

**SECOND AMENDED AND RESTATED
NAVAJO WESTERN TRANSMISSION SYSTEM
OPERATING AGREEMENT**

AMONG

THE UNITED STATES OF AMERICA

ARIZONA PUBLIC SERVICE COMPANY

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

NEVADA POWER COMPANY D/B/A NV ENERGY

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

TUCSON ELECTRIC POWER COMPANY

**Execution Original
Dated: March 6, 2022**

**NAVAJO
WESTERN TRANSMISSION SYSTEM
OPERATING AGREEMENT**

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**NAVAJO
WESTERN TRANSMISSION SYSTEM
OPERATING AGREEMENT**

1. **PARTIES:** The parties to this Operating Agreement are: THE UNITED STATES OF AMERICA, hereinafter referred to as the "United States," authorized by the 1968 Colorado River Basin Project Act and, acting through the Secretary of the Interior, a duly appointed successor or a duly authorized representative; ARIZONA PUBLIC SERVICE COMPANY, an Arizona corporation, hereinafter referred to as "APS"; DEPARTMENT OF WATER AND POWER OF THE CITY OF LOS ANGELES, a department organized and existing under the Charter of the City of Los Angeles, a municipal corporation of the State of California, hereinafter referred to as "LADWP"; NEVADA POWER COMPANY d/b/a NV Energy, a Nevada corporation, hereinafter referred to as "NV Energy"; SALT RIVER PROJECT AGRICULTURAL IMPROVEMENT AND POWER DISTRICT, an agricultural improvement district organized and existing under the laws of the State of Arizona, hereinafter referred to as "SRP"; and TUCSON ELECTRIC POWER COMPANY, formerly known as Tucson Gas & Electric Company, an Arizona corporation, hereinafter referred to as "TEP".

2. **RECITALS:** This NAVAJO WESTERN TRANSMISSION SYSTEM OPERATING AGREEMENT ("Operating Agreement") is made with reference to the facts, among others:
 - 2.1 On July 23, 1979, the Participants entered into the NAVAJO PROJECT WESTERN TRANSMISSION SYSTEM OPERATING AGREEMENT ("Original Agreement"), which was amended by Amendments Nos. 1, 2, 3, 4, and 5. The Original Agreement established certain terms and conditions relating to the operation and maintenance of the Western Transmission System.
 - 2.2 The Participants desire to enter into this Operating Agreement to establish certain terms and conditions relating to the operation and maintenance of the Western Transmission System.
 - 2.3 This Operating Agreement supercedes and replaces, in its entirety, the Original Agreement as amended.
 - 2.4 The purpose of this second amendment and restatement of this Operating Agreement is to: 1) update the responsibility for the operation and maintenance costs found in Exhibit B for the period of 1/1/2020 through 12/31/2029; 2) update minor language changes throughout the document; 3) remove in their entirety Exhibits A, B, and K and replace them with amended versions that accurately reflect the current Participants ownership shares, cost responsibility and the facilities as it currently stands; 4) make this agreement consistent with changes being made to the Navajo Co-Tenancy Agreement and the Navajo Southern Transmission System ("NSTS") Operating Agreement.

2.5 This second amended and restated Operating Agreement supersedes and replaces in its entirety the amended and restated Operating Agreement that was effective on December 23, 2019

3. **AGREEMENT:** The Participants agree as follows:

4. **EFFECTIVE DATE:** This Operating Agreement, as it may be amended from time to time, shall become effective upon execution by the Participants subject to acceptance by the Federal Energy Regulatory Commission (“FERC”), if applicable. This Operating Agreement shall be filed with FERC upon execution in accordance with Section 6.6, if required.

5. **DEFINITIONS:** The following terms when used herein shall have the meanings specified. Capitalized terms used but not defined in this Operating Agreement shall have the meanings defined in the Co-Tenancy Agreement:

5.1 **ACCOUNTING PRACTICE:** Generally accepted accounting principles, in accordance with FERC Accounts.

5.2 **APPLICABLE STANDARDS:** Any applicable regulation, rule, order, law, standard, procedure or requirement issued by any local, state, regional or federal entity with jurisdiction over the operation and maintenance of the Western Transmission System, including the applicable reliability entity and the North American Electric Reliability Corporation (“NERC”) or its successor organization; and any standard, procedure or other requirement adopted by the Participants in writing pursuant to any provision of this Operating Agreement or the Co-Tenancy Agreement and in conformance with good utility practice; in each case as amended from time to time and whether now existing or hereafter imposed or arising.

5.3 **BENEFITS RATIO:** The ratio to be determined as set forth in Exhibit E hereto.

5.4 **CAPACITY:** Electrical rating expressed in megawatts (MW) or megavolt-amperes (MVA).

5.5 **CAPITAL IMPROVEMENTS:** Any Units of Property, land or land rights which are added to the Western Transmission System, the betterment of land or land rights or the enlargement or betterment of any Units of Property constituting a part of the Western Transmission System, 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 the Western Transmission System, 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. Capital Improvements shall not include any capital improvements to the McCullough Substation Common Facilities.

5.6 **CAPITAL IMPROVEMENTS A & G RATIO:** The ratio to be determined as set forth in Exhibit H hereto.

5.7 **COMPONENT OF THE WESTERN TRANSMISSION SYSTEM:** Any of the components of the Western Transmission System described in Exhibit A hereto.

- 5.8 CONSTRUCTION COSTS: The costs of constructing the Western Transmission System, including the costs of constructing Capital Improvements.
- 5.9 CONTRACTING OFFICER: The Secretary, his duly appointed successor or his duly authorized representative.
- 5.10 CO-TENANCY AGREEMENT: The Amended and Restated Navajo Co-Tenancy Agreement entered into by the Participants, effective December 23, 2019, as may be amended or supplemented from time to time.
- 5.11 CRYSTAL FACILITIES: Those components of the Western Transmission System specified as Crystal Facilities in Paragraph A.1.3 of Section A.1 to Exhibit A hereto.
- 5.12 CRYSTAL SUBSTATION: An electrical substation, located northeast of Las Vegas, Nevada, consisting of the Crystal Facilities and additional facilities owned by NV Energy and not governed by this agreement including: the North Crystal 500 kV switchyard, the Crystal 230 kV switchyard, two (2) 500/230 kV transformer banks, two (2) 230 kV phase-shifting transformers, two (2) 500 kV phase-shifting transformers, and all appurtenant facilities thereto.
- 5.13 RESERVED
- 5.14 FERC ACCOUNTS: The Federal Energy Regulatory Commission's "Uniform Systems of Accounts Prescribed for Public Utilities and Licensees (Class A and Class B)," in effect on December 23, 2019, and as such system of accounts may be in effect from time to time. References in this Operating Agreement to specific FERC Account Number(s) shall mean the FERC Account number(s) in effect as of the effective date of this Operating Agreement or any successor FERC Account number(s).
- 5.15 McCULLOUGH FACILITIES: Those components of the Western Transmission System specified as McCullough Facilities in Exhibit A hereto.
- 5.16 McCULLOUGH SUBSTATION: An electrical substation (also referred to by the Operating Agent as the McCullough Switching Station), located in southern Nevada, consisting of the McCullough Facilities, the McCullough 230 kV switchyard, and all appurtenant facilities thereto. The McCullough Substation shall not include the land held by LADWP under Bureau of Land Management Grant No. N-2763, dated January 23, 1969, as such grant may be renewed or replaced, hereinafter referred to as the "McCullough Substation Site," which land comprises the site of such station.
- 5.17 MICROWAVE SYSTEM: The communication equipment necessary to operate the Western Transmission System consisting of the Western Transmission Communication System described in Exhibit A hereto and the private communication systems from the Red Mountain Microwave Station to the McCullough Switching Station and to the Clark Steam Plant.
- 5.18 NONPARTICIPANT: One or more parties not included in this agreement.

- 5.19 O & M RATIO AND CONSTRUCTION RATIO: The ratios to be determined as set forth in Exhibit I hereto.
- 5.20 OPERATING AGENTS: The non-Federal Participants responsible for the operation and maintenance of the Western Transmission System pursuant to this Operating Agreement.
- 5.21 OPERATING AGREEMENT: This Navajo Western Transmission System Operating Agreement.
- 5.22 OPERATING EMERGENCY: An unplanned event or circumstance which reduces or may reduce the amount of transmission Capacity of the Western Transmission System that may otherwise be made available under prudent operating criteria.
- 5.23 OPERATING FUNDS: Monies advanced to the Operating Agents on behalf of the Participants or others in accordance with the Operating Agreement.
- 5.24 OPERATING INSURANCE: Policies of insurance relating to the Western Transmission System to be procured and maintained as provided in Section 18 hereof.
- 5.25 OPERATING WORK: Engineering, contract preparation, purchasing, repair, supervision, training, expediting, inspection, testing, protection, operation, retirement, maintenance, use, management, making capital improvements to the McCullough Substation Common Facilities, and making Capital Improvements, or any other work undertaken by the Operating Agents that is required by the Project Agreements, good utility practice or Applicable Standards or that is necessary for the safe and reliable operation of the Western Transmission System.
- 5.26 OPERATING WORK LIABILITY: Liability of one or more Participant for damage suffered by anyone other than a Participant, whether or not resulting from the negligence of any Participant, its directors, officers, Contracting Officer, employees or any other person or entity whose negligence would be imputed to such Participant, resulting from:
 - 5.26.1 The performance or nonperformance of Operating Work.
 - 5.26.2 The operation, maintenance, use or ownership of the Western Transmission System.
- 5.27 OPERATION AND MAINTENANCE A & G RATIO: The ratio to be determined as set forth in Exhibit G hereto.
- 5.28 PARTICIPANTS: Any one or more of the parties, including the United States.
- 5.29 PAYROLL TAX RATIO: The ratio to be determined as set forth in Exhibit D hereto.
- 5.30 POWER: Kilowatts (KW) or megawatts (MW).

- 5.31 PROJECT AGREEMENTS: Shall have the same meaning as set forth in the Co-Tenancy Agreement.
- 5.32 RESPONSIBILITY FOR COSTS: The percentage of financial liability of each Participant for costs of Operating Work concerning each Component of the Western Transmission System, as shown on Exhibit B hereto.
- 5.33 SECRETARY: The Secretary of the United States Department of Interior.
- 5.34 SOUTHERN TRANSMISSION SYSTEM: That portion of the Transmission System generally described in Exhibit B to the Co-Tenancy Agreement.
- 5.35 SPARE PARTS: Spare parts or equipment, the cost of which is capitalized, which are stocked for the Western Transmission System. Spare Parts do not include materials and supplies maintained by the Operating Agent for the Western Transmission System.
- 5.36 TRANSMISSION SYSTEM: The Southern Transmission System and the Western Transmission System.
- 5.37 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 of January 1, 1961, and as such list may be amended from time to time.
- 5.38 WESTERN LINE FACILITIES: Those components of the Western Transmission System specified as Western Line Facilities in Exhibit A hereto.
- 5.39 WESTERN TRANSMISSION COMMUNICATION SYSTEM: The Western Transmission Communication System as provided in Section II.E of Exhibit B to the Co-Tenancy Agreement and generally described in Exhibit A hereto.
- 5.40 WESTERN TRANSMISSION SYSTEM: The Western Transmission System as generally described in Exhibit A hereto.
- 5.41 WILLFUL ACTION:
 - 5.41.1 Action taken or not taken by a Participant at the direction of its directors, officers, Contracting Officer 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 probably result therefrom. Willful Action does not include any act or failure to act which is merely involuntary, accidental or negligent.
 - 5.41.2 Action taken or not taken by a Participant at the direction of its directors, officers, Contracting Officer or employees having management or administrative responsibility affecting its performance under any of the Project Agreements, which action has been determined by final judgment

or judicial decree to be a material Default under any of the Project Agreements and which occurs or continues beyond the time specified in such final judgment or judicial decree for curing such Default or, if no time to cure is specified therein, occurs or continues thereafter beyond a reasonable time to cure such Default.

5.41.3 Action taken or not taken by a Participant at the direction of its directors, officers, Contracting Officer or employees having management or administrative responsibility affecting its performance under any of the Project Agreements, which action is knowingly taken or not taken with the knowledge that such action taken or not taken is a material Default under any Project Agreements.

5.41.4 The phrase "employees having administrative responsibility" as used in this Section 5.41 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.

5.42 WORKERS' COMPENSATION RATIO: The ratio to be determined as set forth in Exhibit F hereto.

6. PERFORMANCE OF OPERATING WORK:

6.1 LADWP, as Operating Agent for the McCullough Facilities, shall have direct control for all components located within the McCullough Facilities relating to switching, controlling line loading, voltage levels including operation of capacitors and reactors as such functions relate to the Navajo-Crystal 500 kV line, the Crystal-McCullough 500 kV line, and the McCullough Facilities. LADWP shall direct the switching of the line termination facilities for Navajo-Crystal 500 kV line, the Crystal-McCullough 500 kV line, and the Crystal-Moapa 500kV line located in the South Crystal 500 kV Switchyard. LADWP shall direct the switching of the Project Series Capacitors and shunt reactors on the South Crystal 500 kV Switchyard end of the Navajo-Crystal 500 kV line. LADWP shall have primary responsibility for determining facility ratings of McCullough Facilities in accordance with Applicable Standards. LADWP shall coordinate the aforementioned functions with all Participants, as applicable.

6.1A NV Energy, as Operating Agent for the Western Line Facilities, shall have direct control for all functions relating to switching and voltage levels as such functions relate to the South Crystal 500 kV Switchyard, but excluding the termination facilities for the Navajo-Crystal 500 kV line, the Crystal-McCullough 500 kV line, and the Crystal-Moapa 500 kV line in the South Crystal 500 kV Switchyard, the Project Series Capacitors and shunt reactors on the South Crystal 500 kV Switchyard end of the Navajo-Crystal 500 kV line. Under the direction of LADWP, NV Energy shall perform all switching in the South Crystal 500 kV Switchyard for the Navajo-Crystal 500 kV line termination facilities, the Crystal-McCullough 500 kV line termination facilities, Crystal-Moapa 500 kV line termination facilities, the

Project Series Capacitors, and shunt reactors located in the South Crystal 500 kV Switchyard. NV Energy shall have primary responsibility for evaluating and approving line-crossing requests and for determining facility ratings of Western Line Facilities in accordance with Applicable Standards. NV Energy shall coordinate the aforementioned functions with all Participants, as applicable.

- 6.2 NV Energy, as Operating Agent for the Western Line Facilities, shall have direct responsibility for all of the line patrols, maintenance and emergency repairs to the Navajo-Crystal 500 kV Line, the Crystal-McCullough 500 kV line, and the Crystal Facilities. NV Energy shall also be responsible for the maintenance of the Western Transmission Communications System.
- 6.3 Standard procedures for obtaining outages and clearances shall be used between LADWP and NV Energy and the other Participants. NV Energy shall be responsible to initiate and recommend to LADWP such clearances as may be required for emergencies or routine maintenance on the Navajo-Crystal 500 kV line, the Crystal-McCullough 500 kV line, Crystal-Moapa 500 kV line, any component of the Crystal Facilities, and the Western Transmission Communications System. LADWP shall be responsible for the dispatching and scheduling functions required to effect such clearances. LADWP shall be responsible to initiate, dispatch and schedule such clearances as may be required for emergencies or routine maintenance on the McCullough Facilities.
- 6.4 United States, APS, NV Energy, SRP and Tucson do hereby appoint LADWP as their agent and LADWP shall undertake as their agent and as principal on its own behalf the responsibility for the performance of Operating Work on the McCullough Facilities; and the United States, APS, LADWP, SRP and Tucson do hereby appoint NV Energy as their agent and NV Energy shall undertake as their agent and as principal on its own behalf the responsibility for the performance of Operating Work on the Western Line Facilities.
- 6.5 The Operating Agents shall in respect to their individual Operating Work responsibilities:
 - 6.5.1 Perform Operating Work with the objective of permitting each Participant to transmit Power, under normal operating conditions, in amounts equivalent to the product of each Participant's respective cost responsibility in each line segment of the Western Transmission System and the associated rating (Western Electricity Coordinating Council approved or Engineering and Operating Committee approved, as applicable) of such line segment to each Participant's designated points of delivery in a manner which will not unreasonably affect the operation of the electric systems of the Participants, including the Southern Transmission System, and so that when operated in parallel with such systems, the loss of any one circuit of the Western Transmission System will not cause any other circuit or element of any parallel transmission systems of a Participant to carry Power in excess of the short-term rating of such parallel transmission system.

- 6.5.2 Perform Operating Work pursuant to the provisions of Section 6.5.1 hereof, with the objective of enabling the United States to schedule the transmission of up to 450 MW in either direction over the Mead-Peacock 345 kV line under normal operating conditions.
- 6.5.3 Perform Operating Work in accordance with generally accepted practices in the electric utility industry as such practices may be affected by the design and operational characteristics of the Western Transmission System, the rights and obligations of the Participants under this Operating Agreement, and any other special circumstances affecting Operating Work.
- 6.5.4 Contract for, furnish and obtain from any sources it may select, including any Participant, the services and studies necessary for performance of Operating Work.
- 6.5.5 Execute 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, necessary for the performance of Operating Work.
- 6.5.6 Furnish and train the necessary personnel for performance of Operating Work.
- 6.5.7 Comply with (i) any and all laws and regulations applicable to the performance of Operating Work, including all applicable provisions of any workers' compensation laws; and (ii) the terms and conditions of any contract relating to the Western Transmission System.
- 6.5.8 Purchase and procure, through and from any source it may select, the equipment, apparatus, machinery, tools, Spare Parts, materials and supplies necessary for the performance of Operating Work.
- 6.5.9 Expend the Operating Funds advanced to that Operating Agent in accordance with the terms and conditions of this Operating Agreement.
- 6.5.10 Keep and maintain records of monies received and expended, obligations incurred, credits accrued, and contracts entered into in the performance of Operating Work and make such records available for inspection by the other Participants at reasonable times and places.
- 6.5.11 Not suffer any liens to remain in effect unsatisfied against the Western Transmission System (other than the liens permitted under the Project Agreements, liens for taxes and assessments not yet delinquent, liens for workers' compensation awards, liens for labor and material not yet perfected); provided that an Operating Agent shall not be required to pay or discharge any such lien as long as that Operating Agent in good faith shall be contesting the lien which shall operate during the pendency thereof to prevent the collection or enforcement of said lien so contested.

- 6.5.12 Arrange for the placement and maintenance of Operating Insurance pursuant to Section 18 hereof.
- 6.5.13 Present claims to any insurer for losses and damages covered by Operating Insurance. Investigate, adjust, settle, decline and defend claims against the Participants arising out of or attributable to Operating Work when said claims are not covered by Operating Insurance, or arising out of the past or future performance or nonperformance of the obligations and duties of any Participant (including the Operating Agent) under or pursuant to this Operating Agreement, including but not limited to any claim resulting from death or injury to persons or damage to property for which payment shall not be made on account of other valid and collectible Operating Insurance or other valid and collectible insurance carried by any Participant, and present and prosecute claims against any insurer or other party for losses and damages in connection with Operating Work. The approval of the Engineering and Operating Committee shall be obtained by the Operating Agent before any uninsured claim or combination of uninsured claims arising out of the same transaction or incident is settled for more than \$100,000.
- 6.5.14 Assist any insurer in the investigation, adjustment and settlement of any loss or claim.
- 6.5.15 Keep the Participants fully and promptly advised of material changes in conditions, including but not limited to facility ratings or other material developments affecting the performance of Operating Work, including known Defaults of Project Agreements, and furnish the other Participants with copies of any notices given or received pursuant to the Project Agreements.
- 6.5.16 Provide the Engineering and Operating Committee with all written statistical and administrative reports, operating reports, written budgets, accounting records and information and other records relating to Operating Work which may be necessary to permit such committee to perform its responsibilities under this Operating Agreement.
- 6.5.17 Provide the Auditing Committee or any requesting Participant with all accounting records, information, reports and other records relating to Operating Work which may be necessary to permit such committee or Participant to perform its audit in accordance with Section 8 of the Co-Tenancy Agreement and Section 9.3 of this Operating Agreement.
- 6.5.18 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 Operating Agreement.

- 6.5.19 Prepare recommendations covering the matters which are to be reviewed and acted upon by the Engineering and Operating Committee.
 - 6.5.20 Follow the practices and procedures which have been reviewed and approved by the Engineering and Operating Committee.
 - 6.5.21 Coordinate scheduled outages of the Western Transmission System with the other Participants.
- 6.6 The Operating Agent shall file this Operating Agreement (and any amendment hereto) with the appropriate governmental authority, if required and shall notify the other Participants promptly thereafter of the date the filing was made and provide Participants a copy of any such filing. If the Operating Agent is not subject to FERC jurisdiction the FERC jurisdictional Participants will determine which Participant will file this Operating Agreement with FERC. Any Participant may request that any information so provided be subject to the confidentiality provisions of Article 19 herein. The Participants shall reasonably cooperate with respect to any such filing and provide any information reasonably requested by any Participant as needed to comply with applicable laws and regulations.
- 6.7 The other Participants shall lend, and be properly reimbursed for, all necessary and available assistance as may be requested by an Operating Agent in the performance of Operating Work.
- 7. USE, SCHEDULING AND LOSSES:**
- 7.1 The Participants shall have those rights and interests in the Western Transmission System established in Section 7 of the Co-Tenancy Agreement.
 - 7.2 Any Participant may make use of transmission Capacity in addition to its use under Section 7.1 of the Co-Tenancy Agreement to the extent that transmission Capacity is determined to be available by the owning Participant for that segment of the Transmission System over which the Capacity is desired. The Participant requesting transmission Capacity shall procure transmission service in accordance with the owning Participant's Open Access Transmission Tariff (OATT).
 - 7.3 Transmission losses in the Western Transmission System shall be determined by the Operating Agents in accordance with criteria approved by the Engineering and Operating Committee.
- 8. CURTAILMENT OF TRANSMISSION CAPACITY IN THE WESTERN TRANSMISSION SYSTEM:** Each Operating Agent shall, as soon as practicable, notify the dispatchers of each Participant of the occurrence of an Operating Emergency and the amount of any resulting curtailment which shall be determined by that Operating Agent in accordance with criteria approved by the Engineering and Operating Committee.
- 9. ADMINISTRATION:**

- 9.1 Committees to administer this Operating Agreement are defined and established in the Co-Tenancy Agreement and shall have the duties and responsibilities relating to this Operating Agreement established herein and in other Project Agreements.
- 9.2 The Engineering and Operating Committee shall have, in addition to those responsibilities set forth in other Project Agreements, the responsibility, among others, to review and approve the following items related to performing Operating Work:
 - 9.2.1 The annual Capital Improvements budgets, the annual capital improvements budget for McCullough Substation Common Facilities and the annual operation and maintenance budgets prepared by each Operating Agent, as applicable.
 - 9.2.2 The planned outages scheduled for maintenance.
 - 9.2.3 The procedures for establishing the Spare Parts stock.
 - 9.2.4 The form of written statistical and administrative reports, written budgets, and information and other similar records to be kept by each Operating Agent (excluding accounting records used internally by an Operating Agent for the purpose of accumulating financial and statistical data, such as books of original entry, ledgers, work papers, and source documents).
 - 9.2.5 The procedures for performance and efficiency testing.
 - 9.2.6 The written statement of operating practices and procedures.
 - 9.2.7 The procedures for accounting for transmission losses.
 - 9.2.8 The procedures for determining Capacities of facilities and for annually determining any excess Capacity in the Western Transmission System available to the Participants under Section 7.2 of the Co-Tenancy Agreement.
 - 9.2.9 The procedures for Power and energy accounting.
 - 9.2.10 The procedures for dealing with Operating Emergencies or curtailed operations.
- 9.3 Audit. Each Participant shall maintain adequate financial records and documents to support all Construction Costs, Operating Costs and Capital Improvements billed to the other Participants. The Operating Agent shall maintain financial records and documents relating to Operating Costs and Capital Improvements for five (5) years after the billing period. Each Participant shall make such financial records and documents available to the other Participants' auditors or a certified public accounting firm upon request by the other Participant(s) to review and examine as necessary, in determining if such costs billed are in accordance with the terms of this Agreement; provided that such request for review and examination by a

Participant may not be made more than one time per year. This audit and financial review shall be conducted during normal business hours and at the sole cost of the Participant who is performing the audits.

- 9.4 Notwithstanding the provisions of Section 8.4 of the Co-Tenancy Agreement, in the event of an Operating Emergency, action may be taken or a determination may be made by the Engineering and Operating Committee on the basis of oral approvals, and such action or determination subsequently shall be reduced to writing.
- 9.5 If the Engineering and Operating Committee is unable to agree on any matter brought before it under this Section 9, all Disputes, including any other Disputes arising under this Operating Agreement, shall be resolved as set forth in Section 18 of the Co-Tenancy Agreement.

10. WESTERN TRANSMISSION COMMUNICATION SYSTEM:

- 10.1 The Western Transmission Communication System described in Exhibit A and Exhibit K hereof and associated Capital Improvements shall be owned by the Co-Tenants as tenants in common in the same ownership proportions as specified for the Navajo-Crystal 500 kV line and the Crystal-McCullough 500 kV line in Exhibit A Section A.16 of the Co-Tenancy Agreement.
- 10.2 Construction Costs of initial or future multiplex voice channels, any necessary baseband treatment or other equipment, installed as part of the Microwave System for the exclusive use of a specified Participant or Nonparticipant, as provided in Exhibit K hereto, shall be paid for by the Participant or Nonparticipant specified. The balance of the Construction Costs of the Microwave System shall be allocated to and paid for by the Participants in the percentage set forth in Exhibit B hereto.

11. OPERATING EMERGENCY:

- 11.1 In the event of an Operating Emergency, the Operating Agent responsible for the component causing such emergency shall take any and all steps reasonably necessary and required to terminate the Operating Emergency, in accordance with generally accepted practices in the utility industry.
- 11.2 As soon as practicable after the commencement of an Operating Emergency, the Operating Agent responsible for the component causing such emergency, shall advise the Participants of the occurrence of the Operating Emergency, its nature and the steps taken or to be taken to terminate the Operating Emergency, including a preliminary estimate of the expenditures required to terminate the Operating Emergency.
- 11.3 The costs incurred and amounts expended and charged to maintenance expense by an Operating Agent for repair, restoration, and reconstruction of the Western Transmission System shall be allocated to the Participants in proportion to their Responsibility for Costs (Exhibit B) for the Components of the Western Transmission System being repaired, restored, or reconstructed and billed in

accordance with Section 13 hereof. Such costs incurred and amounts expended by the Operating Agent which are for Capital Improvements and capital improvements to the McCullough Substation Common Facilities shall be allocated to the Participants in proportion to their Responsibility for Costs (Exhibit B) in the Components of the Western Transmission System to which such Capital Improvements and capital improvements are made, and the Operating Agent shall bill the Participants therefor.

- 11.4 Following the termination of an Operating Emergency, the Operating Agent for the component causing such emergency shall submit to the Participants a report containing a summary of the costs incurred and expenditures made in connection with the repair, restoration, reconstruction, Capital Improvements, or capital improvements to the McCullough Substation Common Facilities and such other information as may be required by the Engineering and Operating Committee.

12. EXPENSES OF OPERATING WORK:

- 12.1 The costs of Operating Work shall include the following expenses to the extent that they are chargeable to the Western Transmission System in accordance with Accounting Practice:

- 12.1.1 The operation expenses chargeable to FERC Accounts 560 through 567, inclusive.
- 12.1.2 The maintenance expenses chargeable to FERC Accounts 568 through 573, inclusive.
- 12.1.3 Overhead expenses included in Sections 12.1.1 and 12.1.2 hereof incurred by the Operating Agents. Such overhead expenses shall be determined in accordance with the accounting practices of each Operating Agent as shown in Exhibit C hereto.
- 12.1.4 The maintenance expenses of the Microwave System as provided in Exhibit K hereto.
- 12.1.5 Applicable labor loading charges for Operating Agents' direct labor charged to operation and maintenance accounts, and applicable labor loading charges on the portion of indirect supervisors labor included in overhead expenses loaded on such direct labor charges. Such labor loading charges shall include but not be limited to time-off allowances, employee payroll taxes chargeable to FERC Account 408 and employee benefits chargeable to FERC Account 926 and workers' compensation chargeable to FERC Account 925.
 - 12.1.5.1 Payroll tax expenses incurred by the Operating Agents, which are allocable to operation and maintenance accounts, pursuant to this Section 12.1.5, shall be determined annually in accordance with the procedures and examples shown on Exhibit D hereto.

- 12.1.5.2 Employee pensions and benefits expenses incurred by the Operating Agents, which are allocable to operation and maintenance accounts, pursuant to this Section 12.1.5, shall be determined annually in accordance with the procedures and examples shown on Exhibit E hereto.
- 12.1.5.3 That portion of employee workers' compensation expenses and the related administrative expenses incurred by the Operating Agents which are allocable to operation and maintenance accounts, pursuant to this Section 12.1.5, shall be determined annually in accordance with the procedures and examples shown on Exhibit F hereto.
- 12.1.6 That portion of the Operating Agents' administrative and general expenses which are allocable to operation and maintenance of the Western Transmission System shall be determined annually in accordance with the examples shown in Exhibit G hereto.
- 12.1.7 All costs incurred by the Operating Agents which are chargeable to FERC Accounts 408 (excluding payroll and ad valorem taxes), 924, and 925 (except for costs, pursuant to Section 12.1.5.3).
- 12.1.8 A portion of the load dispatching salaries and expenses as defined by FERC Account 560 and 561 (including interchange scheduling) incurred for the Western Transmission System by the McCullough Facilities Operating Agent shall be charged to the Participants. Such portion shall be determined on the basis of time used for such load dispatching and interchange scheduling.
- 12.1.9 The costs of Operating Work shall be allocated to the Participants as follows:
 - 12.1.9.1 The cost associated with the Western Line Facilities and the McCullough Facilities including all Capital Improvements and capital improvements to the McCullough Substation Common Facilities thereto in accordance with their Responsibility for Costs (Exhibit B).
 - 12.1.9.2 The costs for the Microwave System as provided in Exhibit K hereto.
- 12.2 At the start of each year, an estimated Payroll Tax Ratio, Benefits Ratio, Workers' Compensation Ratio, Operation and Maintenance A & G Ratio, Capital Improvements A & G Ratio, and O & M Ratio and Construction Ratio shall be used, and such rates shall be determined for each Operating Agent in accordance with the methods set forth in Exhibits D, E, F, G, H and I, respectively. Such rates shall be based on expenses for the Operating Agent's power system for the preceding 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

legislation, labor contract negotiations, or other factors not reflected in the prior year's costs.

- 12.3 As soon as practicable after the end of each calendar year, the actual Payroll Tax Ratio, Benefits Ratio, Workers' Compensation Ratio, Operation and Maintenance A & G Ratio, Capital Improvements A & G Ratio, and O & M Ratio and Construction Ratio for such year shall be determined for each Operating Agent in accordance with the methods set forth in Exhibits D, E, F, G, H, and I, respectively, by using said year's actual expenses of that Operating Agent's power system. Using said actual ratios, the portions of the Operating Agent's payroll tax expenses, employee workers' compensation expenses, employee pensions and benefits expenses, and administrative and general expenses for which the Participants are obligated hereunder for costs of Operating Work 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, that Operating Agent shall bill or reimburse the Participants for the amount of such difference.
- 12.4 Each Operating Agent's administrative and general expenses, for operation and maintenance functions performed by an outside firm shall be determined by multiplying the total contract invoice by 0.01.
- 12.5 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, Workers' Compensation Ratio, O & M Ratio and Construction Ratio or Capital Improvements 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 at intervals of less than two 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 determine 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 Engineering and Operating Committee so that such unreasonable burden would be eliminated if such modified application or method is adopted by the Engineering and Operating Committee.
- 12.6 The Engineering and Operating Committee shall review the recommendations submitted by the Auditing Committee, and if as a result of such review, the Engineering and Operating Committee agrees that such unreasonable burden does exist and that said modified application or method eliminates such unreasonable burden, then the Engineering and Operating Committee shall adopt said modified application or method. If the Auditing Committee has not submitted a recommendation and the Engineering and Operating Committee agrees that such unreasonable burden does exist, the Engineering and Operating Committee shall endeavor to agree on a modified application or method. If the Engineering and Operating is unable to agree on any matter brought before it under this Section 12.6, then any Participant may require that it be referred to an officer or employee of

each of the Participant's respective organizations pursuant to Section 18.3 of the Co-Tenancy Agreement.

- 12.7 Any modified method adopted by the Engineering and Operating Committee, Senior Executives, or determined through Dispute resolution 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 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 years from the date of such adoption or determination.

13. PAYMENTS: Each Operating Agent shall bill the other Participants for costs incurred by that Operating Agent under this Operating Agreement as follows:

- 13.1 Costs described in Sections 11, 12 (except Section 12.1.7), and 16 hereof shall be billed monthly and shall be due and payable within 10 business days following receipt of such bills.
- 13.2 Costs described in Sections 12.1.7, 14, 17, and 18 hereof shall be billed within a reasonable time following the incurrence of such expenditure or obligation and shall be due and payable within ten (10) business days following receipt of the bill.
- 13.3 In determining costs to be borne by the United States under this Agreement, the United States shall be given appropriate credit for any interest in Federal lands, other than Indian lands, administered by the Department of the Interior which are made available for the Transmission System without assessment of fees or charges to the Co-Tenants. In instances where Federal laws or regulations prescribe fees or charges, for the use of Federal lands which are so administered and made available for the Transmission System, the amount of such fees or charges or the provisions of such laws or regulations shall govern the determination of the credit to be given to the United States. In the absence of applicable Federal laws or regulations, the amount of the credit to be given to the United States shall be as mutually agreed upon by the Participants or, failing such agreement, as conclusively determined by the Secretary.

14. PAYMENT OF TAXES:

- 14.1 The Operating Agents shall use their best efforts to have any taxing authority imposing any property taxes or other taxes (excluding any sales or use taxes) or assessments on the Western Transmission System, impose such taxes or assessments directly upon each Participant on the basis of its Responsibility for Costs (Exhibit B) for the Component of the Western Transmission System being assessed.
- 14.2 All taxes and assessments levied against any Participant shall be the sole responsibility of the Participant upon whom said taxes and assessments are levied unless such taxes and assessments are levied directly upon an individual Participant in behalf of any or all of the other Participants.

- 14.3 Except as to the interest in the Western Transmission System held by SRP for the use and benefit of the United States, if any property taxes or any other taxes and assessments are levied and assessed in a manner other than as specified in Section 15.1 hereof, it shall be the responsibility of the Engineering and Operating Committee to establish equitable practices and procedures for the apportionment among the Participants of such taxes and assessments and the payment thereof.
- 14.4 Any Participant exempted from any taxes assessed against any or all of the other Participants shall be given credit for such exemption.

15. ANNUAL BUDGETS:

- 15.1 No later than August 1 of each calendar year, each Operating Agent shall prepare and submit, as applicable, to the Engineering and Operating Committee for its review and approval the proposed annual Capital Improvements budget, the proposed annual capital improvements budget for McCullough Substation Common Facilities, and the proposed annual operating and maintenance budget for that Operating Agent's Operating Work for the next calendar year of operation.
- 15.2 No later than October 31 of each calendar year, the Engineering and Operating Committee shall approve annual operating and maintenance budgets for Operating Work for the next calendar year, annual Capital Improvements budgets for the next calendar year, and an annual capital improvements budget for McCullough Substation Common Facilities for the next calendar year. Approval of such budgets shall not be unreasonably withheld. If such budgets are not approved by the Engineering and Operating Committee in final form prior to the beginning of the next calendar year, the Operating Agents shall continue to perform Operating Work; provided, that no Operating Work related to Capital Improvements or capital improvements to the McCullough Substation Common Facilities that has not been approved by the Engineering and Operating Committee shall be performed until such time that a budget has been approved.
- 15.3 Any information required from any Participant by the Operating Agents in preparing the proposed budgets shall be supplied by such Participant.
- 15.4 Any information required from the Operating Agents by a Participant in reviewing the proposed budgets shall be supplied by the Operating Agents.
- 15.5 The Engineering and Operating Committee may at any time during the year approve revisions to the annual Capital Improvements budgets (subject to the provisions of Section 16.3 hereof), the annual capital improvements budget for McCullough Substation Common Facilities (subject to the provisions of Section 16.3 hereof), and the annual operating and maintenance budgets for Operating Work.

16. CAPITAL IMPROVEMENTS:

- 16.1 All proposed expenditures for Capital Improvements and capital improvements to the McCullough Substation Common Facilities, except as provided in the Co-

Tenancy Agreement, including a contingency allowance for capital expenditures if necessitated by Operating Emergencies, shall be included in the annual Capital Improvements budgets and the annual capital improvements budget for McCullough Substation Common Facilities, respectively. After such budgets have been approved by the Engineering and Operating Committee, each Participant shall be obligated for the costs incurred for such Capital Improvements (other than Capital Improvements to the Microwave System) and such capital improvements to the McCullough Substation Common Facilities in proportion to its Responsibility for Costs (Exhibit B).

- 16.2 Construction Costs for Capital Improvements to the Microwave System shall be paid for by the Participant(s) or Nonparticipant desiring the Capital Improvement. Construction Costs for Capital Improvements installed for the benefit of the Western Transmission System and for capital improvements to the McCullough Substation Common Facilities shall be allocated to and paid by the Participants in accordance with their Responsibility for Costs (Exhibit B).
- 16.3 At any time the Engineering and Operating Committee may authorize Capital Improvements not included in the annual Capital Improvements budgets and capital improvements to the McCullough Substation Common Facilities not included in the annual capital improvements budget for McCullough Substation Common Facilities.
- 16.4 Each Operating Agent shall submit to the Participants a forecast of cash flow requirements by months for the budget year and by years for subsequent years for any Capital Improvements and capital improvements to the McCullough Substation Common Facilities. Said forecast shall be submitted on a yearly basis after final budget approvals have been made. A revised forecast shall be submitted when the Capital Improvements budgets or the capital improvements budget for McCullough Substation Common Facilities is revised and approved, or when significant changes in monthly expenditures from those previously forecast are anticipated.
- 16.5 Each Operating Agent shall be responsible for the design and construction of all Capital Improvements and capital improvements on those Components of the Western Transmission System within that Operating Agent's responsibilities.
- 16.6 The costs of Capital Improvements and capital improvements to the McCullough Substation Common Facilities shall include:
 - 16.6.1 All costs incurred by the Operating Agents (other than obligations for interest during construction) which conform to the provisions of Electric Plant Instruction 3 of the FERC Accounts entitled "Components of Construction Cost"; provided, however, that (i) charges pursuant to Items 8 (injuries and damages) and 14 (insurance) of said Instruction 3 shall not include any costs shared by the Participants pursuant to Section 17 hereof, and (ii) charges pursuant to Item 16 (taxes) of said Instruction 3 shall not include any taxes shared by the Participants pursuant to Section 14 hereof. However, such charges shall include costs of any injuries or

damages arising out of and occurring during the course of construction of Capital Improvements or capital improvements to the McCullough Substation Common Facilities and the cost of any additional insurance which the Operating Agent responsible for such Capital Improvements or capital improvements deems necessary to protect the interests of the Participants during the effectuation of such Capital Improvements or capital improvements prior to the time the coverage provided in Section 17 hereof becomes applicable thereto.

- 16.6.2 All applicable overhead costs incurred by the Operating Agents which conform to the provisions of Electric Plant Instruction 4 of the FERC Accounts entitled "Overhead Construction Costs."
- 16.6.3 Applicable labor loading charges for the Operating Agent's employees whose salaries and wages are charged to Capital Improvements or capital improvements to McCullough Substation Common Facilities shall be determined by multiplying such salaries and wages by the ratios derived in accordance with Exhibits D, E, and F hereto.
- 16.6.4 If any Capital Improvements or any capital improvements to McCullough Substation Common Facilities are made by an Operating Agent's employees, the amount of that Operating Agent's administrative and general expense allocable to such Capital Improvements or capital improvements shall be determined by multiplying the sum of that Operating Agent's labor charges included in Section 16.6.1 hereof by the Capital Improvements A & G Ratio derived in accordance with Exhibit H hereto. The Capital Improvements A & G Ratio applicable to the McCullough Facilities shown in Exhibit H hereto shall be used in determining charges applicable for capital improvements to the McCullough Substation Common Facilities. (For the expenses in Section 16.6.3 hereof and in this Section 16.6.4, estimated ratios shall be used, and year-end adjustments shall be made in a manner similar to that described in Sections 12.2 and 12.3 hereof.)
- 16.6.5 If any Capital Improvements or any capital improvements to the McCullough Substation Common Facilities are made by a contractor, the amount of the Operating Agent's administrative and general expenses allocable to such Capital Improvements or capital improvements shall be determined by multiplying the total contract cost by 0.01. As used herein, "total contract cost" does not include the costs of injuries and damages, claims, taxes (other than sales and use taxes), and interest incurred by the Operating Agent during the construction of Capital Improvements or capital improvements to the McCullough Substation Common Facilities.
- 16.7 Units of Property retired from service shall be disposed of by the applicable Operating Agent on the best available terms as soon as practicable, and the proceeds or costs, if any, received or resulting therefrom shall be credited, distributed or

allocated to the Participants in proportion to their Responsibility for Costs (Exhibit B) associated with such units.

17. OPERATING INSURANCE:

- 17.1 Unless otherwise specified by the Engineering and Operating Committee, at least 90 days prior to the scheduled Date of Firm Operation of the first component of the Western Transmission System to be completed and during the performance of Operating Work, each Operating Agent shall procure, if available, and maintain in force, or cause to be procured and maintained in force, policies of Operating Insurance of the following types:
 - 17.1.1 All risk property insurance, covering all facilities except transmission towers, conductors and ground wires.
 - 17.1.2 Commercial general liability insurance providing coverage for bodily and personal injury and property damage.
 - 17.1.3 Business automobile liability insurance, combined single limit for bodily injury and property damage.
 - 17.1.4 Workers' Compensation and Employer's Liability insurance sufficient to meet statutory requirements or as determined necessary by each Operating Agent if no mandatory program is required.
- 17.2 Each Participant having a cost responsibility in the Western Transmission System, shall be named as additional insured on all insurance specified under Section 17.1.1 hereof.
- 17.3 Each Participant shall be named an additional insured, individually and jointly with the other Participants, on all Operating Insurance, and the policy of Operating Insurance referred to in Section 17.1.2 and 17.1.3 shall carry cross-liability endorsements.
- 17.4 SRP shall be named loss payee on all property insurance covering such interest in the Western Transmission System as it holds for the use and benefit of the United States. Any proceeds paid to SRP by reason of the destruction of or damage to such interest shall be held or disposed of by it pursuant to the terms of Section 15.4 of the Co-Tenancy Agreement.
- 17.5 Any deductibles shall be apportioned among the Participants on the basis of Responsibility for Costs (Exhibit B) in the Component of the Western Transmission System involved in the operative facts which gave rise to the insurance claim. However, if the proximate cause of such liability cannot be determined by the Operating Agents or is not related to any particular Component of the Western Transmission System, then such deductibles shall be apportioned among the Participants on the basis of average weighted Responsibility for Costs in all Components of the Western Transmission System as shown from time to time on Exhibit B hereto.

- 17.6 Each non-Federal Participant having a cost responsibility in the Western Transmission System, shall have the right to have any mortgagee, trustee or secured party named on all or any of the Operating Insurance policies as loss payee or additional insured as its interest may appear, by notice to the Operating Agent responsible for the procurement of such policies given in writing not less than 90 days prior to the procurement or renewal of such Operating Insurance policy(ies), which such notice shall specify the name or names of such mortgagee, trustee or secured party and such additional information as may be necessary or required to permit it to be included on the policy(ies) of Operating Insurance.
- 17.7 Participants shall be furnished a copy of the operating insurance policy in the event of a claim financially affecting the Participants.
- 17.8 Operating 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 Operating Insurance as to any loss or claim for which valid and collectible Operating Insurance shall apply. Such other insurance shall apply solely as to the individual interest of the Participant carrying such other insurance; provided, however, that such Participant shall accept any reasonable 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 Operating Insurance.

18. CONFIDENTIALITY:

- 18.1 All confidential information concerns or procedures associated with this Agreement and the Project Agreements shall be governed by and addressed pursuant to Section 29 of the Co-Tenancy Agreement.

19. LIABILITY:

- 19.1 Except for any judgment debt for damage resulting from Willful Action and except to the extent any judgment debt is collectible from valid Operating Insurance, each Participant hereby extends to all other Participants and all of their directors, officers, Contracting Officer and employees, its covenant not to execute on any judgment obtained against any of them for direct or consequential loss from physical damage to its property, which results from the performance or nonperformance of this Operating Agreement.
- 19.2 In the event any insurer providing Operating Insurance refuses to pay any judgment obtained by a Participant against another Participant, or any of its directors, officers, Contracting Officer or employees, on account of liability referred to in Section 20.1 hereof, the Participant or any of its directors, officers, Contracting Officer or employees, against whom the judgment is obtained, shall, at the request of the Participant obtaining the judgment and in consideration for the covenant given in Section 20.1 hereof, execute such documents as may be necessary to effect an assignment of its contractual rights against the nonpaying insurer.
- 19.3 Except for Operating Work Liability resulting from Willful Action, and except as provided in Section 20.5 hereof, the costs and expenses of discharging all Operating

Work Liability imposed upon one or more of the Participants for which payment is not made by Operating Insurance or additional insurance relating to Capital Improvements and capital improvements to the McCullough Substation Common Facilities, shall be allocated among the Participants in proportion to their Responsibility for Costs (Exhibit B) in the Component of the Western Transmission System involved in the operative facts which gave rise to the Operating Work Liability. However, if the proximate cause of such liability cannot be determined by the Operating Agent responsible for such Operating Work or is not related to any particular Component of the Western Transmission System, then such costs and expenses shall be allocated among the Participants on the basis of the average weighted Responsibility for Costs for all Components of the Western Transmission System.

- 19.4 Each Participant shall be responsible for the consequences of its own Willful Action and shall indemnify and hold harmless the other Participants from the consequences thereof.
- 19.5 Except for liability resulting from Willful Action, any Participant whose electric customer shall make a claim or bring an action against any other Participant for any death, injury, loss or damage arising out of electric service to such customer shall indemnify and hold harmless such other Participants, their directors, officers, Contracting Officer and employees, from and against any liability for such death, injury, loss or damage. The term "electric customer" shall mean an electric consumer to whom no Power is delivered for resale.
- 19.6 The provisions of this Section 20 shall not be construed so as to relieve any insurer of its obligations to pay any insurance proceeds in accordance with the terms and conditions of valid and collectible Operating Insurance policies or additional insurance relating to Capital Improvements and capital improvements to the McCullough Substation Common Facilities.

20. DEFAULT BY AN OPERATING AGENT:

- 20.1 The following provisions shall apply solely in regard to violations or allegations of violations of this Operating Agreement by an Operating Agent on the basis of which removal of that Operating Agent is sought:
 - 20.1.1 In the event any Participant shall be of the opinion that an action taken or failed to be taken by an Operating Agent constitutes a violation of this Operating Agreement, it may give written notice thereof to that Operating Agent and the other Participants, together with a statement of the reasons for its opinion. Thereupon, that Operating Agent may prepare a rebutting statement of the reasons justifying its action or failure to take action. In the event that agreement is not reached between that Operating Agent and the Participant which gave such notice, the matter shall be submitted for Dispute resolution in the manner provided in Section 18 of the Co-Tenancy Agreement. During the continuance of the Dispute resolution, that Operating Agent may continue such action taken

or failed to be taken in a manner it deems most advisable and consistent with this Operating Agreement.

20.1.2 If it is determined that an Operating Agent has violated or is violating this Operating Agreement, that Operating Agent shall act with due diligence to correct such violation, and in any event within six months or within lesser time following the decision as may be prescribed in the decision, shall take action in good faith to terminate such violation. In the event that the Operating Agent has either failed to correct or 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 in Default under this Operating Agreement and shall be subject to removal upon receipt of the notice referred to in Section 22 hereof signed by all the other Participants.

20.1.3 The provisions of Section 17 of the Co-Tenancy Agreement shall not apply to Disputes as to whether or not an action or nonaction of an Operating Agent, in its capacity as Operating Agent, is a violation of or a Default under this Operating Agreement.

21. REMOVAL OF AN OPERATING AGENT: Each Operating Agent shall serve as such during the term of this Operating Agreement or until it resigns by giving written notice to the other Participants at least one year in advance of the date of resignation or until receipt by an Operating Agent of notice of its removal following a determination that that Operating Agent is in Default of this Operating Agreement as provided in Section 21 hereof. Upon the effective date of such resignation or removal, that Operating Agent shall vacate any Components of the Western Transmission System it is occupying, and prior thereto the Participants shall by written agreement designate a new Operating Agent. Acceptance by the new Operating Agent of its appointment as such shall constitute its agreement to perform the obligations of the resigned or removed Operating Agent pursuant to this Operating Agreement.

22. AUTHORIZATIONS AND APPROVALS: Each Participant shall be responsible for obtaining, at its own expense, its required authorizations and approvals, if any, relating to its participation in the ownership, reconstruction, operation, maintenance or use of the Western Transmission System and to its performance of the provisions of this Operating Agreement, from Federal, state or local regulatory authorities having jurisdiction to issue such authorization and approvals, and each Participant shall keep the Operating Agents informed of its applications therefor.

23. TERM: This Operating Agreement shall be coterminous with the Co-Tenancy Agreement and any extensions thereof.

24. MISCELLANEOUS PROVISIONS:

24.1 Each Participant agrees, upon request by the other Participants, to make, execute and deliver any and all documents reasonably required to implement the terms of this Operating Agreement.

- 24.2 The captions and headings appearing in this Operating Agreement are inserted merely to facilitate references and shall have no bearing upon the interpretation of the provisions hereof.
- 24.3 This Operating Agreement is made under and shall be governed by and interpreted in accordance with the laws of the United States and the State of Arizona without giving effect to any conflicting provision of the law of another state.
- 24.4 The duties and obligations established in this Operating Agreement are deemed to be independent covenants, not dependent covenants, and the obligation of any Participant to perform all of the obligations and duties to be kept and performed by it is not conditioned on the performance by the other Participants of all of the duties and obligations to be kept and performed by them.
- 24.5 This Operating Agreement may be executed in multiple counterparts, each of which shall be deemed an original.
- 24.6 It is acknowledged by the Participants that certain provisions of this Operating Agreement may conflict with certain provisions of the Co-Tenancy Agreement or cover certain matters also covered in the Co-Tenancy Agreement. The provisions of this Operating Agreement shall, to the extent of such conflicts or coverage, be deemed to supersede such provisions of the Co-Tenancy Agreement.
- 24.7 If a Dispute should arise from actions taken during the performance of Operating Work, said Dispute shall be resolved in accordance with Section 18 of the Co-Tenancy Agreement.
- 24.8 Exhibits attached hereto are hereby incorporated herein and by this reference made a part of this Operating Agreement.
- 25. PROVISIONS OF CO-TENANCY AGREEMENT:** The Participants agree that all of the provisions of the Co-Tenancy Agreement made applicable to the Project Agreements, and the provisions of Section 33 (Notices) and Section 5 (Definitions) of the Co-Tenancy Agreement, shall apply to this Operating Agreement.
- 26. NAVAJO TRANSMISSION SYSTEM GENERAL CONTRACT PROVISIONS:** The Navajo Transmission System General Contract Provisions attached hereto as Exhibit J are hereby made a part of this Operating Agreement.
- 27. EXHIBIT REVISIONS:**
- 27.1 Unless otherwise noted herein, Exhibits to this Operating Agreement may be modified by the Engineering and Operating Committee if agreed to by an Engineering and Operating Committee representative of each Participant in writing (excluding changes to Exhibit J which does not require written approval).
- 27.2 The applicable Operating Agent shall submit each revised exhibit to the Engineering and Operating Committee for its review and approval. Within thirty (30) days after approval of such revised exhibit(s) by the Engineering and Operating Committee, NV

Energy shall file such revised exhibit(s) with FERC for approval and distribute copies thereof to each Participant.

27.3 The effective date of a revised exhibit shall be as determined by the Engineering and Operating Committee and is subject to FERC approval. Revised cost responsibility percentages shall be reflected in invoices following the FERC-approved effective date of the revised exhibit(s).

IN WITNESS WHEREOF, the Participants have caused this Operating Agreement to be executed as of the 30th day of April, 2022.

UNITED STATES OF AMERICA

Signature JACKLYNN GOULD Digitally signed by JACKLYNN GOULD
Date: 2022.08.23 15:39:22 -07'00'

Name: Jacklynn L. Gould, P.E.

Regional Director
Interior Region 8: Lower Colorado Basin
U.S. Bureau of Reclamation

Date Signed _____

ARIZONA PUBLIC SERVICE COMPANY

Signature Tony Tewelis DocuSigned by: Tony Tewelis
00F3884B57744F4...

Name: Tony Tewelis

Title: VP Transmission & Dist Ops

Date Signed 5/18/2022

**DEPARTMENT OF WATER AND POWER
OF THE CITY OF LOS ANGELES BY
BOARD OF WATER AND POWER COMMISSIONERS**

By signing below, the signatories attest that they have no personal, financial, beneficial, or familial interest in this contract.

APPROVED AS TO FORM AND LEGALITY
MICHAEL N. FEUER, CITY ATTORNEY

By: _____

JANISSE QUIÑONES
Chief Executive Officer and Chief Engineer

Date: _____

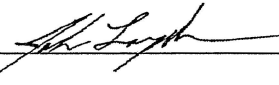
And: _____

CHANTE L. MITCHELL
Board Secretary

JUL 26 2022
BY Syndi Driscoll
SYNDI DRISCOLL
DEPUTY CITY ATTORNEY

NEVADA POWER COMPANY

(d/b/a NV Energy)

Signature: 

Name: Josh Langdon

Title: Vice President, Transmission

Date Signed: May 18, 2022

SALT RIVER PROJECT AGRICULTURAL
IMPROVEMENT AND POWER DISTRICT

Signature: 

Name: John D. Coggins

Title: Associate General Manager & Chief Power
System Executive

Date Signed: 4/28/22

TUCSON ELECTRIC POWER COMPANY

Signature: Erik Bakken

Name: Erik Bakken

Title: Vice President, System Operations and
Energy Resources

Date Signed: 6/22/22

Muir, William (NV Energy)

From: Woramali, Worarat (Jom) <WoraratJom.Woramali@ladwp.com>
Sent: Monday, August 29, 2022 4:53 PM
To: Muir, William (NV Energy)
Cc: Driscoll, Syndi; Barkhordarian, Ani; Lakshman, Sunaja
Subject: [INTERNET] RE: [EXTERNAL] RE: ACTION REQUIRED: Review and Execute Final 2nd Amended and Restated Navajo WTS OA by 4/15/22

THIS MESSAGE IS FROM AN EXTERNAL SENDER.

Look closely at the **SENDER** address. Do not open **ATTACHMENTS** unless expected. Check for **INDICATORS** of phishing. Hover over **LINKS** before clicking. [Learn to spot a phishing message](#)

Hello Will,

LADWP is recommending the final executable Agreement for approval by our governance.

Regards,
 Jom Woramali
 Manager of Transmission Assets Management
 LADWP
 (213) 367-1672

From: Muir, William (NV Energy) <William.Muir@nvenergy.com>
Sent: Friday, April 29, 2022 9:12 AM
To: Scott.Swanson@aps.com; joseph.mathews@sol.doi.gov; Driscoll, Syndi <Syndi.Driscoll@ladwp.com>; Woramali, Worarat (Jom) <WoraratJom.Woramali@ladwp.com>; Weeks@WAPA.GOV; Rex.Stulting@aps.com; Karilee.Ramaley@srpnet.com; michele.maser@srpnet.com; Jennifer.Spina@pinnaclewest.com; Ken.Miller@pinnaclewest.com; AWelander@tep.com; rsmith@usbr.gov; PCastaneda@usbr.gov; Johnston, Josh <JJohnston@WAPA.GOV>; MNitido@tep.com; AMoe@TEP.com; Barkhordarian, Ani <Ani.Barkhordarian@ladwp.com>; jmoralopez@usbr.gov; Rebecca.Crawford@aps.com; Jeffrey.LeCheminant@srpnet.com; Jared.Muller@aps.com; Han, Sang <Sang.Han@ladwp.com>; Rubin, David (NV Energy) <David.Rubin@nvenergy.com>; gorlin@wapa.gov; Michele.Davila@srpnet.com; Bone, Deborah (NV Energy) <Deborah.Bone@nvenergy.com>; Manoukian, Edik <Edik.Manoukian@ladwp.com>; Ted.Bright@srpnet.com; Kelly, Catherine (NV Energy) <Catherine.Kelly@nvenergy.com>; Bone, Deborah (NV Energy) <Deborah.Bone@nvenergy.com>
Cc: Spitzkoff, Jason <Jason.Spitzkoff@aps.com>
Subject: [EXTERNAL] RE: ACTION REQUIRED: Review and Execute Final 2nd Amended and Restated Navajo WTS OA by 4/15/22
Importance: High

EXTERNAL EMAIL! This email was generated from a non-LADWP address. If any links exist, do not click/open on them unless you are 100% certain of the associated site or source. ALWAYS hover over the link to preview the actual URL/site and confirm its legitimacy.

Navajo L&N Committee,

Attached is an updated WTS Operating Agreement to be used for signature as the final version. The date in the filename has been changed, but the dates on the title page and signature page have been left the same for consistency with NSTS

EXHIBIT A

COMPONENTS OF THE WESTERN TRANSMISSION SYSTEM

The WESTERN TRANSMISSION SYSTEM shall consist of the following Components of the Transmission System:

A.1 WESTERN LINE FACILITIES:

A.1.1 NAVAJO-CRYSTAL 500 KV LINE: The Navajo-Crystal 500 kV line from and including the first 500 kV line dead-end tower located outside the Navajo 500 kV Switchyard to the first 500 kV transmission line tower located outside of the Crystal 500 kV Switchyard, including the patrol headquarters and the Navajo-Crystal 500 kV line right-of-way. Line protection relaying systems located at either end of the Navajo-Crystal 500 kV Line.

A.1.2 CRYSTAL-McCULLOUGH 500 KV LINE: The Crystal-McCullough 500 kV line, from and including the first 500 kV transmission line tower located outside the Crystal 500 kV Switchyard to the first 500 kV line dead-end tower located outside the McCullough 500 kV Switchyard, including the Crystal-McCullough 500 kV line right-of-way. Line protection relaying systems located at either end of the Crystal-McCullough 500 kV Line.

A.1.3 CRYSTAL FACILITIES:

A.1.3.1 The South Crystal 500 kV Switchyard, a basic breaker-and-a-half scheme, comprising:

- (i) the 500 kV busses and the structures therefor;
- (ii) the termination facilities for
 - (a) two (2) 500/230 kV transformer banks,
 - (b) two (2) 500 kV phase-shifting transformers,
 - (c) the Navajo-Crystal 500 kV line,
 - (d) the Crystal-McCullough 500 kV line, and
 - (e) the Crystal-Moapa 500 kV line,
 including, but not limited to, power circuit breakers, disconnect switches, and the structures therefor;
- (iii) other substation relays (excluding line relays); and
- (iv) other facilities up to and including the connection to the high-side bushings of the 500/230 kV transformer banks.

The South Crystal 500 kV Switchyard shall not include: (i) any termination facilities associated with a third party interconnection; (ii) any Crystal Substation Common Facilities; (iii) any 500/230 kV transformer banks located at the Crystal Substation; or (iv) any 230

kV or 500 kV phase-shifting transformers located at the Crystal Substation.

A.1.3.2 CRYSTAL SUBSTATION COMMON FACILITIES: all or part of those certain structures, improvements and facilities of the Crystal Substation, which include, but are not limited to: dikes, roadways, control building, communications building, ancillary buildings, trenches, conduits, remote terminal unit (RTU) and SCADA interface equipment, control and power cables, control equipment, batteries, auxiliary equipment, station grounding grid, fencing, lighting and yard improvements, and related land or land rights. Crystal Substation Common Facilities shall not include: (i) any termination facilities associated with any line or transformer termination at the Crystal Substation; (ii) any 500/230 kV transformer banks located at the Crystal Substation; (iii) any 230 kV or 500 kV phase-shifting transformers located at the Crystal Substation; or (iv) the LADWP owned SEL-3530 RTAC device in South Crystal 500 kV Switchyard.

A.1.3.3 CRYSTAL-NAVAJO LINE COMPENSATION: The Project Series Capacitors and shunt reactors on the South Crystal 500 kV Switchyard end of the Navajo-Crystal 500 kV line including, but not limited to, the capacitors, control equipment, reactors, power circuit breaker, lightning arrestors, hazard fencing, disconnects, structures and bus work from the switchyard side of the first 500 kV transmission line tower located outside the switchyard to the attachment on the main switchyard structure.

A.1.4 WESTERN TRANSMISSION COMMUNICATIONS SYSTEMS: The microwave system from a terminal located at the Navajo 500 kV Switchyard Carrier Room to a terminal located at the Red Mountain Microwave Station near Boulder City, Nevada, more particularly described in Exhibit K hereto.

A.2 McCULLOUGH FACILITIES:

A.2.1 McCULLOUGH 500 KV SWITCHYARD: The 500 kV switchyard, a basic breaker-and-a-half scheme, comprising:

- (i) the 500 kV busses and the structures therefor;
- (ii) the termination facilities for
 - (a) the 500/230 kV transformer banks H, I and J,
 - (b) the Crystal-McCullough 500 kV line,
 - (c) the McCullough-Eldorado 500 kV line, and
 - (d) the McCullough-Victorville 500 kV Line 1 and Line 2 including, but not limited to, power circuit breakers, disconnect switches and the structures therefor;
- (iii) other substation relays (excluding line relays); and

- (iv) other facilities up to and including the connection to the high-side bushings of the 500/230 kV transformer banks.

The McCullough 500 kV Switchyard shall not include: (i) the McCullough Substation Site; (ii) any termination facilities associated with a third party interconnection; (iii) any McCullough Substation Common Facilities; or (iv) any 500/230 kV transformer banks located at the McCullough Substation.

A.2.2 CRYSTAL-McCULLOUGH LINE COMPENSATION: The Project Series Capacitors, Incremental Series Capacitors and shunt reactors on the McCullough 500 kV Switchyard end of the Crystal-McCullough 500 kV line including, but not limited to, the capacitors, control equipment, reactors, surge arrestors, hazard fencing, disconnects, structures and bus work from the switchyard side of the first 500 kV dead-end tower located outside the switchyard to the attachment on the main switchyard structure.

A.2.3 McCULLOUGH SUBSTATION COMMON FACILITIES: The common facilities, all or part of those certain structures, improvements and facilities of the McCullough Substation, which include, but are not limited to: dikes, roadways, control building, communications building, ancillary buildings, trenches, conduits, control and power cables, control equipment, station communication equipment, protection equipment, batteries, auxiliary equipment, station grounding grid, fencing, lighting and yard improvements, and any other facilities that provide support for the McCullough Substation. McCullough Substation Common Facilities shall not include: (i) the McCullough Substation Site; (ii) any termination facilities associated with any line or transformer termination at the McCullough Substation; or (iii) any 500/230 kV transformer banks located at the McCullough Substation.

EXHIBIT B-SHEET 1

NAVAJO WESTERN TRANSMISSION SYSTEM

RESPONSIBILITY FOR COSTS

<u>RESPONSIBILITY FOR COSTS (%)</u>				
<u>COMPONENT</u>	<u>LADWP</u>	<u>NV Energy</u>	<u>UNITED STATES</u>	<u>THIRD PARTY(IES)*</u>
A. <u>WESTERN LINE FACILITIES</u>				
A.1 Navajo-Crystal 500 kV Line	48.90	26.10	25.00	0.00
A.2 Crystal-McCullough 500 kV Line	48.90	26.10	25.00	0.00
A.3 Crystal Facilities				
A.3.1 South Crystal 500 kV Switchyard	14.29	85.71	0.00	0.00
A.3.2 Crystal Substation Common Facilities (South Crystal 500 kV Switchyard portion only)	14.29	85.71	0.00	0.00
A.3.3 Navajo-Crystal Line Compensation	48.90	26.10	25.00	0.00
B. <u>McCULLOUGH FACILITIES</u>				
B.1 McCullough 500 kV Switchyard (including third parties)	58.77	16.23	10.71	14.29
B.2 Crystal-McCullough Line Compensation	48.90	26.10	25.00	0.00
B.3 McCullough Substation Common Facilities (500 kV portion only)	58.77	16.23	10.71	14.29
C. <u>MICROWAVE SYSTEM**</u>				
C.1 Western Transmission Communications System	48.90	26.10	25.00	0.00
C.2 Apex Peak to Crystal	7.06	91.15	1.79	0.00
C.3 Red Mountain to McCullough	98.18	0.93	0.89	0.00

* Invoiced under separate agreement(s). Shown for informational purposes only.

** Responsibility For Costs taken from Exhibit K hereto.

EXHIBIT B-SHEET 2

NAVAJO WESTERN TRANSMISSION SYSTEM

McCULLOUGH SUBSTATION COMMON FACILITIES

<u>Description</u>	<u>Completion Date</u>	<u>500 kV Common Facilities Share</u>
Phase I *	November 1970	\$1,096,349
Phase II *	December 1974	589,482
Increase High-Voltage Substation Lighting	November 1982	230,399
Install Electrical Sliding Gate	April 1983	27,792
Outdoor Equipment Storage Pad	June 1984	66,525
Construct New Storage Warehouse	January 1985	127,739
Install Switchyard Paging System	May 1986	31,493
Rebuild Roadway and Improve Drainage	July 1987	379,536
Construct and Install Mezzanine	September 1989	2,228
Install Redundant 48V DC Battery System	May 1990	24,573
Install New Rock Oil Containment	October 1991	354,488
Additions by Mead-Phoenix/Mead- Adelanto Project Interconnection	July 1995	<u>2,978,000</u>
TOTAL		\$5,908,604

* Designation as used in the Navajo Project Western Transmission System Completion Report dated February 1981.

EXHIBIT B-SHEET 3**NAVAJO WESTERN TRANSMISSION SYSTEM****McCULLOUGH 500 KV SWITCHYARD RESPONSIBILITY FOR COSTS**

<u>DESCRIPTION OF TERMINATION</u>	<u>LADWP</u>	<u>COST RESPONSIBILITY (%)</u>		
		<u>NV ENERGY</u>	<u>UNITED STATES</u>	<u>THIRD PARTY(IES)*</u>
Banks H and I 500 kV	0.00	50.00	50.00	0.00
Crystal-McCullough	48.90	26.10	25.00	0.00
Bank J 500 kV	62.50	37.50	0.00	0.00
McCullough-Victorville Line 1	100.00	0.00	0.00	0.00
McCullough-Eldorado	100.00	0.00	0.00	0.00
McCullough-Victorville Line 2	100.00	0.00	0.00	0.00
<u>Marketplace-McCullough Tie-Line</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>100.00</u>
TOTAL	411.40	113.60	75.00	100.00

Sum of Cost Percentages:

$$\begin{aligned}
 &\text{LADWP} + \text{NV Energy} + \text{United States} + \text{Third Party(ies)} \\
 &= 411.40 + 113.60 + 75.00 + 100.00 \\
 &= 700.00
 \end{aligned}$$

Cost responsibility percentages for the terminations in the McCullough 500 kV Switchyard are shown in the above table and are used below to determine the cost responsibility percentages for the McCullough 500 kV Switchyard infrastructure facilities such as, but not limited to, the busses, bus protection and metering, steel switchracks and associated concrete works, cable trenches and grounding.

$$\begin{aligned}
 \text{LADWP} &= (411.40/700.00) \times 100\% = 58.77\% \\
 \text{NV Energy} &= (113.60/700.00) \times 100\% = 16.23\% \\
 \text{United States} &= (75.00/700.00) \times 100\% = 10.71\% \\
 \text{Third Party(ies)} &= (100.00/700.00) \times 100\% = 14.29\%*
 \end{aligned}$$

Maintenance identified to specific termination equipment shall be paid for by the party(ies) owning such equipment.

* Invoiced under separate agreement(s). Shown for informational purposes only.

EXHIBIT B-SHEET 4**NAVAJO WESTERN TRANSMISSION SYSTEM****McCULLOUGH SUBSTATION COMMON FACILITIES RESPONSIBILITY FOR COSTS
(500 KV PORTION ONLY)**

Costs of operation, maintenance and capital improvements for the McCullough Substation Common Facilities shall be allocated between the McCullough 230 kV switchyard (currently 9 terminations) and the McCullough 500 kV Switchyard (currently 7 terminations) based on the ratio of the number of terminations in said switchyard to the total number of terminations in both switchyards (currently 16 terminations).

McCullough 230 kV switchyard: $9/16 = 0.5625$ or 56.25%

McCullough 500 kV Switchyard: $7/16 = 0.4375$ or 43.75%

500 kV Responsibility for Costs
for
McCullough Substation Common Facilities

Los Angeles	$(411.40^{(1)}/700.00^{(1)}) \times 100\% = 58.77\%$
NV Energy	$(113.60^{(1)}/700.00^{(1)}) \times 100\% = 16.23\%$
United States	$(75.00^{(1)}/700.00^{(1)}) \times 100\% = 10.71\%$
Third Party(ies)	$(100.00^{(1)}/700.00^{(1)}) \times 100\% = 14.29\%^{(2)}$

(1) Numbers used in the calculation of the 500 kV Responsibility for Costs are taken from Exhibit B-Sheet 3 hereto.

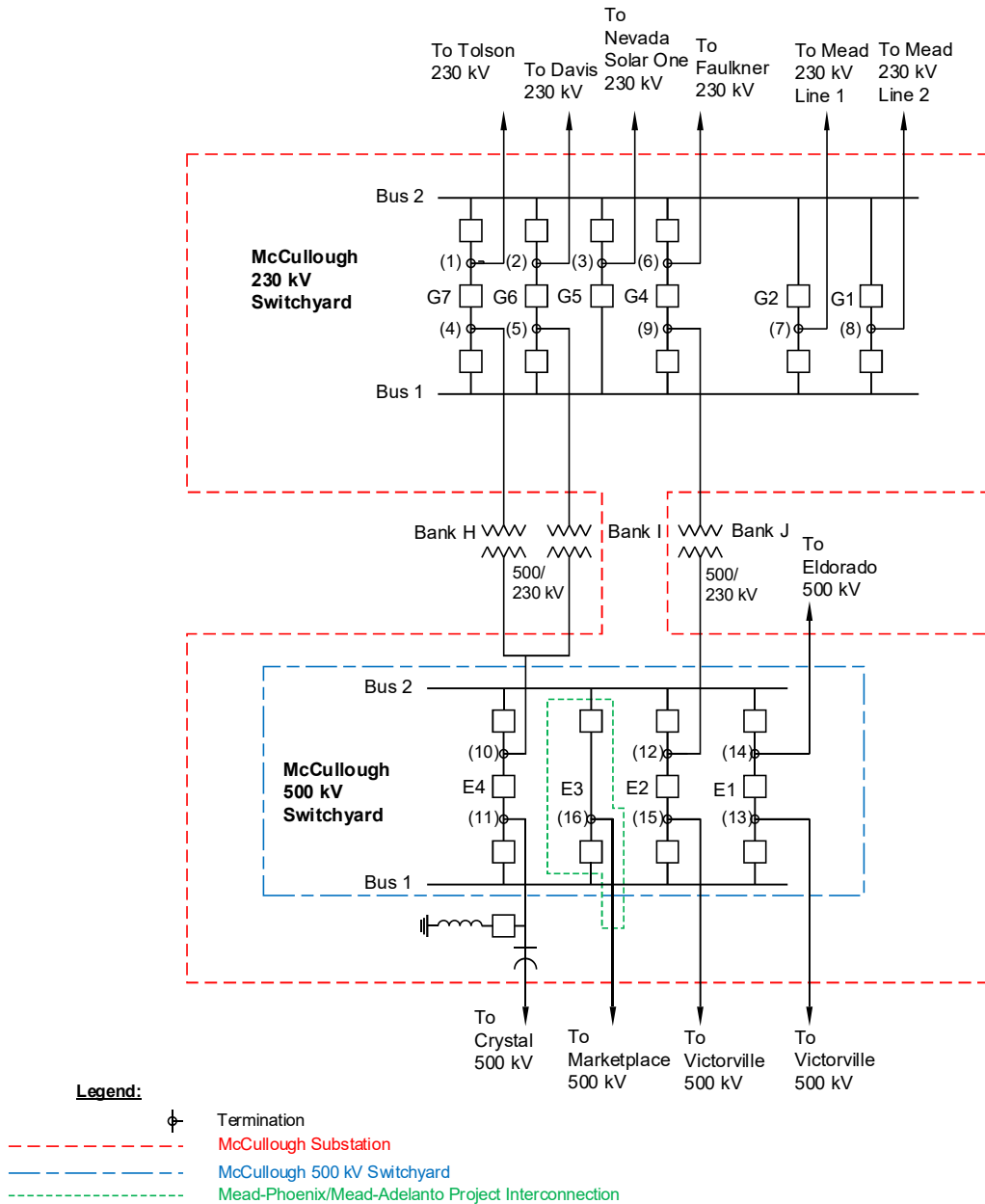
(2) Invoiced under separate agreement(s). Shown for informational purposes only.

CUI//CEII

CONTAINS CRITICAL ENERGY/ELECTRIC INFRASTRUCTURE INFORMATION (CEII).
DO NOT RELEASE OR DISCLOSE PURSUANT TO 18 C.F.R. § 388.113.

EXHIBIT B-SHEET 5 NAVAJO WESTERN TRANSMISSION SYSTEM

McCULLOUGH SUBSTATION



Revised 3/27/19

EXHIBIT B-SHEET 6**NAVAJO WESTERN TRANSMISSION SYSTEM****SOUTH CRYSTAL 500 KV SWITCHYARD RESPONSIBILITY FOR COSTS**

<u>DESCRIPTION OF TERMINATION</u>	<u>COST RESPONSIBILITY (%)</u>		
	<u>LADWP</u>	<u>NV ENERGY</u>	<u>UNITED STATES</u>
Bank No. 2 - 500 kV	0.00	100.00	0.00
Bank No. 3 - 500 kV	0.00	100.00	0.00
PST No. 5	0.00	100.00	0.00
PST No. 6	0.00	100.00	0.00
Navajo-Crystal	0.00	100.00	0.00
Crystal-McCullough	0.00	100.00	0.00
<u>Crystal-Moapa 500 kV</u>	<u>100.00</u>	<u>0.00</u>	<u>0.00</u>
TOTAL	100.00	600.00	0.00

Sum of Cost Percentages:

$$\text{LADWP} + \text{NV Energy} + \text{United States} = 100.00 + 600.00 + 0.00 = 700.00$$

Cost responsibility percentages for the terminations in the South Crystal 500 kV Switchyard are shown in the above table and are used below to determine the cost responsibility percentages for the South Crystal 500 kV Switchyard infrastructure facilities such as, but not limited to, the busses, bus protection and metering, steel switchracks and associated concrete works, cable trenches and grounding.

$$\text{LADWP} = (100.00/700.00) \times 100\% = 14.29\%$$

$$\text{NV Energy} = (600.00/700.00) \times 100\% = 85.71\%$$

$$\text{United States} = (0.00/700.00) \times 100\% = 0.00\%$$

Maintenance identified to specific termination equipment shall be paid for by the party(ies) owning such equipment.

EXHIBIT B-SHEET 7**NAVAJO WESTERN TRANSMISSION SYSTEM****CRYSTAL SUBSTATION COMMON FACILITIES RESPONSIBILITY FOR COSTS
(SOUTH CRYSTAL 500 KV SWITCHYARD PORTION ONLY)**

Costs of operation, maintenance and capital improvements for the Crystal Substation Common Facilities shall be allocated between the Crystal 230 kV switchyard (currently 4 terminations) and the North Crystal 500 kV switchyard (currently 3 terminations) and the South Crystal 500 kV Switchyard (currently 7 terminations) based on the ratio of the number of terminations in said switchyard to the total number of terminations in all three (3) switchyards (currently 14 terminations).

Crystal 230 kV switchyard:	4/14	= 0.2857 or 28.57%
North Crystal 500 kV switchyard:	3/14	= 0.2143 or 21.43%
South Crystal 500 kV Switchyard:	7/14	= 0.5000 or 50.00%

500 kV Responsibility for Costs
for
South Crystal 500 kV Switchyard Portion
of
Crystal Substation Common Facilities

Los Angeles	(100.00*/700.00*) x 100% = 14.29%
NV Energy	(600.00*/700.00*) x 100% = 85.71%
United States	(0.00*/700.00*) x 100% = 0.00%

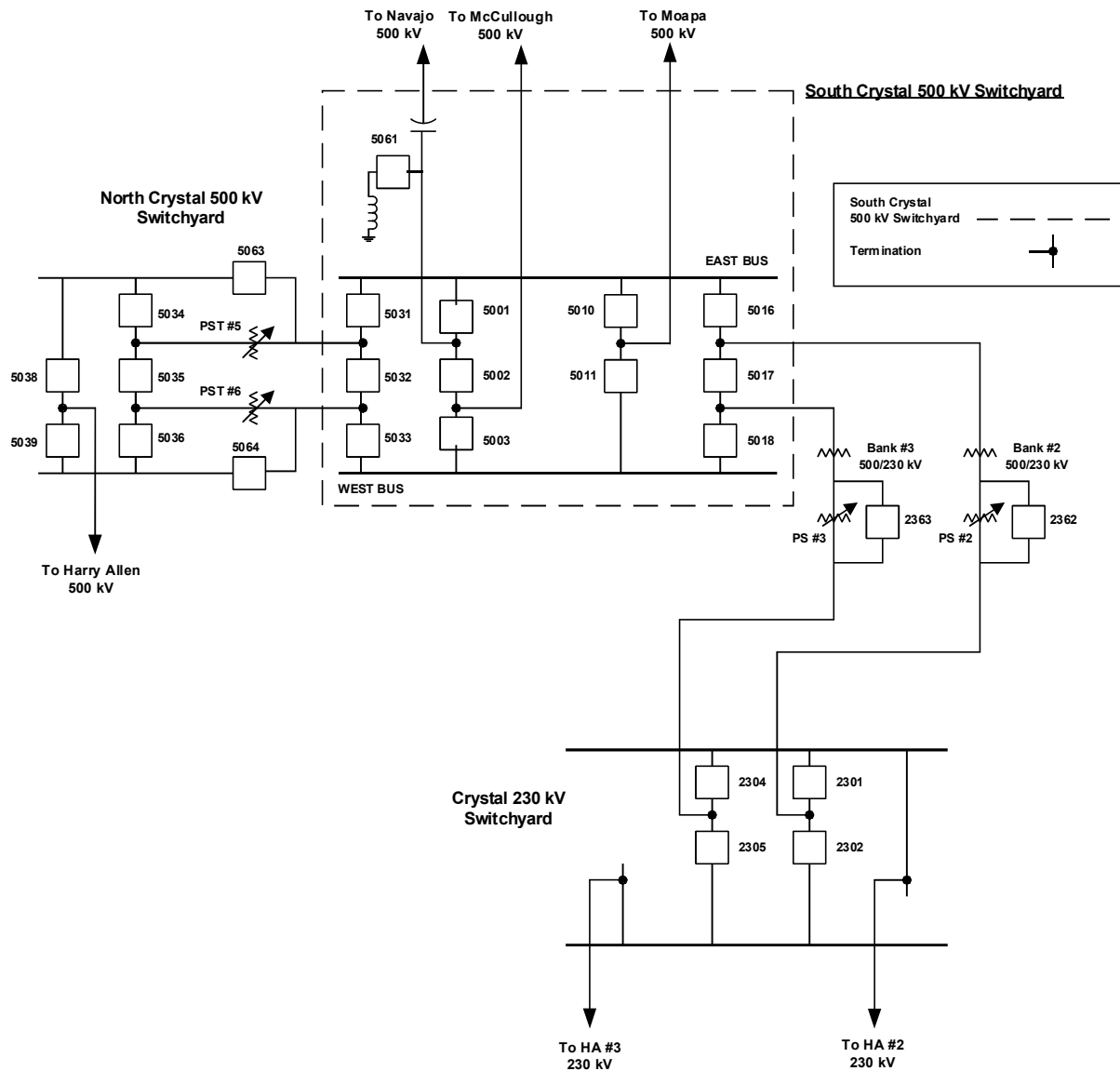
* Numbers used in the calculation of the Responsibility for Costs associated with the South Crystal 500 kV Switchyard portion of the Crystal Substation Common Facilities are taken from Exhibit B-Sheet 6 hereto.

CUI//CEII

CONTAINS CRITICAL ENERGY/ELECTRIC INFRASTRUCTURE INFORMATION (CEII).
DO NOT RELEASE OR DISCLOSE PURSUANT TO 18 C.F.R. § 388.113.

EXHIBIT B, SHEET 8 NAVAJO WESTERN TRANSMISSION SYSTEM

CRYSTAL SUBSTATION



Note: The North Crystal 500 kV switchyard, the 500 kV phase-shifting transformer, the Crystal 230 kV Switchyard, the 500/230 kV transformer banks, and the 230 kV phase-shifting transformers are shown for information purposes only.

B-8

Revised 3/27/19

EXHIBIT B-SHEET 9**NAVAJO WESTERN TRANSMISSION SYSTEM****RESPONSIBILITY FOR COSTS (RFC) FOR OPERATIONS AND MAINTENANCE CHARGES THROUGH 12/31/2029**

<u>Component (2)</u>	<u>LADWP</u>	<u>NV Energy</u>	<u>United States</u>	<u>Third Parties(1)</u>
TRANSMISSION LINES				
Navajo-Crystal 500 kV line	55.1%	29.4%	15.5%	0.0%
Crystal-McCullough 500 kV line				
500 kV SWITCHYARDS				
South Crystal 500 kV Switchyard	14.29%	85.71%	0.0%	0.0%
Crystal Substation Common Facilities (South Crystal 500 kV Switchyard portion only)	14.29%	85.71%	0.0%	0.0%
Navajo – Crystal Line Compensation	55.1%	29.4%	15.5%	0.0%
McCullough 500 kV Switchyard	61.61%	17.01%	7.09%	14.29%
McCullough Substation Common Facilities (500 kV Portion Only)	61.61%	17.01%	7.09%	14.29%
CRYSTAL-MCCULLOUGH LINE COMPENSATION	55.1%	29.4%	15.5%	0.0%
MICROWAVE SYSTEM				
Western Transmission Communication System	55.1%	29.4%	15.5%	0.0%
Apex Peak to Crystal	7.11%	91.78%	1.11%	0.0%
Red Mountain to McCullough	98.52%	0.93%	0.55%	0.0%

- (1) Third Parties shown for informational purposes only. Invoiced under separate agreements.
- (2) These temporary O&M RFCs are effective for listed components until 12/31/2029. After this period, rates return to those shown in Exhibit B Sheets 1-8 and Exhibit K, respectively.

EXHIBIT C
ALLOCATION OF DEPARTMENTAL OVERHEAD EXPENSES

Departmental overhead expenses incurred by each of the Operating Agents which are allocable to the Western Transmission System shall be comprised of, but not be limited to, the following:

C.1 WESTERN LINE FACILITIES:

- C.1.1 Overhead expenses of the Operating Agent applicable to the Western Line Facilities will be salaries of supervisory, administrative, clerical and staff personnel charged to the Operating Agent's functional area responsible for transmission and microwave system operations and maintenance. In addition, all expenses incurred by such overhead personnel in the support of the operation and maintenance functions of the Western Line Facilities will be considered a direct cost chargeable to the Western Line Facilities. Such expenses shall include, but not be limited to, meals, lodging, transportation, and expendable supplies.
- C.1.2 The overhead labor cost shall be that portion of the Operating Agent's payroll cost charged to transmission and microwave system operational and maintenance overhead functions multiplied by a ratio, the numerator of which is the Western Line Facilities payroll and the denominator of which is the Operating Agent's total payroll for operating and maintaining its entire transmission and microwave systems.
- C.1.3 The total of the Western Line Facilities overhead costs set forth herein shall be billed and identified separately as percentage of all direct labor costs charged to the Western Line Facilities.

C.2 McCULLOUGH FACILITIES:

- C.2.1 Overhead expenses of the Operating Agent applicable to the McCullough Facilities operation and maintenance expenses will be the salaries and expenses of the Operating Agent's functional area responsible for power supply and system operations, the supervisory, administrative, and clerical staff, including members of the staff that perform system protection, operation, and production functions, including appropriate system dispatching costs.
- C.2.2 These overhead costs shall be applicable to the total payroll supervised by said functional areas of the Operating Agent, respectively. The McCullough Facilities' share of such costs shall be equal to the Operating Agent's functional area overhead costs as described in Section C.2.1 multiplied by a ratio, the numerator of which is the total McCullough Facilities payroll and the denominator of which is the Operating Agent's total payroll supervised by said functional area.
- C.2.3 The total of the McCullough Facilities overhead costs set forth herein shall be allocated to all direct labor charges at the McCullough Facilities, which shall include operation and maintenance labor and work order labor charges. All such overhead charges shall be allocated to the appropriate FERC Account(s).

EXHIBIT D
PAYROLL TAX RATIO

D.1 WESTERN LINE FACILITIES:

D.1.1.1 PAYROLL TAX RATIO APPLICABLE TO THE WESTERN LINE FACILITIES: The Payroll Tax Ratio set forth below shall be applied to the labor expense portion of the Western Line Facilities 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, administrative, and general expense accounts. The Payroll Tax Ratio shall be determined annually on the basis of the Operating Agent's expenses for the preceding calendar year unless otherwise agreed to by the Participants. The Payroll Tax Ratio shall be adjusted to actual at calendar year-end and the adjusted ratio used in preparation of a revised billing to Participants. Estimated and actual Payroll Tax Ratios shall be determined, adjusted and used in the manner set forth as follows:

D.1.1.1 Payroll Tax Ratio = T/P

where T = The Operating Agent's payroll tax

expenditures chargeable to FERC Account 408.

and P = The Operating Agent's total labor distributed

including accruals.

D.1.1.2 The example in Exhibit D.1 sets forth the method to be employed by the Operating Agent to determine the Payroll Tax Ratio for the Western Line Facilities.

D.2 McCULLOUGH FACILITIES:

D.2.1 PAYROLL TAX RATIO APPLICABLE TO THE McCULLOUGH FACILITIES: The Payroll Tax Ratio to be applied to the labor expenditure portion of the McCullough Facilities Capital Improvements, the McCullough Substation Common Facilities capital improvements, and Operating and Maintenance Expenditures shall be determined annually on the basis of the Operating Agent's preceding year's expenditures as set forth herein unless otherwise agreed to by the Participants. The Payroll Tax Ratio shall be adjusted to actual at year-end and the adjusted ratio shall be used in preparation of a revised billing to Participants.

D.2.1.1 Payroll Tax Ratio = T/P

where T = The Operating Agent's payroll tax

expenditures chargeable to FERC Account 408 as applicable to the labor expenditures included in its total system operation, maintenance, construction, and general ledger accounts.

and $P =$ The Operating Agent's labor expenditures as paid to employees and distributed to total system operation, maintenance, construction, and general labor accounts.

D.2.1.2 The example in Exhibit D.2 sets forth the method to be employed by the Operating Agent to determine the Payroll Tax Ratio.

EXHIBIT D.1PAYROLL TAX RATIO APPLICABLE TO THE WESTERN LINE FACILITIES

	NV Energy
	<u>(1976 Costs)</u>
	<u>Total</u>
<u>Total Payroll Taxes:</u>	
F.I.C.A.	\$ 589,340*
F.U.T.A.	16,227*
S.U.I. (NV Energy Only)	<u>139,868*</u>
Total Payroll Taxes	\$ <u>745,435*</u>
Total labor charged to operation, maintenance, construction, and general ledger accounts	
	\$ <u>11,949,400</u>
<u>Payroll Tax Ratio:</u>	
\$745,435/\$11,949,400 =	<u>6.24%</u>

- * Excludes payroll taxes paid to Operating Agents of joint participation projects and payroll taxes billed by NV Energy as Operating Agent of joint participation projects.

EXHIBIT D.2PAYROLL TAX RATIO APPLICABLE TO THE McCULLOUGH FACILITIES

	LADWP
	<u>(75-76 Costs)</u>
	<u>Total</u>
<u>Total Payroll Taxes:</u>	\$ 0
<u>*Labor Base</u>	
Total labor charged to operation, maintenance, construction, and general ledger accounts	
	<u>\$144,980,593</u>
<u>Payroll Tax Ratio:</u>	
\$0/\$144,980,593 =	<u>0%</u>
* Labor base includes \$79,500 of Payroll Taxes charged to construction accounts	

EXHIBIT E
BENEFITS RATIO

E.1 WESTERN LINE FACILITIES:

E.1.1 BENEFITS RATIO APPLICABLE TO THE WESTERN LINE FACILITIES:
The Benefits Ratio set forth below shall be applied to the labor expense portion of the Western Line Facilities 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. The Benefits Ratio shall be determined annually on the basis of the Operating Agent's expense for the preceding calendar year unless otherwise agreed to by the Participants. The Benefit Ratio shall be adjusted to actual at calendar year-end and the adjusted ratio used in preparation of a revised billing to Participants. Estimated and actual Benefits Ratio shall be determined, adjusted and used in the manner set forth as follows:

E.1.1.1 Benefits Ratio = B/L

where B = The Operating Agent's total system employee

pensions and benefits (as defined in FERC Account 926), including payroll taxes and Workers' Compensation expense on labor charged to employee pensions and benefits.

and L = The Operating Agent's total labor

distributed including accruals less labor charged to employee pensions and benefits.

E.1.1.2 The example in Exhibit E.1 sets forth the method to be employed by the Operating Agent to determine the Benefits Ratio.

E.2 McCULLOUGH FACILITIES:

E.2.1 BENEFITS RATIO APPLICABLE TO THE McCULLOUGH FACILITIES:
The Benefits Ratio to be applied to the labor expenditure portion of the McCullough Facilities Capital Improvements, the McCullough Substation Common Facilities capital improvements, and Operating and Maintenance Expenditures shall be determined annually on the basis of the Operating Agent's preceding year's expenditures as set forth herein unless otherwise agreed to by the Participants. The Benefits Ratio shall be adjusted to actual at year-end and the adjusted ratio shall be used in preparation of a revised billing to Participants.

E.2.1.1 Benefits Ratio = B/L

where B = That portion of the Operating Agent's total

system employee pensions and benefits chargeable to FERC Account 926, including payroll taxes and Employee Compensation Insurance Expenditures on labor charges to FERC Account 926.

and L = The Operating Agent's labor expenditures as

paid to employees and distributed to its total system operation, maintenance, construction, and general ledger accounts less labor charges to FERC Account 926.

E.2.1.2 The example in Exhibit E.2 sets forth the method to be employed by the Operating Agent to determine the Benefits Ratio.

EXHIBIT E.1BENEFITS RATIO APPLICABLE TO THE WESTERN LINE FACILITIES

		NV Energy (1976 Costs)
	<u>Labor</u>	<u>Total</u>
<u>Pensions and Benefits</u>		
Employee Pension & Benefits (gross)	\$ 72,513	\$ 1,327,844*
Add: Payroll Taxes @ 6.24%		
(Exhibit D.1)		4,525
Add: Workers' Compensation @ 2.37% (Exhibit F.1)		
		<u>1,719*</u>
Total Pension & Benefits Expense		\$ <u>1,334,088</u>
<u>Labor Base</u>		
Total labor charged to operation, construction, and miscellaneous general ledger accounts		\$ 11,949,400
Less: Total labor charged to Pensions & Benefits		<u>72,513</u>
Total applicable labor		\$ <u>11,876,887</u>
Benefits Ratio:		
$\$1,334,088 / \$11,876,887 =$		<u>11.23%</u>

- * Excludes pensions and benefits paid to Operating Agents of joint participation projects and billed by NV Energy as Operating Agent of joint participation projects.

EXHIBIT E.2BENEFITS RATIO APPLICABLE TO THE McCULLOUGH FACILITIES

	LADWP (75-76 Costs)	
	<u>Labor*</u>	<u>Total</u>
<u>Pensions and Benefits</u>		
Employee Pension & Benefits charged to FERC Account		
926 (gross)	\$ <u>1,062,674</u>	\$ 28,905,665
Add: Pensions & Benefits capitalized		<u>0</u>
Subtotal		\$ <u>28,905,665</u>
Add: Payroll Taxes (Exhibit D.2)		0
Compensation Insurance (Exhibit F.2)		
0.77% x \$1,062,674		<u>8,183</u>
Total Pension & Benefits Expense		\$ <u>28,913,848</u>
<u>Labor Base</u>		
Total labor charged to Operation, maintenance, construction, and general ledger accounts, exclusive of labor charged to FERC Account 926 (Exhibit I.2)		
	\$144,493,708	
Less: Estimated labor excludable	<u>1,938,617</u>	
	\$ <u>142,555,091</u>	
Benefits Ratio:		
\$28,913,848/\$142,555,091 =		<u>20.28%</u>

* Includes direct and indirect labor

EXHIBIT F
WORKERS' COMPENSATION RATIO

F.1 WESTERN LINE FACILITIES:

F.1.1 WORKERS' COMPENSATION RATIO APPLICABLE TO THE WESTERN LINE FACILITIES: The Workers' Compensation Ratio to be applied to the labor expense portion of the Western Line Facilities 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 expense accounts shall be determined annually on the basis of the Operating Agent's preceding calendar year's expenses as set forth herein unless otherwise agreed to by the Participants. The Workers' Compensation Ratio will be adjusted to actual at calendar year-end and the adjusted ratio used in preparation of a revised billing to Participants.

F.1.1.1 Workers' Compensation Ratio = I/P
 where I = The Operating Agent's total system

compensation insurance premiums and accruals for
 self-insurance chargeable to FERC Account 925.

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

F.1.1.2 The example in Exhibit F.1 sets forth the method to be employed by the Operating Agent to determine the Workers' Compensation Ratio for the Western Line Facilities.

F.2 McCULLOUGH FACILITIES:

F.2.1 WORKERS' COMPENSATION RATIO APPLICABLE TO THE McCULLOUGH FACILITIES: The Workers' Compensation Ratio to be applied to the labor expenses included in the Operating Agent's administrative and general expense accounts shall be determined annually on the basis of the Operating Agent's preceding year's expenses as set forth herein unless otherwise agreed to by the Participants. The Workers' Compensation Ratio shall be adjusted to actual at year-end and the adjusted ratio shall be used in preparation of a revised billing to Participants.

F.2.1.1 Workers' Compensation Ratio = L/P
 where L = The Operating Agent's compensation insurance

expenses and the related administrative expenses
 chargeable to FERC Account 925.

and P = The Operating Agent's labor expenses

included in its system operation, maintenance, and
general ledger accounts.

F.2.1.2 The example in Exhibit F.2 sets forth the method to be employed by
the Operating Agent to determine the Workers' Compensation Ratio.

EXHIBIT F.1WORKERS' COMPENSATION RATIOAPPLICABLE TO THE WESTERN LINE FACILITIES

NV Energy

(1976 Costs)Total

Workers' Compensation premiums, payments and accruals as
defined in FERC Account 925.

\$ 283,044Labor Base

Total labor in operations and maintenance, construction and
miscellaneous general ledger accounts

\$ 11,949,400

Workers' Compensation Ratio:

\$283,044/\$11,949,400 =

2.37%

EXHIBIT F.2
WORKERS' COMPENSATION RATIO
APPLICABLE TO McCULLOUGH FACILITIES

	LADWP (75-76 Costs)	
	<u>Labor*</u>	<u>Total</u>
<u>Total Compensation Insurance Cost</u>		
(Not Capitalized)		
Total Compensation Insurance Cost related to O&M in FERC		
Account 925	\$ <u>93,780</u>	\$ <u>841,454</u>
<u>Labor Base</u>		
Total labor charged to operation, maintenance, and general		
ledger accounts, exclusive of labor charged to FERC		
Account 925		\$109,211,894
Total labor charged to construction accounts		
		(Not Applicable)
Total Labor Expense		<u>\$109,211,894</u>
Compensation Insurance Ratio:		
\$841,454/\$109,211,894 =		<u>0.77%</u>

* Includes direct and indirect labor

EXHIBIT G
OPERATION AND MAINTENANCE A & G RATIO

G.1 WESTERN LINE FACILITIES:

G.1.1 OPERATION AND MAINTENANCE A & G RATIO APPLICABLE TO THE WESTERN LINE FACILITIES: The Operation and Maintenance A & G Ratio shall be the percentage computed by dividing (i) the sum of (a) the total amounts charged to FERC Accounts 920 and 921 multiplied by the O & M Ratio computed in accordance with Exhibit I.1 hereto, (b) the total amounts charged to FERC Accounts 923 and 932 (excluding maintenance costs of the Microwave System), (c) the product of the portion of labor charged included within (a) and (b) above multiplied by the Payroll Tax Ratio computed in accordance with Exhibit D.1 hereto, (d) the product of the labor charges included within (a) and (b) above multiplied by the Benefits Ratio computed in accordance with Exhibit E.1 hereto, and (e) the product of the labor charges included within (a) and (b) above multiplied by the Workers' Compensation Ratio computed in accordance with Exhibit F.1 hereto, less (f) that portion of the administrative and general expense charged to FERC Accounts 920 and 921 allocable to contract operations and maintenance for the Western Line Facilities by (ii) the total labor charged to the Operating Agent's system operations and maintenance less the labor charged to administrative and general expenses (excluding maintenance costs of the Microwave System). The Operation and Maintenance A & G Ratio will be adjusted to actual at calendar year-end and the adjusted ratio used in preparation of a revised billing to Participants. Exhibit G.1 sets forth the method to be employed by the Operating Agent to determine the Operation and Maintenance A & G Ratio.

G.2 McCULLOUGH FACILITIES:

G.2.1 OPERATION AND MAINTENANCE A & G RATIO APPLICABLE TO THE McCULLOUGH FACILITIES:

G.2.1.1 That portion of the Operating Agent's administrative and general expenses which are allocable to operation and maintenance of the McCullough Facilities shall be determined by multiplying the total operating and maintenance labor of the McCullough Facilities by a decimal fraction hereinafter referred to as the "Operation and Maintenance A & G Ratio". Such Operation and Maintenance A & G Ratio shall be derived annually based on the preceding year's expenditures as set forth herein, unless otherwise agreed to by the Participants. The Operation and Maintenance A & G Ratio shall be adjusted to actual at year-end, and the adjusted ratio shall be used in preparation of a revised billing to participants.

G.2.1.2 The administrative and general expenses charged to FERC Accounts 920 and 921 shall be multiplied by a percentage representing the ratio of operation and maintenance labor to total labor. To the result shall be added the total in FERC Accounts 923 and 932 plus additives to labor in FERC Accounts 920, 921 and 932 as illustrated in Exhibit G.2. The resulting administrative and general expenses applicable to Operating and Maintenance expense shall be divided by the total Operating and Maintenance expense labor subject to administrative and general expense allocation.

G.2.1.2.1 Operation and Maintenance A & G Ratio = A/B

where A = Portion of administrative and general expenses charged to FERC Accounts 920 and 921, plus the total in FERC Accounts 923 and 932, plus additives to labor in FERC Account 932 and to a portion of the labor in FERC Accounts 920 and 921, as illustrated in Exhibit G.2.

and B = Total operating and maintenance labor, less labor in administrative and general expense FERC Accounts 920 through 932, inclusive.

EXHIBIT G.1OPERATION AND MAINTENANCE A & G RATIOAPPLICABLE TO THE WESTERN LINE FACILITIES

		NV Energy (1976 Costs)
	<u>Labor</u>	<u>Total</u>
<u>Administrative & General Expense</u>		
FERC Account 920 A & G Salaries	\$ 1,199,077	\$ 1,199,077
FERC Account 921 Office Supplies Expense	<u>-</u>	<u>266,278</u>
Total FERC Accounts 920 and 921	\$ <u>1,199,077</u>	\$ <u>1,465,355</u>
Percent applicable to Operation and Maintenance (70.07% - Exhibit I.1)	\$ 840,193	\$ 1,026,774
FERC Account 923 Outside Services		163,731
FERC Account 932 General Maintenance (Excluding NV Energy's share of maintenance costs of the Microwave System)	\$ <u>69,066</u>	<u>72,960</u>
Subtotal	\$ 909,259	\$ 1,263,465
Payroll Taxes @ 6.24% of labor (Exhibit D.1)		56,738
Pensions & Benefits @ 11.23% of labor (Exhibit E.1)		<u>102,110</u>
Workers' Compensation Ratio @ 2.37% of labor (Exhibit F.1)		21,549
Less that portion of A & G allocable to Contract Operation and Maintenance for the Western Line Facilities		<u>0</u>

Total A & G Expense allocable to Operation & Maintenance

Accounts \$ 1,443,862

Labor Base

Labor charged to system operations and maintenance

\$ 8,808,990

Less: Labor charged to A & G Expense (Exhibit I.1)

1,456,695

Labor Base

\$ 7,352,295

Operation and Maintenance A & G Ratio

for 1976:

$\$1,443,862 / \$7,352,295 =$ 19.64%

EXHIBIT G.2OPERATION AND MAINTENANCE A & G RATIOAPPLICABLE TO THE McCULLOUGH FACILITIES

	LADWP (75-76 Costs)	
	<u>Labor</u>	<u>Total</u>
<u>Administrative & General Expense</u>		
FERC Account 920 A & G Salaries	\$ 6,765,802	\$ 8,761,256
FERC Account 921 A & G Office Supplies Expense		
	<u>0</u>	<u>2,569,522</u>
Total FERC Accounts 920 and 921	\$ <u>6,765,802</u>	\$ <u>11,330,778</u>
Portion of above applicable to Operation and Maintenance		
(73.52% - Exhibit I.2)	\$ 4,974,218	\$ 8,330,388
FERC Account 923 Outside Services		610,039
FERC Account 932 General Maintenance	\$ <u>700,701</u>	<u>1,152,284</u>
Subtotal	\$ 5,674,919	\$ 10,092,711
Payroll Taxes @ percentage of labor (Exhibit D.2)		0
Compensation Insurance @ 0.77% of labor (Exhibit F.2)		43,697
Pensions & Benefits @ 20.28% of labor (Exhibit E.2)		1,150,874
Less: That portion of A & G allocable to contract Operation and Maintenance for the McCullough Facilities		<u>0</u>
Total A & G Expense allocable to Operation & Maintenance		
Accounts		\$ <u>11,287,282</u>

Net Labor Charges to Operation &

<u>Maintenance</u>	- (I.2)	\$47,730,502	
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Accounts (excluding labor in

A & G Accounts 920	- (I.2)	(11,604,966)	
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through 932 inclusive)	- (I.2)	<u>575,790</u>	\$101,236,020
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Less: Amount charged to Clearing Accounts

		\$36,701,326	36,701,326
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Total labor charged directly to Operation & Maintenance

Accounts			\$ <u>64,534,694</u>
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Total Operation and Maintenance A & G Ratio

\$11,287,282/\$64,534,694 =		<u>17.49%</u>
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EXHIBIT H**CAPITAL IMPROVEMENTS A & G RATIO****H.1 WESTERN LINE FACILITIES**

H.1.1 CAPITAL IMPROVEMENTS A & G APPLICABLE TO THE WESTERN LINE FACILITIES: The Capital Improvements A & G Ratio shall be the percentage computed by dividing (i) the amount equal to (A) the sum of (a) the total amounts charged to FERC Accounts 920 and 921 multiplied by the Construction Ratio computed in accordance with Exhibit I.1 hereto, (b) the product of the portion of labor charges included in (a) above multiplied by the sum of the Payroll Tax Ratio computed in accordance with Exhibit D.1 hereto, the Benefits Ratio computed in accordance with Exhibit E.1 hereto, and the Workers' Compensation Ratio computed in accordance with Exhibit F.1 hereto less (B) the portion of administrative and general expenses charged to Accounts 920 and 921 allocable to contract construction for the Western Line Facilities by (ii) the total labor in construction accounts (exclusive of overheads). The Capital Improvements A & G Ratio will be adjusted to actual at calendar year-end and the adjusted ratio shall be used in preparation of a revised billing to the Participants. Exhibit H.1 sets forth the method to be employed by the Operating Agent to determine the Capital Improvements A & G Ratio.

H.2 McCULLOUGH FACILITIES:

H.2.1 CAPITAL IMPROVEMENTS A & G RATIO APPLICABLE TO THE McCULLOUGH FACILITIES: The rate to be applied to the Operating Agent's labor charges, which are included in expenditures for capital additions, capital betterments, and capital replacements, to determine the Operating Agent's administrative and general expenses applicable thereto, shall be established annually on the basis of the Operating Agent's preceding year's construction expenditures by the method set forth herein unless otherwise agreed to by the Participants. The Capital Improvements A & G Ratio shall be adjusted to actual at year-end and the adjusted ratio shall be used in preparation of a revised billing to the Participants. A percentage based on the Operating Agent's administrative and general expenses shall be applied to direct construction labor on the following basis:

H.2.1.1 Administrative and general expenses shall include:

H.2.1.1.1 Expenses in FERC Accounts 920 and 921 applicable to Construction Costs. The percentage for determining the amount of such expenses allocable to construction shall be determined as provided in Exhibit I.

- H.2.1.1.2 Payroll taxes applicable to the administrative and general salaries in FERC Account 920 allocable to construction, as provided in Exhibit D.
- H.2.1.1.3 Pensions and benefits applicable to the administrative and general salaries in FERC Account 920 allocable to construction, as provided in Exhibit E.
- H.2.1.1.4 Compensation insurance applicable to the administrative and general salaries in FERC Account 920 allocable to construction, as provided in Exhibit F.
- H.2.1.2 Total pensions and benefits expense allocable to net labor charged to construction accounts at the rate determined as provided in Exhibit E.
- H.2.1.3 Total administrative and general expenses allocable to construction accounts shall be reduced by the amount of administrative and general expenses allocable to contract construction (subject to adjustment).
- H.2.1.4 The rate for application of administrative and general expense to construction costs, hereinafter referred to as "Capital Improvements A & G Ratio," is expressed as a percentage of total allocable administrative and general expense to total direct labor charged to construction:
 - H.2.1.4.1 $A \& G \text{ Ratio} = A/C$

where A = allocable A & G expenses as set

for in Sections H.2.1.1, H.2.1.2, and H.2.1.3.

and C = total direct labor charged to

construction accounts.
- H.2.1.5 The example in Exhibit H.2 sets forth the method to be employed by the Operating Agent to determine the Capital Improvements A & G Ratio.

EXHIBIT H.1
CAPITAL IMPROVEMENTS A & G RATIO
APPLICABLE TO THE WESTERN LINE FACILITIES

	<u>Labor</u>	NV Energy (1976 Costs)	<u>Total</u>
<u>A & G Expenses</u>			
FERC Account 920, A & G Salaries	\$ 1,199,077		\$ 1,199,077
FERC Account 921, Office Supplies Expense	—		<u>266,278</u>
Total FERC Accounts 920 and 921	\$ <u>1,199,077</u>		\$ <u>1,465,355</u>
Percentage applicable to construction (24.13% - Exhibit I.1)			
	\$ 289,337		\$ 353,590
Add:			
Payroll Taxes @ 6.24% of labor			
(Exhibit D.1)			18,055
Pensions & Benefits @ 11.23% of labor (Exhibit E.1)			
			32,493
Workers' Compensation @ 2.37% of labor (Exhibit F.1)			
			<u>6,857</u>
Total A & G Expense allocable to construction			
			\$ 410,995
Pensions and Benefits applicable to construction labor (11.23%			
x \$2,532,267)			<u>284,374</u>
Total			\$ <u>695,369</u>
Less amount allocable to subsidiary companies, to contract			
construction for the Western Line Facilities and to other			
joint participation projects			<u>3,260</u>

Total A & G Expense plus pensions and benefits allocable to	
construction	\$ <u>692,109</u>
Construction labor base	\$ <u>1,696,667</u>
Capital Improvements A & G Ratio	
for 1976:	
\$692,109/\$1,696,667 =	<u>40.79%</u>

EXHIBIT H.2
CAPITAL IMPROVEMENTS A & G RATIO
APPLICABLE TO THE McCULLOUGH FACILITIES

	<u>LADWP</u> <u>(75-76 Costs)</u>	
	<u>Labor</u>	<u>Total</u>
<u>Allocable A & G Expenses</u>		
A & G salaries and expenses charged to FERC Accounts 920		
and 921	\$ <u>6,765,802</u>	\$ <u>11,330,778</u>
Portion (26.46% - Exhibit I.2) allocable to construction		
	\$ 1,790,231	\$ 2,998,124
Add:		
Payroll Taxes on allocated labor		
(0% - Exhibit D.2)		0
Pensions & Benefits on allocated labor (20.28% - Exhibit		
E.2)		363,059
Compensation Insurance on allocated labor (0.77% -		
Exhibit F.2)		<u>13,785</u>
Total A & G Expense allocable to construction		
		\$ 3,374,968
Total labor in construction accounts (Exhibit I.2)		
	\$36,438,269	
Less: Estimated labor excludable	<u>1,938,617</u>	
Pensions & Benefits expense allocable to net labor charged to		
construction accounts (20.28% - Exhibit E.2)		
	\$34,499,652	<u>6,996,529</u>

Total A & G expense plus pensions and benefits expense allocable to construction	\$10,371,497
Less amount of A & G expenses allocable to contract construction @ 1% (subject to adjustment)	<u>474,091</u>
Remainder of A & G plus benefits expense allocable to construction	\$ <u>9,897,406</u>
Total Direct Labor Charged to Construction Accounts	<u>\$25,870,517</u>
Capital Improvements A & G Ratio	
$\$9,897,406 / \$25,870,517 =$	<u>38.26%</u>

EXHIBIT I**O & M RATIO AND CONSTRUCTION RATIO****I.1 WESTERN LINE FACILITIES:**

I.1.1 OPERATION AND MAINTENANCE RATIO APPLICABLE TO THE WESTERN LINE FACILITIES: The O & M Ratio shall be applied to the amounts chargeable to FERC 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 Exhibit G hereto.

I.1.1.1 O & M Ratio = O/L

where O = The Operating Agent's total labor charged to
operation and maintenance accounts, less labor
chargeable to FERC Accounts 920 through 932.

and L = The Operating Agent's total labor
distributed, including accruals, less labor charged to
FERC Accounts 920 through 932.

I.1.2 CONSTRUCTION RATIO APPLICABLE TO THE WESTERN LINE FACILITIES: The Construction Ratio set forth below shall be applied to the amounts chargeable to FERC Accounts 920 and 921 for the purpose of determining one component in the computation of the Capital Improvements A & G Ratio as provided in Exhibit H hereto.

I.1.2.1 Construction Ratio = C/L

where C = The Operating Agent's total labor in
construction accounts.

and L = The Operating Agent's total labor distributed
including accruals, less labor chargeable to FERC
Accounts 920 through 932.

I.1.3 Exhibit I.1 sets forth the method to be employed by the Operating Agent to determine the O & M Ratio and the Construction Ratio for the Western Line Facilities.

I.2 McCULLOUGH FACILITIES:

I.2.1 O & M RATIO AND CONSTRUCTION RATIO APPLICABLE TO THE McCULLOUGH FACILITIES:

I.2.1.1 Determination of the ratio of operating and maintenance labor to total labor shall be as follows:

$$I.2.1.1.1 \quad O \& M \text{ Ratio} = O/L$$

where O = Total labor charged to operation

and maintenance accounts, less labor charged to FERC A & G Accounts 920 through 932 inclusive.

and L = Total labor charged to operating

and maintenance, construction, and general ledger accounts, less labor charged to FERC A & G Accounts 920 through 932 inclusive.

I.2.1.2 Determination of the ratio of construction labor to total labor shall be as follows:

$$I.2.1.2.1 \quad \text{Construction Ratio} = C/L$$

where C = Total labor in construction

accounts.

and L = Total labor charged to operation

and maintenance, construction, and general ledger accounts, less labor charged to FERC A & G Accounts 920 through 932 inclusive.

I.2.1.2 Exhibit I.2 sets forth the method to be employed by the Operating Agent to determine the O & M Ratio and the Construction Ratio for the McCullough Facilities.

EXHIBIT I.1O & M RATIO AND CONSTRUCTION RATIOAPPLICABLE TO THE WESTERN LINE FACILITIES

	NV Energy
	(1976 Costs)
	<u>Total</u>
Total Labor in Operation and	
Maintenance Accounts	\$ 8,808,990
Less: Labor charged to A & G FERC Accounts 920 through	
932, Inclusive	<u>1,456,695</u>
Net Labor in O & M Accounts	\$ 7,352,295
Total Labor charged to General Ledger Accounts	
	608,143
Total Labor in Construction Accounts	<u>2,532,267</u>
Total Labor	\$ <u>10,492,705</u>
Ratio of Net O & M Labor to Total Labor:	
\$7,352,295/\$10,492,705 =	<u>70.07%</u>
Ratio of Construction Labor to	
Total Labor:	
\$2,532,267/\$10,492,705 =	<u>24.13%</u>

EXHIBIT I.2O & M RATIO AND CONSTRUCTION RATIOAPPLICABLE TO THE McCULLOUGH FACILITIES

		LADWP (75-76 Costs)
	<u>Labor</u>	<u>Total</u>
Total Labor charged directly to Operation and Maintenance		\$ 64,534,694
Total Labor charged to Clearing Accounts	\$ 58,298,254	
Less: Amount applicable to Capital	<u>10,567,752</u>	47,730,502
Labor charged to Pensions Account 926		<u>575,790</u>
Total Labor in Operation and Maintenance Accounts		\$112,840,986
Less: Labor charged to A & G FERC Accounts 920 through 932 inclusive (includes \$575,790)		<u>11,604,966</u>
Net Labor in O & M Accounts		<u>\$101,236,020</u>
Total labor charged directly to Construction Work	\$ 25,870,517	
Plus: Amount from Clearing Accounts	<u>10,567,752</u>	
Total Labor in Construction Accounts	<u>\$ 36,438,269</u>	36,438,269
Total Labor charged to other General Ledger Accounts		<u>29,474</u>
Total Labor Base		<u>\$137,703,763</u>
Ratio of net O & M to Total Labor:		
\$101,236,020/\$137,703,763 =		<u>73.52%</u>

Ratio of Construction Labor to

Total Labor:

$$\text{\$36,438,269/\$137,703,763} = \underline{26.46\%}$$

EXHIBIT J**NAVAJO TRANSMISSION SYSTEM****GENERAL CONTRACT PROVISIONS**

- J.1 **OFFICIALS NOT TO BENEFIT:** No Member of or Delegate to Congress or Resident Commissioner shall be admitted to any share or part of this agreement or to any benefit that may arise therefrom, but this restriction shall not be construed to extend to this agreement if made with a corporation or company for its general benefit.
- J.2 **COVENANT AGAINST CONTINGENT FEES:** The non-Federal Participants warrant that no person or selling agency has been employed or retained to solicit or secure this agreement upon an agreement or understanding for a commission, percentage, brokerage, or contingent fee, excepting bona fide employees or bona fide established commercial or selling agencies maintained by a non-Federal Participant for the purpose of securing business. For breach or violation of this warranty the United States shall have the right to annul this agreement without liability or in its discretion to deduct from the payments to be made hereunder, or otherwise recover the full amount of such commission, percentage, brokerage or contingent fee.
- J.3 **EQUAL OPPORTUNITY CLAUSE:**
- J.3.1 Except as provided in Title 42 U.S.C. §2000-e-2 (i) and in keeping with any obligation undertaken by any of the non-Federal Participants, in this section referred to as the Contractor, or their assigns, pursuant to the terms of said Title 42 U.S.C. §2000-e-2(i) to give preference for employment to qualified Indians for work on or near an Indian Reservation, during the performance of this agreement, the Contractor agrees as follows:
- J.3.1.1 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 insure 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 equal opportunity clause.
- J.3.1.2 The Contractor will, in all solicitations, or advertisements for employees placed by or on behalf of the Contractor, state that all qualified applications will receive consideration for employment without regard to race, color, religion, sex or national origin.

- J.3.1.3 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 by the agency contracting officer advising the labor union or workers' representative of the Contractor's commitments under this equal opportunity clause, and shall post copies of the notice in conspicuous places available to employees and applicants for employment.
- J.3.1.4 The Contractor will comply with all provisions of Executive Order No. 11246 of September 24, 1965, and of the rules, regulations and relevant orders of the Secretary of Labor.
- J.3.1.5 The Contractor will furnish all information and reports required by Executive Order No. 11246 of September 24, 1965, and by the rules, regulations and orders of the Secretary of Labor, or pursuant thereto, and will permit access to its books, records and accounts by the contracting agency and the Secretary of Labor for purposes of investigation to ascertain compliance with such rules, regulations and orders.
- J.3.1.6 In the event of the Contractor's non-compliance with this equal opportunity clause, or with any of the said rules, regulations or orders, this agreement may be cancelled, terminated or suspended in whole or in part, and the Contractor may be declared ineligible for further government contracts in accordance with procedures authorized in Executive Order No. 11246 of September 24, 1965, and such other sanctions may be imposed and remedies invoked as provided in Executive Order No. 11246 of September 24, 1965, or as otherwise provided by law.
- J.3.1.7 The Contractor will include the provisions of Sections J.3.1.1 through J.3.1.7 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 Executive Order No. 11246 of September 24, 1965, 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 contracting agency may direct as a means of enforcing such provisions; provided, however, that in the event the Contractor becomes involved in, or is threatened with, litigation with a subcontractor or vendor as a result of such direction by the contracting agency, the Contractor may request the United States to enter into such litigation to protect the interests of the United States.

J.4 WORK HOURS ACT OF 1962:

- J.4.1 This agreement, to the extent that it is of a character specified in the Contract Work Hours Standards Act (Public Law 87-581, 76 Stat. 357) and is not covered by the Walsh-Healey Public Contracts Act (41 U.S.C. §§35-45), is subject to the

following provisions and to all other provisions and exceptions of said Contract Work Hours Standards Act:

J.4.1.1 No Contractor or subcontractor contracting for any part of the contract work which may require or involve the employment of laborers or mechanics shall require or permit any laborer or mechanic in any workweek in which he is employed on such work, to work in excess of eight hours in any calendar day or in excess of forty hours in any workweek unless such laborer or mechanic receives compensation at a rate not less than one and one-half times his basic rate of pay for all hours worked in excess of eight hours in any calendar day or in excess of forty hours in such workweek, whichever is the greater number of overtime hours.

J.4.1.2 In the event of any violation of the provisions of Section J.4.1.1 hereof, the Contractor and any subcontractor responsible for such violation shall be liable to any affected employee for his unpaid wages. In addition, such Contractor or subcontractor shall be liable to the United States for liquidated damages. Such liquidated damages shall be computed, with respect to each individual laborer or mechanic employed in violation of the provisions of Section J.4.1.1 hereof, in the sum of \$10.00 for each calendar day on which such employee was required or permitted to work in excess of eight hours or in excess of forty hours in a workweek without payment of the required overtime wages.

J.4.1.3 The Secretary of Labor may withhold, or cause to be withheld, from any monies payable on account of work performed by the Contractor or subcontractor, the full amount of wages required by this agreement, and such sums as may administratively be determined to be necessary to satisfy any liabilities of such Contractor or subcontractor for liquidated damages as provided in Section J.4.1.2 hereof.

J.4.1.4 The Contractor shall require the foregoing Sections J.4.1.1, J.4.1.2, J.4.1.3 and J.4.1.4 to be inserted in all subcontracts.

J.5 EXAMINATION OF RECORDS: The non-Federal Participants agree that the Comptroller General of the United States, or any of his duly authorized representatives, shall, until the expiration of three years after final payment under the Project Agreements, have access to and the right to examine any directly pertinent books, documents, papers and records of the non-Federal Participants involving transactions related to this agreement.

J.6 ASSIGNMENT OF CLAIMS:

J.6.1 Pursuant to the provisions of the Assignment of Claims Act of 1940, as amended (31 U.S.C. § 203, 41 U.S.C. § 15), if this agreement provides for payments aggregating \$1,000 or more, claims for monies due or to become due any non-Federal Participant from the Government under this agreement may be assigned

to a bank, trust company, or other financial institution, including any Federal lending agency, and may thereafter be further assigned and reassigned to any such institution. Any such assignment or reassignment shall cover all amounts payable under this agreement and not already paid, and shall not be made to more than one party, except that any such assignment or reassignment may be made to one party as agent or trustee for two or more parties participating in such financing. Unless otherwise provided in this agreement, payments to an assignee of any monies due or to become due under this agreement shall not, to the extent provided in said Act, as amended, be subject to reduction or setoff. (The preceding sentence applies only if this agreement is made in time of war or national emergency as defined in said Act and is with the Department of Defense, the General Services Administration, the Atomic Energy Commission, the National Aeronautics and Space Administration, the Federal Aviation Agency, or any other department or agency of the United States designated by the President pursuant to Clause 4 of the proviso of Section I of the Assignment of Claims Act of 1940, as amended by the Act of May 15, 1951, 65 Stat. 41.)

- J.6.2 In no event shall copies of this agreement or of any plans, specifications, or other similar documents relating to work under this agreement, if marked "Top Secret," "Secret," or "Confidential," be furnished to any assignee of any claim arising under this agreement or to any other person not entitled to receive the same. However, a copy of any part or all of this agreement so marked may be furnished, or any information contained therein may be disclosed, to such assignee upon the prior written authorization of the Contracting Officer.
- J.7 **CONVICT LABOR:** In connection with the performance of work under this agreement, the non-Federal Participants agree not to employ any person undergoing sentence of imprisonment at hard labor.
- J.8 **AGREEMENT SUBJECT TO COMPACTS, ACTS AND TREATY:** This Agreement is made upon the express condition and with the express understanding that all rights hereunder shall be subject to and controlled by the applicable provisions of the Colorado River Compact dated November 24, 1922, and proclaimed by the President of the United States June 25, 1929, the Boulder Canyon Project Act approved December 21, 1928, the Boulder Canyon Project Adjustment Act of July 19, 1940, the Upper Colorado River Basin Compact dated October 11, 1948, and the Mexican Water Treaty of February 3, 1944.
- J.9 **CONTINGENT UPON APPROPRIATIONS OR ALLOTMENT OF FUNDS.** The expenditure or advance of any money or the performance of any obligation of the United States under this Contract shall be contingent upon appropriation or allotment of funds. Absence of appropriation or allotment of funds shall not relieve the non-federal Participants from any obligations under this Contract. No liability shall accrue to the United States in case funds are not appropriated or allotted.

EXHIBIT K**WESTERN TRANSMISSION COMMUNICATION SYSTEM
WESTERN TRANSMISSION SYSTEM**

K.1 SYSTEM DESCRIPTION: The Microwave System will consist of (i) the Backbone Radio Frequency (RF) System, (ii) the Multiplex System, and (iii) the Land Mobile Radio System.

K.1.1 BACKBONE RF SYSTEM DESCRIPTION: This system will consist of (i) the Western Transmission Communications System and (ii) the private microwave systems from Red Mountain to McCullough Substation, and from Apex Peak to Crystal Substation. Exhibit K Attachment 1 shows the individual stations which comprise the Microwave System for the Western Transmission System.

K.1.1.1 WESTERN TRANSMISSION COMMUNICATIONS SYSTEM:

K.1.1.1.1 EQUIPMENT AT NAVAJO 500 KV SWITCHYARD: The Backbone RF System shall include the following: (i) RF microwave equipment; (ii) the coaxial cable; (iii) the antenna; and (iv) batteries and battery chargers. The antenna and the coaxial cable shall be located in the Navajo 500 kV Switchyard and mounted on a tower structure which is part of the Navajo 500 kV Switchyard. The microwave equipment shall be located in the carrier room.

K.1.1.1.2 EQUIPMENT AT REPEATER STATIONS: The Backbone RF System shall include the following: (i) RF microwave equipment ; (ii) all multiplexers and networking equipment; (iii) supervisory cameras, alarm and control system; (iv) auxiliary power units, generators, fuel tanks, batteries, battery chargers and associated equipment; (v) buildings and associated electrical wiring, lighting, and air conditioning equipment; (vi) all tower structures, waveguide/ice-shield bridges, antennas, antenna ice-shields, coaxial/waveguide cable, mounting brackets, and associated equipment; (vii) microwave site property including fencing and other required improvements; (viii) roads required for microwave site access; and (ix) any other material and/or equipment which may be required to implement the Backbone RF System.

K.1.1.1.3 EQUIPMENT AT RED MOUNTAIN: The Backbone RF System shall include the following: (i) RF microwave equipment; (ii) all multiplexers and

networking equipment; (iii) supervisory cameras, alarm and control system; (iv) all tower structures, waveguide/ice-shield bridges, antennas, antenna ice-shields, coaxial/waveguide cable, mounting brackets, and associated equipment .

K.1.1.2 PRIVATE MICROWAVE SYSTEMS FROM RED MOUNTAIN TO McCULLOUGH SUBSTATION, AND FROM APEX PEAK TO CRYSTAL SUBSTATION: The RF System shall include the following: (i) RF microwave equipment (ii) all multiplexers and networking equipment (iii) microwave alarm and control system; (iv) all antennas, coaxial cable, mounting brackets, and associated equipment; and (v) any other material and/or equipment which may be required to implement the RF System.

K.1.2 MULTIPLEX SYSTEM DESCRIPTION: The Multiplex System shall include the following: (i) all voice channel equipment including Voice over IP (VoIP) and analog equipment ; (ii) TDM channel bank equipment; (iii) all Ethernet multiplex and networking equipment required for Multiplex System synchronization or other purposes; (v) all tone, serial, C37.94 (IEEE relay standard) channels which are directly used for relaying, line protection, SCADA or any other purpose; (vii) special equipment which may be required to interface data or control with voice channel equipment.

K.1.3 LAND MOBILE RADIO SYSTEM DESCRIPTION: The Land Mobile Radio System shall include the following: (i) mobile repeater stations; (ii) mobile radio units; (iii) all antennas, coaxial cable, mounting brackets, batteries and battery chargers, and associated equipment; and (iv) special control facilities for receiver selection (as required), local operation, and interface with the Multiplex System.

K.2 COSTS OF OPERATING WORK:

K.2.1 NV ENERGY OPERATING WORK COSTS: Costs incurred by NV Energy chargeable to the Microwave System shall be the actual costs charged to the Western Transmission Communications System, plus the actual costs charged for facilities described in Section K.1.1.2 plus the communication channels/bandwidth used for the Western Transmission System in the private microwave system from Apex Peak to Crystal Substation. The Participants' and Nonparticipants' billings shall be determined by their composite percentage allocations for each system computed in accordance with Section K.3.2 hereto.

K.2.2 LADWP OPERATING WORK COSTS: Costs incurred by LADWP chargeable to the Microwave System shall be the actual costs charged for facilities described in Section K.1.1.2 plus the communication channels/bandwidth used for the Western Transmission System in the private microwave system from Red Mountain to McCullough Substation. The

Participants' and Nonparticipants' billings shall be determined by their composite percentage allocations for such system computed in accordance with Section K.3.2 hereto.

- K.2.3 ANNUAL CHARGES FOR RED MOUNTAIN SITE BY LADWP: The annual fee chargeable to the Microwave System by LADWP for the use of common facilities at the Red Mountain Station shall be allocated to the Participants and Nonparticipants by LADWP using their composite percentage allocations computed for the Western Transmission Communications System on one-half of the annual lease cost and their composite percentage allocations computed for the private microwave system from Red Mountain to McCullough Substation for the other one-half of the annual lease cost, both in accordance with Section K.3.2 hereto.

K.2.4 ANNUAL CHARGES FOR RED MOUNTAIN SITE BY NV ENERGY: The monthly power bill and any annual fee chargeable to the Microwave System by NV Energy for the use of common facilities at Red Mountain Station shall be allocated to the Participants and Nonparticipants by NV Energy using their composite percentage allocations for the Western Transmission Communications System in accordance with Section K.3.2 hereto.

ALLOCATION OF OPERATING WORK COSTS AND AD VALOREM TAXES:

- K.3.1 OPERATING WORK COSTS: Annual Operating Work costs and ad valorem taxes shall be allocated to the Participants and Nonparticipants based on communication channels/bandwidth usage in the manner provided in this Section K.3. It is contemplated the requirements for communication channels/bandwidth for the Transmission System and the individual Participants and Nonparticipants will vary from time to time with consequent variation in associated Operating Work costs.
- K.3.2 DETERMINATION OF COMPOSITE PERCENTAGE ALLOCATIONS: The Operating Work costs and ad valorem taxes for the Microwave System shall be allocated to the Participants and Nonparticipants in accordance with percentages developed from time to time which are based on communication channels/bandwidth usage in each system.
- K.3.2.1 WESTERN TRANSMISSION COMMUNICATIONS SYSTEM (NAVAJO TO RED MOUNTAIN): The composite percentage allocations for the Western Transmission Communications System (Navajo 500 kV Switchyard to Red Mountain) shall be as calculated in Exhibit K Attachment 2.
- K.3.2.3 APEX PEAK TO CRYSTAL - PROVIDED BY NV ENERGY: The composite percentage allocations for the private microwave system from Apex Peak to the Crystal Substation shall be as calculated in Exhibit K Attachment 3.

K.3.2.4 RED MOUNTAIN TO McCULLOUGH - PROVIDED BY LADWP: The composite percentage allocations for the private microwave system from Red Mountain to the McCullough Substation shall be as calculated in Exhibit K Attachment 4.

K.4 REVISIONS OF THIS EXHIBIT K: Upon the addition of communication channels/bandwidth for the Transmission System or for individual Participants or Nonparticipants, Exhibit K attachments 2, 3, and 4 shall be reviewed and updated, as applicable, by the Operating Agent of the Microwave System pursuant to Section 27 of the Operating Agreement.

K.5 ALLOCATION OF COMMUNICATION CHANNELS/BANDWIDTH CHANNELS:

K.5.1 The total communication channels/bandwidth capability from Navajo 500 kV Switchyard to Red Mountain Station is 150 Mbps. The first 100 Mbps is allocated for operation and maintenance use by the Western Transmission System.

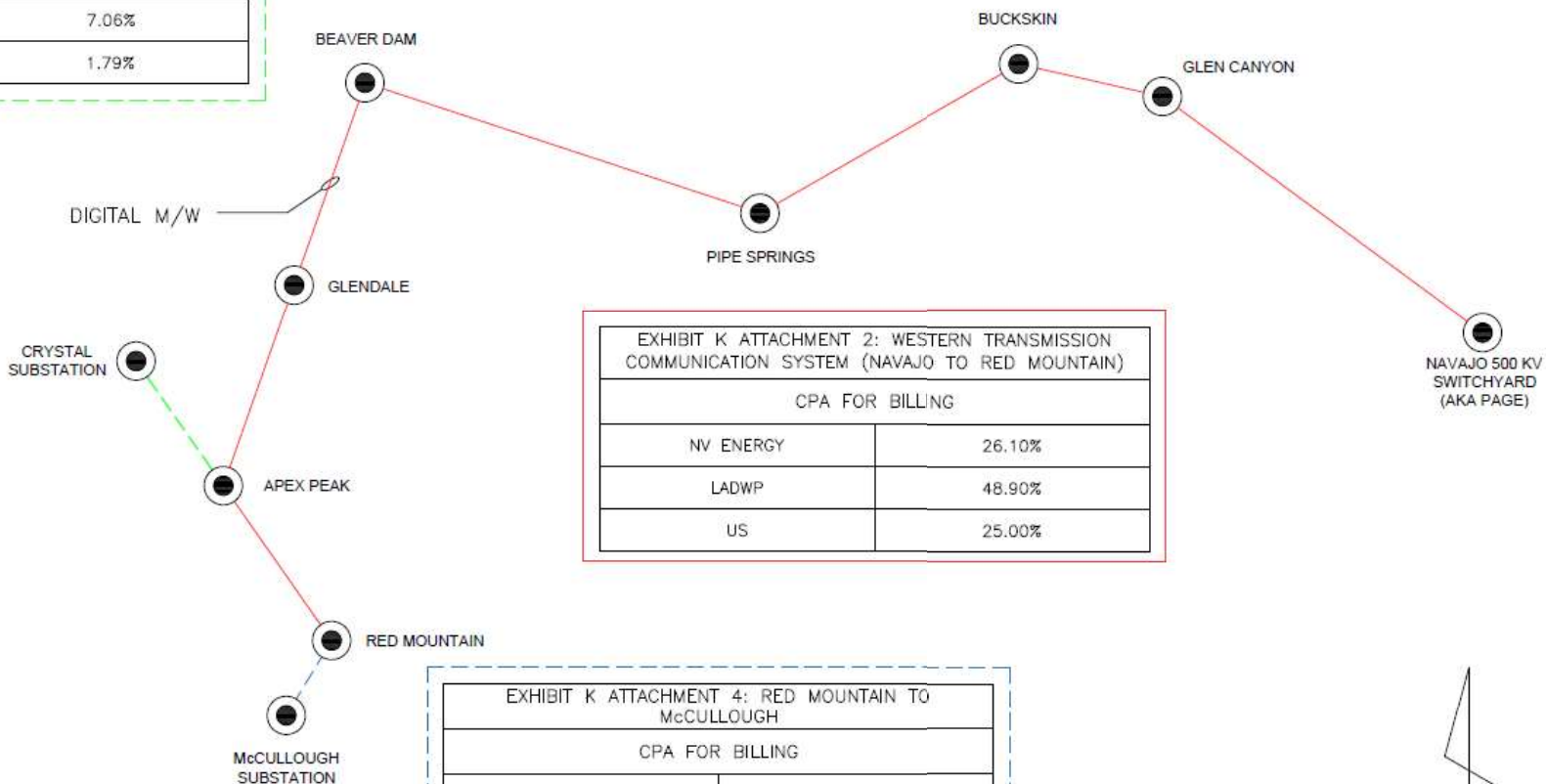
K.5.2 The remaining 50 Mbps communication channels/bandwidth between the Navajo 500 kV Switchyard and the Red Mountain Station shall be reserved for use by the Participants. The number of communication channels/bandwidth shall be proportioned based upon each Participant's composite ownership share in the Navajo-Crystal and Crystal-McCullough 500 kV lines. The percentage allocations of unused communication channels/bandwidth shall be:

K.5.2.1	LADWP	48.9%
K.5.2.2	NV Energy	26.1%
K.5.2.3	United States	25.0%
K.5.2.4	APS	0.0%
K.5.2.5	SRP	0.0%
K.5.2.6	Tucson	0.0%

K.5.3 A Participant may allocate communication channels/bandwidth from its share of unused communication channels/bandwidth to other Participants and Nonparticipants in proportion to their percentage allocation of unused communication channels/bandwidth.

EXHIBIT K ATTACHMENT 3: APEX PEAK TO CRYSTAL

CPA FOR BILLING	
NV ENERGY	91.15%
LADWP	7.06%
US	1.79%



NAVAJO WESTERN TRANSMISSION COMMUNICATION SYSTEM

PRIVATE DIGITAL MICROWAVE SYSTEMS

EXHIBIT K ATTACHMENT 4: RED MOUNTAIN TO McCULLOUGH	
CPA FOR BILLING	
NV ENERGY	0.93%
LADWP	98.18%
US	0.89%

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EXHIBIT K ATTACHMENT 2COMPOSITE PERCENTAGE ALLOCATIONSFORWESTERN TRANSMISSION COMMUNICATIONS SYSTEM (NAVAJO 500 KV SWITCHYARD TO RED MOUNTAIN)

PARTICIPANTS	APS	Los Angeles	NV Energy	SRP	Tucson	United States	Non-participants	TOTALS
Participant's Responsibility for Costs (RFC)	0.0%	48.9%	26.1%	0.0%	0.0%	25.0%	0.0%	100.00%
Total Number of communication channels/bandwidth used by Navajo Western Transmission System (WTS)								100.0 Mbps
Amount of communication channels/bandwidth for each Participant (IC)*	0.0	24.45 Mbps	13.05 Mbps	0.0	0.0	12.5 Mbps	0.0	50.0 Mbps
Total amount of communication channels/bandwidth from Navajo to Red Mountain (TC)								150.0 Mbps
Participant's Composite Percentage Allocation (CPA) for billing CPA = [(RFC*WTS)+IC]/TC	0.0%	48.9%	26.1%	0.0%	0.0%	25.0%	0.0%	100.0%

*The backbone Western Transmission Communications System (Navajo to Red Mountain) utilizes digital Ethernet radios which provide for Mbps allocations of bandwidth communication capacity.

EXHIBIT K ATTACHMENT 3

COMPOSITE PERCENTAGE ALLOCATIONS

FOR

APEX PEAK TO CRYSTAL SUBSTATION

PARTICIPANTS	APS	Los Angeles	NV Energy	SRP	Tucson	United States	Non-participants	TOTALS
Participant's Responsibility for Costs (RFC)	0.0%	48.9%	26.1%	0.0%	0.0%	25.0%	0.0%	100.0%
Total Number of Channels used by Western Transmission System (WTS)								48.0
Number of Individual Channels used by each Participant (IC)*	0	24	600	0	0	0	0	624.0
Total Number of Channels from Apex Peak to Crystal Substation (TC)								672.0
Participant's Composite Percentage Allocation CPA = [(RFC*WTS)+IC]/TC	0.00%	7.06%	91.15%	0.00%	0.00%	1.79%	0.00%	100.00%

*Apex Peak to Crystal radios use digital technology which provides for channel-based allocations in blocks of 24 channels per T-1 line.

EXHIBIT K ATTACHMENT 4

COMPOSITE PERCENTAGE ALLOCATIONS

FOR

RED MOUNTAIN TO McCULLOUGH SUBSTATION

PARTICIPANTS	APS	Los Angeles	NV Energy	SRP	Tucson	United States	Non-participants	TOTALS
Participant's Responsibility for Costs (RFC)	0.0%	48.9%	26.1%	0.0%	0.0%	25.0%	0.0%	100.0%
Total Number of Channels used by Western Transmission System (WTS)								24.0
Number of Individual Channels used by each Participant (IC)*	0.0	648.0	0.0	0.0	0.0	0.0	0.0	648.0
Total Number of Channels from Red Mtn to McCullough Substation (TC)								672.0
Participant's Composite Percentage Allocation = [(RFC*WTS)+IC]/TC	0.00%	98.18%	0.93%	0.00%	0.00%	0.89%	0.00%	100.00%

*Red Mountain to McCullough radios use digital technology which provides for channel-based allocations in blocks of 24 channels per T-1 line.