Riverside of such dispute.
- 5.7. **Source of Payments.** The obligations of Riverside to make the payments under this contract shall constitute a cost of purchased electric capacity and energy and an operating expense of the electric utility system of Riverside payable solely from its electric revenue funds. Riverside shall not be required to make any such payment from tax revenues or its general or other funds (except the aforesaid electric revenue funds). Riverside will annually in each and every fiscal year of Riverside during the term of this contract include in its power system budget, whether or not any other items are included, an appropriation from the revenues of its electric system sufficient to satisfy all the payments required to be made in such year under this contract until all payments required under this contract have been paid in full.
- 5.8. **Project Participant to Supply Information.** Riverside agrees to supply the Authority, upon request, with such information and documentation as the Authority shall reasonably determine to be requisite to and necessary for the acquisition, construction, operation and maintenance of the Project including information reasonably available to allow the Authority to respond to requests for such information from the Project Manager, the Operating Agent or any federal, state, or local regulatory or other authority.
- 5.11. **Rate Covenant.** Riverside will establish, maintain and collect rates and charges for the electric service of its electric system so as to provide revenues sufficient,

together with available electric system reserves, to enable Riverside to pay all amounts payable when due under this contract and to pay all other amounts payable from, and all lawful charges against or liens on, the revenues of its electric system.

6. DUTIES AND RESPONSIBILITIES OF THE AUTHORITY AND COUNCILMEN:

6.1. Authority Duties and Responsibilities; Councilmen.

The rights and obligations of the Authority under the Project Agreements shall be subject to the control at all times of the Councilmen. The Project Participants shall be entitled to participate in the decisions of the Councilmen with respect to the Project in accordance with voting rights given to them, as members, under the Joint Powers Agreement creating the Authority. The Authority, through its Councilmen, shall have the following duties and responsibilities, among others:

- 6.1.1. Provide liaison among the Project Participants at the management level with respect to the construction and operation of the Project.
- 6.1.2. Review, discuss and attempt to resolve any disputes among the Authority, the Project Participants, the Agent, and the Project Manager or the Operating Agent relating to the Project.
- 6.1.3. Review, modify and approve, the practices and procedures to be followed by the Project Participants for the scheduling and controlling of capacity and energy from the Project.
- 6.1.4. Review, modify and approve all amendments and supplements to the Project Agreements.
- 6.1.5. Review, modify and approve all Capital Improvements and the budgets or other provisions for the payment or financing thereof.
- 6.1.6. Approve all consultants or advisors on financial and legal matters, including but not limited to financial advisors and legal counsel.
- 6.1.7. Approve (i) each issuance of Bonds, (ii) each supplement to the Bond Indenture, (iii) the

contract of purchase or notice of sale under which each series of Bonds is to be sold, (iv) the selection of managing underwriters for each series of Bonds (if such Bonds are to be sold upon a negotiated basis) and (v) the manner and timing of marketing (including the manner of sale), amount, interest rates and other terms of each series of Bonds.

6.1.8. Approve (i) each issuance of Bond Anticipation Notes, (ii) the proceedings authorizing such Bond Anticipation Notes, (iii) the contract of purchase or notice of sale and other documents under which such Notes are to be sold or issued, (iv) the selection of the managing underwriter (if such Notes are to be sold on a negotiated basis) or placement agent, if any, (v) the manner and time of marketing, amount, interest rates and other terms of such Notes.

6.1.9. Review, modify and approve the Project's insurance program, including, without limitation, the establishment of a self-insurance program; provided that, at all times, such insurance program shall comply with the requirements of the Bond Indenture and the other Project Agreements.

6.1.10. Perform such other functions and duties as may be provided for under this contract, and the other Project Agreements or as may otherwise be appropriate.

6.2. **Audits of Project Manager, Operating Agent and Contractors.** Subject to the provisions of the Plant Agreements, the Assignment Agreement and the Transmission Agreement, the Authority shall arrange for periodic (at least annually) audits of the books and cost records of the Project Manager, the Operating Agent, SRP and any cost reimbursable consultant or contractor relevant to the acquisition, construction or operation of the Project, except the Authority is not required to duplicate the audits conducted under Section 5.4. The Authority shall promptly furnish Riverside and the other Project Participants copies of such audits.

7. CHARGES AND BILLINGS:

- 7.1. Allocation of Monthly Power Costs. For the purpose of determining the payments to be made by Riverside pursuant to Section 7.2 and by each of the other Project Participants, the total amount of Monthly Power Costs attributable to the Project shall be allocated by the Authority as follows:
- 7.1.1. Minimum cost component as determined in Section 4.32.1.
 - 7.1.2. Variable cost component as determined in Section 4.32.2.
- 7.2. Computation of Monthly Payments. The amount of the Monthly Power Costs to be paid by Riverside for any Month shall be the sum of the following:
- 7.2.1. The Riverside Project Entitlement Share times the minimum cost component for such Month.
 - 7.2.2. The variable cost component for such Month as determined in Section 4.32.2 times a fraction the numerator of which is the kilowatt hours scheduled from the Generating Station bus to Riverside during such Month and the denominator of which is the kilowatt hours scheduled from the Generating Station bus to all Project Participants under the Power Sales Contracts during such Month.
- 7.3. Basis and Billing of Minimum and Variable Cost Component. For billing purposes, the amount of the minimum cost component of the Monthly Power Costs to be paid by Riverside each Month pursuant to Sections 7.2.1 shall be billed in advance and shall be based on the then current Annual Budget. The amount of the variable cost component of the Monthly Power Costs to be paid by Riverside each Month pursuant to Section 7.2.2 shall be billed the Month following the Month such variable cost was incurred and shall be based on the cost under Section 4.32.2 during such Month.
- 7.4. Time of Billings and Payment Thereof; Billing Statement. By the fifth calendar day of each Month during each Power Supply Year, the Authority shall bill Riverside for the amount of the minimum cost component of the Monthly Power Costs to be paid by Riverside for the current Month and for the amount of the variable cost component of the Monthly Power Costs to be paid by Riverside for the

preceding Month by providing to (or causing to be provided to) Riverside a Billing Statement in accordance with the charges established pursuant to the provisions of this contract. Such Billing Statement shall detail the matters covered in Section 4.32, and shall set forth, among other things, the amounts due for such Months by Riverside with respect to the items of Monthly Power Costs set forth in Section 7.2. Such Billing Statement shall be paid by Riverside on or before 20 days after receipt of such Billing Statement.

7.5. **Interest on Unpaid Bills.** If Riverside fails to pay any bill when due, interest shall accrue on the unpaid amount of the bill at the highest fixed legal rate (if one exists) or, if one does not exist, one and one-half percent per month.

7.6. **Cost, Billing and Payment for Energy Delivered Prior to Date of Firm Operation.** Energy delivered to Riverside and the other Project Participants from a generating unit of the Project prior to its Date of Firm Operation shall be paid for within 30 days after billing by the Authority at a rate per kilowatt-hour as determined by the Operating Agent in accordance with the Participation Agreement.

8. **COMMENCEMENT OF PAYMENT OBLIGATION; OBLIGATION UNCONDITIONAL:**

Beginning with the first to occur of (i) the date to which all interest is capitalized with respect to all Bonds and Bond Anticipation Notes, or (ii) the date which is one year prior to the first principal installment date for any Bonds, or (iii) the Date of Firm Operation of the first generating unit of the Project to be placed in service, Riverside shall pay directly to the Trustee the amounts of Monthly Power Costs set forth in the Billing Statements submitted to Riverside in accordance with the provisions of Section 7 hereof, whether or not the Project or any part thereof is operating or operable or its output is suspended, interfered with, reduced or curtailed or terminated in whole or in part, and such payments shall not be subject to reduction whether by offset or otherwise and shall not be conditional upon the performance or nonperformance by any party of any agreement for any cause whatever.

9. **GENERATION STATION CAPACITY AND ENERGY ENTITLEMENTS:**

9.1. **Obligation to Take Energy During Start-Up Periods and Base Load Periods.** During the Start-Up Period and any Base Load Period of any generating unit of the Project,

Riverside shall schedule and be obligated to take delivery of its Project Entitlement Share of the product of (i) the Authority Percentage and (ii) the Net Energy Generation of such generating unit.

- 9.2. **Participants Entitled to Schedule During Other Times.** At all times after the Date of Firm Operation of each generating unit of the Project, other than those referred to in Section 9.1, Riverside shall be entitled to schedule for its account capacity and energy from such generating unit up to the amount obtained by multiplying its Project Entitlement Share by (i) the Authority Percentage and (ii) the Available Generating Capability of such generating unit. The provisions of this Section 9.2 shall not reduce the obligations of Riverside pursuant to Section 9.1.
- 9.3. **Other Scheduling Matters.** The delivery of capacity and energy from the Generating Station will be scheduled by (or on behalf of) the Authority and the other Participants in advance with the Operating Agent and accounted for on the basis of such advance schedules. The Authority will cause the Operating Agent to deliver capacity and energy from each generating unit of the Project at the high side of its main generator step-up transformer in accordance with the schedule submitted by or on behalf of the Authority to the Operating Agent or in accordance with any revisions thereto. Whenever any Project Participant schedules for its account capacity and energy from a generating unit of the Project, the Agent, acting on behalf of the Authority, unless otherwise established under the Participation Agreement, shall additionally schedule for each Project Participant a percentage of the Zero Net Load as effective during the period that such generating unit is operated to meet such schedule, equal to the product of (i) the Project Participant's Project Entitlement Share and (ii) the Authority Percentage.
- 9.4. **Operation Subject to Outages and Curtailments.** Operation of any generating unit by the Operating Agent shall be subject to scheduled outages or curtailments, restrictions imposed by any regulatory authority or by Operating Emergencies. In the event of an Operating Emergency, the Project Participants shall, if necessary, revise their schedules to reflect the actual capacity and energy available from the Generating Station during the period of the Operating Emergency.
- 9.5. **Scheduling Pursuant to Councilmen Procedures.** The capacity and energy of the Project shall be scheduled or

controlled by the Project Participants under practices and procedures approved by the Councilmen, subject to the provisions of the Participation Agreement.

- 9.6. Generation Station Control Not to Diminish Participant's Rights. Subject to the provisions of the Plant Agreements, the capacity and energy of the Project shall be controlled in a manner which shall not diminish the rights of Riverside to receive its entitlement of capacity and energy.
 - 9.7. Participant Obligated for Start-Up and Shut-Down Energy. Riverside shall be obligated, in proportion to its Project Entitlement Share of the Authority Percentage, to provide for capacity and energy requirements during shut-downs and for starting up and shutting down each generating unit in compliance with procedures established under the Participation Agreement.
 - 9.8. Points of Delivery and Changes; Transmission From Point of Delivery. In accordance with the Transmission Agreements, the Points of Delivery by Authority of Riverside's capacity and energy are the 500kV bus of the Navajo Switchyard, the 500kV bus of the Mohave Generating Station, the 500kV bus of the Eldorado Substation and the 230kV bus of the Mead Substation. The Points of Delivery may be changed from time to time in conformity with the Transmission Agreements then in effect, provided that in no event will any such change reduce the payment obligations of Riverside hereunder. It is the obligation of Riverside to arrange for transmission of its capacity and energy from the Points of Delivery to its system. Notwithstanding anything to the contrary herein, each Project Participant's entitlement to capacity and energy associated with its Project Entitlement Share shall be reduced by any line losses resulting from the delivery of such capacity and energy to the Points of Delivery.
 - 9.9. Sale of Energy by Participants. Nothing herein shall prevent Riverside from disposing of its energy under this contract; provided, however, that such disposal shall not affect any of the obligations of Riverside under this contract.
10. SWITCHYARD ENTITLEMENTS: Riverside and each other Project Participant shall have the right to use the switchyard facilities of the Generation Station for its Project Entitlement Share of the Authority Percentage of the available capacity of the switchyard in accordance with Appendix I of the Participation Agreement.

11. PLEDGE OF PAYMENTS: All payments required to be made by Riverside in accordance with or pursuant to any provision of this contract, are pledged by the Authority to secure the payment of the Bonds, and interest thereon, and interest on any Bond Anticipation Notes, subject to the application thereof to such purposes and on such terms as provided in the Bond Indenture and as required by the Act. The Authority hereby assigns its rights to receive the payments mentioned in Section 8 of this contract to the Trustee and directs Riverside to pay such amounts directly to the Trustee.

12. ISSUANCE OF BONDS:

12.1. Bonds for Cost of Acquisition and Construction and Payment of Notes. Bonds will be issued by the Authority in accordance with this contract and the provisions of the Bond Indenture for the purpose of financing the Cost of Acquisition and Construction of the Project including, to the extent not otherwise provided for, payment of Bond Anticipation Notes.

12.2. Additional Bonds. Additional Bonds shall be issued by the Authority in accordance with this contract and the provisions of the Bond Indenture at any time and from time to time in the event funds are required for the purpose of financing the Project and the Authority Percentage of Capital Improvements.

12.3. Obligation of Authority to Issue Bonds. The Authority hereby agrees that, upon the Assignment Agreement and all Power Sales Contracts having been executed and delivered or adopted, as the case may be, by the respective parties thereto, it will, subject to the provisions hereof and of the Bond Indenture, issue Bonds or Bond Anticipation Notes, or both, in accordance with the Act and the Bond Indenture, in such amounts and at such times as shall be necessary to timely finance the costs of the Project, the costs of any improvements to the Project which are necessary to meet the requirements of any governmental authority and the costs of any replacements in the Project occasioned by damage to, or the destruction or taking of, all or any part of the Project.

12.4. Rights to Enforce Authority Obligations; Expenses of Defense. Each Project Participant shall be entitled as of right to the enforcement of the obligations of the Authority set forth in Section 12.3 of the Power Sales Contracts by mandamus or other suit, action or proceeding, including, without limitation, specific

performance, at law or in equity to compel the Authority, its Councilmen or other appropriate officer to perform such obligations. All reasonable costs and expenses of the Authority incurred in defending any action brought pursuant to this Section 12.4 shall be part of Authority Expenses.

- 12.5. ~~Refunding~~ Bonds. In the event the Monthly Power Costs may be reduced by the refunding of any of the Bonds or in the event it shall otherwise be advantageous, in the opinion of the Councilmen, to refund any Bonds, the Authority shall issue and sell refunding Bonds.
- 12.6. Certain Provisions Regarding Bonds. Each Supplemental Indenture authorizing a Series of Bonds shall establish Principal Installments for such Series which comply with the provisions of this Section 12.6 and such requirement may not, except as provided herein, be changed by the Authority. Such Principal Installments shall commence not later than the later of (i) the first day of the eighth Fiscal Year following the end of the Fiscal Year of authentication and delivery of such Series or (ii) the first day of the fifth Fiscal Year following the end of the Fiscal Year in which the Project Manager under the Participation Agreement estimates that the last generating unit of the Project will first reach its Date of Firm Operation and shall terminate not later than the date on which the Power Sales Contracts terminate. Such Principal Installments shall result in either (A) Debt Service for the Bonds of such Series for the 12-month period immediately preceding the due date of the first such Principal Installment, and for each 12-month period thereafter to and including the final maturity date of such Series, such that the greatest Debt Service for the Bonds of such Series for any such 12-month period is not in excess of 110% of the smallest Debt Service for the Bonds of such Series for any such 12-month period, or (B) Aggregate Debt Service for all Outstanding Bonds, including such Series being issued, for the first Fiscal Year in which a Principal Installment becomes due on each Series of Bonds then Outstanding, including such Series being issued, and for each Fiscal Year thereafter to and including the Fiscal Year immediately preceding the latest maturity of any Series of Bonds Outstanding immediately prior to the issuance of such Series being issued or the Fiscal Year immediately preceding the latest maturity of such Series being issued, whichever is earlier, such that the greatest Aggregate Debt Service for any such Fiscal Year is not in excess of 110% of the Aggregate Debt Service for any such preceding Fiscal Year (using in the case of any Series of Bonds sold by

competitive bidding an average interest rate for the Bonds of such Series as estimated by the Authority); provided, that, if the first Principal Installment for any Series of Bonds shall be less than 12 months after the date of issuance thereof, it shall be assumed, for purposes of this calculation, that interest accrued on such Series for the entire 12-month period preceding the first Principal Installment at the same rate as interest accrued for the actual portion of such period during which such Series of Bonds was Outstanding. Notwithstanding anything herein to the contrary, the provisions of this Section 12.6 may be modified or waived with respect to any one or more Series of Bonds upon the prior written consent of Riverside, executed by the chief executive of its electric utility system.

12.7. **Participants to Furnish Information.** Riverside agrees to supply the Authority, upon request, with such additional information and documentation, including opinions of counsel for Riverside, as the Authority, its financial advisor or Bond Counsel shall reasonably determine to be necessary to facilitate the issuance of Bonds, Bond Anticipation Notes, additional Bonds, or refunding Bonds for the purposes described in this Section 12.

13. **ADJUSTMENT OF MONTHLY POWER COSTS:** In the event the proceeds derived from the sale of any Bonds exceeds the aggregate required for the purposes for which such Bonds were issued, the amount of such excess shall be used to make up any deficiency existing in any funds or accounts under the Bond Indenture in the manner therein provided, and any balance shall be used to retire, by purchase or redemption, Bonds in advance of maturity, and in such event Monthly Power Costs shall be reduced as are necessary and appropriate.

14. **DEFAULT:**

14.1. **Remedies.** If Riverside shall be unable to perform or shall default in the performance of any of its obligations under this contract, then the Authority shall (i) in the event any payment due under this contract remains unpaid subsequent to the due date thereof, upon 120 days written notice to Riverside, discontinue the delivery of capacity and energy and the use of all other Project facilities to Riverside under this contract during the period of such default, without reduction of the obligation of Riverside to make payments under this contract except to the extent provided in Section 14.2, (ii) bring any suit, action or proceeding at law or in equity as may

be necessary or appropriate to enforce any covenant, agreement or obligation against Riverside, or (iii) take any action permitted by law to enforce its rights under this contract or recover damages for breach thereof.

- 14.2. **Transfer of Rights of Defaulting Project Participants.** In the event of a default by a Project Participant and the discontinuance, pursuant to Section 14.1(i), of the delivery of capacity and energy and of the use of all other Project facilities, the Authority shall transfer on a pro rata basis to all requesting Project Participants which are not in default, the defaulting Project Participant's rights to the delivery of capacity and energy and the use of all other Project facilities which shall have been discontinued by reason of such default, and such requesting Project Participants shall assume the defaulting Project Participant's obligations with respect to such rights so transferred, and if any of the defaulting Project Participant's rights with respect to the Project is not so transferred, the Authority shall, to the extent possible, dispose of such remaining portion on the best terms readily available; provided, however, that the Authority may not transfer or dispose of such defaulting Project Participant's rights and obligations in such a manner as shall, in the opinion of Bond Counsel, adversely affect the Federal Tax Exemption, and provided, further, that the obligation of the defaulting Project Participant to make payments under its Power Sales Contract including the costs to the Authority related to such default, transfer and sale, shall be reduced to the extent that payments are received as provided herein for that portion of the defaulting Project Participant's rights with respect to the Project which are so transferred or disposed.

15. **CHARACTER, CONTINUITY OF SERVICE AND INTERCONNECTIONS:**

- 15.1. **Curtailement for Emergencies or Repairs.** The deliveries of capacity and energy to Riverside and the other Project Participants may be temporarily interrupted or curtailed in proportion to their respective Project Entitlement Shares of the Authority Percentage if the Operating Agent determines that such interruption or curtailment is necessary in case of emergencies or in order to install equipment in or make repairs to or replacements, investigations, and inspections of or to perform other maintenance work on the Project facilities. After informing Riverside and the other Project Participants regarding any such planned interruption or curtailment, giving the reason therefor, and stating the probable

duration thereof, the Authority will, to the best of its ability, cause the Operating Agent to schedule such interruption or curtailment at a time which will cause the least interference with the operations of Riverside and the other Project Participants.

15.2. **Uncontrollable Forces.** The Authority shall not be required to provide, and neither the Authority nor the Agent shall be liable for failure to provide, service under this contract when such failure or the cessation or curtailment of or interference with the service is caused by Uncontrollable Forces or by the inability of the Authority or the Agent to obtain any required governmental approvals to enable the Authority to acquire, construct or operate any facilities; provided, however, that Riverside and the other Project Participants shall not thereby be relieved of their obligations to make payments under the Power Sales Contracts.

15.3. **Electric Interconnections Not to Cause Jeopardy.** Where there is to be an electrical interconnection of the Project with the electric system of Riverside, the design and construction with respect to such interconnection and the operating procedures adopted for the Project will not be such so as to jeopardize the electrical operation of the electric system of Riverside; provided, however, that this provision shall have no application after the interconnection has been established where the jeopardy with respect to the electric system of Riverside shall be the result of changes made or to be made by Riverside in its system operation or facilities. The parties hereto shall use their best efforts to cooperate and coordinate their planning and actions so that such interconnection is operated in accordance with Prudent Utility Practice and the operations of the Project and those of the electric system of Riverside shall continue to be compatible.

16. SEVERAL LIABILITY; LIABILITY; EXCULPATION; INDEMNIFICATION:

16.1. **Participants' Obligation Several.** Riverside and each of the other Project Participants shall be solely responsible and liable for performance under their respective Power Sales Contracts and for the maintenance and operation of their respective properties not included as part of the Project. The obligation of Riverside to make payments under this Power Sales Contract is a several obligation and not a joint obligation with those of the other Project Participants under the other Power Sales Contracts.

16.2. No Liability of Authority, Councilmen, Officers, Etc. Riverside agrees that neither the Authority nor any of its directors, officers, employees and agents shall be liable to Riverside for direct or consequential loss or damage suffered by Riverside as a result of (i) the performance or nonperformance by the Project Manager or the Operating Agent under any Plant Agreement (whether negligent or otherwise) or (ii) the performance or nonperformance (whether negligent or otherwise) of the Authority under this contract. Riverside releases the Authority and its directors, officers, employees and agents from any claim or liability (whether negligent or otherwise) as a result of any actions or inactions of the Authority under this contract or the performance or nonperformance by the Project Manager or the Operating Agent under any Plant Agreement. The provisions of this Section 16.2 shall not be construed so as to relieve the Project Manager or Operating Agent from any obligations under any Plant Agreement.

16.3. Extent of Exculpation; Enforcement of Rights in Equity. The exculpation provision set forth in Section 16.2 shall apply to all types of claims or actions including, but not limited to, claims or actions based on contract, tort, patent or trademark. Notwithstanding the foregoing, Riverside may protect and enforce its rights under this contract by a suit or suits in equity for specific performance of any obligation or duty of the Authority and Riverside shall at all times retain the right to recover, by appropriate legal proceedings, the amount determined to have been an overpayment by Riverside in accordance with Section 5.6.

16.4. No Relief from Insurer's Obligations. The provisions of this Section 16 shall not be construed so as to relieve any insurer of its obligation to pay any insurance claims in accordance with insurance policies applicable to the Project.

16.5. Limitation of Liability of Authority, Employees, Etc. The obligations of the Authority under this contract as well as any costs or expenses of the Authority incurred in respect of its obligations and duties hereunder shall never constitute a debt or indebtedness of the Authority within the meaning of any provision or limitation of the Constitution or statutes of the State of California, shall not constitute or give rise to a pecuniary liability of the Authority or a charge against its general credit and shall be payable solely from the funds provided therefor pursuant to this contract. It is hereby recognized and agreed that neither the members of the

Councilmen nor any officer, employee or agent of the Authority shall be individually liable in respect of any undertakings by the Authority under this contract.

17. RESTRICTIONS ON DISPOSITION:

17.1. Restrictions on Disposition of Participant's Entire System. Riverside shall not sell, lease or otherwise dispose of all or substantially all of its electric utility system except on 90-days prior written notice to the Authority and, in any event, shall not so sell, lease or otherwise dispose of the same unless the following conditions shall be met: (i) Riverside shall assign this contract and its rights and interest hereunder to such purchaser or lessee of said electric system, and such purchaser or lessee shall assume all obligations of Riverside under this contract; (ii) the senior debt of such purchaser or lessee is rated in one of the two highest rating categories by at least one nationally-recognized bond rating agency; (iii) an independent engineer or engineering firm of national reputation generally recognized to be well qualified in matters relating to electric power and energy systems, selected by the Authority, shall deliver an opinion, which may be based on assumptions deemed reasonable by such engineer or engineering firm, that such purchaser or lessee is reasonably able to charge and collect rates and charges in the then current and each future year for the electric service of its electric system as shall be required to meet its obligations under this contract; (iv) the Councilmen shall determine (which determination shall not be unreasonably withheld) that such sale, lease or other disposition will not adversely affect the value of this contract as security for the payment of the Bonds and the interest thereon; and (v) Bond Counsel shall render an opinion that such sale, lease or other disposition will not adversely affect the Federal Tax Exemption.

17.2. Restriction on Disposition of Project Entitlement Share. Notwithstanding anything in this contract to the contrary, Riverside shall not sell, assign or otherwise dispose of any portion of its Project Entitlement Share except on 90 days prior written notice to the Authority and, in any event, shall not sell, assign or otherwise dispose of the same unless, in the opinion of Bond Counsel, such sale, assignment or other disposition will not adversely affect the Federal Tax Exemption. No such, sale, assignment or other disposition shall release Riverside from its obligations under this contract.

18. ASSIGNMENT OF CONTRACT:

This contract shall inure to the benefit of and shall be binding upon the respective successors and assigns of the parties to this contract; provided, however, that except as provided in Sections 14 and 17, neither this contract nor any right or interest herein shall be transferred or assigned by either party hereto so long as any of the Bonds are outstanding or until adequate provision for the payment thereof have been made in accordance with the provisions of the Bond Indenture except that the payments by Riverside under this contract shall be assigned by the Authority to the Trustee to secure Bonds.

19. EFFECTIVE DATE AND TERM:

19.1. Effective Date of Power Sales Contracts. This contract shall become effective only when (i) it has been duly executed and delivered on behalf of the Authority and Riverside, (ii) Riverside shall have delivered to the Authority an opinion of an attorney or firm of attorneys in substantially the form attached hereto as Appendix B, (iii) Power Sales Contracts between the Authority and Project Participants covering the entire output of the Project shall have been duly executed and delivered by the parties hereto and approved by all necessary regulatory agencies, (iv) the Assignment Agreement shall have been duly executed and delivered by the parties thereto and approved by all necessary regulatory agencies, (v) the Construction Permit shall have been received and (vi) the first series of Bonds or Bond Anticipation Notes shall have been issued. The term of this contract shall begin and this contract shall constitute a binding obligation of the parties hereto from and after the effective date and the term of this contract shall end on October 31, 2030 or such later date as all Bonds and the interest thereon shall have been paid in full or adequate provision for such payment shall have been made.

19.2. Forfeiture of Project Participation.

Notwithstanding any provision of Section 19.1 to the contrary, if on December 15, 1981 Riverside shall not have completed and delivered, as the case may be, the matters to be completed and delivered by it as described in clauses (i) and (ii) of Section 19.1, the rights of Riverside under this contract shall terminate and the Project Entitlement Share of Riverside shall be deemed a Forfeited Amount and shall be disposed of by the Authority in accordance with Section 19.3.

19.3. Procedure for Disposal of Forfeited Amounts. The Project Entitlement Shares originally set forth in Appendix A shall constitute the Initial Project Entitlement Shares. In the event that a Forfeited Amount becomes available, then such Forfeited Amount shall be disposed of by the Authority as follows:

19.3.1. The Authority shall give written notification to each Project Participant (other than a forfeiting Participant) that it may request to increase its Initial Project Entitlement Share by an amount of output of the Project, which amount shall not exceed such Forfeited Amount. All such Project Participants who request a Requested Amount shall become Requesting Project Participants. If the aggregate of the Requested Amounts of such Requesting Project Participants does not exceed such Forfeited Amount, then each such Requesting Project Participant shall have its Initial Project Entitlement Share increased by its Requested Amount and such increased amounts shall become such Participant's Project Entitlement Share. If the aggregate of such Requested Amounts shall exceed such Forfeited Amount, then the following procedures shall be used to determine the amounts of such Forfeited Amount to be assigned to each such Requesting Project Participant.

19.3.1.1. Each such Requesting Project Participant requesting a Requested Amount equal to or less than such Participant's Proportionate Share shall be awarded its Requested Amount and shall have, as its Project Entitlement Share, the sum of its Initial Project Entitlement Share and its Requested Amount.

19.3.1.2. Each such Requesting Project Participant requesting a Requested Amount in excess of its Proportionate Share, but equal to or less than its Proportionate Share of the Remainder, shall be awarded its Requested Amount and shall have, as its Project Entitlement Share, the sum of its Initial Project Entitlement Share and its Requested Amount. Each such

Requesting Project Participant requesting a Requested Amount in excess of its Proportionate Share and greater than its Proportionate Share of the Remainder shall be awarded an amount of the Forfeited Amount equal to the product obtained by multiplying the difference between the Forfeited Amount and all amounts thereof awarded pursuant to Section 19.3.1.1 hereof and the preceding provisions of this Section 19.3.1.2 by the ratio which its Initial Project Entitlement Share bears to the Initial Project Entitlement Shares of all Requesting Project Participants so requesting amounts in excess of their Proportionate Share of the Remainder and shall have, as its Project Entitlement Share, the sum of its Initial Project Entitlement Share and the amount so awarded.

19.3.1.3. As used in this Section 19.3.1, Proportionate Share shall mean, as to any Requesting Project Participant and as to any Forfeited Amount, the product obtained by multiplying such Forfeited Amount by the ratio which such Participant's Initial Project Entitlement Share bears to the aggregate Initial Project Entitlement Shares of all Requesting Project Participants. As used in this Section 19.3.1, Proportionate Share of the Remainder shall mean, as to any Requesting Project Participant requesting a Requested Amount in excess of its Proportionate Share and as to any Forfeited Amount remaining after the awarding of the Requested Amounts pursuant to Section 19.3.1.1 hereof, the product obtained by multiplying such remaining Forfeited Amount by the ratio which such Participant's Initial Project Entitlement Share bears to the aggregate of the Initial Project Entitlement Shares of all Requesting

Project Participants requesting in excess of their Proportionate Shares.

19.3.2. An election to take any Forfeited Amount shall be communicated to the Authority within 30 days (or such longer period as shall be authorized by the Councilmen) after notice has been sent by the Authority of the availability of such election. Any such election shall be accompanied by an opinion of an attorney or firm of attorneys in substantially the form attached hereto as Appendix B, modified to reflect the increased Project Entitlement Share of such Project Participant (assuming it is awarded its full Requested Amount) and all action required to appropriately amend such Project Participant's Power Sales Contract in that regard. Failure to elect or to notify in the manner provided in this Section shall be conclusively deemed for all purposes an irrevocable determination not to exercise a right of election under this Section.

19.4. Ownership by Authority; Disposition of Capacity after Power Sales Contracts Expire. It is hereby recognized that ownership of the Project shall be, and remain, in the Authority during the term of the Power Sales Contracts. Upon the termination of the Power Sales Contracts the Authority shall be free to deal with its interest in the Project in whatever manner it chooses consistent with the requirements of law, including the provisions of law relating to the Federal Tax Exemption.

20. SALE OF ENTIRE PROJECT OUTPUT; RELATIONSHIP TO AND COMPLIANCE WITH OTHER INSTRUMENTS:

20.1. Authority to Sell Entire Output. The Authority shall use its best efforts to enter into Power Sales Contracts for 100 percent of the output of the Project and, if it has not already done so, to enter into the Assignment Agreement.

20.2. Construction and Operation Subject to Bond Indenture, Licenses, Etc. It is recognized by the parties hereto that the Authority, in undertaking the planning, financing, construction, acquisition, operation and maintenance of the Project, must comply in all respects with the

requirements of the Bond Indenture and the other Project Agreements and all licenses, permits and regulatory approvals necessary for such planning, financing, construction, acquisition, operation and maintenance and it is therefore agreed that this contract is made subject to the provisions of the Bond Indenture and the other Project Agreements and all such licenses, permits and regulatory approvals.

- 20.3. Authority to Comply with Bond Indenture, Licenses, Etc.; Expenses of Enforcement. The Authority covenants and agrees for the benefit of Riverside to comply in all material respects with all terms, conditions and covenants of the Bond Indenture and the other Project Agreements and all licenses, permits and regulatory approvals relating to the Project, provided that the Authority shall not be prevented from contesting the validity or applicability of any thereof in good faith by appropriate proceedings. Except as otherwise provided herein, all reasonable costs and expenses of the Authority incurred in respect of enforcing or complying with any Project Agreement or in defending any action brought against the Authority under any Project Agreement shall be Authority Expenses and shall be paid or reimbursed to the Authority.

21. SEVERABILITY:

In case any one or more of the provisions of this contract shall for any reason be held to be illegal or invalid by a court of competent jurisdiction, it is the intention of each of the parties hereto that such illegality or invalidity shall not affect any other provision hereof, but this contract shall be construed and enforced as if such illegal or invalid provision had not been contained herein unless a court holds that the provisions are not separable from all other provisions of this contract.

22. TERMINATION OR AMENDMENT:

- 22.1. Limitation on Amendment Affecting Bond Security. So long as any Bonds are outstanding or until adequate provision for the payment thereof have been made in accordance with the provisions of the Bond Indenture, this contract, except as specifically provided for herein, shall not be terminated, amended, modified, or otherwise altered in any manner which will reduce the payments pledged as security for the Bonds or extend the time of such payments provided herein or which will in any manner

impair or adversely affect the rights of the holders from time to time of the Bonds.

- 22.2. **Limitation on Amendments Affecting Participants.** Subject to Section 19.2, none of the Power Sales Contracts may be terminated as to any one or more of the Project Participants or be amended as to any one or more of the Project Participants so as to provide terms and conditions materially different from those herein contained except, subject to the provisions of Section 19.1 and consistent with the Bond Indenture, upon written notice to and written consent or waiver by each of the other Project Participants and upon similar amendment being made to the Power Sales Contract of any other Project Participant requesting such amendment after receipt by such Project Participant of notice of such amendment.
- 22.3. **Amendment of Power Sales Contract With Respect to Transmission Agreements.** Notwithstanding anything in this contract to the contrary, any of the Power Sales Contracts may be amended to change any Project Participant's Points, of Delivery in accordance with Section 9.8 hereof without notice to, consent or waiver by, or similar amendment being made to the Power Sales Contract of, any other Project Participant. Nothing in this contract or in the Bond Indenture shall be construed to prohibit such amendment or to require the giving of notice to or consent by the Trustee or any other person with respect to any such amendment.
- 22.4. **Limitation on Amendments to Bond Indenture.** The Authority shall not, without the written consent of Riverside and each of the other Project Participants, amend, modify, supplement or otherwise change the Bond Indenture if such amendment, modification, supplement or change would affect the rights or obligations of Riverside or the other Project Participants under this contract or would be to the disadvantage of Riverside or the other Project Participants or would result in increased Monthly Power Costs to Riverside or the other Project Participants; provided that this Section 22.4 shall not limit the power or authority of the Authority to supplement the Bond Indenture to provide for the issuance of Bonds for any of the purposes permitted under Section 12.
- 22.5. **Termination of Power Sales Contract Under Certain Circumstances.** Notwithstanding anything in this contract to the contrary, this contract may be terminated

by either party upon written notice to the other if, prior to the date one year after the initial filing for the Construction Permit, (i) the Authority has been unable to enter into the Assignment Agreement and Power Sales Contracts for the purchase of 100 percent of the output of the Project, which Power Sales Contracts and Assignment Agreement shall have been duly executed and shall be in full force and effect and for which each Project Participant under such Power Sales Contracts shall have obtained all requisite governmental approvals and authorizations for its participation in the Project and (ii) the Authority has been unable to issue the first series of Bonds or Bond Anticipation Notes to finance the Project. In the event of such termination, the Authority shall not be obligated to Riverside.

23. GOVERNING LAW:

This contract shall be interpreted, governed by and construed under the laws of the State of California.

24. ARBITRATION:

If a dispute arises between the parties under this contract which is not resolved by the Councilmen, the parties to such dispute may submit the dispute to arbitration.

25. NOTICES: Any notice, demand, or request provided for in this contract shall be in writing and shall be deemed properly served, given, or made if delivered in person or sent by registered or certified mail, postage prepaid, to the persons specified below:

25.1. Southern California Public Power Authority
c/o Executive Director
Room 1149
Department of Water and Power of
The City of Los Angeles
111 North Hope Street
Los Angeles, California 90012

25.2. City of Riverside
3900 Main Street
Riverside, California 92522
Attention: Public Utilities Director

26. HEADINGS NOT BINDING: The headings and captions in this contract are for convenience only and in no way define, limit or describe the scope or intent of any provisions or sections of this contract.

IN WITNESS WHEREOF, the parties hereto have duly caused this contract to be executed on their respective behalfs.

[Authority Seal]

SOUTHERN CALIFORNIA PUBLIC
POWER AUTHORITY

Attest: *Carl W. Maltz*
Secretary

By: *Quentin L. Row*
President

CITY OF RIVERSIDE

[SEAL]

By: *Al Brown*
Mayor

Attest: ALICE A. HARE
City Clerk

BY *Karen E. Oakley*
ASSISTANT CITY CLERK

APPROVED AS TO FORM
John Woodley
CITY ATTORNEY

PARTICIPANTS AND PROJECT ENTITLEMENT SHARES

<u>Project Participant</u>	<u>Project Entitlement Share</u>
City of Azusa	1.000%
City of Banning	1.000
City of Burbank	4.400
City of Colton	1.000
City of Glendale	4.400
Imperial Irrigation District	6.500
Department of Water and Power of The City of Los Angeles	67.000
City of Pasadena	4.400
City of Riverside	5.400
City of Vernon	4.900
Total	100.000%

Riverside	.054	40.60	.054	64.30
Vernon	.049	36.84	—	—
Azusa	.01	7.52	.01	11.90
Banning	.01	7.52	.01	11.90
Colton	.01	7.52	.01	11.90
	<u>.133</u>	<u>100.00</u>	<u>.084</u>	<u>100.00</u>

FORM OF OPINION OF COUNSEL

(Date)

Dear Sirs:

I am acting as counsel to City of Riverside, California, as purchaser (the "Project Participant") under a Power Sales Contract dated as of July 1, 1981 (the "Power Sales Contract") between the Project Participant and Southern California Public Power Authority (the "Authority"), and I have acted as counsel to the Project Participant in connection with the matters referred to herein. The Power Sales Contract provides for the sale to Project Participant of a 5.000% Project Entitlement Share (as defined therein). As such counsel I have examined and am familiar with (i) those documents relating to the existence, organization and operation of the Project Participant, (ii) all necessary documentation of the Project Participant relating to the authorization, execution and delivery of the Power Sales Contract and (iii) an executed counterpart of the Power Sales Contract.

Based upon the foregoing and an examination of such other information, papers and documents as I deem necessary or advisable to enable me to render this opinion, I am of the opinion that:

1. The Project Participant is a municipal corporation of the State of California, duly created, organized and existing under the laws of the State of California and duly qualified to furnish electric service within said State.

2. The Project Participant has full legal right, power and authority to enter into the Power Sales Contract and to carry out and consummate all transactions contemplated thereby, and the Project Participant has complied with the provisions of applicable law in all matters relating to such transactions.

3. The Power Sales Contract has been duly authorized, executed and delivered by the Project Participant, is in full force and effect and, assuming that the Authority has all the requisite power and authority, and has taken all

necessary action, to execute and deliver such Power Sales Contract, constitutes the legal, valid and binding obligation of the Project Participant enforceable in accordance with its terms, except that the rights and remedies set forth therein may be limited by or resulting from bankruptcy, insolvency, reorganization or other laws affecting creditors' rights generally.

4. No approval, consent or authorization of any governmental or public agency, authority or person is required for the execution and delivery by the Project Participant of the Power Sales Contract, or the performance by the Project Participant of its obligations thereunder or if any such approval, consent or authorization is required, it has been duly given or obtained and is in full force and effect.

5. The authorization, execution and delivery of the Power Sales Contract and compliance with the provisions thereof will not conflict with or constitute a breach of, or default under, any instrument relating to the organization, existence or operation of the Project Participant, any commitment, agreement or other instrument to which the Project Participant is a party or by which it or its property is bound or affected, or any ruling, regulation, ordinance, judgment, order or decree to which the Project Participant (or any of its officers in their respective capacities as such) is subject or any provision of the laws of any state in which the Project Participant operates.

6. There is no action, suit, proceeding, inquiry or investigation at law or in equity, or before any court, public board or body, pending or, to my knowledge, threatened against or affecting the Project Participant or any entity affiliated with the Project Participant or any of its officers in their respective capacities as such (nor to the best of my knowledge is there any basis therefor), which questions the powers of the Project Participant referred to in paragraph 2 above or the validity of the proceeding taken by the Project Participant in connection with the authorization, execution or delivery of the Power Sales Contract, or wherein any unfavorable decision, ruling or finding would materially adversely affect the transactions contemplated by the Power Sales Contract, or which, in any way, would adversely affect the validity or enforceability of the Power Sales Contract.

7. The obligations of the Project Participant to make payments under the Power Sales Contract constitute a cost of purchased electric capacity and energy and an operating

expense of the Project Participant payable solely from its electric revenue funds.

Very truly yours,