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 AUTH. NAME AUTHOR AFFILIATION  
 CONWAY, W. F. Arizona Public Service Co. (formerly Arizona Nuclear Power  
 RECIP. NAME RECIPIENT AFFILIATION *see Rpt*  
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SUBJECT: Forwards reformatted participation agreement, including  
 Amends 1-13, among Arizona Public Svc Co, Salt River Project  
 Agricultural Improvement & Power District, Southern  
 California Edison Co & Public Svc Co of New Mexico.

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WILLIAM F. CONWAY  
EXECUTIVE VICE PRESIDENT  
NUCLEAR

102-02232-WFC/JRP

August 12, 1992

U. S. Nuclear Regulatory Commission  
ATTN: Document Control Desk  
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Dear Sirs:

**Subject: Palo Verde Nuclear Generating Station (PVNGS)**  
**Units 1, 2, and 3**  
**Docket Nos. STN 50-528/529/530**  
**Reformed Copy of the Participation Agreement**  
**File: 92-056-026**

Please find enclosed for your information a Reformed Copy of the Participation Agreement which incorporates Amendments 1-13.

Please note that in the Reformed Copy of the Participation Agreement, words or punctuation enclosed by brackets denote that a spelling, grammatical, or wording error appeared in the original text of the Participation Agreement. The corrected word or punctuation is enclosed by the brackets.

If you should have any questions, please contact Thomas R. Bradish of my staff at (602) 393-5421.

Sincerely,



WFC/JRP/pmm

Enclosure

cc: J. B. Martin  
J. A. Sloan  
A. H. Gutterman (w/o enclosure)

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REFORMED COPY



**PALO VERDE**  
NUCLEAR GENERATING STATION

**PARTICIPATION AGREEMENT**

**(Including Amendments 1-13)**

**AMONG**

**ARIZONA PUBLIC SERVICE COMPANY**

**SALT RIVER PROJECT AGRICULTURAL  
IMPROVEMENT AND POWER DISTRICT**

**SOUTHERN CALIFORNIA EDISON COMPANY**

**PUBLIC SERVICE COMPANY OF NEW MEXICO**

**EL PASO ELECTRIC COMPANY**

**SOUTHERN CALIFORNIA PUBLIC POWER AUTHORITY**

**AND**

**DEPARTMENT OF WATER AND POWER OF THE CITY OF LOS  
ANGELES**

**June 29, 1992**



**ARIZONA NUCLEAR POWER PROJECT**  
**PARTICIPATION AGREEMENT**  
**AGREEMENT SUMMARY**

**Amendment No. 1**

Execution date: January 1, 1974

Summary: Transferred a 2.4% undivided interest in ANPP to the Arizona Electric Power Cooperative, Inc. (AEPCO) from APS (1.0%), SRP (1.0%) and TEP (0.4%).

**Amendment No. 2**

Execution date: August 28, 1975

Summary: Modified the Agreement to reflect:  
(i) Southern California Edison Company (SCE) purchase of TEP's share of ANPP and (ii) changes in Construction Schedule (Appendix C).

**Amendment No. 3**

Execution date: July 22, 1976

Summary: Transferred a 2.4% share of ANPP from AEPCO to APS (1.0%), SRP (1.0%) and SCE (0.4%). AEPCO is no longer a Participant in ANPP.

**Amendment No. 4**

Execution date: December 15, 1977

Summary: Modified the language of Section 7.4 to reflect that in certain circumstances it may be desirable that a Participant, rather than the Project Manager, acquire the fee title or other lesser property rights or interests in and to lands required for or useful in the construction, operation or maintenance of ANPP.

**Amendment No. 5**

Effective date: December 5, 1979

Summary: Provides that each Participant will furnish or have furnished his share of startup and testing power and energy when such power cannot be supplied by one of the ANPP Generating Units.

Amendment No. 6

Effective date: October 16, 1981

Summary: Provides for an assured supply of Uranium Concentrates and also allows each Participant which chooses to provide all or a portion of its Generation Entitlement Share of Additional Uranium Concentrates. A new Appendix K (Uranium Concentrates Acquisition Program) attached as part of Agreement.

Amendment No. 7

Effective date: April 1, 1982

Summary: Modifies the Agreement and Appendix F (Investments In and Accounting for Nuclear Fuel) to simplify, as far as practicable, the nuclear fuel accounting requirements imposed upon the Operating Agreement. This Amendment also accommodates the changes required by the modification to Appendix K (see Amendment No. 6) which allowed the Participants to supply their own uranium concentrates.

Amendment No. 8

Effective date: September 12, 1983

Summary: Formally introduces Southern California Public Power Authority (SCPPA) as an ANPP Participant, (i) establishes criteria and guidelines to be utilized by the Project Manager or Operating Agent to sell, transfer or convey equipment or materials which are no longer useful, (ii) establishes a form of contract which may be entered into by the Project Manager or Operating Agent concerning mutual assistance regarding the temporary borrowing, loan or exchange of personnel, equipment or material and (iii) revises Section 18.8 regarding the disposition of retired Units of Property (previously disposed of by the Operating Agent subject to his discretion - now subject to certain criteria and guidelines).

Amendment No. 9

Effective date: June 12, 1984

Summary: Amends the Participation Agreement to limit the risk of liability for the project. A \$10,000,000 limit per occurrence has been established for all liability except for adjudicated Willful Action which has no liability limit.

Amendment No. 10

Effective date: November 21, 1985

Summary: Amends the Participation Agreement to allow for sale and leaseback financing transactions involving the Participants.

Amendment No. 11

Effective date: January 10, 1987

Summary: Amends the Participation Agreement in order to provide for the determination of administrative and general expenses regarding the Start-up and Pre-Operation Costs as agreed to in the letter entitled Letter of Understanding Concerning Administrative and General Expenses Charged to Arizona Nuclear Power Project Start-up and Pre-Operations Expenses, which became effective February 21, 1985, and adds the Department of Water and Power of the City of Los Angeles ("LADWP") to the Participation Agreement, assigning it a 5.7% Generation Entitlement Share.

Amendment No. 12

Effective date: August 5, 1988

Summary: Amends the Participation Agreement in order to revise certain definitions, to create a new defined term, to add an additional function to the functions of the Engineering and Operating Committee and to make other minor language modifications.

Amendment No. 13

Effective date: June 15, 1991

Summary: Amends the Participation Agreement in order to provide for the permanent termination of operation and for the removal from service of each Generating Unit and in order to preclude the application of the \$10,000,000 limit in Section 21.5 to a deliberate willful refusal or failure of a Participant to pay its share of the Termination Costs.

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**ARIZONA NUCLEAR POWER PROJECT  
PARTICIPATION AGREEMENT  
SUMMARY OF CHANGES**

<u>Section No.</u>	<u>Amendment No.</u>	<u>Type of Change</u>
1	1	Revision
1	2	Revision
1	3	Revision
1	8	Revision
1	11	New
3.1A	6	New
3.3	1	Revision
3.7	12	Revision
3.8A	11	New
3.8B	11	New
3.17A	13	New
3.18A	13	New
3.18B	13	New
3.18C	13	New
3.18C	13	New
3.21A	6	New
3.23	11	Revision
3.26	7	Revision
3.27	5	Revision
3.27	12	Revision
3.28	1	Revision
3.28	2	Revision
3.28	3	Revision
3.28	8	Revision
3.28	11	Revision
3.28	13	New
3.19A	13	Revision
3.19B	13	New
3.31	12	Revision
3.33	12	Revision
3.33A	13	New
3.36A	13	New
3.42	13	Revision
3.43	10	Revision
3.45A	11	New
3.46	7	Revision
3.46	10	Revision
3.46	13	Revision
3.48	13	Revision
3.51A	13	New
3.52A	6	New
3.53A	11	New
3.53B	13	New
3.53C	13	New
3.54	12	Revision
3.54A	13	New
3.54B	13	New
3.54C	13	New

ARIZONA NUCLEAR POWER PROJECT  
PARTICIPATION AGREEMENT  
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<u>Section No.</u>	<u>Amendment No.</u>	<u>Type of Change</u>
3.54D	13	New
3.54E	13	New
3.54F	13	New
3.54G	13	New
3.54H	13	New
3.54I	13	New
3.54J	5	New
3.54K	5	New
3.54L	12	New
3.55A	13	New
3.55B	13	New
3.55C	6	New
3.56	9	Revision
3.56.1	13	Revision
3.56.2	13	Revision
3.56.3	13	Revision
3.57.3	13	New
4.1	10	Revision
5	5	Revision
5.2	13	Revision
5.6	12	Revision
5.8	13	Revision
6.1	13	Revision
6.1.4	13	New
6.2.2	13	Revision
6.2.7.2	6	Revision
6.2.11	8	New
6.2.12	13	Revision
6.2.13	13	New
6.3.1	5	Revision
6.3.2.5	5	Revision
6.3.2.5	12	Revision
6.3.2.7	5	Revision
6.3.2.11	5	Revision
6.3.2.17	12	New
6.3.5	8	New
6.3.6	8	New
6.3.7	13	New
6.4.5	13	New
6.4A	13	New
6.6	13	Revision
6.7	13	Revision
6.9	13	Revision
7.3.1.2	6	Revision
7.3.19	5	Revision
7.3.33	5	Revision
7.3.34	8	New
7.3.35	8	New

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7.3.36	8	New
7.4	4	Revision
8.3.4	6	Revision
8.3.17	13	Revision
8.3.18	5	Revision
8.3.25	13	Revision
8.3.27	8	New
8.3.28	8	New
8.3.29	13	New
8A	13	New
8A.1	13	New
8A.1.1	13	New
8A.1.2	13	New
8A.1.3	13	New
8A.1.4	13	New
8A.1.5	13	New
8A.1.6	13	New
8A.1.7	13	New
8A.1.8	13	New
8A.1.9	13	New
8A.1.10	13	New
8A.1.11	13	New
8A.1.12	13	New
8A.1.13	13	New
8A.2	13	New
8A.2.1	13	New
8A.2.2	13	New
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8A.3.6	13	New
8A.4	13	New
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8A.4.3	13	New

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8A.4.4	13	New
8A.4.5	13	New
8A.4.6	13	New
8A.4.7	13	New
8A.4.8	13	New
8A.5	13	New
8A.5.1	13	New
8A.5.2	13	New
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8A.5.5	13	New
8A.5.6	13	New
8A.5.7	13	New
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8A.5.11	13	New
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8A.5.15	13	New
8A.5.16	13	New
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8A.6.3.7	13	New
8A.6.3.8	13	New

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PARTICIPATION AGREEMENT  
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8A.6.3.9	13	New
8A.6.3.10	13	New
8A.6.3.11	13	New
8A.6.3.12	13	New
8A.6.3.13	13	New
8A.6.3.14	13	New
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8A.6.3.16	13	New
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10A.1.1	11	New
10A.1.2	11	New
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10A.2	11	New
13.1	7	Revision
15	10	Revision
15.1	10	Revision
15.1.1	10	New

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PARTICIPATION AGREEMENT  
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<u>Section No.</u>	<u>Amendment No.</u>	<u>Type of Change</u>
15.1.2	10	New
15.2	10	Revision
15.2.1	10	New
15.2.2	10	New
15.3	1	Revision
15.4	7	Revision
15.6	10	New
15.6.1	10	New
15.6.2	10	New
15.6.3	10	New
15.6.3.1	10	New
15.6.3.2	10	New
15.6.3.3	10	New
15.6.3.4	10	New
15.6.3.5	10	New
15.6.3.6	10	New
15.6.4	10	New
15.7	10	New
15.8	10	New
15.9	10	New
15.10	10	New
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15.10.3	10	New
15.10.4	10	New
18.8	8	Revision
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21	9	Revision
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21.5.3	13	New
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32.1	10	Revision
32.1.1	10	Revision
32.1.2	10	Revision
32.1.3	10	Revision
32.1.4	10	Revision
32.1.5	10	Revision
32.1.6	10	New

**ARIZONA NUCLEAR POWER PROJECT  
PARTICIPATION AGREEMENT  
SUMMARY OF CHANGES (Cont'd)**

<u>Section No.</u>	<u>Amendment No.</u>	<u>Type of Change</u>
32.1.7	10	New
32.1.8	10	New
35.1	13	Revision
35.7	13	Revision
35.7.1	13	New
35.7.1.1	13	New
35.7.1.2	13	New
35.7.1.3	13	New
35.7.1.4	13	New
35.7.2	13	New
35.7.2.1	13	New
35.7.2.2	13	New
35.8	13	New
38.1.3	2	Revision
38.1.5	1	Revision
38.1.6	1	New
38.1.6	3	Deleted
38.1.6	8	New
38.1.7	11	New
Appendix A	1	Revision
Appendix B	1	Revision
Appendix C	2	Revision
Appendix D.1.6	5	Revision
Appendix E.1	5	Revision
Appendix E.6	11	Revision
Appendix E.6.1	11	Revision
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Appendix E.8.1	11	Revision
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Appendix E.8.4	11	Revision
Appendix E.9	11	Revision
Appendix E.9.1	1	Revision
Appendix E.9.1	11	Revision
Appendix E.9.2	1	Revision
Appendix E.9.2	11	Revision
Appendix F	7	Revision
Appendix K	6	Revision
Appendix L	11	New

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ARIZONA NUCLEAR POWER PROJECT  
PARTICIPATION AGREEMENT

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# ARIZONA NUCLEAR POWER PROJECT

## PARTICIPATION AGREEMENT

---

### #1 1. PARTIES:

#2  
#3  
#8  
#11

The parties to this Participation Agreement are: ARIZONA PUBLIC SERVICE COMPANY, a corporation organized and existing under and by virtue of the laws of the State of Arizona, hereinafter referred to as "Arizona"; 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, hereinafter referred to as "Salt River Project"; SOUTHERN CALIFORNIA EDISON COMPANY, a corporation organized and existing under and by virtue of the laws of the State of California, hereinafter referred to as "Edison"; PUBLIC SERVICE COMPANY OF NEW MEXICO, a corporation organized and existing under and by virtue of the laws of the State of New Mexico, hereinafter referred to as "PNM"; EL PASO ELECTRIC COMPANY, a corporation organized and existing under and by virtue of the laws of the State of Texas, hereinafter referred to as "El Paso"; SOUTHERN CALIFORNIA PUBLIC POWER AUTHORITY, a joint powers agency organized and existing under and by virtue of the laws of the State of California, doing business in the State of Arizona as SOUTHERN CALIFORNIA PUBLIC POWER AUTHORITY ASSOCIATION, hereinafter referred to as "SCPPA"; and DEPARTMENT OF WATER AND POWER OF THE CITY OF LOS ANGELES, a municipal corporation organized and existing under and by virtue of the laws of the State of California, hereinafter referred to as "LADWP"; and their respective assignees who shall have assumed all or part of the obligations of a Participant hereunder in accordance with the terms hereof.

### 2. AGREEMENT:

In consideration of the mutual covenants herein, the Parties agree as follows:

### 3. DEFINITIONS:

The following terms, when used herein and in the Appendices attached hereto, shall have the meanings specified:

3.1        **Accounting Practice:** Generally accepted accounting principles in accordance with the FPC Accounts.

#6

3.1A      **Additional Uranium Concentrates:** The quantity of Uranium Concentrates required in any year for the operation of all Generating Units at their respective Target Capacities (except during scheduled outages) less the sum of (i) the quantities of Uranium Concentrates committed under the Agreement, dated March 14, 1979, between The Anaconda Company and Arizona Public Service Company acting for itself as a Participant and as agent for all other Participants, as it may be amended pursuant to the letter, dated July 30, 1981, from H. L. Storey to Russell D. Hulse, and all other contracts executed by the Operating Agent on behalf of all Participants pursuant to Section K.2.2.2 of Appendix K hereof

and (ii) the quantities of Uranium Concentrates furnished by the Palo Verde Uranium Venture, established by the Palo Verde Uranium Venture Agreement, dated as of January 7, 1977, as amended.

- 3.2 **Administrative Committee:** The committee established pursuant to Section 6.1.1 hereof.
- #1 3.3 **ANPP:** The Arizona Nuclear Power Project, which shall, after January 1, 1974, be known and referred to as the Palo Verde Nuclear Generating Station (the "Palo Verde Station").
- 3.4 **ANPP High Voltage Switchyard(s):** The facilities, described generally in Section 9 hereof and Appendix I attached hereto.
- 3.5 **Arizona Nuclear Power Project:** One or more nuclear steam electric Generating Units, together with all facilities, structures and Nuclear Fuel used or to be used therewith or related thereto, including the Nuclear Plant Site, all facilities and rights-of-way for the collection, transportation, treatment, storage and disposal of water required for Construction Work, Operating Work and Capital Improvements and for rail access wherever such facilities and rights-of-way are located, but excluding the ANPP High Voltage Switchyard(s), and all transmission facilities connected thereto, all as described generally in Appendix A attached hereto which may be revised from time to time by the Administrative Committee pursuant to Section 6.2.9 hereof.
- 3.6 **Auditing Committee:** The Committee established pursuant to Section 6.1.3 hereof.
- #12 3.7 **Available Generating Capability:** The Maximum Generating Capability of each Generating Unit less the General Service Requirements allocated to that Generating Unit pursuant to Section 6.3.2.5.
- 3.8 **Base Load Period:** Any period of time during which any Generating Unit is scheduled, pursuant to Section 6.3.2.12 hereof, to be operated to achieve and maintain its then Maximum Generating Capability.
- #11 3.8A **Beginning of Generating Unit Fuel Load:** The date on which the first Fuel Assembly is placed in the reactor vessel of each Generating Unit.
- #11 3.8B **Beginning of Generating Unit Precore Hot Functional Test:** The date on which information is first recorded in the Hot Functional Director's Log of Information for each Generating Unit in accordance with Section 8.1 of the PVNGS Manual, Procedure No. 90HF-1ZZ01.
- 3.9 **Capacity:** The rate at which electrical Energy can be generated expressed in megawatts (MWe).
- 3.10 **Capital Improvements:** Any Units of Property, land or land rights which are added to ANPP, the betterment of land or land rights or the enlargement or betterment of any Units of Property constituting a part of ANPP, and the replacement of any Units of Property for other Units of Property or the replacement of land or land rights constituting a part of

ANPP, irrespective of whether such replacement constitutes an enlargement or betterment of that which it replaces, which additions, betterments, enlargements and replacements in accordance with Accounting Practice would be capitalized and are not included or reflected in the Final Completion Report.

- 3.11 **Construction Account:** Any bank account or accounts selected and established by the Project Manager to receive and disburse construction funds pursuant to Section 12.4 hereof.
- 3.12 **Construction Agreement:** Any agreement entered into by the Project Manager for the design, engineering, construction or installation of any component or system for ANPP, including without limitation the nuclear steam supply system and the initial Nuclear Fuel Agreement for Fuel Assemblies to be fabricated for use in a Reactor, containment, turbine-generator, radioactive waste treatment system, architectural, engineering, design, construction, supervisory, licensing or consulting services in connection with the Construction Work, siting studies, pre-operational environmental studies or reports, and for any other services or things necessary or useful in the performance of the Construction Work.
- 3.13 **Construction Costs:** The costs of constructing ANPP as described in Section 10 hereof.
- 3.14 **Construction Funds:** Monies advanced to the Project Manager for Construction Work by or on behalf of the Participants in accordance with this Participation Agreement.
- 3.15 **Construction Insurance:** Policies of insurance to be procured and maintained or caused to be procured and maintained by the Project Manager in accordance with Sections 19 and 20 hereof.
- 3.16 **Construction Schedule:** The schedule of Construction Work to be prepared and from time to time revised by the Project Manager as set forth in Appendix C attached hereto.
- 3.17 **Construction Work:** All engineering, design, contract preparation, purchasing, construction, supervision, negotiation, preparation and performance of Construction Agreements, acquisition of land and water rights, expediting, inspection, accounting, testing and start-up for each Generating Unit and preparation of operating and equipment manuals, quality assurance manuals, Protective Action Plans, all reports required by regulatory authorities and the conduct of hearings, conferences and other activities incidental to obtaining requisite permits, licenses and certificates for the construction and operation of each Generating Unit prior to the Date of Firm Operation of such Generating Unit.
- #13 3.17A **Cure Period:** The period defined in paragraph (C) of Section 8A.1.11 hereof.
- 3.18 **Date of Firm Operation:** The date with respect to each Generating Unit on which the Engineering and Operating Committee determines it to be reliable as a source of Power and on which such Generating Unit

can reasonably be expected to operate steadily at any load up to its Target Capacity.

- #13      3.18A      **Decommission or Decommissioning:** The permanent removal or removing from service of any Generating/Terminated Unit (together with any radioactively contaminated common facilities associated therewith which the Engineering and Operating Committee, pursuant to Section 8A.2.7 hereof, shall have determined are not required or useful in the operation or maintenance of any Generating Unit or other Generating/Terminated Unit) in a manner that meets the requirements of the NRC for the surrender of the license issued for such Generating/Terminated Unit and the disposal of all radioactive materials (other than Nuclear Fuel) and radioactively contaminated equipment, materials or wastes associated therewith in accordance with applicable law.
- #13      3.18B      **Decommissioning Work:** All work undertaken to Decommission any Generating/Terminated Unit, including work associated with the preparation and implementation of Decommissioning plans and the preparation, submittal and prosecution of all necessary applications to Decommission such unit, but excluding all work undertaken by the Operating Agent pursuant to Section 8A.5 hereof (other than work performed by the Operating Agent that is deemed to be Termination Work pursuant to Section 8A.5.15 hereof) or by any Participant in connection with the performance of its obligations under Section 8A.7 hereof.
- #13      3.18C      **Deficiency Deposit:** The funds that a nondefaulting Participant maintains in its Termination Fund(s) to make up for any deficiency of a Participant in Default (as defined in paragraph (D) of Section 8A.1.11 hereof) as required by Section 8A.7.2.3 hereof, including any net income deemed to have been earned thereon as determined in accordance with the policies, criteria and formulas established by the Termination Funding Committee pursuant to Section 8A.4.7 hereof; provided that at such time as the Termination Funding Committee shall make the findings described in clause (i)(a) of paragraph (E) of Section 8A.1.11, such funds so maintained by any nondefaulting Participant shall thereupon cease to be Deficiency Deposits.
- #13      3.18D      **Deficiency Findings:** The findings made by the Administrative Committee pursuant to paragraph (B) of Section 8A.1.11 hereof.
- 3.19      **Emergency Spare Parts:** Spare parts or equipment, the cost of which is capitalized, which are stocked for ANPP.
- 3.20      **Engineering and Operating Committee:** The committee established pursuant to Section 6.1.2 hereof.
- 3.21      **Energy:** Kilowatt-hours (kwh).
- #6      3.21A      **Estimated Monthly Requirements:** The estimated monthly quantities of Uranium Concentrates required to be delivered to a conversion facility in any year in accordance with the operating schedules for all Generating Units and fuel management plan(s) in effect at the time that the estimate is made, including the schedule, by months, for delivery of such Uranium Concentrates to a conversion facility.

- 3.22 **Final Completion Report:** A complete summary of Construction Costs, a description of ANPP and a summary of each Participant's contributions to Construction Costs.
- #11 3.23 **FPC Accounts:** The Federal Energy Regulatory Commission's (FERC) "Uniform System of Accounts Prescribed for Public Utilities and Licensees (Class A and Class B)", in effect as of the date of this Participation Agreement, and as such system of accounts may be in effect from time to time. References in this Participation Agreement to any specific FPC Account number shall mean the FERC Account number in effect as of the effective date of this Participation Agreement or any successor FERC Account.
- 3.24 **Fuel Assembly:** An integral unit of fabricated Nuclear Fuel prepared for insertion into a Reactor, including all hardware incorporated in such integral unit.
- 3.25 **Fuel Expense:** The net costs of the character directly or indirectly includable in FPC Account 518, but excluding from such costs any interest during construction as well as any other interest, rental, carrying or use charges, costs of fuels, other than Nuclear Fuel, used for ancillary steam facilities including super heat, and, except as provided in Section 13.3 hereof, any *ad valorem* taxes or payments in lieu thereof.
- #7 3.26 **Fuel Financier:** Each and every person, corporation, partnership, joint venture, bank, trust company or other entity of any nature who under a Nuclear Fuel financing arrangement with any Participant shall either pay or assume the obligation to pay on behalf of such Participant its share of any Nuclear Fuel Expenditure or Project Uranium Costs or shall reimburse such Participant for all or any portion of any such expenditures or who shall take and hold legal title to or any beneficial interest in, as trustee or otherwise, such Participant's undivided ownership in any Nuclear Fuel.
- #5 3.27 **General Service Requirements:** The Power and Energy, including without limitation Testing and Start-Up Power and Energy, required during any period for each Generating Unit for testing, start-up, or operation of all process and auxiliary equipment and systems used or useful in connection with the operation and maintenance of that Generating Unit, plus an allocation of loads common to all Generating Units.
- #12
- #13 3.28 **Generating/Terminated Unit:** Any Generating Unit which the Administrative Committee has determined to permanently remove from service, pursuant to Section 8A.1.3 hereof.
- #1 3.29A **Generation Entitlement Share:** The percentage entitlement of each Participant to the Net Energy Generation and to the Available Generating Capability. Each Participant's percentage entitlement is as follows:
- #2
- #3
- #8
- #11
- #13†

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† Amendment #13 incorrectly redesignated § 3.28 as § 3.29A, rather than §3.29.

3.29A.1	Arizona	= 29.1 percent
3.29A.2	Salt River Project	= 17.49 percent
3.29A.3	Edison	= 15.8 percent
3.29A.4	PNM	= 10.2 percent
3.29A.5	El Paso	= 15.8 percent
3.29A.6	SCPPA	= 5.91 percent
3.29A.7	LADWP	= 5.7 percent

- #13      3.29B      **Independent Trustee:** With respect to any Termination Fund of a Participant, a trustee meeting the following requirements: (A) shall be selected by such Participant, (B) shall be (i) a corporation organized and existing under and by virtue of the laws of the United States or of any State, (ii) authorized under such laws to exercise corporate trust powers and (iii) subject to supervision or examination by federal or state banking or trust authorities, (C) shall not be owned by or subject to the control, except as provided in the following clauses (D) and (E), of such Participant or any other direct or indirect Participant or any parent or any other subsidiary of any parent of such Participant or any other Participant, or, if such Participant is an agency, instrumentality, department or subdivision of a governmental unit, of an agency, instrumentality, department or subdivision of the same or a related governmental unit (other than as required by clause (B)(iii) above), (D) may invest all or any portion of such Termination Fund as such Participant or its designee(s) may direct, and (E) may be subject to removal at any time at the sole discretion of such Participant, provided such Participant shall have, at the time of any such removal, appointed a successor trustee who meets all of the requirements of clauses (A), (B) and (C) above.
- 3.29      **Generating Unit:** A complete system of ANPP for generating electricity, including without limitation the nuclear steam supply system and its containment, resident Fuel Assemblies, the turbine-generator, all auxiliary structures, system facilities and equipment necessary for or useful in the operation of the unit and any structures, systems, facilities and equipment shared with any other Generating Unit at the Nuclear Plant Site, such as the radioactive waste treatment systems, fire protection systems, water supply and treatment systems, all as more specifically described in Appendix A attached hereto and as revised from time to time.
- 3.30      **Materials and Supplies:** Materials and supplies which are stocked for ANPP, as defined in FPC Account 154.
- #12      3.31      **Maximum Generating Capability:** The maximum capability of any Generating Unit to produce Power for sustained periods under conditions existing from time to time, measured at its main generator output terminals, including without limitation restrictions imposed by any law, regulation, license or permit, derating due to fuel conditions, water and

atmospheric conditions or any other conditions other than an Operating Emergency.

3.32 **Minimum Generating Capability:** The lowest Power level at which each Generating Unit can be reliably maintained in service on a continuous basis.

#12 3.33 **Net Energy Generation:** The Energy generated over any period of time by each Generating Unit, measured at its main generator output terminals, less the Energy allocated for General Service Requirements pursuant to Sections 6.3.2.5 and 8.3.25 hereof.

#13 3.33A **NRC:** The United States Nuclear Regulatory Commission or any successor agency which has authority to regulate the construction, operation, maintenance and Decommissioning of nuclear power facilities, including each Generating Unit and each Generating/Terminated Unit in respect of all matters affecting radiological safety in accordance with the Atomic Energy Act of 1954, as heretofore or hereafter amended or any laws superseding said act, and the NRC's predecessor agency, the U. S. Atomic Energy Commission.

3.34 **Nuclear Fuel:** Any source, special nuclear or by-product material as defined in the Atomic Energy Act of 1954, as amended as of the date of this Agreement, including any ores, mined or unmined, or concentrates from which any such material can be obtained, and any Fuel Assemblies.

3.35 **Nuclear Fuel Agreement:** Any agreement entered into by the Project Manager or the Operating Agent relating to the purchase, sale, lease, transfer, disposition, storage, transportation, mining, conversion, milling, enrichment, processing, fabrication and reprocessing of any Nuclear Fuel for use in, used in or removed from a Reactor.

3.36 **Nuclear Plant Site:** The land to be acquired for the construction, operation and maintenance of ANPP, including all exclusionary areas and any lands held for future use, the boundaries of which shall be established initially and revised from time to time as circumstances warrant by the Administrative Committee. When the boundaries are so established or revised, a plat of the Nuclear Plant Site, as it may from time to time be constituted, shall be prepared and incorporated in this Agreement as Appendix B pursuant to Section 6.2.8 hereof.

#13 3.36A **OA Discharge Date:** The date in respect of each Generating/Terminated Unit which is the later of (i) the Unit Termination Date of such unit or (ii) the date on which all Nuclear Fuel shall have been removed from the reactor vessel of such unit and placed in storage at the Nuclear Plant Site or otherwise stored or disposed of off the Nuclear Plant Site, but in any event not earlier than the date on which the NRC shall have authorized by license amendment or otherwise the Termination Agent to assume all license responsibilities for such unit.

3.37 **Operating Account:** Any bank account or accounts selected and established by the Operating Agent to receive and disburse funds, pur-

suant to Section 12 hereof, for Operating Work and Capital Improvements and for payments under any Nuclear Fuel Agreement.

3.38 **Operating Agent:** The Participant responsible for the performance of Operating Work and making Capital Improvements.

3.39 **Operating Emergency:** An unplanned event or circumstance which reduces or may reduce the availability of Power from or the generation of Energy by any Generating Unit.

3.40 **Operating Funds:** Monies advanced to the Operating Agent for Operating Work, Capital Improvements and payments due under any Nuclear Fuel Agreement by or on behalf of the Participants or others in accordance with this Participation Agreement.

3.41 **Operating Insurance:** Policies of insurance to be procured and maintained or caused to be procured and maintained by the Operating Agent in accordance with Sections 19 and 20 hereof.

#13 3.42 **Operating Work:** Engineering, contract preparation, purchasing, repair, supervision, recruitment, training, expediting, inspection, accounting, testing, protection, operation, use, management, retirement, reconstruction, and maintenance associated with operating ANPP, including (i) any work undertaken by the Operating Agent pursuant to Section 16 or Section 8A.5 hereof and (ii) any work necessitated by an Operating Emergency, but excluding (i) all work undertaken to make any Capital Improvements and (ii) all Termination Work.

#10 3.43 **Participant:** Any party hereto and any successor or assignee of such party under Section 15.2 or Section 15.3 and any Transferee under Section 15.10 hereof.

3.44 **Payroll Taxes:** Taxes based on payroll.

3.45 **Power:** Megawatts electric (MWe).

#11 3.45A **Power Ascension Level 50%:** That point at which each Generating Unit is certified at the fifty percent (50%) "Reliable (Power Level) Power Operation During Power Ascension Testing" level by the Engineering and Operating Committee pursuant to the Engineering and Operating Committee's Procedure No. 7.

#7  
#10  
#13 3.46 **Project Agreements:** This Participation Agreement, any Construction Agreement, any Nuclear Fuel Agreement, but excluding any Nuclear Fuel Agreements for the supply of Uranium Concentrates to which all Participants are not parties, any agreements between the Participants or any of them and any third party for land, land rights or water rights for ANPP, any agreement specified as a Project Agreement in Section 8A.8.1, as such agreements are originally executed or as they may thereafter be supplemented or amended and any other agreements as the Participants agree to designate as Project Agreements. Project Agreements shall not include any deed of trust, mortgage, indenture, security agreement, any agreement or instrument relating to a sale and leaseback

transaction or any trust or other agreement that any Participant may enter into in connection with the Termination Fund(s) such participant is required to establish and maintain pursuant to Section 8A.7.2 hereof, unless the Participants shall otherwise agree.

- 3.47 **Project Director:** The individual designated by the Project Manager to be in charge of the Construction Work pursuant to Section 7.5 hereof.
- #13 3.48 **Project Insurance:** Construction Insurance, Operating Insurance and Termination Insurance.
- 3.49 **Project Manager:** The Participant responsible for the performance of Construction Work.
- 3.50 **Protective Action Plan:** A plan providing for the coordinated mobilization and control of action and communications by and between any and all Participants, Federal, state and local authorities and any public or private institutions in the event of an abnormal occurrence at the Nuclear Plant Site when any protective action outside the Nuclear Plant Site may be warranted to minimize exposure of the public to radiation.
- 3.51 **Reactor:** The pressure vessel of each Generating Unit in which Fuel Assemblies are placed for the purpose of generating heat.
- #13 3.51A **Recommended Termination Plan:** The plan for each Generating/Terminated Unit which is developed, submitted and recommended to the Administrative Committee by the Termination Agent pursuant to Section 8A.6.2 hereof.
- 3.52 **Scheduled Date of Firm Operation:** The target date established by the Administrative Committee, pursuant to Section 6.2.7.1 hereof for each Generating Unit on which the Construction Work shall be completed and the Generating Unit shall be available to operate continuously at its Target Capacity.
- #6 3.52A **Short Term Requirements:** The summation at any time of the Estimated Monthly Requirements for each of the 36 months following the month in which the summation is made.
- 3.53 **Start-Up Period:** The period with respect to each Generating Unit commencing with the date on which the first Fuel Assembly is inserted into the Generating Unit's Reactor and terminating with its Date of Firm Operation.
- #11 3.53A **Start-Up and Pre-Operation Costs:** The costs of start-up and pre-operation of ANPP as described in Section 10A.
- #13 3.53B **Surviving Obligations:** Those obligations set forth in Section 35.7.2 hereof.
- #13 3.53C **Surviving Rights:** Those rights set forth in Section 35.7.1 hereof.
- #12 3.54 **Target Capacity:** The nominal generating capacity established by the Administrative Committee, pursuant to Section 6.2.7.1 hereof for each

Generating Unit. The initial nominal generating capacity for each Generating Unit is 1270 megawatts electrical.

- #13      3.54A      **Termination Agent:** The corporation or other entity designated by the Administrative Committee pursuant to Section 8A.1.4 hereof which is responsible for the performance of Termination Work for each Generating/Terminated Unit.
- #13      3.54B      **Termination Costs:** The costs and obligations incurred for any Generating/Terminated Unit in the performance of Termination Work for such unit, but excluding expenses incurred by the Operating Agent for work performed pursuant to Section 8A.5 hereof (except as otherwise provided in Section 8A.5.15 hereof) and expenses incurred by any Participant in establishing, administering, managing and investing its Termination Funds and otherwise complying with Sections 8A.7.2.2 and 8A.7.2.4 through 8A.7.2.7 hereof.
- #13      3.54C      **Termination Fund(s):** The fund or funds which each Participant is obligated to establish and maintain for one or more Generating Units or Generating/Terminated Units in accordance with and for only those purposes permitted by Section 8A.7.2 hereof, irrespective of (i) the tax treatment of contributions to or deposits in such funds or of income derived from the investment of such funds or (ii) the treatment accorded to such contributions, deposits and income in the establishment of the rates for electric service furnished by such Participant.
- #13      3.54D      **Termination Funding Committee:** The committee established pursuant to Section 6.1.4 hereof.
- #13      3.54E      **Termination Insurance:** Insurance procured and maintained pursuant to Section 8A.8.4 hereof.
- #13      3.54F      **Termination Plan:** The plan, including any changes thereto, for each Generating/Terminated Unit which has been approved by the Administrative Committee pursuant to Section 8A.1.9 hereof.
- #13      3.54G      **Termination Power and Energy:** The amount of Power and Energy required for the purposes of performing Termination Work in respect of any Generating/Terminated Unit.
- #13      3.54H      **Termination Responsibility:** The obligation of each Participant to fully perform and satisfy all of the duties, responsibilities and obligations imposed upon it pursuant to Section 8A.7 hereof.
- #13      3.54I      **Termination Work:** All work, including Decommissioning Work, performed (i) by the Operating Agent that is deemed to be Termination Work pursuant to Section 8A.5.15 hereof and (ii) by or under the direction of the Termination Agent for any Generating/Terminated Unit in the development of the Recommended Termination Plan for such unit and in the implementation of the Termination Plan for such unit in connection with the permanent removal from service of such unit and the common facilities associated therewith which the Engineering and Operating Committee, pursuant to Section 8A.2.7 hereof, shall have de-

terminated are not required or useful in the operation or maintenance of any Generating Unit or other Generating/Terminated Unit.

- # 5  
# 13

3.54J

**Testing and Start-Up Power and Energy:** The amount of Power and Energy required for the purposes of testing of any component or system of any Generating Unit before, during, or after its Start-Up Period.
- # 5  
# 13

3.54K

**Transmission Agreements:** Transmission Agreements which may be entered into between and among the Parties and third parties for the explicit purpose of defining transmission arrangements and charges for the delivery of each Participant's Generation Entitlement Share of Testing and Start-Up Power and Energy, and/or Termination Power and Energy.
- # 12  
# 13

3.54L

**Unit Rating:** The effective Available Generating Capability as determined from time to time by the Engineering and Operating Committee, pursuant to Section 6.3.2.17 hereof, to reflect seasonal changes in Generating Unit operation.
- 3.55

**Units of Property:** Units of property as described in the Federal Power Commission's "List of Units of Property for Use in Connection with Uniform System of Accounts Prescribed for Public Utilities and Licensees" in effect as of the date of this Participation Agreement, and as such list may be amended from time to time.
- # 13

3.55A

**Unit Termination Date:** The date established pursuant to Section 8A.1.3 hereof on which the permanent termination of operation and the removal from service of a Generating/Terminated Unit shall become effective.
- # 13

3.55B

**Unrecovered Advanced Termination Costs:** Any Termination Costs which a Participant in Default (as defined in paragraph (D) of Section 8A.1.11 hereof) is obligated to pay but which are paid by a non-defaulting Participant pursuant to Section 23.5.1 hereof and have not been recovered by such nondefaulting Participant from the Termination Fund(s) of such Participant in Default or other consideration received from the Participant in Default.
- # 6  
# 13

3.55C

**Uranium Concentrates:** Natural uranium conforming to specifications established by an operator of a domestic conversion facility designated by the Operating Agent for conversion without any surcharges.
- # 9

3.56

**Willful Action:**
- # 13

3.56.1

Action taken or not taken by a Participant (including the Operating Agent and the Termination Agent if such agent is a Participant), at the direction of its directors, members of its governing bodies, officers or employees having management or administrative responsibility affecting its performance under any of the Project Agreements, which action is knowingly or intentionally taken or not taken with conscious indifference to the consequences thereof or with intent that injury or damage would result or would probably result therefrom.

- #13                    3.56.2      Action taken or not taken by a Participant (including the Operating Agent and the Termination Agent if such agent is a Participant), at the direction of its directors, members of its governing bodies, officers or employees having management or administrative responsibility affecting its performance under any of the Project Agreements, which action has been determined by final arbitration award or final judgment or judicial decree to be a material default under any of the Project Agreements and which action occurs or continues beyond the time specified in such arbitration award or judgment or judicial decree for curing such default or, if no time to cure is specified therein, occurs or continues beyond a reasonable time to cure such default.
- #13                    3.56.3      Action taken or not taken by a Participant (including the Operating Agent and the Termination Agent if such agent is a Participant), at the direction of its directors, members of its governing bodies, officers or employees having management or administrative responsibility affecting its performance under any of the Project Agreements, which action is knowingly or intentionally taken or not taken with the knowledge that such action taken or not taken is a material default under any of the Project Agreements.
- 3.56.4      The phrase "employees having management or administrative responsibility" as used in this Section 3.56 means employees of a Participant who are responsible for one or more of the executive functions of planning, organizing, coordinating, directing, controlling, and supervising such Participant's performance under any of the Project Agreements; provided however, that, with respect to employees of the Operating Agent acting in its capacity as such and not in its capacity as a Participant, such phrase shall refer only to (i) the senior employee of the Operating Agent on duty at ANPP who is responsible for the operation of the Generating Units and (ii) anyone in the organizational structure of the Operating Agent between such senior employee and an officer.
- 3.56.5      Willful Action does not include any act or failure to act which is merely involuntary, accidental or negligent.
- 3.57                  Work Liability: Liability of one or more Participants for damage suffered by anyone other than a Participant, whether or not resulting from the negligence of any Participant, its directors, officers, employees or any other person or entity whose negligence could be imputed to such Participant, resulting from:
- 3.57.1      The performance or non-performance of Construction Work or Operating Work.
- 3.57.2      The use or ownership of ANPP.
- #13                    3.57.3      The performance or nonperformance of Termination Work.

- 3.58      **Zero Net Load:** The Power load upon a Generating Unit when its gross Power production equals its share of the then General Service Requirements allocated in accordance with policies, criteria and procedures approved by the Engineering and Operating Committee pursuant to Section 6.3.2.5 hereof.

#### 4.      **OWNERSHIP OF AND TITLE TO ARIZONA NUCLEAR POWER PROJECT:**

- #10      4.1      Except as otherwise permitted in Section 15.1.1(b) hereof, each Participant shall accept, acquire and own an undivided interest as a tenant in common in ANPP and all Project Agreements in proportion to its Generation Entitlement Share, but excluding (i) Option and Purchase of Effluent Agreement, Agreement No. 13904, dated April 23, 1973, between Arizona and Salt River Project and the Cities of Phoenix, Glendale, Mesa, Scottsdale and Tempe and the Town of Youngtown, except to the extent only that said agreement governs the rights and obligations for the purchase and delivery of wastewater effluent required for Construction Work, Operating Work and Capital Improvements and (ii) any Project Agreement which by its terms establishes an ownership interest or rights of any Participants in the subject matter thereof which differs from its Generation Entitlement Share under this Participation Agreement.
- 4.2      The ownership of and title to ANPP described or to be described in this Participation Agreement and all Capital Improvements shall be deemed to have vested simultaneously in the Participants so that the estate of each of them shall be deemed to be concurrent as to time, right and priority.
- 4.3      At any time as any Participant may reasonably demand in writing, the Participants shall jointly make, execute and deliver one or more supplements to this Participation Agreement in recordable form which shall describe with such particularity and detail as may be warranted under the circumstances the property and facilities then constituting ANPP and the rights, titles and interests of each Participant therein.
- 4.4      In the event any Participant transfers or assigns any of its rights, title or interest in and to ANPP in accordance with Section 15 hereof and other terms and conditions of this Participation Agreement, the Participants and any successor shall jointly make, execute and deliver a supplement to this Participation Agreement in recordable form which shall describe with such particularity and detail as may be warranted under the circumstances the rights, titles and interests of each Participant and any successor following such transfer or assignment.

#### #5 5.      **POWER AND ENERGY ENTITLEMENTS AND REQUIREMENTS:**

- 5.1      During the Start-Up Period and any Base Load Period of any Generating Unit each Participant shall schedule and be obligated to take delivery of its Generation Entitlement Share of the Net Energy Generation of such Generating Unit.
- #13      5.2      At all times after the Date of Firm Operation of each Generating Unit and prior to its Unit Termination Date, other than those periods referred to in

Section 5.1 hereof, each Participant shall be entitled to schedule for its account Power from such Generating Unit equal to the product of its Generation Entitlement Share and the Available Generating Capability of such Generating Unit; and each Participant shall be obligated to provide its own reserve requirements, including spinning reserves, for its Generation Entitlement Share of the Available Generating Capability of all Generating Units.

5.3 Whenever any Participant schedules for its account Power from a Generating Unit, the Operating Agent, unless otherwise established by the Administrative Committee, shall additionally schedule for each Participant a percentage, equal to its Generation Entitlement Share, of the Zero Net Load as effective during the period that such Generating Unit is operated to meet such schedule.

5.4 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.

5.5 The delivery of Power and Energy from ANPP shall be scheduled by the Participants in advance with the Operating Agent and accounted for on the basis of such advance schedules.

#12 5.6 The Operating Agent shall deliver Power and Energy to each Participant from each Generating Unit at the ANPP High Voltage Switchyard(s) in accordance with the schedule submitted by such Participant to the Operating Agent or in accordance with any revisions thereto.

5.7 In the event of an Operating Emergency, the Participants shall, if necessary, revise their schedules to reflect the actual Power and Energy available from ANPP during the period of the Operating Emergency.

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#13 5.8 Each Participant shall provide and schedule its share, equal to its Generation Entitlement Share, of the Testing and Start-Up Power and Energy and/or Termination Power and Energy which the Project Manager, Operating Agent or any Termination Agent, in accordance with policies, criteria and procedures approved by the Engineering and Operating Committee pursuant to Section 6.3.2.5, 6.3.2.7 or 8A.2.5.5 hereof, shall have determined is required and scheduled for delivery to any Generating Unit or Generating/Terminated Unit. Each Participant may at its option provide its share of such required and scheduled Testing and Start-Up Power and Energy and/or Termination Power and Energy by either (i) the delivery thereof to the 500 KV bus at the ANPP High Voltage Switchyard in accordance with any applicable Transmission Agreements or other agreements for the delivery or supply of Testing and Start-Up Power and Energy and/or Termination Power and Energy, or (ii) from its Generation Entitlement Share of the Power and Energy available from any Generating Unit or Generating/Terminated Unit unless the Operating Agent shall have determined in accordance with policies, criteria and procedures approved by the Engineering and Operating Committee pursuant to Section 6.3.2.5, 6.3.2.7 or 8A.2.5.5 hereof that such Power and Energy cannot or should not be supplied by any Generating Unit or Generating/Terminated Unit. The costs of Testing and

Start-Up Power and Energy and/or Termination Power and Energy as may be provided by any Participant in accordance with clause (i) above shall be borne by such Participant consistent with any applicable Transmission Agreements or other agreements for the delivery or supply of Testing and Start-Up Power and Energy and/or Termination Power and Energy and shall be accounted for by such Participant in such manner as it deems appropriate.

## 6. ADMINISTRATION:

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### 6.1

As a means of securing effective cooperation and interchange of information and of providing consultation on a prompt and orderly basis among the Participants in connection with various administrative and technical matters which may arise from time to time in connection with the terms and conditions of the Project Agreements, the Participants establish the committees described in this Section 6.1. The chairman of each of such committees shall be a representative of the Project Manager up to the Date of Firm Operation of the first Generating Unit and thereafter until the OA Discharge Date for the last Generating Unit to be permanently removed from service shall be a representative of the Operating Agent. After such OA Discharge Date, the chairman of each of said committees shall be determined in the manner provided by Section 8A.8.2 hereof. The chairman shall be responsible for calling meetings and establishing agendas. The following committees are hereby established and shall have the functions and responsibilities described herein and in the Project Agreements:

#### 6.1.1

An Administrative Committee consisting of one representative appointed by each Participant, who shall be an officer or the general manager or his authorized designee of a Participant.

#### 6.1.2

An Engineering and Operating Committee consisting of not more than two (2) representatives appointed by each Participant; provided, however, in respect of each matter brought before the Committee, that if any Participant appoints two representatives, only one of such representatives shall have the right to vote thereon. In addition, until completion of the Construction Work, the Project Director shall be a member of the committee, but shall have the right to vote only on such matters as the Project Manager shall designate to him to act as its voting representative on the committee.

#### 6.1.3

An Auditing Committee consisting of not more than two representatives appointed by each Participant; provided that in respect of each matter brought before the committee, if any Participant appoints two (2) representatives, only one of such representatives shall have the right to vote.

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#### 6.1.4

A Termination Funding Committee consisting of one representative appointed by each Participant.

### 6.2

The Administrative Committee shall have the following functions, among others:

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- 6.2.1 Provide liaison between the Participants at the management level.
  - 6.2.2 Exercise general supervision over the Engineering and Operating Committee, the Auditing Committee, the Termination Funding Committee and any other standing or ad hoc committees established pursuant to Section 6.13 hereof.
  - 6.2.3 Consider and resolve matters referred to it by other committees.
  - 6.2.4 Perform such other functions and duties as may be assigned to it in the Project Agreements.
  - 6.2.5 Review, discuss and act upon disputes among the Participants arising under the Project Agreements.
  - 6.2.6 Provide liaison between the Participants and the Project Manager and the Operating Agent with respect to progress, performance and completion of Construction Work and performance of Operating Work and the financial and accounting aspects thereof.
  - 6.2.7 Review and approve, modify, or otherwise act on recommendations of the Project Manager or the Operating Agent, as the case may be, concerning:
    - 6.2.7.1 The type and capacity of the nuclear steam supply systems for each Generating Unit and the Target Capacity and Scheduled Date of Firm Operation of each Generating Unit and any recommended revisions thereof.
    - 6.2.7.2 Any contract for nuclear steam supply systems, any Nuclear Fuel Agreement, and any contract with engineers or consultants related to the foregoing, but excluding any Nuclear Fuel Agreements for the supply of Uranium Concentrates to which all Participants are not parties.
    - 6.2.7.3 The selection and arrangements for acquisition of the Nuclear Plant Site.
    - 6.2.7.4 Contracts for and all other arrangements or actions necessary to obtain requisite water and water rights for ANPP.
  - 6.2.8 Establish, and as circumstances from time to time warrant, revise the boundaries of the Nuclear Plant Site and cause Appendix B to be prepared or revised as the case may be and incorporated herein.
- #6

6.2.9 Revise the general description of ANPP as circumstances from time to time warrant and cause Appendix A attached hereto to be revised accordingly and as so revised incorporated herein.

6.2.10 On the request of any Participant authorize, on such terms and conditions as the committee may deem appropriate, the installation on the Nuclear Plant Site or any other property comprising ANPP of any structures, facilities or equipment by any one or more Participants or any third party for its or their own use, which structures, facilities or equipment shall be deemed not to be a part of ANPP.

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6.2.11 Review, modify if necessary and approve a form of contract recommended by the Engineering and Operating Committee pursuant to Section 6.3.5, which may be executed by the Project Manager, pursuant to Section 7.3.34, or the Operating Agent, pursuant to Section 8.3.27, as applicable, for and on behalf of all Participants concerning mutual assistance among the parties thereto in the nature of the temporary borrowing, loan or exchange of personnel, equipment or material.

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6.2.12 Review, modify if necessary and approve criteria and guidelines which are to be utilized by the Project Manager, the Operating Agent or any Termination Agent, as the case may be, concerning (i) the sale, transfer or conveyance of equipment or materials acquired for use in the performance of Construction Work, Operating Work, the construction, operation or maintenance of Capital Improvements or Termination Work, which are no longer required for such purposes, and (ii) the disposal of retired Units of Property pursuant to Section 18.8. Such criteria and guidelines are to be developed by the Project Manager, Operating Agent or Termination Agent and shall be reviewed and modified as necessary by the Engineering and Operating Committee prior to being forwarded to the Administrative Committee. Such criteria and guidelines shall also include any specific requirements which may be deemed necessary with respect to the sale, transfer or conveyance, by a non-competitive bid process, of such equipment or materials or retired Units of Property to any Participant or subsidiary thereof, the Project Manager, Operating Agent or Termination Agent.

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6.2.13 Perform the functions delegated to the Administrative Committee by Section 8A.1 hereof.

6.3 The Engineering and Operating Committee shall have the following functions:

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6.3.1 Provide liaison between Participants and the Project Manager with regard to the Construction Work, including without

limitation the scheduling and delivery by the Participants of Testing and Start-Up Power and Energy.

6.3.2 Review and approve, modify or otherwise act upon recommendations of the Operating Agent concerning the following items related to the performance of Operating Work or making Capital Improvements:

6.3.2.1 The annual capital expenditures budget, annual manpower table and budget, and annual operation and maintenance budget.

6.3.2.2 The planned outages scheduled for maintenance and the manner of selection of any maintenance contractor for contract maintenance included in the annual operation and maintenance budget.

6.3.2.3 The policies for establishing the Emergency Spare Parts inventory and Materials and Supplies inventory.

6.3.2.4 The written statistical and administrative reports, written budgets, and information and other similar records, and the form thereof, to be kept and furnished by the Operating Agent (excluding accounting records used internally by the Operating Agent for the purpose of accumulating financial and statistical data, such as books of original entry, ledgers, work papers, and source documents).

6.3.2.5 The policies, criteria and procedures for determining Available Generating Capability, General Service Requirements, Maximum Generating Capability, Minimum Generating Capability, Net Energy Generation, Unit Rating and Zero Net Load, for allocating the General Service Requirements among the Generating Units consistent with Section 3.27 and for determining the amounts of Testing and Start-Up Power and Energy to be provided by the Participants.

6.3.2.6 The procedures for performance and efficiency testing.

6.3.2.6a The quality assurance program governing the conduct of Operating Work and Capital Improvements pursuant to Section 8.3.20 hereof.

6.3.2.7 The procedures for scheduling deliveries of Power and Energy to the Participants,

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scheduling deliveries of Testing and Startup Power and Energy from the Participants, and for forecasting and estimating requirements for and scheduling deliveries of Nuclear Fuel, water, and Materials and Supplies.

6.3.2.8 The Operating Agent's analysis of the total expenditures caused by an Operating Emergency.

6.3.2.9 The written statement of operating practices and procedures.

6.3.2.10 The list of transportation and motorized equipment to be owned or leased by the Operating Agent for Operating Work or making Capital Improvements.

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6.3.2.11 The practices and procedures for keeping each Participant advised of (i) the Available Generating Capability of each Generating Unit, (ii) the deliver(y) of Power and Energy from ANPP in accordance with the Participants' schedules, and (iii) the Testing and Start-Up Power and Energy requirements to be provided by the Participants pursuant to schedules. Such practices and procedures shall provide for modifying said schedules to meet the needs of day-to-day or hour-by-hour operation, including emergencies on a Participant's system.

6.3.2.12 The scheduling, whenever fuel or other conditions warrant, of any Generating Unit to operate in a mode which restricts changes in Power of such Generating Unit for such specified periods as may be appropriate under such circumstances.

6.3.2.13 The policies, criteria and practices to be followed to optimize the use of the Nuclear Fuel in each Generating Unit.

6.3.2.14 Fuel management plans and the criteria and procedures for determining or estimating those factors, values, quantities, costs and expenses required to be determined or estimated as provided in Appendix F attached hereto.

6.3.2.15 The establishment of procedures for the operation of ANPP during periods of curtailed operations which reduce or may reduce the Available Generating Capability.

- 6.3.2.16 Arrangements for developing and implementing a Protective Action Plan.
    - #12 6.3.2.17 Value(s) of Unit Rating for each Generating Unit determined pursuant to Section 6.3.2.5.
  - 6.3.3 Determine the Date of Firm Operation for each Generating Unit.
  - 6.3.4 Perform such other duties as may be assigned to it in any Project Agreement or by the Administrative Committee.
  - #8 6.3.5 Develop and recommend to the Administrative Committee a form of contract which may be executed by the Project Manager, pursuant to Section 7.3.34, or the Operating Agent, pursuant to Section 8.3.27, as applicable, for and on behalf of all Participants concerning mutual assistance among the parties thereto in the nature of the temporary borrowing, loan or exchange of personnel, equipment or material.
  - #8 6.3.6 Review, modify as necessary and forward to the Administrative Committee for their approval, criteria and guidelines to be developed by the Project Manager which are to be utilized by the Project Manager or the Operating Agent, as the case may be, concerning (i) the sale, transfer or conveyance of equipment or materials acquired for use in the performance of Construction Work, Operating Work or the construction, operation or maintenance of Capital Improvements which are no longer required for such purposes and (ii) the disposal of retired Units of Property pursuant to Section 18.8.
  - #13 6.3.7 Perform the functions delegated to the Engineering and Operating Committee by Section 8A.2 hereof.
- 6.4 The Auditing Committee shall have the following functions:
  - 6.4.1 Development of procedures for accounting and auditing Construction Costs, and costs of Operating Work and Capital Improvements and Fuel Expenses and advances of Construction Funds and Operating Funds consistent with the provisions of the Project Agreements and Accounting Practice and development of procedures for making forecasts and requests for funds pursuant to Sections 12 and 18 hereof.
  - 6.4.2 Audit or cause to be audited the books and records of the Project Manager, Operating Agent, and any other Participant or contractor relevant to the performance of Construction Work and Operating Work and to the construction of Capital Improvements.
  - 6.4.3 Establish the minimum amounts for the Construction Account and the Operating Account pursuant to Sections 12.5 and 12.7 hereof, respectively.

6.4.4 Perform such other duties as may be assigned to it in any Project Agreement or by the Administrative Committee.

#13 6.4A The Termination Funding Committee shall perform the functions delegated to the Termination Funding Committee by Section 8A.4 hereof.

6.5 Within thirty (30) days after the execution of this Participation Agreement, each Participant shall designate its representatives on the committees hereby established, with notice thereof given to the other Participants.

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#13 6.6 Any action or determination of a committee must be unanimous except as otherwise provided in Sections 8A.1.11, 8A.4.5, 8A.8.2 and 23.5 or Appendix K hereof.

#13 6.7 The Administrative Committee, the Engineering and Operating Committee, the Auditing Committee and the Termination Funding Committee shall each keep written minutes, and records of all meetings and all actions, agreements or determinations made by any such committee shall be reduced to writing and shall be signed by a representative of each Participant on such committee or an authorized alternate.

6.8 The committees shall have no authority to modify any of the terms, covenants or conditions of the Project Agreements.

#13 6.9 If the Engineering and Operating Committee, the Auditing Committee or the Termination Funding Committee fails to agree while performing the functions and duties delegated to it in this Participation Agreement or in the Project Agreements, then such disagreement shall be referred to the Administrative Committee for determination.

6.10 If the Administrative Committee fails to reach agreement while performing the respective functions and duties assigned to it in this Participation Agreement or in the other Project Agreements, then such disagreement shall be referred to higher authority within each Participant's organization before proceeding to arbitration as provided in Section 24 hereof.

6.11 In the event any committee established in accordance with this Section 6 is unable or fails to agree in respect of any matter which such committee is authorized to determine, approve or otherwise act upon after a reasonable opportunity so to do, then the Project Manager or the Operating Agent is authorized and obligated to take such action as in its discretion is necessary, pending the resolution of any such inability or failure to agree by arbitration pursuant to Section 24 hereof or otherwise, to the successful and proper construction, operation and maintenance of ANPP as contemplated hereby; provided, however, this Section 6.11 shall not be applicable in respect of those matters required to be approved pursuant to Section 6.2.7 hereof.

6.12 Each Participant shall notify the other Participants promptly of any change in the designation of its representatives on the committees. A Participant may designate an alternate to act as its representative on any committee in the absence of the regular member or to act on specified occasions with respect to specified matters. Any alternate representative

appearing at a committee meeting shall be deemed to have authority to act on behalf of the Participant he represents unless the committee chairman is furnished with written notice to the contrary.

- 6.13 The Participants, acting through the Administrative Committee, shall have the right to establish standing or ad hoc committees. The authority and duties of any such committee shall be set forth in writing and shall be subject to the provisions of the Project Agreements.
- 6.14 Any expenses incurred by any member of the Administrative Committee or any standing or ad hoc committees in connection with his duties on such committee shall be paid and borne by the Participant whom he represents and shall not be included in Construction Costs or in costs for Operating Work.

7. PROJECT MANAGER:

- 7.1 The Project Manager for ANPP shall be Arizona.
- 7.2 The Participants hereby appoint the Project Manager as their agent, and the Project Manager shall undertake as their agent and as principal on its own behalf to perform the Construction Work and to carry out the duties and responsibilities provided hereunder to be performed by it.
- 7.3 The Project Manger shall:
  - 7.3.1 Prepare and submit recommendations to the Administrative Committee concerning:
    - 7.3.1.1 The type and capacity of the nuclear steam supply systems for each Generating Unit and the Target Capacity and Scheduled Date of Firm Operation of each Generating Unit and any revisions thereof as circumstances may warrant.
    - 7.3.1.2 Contracts for nuclear steam supply systems, and any Nuclear Fuel Agreement, including any agreement for the fabrication of the initial supply of Fuel Assemblies, and the purchase of uranium and enrichment and conversion services necessary for such fabrication, including contracts with engineers or consultants related to the foregoing, but excluding any Nuclear Fuel Agreements for the supply of Uranium Concentrates to which all Participants are not parties.
    - 7.3.1.3 The selection of the Nuclear Plant Site.
    - 7.3.1.4 Contracts for and all other pertinent arrangements or actions necessary to obtain requisite water and water rights for ANPP.

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- 7.3.2 Carry out the directions of the Administrative Committee in respect of the matters set forth in Section 7.3.1.
- 7.3.3 With respect to all aspects of Construction Work not governed by Sections 6.2.7, 7.3.1 and 7.3.2, negotiate and enter into any Construction Agreement, and purchase and procure such equipment, apparatus, machinery, materials, tools, supplies and services as it in its sole discretion may deem necessary or useful for the performance and completion of the Construction Work from any source or sources it may select.
- 7.3.4 Transmit as and when received from the architect, engineer, constructor, consultants, contractors or vendors, any studies, specifications, drawings and any documentation related to the foregoing in respect of ANPP to each member of the Engineering and Operating Committee for review and comment. With respect to any such matters which under the provisions of any Construction Agreement the Project Manager shall have the right of approval or comment, the Project Manager shall notify each member of the Engineering and Operating Committee of the date on which comments from any such member must be received by the Project Manager for consideration; provided, however, that the opportunity for comment by such members need not be afforded with respect to changes in design or specifications where in the discretion of the Project Manager the need for prompt action is overriding. Each such member shall be advised of major meetings with the architect, engineer, constructor, consultants, contractors and vendors related to the foregoing matters and shall be permitted to have a representative to attend any such meeting and to offer comments at or in advance of such meetings on any aspects to be discussed thereat.
- 7.3.5 Furnish each member of the Administrative Committee with copies of all contracts with the architect, engineer, constructor, contractors and principal subcontractors, vendors and consultants.
- 7.3.6 Notwithstanding the provisions of Section 7.3.3, review with the Administrative Committee the Project Manager's proposal for awards to vendors for major equipment in advance of such awards, including the recommendations of the architect, engineer, constructor relating to the proposed award, at either a meeting called for such purpose by the Project Manager or by conference telephone call.
- 7.3.7 Arrange for placement of Construction Insurance pursuant to Sections 19 and 20 hereof.
- 7.3.8 Determine what contractors, if any, shall be required to furnish any portion of the Construction Insurance, other insurance and faithful performance and payment bonds.

- 7.3.9 Assist any insurer in the investigation, adjustment and settlement of any loss or claim covered by Construction Insurance.
- 7.3.10 Present and prosecute claims against insurers and provide Construction Insurance or indemnities in respect of any loss of or damage to any property of ANPP or liability of any Participant to third parties covered by Construction Insurance or indemnities, and to the extent that any such loss or damage is not covered by Construction Insurance, present and prosecute claims therefor against any parties who may be liable therefor. In the event the cost of repair, replacement or correction of such loss or damage arising out of a single incident or event exceeds \$250,000, the Project Manager shall not make any settlement of any claims in respect thereof without the consent and approval of the Administrative Committee.
- 7.3.11 Subject to the provisions of Section 21 hereof and except as hereinafter provided in this Section 7.3.11, investigate, adjust, defend and settle claims against any or all Participants arising out of or attributable to Construction Work, or the past or future performance or nonperformance of the obligations and duties of any Participant, including the Project Manager, under or pursuant to this Participation Agreement, including but not limited to any claim resulting from death or injury to persons or damage to property, when said claims are not covered by valid and collectible Construction Insurance or other valid and collectible insurance carried by any Participant, and, whenever and to the extent warranted, present and prosecute claims against any third party, including insurers, for any costs, losses and damages incurred in connection with said claims. The approval of the Administrative Committee shall be obtained by the Project Manager before any said claim or combination of said claims against any or all Participants arising out of the same transaction or incident is settled for more than \$250,000 unless it shall be established that the entire amount of the settlement in excess of \$250,000 is recoverable from an insurer providing Construction Insurance.
- 7.3.12 Execute, perform and enforce all Construction Agreements in the name of the Project Manager, acting as principal on its own behalf and as agent for all Participants, in which all Participants shall have undivided interests as tenants in common equal to their respective Generation Entitlement Shares.
- 7.3.13 Comply with (i) any and all laws applicable to the performance of Construction Work, including without limitation all applicable laws, rules and regulations for protection of the environment and all applicable provisions of any workmen's compensation laws; and (ii) the terms and conditions of any contract, permit or license relating to ANPP.

- 7.3.14 Expend the funds advanced to the Project Manager only in the manner and for the purposes set forth in Sections 10 and 12 hereof.
- 7.3.15 Keep and maintain records of monies received and expended, obligations incurred, credits accrued, estimates of Construction Costs (excluding, subject to Section 13.3 hereof, *ad valorem* taxes or payments in lieu thereof and interest during construction) and contracts entered into in the performance of Construction Work, and make such records available for inspection by the Auditing Committee at reasonable times and places.
- 7.3.16 Not suffer any liens to remain in effect unsatisfied against ANPP (other than liens permitted under the Project Agreements, liens for taxes or assessments not yet delinquent, liens for labor and material not yet perfected, or undetermined charges or liens incidental to the performance of Construction Work); provided, however, that the Project Manager shall not be required to pay or discharge any such lien as long as the Project Manager in good faith shall be contesting the same, which contest shall operate during the pendency thereof to prevent the collection or enforcement of such lien so contested.
- 7.3.17 Obtain or cause to be obtained necessary construction permits, temporary access rights and other licenses and approvals requisite to the performance and completion of Construction Work and initiation of Operating Work.
- 7.3.18 As soon as practicable after the Date of Firm Operation of each Generating Unit, provide each Participant with a summary of the Construction Costs applicable to such Generating Unit in a form which will allow each such Participant to classify such Construction Costs to appropriate FPC Accounts.
- 7.3.19 Provide the Participants with all necessary and required records and information pertaining to the performance of Construction Work, including progress reports at such regular intervals as the Administrative Committee or the Engineering and Operating Committee shall determine, and the amount and scheduling of delivery by the Participants of Testing and Start-Up Power and Energy prior to the Date of Firm Operation of the first Generating Unit.
- 7.3.20 Keep the Participants fully and promptly informed of any known default by any Participant under the provisions of this Participation Agreement.
- 7.3.21 As soon as practicable after the commencement of Construction Work, furnish each Participant an estimate of total Construction Costs broken down by major categories of equipment and services and a forecast of the cash requirements of

each Participant to meet such Construction Costs. Such forecast shall set forth such cash requirements (i) for each quarterly period commencing on the first day of January, April, July and October in which Construction Costs will become due and (ii) for each month of the first two quarterly periods immediately following the issuance of such forecast. Such forecast shall be revised and furnished to each Participant every three (3) months thereafter until completion of Construction Work. In addition, and as soon as practicable after commencement of Construction Work, the Project Manager shall furnish each Participant a detailed monthly forecast of each Participant's estimated expenditures during each week of the succeeding month for Construction Work, which said forecast shall be furnished each Participant monthly thereafter until completion of Construction Work.

- 7.3.22      Furnish a Participant any information reasonably available pertaining to the construction of ANPP that will assist said Participant in responding to a request for such information by any Federal, state or local regulatory authority.
- 7.3.23      Use its best efforts in the performance of its responsibilities hereunder to effect the completion of Construction Work in accordance with the Scheduled Date of Firm Operation for each Generating Unit. To achieve this objective and keep the Participants informed, the Project Manager shall from time to time revise the Construction Schedule attached to this Participation Agreement as Appendix C which shall include those milestones that the Project Manager shall deem significant and target dates for their accomplishment consistent with meeting the Scheduled Date of Firm Operation of each Generating Unit.
- 7.3.24      Keep the Participants fully and promptly advised of significant developments in connection with the progress, performance and completion of Construction Work.
- 7.3.25      Prepare and distribute the Final Completion Report to each Participant as soon as practicable but not later than twenty-four (24) months after the Date of Firm Operation of the final Generating Unit to be completed unless such time is extended by the Administrative Committee.
- 7.3.26      Provide the Administrative Committee with all necessary and required records and information for its use in the performance of its responsibilities under this Participation Agreement.
- 7.3.27      Construct ANPP so as to comply with the Project Agreements.
- 7.3.28      Conduct tests to verify that specified characteristics of major equipment items have been achieved and, if necessary, make

or cause to be made final equipment modifications to meet the specified requirements thereof.

- 7.3.29 Provide for and enforce any and all warranties on equipment, facilities, materials and services sold to or furnished for ANPP, except that any equipment warranties which expire more than one (1) year after the Date of Firm Operation of the final Generating Unit and all fuel warranties shall be enforced by the Operating Agent.
- 7.3.30 Conduct such environmental and economic studies of alternative sites as the Administrative Committee directs or as the Project Manager in its discretion deems necessary or appropriate in arriving at a recommendation to the Administrative Committee of a suitable site for ANPP.
- 7.3.31 Establish a quality assurance program to be observed in the design, fabrication, procurement, storage, handling, shipping, installation and construction of ANPP which shall at a minimum fully meet the requirements of the regulations set forth by the U.S. Atomic Energy Commission in 10 CFR, Part 50, Appendix B, as amended and in effect from time to time.
- 7.3.32 Establish a quality assurance organization to review and verify conformance with the established quality assurance procedures utilizing personnel from any source, provided no person assigned to audit any activity shall be or have been responsible for the conduct of such activity.
- #5 7.3.33 Coordinate with the Operating Agent all arrangements (i) for shipment, transfer, receipt, inspection, storage and loading of Nuclear Fuel at the Nuclear Plant Site, (ii) for the preoperational testing and acceptance by the Operating Agent of components and systems of ANPP, (iii) for preoperational radiological, meteorological, and other environmental monitoring programs which are to be continued after the Date of Firm Operation of the first Generating Unit, (iv) for the start-up, operational testing, and operation of each Generating Unit prior to its Date of Firm Operation, (v) for the scheduling and delivery of Testing and Start-Up Power and Energy required after the Date of Firm Operation of the first Generating Unit and (vi) for the preservation and organization of all quality assurance records accumulated in the performance of Construction Work and for the on-going quality assurance and surveillance programs to be conducted during ANPP operation.
- #8 7.3.34 Enter into mutual assistance agreements with utilities and others providing for the temporary borrowing, loan or exchange of personnel, equipment or material upon request of any party to such agreement; provided that each such agreement shall be in a form as approved by the Administrative Committee pursuant to Section 6.2.11 and shall include such

warranty, indemnity, insurance and other provisions as such committee may have deemed appropriate.

#8                    7.3.35      Develop and recommend to the Engineering and Operating Committee for their review, modification if necessary and forwarding to the Administrative Committee for final review, modification if necessary and approval, criteria and guidelines to be utilized by the Project Manager or Operating Agent, as the case may be, concerning (i) the sale, transfer or conveyance of equipment or materials acquired for use in the performance of Construction Work, Operating Work or the construction, operation or maintenance of Capital Improvements which are no longer required for such purposes and (ii) the disposal of retired Units of Property pursuant to Section 18.8.

#8                    7.3.36      Consistent with the criteria and guidelines approved by the Administrative Committee pursuant to Section 6.2.12(i), sell, transfer and convey for and on behalf of all Participants to any entity, including without limitation any Participant or the Operating Agent, any and all equipment or material acquired for use in the performance of Construction Work, provided that at the time of such sale, transfer or conveyance (i) the Project Manager shall have determined that such equipment or material is no longer used or useful for ANPP, (ii) the Project Manager shall sell, transfer or convey any such equipment or material only on an "as is" basis without any representation or warranty as to quality, condition or fitness for any purpose and (iii) proceeds, if any, received therefrom shall be credited or distributed to the Participants in proportion to their Generation Entitlement Shares.

#4                    7.4           Each Participant shall provide to the extent possible all assistance required by the Project Manager in the performance of its obligations hereunder and such Participant shall be reimbursed for its costs and expenses incurred in providing such assistance on such terms and conditions as may be agreed upon by such Participant and the Project Manager. Each Participant shall, within sixty (60) days after the execution of this Participation Agreement, submit to the Project Manager any special requirement it may have regarding accounting, records, or information in order that all required records may be maintained in the same manner throughout the construction and final completion of ANPP. The Project Manager shall use its best efforts to accommodate said special requirements. Where acquisition or immediate possession of rights-of-way, easements or real property are necessary, and the Project Manager and a Participant determine that such acquisition may best be accomplished by the Participant, the Project Manager shall request assistance of the Participant in writing and the assistance shall be provided in conformance with the terms of this paragraph.

7.5                    The Project Manager shall have the full responsibility and authority for the employment and organization of the personnel and staff required to prosecute the Construction Work. The Project Manager shall designate an individual to serve as Project Director who shall be responsible solely

to the Project Manager and shall be charged with the duties of supervising and coordinating all Construction Work subject to the terms of the Project Agreements.

## 8. OPERATING AGENT:

- 8.1 The Operating Agent for ANPP shall be Arizona.
- 8.2 The Participants hereby appoint the Operating Agent as their agent, and the Operating Agent shall undertake as their agent and as principal on its own behalf, to perform the Operating Work and Capital Improvements and to carry out the duties and responsibilities provided hereunder to be performed by it.
- 8.3 The Operating Agent shall:
  - 8.3.1 Administer, enforce and perform the Operating Work so as to comply with Project Agreements and in a manner consistent with generally accepted practices in the electric utility industry recognizing that such practices may be affected by the design and operational characteristics of ANPP, the rights and obligations of the Participants under this Participation Agreement and other special circumstances affecting the Operating Work.
  - 8.3.2 Furnish from its own resources or contract for and obtain from any other sources it may select, including any Participant, the services and studies necessary for performance of Operating Work.
  - 8.3.3 Execute, administer, perform and enforce contracts in the name of the Operating Agent, acting as principal on its own behalf and as agent for all of the other Participants, for Operating Work, including without limitation any and all warranties on equipment, facilities, materials and services furnished pursuant to any such contracts.
  - 8.3.4 Administer, perform and enforce any Nuclear Fuel Agreements executed by the Project Manager pursuant to Section 7.3.2 hereof or by the Operating Agent pursuant to Appendix K hereof and, subject to the provisions of Section 6.2.7 hereof, execute, administer, perform and enforce all other Nuclear Fuel Agreements.
  - 8.3.5 Administer, perform and enforce all other contractual obligations and arrangements, including all warranties applicable thereto, entered into by the Project Manager and continuing beyond the period ending one year after the Date of Firm Operation of the final Generating Unit.
  - 8.3.6 Furnish or recruit the necessary personnel and provide for such training as may be required to qualify them to perform the Operating Work and to meet all licensing requirements established by law.

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- 8.3.7 Comply with (i) any and all laws applicable to the performance of Operating Work and Capital Improvements, including without limitation all applicable laws, rules and regulations for protection of the environment and all applicable provisions of any workmen's compensation laws; and (ii) the terms and conditions of any contract, permit or license relating to ANPP.
- 8.3.8 Purchase and procure, through and from any source it may select, in the name of the Participants with undivided interests as tenants in common in accordance with their Generation Entitlement Shares, the equipment, apparatus, machinery, tools, Materials and Supplies and Emergency Spare Parts necessary for the performance of Operating Work and Capital Improvements.
- 8.3.9 Expend the Operating Funds advanced to the Operating Agent in accordance with the terms and conditions of this Participation Agreement.
- 8.3.10 Keep and maintain such records of monies received and expended, obligations incurred, credits accrued, the conduct of Operating Work and making Capital Improvements, and of contracts entered into in the performance of Operating Work as may be necessary or useful in carrying out Project Agreements or required to permit an audit of the Operating Work and Capital Improvements, and make such records available for inspection by the Auditing Committee.
- 8.3.11 Not suffer any liens to remain in effect unsatisfied against ANPP (other than the liens permitted under the Project Agreements, liens for taxes and assessments not yet delinquent, liens for labor and material not yet perfected or undetermined charges or liens incidental to the performance of the Operating Work); provided, that the Operating Agent shall not be required to pay or discharge any such lien as long as the Operating Agent in good faith shall be contesting the same which contest shall operate during the pendency thereof to prevent the collection or enforcement of such lien so contested.
- 8.3.12 Arrange for the placement and maintenance of Operating Insurance as provided in Sections 19 and 20 hereof.
- 8.3.13 Assist any insurer in the investigation, adjustment and settlement of any loss or claim covered by Operating Insurance.
- 8.3.14 Present and prosecute claims against insurers and indemnitors providing Operating Insurance or indemnities in respect of any loss of or damage to any property of ANPP or liability of any Participant to third parties covered by any indemnity agreement, and to the extent that any such loss, damage or liability is not covered by Operating Insurance or by any indemnity agreement, present and prosecute claims therefor

against any parties who may be liable therefor. In the event the cost of repair, replacement or correction of such loss or damage arising out of a single incident or event exceeds \$250,000, the Operating Agent shall not make any settlement of any claims in respect thereof without the consent and approval of the Administrative Committee.

8.3.15 Subject to the provisions of Section 21 hereof and except as hereinafter provided in this Section 8.3.15, investigate, adjust, defend and settle claims against any or all Participants arising out of or attributable to Operating Work or Capital Improvements, or the past or future performance or nonperformance of the obligations and duties of any Participant, including the Operating Agent, under or pursuant to this Participation Agreement, including but not limited to any claim resulting from death or injury to persons or damage to property, when said claims are not covered by valid and collectible Operating Insurance carried by any Participant, and whenever and to the extent reasonable present and prosecute claims against any third party, including insurers, for any costs, losses and damages incurred in connection with said claims. The approval of the Administrative Committee shall be obtained by the Operating Agent before any said claim or combination of said claims against any or all Participants arising out of the same transaction or incident is settled for more than \$250,000 unless the entire amount of the settlement in excess of \$250,000 is recoverable from an insurer providing Operating Insurance.

8.3.16 Keep the Participants fully and promptly advised of material changes in conditions or other material developments affecting the performance of Operating Work and furnish the other Participants with copies of any notices given or received pursuant to the Project Agreements.

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8.3.17 Provide the Administrative, Engineering and Operating, Auditing and Termination Funding Committees with all written statistical and administrative reports, accounting records, written budgets, information and other records relating to Operating Work, Capital Improvements, Termination Work and Termination Costs and the funding thereof necessary or useful in the performance of their respective responsibilities under this Participation Agreement.

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8.3.18 Determine, in accordance with policies, criteria and procedures established by the Engineering and Operating Committee pursuant to Section 6.3.2.5 hereof, and keep the system dispatcher of each Participant advised of (i) the Maximum Generating Capability, Minimum Generating Capability, and the Available Generating Capability of each Generating Unit and (ii) the Testing and Start-Up Power and Energy to be provided by the Participants after the Date of Firm Operation of the first Generating Unit.

- 8.3.19 Upon the request of any Participant, provide such Participant, in reasonable quantity without direct charge therefor, a copy or copies of any report, record, list, budget, manual, accounting or billing summary, classification of accounts or other documents or revisions of any of the aforesaid items, all as prepared in accordance with this Participation Agreement.
- 8.3.20 Establish a quality assurance program to be followed in the operation and maintenance, changes in design, facilities or equipment and Capital Improvements of ANPP, including without limitation in-service inspections and other surveillance procedures and techniques, which shall, at a minimum, fully meet the requirements of the regulations the U.S. Atomic Energy Commission set forth in 10 CFR, Part 50, Appendix B, as amended and in effect from time to time, including without limitation those regulations governing the delegation of authority for checking, auditing, inspecting or other verifying compliances with the quality assurance program.
- 8.3.21 Take custody of and maintain a suitable recovery system for all quality assurance records pertaining to Construction Work received from the Project Manager.
- 8.3.22 Take such action and responsibility for pre-operational Operating Work as required under Appendix G attached hereto.
- 8.3.23 Keep the Participants fully and promptly informed of any known default of the Project Agreements and submit to the Participants any recommendations for amendments of the Project Agreements.
- 8.3.24 Prepare recommendations covering the matters which are to be reviewed and acted upon by the Administrative Committee pursuant to Section 6.2.7 hereof or by the Engineering and Operating Committee pursuant to Section 6.3.2 hereof.
- 8.3.25 Carry out and follow the practices and procedures and directions which have been approved and issued by the Administrative Committee, the Engineering and Operating Committee, the Auditing Committee or the Termination Funding Committee pursuant to the Project Agreements, except as otherwise provided in Section 8.3.26 hereof.
- 8.3.26 In the event of an Operating Emergency take such action as the Operating Agent in its sole discretion may deem prudent or necessary, notwithstanding any practices and procedures and directions approved and issued by the Administrative Committee or the Engineering and Operating Committee, to terminate the Operating Emergency, to preserve and maintain the safety, integrity and operability of ANPP, to maintain to the maximum extent the availability of Power and Energy from each Generating Unit, to protect the health and safety

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of the public or to minimize any adverse environmental effects and such other action as required by Appendix H attached hereto.

#8                      8.3.27      Enter into mutual assistance agreements with utilities and others providing for the temporary borrowing, loan or exchange of personnel, equipment or material upon request of any party to such agreement; provided that each such agreement shall be in a form as approved by the Administrative Committee pursuant to Section 6.2.11 and shall include such warranty, indemnity, insurance and other provisions as such committee shall deem appropriate.

#8                      8.3.28      Consistent with the criteria and guidelines approved by the Administrative Committee pursuant to Section 6.2.12(i), sell, transfer and convey for and on behalf of all Participants to any entity, including without limitation any Participant, any and all equipment or material acquired for use in the performance of Operating Work, or acquired for use in the construction, operation or maintenance of any Capital Improvement; provided that at the time of such sale, transfer or conveyance (i) the Operating Agent shall have determined that such equipment or material is no longer used or useful for ANPP, (ii) the Operating Agent shall sell, transfer or convey any such equipment or material only on an "as is" basis without any representation or warranty as to quality, condition or fitness for any purpose and (iii) proceeds, if any, received therefrom shall be credited or distributed to the Participants in proportion to their Generation Entitlement Shares.

#13                    8.3.29      Perform the functions delegated to the Operating Agent by Section 8A.5 hereof.

8.4                    The other Participants shall lend and be properly reimbursed for all necessary and available assistance as may be requested by the Operating Agent in the performance of Operating Work.

8.5                    It is recognized that some Participants may have interests in training personnel in the operation and maintenance of a nuclear station and the Operating Agent shall institute a program to provide such training of personnel of any Participant as the Operating Agent may deem feasible and consistent with the performance of its other duties and responsibilities hereunder. The regular operating and maintenance staff assigned to ANPP, however, will be comprised of the Operating Agent's personnel solely unless the Operating Agent otherwise determines.

#### #13 8A.      TERMINATION OF GENERATING UNITS

#13                    8A.1      Responsibilities of the Administrative Committee

#13                    8A.1.1      In addition to those functions delegated to the Administrative Committee by Section 6.2 hereof and other provisions of this Participation Agreement, the Administrative Committee

shall have the functions hereinafter set forth in this Section 8A.1 in connection with the permanent termination of operation and the removal from service of each Generating Unit and the performance and completion of Termination Work for each Generating/Terminated Unit.

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| #13 | 8A.1.2 | The Administrative Committee shall provide liaison between the Participants and the Termination Agent for each Generating/Terminated Unit in connection with the planning, performance and completion of Termination Work for such unit and the financial and accounting aspects thereof.  |
| #13 | 8A.1.3 | The Administrative Committee shall make the determination to permanently terminate the operation of each Generating Unit and remove such unit from service and establish the Unit Termination Date therefor.   |
| #13 | 8A.1.4 | At any time prior to making its determination to permanently terminate operation of each Generating Unit or promptly thereafter, but in no event later than the Unit Termination Date for such unit, the Administrative Committee shall designate a Termination Agent to perform or direct the Termination Work for such unit that is not performed by the Operating Agent. The Termination Agent for any Generating/Terminated Unit may be either a Participant, the Operating Agent, an entity organized and owned in whole or in part by one or more Participants directly or indirectly through an affiliated company, or an entity that is not owned by any Participant directly or indirectly through an affiliated company. |
| #13 | 8A.1.5 | The Administrative Committee shall, concurrently with the designation of the Termination Agent for any Generating/Terminated Unit, enter into or authorize the chairman of the Administrative Committee to enter into a written contract with such Termination Agent containing such terms and conditions for the performance of Termination Work as the Administrative Committee shall have approved and specifying the obligations set forth in Sections 8A.6.2 and 8A.6.3 hereof.   |
| #13 | 8A.1.6 | The Administrative Committee may remove and discharge any Termination Agent for any Generating/Terminated Unit with or without cause and at any time as the Administrative Committee may determine is in the best interests of the Participants on such terms as the Administrative Committee shall determine to be appropriate.   |
| #13 | 8A.1.7 | In the event of the removal, discharge or resignation of the Termination Agent for any Generating/Terminated Unit prior to the completion of the Termination Work for such unit, the Administrative Committee shall designate a successor Termination Agent and enter into or authorize the chairman of the Administrative Committee to enter into a written contract  |

with such successor Termination Agent containing such terms and conditions for the performance of Termination Work as the Administrative Committee shall have approved and specifying the obligations set forth in Section 8A.6.3 hereof.

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8A.1.8 The Administrative Committee shall delegate to the Termination Agent for each Generating1 Terminated Unit such authorities, duties and responsibilities as the Administrative Committee may determine to be appropriate and are consistent with this Participation Agreement and other Project Agreements. The delegation of such authorities, duties and responsibilities shall be in writing and incorporated in either (i) the contract with such Termination Agent which the Administrative Committee shall have approved pursuant to Section 8A.1.5 or 8A.1.7 hereof or (ii) the Termination Plan for such unit approved by the committee pursuant to Section 8A.1.9 hereof.

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8A.1.9 The Administrative Committee shall review and approve, modify or otherwise act upon the Recommended Termination Plan for each Generating/Terminated Unit submitted to it by the Termination Agent for such unit pursuant to Section 8A.6.2 hereof after giving due consideration to any recommendations or comments respecting such Recommended Termination Plan as may be submitted to it by such Termination Agent, the Operating Agent, the Engineering and Operating Committee, the Termination Funding Committee or the Auditing Committee. No changes shall be made to any Termination Plan so approved without the approval of the Administrative Committee.

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8A.1.10 The Administrative Committee shall, after considering any recommendations or comments as may be submitted to it by the Engineering and Operating Committee pursuant to Section 8A.2.6 hereof and the Termination Funding Committee pursuant to Section 8A.4.6 hereof, approve or otherwise act upon (i) the selection of the independent consultant which the Operating Agent proposes to engage to make an estimate of Termination Costs pursuant to Section 8A.5.8 hereof and (ii) any addition to, deletion from, or other change in any assumption specified in said section on which any such estimate shall be made.

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8A.1.11 In the event that all of the following shall occur:

(A) the Termination Funding Committee shall report to the Administrative Committee pursuant to Section 8A.4.5 hereof that (i) the deposits made or accumulations in the Termination Fund(s) of any Participant are not in compliance with the criteria and standards established by the Termination Funding Committee and (ii) as a result there is not reasonable assurance that the accumulations in such fund(s) will be

sufficient to meet such Participant's obligations under Section 8A.7.2.3 hereof;

(B) all members of the Administrative Committee other than the member representing any such Participant unanimously find (i) that such Participant is deficient in meeting its obligations under Section 8A.7.2.3 and (ii) that the measures which such Participant has committed to the other Participants to undertake are not sufficient to cure the deficiencies in a timely manner (hereinafter the "Deficiency Findings"); and

(C) such Participant has not cured the deficiencies within the Cure Period (i.e., the period commencing on the date on which the Deficiency Findings are made and ending on the later of (i) the date occurring six months after the date on which the Deficiency Findings are made or (ii) such other date as all members of the Administrative Committee other than the member representing such Participant shall unanimously designate) by making deposits in its Termination Fund(s) or by making commitments to do so in a timely manner acceptable to and approved by all members of the Administrative Committee other than the member representing such Participant;

then immediately upon the expiration of the Cure Period and without further action by the Administrative Committee or any Participant and irrespective of the pendency of any arbitration proceeding initiated to contest the Deficiency Findings:

(D) the Participant found to be deficient in meeting its obligations under Section 8A.7.2.3 (hereinafter the "Participant in Default") shall thereupon be deemed to be in default of its obligations under this Participation Agreement;

(E) the rights of the Participant in Default to be represented on and participate in the actions of all committees and to receive all or any part of its Generation Entitlement Share of the Net Energy Generation and available Generating Capability of all Generating Units shall thereupon be suspended until such time as (i)(a) the Termination Funding Committee shall find that the deposits and accumulations in the Termination Fund(s) of the Participant in Default have been brought into compliance with the criteria and standards established pursuant to Section 8A.4.4 hereof and there is reasonable assurance that the accumulations in such Termination Fund(s) will be sufficient to meet the obligations of the Participant in Default under Section 8A.7.2.3 hereof and (b) the Participant in Default shall have reimbursed each nondefaulting Participant for all Unrecovered Advanced Termination Costs, for all incidental costs [including, for example and without limitation, trust administration expenses, legal expenses, and costs of borrowing funds (but excluding interest and other financial charges in lieu of interest)] in-

curring by such nondefaulting Participant in connection with any Deficiency Deposits and Unrecovered Advanced Termination Costs and for interest accrued thereon as determined in accordance with paragraph (H) of this Section 8A.1.11, or (ii) a decision is rendered in any arbitration initiated by the Participant in Default determining that either of the Deficiency Findings was in error;

(F) Sections 23.5.1, 23.5.2, 23.5.3 (except as otherwise provided in paragraph (E) of this Section 8A.1.11) and 23.5.4 hereof shall thereupon become applicable to all Participants;

(G) if the Termination Fund(s) that is deficient is for a Generating Unit or Generating/Terminated Unit which has been removed from service on or before the end of the Cure Period, or which the Administrative Committee has determined to remove from service within two years after the end of the Cure Period, the Participant in Default shall thereupon be obligated to deposit in such Termination Fund(s) amount(s) which are equal to (a) its share of the most recent estimate of the Termination Costs for such unit obtained pursuant to Section 8A.5.8 hereof (adjusted for potential inflation of such costs, using the greater of the escalation factors established by NRC in 10 C.R 50.75(c)(2) or such other escalation factors as the Termination Funding Committee may establish, over the period expiring five years after the expiration date of the operating license for such unit) LESS (b) the sum of (i) the accumulation(s) in such fund(s) on the date the Cure Period ends and (ii) the estimated income that may be earned on the investment of all accumulations in such fund(s) over such period expiring five years after the expiration date of the operating license for such unit, using the estimated income factors established by the Termination Funding Committee; and

(H) in addition, the Participant in Default shall thereupon become liable and obligated to pay each nondefaulting Participant for all Unrecovered Advanced Termination Costs and all incidental costs such nondefaulting Participant incurs in connection with Deficiency Deposits and Unrecovered Advanced Termination Costs for the Participant in Default, including without limitation interest in the amount determined as hereinafter provided. The amount of interest for which a Participant in Default shall be liable for and pay to each nondefaulting Participant shall be equal to the aggregate amount of interest that would be obtained by multiplying (a) the daily rate of interest equivalent to the annual rate determined in accordance with Section 23.3 hereof by (b) the amount equal to the sum of (i) the aggregate amount of Deficiency Deposits, (ii) all Unrecovered Advanced Termination Costs, and (iii) the aggregate amount of all nonreimbursed incidental costs, if any, incurred by such nondefaulting Participant in connection with Deficiency Deposits and Unrecovered

Advanced Termination Costs, outstanding each day. Unrecovered Advanced Termination Costs and incidental costs incurred by a nondefaulting Participant in connection with Deficiency Deposits or Unrecovered Advanced Termination Costs shall be deemed to be nonreimbursed until such time as a Participant in Default has fully paid each nondefaulting Participant (i) its Unrecovered Advanced Termination Costs and such incidental costs and (ii) the interest due thereon.

- #13                      8A.1.12      The obligations imposed on a Participant in Default to make deposits pursuant to paragraph (G) of Section 8A.1.11 hereof shall not apply to any lessor in a sale and leaseback transaction of such Participant in Default permitted under clause (b) of Section 15.1.1 hereof (or any mortgagee, trustee or secured party under present and future deeds of trust, mortgages, indentures or security agreements of such lessor and any successor or assignee thereof, and any receiver, referee or trustee in bankruptcy or reorganization of such lessor and any successor by action of law or otherwise, and any purchaser, transferee or assignee of any thereof), which exercises its rights and assumes the obligations under Section 15.2.2 hereof, nor shall fulfillment of the Participant in Default's obligation to make such deposits be required as a condition for the restoration of the right to receive the Net Energy Generation and Available Generating Capability for the portion of the Generation Entitlement Share of such Participant in Default acquired by such lessor in such sale and leaseback transaction. Nothing contained in this Section 8A.1.12 shall change or modify any of the rights or obligations of a lessor under Section 15.2.2.
- #13                      8A.1.13      In respect of any default or breach by any Participant of any of its obligations under Section 8A or any suspension of the rights of such Participant as a result of such default or breach, to the extent that any provisions of Section 8A.1.11 hereof are inconsistent with any provision of Section 23 hereof, the provisions of Section 8A.1.11 shall prevail and apply.
- #13                      8A.2              Responsibilities of the Engineering and Operating Committee
- #13                      8A.2.1          In addition to those functions delegated to the Engineering and Operating Committee by Section 6.3 hereof and other provisions of this Participation Agreement, the Engineering and Operating Committee shall have the functions hereinafter set forth in this Section 8A.2 in connection with the permanent removal from service of each Generating Unit and the performance and completion of Termination Work for each Generating/Terminated Unit.
- #13                      8A.2.2          The Engineering and Operating Committee shall provide liaison between the Participants and the Termination Agent for each Generating-Terminated Unit in connection with the

technical aspects of the planning, performance and completion of the Termination Work for such unit.

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8A.2.3 The Engineering and Operating Committee shall work with, provide recommendations to and otherwise assist the Termination Agent for any Generating/Terminated Unit in the development of (i) the Recommended Termination Plan for such unit to be prepared by such Termination Agent pursuant to Section 8A.6.2 hereof and (ii) any changes which may be proposed to be made to the Termination Plan for such unit.

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8A.2.4 The Engineering and Operating Committee shall provide to the Administrative Committee recommendations of the Engineering and Operating Committee and any comments of any member thereof with respect to (i) the Recommended Termination Plan for each Generating/Terminated Unit submitted to the Administrative Committee by the Termination Agent for such unit and (ii) any changes which may be proposed to be made to the Termination Plan for such unit.

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8A.2.5 The Engineering and Operating Committee shall review and approve, modify or otherwise act upon the recommendations of the Termination Agent for any Generating/Terminated Unit with respect to the following items related to the performance of the Termination Work for such unit:

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8A.2.5.1 The annual budget for such Termination Work and any revisions thereof.

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8A.2.5.2 Forecasts of all expenditures projected to be required for the completion of all such Termination Work and any revisions of such forecasts.

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8A.2.5.3 Policies, procedures and practices applicable to the performance of such Termination Work. Such policies, procedures and practices shall be consistent with the Termination Plan for such Generating/Terminated Unit.

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8A.2.5.4 Reporting and recordkeeping of such Termination Work not provided for in the Termination Plan for such Generating/Terminated Unit.

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8A.2.5.5 The policies, criteria and procedures for (A) determining the amounts and scheduling delivery of Termination Power and Energy to be (i) procured by the Termination Agent from any source, including any Participant on such terms and conditions as are approved by the committee, or (ii) provided by each Participant and (B) scheduling deliveries of

Termination Power and Energy from the Participants as set forth in Section 5.8 hereof.

- #13                      8A.2.6     The Engineering and Operating Committee shall provide to the Administrative Committee recommendations and any comments of any members of the Engineering and Operating Committee with respect to the selection of the independent consultant which the Operating Agent proposes to engage to make an estimate of Termination Costs pursuant to Section 8A.5.8 hereof and any proposed addition to, deletion from, or other change in any assumption specified in said section on which any such estimate shall be made.
- #13                      8A.2.7     The Engineering and Operating Committee, after considering recommendations that the Operating Agent shall submit to the committee, shall determine and identify the common facilities associated with any Generating/Terminated Unit which are not required or useful for the operation or maintenance of any Generating Unit or other Generating/Terminated Unit.
- #13                      8A.2.8     The Engineering and Operating Committee shall perform such other functions and duties in connection with the Termination Work for any Generating/Terminated Unit as may be delegated to the committee by the Termination Plan for such unit or by the Administrative Committee.
- #13                      8A.3       Responsibilities of the Auditing Committee
- #13                      8A.3.1     In addition to those functions delegated to the Auditing Committee by Section 6.4 hereof and other provisions of the Participation Agreement, the Auditing Committee shall have the functions hereinafter set forth in this Section 8A.3 in connection with the permanent removal from service of each Generating Unit and the performance and completion of Termination Work for each Generating/Terminated Unit.
- #13                      8A.3.2     The Auditing Committee shall work with, provide recommendations to and otherwise assist the Termination Agent for each Generating/Terminated Unit in the development of (i) the accounting and auditing elements of the Recommended Termination Plan for such unit to be prepared by such Termination Agent pursuant to Section 8A.6.2 hereof and (ii) any changes which may be proposed to be made to any such elements of the Termination Plan for such unit.
- #13                      8A.3.3     The Auditing Committee shall provide to the Administrative Committee recommendations of the Auditing Committee and any comments of any member thereof with respect to (i) the Recommended Termination Plan for such Generating/Terminated Unit submitted to the Administrative Committee for approval by the Termination Agent for such unit and (ii) any changes which may be proposed to be made to the Termination Plan for such unit.

- #13                    8A.3.4      The Auditing Committee shall develop procedures for (i) the accounting and auditing of the Termination Costs for each Generating-Terminated Unit, (ii) the advancement by the Participants of funds required to pay such Termination Costs, (iii) the establishment of accounts for holding such funds as are advanced by the Participants, (iv) controls for the expenditures of such funds from such accounts and for any short-term investments of any funds in such accounts, (v) the preparation of budgets and forecasts of expenditures and requests for funds to be made by the Termination Agent for such unit, and (vi) the determination of any overhead formulas and rates incurred by such Termination Agent, which may be included in the written contract between the Administrative Committee and such Termination Agent pursuant to Section 8A.1.5 or 8A.1.7, all in accordance with good accounting practice and as are consistent with the Termination Plan for such unit.
- #13                    8A.3.5      The Auditing Committee shall audit or cause to be audited the books and records of the Termination Agent for each Generating/Terminated Unit and any contractor of such Termination Agent which may be relevant to the Termination Work for such unit.
- #13                    8A.3.6      The Auditing Committee shall perform such other functions and duties in connection with the Termination Work for any Generating-Terminated Unit as may be delegated to the committee by the Termination Plan for such unit or by the Administrative Committee.
- #13                    8A.4                    Responsibilities of the Termination Funding Committee
- #13                    8A.4.1      The Termination Funding Committee shall have the functions hereinafter set forth in this Section 8A.4 in connection with the permanent removal from service of each Generating Unit, the performance and completion of Termination Work for each Generating/Terminated Unit and the funding which the Participants are required to provide for payment of the Termination Costs for each Generating/Terminated Unit pursuant to Section 8A.7.2.3 hereof.
- #13                    8A.4.2      The Termination Funding Committee shall work with, provide recommendations to and otherwise assist the Termination Agent for each Generating/Terminated Unit in the development of (i) the financial and funding elements of the Recommended Termination Plan for such unit to be prepared by such Termination Agent pursuant to Section 8A.6.2 hereof and (ii) any changes which may be proposed to be made to any such elements of the Termination Plan for such unit.
- #13                    8A.4.3      The Termination Funding Committee shall provide to the Administrative Committee recommendations of the Termination Funding Committee and any comments of any member thereof with respect to (i) the Recommended Termination

Plan for such Generating/Terminated Unit submitted to the Administrative Committee for approval by the Termination Agent for such unit and (ii) any changes which may be proposed to be made to the Termination Plan for such unit.

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8A.4.4

Within six months after the date on which Amendment No. 13 shall become effective or such other date established by the Administrative Committee, the Termination Funding Committee shall establish criteria and standards, consistent with applicable law, including the rules and regulations of the NRC [including without limitation such discount factors, allowances for inflation, bases for estimating future net earnings on accumulations in the Termination Fund(s) of the Participants and other elements as may be appropriate to provide reasonable assurance that each Participant will accumulate in its Termination Fund(s) over the remaining license term (as specified in the original license issued for each Generating Unit authorizing fuel load and low power operation of such unit) sufficient funds to pay such Participant's share of the most current estimate of the Termination Costs of such unit) that will be used by the committee to determine whether or not the periodic deposits made by each Participant in its Termination Fund(s) have been adequate and the accumulations in its Termination Funds will be adequate to meet the requirements of Section 8A.7.2.3 hereof and to comply with applicable laws. At least once every three years the Termination Funding Committee shall review such criteria and standards and make such adjustments thereto as are warranted by the circumstances then existing or as may be required by applicable law. Additionally, the Termination Funding Committee shall establish the format, content and time for submission of the funding status reports and certificates that Participants are required to submit pursuant to Section 8A.7.2.4 hereof.

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8A.4.5

The Termination Funding Committee shall review the reports submitted by each Participant pursuant to Section 8A.7.2.4 hereof and report to the Administrative Committee whether or not (i) the deposits made by each Participant in its Termination Fund(s) and the accumulations therein are in compliance with the criteria and standards established pursuant to Section 8A.4.4 hereof, and (ii) there is reasonable assurance that the accumulations in such Participant's Termination Funds will be sufficient to meet obligations under Section 8A.7.2.3 hereof. In the event all members of the Termination Funding Committee other than the member representing any Participant whose report made pursuant to Section 8A.7.2.4 is under consideration conclude (i) that such deposits and accumulations in the Termination Fund(s) of such Participant are not in compliance with the committee's criteria and standards and (ii) that as a result there is not reasonable assurance that the accumulations in such Termination Fund(s) will be sufficient to meet such Participant's obligations under Section 8A.7.2.3 hereof, then the Termination

Funding Committee shall report such conclusions to the Administrative Committee and provide the Administrative Committee with recommendations unanimously adopted by all members of the Termination Funding Committee other than the member representing such Participant as to any corrective measures such Participant should be required to make in a timely manner to cure such noncompliance or to establish such reasonable assurance.

#13                      8A.4.6      The Termination Funding Committee shall provide to the Administrative Committee recommendations and any comments of any members of the Termination Funding Committee with respect to any proposed addition to, deletion from, or other change in the assumptions specified in Section 8A.5.8 hereof on which any estimate of Termination Costs shall be made.

#13                      8A.4.7      Within six months after the date on which Amendment No. 13 shall become effective or such other date established by the Administrative Committee the Termination Funding Committee shall establish and from time to time thereafter review and modify as may be appropriate the policies, criteria and formulas to be used to determine the aggregate amount of net income that shall be deemed to have been earned as part of Deficiency Deposits.

#13                      8A.4.8      The Termination Funding Committee shall perform such other functions and duties in connection with the Termination Work for any Generating/Terminated Unit as may be delegated to the committee by the Termination Plan for such unit or by the Administrative Committee.

#13                      8A.5          Responsibilities of the Operating Agent

#13                      8A.5.1      In addition to those functions delegated to the Operating Agent by Section 8 hereof and other provisions of this Participation Agreement, the Operating Agent shall have the functions hereinafter set forth in this Section 8A.5 in connection with the permanent termination of operation and removal from service of each Generating Unit and the performance and completion of Termination Work for each Generating/Terminated Unit.

#13                      -8A.5.2      The Operating Agent shall maintain all records and documents required by the NRC, any other regulatory authority or other applicable law or by the Engineering and Operating Committee or which the Operating Agent shall determine in its discretion may facilitate the performance of Termination Work for each Generating/Terminated Unit.

#13                      8A.5.3      The Operating Agent shall make available to the Termination Agent for each Generating/Terminated Unit all of the records and documents in its possession respecting the design, engineering, construction and operation of such unit and the

common facilities associated with the operation of such unit and records of any event or incident as may have occurred during the operation of such unit or facilities, and otherwise cooperate with such Termination Agent in the performance of the Termination Work for such unit, including without limitation cooperation by making available employees who, as determined by the Operating Agent in its sole discretion, are not key employees for the operation or maintenance of any Generating Unit or Generating/Terminated Unit, for temporary loan or temporary or permanent employment by the Termination Agent as the Termination Agent may request.

- #13                      8A.5.4      The Operating Agent shall retain the responsibility under this participation Agreement for the operation, maintenance and status of each Generating/Terminated Unit and for all work performed on such unit until the OA Discharge Date for such unit.
- #13                      8A.5.5      On the OA Discharge Date for each Generating/Terminated Unit, the Operating Agent shall turn over to the Termination Agent for such unit (i) the responsibility, as set forth in this Section 8A, for the status of and the performance of Termination Work on such unit and any associated common facilities which the Engineering and Operating Committee shall have determined pursuant to Section 8A.2.7 hereof are not required or useful for the operation or maintenance of any Generating Unit or other Generating/Terminated Unit and (ii) all records and documents pertaining to such unit and such associated common facilities which are not required by the Operating Agent in the performance of its duties under this Participation Agreement or as licensee of any Generating Unit or other Generating/Terminated Unit. All Termination Work, other than planning or work associated with securing required regulatory approvals or authorizations for such work, conducted by such Termination Agent at the Nuclear Plant Site prior to the OA Discharge Date for such unit shall be conducted under the direction of the Operating Agent.
- #13                      8A.5.6      Prior to the OA Discharge Date of the last Generating/Terminated Unit to be terminated, the Operating Agent shall have the exclusive responsibility for the disposition of Nuclear Fuel acquired for or used in any Generating Unit. Thereafter, the Termination Agent for such unit shall have the exclusive responsibility for the disposition of any Nuclear Fuel not disposed of prior to such OA Discharge Date.
- #13                      8A.5.7      On or about the OA Discharge Date for each Generating/Terminated Unit, the Operating Agent shall assign to the Termination Agent for such Generating/Terminated Unit any outstanding contract which (i) such Termination Agent shall request be assigned and (ii) the Operating Agent shall determine in its sole discretion is not required or useful in the operation or maintenance of any Generating Unit or any

other Generating/Terminated Unit for which the Operating Agent is the operating licensee. Any such assignment shall not become effective until such OA Discharge Date. With respect to any such contract which requires the consent to the assignment of other contracting parties, the Operating Agent shall use its best efforts to obtain such consents prior to any assignment thereof.

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8A.5.8

Unless otherwise directed by the Administrative Committee, the Operating Agent, in order to develop the level of funding for each Participant as provided in Section 8A.7.2.3 hereof, shall procure from a qualified independent consultant, approved by the Administrative Committee pursuant to Section 8A.1.10 hereof, once every three years an estimate in then current year dollars of the Termination Costs for each Generating Unit. Unless otherwise directed by the Administrative Committee, such estimate shall be based upon the prompt removal/dismantling of each Generating/Terminated Unit and restoration of the Nuclear Plant Site to approximately original condition. Unless otherwise directed by the Administrative Committee, the estimate shall be based on a site specific decommissioning study (versus a generic cost estimate) and shall be based on the assumptions that (i) all radioactive structures, facilities and equipment shall be decontaminated or removed and disposed of as required by applicable law, (ii) all radioactive wastes, fluids or materials which have activities above accepted unrestricted activity levels shall be disposed of as required by applicable law, (iii) all structures, facilities and equipment shall be safely removed from the Nuclear Plant Site, (iv) the Nuclear Plant Site will be restored to an approximately pre-construction (original) condition, (v) the structures, facilities, equipment and materials to be disposed of shall have no salvage value, and (vi) such other circumstances, factors and conditions as the independent consultant shall deem to be prudent and reasonable to assume. The development of estimates as provided in this Section 8A.5.8 on the basis of the

foregoing or any other assumptions is intended to be used solely for establishing the level of funding which the Participants are required to provide pursuant to Section 8A.7.2.3 and is not intended to create any obligation or commitment to perform or conduct Termination Work in compliance with such assumptions.

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8A.5.9

Within 30 days after the receipt of each estimate of Termination Costs procured pursuant to Section 8A.5.8 hereof, the Operating Agent shall send a copy thereof to each Participant, together with a report setting forth for each Participant (i) its share of such estimate which it is required to fund pursuant to Section 8A.7.2.3 hereof, (ii) the amount of such share which remains to be funded based upon the most recent annual report which such Participant shall have furnished to the Termination Funding Committee and the Operating Agent pursuant to Section 8A.7.2.4 hereof and

(iii) such other information as the Administrative Committee, the Engineering and Operating Committee, the Termination Funding Committee or the Auditing Committee may request.

- #13                    8A.5.10    The Operating Agent shall prepare and file with the NRC all reports respecting the Decommissioning of each Generating Unit required to be filed at any time prior to the filing of an application to the NRC for authority to surrender the license for such unit.
- #13                    8A.5.11    Until the Unit Termination Date of the last Generating/Terminated Unit to be permanently removed from service pursuant to Section 8A.1.3, the Operating Agent shall perform all work required (i) to operate and maintain such unit and the common facilities that the Operating Agent determines shall remain in service for the operation or maintenance of any Generating Unit or other Generating/Terminated Unit and (ii) to disconnect and isolate any common facilities associated with any Generating-Terminated Unit that are to be permanently removed from service.
- #13                    8A.5.12    The Operating Agent shall cooperate with the Termination Agent for each Generating/Terminated Unit in the performance of Termination Work for such unit and shall provide to such Termination Agent such recommendations and comments as the Operating Agent deems appropriate in the development of (i) the Recommended Termination Plan for such unit to be prepared by such Termination Agent pursuant to Section 8A. 6.2 hereof and (ii) any changes which may be proposed to be made to the Termination Plan for such unit.
- #13                    8A.5.13    The Operating Agent shall provide to the Administrative Committee such recommendations and comments as may be appropriate with respect to (i) the Recommended Termination Plan for each Generating/Terminated Unit submitted to the Administrative Committee by the Termination Agent for such unit and (ii) any changes which may be proposed to be made to the Termination Plan for such unit.
- #13                    8A.5.14    The Operating Agent shall perform such other duties, responsibilities and obligations in respect of any Generating/Terminated Unit which may be assigned to it by the Administrative Committee.
- #13                    8A.5.15    All work performed by the Operating Agent pursuant to this Section 8A.5, excluding Section 8A.5.14, shall be deemed to be Operating Work, and the costs therefor shall be shared, funded and budgeted in the same manner as the costs for all other Operating Work. Work undertaken pursuant to Section 8A.5.14 shall be deemed to be either Operating Work or Termination Work as the Administrative Committee shall

determine, and the costs therefor shall be shared, funded and budgeted in the same manner as the costs for all other Operating Work or Termination Work as the case may be.

#13                    8A.5.16    The Operating Agent shall cooperate with the Participants in connection with the preparation of regulatory filings addressing Decommissioning and Termination Costs.

#13                    8A.6        Responsibilities of the Termination Agent

#13                    8A.6.1     The Termination Agent for each Generating/Terminated Unit shall be the entity designated by the Administrative Committee pursuant to Section 8A.1 hereof. The Participants hereby appoint such Termination Agent as their agent, and the Termination Agent shall undertake as their agent to perform Termination Work for such unit and to carry out the duties and responsibilities as (i) hereinafter set forth, (ii) set forth in the Termination Plan for such unit or (iii) may be delegated to it by the Administrative Committee pursuant to Section 8A.1 hereof.

#13                    8A.6.2     The Termination Agent for each Generating/Terminated Unit shall develop, submit and recommend to the Administrative Committee a Recommended Termination Plan for such unit. Such plan shall be developed and submitted in a timely manner to permit compliance with the requirements of the NRC and any other regulatory authority which shall have jurisdiction with respect to the performance of the Termination Work for such unit or any elements thereof. In developing such Recommended Termination Plan the Termination Agent shall consult with the Engineering and Operating Committee, Auditing Committee, Termination Funding Committee and the Operating Agent as set forth in Sections 8A.2.3, 8A.3.2, 8A.4.2 and 8A.5.12 hereof, respectively, and incorporate or otherwise resolve their respective recommendations or comments respecting such plan. Unless the Administrative Committee shall otherwise direct, such Recommended Termination Plan shall include the following elements:

#13                    8A.6.2.1    With respect to the Termination Work to be undertaken for such unit, (i) a definition and description of the scope of such work, (ii) a milestone schedule for the performance and completion of such work, (iii) an estimate of the costs for such work, (iv) a forecast of cash requirements for such work, (v) a description of the schedule and cost control systems to be utilized in the management of such work, and (vi) a description of the quality assurance program to be applied to such work.

#13	8A.6.2.2	A description of the Termination Agent's organization and the resources required to perform and complete the Termination Work.
#13	8A.6.2.3	The procurement policies and practices to be followed in procuring any Materials and Supplies, equipment or services required or useful in the performance of the Termination Work.
#13	8A.6.2.4	A description of any discrete portions of the Termination Work to be performed by third parties under contracts with the Termination Agent, including policies and procedures to be used in soliciting and evaluating proposals and awarding contracts for such discrete portions.
#13	8A.6.2.5	The procedures developed by the Auditing Committee pursuant to Section 8A.3.4 hereof.
#13	8A.6.2.6	A description of the records management system(s) to be used.
#13	8A.6.2.7	Identification of property expected to have salvage value and a description of the policies and practices to be adopted to realize the maximum salvage value for such property.
#13	8A.6.2.8	Provisions to be made for the disposition of common facilities not required or useful in the operation or maintenance of any Generating Unit or Generating/Terminated Unit or in the conduct of any Termination Work.
#13	8A.6.2.9	Policies and procedures to be utilized in the disposition of any ANPP property as part of the Termination Work.
#13	8A.6.2.10	A description and evaluation of reasonable and practical alternatives for the performance of Termination Work.
#13	8A.6.2.11	Identification of regulatory authorizations, permits, licenses or approvals which must be obtained under applicable laws to perform and complete the Termination Work.
#13	8A.6.2.12	A description of the Termination Insurance to be procured and maintained.
#13	8A.6.2.13	Such other matters as may be required by the NRC or any other regulatory authority which

shall have jurisdiction with respect to the performance of the Termination Work or any elements thereof.

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| #13 | 8A.6.2.14 | Any other elements which the Administrative Committee may require.   |
| #13 | 8A.6.3    | The Termination Agent for each Generating/Terminated Unit shall:   |
| #13 | 8A.6.3.1  | Administer, enforce and perform the Termination Work for such unit so as to comply with the Termination Plan for such unit and the Project Agreements in a manner consistent with generally accepted practices in the electric utility industry recognizing that such practices may be affected by unique characteristics of ANPP, the rights and obligations of the Participants under the Project Agreements and other special circumstances affecting the Termination Work for such unit. |
| #13 | 8A.6.3.2  | Subject to the provisions of the Termination Plan and the Project Agreements, furnish from its own resources or contract for and obtain from any other sources, including any Participant, the services and studies necessary for performance of Termination Work for such unit.   |
| #13 | 8A.6.3.3  | Execute, administer, perform and enforce contracts authorized pursuant to the Termination Plan for such unit including warranties and other remedies provided therein, in the name of such Termination Agent, acting as agent for all of the Participants, for Termination Work for such unit.   |
| #13 | 8A.6.3.4  | Keep the Participants fully and promptly informed of any known default of the Project Agreements and submit to the Participants any recommendations for amendments of the Project Agreements.  |
| #13 | 8A.6.3.5  | Prepare recommendations covering the matters which are to be reviewed and acted upon by the Administrative Committee pursuant to Section 8A.1 hereof, by the Engineering and Operating Committee pursuant to Section 8A.2 hereof, by the Auditing Committee pursuant to Section 8A.3 hereof, by the Termination  |

nation Funding Committee pursuant to Section 8A.4 hereof or by the Operating Agent pursuant to Section 8A.5 hereof.

#13

8A.6.3.6

Carry out and follow the practices and procedures and directions which have been incorporated in the Termination Plan for such unit or have been approved and issued by the Administrative Committee, the Engineering and Operating Committee, the Termination Funding Committee or the Auditing Committee pursuant to Section 8A hereof or any other Project Agreement.

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8A.6.3.7

Consistent with the criteria and guidelines approved by the Administrative Committee pursuant to Section 6.2.12 hereof, sell, transfer and convey or otherwise dispose of for and on behalf of all Participants to any entity, including without limitation the Operating Agent, the Termination Agent or any Participant, ANPP property, including any and all equipment or material acquired for use in the performance of Termination Work for such unit, to the extent required or contemplated by, and in a manner that complies with the Termination Plan for such unit or as otherwise directed by the Administrative Committee; provided that prior to the effective date of any such sale, transfer or conveyance the Operating Agent shall have determined that such equipment or material is no longer used or useful for ANPP. Such property shall be sold, transferred or conveyed or otherwise disposed of only on an "as is" basis without any representation or warranty as to quality, condition or fitness for any purpose unless the Administrative Committee shall otherwise authorize and direct. The net proceeds, if any, received from any such sale, transfer, conveyance or other disposal of such equipment or material (after deduction of all costs associated with such sale, transfer, conveyance or other disposal, including without limitation the costs of removal, preparation and delivery of such equipment and material for sale, transfer, conveyance or other disposal) shall be allocated to the Participants in proportion to their respective Generation Entitlement Shares in such unit and such allocation shall be credited or distributed only to the Participants who are not in default of any obligation under any Project Agreement; such allocation of any Participant who is in default

of any obligation under any Project Agreement shall not be credited or distributed to such Participant until each such default is cured, and the Termination Agent shall hold such allocation of the Participant in default as the Administrative Committee shall direct.

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| #13 | 8A.6.3.8  | Purchase, rent or otherwise procure in accordance with procurement policies and procedures established by the Termination Plan for such unit, in the name of the Participants as tenants in common with undivided interests in accordance with their respective Generation Entitlement Shares, the equipment, apparatus, machinery, tools, Materials and Supplies necessary for the performance of Termination Work for such unit.   |
| #13 | 8A.6.3.9  | Administer, perform and enforce all other contractual obligations and arrangements respecting the Generating/Terminated Unit, including all warranties applicable thereto, which were (i) entered into by the Operating Agent and continue beyond the OA Discharge Date of the last Generating Unit to be permanently removed from service, and (ii) assigned to and assumed by the Termination Agent.                               |
| #13 | 8A.6.3.10 | Comply with (i) any and all laws applicable to the performance of Termination Work for such unit, including without limitation all applicable laws, rules and regulations relating to the public health and safety, industrial safety, protection of the environment, workers' compensation laws, and nondiscriminatory employment practices; and (ii) the terms and conditions of any contract, permit or license relating to ANPP. |
| #13 | 8A.6.3.11 | Receive, deposit, invest and expend the funds advanced to the Termination Agent in accordance with the Termination Plan for such unit and the policies, procedures and practices established by the Auditing Committee.  |
| #13 | 8A.6.3.12 | Keep and maintain such records of monies received and expended, obligations incurred, credits accrued, the conduct of Termination Work for such unit, and of contracts entered into in the performance of such Termination Work as may be necessary or useful in carrying out Project Agreements or required to  |

permit an audit of such Termination Work, and make such records available for inspection by any Participant, the Auditing Committee, the NRC and any other regulatory authority which shall have jurisdiction with respect to the performance of the Termination Work.

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| #13 | 8A.6.3.13 | Not suffer any liens to remain in effect unsatisfied against ANPP (other than the liens permitted under the Project Agreements, liens for taxes and assessments not yet delinquent, liens for labor and material not yet perfected or undetermined charges or liens incidental to the performance of the Termination Work for such unit); provided that such Termination Agent shall not be required to pay or discharge any such lien as long as the Termination Agent in good faith shall be contesting the same, which contest shall operate during the pendency thereof to prevent the collection or enforcement of such lien so contested.   |
| #13 | 8A.6.3.14 | Arrange for the placement and maintenance of Termination Insurance as provided in Section 8A.8.4 hereof.  |
| #13 | 8A.6.3.15 | Assist any insurer in the investigation, adjustment and settlement of any loss or claim covered by Termination Insurance.   |
| #13 | 8A.6.3.16 | Present and prosecute claims against insurers and indemnitors providing Termination Insurance or indemnities in respect of any loss of or damage to any property of ANPP or liability of any Participant to third parties covered by any indemnity agreement, and to the extent that any such loss, damage or liability is not covered by Termination Insurance or by any indemnity agreement, present and prosecute claims therefor against any parties who may be liable therefor. In the event the cost of repair, replacement or correction of such loss or damage arising out of a single incident or event exceeds \$250,000, such Termination Agent shall not make any settlement of any claims in respect thereof without the consent and approval of the Administrative Committee. |
| #13 | 8A.6.3.17 | Subject to the provisions of Section 21 hereof and except as otherwise provided in the Termination Plan for such unit or directed by the Administrative Committee or as here-   |

inafter provided in this Section 8A.6.3.17, investigate, adjust, defend and settle claims against any or all Participants or the Termination Agent arising out of or attributable to Termination Work for such unit, or the past or future performance or nonperformance of the obligations and duties of any Participant or the Termination Agent related to such Termination Work for such unit under or pursuant to this Participation Agreement, including but not limited to any claim resulting from death or injury to persons or damage to property, when said claims are not covered by valid and collectible Termination Insurance carried by any Participant, and whenever and to the extent reasonable present and prosecute claims against any third party, including insurers, for any costs, losses and damages incurred in connection with said claims. The approval of the Administrative Committee shall be obtained by such Termination Agent before any said claim or combination of said claims against any or all Participants or such Termination Agent arising out of the same transaction or incident is settled for more than \$250,000 unless the entire amount of the settlement in excess of \$250,000 is recoverable from an insurer providing Termination Insurance.

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8A.6.3.18

Keep the Participants fully and promptly advised of material changes in conditions or other material developments affecting the performance of Termination Work for such unit and furnish the Participants with copies of any notices given or received pursuant to the Project Agreements.

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8A.6.3.19

Provide the Administrative, Engineering and Operating, Termination Funding and Auditing Committees with written statistical and administrative reports, accounting records, written budgets and such other information and records relating to Termination Work for such unit which any of such committees shall request.

#13

8A.6.3.20

Determine, in accordance with policies, criteria and procedures established by the Engineering and Operating Committee pursuant to Section 8A.2.5.5 hereof, and keep the system dispatcher of each Participant advised of, Termination Power and Energy to be pro-

vided by such Participant pursuant to Section 5.8 hereof.

- #13                      8A.6.3.21      Upon the request of any Participant, provide such Participant, in reasonable quantity without direct charge therefor, a copy or copies of any report, record, list, budget, manual, accounting or billing summary, classification of accounts or other documents or revisions of any of the aforesaid items, all as prepared in accordance with this Participation Agreement.
- #13                      8A.6.3.22      Establish and implement a quality assurance program to be followed in the performance of Termination Work for such unit, which shall, at a minimum, fully meet the requirements of the NRC.
- #13                      8A.6.3.23      Take custody of and maintain a suitable recovery system for all records received from the Operating Agent and provide any Participant access to such records as may be reasonably requested.
- #13                      8A.6.4          The Termination Agent for each Generating/Terminated Unit shall be responsible for (A) preparing and filing the preliminary decommissioning plan and any other reports, notices or documents required to be filed by the NRC or any other regulatory authority or other applicable law which have not been previously prepared and filed by the Operating Agent, and (B) preparing, filing and prosecuting the application to the NRC for the transfer of the NRC license then in effect for such unit from the Operating Agent to the Termination Agent and for the surrender of such license and for obtaining and continuing in effect all licenses, permits and authorizations required by applicable law to (i) perform Termination Work for such unit, (ii) release any effluents and (iii) store, ship or dispose of Nuclear Fuel not disposed of by the Operating Agent and any radioactive or nonradioactive wastes. Such Termination Agent shall furnish each Participant with copies of all documents submitted and all licenses, permits and authorizations received and shall otherwise keep each Participant informed of the status of all licenses, permits and authorizations in effect and any pending or proposed applications therefor or for changes thereto. Each Participant shall cooperate with such Termination Agent in the preparation, submission and execution of such information, records, statements or other material required to surrender such NRC license or to obtain and continue in effect any such licenses, permits or authorizations and any changes thereto.
- #13                      8A.6.5          A representative of the Termination Agent for any Generating/Terminated Unit who is not a Participant shall attend

meetings of the Administrative Committee, the Engineering and Operating Committee, the Termination Funding Committee and the Auditing Committee and provide information to such committees as the respective chairmen thereof may request, but shall have no right to vote on any matter pending before any of such committees.

#13                    8A.6.6    The Termination Agent for each Generating/Terminated Unit shall cooperate with the Operating Agent in the conduct of the Termination Work for such unit and shall not Permit such Termination Work to interfere with any Operating Work conducted by the Operating Agent.

#13                    8A.6.7    The Termination Agent for each Generating/Terminated Unit shall cooperate with the Participants in connection with the preparation of filings with any regulatory or taxing authority concerning Decommissioning, Termination Costs or Termination Work.

#13                    8A.7.    Responsibilities of Participants

#13                    8A.7.1    In addition to those duties, responsibilities and obligations imposed upon the Participants by other provisions of this Participation Agreement, the Participants shall have the following duties, responsibilities and obligations in respect of the permanent termination of operation and removal from service of each Generating Unit and the Termination Work associated therewith.

#13                    8A.7.2    Each Participant has the duty, responsibility and obligation to:

#13                    8A.7.2.1    Pay its share, equal to its Generation Entitlement Share, of all Termination Costs for each Generating/Terminated Unit and all liabilities and obligations associated with or at any time arising from or in connection with the Termination Work for such unit.

#13                    8A.7.2.2    Establish, not later than June 15, 1990, and maintain Termination Fund(s) for the accumulation of funds over a period not in excess of the remaining term of the operating license for each Generating Unit and the period thereafter until completion of the Termination Work for such unit in the amount or amounts, singly if only one such fund is established and maintained or collectively if more than one such fund is established and maintained, that meet the regulatory requirements of the NRC and the requirements of this Participation Agreement. Such Participant shall designate the Generating Unit or Units for which each of its Termination

Fund(s) is established and maintained. Each such Termination Fund shall be held by an Independent Trustee in trust for the following purposes and no others: (i) the payment of the costs of managing and investing such Termination Fund(s), administering the trust(s) in which Termination Fund(s) are held, including without limitation legal, accounting, actuarial and trustee expenses, and taxes, if any, levied upon such Termination Fund(s) or any investment income derived therefrom; (ii) the payment of such Participant's share, determined pursuant to Sections 8A.7.2.1 and 23.5.1 hereof, of the Termination Costs of the Generating Units designated by such Participant; and (iii) any payment to such Participant as may be permitted by Section 8A.7.2.8 or 35.7.1.2 hereof.

#13

8A.7.2.3

Make deposits at least annually (unless such annual deposits have been prepaid) and maintain accumulations in its Termination Fund(s) in amounts which, together with future deposits and estimated net earnings on accumulations in such fund(s), will be sufficient to pay its pro rata share of the greater of (i) the latest estimate of the Termination Costs for each Generating Unit as determined pursuant to Section 8A.5.8 hereof or (ii) the minimum amount(s) required by the NRC. Such pro rata share of each Participant shall be equal to the sum of (A) its Generation Entitlement Share and (B) its share of the Generation Entitlement Share of a defaulting Participant as determined pursuant to Section 23.5.1 hereof.

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8A.7.2.4

Each Participant shall provide annual funding status reports of its Termination Fund(s) for each Generating Unit in accordance with the form, content and schedule established pursuant to Section 8A.4.4 hereof to the Termination Funding Committee and the Operating Agent. In addition to such annual funding status reports, on the written request of any member of the Administrative Committee made to all other members of such committee for reasonable cause (e.g., changes in market conditions that could significantly affect the value of the Termination Fund(s) of one or more of the Participants) each Participant shall provide special funding status reports in the same form and content as annual funding status reports to the Termination Funding

Committee and the Operating Agent; provided that special funding status reports shall not be required more frequently than once in any calendar quarter. Concurrently with the submittal of each such annual and special funding status report, each Participant shall provide each other Participant with a certificate, in the form established by the Termination Funding Committee pursuant to Section 8A.4.4 and signed by an officer of such Participant, to the effect that the trust agreement(s) and/or all other instruments establishing or affecting its Termination Fund(s) comply with Section 8A.7.2.2 hereof and all other provisions of this Participation Agreement. Concurrently, with the first annual report submitted by each Participant and the first annual report submitted by such Participant after any amended or new trust agreement(s) become effective, such Participant shall furnish each other Participant a letter of opinion of counsel with respect to the matters set forth in Section 8A.7.2.2 hereof and to the effect that such trust agreement(s) are not inconsistent with this Participation Agreement. Such opinion may rely upon calculations provided by such Participant with respect to any determination of amounts required to be accumulated and expected future accumulations.

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## 8A.7.2.5

Advance funds or cause funds to be advanced to the Termination Agent of any Generating/Terminated Unit for the payment of Termination Costs for such unit in the manner provided in the Termination Plan for such unit or procedures established by the Auditing Committee pursuant to Section 8A.3.4 hereof.

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## 8A.7.2.6

Provide to the Operating Agent or the Termination Agent of any Generating/Terminated Unit such certificates, documentation or other information as may be required to permit the Operating Agent or such Termination Agent to prepare and file any application with or report to the NRC or any other regulatory authority.

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## 8A.7.2.7

Provide its share, equal to its Generation Entitlement Share, of the Termination Power and Energy not otherwise provided pursuant to Section 5.8 hereof which is required for

Termination Work for each Generating/Terminated Unit.

- #13                      8A.7.2.8              Nothing in this Participation Agreement shall preclude any Participant from withdrawing any funds from its Termination Fund(s) in excess of the accumulation(s) it is required to maintain therein at any time by Section 8A.7.2.3 hereof or from adjusting its deposits in such fund(s) to reduce any such excess.
- #13                      8A.7.2.9              Each Participant shall cooperate with the Termination Agent and lend such assistance in the performance of Termination Work as the Termination Agent shall reasonably request and such Participant can reasonably perform upon such terms and conditions as are acceptable to such Participant and the Engineering and Operating Committee.
- #13              8A.8              **General Provisions**
- #13                      8A.8.1              The agreement between the Participants and the Termination Agent in respect of any Generating/Terminated Unit executed pursuant to Section 8A.1.5 or 8A.1.7 and all contracts between such Termination Agent and any third party for or in the performance of Termination Work for such unit are Project Agreements.
- #13                      8A.8.2              In the event the Termination Agent in respect of one or more Generating/Terminated Unit is a Participant, then on and after the OA Discharge Date of the last Generating Unit to be permanently removed from service, the chairman of the Administrative Committee, the Engineering and Operating Committee, the Termination Funding Committee and the Auditing Committee, respectively, shall be a representative of such Participant. In the event the Termination Agent of any Generating/Terminated Unit is not a Participant, then on and after the OA Discharge Date of the last Generating Unit to be permanently removed from service, the chairman of the Administrative Committee, the Engineering and Operating Committee, the Termination Funding Committee and the Auditing Committee, respectively, shall be the representative of a Participant of each such committee selected by a majority of the members thereof. Any chairman so selected may be removed and replaced by a majority of the members of such committee.
- #13                      8A.8.3              The provisions of Section 16 hereof shall not apply in respect of any Generating/Terminated Unit.
- #13                      8A.8.4              Unless otherwise specified by the Administrative Committee, the Termination Agent in respect of each Generat-

ing/Terminated Unit shall procure and maintain in force, or cause to be procured and maintained in force, Termination Insurance against such risks, hazards and perils in such amounts and with such deductibles as may be required (i) by applicable laws, (ii) by the Termination Plan for such unit and (iii) as otherwise directed by the Administrative Committee.

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8A.8.5 Except as provided in Section 8A.6.4 hereof, each Participant shall be responsible for obtaining, at its own expense, its required authorizations and approvals, if any, relating to its participation in the Termination Work of each Generating/Terminated Unit and to its performance of the provisions of the Project Agreements, from Federal, state or local regulatory authorities having jurisdiction to issue such authorizations and approvals, and each Participant shall keep such Termination Agent informed of the status of its applications therefor.

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8A.8.6 Title to all equipment, apparatus, machinery, tools, Materials and Supplies purchased for the performance of Termination Work shall vest on delivery in the Participants as tenants in common with undivided interests in accordance with their respective Generation Entitlement Shares.

## 9 INTERCONNECTIONS AND TRANSMISSION LINES:

9.1 Power and Energy generated by ANPP shall be delivered to the Participants by means of (i) one or more ANPP High Voltage Switchyard(s) to be constructed on the Nuclear Plant Site and (ii) such high voltage transmission lines as the Participants or any of them shall determine to construct, operate and maintain to interconnect ANPP with either existing or planned transmission systems owned or to be owned, and operated, by one or more Participants or any other party with whom any Participant has or will have a right to interconnect.

9.2 The Participants shall establish one or more task groups or committees to study, plan and coordinate transmission and interconnection arrangements suitable for delivery to the Participants of Power and Energy generated by ANPP and necessary to satisfy the transmission requirements of the Participants. Such group(s) shall further develop such transmission and interconnection agreements as may be appropriate, including without limitation an agreement governing the ownership, construction, operation and maintenance of the ANPP High Voltage Switchyard(s) which, unless otherwise agreed by all Participants, shall meet the principles established in and be otherwise consistent with Appendix I attached hereto and made a part hereof.

9.3 Since the Arizona Nuclear Power Project will interconnect the systems of the Participants, such interconnections shall be governed by the Principles of Interconnected Operation for Four Corners Interconnection Agreement attached as Appendix J hereto to the extent applicable and the Participants agree to proceed with due diligence to enter into a more definitive interconnection agreement for implementing said principles.

10. CONSTRUCTION COSTS:

- 10.1 Construction Costs of ANPP shall include all payments made and obligations incurred by the Project Manager for or in connection with Construction Work, including but not limited to those costs specified in Appendix D attached hereto and in Section 10.2 hereof.
- 10.2 Construction Costs shall also include the costs incurred by any Participant in developing ANPP prior to or after the effective date of this Participation Agreement, including (i) the costs incurred in preparation of this Participation Agreement and negotiation and preparation of other Project Agreements and the costs of studies associated therewith, (ii) the costs incurred or contributed by any Participant to make the studies and reports conducted and prepared by Arizona Nuclear Resource Study Group to investigate the feasibility of constructing and operating a nuclear power station in Arizona, and (iii) the costs incurred or contributed by any Participant in connection with the preparation of the Preliminary Evaluation Study for Nuclear Dual Purpose Plants in Southwest Arizona, dated June, 1972, and all studies associated therewith.
- 10.3 All Construction Costs shall be shared by the Participants in proportion to their respective Generation Entitlement Shares and shall be advanced by them and disbursed and accounted for by the Project Manager in accordance with Section 12 hereof.

#11 10A. START-UP AND PRE-OPERATION COSTS:

- #11 10A.1 For the purposes of computing the allowance for start-up and pre-operation administrative and general expenses beginning on October 1, 1984, and through the Date of Firm Operation of each respective Generating Unit, Start-Up and Pre-Operation Costs of ANPP for each Generating Unit, including its one-third share of common facilities, shall consist of all payments made and obligations incurred by the Project Manager and Operating Agent as follows:
  - #11 10A.1.1 Costs of pre-operational Operating Work, as such costs are described within Appendix G, Section G.7.1;
  - #11 10A.1.2 Costs of training personnel for Operating Work, as such training expenses are described within Appendix G, Section G.7.3 and G.7.4;
  - #11 10A.1.3 Costs of all operation and maintenance performed by any contractor.
- #11 10A.2 Start-Up and Pre-Operational Costs shall not receive an allowance for administrative and general expenses except as provided pursuant to Appendix L, attached hereto and made a part hereof.

11. OPERATION AND MAINTENANCE COSTS:

- 11.1 Operation and maintenance costs of ANPP shall include all payments made and obligations incurred by the Operation [Operating] Agent for or in connection with the performance of Operation [Operating] Work, in-

cluding (i) those costs of Operating Work specified in Appendix E attached hereto, (ii) those costs specified in Section 13 hereof to the extent any tax or payment in lieu thereof is levied against a Participant in behalf of all of the Participants, and in Section 19 hereof (excluding workmen's compensation expense for the Operating Agent's employees), (iii) those costs and expenses described in Section 21.3 hereof, and (iv) all costs, including option payments, for wastewater effluent under Agreement No. 13904 described in Section 4.1 hereof, required or reserved for operation and maintenance of ANPP, but excluding all such costs as may be included in Construction Costs or in the cost of Capital Improvements.

- 11.2 Except as provided in Section 11.3 hereof, the costs of Operating Work, including costs of water used for Operating Work, shall be shared by the Participants in proportion to their respective Generation Entitlement Shares and shall be advanced by them to the Operating Agent and disbursed and accounted for by it in accordance with Section 12 hereof.
- 11.3 Fuel Expenses of the character chargeable to FPC Account 518 and investments in Nuclear Fuel shall be shared among the Participants and accounted for in accordance with Appendix F attached hereto.

## 12. ADVANCEMENT OF FUNDS:

- 12.1 Each Participant shall advance its share of Construction Funds and Operating Funds prior to the date when funds are required by the Project Manager or Operating Agent to pay for Construction Work, Operating Work and Capital Improvements so that neither the Project Manager nor the Operating Agent in its capacity as such will have to advance any funds on behalf of another Participant.
- 12.2 Each Participant shall pay weekly in advance its share (equal to its Generation Entitlement Share) of all Construction Costs in accordance with the monthly forecasts of estimated weekly expenditures for Construction Work prepared by the Project Manager and furnished to each Participant pursuant to Section 7.3.21 hereof. Construction Funds on hand shall be invested to the maximum extent feasible. Earnings and losses, if any, shall be allocated to the Participants on the basis of such funds advanced. Following completion of the Construction Work, the Project Manager shall compute the total Construction Costs of ANPP, and each Participant shall promptly settle any balance of its share of such total Construction Costs in accordance therewith. If at any time it is determined that a Participant has made advances which are greater or less than its share of the Construction Costs, the difference shall be paid by or refunded to such Participant.
- 12.3 The sum of the advances by the Participants hereunder to the Project Manager shall not exceed 100 percent of the total Construction Costs forecasted to be expended as of the date specified in the detailed monthly forecast furnished to the Participants pursuant to Section 7.3.21 hereof plus or minus any adjustments of previous estimates to actual costs.
- 12.4 The Project Manager shall establish a Construction Account at a bank of its choice and notify the Participants in writing of the establishment of

the Construction Account not later than five (5) days following its establishment.

- 12.5 Not less than sixty (60) days prior to the establishment of the Construction Account, the Auditing Committee shall establish a minimum amount for the Construction Account so that the Project Manager will have Construction Funds to pay for expenditures or obligations incurred by the Project Manager pursuant to this Participation Agreement. Such minimum amount may be revised by the Auditing Committee at any time. The original minimum amount and any increase therein shall be allocated among the Participants in accordance with their respective Generation Entitlement Shares and shall be due and payable within fifteen (15) business days following notification of the establishment of the Construction Account or of the date on which any increase in such minimum amount shall become effective. In the event the Auditing Committee authorizes a decrease in such minimum amount, then each Participant shall receive a credit which shall be in proportion to its Generation Entitlement Share.
- 12.6 Construction Funds required to be advanced by the Participants in accordance with this Participation Agreement shall be deposited in the Construction Account, and the Project Manager shall, unless otherwise agreed to by the Participants, make disbursements from the Construction Account only for expenditures or obligations incurred by it in the performance of Construction Work or for the investment of Construction Funds pursuant to Section 12.2 hereof.
- 12.7 : Not less than sixty (60) days prior to the establishment of the Operating Account, the Auditing Committee shall establish a minimum balance for the Operating Account so that the Operating Agent will have Operating Funds to pay for expenditures or obligations incurred by the Operating Agent pursuant to this Participation Agreement. Such minimum balance may be revised by the Auditing Committee at any time. The original minimum balance and any increase therein shall be allocated among the Participants on the basis of their respective Generation Entitlement Shares and shall be due and payable within fifteen (15) business days following notification of the establishment of the Operating Account or of the date on which any increase in such minimum balance shall become effective. In the event the Auditing Committee authorizes a decrease in such minimum balance, then each Participant shall receive a credit on the next bills from the Operating Agent.
- 12.8 All Operating Funds required to be advanced by the Participants in accordance with this Participation Agreement shall be made payable to the account of the Operating Agent, or may be credited to the Operating Account by bank transfers. All Operating Funds shall be deposited in the Operating Account, and the Operating Agent shall, unless otherwise directed by the Administrative Committee, make disbursements from the Operating Account only for expenditures or obligations incurred by it in the performance of Operating Work or Capital Improvements or for payments due under any Nuclear Fuel Agreement.
- 12.9 Not less than thirty (30) days prior to incurring any cost for Operating Work or making any payment under any Nuclear Fuel Agreement,

whichever occurs first, on behalf of the Participants pursuant to this Participation Agreement, the Operating Agent shall establish the Operating Account. The Operating Agent shall notify the Participants in writing of the establishment of the Operating Account not later than five (5) days following its establishment.

- 12.10 Each Participant shall advance Operating Funds to the Operating Account on the basis of bills it receives from the Operating Agent which reflect such Participant's share of the costs of Operating Work and Capital Improvements determined in accordance with this Participation Agreement as follows:
  - 12.10.1 All costs of Operating Work and Capital Improvements (except for expenditures billed under Sections 12.10.2, 12.11 and 12.12 and Fuel Expenses billed under Appendix F attached hereto) shall be billed in writing as follows:
    - 12.10.1.1 On the 5th and 20th day of each month for the payroll paid to the Operating Agent's employees on the last preceding pay day.
    - 12.10.1.2 On the 20th day of each month for the total monthly expenditures for Operating Work and Capital Improvements except those expenditures billed under Section 12.10.1.1 hereof.
  - 12.10.2 Expenditures described in Sections 13, 19.2 (excluding workmen's compensation expenses for the Operating Agent's employees) and 21 and costs for any charitable contributions if such contributions are authorized by the Administrative Committee may be billed prior to their due dates and shall be due and payable not less than three (3) days prior to the date payment by the Operating Agent is due. If such expenditures have no specific due date, then they shall be billed and become due within a reasonable time.
- 12.11 Each Participant shall advance funds to the Operating Account for its share of all expenditures for Operating Emergencies (excluding those items billed under Sections 12.10.1.1 and 12.10.1.2 hereof) on the basis of estimates made in accordance with Section H.4 of Appendix H attached hereto.
- 12.12 Each Participant shall advance Operating Funds to the Operating Account for its share of all payments due under any Nuclear Fuel Agreement in accordance with Section F.3 of Appendix F attached hereto.
- 12.13 Funds not advanced to the Project Manager or the Operating Agent on or before the due date specified in Sections 12.2, 12.5, 12.7, 12.10, 12.11 and 12.12 hereof shall be payable with interest, if any, accrued as provided in Section 23.3 hereof.

- 12.14 If a Participant shall dispute any portion of any amount specified in a monthly forecast, billing or a request for funds, the disputant shall make the total payment specified in said forecast, billing or request for funds pursuant to Section 23.4 hereof.

13. TAXES:

- #7 13.1 The Participants shall use their best efforts to have any taxing or other authority levying any taxes or assessments, or payments in lieu thereof, or making any valuations for the purpose of levying any taxes or assessments or payments in lieu thereof, on ANPP, or any interest or rights therein, assess and levy such taxes or assessments or payments in lieu thereof directly against the ownership or beneficial interest of each Participant or its Fuel Financier, if any.
- 13.2 All taxes or assessments or payments in lieu thereof levied against each Participant's ownership or beneficial interest in ANPP, excepting those taxes or assessments or payments in lieu thereof levied against an individual Participant in behalf of any or all of the other Participants, shall be the sole responsibility of the Participant upon whose ownership or beneficial interest said taxes or assessments or payments in lieu thereof are levied.
- 13.3 If any property taxes or payments in lieu thereof or any other taxes or assessments are levied or assessed in a manner other than as specified in Section 13.1 hereof, it shall be the responsibility of the Administrative Committee to establish equitable practices and procedures for the apportionment among the Participants of such taxes and assessments or payments in lieu thereof.
- 13.4 No Participant who is exempt from any taxes assessed against any or all of the other Participants shall be obligated to make any contribution toward such taxes to the extent of the exemption.

14. NONPARTITIONMENT:

Each Participant hereby waives any rights which it may have to partition any component of ANPP or the Project Agreements, whether by partitionment in kind or by sale and division of the proceeds, and further agrees that it will not resort to any action in law or in equity to partition such component or the Project Agreements, and it waives the benefits of all laws that may now or hereafter authorize such partition for a term (i) which shall be conterminous with this Participation Agreement, or (ii) which shall be for such lesser period as may be required under applicable law.

#10 15. MORTGAGE, SALE AND LEASEBACK AND TRANSFER OF INTEREST:

- #10 15.1 The following provisions shall apply to the right of each Participant to enter into mortgage and sale and leaseback transactions.

- #10 15.1.1 Each Participant shall have the right at any time and from time to time to

(a) mortgage, create or provide for a security interest in or convey in trust all or part of its ownership share

in ANPP, together with an equal interest in the Project Agreements, to a trustee or trustees under deed of trust, mortgage or indenture or to a secured party or parties under a security agreement, as security for its present or future bonds or other obligations or securities, and to any successors or assigns thereof, or

(b) sell and lease back, under a net lease having a primary term of not less than 25 years, all or part of its interest in a Generating Unit and Capital Improvements made from time to time with respect thereto, together with all or any part of its Generation Entitlement Share with respect to such Generating Unit or part thereof, to a trustee or trustees under a grantor trust or trusts and to any successors or assigns thereof,

without need for the prior written consent of any other Participant and without such mortgage, trustee, secured party or lessor under such sale and leaseback transaction assuming or becoming in any respect obligated to perform any of the obligations of such Participant; provided, however, at or prior to any sale and leaseback pursuant to clause (b) of this Section 15.1.1, the conditions to such transaction set forth in Section 15.6 hereof shall have been satisfied.

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15.1.2 Each lessor under a sale and leaseback transaction permitted under clause (b) of Section 15.1.1 shall have the right at any time and from time to time to mortgage, create or provide for a security interest in or convey in trust all or any part of its ownership share in ANPP to a trustee or trustees under deed of trust, mortgage or indenture or to a secured party or parties under a security agreement, as security for its present or future bonds or other obligations or securities, and to any successors or assigns thereof, without need for the prior written consent of any Participant and without such mortgagee, trustee or secured party assuming or becoming in any respect obligated to perform any of the obligations of the Participants.

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15.2 The following provisions shall apply to the exercise of rights in respect of transactions permitted by Section 15.1.

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-15.2.1 Any mortgagee, trustee or secured party under present or future deeds of trust, mortgages, indentures or security agreements of any of the Participants and any successor or assignee thereof, and any receiver, referee or trustee in bankruptcy or reorganization of any of the Participants, and any successor by action of law or otherwise, and any purchaser, transferee or assignee of any thereof may, without need for the prior written consent of any other Participant, succeed to and acquire all the rights, titles and interests of such Participant in ANPP and the Project Agreements, and may take over possession of or foreclose upon said prop-

erty, rights, titles and interests of such Participant, and in such event shall assume and be obligated fully to perform and discharge all of the obligations hereunder and under any other Project Agreement of such Participant.

- #10                      15.2.2      From and after, but in no event prior to, the date of a rejection or deemed rejection by any receiver, referee or trustee in bankruptcy or reorganization of any Participant of the lease or other executory contract constituting part of a sale and leaseback transaction relating to ANPP to which such Participant is a party, the lessor in such sale and leaseback transaction (or any mortgagee, trustee or secured party under present and future deeds of trust, mortgages, indentures or security agreements of such lessor and any successor or assignee thereof, and any receiver, referee or trustee in bankruptcy or reorganization of such lessor and any successor by action of law or otherwise, and any purchaser, transferee or assignee of any thereof) may (subject, however, to the rights of the other Participants under the Project Agreements, including but not limited to, Section 23 hereof), without need for the prior written consent of any other Participant, (i) succeed to and acquire all the rights, titles and interests of such Participant in ANPP and the Project Agreements, to the extent, but only to the extent, of the Generating Unit (or portion thereof) and the portion of such Participant's Generation Entitlement Share acquired by such lessor in such transaction, and (ii) take over possession of or foreclose upon said property, rights, titles and interests of such Participant, and in such event such lessor or other party shall assume and be obligated fully to perform and discharge all obligations arising thereafter hereunder and under any other Project Agreement of such Participant to the extent, but only to the extent, of the Generating Unit (or portion thereof) and the portion of such Participant's Generation Entitlement Share subject to such transaction.
- #1                      15.3      Without the prior written consent of any other Participant, each Participant shall have the right to transfer or assign all or part of its Generation Entitlement Share, together with an equal interest in the ownership of ANPP and in the Project Agreements, to any person, partnership, corporation or governmental corporation or agency engaged in the generation, transmission or distribution of Energy.
- #7                      15.4      Unless otherwise determined by the Administrative Committee, all Nuclear Fuel to be used in or removed from any Generating Unit of ANPP or recovered after reprocessing for reuse in any such Generating Unit or for sale to others shall be jointly-owned by the Participants in accordance with their respective Generation Entitlement Shares, subject to Section F.1.3.1 of Appendix F attached hereto, provided that any Participant may at any time finance (through a Fuel Financier) its undivided interest in any discrete portion or portions of such Nuclear Fuel in the manner provided in Section F.1.4 of Appendix F attached hereto, subject to the conditions set forth therein and to the further conditions that in each instance (a) any such Fuel Financier (i) shall waive all right to

partitionment of such discrete portion or portions of Nuclear Fuel, (ii) shall not obtain any rights not possessed by such Participant with respect to the operation or scheduling of any Generating Unit or the removal of Nuclear Fuel therefrom and (iii) shall not become a Participant in ANPP unless or until it succeeds to all of such Participant's right, title and interest in ANPP, and agrees to assume and be fully obligated to perform and discharge all of such Participant's obligations hereunder and under any other Project Agreement, and (b) such Participant shall indemnify all other Participants against any costs or expenses incurred by them because of such Participant's financing of its undivided interest in such discrete portion or portions of the Nuclear Fuel.

15.5 Except as otherwise provided in Sections 15.1 and 15.2 hereof, any successor to the rights, titles and interests of a Participant in ANPP, together with an equal interest in the Project Agreements, shall assume and agree fully to perform and discharge all of the obligations hereunder of such Participant, and such successor shall notify each of the other Participants in writing of such transfer, assignment or merger, and shall furnish to each Participant evidence of such transfer, assignment or merger and thereupon shall be considered to be a Participant in ANPP and the transferring Participant shall thereupon, without the consent of any other Participant, be released from all obligations under the Project Agreements so assumed and agreed to by such successor.

#10 15.6 The right of a Participant to enter into a sale and leaseback transaction as provided in clause (b) of Section 15.1.1 is subject to the following:

#10 15.6.1 The other Participants shall have received (1) an instrument of each lessor party to such transaction confirming the matters set forth in Section 15.6.3.2 hereof, (2) a certificate of such Participant to the effect that such transaction will satisfy the conditions set forth in Section 15.6 hereof, and all other provisions of this Participation Agreement, and (3) an opinion of counsel to such Participant with respect to the matters set forth in Sections 15.6.3.1 and 15.6.3.4 hereof and to the effect that the documents and agreements relating to such transaction are not inconsistent with the requirements of Section 15.6.3 hereof.

#10 15.6.2 The Administrative Committee, based upon the instrument, the certificate and the opinion described in Section 15.6.1, shall have found, by unanimous resolution, such transaction to be consistent with Section 15 hereof. The representative of any Participant need not join in such finding if such transaction (1) is inconsistent with Section 15 hereof or (2) may, in some manner, materially impair the rights of such Participant to retain or obtain tax benefits arising from its property interest in ANPP.

#10 15.6.3 Such transaction, and the documents and agreements relating thereto, shall provide that:

#10 15.6.3.1 The rights and remedies of the parties thereto shall be subject and subordinate to the rights

and remedies of the Participants (other than (i) the Participant party thereto or (ii) any person who shall become a Participant in respect of the lessor's interest in ANPP under such transaction) under the Project Agreements;

- #10                      15.6.3.2      Except as provided in Sections 15.2.2, 15.6.4 and 15.10 hereof, the Participant party thereto shall be and remain the sole "Participant" for all purposes of this Participation Agreement and the sole representative (with power to bind each lessor party to such transaction and each mortgagee, trustee and secured party of such lessor described in Section 15.1.2 hereof) in all dealings with the other Participants in relation to the property, rights, titles and interests of such Participant transferred pursuant to such transaction;
- #10                      15.6.3.3      Any right conferred by Section 15.2.2 hereof shall be exercised only in concert (through a single nominee, agent, receiver or subsequent transferee) with similar rights conferred by Section 15.2.2 hereof on parties to other sales and leaseback transactions involving the same Participant and interests in the same Generating Unit;
- #10                      15.6.3.4      All right to partitionment with respect to the interest acquired shall be waived by the lessor party to such transaction;
- #10                      15.6.3.5      Upon the expiration of the lease in such transaction and upon the Participant party thereto failing to purchase all the right, title and interest in ANPP and contractual rights related thereto necessary for the operation of such interest (a "Lessor's Interest") acquired by the lessor in such transaction, such lessor shall entertain cash bids from each other Participant for such Lessor's Interest; and
- #10                      15.6.3.6      The provisions of such transaction responsive to the foregoing Sections of this Section 15.6.3 shall remain in full force and effect until such time as the Administrative Committee shall otherwise consent.
- #10                      15.6.4          Such transaction may provide that the authority of the Participant party thereto described in Section 15.6.3.2 hereof shall not extend to approval of any amendment to the Participation Agreement the effect of which would be to reduce the Generation Entitlement Share in which the lessor or lessors party to such transaction have acquired an interest.

- #10 15.7 Except to the extent provided in Section 15.10 hereof, a Participant shall not be released from any obligation under the Project Agreements notwithstanding any assumption of, or agreement to perform or discharge in whole or in part, such obligation by any other person in connection with a sale and leaseback transaction.
- #10 15.8 Anything in a sale and leaseback transaction to the contrary notwithstanding: (1) the rights and remedies of the parties thereto shall be subject and subordinate to the rights and remedies of the Participants under the Project Agreements (including but not limited to Section 23 hereof), other than (i) the Participant party thereto and (ii) any person who shall become a Participant in respect of the lessor's interest in ANPP under such transaction; (2) no other Participant shall incur any obligations or liabilities in respect of such transaction; and (3) the lessor party thereto shall be bound by the provisions of Section 21 hereof (other than Section 21.3) to the same extent as if such lessor were a Participant.
- #10 15.9 If a Participant enters into a sale and leaseback transaction as provided in clause (b) of Section 15.1.1 such Participant shall indemnify all other Participants against any costs and expenses incurred by them because of such Participant's entering into such transaction.
- #10 15.10 Upon a lease or sale to a person, partnership, corporation or governmental corporation or agency engaged in the generation, transmission or distribution of Energy (other than the Participant originally party to such transaction) (a "Transferee") of a Lessor's Interest acquired by a lessor in a sale and leaseback transaction:
- #10 15.10.1 The Transferee shall be and become the sole "Participant" for all purposes of this Participation Agreement and the sole representative (with power to bind any lessor) in all dealings with the other Participants in relation to such interest;
- #10 15.10.2 The Transferee (1) shall assume and agree, and be deemed to have assumed and agreed, fully to perform and discharge all obligations under the Project Agreements relating to such interest to the extent arising subsequent to such lease or sale, except obligations in respect of decommissioning and removing from service the Generating Unit to which such interest relates (the "Termination Obligation"), (2) if such Transferee was not previously a Participant, may assume and agree fully to perform and discharge all or any part of the Termination Obligation and, (3) if such Transferee is and was previously a Participant, shall assume and agree, and be deemed to have assumed and agreed, fully to perform and discharge the Termination Obligation;
- #10 15.10.3 The Participant originally party to such transaction shall thereupon, with the consent (which consent shall not be withheld by any Participant unless a release would, in some manner, materially impair or materially adversely affect the rights of such Participant under this Participation Agreement or the rights or security of obligation holders of such Participant) of each other Participant, be release from all obliga-

tions under the Project Agreements so assumed and agreed to by the Transferee but only to the extent of such assumption and agreement; and

- #10                      15.10.4      The Transferee shall furnish to each other Participant evidence of such sale or lease and such assumption and agreement.

16.      **DESTRUCTION:**

16.1              If ANPP or any portion thereof should be damaged or destroyed to the extent that the cost of repairs or reconstruction is estimated to be less than 150% of the aggregate amount of Project Insurance coverage carried pursuant to Section 19. hereof, and covering the cost of such repairs or reconstruction, then the Project Manager or the Operating Agent shall cause such repairs or reconstruction to be made so that ANPP shall be restored to substantially the same general condition, character or use as existed prior to such damage or destruction and the Participants shall share the costs of such repairs or reconstruction in proportion to their Generation Entitlement Shares.

16.2              If ANPP or any portion thereof should be damaged or destroyed to the extent that the costs of repairs or reconstruction is estimated to be 150% or more of the aggregate amount of Project Insurance coverage carried and covering the cost of such repairs or reconstruction, then upon agreement of all Participants the Project Manager or the Operating Agent shall cause such repairs or reconstruction to be made as may be agreed and the Participants shall share the costs of such repairs or reconstruction in proportion to their Generation Entitlement Shares; provided, however, that should all of the Participants not agree to restore or reconstruct the damaged portion of ANPP, but some of the Participants nevertheless desire to do so, then any Participant who does not agree to restore or reconstruct shall sell its Generation Entitlement Share and ownership interest in ANPP to the remaining Participants for a price equal in amount to its Generation Entitlement Share in the salvage value thereof. The Participants agreeing to repair or reconstruct such Generating Unit shall share the costs of repair or reconstruction in the proportion that the Generation Entitlement Share of each bears to the total Generation Entitlement Shares of such Participants.

17.      **SEVERANCE OF IMPROVEMENTS:**

The Participants agree that all facilities, structures, improvements, equipment and property of whatever kind and nature constructed, placed or affixed on the rights-of-way, easements, patented and leased lands as part of or as a Capital Improvement to ANPP, as against all parties and persons whomsoever (including without limitation any party acquiring any interest in the rights-of-way, easements, patented or leased lands or any interest in or lien, claim or encumbrance against any of such facilities, structures, improvements, equipment and property of whatever kind and nature), shall be deemed to be and remain personal property of the Participant(s), not affixed to the realty.

## 18. CAPITAL IMPROVEMENTS:

- 18.1 The Participants recognize that from time to time it may be necessary or desirable to make Capital Improvements or that Capital Improvements may be required by laws and regulations applicable to ANPP.
- 18.2 If requested by a Participant, any such Capital Improvement shall be described in a supplement to this Participation Agreement executed in recordable form.
- 18.3 All Capital Improvements shall be included in the annual capital expenditures budget. After such budget has been approved by the Engineering and Operating Committee, each Participant shall be obligated for the costs incurred for such Capital Improvements in proportion to its Generation Entitlement Share.
- 18.4 At any time the Engineering and Operating Committee may authorize Capital Improvements not included in the annual capital expenditures budget if any such Capital Improvement is required to comply with any lawful order, rule or regulation of a regulatory agency or if the cost of any such Capital Improvement is less than \$500,000. All other Capital Improvements not included in the annual capital expenditures budget may only be authorized by the Administrative Committee.
- 18.5 The Operating Agent shall submit to the Participants a forecast of cash requirements for each authorized Capital Improvement. Such forecast shall set forth such cash requirements (i) for each quarterly period commencing on the first day of January, April, July and October in which costs for such Capital Improvements shall become due and (ii) for each month of the first two quarterly periods immediately following the issuance of such forecast. Such forecast shall be revised and furnished to each Participant every three (3) months thereafter until completion of the Capital Improvement.
- 18.6 The Operating Agent shall be responsible for the design and construction of all Capital Improvements unless otherwise agreed by the Administrative Committee.
- 18.7 The cost of Capital Improvements shall be determined in accordance with Appendix E attached hereto.
- #8 18.8 Units of Property retired from service, whether considered original construction or Capital Improvements, shall be disposed of by the Operating Agent on the best available terms as soon as practicable consistent with the criteria and guidelines approved by the Administrative Committee pursuant to Section 6.2.12(ii); provided that at the time of such disposal (i) the Operating Agent shall have determined that such Units of Property are no longer used or useful for ANPP, (ii) the Operating Agent shall dispose of such Units of Property only on an "as is" basis without any representation or warranty as to quality, condition or fitness for any purpose and (iii) proceeds, if any, received therefrom shall be credited or distributed to the Participants in proportion to their Generation Entitlement Shares.

19. PROJECT INSURANCE:

- 19.1 Unless otherwise specified by the Administrative Committee, during the performance of Construction Work the Project Manager shall procure and maintain in force, or cause to be procured and maintained in force, Construction Insurance providing coverage against the following risks, hazards and perils:
- 19.1.1 Comprehensive liability risks, including bodily injury, personal injury and property damage risks, hazards of automobile liability, contractual liability, contractor's protective liability and liability for products and completed operations, in an amount not less than \$10,000,000.
  - 19.1.2 Risks covered by the standard form of All Risk Builder's Risk Insurance, including the transportation hazard. Such insurance shall be written with such deductibles(s) as shall be approved by the Administrative Committee or in the absence of any approval with the smallest deductible(s) normally available and shall afford coverage from the time that Construction Work is commenced or material and equipment is shipped, as to each Generating Unit, until such time as Nuclear Fuel arrives at the Nuclear Plant Site and coverage of such risks is provided by the Project Insurance required to be obtained pursuant to Section 19.4 hereof.
  - 19.1.3 Risks covered by the standard form of All Risk Contractor's Equipment Floater Insurance covering owned, non-owned and leased equipment used in connection with the performance of Construction Work.
  - 19.1.4 Risks covered by the standard form of employees' dishonesty bond covering loss of property or funds of ANPP due to dishonest or fraudulent acts committed by an officer or employee of the Project Manager, any Participant or contractor who is engaged in Construction Work.
  - 19.1.5 Risks covered by the standard form of workmen's compensation and employer's liability insurance, covering officers and employees of the Project Manager, any Participant and contractors engaged in the performance of Construction Work. Unless otherwise directed by the Administrative Committee, workmen's compensation coverage for officers and employees of the Project Manager shall be written with a deductible of \$50,000. Coverage for employer's liability shall be written in an amount not less than \$500,000.
- 19.2 Unless otherwise specified by the Administrative Committee, the Operating Agent shall procure and maintain in force, or cause to be procured and maintained in force, so as to be effective not later than the date on which the Operating Agent shall first incur a risk of loss, damage or liability, Operating Insurance providing coverage against the following risks, hazards and perils:

- 19.2.1 Comprehensive liability risks, including bodily injury, personal injury and property damage risks, hazards of automobile liability, contractual liability, contractors' protective liability and liability for products and completed operations, in an amount not less than \$10,000,000.
- 19.2.2 Risks covered by the standard form of employee dishonesty bond covering loss of property or funds of ANPP due to dishonest or fraudulent acts committed by an officer or employee of the Operating Agent, any Participant or contractor who is engaged in Operating Work or Capital Improvements.
- 19.2.3 Risks covered by the standard form of workmen's compensation and employer's liability insurance covering officers and employees of the Operating Agent, any Participant and contractors and their employees engaged in the performance of Operating Work. Unless otherwise directed by the Administrative Committee, workmen's compensation coverage for the Operating Agent's officers and employees shall be written with a deductible of \$50,000. Coverage for employer's liability shall be written in an amount not less than \$500,000.
- 19.2.4 In the event any Capital Improvements are undertaken at the Nuclear Plant Site the Operating Agent, shall procure and maintain or cause to be procured and maintained Construction Insurance providing coverage for risks described in Section 19.1.1, 19.1.2 and 19.1.3 hereof in respect of the construction of such Capital Improvements.
- 19.3 Whenever there shall be Nuclear Fuel at the Nuclear Plant Site or in transit to or from the Nuclear Plant Site, the Project Manager prior to the Date of Firm Operation of the first Generating Unit and the Operating Agent thereafter such shall have in force and effect (i) Project Insurance in minimum amount and in such form or forms as may be required, approved or permitted from time to time by law, including the rules and regulations of the U.S. Atomic Energy Commission and (ii) an indemnity agreement executed and delivered by the U.S. Atomic Energy Commission as required by the Atomic Energy Act of 1954 as amended as of the date of this Participation Agreement. In the event that a construction permit required to be issued by the U.S. Atomic Energy Commission for any Generating Unit is not issued prior to August 1, 1977, and Section 170(c) of said Act shall not have been amended prior to such date to extend the availability of the financial protection currently afforded by said Section 170(c) or other legislation affording comparable financial protection in respect of such Generating Unit shall not have been enacted prior to such date or in the event that, prior to August 1, 1977, and the issuance of such a construction permit, said Act or the rules and regulations of the U.S. Atomic Energy Commission shall be further amended in a manner which substantially changes the limit of liability of "persons indemnified" or otherwise substantially increases the risk of "public liability" of any Participant arising out of or resulting from a nuclear incident, as such terms are defined in the Atomic Energy

Act of 1954 as amended as of the date of this Participation Agreement, any Participant may terminate its participation in ANPP with respect to such Generating Unit upon the terms and conditions set forth in Section 35 hereof.

- 19.4 Unless otherwise directed by the Administrative Committee, at all times when it is required under Section 19.3 hereof, the Project Manager prior to the Date of Firm Operation of the first Generating Unit and the Operating Agent thereafter shall have and maintain in force and effect nuclear property insurance providing coverage against radioactive contamination and all other risks of loss except those risks excluded in the standard form of policy of the Nuclear Energy Property Insurance Association which are not insurable by any available endorsement thereto. Except as otherwise authorized herein or directed by the Administrative Committee, such insurance shall be maintained in an amount not less than 90% of either the actual cash value or replacement cost, as the Administrative Committee shall direct or in the absence of any such direction as the Project Manager or the Operating Agent may in its sole discretion determine, of all property at the Nuclear Plant Site as determined from time to time by independent qualified appraisers selected by the Project Manager prior to completion of Construction Work or the Operating Agent thereafter. At any time that the maximum amount of insurance available from all domestic insurers or pools of insurers or any utilities mutual insurance company to cover the risks required to be insured under this Section 19.4 is less than 90% of the actual cash value or replacement cost of all property at the Nuclear Plant Site, then the Project Manager or the Operating Agent shall report such fact in writing to each Participant and shall obtain an endorsement of any policy procured in compliance with this Section 19.4 to render the conditions of any co-insurance clause therein inapplicable, provided that, if such an endorsement is not available, then the Project Manager or the Operating Agent shall use its best efforts to obtain, subject to Section 20.9 hereof, the maximum amount of nuclear property insurance available from all sources. Unless otherwise directed by the Administrative Committee the insurance policy or policies secured in compliance with this Section 19.4 shall be written with such deductible(s) as shall be approved by the Administrative Committee or in the absence of any approval with the lowest deductible amounts offered by the insurer or insurers providing such policy or policies for property situated at the Nuclear Plant Site in its entirety and any component thereof.

20. GENERAL PROVISIONS AFFECTING PROJECT INSURANCE:

Except as otherwise directed by the Administrative Committee, the following provisions shall apply to the Project Insurance obtained by the Project Manager or Operating Agent in compliance with Section 19 hereof.

- 20.1 Except for Project Insurance described in Sections 19.1.3, 19.1.4, 19.1.5, 19.2.2 and 19.2.3 hereof, each Participant shall be named an additional insured, individually and jointly with the other Participants, on all policies of Project Insurance, and the policies of Project Insurance referred to in Sections 19.1.1 and 19.2.1 hereof shall carry cross-liability endorsements. In lieu of naming Participants insureds on policies described in Section 19.1.1 hereof, the Project Manager may require con-

tractors to procure owner's protective liability insurance naming the Participants as insureds therein, with limits similar to those required in Section 19.1.1 hereof.

- 20.2 Any deductibles shall be apportioned among the Participants on the basis set forth in Section 21.3 hereof, except that deductibles under any workmen's compensation insurance carried for officers and employees of the Project Manager and Operating Agent shall be apportioned in the manner specified in Section E.7 of Appendix E attached hereto.
- 20.3 Project Insurance policies shall be primary insurance for all purposes and shall be so endorsed. Any other insurance carried by a Participant individually shall not participate with Project Insurance as to any loss or claim for which valid and collectible Project Insurance shall apply. Such other insurance shall apply solely as to the individual interest of the Participant carrying such other insurance; provided, however, that each Participant shall accept any reasonably restrictive endorsement to its separate insurance policies as may be required by an insurer as a condition precedent to the issuance of a policy of Project Insurance.
- 20.4 At the direction of the Project Manager or Operating Agent, any party furnishing services, materials, parts or equipment in connection with the planning, design, engineering, construction, maintenance, operation or use of property at the Nuclear Plant Site may be named as an insured as its interest may appear in any of the Project Insurance policies, and either the Project Manager or the Operating Agent may waive on behalf of each Participant its right of recovery against any such party for insured loss of or damage to any property covered by Project Insurance, provided that no such waiver shall impair the right to recover any sums otherwise payable to any Participant under the Project Insurance.
- 20.5 The Project Manager and Operating Agent respectively shall furnish the other Participants with a certified copy of each of the policy forms of Project Insurance, together with a line sheet therefor (and any subsequent amendments) naming the insurers and underwriters and the extent of their participation.
- 20.6 Each of the Project Insurance policies shall be endorsed so as to provide that the Participants and additional named insureds pursuant to Section 20.4 hereof shall be given the same advance notice of cancellation or material change as that required to be given to the Project Manager or Operating Agent.
- 20.7 In the event the Administrative Committee is unable to agree upon any matters relating to Project Insurance not governed by Sections 19 and 20 hereof, the Project Manager or Operating Agent, pending the resolution of such disagreement, shall procure or cause to be procured, such policies of Project Insurance as in its best judgment are necessary and required to protect the Participants against the insurable risks more particularly set forth in Section 19 hereof. During any period of negotiations with an insurer, or other negotiations which are pending at the expiration of the period of coverage of a Project Insurance policy, or in the event a Project Insurance policy is canceled, the Project Manager and Operating Agent shall renew or bind policies as an emergency measure

or may procure policies of insurance which are identical to those which were canceled, or may, to the extent possible, secure replacement policies which will provide substantially the same coverage as the policy expiring or canceled.

- #10      20.8      Each Participant shall have the right to have any lessor (and any trustee or trustees under a deed of trust, mortgage or indenture or any secured party or parties under a security agreement) in a sale and leaseback transaction named on all or any of the Project Insurance policies as loss payee or additional insured as its interest may appear, by notice in writing to the Project Manager or Operating Agent given to writing not less than thirty (30) days prior to the date proposed for such naming, which notice shall specify the name or names of such lessor and such additional information as may be necessary or required to permit to be included on the policy(ies) of insurance.
- 20.9      Unless otherwise directed by the Administrative Committee, the Project Manager and Operating Agent shall obtain Project Insurance from such insurers or underwriters, including stock companies, mutuals and pools or groups of insurers or underwriters, as either of them in its sole discretion may select, provided that any policy which obligates any Participant to pay any assessment shall not be obtained unless such Participant has agreed in writing to undertake such obligation.
- 20.10      Any refunds of premiums or dividends received by the Project Manager or Operating Agent on any Project Insurance shall be allocated among the Participants in proportion to their Generation Entitlement Shares at the time of receipt thereof, provided that any reserve premium refunds received under any nuclear liability insurance policy or any other policy with a comparable retrospective rating plan shall be allocated among the Participants at the time of payment of the reserve premium in proportion to their Generation Entitlement Shares at such time.
- 20.11      Nothing herein shall prohibit the Project Manager or Operating Agent from combining the coverage required by this Participation Agreement with coverage outside the scope of that required by this Participation Agreement. If the Project Manager or Operating Agent does so combine coverages, the Administrative Committee shall determine the portion of the total premium cost which is allocable to Construction Insurance or Operating Insurance. If the Administrative Committee is unable to determine such allocation, the Project Manager or Operating Agent, as the case may be, may make an estimated allocation and bill the Participants on the basis thereof, with adjustment to be made when the dispute is resolved.
- 20.12      Except as provided in Section 20.8 hereof, if any Participant desires changes in any policy of Project Insurance, such Participant shall request in writing to the Project Manager or Operating Agent, as the case may be, to have the desired changes made. Upon receipt of any such request the Project Manager or Operating Agent shall promptly determine whether or not the desired changes can be made and the effect thereof upon the coverage afforded each other Participant and upon insurance premiums. If the Project Manager or Operating Agent determines that (i) the desired changes can be made, (ii) will not reduce the coverage oth-

erwise afforded to any Participant and (iii) will not result in any increase in premium expense or if an increase in premium expenses will result and the requesting Participant agrees in writing to pay such increase, then the Project Manager or Operating Agent shall cause such desired changes to be made at the earliest feasible time. If the Project Manager or Operating Agent determines that the desired changes can be made but to do so (i) will result in a reduction in coverage otherwise afforded to any Participant or (ii) will result in an increase in premium expense shared by the Participants, such request shall be referred to the Administrative Committee for resolution.

## #9 21. LIABILITY:

#9 21.1 Except for any judgment debt for damage resulting from Willful Action  
#13 and except to the extent any judgment debt is collectible from valid Project Insurance, and subject to the provisions of Sections 21.2, 21.4, 21.5, and 21.6 hereof, each Participant hereby extends to all other Participants, their directors, members of their governing bodies, officers and employees its covenant not to execute, levy or otherwise enforce a judgment obtained against any of them, including recording or effecting a judgment lien; for any direct, indirect or consequential loss, damage, claim, cost, charge or expense, whether or not resulting from the negligence of such Participant, its directors, members of its governing bodies, officers, employees, or any person or entity whose negligence would be imputed to such Participant from (i) Construction Work, Operating Work, the design and construction of Capital Improvements, Termination Work or the use of or ownership of ANPP or (ii) the performance or nonperformance of the obligations of a Participant under the Project Agreements, other than the obligation to pay any monies which have become due.

#9 21.2 In the event any insurer providing Project Insurance refuses to pay any judgment obtained by a Participant against another Participant, its directors, members of its governing bodies, officers or employees, on account of liability referred to in Section 21.1 hereof, the Participant, its directors, members of its governing bodies, officers or employees against whom the judgment is obtained shall, at the request of the prevailing Participant and in consideration of the covenant given in Section 21.1 hereof, execute such documents as may be necessary to effect an assignment of its contractual rights against the nonpaying insurer and thereby give the prevailing Participant the opportunity to enforce its judgment directly against such insurer. In no event when a judgment debt is collectible from valid Project Insurance shall the Participant obtaining the judgment execute, levy or otherwise enforce the judgment (including recording or effecting a judgment lien) against the Participant, its directors, members of its governing bodies, officers or employees, against whom the judgment was obtained.

#9 21.3 Except as provided in Sections 21.4, 21.5, and 21.6 hereof, the costs and expenses of discharging all Work Liability or liability resulting from the design or construction of Capital Improvements imposed upon one or more of the Participants for which payment is not made by Project Insurance shall be shared among and paid by all Participants in proportion to their respective Generation Entitlement Shares.

- #9 21.4 Each Participant shall be responsible for any damage, loss, claim, cost, charge or expense that is not covered by Project Insurance and results from its own Willful Action as defined in Section 3.56.2 hereof and shall indemnify and hold harmless the other Participants, their directors, members of their governing bodies, officers, and employees from any such damage, loss, claim, cost, charge or expense.
- #9 21.5 Except as provided in Section 21.4 hereof, the aggregate liability of any Participant to all other Participants for Willful Action not covered by Project Insurance shall be determined as follows:
- 21.5.1 All such liability for damages, losses, claims, costs, charges or expenses of such Participant shall not exceed \$10,000,000 per occurrence. Each Participant extends to each other Participant, its directors, members of its governing bodies, officers and employees its covenant not to execute, levy or otherwise enforce a judgment obtained against any of them for any such aggregate liability in excess of \$10,000,000 per occurrence.
- 21.5.2 A claim based on Willful Action must be perfected by filing suit in a court of competent jurisdiction within three years after the Willful Action occurs. All claims made thereafter relating to the same Willful Action shall be barred by this Section 21.5.2. The award to each non willfully acting Participant from each Participant determined to have committed Willful Action shall be determined as follows: (i) Each Participant who successfully files suit for remuneration shall receive the lesser of (a) its final judgment awarded (or settlement made) or (b) its pro-rata Generation Entitlement Share of the \$10,000,000 maximum recovery established in Section 21.5.1 hereof. (ii) When all pending suits are resolved, those Participants who were awarded judgments or reached settlements but whose claims were not fully satisfied pursuant to Section 21.5.2(i) shall be entitled to participate in any remaining portion of the \$10,000,000 maximum recovery limit, based upon the ratio of the unsatisfied portion of such Participant's judgment or settlement to the total unsatisfied portion of all such judgments and settlements. Such participation shall be limited to the Participants' unsatisfied judgments or settlements.
- #13 21.5.3 The aggregate liability limit of \$10,000,000 referenced in Sections 21.5.1 and 21.5.2 shall not apply to the failure or refusal, willful or otherwise, of any Participant to meet its obligations under Sections 8A.7.2.1 through 8A.7.2.3, 8A.7.2.5, 10.3, 11.2, 11.3, 12.1, 12.10 through 12.14, 13, 16, 18.3, 21.3, 21.6, 23, 24.9, and Appendices F, I and K.
- #9 21.6 Except for liability resulting from Willful Action (which, subject to the provisions of Section 21.5 hereof, shall be the responsibility of the willfully acting Participant), any Participant whose electric customer shall have a claim or bring an action against any other Participant for any

death, injury, loss or damage arising out of or in connection with electric service to such customer and caused by the operation or failure of operation of ANPP or any portion thereof, shall indemnify and hold harmless such other Participant, its directors, members of its governing bodies, officers and employees from and against any liability for such death, injury, loss or damage.

- #9      21.7      The provisions of this Section 21 shall not be construed so as to relieve any insurer of its obligation to pay any insurance proceeds in accordance with the terms and conditions of valid and collectible Project Insurance policies
- 21.8      The Participants agree that the aggregate liability limit of \$10,000,000 referenced in Sections 21.5.1 and 21.5.2 hereof may be determined in the future to be inappropriate and shall make a good faith effort to evaluate and, if appropriate, revise said limit at the request of any Participant.

## 22. AUTHORIZATIONS AND APPROVALS:

- 22.1      The Project Manager shall be responsible for obtaining all licenses, permits and authorizations requisite to construct each Generating Unit and any components thereof and, in coordination with the Operating Agent, for obtaining all licenses, permits and authorizations requisite to operate and maintain such Generating Unit prior to the Date of Firm Operation, for the release of any effluents therefrom and the storage, shipment, use or disposal of any radioactive materials prior to such date and is authorized to submit and prosecute on behalf of each Participant any applications therefor, including the preparation and submission of any supplementary or supporting documentation or other evidence and appearing at any hearing. The Project Manager shall furnish each Participant with copies of all documents submitted as much in advance of the filing or submission date as may be reasonably possible without incurring a delay or risk of delay of the Date of Firm Operation of any Generating Unit and shall otherwise keep each Participant informed of the status of all applications. Each Participant shall cooperate with the Project Manager in the preparation, submission and execution of such information, records, statements or other material required to obtain any such licenses, permits or authorizations.
- 22.2      The Operating Agent shall be responsible for obtaining and continuing in effect all licenses, permits and authorizations requisite to (i) operate and maintain each Generating Unit, (ii) release of any effluents and (iii) store, ship or dispose of any wastes and to construct or install any Capital Improvements and is authorized on behalf of each Participant to submit and prosecute any applications therefor, including the preparation and submission of any supplementary or supporting documentation or other evidence and appearance at any hearing. The Operating Agent shall furnish each Participant with copies of all documents submitted and all licenses, permits and authorizations received and shall otherwise keep each Participant informed of the status of all licenses, permits and authorizations in effect and any pending or proposed applications therefor or for changes thereto. Each Participant shall cooperate with the Operating Agent in the preparation, submission and execution of such information, records, statements or other material required to obtain and

continue in effect any such licenses, permits or authorizations and any changes thereto.

- 22.3 Except as provided in Sections 22.1 and 22.2 hereof, each Participant shall be responsible for obtaining, at its own expense, its required authorizations and approvals, if any, relating to its participation in the construction or reconstruction and operation of ANPP and to its performance of the provisions of the Project Agreements, from Federal, state or local regulatory authorities having jurisdiction to issue such authorizations and approvals, and each Participant shall keep the Project Manager and Operating Agent informed of its applications therefor.

**23. DEFAULTS AND COVENANTS REGARDING OTHER AGREEMENTS:**

- 23.1 Each Participant hereby agrees that it shall pay all monies and carry out all other duties and obligations agreed to be paid and/or performed by it pursuant to all of the terms and conditions set forth and contained in the Project Agreements, and a default by any Participant in the covenants and obligations to be kept and performed pursuant to the terms and conditions set forth and contained in any of the Project Agreements shall be an act of default under this Participation Agreement.
- 23.2 In the event of a default by any Participant in any of the terms and conditions of the Project Agreements, then, within ten (10) days after written notice has been given by any non-defaulting Participant to all other Participants of the existence and nature of the default, the non-defaulting Participant [Participants] shall remedy such default either by advancing the necessary funds and/or commencing to render the necessary performance, with each non-defaulting Participant contributing to such remedy in the ratio of its Generation Entitlement Share to the total of the Generation Entitlement Shares of all non-defaulting Participants.
- 23.3 In the event of a default by any Participant in any of the terms and conditions of the Project Agreements and the giving of notice as provided in Section 23.2 hereof, the defaulting Participant shall take all steps necessary to cure such default as promptly and completely as possible and shall pay promptly upon demand to each non-defaulting Participant the total amount of money and/or the reasonable equivalent in money of non-monetary performance, if any, paid and/or made by such non-defaulting Participant in order to cure any default by the defaulting Participant, together with interest on such money and/or the costs of non-monetary performance at the rate of ten per cent (10%) per annum, or the maximum rate of interest legally chargeable, whichever is the lesser, from the date of the expenditure of such money and/or the date of completion of such non-monetary performance by each such non-defaulting Participant to the date of such reimbursement by the defaulting Participant, or such greater amount as may be otherwise provided in the Project Agreements.
- 23.4 In the event that any Participant shall dispute the existence or nature of a default asserted in a notice given pursuant to Section 23.2, then such Participant shall pay the disputed payment or perform the disputed obligation, but may do so under protest. The protest shall be in writing, shall accompany the disputed payment or precede the performance of the

disputed obligation, and shall specify the reasons upon which the protest is based. Copies of such protest shall be mailed by such Participant to all other Participants. Payments not made under protest shall be deemed to be correct, except to the extent that periodic or annual audits may reveal over or under payments by Participants, necessitating adjustments. In the event it is determined by arbitration, pursuant to the provisions of this Participation Agreement or otherwise, that a protesting Participant is entitled to a refund of all or any portion of a disputed payment or payments or is entitled to the reasonable equivalent in money of non-monetary performance of a disputed obligation theretofore made, then, upon such determination, the non-protesting Participants shall pay such amount to the protesting Participants, together with interest thereon at the rate of six per cent (6%) per annum from the date of payment or from the date of completion of performance of a disputed obligation to the date of reimbursement. Reimbursement of the amount so paid shall be made by the non-protesting Participants in the ratio of their respective Generation Entitlement Shares to the total of the Generation Entitlement Shares of all non-protesting Participants.

#12      23.5      Unless otherwise determined by a board of arbitrators, in the event of a default by any Participant in the payment or performance of any obligation under the Project Agreements shall continue for a period of six (6) months or more without having been cured by the defaulting Participant or without such Participant having commenced or continued action in good faith to cure such default, or in the event the question of whether an act of default exists becomes the subject of an arbitration pursuant to Section 24 hereof, and such act continues for a period of six (6) months following a final determination by a board of arbitrators or otherwise that an act of default exists and the defaulting Participant has failed to cure such default or to commence such action during said six (6) month period, then, at any time thereafter and while said default is continuing, all of the non-defaulting Participants, by written notice to all Participants, may suspend the right of the defaulting Participant (i) to be represented on and participate in the actions of all committees and (ii) to receive all or any part of its proportionate share of the Available Generating Capability and Net Energy Generation in which event:

#13      23.5.1      During the period that any such suspension or any suspension pursuant to Section 8A.1.11 hereof is in effect, the nondefaulting Participants (i) shall bear all of the operation and maintenance costs, insurance costs, Termination Costs, and other expenses, including Fuel Expenses and Nuclear Fuel Expenditures, otherwise payable by the defaulting Participant under the Project Agreements, (ii) shall make Deficiency Deposits in their respective Termination Fund(s) pursuant to Section 8A.7.2.3 hereof, and (iii) shall be entitled to schedule and receive for their respective accounts the Generation Entitlement Share of the defaulting Participant of the Available Generating Capability and Net Energy Generation of all Generating Units in the ratio of their respective Generation Entitlement Shares to the total of the Generation Entitlement Shares of all non-defaulting Participants.

- 23.5.2 A defaulting Participant shall be liable to the non-defaulting Participants in the proportion that the Generation Entitlement Shares of each non-defaulting Participant bears to the total of the Generation Entitlement Shares of all non-defaulting Participants for all costs incurred by such non-defaulting Participants pursuant to Section 23.5.1 hereof. The proceeds paid by any defaulting Participant to remedy any such default shall be distributed to the non-defaulting Participants in the ratio of their respective Generation Entitlement Shares to the total of the Generation Entitlement Shares of all non-defaulting Participants.
- 23.5.3 The suspension of any defaulting Participant shall be terminated and its full rights hereunder restored when all of its defaults have been cured and all costs incurred by non-defaulting Participants pursuant to Section 23.5.1 have been paid by the defaulting Participant or other arrangements suitable to all non-defaulting Participants have been made.
- #7 23.5.4 During the period that such suspension is in effect, no Fuel Expense Credits nor net credit adjustments to the Assigned Fuel Expense to which the defaulting Participant would in the absence of such suspension have been entitled, pursuant to Appendix F attached hereto, shall become due and payable to the defaulting Participant and the non-defaulting Participants may apply all or any portion of any such Fuel Expense Credits and of any such net credit adjustments as offsets to the costs and expenses incurred by them and arising from or in connection with such default.
- 23.6 In addition to the remedies provided for in Section 23.5 hereof the non-defaulting Participants may, in submitting a dispute to arbitration in accordance with the provision [provisions] of Section 24 hereof, request that the board of arbitrators determine what additional remedies may be reasonably necessary or required under the circumstances which give rise to the dispute. The board of arbitrators may determine what remedies are necessary or required in the premises, including but not limited to the conditions under which ANPP may be operated economically and efficiently during periods when the defaulting Participant's right to receive its proportionate share of the Available Generating Capability is suspended.
- 23.7 The rights and remedies of the Participants set forth in this Participation Agreement shall be in addition to the rights and remedies of the Participants set forth in any other of the Project Agreements.
24. **ARBITRATION:**
- 24.1 If a dispute between any of the Participants should arise under the Project Agreements, any Participant(s) may call for submission of the dispute to arbitration which shall be binding upon all of the other Participants.

- 24.2 The Participant(s) calling for arbitration shall give written notice to all other Participants, setting forth in such notice in adequate detail the nature of the dispute, the amount or amounts, if any, involved in such dispute, and the remedy sought by such arbitration proceedings, and, within twenty (20) days from receipt of such notice, any other Participant(s) involved may, by written response to the first Participant(s) and all other Participants, submit its or their own statement of the matter at issue and set forth in adequate detail additional related matters or issues to be arbitrated. Thereafter, the Participant(s) first submitting its or their notice of the matter at issue shall have ten (10) days in which to submit a written rebuttal statement, copies of which shall be given to all other Participants.
- 24.3 Within forty (40) days following delivery of the written notice pursuant to Section 24.2 hereof, the Participants, acting through their representatives on the Administrative Committee, shall meet for the purpose of selecting arbitrators. Each Participant or group of Participants representing one side of the dispute shall designate an arbitrator. The arbitrators so selected shall meet within twenty (20) days following their selection and shall select additional arbitrators, the number of which shall be one (1) less than the total number of arbitrators selected by the Participants. If the arbitrators selected by the Participants, as herein provided, shall fail to select such additional arbitrator(s) within said twenty (20) day period, then the arbitrators shall request from the American Arbitration Association (or a similar organization if the American Arbitration Association should not at the time exist) a list of arbitrators who are qualified and eligible to serve as hereinafter provided. The arbitrators selected by the Participants shall take turns striking names from the list of arbitrators furnished by the American Arbitration Association, and the last name(s) remaining on said list shall be the additional arbitrator(s). All arbitrators shall be persons skilled and experienced in the field which gives rise to the dispute, and no person shall be eligible for appointment as an arbitrator who is an officer or employee of any of the parties to the dispute or is otherwise interested in the matter to be arbitrated.
- 24.4 Except as otherwise provided in this Section 24, the arbitration shall be governed by the rules and practice of the American Arbitration Association (or the rules and practice of a similar organization if the American Arbitration Association should not at that time exist) from time to time in force, except that if such rules and practice, as modified herein, shall conflict with state or Federal law, as the case may be, then in force which are specifically applicable to such arbitration proceedings, such law shall govern.
- 24.5 Included in the issues which may be submitted to arbitration pursuant to this Section 24 is the issue of whether the right to arbitrate a particular dispute is permitted under the Project Agreements.
- 24.6 The arbitrators shall hear evidence submitted by the respective Participants and may call for additional information, which additional information shall be furnished by the Participant(s) having such information. The decision of a majority of the arbitrators shall be binding upon all the Participants.

- 24.7 The award of the arbitrators shall contain findings relative to the materiality of the default, the period of time within which the defaulting party must remedy the default or commence remedial action, and the remedies which may be exercised by the non-defaulting Participants in the event the default is not remedied within such period of time.
- 24.8 This agreement to arbitrate shall be specifically enforceable, and the award and findings of the arbitrators shall be final and binding upon the Participants to the extent permitted by applicable law. Any award may be filed with the clerk of any court having jurisdiction over the Participants, or any of them, against whom the award is rendered, and, upon such filing, such award, to the extent permitted by the laws of the jurisdiction in which said award is filed, shall be specifically enforceable or shall form the basis of a declaratory judgment or other similar relief.
- 24.9 The fees and expenses of the arbitrators shall be shared by the Participants equally, unless the decision of the arbitrators shall specify some other apportionment of such fees and expenses. All other expenses and costs of the arbitration shall be borne by the Participant incurring the same.
- 24.10 In the event that any Participant shall attempt to carry out the provisions herein set forth in regard to arbitration, and such Participant shall not be able to obtain a valid and enforceable arbitration decree, such Participant shall be entitled to seek legal remedies in the courts having jurisdiction in the premises, and the provisions of the Project Agreements referring to decision of a board of arbitration, to the extent allowable by law, shall be then deemed applicable to final decisions of such courts.

25. ACTIONS PENDING RESOLUTION OF DISPUTES:

- #13 25.1 If a dispute should arise which is not resolved by the Administrative Committee or the higher authorities within the Participants' organizations, then, pending the resolution of the dispute by arbitration or judicial proceedings, the Project Manager, Operating Agent or Termination Agent shall proceed with Construction Work, Operating Work, Capital Improvements or Termination Work in a manner consistent with the Project Agreements and generally accepted practice in the electric utility industry, and the Participants shall advance the funds required to perform such Construction Work, Operating Work, Capital Improvements or Termination Work in accordance with the applicable provisions of the Project Agreements. The resolution of any dispute involving the failure of the Administrative Committee to reach agreement upon matters involving future expenditures shall have prospective application from the date of final determination, and amounts advanced by the Participants pursuant to this Section 25 during the pendency of such dispute shall not be subject to refund except upon a final determination that the expenditures were not made in a manner consistent with the Project Agreements and generally accepted practice in the electric utility industry.

26. REMOVAL OF PROJECT MANAGER OR OPERATING AGENT:

26.1 The Project Manager and Operating Agent shall serve during the term of and pursuant to this Participation Agreement unless either one resigns by giving written notice to the Participants at least one (1) year in advance of the date of resignation or until receipt by either one of notice of its removal following a determination that it is in default of this Participation Agreement as provided in Section 26.2.2 hereof. Upon the effective date of such resignation or removal, the Participants shall designate a new Project Manager or Operating Agent by written agreement.

26.2 The following provisions shall apply solely in regard to violations or allegations of violations of this Participation Agreement by the Project Manager or the Operating Agent on the basis of which removal of either one is sought:

26.2.1 In the event any Participant shall be of the opinion that an action taken or not taken by the Project Manager or Operating Agent constitutes a violation of this Participation Agreement, it may give written notice thereof to the Project Manager or the Operating Agent as the case may be and the other Participants, together with a statement of the reasons for its opinion. Thereupon, the Project Manager or the Operating Agent may prepare a statement of the reasons justifying its action or failure to take action. If agreement in settling the dispute is not reached between the Project Manager or the Operating Agent and the Participant which gave such notice, then the matter shall be submitted to arbitration in the manner provided in Section 24 hereof. During the continuance of the arbitration proceedings, the Project Manager or the Operating Agent may continue such action taken or not taken in the manner it deems most advisable and consistent with this Participation Agreement.

26.2.2 If it is determined that the Project Manager or the Operating Agent is violating this Participation Agreement, then it shall act with due diligence to end such violation and shall, within six (6) months or within such lesser time following the determination as may be prescribed in the determination, take action or commence action in good faith to terminate such violation. In the event that the Project Manager or the Operating Agent has failed either to correct, or to commence action to correct, the violation within such allowed period (which itself may be a subject of dispute for determination as above provided) it shall be deemed to be in default under this Participation Agreement and shall be subject to removal upon receipt of notice, executed by all the other Participants, in accordance with Section 26.1 hereof.

26.2.3 The provisions of Section 23 hereof shall not apply to disputes as to whether or not an action or non-action of the Project Manager or the Operating Agent, in its capacity as such, is a violation or a default under this Participation Agreement.

**27. RELATIONSHIP OF PARTICIPANTS:**

27.1 : The covenants, obligations and liabilities of the Participants are intended to be several and not joint or collective and nothing herein contained shall ever be construed to create an association, joint venture, trust or partnership, or to impose a trust or partnership covenant, obligation or liability on or with regard to any one or more of the Participants. Each Participant shall be individually responsible for its own covenants, obligations and liabilities as herein provided. No Participant or group of Participants shall be under the control of or shall be deemed to control any other Participant or the Participants as a group. No Participant shall be the agent of or have a right or power to bind any other Participant without its express written consent, except as expressly provided in this Participation Agreement or other Project Agreements.

27.2 The Participants hereby elect to be excluded from the application of Subchapter "K" of Chapter 1 of Subtitle "A" of the Internal Revenue Code of 1954, or such portion or portions thereof as may be permitted or authorized by the Secretary of the Treasury or his delegate insofar as such Subchapter, or any portion or portions thereof, may be applicable to the Participants under the Project Agreements.

**28. FEES:**

No Project Manager or Operating Agent shall receive any fee or profit hereunder.

**29. ENVIRONMENTAL PROTECTION:**

29.1 The Participants agree to design, construct, operate and maintain ANPP in a manner consistent with the Participants' objective of attaining the degree of environmental protection reasonably feasible. The Participants affirm their continuing obligation to comply fully with applicable Federal, state and local laws, orders, regulations, rules and standards relating to environmental protection. The Participants shall to the extent practicable anticipate and make provision for the future installation of any systems required to comply with changes in said laws, orders, regulations, rules and standards.

29.2 The Participants hereby direct that the Project Manager and Operating Agent shall install and diligently operate as part of ANPP such solid, gaseous and liquid effluent control and treatment systems as may be necessary to comply with and fulfill the objectives and obligations set forth in Section 29.1 hereof.

29.3 The Project Manager is hereby authorized and directed to conduct such studies and monitoring programs and employ such expert consultants as may be required or useful to properly evaluate alternative plant sites and feasible means of minimizing the impact of ANPP on the environment and of enhancing the incidental environmental benefits which may accrue from or be developed in connection with the operation and maintenance of ANPP. Further, the Project Manager shall take all appropriate measures to harmonize ANPP with the environment and shall exercise care to prevent any unnecessary destruction, scarring, or defacing of the natural surroundings in the vicinity of the Nuclear Plant Site.

- 29.4 The Operating Agent shall continue or initiate such monitoring programs as may be appropriate to detect in their incipency any changes, anticipated and unanticipated, in the environment that may be attributable to the operation of ANPP and recommend to the Engineering and Operating Committee such Capital Improvements as may in the future with improvements in technology enhance the environmental benefits derivable from ANPP or minimize any adverse effects.

### 30. UNCONTROLLABLE FORCES:

- 30.1 No Participant shall be considered to be in default in the performance of any of its obligations under the Project Agreements (other than obligations of said Participant to pay costs and expenses) when a failure of performance shall be due to an uncontrollable force. The term "uncontrollable force" shall be any cause beyond the control of the Participant affected, including but not restricted to 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, which by exercise of due diligence such Participant could not reasonably have been expected to avoid and which by exercise of due diligence it shall be unable to overcome. Nothing contained herein shall be construed so as to require a Participant to settle any strike or labor dispute in which it may be involved. Any Participant rendered unable to fulfill any of its obligations under the Project Agreements by reason of an uncontrollable force shall give prompt written notice of such fact to the other Participants and shall exercise due diligence to remove such inability with all reasonable dispatch. The term "Participant" as used in this Section 30 shall include the Project Manager and Operating Agent in their capacities as such.

### 31. GOVERNING LAW:

This Agreement shall be governed by and construed and enforceable in accordance with the laws of the State of Arizona.

### 32. BINDING OBLIGATIONS:

- #7 32.1 All of the respective covenants and obligations of each of the Participants  
#10 set forth and contained in the Project Agreements shall bind and shall be and become the respective covenants and obligations of:
- #10 32.1.1 Each such Participant;
- #10 32.1.2 All mortgagees, trustees and secured parties under all present and future mortgages, indentures and deeds of trust, and security agreements which are or may become a lien upon any of the interests of such Participant in ANPP; provided, however, that such covenants and obligations shall become binding upon such parties only at the time of taking possession;

- #10                    32.1.3            All receivers, assignees for the benefit of creditors, bankruptcy trustees and referees of such Participant;
- #10                    32.1.4            All lessors under all future sale and leaseback transactions (or other person described in Section 15.1.2 hereof) involving interests in ANPP; provided, however, that such covenants and obligations shall become binding on such lessors (or other persons) only in accordance with Section 15.2.2 hereof;
- #10                    32.1.5            All receivers, assignees for the benefit of creditors, bankruptcy trustees and referees of such lessors;
- #10                    32.1.6            All Transferees pursuant to Section 15.10 hereof; provided, however, that such covenants and obligations shall become binding on a Transferee only in accordance with Section 15.10.2 hereof;
- #10                    32.1.7            All other persons, firms, partnerships or corporations claiming through or under any of the foregoing; and
- #10                    32.1.8            Any successors or assigns of any of those mentioned in Sections 32.1.1 through 32.1.7 hereof,

and shall be covenants and obligations running with such Participant's respective rights, titles and interests in ANPP and in, to and under the Project Agreements, and shall be for the benefit of the respective rights, titles and interests of the Participants and their respective successors and assigns, in and to ANPP. It is the specific intention of this provision that all such covenants and obligations shall be binding upon any party which acquires any of the rights, titles, and interests of any such Participant in ANPP or in, to and under the Project Agreements and that all of the above-described persons and groups shall be obligated to use such Participant's rights, titles and interests in ANPP and/or in, to or under the Project Agreements for the purpose of discharging its covenants and obligations under the Project Agreements: except (i) that in the case of a partial assignment the assignee shall only be required to share in the cost of fulfilling the covenants and obligations of the assigning Participant in, to and under the Project Agreements to an extent proportionate or attributable to such assignment, (ii) the rights and obligations of any Fuel Lessor of any Participant shall be governed by the provisions of Section 15.4 hereof and (iii) the rights and obligations of any person specified in Section 32.1.2, 32.1.4 and 32.1.6 hereof shall be governed as set forth in such Sections.

### 33. NONDEDICATION OF FACILITIES:

The Participants do not intend to dedicate and nothing in this Participation Agreement or the Project Agreements shall be construed as constituting a dedication by any Participant of its properties or facilities, or any part thereof, to any other Participant or to the customers of any Participant.

**34. GENERAL PROVISIONS GOVERNING PROJECT AGREEMENTS:**

- 34.1 The Participants agree to negotiate in good faith and to proceed with diligence to obtain all of the Project Agreements among the Participants and between the Participants and other entities.
- 34.2 It is acknowledged by the Participants that one or more of the Project Agreements may contain provisions which are in conflict with or contrary to the terms of this Participation Agreement, and any such provision in a Project Agreement executed subsequent to the execution of this Participation Agreement and agreed to by the Participants shall be deemed to supersede, amend or modify any conflicting or contrary provision herein. The mutual agreement of the Participants to supersede, amend or modify the terms hereof shall constitute the legal consideration to support such change in the legal rights and obligations of the Participants.
- 34.3 Each Participant agrees, upon request by the other Participants, to make, execute and deliver any and all documents reasonably required to implement this Participation Agreement and the Project Agreements.
- 34.4 Each term, covenant and condition of this Participation Agreement and the Project Agreements is deemed to be an independent term, covenant and condition, and the obligation of any Participant to perform any or all of the terms, covenants and conditions to be kept and performed by it is not dependent on the performance by the other Participants of any or all of the terms, covenants and conditions to be kept and performed by them.
- 34.6 In the event that any of the terms, covenants or conditions of this Participation Agreement or any of the Project Agreements, or the application of any such term, covenant or condition, shall be held invalid as to any person or circumstance by any court having jurisdiction in the premises, all other terms, covenants or conditions of such agreements and their application shall not be affected thereby, but shall remain in force and effect.
- 34.7 The Project Agreements shall be subject to filing with, and to such changes or modifications as may from time to time be directed by, competent regulatory authority, if any, in the exercise of its jurisdiction.
- 34.8 Except as otherwise specifically provided in this Participation Agreement or the Project Agreements, the Participants do not intend to create rights in or to grant remedies to any third party as a beneficiary of this Participation Agreement or the Project Agreements or of any duty, covenant, obligation or undertaking established therein.
- 34.9 Any waiver at any time by any Participant of its rights with respect to a default or any other matter arising in connection with this Participation Agreement or a Project Agreement shall not be deemed a waiver with respect to any subsequent default or matter.

35. TERMS AND TERMINATION:

- #13 35.1 : This Participation Agreement shall become effective on September 1, 1973, provided that it shall have been then duly executed by all of the Participants.
- 35.2 In the event any Participant elects to terminate its participation in ANPP in respect of any Generating Unit in accordance with Section 19.3 hereof, such election shall be exercised by delivery to each other Participant not later [than] September 1, 1977, of a written notice of such election and shall become effective as of December 1, 1977.
- 35.3 Upon delivery of any notice by any Participant pursuant to Section 35.2 hereof, each other Participant shall have the right to terminate its participation in ANPP in respect of the Generating Unit affected by such notice. Such right to terminate shall be exercised by delivery to each other Participant on or before December 1, 1977, of a written notice of the exercise of such right. Any such termination shall become effective on December 1, 1977.
- 35.4 No election or exercise of the right to terminate participation in respect of any Generating Unit pursuant to Section 35.2 or 35.3 hereof shall modify or alter the rights and obligations of any Participant in respect of any other Generating Unit.
- 35.5 In the event any Participant elects or exercises its right to terminate its participation in any Generating Unit pursuant to Section 35.2 or 35.3 hereof ("Terminating Participant"), the accumulated Construction Costs, charges and expenses paid or incurred by all Participants prior to the effective date of such termination and any termination costs shall be shared by all Participants on the basis of the respective Generation Entitlement Shares of the Participants in the affected Generating Unit. All equipment, facilities and property theretofore acquired or constructed in connection with such Generating Unit shall, subject to Section 35.6 hereof, be disposed of by the Project Manager in the manner most beneficial to all Participants, and the benefits accruing therefrom shall be shared on the basis of the Participants' Generation Entitlement Shares.
- 35.6 Should any Participants desire to proceed with the construction of such Generating Unit or any component thereof, they shall have the right to purchase from each Terminating Participant and each Terminating Participant shall be obligated to sell to the continuing Participant(s) its right, title and interest in such Generating Unit, including any Project Agreement related thereto, for the amount that such Terminating Participant has expended therefor pursuant to this Participation Agreement, excluding interest during construction but including a proportionate share determined on the basis of ratios of Maximum Generating Capability of the cost of any facilities shared by such Generating Unit with any other Generating Unit, and upon receipt of payment thereof all rights and obligations of such Terminating Participant under this Participation Agreement in respect of such Generating Unit shall cease and terminate. If two or more Participants desire to exercise their rights to purchase under this Section 35.6, then, unless they shall otherwise agree, each of them shall be entitled to purchase a pro rata share, based upon their respective Generation

Entitlement Shares, of the right, title and interest of the Terminating Participant(s) in such Generating Unit and this Participation Agreement shall remain in force and effect with respect to the continuing Participants until the expiration of the term provided in Section 35.1 hereof.

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35.7

This Participation Agreement shall terminate on the earlier of: (i) December 31, 2027, or (ii) the date on which all Generating Units shall have been permanently removed from service and all Termination Work in respect of all Generating/Terminated Units has been completed; provided, however, that

(a) the Termination Responsibility of each Participant shall survive any termination of this Participation Agreement until such Participant has fully satisfied its Termination Responsibility;

(b) upon the termination of this Participation Agreement the Participants shall possess the Surviving Rights as defined in Section 35.7.1, and shall be subject to and obligated to fully satisfy the Surviving Obligations as defined in Section 35.7.2.;

(c) any obligations of any Participant to one or more other Participants under any provision of this Participation Agreement or under any other Project Agreement, including for example and without limitation any obligation arising under Sections 8A.1.11, 21.1 through 21.6, 23.3, 23.5.2 hereof and Section K.2.9 of Appendix K to this Participation Agreement, which has not been satisfied prior to any termination of this Participation Agreement shall survive and be fully enforceable against such Participant after such termination; and

(d) upon any termination of this Participation Agreement the Participants shall be obligated to convey their respective interests in the fee to the land underlying the ANPP High Voltage Switchyard to the joint owners of such switchyard as tenants in common as their respective interests may appear upon the payment by the joint owners of the switchyard to the Participants of an amount equal to the then fair market value of such land exclusive of all improvements thereon and shall grant permanent easements for transmission line rights of way to the owners of the transmission lines which may be located on the Nuclear Plant Site and are connected to the ANPP High Voltage Switchyard upon the payment(s) by said owners to the Participants of an amount equal to 90% of the then fair market value of land, exclusive of all improvements, occupied by such rights of way.

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35.7.1 The Surviving Rights of each Participant shall include:

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35.7.1.1

The rights of such Participant under any Project Agreement that shall continue to be in force and effect after the termination of this Participation Agreement;

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35.7.1.2

The rights of such Participant to the unexpended balance of any contributions or deposits made by such Participant to or in any

Termination Fund(s) established for the payment of Termination Costs;

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35.7.1.3

The rights of such Participant in any unexpended balance of any fund or reserve established at any time by ANPP or the Participants for the payment of any liability or obligation pursuant to any Project Agreement or any insurance policy providing Project Insurance or any ANPP self-insured arrangement which, as of the date of the termination of this Participation Agreement ("TPA Date"), is not due or payable, is the subject of a dispute, or is indeterminate or contingent, including without limitation (i) any liability or obligation arising from any litigation instituted or claims asserted or anticipated prior to the TPA Date against ANPP, any or all Participants, the Project Manager, Operating Agent or any Termination Agent with respect to any Construction Work, Operating Work, Capital Improvements or Termination Work, (ii) any contingent liability for workers' compensation, employers liability, employees' health, retirement or other benefits, (iii) any reserve or other funds held by any insurers on the TPA Date which under the terms of any insurance policy are or may become subject to refund or otherwise payable to the Operating Agent, the Termination Agent or the Participants, including without limitation the portion of premiums paid to American Nuclear Insurers, Inc. under its Nuclear Liability Policy or Master Workers Policy that are refundable pursuant to its Industry Credit Rating Plan or Industry Retrospective Rating Plan, (iv) any reserves of Nuclear Mutual Limited, Nuclear Electric Insurance Limited or any other nuclear property insurer as may become payable to the Operating Agent, the Termination Agent or the Participants, and (v) proceeds paid or payable under any nuclear property insurance policy and held in trust or otherwise for reactor stabilization and decontamination or (vi) any liability for other claims of any nature as may be asserted subsequent to the TPA Date against ANPP, any or all Participants, the Project Manager, Operating Agent or any Termination Agent; and

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35.7.1.4

The rights and interests of any Participant in any real, personal, tangible or intangible property or assets or rights therein of ANPP

or all Participants, which is not distributed to the Participants on or before the TPA Date.

- #13                    35.7.2      The Surviving Obligations of each Participant shall include:
- #13                    35.7.2.1      The obligations of such Participant under any Project Agreement that shall continue to be in force and effect after the termination of this Participation Agreement;
- #13                    35.7.2.2      Such Participant's pro rata share, equal to its Generation Entitlement Share, of any liability identified in Section 35.7.1.3 for which no fund or reserve is established on or prior to the TPA Date or which is in excess of any fund or reserve established on or prior to the TPA Date.
- #13            35.8            Any Participant may assign any or all of its Surviving Rights to any party without the consent of the other participants.

36.      **ASSIGNMENT OF INTERESTS:**

Any Participant who acquires in its name an interest in any real or personal property or contract which is part of ANPP shall transfer and assign an undivided interest therein to the other Participants so that the ownership and rights of the Participants in such property or contract shall be as provided for in this Participation Agreement and the Project Agreements.

37.      **EQUAL OPPORTUNITY:**

- 37.1            During the term of this Participation Agreement, the Project Manager and the Operating Agent (hereinafter in this Section 37 referred to collectively as the "Contractor") agree as follows:
- 37.1.1            The Contractor will not discriminate against any employee or applicant for employment because of race, color, religion, sex or national origin. The Contractor will take affirmative action to ensure that applicants are employed, and that employees are treated during employment without regard to their race, color, religion, sex, or national origin. Such action shall include, but not be limited to, the following: employment, upgrading, demotion or transfer; recruitment or recruitment advertising; layoff or termination; rates of pay or other forms of compensation; and selection for training, including apprenticeship. The Contractor agrees to post in conspicuous places, available to employees and applicants for employment, notices to be provided by the contracting officer setting forth the provisions of this nondiscrimination clause.
- 37.1.2            The Contractor will, in all solicitations or advertisements for employees placed by or on behalf of the Contractor, state that all qualified applicants will receive consideration

for employment without regard to race, color, religion, sex or national origin.

- 37.1.3 The Contractor will send to each labor union or representative of workers with which it has a collective bargaining agreement or other contract or understanding, a notice to be provided advising the said labor union or workers' representative of the Contractor's commitments under this Section 37, and shall post copies of the notice in conspicuous places available to employees and applicants for employment.
- 37.1.4 The Contractor will comply with all provisions of Executive Order 11246 of September 24, 1965, as amended by Executive Order 11375 of October 13, 1967, and of the rules, regulations and relevant orders of the Secretary of Labor.
- 37.1.5 The Contractor will furnish all information and reports required by Executive Order 11246 as amended by rules, regulations and orders of the Secretary of Labor, or pursuant thereto, and will permit access to its books, records and accounts by the administering agency and the Secretary of Labor for purposes of investigation to ascertain compliance with such rules, regulations and orders.
- 37.1.6 In the event of the Contractor's noncompliance with the nondiscrimination clauses of this Participation Agreement or with any of the said rules, regulations or orders, this Participation Agreement may be canceled, terminated or suspended in whole or in part and the Contractor may be declared ineligible for further Government contracts or federally assisted construction contracts in accordance with procedures authorized in said Executive Order 11246 as amended and such other sanctions may be imposed and remedies invoked as provided in the said Executive Order as amended or by rule, regulation or order of the Secretary of Labor, or as otherwise provided by law.
- 37.1.7 The Contractor will include the provisions of Sections 37.1.1 through 37.1.7 hereof in every subcontract or purchase order unless exempted by rules, regulations or orders of the Secretary of Labor issued pursuant to Section 204 of said Executive Order 11246 as amended, so that such provisions will be binding upon each subcontractor or vendor. The Contractor will take such action with respect to any subcontract or purchase order as the administering agency may direct as a means of enforcing such provisions, including sanctions for non-compliance; provided, however, that in the event a Contractor becomes involved in, or is threatened with, litigation with a subcontractor or vendor as a result of such direction by the administering agency, the Contractor may request the United States to enter into such litigation to protect the interests of the United States.

- 37.2 The parties recognize there are a number of Indian Reservations in the area in which the Contractor operates. Pursuant to the provisions of Title 42 U.S.C.A. 2000-e-2(i), the Contractor now has several agreements and contemplates it may have additional agreements with Indian Tribes providing for preference to qualified Indians for employment on the Reservation of such Indians. The parties agree that Contractor's act of giving preference to qualified Indians for employment on the Reservation of said Indians is not to be deemed inconsistent with the purposes or provisions of Section 37.1 hereof.

### 38. NOTICES:

- 38.1 Except as set forth in Section 38.2 hereof, any notice, demand or request provided for in this Participant [Participation] Agreement or any other Project Agreement 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:

38.1.1 Arizona Public Service Company  
c/o Secretary  
P. O. Box 21666  
Phoenix, Arizona 85036

38.1.2 Salt River Project Agricultural Improvement  
and Power District  
c/o Secretary  
P. O. Box 1980  
Phoenix, Arizona 85001

# 2

38.1.3 Southern California Edison Company  
c/o Secretary  
P. O. Box 800  
2244 Walnut Grove Avenue  
Rosemead, California 91770

38.1.4 Public Service Company of New Mexico  
c/o Secretary  
P. O. Box 2267  
Albuquerque, New Mexico 87103

# 1

38.1.5 El Paso Electric Company  
c/o Secretary  
P. O. Box 982  
El Paso, Texas 79999

# 1

# 3

# 8

38.1.6 Southern California Public Power Authority  
c/o Executive Director  
Room 300  
613 East Broadway  
Glendale, California 91205

# 11

38.1.7 Department of Water and Power  
of the City of Los Angeles  
c/o Chief Electric Engineer and

Assistant Manager  
P. O. Box 111  
111 North Hope Street  
Los Angeles, California 90015

38.2 Communications of a routine nature, including requests for funds and related matters, shall be given in such manner as the Administrative Committee shall arrange.

38.3 Any Participant may, at any time, by written notice to all other Participants, designate different or additional persons or different addresses for the giving of notices hereunder.

39. EXECUTION:

IN WITNESS WHEREOF, the Participants have caused this Participation Agreement to be executed as of the 23rd day of August, 1973.

ARIZONA PUBLIC SERVICE COMPANY

By \_\_\_\_\_  
President

ATTEST:

\_\_\_\_\_  
Assistant Secretary

SALT RIVER PROJECT AGRICULTURAL  
IMPROVEMENT AND POWER DISTRICT

By \_\_\_\_\_  
President

ATTEST AND COUNTERSIGN:

\_\_\_\_\_  
Secretary

SOUTHERN CALIFORNIA EDISON COMPANY

By \_\_\_\_\_  
Vice President

ATTEST:

\_\_\_\_\_  
Assistant Secretary

PUBLIC SERVICE COMPANY OF NEW MEX-  
ICO

By \_\_\_\_\_  
President

ATTEST:

\_\_\_\_\_  
Secretary

EL PASO ELECTRIC COMPANY

By \_\_\_\_\_  
President

ATTEST:

\_\_\_\_\_  
Secretary

SOUTHERN CALIFORNIA PUBLIC POWER  
AUTHORITY, doing business in the State of Ari-  
zona as SOUTHERN CALIFORNIA PUBLIC  
POWER AUTHORITY ASSOCIATION

By \_\_\_\_\_  
President

ATTEST:

\_\_\_\_\_  
Assistant Secretary

DEPARTMENT OF WATER AND POWER OF  
THE CITY OF LOS ANGELES

By

BOARD OF WATER AND POWER COMMIS-  
SIONERS OF THE CITY OF LOS ANGELES

By \_\_\_\_\_  
President

STATE OF ARIZONA   )  
                              )   : ss.  
County of Maricopa   )

On this the 23rd day of August, 1973, before me, the undersigned Notary Public, personally appeared Karl F. Abel and F. E. Smith who acknowledged themselves to be the President and Secretary of the SALT RIVER PROJECT AGRICULTURAL IMPROVEMENT AND POWER DISTRICT, an agricultural improvement district organized and existing under the laws of the State of Arizona, and that they as such officers, being authorized so to do, executed the foregoing instrument for the purposes therein contained by signing the name of the company by themselves as such President and Secretary.

IN WITNESS WHEREOF, I hereunto set my hand and official seal.

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Notary Public

My Commission Expires:

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STATE OF ARIZONA   )  
                              )   : ss.  
County of Maricopa   )

On this the 23rd day of August, 1973, before me, the undersigned Notary Public personally appeared W. P. Reilly and Gerald J. Griffin who acknowledged themselves to be the President and Assistant Secretary of ARIZONA PUBLIC SERVICE COMPANY, an Arizona corporation, and that they as such officers, being authorized so to do, executed the foregoing instrument for the purposes therein contained by signing the name of the company by themselves as such President and Assistant Secretary.

IN WITNESS WHEREOF, I hereunto set my hand and official seal.

---

Notary Public

My Commission Expires:

---

STATE OF CALIFORNIA     )  
                                   )  
 County of Los Angeles     )     ss.

On this the 7th day of May, 1976, before me, the undersigned Notary Public, personally appeared J. T. Head, Jr. and R. D. Gorman who acknowledged themselves to be the Vice-President and Assistant Secretary of the SOUTHERN CALIFORNIA EDISON COMPANY, a California corporation, and that they as such officers, being authorized so to do, executed the foregoing instrument for the purposes therein contained by signing the name of the company by themselves as such Vice-President and Assistant Secretary.

IN WITNESS WHEREOF, I hereunto set my hand and official seal.

\_\_\_\_\_  
 Notary Public

My Commission Expires:  
 \_\_\_\_\_

STATE OF NEW MEXICO     )  
                                   )  
 County of Bernalillo     )     ss.

On this the 30th day of August, 1973, before me, the undersigned Notary Public personally appeared G. A. Schreiber and D. E. Peckham who acknowledged themselves to be the President and Secretary of PUBLIC SERVICE COMPANY OF NEW MEXICO, a New Mexico corporation, and that they as such officers, executed the foregoing instrument for the purposes therein contained by signing the name of the Company by themselves, as such President and Secretary.

IN WITNESS WHEREOF, I hereunto set my hand and official seal.

\_\_\_\_\_  
 Notary Public

My Commission Expires:  
 \_\_\_\_\_

STATE OF TEXAS     )  
                              )  
County of El Paso    )     ss.

On this the 4th day of September, 1973, before me, the undersigned Notary Public personally appeared D. H. Lane and I. J. Lambka who acknowledged themselves to be the President and Secretary of EL PASO ELECTRIC COMPANY, a Texas corporation, and that they as such officers, executed the foregoing instrument for the purposes therein contained by signing the name of the company by themselves as such President and Secretary.

IN WITNESS WHEREOF, I hereunto set my hand and official seal.

\_\_\_\_\_  
Notary Public

My Commission Expires:  
\_\_\_\_\_

STATE OF CALIFORNIA    )  
                              )  
County of Los Angeles    )     ss.

On this the 12th day of September, 1983, before me, the undersigned Notary Public personally appeared Karl A. Johnson and Charles W. Montoya who acknowledged themselves to be the President and Assistant Secretary of SOUTHERN CALIFORNIA PUBLIC POWER AUTHORITY, a California corporation, and that they as such officers, being authorized so to do, executed the foregoing instrument for the purposes therein contained by signing the name of the company by themselves as such President and Assistant Secretary.

IN WITNESS WHEREOF, I hereunto set my hand and official seal.

\_\_\_\_\_  
Notary Public

My Commission Expires:  
\_\_\_\_\_

STATE OF CALIFORNIA    )  
                                  )  
County of Los Angeles    )    ss.

On this the 29th day of October, 1986, before me, the undersigned Notary Public personally appeared Eldon A. Cotton who acknowledged himself to be the Assistant Chief Engineer, Power of the DEPARTMENT OF WATER AND POWER OF THE CITY OF LOS ANGELES, a California municipal corporation, and that he as such officer, being authorized so to do, executed the foregoing instrument for the purposes therein contained by signing the name of the company by himself as such Assistant Chief Engineer, Power.

IN WITNESS WHEREOF, I hereunto set my hand and official seal.

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Notary Public

My Commission Expires:

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## APPENDIX A

## DESCRIPTION OF ARIZONA NUCLEAR POWER PROJECT

- I. Three (3) Combustion Engineering "System 80" pressurized water reactor nuclear steam supply systems. Each NSSS is comprised of a reactor vessel containing 241 fuel assemblies with approximately 100 tons of enriched uranium, two steam generators, four reactor coolant pumps and various additional systems and subsystems. The thermal rating of each NSSS is 3817 MWt.
- II. Three (3) GE TC6F-43, 1800 R/MIN tandem-compound, six flow, reheat turbine generators including turbines, generators, moisture separator-reheaters, exciters, controls, and auxiliary subsystems. The direct-driven generator is conductor cooled and rated at 1,554 MVA at 24,000 V, 3 phase, 60 Hz, 1.5 in Hg ABS back pressure, and approximately 1,363 MWe maximum gross output.
- III. Three (3) 146 ft. inside diameter, steel-lined, prestressed concrete cylindrical containment buildings with hemispherical domes designed for 60 psig. Each containment building houses the reactor systems.
- IV. Auxiliary systems and equipment including engineered safeguards systems, reactor auxiliary systems, turbine-generator auxiliary systems associated with I, II and III.
- V. Three (3) cooling tower systems, including closed cycle circulating water systems, make-up water systems and essential spray ponds.
- VI. Three (3) radioactive waste treatment systems, including liquid, gaseous, and solid waste subsystems, controls, instrumentation, storage, handling and shipment facilities.
- VII. An administration building, three (3) auxiliary buildings, three (3) turbine buildings, warehouse, visitor center, and other support buildings to be located adjacent to said units.
- VIII. All facilities and equipment to provide interconnection between each turbine generator and the High Voltage Switchyard, including startup transformers and standby equipment and systems.
- IX. Three (3) emergency diesel-generator systems, including three diesel-generator buildings which contain two diesel-generators each, fuel oil systems, storage tanks, emergency buses and control and instrumentation systems.
- X. Station internal and external communication systems, including associated interconnections and computer data links.
- XI. The Plant Site described in Appendix B.
- XII. Access roads, railroad spurs, security fencing and surveillance systems and guard facilities, including associated radioactive monitoring systems or equipment.

- XIII. Water treatment facilities and transport systems, including rights-of-way, for supply of waste water effluent from the 91st Avenue sewage treatment plant serving the Phoenix metropolitan area.

## APPENDIX B

### DESCRIPTION OF THE NUCLEAR PLANT SITE

The Palo Verde Nuclear Generating Station Site is located in Maricopa County, Arizona, approximately 36 miles west of the City of Phoenix and approximately 16 miles west of the City of Buckeye. The Plant Site is described as follows:

The West Half (W 1/2) of the Northwest Quarter (NW 1/4) and the West Half (W 1/2) and the Southeast Quarter (SE 1/4) of the Southwest Quarter (SW 1/4) of Section Twenty-six (26), all of Section Twenty-seven (27) except the Northwest quarter (NW 1/4) thereof, the Southeast Quarter (SE 1/4) of Section Twenty-eight (28), the East Half (E 1/2) of Section Thirty-three (33), all of Section Thirty-four (34) and the West Half (W 1/2) of Section Thirty-five (35), all in Township One (1) North, Range Six (6) West of the Gila and Salt River Base and Meridian, Maricopa County, Arizona; and

The West Half (W 1/2) of the West Half (W 1/2) of Section Two (2), all of Section Three (3), the East Half of Section Four (4), the East Half (E 1/2) of the Southeast Quarter (SE 1/4) of Section Nine (9), all of Section Ten (10) except the West Half (W 1/2) of the Northwest Quarter (NW 1/4) and the East Half (E 1/2) of the Southeast Quarter (SE 1/4) thereof, all in Township One (1) South, Range Six (6) West of the Gila and Salt River Base and Meridian, Maricopa County, Arizona.



# APPENDIX C (REVISED)

## CONSTRUCTION SCHEDULE

#2

### ARIZONA NUCLEAR POWER PROJECT

<u>Milestone</u>	<u>Unit 1</u>	<u>Unit 2</u>	<u>Unit 3</u>
Selection of siting and environmental consultants and initiation of siting and environmental studies	6/29/72	6/29/72	6/29/72
Contract with engineer-constructor	1/15/73	1/15/73	1/15/73
Invitation for bids for supply of nuclear steam supply systems	2/27/73	2/27/73	2/27/73
Contract for wastewater effluent	4/23/73	4/23/73	4/23/73
Nuclear Plant Site selection	9/1/73	9/1/73	9/1/73
Contracts for nuclear steam supply systems and initial supply of Nuclear Fuel	8/20/73	8/20/73	8/20/73
Begin preliminary engineering	8/20/73	8/20/73	8/20/73
Contract for supply of turbine-generators	3/21/74	3/21/74	3/21/74
Submit applications to USAEC for construction permits	7/11/74	7/11/74	7/11/74
Submit applications to the Arizona Power Plant and Transmission Line Siting Committee for a Certificate of Environmental Compatibility	10/28/75	10/28/75	10/28/75
Obtain all authorizations required to commence construction and begin final design and engineering	5/1/76	5/1/76	5/1/76
Complete final design and engineering and submit applications to USNRC for operating licenses	11/1/78	11/1/78	11/1/78
Issuance of operating license and begin loading and start-up testing	11/1/81	11/1/83	11/1/85
Scheduled Date of Commercial Operation	5/1/82	5/1/84	5/1/86



## APPENDIX D

## CONSTRUCTION COSTS OF ARIZONA NUCLEAR POWER PROJECT

- D.1 Construction Costs shall consist of payments made and obligations incurred for or in connection with Construction Work (excluding allowance for funds during construction and, except as provided in Section 13.3 of the Participation Agreement, ad valorem taxes or payments in lieu thereof) for the account of Construction Work and shall consist of the following:
- D.1.1 All costs of labor, services and studies performed in connection with Construction Work, if authorized and approved by the Project Manager.
  - D.1.2 Payroll and other expenses of the Project Manager's employees while performing the Construction Work, including applicable allocated labor loading charges, such as department overhead, time-off allowances, Payroll Taxes (allocated in accordance with Section E.1.5 of Appendix E), workmen's compensation expenses (allocated in accordance with Section E.1.8 of Appendix E), retirement and death benefits and other employee benefits and any incidental expenses (e.g., travel) incurred by the Project Manager in connection with the employment of any employees of any Participant assigned to the Project Manager.
  - D.1.3 Payroll and other expenses incurred by any Participant with respect to any of its employees who have been assigned to the Project Manager to perform Construction Work which expenses have not been paid by the Project Manager under Section D.1.2 hereof. All such payroll and other expenses, including applicable labor loading charges, such as vacation, sick, holiday and other time-off allowances, Payroll Taxes, workmen's compensation expenses, retirement and death benefits, other employee benefits, incidental expenses and applicable administrative and general expenses (excluding department overheads), shall be billed by the assigning Participant to the Project Manager at appropriate intervals not less frequently than once each year. The Project Manager shall pay any such bill within fifteen (15) days after receipt.
  - D.1.4 Overhead costs associated with Construction Work (including the allowance for the Project Manager's administrative and general expenses described in Section D.1.14 hereof), costs of temporary facilities, land and land rights, structures and improvements, and equipment for ANPP as set forth in the Electric Plant Instructions of the FPC Accounts.
  - D.1.5 All costs and expenses, including those of outside consultants and attorneys, incurred by the Project Manager or other Participants with respect to the securing of licenses, permits, certificates and any other authorizations required by law, compliance with any applicable laws, rules or regulations respecting the environment, conservation of the public health and safety, negotiation for and acquisition of land, land rights, water rights and fuel requirements and supply, and to the preparation of agreements and permits relating to Construction Work with entities other than the Participants. A Participant anticipating such costs and expenses shall

submit an estimate thereof to the Project Manager for authorization and approval. Any Participant incurring such costs and expenses after such authorization and approval shall bill the Project Manager therefor.

#5

- D.1.6 Applicable costs of materials, supplies, tools, machinery, equipment, apparatus, construction Power and Energy (excluding Testing and Start-Up Power and Energy supplied by the Participants pursuant to Section 5.8 of the Participation Agreement), including installation of any facilities necessary therefor, determined in accordance with the established charges, rates, rules, regulations, and practices of the utility furnishing such construction Power, Energy, and facilities, construction water in connection with Construction Work, including rental charges, and Emergency Spare Parts.
- D.1.7 All costs of Construction Insurance, except costs of workmen's compensation insurance included in Section D.1.2 hereof.
- D.1.8 All costs of any loss, damage or liability arising out of or caused by Construction Work which are not satisfied under the coverage of Construction Insurance, and the expenses incurred in settlement of injury and damage claims, including the costs of labor and related supplies and expenses incurred in injury and damage activities, (all as referred to in FPC Account 925 and FPC Accounts Electric Plant Instruction 3(8), but excluding any costs or expenses included in Section D.1.2 hereof), because of any claim arising out of or attributable to the construction of ANPP, the past or future performance or nonperformance of the obligations and duties of any Participant (including the Project Manager) or the past or future performance or nonperformance of Construction Work, including but not limited to any claim resulting from death or injury to persons or damage to property.
- D.1.9 All Federal, state or local taxes of any character imposed upon Construction Work, except any tax assessed directly against an individual Participant unless such tax was assessed to such individual Participant in behalf of any or all of the Participants.
- D.1.10 Expenses of other Participants incurred in the performance of Construction Work, if authorized and approved by the Project Manager, and the expenses of the Operating Agent incurred prior to the Date of Firm Operation of each Generating Unit which are properly chargeable to Construction Costs and are billed by the Operating Agent to the Project Manager pursuant to Appendix G attached to the Participation Agreement.
- D.1.11 All costs and expenses of enforcing or attempting to enforce the provisions of Construction Insurance policies, payment and performance bonds, contracts executed as Project Manager and warranties extended to facilities constituting a part of ANPP, except any costs or expenses included in Section D.1.2 hereof.
- D.1.12 All costs and expenses, including those of attorneys and consultants, incurred by the Project Manager or a Participant with respect to environmental matters such as lawsuits, hearings and environmental studies related thereto. All Participants anticipating such costs and expenses shall submit an estimate thereof to the Project Manager for authorization and

approval. Any Participant incurring such costs and expenses after such authorization and approval shall bill the Project Manager therefor.

- D.1.13 All costs for charitable contributions if authorized and approved by the Administrative Committee.
- D.1.14 An allowance for the Project Manager's administrative and general expenses deemed to have been incurred by it in the performance of Construction Work. Said expenses shall be allocated monthly at the rate of one percent (1%) of Construction Costs incurred and not previously billed, excluding from such Construction Costs:
  - D.1.14.1 Any allowance for administrative and general expenses provided for in this Section D.1.14.
  - D.1.14.2 Expenses described in Section D.1.3 hereof.
  - D.1.14.3 Expenses described in Section D.1.8 hereof.
  - D.1.14.4 Expenses described in Section D.1.10 hereof.
  - D.1.14.5 Expenses described in Section D.1.12 hereof when such expenses are incurred by a Participant other than the Project Manager.
- D.1.15 Miscellaneous costs and expenses, consisting of any and all other types of costs and expenses incidental to and necessary for the performance of Construction Work.
- D.2 In cases where the allocation of a cost item is made between Construction Work and the other work, such allocation shall be made on a fair and equitable basis.
- D.3 The Project Manager shall develop, or cause to have developed, and shall employ a project planning control system which recognizes and contains the elements of planning, scheduling, reporting, forecasting and analysis with the variables of time and money. Such control system employed must provide the tools for corrective action. The accounting classifications employed must be converted to the FPC Accounts for the Final Completion Report and any supplement thereto, of total cost of Construction Work.
- D.4 The Project Manager and the other Participants shall not be entitled to a fee, price, percentage or any other compensation over and above the costs of services rendered by them in performance of Construction Work.
- D.5 Travel and other related expenses of employees of the Project Manager whose salary costs are considered administrative and general expenses recoverable through the administrative and general expense allowance specified in D.1.14 hereof shall not be charged directly to Construction Work as Construction Costs.



## APPENDIX E

## COSTS OF OPERATING WORK AND CAPITAL IMPROVEMENTS

- #5 E.1 **Operation and Maintenance Expenses.** In determining ANPP operating expenses, the Operating Agent shall include the following expenses to the extent that they are chargeable to ANPP in accordance with Accounting Practice, including Arizona's normal time-off allowances and Materials and Supplies stores load, but excluding the costs of Testing and Start-Up Power and Energy provided by the Participants:
- E.1.1 The operation expenses chargeable to FPC Accounts 517, 518 (excluding Fuel Expenses), 519 to 525, inclusive, 556, 557, 560, 561, 562, 565, 566 and 567.
  - E.1.2 The maintenance expenses chargeable to FPC Accounts 528 to 532, inclusive, 568, 569, 570 and 573.
  - E.1.3 All costs incurred by the Operating Agent directly associable with Operating Work and directly chargeable to FPC Accounts 408 (except Payroll Taxes which are allocated in accordance with Section E.1.5 hereof and ad valorem taxes, or payments in lieu thereof)[,] 925 (except workmen's compensation expense allocated to ANPP pursuant to Section E.1.8) and 928.
  - E.1.4 Overhead expenses incurred by the Operating Agent which are allocable to the operation and maintenance of ANPP. Such overhead expenses shall be determined in accordance with Section E.3 hereof.
  - E.1.5 The portion of the Operating Agent's employee Payroll Taxes chargeable to FPC Account 408 determined by applying the Payroll Tax Ratio computed in accordance with Section E.4 hereof to labor charges of ANPP operating and maintenance expenses, including without limitation the labor portion of expenses chargeable to ANPP pursuant to Sections E.1.1, E.1.2, E.1.3 and E.1.4 hereof.
  - E.1.6 The portion of the Operating Agent's employee pensions and benefits expenses as defined under FPC Account 926 and determined by applying the Benefits Ratio computed in accordance with Section E.5 hereof to the total labor charges of ANPP operating and maintenance expenses, including without limitation the labor portion of expenses chargeable to ANPP pursuant to Sections E.1.1, E.1.2, E.1.3 and E.1.4 hereof.
  - E.1.7 The portion of the Operating Agent's administrative and general expenses chargeable to FPC Accounts 920, 921, 923 and 932 determined by applying the Operating and Maintenance A & G Ratio computed in accordance with Section E.6 hereof to the total labor charges of ANPP operating and maintenance expenses, including without limitation the labor portion of expenses chargeable to ANPP pursuant to Sections E.1.1, E.1.2, E.1.3 and E.1.4 hereof.

- E.1.8 The portion of the Operating Agent's workmen's compensation expense, including premiums, payments and accruals, chargeable to FPC Account 925 (except amounts charged to ANPP pursuant to Section E.1.3) and allocable to ANPP which shall be determined by applying the Compensation Insurance Ratio computed in accordance with Section E.7 hereof to the total labor charges of ANPP operating and maintenance expense, including without limitation the labor portion of the expenses chargeable to ANPP pursuant to Sections E.1.1, E.1.2, E.1.3 and E.1.4 hereof.
- E.1.9 The portion of the Operating Agent's administrative and general expenses for work performed by a contractor, the cost of which is chargeable to ANPP operation and maintenance expenses in accordance with Sections E.1.1, E.1.2 and E.1.3 hereof, determined by multiplying the total contract cost thereof by one percent (1%).
- E.2 **Cost of Capital Improvements.** In determining the costs of Capital Improvements, the Operating Agent shall include all costs, including time-off allowances, incurred by the Operating Agent (other than allowance for funds used during construction) which conform to the provisions of Electric Plant Instruction 3 of FPC Accounts entitled "Components of Construction Cost"; provided, that (i) charges for insurance other than workmen's compensation insurance for the Operating Agent's officers and employees shall be limited to (a) the cost of Construction Insurance obtained by the Operating Agent pursuant to Section 19.2.4 of the Participation Agreement and (b) any increases in the cost of Operating Insurance attributable to the construction of Capital Improvements, (ii) charges for injuries and damages shall be limited to those injuries or damages arising out of or in connection with and occurring in the course of construction of the Capital Improvements, and (iii) charges for taxes shall not include any taxes paid by any Participant pursuant to Section 13 of the Participation Agreement. In making such cost determinations the Operating Agent shall include the following:

  - E.2.1 Overhead expenses incurred by the Operating Agent which are allocable to the cost of Capital Improvements. Such overhead expenses shall be determined in accordance with Section E.3 hereof.
  - E.2.2 The portion of the Operating Agent's employee Payroll Taxes, workmen's compensation expense and an allowance for administrative and general expenses chargeable to ANPP construction accounts determined by multiplying (i) the Payroll Tax Ratio, the Compensation Insurance Ratio and the Capital A & G Ratio computed in accordance with Sections E.4, E.7 and E.9 respectively, by (ii) the sum of the Operating Agent's labor charges included in the cost of Capital Improvements, including the cost of Capital Improvements pursuant to Section E.3 hereof.
  - E.2.3 The portion of the Operating Agent's administrative and general expenses for work in making Capital Improvements performed by a contractor determined by multiplying the total contract cost thereof by one percent (1%).
- E.3 **Allocation of Overhead Expenses**

  - E.3.1 Overhead expenses incurred by the Operating Agent which are allocable to ANPP are comprised of, but not limited to, the following:

tions, and his engineering and clerical staff, less that portion chargeable to administrative and general accounts;

E.3.1.3.2 Stationery and office supplies expense; and

E.3.1.3.3 Miscellaneous expenses not assignable to other functions.

E.3.1.4 A portion of the expenses incurred by the Operating Agent's System Electric Operations Department, such portion to be determined by multiplying the total of such expenses by a ratio, the numerator of which is the total payroll for ANPP and the denominator of which is the total payroll supervised by the Executive Vice President, Engineering and Operations. Such expenses shall include, but not be limited to, the following:

E.3.1.4.1 The salaries and expenses of the Manager of System Electric Operations, his supervisory, administrative, engineering and clerical staff, and his lead supervisors;

E.3.1.4.2 Stationery and office supplies expense;

E.3.1.4.3 Expenses (but not payroll costs) incurred in attending certain conventions and committee meetings by System Electric Operations personnel; and

E.3.1.4.4 Miscellaneous expenses not assignable to other functions of the System Electric Operations Department.

E.3.2 Overhead expenses described in Section E.3.1 of this Appendix shall be allocated to certain FPC Accounts and to Capital Improvements as follows:

E.3.2.1 The total direct labor expense incurred at the Nuclear Plant Site shall be deemed to be the sum of the following:

E.3.2.1.1 Direct operating labor chargeable to FPC Accounts 517 through 525;

E.3.2.1.2 Direct maintenance labor chargeable to FPC Accounts 528 through 532;

E.3.2.1.3 Direct maintenance labor chargeable to FPC Accounts 568, 569, 570 and 573; and

E.3.2.1.4 Direct labor chargeable to Capital Improvements.

E.3.1.1 All of the following expenses incurred at the Nuclear Plant Site:

- E.3.1.1.1 The salaries and expenses of the Station Superintendent and his supervisory, administrative, engineering and clerical staff assigned to ANPP;
- E.3.1.1.2 Stationery and office supplies expense;
- E.3.1.1.3 The payroll and other costs incurred in processing grievances;
- E.3.1.1.4 The payroll and other costs, excluding expenses for initial training, incurred in attending job training meetings by employees assigned to the ANPP; and
- E.3.1.1.5 Miscellaneous expenses not assignable to other functions of ANPP.

E.3.1.2 A portion of the expenses incurred by the Operating Agent's Power Production Department, such portion to be determined by multiplying the total of such expenses by a ratio, the numerator of which is the total payroll for ANPP and the denominator of which is the total payroll supervised by the Vice President, Power Production. Such expenses shall include, but not be limited to, the following:

- E.3.1.2.1 The salaries and expenses of the Vice President, Power Production, and his supervisory, administrative, engineering and clerical staff;
- E.3.1.2.2 Stationery and office supplies expense;
- E.3.1.2.3 Expenses (but not payroll costs) incurred in attending certain conventions and committee meetings; and
- E.3.1.2.4 Miscellaneous expenses not assignable to other functions.

E.3.1.3 A portion of the expenses incurred by the Operating Agent's Electric and Gas Operations Group, such portion to be determined by multiplying the total of such expenses by a ratio, the numerator of which is the total payroll for ANPP and the denominator of which is the total payroll supervised by the Executive Vice President, Engineering and Operations. Such expenses shall include, but not be limited to, the following:

- E.3.1.3.1 The salaries and expenses of the Executive Vice President, Engineering and Opera-

E.3.2.2 Overhead expenses described in Sections E.3.1.1 and E.3.1.3 hereof shall be allocated to FPC Accounts 517, 528 and 568, and to Capital Improvements, as follows:

E.3.2.2.1 The portion of said overhead expenses to be allocated to FPC Account 517 shall be equal to said overhead expenses multiplied by a ratio, the numerator of which is the direct operating labor set forth in Section E.3.2.1.1 hereof and the denominator of which is the total direct labor expense set forth in Section E.3.2.1 hereof.

E.3.2.2.2 The portion of said overhead expenses to be allocated to FPC Account 528 shall be equal to said overhead expenses multiplied by by [sic] a ratio, the numerator of which is the direct maintenance labor set forth in Section E.3.2.1.2 hereof and the denominator of which is the total direct labor expense set forth in Section E.3.2.1 hereof.

E.3.2.2.3 The portion of said overhead expense to be allocated to FPC Account 568 shall be equal to said overhead expense multiplied by a ratio, the numerator of which is the direct maintenance labor set forth in Section E.3.2.1.3 hereof and the denominator of which is the total direct labor expense set forth in Section E.3.2.1 hereof.

E.3.2.2.4 The portion of said overhead expenses to be allocated to Capital Improvements shall be equal to said overhead expenses multiplied by a ratio, the numerator of which is the direct labor set forth in Section E.3.2.1.4 hereof and the denominator of which is the total labor expense set forth in Section E.3.2.1 hereof.

E.3.2.3 Overhead expenses described in Section E.3.1.2 hereof shall be allocated to FPC Accounts 517 and 528, and to Capital Improvements, as follows:

E.3.2.3.1 The portion of said overhead expenses to be allocated to FPC Account 517 shall be equal to said overhead expenses multiplied by a ratio, the numerator of which is the direct operating labor set forth in Section E.3.2.1.1 hereof and the denominator of which is the sum of the direct labor set forth in Sections E.3.2.1.1, E.3.2.1.2 and E.3.2.1.4 hereof.

E.3.2.3.2 The portion of said overhead expenses to be allocated to FPC Account 528 shall be equal to said overhead expenses multiplied by a ratio, the numerator of which is the direct maintenance labor set forth in Section E.3.2.1.2 hereof and the denominator of which is the sum of the direct labor set forth in Sections E.3.2.1.1, E.3.2.1.2 and E.3.2.1.4 hereof.

E.3.2.3.3 The portion of said overhead expenses to be allocated to Capital Improvements shall be equal to said overhead expenses multiplied by a ratio, the numerator of which is the direct labor set forth in Section E.3.2.1.4 hereof and the denominator of which is the sum of the direct labor set forth in Sections E.3.2.1.1, E.3.2.1.2 and E.3.2.1.4 hereof.

E.3.2.4 Overhead expenses described in Section E.3.1.4 hereof shall be allocated to FPC Account 556.

E.3.3 The job and department titles referred to in this Section E.3 are those currently in use by the Operating Agent, as follows: Station Superintendent; Vice President, Power Production; Executive Vice President, Engineering and Operations; Manager of System Electric Operations; Power Production Department; Electric and Gas Operations Group; and System Electric Operations Department. The provisions of this Section E.3 shall refer to those jobs and departments having generally the same responsibility and functions as those listed above without regard to any subsequent assignment of a different title by the Operating Agent.

#### E.4 Payroll Tax Ratio

E.4.1 The Payroll Tax Ratio set forth below shall be applied to the labor expense portion of the ANPP operation and maintenance expenses, to the Operat- [Operating] Agent's direct labor charges incurred in effecting Capital Improvements, and to the labor expenses included in the Operating Agent's supervisory and administrative and general expense accounts. Estimated and actual Payroll Tax Ratios shall be determined, adjusted and used in the manner set forth in Section E.10 hereof.

$$\text{Payroll Tax Ratio} = \frac{T}{P}$$

Where: T = The Operating Agent's Payroll Tax expenses.  
P = The Operating Agent's total labor distributed including accruals.

- E.4.2 The following example sets forth the method to be employed by the Operating Agent to determine the Payroll Tax Ratio:

### EXAMPLE COMPUTATION OF PAYROLL TAX RATIO

(Based on Operating Agent's 1972 Expenses)

**Total Payroll Taxes:**

F.I.C.A. ....	\$ 1,543,360
F.U.T.A .....	76,296
S.U.I. ....	<u>47,365</u>

Total Payroll Taxes ..... \$ 1,667,021

Total labor charged to operation  
and maintenance, construction and  
miscellaneous general ledger accounts ..... \$44,502,733

Payroll Tax Ratio:  $\$1,677,021 \div \$44,502,733 = 3.746\%$

## E.5 Benefits Ratio

- E.5.1 The Benefits Ratio set forth below shall be applied to the labor expense portion of the ANPP operations and maintenance expenses, to the Operating Agent's direct labor charges incurred in effecting Capital Improvements, and to the labor expenses included in the Operating Agent's supervisory and administrative and general expense accounts. Estimated and actual Benefits Ratios shall be determined, adjusted and used in the manner set forth in Section E.10 hereof.

$$\text{Benefits Ratio} = \frac{B}{L}$$

Where: B = The Operating Agent's total system employee pensions and benefits (as defined in FPC Account 926), including Payroll Taxes and workmen's compensation expense on labor charged to employee pensions and benefits.

L = The Operating Agent's total labor distributed including accruals less labor charged to employee pensions and benefits.

- E.5.2 The following example sets forth the method to be employed by the Operating Agent to determine the Benefits Ratio:

**EXAMPLE COMPUTATION  
OF BENEFITS RATIO**

(Based on Operating Agent's 1972 Expenses)

Pensions and Benefits	Labor	Total
Employees Pensions and Benefits.....	\$624,964	\$ 5,590,439
Payroll Taxes @ 3.746% of labor		
(See Example in Section E.4.2).....		23,411
Compensation Insurance @ 1.204% of labor (See Example in Section E.7.2) .....		_____
<u>7,525</u>		
Total Pensions and Benefits.....		<u>\$ 5,621,375</u>
<b>Labor Base</b>		
Labor charged to operation and main- tenance, construction and miscel- aneous general ledger accounts.....		\$44,502,733
Less total labor charged to Pensions and Benefits .....		<u>624,964</u>
Total applicable labor .....		<u>\$43,877,769</u>
Benefits Ratio: \$5,621,375 ÷ \$43,877,769 .....		<u>12.811%</u>

#11 E.6 Operation and Maintenance A & G Ratio

- #11 E.6.1 The Operation and Maintenance A & G Ratio shall be the percentage computed by dividing (i) the sum of (a) the total amounts charged to FPC Accounts 920 and 921 multiplied by the O & M Ratio computed in accordance with Section E.8 hereof, (b) the total amounts charged to FPC Accounts 923 (except any amounts directly chargeable to ANPP) and 935 (formerly 932), (c) the product of the portion of labor charges included within (a) and (b) above multiplied by the Payroll Tax Ratio computed in accordance with Section E.4 hereof [,] (d) the product of the labor charges included within (a) and (b) above multiplied by the Benefits Ratio computed in accordance with Section E.5 hereof, and (e) the product of the labor charges included within (a) and (b) above multiplied by the Compensation Insurance Ratio computed in accordance with Section E.7 hereof, less (f) the one percent (1%) portion of the administrative and general expenses charged to FPC Accounts 920 and 921 allocable to

contract operation and maintenance by (ii) the direct labor (i.e. total labor less labor charge to clearing accounts) chargeable to operation and maintenance accounts (exclusive of A & G), to include O & M labor billed to Participants and the labor portion of Start-Up and Pre-Operation Costs subject to the Operation and Maintenance A & G Ratio pursuant to Section L.1.3, and to exclude the labor portion of Start-Up and Pre-Operation Costs subject to the construction administrative and general expense percentage of one percent (1%) pursuant to Section L.1.3.

#11

E.6.2. The following example sets forth the method to be employed by the Operating Agent to determine the Operation and Maintenance A & G Ratio:

### EXAMPLE COMPUTATION OF OPERATIONS AND MAINTENANCE A & G RATIO

(Based on the Operating Agent's 1984 Experience)

	<u>Labor</u>	<u>Total</u>
Administrative and General Salaries charged to FPC Account 920	\$17,408,542	\$ 17,406,779
Office Supplies and Expenses charged to FPC Account 921		7,208,084
[Line 7] Total	<u>\$17,408,542</u>	<u>\$ 24,614,863</u>
Total FPC Accounts 920 and 921, multiplied by O & M Ratio @ 68.48% .....	\$11,921,544	\$ 16,856,504
FPC Account 923		919,166
FPC Account 932 (presently 935) .....	1,555,913	
3,127,002		
[Line 11] Subtotal.....	<u>\$13,477,457</u>	\$ 20,902,672
Payroll Taxes @ 7.126% .....		960,404
Pensions and Benefits @ 13.512% .....		1,821,074
Compensation Insurance @ 0.451% .....		60,783
Less that 1% portion of A & G allocable to Contract Operation and Maintenance.....		<u>1,483,314</u>
Total administrative and general expenses allocable to operations and maintenance .....		<u>\$ 22,261,619</u>

#### Labor Base

Direct labor charged to system operations and maintenance, as further defined in Section E.6.1.....	\$148,557,953
Less direct labor charged to administrative and general expenses (FPC Accounts 920-931 and 935).....	<u>13,160,635</u>
Labor Base.....	<u>\$135,397,318</u>

#### Operation and Maintenance

A & G Ratio for 1984  $\$22,261,619 \div \$135,397,318 = \underline{16.442\%}$

Note: All labor figures include loading for allowed time.

## E.7 Compensation Insurance Ratio

- E.7.1 The Compensation Insurance Ratio set forth below shall be applied to the labor expense portion of the ANPP operation and maintenance expenses, to the Operating Agent's direct labor charges incurred in effecting Capital Improvements, and to the labor expenses included in the Operating Agent's supervisory and administrative and general accounts. Estimated and actual Compensation Insurance Ratios shall be determined, adjusted and used in the manner set forth in Section E.10 hereof.

$$\text{Compensation Insurance Ratio} = \frac{I}{P}$$

Where: I = The Operating Agent's total system workmen's compensation insurance premiums and accruals for self-insurance as defined in FPC Account 925.

P = The Operating Agent's total labor distributed including accruals.

- E.7.2 The following example sets forth the method to be employed by the Operating Agent to determine the Compensation Insurance Ratio:

### EXAMPLE COMPUTATION OF COMPENSATION INSURANCE RATIO

(Based on Operating Agent's 1972 Expenses)

	<u>Total</u>
Workmen's Compensation Insurance premiums, payments and accruals as defined in FPC Account 925.....	<u>\$ 534,767</u>
Labor Base	
Total labor in operations and maintenance, construction and miscellaneous general ledger accounts.....	\$44,502,733
Less labor charged to Compensation Account .....	<u>91,905</u>
Total applicable labor .....	<u>\$44,410,828</u>
Compensation Insurance Ratio: \$534,767 ÷ \$44,410,828 .....	<u>1.204%</u>

11 E.8 O & M Ratio and Construction Ratio:

11 E.8.1 The O & M Ratio set forth below shall be applied to the amounts chargeable to FPC Accounts 920 and 921 for the purpose of determining one component in the computation of the Operations and Maintenance A & G Ratio as provided in Section E.6 hereof.

$$\text{O \& M Ratio} = \frac{O}{L}$$

Where: O = The Operating Agent's direct labor chargeable to operation and maintenance accounts (exclusive of A & G), to include O & M labor billed to Participants and the labor portion of Start-Up and Pre-Operation Costs subject to the Operations and Maintenance A & G Ratio pursuant to Section L.1.3, and to exclude the labor portion of Start-Up and Pre-Operation Costs subject to the construction administrative and general expense percentage of one percent (1%) pursuant to Section L.1.3.

L = The Operating Agent's direct labor distributed, including accruals, less direct labor chargeable to FPC Accounts 920 through 931 and 935.

11 E.8.2 The Construction Ratio set forth below shall be applied to the amounts chargeable to FPC Accounts 920 and 921 for the purpose of determining one component in the computation of the Capital A & G Ratio as provided in Section E.9 hereof.

$$\text{Construction Ratio} = \frac{C}{L}$$

Where: C = The Operating Agent's direct labor in construction accounts (exclusive of A & G), to include construction labor billed to Participants, including the labor portion of Start-Up and Pre-Operation Costs subject to the construction administrative and general expense percentage of one percent (1%) pursuant to Section L.1.3, and excluding the labor portion of Start-Up and Pre-Operation Costs subject to the Operation and Maintenance A & G Ratio pursuant to Section L.1.3.

L = The Operating Agent's direct labor distributed, including accruals, less direct labor chargeable to FPC Accounts 920 through 931 and 935.

#11 E.8.3 Estimated and actual O & M Ratios and Construction Ratios shall be determined, adjusted and used in the manner set forth in Section E.10 hereof.

- #11 E.8.4 The following example sets forth the method to be employed by the Operating Agent to determine the O & M Ratio and the Construction Ratio:

**EXAMPLE COMPUTATION  
O & M RATIO AND CONSTRUCTION RATIO**

(Based on the Operating Agent's 1984 Experience)

Total direct labor in operation and maintenance	
Accounts .....	\$148,557,953
Less: direct labor charged to administrative	
and general expense FPC Accounts 920 through	
931, inclusive and FPC Account 935 ... ..	<u>13,160,635</u>
Net Labor in O & M Accounts.....	\$135,397,318
Total direct labor charged to General Ledger	
Accounts .....	6,355,648
Total direct labor in construction Accounts	
(exclusive of A & G).....	<u>56,061,726</u>
Total Labor Base .....	<u>\$197,714,692</u>
Ratio of net O & M labor to direct labor .....	$\frac{\$135,397,318}{\$197,714,692} = 68.481\%$
Ratio of construction labor to direct labor .....	$\frac{\$56,061,726}{\$197,714,692} = 28.355\%$

Note: All labor figures include loading for allowed time.

#11 E.9 Capital A & G Ratio:

- #1 E.9.1 The Capital A & G Ratio shall be the percentage computed by dividing (i)  
#11 the amounts equal to (A) the sum of (a) the total amounts charged to FPC  
Accounts 920 and 921 multiplied by the Construction Ratio computed in  
accordance with Section E.8 hereof, and (b) the product of the portion of  
labor charges included in (a) above multiplied by the sum of the Payroll  
Tax Ratio, the Benefits Ratio and the Compensation Insurance Ratio less  
(B) the one percent (1%) portion of administrative and general expenses  
charged to FPC Accounts 920 and 921 allocable to contract construction  
(including the administrative and general expenses (i) recovered on Start-  
Up and Pre-Operation Costs subject to the construction administrative  
and general expense percentage of one percent (1%) pursuant to Section  
L.1.3, (ii) recovered on ANPP construction expenses, and (iii) allocable  
to other contract construction) by (ii) the direct labor in construction ac-  
counts (exclusive of A & G), to include construction labor billed to Par-  
ticipants, excluding the labor portion of Start-Up and Pre-Operation  
Costs subject to the Operation and Maintenance A & G Ratio pursuant to  
Section L.1.3, less the labor portion of construction expenses to which  
the one percent (1%) portion of administrative and general expenses is  
applicable, and less the labor portion of Start-Up and Pre-Operation  
Costs subject to the construction administrative and general expense per-  
centage of one percent (1%) pursuant to Section L.1.3.

#1  
#11

E.9.2 The following example sets forth the method to be employed by the Operating Agent to determine the Capital A & G Ratio:

### EXAMPLE COMPUTATION OF CAPITAL A & G RATIO

(Based on the Operating Agent's 1984 Experience)

	<u>Labor</u>	<u>Total</u>
Administrative and General Salaries charged to FPC Account 920 .....	\$17,408,542	\$17,406,779
Office Supplies and Expenses charged to FPC Account 921 .....		<u>7,208,084</u>
[Line 7] Total .....	<u>\$17,408,542</u>	<u>\$24,614,863</u>
Total FPC Accounts 920 and 921, multiplied [Line 9] by Construction Ratio @ 28,355% .....	<u>\$ 4,936,192</u>	\$ 6,979,544
Payroll Taxes @ 7.126% .....		351,753
Pensions and Benefits @ 13.512% .....		666,978
Compensation Insurance @ 0.451% .....		22,262
Less that 1% portion of A & G allocable to Contract Construction, as further defined in Section E.9.1 .....		<u>3,634,919</u>
Total A & G Expense allocable to Construction .....		<u>\$ 4,385,618</u>
Construction Direct Labor .....		<u>56,061,726</u>
Less the labor portion of Construction Work, Start-Up and Pre-Operation Costs subject to the construction administrative and general expense percentage of one percent (1%)		<u>13,496,824</u>
Total Construction Direct Labor Base		<u>\$42,564,902</u>

Capital A & G Ratio for 1984  $\$4,385,618 \div \$42,564,902 = \underline{10.303\%}$

Note: All labor figures include loading for allowed time.

### E.10 Use and Adjustment of Estimated Ratios

E.10.1 At the start of each calendar year an estimated Payroll Tax Ratio, Benefits Ratio, Operation and Maintenance A & G Ratio, Compensation Insurance Ratio, O & M Ratio, Construction Ratio and Capital A & G Ratio shall be used, and such rates shall be determined in accordance with the methods set forth in Sections E.4, E.5, E.6, E.7, E.8, and E.9, respectively. Such rates shall be based on the Operating Agent's system-wide expenses for the preceding calendar year; provided, that

by agreement of the Auditing Committee, such rates may be adjusted to more nearly reflect the expenses of the current year because of tax legislation, labor contract negotiations, or other factors not reflected in the prior year's costs.

E.10.2 . . . As soon as practicable after the end of each calendar year the actual Payroll Tax Ratio, Benefits Ratio, Operation and Maintenance A & G Ratio, Compensation Insurance Ratio, O & M Ratio, Construction Ratio and Capital A & G Ratio for such year shall be determined in accordance with the method set forth in Sections E.4, E.5, E.6, E.7, E.8, and E.9[,] respectively, by using said year's actual system-wide expenses of the Operating Agent. Using said actual ratios, the portions of the Operating Agent's Payroll Taxes, workmen's compensation expenses, employee pensions and benefits expenses, and administrative and general expenses for which the Participants are obligated hereunder for costs of Operating Work and Capital Improvements shall be determined for such year. To the extent that such expenses are more than or less than those already paid by the Participants during said year, the Operating Agent shall bill or reimburse the Participants for the amount of such difference.

#### E.11 Modifications of Rate Computations and Application

E.11.1 If any Participant believes that the application of or the method used in determining the Payroll Tax Ratio, Benefit Ratio, Operation and Maintenance A & G Ratio, Construction Insurance Ratio, O & M Ratio, Construction Ratio or Capital A & G Ratio results in an unreasonable burden on said Participant, that Participant may request that such application or method be submitted to the Auditing Committee for review; provided, that such review shall not be requested prior to June 1, 1983, and thereafter at intervals of not less than two (2) years each. After any such request, subject to the time limitations set forth above, the Auditing Committee shall review such application or method and shall endeavor to agree upon whether or not said believed unreasonable burden does actually exist. If after such review, the Auditing Committee determines that such application or method does result in an unreasonable burden on one or more of the Participants, the Auditing Committee shall determine and recommend a modified application or method to the Administrative Committee so that such unreasonable burden would be eliminated if such modified application or method is adopted by the Administrative Committee.

E.11.2 . . . The Administrative Committee shall review the recommendations submitted by the Auditing Committee, and if as a result of such review, the Administrative Committee agrees that such unreasonable burden does exist and that said modified application or method eliminates such unreasonable burden, then the Administrative Committee shall adopt said modified application or method. If the Auditing Committee has not submitted a recommendation and the Administrative Committee agrees that such unreasonable burden does exist, the Administrative Committee shall endeavor to agree on a modified application or method. If the Administrative Committee is unable to agree on any matter brought before it under this Section E.11.2, then any Participant may call for arbitration of such matter pursuant to Sec-

tion 24 provided the procedures set forth in Section 6.10 of the Participation Agreement shall have been first invoked.

- E.11.3 Any modified method adopted by the Administrative Committee or determined through arbitration shall be retroactive to the first day of the month in which the unreasonable burden began except that the retroactive period can be no more than two (2) years from the date of the requested review. Said modified method shall stay in effect until a new modified method is approved, but in no event less than two (2) years from the date of such adoption or determination.



## APPENDIX F

## INVESTMENTS IN AND ACCOUNTING FOR NUCLEAR FUEL

**F.1 General Principles.** The principles set forth in this Section F.1 shall govern (i) the responsibilities of the Operating Agent, (ii) the responsibilities of the Administrative Committee and the Engineering and Operating Committee, (iii) the rights and obligations of the Participants and (iv) the financing of Nuclear Fuel investments by the Participants. Such principles recognize that (a) investments in Nuclear Fuel will be made considerably in advance of its use, (b) some elements affecting Fuel Expense may not be known until several years after the related Nuclear Fuel is used, (c) the FERC Accounts impose certain requirements respecting Nuclear Fuel cost accounting, (d) the responsibilities for furnishing Uranium Concentrates are governed by Appendix K to the Participation Agreement, and (e) in the event any Participant (non-scheduling-Participant) fails to fully schedule its Generation Entitlement Share of the Available Generating Capability of any Generating Unit and one or more other Participants (scheduling-Participant(s)) have fully scheduled its (or their) Generation Entitlement Share(s) of such capability, then the scheduling-Participant(s) will in certain circumstances be utilizing the portion of the Nuclear Fuel owned by the non-scheduling Participant. If the event described in (e) above should occur (except in cases where the failure to fully schedule results in underutilization of the Nuclear Fuel), then this Appendix F provides that the scheduling-Participant(s) shall reimburse the non-scheduling Participant for its share of the direct costs of the Nuclear Fuel used by scheduling-Participant(s). Such reimbursements shall exclude the non-scheduling Participant's indirect costs, including carrying charges on its investment in such Nuclear Fuel. The Participants agree that this treatment is warranted because, among other reasons, during the foreseeable future the occurrence of the event is considered to be remote, the duration short and the risk equal for all Participants. Additionally, each Participant has the right under Section 5.2 of the Participation Agreement to schedule Generation up to its Generation Entitlement Share subject to the provisions of Appendix K. Under the circumstances described in (e) above, the additional accounting and auditing complexities which would be required to provide for reimbursement of indirect costs, including carrying charges, are not justified. Such principles and their application as hereinafter set forth are subject to such changes as the Administrative Committee may from time to time determine.

**F.1.1 Responsibilities of the Operating Agent**

**F.1.1.1** Subject to Sections 7.3 and 8.3 of the Participation Agreement and Appendix K thereto, the Operating Agent shall make and be responsible for all arrangements for the supply and disposal of Nuclear Fuel and the development and implementation of Nuclear Fuel management plans. In the event of any dispute among the Participants respecting any matter affecting the supply, disposal or management of Nuclear Fuel or in the event the Administrative Committee or Engineering and Operating Committee is unable or fails to approve, modify or otherwise act in a timely manner on any Nuclear Fuel Agreement or Nuclear Fuel management plan pursuant to Sections 6.2.7 and 6.3.2 of the Participa-

tion Agreement, the Operating Agent is authorized and obligated, pending the resolution of such dispute or action by the Administrative Committee or the Engineering and Operating Committee, to take such action, including without limitation, the execution and performance of any Nuclear Fuel Agreement, as it may in its discretion determine to be necessary to assure an adequate supply or appropriate disposition of Nuclear Fuel for the operation of each Generating Unit at its Maximum Generating Capability.

- F.1.1.2 In the event any materials are recovered from the reprocessing of any irradiated Nuclear Fuel discharged from a Reactor and are suitable for recycling or sale, such recovered materials shall be recycled in one or more of the Generating Units unless the Engineering and Operating Committee shall otherwise determine. If the Engineering and Operating Committee determines that such recovered materials should not be recycled, such recovered materials shall be disposed of by the Operating Agent subject to Section 6.2.7 of the Participation Agreement.
- F.1.1.3 The Operating Agent shall provide to the Participants (i) those forecasts, determinations, estimates and reports as may be required to comply with Sections F.3 and F.4 hereof and (ii) any other information requested by a Participant which is necessary to fulfill its reporting requirements.
- F.1.1.4 The Operating Agent shall collect and record such data and take such other action as the Operating Agent shall determine to be necessary to furnish the forecasts, determinations, estimates, reports and information as required by Section F.1.1.3 hereof.
- F.1.1.5 In the event with respect to any Fuel Assembly any changes are made in any factor which affects the determination of the Adjusted Assigned Fuel Expense or any Fuel Expense Credits or Debits associated with such assembly, the Operating Agent shall make adjustments as may be appropriate to reflect such changes in the manner provided by Section F.4.4 hereof. Such adjustments made by the Operating Agent with respect to any Fuel Assembly shall be final and subject to correction only as may be required by subsequent audit; provided that no such audit may require a change in the Operating Agent's estimate of Net Salvage Values made at the time of discharge of such assembly in accordance with criteria approved by the Engineering and Operating Committee.
- F.1.1.6 The Operating Agent shall determine and account for investments in Nuclear Fuel, Assigned Fuel Expenses and Adjusted Assigned Fuel Expenses, and Net Salvage Values on a Fuel Assembly basis and shall keep such records and follow such procedures as may be required to determine as

accurately as is reasonably feasible the thermal output from each Fuel Assembly inserted into a Reactor.

**F.1.2 Responsibilities of the Administrative Committee and the Engineering and Operating Committee.**

**F.1.2.1** The Administrative Committee is authorized, in addition to those authorities and responsibilities delegated to it pursuant to Sections 6.2.2, 6.2.7, 6.9 and 15.4 of the Participation Agreement, to make (i) any change in the principles set forth in this Section F.1 as may be proposed by the Operating Agent or any other Participant and the manner of implementation of any such principle as provided in this Appendix F and (ii) findings pursuant to Section F.1.4.2 hereof with respect to any fuel financing arrangement entered into or proposed to be entered into by any Participant.

**F.1.2.2** The Engineering and Operating Committee, in addition to those authorities and responsibilities delegated to it pursuant to Section 6.3 of the Participation Agreement, is authorized to (i) approve, modify or otherwise act on criteria recommended by the Operating Agent for estimating Net Salvage Values, (ii) determine from time to time whether reprocessing of Fuel Assemblies is feasible, (iii) approve changes in the Estimated Thermal Output or Net Salvage Value of one or more Fuel Assembly(ies) at times other than as provided in this Appendix F and (iv) make determinations that materials recovered from reprocessing any Fuel Assembly should or should not be recycled in one or more of the Generating Units.

**F.1.3 Participants' Rights and Obligations**

**F.1.3.1** The Participants shall own undivided interests equal to their respective Generation Entitlement Shares (i) in all Nuclear Fuel in any form used or held for use for any Generating Unit, including Nuclear Fuel in storage, in process of conversion and in fabrication and materials recovered by reprocessing, but excluding any Additional Uranium Concentrates prior to delivery to a conversion facility by any Participant pursuant to Appendix K to the Participation Agreement, and (ii) in any monetary balance in any joint account of the Participants maintained under any Nuclear Fuel Agreement unless otherwise determined by the Administrative Committee.

**F.1.3.2** The Participants shall share in accordance with their respective Generation Entitlement Shares (i) all costs to obtain and transport Nuclear Fuel to the Nuclear Plant Site in a form ready for use in a Reactor other than costs incurred by the Participants to obtain and deliver Uranium Concentrates to a conversion facility pursuant to Appendix K to the Participation Agreement, (ii) Fuel Handling Expenses, (iii) Fuel Management Expenses, (iv) all costs incurred in con-

nection with the shipment, storage, disposal or reprocessing of irradiated Nuclear Fuel and (v) the value of any materials recovered from reprocessing, but excluding from the costs described in (i) through (v) above any Participant's costs for interest on advanced funds, rental, carrying or use charges and, except as provided in Section 13.3 of the Participation Agreement, any ad valorem taxes or payments in lieu thereof.

- F.1.3.3 Each Participant shall pay its share of all Nuclear Fuel Expenditures in advance pursuant to Section F.3 hereof.
- F.1.3.4 The Participants' respective investments in Nuclear Fuel, including the Project Uranium Costs, less the related Net Salvage Values, shall be amortized during those periods when the Nuclear Fuel is in a Reactor on the basis of the thermal energy produced in such periods to start up the Reactor and to generate Energy.
- F.1.3.5 The amortization charges referred to in Section F.1.3.4 hereof shall be considered Fuel Expense which shall be shared by the Participants in accordance with the ratio of the Nuclear Fuel's thermal output used by them, respectively, to the total thermal output from the Nuclear Fuel.
- F.1.3.6 To the extent that the thermal output of any Fuel Assembly used by any Participant exceeds that Participant's Generation Entitlement Share of the total thermal output of such assembly, such Participant shall compensate the other Participants, subject to Section F.1.3.7 hereof, for the use of such excess thermal output. Such compensation shall be determined upon removal from a Reactor of such assembly for reprocessing or disposal or at other times as the Audit Committee shall establish. Such compensation shall be made by payment of the Assigned Fuel Expense Debits therefor to the Operating Agent who shall reimburse said other Participants as appropriate from such payments received for their respective Nuclear Fuel Expenditures and Project Uranium Costs.
- F.1.3.7 In the event the then current Estimated Thermal Output of any Fuel Assembly is not fully utilized prior to its discharge from a Reactor due to the failure of one or more Participants to schedule operation of the associated Generating Unit up to its or their Generation Entitlement Share or Shares, then such Participant or Participants shall be entitled to compensation, but only in the event that the total thermal output actually utilized plus the additional thermal output which would have been utilized if such Participant or Participants had scheduled operation of such Generating Unit up to its or their respective Generation Entitlement Share or Shares exceeds the Estimated Thermal Output.

- F.1.3.8** For the purpose of determining with respect to one or more Fuel Assemblies the amount of the Fuel Expense to be charged prior to the discharge of such Fuel Assembly(ies) from a Reactor for reprocessing or disposal, estimates of thermal output and salvage values shall be used. Such estimates shall be subject to change from time to time up to 30 days after such discharge or at such other times as the Engineering and Operating Committee shall direct.

**F.1.4 Participant Financing of Nuclear Fuel**

- F.1.4.1** Any Participant may, subject to Section F.1.4.2 hereof and Section 15.4 of the Participation Agreement, arrange for the financing of all or any portion of its investment in Nuclear Fuel on such terms and conditions as it determines in its sole discretion to be acceptable, including without limitation, the conveyance and assignment of its undivided joint ownership interest in the Nuclear Fuel to its Fuel Financier.

- F.1.4.2** No financing arrangement shall relieve such Participant from any obligations under this Appendix F or any other provision of the Participation Agreement. No such financing arrangement shall give nor purport to give the Fuel Financier any different rights or obligations under the Participation Agreement than would be possessed or imposed upon such Participant in the absence of such financing arrangement. No such financing arrangement nor the rights of any Fuel Financier thereunder shall be valid or enforceable against the Operating Agent or any other Participant until such arrangement has been found by the Administrative Committee to be consistent with this Appendix F and all other provisions of the Participation Agreement.

- F.2 Definitions.** The following terms, when used herein shall have the meanings hereinafter specified. Such terms have been separated into certain functional groupings to permit better understanding.

**F.2.1 Amortized Costs**

- F.2.1.1** **Assembly Cost (AC):** The total costs incurred for a complete new Fuel Assembly ready for insertion into a Reactor and recorded in FERC Account 120.3, including the Project Uranium Costs for the Uranium Concentrates incorporated in such assembly or utilized or consumed in any and all processes involved in the manufacture of such assembly, less its estimated Net Salvage Value. Such total costs shall exclude (i) any Participant's costs for interest on advanced funds, rental, carrying or use charges and, except as provided in Section 13.3 of the Participation Agreement, any ad valorem taxes or payments in lieu thereof and (ii) all Fuel Handling Expenses and all Fuel Management Expenses.

- F.2.1.2**      **Assigned Assembly Cost (AAC):** The portion of the Assembly Cost assignable to each Participant for any Fuel Assembly which shall be equal to the product of (i) such Participant's Generation Entitlement Share multiplied by (ii) the Assembly Cost for such assembly.
- F.2.1.3**      **Net Salvage Value (NSV):** The amount, which may be either positive or negative, estimated for each Fuel Assembly by the Operating Agent in accordance with criteria approved by the Engineering and Operating Committee, including (i) all estimated costs of handling, transportation, offsite storage and disposal of such assembly or any portions thereof after its removal from a Reactor, but excluding all Fuel Handling Expenses and (ii) if such committee determines that reprocessing of such assembly is feasible, the estimated costs of reprocessing, including without limitation, the costs of waste disposal associated therewith, and the estimated value of any materials expected to be recoverable therefrom for reuse in any Reactor or for sale.
- F.2.1.4**      **Project Uranium Costs (PUC):** The total costs of obtaining and delivering Uranium Concentrates properly chargeable to FERC Account 120.1 which would have been incurred if all Uranium Concentrates required in the manufacture of a Fuel Assembly had been supplied at the average cost of those concentrates delivered in satisfaction of contracts to which the Operating Agent is a party pursuant to Appendix K to the Participation Agreement. Such average cost shall be determined by the Operating Agent using the weighted average inventory allocation method in accordance with Accounting Practice or such other method as the Audit Committee may establish.
- F.2.2**      **Thermal Output - Estimated, Actual and Presumed**

  - F.2.2.1**      **Estimated Thermal Output (ETO):** The total thermal energy, expressed in megawatt-days (MWD), expected to be produced from one or more Fuel Assemblies as specified in the applicable Nuclear Fuel management plan(s) in effect from time to time as proposed by the Operating Agent and approved by the Engineering and Operating Committee pursuant to Section 6.3.2 of the Participation Agreement.
  - F.2.2.2**      **Assigned Estimated Thermal Output (AETO):** The portion of the Estimated Thermal Output from one or more Fuel Assembly(ies) that is (are) assignable to each Participant, which is equal to the product of (i) such Participant's Generation Entitlement Share multiplied by (ii) the Estimated Thermal Output of such assembly(ies).
  - F.2.2.3**      **Actual Thermal Output (ATO):** The recorded thermal energy expressed in megawatt-days (MWD) produced from one or more Fuel Assemblies during any given period or

periods of residence in a Reactor or Reactors which has or have been used to start up and operate such Reactor or Reactors at any Power level or levels.

**F.2.2.4 Assigned Actual Thermal Output (AATO):** The portion of the Actual Thermal Output of one or more Fuel Assemblies during any given period assignable to each Participant which shall be equal to the sum of (i) the product computed separately for each resident Fuel Assembly of (a) its total Actual Thermal Output during such period required for start-up and during operation of the Reactor in which such assembly(ies) is (are) residing at any Power level up to and including that required for such Reactor's Generating Unit to produce its Zero Net Load, multiplied by (b) such Participant's Generation Entitlement Share, and (ii) the product computed separately for each resident Fuel Assembly of (a) its total Actual Thermal Output during such period used for Net Energy Generation multiplied by (b) the percentage of the total Net Energy Generation from such Generating Unit during such period delivered to such Participant.

**F.2.2.5 Presumed Thermal Output (PTO):** The thermal output presumed to have been utilized by any Participant for the purpose of computing its Presumed Thermal Output Expense, if any, with respect to any Fuel Assembly whose Actual Thermal Output at the time of its discharge from a Reactor is less than its Estimated Thermal Output (as established at the time of its first insertion into a Reactor or such other time as the Engineering and Operating Committee shall specify) because such Participant, or such Participant and one or more other Participants, shall have failed to schedule operation of the associated Generating Unit up to its or their respective Generation Entitlement Share or Shares. Such Presumed Thermal Output shall be equal to the product of (i) the amount by which the Estimated Thermal Output for such assembly exceeded its Actual Thermal Output multiplied by (ii) the quotient of (a) the amount by which such Participant's Assigned Estimated Thermal Output exceeded such Participant's Assigned Actual Thermal Output divided by (b) the total of such amounts for all Participants whose respective Assigned Estimated Thermal Outputs exceeded their respective Assigned Actual Thermal Output.

### **F.2.3 Fuel Expenses Chargeable to FERC Account 518**

**F.2.3.1 Assigned Fuel Expense (AFE):** The portion of the Fuel Expense assignable to each Participant in any month for one or more Fuel Assembly(ies) determined by multiplying (i) such Participant's Assigned Assembly Cost for such assembly(ies) by (ii) the quotient of (a) such Participant's Assigned Actual Thermal Output from such assembly(ies) in such month divided by (b) such Participant's

Assigned Estimated Thermal Output from such assembly(ies).

**F.2.3.2 Adjusted Assigned Fuel Expense (AAFE):** The amount determined for each Participant for one or more Fuel Assemblies at the time such assembly(ies) is (are) removed from a Reactor for reprocessing or other disposal, equal to the summation of such Participant's (i) Assigned Fuel Expenses for assembly(ies) during all periods such assembly(ies) was (were) utilized in a Reactor and (ii) Presumed Thermal Output Expense, if any, during such period.

**F.2.3.3 Presumed Thermal Output Expense (PTOE):** The expense assignable to any Participant for the purpose of computing such Participant's Adjusted Assigned Fuel Expense for one or more Fuel Assembly(ies), which shall be equal to the product of (i) such Participant's Assigned Assembly Cost multiplied by (ii) the quotient of such Participant's Presumed Thermal Output (see Section F.2.2.5 hereof) divided by its Assigned Estimated Thermal Output of such assembly(ies).

**F.2.4 Fuel Expense Credits and Debits**

**F.2.4.1 Fuel Expense Credit (FEC):** The amount, if any, determined for any Participant by which such Participant's Assigned Assembly Cost for such assembly(ies) exceeds such Participant's Adjusted Assigned Fuel Expense for such assembly(ies). This amount shall be determined upon the removal of one or more Fuel Assemblies from a Reactor for reprocessing or other disposal or at other times as the Audit Committee shall establish.

**F.2.4.2 Assigned Fuel Expense Debits (AFED):** With respect to one or more Fuel Assemblies, the portion of the sum of all Fuel Expense Credits chargeable to each Participant whose Assigned Actual Thermal Output from such assembly(ies) exceeds such Participant's Generation Entitlement Share of the Actual Thermal Output from such assembly(ies). This amount shall be equal to the amount determined by multiplying (i) the sum of all the Fuel Expense Credits for such assembly(ies) by (ii) the quotient of (a) the amount that such Participant's Assigned Actual Thermal Output from such assembly(ies) exceeds such Participant's Assigned Estimated Thermal Output from such assembly(ies) divided by (b) the sum of all such amounts for all such Participants.

**F.2.5 Expenses Not Chargeable to FERC Account 518**

**F.2.5.1 Fuel Handling Expense (FHE):** All costs incurred by the Operating Agent in connection with the receipt, inspection, storage, insertion, removal, preparation for shipment

and other handling of Nuclear Fuel at the Nuclear Plant Site, but excluding any costs which shall be capitalized in accordance with Accounting Practice.

- F.2.5.2 Fuel Management Expense (FME):** All costs incurred by the Operating Agent in connection with planning and ordering of, contracting, accounting for, and scheduling and managing the use of Nuclear Fuel, including any computer charges, consultant's fees, costs of any advisory or management services furnished by any Nuclear Fuel supplier, payroll and associated costs of the Operating Agent's personnel and an allowance for administrative and general expense of the Operating Agent, but excluding Fuel Handling Expenses and any expense incurred by the Project Manager in connection with contracting for nuclear steam supply systems and for each Reactor's initially purchased supply of Fuel Assemblies, which expense shall be capitalized in accordance with Accounting Practice.

**F.2.6 Miscellaneous**

- F.2.6.1 Nuclear Fuel Expenditures (NFE):** All expenditures which are made or scheduled pursuant to any Nuclear Fuel Agreement, but excluding (i) any expenditures payable to a Fuel Financier and (ii) all Project Uranium Costs.

**F.3 Forecasts of Cash Requirements and Advances of Funds.**

- F.3.1** On or before the beginning of each quarter commencing on the first day of January, April, July and October, the Operating Agent shall furnish to each Participant, and, at the written request of such Participant, to its Fuel Financier, if any, a ten-year forecast of such Participant's cash requirements for its share of all Nuclear Fuel Expenditures, including all payments to become due under each Nuclear Fuel Agreement then in effect (including without limitation the contracts identified in Section K.3.1 of Appendix K to the Participation Agreement, but excluding all other contracts to purchase Additional Uranium Concentrates), and estimates of all other expenditures, including without limitation, shipping charges, cask rentals, charges for storage at places other than the Nuclear Plant Site, reprocessing costs, enrichment services and conversion costs, of the character chargeable to FERC Account 120.5. Such forecast shall set forth such cash requirements (i) for each month of the first two years following the date of the forecast and (ii) for each year of the last eight years of the forecast.

- F.3.2** At least ten (10) days in advance of the date on which any Nuclear Fuel Expenditure shall become due the Operating Agent shall send a request for funds to each Participant and, upon request of a Participant, a copy of such request for funds to its Fuel Financier for such Participant's share of such Nuclear Fuel Expenditure. Each Participant shall advance or cause to be advanced to the Operating Agent the funds so requested on or before said due date. In the event the amount advanced by any Participant shall exceed such Participant's share of the amount of Nuclear Fuel Ex-

penditures actually made, then any such excess advance shall be promptly returned to such Participant.

F.3.3 Funds not advanced to the Operating Agent as required pursuant to Section F.3.2 hereof shall be payable with interest from and after said due date at the rate provided in Section 23.3 of the Participation Agreement.

F.3.4 If a Participant shall dispute any portion of any amount specified in a forecast of Nuclear Fuel Expenditures or a request for funds, it shall make the total payment or advance specified in the request for funds and follow the procedures set forth in Section 23.4 of the Participation Agreement.

#### F.4 Determinations, Estimates and Reports

F.4.1 Upon receipt of Fuel Assemblies: Promptly after receipt of the last Fuel Assembly of the initial core and subsequently of each reload batch for any Generating Unit, the Operating Agent shall determine for each Participant, when applicable, for each Fuel Assembly of such initial core or reload batch, and for all such Fuel Assemblies the totals of, the following:

F.4.1.1 Assembly Cost, including costs of the individual Nuclear Fuel cost components comprising the Assembly Cost with the dates when such cost components were paid.

F.4.1.2 Estimate of the Net Salvage Value.

F.4.1.3 Assigned Assembly Cost for each Participant.

F.4.1.4 Estimated Thermal Output.

F.4.1.5 Assigned Estimated Thermal Output.

F.4.2 Upon Initial Fuel Loading: At the time of the initial loading of Fuel Assemblies into a Reactor the Operating Agent shall update its determinations made in accordance with Section F.4.1 hereof making such adjustments as may be warranted due to changes in any factor affecting the Assigned Estimated Thermal Outputs or Assembly Cost.

F.4.3 Monthly Determinations: Not later than ten (10) days after the end of each month after the initial Nuclear Fuel loading, the Operating Agent shall determine with respect to each Fuel Assembly.

F.4.3.1 Actual Thermal Output and Assigned Actual Thermal Outputs during such month (i) for Reactor operation at any Power level up to that required for Zero Net Load and (ii) for Net Energy Generation.

F.4.3.2 Actual Thermal Output and Assigned Actual Thermal Outputs during entire period of residence in a Reactor or Reactors to the end of such month.

- F.4.3.3 Assigned Fuel Expense for each Participant for such month.
- F.4.3.4 The summation of the Assigned Fuel Expenses for each Participant as of the beginning and the end of such month.
- F.4.3.5 In the event the Actual Thermal Output determined pursuant to Section F.4.3.2 hereof shall exceed the Estimated Thermal Output, net adjustments to be made in the Assigned Fuel Expenses for each Participant.
- F.4.4 **Upon Shutdown of a Reactor for Removal of Fuel Assemblies for Reprocessing or Other Disposal:** Within thirty (30) days after the removal of any Fuel Assembly for reprocessing or other disposal, the Operating Agent shall determine on the basis of the best information then available with respect to such Fuel Assembly:
  - F.4.4.1 Assembly Cost.
  - F.4.4.2 Estimate of the Net Salvage Value.
  - F.4.4.3 Assigned Assembly Cost.
  - F.4.4.4 Actual Thermal Output during entire period of residence in a Reactor or Reactors.
  - F.4.4.5 Assigned Actual Thermal Output during such period for each Participant.
  - F.4.4.6 Presumed Thermal Output, if any, for each Participant.
  - F.4.4.7 Adjusted Assigned Fuel Expense for each Participant.
  - F.4.4.8 Net adjustments, for each annual reporting period affected, to the Assigned Fuel Expense for each Participant due to (i) differences between Estimated and Actual Thermal Output and (ii) changes in any factor affecting the estimate of the Net Salvage Value.
  - F.4.4.9 Fuel Expense Credits and Assigned Fuel Expense Debits applicable to such removed Fuel Assembly after making the net adjustments determined pursuant to Section F.4.4.8 hereof in the event the sum of the Actual Thermal Output and all Presumed Thermal Outputs, if any, determined for such Fuel Assembly is equal to or greater than its Estimated Thermal Output used to compute such Presumed Thermal Outputs.
- F.4.5 **Prior to Reactor Start-up after Refueling:** Prior to start-up of a Reactor after any refueling, the Operating Agent shall determine with respect to each new Fuel Assembly inserted and each partially irradiated Fuel Assembly reinserted into the Reactor during such refueling the same data as that required under Section F.4.2 hereof.

- F.4.6 The Operating Agent shall furnish to each Participant a report of each determination made pursuant to this Section F.4 promptly after such determination is made in a form and manner as may be recommended by the Operating Agent and approved by the Engineering and Operating Committee.

**F.5 Bills for Assigned Fuel Expense Debits and Adjustments**

- F.5.1 Within fifteen (15) days after making the determinations required under Section F.4.4.9 hereof, the Operating Agent shall bill each Participant having aggregate Assigned Fuel Expense Debits for the purpose of reimbursing those Participants having aggregate Fuel Expense Credits.
- F.5.2 Promptly upon receipt of payment of any such bills for Assigned Fuel Expense Debits or net adjustments, including any interest thereon pursuant to Section F.5.3 hereof, the Operating Agent shall pay the amounts so received to those Participants entitled thereto pro rata.
- F.5.3 Bills rendered pursuant to Section F.5.1 hereof shall be due and payable fifteen (15) days after receipt. Any bill not paid on its due date shall bear interest from and after said due date at the rate provided in Section 23.3 of the Participation Agreement.
- F.5.4 If any Participant shall dispute any determination made by the Operating Agent pursuant to Section F.4 hereof or any bill rendered pursuant to this Section F.5, the disputant shall make the total payment billed or accept the payment rendered and follow the procedures set forth in Section 23.4 of the Participation Agreement.

**F.6 Example Calculations**

- F.6.1 The following examples illustrate the manner in which calculations of Assigned Fuel Expenses, Fuel Expense Credits and Assigned Fuel Expense Debits are made under four scenarios with differing assumptions.
- F.6.2 If a conflict arises between this Appendix F and the examples attached hereto, then this Appendix F shall govern.

**SCENARIO 1**  
**SAMPLE CALCULATION OF APPENDIX F**  
**ALL PARTICIPANTS USE THEIR ENERGY ALLOTMENT**

Participant	GES %	AAC \$	AETO MWD	AATO MWD	AFE \$	PTO MWD	PTOE \$	AAFE \$	FEC \$	AFED \$
A	10	100,000	3,000	3,000	100,000	0	0	100,000	0	0
B	20	200,000	6,000	6,000	200,000	0	0	200,000	0	0
C	30	300,000	9,000	9,000	300,000	0	0	300,000	0	0
D	40	400,000	12,000	12,000	400,000	0	0	400,000	0	0
Total	100	1,000,000	30,000	30,000	1,000,000	0	0	1,000,000	0	0

**Notes:**

1. ATO = ETO = 30,000 MWD
2. AC = \$1,000,000

**CALCULATIONS:**

1. GES Given
2. AAC = GES X AC
3. AETO = GES X ETO
  - a. AETO (A) = 3,000 MWD = .10 X 30,000 MWD
  - b. AETO (B) = 6,000 MWD = .20 X 30,000 MWD
  - c. AETO (C) = 9,000 MWD = .30 X 30,000 MWD
  - d. AETO (D) = 12,000 MWD = .40 X 30,000 MWD
4. AATO Given
5. AFE = AAC X (AATO ÷ AETO)
  - a. AFE (A) = \$100,000 = \$100,000 X (3,000 MWD ÷ 3,000 MWD)
  - b. AFE (B) = \$200,000 = \$200,000 X (6,000 MWD ÷ 6,000 MWD)
  - c. AFE (C) = \$300,000 = \$300,000 X (9,000 MWD ÷ 9,000 MWD)
  - d. AFE (D) = \$400,000 = \$400,000 X (12,000 MWD ÷ 12,000 MWD)
6.  $PTO = (ETO - ATO) \times \frac{(AETO - AATO)}{\sum (AETO - AATO)}$   
 Where ETO > ATO and AETO > AATO  
 ETO = ATO. Therefore PTO for each Participant is zero.  
 "Σ" denotes a summation for all Participants.
7. PTOE = AAC X (PTO ÷ AETO)  
 PTO = 0 for each Participant. Therefore PTOE for each Participant is zero.
8. AAFE = AFE + PTOE
  - a. AAFE (A) = \$100,000 = \$100,000 + 0
  - b. AAFE (B) = \$200,000 = \$200,000 + 0
  - c. AAFE (C) = \$300,000 = \$300,000 + 0
  - d. AAFE (D) = \$400,000 = \$400,000 + 0
9. FEC = AAC - AAFE if AAC ≥ AAFE
  - a. FEC (A) = 0 = \$100,000 - \$100,000
  - b. FEC (B) = 0 = \$200,000 - \$200,000
  - c. FEC (C) = 0 = \$300,000 - \$300,000
  - d. FEC (D) = 0 = \$400,000 - \$400,000
10.  $AFED = EFEC \times \frac{(AATO - AETO)}{\sum (AATO - AETO)}$   
 Where AATO > AETO  
 FEC (A) + FEC (B) + FEC (C) + FEC (D) = 0.  
 Therefore AFED for each Participant is zero.

**SCENARIO 2**  
**SAMPLE CALCULATION OF APPENDIX F**  
**PARTICIPANTS A AND B USE ENERGY OF C AND D - NO PRESUMED THERMAL OUTPUT**

Participant	GES %	AAC \$	AETO MWD	AATO MWD	AFE \$	PTO MWD	PTOE \$	AAFE \$	FEC \$	AFED \$
A	10	100,000	3,000	3,300	110,000	—0—	—0—	110,000	—0—	10,000
B	20	200,000	6,000	6,600	220,000	—0—	—0—	220,000	—0—	20,000
C	30	300,000	9,000	8,700	290,000	—0—	—0—	290,000	10,000	—0—
D	40	400,000	12,000	11,400	380,000	—0—	—0—	380,000	20,000	—0—
Total	100	1,000,000	30,000	30,000	1,000,000	—0—	—0—	1,000,000	30,000	30,000

## Notes:

1. ATO = ETO = 30,000 MWD
2. AC = \$1,000,000

## CALCULATIONS:

1. GES Given
2. AAC = GES X AC
3. AETO = GES X ETO
  - a. AETO (A) = 3,000 MWD = .10 X 30,000 MWD
  - b. AETO (B) = 6,000 MWD = .20 X 30,000 MWD
  - c. AETO (C) = 9,000 MWD = .30 X 30,000 MWD
  - d. AETO (D) = 12,000 MWD = .40 X 30,000 MWD
4. AATO Given
  - a. A uses 300 MWD more than its allotment
  - b. B uses 600 MWD more than its allotment
  - c. C loses 300 MWD of its allotment
  - d. D loses 600 MWD of its allotment
5. AFE = AAC X (AATO ÷ AETO)
  - a. AFE (A) = \$110,000 = \$100,000 X (3,300 MWD ÷ 3,000 MWD)
  - b. AFE (B) = \$220,000 = \$200,000 X (6,600 MWD ÷ 6,000 MWD)
  - c. AFE (C) = \$290,000 = \$300,000 X (8,700 MWD ÷ 9,000 MWD)
  - d. AFE (D) = \$380,000 = \$400,000 X (11,400 MWD ÷ 12,000 MWD)
6. 
$$PTO = (ETO - ATO) \times \frac{(AETO - AATO)}{\Sigma (AETO - AATO)}$$

Where ETO > ATO and AETO > AATO  
 ETO = ATO. Therefore PTO for each Participant is zero.  
 "Σ" denotes a summation for all Participants.
7. PTOE = AAC X (PTO ÷ AETO)  
 PTO = 0 for each Participant. Therefore PTOE for each Participant is zero.
8. AAFE = AFE + PTOE
  - a. AAFE (A) = \$110,000 = \$110,000 + 0
  - b. AAFE (B) = \$220,000 = \$220,000 + 0
  - c. AAFE (C) = \$290,000 = \$290,000 + 0
  - d. AAFE (D) = \$380,000 = \$380,000 + 0
9. FEC = AAC - AAFE if AAC ≥ AAFE
  - a. FEC (A) = 0 = \$100,000 - \$100,000
  - b. FEC (B) = 0 = \$200,000 - \$200,000
  - c. FEC (C) = 0 = \$10,000 = \$300,000 - \$290,000
  - d. FEC (D) = 0 = \$20,000 = \$400,000 - \$380,000
10. 
$$AFED = EFEC \times \frac{(AATO - AETO)}{\Sigma (AATO - AETO)}$$

Where AATO > AETO

  - a. AFED (A) = \$10,000 = \$30,000 X (300 MWD ÷ 900 MWD)
  - b. AFED (B) = \$20,000 = \$30,000 X (600 MWD ÷ 900 MWD)
  - c. AFED (C) = 0
  - d. AFED (D) = 0

## SCENARIO 3

## SAMPLE CALCULATION OF APPENDIX F

PARTICIPANTS A AND B LOSE PART OF THEIR ENERGY ALLOTMENT AND HAVE PRESUMED THERMAL OUTPUT. PARTICIPANTS C AND D USE ALL OF THEIR ENERGY ALLOTMENT

Participant	GES %	AAC \$	AETO MWD	AATO MWD	AFE \$	PTO MWD	PTOE \$	AAFE \$	FEC \$	AFED \$
A	10	100,000	3,000	2,700	90,000	300	10,000	100,000	-0-	-0-
B	20	200,000	6,000	5,400	180,000	600	20,000	200,000	-0-	-0-
C	30	300,000	9,000	9,000	300,000	-0-	-0-	300,000	-0-	-0-
D	40	400,000	12,000	12,000	400,000	-0-	-0-	400,000	-0-	-0-
Total	100	1,000,000	30,000	29,100	970,000	900	30,000	1,000,000	-0-	-0-

## Notes:

1. ETO = 30,000 MWD
2. ATO = 29,100 MWD
3. AC = \$1,000,000

## CALCULATIONS:

1. GES Given
2.  $AAC = GES \times AC$
3.  $AETO = GES \times ETO$ 
  - a.  $AETO (A) = 3,000 \text{ MWD} = .10 \times 30,000 \text{ MWD}$
  - b.  $AETO (B) = 6,000 \text{ MWD} = .20 \times 30,000 \text{ MWD}$
  - c.  $AETO (C) = 9,000 \text{ MWD} = .30 \times 30,000 \text{ MWD}$
  - d.  $AETO (D) = 12,000 \text{ MWD} = .40 \times 30,000 \text{ MWD}$
4. AATO Given
  - a. A used 300 MWD less than its allotment
  - b. B used 600 MWD less than its allotment
  - c. C used exactly its allotment
  - d. D used exactly its allotment
5.  $AFE = AAC \times (AATO \div AETO)$ 
  - a.  $AFE (A) = \$90,000 = \$100,000 \times (2,700 \text{ MWD} \div 3,000 \text{ MWD})$
  - b.  $AFE (B) = \$180,000 = \$200,000 \times (5,400 \text{ MWD} \div 6,000 \text{ MWD})$
  - c.  $AFE (C) = \$300,000 = \$300,000 \times (9,000 \text{ MWD} \div 9,000 \text{ MWD})$
  - d.  $AFE (D) = \$400,000 = \$400,000 \times (12,000 \text{ MWD} \div 12,000 \text{ MWD})$
6.  $PTO = (ETO - ATO) \times \frac{(AETO - AATO)}{\Sigma(AETO - AATO)}$   
 Where  $ETO > ATO$  and  $AETO > AATO$ 
  - a.  $PTO (A) = 300 \text{ MWD} = (30,000 \text{ MWD} - 29,100 \text{ MWD}) \times ((3,000 \text{ MWD} - 2,700 \text{ MWD}) \div 900 \text{ MWD})$
  - b.  $PTO (B) = 600 \text{ MWD} = (30,000 \text{ MWD} - 29,100 \text{ MWD}) \times ((6,000 \text{ MWD} - 5,400 \text{ MWD}) \div 900 \text{ MWD})$
  - c.  $PTO (C) = 0$
  - d.  $PTO (D) = 0$
7.  $PTOE = AAC \times (PTO - AETO)$ 
  - a.  $PTOE (A) = \$10,000 = \$100,000 \times (300 \text{ MWD} \div 3,000 \text{ MWD})$
  - b.  $PTOE (B) = \$20,000 = \$200,000 \times (600 \text{ MWD} \div 6,000 \text{ MWD})$
  - c.  $PTOE (C) = 0$
  - d.  $PTOE (D) = 0$
8.  $AAFE = AFE + PTOE$ 
  - a.  $AAFE (A) = \$100,000 = \$90,000 + \$10,000$
  - b.  $AAFE (B) = \$200,000 = \$180,000 + \$20,000$
  - c.  $AAFE (C) = \$300,000 = \$300,000 + 0$
  - d.  $AAFE (D) = \$400,000 = \$400,000 + 0$
9.  $FEC = AAC - AAFE$  if  $AAC \geq AAFE$   
 $FEC = 0$  for each Participant
10.  $AFED = EFEC \times \frac{(AATO - AETO)}{\Sigma(AATO - AETO)}$   
 Where  $AATO > AETO$   
 $AFED = 0$  for each Participant

SAMPLE CALCULATION OF APPENDIX F  
 PARTICIPANTS A AND B USE MORE THAN THEIR ALLOTMENT  
 PARTICIPANTS C AND D HAVE A PRESUMED THERMAL OUTPUT

Participant	GES %	AAC \$	AETO MWD	AATO MWD	AFE \$	PTO MWD	PTOE \$	AAFE \$	FEC \$	AFED \$
A	10	100,000	3,000	3,300	110,000	—0—	—0—	110,000	—0—	10,000
B	20	200,000	6,000	6,600	220,000	—0—	—0—	220,000	—0—	20,000
C	30	300,000	9,000	8,100	270,000	692	23,067	293,067	6,933	—0—
D	40	400,000	12,000	9,000	300,000	2,308	76,933	376,933	23,067	—0—
Total	100	1,000,000	30,000	27,000	900,000	3,000	100,000	1,000,000	30,000	30,000

## Notes:

1. ETO = 30,000 MWD
2. ATO = 27,000 MWD
3. AC = \$1,000,000

## CALCULATIONS:

1. GES Given
2.  $AAC = GES \times AC$
3.  $AETO = GES \times ETO$ 
  - a.  $AETO (A) = 3,000 \text{ MWD} = .10 \times 30,000 \text{ MWD}$
  - b.  $AETO (B) = 6,000 \text{ MWD} = .20 \times 30,000 \text{ MWD}$
  - c.  $AETO (C) = 9,000 \text{ MWD} = .30 \times 30,000 \text{ MWD}$
  - d.  $AETO (D) = 12,000 \text{ MWD} = .40 \times 30,000 \text{ MWD}$
4. AATO Given
  - a. A used 300 MWD more than its allotment
  - b. B used 600 MWD more than its allotment
  - c. C used 900 MWD less than its allotment
  - d. D used 3,000 MWD less than its allotment
5.  $AFE = AAC \times (AATO \div AETO)$ 
  - a.  $AFE (A) = \$110,000 = \$100,000 \times (3,300 \text{ MWD} \div 3,000 \text{ MWD})$
  - b.  $AFE (B) = \$220,000 = \$200,000 \times (6,600 \text{ MWD} \div 6,000 \text{ MWD})$
  - c.  $AFE (C) = \$270,000 = \$300,000 \times (8,100 \text{ MWD} \div 9,000 \text{ MWD})$
  - d.  $AFE (D) = \$300,000 = \$400,000 \times (9,000 \text{ MWD} \div 12,000 \text{ MWD})$
6.  $PTO = (ETO - ATO) \times \frac{(AETO - AATO)}{\Sigma(AETO - AATO)}$ 

Where  $ETO > ATO$  and  $AETO > AATO$

  - a.  $PTO (A) = 0$
  - b.  $PTO (B) = 0$
  - c.  $PTO (C) = 692 \text{ MWD} = (30,000 \text{ MWD} - 27,000 \text{ MWD}) \times ((9,000 \text{ MWD} - 8,100 \text{ MWD}) \div 3,900 \text{ MWD})$
  - d.  $PTO (D) = 2,308 \text{ MWD} = (30,000 \text{ MWD} - 27,000 \text{ MWD}) \times ((12,000 \text{ MWD} - 9,000 \text{ MWD}) \div 3,900 \text{ MWD})$
7.  $PTOE = AAC \times (PTO \div AETO)$ 
  - a.  $PTOE (A) = 0$
  - b.  $PTOE (B) = 0$
  - c.  $PTOE (C) = \$23,067 = \$300,000 \times (692 \text{ MWD} \div 9,000 \text{ MWD})$
  - d.  $PTOE (D) = \$76,933 = \$400,000 \times (2,308 \text{ MWD} \div 12,000 \text{ MWD})$
8.  $AAFE = AFE + PTOE$ 
  - a.  $AAFE (A) = \$110,000 = \$110,000 + 0$
  - b.  $AAFE (B) = \$220,000 = \$220,000 + 0$
  - c.  $AAFE (C) = \$293,067 = \$270,000 + 23,067$
  - d.  $AAFE (D) = \$376,933 = \$300,000 + 76,933$
9.  $FEC = AAC - AAFE$  if  $AAC \geq AAFE$ 
  - a.  $FEC (A) = 0 = \$100,000 - \$100,000$
  - b.  $FEC (B) = 0 = \$200,000 - \$200,000$
  - c.  $FEC (C) = 6,933 = \$300,000 - \$293,067$
  - d.  $FEC (D) = 23,067 = \$400,000 - \$376,933$
10.  $AFED = EFEC \times \frac{(AATO - AETO)}{\Sigma(AATO - AETO)}$ 

Where  $AATO > AETO$

  - a.  $AFED (A) = \$10,000 = \$30,000 \times ((3,300 \text{ MWD} - 3,000 \text{ MWD}) \div 900 \text{ MWD})$
  - b.  $AFED (B) = \$20,000 = \$30,000 \times ((6,600 \text{ MWD} - 6,000 \text{ MWD}) \div 900 \text{ MWD})$
  - c.  $AFED (C) = 0$
  - d.  $AFED (D) = 0$

## APPENDIX G

## PRE-OPERATIONAL OPERATING WORK

## G.1 Training

- G.1.1 The Operating Agent shall be responsible for the recruitment, employment, training and licensing of all personnel required for the operation and maintenance of ANPP, including without limitation senior reactor operators, reactor operators, equipment and maintenance personnel, fuel handling crews, engineering, nuclear, radiation protection and other supporting staff personnel and supervisors.
- G.1.2 Within 90 days after execution of the contract for one or more nuclear steam supply systems, the Operating Agent shall prepare an ANPP operating and maintenance organization chart and a program, schedule and budget of employment, training and licensing requirements. Such organization chart, program, schedule and budget shall be submitted to the Administrative Committee for its review and approval. Following such review the Operating Agent shall proceed with the implementation thereof with such changes as may be directed by the Administrative Committee.

## G.2 Monitoring Programs

- G.2.1 From and after the issuance of a construction permit by the U. S. Atomic Energy Commission the Operating Agent shall assume responsibility for the conduct of all on-site and off-site environmental monitoring programs, including those continuing environmental monitoring programs initiated by the Project Manager, relevant to the protection of the environment, the implementation of Section 29 of the Participation Agreement or as required by law.
- G.2.2 In carrying out the responsibilities set forth in Section G.2.1 hereof the Operating Agent shall coordinate its activities, including those performed by any contractor, with the Project Manager so as to avoid or minimize any interference with any Construction Work.
- G.2.3 The transfer of responsibility for environmental monitoring programs to the Operating Agent shall not relieve the Project Manager of its responsibilities of conducting Construction Work in compliance with Section 29 of the Participation Agreement.

## G.3 Pre-Operational Testing

- G.3.1 The Operating Agent shall participate in and furnish the personnel required for the pre-operational testing of all systems and components of each Generating Unit as such systems are turned over to ANPP for such testing.
- G.3.2 Such activities of the Operating Agent shall be coordinated with the Project Manager, and the Project Manager shall not accept any such systems or components without the consent of the Operating Agent.

G.4 Acceptance, Storage and Loading of Nuclear Fuel. In coordination with the Project Manager the Operating Agent shall be responsible, subject to the terms of any Nuclear Fuel Agreement, for delivery, schedules, inspection, acceptance and storage of Nuclear Fuel to or at the Nuclear Plant Site.

G.5 Operating Procedures and Equipment. The Operating Agent shall review, comment on and approve all operating procedures and equipment manuals prepared by any contractor or supplier of any system or component of each Generating Unit.

G.6 Fuel Loading and Initial Start-up. In coordination with the Project Manager and subject to the provisions of any Construction Agreement, the Operating Agent shall furnish such personnel as may be required to load Nuclear Fuel into each Reactor, conduct the initial start-up of each Generating Unit, including all operational testing of the systems and components thereof and all subsequent operation of the Generating Unit or any portion thereof prior to the Date of Firm Operation.

G.7 Pre-Operational and Training Expenses

G.7.1 The Operating Agent shall establish a separate account for accumulation of all charges incurred (except training expenses) relating to the operation of each Generating Unit prior to its Date of Firm Operation. Charges to this separate account shall include (a) the Estimated Fuel Expense and other consumable supplies, items and equipment incidental to start-up and (b) the cost of all operation and maintenance expenses (exclusive of the cost of all operation and maintenance performed by start-up crews furnished by any contractor) determined in accordance with Section 11 of the Participation Agreement.

G.7.2 The Project Manager shall charge all costs accumulated in such separate account to Construction Costs.

G.7.3 The initial training expenses shall consist of labor (except for maintenance personnel engaged in actual construction), material, transportation, services and any other costs applicable to hiring and training, including any relocation of personnel, for Operating Work.

G.7.4 Initial training expenses shall also include departmental overheads, time-off allowances, Payroll Taxes, employee pensions and benefits, workmen's compensation expenses and administrative and general expenses determined in accordance with Section 11 of the Participation Agreement.

G.7.5 The Operating Agent shall accumulate the initial training expenses up to but not beyond the Date of Firm Operation in a manner to provide identification and basis for the monthly billing to the Participants in accordance with Section G.7.6 hereof.

G.7.6 The Operating Agent shall bill each Participant and each Participant shall advance funds to the Operating Agent for the payment of training expenses in the manner set forth in Section 12 of the Participation Agreement.

## APPENDIX H

### OPERATING EMERGENCY

- H.1 In the event of an Operating Emergency, the Operating Agent shall, in addition to the action required to be taken pursuant to Section 8.3.26 of the Participation Agreement, take such steps as are required in this Appendix H.
- H.2 As soon as practicable after the commencement of an Operating Emergency, the Operating Agent shall advise each Participant of the occurrence of the Operating Emergency, its nature and the steps taken or to be taken to terminate the Operating Emergency.
- H.3 As soon as practicable after giving the advice required pursuant to Section H.2 hereof, the Operating Agent shall submit an estimate of expenses, incurred and projected, required to terminate the Operating Emergency and to restore the availability of each Generating Unit affected and the estimated time schedule within which such measures can be accomplished. In the event the uninsured cost of restoring the availability of such Generating Unit to its Rated Capacity shall exceed 10% of its original cost as defined in the FPC Accounts, the Operating Agent shall obtain the approval of the Administrative Committee before committing any expenditures therefor; provided however, that nothing herein shall prevent the Operating Agent from incurring any expense it deems in its sole discretion necessary to protect the health and safety of the public.
- H.4 Subject to Section H.3 hereof and Section 16 of the Participation Agreement, costs incurred in terminating an Operating Emergency and restoring the availability of each Generating Unit affected may be billed to the Participants by the Operating Agent on the basis of its estimate of such costs with adjustment to be made in accordance with Sections H.6 and H.7 hereof when a final cost determination has been made.
- H.5 Following the termination of the Operating Emergency, the Operating Agent shall submit to each Participant a report containing a summary of the costs incurred and expenditures made in connection with the repair, restoration or reconstruction and such other information as may be required by the Administrative Committee.
- H.6 The Operating Agent shall allocate to the Participants, in accordance with Section 11 of the Participation Agreement, the costs incurred or expenditures made in such repair, restoration or reconstruction which are charged as maintenance expense.
- H.7 The Operating Agent shall allocate to the Participants, in accordance with their respective Generation Entitlement Shares[,] the costs incurred or expenditures made in such repair, restoration or reconstruction which are capitalized.



## APPENDIX I

PRINCIPLES FOR OWNERSHIP, CONSTRUCTION AND OPERATION  
OF THE ANPP HIGH VOLTAGE SWITCHYARD(S)

- I.1 Components of ANPP High Voltage Switchyard(s). The ANPP High Voltage Switchyard(s) shall consist, as generally depicted on Exhibit I-1 attached to this Appendix I, of a basic breaker-and-a-half scheme, comprising the termination facilities for the transmission lines, generator step-up transformer high voltage leads and auxiliaries, including, but not limited to, the high voltage busses, structures, power circuit breakers, disconnect switches, control building, switchyard auxiliary and protection systems and fencing.
- I.2 Ownership, Titles and Cost Responsibilities. The Participants shall acquire firm entitlement and shall acquire and own undivided interest as tenants in common in the components of the ANPP High Voltage Switchyard(s) as follows:
  - I.2.1 Description of facilities associated with generator and auxiliary terminations to be developed, which facilities shall be owned and the cost responsibility shared by the Participants in proportion to their respective Generation Entitlement Shares.
  - I.2.2 Description of facilities associated with outgoing lines to be developed which facilities shall be owned and the cost responsibility shared by the Participants on the basis of the ratio of the number of their respective bay positions to the total number of bay positions.
- I.3 Project Manager and Operating Agent
  - I.3.1 Salt River Project shall be the "project manager" and "operating agent" for the ANPP High Voltage Switchyard(s), shall carry out the duties and responsibilities associated therewith pursuant to the provisions of the Participation Agreement applicable to the Project Manager and Operating Agent except as such provisions shall be inappropriate to a high voltage switchyard(s).
  - I.3.2 The system studies, engineering, design, construction, operation and maintenance of the ANPP High Voltage Switchyard(s) performed by the "project manager" and "operating agent" shall be coordinated with ANPP and shall meet all requirements, including without limitation, reliability and quality assurance criteria, imposed by industry codes and standards and Federal and state regulatory agencies.
  - I.3.3 The "project manager" for the ANPP High Voltage Switchyard(s) shall provide the Project Manager with such information, studies and documents respecting the ANPP High Voltage Switchyard(s) as it may request for the purpose of obtaining any requisite permit, license, certificate or authority to construct and operate ANPP, and shall make available to the Project Manager for ANPP qualified personnel for appearance at any meetings, conferences or hearings with or before any regulatory agency.

#### **I.4 Use of High Voltage Switchyard(s)**

- I.4.1** Each Participant shall have the right to use its firm entitlement in the ANPP High Voltage Switchyard(s) according to its cost responsibility to transmit to or from its designated delivery points under normal operating conditions Power in an amount equivalent to the sum of its Power entitlements in each Generating Unit when operated at its Target Capacity and to reserve the ANPP High Voltage Switchyard(s) for such other equivalent transmission capacity without regard to the origin, source, ownership or type of generation used to produce such Power.
- I.4.2** Any Participant may acquire firm entitlement, including additional delivery points, in and the right to use the ANPP High Voltage Switchyard(s) in addition to that provided for in Section I.4.1 hereof, upon the written agreement of all Participants having cost responsibility under the Participation Agreement for the facilities over which such firm entitlement is sought, provided that said firm entitlement does not materially interfere with the right of any other Participant to utilize its entitlement as provided in Section I.4.1 hereof. Such written agreement shall specify the amount of monetary compensation to be paid to and the allocation among the Participants for such firm entitlement.
- I.4.3** Any Participant may make non-firm use of ANPP High Voltage Switchyard(s) capacity in addition to its uses under Sections I.4.1 and I.4.2 hereof to the extent that such capacity is determined to be available by the "operating agent" for the ANPP High Voltage Switchyard(s) in accordance with criteria to be approved by the Administrative Committee.
- I.4.4** If two or more Participants concurrently desire to make non-firm use of ANPP High Voltage Switchyard(s) capacity in the same segment of the ANPP High Voltage Switchyard(s) pursuant to Section I.4.3 hereof and the available capacity in such segment is not adequate to satisfy all such requests, then, unless otherwise agreed, the available capacity will be shared by those Participants concurrently requesting such capacity in proportion to their respective cost responsibilities in such segment.
- I.4.5** The Participant's designated points of delivery shall be determined by system studies; however, each Participant shall have at least one designated delivery point at the ANPP High Voltage Switchyard(s).
- I.4.6** Each Participant shall be entitled to interconnect its transmission system with the ANPP High Voltage Switchyard(s), and the costs of such interconnection shall be paid by such Participant.
- I.4.7** It is not the intention of the Participants to dedicate any capacity in the ANPP High Voltage Switchyard(s) for use by third parties.

#### **I.5 Additions to ANPP High Voltage Switchyard(s)**

- I.5.1** In the event a Participant desires an additional bay position(s) in the ANPP High Voltage Switchyard(s), the ownership ratios prescribed in Section I.2.2 hereof, and the cost responsibility associated therewith, shall be reallocated among all Participants having an interest therein

based upon the ratio of the "revised" number of their respective bay positions to the "revised" total number of bay positions.

I.5.2 A Participant desiring an additional bay position in the ANPP High Voltage Switchyard(s) pursuant to this Section I.5, shall furnish, at its own expense, sufficient breakers to maintain the basic breaker-and-a-half scheme, and such other facilities as are necessary to provide an additional bay position, which facilities upon installation shall become part of the ANPP High Voltage Switchyard(s).

I.5.3 The design of switchyard additions shall be approved by the "operating agent".

## I.6 Transfer or Assignment of Interest

I.6.1 The provisions of Section 15 of the Participation Agreement shall apply to the ANPP High Voltage Switchyard(s) subject to the following:

I.6.1.1 Any transfer or assignment by a Participant of all or part of its Generation Entitlement Share, together with an equal interest in the ownership of ANPP and in the Project Agreements, shall include the transfer or assignment, as the case may be, of an equal interest in that portion of the ANPP High Voltage Switchyard(s) described in Section I.2.1 hereof attributable to said Participant.

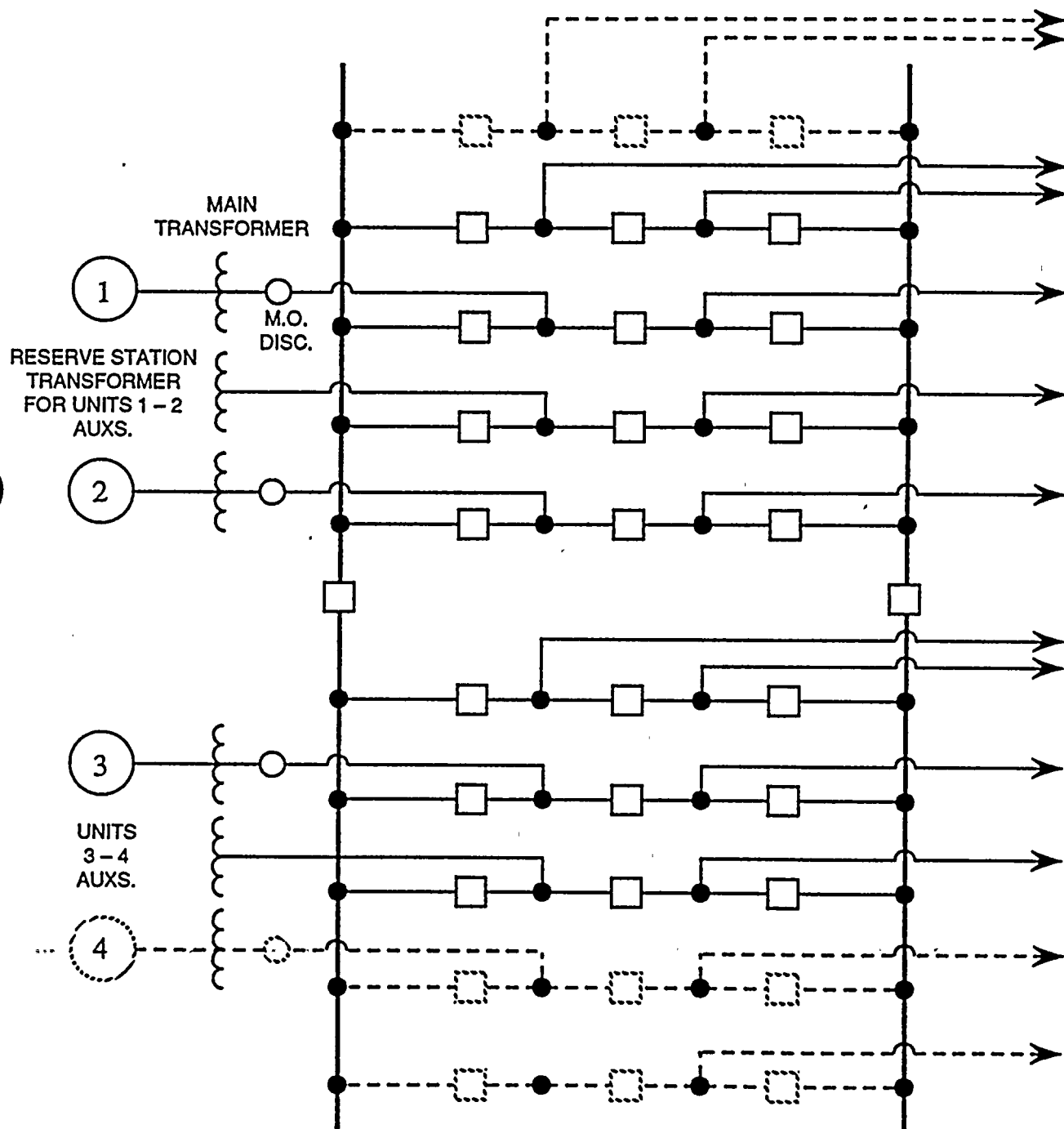
I.6.1.2 In the event of a transfer or assignment by a Participant of part of its ownership interest in that portion of the ANPP High Voltage Switchyard(s) described in Section I.2.2 hereof, the ownership ratios and cost responsibilities associated therewith shall be reallocated among all Participants having an ownership interest therein, said reallocation to be based on the ratio of the "revised" number of their respective pay positions to the "revised" total number of bay positions.

I.6.1.3 Any transferee or assignee of that portion of the ANPP High Voltage Switchyard(s) described in Section I.2.2 hereof, shall furnish, if necessary, at its own expense, sufficient breakers to maintain the basic breaker-and-a-half scheme, and such other facilities as are necessary to provide said transferee or assignee a bay position within the ANPP High Voltage Switchyard(s), which facilities, upon installation, shall become part of the ANPP High Voltage Switchyard(s).



# EXHIBIT I-1

## ANPP HIGH VOLTAGE SWITCHYARD





## APPENDIX J

PRINCIPLES OF INTERCONNECTED OPERATION  
FOR FOUR CORNERS INTERCONNECTION AGREEMENT

The following principles with respect to Forecast Capacity Resources Margin, Spinning Reserve Capacity, Emergency Service, Interruptible Load as a substitute for Spinning Reserve Capacity, and System Operations are agreed to and shall be incorporated in the Four Corners Interconnection Agreement:

## 1.0 Forecast Capacity Resources Margin

1.1 The Forecast Capacity Resources Margin of each Participant for any month is the difference between its Capacity Resources for that month and its Estimated Peak Demand for that month where:

1.1.1 Except as provided in Section 1.9 hereof, Capacity Resources are the sum of such Participant's Existing Capacity Resources and Planned Capacity Resources which have been accredited by the Interconnection Committee under the criteria set forth in Exhibit I hereto.

1.1.2 Except as provided in Section 1.3 hereof, Estimated Peak Demand shall be based on historical Peak Demands and shall include provisions for such things as anticipated load growth and anticipated additions or deletions of large loads.

1.2 The Participants recognize that it is prudent practice that each provide a Forecast Capacity Resources Margin at least equal to 15% of the Estimated Peak Demand for each month of each calendar year, but the Interconnection Agreement shall not obligate any Participant to do so.

1.3 Except for uncontrollable forces, if any Participant is unable to provide an Actual Capacity Resources Margin at least equal to 15% of the Peak Demand for each month of any three consecutive calendar years when its Forecast Capacity Resources Margin has been 15% or greater for each month of the same three years, the Estimated Peak Demand to be submitted by such Participant during the next three consecutive calendar years shall be at least equal to the Estimated Peak Demand computed using the arithmetic average of such Participant's electric system load growth rate in per cent for the immediate preceding five years.

1.4 The Forecast Capacity Resources Margin factor of 15% referred to in Sections 1.2 and 1.3 hereof shall be subject to review by the Interconnection Committee at any time upon the request of any Participant and may be changed only by unanimous agreement of the Participants, acting through the Interconnection Committee.

1.5 Except as provided in Section 1.6 hereof, on or before November 1 of each calendar year until termination of the Interconnection Agreement, each Participant (hereinafter referred to as "First Participant") shall, and at any other time may, prepare for its electric system and submit to each other Participant (hereinafter referred to as "Second Participant") for review, its history and

forecast, prepared on a monthly basis, of (i) Peak Demands, Existing Capacity Resources and Actual Capacity Resources Margin for the preceding calendar year, and (ii) Estimated Peak Demands, Existing Capacity Resources and Planned Capacity Resources for the next three consecutive calendar years (such history and forecast are hereinafter referred to as "Program"). Each Program shall contain such detailed information, be based on such assumptions and be in such form as the Interconnection Committee may from time to time specify. The three-year period may be changed only by unanimous agreement of the Participants, acting through the Interconnection Committee.

- 1.6 The initial Program submitted by each First Participant in accordance with Section 1.5 hereof shall contain information for the calendar year 1969 and the next three consecutive calendar years. Such initial Program of each First Participant shall not be subject to objection by any Second Participant.
- 1.7 Each Participant shall take all steps reasonably necessary to carry out its most recently submitted Program. Each First Participant shall promptly submit to each Second Participant a new Program if at any time such First Participant (i) establishes a new forecast of Estimated Peak Demand which differs from that in its most recently submitted Program, or (ii) determines it will be unable to retain the Existing Capacity Resources or provide the Planned Capacity Resources shown in its most recently submitted Program, or (iii) chooses to change its Capacity Resources as shown in its most recently submitted Program. Such new Program shall reflect such differences or changes and shall state the reasons therefor. The Program previously accepted will stay in force for sixty (60) days after submittal of the revised Program.
- 1.8 Each Program submitted in accordance with Section 1.5 hereof and each revised Program submitted in accordance with Section 1.7 hereof shall be reviewed by each Second Participant; provided, however, that:
  - 1.8.1 For any Program submitted in accordance with Section 1.5 hereof, only the new information submitted for the calendar year furthest in the future in each Program shall be subject to acceptance or objection by each Second Participant. Each First Participant's Program shall be deemed to have been accepted by each Second Participant which has not notified such First Participant and all other Second Participants of an objection within sixty (60) days following submittal of the Program.
  - 1.8.2 For any revised Program submitted in accordance with Section 1.7 hereof, only that portion of the original Program which has been revised shall be subject to acceptance or objection by any Second Participant. Each revised Program shall be deemed to have been accepted by each Second Participant which has not notified the First Participant submitting such revised Program and all other Second Participants of an objection within sixty (60) days following submittal of the revised Program.
  - 1.8.3 If any Second Participant objects to the Program or the revised Program of any First Participant and so notifies such First Participant and all other Second Participants within sixty (60) days,

such Second Participant shall be relieved of its obligation specified under Section 3.2 hereof to provide Emergency Service to such First Participant during the calendar year or portion thereof, as the case may be, corresponding to the part of the Program or revised Program to which the objection was made by such Second Participant. Such First Participant shall also be relieved of its obligation specified under Section 3.3 hereof to schedule Emergency Service from such Second Participant during such calendar year or such portion thereof.

1.8.4 Except for uncontrollable forces, if under the revised Program submitted in accordance with Section 1.7 hereof, any First Participant (i) defers construction of a Planned Capacity Resource, or (ii) retires an Existing Capacity Resource included in its Program during the period of applicability of such revised Program, or (iii) terminates or fails to effect any purchase of a Capacity Resource during the period of applicability of such revised Program, which in any case causes such revised Program to result in a Forecast Capacity Resources Margin of less than 15% of the Estimated Peak Demand in any month, and such deficiency has not been waived by all Second Participants, the rate to such First Participant for purchasing Emergency Service from any Second Participant scheduled under this Interconnection Agreement during the period of applicability of such revised Program shall be as provided in Section 3.4.2 hereof.

1.8.5 If under any revised Program submitted in accordance with Section 1.7 hereof, such First Participant's Capacity Resources are reduced because of uncontrollable forces, resulting in a Forecast Capacity Resources Margin of less than 15%, the rate to a First Participant for purchasing Emergency Service scheduled under this Interconnection Agreement during the period of such deficiency shall be as provided in Section 3.4.1 hereof.

1.9 If a Second Participant objects to a Planned Capacity Resource of a First Participant, the matter shall not be resolved until such Planned Capacity Resource under dispute is, in the opinion of such First Participant, capable of becoming an Existing Capacity Resource. At that time the Second Participant may request that the Interconnection Committee accredit the Existing Capacity Resource. If the Interconnection Committee is unable to make such accreditation, then either the First Participant or the Second Participant may submit the matter to arbitration. Prior to and during the dispute, and during arbitration, the Capacity Resource shall be deemed to have been accredited by the Interconnection Committee in accordance with Section 1.1.1 hereof as claimed by the First Participant submitting the Program.

1.10 When a Participant is involved in a future multiple-ownership Planned Capacity Resource, to the extent that such resource is planned for service at a date later within the same calendar year than such Participant would have been able to place an alternative resource in service on its own electric system during such calendar year, such Participant shall be allowed to include the amount of its participation in such resource in its Planned Capacity Resources beginning with the date it can demonstrate it would have been capable of placing such alternative resource in service.

## 2.0 Spinning Reserve Capacity

- 2.1 Except as provided in Section 3.3.1 hereof, each Participant shall at all times be obligated to maintain a minimum amount of Spinning Reserve Capacity equal to the larger of:
  - 2.1.1 Seven per cent (7%) of its electric system Demand for the then-current clock-hour; or
  - 2.1.2 The Existing Capacity Resources associated with the largest single contingency loss of generation due to the loss of any single synchronized generating unit or single transmission circuit on or serving its electric system.
- 2.2 During any period in any day when a Participant is receiving energy from any other Participant and/or third party pursuant to a contract which provides that such energy is interruptible at the discretion of the supplier, such receiving Participant shall maintain, in addition to the Spinning Reserve Capacity required under Section 2.1 hereof, an amount of Spinning Reserve Capacity equivalent to that generating capacity which would be required to generate such interruptible energy on the electric system of such receiving Participant.
- 2.3 The following constitutes Spinning Reserve Capacity or shall be considered a substitute for Spinning Reserve Capacity:
  - 2.3.1 Unloaded generating capacity synchronized to an electric system on units and at locations whereby governor, load frequency response or other control action will cause such generating capacity to assume load.
  - 2.3.2 Interruptible Load meeting the criteria set forth in Exhibit II hereto but not to exceed 15% of a Participant's obligation to maintain Spinning Reserve Capacity, as set forth in Section 2.1 hereof.
  - 2.3.3 Existing Capacity Resources which are loaded with energy being supplied to another Participant and/or third party pursuant to contracts which provide that such energy is interruptible without notice at the discretion of such supplying Participant, and for which the purchaser is carrying an amount of Spinning Reserve Capacity equivalent to the amount of generating capacity required to generate such energy, in addition to the purchaser's other obligations to carry Spinning Reserve Capacity.
- 2.4 The obligation of each Participant to maintain the amount of Spinning Reserve Capacity set forth in Section 2.1 hereof shall be met:
  - 2.4.1 By such Participant maintaining Spinning Reserve Capacity on its own electric system which is not contractually committed to other Participants and/or third parties as Spinning Reserve Capacity;
  - 2.4.2 By such Participant purchasing Spinning Reserve Capacity from any other Participant or third party which is not being used by the

seller to meet its obligation to maintain Spinning Reserve Capacity and which is not contractually committed to other Participants or third parties as Spinning Reserve Capacity; provided that sufficient unloaded transmission capacity and/or transmission capacity loaded with energy which is interruptible exists and is available between the electric systems of such Participant and the seller to enable such Participant to meet the obligation of Section 2.1 hereof;

2.4.3 By such Participant sharing Spinning Reserve Capacity with other Participants and/or third parties under contractual arrangements in full force; provided that the total amount of Spinning Reserve Capacity available to the sharing Participants and/or third parties must be at least equal to the greater of (i) 7% of the coincident clock-hour Demand on the combined electric systems of the sharing Participants and/or third parties for the then-current clock-hour, or (ii) the generating capacity associated with the largest single contingency loss of generation due to the loss of any single, synchronized generating unit or single transmission circuit on the combined electric systems of the sharing Participants and/or third parties or serving the combined electric systems of the sharing Participants and/or third parties for the purpose of transmitting generating capacity to which such sharing Participants and/or third parties are entitled from other electric systems; provided further, that sufficient unloaded transmission capacity and/or transmission capacity loaded with energy which is interruptible exists and is available between the electric systems of such Participant and the seller to enable such Participant to meet the obligation of Section 2.1 hereof; or

2.4.4 By any combination of Sections 2.4.1, 2.4.2 and 2.4.3 hereof.

### 3.0 Emergency Service

3.1 Emergency Service under this Interconnection Agreement shall consist of:

3.1.1 Spinning Reserve Capacity (without energy) scheduled and purchased by a Participant from other Participants to meet the obligation of the purchasing Participant to maintain Spinning Reserve Capacity.

3.1.2 Capacity Resources and associated energy scheduled and purchased by a Participant from another Participant to meet a part of the purchasing Participant's electric system load requirements.

3.2 Except as provided in Section 1.8.3 hereof, in the event of an Emergency affecting the electric system of any Participant, each other Participant shall make every reasonable effort to schedule requested Emergency Service to such Participant during the period of the Emergency as requested by such Participant; provided, that the supplying Participant shall be the sole judge of its ability to provide such Emergency Service without impairing reliability of service to its customers and its ability to fulfill its obligations to others.

- 3.3 Except as provided in Section 1.8.3 hereof, each Participant suffering an Emergency on its electric system shall be obligated to schedule Emergency Service under this Interconnection Agreement or similar service under contracts or arrangements with others as follows:

3.3.1 Such Participant shall be relieved of its obligation to maintain the amount of Spinning Reserve Capacity set forth in Section 2.1 hereof, but not the obligation set forth in Section 2.2 hereof, for a period equal to the longer of (i) 12 hours or (ii) the remainder of that calendar day. Due diligence shall be used by such Participant to restore its Spinning Reserve Capacity and meet its obligation for maintaining Spinning Reserve Capacity as soon as practicable after the commencement of such Emergency. If such Participant, by utilizing Spinning Reserve Capacity on its own electric system and/or Spinning Reserve Capacity of the other Participants and/or third parties with which it has contractual arrangements in full force to share Spinning Reserve Capacity, is unable to meet its obligation under Section 2.1 hereof by the time of the expiration of the aforesaid period of (i) 12 hours or (ii) the remainder of that calendar day, then such Participant shall purchase and schedule from other Participants and/or third parties the Spinning Reserve Capacity required to meet its obligation under Section 2.1 hereof.

3.3.2 Notwithstanding Section 3.3.1 hereof, if such Emergency causes Existing Capacity Resources to be less than load plus minimum regulating margin on a Participant's electric system, such Participant shall within one-half hour (i) schedule Emergency Service or similar service and/or (ii) reduce load on its electric system, in amounts sufficient to provide at least a minimum regulating margin on its electric system.

- 3.4 The rates of Emergency Service scheduled by a Participant under this Interconnection Agreement shall be as follows:

3.4.1 Except as provided in Section 3.4.2 hereof, if Emergency Service is scheduled by any Participant with any other Participant under this Interconnection Agreement, the receiving Participant shall pay the supplying Participant at a rate of \$0.10 per day for each kilowatt of demand scheduled up to a maximum of \$2.00 per kilowatt-month. The minimum rate for any Emergency Service scheduled for less than one day under this Section 3.4.1 shall be \$0.10 per kilowatt.

3.4.2 If Emergency Service shall be scheduled at any time during the calendar year for which the scheduling Participant has submitted a Program, in accordance with Section 1.5 hereof, or a revised Program in accordance with Section 1.7 hereof which shows the Forecast Capacity Resources Margin to be less than 15% of its Estimated Peak Demand for any month of the said calendar year, then the receiving Participant shall pay the supplying Participant at a rate of \$1.00 per kilowatt per week for each week in such calendar year in which it schedules Emergency Service under this Section 3. The minimum rate for any Emergency Service sched-

uled for less than one week under this Section 3.4.2 shall be \$1.00 per kilowatt.

3.4.3 The Participant furnishing energy with said Emergency Service shall receive payment for such energy at the rate of 115% of the Incremental Cost incurred by such Participant in furnishing such energy.

3.5 If an Emergency on a Participant's electric system causes its Existing Capacity Resources available to meet load to be less than load plus minimum regulating margin and such Participant has not within one-half hour (i) scheduled Emergency Service under this Interconnection Agreement or similar service under other contracts in full force and/or (ii) reduced load on its electric system in amounts sufficient to provide at least a minimum regulating margin on its electric system, then such Participant shall be deemed to have scheduled Emergency Service from the other Participants for the duration of such period in an amount equal to that which would have been required to meet its load and maintain such minimum regulating margin. Such Participant shall pay the other Participants at a rate of \$1.00 per kilowatt per week for each week in such calendar year in which such Emergency Service was deemed to have been scheduled. The minimum period for any such Emergency Service so deemed to have been scheduled shall be at least one week.

3.6 Payments made by a Participant under Section 3.5 hereof shall be distributed among the other Participants in proportion to their respective Participation Shares; provided, that, if any Participant has entered into any other interconnection agreement containing provisions similar to Section 3.5 hereof, the payment of \$1.00 per kilowatt per week shall be divided equally among each of such interconnection agreements, including this Interconnection Agreement, and the total of such payments shall be \$1.00 per kilowatt per week.

#### 4.0 Interruptible Load as a Substitute for Spinning Reserve Capacity

4.1 The amount of Interruptible Load which any Participant may use for Spinning Reserve Capacity shall not exceed 15% of such Participant's obligation to maintain Spinning Reserve Capacity in accordance with Section 2.1 hereof. The factor of 15% shall be reviewed from time to time by the Interconnection Committee and may be changed only by unanimous agreement of the Participants acting through the Interconnection Committee.

4.2 Interruptible Load shall meet the criteria set forth in Exhibit II hereto to be includible as a substitute for Spinning Reserve Capacity; provided, however, that each Participant shall submit evidence to the Interconnection Committee to verify that the proposed Interruptible Load meets the criteria set forth in Exhibit II hereto before such Participant may use Interruptible Load to meet a portion of its obligation to maintain Spinning Reserve Capacity. If none of the members of the Interconnection Committee object to such evidence within sixty (60) days of its submission, it shall be deemed to have met such criteria. If one or more members object and the matter cannot be resolved, then the matter of whether or not such criteria has been met by a Participant shall be submitted to arbitration. Such disputed Interruptible

Load shall not be included as Spinning Reserve Capacity prior to completion of arbitration in this matter.

- 4.3 Interruptible Load shall not be included in Estimated Peak Demands or as a substitute for a Capacity Resource.

## 5.0 Systems Operations

- 5.1 The Participants shall operate their electric systems continuously in parallel; provided, however, each Participant shall have the right to separate the wholly-owned facilities of its electric system from the electric system of any other Participant(s):
- 5.1.1 If, in the judgment of the separating Participant, abnormal operating conditions exist which require such separation to prevent damage to its facilities, injuries to personnel or unsatisfactory service to its customers; or
  - 5.1.2 Under certain conditions of high or low frequency or voltage, which conditions shall have been reviewed and coordinated by the Participants acting through the Interconnection Committee; or
  - 5.1.3 For necessary inspection, maintenance, repair or replacement of its facilities, or additional construction; provided, however, that reasonable advance notice of any scheduled outage of such facilities and the estimated duration thereof is given to the other Participant(s), if practicable, so as to minimize interference with the electric system operations of such other Participant(s).
- 5.2 Unless otherwise mutually agreed, each Participant shall provide the reactive power requirements of its own electric system, and each Participant shall cooperate to control the flow of such reactive power to prevent the introduction of objectionable operating conditions on the electric system of any Participant(s).
- 5.3 Each Participant shall use its best efforts to regulate continuously the generation of power within its Control Area so that the measured amount of net interchange of power between its Control Area and those Control Areas with which it is interconnected is equal to the scheduled amount of such net interchange of power, taking into account the frequency regulation contribution of its Control Area.
- 5.4 Operating procedures pertaining to interconnected system operations shall be established by the Participants acting through the Interconnection Committee.

## EXHIBIT I

### CRITERIA FOR ACCREDITING CAPACITY RESOURCES

#### 1.0 Purchased Power

- 1.1 A purchased power source must be available to the purchasing Participant in a manner which is at least equivalent to a generating unit of equal size on the electric system of such purchasing Participant.
- 1.2 A purchased seasonal power source which meets the criteria of Section 1.1 shall be accredited to the extent it is capable of being used to meet electric system load requirements.
- 1.3 A power source which is secondary or interruptible will not be considered as a Capacity Resource.

#### 2.0 Generation

- 2.1 Generating resources must meet the following requirements:
  - 2.1.1 All essential equipment is available for service, except during planned maintenance or Emergencies.
  - 2.1.2 The amount of capacity to be accredited is at that kilowatt rating for individual generating units which the owner is willing to use for continuous full-load operation as shown by each Participant's plant logs or documents issued to system dispatchers authorizing such unit loadings.
  - 2.1.3 Shall not be shut down or taken out of service without anticipation of being used again for any purpose, including cold standby.
  - 2.1.4 If a hydro resource, it shall be accredited to the extent it is capable of being used to meet electric system load requirements.

## EXHIBIT II

### CRITERIA FOR INTERRUPTIBLE LOAD

Interruptible Load can be used as Spinning Reserve Capacity when:

- 1.0 The Participant is legally entitled, and has made or will make a practice of curtailing such Interruptible Load, and is willing to so curtail for an Emergency on its own or another Participant's system.
- 2.0 All Interruptible Loads are isolated from firm loads on a separate circuit with appropriate circuit breakers.
- 3.0 Adequate telemetering equipment is available at the Participant's dispatching office for continuous recording of power on the interruptible circuit.
- 4.0 Underfrequency relays are in service at all times such that the Interruptible Load will be instantaneously tripped under predetermined conditions.
- 5.0 The necessary equipment is in service at all times such that the Interruptible Load will be automatically tripped for rapid changes in system area requirements of a predetermined magnitude as sensed by the automatic generating dispatching equipment on the Participant's electric system. The automatic tripping equipment shall respond at least as fast as generation under control.
- 6.0 The necessary equipment is provided for remote tripping and indication of the status of the circuit breakers on the customer's Interruptible Load.
- 7.0 The necessary facilities are installed to prevent unauthorized customer closure of the circuit breakers associated with the Interruptible Load.

## APPENDIX K

## URANIUM CONCENTRATES ACQUISITION PROGRAM

**K.1 Purpose.** This Appendix K sets forth the responsibilities and authority of the Operating Agent and each of the Participants to arrange for an adequate supply of Uranium Concentrates when needed to permit the timely fabrication of Fuel Assemblies required for operation of the Generating Units. It is intended that the arrangements for securing such supply of Uranium Concentrates shall provide the maximum flexibility for each Participant, should it elect to do so, to obtain and furnish to the Operating Agent all or part of its Generation Entitlement Share of the requisite Additional Uranium Concentrates from such sources and on such terms and conditions as such Participant in its own discretion and circumstances deems prudent. At the same time, it is intended to grant to the Operating Agent the requisite responsibility and authority to act for and on behalf of each Participant with its consent as provided herein to assure that the Short Term Requirements and delivery schedules of Uranium Concentrates are satisfied and the operation of any of the Generating Units is not curtailed or jeopardized due to a failure in the timely supply of Uranium Concentrates.

**K.2 Responsibilities and Authorities of the Operating Agent.**

**K.2.1** On or before November 30 of each year, and at such other times as the Operating Agent deems appropriate, the Operating Agent shall provide to the Participants a Uranium Concentrates report which shall include:

**K.2.1.1** The amount of Uranium Concentrates received and to be received during the current year.

**K.2.1.2** The current status of the Uranium Concentrates inventory.

**K.2.1.3** An analysis of the Short Term Requirements for Uranium Concentrates, including the designation of the conversion facility(ies) to which Uranium Concentrates are to be delivered and the required schedules by months for the deliveries.

**K.2.1.4** A forecast of the annual requirements for Uranium Concentrates during each of the subsequent fourth through thirteenth years consistent with current inventory, conversion and enrichment contract schedule commitments.

**K.2.1.5** A summary of all current commitments or undertakings made by the Operating Agent and each other Participant for the supply of Uranium Concentrates for the periods covered by Sections K.2.1.3 and K.2.1.4 hereof, including without limitation data and evaluations relevant to the security of supply for each such commitment or undertaking.

**K.2.1.6** The projected prices or costs of Uranium Concentrates to be delivered under each current commitment or undertaking.

K.2.1.7 The evaluation of the Operating Agent, together with any current evaluation from any consultants, respecting the availability of Uranium Concentrates in the future and projected market prices therefor.

K.2.1.8 Such other information as the Operating Agent deems relevant or, to the extent available, as may be requested by any Participant.

K.2.2 The Operating Agent has the responsibility to insure that the Uranium Concentrates necessary for the operation of all of the Generating Units are available when required. In order to meet this responsibility, the Operating Agent shall make all reasonable efforts to maintain an assured source(s) of supply sufficient to meet current Short Term Requirements for Uranium Concentrates in accordance with a delivery schedule of Uranium Concentrates established pursuant to the procedures in Section 6.3.2.7 of the Participation Agreement.

K.2.2.1 In the event the Operating Agent determines at any time that the then existing commitments made on behalf of all Participants for the supply of Uranium Concentrates are not sufficient for any reason to provide an assured source of supply of such commitments' share of Uranium Concentrates required to meet the then current Short Term Requirements, written notice shall be provided to the Participants outlining the deficiency. Any Participant, within 45 days of the receipt of such notice, may elect to supply all or part of its Generation Entitlement Share of such deficiency by giving written notice of its election to the Operating Agent; provided that if the Operating Agent elects to supply all or any part of the Operating Agent's Generation Entitlement Share of such deficiency from a source other than an offer or proposal accepted by it pursuant to Sections K.2.3 to K.2.9 hereof, inclusive, then each other Participant shall have the right to elect to supply all or any part of its Generation Entitlement Share of such deficiency from such source in proportion to its Generation Entitlement Share to the total Generation Entitlement Shares of all Participants who elect to utilize such source.

K.2.2.2 The Operating Agent is authorized and directed to solicit, negotiate and execute, on behalf of all Participants who have not elected to supply all of their respective shares of the deficiency noticed in Section K.2.2.1 hereof, such contracts for the purchase of Uranium Concentrates as may be required to make up the balance of such deficiency in the assured source of supply required to meet Short Term Requirements, including such additional quantities of Uranium Concentrates to be delivered during or subsequent to the period covered by the Short Term Requirements if the Operating Agent determines that it is necessary to purchase such additional quantities in order to obtain Uranium Concentrates to make up any such deficiency.

K.2.2.3 Notwithstanding Section 6.2.7.2 of the Participation Agreement, the authority and direction granted and given to the Operating Agent under Section K.2.2.2 hereof shall constitute the sole authorization and direction required to obligate all of the Participants on behalf of which the Operating Agent is acting, and no further authorization or approval of any such contract by the Administrative Committee shall be required except that, if any Participant has any direct or indirect interest in the Uranium Concentrates to be purchased under any such contract, unanimous approval of the purchase by the Administrative Committee will be required. A copy of any such contract upon its execution by the Operating Agent shall be promptly furnished to each Participant.

K.2.3 In addition to the efforts which the Operating Agent is obligated to make pursuant to Section K.2.2 hereof to maintain an assured source(s) of supply to meet current Short Term Requirements, the Operating Agent shall also make reasonable efforts to solicit and negotiate viable offers and proposals for the supply of Uranium Concentrates during all or part of the period covered by Section K.2.1.4 hereof for and on behalf of any Participant who shall not have elected pursuant to Section K.3.2 hereof to furnish all of its Generation Entitlement Share of Uranium Concentrates as may be required during said period. The Operating Agent shall from time to time notify all Participants of such offers or proposals as it may receive which it deems are viable alternatives for the supply of Uranium Concentrates to ANPP which have not been accepted or executed in compliance with Section K.2.2 hereof, including without limitation offers or proposals of any of the following categories:

K.2.3.1 Offers for immediate spot purchases of a fixed quantity of Uranium Concentrates.

K.2.3.2 Offers for deliveries of specified quantities of Uranium Concentrates over any period of time.

K.2.3.3 Proposals providing for rights to purchase Uranium Concentrates from any developed or undeveloped sources which would require advance funding.

K.2.3.4 Proposals for the acquisition of an ownership interest by participation in a joint venture or otherwise in mined or unmined uranium reserves.

With respect to each such offer or proposal, the Operating Agent shall provide the other Participants with its evaluation thereof, its recommendations, if any, and a statement of its intent as a Participant to reject or to accept and participate with other Participants in such offer or proposal.

K.2.4 Within the earlier of 45 days after the Operating Agent's notification of any offer or proposal similar in nature to the categories described in Section K.2.3 hereof or seven days prior to the expiration date, if any, of such offer or proposal, each Participant shall advise the Operating Agent of the Participant's (i) rejection of the offer or proposal, (ii) acceptance of

the offer or proposal and the extent of its intended participation therein with any other Participants, or (iii) with respect to any proposal similar in nature to the categories described in Section K.2.3.3 or K.2.3.4 hereof, its desire that the Operating Agent proceed with further specific negotiations, studies or analyses. A failure by any Participant to so advise the Operating Agent within the time specified shall be deemed a rejection by such Participant of the offer or proposal submitted.

- K.2.5 Upon receipt of the advice from all Participants with respect to any offer or proposal similar in nature to the categories described in Section K.2.3 hereof, the Operating Agent shall take such action as may be appropriate to comply therewith, provided that in no event shall any Participant be bound by any contract resulting therefrom without its written consent.
- K.2.6 In the event any two or more Participants shall decide to accept and participate in any offer or proposal similar in nature to the categories described in Section K.2.3 hereof, their respective shares therein shall be as they may agree or, in the absence of such agreement, equal to the ratio of their respective Generation Entitlement Shares to the sum of the Generation Entitlement Shares of all Participants accepting and participating in such offer or proposal.
- K.2.7 If the Operating Agent accepts and participates in any offer or proposal similar in nature to the categories described in Section K.2.3 hereof, it shall negotiate and execute a contract in connection therewith for and on behalf of all other Participants that may accept and participate therein. In the event the Operating Agent shall not accept and participate in any such offer or proposal which is accepted by one or more other Participants, then the Operating Agent shall, as directed by the accepting Participant(s), either finalize and execute a contract on behalf of such accepting Participant(s) or turn the matter over to such accepting Participant(s) for such action as it (they) may elect.
- K.2.8 In the event one or more Participants desires to pursue further studies and analyses of any proposal ("sharing-Participants") similar in nature to the categories described in Section K.2.3.3 or K.2.3.4 hereof, then the costs of any such studies or analyses shall be shared by the sharing-Participants in the proportion of their respective Generation Entitlement Shares to the total of the Generation Entitlement Shares of all sharing-Participants unless all such sharing-Participants shall otherwise agree. If the Operating Agent is not a sharing-Participant, then the sharing-Participants shall designate a Participant to interact and negotiate with the originator of the proposal on behalf of all sharing-Participants. Any sharing-Participant may, upon completion of such studies or analyses, accept such proposal, with such modifications as may have been negotiated with the originator of the proposal, provided that unless the sharing-Participants shall otherwise agree, (i) such sharing-Participant shall have promptly given written notice of its acceptance of such proposal or modified proposal and the terms thereof and (ii) for a period of 45 day after receipt of such written notice each other sharing-Participant shall have the option to participate in the accepted proposal or modified proposal in any amount not greater than the ratio of its share in the costs of such studies and analyses to the total shares of all sharing-Participants who shall have accepted or shall have exercised their respective options to participate in

such accepted proposal or modified proposal, which option shall be exercised by delivery within such 45-day period of written notice of its exercise to all other sharing-Participants.

- K.2.9 In the event (i) any Participant shall have rejected one or more of such offers or proposals and shall not have committed to furnish its Generation Entitlement Share of the Uranium Concentrates pursuant to Section K.3.2 hereof and (ii) one year prior to a date that Uranium Concentrates are required to be delivered pursuant to procedures in Section 6.3.2.7 of the Participation Agreement the Operating Agent determines that the quantity of Uranium Concentrates to be delivered on such date for and on behalf of such Participant from any and all sources is less than such Participant's Generation Entitlement Share of the total quantity of Uranium Concentrates required to be delivered on such date, then the Operating Agent is authorized to and shall, after giving written notice 10 days in advance to such Participant, purchase on behalf of such Participant that quantity of Uranium Concentrates required to provide such Participant's full Generation Entitlement Share of such total quantity required to be delivered on such date (hereinafter "insufficient-Uranium Concentrates") on any terms and conditions as may be available or required to obtain delivery of the insufficient-Uranium Concentrates on such date. Additionally, any such Participant shall be obligated to reimburse each other Participant for its fixed charges on its investment in any Uranium Concentrates inventory used to provide substitute Uranium Concentrates and penalty costs, if any, and such Participant's right to schedule Power and associated Energy shall be subject to restriction to the same extent and manner provided in Section K.3.7 hereof with respect to those Participants who shall have committed to provide Additional Uranium Concentrates. For purposes of this Appendix K, "penalties" shall include without limitation any charges imposed under any Nuclear Fuel Agreement for conversion, enrichment and fabrication of Nuclear Fuel arising from a failure to deliver Nuclear Fuel as required thereunder and any other costs incurred to implement the then current fuel management plan.

### K.3 Responsibilities and Authorities of the Participants.

- K.3.1 Each Participant shall advance Operating Funds to the Operating Account in the manner specified in Appendix F to the Participation Agreement (i) for its Generation Entitlement Share of all payments due under the agreement with The Anaconda Company identified in Section 3.1A added by Amendment No. 6 of the Participation Agreement, (ii) for its proportionate share of all payments due under each contract to purchase Uranium Concentrates executed by the Operating Agent pursuant to Section K.2.2 hereof and (iii) its proportionate share of all payments made under each contract for Uranium Concentrates executed and administered by the Operating Agent under Section K.2.7 hereof.
- K.3.2 Each Participant shall have the right to furnish all or part of its Generation Entitlement Share of Additional Uranium Concentrates upon the terms set forth in this Section K.3. The acceptance and participation of any Participant in an offer similar in nature to the categories described in Sections K.2.3.1 and K.2.3.2 hereof shall constitute an exercise by such Participant of such right. In addition, any Participant may exercise such right at any time by giving to the Operating Agent its written commitment

to furnish all or a stated portion of its share of the Additional Uranium Concentrates required for operation of the Generating Units in any year or years from any source as such Participant may elect, including without limitation any proposal similar in nature to the categories described in Sections K.2.3.3 and K.2.3.4 hereof which such Participant has accepted in whole or in part.

- K.3.3 If the quantities or delivery dates of Uranium Concentrates change due to fuel management decisions of the Operating Agent, operating circumstances, or changes in government policies or practices governing enrichment services or the recycle of Recovered Materials as defined in Appendix F to the Participation Agreement, then each Participant who shall have exercised its right to furnish all or any portion of its share of Additional Uranium Concentrates shall be responsible for supplying its share of any resulting increase in the requirements of Additional Uranium Concentrates or for inventorying and storing its share of any resulting decrease in such requirements not delivered to a conversion facility for the account of ANPP. In the event the responsibilities of any Participant under this Section K.3.3 arise in connection with a contract executed by the Operating Agent pursuant to Section K.2.7 hereof, the Operating Agent shall make on behalf of such Participant such arrangements as may be required to enable such Participant to meet such responsibilities.
- K.3.4 On or before March 1 of each year, each Participant shall provide the Operating Agent with information regarding the manner by which such Participant intends to provide all or any portion of its share of the Additional Uranium Concentrates for delivery to a conversion facility during such year and any of the subsequent three years. On or before September 30 of each year, each Participant shall also provide to the Operating Agent a summary of all of its commitments to provide Additional Uranium Concentrates, schedules for the delivery thereof, and other information as may be requested by the Operating Agent.
- K.3.5 In the event that any Participant, which has committed to supply Additional Uranium Concentrates, shall consider in its discretion that its ability to deliver such concentrates on the schedules established by the Operating Agent pursuant to Section K.2.1.3 hereof may be in jeopardy, such Participant shall promptly notify the Operating Agent of the nature and basis of such Participant's concerns and of any remedial actions under consideration.
- K.3.6 In the event that, one year prior to a scheduled delivery date of Uranium Concentrates, the Operating Agent reasonably concludes that any Participant's ability to provide Uranium Concentrates as committed pursuant to Section K.2.2.1 or K.3.2 hereof is in doubt, and the failure of such Participant to provide such Uranium Concentrates on the delivery schedule established pursuant to the procedures in Section 6.3.2.7 of the Participation Agreement (i) could cause a reduction in the inventory of Uranium Concentrates or (ii) could lead to the breach of or the incurrence of any penalties under any Nuclear Fuel Agreement providing for the conversion, enrichment or fabrication of Nuclear Fuel, then the Operating Agent is authorized to and shall, after giving written notice 10 days in advance to such Participant, purchase on behalf of such Participant that quantity of Uranium Concentrates required to replace the Uranium Concentrates

as to which delivery is in doubt on such terms as may be required to obtain delivery of substitute Uranium Concentrates in accordance with such schedule or at the earliest possible time thereafter, and such Participant shall be obligated to pay all costs incurred by the Operating Agent to obtain the substitute Uranium Concentrates. In the event such Participant (deficient-Participant) and the Operating Agent are unable to obtain delivery of the substitute Uranium Concentrates on or before the scheduled date, the Operating Agent is authorized to utilize the Uranium Concentrates inventory as a source of the substitute Uranium Concentrates if required to implement the then current fuel management plan; provided that the deficient-Participant shall reimburse each other Participant for its fixed charges on its investment in the Uranium Concentrates inventory used to provide the substitute Uranium Concentrates. If the inventory of Uranium Concentrates is insufficient to provide all of the substitute Uranium Concentrates and as a result any penalties are incurred, the deficient-Participant shall be obligated to pay all such penalties. In the event the obligations of one or more Participants under this Section K.3.6 arise as a result of a failure in the delivery of Uranium Concentrates under any contract executed by the Operating Agent pursuant to Section K.2.7 hereof, then such obligations shall be shared by the Participants who are participating in such contract in proportion to their respective obligations to pay for Uranium Concentrates delivered thereunder.

K.3.7 In the event (i) any Participant shall have failed for any reason to deliver its entire share of the Uranium Concentrates required for the subsequent operation of any Generating Unit at its Target Capacity and (ii) the Operating Agent shall have been unable to obtain Uranium Concentrates to make up such Participant's deficiency, and as a result thereof the Maximum Generating Capability of such unit is reduced during any Refueling Cycle, as defined in Appendix F to the Participation Agreement, in which the deficient amount of Uranium Concentrates would have been utilized in such unit's Reactor, then such Participant's right to schedule Power and associated Energy from such unit during each such Refueling Cycle shall be subject to reduction in amount or restricted in time in proportion to such deficiency or such lesser amount as the representatives on the Engineering and Operating Committee, excluding the representative of such Participant, shall determine. In the event one or more Participants shall become subject to a reduction(s) in its (their) right to schedule Power and associated Energy pursuant to this Section K.3.7 as a result of the failure in the delivery of Uranium Concentrates under any contract executed by the Operating Agent pursuant to Section K.2.7 hereof, then any such reduction shall be shared by such Participant(s) in proportion to their respective obligations to pay for Uranium Concentrates delivered under such contract.

K.3.8 Notwithstanding the provisions of Section 30 of the Participation Agreement, the provisions of this Section K.3 shall be fully applicable and enforceable against any Participant who shall fail to deliver the quantities of Uranium Concentrates which it has committed to deliver pursuant to this Section K.3 because of any uncontrollable force, foreseeable or unforeseeable, adversely affecting such Participant or any of its agents, contractors or suppliers.

K.4 Existing Properties of the Operating Agent's Subsidiary. Malapai Resources Company (Malapai), a wholly owned subsidiary of the Operating Agent, as of October 16, 1981, has an ownership interest in certain properties, consisting of fee leases, state leases and mining claims, referred to as Christensen Ranch, located in Townships 44 and 45 North, Ranges 75, 76, and 77 West, Johnson and Campbell Counties, Wyoming, and Peterson Property, located in Townships 33 and 34 North, Ranges 72 and 73 West, Converse County, Wyoming. Such properties may become viable alternatives for a supply of Uranium Concentrates to ANPP and Malapai may offer its interest in the properties, or Uranium Concentrates from the properties, to the Operating Agent who shall then transmit such offer to the Participants pursuant to Section K.2.3 hereof. The principles by which such offer may be made are as follows:

K.4.1 If Uranium Concentrates are being mined, Uranium Concentrates shall be offered at a price that is the same for all Participants, including the Operating Agent.

K.4.2 If Uranium Concentrates have not been mined, a proposal for a joint ownership interest shall be offered. The price for such a proposal shall be on the same basis for all Participants, including the Operating Agent, and mutually agreed upon by those Participants, including the Operating Agent, who ultimately accept the proposal.

## APPENDIX L

## 11 START-UP AND PRE-OPERATION ADMINISTRATIVE AND GENERAL EXPENSE

## L.1 Calculation of Start-Up and Pre-Operation A &amp; G Expense

- L.1.1 For the period from October 1, 1984 through completion of start-up and pre-operation activities for ANPP, the administrative and general expense associated with such activities for each Generating Unit shall be determined by the following formula: (An example calculation is shown in Exhibit L-A.)

$$AGE = [(SUPO) \times (OMF) \times (OMAG)] + [(SUPO) \times (1-OMF) \times (CFAG)]$$

where:

AGE = Monthly start-up and pre-operation administrative and general expenses for each Generating Unit.

SUPO = Monthly Start-Up and Pre-Operation Costs for each Generating Unit.

OMF = Percent (expressed as a decimal) of the total monthly Start-Up and Pre-Operation Costs for each Generating Unit to be allocated to the operation and maintenance administrative and general expense formula, as determined in Section L.1.3.

OMAG = Operation and maintenance administrative and general expense percentages as determined and applied in Sections E.1.7 and E.1.9 of the Participation Agreement.

CFAG = Construction administrative and general expense percentage of one percent (1%) as applied pursuant to Section D.1.14 of the Agreement.

- L.1.2 Start-Up and Pre-Operation Costs for ANPP common facilities shall be allocated by apportioning one-third (1/3) of these expenses to each ANPP Generating Unit prior to determining the administrative and general expense associated with each Generating Unit.

- L.1.3 To determine start-up and pre-operation administrative and general expense (AGE) in Section L.1.1 the monthly total Start-Up and Pre-Operation Costs for each ANPP Generating Unit, including its common facilities share, shall be allocated between construction and operation & maintenance in accordance with the benchmark time periods and percentages shown below. If a benchmark time period begins in the middle of a month, the change in percentage allocation to construction and operation & maintenance expenses shall take place on the first day of the calendar month following such benchmark.

Benchmark Time Period for Each Generating Unit	Percent Allocation Between Operation & Maintenance and Construction <u>OMF/(1-OMF)</u>
a. 10/1/84 to eight (8) months prior to Beginning of Gen- erating Unit Precore Hot Functional Test.	25% O&M/75% Construction
b. Eight (8) months prior to Beginning of Generating Unit Precore Hot Functional Test to Beginning of Gen- erating Unit Precore Hot Functional Test.	50% O&M/50% Construction
c. Beginning of Generating Unit Precore Hot Functional Test to Beginning of Gen- erating Unit Fuel Load.	70% O&M/30% Construction
d. Beginning of Generating Unit Fuel Load to satisfactory completion of Power Ascension Level 50%	90% O&M/10% Construction
e. Satisfactory completion of Power Ascension Level 50% to completion of start-up and pre-operation.	100% O&M

## L.2 Adjustments

L.2.1 The benchmark time periods in Items L.1.3a and L.1.3b require an estimate of the Beginning of Generating Unit Precore Hot Functional Test for a Generating Unit. Should the actual date for the Beginning of Generating Unit Precore Hot Functional Test for a Generating Unit be different than estimated, adjustments shall be made to the amount of administrative and general expense actually charged based on the appropriate allocation of Start-Up and Pre-Operation Costs to construction and operation & maintenance expenses.

L.2.2 Amounts of administrative and general expense determined pursuant to the Letter of Understanding for the period October 1, 1984 through March, 1985 that were different than the amount actually paid for the same period have, pursuant to the Letter of Understanding appeared as a credit on the request for advancement of Operating Funds for ANPP dated June 14, 1985, Request No. PV0-093. Such expense differences accrued interest at the rate from time to time publicly announced by Citibank, N. A., New York, New York, as its prime interest rate less two percent (2%), from the date of payment of such difference to the date of mailing of the request for advancement of Operating Funds. Any such amounts were allocated to each Participant in accordance with its Gener-

ation Entitlement Share, and were clearly delineated on the Operating Agent's requests for advancement of Operating Funds.

**L.3 Credit to Future Requests for Advancement of Operating Funds for ANPP**

L.3.1 "The Operating Agent shall credit to future requests for advancement of Operating Funds, thirteen million dollars (\$13,000,000) plus interest, determined pursuant to Section L.3.2 of this Appendix L, for administrative and general expense charged to Start-Up and Pre-Operation Costs through September 30, 1984. Such credit will be allocated to each Participant in accordance with its Generation Entitlement Share, and is separate and in addition to any adjustment to administrative and general expense necessitated by the routine annual adjustment to the Operation and Maintenance A & G Ratio pursuant to Section E.10.2 of the Participation Agreement. No other adjustments shall be made to change administrative and general expense charged to Start-Up and Pre-Operation Costs through September 30, 1984, except for those related to any future adjustments made to Start-Up and Pre-Operation Costs incurred through such date.

L.3.2 Interest will be charged on the unpaid balance of the thirteen million dollars (\$13,000,000) credit beginning on October 1, 1984. The interest rate to be applied will be the rate from time to time publicly announced by Citibank, N.A., New York, New York, as its prime interest rate, less two percent (2%). The initial credit shall include all interest accrued from September 30, 1984, and subsequent monthly credits will be applied first against accrued interest. In addition to such monthly payments of all accrued interest, the principal balance shall be amortized by crediting monthly an amount equal to not less than one twenty-fourth (1/24) of such amount until the full thirteen million dollars (\$13,000,000) principal amount has been credited. Pursuant to the Letter of Understanding, the initial credit hereunder occurred with the first request for the advancement of Operating Funds dated March 1, 1985.

EXHIBIT L-A

SAMPLE CALCULATION OF  
MONTHLY ADMINISTRATIVE AND GENERAL EXPENSE FOR  
START-UP AND PRE-OPERATION COSTS FOR  
ANPP GENERATING UNIT NO. 1

$$\text{AGE} = [(\text{SUPO}) \times (\text{OMF}) \times (\text{OMAG})] + [(\text{SUPO}) \times (1 - \text{OMF}) \times (\text{CFAG})]$$

ASSUMPTIONS:

$$\text{SUPO} = \$9,500,000 \text{ (1)}$$

$$\text{OMF} = 90\%$$

$$\text{OMAG} = 16.442\% \text{ of Project Manager's/Operating Agent's ANPP labor, plus 1\% of contractor's costs, plus 0\% of other costs.}$$

$$\text{CFAG} = 1\%$$

$$\text{Project Manager's/Operating Agent's ANPP Labor Costs} = \$4,750,000$$

$$\text{CONTRACTOR COSTS} = \$3,800,000$$

$$\text{OTHER COSTS} = \$950,000$$

CALCULATION:

$$\text{AGE} = [(\$9,500,000) \times (.9) \times (\text{OMAG})] + [(\$9,500,000)(1-.9) \times (\text{CFAG})]$$

$$\begin{aligned} [(\$9,500,000) \times (.9) \times (\text{OMAG})] &= \frac{(4,750,000)(.9)(.16442)}{+(3,800,000)(.9)(.01)} + \frac{(950,000)(.9)(0.0)}{ } = \$737,096 \end{aligned}$$

$$[(\$9,500,000) \times (1-.9) \times (\text{CFAG})] = (\$9,500,000)(.1)(.01) = \$9,500$$

$$\text{AGE} = \$737,096 + \$9,500$$

$$\text{AGE} = \$746,596$$

- (1) Includes 1/3 of Start-Up and Pre-Operation Costs for common facilities.
- (2) The OMAG rate will be applied to only the Project Manager's/Operating Agent's ANPP labor incurred for Start-Up and Pre-Operation Costs times the OMF factor in effect.