



County of Los Alamos

1000 Central Avenue
Los Alamos, NM 87544

Agenda - Final Board of Public Utilities

*Jeff Johnson, Chair; Carrie Walker, Vice-chair; Paul
Frederickson, Stephen McLin and Kathleen Taylor, Members
Tim Glasco, Ex Officio Member
Harry Burgess, Ex Officio Member
Christine Chandler, Council Liaison*

Wednesday, March 21, 2018

5:30 PM

1000 Central Avenue
Council Chambers

REGULAR SESSION

Complete Board of Public Utilities agenda packets, past agendas, videos, legislation and minutes can be found online at <http://losalamos.legistar.com/Calenar.aspx>. Learn more about the Board of Public Utilities at <http://www.losalamosnm.us/gov/bcc/utilitiesboard>.

PUBLIC COMMENTS:

Please submit written comments to the Board at bpu@lacnm.us. Oral public comment is accepted during the two periods identified on the agenda and after initial board discussion on a business item, prior to accepting a main motion on an item. Oral comments should be limited to four minutes per person. Requests to make comments exceeding four minutes should be submitted to the Board in writing prior to the meeting. Individuals representing or making a combined statement for a large group may be allowed additional time at the discretion of the Board. Those making comments are encouraged to submit them in writing either during or after the meeting to be included in the minutes as attachments. Otherwise, oral public comments will be summarized in the minutes to give a brief succinct account of the overall substance of the person's comments.

1. CALL TO ORDER

2. PUBLIC COMMENT

This section of the agenda is reserved for comments from the public on Consent Agenda items or items that are not otherwise included in this agenda.

3. APPROVAL OF AGENDA

4. BOARD BUSINESS

4.A. Chair's Report

4.B. Board Member Reports

4.C. Utilities Manager's Report

4.D. County Manager's Report**4.E. Council Liaison's Report****4.F. Environmental Sustainability Board Liaison's Report****4.G. General Board Business****4.G.1 [10318-18](#) Quarterly Conservation Program Update**

Presenters: James Alarid, Deputy Utilities Manager - Engineering

PG. 1-39

4.H. Approval of Board Expenses**4.I. Preview of Upcoming Agenda Items****4.I.1 [10584-18](#) Tickler File for the Next 3 Months**

Presenters: Board of Public Utilities

PG. 40-42

5. PUBLIC HEARING(S)

There were no public hearings scheduled for this meeting.

6. CONSENT AGENDA

The following items are presented for Board approval under a single motion unless any item is withdrawn by a member for further Board consideration in the "Business" section of the agenda.

CONSENT MOTION -

I move that the Board of Public Utilities approve the items on the Consent Agenda as presented and that the motions in the staff reports be included in the minutes for the record.

OR

I move that the Board of Public Utilities approve the items on the Consent Agenda as amended and that the motions contained in the staff reports, be included in the minutes for the record.

- 6.A [10580-18](#) Approval of Board of Public Utilities Meeting Minutes

Presenters: Board of Public Utilities

PG. 43-51

- 6.B [10299-18](#) Approval of AGR18-41 for the San Juan Generating Station Decommissioning Trust Agreement.

Presenters: Bob Westervelt, Deputy Utilities Manager - Finance/Admin

PG. 52-144

- 6.C [AGR0558-18](#) Approval of Amendment No. 4 to Services Agreement No. AGR 12-3838 with John & Hengerer in the Amount of \$100,000.00 for Revised Total Agreement Amount of \$395,000.00, plus Applicable Gross Receipts Tax for the Purpose of Providing Legal Services to the Incorporated County of Los Alamos Relating to Matters Pending Before the Federal Energy Regulatory Commission and/or Other Federal Agencies Involved in Energy Regulation

Presenters: Steve Cummins, Deputy Utilities Manager - Power Supply

PG. 145-149

- 6.D [AGR0561-18](#) Approval of Amendment No. 1 to Services Agreement No. AGR 16-4270 with Virtue & Najjar, P.C. in an Amount of \$200,000.00 for a Revised Total Agreement Amount of \$400,000.00, plus Applicable Gross Receipts Tax, for the Purpose of Providing Legal Services in Connection with the Incorporated County of Los Alamos' Utilities Operations

Presenters: Steve Cummins, Deputy Utilities Manager - Power Supply

PG. 150-153

7. **BUSINESS**

- 7.A [10539-18](#) Recommendations and Possible Action on Carbon Free Power Project (CFPP) Licensing Period Phase 1 Participation

Presenters: Steve Cummins, Deputy Utilities Manager - Power Supply

PG. 154-327

- 7.B [10317-18](#) Approval of Department of Public Utilities FY2019 & FY2020 Budget

Presenters: Bob Westervelt, Deputy Utilities Manager -
Finance/Admin

PG. 328-381

8. **STATUS REPORTS**

- 8.A [10583-18](#) Status Reports

Presenters: Board of Public Utilities

PG. 382-391

9. **PUBLIC COMMENT**

This section of the agenda is reserved for comments from the public on any items.

10. **ADJOURNMENT**

If you are an individual with a disability who is in need of a reader, amplifier, qualified sign language interpreter, or any other form of auxiliary aid or service to attend or participate in the hearing or meeting, please contact the County Human Resources Division at 662-8040 at least one week prior to the meeting or as soon as possible. Public documents, including the agenda and minutes can be provided in various accessible formats. Please contact the personnel in the Department of Public Utilities (505) 662-8132 if a summary or other type of accessible format is needed.



County of Los Alamos

Staff Report

March 21, 2018

Los Alamos, NM 87544
www.losalamosnm.us

Agenda No.: 4.G.1
Index (Council Goals): BCC - N/A
Presenters: James Alarid, Deputy Utilities Manager - Engineering
Legislative File: 10318-18

Title

Quarterly Conservation Program Update

Recommended Action

None

Staff Recommendation

None

Body

Briefing on the PEEC 2017 annual report.

Alternatives

N/A

Fiscal and Staff Impact

None

Attachments

A - CY2017 PEEC Report

Los Alamos County Department of Public Utilities Outreach Service Agreement AGR16-033

2017 Calendar Year Report February 22, 2018



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Program Summary

In February 2016, Pajarito Environmental Education Center (“PEEC”) entered into a contractual agreement with the Los Alamos County Department of Public Utilities (“DPU”) to provide educational services to DPU customers about water and energy conservation in Los Alamos County.

This contract continues the work started under a previous contract between DPU and PEEC, carried out between 2012 and 2015.

The period covered by this report is calendar year 2017. During this time, PEEC engaged in outreach efforts through Los Alamos Public Schools (“LAPS”) and at public venues, including at the Los Alamos Nature Center, which is operated by PEEC.

This report contains a summary of outreach efforts and results, budget summaries for 2017, and overviews of each of the task orders, including a brief summary of work completed and plans for continuation of each project. A summary of lesson plans is provided. Finally, the report includes a list of teacher contacts, publicity materials and teacher evaluations.

Complete curricula, outfitted trunks, activities, exhibits, giveaways and other materials are stored at the Los Alamos Nature Center and may be viewed there. If you would like to observe a lesson, please contact Siobhan Niklasson at educator@peecnature.org.

Cover photo: Los Alamos High School students pose with DPU employees Matt Duggan and Adam Cooper after a tour of the Abiquiu Lake Hydroelectric Facility. Students went home with a thorough understanding of how hydroelectric power is generated, and how it fits into Los Alamos County’s power grid.

Year at a Glance

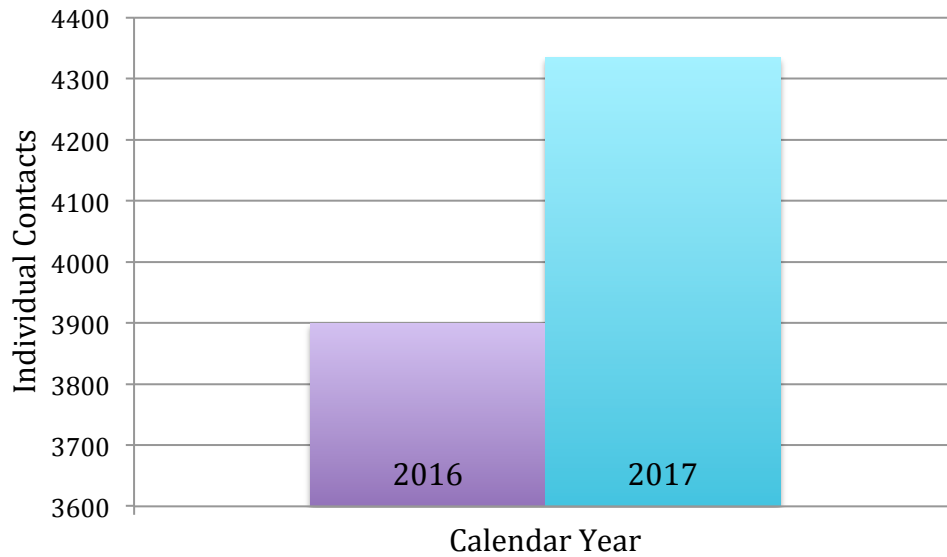
2017 Outreach Summary

- **4335 connections** made with community members about energy and water conservation through interpretive lessons, workshops and events
- **3170 visitors** went home with ideas for conserving water in their gardens through our new waterwise gardening exhibit
- **2865 student contacts** allowed Los Alamos Public School students to engage with water and energy in hands-on lessons
- **1470 people** participated in water and energy conservation activities at the Los Alamos Nature Center, the Los Alamos Science Fest, and other community venues
- **287 4th graders** took part in interactive demos about water at the 3rd annual Los Alamos Water Festival
- **1 new exhibit** spotlighting outdoor water conservation was unveiled at the Los Alamos Nature Center

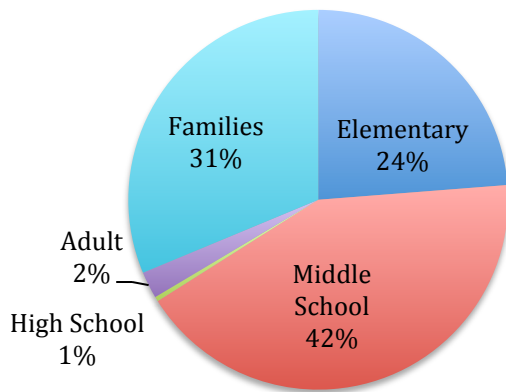


Above: PEEC staff and students from the Los Alamos High School Eco-Club collaborated to make this sculpture, displayed at PEEC's Earth Day event, showing the number of disposable water bottles used *each second* in the US.

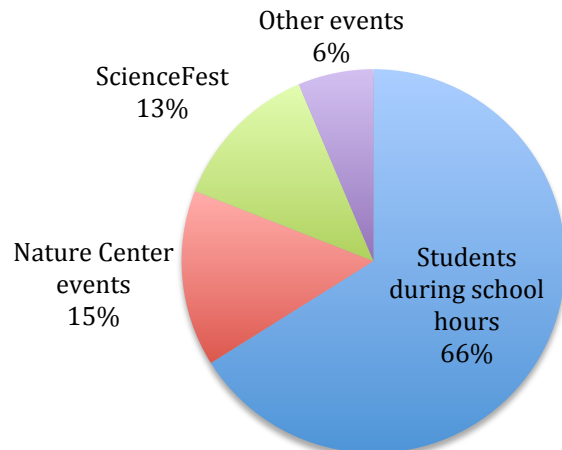
People Reached by Contract Year, Interpretive Lessons & Events



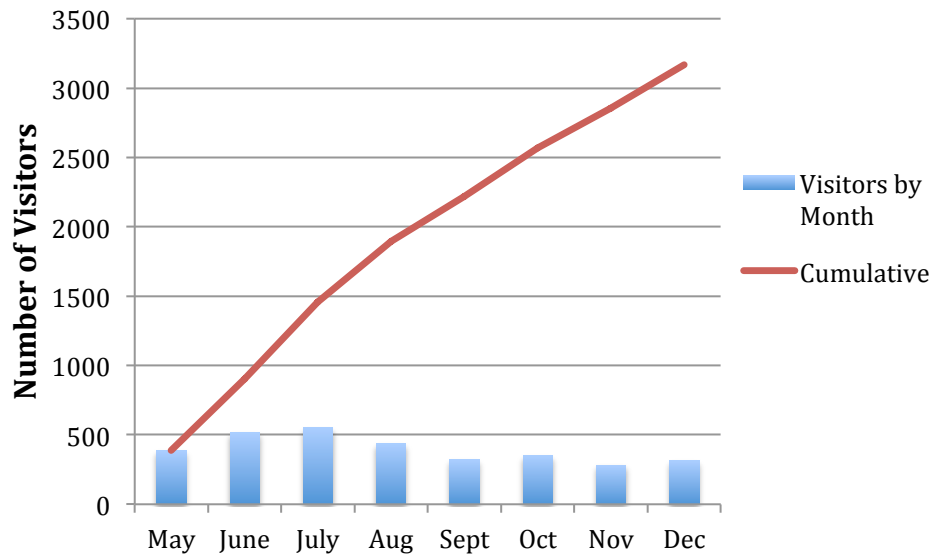
2017 Audience Reached by Age



2017 Outreach by Venue



People Reached May – Dec 2017, Waterwise Gardening Exhibit



Calculated as 25% of nature center visitors since exhibit installation.



Above: DPU's Jack Richardson looks on as PEEC gardeners cut the ribbon on the waterwise gardening exhibit. The exhibit gives home gardeners ways to conserve water in our dry climate. Photo by Thomas Graves.



Above: Students at Piñon Elementary in White Rock explore factors affecting passive solar energy uptake by designing and building model houses.



Right: A Girl Scout from Troop 10074 in Los Alamos teaches a visitor at PEEC's Earth Day celebration how to make a water-conserving olla to take home.



Left: Through hands-on activities at the Los Alamos Science Fest, students discover how water conservation has been a way of life on the Pajarito Plateau from Ancestral Puebloan time through the present. Photo by Bonnie J. Gordon/Los Alamos Daily Post.

Participant Feedback:

"Groups engaged in strategies and discussion while building their houses. This was a very illustrative, hands-on activity that had real-world applications to homes."

- 5th-grade teacher

The fact that there was so much discussion lets us know the kids were really getting a lot out of the lesson. Great thinking involved. You asked many thought-provoking questions for fourth graders.

- 4th-grade teacher

This field trip had something for everyone: from big machinery, to computers, to the river!

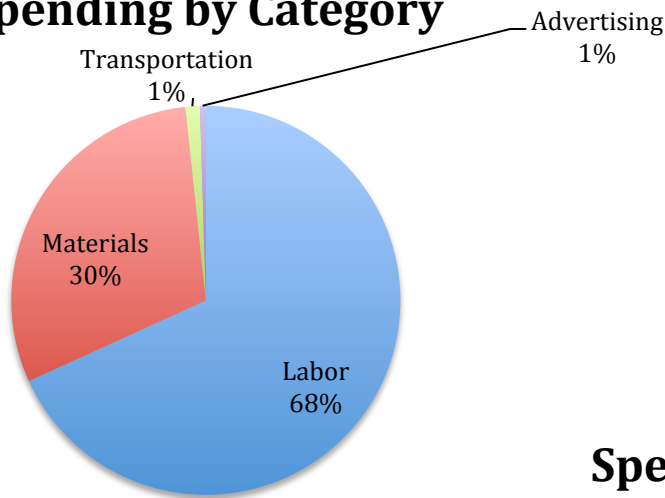
- High school environmental science teacher

Budget Summary

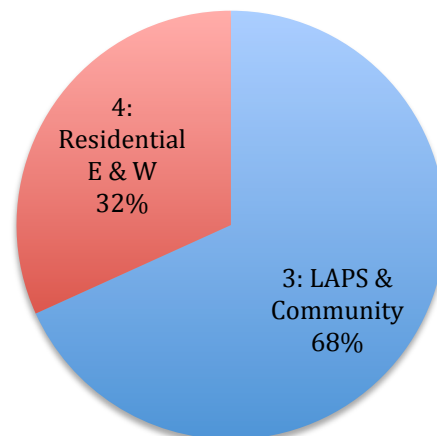
Budget Overview January – December 2017

Task Order	Visitor Contacts	Hours	Category	Budgeted	Spent
3: LAPS & Community	4091	461.75	Advertising	\$500	\$197
			Labor	\$24,000	\$18,653
			Materials	\$11,500	\$8,132
			Transportation	\$2,000	\$482
			Total	\$38,000	\$27,463
4: Residential E & W	3414	214	Advertising	\$1,200	\$0
			Labor	\$7,200	\$8,796
			Materials	\$3,600	\$3,997
			Transportation	\$0	\$0
			Total	\$12,000	\$12,794
All Task Orders	7505	675.75	Total	\$50,000	\$40,257

Spending by Category



Spending by Task Order



Invoice Summary January – December 2017

Month	Student/Visitor Contacts*	Hours	Amount
January	267	89.75	\$4,194.21
February	1327	118.25	\$5,048.50
March	100	78.75	\$8,461.21
April	884	92.75	\$5,183.54
May	412	6.25	\$2,362.88
June	517	4.50	\$235.40
July	1153	37.50	\$1,603.98
August	437	27.50	\$1,183.00
September	432	57.00	\$2,740.36
October	785	54.00	\$2,296.94
November	582	49.25	\$2,231.73
December	609	60.25	\$4,715.21
2017 TOTAL	7505	675.75	\$40,256.96

* Includes waterwise gardening exhibit visitors, calculated as a percentage of nature center visitors during the months of May to December, 2017.

2017 Task Order Overviews

Los Alamos County Public Schools and Community Outreach

Task Order 3

Goal:

Educate Los Alamos students about energy and water and the importance of conservation through hands-on instruction in K-12 classrooms and at community events.

Scope:

Modify and implement classroom curricula that include hands-on in-class activities and field trips that meet New Mexico State curriculum and Common Core standards. The instruction should focus on energy and water especially as they relate to Los Alamos County; understanding energy conservation; and/or other topics deemed appropriate by agreement between PEEC and DPU staff. A PEEC representative will present the curricula, on invitation from the classroom teachers, in Los Alamos schools. Organize a water festival for 4th-grade students including water-themed activities and giveaways. Bring energy and water themed exhibits to community events.

Year-End Comments:

1) Accomplishments:

We created a rubric for revising all of our energy and water lessons for grades 3 – 6 and have written four new lessons to date. Our 8th-grade energy unit continues to be one of our most-demanded programs. This year, middle school outreach accounted for nearly two-thirds of our in-class student contacts. We hosted the third annual 4th-grade water festival. The festival featured presenters from around the community, and received soundly positive feedback from participating teachers. We worked with student groups including the Los Alamos High School Eco-Club and the Girl Scouts to bring water-conservation-themed activities and exhibits to community events, including PEEC's Earth Day and Los Alamos Science Fest.

2) Plans for future work:

In the coming year, we plan to complete our revision of lessons for grades 3 – 6, incorporating the new New Mexico STEM Ready science standards as well as social studies standards about resource management. Teachers are excited about the 4th annual water festival, scheduled for April 6 and 13, 2018. We plan to continue bringing energy and water-conservation activities to school science nights and community events.

Los Alamos/White Rock Residential Energy and Water Efficiency Outreach

Task Order 4

Goal:

Educate Los Alamos County residents and homeowners about energy and water conservation at home.

Scope:

Organize a home efficiency expo and home efficiency house tours to demonstrate energy and water efficient solutions to Los Alamos residents and homeowners. Create signage to be displayed at the Los Alamos Nature Center highlighting energy and water conserving features such as photovoltaics, water harvesting and waterwise gardening. Offer four public programs a year about energy and water conservation.

Year-End Comments:

1) Accomplishments:

Our major accomplishment this year was the installation of a new waterwise gardening exhibit outside the Los Alamos Nature Center. The exhibit details ways home gardeners can use native and drought-tolerant plants, as well as soil cover and sensible irrigation methods, to conserve water in their gardens and landscapes. In addition, we organized public events, including a standing-room-only screening of the documentary film *Beyond the Mirage: The Future of Water in the West* and discussion about water in the American West.

2) Plans for future work:

We are excited about a new exhibit, opening soon inside the Los Alamos Nature Center, that will highlight solar energy generation. We are also busy planning an electric vehicle show at the nature center that will coincide with the Los Alamos Science Fest on July 14, featuring electric vehicles of all types and information about Los Alamos County's electric grid and solar projects.

Curriculum Overview

2017 Lesson Summaries

Complete lesson plans are stored at PEEC.
Contact educator@peecnature.org to see them.

Elementary

Grade/Topic	Academic Standards	Lesson Overview
3/Energy	Electricity & Magnetism	Students explore electricity and magnetism, and find out how electromagnetic generators are used to produce our electricity.
3/Water	Weather & Climate	Students learn how specific traits allow plants to survive in our arid climate, and design a garden with plants selected for our climate.
4/Energy	Energy conversion, fuels	Students observe how energy changes form, and role-play the energy transformations in a coal-fired power plant.
4/Water	Human-natural environment interaction	Students demonstrate human impacts on the water cycle through an active game.
5-6/Energy	Science can be used to protect resources	Students discover factors affecting passive solar energy by building and testing a model house.
5-6/Water	Locations of water on Earth	Students build a model aquifer and design and test solutions to extract the water.

Middle School

Grade/Topic	Academic Standards	Lesson Overview
7	Water & carbon cycles	Students do experiments and play games to explore the water and carbon cycles.
8	Energy sources and transformations	Students perform laboratory experiments to discover how energy changes form, and how energy transformations are used to produce electricity.

2017 Teacher Contact List

(some teachers organize lessons for others at their school)

Teacher	School	Email
Allison Washburn	Aspen	al.washburn@laschools.net
Amy Gilbert	Aspen	a.gilbert@laschools.net
Ronda Harmon	Aspen	r.harmon@laschools.net
Tammy Moore	Aspen	t.moore@laschools.net
Andrea Determan	Barranca	a.determan@laschools.net
Angela Lopez	Barranca	an.lopez@laschools.net
Annemarie Brown	Barranca	an.brown@laschools.net
Kareen Reyer	Barranca	k.reyer@laschools.net
Samantha Waidler	Barranca	s.waidler@laschools.net
David Parsons	Chamisa	d.parsons@laschools.net
Mitzi Mann	Chamisa	m.mann@laschools.net
Barbara Musgrave	LAHS	b.musgrave@laschools.net
Katie Tauxe	LAHS	k.tauxe@laschools.net
Angie Chipera	LAMS	a.chipera@laschools.net
Curtis Terrill	LAMS	c.terrill@laschools.net
Eva Abeyta	LAMS	e.abeyta@laschools.net
Lindsey Fullop	LAMS	l.fullop@laschools.net
Megan Rains	LAMS	m.rains@laschools.net
Sarah Blom	LAMS	s.blom@laschools.net
Barbara Kerley	Mountain	b.kerley@laschools.net
Donna Schaefer	Mountain	d.schaefer@laschools.net
Kim Clayton	Mountain	k.clayton@laschools.net
Lorraine Whalen	Mountain	l.whalen@laschools.net
Barbara Kress	Piñon	b.kress@laschools.net
Herb Siegel	Piñon	h.siegel@laschools.net
Kati Steinberg	Piñon	k.steinberg@laschools.net
Kristen Martines	Piñon	k.martines@laschools.net
Whitney Holland	Piñon	w.holland@laschools.net

Water Festival Information

2017 Los Alamos Water Festival



LOS ALAMOS Department of Public Utilities Conservation

Additional Support From:
Bandelier National Monument Fire Management
Bradbury Science Museum
Fuller Lodge Art Center
Los Alamos National Laboratory Earth &
Environmental Sciences Division
New Mexico Environment Department
New Mexico State University
Pajarito Environmental Education Center
And our wonderful volunteers!

Water Festival Summary

Date: April 7 & 21, 2017

Location: UNM-LA

Time: 9 AM – 2 PM

Description

We hosted Los Alamos 4th-grade students at our third annual Los Alamos Water Festival at UNM-LA. During the day, students participated in several mini-lessons about water presented by community experts, and then created a water-themed art project to help them summarize their learning.

Giveaways (all items with DPU logo)

- String backpacks for all students
- Zippered totes for all teachers
- Water-conservation-themed water bottles for all participants
- Water conservation ruler for all participants
- Color-changing pencil for all participants

Attendance

All 4th-grade classes in the district took part, and our homeschool session was fully booked with a wait list. Altogether, we served 287 students.

Post-Event Comments

- We heard positive feedback about every single one of our presentations.
- Almost all the presenters came back from previous years, and we had more presenters than we needed on both days.
- Students knew about the giveaways from previous years, and were excited to get their own.
- Lunch was a little expensive and could have been better organized, so we will consider another option for next year.
- A few teachers were confused about procedures, so we will make these clearer for next year.
- Teachers prefer the activities that are most hands-on. We will assist presenters with hands-on options for their activities.
- Several teachers told us they thought this water festival was the best one ever.

Community Presenters

Organization	Name	Contact Information	Presentation Title
Bandelier National Monument Fire Management	Hanna Davis	hanna_davis@nps.gov	Precipitation, Humidity and Wildland Fire & Engine 91
Bradbury Science Museum & Fuller Lodge Art Center	Liz Martineau, Gordon McDonough & Ken Nebel	liz4_always@yahoo.com	Watercolor Prints
Department of Public Utilities	Jennifer Baca	jennifer.baca@lacnm.us	Water and Wastewater Cycles
Department of Public Utilities	Clay Moseley	clay.moseley@lacnm.us	Pump Power: How We Move Your Water
Los Alamos National Lab — Earth & Environmental Sciences	Michelle Bourret	bourret@lanl.gov	Exploring Groundwater in NM & Beyond
NM Environment Department	Megan Green	megan.green@state.nm.us	Living Stream
NMSU	Rossana Sallenave	rsallena@ad.nmsu.edu	How Do We Measure Water Quality?
PEEC	Jennifer Macke, Annika Olsen & Sara Fyke	jpmacke@comcast.net	Aquatic Wildlife
PEEC	Denise Matthews	denise@peecnature.org	Fun With Surface Tension
UNM-LA	Jane Clements	janec181@unm.edu	What's in the Water?

Community Events Overview

2017 Public Event Summaries

Date	Title	Description	Attendees
3/11/17	Los Alamos Co+op Anniversary	Participants discover how their food choices affect their water footprint.	100
4/4/17	Water is Life	Screening of the documentary film <i>Beyond the Mirage: The Future of Water in the West</i> , followed by a series of four speakers specializing in New Mexico water issues. Refreshments and discussion follow.	86
4/22/17	Earth Day Festival	Girl Scouts from Troop 10074 teach visitors to make water-conserving ollas for their gardens.	500
5/13/17	Ribbon Cutting	Waterwise gardening exhibit ribbon cutting	25
7/10/17	Nature Playtime: Garden Water Conservation	Families learn techniques for conserving water in their home gardens, including mulching soil and using water-conserving plant nannies.	33
7/15/17	Science Fest	Visitors of all ages do hands-on activities to see how people have conserved water on the Pajarito Plateau throughout history.	550
7/25/17	History Adventures: Water	Kids do hands-on activities to see how people have conserved water on the Pajarito Plateau throughout history.	15





TALKS AND A FILM AT THE NATURE CENTER

PEEC

Pajarito Environmental
Education Center



ELENA GIORGI

Water is Life Discussion and Film

TUESDAY, APRIL 4, 6:30 – 8:30 PM

What water issues are New Mexicans facing now?

Join us for an evening of learning and discussion at the Los Alamos Nature Center. The program will start with a discussion about our rivers and local water issues by four speakers, Jack Richardson, Steve Harris, Jen Pelz, and Norm Gaume, followed by a break with refreshments and a chance to meet the speakers. Afterward, watch the documentary *Beyond the Mirage: The Future of Water in the West*.

More information online at www.pecnature.org/events

This FREE program is sponsored by the Los Alamos County Department of Public Utilities.

LOS ALAMOS
Department of Public Utilities
Electric, Gas, Water, and Wastewater Services

PEEC 2600 Canyon Road, Los Alamos, New Mexico 87544 505.662.0460 www.pecnature.org programs@pecnature.org

Evaluations

Teacher/Parent Evaluation Summary

(original evaluations are stored at PEEC;
contact educator@peecnature.org to see them)

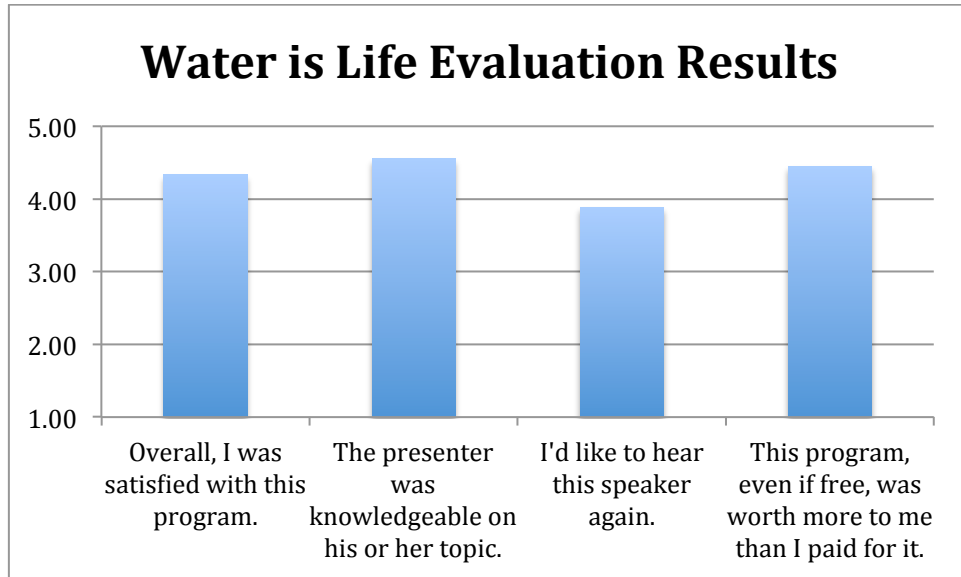
Date	Grade	How satisfied (1-4)	Comments
1/17/17	3	4	My students were engaged and using higher-level thinking skills to ask higher-order questions. They also were making observations, predicting and writing down a hypothesis. The units we cover in 3rd grade: Physical changes, the life cycle, butterflies, weather.
1/18/17	3	3	Overheard: "It might be evaporation...No, there is no water? [Light shown] Ohhh!!! It is like a microwave ... Like a house. Power windows." Thank you for all that you do to coordinate with the public schools. It is great for them to have other teachers and approaches.
1/18/17	5	4	Students were engaged in problem solving. They were working cooperatively using their imaginations. Our classroom lesson on groundwater was good preparation for this lesson. Vocab, teacher demo. Kids really enjoyed activity and were very engaged.
1/23/17	5	4	Hands-on problem solving was great, as was building an aquifer. Have kids use clipboards to keep notes out of the "wet."
1/23/17	5	4	Working well in groups, assigned jobs, using vocabulary from last week, realized needed a filter/net, very engaged writing and drawing. Open to all suggestions. Science is not my strength. Awesome job of extending what Pat Roberts taught Friday.
1/30/17	5	4	Really liked all the different designs. Great to have kids explain each group's ideas. Good pictorial reinforcing of ideas.

1/30/17	5	4	My class was especially chatty. Not due to your lesson. They did participate in discussion, very interesting and good discussion of variables. Groups engaged in strategies and discussion while building house. Good discussion of differences. Compare and contrast. Different houses and results. Glad you discussed that it was hard to compare houses. Question of multiple variables. This was a very illustrative, hands-on activity and had real-world applications to homes, etc.
1/30/17	5	4	Vocabulary, insulation, Fahrenheit, Celsius (converting), predictions, note-taking, problem-solving, working together, listening and contributing to group. When can you come back? Glad there was sun. They like going outside.
2/15/17	4	4	The fact that there was much discussion lets us know the kids were really getting a lot out of the lesson. I like the worksheet. Great thinking involved. You asked many thought-provoking questions for 4th graders. They were able to engage in thought processes at grade level. Lesson aligns with Common Core standards as well as NM standards. If time is sufficient, maybe pull in a little about nonrenewable, renewable energy (or maybe this is another lesson). Weather lesson?
4/7/17	4	4	The kids used such advanced vocabulary. They liked seeing the fire crew and equipment and the water pump. They asked such interesting questions.
4/7/17	4	3	Interactive demos seem to work best. Presenters that were more involved kept student attention better.
4/7/17	4	4	I liked the timing and the variety of activities. I felt bad that certain groups missed certain activities.
4/7/17	4	4	I wish I could take my preschoolers to activities like this.
4/7/17	4	4	The kids talked about all the activities and how to save water. The small rooms were kind of stuffy, and you should include a general introduction to conservation.
4/7/17	4	4	I loved seeing the shaving cream art, and the kids liked the salamanders. You should talk more about WHY clean water is so important.

4/7/17	4	4	Students had so much fun. They liked learning about surface tension, and I liked having smaller groups for some of the demonstrations.
4/7/17	4	4	
4/7/17	4	3.5	Students had lots to keep them busy.
4/7/17	4	4	There were a lot of good hands-on activities this year.
4/7/17	4	4	Good presenters and information. ALL PEEC activities and lessons are wonderful.
4/7/17	4	4	This activity was well planned. There should be other relevant activities on pollution, extinction, etc.
4/7/17	4	4	The students enjoyed the sessions, but they were sad they didn't get to do the outside activity with the water since we ran out of time.
4/7/17	4	4	They liked the hands-on stations, but were sad they didn't get to do them all. Water is often overlooked, so I liked this program.
4/21/17	4	4	
4/21/17	4	4	When they were putting together the raindrops, they incorporated what they had learned.
4/21/17	4	4	The students were interested in the salamanders and the microscope. The pump demonstration was very interesting for them. You should tell the kids how much water a family uses per day, month, or year. Then talk about how much they could save with adjustments to their lifestyle.
4/21/17	4	4	The students liked talking about fighting wildfires and the wastewater reclamation facility. The art was fantastic. We just wish we had more time.
4/21/17	4	3.5	The students liked the idea about the wastewater reclamation plant and the hands-on activities. We loved the locality of the field trip, and the everyday information. As a homeschooling parent, I appreciated this trip a lot. We will definitely come back.
4/21/17	3-5	4	We wish there were more events like this, and that they were longer.
4/21/17	Age 10-12	4	Homeschool parents love these kind of age-inclusive events.
4/21/17	4	3	I would love to do a program about local wildlife.

4/21/17	4	4	There was a lot of interest in the microscopes. Splitting the groups worked very well as well. Thank you for providing lunch.
10/24/17	3	4	The students did a good job on the scavenger hunt using science vocabulary on the bingo board and from our lessons. We heard students engaged, pointing out signs of erosion throughout the hike. Great observations and examples. Students also really enjoyed the model of the canyon and aquifer! The bingo board was great but with all the pencils, papers, and clipboards we were constantly losing things; maybe we can have one per group and count the signs of erosion? This would save on paper and time also. Thank you, as always!
10/24/17	3	3	They enjoyed the papers to look at but many said they found them all in 5 min. so to keep them engaged you could maybe have them count how many they can find so they are looking the whole time. The like hearing about the settlers and roads.
10/24/17	3	4	The kids had extra questions about water; it would be great to have a field trip to learn more about the water aspect. Possible field trips about water conservation and waste management.
11/2/17	7	4	Conversations were flowing! Siobhan had students in groups working together and kids were on task talking about how water was evaporating from their tubs. Always great to have Siobhan Niklasson in my class. Great program/supplies/ideas/conversations/activities and she runs a good tight ship.
12/5/17	11,12	4	"This is cool!" Let them read directions—water work. Good learning experience for students. Something for everyone (machinery, river, outdoors).

Water is Life Evaluation Summary



All categories scored by audience members on a scale of 1 (lowest) to 5 (highest).

Total Attendees: 86



County of Los Alamos

Staff Report

March 21, 2018

Los Alamos, NM 87544
www.losalamosnm.us

Agenda No.: 4.I.1
Index (Council Goals): BCC - N/A
Presenters: Board of Public Utilities
Legislative File: 10584-18

Title

Tickler File for the Next 3 Months

Attachments

A - Tickler File for the Next 3 Months



LOS ALAMOS

County of Los Alamos

Los Alamos, NM 87544
www.losalamosnm.us

Tickler

**Criteria: Agenda Begin Date: 4/1/2018, Agenda End Date: 6/30/2018, Matter Bodies:
Board of Public Utilities**

File Number	Title	
Agenda Date: 04/18/2018		
10373-18	Calendar	04A Chair's Report
	Reminder for Upcoming Boards & Commissions Luncheon	
	Department Name: DPU	Length of Presentation: Apx. 5 Min.
	Drop Dead Date:	Sponsors: Board of Public Utilities
10302-18	Briefing/Report (Dept, BCC) - No action requested	04G General Board Business
	Briefing from County Manager on the County Strategic Objectives	
	Department Name: DPU	Length of Presentation: Apx. 20 Min.
	Drop Dead Date:	Sponsors: Harry Burgess, County Manager
10416-18	Briefing/Report (Dept, BCC) - No action requested	04G General Board Business
	Quarterly Update on Utility System - (System TBD)	
	Department Name: DPU	Length of Presentation: Apx. 20 Min.
	Drop Dead Date:	Sponsors: Tim Glasco, Utilities Manager
AGR0548-18	General Services Agreement	06 Consent
	Approval of Services Agreement No. AGR__ - ____ with [vendor] in the amount of \$[amount], plus Applicable Gross Receipts Tax, for the Purpose of White Rock Substation 15KV Retrofit & Upgrade Project	
	Department Name: DPU	Length of Presentation: N/A
	Drop Dead Date:	Sponsors: Rafael De LaTorre, Deputy Utilities Manager - Electric Distribution
10342-18	Briefing/Report (Dept,BCC) - Action Requested	06 Consent
	Approval of Revision to Modification 20 to the Electric Energy and Power Coordination Agreement (ECA) Between the Incorporated County of Los Alamos and the United States Department of Energy (DOE).	
	Department Name: DPU	Length of Presentation: N/A
	Drop Dead Date:	Sponsors: Bob Westervelt, Deputy Utilities Manager - Finance/Admin
10581-18	Appointment	06 Consent
	Approval of Appointment of Deputy Utility Manager of Finance and Administration, Bob Westervelt, as Los Alamos' Member on New Mexico Municipal Energy Acquisition Authority (NMMEAA) Board	
	Department Name: DPU	Length of Presentation: N/A

File Number	Title	
	Drop Dead Date:	Sponsors: Bob Westervelt, Deputy Utilities Manager - Finance/Admin
10316-18	Briefing/Report (Dept, BCC) - No action requested	07 Business
	(TENTATIVE) FER Implementation - Discussion Regarding Rate Ordinance - Unbundled Rate Structure	
	Department Name: DPU	Length of Presentation: Apx. 30 Min.
	Drop Dead Date:	Sponsors: Bob Westervelt, Deputy Utilities Manager - Finance/Admin
10546-18	Briefing/Report (Dept,BCC) - Action Requested	07 Business
	White Rock Wastewater Plant Clean Water State Revolving Loan Authorization to Proceed	
	Department Name: DPU	Length of Presentation: N/A
	Drop Dead Date:	Sponsors: James Alarid, Deputy Utilities Manager - Engineering
Agenda Date: 05/16/2018		
CO0528-18	Code Ordinance	05 Public Hearings
	(TENTATIVE) FER Implementation - Public Hearing for Rate Ordinance - Unbundled Rate Structure	
	Department Name: DPU	Length of Presentation: Apx. 30 Min.
	Drop Dead Date:	Sponsors: Bob Westervelt, Deputy Utilities Manager - Finance/Admin
Agenda Date: 06/20/2018		
10443-18	Briefing/Report (Dept,BCC) - Action Requested	06 Consent
	Approval of Task Order No. 2 Under Services Agreement No. AGR17-37 with Stantec Consulting Services, Inc. in the amount of \$[amount], plus Applicable Gross Receipts Tax, for the Purpose of Year 2 Services for the Geographic Information System and Asset Management Upgrade	
	Department Name: DPU	Length of Presentation: N/A
	Drop Dead Date:	Sponsors: Jack Richardson, Deputy Utilities Manager - GWS Services
8729-16	Briefing/Report (Dept,BCC) - Action Requested	07Business
	FER Implementation - Approval of Recommendation to Continue or Discontinue Los Alamos County's Participation in the San Juan Generating Station Post 2022.	
	Department Name: DPU	Length of Presentation: Apx. 30 Min.
	Drop Dead Date:	Sponsors: Steve Cummins, Deputy Utilities Manager - Electric Production



County of Los Alamos

Staff Report

March 21, 2018

Los Alamos, NM 87544
www.losalamosnm.us

Agenda No.: 6.A
Index (Council Goals): BCC - N/A
Presenters: Board of Public Utilities
Legislative File: 10580-18

Title

Approval of Board of Public Utilities Meeting Minutes

Recommended Action

I move that the Board of Public Utilities approve the meeting minutes of February 21st, 2018 as presented.

Body

REQUESTED REVISIONS TO THE DRAFT MINUTES

Draft minutes are sent to members after each meeting for their review. Members may then send changes to be incorporated prior to final approval of the minutes at the next regular meeting.

The following changes were incorporated into the minutes presented for approval:

1. Kathleen Taylor - Item 7.A., "Mr. Glasco will try to get a copy of these slides for ~~Ms. Taylor~~ the Board."
2. Timothy Glasco - Item 7.C., "...and ~~the~~ each Deputy Utility Manager gave a briefing on initiatives..."

Attachments

A - Draft BPU Regular Session Minutes - February 21st, 2018



LOS ALAMOS

County of Los Alamos

Minutes

Board of Public Utilities

1000 Central Avenue
Los Alamos, NM 87544

Jeff Johnson, Chair; Carrie Walker, Vice-chair; Paul Frederickson, Stephen McLin and Kathleen Taylor, Members
Tim Glasco, Ex Officio Member
Harry Burgess, Ex Officio Member
Christine Chandler, Council Liaison

Wednesday, February 21, 2018

5:30 PM

1000 Central Avenue
Council Chambers

REGULAR SESSION

1. CALL TO ORDER

The regular meeting of the Incorporated County of Los Alamos Board of Public Utilities was held on Wednesday, February 21, 2018 at 5:30 p.m. at 1000 Central Ave., Council Chambers. In the absence of the Board Chair, Vice-chair Carrie Walker called the meeting to order at 5:30 p.m.

Present 4 - Vice-chair Walker, Board Member Frederickson, Board Member McLin and Board Member Taylor

Absent 1 - Board Member Johnson

2. PUBLIC COMMENT

Ms. Walker opened the floor for public comment on items on the Consent Agenda and for those not otherwise included on the agenda. There were no comments.

3. APPROVAL OF AGENDA

Mr. McLin moved to accept the agenda as modified by removing item 6.D. until it is presented, probably next month. The motion passed by the following vote:

Yes: 4 - Vice-chair Walker, Board Member Frederickson, Board Member McLin and Board Member Taylor

Absent: 1 - Board Member Johnson

4. BOARD BUSINESS

4.A. Chair's Report

Aside from item 4.A.1., Ms. Walker had nothing to report.

4.A.1 10372-18

Reminder for Upcoming Boards & Commissions Luncheon

Presenters: Board of Public Utilities

The month prior to a Boards & Commissions luncheon, the attendee schedule will be

included in the agenda packet as a reminder during the Chair's report. Mr. Frederickson was reminded that he is scheduled to attend the March luncheon.

4.B. Board Member Reports

Board members had nothing to report.

4.C. Utilities Manager's Report

Mr. Glasco provided a written report, which is included in the minutes as an attachment.

4.D. County Manager's Report

Mr. Burgess reported on the following items:

1) On March 1st, there is going to be a Forest Service scoping meeting with respect to the environmental analysis for the water line on Camp May Road. It is the first step in their process for considering this project from an environmental standpoint. They will be looking for input from the public on issues of concern. It begins at 6:00 p.m. at UNM-LA in Bldg. #2, which is typically where they have their large gatherings in the conference room there.

4.E. Council Liaison's Report

Ms. Christine Chandler had nothing to report.

4.F. Environmental Sustainability Board Liaison's Report

Ms. Susan Barns was not present. No report was given.

4.G. General Board Business

4.G.1 [10315-18](#) Review of Department of Public Utilities Quarterly Report

Presenters: Tim Glasco

Utilities Manager Mr. Timothy Glasco presented this item. The following is the substance of the item being considered.

The Board requested that the quarterly report be presented each quarter, with salient features explained.

The Board discussed this item and requested clarification where necessary.

4.H. Approval of Board Expenses

Ms. Taylor moved that the Board approve any expenses for the trip to Oregon [on March 8th] to visit the Carbon Free Power Project Facilities. The motion passed by the following vote:

Yes: 4 - Vice-chair Walker, Board Member Frederickson, Board Member McLin and Board Member Taylor

Absent: 1 - Board Member Johnson

4.I. Preview of Upcoming Agenda Items

4.I.1 [10435-18](#) Tickler File for the Next 3 Months

Presenters: Board of Public Utilities

No new items were added to those already listed in the tickler provided in the agenda packet.

5. PUBLIC HEARING(S)

There were no public hearings scheduled for this meeting.

6. CONSENT AGENDA

Mr. McLin moved that the Board of Public Utilities accept the items on the Consent Agenda as presented, with the exception noted earlier that item 6.D. has been pulled. The motion passed by the following vote:

Yes: 4 - Vice-chair Walker, Board Member Frederickson, Board Member McLin and Board Member Taylor

Absent: 1 - Board Member Johnson

6.A [10433-18](#) Approval of Board of Public Utilities Meeting Minutes

Presenters: Board of Public Utilities

I move that the Board of Public Utilities approve the meeting minutes of January 17th, 2018 as presented.

6.B [10340-18](#) Approval of the Transfer of Profit from Electric and Gas Funds to the General Fund for Operations During Fiscal Year 2017.

Presenters: Bob Westervelt

I move that the Board of Public Utilities approve the transfer of revenues from the electric and gas funds to the general fund for electric and gas operations during fiscal year 2017 in accordance with Incorporated County of Los Alamos Resolution 97-07 and forward to the County Council for their approval.

6.C [10393-18](#) Award of Bid No. IFB18-22 for the Purpose of Otowi Well #2 Transmission Line Improvements with General Hydronics Utilities, Inc. in the Amount of \$181,775.88, plus Applicable Gross Receipts Tax

Presenters: James Alarid

I move that the Board of Public Utilities approve the Award of Bid No. 18-22 for the Purpose of the Otowi Well #2 Transmission Line Improvements with General Hydronics Utilities, Inc. in the Amount of \$181,775.88 and a contingency in the amount of \$25,000.00, for a total of \$206,775.88, plus Applicable Gross Receipts Tax and forward to Council for approval.

ITEM 6.D. WAS PULLED FROM THE AGENDA.

- 6.D 10299-18 Approval to Establish San Juan Generating Station Decommissioning Agreement Trust Fund

Presenters: Bob Westervelt

7. BUSINESS

- 7.A 10402-18 Board of Public Utilities Discussion on the Carbon Free Power Project

Presenters: Steve Cummins

Deputy Utility Manager of Power Supply Mr. Steve Cummins presented this item. The following is the substance of the item being considered.

Los Alamos County became a member of the Utah Associated Municipal Power Systems (UAMPS) and specifically a participant in the Resource Project on April 16, 2014. DPU staff has been following the development of the Carbon Free Power Project (CFPP), which is a projected 600MW small modular reactor (SMR) facility. As it is being designed, the facility would house up to twelve NuScale nuclear power modules, each capable of generating up to fifty megawatts of electric power for a total plant capacity of 600MW. The CFPP is under consideration by LAC as a potential replacement base load power resource after retirement of the County's coal generation assets as early as 2022 and as a step towards meeting the goal of being a carbon neutral electric utility by 2040. On January 25th DPU and UAMPS staff presented the latest information on the CFPP to gain a clear understanding of public, Board and County Council concerns with continuing participation. On January 26, DPU staff initiated an Open Forum on the County website giving customers another opportunity to express their opinions on the CFPP. This item was added to the agenda so that Board members could have an open discussion about the concerns raised at the January 25th public meeting, which was then followed by a joint Board and County Council meeting. Prior to making a decision, which is currently scheduled for the March 21, 2018 regular meeting, having further discussion about the CFPP will help the Board gain a better understanding of the cost exposure and risks of participating.

The Board discussed this item and requested clarification where necessary.

Ms. Walker opened the floor for public comments. Members of the public gave the following summarized comments:

1) Mr. Ed Birnbaum, 926 Circle Drive - Mr. Birnbaum had sent questions to Mr. Glasco, which were then forwarded to NuScale. He received answers to all but one of his questions. The question was, "What happens to the \$65 guarantee if they don't sell enough nuclear reactors to make it feasible?" It seems to Mr. Birnbaum that it is a huge risk that they will not sell enough of the reactors to make it profitable. If they don't, who pays and absorbs the risk? We should know the answer to that question before moving forward.

The following actions were identified for follow-up:

- 1) The slides from the January 25th public meeting will be sent to the Board Members.
- 2) At the August 2017 UAMPS annual meeting, NuScale presented a comparison of the recently failed V.C. Summer AP1000 large nuclear power plant construction project in South Carolina. In their presentation, they noted the main reasons for the Summer plant

failure and detailed how they are different and/or things that happened there that do not apply to the CFPP. Mr. Glasco will try to get a copy of these slides for the Board.

7.B **10339-18** Discussion About Advanced Metering Infrastructure (AMI)

Presenters: Bob Westervelt

Deputy Utility Manager of Finance and Administration Mr. Bob Westervelt presented this item. The following is the substance of the item being considered.

Mr. Westervelt gave a brief background on the history and status of the AMI project, but the discussion this evening was intended to provide the Board with additional information on the business case for the project and the project benefits and objectives, which are summarized in the staff report. An RFP was issued in late 2016 for system wide deployment of AMI. Staff is expecting to bring a contract to the Board for approval within the next several months.

The Board discussed this item and requested clarification where necessary.

Ms. Walker called for a recess at 8:00 p.m. The meeting reconvened at 8:10 p.m.

7.C **10314-18** Department of Public Utilities FY2019 & FY2020 Budget Presentation

Presenters: Bob Westervelt

Deputy Utility Manager of Finance and Engineering Mr. Bob Westervelt presented this item. The following is the substance of the item being considered.

Staff presented the proposed budget for FY2019 & FY2020. Mr. Westervelt presented an overall budget summary for the department and each division, and each Deputy Utility Manager gave a briefing on initiatives, cost savings measures implemented, and resource commitments for his own division. Overall the FY19 expenditure budget as presented is a reduction of 10% from the fiscal year 2018 budget, attributable primarily to low cost of power in the electric fund, low cost of gas in the gas fund, and completion or delay of certain projects that are not being re-budgeted. FY2020's projected expenditure budget represents a 4% increase over 2018, and a 15% increase over the proposed FY19 budget, due primarily to planned construction of the White Rock Wastewater Treatment Facility in that year. The budget presented is a preliminary draft, some inputs are still being finalized and some numbers are likely to change between this presentation and the final presentation given to the Board for approval in March.

The Board discussed this item and requested clarification where necessary.

8. **STATUS REPORTS**

8.A **10434-18** Status Reports

Presenters: Board of Public Utilities

The following informational status reports were provided to the Board in the agenda packet:

- 1) Electric Reliability Update
- 2) Accounts Receivables Report
- 3) Safety Report (Including the 2017 OSHA Incident Report)

9. PUBLIC COMMENT

Ms. Walker opened the floor for public comment on any items. Members of the public gave the following summarized comments:

- 1) Mr. McLin - Mr. McLin noted the recent passing of Reverend Billy Graham and urged others to keep his family and loved ones in their thoughts and prayers.

10. ADJOURNMENT

The meeting adjourned at 10:16 p.m.

APPROVAL

Board of Public Utilities Chair Name

Board of Public Utilities Chair Signature

Date Approved by the Board

ATTACHMENT
OFFICER REPORTS
SUBMITTED AT THE MEETING

MANAGER'S REPORT

February 21, 2018

1. There have been numerous break-ins recently at the Pajarito Cliffs site resulting in the theft of equipment from the DPU. This past week, the LAPD had a stake-out and intercepted the thieves in the act of breaking in. Shots were fired very near where our Standby crew were sleeping, although building 5 was not hit. The thieves escaped, but LAPD is hopeful of catching them soon.
2. At the monthly meeting of the Project Management Committee for the Carbon Free Power Project a resolution was adopted setting a hold point at the \$6 million spend level. To proceed past that point the project must achieve full subscription and/or further DOE cost sharing or it provides an exit point for participants.
3. Over the past month we have received resignations from customer service representative Marty Leal, SCADA Technician Rico Caballero and Environmental Compliance Specialist Katelyn Mahoney. All three are taking jobs at LANL.
4. Voith, the original equipment provider for the El Vado hydroelectric plant was on site this week to inspect the oil leak and apparent scoring of the interior of the turbine housing. Their opinion is that the oil leak appears to be a leaking O-ring that can be repaired in place without having to remove the entire turbine. After inspection of the suspected O-ring, a further determination will be made.
5. In preparation for the vote on participation in the next phase of the CFPP by the Board on March 21st, we would like to offer one-on-one meetings with Board and Council members to answer any remaining questions before members are asked to vote.
6. Our Safety Employee of the Quarter is Gary Trujillo, water production system electrician. Gary works on the water production equipment, wastewater treatment plant equipment and also sewer lift stations. He must be versed in current as low as 24V DC up to 4160V AC power, including a substantial amount of 3-phase 480V systems that are considered the most dangerous current to work with. He models close attention to safety and job planning.



County of Los Alamos

Staff Report

March 21, 2018

Los Alamos, NM 87544
www.losalamosnm.us

Agenda No.: 6.B
Index (Council Goals): BCC - N/A
Presenters: Bob Westervelt, Deputy Utilities Manager - Finance/Admin
Legislative File: 10299-18

Title

Approval of AGR18-41 for the San Juan Generating Station Decommissioning Trust Agreement.

Recommended Action

I move that the Board of Public Utilities approve AGR18-41 with Bank of Albuquerque for establishment of a Trust for the purpose of fulfilling the County's funding obligation under the San Juan Generating Station Decommissioning Trust Funds Agreement, and forward to Council for approval.

Staff Recommendation

The Utilities Manager recommends that the Board of Public Utilities approve the motion as presented.

Body

Los Alamos County is a participant in the San Juan Generating Station near Farmington New Mexico. Ownership and participation in the San Juan plant was revised and restructured through The San Juan Project Restructuring Agreement among the San Juan Project participants dated July 31, 2015, and the Exit Date Amendment Amending and Restating the Amended and Restated San Juan Project Participation Agreement among the San Juan Project participants, also dated July 31, 2015. The Participants' rights and obligations with respect to Plant Decommissioning Costs are governed by the San Juan Decommissioning and Trust Funds Agreement among the San Juan Project Participants, also dated July 31, 2015. "Closing" on these restructuring agreements became effective on or about December 31, 2017. The Decommissioning Agreement requires that within 90 days of closing on the restructuring agreements an Irrevocable Trust Fund be established by each Project Participant to satisfy that participant's share of decommissioning costs, as defined by the Decommissioning Agreement. The Plant Decommissioning Agreement requires that this trust fund be established, funded, and maintained until completion of the decommissioning work, as determined by the Plant Decommissioning Oversight Committee, on which each Project Participant has representation. Because of the uncertain end date of decommissioning activities, it cannot be known how long the trust will be required, and thus what the total obligation under this agreement will be. The fee proposed is a \$500 setup fee, and an annual fee of \$2,500 per year, which will be required for the duration of the decommissioning activities. The Trustee recommended was competitively selected through issuance of a formal RFP (request for proposals). Two proposals were received and the recommended offeror was the unanimous recommendation of the evaluation committee.

Alternatives

Establishment of this trust is an obligation already accepted via the restructuring agreements, including the San Juan Decommissioning and Trust Funds Agreement among the San Juan Project Participants, dated July 31, 2015. Should this motion not pass the County would stand in default on the Decommissioning and Trust Funds Agreement until the required trust fund is established.

Fiscal and Staff Impact

We have been accruing funds for Plant Decommissioning for several years and will use these moneys to fund the Trust Account, so the fiscal impact is limited to the setup fee and annual fee discussed above. The funding of the Trust will involve a transfer of funds from one restricted account to another on the fund statement of the Electric Production Utility's sub-fund.

Attachments

A - AGR18-41 Bank of Albuquerque Trust Agreement Final

B - AGR18-41 Exhibit 1 - San Juan Decommissioning and Trust Funds Agreement among the San Juan Project Participants, dated July 31, 2015

C - AGR18-41 Exhibit 2 - Price Schedule

**SAN JUAN GENERATING STATION
DECOMMISSIONING TRUST AGREEMENT**

This San Juan Generating Station Decommissioning Trust Agreement (“Decommissioning Trust Agreement”) is entered into as of April 4, 2018, by and between the **INCORPORATED COUNTY OF LOS ALAMOS**, a body politic and corporate (“County”) in its capacity as a participant in the San Juan Project, and **BOKF, N.A. dba Bank of Albuquerque**, as Trustee (in its capacity as Trustee hereunder, the “Trustee”), upon the terms and conditions set forth in this Decommissioning Trust Agreement. The County and the Trustee are collectively referred to as the “Parties” or individually as a “Party”.

RECITALS

WHEREAS, the San Juan Project is a coal-fired electric generation plant located in San Juan County, near Farmington, New Mexico, also known as the San Juan Generating Station (“SJGS”, “San Juan Project”, or “Project”).

WHEREAS, Public Service Company of New Mexico (“PNM”), Tucson Electric Power Company (“TEP”), the City of Farmington, New Mexico (“Farmington”), M-S-R Public Power Agency (“M-S-R”), the Incorporated County of Los Alamos, New Mexico (“Los Alamos”), Southern California Public Power Authority (“SCPPA”), City of Anaheim (“Anaheim”), Utah Associated Municipal Power Systems (“UAMPS”) and Tri-State Generation and Transmission Association, Inc. (“Tri-State”) (collectively, the “Decommissioning Parties”) have entered into the San Juan Decommissioning and Trust Funds Agreement dated July 31, 2015 (“July 2015 Agreement”), to establish a methodology for planning and approving SJGS Decommissioning Work and funding and allocating the cost of Decommissioning Work as defined in the July 2015 Agreement.

WHEREAS, PNMR Development and Management Corporation (“PNMR-D”) was also a party to the July 2015 Agreement, but PNMR-D has assigned its interests and delegated its obligations under the July 2015 Agreement to PNM.

WHEREAS, this Decommissioning Trust Agreement is being entered into pursuant to the July 2015 Agreement.

AGREEMENT

NOW, THEREFORE, for valuable consideration, the receipt of which is acknowledged, the County and the Trustee agree that the County is establishing a

spendthrift trust by these terms of trust, and herewith transferring funds to the Trustee, pursuant to the terms of this Decommissioning Trust Agreement, to be held in trust (such trust being referred to herein as the “Decommissioning Trust”) under the terms of this Decommissioning Trust Agreement for the benefit of the Beneficiaries as identified in Section 2.1 below and as required by the July 2015 Agreement attached and incorporated herein as **Exhibit 1**. Furthermore, the Trustee agrees to take all actions related to the trust assets pursuant to the terms of this Decommissioning Trust Agreement or as may be amended.

ARTICLE 1

NAME OF TRUST AND PURPOSE

1.1 Name. This San Juan Generating Station Decommissioning Trust Agreement may be referred to as the “Decommissioning Trust Agreement” by and between the County and Trustee.

1.2 Purpose. The purpose of this Decommissioning Trust Agreement is for the County to provide funding for the payment of Decommissioning Costs for the San Juan Project in accordance with the County’s obligations as set out in the July 2015 Agreement.

ARTICLE 2

TRUST BENEFICIARIES

2.1 Identification of Beneficiaries. The beneficiaries of this Decommissioning Trust (“Beneficiaries”) are: (i) the County, as the settlor; (ii) each of the other Decommissioning Parties; and (iii) the Decommissioning Agent as provided for in the July 2015 Agreement. At the time of the establishment of the County’s Trust, the County will notify and provide to the Trustee the names and contact information of all of the Decommissioning Parties and the Decommissioning Agent.

2.2 Settlor’s Relinquishment of Beneficial Interest. The County, as settlor of the Decommissioning Trust, retains no beneficial interest in the funds held in trust except to utilize funds in the Decommissioning Trust as set forth in Section 4 and to receive a return of any funds that may remain in the Decommissioning Trust after the purposes of the Decommissioning Trust have been accomplished and the Decommissioning Trust has been terminated.

ARTICLE 3

DECOMMISSIONING TRUST FUND

3.1 Decommissioning Trust Fund. The County hereby establishes and is funding herewith the Decommissioning Trust Fund in accordance with the July 2015 Agreement. Prior to termination, funds may be disbursed from the Decommissioning Trust Fund for the following and no other purposes: (a) to pay the costs and fees associated with the maintenance of the Decommissioning Trust Account, including the fees and expenses of the Trustee attached and incorporated by reference as **Exhibit 2**; and (b) to pay the County's Decommissioning Share (as defined in Section 5.3 and Exhibit A of the July 2015 Agreement) of Decommissioning Costs pursuant to invoices rendered to the County by the Decommissioning Agent (as that term is defined in the July 2015 Agreement) and approved for payment by the County. The Trustee will pay funds out of the County's Decommissioning Trust Fund in accordance with the following procedures.

3.1.1. The Decommissioning Agent will bill the County, in writing, for Decommissioning Costs at least ten (10) Business Days prior to the date that payment is due. The term "Business Day" means any day of the year, excluding Saturday, Sunday and any other day on which the Trustee is closed for business. The County will promptly review the Decommissioning Agent's invoice and, upon the County's review and written approval of such invoice, the County will direct the Trustee to pay such invoice by making payment out of the assets of the Decommissioning Trust, in immediately available funds. Upon the making of such payment to the Decommissioning Agent, the Trustee will provide notice of such payment to the County.

3.1.2. The County will provide the Trustee with appropriate wiring (or Automated Clearing House) instructions for the making of payments in immediately available funds to the Decommissioning Agent. The County will notify the Trustee of the identity of the Decommissioning Agent and of any changes in the Decommissioning Agent. Subject to and in accordance with the terms and conditions hereof, the Trustee agrees that it will receive, hold in trust, invest, reinvest, and release, disburse or distribute the funds in the Decommissioning Trust Account ("Decommissioning Trust Fund").

3.1.3. All interest and other earnings on the Decommissioning Trust Fund will become a part of the Decommissioning Trust Account and the Decommissioning Trust Fund for all purposes, and all losses resulting from the investment or reinvestment thereof from time to time, and all amounts charged thereto to compensate or reimburse the Trustee for amounts owing to it hereunder from time to time, will be set off against the Decommissioning Trust Fund, from the time of such loss or charge, and thereafter no longer will constitute part of the Decommissioning Trust Fund.

3.2 Funding Provisions. The County will fund the Decommissioning Trust Account according to the terms set forth in the July 2015 Agreement. The Trustee will have no obligation to take any action whatsoever in connection with the County's funding of the Decommissioning Trust, or to enforce any obligations that the County has, or may

have, under the July 2015 Agreement with respect to the funding and replenishment of the Decommissioning Trust.

3.3 Notice to Trustee. The Trustee will be entitled to receive and may conclusively rely upon a written notice from the County of funding requirements pursuant to this Decommissioning Trust Agreement. Any notice described in this Section 3.3 will be delivered to the Trustee as provided in Section 11.12.

ARTICLE 4 IRREVOCABILITY; MODIFICATIONS

4.1 Modifications. The Decommissioning Trust created pursuant to this Decommissioning Trust Agreement is irrevocable and may not be modified by the County in a manner that (i) is inconsistent with the July 2015 Agreement; or (ii) will adversely affect the ability of any Beneficiary to perform its obligations under the July 2015 Agreement. It will be a condition to any modification of this Decommissioning Trust Agreement that the County certifies to the Trustee that such modification is not inconsistent with the July 2015 Agreement and will not adversely affect the ability of any Beneficiary to perform its obligations under the July 2015 Agreement. In no circumstance will this Decommissioning Trust Agreement be modified in a way that impacts the Trustee's rights or duties, without the Trustee's prior written consent.

ARTICLE 5 TRUSTEE'S DUTIES

5.1 Good Faith Duties of Administration. The Trustee must exercise reasonable care, skill and caution in the administration of the Decommissioning Trust and must administer the Decommissioning Trust in good faith, in accordance with the terms of this Decommissioning Trust Agreement and the July 2015 Agreement. The Trustee shall administer the trust in good faith, in accordance with its terms and purposes and the interests of the beneficiaries and in accordance with the Uniform Trust Act.

5.2 No Conflicts of Interest. The Decommissioning Trust will be administered solely in the interests of the Beneficiaries. The Trustee will not permit to exist a conflict of interest between its duties under this Decommissioning Trust Agreement and its personal interests and must keep the Decommissioning Trust property separate from the Trustee's own property.

ARTICLE 6

TRUSTEE'S POWERS

6.1 Limited Powers. The Trustee will be vested with the following specific powers and discretion in addition to any other powers conferred upon the Trustee by law:

(a) Consultation with the County. The Trustee will have the power to regularly consult and confer with the County on all matters affecting the administration and investment of the Decommissioning Trust Fund to ensure that the Decommissioning Trust Funds are used for permitted purposes.

(b) Investment Decisions. The Trustee agrees to invest and reinvest the Decommissioning Trust Fund only as provided herein. The Parties recognize and agree that the Trustee will not provide supervision, recommendations or advice relating to either the investment of the Decommissioning Trust Fund property or the purchase, sale, retention or other disposition of any permitted investment. Interest and other earnings on investments will be added to the Decommissioning Trust Account. Any loss or expense incurred as a result of an investment will be borne by the Decommissioning Trust property account. The Trustee will have no responsibility or liability for any diminution in value of any assets held hereunder that may result from any investments or reinvestments made in accordance with the provisions contained herein. Only upon written instruction of the County, the Trustee may invest property of the Decommissioning Trust Fund in the Cavanal Hill Institutional Treasury Fund, or a successor or similar fund offered by the Trustee (–“Fund”). Where instructed in writing by the County, Trustee may execute purchases and sales of investments through the facilities of its own trading or capital markets operations or those of any affiliated entity. The County acknowledges that it has received, upon its request, and reviewed the Fund’s prospectus and has determined that the Fund is an appropriate investment for the Decommissioning Trust Funds.

(c) Appointment of Investment Manager(s). The County may appoint in writing one or more investment managers (the “Investment Managers”) to direct the investment of all or part of the Decommissioning Trust Fund. The County will also have the right to remove any such Investment Manager. The appointment of the Investment Manager(s) will be made in accordance with the July 2015 Agreement. The County will provide notice of any such appointment to the Trustee which notice will specify the portion of the Decommissioning Trust Funds to which the Investment Manager has been authorized to invest, reinvest, or return to the Trust Account Fund. Each Investment Manager will certify in writing, along with independent written authorization County to the Trustee that it is qualified to act in the capacity provided under an investment manager agreement with the County. The Trustee will accept the County’s designation and appointment of such Investment Manager. The County will also certify the identity of the

person or persons authorized to give instructions or directions to the Trustee on its behalf, including specimen signatures, and will undertake to perform the duties imposed on it under the relevant investment manager agreement. The Trustee may continue to rely upon all such certifications unless otherwise notified in writing by the County or the Investment Manager(s), as the case may be. The County may also utilize, as a Decommissioning Trust Account investment, pooled funds that are SEC-registered mutual funds, bank commingled funds, insurance company pooled funds or pooled funds of registered investment advisors whose portfolio is designed to track an equity or fixed income market index. Only upon the County's written instructions, the Trustee may procure for the Decommissioning Trust Account a pooled fund and will take the actions necessary to ensure that the pooled fund's value is properly reflected on the account statement.

(d) Direction by Investment Manager(s). The Investment Manager(s) designated by the County to manage the specified and authorized portion of the Decommissioning Trust Fund will have only the authority to manage such portion of the Decommissioning Trust Fund as has been previously authorized in writing by the County. Each Investment Manager is authorized to only invest in securities specified by the County, which will be consistent with the guidelines established pursuant to the July 2015 Agreement. The Trustee, upon proper notification from an Investment Manager, will execute and deliver in accordance with the appropriate trading authorizations. Written notification of the issuance of each such authorization will be given promptly to the Trustee and County by the Investment Manager(s), and the Investment Manager(s) will cause the execution of such order to be confirmed in writing to the Trustee and County by the broker or dealer. Such notification will be proper authority for the Trustee to pay for portfolio securities purchased against receipt thereof and to deliver portfolio securities sold against payment therefor, as the case may be.

(e) Authority of Investment Manager(s). The authority of the Investment Manager(s) and the terms and conditions of the appointment and retention of the Investment Manager(s) will be the sole responsibility of the County, consistent with the July 2015 Agreement, and the Trustee will not be deemed to be a party to or to have any obligations under any agreement of the County with the Investment Manager(s) except to ensure that the Investment Manager has and remains the duly appointed agent of the County. Any duty of supervision or review of the acts, omissions or overall performance of the Investment Manager(s) will be the exclusive responsibility of the County, and the Trustee will have no duty to review the actions of or performance by the Investment Manager(s) or to initiate any report or communication to the County with respect to the exercise or non-exercise of any power by the Investment Manager(s).

(f) Trustee Responsibility Regarding Investment Manager(s). The Trustee will be under no liability of any kind which may result by reason of any action taken by it in accordance with any direction of the Investment Manager(s). In any event, the Trustee will be under no liability for any loss of any kind by reason of changes in value of the investments purchased, sold or retained by the Investment Manager(s), nor for the risk or diversification of the portfolio, nor for the turnover of the investments, nor for any other aspect of a portfolio for which an Investment Manager(s) has been appointed.

(g) Purchase or Sale Orders. Orders for the purchase or sale of any security which are received by the Trustee before the published trade deadline then in effect will ordinarily be executed that day. Orders for the purchase or sale of any security which are received by the Trustee after the published trade deadline then in effect will ordinarily be executed the following Business Day.

(h) Account Statement. Receipt, investment and reinvestment of the Decommissioning Trust Funds will be confirmed by the Trustee in monthly account statements sent to the County and, if requested by the County, to any of the other Beneficiaries. Any discrepancies in any such account statement will be noted by the County to the Trustee within sixty (60) calendar days after receipt thereof. For purposes of this Section 6.1(h), each account statement will be deemed to have been received by the County on the earlier to occur of (i) actual receipt thereof, or (ii) three (3) Business Days after the deposit thereof in the United States Mail, postage prepaid to the address and contact noted below.

(i) Participation in Judicial Proceedings. The Trustee will have the power to take all steps reasonably necessary to protect, defend and conserve the Decommissioning Trust Fund in any judicial or administrative proceeding. In the event the Trustee becomes involved in litigation as a result of this Decommissioning Trust Agreement, the Trustee will be entitled to retain counsel and the fees and expenses of such counsel will be payable as provided in Section 9.1.

(j) Consultation with Legal Counsel. The Trustee may consult with its counsel or other counsel satisfactory to it concerning any question relating to its duties or responsibilities hereunder or otherwise in connection herewith and will be paid or reimbursed the reasonable and documented fees and expenses of such counsel.

(k) Trustee Records and Reports. The Trustee must keep or cause to be kept and maintained accurate books and records reflecting all income, principal and expense transactions, which books and records will be open at all reasonable times for inspection by the County or its duly authorized representatives, upon at least two (2)

Business Days prior written notice to the Trustee. The Trustee must furnish statements to the County and the Decommissioning Agent at least as often as annually, or as may be requested by the County. The Trustee will promptly respond to requests for information related to the administration of the Decommissioning Trust from the County. When applicable and required by applicable regulations, the Trustee will issue annual any or all IRS Forms and documents.

(l) Scope of Undertaking. The Trustee, as a fiduciary, will be subject to and must perform all duties in accordance with this Decommissioning Trust Agreement. The Trustee will perform such duties and only such duties as are specifically set forth in this Decommissioning Trust Agreement, and no implied covenants, agreements or duties will be read into this Decommissioning Trust Agreement against the Trustee. The Trustee will have no duty to perform, cause the performance of, manage, monitor, evaluate or approve the Decommissioning Work. The Trustee is not a principal, participant, or beneficiary in any transaction underlying this Decommissioning Trust Agreement and will have no duty to inquire beyond the terms and provisions of this Decommissioning Trust Agreement except as specifically provided herein. The Trustee will not be required to deliver the Decommissioning Trust Fund or any part thereof, or take any action with respect to any matters that might arise in connection therewith, other than to receive, hold in trust, invest, reinvest, and release, disburse or distribute the Decommissioning Trust Fund property as herein provided. The Trustee will not be required to notify or obtain the consent, approval, authorization or order of any court or governmental body to perform its obligations under this Decommissioning Trust Agreement, except as expressly provided herein. Without limiting the specific duties provided herein, it is hereby expressly agreed and stipulated by the Parties that, unless otherwise provided herein, the Trustee will not be required to exercise any discretion hereunder and will have no investment or management responsibility and, accordingly, will have no duty to, or liability for its failure to, provide investment recommendations or investment advice to the County. It is the intention of the Parties that the Trustee will not be required to use, advance or risk its own funds or otherwise incur financial liability in the performance of any of its duties or the exercise of any of its rights and powers hereunder except that those funds, costs, and expenses related to the normal management and oversight of the Decommissioning Trust Fund property shall be reimbursed as provided herein.

(m) Reliance; Liability. The Trustee may act upon any instruction or direction, regardless of form, furnished to the Trustee by the designated County official in writing or any instrument or signature which it believes to be genuine and in conformance with the terms of this Decommissioning Trust Agreement, may assume the validity and accuracy of any statement or assertion contained in such a writing or instrument. The Trustee will not be liable in any manner for the sufficiency or correctness as to form,

manner and execution, or validity of any instrument deposited with it; neither will it be required to verify the identity, authority or right of any person executing the same. The Trustee will only be responsible for receiving, holding in trust, investing, reinvesting, and releasing, disbursing or distributing the Decommissioning Trust Fund as provided in this Decommissioning Trust Agreement and July 2015 Agreement; provided, however, that in no event will the Trustee be liable for any lost profits, lost savings, or other special, exemplary, consequential, or incidental damages, even if the Trustee has been advised of the likelihood of such loss or damage and regardless of the form of action; and provided, further, that the Trustee will have no liability for any loss arising from any cause beyond its control, including, but not limited to, the following: (a) acts of God, force majeure, including, without limitation, war (whether or not declared or existing), revolution, terrorism, insurrection, riot, civil commotion, accident, fire, explosion, stoppage of labor, strikes or other differences with employees; (b) the act, failure or neglect of the County or the Beneficiaries; (c) any delay, error, omission or default of any mail, courier, or telecopier operator; or (d) the acts or edicts of any government or governmental agency or other group or entity exercising governmental powers. The Trustee is not responsible or liable in any manner whatsoever for the sufficiency, correctness, genuineness or validity of the subject matter of this Decommissioning Trust Agreement and any part hereof, for the transaction or transactions requiring or underlying the execution of this Decommissioning Trust Agreement or the form or execution hereof, or for the identity or authority of any person executing this Decommissioning Trust Agreement or any part hereof. The Trustee will not be liable in connection with the performance or observation of its duties or obligations hereunder except for failure to exercise reasonable care or in the case of its own willful misconduct. The Trustee will have no obligation or liability to the County under this Decommissioning Trust Agreement for the failure or refusal of the County to perform any covenant or agreement made by the County hereunder or under any other agreement, but will be responsible solely for the performance of the duties and obligations expressly imposed upon it as Trustee hereunder.

(n) Right of Interpleader. Should (a) any controversy arise involving the Parties or any other person, firm or entity with respect to this Decommissioning Trust Agreement or the Decommissioning Trust Fund, (b) a successor Trustee fails to be designated as provided in Section 10.1, or (c) the Trustee is in doubt as to what action to take, then, in each such circumstance, the Trustee will have the right, but not the obligation, either to (i) withhold delivery of the Decommissioning Trust Fund until the controversy is resolved, the conflicting demands are withdrawn, or its doubt is resolved, or (ii) institute a petition for interpleader in any court of competent jurisdiction to determine the rights of the Parties, of any of the Beneficiaries or of any other person. In the event the Trustee is a party to any dispute with respect to the County, the Beneficiaries, this Decommissioning Trust Agreement, or the Decommissioning Trust Funds, the Trustee will have the

additional right to refer such controversy to binding arbitration as described in Section 6.1(o), if applicable.

(o) Arbitration. Subject to the Trustee's right of interpleader as provided in Section 6.1(n), and the County's right to seek removal of the Trustee under Section 10.2, the Parties agree that all controversies which may arise between the County and the Trustee concerning the construction, performance or breach of this Agreement will be determined by arbitration.

(i) The arbitration will be held before a single arbitrator selected by the Parties, or, in the event that the Parties are unable to agree upon an arbitrator, a single arbitrator chosen by the American Arbitration Association from a panel of persons knowledgeable in the subject matter of the arbitration.

(ii) Any arbitration will be held in Albuquerque, New Mexico. The arbitration will be conducted in accordance with the commercial arbitration rules of the American Arbitration Association. The arbitration will be held and a final decision reached within thirty (30) days after the appointment of the arbitrator or such longer period as the Parties may agree. The arbitrator will file a certificate of ruling with the Parties immediately after a decision is reached. The decision of the arbitrator will be final and conclusive on the Parties, and there will be no relief or appeal therefrom, except for grounds set out in the Uniform Arbitration Act, NMSA 1978, §§ 44-4A-1 through 44-4A-32 or as may be provided in the Uniform Trust Code, NMSA 1978, §§ 46A-1-101 through 46A-11-1105 as may be amended from time to time, as may be provided by law. A decision of the arbitrator may be enforced by the prevailing Party in a court of competent jurisdiction. All other issues in connection with such arbitration will be determined in accordance with the rules of the American Arbitration Association.

(iii) The Parties agree that an action to compel arbitration pursuant to this Agreement will be brought in any court of competent jurisdiction in the State of New Mexico. Application may also be made to such court for confirmation of any decision or award of the arbitrator, which may be necessary to effectuate such decisions or awards. The Parties hereby consent to the jurisdiction of the arbitrator and of such court and waive any objection to the jurisdiction and venue of such arbitrator or court.

(iv) Each party shall be responsible for their own costs and fees related to arbitration.

(p) Indemnification. The Trustee will have no obligation to take any legal action in connection with this Decommissioning Trust Agreement or towards its

enforcement, or to appear in, prosecute or defend any action or legal proceeding that would or might involve it in any cost, expense, loss or liability unless indemnity, as provided in this Section 6.1(p) and as may be allowed under State law, will be furnished; provided, that the Trustee may rely on the protections of this Section 6.1(p) without a requirement for further action by the County.

To the extent permitted by applicable law, the County agrees to indemnify the Trustee and its officers, directors, employees and agents (the “Indemnified Parties” and each an “Indemnified Party”) and save and hold the Indemnified Parties harmless from and against any and all Claims (as hereinafter defined) and Losses (as hereinafter defined) which may be incurred by an Indemnified Party a result of Claims asserted against such Indemnified Party as a result of or in connection with such Indemnified Party’s capacity as such under or in connection with this Decommissioning Trust Agreement by any person or entity. For the purposes hereof, the term “Claims” will mean all claims, lawsuits, arbitrations, mediations, causes of action or other legal actions and proceedings of whatever nature brought against (whether by way of direct action, counterclaim, cross action or impleader) an Indemnified Party, even if groundless, false or fraudulent, so long as the claim, lawsuit, arbitration, mediation, cause of action or other legal action or proceeding is alleged or determined, directly or indirectly, to arise out of, result from, relate to or be based upon, in whole or in part: (a) the acts or omissions of the County, the Beneficiaries or an Investment Manager, (b) the appointment of the Trustee as Trustee under this Decommissioning Trust Agreement, or (c) the exercise by the Trustee of its powers and discharge of its duties under and in accordance with this Decommissioning Trust Agreement; and the term “Losses” will mean losses, costs, damages, expenses, judgments and liabilities of whatever nature (including, but not limited to, attorneys’, accountants’ and other professionals’ fees, litigation, arbitration, mediation and court costs and expenses and amounts paid in settlement), directly or indirectly resulting from, arising out of or relating to one or more Claims. Upon the written request of an Indemnified Party, and to the extent permitted by law, the County agrees to assume the investigation and defense of any Claim, including the employment of counsel acceptable to such Indemnified Party and the payment of all expenses related thereto and, notwithstanding any such assumption, such Indemnified Party will have the right, and the County agrees to pay the cost and expense, to employ separate counsel with respect to any such Claim and participate in the investigation and defense thereof in the event that such Indemnified Party will have been advised by counsel that there may be one or more legal defenses available to such Indemnified Party that are different from or in addition to those available to the County. The County hereby agrees that the indemnification and protections afforded the Indemnified Parties in this Section 6.1(p) will survive the resignation or removal of the Trustee and the termination of this Decommissioning Trust Agreement.

(q) Registration of Securities. The Trustee will have the power to hold any stocks, bonds, securities, and/or other property in the name of a nominee, in a street name, or by other title-holding device.

ARTICLE 7

TERMINATION OF THE TRUST AND OF THE DECOMMISSIONING TRUST AGREEMENT

7.1 Termination of Decommissioning Trust and of this Decommissioning Trust Agreement. The Decommissioning Trust and this Decommissioning Trust Agreement will terminate no earlier than twenty-four (24) months after the Decommissioning Committee (established in the July 2015 Agreement) determines that the “Decommissioning Work” is complete; provided, however, that in the event all fees, expenses, costs and other amounts required to be paid to the Trustee hereunder are not fully and finally paid prior to termination, the provisions of Section 9.1 will survive the termination hereof, and provided further, that the provisions of Section 6.1(n) and Section 6.1(p) (if applicable) will, in any event, survive the termination hereof. Notice of termination of the Decommissioning Trust and of this Decommissioning Trust Fund and Agreement must be provided to the Trustee in the following manner: the Decommissioning Agent, at the direction of the Decommissioning Committee, must give written notice to the County and to each of the other Decommissioning Parties that the Decommissioning Work was completed, and the County must, in turn, give written notice to the Trustee of the satisfaction of the County’s obligations under the July 2015 Agreement.

7.2 Distribution of Assets. Until satisfaction of The County’s obligations under the July 2015 Agreement, the County will have no right of return of any of the Decommissioning Trust Fund. Upon the termination of this Decommissioning Trust Agreement, the Trustee must distribute any remaining assets in the Decommissioning Trust Account to the County.

ARTICLE 8

APPOINTMENT OF TRUSTEE

8.1 Power of Appointment. The County has the power to appoint the initial and successive Trustee as provided herein.

8.2 Appointed Trustees. The County hereby appoints BOKF, N.A. dba Bank of Albuquerque to serve as the Trustee, and appoints BOKF, N.A. dba Bank of Albuquerque to hereby accept such appointment, for the purposes and subject to the terms and conditions set forth in this Decommissioning Trust Agreement.

8.3 Successor Trustee. If for any reason or at any time the Trustee, or its successor, is unwilling or unable to act, resigns, or is removed pursuant to Article 10, then a successor will be appointed by the County.

8.4 Bond. No bond is required of the Trustee or of any successor Trustee or, if a bond is required by law, no surety on such bond is required. If, however, a court requires a bond, the premium of any surety will be payable out of the Decommissioning Trust Fund.

ARTICLE 9 COMPENSATION OF TRUSTEE

9.1 Compensation and Reimbursement of Expenses.

(a) The Trustee will charge for its trust services hereunder in accordance with the Trustee's fee schedule attached hereto as **Exhibit 2**, as in effect and as may be amended from time to time (the "Trustee Fee") and the Trustee will be reimbursed for all expenses incurred by the Trustee in connection with the performance of its duties and enforcement of its rights hereunder and otherwise in connection with the preparation, operation, administration and enforcement of this Decommissioning Trust Agreement, including, without limitation, attorneys' fees, brokerage costs and related expenses incurred by the Trustee ("Trust Expenses"). The County will be liable to the Trustee for the payment of the Trustee Fee and Trust Expenses; provided, however, the Trustee may, in its discretion, charge the Trustee Fee and Trust Expenses to the Decommissioning Trust Fund.

(b) All amounts payable to the Trustee or any Indemnified Party pursuant to this Decommissioning Trust Agreement, including, without limitation, any such amounts payable to the Trustee or any Indemnified Party pursuant to Sections 6.1(j) and 6.1(p), may be deducted by the Trustee from the Decommissioning Trust Fund, with all such deductions being made first from interest and other returns earned on the Decommissioning Trust Fund, and to the extent such interest and other returns earned with respect to the Decommissioning Trust Fund are insufficient to pay such amounts, from the principal of the Decommissioning Trust Fund. If such deductions are insufficient to pay all amounts owed to the Trustee, the County will be liable for the excess amount.

(c) The Trustee will notify the County of all deductions made under this Section 9.1 by reflecting such deductions in monthly account statements, as provided in Section 6.1(h).

(d) The Trustee will notify the County in writing and in advance of any material change in the method or rate of the Trustee's compensation.

ARTICLE 10

RESIGNATION OR REMOVAL OF TRUSTEE

10.1 Resignation of Trustee. In the event that any Trustee desires to resign, such Trustee will have the right to resign at any time by giving sixty (60) days prior written notice to the County; provided, however, that no such resignation by a Trustee will become effective until the date on which a written acceptance by a successor Trustee is delivered to the resigning Trustee and the Trustees receive approval of such transfer of responsibilities under this agreement.

10.2 Removal of Trustee. The County may request that the Trustee resign at any time by giving thirty (30) days' written notice to the Trustee, and the Trustee will resign. The County may petition any court having jurisdiction in the premises for removal of the Trustee for failure to resign when requested to do so, to administer this Decommissioning Trust Agreement expeditiously for the purposes stated in this Decommissioning Trust Agreement, for a breach of trust or for other failure to perform the general duties of the Trustee in accordance with the standards of care and performance as set forth herein; provided, however, that the removal of the Trustee will not become effective until the date on which a written acceptance by a properly qualified successor Trustee is delivered to the removed Trustee or said court.

ARTICLE 11

MISCELLANEOUS PROVISIONS

11.1 The Trustee. Whenever in this Decommissioning Trust Agreement reference is made to the "Trustee", such reference will be deemed to include not only the initial Trustee, but also any and all successor Trustees at any time qualified and acting hereunder, and all rights and powers given in this Decommissioning Trust Agreement to the Trustee will be vested in such successor Trustees. Any banking association or corporation into which the Trustee may be merged, converted or with which the Trustee may be consolidated, or any corporation resulting from any merger, conversion or consolidation to which the Trustee will be a party, or any banking association or corporation to which all or substantially all of the business of the Trustee will be sold or otherwise transferred, will succeed to all the Trustee's rights, obligations and immunities hereunder without the execution or filing of any instrument or any further act, deed or conveyance on the part of the Parties, anything herein to the contrary notwithstanding.

11.2 Spendthrift Clause. The interests of the Beneficiaries are held subject to a **spendthrift trust**. No interest in the Decommissioning Trust Fund established pursuant to this Decommissioning Trust Agreement will be transferable or assignable, voluntarily or involuntarily, or be subject to the claims of the County or its creditors other than as provided in the July 2015 Agreement.

11.3 Tax Matters. The County must provide the Trustee with its taxpayer identification number documented by an appropriate Form W8 or W9 (or other appropriate identification information for tax purposes) upon execution of this Decommissioning Trust Agreement. Failure to provide such form may prevent or delay disbursements from the Decommissioning Trust Fund and may also result in the assessment of a penalty and the requirement that the Trustee withhold tax on any interest or other income earned on the Decommissioning Trust Fund. The Parties agree that, for all tax purposes, all interest or other income, gain, or loss from investment of the Decommissioning Trust Fund, as of the end of each calendar year and to the extent required by the Internal Revenue Service or other taxing authority, will be reported as having been earned or lost, as the case may be, by the County. Any payments of income will be subject to applicable withholding regulations then in force in the United States or any other jurisdiction, as applicable.

11.4 Tax Liability of the Trustee. To the extent that the Trustee becomes liable for the payment of any taxes with respect to income derived from the investment of the Decommissioning Trust Fund, the Trustee will satisfy such liability to the extent possible from the Decommissioning Trust Fund. To the extent such amounts cannot be satisfied from the Decommissioning Trust Fund, the County agrees to indemnify, defend and hold the Trustee harmless, as may be allowed by law, from and against any tax, late payment, interest, penalty or other cost or expense that may be assessed against the Trustee on or with respect to the Decommissioning Trust Fund and the investment thereof unless any such tax, late payment, interest, penalty or other expense was caused by the gross negligence or willful misconduct of the Trustee. The indemnification provided by this Section 11.4 is in addition to the indemnification provided in Section 6.1(p) and will survive the resignation or removal of the Trustee and the termination of this Decommissioning Trust Agreement.

11.5 Binding Effect. This Decommissioning Trust Agreement will extend to and be binding upon the heirs, executors, administrators, legal representatives, assignees, and successors, respectively, of the County and the Trustee. The foregoing notwithstanding, no assignment of the interests of the County will be binding on the Trustee unless and until properly issued written notice of such assignment will be delivered to and acknowledged by the Trustee.

11.6 Captions. The captions, section and paragraph headings of this Decommissioning Trust Agreement are not necessarily descriptive, or intended or represented to be descriptive of all the provisions thereunder, and in no manner, will such captions, section and paragraph headings be deemed or interpreted to limit the provisions of this Decommissioning Trust Agreement.

11.7 Numbers and Genders. Whenever used herein, unless the context will otherwise provide, the singular number will include the plural, the plural the singular, and the use of any gender will include all genders.

11.8 Severability. If any provision of this Decommissioning Trust Agreement, or the application of such provisions to any person or circumstances, will be held invalid, the remainder of this Decommissioning Trust Agreement, or the application of such provisions to persons or circumstances other than those to which it is held invalid, will not be affected thereby.

11.9 Governing Law. The validity, construction, and effect of this Decommissioning Trust Agreement, the administration thereof and the rights and obligations of the Parties will be governed by the laws of the State of New Mexico.

11.10 Counterparts. This Decommissioning Trust Agreement may be executed in any number of counterparts, and it will not be necessary that the signatures of both Parties be contained on any counterpart. Each counterpart will be deemed an original, but all counterparts together will constitute one and the same instrument.

11.11 **Not FDIC Insured.** The County acknowledges that investments in mutual funds, money market mutual funds, and any other non-deposit investment products are not insured by the FDIC; are not deposits or other obligations of, or guaranteed by Bank; and are subject to investment risks, including possible loss of the principal amount invested.

11.12 Notices. Any notice, demand or request provided for in this Agreement, or served, given or made in connection with it, will be deemed properly served, given or made (i) when delivered personally or by prepaid overnight courier, with a record of receipt; (ii) on the fourth day after mailing if mailed by certified mail, return receipt requested; or (iii) on the day of transmission, if sent by facsimile or electronic mail during regular business hours or the day after transmission, if sent after regular business hours (provided, however, that such facsimile or electronic mail will be followed on the same day or next Business Day with the sending of a duplicate notice, demand or request by a nationally recognized prepaid overnight

courier with record of receipt), to the Parties specified below. The following notice information may be changed at any time by written notice to the other Party.

If to the Trustee:

Bank of Albuquerque
Corporate Trust
100 Sun Avenue NE Suite 500
Albuquerque, NM 87109
Telephone 505-222-8457
Facsimile 505-222-8453

If to The County:

Incorporated County of Los Alamos
Attention Deputy Utilities Manager, Finance and Administration
1000 Central Avenue Suite 130
Los Alamos, NM 87544
Telephone 505-662-8001
Facsimile 505-662-8005

With Copy to:

Incorporated County of Los Alamos
Attention: Chief Financial Officer
1000 Central Avenue Suite 300
Los Alamos, NM 87544
Telephone 505-662-8360
Facsimile 505-662-8069

11.13 Waivers. Any failure by either Party to comply with any of its obligations, agreements or conditions herein contained may be waived by the Party to whom such compliance is owed by an instrument signed by the Party to whom compliance is owed and expressly identified as a waiver, but not in any other manner. No waiver of, or consent to a change in, any of the provisions of this Decommissioning Trust Agreement will be deemed or will constitute a waiver of, or consent to a change in, other provisions hereof (whether or not similar), nor will such waiver constitute a continuing waiver unless otherwise expressly provided.

11.14 Entire Agreement; Amendments. This Decommissioning Trust Agreement constitutes the entire agreement of the Parties with respect to the subject matter hereof and supersedes all prior and contemporaneous oral, and all prior written, understandings, agreements, solicitation documents and representations, express or implied, between the

Parties. By execution of this Decommissioning Trust Agreement, the Trustee will not be deemed or considered to be a party to any other contract or agreement, including any agreement between or among the County and any of the Decommissioning Parties. The County acknowledges that it will not enter into any modification of this Decommissioning Trust Agreement, including of any “Mandatory Provision” of this Decommissioning Trust Agreement, except as provided for in Section 4.1 and in the July 2015 Agreement.

11.15 Third Party Beneficiaries. Nothing in this Decommissioning Trust Agreement will entitle any person other than the Parties to any claim, cause of action, remedy, or right of any kind, except the rights expressly provided to the persons described in Section 6.1(p) (if applicable).

IN WITNESS WHEREOF, the Parties have executed this San Juan Generating Station Decommissioning Agreement on the date first above written.

INCORPORATED COUNTY OF LOS
ALAMOS

By: _____
Timothy Glasco
Utilities Manager

BOKF, N.A. dba Bank of Albuquerque, as
Trustee

By: _____
Name: _____
Title: _____

Exhibit 1. San Juan Decommissioning and Trust Funds Agreement, July 31, 2015

Exhibit 2. Trustee Fee Schedules

SAN JUAN DECOMMISSIONING AND TRUST FUNDS AGREEMENT

AMONG

PUBLIC SERVICE COMPANY OF NEW MEXICO

TUCSON ELECTRIC POWER COMPANY

THE CITY OF FARMINGTON, NEW MEXICO

M-S-R PUBLIC POWER AGENCY

THE INCORPORATED COUNTY OF LOS ALAMOS, NEW MEXICO

SOUTHERN CALIFORNIA PUBLIC POWER AUTHORITY

CITY OF ANAHEIM

UTAH ASSOCIATED MUNICIPAL POWER SYSTEMS

TRI-STATE GENERATION AND TRANSMISSION ASSOCIATION, INC.

PNMR DEVELOPMENT AND MANAGEMENT CORPORATION

July 31, 2015

SAN JUAN DECOMMISSIONING AND TRUST FUNDS AGREEMENT

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SAN JUAN DECOMMISSIONING AND TRUST FUNDS AGREEMENT

This SAN JUAN DECOMMISSIONING AND TRUST FUNDS AGREEMENT (“Decommissioning Agreement”), dated as of July 31, 2015, is entered into by PUBLIC SERVICE COMPANY OF NEW MEXICO, a New Mexico corporation (“PNM”); TUCSON ELECTRIC POWER COMPANY, an Arizona corporation (“TEP”); THE CITY OF FARMINGTON, NEW MEXICO, an incorporated municipality and a body politic and corporate, existing as a political subdivision under the constitution and laws of the State of New Mexico (“Farmington”); M-S-R PUBLIC POWER AGENCY, a joint exercise of powers agency organized under the laws of the State of California (“M-S-R”); THE INCORPORATED COUNTY OF LOS ALAMOS, NEW MEXICO, a body politic and corporate, existing as a political subdivision under the constitution and laws of the State of New Mexico (“Los Alamos”); SOUTHERN CALIFORNIA PUBLIC POWER AUTHORITY, a joint exercise of powers agency organized under the laws of the State of California (“SCPPA”); CITY OF ANAHEIM, a municipal corporation organized under the laws of the State of California (“Anaheim”); UTAH ASSOCIATED MUNICIPAL POWER SYSTEMS, a political subdivision of the State of Utah (“UAMPS”); TRI-STATE GENERATION AND TRANSMISSION ASSOCIATION, INC., a Colorado cooperative corporation (“Tri-State”); and PNMR DEVELOPMENT AND MANAGEMENT CORPORATION, a New Mexico corporation (“PNMR-D”). The parties to this Decommissioning Agreement are sometimes referred to individually as a “Party” and collectively as the “Parties.”

RECITALS

This Decommissioning Agreement is made with reference to the following facts, among others:

A. The San Juan Project is a four-unit, coal-fired electric generation plant located in San Juan County, near Farmington, New Mexico, also known as the San Juan Generating Station (“SJGS”, “San Juan Project” or “Project”). On the execution date, the owners of the Project are: PNM, TEP, Farmington, M-S-R, Los Alamos, SCPPA, Anaheim, UAMPS and Tri-State.

B. Concurrently herewith, the Parties are executing: (i) the San Juan Project Restructuring Agreement (“Restructuring Agreement”); (ii) the Amended and Restated Mine Reclamation and Trust Funds Agreement (“Mine Reclamation Agreement”); (iii) the SJPPA Restructuring Amendment; and (iv) the SJPPA Exit Date Amendment, all of which were agreed upon pursuant to a mediation among the Parties. The Restructuring Agreement, among other things, provides for the amendment of certain provisions of the Amended and Restated San Juan Project Participation Agreement dated March 23, 2006 (the “SJPPA”) regarding rights and obligations in respect of the ownership and operation of the San Juan Project.

C. One disagreement subject to negotiation and mediation concerned obligations under Section 40.0 of the SJPPA, which provides:

The Participants acknowledge the appropriateness of incorporating in a future amendment to this Agreement, or in another appropriate contractual instrument, provisions which address the decommissioning of the San Juan Project and/or of one or more Units. It is recognized, however, that the resolution of issues associated with San Juan Project decommissioning will require protracted study. The Participants therefore agree to establish a task force or other forum for the careful and deliberate consideration of decommissioning issues so that these issues may be addressed and resolved in a timely manner. The Operating Agent shall propose to the Participants a methodology and a schedule for addressing decommissioning issues.

The Parties desire by this Decommissioning Agreement to settle and resolve such disagreements and to establish a methodology for planning and approving Decommissioning Work and funding and allocating the cost of Decommissioning Work.

D. The Parties desire, by this Decommissioning Agreement, the Mine Reclamation Agreement, the Restructuring Agreement, the SJPPA Restructuring Amendment and the SJPPA Exit Date Amendment to establish a comprehensive set of agreements with respect to the restructuring of San Juan Project ownership interests, rights and cost responsibilities.

E. The foregoing Recitals are included to provide background regarding this Decommissioning Agreement, and while certain Recitals may be referenced in this Decommissioning Agreement, they are neither part of nor incorporated into the terms, covenants and conditions of this Decommissioning Agreement.

AGREEMENT

NOW, THEREFORE, for and in consideration of the promises and obligations reflected in the covenants, terms and conditions in this Decommissioning Agreement, all of which together provide the consideration for this Decommissioning Agreement, the Parties agree as follows:

1.0 Term and Termination

1.1 Effective Date. As provided for in the Restructuring Agreement, this Decommissioning Agreement will become effective on the Exit Date.

1.2 Termination. This Decommissioning Agreement will continue in full force and effect until twenty-four (24) months after completion of Decommissioning Work.

2.0 Definitions and Rules of Interpretation

2.1 Definitions. The following terms, when used herein with initial capitalization, have the meanings specified below:

2.1.1 Affiliate means, with respect to any person: (i) each person that, directly or indirectly, controls or is controlled by or is under common control with such designated person; (ii) any person that beneficially owns or holds 50% or more of any class of voting

securities of such designated person or 50% or more of the equity interest in such designated person; and (iii) any person of which such designated person beneficially owns or holds 50% or more of any class of voting securities or in which such designated person beneficially owns or holds 50% or more of the equity interest; provided, however, that members of a Party will not be deemed to be Affiliates of each such Party. For the purposes of this definition, “control” (including, with correlative meanings, the terms “controlled by” and “under common control with”), as used with respect to any person, means the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of such person, whether through the ownership of voting securities or by contract or otherwise; PNM and PNMR-D are Affiliates.

2.1.2 Arbitration Award means an award of the arbitrators as provided for in Section 9.5.

2.1.3 Arbitration Organization has the meaning provided for in Section 9.3.2.

2.1.4 Assigning Party means a Party making a transfer or assignment as described in Section 12.

2.1.5 Board means the governing body of a Party.

2.1.6 Business Day means any day other than a Saturday, Sunday or federal holiday.

2.1.7 Charter Documents means with respect to any Party, the certificate or articles of incorporation or organization and by-laws, the limited partnership agreement, the partnership agreement, the limited liability company agreement or trust agreement, or other organizational documents of such Party.

2.1.8 Credit Rating means the rating publicly assigned to a Party’s senior, unsecured long-term debt obligations (not supported by a third party credit enhancement), by a Rating Agency or, if a Party does not have a public rating for its senior, unsecured long-term debt, the rating publicly assigned to the Party by a Rating Agency as its corporate credit rating, or long-term issuer rating, as applicable.

2.1.9 Decommissioning Correcting Deposits means deposits to a Party’s Decommissioning Trust as required by Section 6.7.

2.1.10 Decommissioning Correction Period means the time in which Decommissioning Correcting Deposits must be completed as provided for in Section 6.7.2.1.

2.1.11 Decommission, Decommissioned or Decommissioning means, subject to the provisions set forth in Section 4.3, removal of the San Juan Project facilities from service in conjunction with retirement of facilities or closure of the Project in accordance with either the requirements of applicable Law, if any, or Prudent Cost Avoidance. Possible Decommissioning activities include the dismantlement, demolition, removal, retirement in place, salvage, remediation and/or reclamation of the San Juan Project or a

portion thereof (but not of the San Juan Mine), including any planning and administrative activities incident thereto and related reporting and monitoring requirements.

2.1.12 Decommissioning A&G Expenses means administrative and general expenses of the Decommissioning Agent incurred for Decommissioning as provided for in Section 3.2.4.

2.1.13 Decommissioning Agent means the agent of the Parties, selected in accordance with Section 3.2.1, who will perform the Decommissioning Work and other tasks assigned to the Decommissioning Agent under this Decommissioning Agreement under the oversight of the Decommissioning Committee.

2.1.14 Decommissioning Agreement means this San Juan Decommissioning and Trust Funds Agreement.

2.1.15 Decommissioning Committee means the committee established in Section 3.1.1.

2.1.16 Decommissioning Contractor means a non-Party who is hired to perform Decommissioning Work.

2.1.17 Decommissioning Costs means the costs for San Juan Project Decommissioning, including Decommissioning A&G Expenses.

2.1.18 Decommissioning Funding Target Amount means, the initial Decommissioning Funding Target Amount established in Sections 6.2 and 6.3, and thereafter, the respective dollar amounts as determined by the Decommissioning Investment Committee pursuant to Section 6.2.1.

2.1.19 Decommissioning Investment Committee means the committee established in Section 7.1.

2.1.20 Decommissioning Plan means the decommissioning plan as described in Section 5, which will include a provision that Salvage Revenues will be credited to all Parties based on each Party's Decommissioning Share.

2.1.21 Decommissioning Share means a Party's share of Decommissioning funding and cost responsibility, as specified for a given year in Section 5.3 and **Exhibit A**, as calculated by the Decommissioning Committee.

2.1.22 Decommissioning Study means an analysis of processes and associated costs for Decommissioning performed pursuant to Section 5.1.

2.1.23 Decommissioning Trust means a trust maintained by a Party with a Trustee pursuant to Section 6.1.

2.1.24 Decommissioning Trust Agreement means a trust agreement entered into between a Party and its Trustee for the purpose of satisfying the Party's responsibilities under this Decommissioning Agreement to fund and pay for Decommissioning Costs.

2.1.25 Decommissioning Work means all activities for planning and conducting Decommissioning.

2.1.26 Default means a default in performance of a Party's obligations under this Decommissioning Agreement, as defined more particularly in Section 8.1.

2.1.27 Default Declaration means a declaration of default as defined in Section 8.5.

2.1.28 Default Notice means a notice of default as defined in Section 8.2.

2.1.29 Dispute Protest has the meaning provided for in Section 9.1.2.

2.1.30 Effective Date means the date established in Section 1.1 for the effectiveness of this Decommissioning Agreement.

2.1.31 Exit Date means the date upon which the Exiting Participants transfer all of their respective rights, titles and interests in and to their ownership interests in SJGS to PNM and PNMR-D as provided in the Restructuring Agreement and terminate their active involvement in the operation of the SJGS, except as expressly provided for in the Restructuring Agreement, the Mine Reclamation Agreement and this Decommissioning Agreement; the Exit Date is anticipated to be on or about December 31, 2017.

2.1.32 Exiting Participants means those Parties that will transfer all of their respective rights, titles and interests in and to their ownership interests in SJGS to PNM and PNMR-D as provided in the Restructuring Agreement and terminate their active involvement in the operation of SJGS on the Exit Date, except as expressly provided for in the Restructuring Agreement, the Mine Reclamation Agreement and this Decommissioning Agreement; the Exiting Participants are M-S-R, Anaheim, SCPPA and Tri-State.

2.1.33 Final Decommissioning Report means a report prepared by the Decommissioning Contractor describing how Decommissioning was completed in accordance with requirements of Law and the Decommissioning Plan and provided by the Decommissioning Agent to the Decommissioning Committee pursuant to Section 3.2.2.8.

2.1.34 Governmental Authority means any federal, state, tribal, local, municipal or foreign governmental or regulatory authority, department, agency, commission, body, court or other governmental authority other than a Party.

2.1.35 Initiating Party means the Party initiating an audit as provided for in Section 13.1.

2.1.36 Interim Period has the meaning described in Section 4.2.

2.1.37 Law means statutes, rules, regulations, ordinances, orders and codes of federal, state and local Governmental Authorities.

2.1.38 Mandatory Provisions means those provisions which must be included in each Party's Decommissioning Trust Agreement, as described in **Exhibit B**.

2.1.39 Mine Reclamation Agreement means the Amended and Restated Mine Reclamation and Trust Funds Agreement, executed concurrently herewith.

2.1.40 Notice of Dispute has the meaning provided for in Section 9.1.1.

2.1.41 Notice means a notification given in accordance with Section 21.1.

2.1.42 Noticing Party has the meaning provided for in Section 9.1.1.

2.1.43 Notification of Intent means a notification of intent to declare a Party in default, as defined in Section 8.5.

2.1.44 Party means any one of the signatories to this Decommissioning Agreement.

2.1.45 Prime Rate means the interest rate per annum (sometimes referred to as the base rate) for large commercial loans to creditworthy entities announced from time-to-time by Wells Fargo Bank, N.A. (New York) or its successor bank or, if such rate is not announced, the rate published in The Wall Street Journal as the "prime rate" from time-to-time (or, if more than one rate is published, the arithmetic mean of such rates), in either case determined as of the date the obligation to pay arises.

2.1.46 Project has the meaning provided for in Recital A.

2.1.47 Project Assets means equipment or facilities of any kind at the San Juan Project that are not being used for current operations, including all components, spare equipment and inventory of any Unit which has ceased operations.

2.1.48 Projected Decommissioning Costs Review means a review of the projected costs of completing Decommissioning Work, as adjusted from time-to-time pursuant to Section 6.3.

2.1.49 Protest means a protest made under Section 8.4.

2.1.50 Protesting Party has the meaning provided for in Section 9.1.2.

2.1.51 Prudent Cost Avoidance means a discretionary action approved by the Decommissioning Committee in accordance with Section 4.2.3, even though not required by then-current Law.

2.1.52 Rating Agency means Moody's Investors, Inc. or Standard & Poor's Financial Services, LLC (a subsidiary of McGraw-Hill Companies).

2.1.53 Remaining Participants means those Parties that will continue participation, or acquire an ownership interest, in the Project on or after the Exit Date; the Remaining Participants are PNM, TEP, Farmington, Los Alamos, UAMPS and PNMR-D.

2.1.54 Required Plan has the meaning provided for in Section 5.1.1.

2.1.55 Restructuring Agreement means the San Juan Project Restructuring Agreement among the Parties, executed concurrently herewith.

2.1.56 Retirement Order means a proposal for the expenditure of certain funds as described in Section 4.2.3.

2.1.57 Salvage Revenue means proceeds, net of cost of removal, received from the sale or disposition of any Project Assets, as provided for in this Decommissioning Agreement.

2.1.58 SJGS has the meaning provided for in Recital A.

2.1.59 SJGS Plant Site means the parcels identified as Parcels A, B, D, E and F in **Exhibit C**.

2.1.60 SJPPA means the Amended and Restated San Juan Project Participation Agreement among the Participants dated March 23, 2006.

2.1.61 SJPPA Exit Date Amendment has the meaning provided for in Section 1.2.2 of the Restructuring Agreement.

2.1.62 SJPPA Restructuring Amendment has the meaning provided for in Section 1.2.1 of the Restructuring Agreement.

2.1.63 Status Report means a status report prepared and provided to Parties in accordance with Section 6.9.

2.1.64 Threshold Amount means five hundred thousand dollars (\$500,000).

2.1.65 Trustee means a financial institution selected by a Party at which the Party's Decommissioning Trust is or will be held.

2.1.66 Uncontrollable Forces has the meaning provided for in Section 14.

2.1.67 Unit means Unit 1, Unit 2, Unit 3 or Unit 4 of the San Juan Project.

2.1.68 Willful Action means (i) action taken or not taken by a Party (or the Decommissioning Agent), at the direction of its directors, members of its Board, officers or employees having management or administrative responsibility affecting its performance under this Decommissioning Agreement, 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; or (ii) action taken or

not taken by a Party (or the Decommissioning Agent) at the direction of its directors, members of its Board, officers or employees having management or administrative responsibility affecting its performance hereunder, which action has been determined by final arbitration award or final judgment or judicial decree to be a material default hereunder and which action occurs or continues beyond the time specified in such arbitration award or judgment or judicial decree for curing such default, or if no time to cure is specified therein, occurs or continues beyond a reasonable time to cure such default; or (iii) action taken or not taken by a Party (or the Decommissioning Agent), at the direction of its directors, members of its Board, officers or employees having management or administrative responsibility affecting its performance hereunder, which action is knowingly or intentionally taken or not taken with the knowledge that such action taken or not taken is a material default hereunder. The phrase “employees having management or administrative responsibility,” as used in this Section 2.1.68, means employees of a Party who are responsible for one or more of the executive functions of planning, organizing, coordinating, directing, controlling and supervising such Party’s performance under this Decommissioning Agreement; provided, however, that, with respect to employees of the Decommissioning Agent acting in its capacity as such and not in its capacity as a Party, but only during such time as any one of Unit 1, 2, 3 or 4 is commercially producing electrical power, such phrase refers only to: (x) the senior employee of the Decommissioning Agent on duty at the Project who is responsible for the operation of the Units, and (y) anyone in the organizational structure of the Decommissioning Agent between such senior employee and an officer. After such time as none of Unit 1, 2, 3 or 4 is commercially producing electrical power, the phrase “employees having management or administrative responsibility” as used in this Section 2.1.68 will mean employees of any Party (including the Decommissioning Agent), who are responsible for one or more of the executive functions of planning, organizing, coordinating, directing, controlling and supervising such Party’s performance under this Decommissioning Agreement. Willful Action does not include any act or failure to act which is merely involuntary, accidental or negligent.

2.2 Rules of Interpretation. Unless a clear contrary intention appears, this Decommissioning Agreement will be construed and interpreted as follows:

2.2.1 Any reference to a person includes any individual, partnership, firm, company, corporation, joint venture, trust, association, organization, governmental entity or other entity;

2.2.2 Any reference to a day, week, month or year is to a calendar day, week, month or year, unless otherwise specified as a Business Day;

2.2.3 Any act required to occur by or on a certain day is required to occur before or on that day unless the day falls on a Saturday, Sunday or federal holiday, in which case the act must occur before or on the next Business Day;

2.2.4 The singular includes the plural and *vice versa*;

2.2.5 Reference to the feminine, masculine or neutral gender includes reference to all other genders;

2.2.6 Reference to any person includes such person's successors and assigns but, in the case of a Party, only if such successors and assigns are permitted by this Decommissioning Agreement;

2.2.7 Unless expressly stated otherwise, reference to any agreement (including this Decommissioning Agreement), document, instrument or tariff means such agreement, document, instrument or tariff as amended, supplemented, replaced or modified and in effect from time-to-time;

2.2.8 Reference to any Law means such Law as amended, modified, codified, supplemented or reenacted, in whole or in part, and in effect from time-to-time, including, if applicable, rules and regulations promulgated thereunder;

2.2.9 Unless expressly stated otherwise, reference to any article, section, exhibit or appendix means such article, section, exhibit or appendix of this Decommissioning Agreement, as the case may be;

2.2.10 "Hereunder," "hereof," "herein," "hereto" and words of similar import are deemed references to this Decommissioning Agreement as a whole and not to any particular provision hereof;

2.2.11 "Including," "include" and "includes" are deemed to be followed by the phrase "without limitation" and will not be construed to mean the examples given constitute an exclusive list of the matters covered;

2.2.12 Relating to the determination of any period of time, "from" means "from and including," "to" means "to but excluding" and "through" means "through and including"; and

2.2.13 Whenever an act is required to be performed by a particular time of day, prevailing Mountain Time will be the standard by which performance is measured.

3.0 Decommissioning Committee and Decommissioning Agent

3.1 Decommissioning Committee.

3.1.1 Establishment of the Decommissioning Committee. The Parties hereby establish a Decommissioning Committee. The Decommissioning Committee will remain in existence during the term of this Decommissioning Agreement. The Decommissioning Committee will have no authority to modify any of the provisions of this Decommissioning Agreement.

3.1.2 Decommissioning Committee Membership. The Decommissioning Committee will consist of one representative from each Party who must be an officer or other designated representative of a Party. Any of the Parties may designate an alternate

or substitute to act as its representative on the Decommissioning Committee in the absence of the regular representative on the Decommissioning Committee or to act on specified occasions or with respect to specified matters. Each Party must notify the other Parties promptly, in writing, of the designation of its representative and alternate representative on the Decommissioning Committee and of any subsequent changes in such designations. The chairperson of the Decommissioning Committee will be the representative of the Decommissioning Agent if the Decommissioning Agent is a Party. If the Decommissioning Agent is not a Party, the chairperson will be elected by a majority of the individual representatives on the Decommissioning Committee. Each Party will be responsible for the costs of its Decommissioning Committee representative, including fees and travel reimbursement.

3.1.3 Functions and Responsibilities of the Decommissioning Committee. The responsibilities of the Decommissioning Committee include the following:

3.1.3.1 Oversee the performance of the Decommissioning Agent, including the Decommissioning Work;

3.1.3.2 Review and oversee ongoing Decommissioning A&G Expenses including Decommissioning A&G loadings and the methodology for determining Decommissioning A&G as described in Section 3.2.4;

3.1.3.3 Vote as to matters assigned to the Decommissioning Committee;

3.1.3.4 Establish goals, timelines and procedures with respect to Projected Decommissioning Costs Reviews and perform related functions, as provided for in Section 6.3;

3.1.3.5 Identify activities that constitute Decommissioning Work;

3.1.3.6 Determine when the Decommissioning Work and Decommissioning have been completed;

3.1.3.7 Establish budgets and schedules for Decommissioning Work and approve all proposed changes to the budgets or schedules for Decommissioning Work;

3.1.3.8 Determine contracting procedures for entry into third party agreements for Decommissioning Work;

3.1.3.9 Recalculate the Decommissioning Shares as set forth in footnote 1 of **Exhibit A**; and

3.1.3.10 Perform other tasks delegated to the Decommissioning Committee by this Decommissioning Agreement.

3.1.4 Decisions of the Decommissioning Committee. Except as provided for in the third sentence of this Section 3.1.4, any actions or determinations brought before the

Decommissioning Committee require the following vote: (i) more than a sixty-six and two thirds percent (66 2/3%) majority of the Decommissioning Shares of the Parties then in effect as set out in Section 5.3 and as defined in **Exhibit A**; and (ii) more than a sixty-six and two thirds percent (66 2/3%) majority of the number of individual Parties. Matters approved by the requisite majority of the Decommissioning Committee will be binding on all Parties. If a Party's right to vote has been suspended because of a Default, such Party will not have a right to vote under either subsection (i) or subsection (ii) of this Section 3.1.4, and the requisite majorities for actions or determinations of the Decommissioning Committee will be sixty-six and two thirds percent (66 2/3%) of the members eligible to vote under either subsection (i) or (ii) of this Section 3.1.4. The outcome of any vote of the Decommissioning Committee properly conducted in accordance with this Decommissioning Agreement will not be subject to the dispute resolution provisions of Section 9.

3.1.5 Meetings of the Decommissioning Committee. The Decommissioning Committee must meet no less frequently than annually. Special meetings will be held promptly at the written request of any Party, such request to be delivered in writing to the chairperson of the Decommissioning Committee. The Decommissioning Committee must keep written minutes and records of all meetings, the draft of which minutes will be distributed for review within forty-five (45) days. Any action or determination made by the Decommissioning Committee must be reduced to writing and will become effective when signed by the representatives of the Parties entitled to vote thereon, representing a voting majority of the members of the Decommissioning Committee as specified in Section 3.1.4(i) and (ii). Decommissioning Committee representatives will be permitted, by prior notification to the chairperson of the Decommissioning Committee, to attend a meeting of the Decommissioning Committee by conference call or video conferencing. A Decommissioning Committee representative who is unable to attend a meeting of the Decommissioning Committee will be permitted to vote in absentia by delivering to the chairperson of the Decommissioning Committee, at least twenty-four (24) hours prior to the scheduled commencement of the meeting, a written statement, including by e-mail or facsimile, identifying the matter to be voted on and how the representative desires to vote.

3.2 Decommissioning Agent.

3.2.1 Selection of the Decommissioning Agent.

3.2.1.1 Subject to Sections 3.2.7 and 3.2.8, the Parties will appoint a Decommissioning Agent to carry out the responsibilities assigned to the Decommissioning Agent hereunder. The Decommissioning Agent will be the agent of the Parties and may exercise only such authority as is conferred upon it by this Decommissioning Agreement.

3.2.1.2 The Parties hereby appoint PNM as the initial Decommissioning Agent, and PNM agrees to undertake, as the agent of the Parties, and as principal on its own behalf, the performance of the responsibilities assigned herein to the Decommissioning Agent.

3.2.2 Responsibilities of the Decommissioning Agent. The Decommissioning Agent will have the following responsibilities:

3.2.2.1 Serve as liaison and focal point for the coordination of interchanges and discussions among the Parties in connection with matters arising under this Decommissioning Agreement;

3.2.2.2 Propose to the Decommissioning Committee plans, budgets and schedules for Decommissioning Work;

3.2.2.3 As and when it considers necessary, propose modifications to plans, budgets or schedules for Decommissioning Work to the Decommissioning Committee;

3.2.2.4 Pursuant to Section 6.3, perform (or cause to be performed) a Projected Decommissioning Costs Review and prepare a report on such review for submission to the Decommissioning Committee;

3.2.2.5 Furnish from its own resources or contract for the procurement of goods or services necessary for the implementation of this Decommissioning Agreement, pursuant to the procedures established by the Decommissioning Committee;

3.2.2.6 Issue requests for proposals from qualified vendors for performance of Decommissioning Work;

3.2.2.7 Monitor and supervise the performance of Decommissioning Work;

3.2.2.8 Prepare, or provide for preparation of, reports for the Decommissioning Committee at such intervals as the Decommissioning Committee may direct on the progress of the Decommissioning Work, including a Final Decommissioning Report;

3.2.2.9 Review the form and content of all invoices received from vendors for performance of Decommissioning Work, approve invoices for payment as appropriate and issue payments to vendors for approved invoices;

3.2.2.10 Issue invoices to the Parties for their Decommissioning Shares of expenses incurred by the Decommissioning Agent in the performance of any Decommissioning Work and for Decommissioning A&G Expenses;

3.2.2.11 Upon commencement of Decommissioning Work, issue periodic invoices to each Party, at such intervals as directed by the Decommissioning Committee, for payment of such Party's Decommissioning Share of Decommissioning Work;

3.2.2.12 Prepare recommendations for the Decommissioning Committee for the procurement of goods or services necessary for the performance of Decommissioning Work;

3.2.2.13 Administer, perform and enforce all contracts entered into by the Decommissioning Agent subject to the direction of the Decommissioning Committee;

3.2.2.14 Comply with all Laws applicable to its performance, monitoring and supervision of the Decommissioning Work;

3.2.2.15 Maintain in the name of the Parties and for the purposes of this Decommissioning Agreement an operating account for monies collected in connection with the implementation of this Decommissioning Agreement; such operating account must be maintained separately from any and all other accounts related to the San Juan Project;

3.2.2.16 Keep and maintain records of monies expended and received, obligations incurred, credits accrued, Project Assets disposed of, and contracts entered into in the implementation of this Decommissioning Agreement and provide reports of such records to the Parties at such intervals as the Decommissioning Committee directs, but no less frequently than thirty (30) calendar days before each annual meeting of the Decommissioning Committee;

3.2.2.17 Cooperate with the Decommissioning Investment Committee in the conduct of any review or audit of a Party's compliance with its funding of its Decommissioning Share of Decommissioning Costs and to otherwise carry into effect policies established by the Decommissioning Investment Committee;

3.2.2.18 Prepare recommendations covering the matters that may be reviewed and acted upon by the Parties and the Decommissioning Committee and the Decommissioning Investment Committee;

3.2.2.19 Keep the Parties fully and promptly advised of material changes in conditions or other material developments affecting the implementation of this Decommissioning Agreement and of any Defaults under this Decommissioning Agreement;

3.2.2.20 Provide the Decommissioning Committee and the Decommissioning Investment Committee with all records, information and reports that may be relevant to such committees in the performance of their responsibilities under this Decommissioning Agreement;

3.2.2.21 As provided in Section 8, provide copies of any Default Notice, Notification of Intent, or Default Declaration to the representatives on the Decommissioning Committee, the Decommissioning Investment Committee, the persons identified in Section 21.1, and the Trustee of a defaulting Party's Decommissioning Trust;

3.2.2.22 Enforce the obligations of each Party to fund its Decommissioning Share of the Decommissioning Costs and to pay invoices submitted hereunder to the Parties or to their Trustees;

3.2.2.23 Procure appropriate insurance covering Decommissioning Work to provide coverage for risks for which the Parties have or may have responsibility under this Decommissioning Agreement;

3.2.2.24 Perform all other obligations and duties that the Parties, the Decommissioning Committee, or the Decommissioning Investment Committee may from time-to-time delegate to the Decommissioning Agent; and

3.2.2.25 Perform all other obligations and duties that are assigned herein to the Decommissioning Agent or that are reasonably necessary in connection with the performance of its obligations and duties hereunder.

3.2.3 Reimbursement of Costs and Expenses. Subject to Section 11.1, each Party will reimburse the Decommissioning Agent, based on the Party's Decommissioning Share then in effect, for all of the reasonable costs and expenses incurred by the Decommissioning Agent in its performance of its responsibilities pursuant to this Decommissioning Agreement.

3.2.4 Decommissioning Administrative and General Expenses. Beginning January 1, 2018, Decommissioning A&G Expenses will include administrative and general expenses directly chargeable to FERC Accounts 920, 921, 923, 926, 930.2, 931 and 935, will include payroll loads for administrative and general expenses, payroll taxes, injuries and damages and pension and benefits, and will be added to the periodic billings in proportion to the dollars of direct labor billed. The Decommissioning Agent will prepare, for the approval of the Decommissioning Committee, operating procedures for the accounting of Decommissioning A&G Expenses in its performance of the Decommissioning Work and will recommend updates thereof no fewer than every three (3) years. An annual true-up of Decommissioning A&G Expenses will be made each year once such expenses have been recorded.

3.2.5 No Fee. The Decommissioning Agent will receive no fee or profit hereunder, unless otherwise agreed unanimously by the Parties.

3.2.6 Liability of the Decommissioning Agent.

3.2.6.1 The provisions of this Section 3.2.6 are intended to address limitations on the liability of the Decommissioning Agent acting solely in the capacity of Decommissioning Agent; to the extent the actions of the Decommissioning Agent are carried out in its capacity as a Party or in any other capacity, the limitation of liability provisions in this Section 3.2.6 are not applicable.

3.2.6.2 Except for any judgment debt for damage resulting from Willful Action or as necessary to enforce an Arbitration Award, each Party hereby

extends to the Decommissioning Agent, its employees, officers, directors and agents, its covenant not to execute, levy or otherwise enforce a judgment obtained against the Decommissioning Agent, including recording or effecting a judgment lien, for any direct, indirect or consequential, damage, claim, cost, charge or expense, whether or not resulting from the negligence of the Decommissioning Agent, its employees, officers, directors or agents, or any person or entity whose negligence would be imputed to the Decommissioning Agent arising out of its performance or non-performance hereunder. With respect to the Decommissioning Agent's liability for Willful Action, such liability will in no event exceed a total of fourteen million dollars (\$14,000,000) per occurrence. The Parties extend to the Decommissioning Agent, its employees, officers, directors and agents, their covenant not to execute, levy or otherwise enforce a judgment against any of them for any such liability for Willful Action in excess of the amounts set forth in the previous sentence. In the event that Parties' claims made or judgments obtained against the Decommissioning Agent or its employees, officers, directors and agents exceed fourteen million dollars (\$14,000,000) per occurrence, such claims or judgments will be prorated among the successful Parties consistent with the limitation on Willful Action liability established herein.

3.2.7 Resignation of the Decommissioning Agent. Subject to Section 3.2.8, the Decommissioning Agent will serve during the term of this Decommissioning Agreement unless it resigns as Decommissioning Agent by giving notice to the Parties at least one (1) year in advance of the effective date of the resignation. Following such a notice, the Decommissioning Committee must convene promptly to address the selection of a replacement Decommissioning Agent which may, but need not, be a Party.

3.2.8 Removal of the Decommissioning Agent. The Decommissioning Agent may be removed by the Parties, if, in the judgment of the Parties, their best interests require such removal. Any Party seeking the removal of the Decommissioning Agent must serve a notice on the Decommissioning Agent and on each of the Parties, detailing the reasons why, in the judgment of the initiating Party, the Decommissioning Agent should be removed. Within thirty (30) days after receipt by the Decommissioning Agent of this written statement, the Decommissioning Agent will prepare and serve upon the Parties its response, which will contain a detailed rebuttal of the allegations made in the initiating statement. Within the same thirty (30) day period, any other Party may also serve upon the Decommissioning Agent and the Parties a statement responding to the allegations in the initiating statement. Within twenty (20) days after service of all such response statements, the Parties must meet to consider what actions, if any, to take in regard to the removal of the Decommissioning Agent. The Decommissioning Agent may be removed by the vote of more than a sixty-six and two thirds percent (66 2/3%) majority of the Decommissioning Shares of the Parties and more than a sixty-six and two thirds percent (66 2/3%) majority of the number of individual Parties; provided, however, that a Party that is the Decommissioning Agent will not be entitled to vote on the issue of its own removal and the requisite voting percentages will be based upon the number of eligible voting Parties, other than the Party that is the Decommissioning Agent, and their respective Decommissioning Shares. If the Decommissioning Agent is removed by vote of the

Parties, the Decommissioning Committee must convene promptly to address the selection of a replacement Decommissioning Agent which may, but need not, be a Party.

4.0 Activities During Interim Period

4.1 Initial Decommissioning Work.

4.1.1 Three specific one-time tasks constituting initial Decommissioning Work for Units 2 and 3, and the estimated costs of such tasks, are set forth in **Exhibit D** hereto. The cost of the initial Decommissioning Work set forth in **Exhibit D** will be paid by all Parties based on the following percentages:

4.1.1.1	PNM:	46.297%
4.1.1.2	TEP:	19.8%
4.1.1.3	M-S-R:	8.7%
4.1.1.4	Farmington:	2.559%
4.1.1.5	Tri-State:	2.49%
4.1.1.6	Los Alamos:	2.175%
4.1.1.7	SCPPA:	12.71%
4.1.1.8	Anaheim:	3.10%
4.1.1.9	UAMPS:	2.169%
4.1.1.10	PNMR-D:	0.000 %

4.1.2 Other tasks related to requirements for the retirement-in-place of Units 2 and 3, and their estimated cost, are set forth in **Exhibit E** hereto. The costs of such tasks will be paid for as operating and maintenance costs by the Remaining Participants based on the following percentages:

4.1.2.1	PNM:	58.671%
4.1.2.2	TEP:	20.068%
4.1.2.3	Farmington:	5.076%
4.1.2.4	Los Alamos:	4.309%
4.1.2.5	UAMPS:	4.203%
4.1.2.6	PNMR-D:	7.673%
4.1.2.7	Exiting Participants:	0.000%

4.2 Interim Decommissioning Work. Other Decommissioning Work undertaken during the period between the Exit Date and the complete cessation of commercial production of electrical power at all four Units (“Interim Period”) will be addressed as set forth in this Section 4.2.

4.2.1 The Decommissioning Agent will report each year during the Interim Period addressing Decommissioning Work, if any, to take place in the following calendar year and provide that report to the Decommissioning Committee no later than ninety (90) days prior to the beginning of the next calendar year. The Decommissioning Committee

will review the Decommissioning Agent's report as to whether a particular project exceeds or is less than the Threshold Amount.

4.2.2 The Decommissioning Committee will refer projects for Decommissioning Work which it determines will have a cost below the Threshold Amount to the Engineering and Operating Committee established in the SJPPA. Such projects will be paid for as if they were operations and maintenance activities in accordance with the SJPPA, not Decommissioning Work. The Parties having an ownership interest in the Project at the time such Decommissioning Work below the Threshold Amount is performed will be responsible for the costs of such projects in accordance with the SJPPA.

4.2.3 If the report identifies any project for Decommissioning Work with an estimated cost above the Threshold Amount, the Decommissioning Agent will prepare a Retirement Order that will include a description of the project, a determination as to whether the project is required by Law or is being proposed for purposes of Prudent Cost Avoidance, a schedule of the estimated timing for performance of the project and a budget based on the estimated cost of the project, including the Decommissioning Agent's reasonable Decommissioning A&G Expenses. The Decommissioning Agent will not aggregate unrelated projects or separate related projects for the purpose of avoiding or exceeding the Threshold Amount. If a project for Decommissioning Work is proposed for the purposes of Prudent Cost Avoidance, the Retirement Order will also include a cost-benefit analysis which explains why the Decommissioning Agent recommends performance of the project.

4.2.3.1 For projects for Decommissioning Work above the Threshold Amount determined by the Decommissioning Agent to be required by Law to be commenced within the next year, the Decommissioning Committee will vote pursuant to the provisions of Section 3.1.4 whether to adopt the Retirement Order and proceed with the project. If such a project required by Law is not approved, the Decommissioning Agent will perform or procure performance of the Decommissioning Work for such project in an efficient and economical manner until a budget has been approved by the Decommissioning Committee and the cost for such project will be paid pursuant to Sections 5.3 and 5.4.

4.2.3.2 For projects for Decommissioning Work above the Threshold Amount recommended by the Decommissioning Agent on the basis of Prudent Cost Avoidance, the Decommissioning Committee will vote pursuant to the provisions of Section 3.1.4 whether to adopt the Retirement Order and proceed with the project. Such a project not approved by the Decommissioning Committee will not be performed.

4.2.4 Each Party will be responsible to pay for the costs of approved projects above the Threshold Amount performed under this Section 4.2 based on its then-current Decommissioning Share for the year in which the majority of project expenditures are expected to be spent.

4.3 Items not Part of Decommissioning. During the Interim Period, expenditures related to use, operation or maintenance of any Unit or common facility of the SJGS are not part of Decommissioning. Attached as **Exhibit F** is an illustrative list of equipment, facilities and systems potentially required or that may be used for the ongoing operation of Units 1 and/or 4 during the Interim Period, and expenditures on such equipment, facilities and systems are not part of Decommissioning. Decommissioning does not include (i) any activities primarily to protect the health and welfare of the SJGS plant workers during continued operation of Unit 1 and/or 4 until all Units cease operations; (ii) any activities required because equipment and/or facilities from Unit 2 or 3 or common facilities, such as equipment identified in **Exhibit F**, are being used for ongoing operations; or (iii) any activities resulting from equipment and/or facilities from Unit 2 or 3 or common facilities being removed for reuse by Unit 1 and/or 4. In case of doubt, the Decommissioning Committee will determine expenditures above the Threshold Amount that are for the ongoing operation of Units 1 and 4 and are not Decommissioning. The following facilities owned by either or both of PNM or TEP located at or adjacent to the SJGS Plant Site are not facilities or equipment that will be Decommissioned pursuant to this Section 4.3:

4.3.1 The San Juan switchyard;

4.3.2 Any gas plant or any other generating or fuel facility added to the SJGS Plant Site that is not part of the San Juan Project, or any new facility constructed on the SJGS Plant Site; and

4.3.3 Any other property or facilities that PNM and/or TEP notifies the other Parties, within fifteen (15) days after the decision is made to retire the last Unit, either or both wish to retain and not Decommission under this Decommissioning Agreement.

4.4 Use of Equipment Located at Units 2 and 3; Salvage Revenue. During the Interim Period, the Remaining Participants will be entitled to use equipment from Units 2 and 3 in the operation of either or both of Units 1 and 4 without compensation to the Exiting Participants. However, any Salvage Revenue obtained during the Interim Period will be distributed to all Parties based on each Party's Decommissioning Share in effect in the year in which the right to obtain the Salvage Revenue arises.

5.0 Decommissioning Plan

5.1 Decommissioning Study. Within thirty (30) days after the decision is made to retire the last Unit, the Decommissioning Agent will commence a Decommissioning Study which will compare alternative Decommissioning Plan scenarios.

5.1.1 The Decommissioning Study will: (i) determine the current federal and state requirements under Law, if any, for Decommissioning a coal-fired electric generation plant in the state of New Mexico; (ii) estimate the cost of Decommissioning Work to the level required by Law, which may include ongoing monitoring of the SJGS Plant Site ("Required Plan"); and (iii) estimate the cost of other approaches proposed by either the Decommissioning Committee or the Decommissioning Agent.

5.1.2 All Decommissioning Plans included in the Decommissioning Study will: (i) include provisions to dispose of any remaining fly ash; (ii) subject to the provisions of Section 19 of the Restructuring Agreement, provide for the identification and remediation of any environmental concerns existing at the time Decommissioning begins; (iii) include provisions addressing security, risk management and insurance; and (iv) describe the Decommissioning Work proposed to be performed.

5.1.3 The facilities identified in Section 4.3.1, 4.3.2 and 4.3.3 are not facilities or equipment that will be Decommissioned pursuant to this Section 5 and will not be considered in the Decommissioning Study or Decommissioning Plans. The costs of Decommissioning any new facility constructed, or equipment installed, on the SJGS Plant Site or on the Project after the Exit Date, unless such facility or equipment is a replacement or betterment of existing facilities or equipment, will be the sole responsibility of the Parties that own such new facility or equipment.

5.1.4 The Decommissioning Study will be completed within six (6) months unless the Decommissioning Committee has extended the completion date.

5.2 Selection of Decommissioning Plan. The Decommissioning Committee will review the Decommissioning Study and vote to select a Decommissioning Plan. Unless the Decommissioning Committee unanimously votes to select any plan other than the Required Plan, the Required Plan will become the selected Decommissioning Plan. The selected Decommissioning Plan will be implemented, and the Decommissioning Costs paid pursuant to Sections 5.3 and 5.4 based on the Decommissioning Shares in effect during the year in which commercial production of electrical power has ceased at all four Units.

5.3 Payment for Decommissioning. The Parties will pay for Decommissioning Costs based on the Decommissioning Shares set forth in **Exhibit A**. All Parties will start with eighteen (18) years of ownership at their current capacity as of December 31, 2017, and then their percentages will increase or decrease in the years after 2017, based on the total of each individual Party's megawatt-years in SJGS divided by the total of all Parties' megawatt-years, as shown in **Exhibit A**.

5.4 Payment Procedures. Prior to paying an invoice for Decommissioning Work, including costs for Projected Decommissioning Costs Reviews, the Decommissioning Agent will invoice the Parties for such costs, and the Parties will pay the invoice within ten (10) Business Days of receipt. Payments of an invoice issued to a Party will be paid as determined by each Party from such Party's Decommissioning Trust or by payment made directly by such Party. Appropriate supporting information must accompany each invoice, and the Decommissioning Agent will provide any additional supporting information that a Party may reasonably request.

6.0 Decommissioning Trust Funds

6.1 Establishment of Decommissioning Trusts. Within ninety (90) days after the Effective Date of this Decommissioning Agreement, each Party must execute a separate trust fund agreement ("Decommissioning Trust Agreement") between that Party and a financial institution in good standing selected by that Party ("Trustee") for the establishment of an irrevocable trust

(“Decommissioning Trust”) to carry out the purposes of this Decommissioning Agreement. The Trustee may not be an Affiliate of a Party. A copy of each Decommissioning Trust Agreement must upon execution be provided to each other Party. Each Decommissioning Trust must be funded as provided for in this Section 6. Each Party will notify each other Party of the name and contact information of its Trustee.

6.2 Decommissioning Trust Funding Obligations.

6.2.1 Each Party must maintain a balance in its Decommissioning Trust sufficient to fund its Decommissioning Share, as established pursuant to Section 5, of the Decommissioning Funding Target Amount as specified by the Decommissioning Investment Committee during the term hereof. The initial Decommissioning Funding Target Amount is thirty million dollars (\$30 million), and each Party must fund its Decommissioning Share of the initial Decommissioning Funding Target Amount by December 31, 2022. Any adjustment to a Decommissioning Funding Target Amount pursuant to Section 6.3 or the dates by which Parties must fund their respective Decommissioning Shares of the Decommissioning Funding Target Amount will not be deemed an amendment to this Decommissioning Agreement but rather will be considered an element of the administration and implementation of this Decommissioning Agreement; upon approval of a Decommissioning Funding Target Amount adjustment, as provided for herein, such adjusted Decommissioning Funding Target Amount will replace the Decommissioning Funding Target Amount previously in effect. Except as provided in Section 6.2.2, no additional funding of a Decommissioning Trust will be required of a Party if the funds in its Decommissioning Trust are sufficient, by December 31, 2022 and by December 31 of each subsequent year during the term hereof, to satisfy the Party’s Decommissioning Share of the Decommissioning Funding Target Amount for that year.

6.2.2 If a Party’s Credit Rating drops below investment grade, the Decommissioning Investment Committee may increase the funding obligation for that Party up to one hundred ten percent (110%) of the otherwise applicable funding obligation of that Party. The percentage increase in that Party’s funding obligation will remain in effect until that Party’s Credit Rating is restored to investment grade. If a Party whose Credit Rating is determined to be below investment grade has its Credit Rating restored to investment grade, the additional amounts paid into the Decommissioning Trust will be a credit toward future funding obligations to the Decommissioning Trust. This Section 6.2.2 will not apply to a Party that does not have a current Credit Rating if the Party’s most recent Credit Rating was investment grade.

6.3 Projected Decommissioning Costs Reviews and Adjustment of Decommissioning Trust Funding Obligations.

6.3.1 The Parties acknowledge the appropriateness of adjusting, from time-to-time, the Decommissioning Funding Target Amounts for all Parties based on updated estimates for Decommissioning Work pursuant to a Projected Decommissioning Costs Review as provided for in this Section 6.3.

6.3.2 The Decommissioning Agent will perform (or cause to be performed) a technical reassessment of estimated costs for Decommissioning Work at a level of Decommissioning determined by the Decommissioning Committee to be appropriate (a “Projected Decommissioning Costs Review”) during the year 2022 and every five (5) years thereafter. A Party desiring to request a Projected Decommissioning Costs Review more frequently than every five (5) years must do so by serving a written request upon the Decommissioning Agent and the members of the Decommissioning Committee. A request for a Projected Decommissioning Costs Review must set out in detail the facts relied on by the Party making the request. The Decommissioning Committee may approve such a request, and may vote to conduct a Projected Decommissioning Costs Review at any time.

6.3.3 The Decommissioning Committee will establish reasonable goals, timelines and procedures with respect to the manner in which the required Projected Decommissioning Costs Review is to be conducted. The costs of a Projected Decommissioning Costs Review will be Decommissioning Costs and will be invoiced and paid pursuant to Section 5, whether or not the cost of a Projected Decommissioning Costs Review is below the Threshold Amount.

6.3.4 The Decommissioning Agent will present a report resulting from a Projected Decommissioning Costs Review to the Decommissioning Committee.

6.3.5 The Decommissioning Committee will promptly either approve the report of the Projected Decommissioning Costs Review provided by the Decommissioning Agent or direct that further study or revisions be made to the Projected Decommissioning Costs Review report. In the event the Decommissioning Committee directs further study or revisions, the Decommissioning Agent must submit a new Projected Decommissioning Costs Review report to the Decommissioning Committee upon completion of such further study or revisions.

6.3.6 Except for funding of the initial Decommissioning Funding Target Amount of thirty million dollars (\$30 million) by the end of 2022, the Decommissioning Investment Committee will thereafter adjust the Decommissioning Funding Target Amounts for the Decommissioning Trusts based on the approved Projected Decommissioning Costs Review report.

6.4 Investment of Decommissioning Trust Funds. Each Party may implement its own policies in relation to the investment of funds in its Decommissioning Trust. Each Party may, at its discretion, appoint one or more investment managers to direct the investment of all or parts of funds held in its Decommissioning Trust.

6.5 Mandatory Provisions for Decommissioning Trust Agreements.

6.5.1 Each Decommissioning Trust Agreement must contain and maintain certain mandatory provisions (“Mandatory Provisions”). The Mandatory Provisions are contained in **Exhibit B**. The Decommissioning Investment Committee will review the initial Decommissioning Trust Agreement for each Party for compliance with **Exhibit B**.

6.5.2 Proposed amendments to any Mandatory Provision in a Party's Decommissioning Trust Agreement are subject to review and approval by the Decommissioning Investment Committee. A Party desiring to amend a Mandatory Provision must submit such proposed amendment to the Decommissioning Investment Committee for prior review in accordance with procedures established by the Decommissioning Investment Committee.

6.5.3 If the Decommissioning Investment Committee representatives (other than the representative representing any Party whose compliance is under review) conclude that a Party's initial Decommissioning Trust Agreement is inconsistent with **Exhibit B**, or that a proposed amendment to a Mandatory Provision is inconsistent with the purposes of this Decommissioning Agreement, the Decommissioning Investment Committee must inform the Party of the reasons why, in the judgment of the Decommissioning Investment Committee, the Mandatory Provisions of its initial Decommissioning Trust Agreement are inconsistent with **Exhibit B** or why the proposed amendment to the Mandatory Provision is inconsistent with this Decommissioning Agreement. No Party may amend a Mandatory Provision in its Decommissioning Trust Agreement in a manner contrary to a determination of the Decommissioning Investment Committee.

6.6 Only Purposes. Prior to termination, funds held in a Decommissioning Trust may be utilized for the following and no other purposes: (i) to pay the costs and fees associated with the maintenance of the Decommissioning Trust, including the fees and expenses of the Trustee; and (ii) to pay the Party's Decommissioning Share (as defined in Section 5 and **Exhibit A**) of Decommissioning Costs, as provided for in this Decommissioning Agreement. During the term hereof, no Party will be permitted to withdraw funds from its Decommissioning Trust, including net earnings on accumulations in the Trust, except as provided in this Decommissioning Agreement.

6.7 Decommissioning Correcting Deposits.

6.7.1 In the event that, as of December 31 of any year after 2022 during the term hereof, the value of funds in a Party's Decommissioning Trust is less than its Decommissioning Share of the Decommissioning Funding Target Amount for such year, then the Party must make one or more Decommissioning Correcting Deposits. The amount and timing of such Decommissioning Correcting Deposits must comply with policies established by the Decommissioning Investment Committee consistent with Section 6.7.2.

6.7.2 Decommissioning Correcting Deposits in the aggregate must be sufficient to ensure that the value of funds in a Party's Decommissioning Trust is equal to or greater than such Party's Decommissioning Share of the Decommissioning Funding Target Amount at the end of the applicable Decommissioning Correction Period determined as provided in Section 6.7.2.1.

6.7.2.1 The applicable Decommissioning Correction Period during which one or more Decommissioning Correcting Deposits must be made pursuant to Section 6.7.1 is two (2) years.

Example:

If the value of funds in Party A's Decommissioning Trust is less than the Decommissioning Funding Target Amount for Party A at the end of 2025, the Decommissioning Correction Period expires December 31, 2027.

6.7.3 If any Party fails to make any Decommissioning Correcting Deposit when due, then, within ten (10) days after the applicable due date, the chairperson of the Decommissioning Investment Committee will report such failure by the Party to each representative on the Decommissioning Investment Committee.

6.8 Return of Funds in Decommissioning Trust. Any funds remaining in a Party's Decommissioning Trust after the completion of the Decommissioning Work as determined by the Decommissioning Committee and full payment of the Party's Decommissioning Share of the Decommissioning Work will be returned to the Party pursuant to the Party's Decommissioning Trust Agreement.

6.9 Status Reports. Each Party will prepare on an annual basis a funding Status Report regarding the funds in its Decommissioning Trust as of December 31 of each year during the term hereof and provide such annual funding Status Report to each of the other Parties. The funding Status Report will include a detailed summary of the investments made by the Party in its Decommissioning Trust during the period covered by the Status Report. The funding Status Report will be prepared and provided to the other Parties no later than thirty (30) days following the end of a calendar year unless otherwise directed by the Decommissioning Investment Committee. In addition to such annual funding Status Reports, on the written request of any other Party for reasonable cause (*e.g.*, changes in market conditions that could significantly affect the value of funds in a Decommissioning Trust), each Party will provide special funding Status Reports, in the same format and content as annual funding Status Reports, to the other Parties; provided, that such special reports will not be required of any Party more frequently than once in any calendar quarter.

6.10 Compliance. A Party whose funding of its Decommissioning Trust has been determined by the Decommissioning Investment Committee not to be in compliance with the requirements of this Decommissioning Agreement must act promptly to bring itself into compliance therewith. A Party, the Mandatory Provisions of whose Decommissioning Trust Agreement have been determined by the Decommissioning Investment Committee not to be in compliance with the requirements of this Decommissioning Agreement, must act promptly to bring itself into compliance therewith and must promptly inform the Decommissioning Investment Committee of actions taken to bring itself into compliance.

7.0 Decommissioning Investment Committee

7.1 Establishment of Decommissioning Investment Committee. The Parties hereby establish a Decommissioning Investment Committee. The Decommissioning Investment Committee will remain in existence during the term of this Decommissioning Agreement. The Decommissioning Investment Committee will have no authority to modify any of the provisions of this Decommissioning Agreement.

7.2 Decommissioning Investment Committee Membership. The Decommissioning Investment Committee will consist of one representative from each Party who must be an officer or other authorized representative of the Party. Any of the Parties may designate an alternate or substitute to act as its representative on the Decommissioning Investment Committee in the absence of the regular representative on the Decommissioning Investment Committee or to act on specified occasions or with respect to specified matters. Each Party must notify the other Parties promptly, in writing, of the designation of its representative and alternate representative on the Decommissioning Investment Committee and of any subsequent changes in such designations. The chairperson of the Decommissioning Investment Committee will be a representative of the Decommissioning Agent if the Decommissioning Agent is a Party. If the Decommissioning Agent is not a Party, the chairperson will be elected by a majority of the individual representatives on the Decommissioning Investment Committee. Each Party will be responsible for the costs of its Decommissioning Investment Committee representative, including fees and travel reimbursement.

7.3 Functions and Responsibilities of the Decommissioning Investment Committee. The Decommissioning Investment Committee will have the following functions and responsibilities:

7.3.1 Within six (6) months of the Effective Date, establish the format and content to be used for each Party's annual funding Status Report;

7.3.2 Review each Party's annual and special funding Status Report(s) and determine and, as to each Party, report to the Decommissioning Committee and the Decommissioning Agent whether the amount of funds in a Party's Decommissioning Trust is in compliance with Sections 5, 6 and **Exhibit A**;

7.3.3 Upon receipt from the Decommissioning Committee of a copy of a Projected Decommissioning Costs Review, as provided for in Section 6.3, establish and provide to each of the Parties new Decommissioning Funding Target Amounts for the Decommissioning Trusts;

7.3.4 Establish, consistent with Section 6.7, policies regarding the number and timing of Decommissioning Correcting Deposits;

7.3.5 Audit, or cause to be audited, compliance of Parties in meeting their obligations under Section 6;

7.3.6 Under procedures to be established in a timely fashion by the Decommissioning Investment Committee, (i) promptly upon execution of each Party's Decommissioning Trust Agreement, review the Mandatory Provisions of each such Decommissioning Trust Agreement to assure that the Mandatory Provisions of each such Decommissioning Trust Agreement conform to the requirements of Section 6.5 and of **Exhibit B**; and (ii) review any proposed amendment to a Mandatory Provision in a Party's Decommissioning Trust Agreement;

7.3.7 Perform such other tasks as the Decommissioning Committee from time-to-time assigns to the Decommissioning Investment Committee; and

7.3.8 Perform such other tasks as may be delegated under this Decommissioning Agreement to the Decommissioning Investment Committee.

7.4 Decisions of the Decommissioning Investment Committee. Except as provided for in the third sentence of this Section 7.4, any actions or determinations brought before the Decommissioning Investment Committee will require the following vote: (i) more than a sixty-six and two thirds percent (66 2/3%) majority of the Decommissioning Shares of the Parties as set out in Section 5.3 and as defined in **Exhibit A**; and (ii) more than a sixty-six and two thirds percent (66 2/3%) majority of the number of individual Parties. Matters approved by the requisite majority of the Decommissioning Investment Committee will be binding on all Parties. If a Party's right to vote has been suspended because of a Default, such Party will not have a right to vote under either subsection (i) or subsection (ii) of this Section 7.4, and the requisite majorities for actions or determinations of the Decommissioning Investment Committee will be sixty-six and two thirds percent (66 2/3%) of the members eligible to vote under either subsection (i) or (ii) of this Section 7.4. The outcome of any vote of the Decommissioning Investment Committee properly conducted in accordance with this Decommissioning Agreement will not be subject to the dispute resolution provisions of Section 9.

7.5 Meetings of the Decommissioning Investment Committee. The Decommissioning Investment Committee will meet no less frequently than annually. Special meetings will be held promptly at the written request of any Party, such request to be delivered to the chairperson of the Decommissioning Investment Committee. The Decommissioning Investment Committee will keep written minutes and records of all meetings, the draft of which minutes will be distributed for review within forty-five (45) days. Any action or determination made by the Decommissioning Investment Committee will be reduced to writing and will become effective when signed by the representatives of the Parties entitled to vote thereon, representing a voting majority of the members of the Decommissioning Investment Committee. Decommissioning Investment Committee representatives will be permitted, by prior notification to the chairperson of the Decommissioning Investment Committee, to attend a meeting of the Decommissioning Investment Committee by conference call or video conferencing. A Decommissioning Investment Committee representative who is unable to attend a meeting of the Decommissioning Investment Committee will be permitted to vote in absentia by delivering to the chairperson of the Decommissioning Investment Committee, at least twenty-four (24) hours prior to the scheduled commencement of the meeting, a written statement, including by e-mail or facsimile, identifying the matter to be voted on and how the representative desires to vote.

8.0 Default

8.1 Definition of Default. Each Party must: (i) fund its Decommissioning Trust under the terms of this Decommissioning Agreement and consistent with its Decommissioning Trust Agreement; (ii) make any required Decommissioning Correcting Deposits; (iii) cause the timely payment of its Decommissioning Share of Decommissioning Work pursuant to invoices for Decommissioning Costs rendered to the Party; and (iv) carry out all other performances, duties and obligations agreed to be paid or performed by it pursuant to this Decommissioning

Agreement. A failure to perform any of items (i) through (iv) above is a Default under this Decommissioning Agreement.

8.2 Default Notice. If the Decommissioning Agent (either on its own motion or at the suggestion of a Party) deems a Party to be in Default, the Decommissioning Agent must serve upon the defaulting Party a written notice of default (the “Default Notice”). The Decommissioning Agent must also serve a copy of the Default Notice on: (i) the representatives on the Decommissioning Committee; (ii) the representatives on the Decommissioning Investment Committee; (iii) all persons entitled to receive notices under Section 21.1; and (iv) the Trustee of the defaulting Party’s Decommissioning Trust. The Default Notice must specify the existence, nature and extent of the Default.

8.3 Cure of Default. Upon receipt of the Default Notice, the defaulting Party must: (i) pay any monies due under this Decommissioning Agreement (including funding of its Decommissioning Trust and making any required Decommissioning Correcting Deposits) within fifteen (15) days; or (ii) commence within fifteen (15) days the performance of any non-monetary obligation and continue thereafter the diligent completion of such non-monetary obligation.

8.4 Protest of Default. If the defaulting Party disputes a Default Notice, such Party must nonetheless pay the disputed payment or commence performance of the disputed obligation, but may do so under protest (the “Protest”). The Protest must be in writing, must accompany the disputed payment or precede the commencement of performance of the disputed obligation, and must specify the reason upon which the Protest is based. Copies of the Protest must be served by the defaulting Party on the Decommissioning Agent and also on: (i) the representatives on the Decommissioning Committee; (ii) the representatives on the Decommissioning Investment Committee; (iii) all persons entitled to receive notices under Section 21.1; and (iv) the Trustee of the defaulting Party’s Decommissioning Trust. Within seven (7) days after the service of the Protest, authorized representatives of the Parties must meet, in person or by conference call or video conference, to address the Protest and to determine what actions, if any, to take as a result of the Protest.

8.5 Declaration of Default. If the defaulting Party fails to cure the Default pursuant to Section 8.3, or protests the Default Notice pursuant to Section 8.4 but fails to timely pay the disputed payment or commence performance of the disputed obligation, the Decommissioning Agent must notify the defaulting Party in writing of the Decommissioning Agent’s intent to declare the defaulting Party in Default unless there is a prompt cure of the Default (“Notification of Intent”). The Notification of Intent must afford the defaulting Party a minimum of fifteen (15) additional days after the giving of the Notification of Intent to cure the Default. The pendency of a Protest will not prevent the Decommissioning Agent from issuing a Notification of Intent. If the Default has not been cured within the period of time identified in the Notification of Intent, the Decommissioning Agent may give written notice to the defaulting Party declaring that the defaulting Party is in Default (the “Default Declaration”). The Decommissioning Agent must serve a copy of the Notification of Intent and of the Default Declaration on: (i) the representatives on the Decommissioning Committee; (ii) the representatives on the Decommissioning Investment Committee; (iii) all persons entitled to receive notices under Section 21.1; and (iv) the Trustee of

the defaulting Party's Decommissioning Trust. The pendency of a Protest will not prevent the Decommissioning Agent from making a Default Declaration.

8.6 Consequences of Default. Upon delivery of the Default Declaration, the Party in Default under this Decommissioning Agreement will lose all its rights but retain its obligations under this Decommissioning Agreement, the Mine Reclamation Agreement and the Restructuring Agreement so long as the Default is in effect. This consequence of Default is in addition to and cumulative of any other remedy to which the Party in Default may be subject, including the loss of the right to vote on the Decommissioning Investment Committee and the Decommissioning Committee. If and when the Party in Default remedies the Default, its rights under such agreements will be restored.

8.7 No Stay for Arbitration. A demand for arbitration or other dispute resolution procedure will not stay: (i) the right of the Decommissioning Agent to issue a Default Notice, a Notification of Intent or a Default Declaration; or (ii) the suspension of the rights of a defaulting Party.

8.8 Termination of Default. The Default will be terminated, and the full rights of the defaulting Party restored when: (i) the Default has been cured and all costs incurred by the non-defaulting Parties resulting from the Default of the defaulting Party have been reimbursed in full by the defaulting Party, with interest thereon at the Prime Rate plus two percent (2%) per annum or the maximum legal rate of interest, whichever is less, from the date of payment to the date of reimbursement; (ii) other arrangements acceptable to the non-defaulting Parties have been made; or (iii) the defaulting Party prevails in an arbitration or other legal proceeding in which the default status of the defaulting Party is at issue.

8.9 Other Rights. Subject to the limitations set forth in Section 28, the rights and remedies provided in this Decommissioning Agreement will be in addition to any other rights and remedies the Decommissioning Agent and the non-defaulting Parties have in law or equity.

8.10 No Waiver. No waiver by the Decommissioning Agent or by a non-defaulting Party of its rights with respect to a Default under this Decommissioning Agreement or with respect to any other matter arising in connection with this Decommissioning Agreement, will be effective unless the Decommissioning Agent or the non-defaulting Party waives in writing its rights and no such waiver will be deemed a waiver with respect to any subsequent Default or matter. No delay short of the statutory period of limitations in asserting or enforcing any right hereunder will be deemed a waiver of such right. The Decommissioning Agent will not waive any of its rights with respect to a Default under this Decommissioning Agreement without the approval of the Decommissioning Committee.

9.0 Dispute Resolution

9.1 Amicable Resolution. If a dispute between or among any of the Parties should arise under this Decommissioning Agreement, or in relation to the rights or obligations of the Parties under this Decommissioning Agreement, executive representatives of the Parties with authority to resolve the dispute will first seek to resolve the dispute as set forth in this Section 9.1.

9.1.1 The dispute process will be initiated by the delivery of a written notice by a Party (“Noticing Party”) of the dispute (“Notice of Dispute”) to the Party with which a dispute is claimed. The Notice of Dispute will specify the existence, nature and extent of the dispute. Copies of the Notice of Dispute will be served on all other Parties. The Notice of Dispute will specifically state the sums allegedly due, any non-monetary obligation allegedly not performed, or both if applicable.

9.1.2 Within fifteen (15) Business Days of receipt of the Notice of Dispute, the Party alleged not to be performing may protest in writing any or all of the matters set forth in the Notice of Dispute (“Dispute Protest”), specifying the basis of the Dispute Protest. Copies of the Dispute Protest will be served by the protesting Party (“Protesting Party”) on all other Parties.

9.1.3 Within fifteen (15) Business Days of the giving of a Notice of Dispute under Section 9.1.1 or within ten (10) Business Days after the service of a Dispute Protest under Section 9.1.2, the executive representatives of the Parties involved in the dispute will meet at a mutually agreeable time and place to attempt to negotiate a timely and amicable resolution of the dispute. If an executive of a Party intends to be accompanied by counsel, the other Parties will be given at least five (5) Business Days’ written notice of such intent and may also be accompanied by counsel. All negotiations will be confidential and will be treated as compromise and settlement negotiations under New Mexico Law. If the executive representatives of the Parties are unable to resolve the dispute within sixty (60) days of the Notice of Dispute (or such other period as they may agree to), any Party involved in the dispute may call for submission of the dispute to arbitration, which call will be binding upon all of the other affected Parties except as provided in Section 9.9.

9.2 Call for Arbitration. The Party calling for arbitration must give written notice to all other Parties (“Arbitration Notice”), setting forth in the Arbitration Notice in adequate detail the entity against whom relief is sought, the nature of the dispute, the amount, if any, involved in such dispute, and the remedy sought by such arbitration proceedings, which may include monetary, equitable and declaratory relief. Within twenty (20) Business Days after receipt of the Arbitration Notice, any other Party may submit its own statement of the matter at issue and set forth in adequate detail additional related matters or issues to be arbitrated, with copies of such notice provided to all other Parties. Thereafter, the Party calling for arbitration will have ten (10) Business Days in which to submit a written rebuttal statement, copies of which must be provided to all other Parties.

9.3 Selection of Arbitrators.

9.3.1 The Parties involved in the arbitration will seek to agree upon a panel of three (3) neutral arbitrators as follows. Within ten (10) days after service of the written rebuttal statement, the Parties representing each side of the dispute will provide to the Parties representing the other side of the dispute a list of up to five (5) suggested arbitrators having the qualifications required by Section 9.3.2 and a summary of each such suggested arbitrator’s experience and qualifications. Within five (5) Business Days thereafter, the Parties involved in the arbitration will meet and confer by telephone or in

person to seek to agree upon a panel of three (3) neutral arbitrators from the lists that have been exchanged. If such agreement is not reached as the result of such meeting, the Parties representing each side of the dispute will provide a second list of suggested arbitrators to one another and the Parties will meet and confer again within five (5) Business Days thereafter to attempt to reach agreement upon a panel of three (3) neutral arbitrators. If such agreement on arbitrators is reached, the Parties will proceed to arbitration as further set forth in this Section 9.

9.3.2 If the Parties involved in the arbitration are not able to agree upon a complete panel of three (3) neutral arbitrators, such Parties will select the arbitrators upon which agreement has not been reached as follows. The Parties will request from the American Arbitration Association (or similar organization as the arbitrating Parties agree upon) (“Arbitration Organization”) a list of seven (7) arbitrators with names and biographical sketches and specific qualifications relating to the case to be heard. The proposed arbitrators will be persons skilled and experienced in the field that gives rise to the dispute, and no person will be eligible for appointment as an arbitrator who is an officer or employee of any of the Parties to the dispute or is otherwise interested in the matter to be arbitrated. The Parties involved in the arbitration will each advise the Arbitration Organization of its order of preference of such arbitrators by numbering from one (1) to seven (7) each name on the list (with one (1) being the most preferred arbitrator) and submitting the numbered lists in writing to the Arbitration Organization. Depending upon the number of arbitrators to be selected, the name or names with the lowest combined numbers will be appointed as the remaining neutral arbitrator(s). In the event more than one name on the list has the same lowest combined score, the tie will be broken by lot. Should the Parties agree that one list of seven (7) is insufficient to obtain a total of three (3) neutral arbitrators with the required qualifications, an additional list of arbitrators may be requested from the Arbitration Organization.

9.4 Arbitration Procedures. Except as otherwise provided in this Section 9 or otherwise agreed by the Parties to the dispute, the Parties will utilize in the arbitration the American Arbitration Association’s Commercial Arbitration Rules and Mediation Procedures (including Procedures for Large, Complex Commercial Disputes) or similar rules and practices of another Arbitration Organization from time-to-time in force, except that if such rules and practices, as modified herein, conflict with New Mexico Rules of Civil Procedure or any other provisions of New Mexico law then in force that are specifically applicable to arbitration proceedings, such New Mexico laws will govern. The arbitration will be conducted at a location in Albuquerque, New Mexico, unless otherwise agreed by the affected Parties.

9.5 Decision of Arbitrators. The arbitrators will hear evidence submitted by the respective Parties or group or groups of Parties and may call for additional information, which additional information must be furnished by the Party having such information. The decision of a majority of the arbitrators (“Arbitration Award”) must be rendered no later than twenty (20) days after the conclusion of the arbitration hearing and will be binding upon all the Parties and must be based on the provisions of this Decommissioning Agreement and applicable New Mexico or federal Law. The Arbitration Award must be in writing and must explain in reasonable detail the basis of the award.

9.6 Enforcement of Arbitration Award. This agreement to arbitrate is specifically enforceable, and the Arbitration Award will be final and binding upon the Parties to the extent provided by the laws of the State of New Mexico. Any Arbitration Award may be filed with a court of competent jurisdiction in New Mexico and upon motion of a Party the court shall enter a judgment in conformity therewith as provided by the New Mexico Uniform Arbitration Act. Said judgment is enforceable in other States and Territories of the United States under the Full Faith and Credit provisions of the United States Constitution and other Laws.

9.7 Fees and Expenses. Fees and expenses of the arbitrators will be paid by the non-prevailing Party, unless the Arbitration Award specifies some other apportionment of such fees and expenses. All other expenses and costs of the arbitration, including attorney fees and expert witness fees, will be borne by the Party incurring the same.

9.8 Prompt Resolution. The Parties acknowledge the importance of prompt dispute resolution. Accordingly, it is agreed that any arbitration proceeding hereunder must be scheduled and conducted in such a manner that the Arbitration Award is rendered no later than two hundred and seventy (270) days after the Arbitration Notice is served.

9.9 Legal Remedies. Nothing in this Section 9 will be deemed to prevent a Party from commencing judicial action: (i) to obtain a provisional remedy to protect the effectiveness of the arbitration proceeding; (ii) to confirm, enforce, modify, correct or vacate or challenge an Arbitration Award on grounds provided for in the New Mexico Uniform Arbitration Act; (iii) to obtain relief in instances where the arbitrators are unable or unwilling to act within the time provided for in Section 9.8; (iv) where, as the result of the unreasonable or dilatory conduct of another Party, a Party is not able to obtain a timely valid and enforceable Arbitration Award; or (v) if a Party is prohibited by Law from participating in binding arbitration.

10.0 Power and Authority

10.1 Requisite Power and Authority. Each Party represents and warrants to the other Parties that it has the requisite power and authority to execute this Decommissioning Agreement and to perform its obligations set out in this Decommissioning Agreement. The execution and delivery of this Decommissioning Agreement and the performance of the obligations set out herein have been duly authorized by all necessary action on the part of each Party. The obligations set out herein will, upon execution hereof by each Party, be valid and binding obligations of such Party, enforceable against such Party in accordance with the terms and conditions hereof, except to the extent that enforceability hereof or thereof may be limited by applicable bankruptcy, insolvency, reorganization, moratorium or other similar Laws generally affecting creditors' rights and by equitable principles, regardless of whether enforcement is sought in equity or at Law.

10.2 No Violation. Each Party, to the best of its knowledge and upon reasonable inquiry, represents and warrants to the other Parties that the execution and delivery of this Decommissioning Agreement by such Party, and the performance by such Party of all of its obligations hereunder, will not violate any term, condition or provision of its Charter Documents; any applicable Law by which the Party is bound; any applicable court or administrative order or

decree; or any agreement or contract to which it is a party. Further, each Party represents and warrants to the other Parties that, to the best of its knowledge and upon reasonable inquiry, there is no claim pending or threatened against it which seeks a writ, judgment, order or decree restraining, enjoining or otherwise prohibiting or making illegal any of the transactions contemplated by this Decommissioning Agreement or which could result in the filing of any mechanic's or materialman's lien against the SJGS Plant Site.

11.0 Relationship of Parties

11.1 Several Obligations. All covenants, obligations and liabilities of the Parties are, except as otherwise specifically provided herein, intended to be several and not joint or collective. At no time will a non-defaulting Party be responsible for making payments required under this Decommissioning Agreement on behalf of any other Party. Each Party will be individually responsible for its own covenants, obligations and liabilities as provided for herein.

11.2 No Joint Venture or Partnership. Nothing in this Decommissioning Agreement will be construed to create an association, joint venture, trust or partnership, or to impose a trust or partnership covenant, obligation or liability on or with regard to any one or more of the Parties. No Party or group of Parties will be under the control of or will be deemed to control any other Party or the Parties as a group. Except as provided in this Decommissioning Agreement, the Restructuring Agreement or the Mine Reclamation Agreement, no Party will be the agent of or have a right or power to bind any other Party without its express written consent.

12.0 Assignments

12.1 Successors and Assigns. This Decommissioning Agreement is binding upon and inures to the benefit of the Parties and their respective authorized successors and assigns.

12.2 No Right to Mortgage. No Party will have the right to mortgage, create or provide for a security interest in or convey in trust its rights, titles and interests in a Decommissioning Trust created pursuant to this Decommissioning Agreement, or in funds held in a Decommissioning Trust created pursuant to this Decommissioning Agreement, to a trustee or trustees under deeds of trust, mortgages or indentures, or to secured parties under a security agreement, as security for their present or future bonds or other obligations or securities, and to any successors or assigns thereof.

12.3 Prior Written Consent. No Party may assign its rights, or delegate its obligations, under this Decommissioning Agreement without the prior written consent of all of the other Parties, which consent will not be unreasonably delayed or denied; provided, however, that consent will not be granted unless (i) the assignee has first agreed in writing with the non-assigning Parties to fully perform and discharge all of the obligations hereunder of the Assigning Party; and (ii) the assignee demonstrates to the Decommissioning Committee it has creditworthiness equal to or higher than that of the assigning Party. Such prior consent of the other Parties will not be required in the event of the transfer or assignment by a Party of its interest in the Project to a duly authorized successor; provided, however, that such successor has agreed in writing with the remaining Parties to fully perform and discharge all of the obligations

hereunder of the Assigning Party and the remaining Parties have agreed in writing to the substitution of the successor, in place of the Assigning Party, which consent will not be unreasonably delayed or denied.

12.4 Assignee's Obligation to Establish and Fund Decommissioning Trust. Among the contracts that the assignee must have executed in connection with any assignment is a Decommissioning Trust Agreement with a financial institution, consistent with the requirements of this Decommissioning Agreement. Pursuant to such Decommissioning Trust Agreement, the assignee must establish and fully fund its Decommissioning Trust to its then-required share of the Decommissioning Funding Target Amount in accordance with Section 6.2. Such Decommissioning Trust Fund Agreement must be provided to the Decommissioning Agent for review and approval by the Decommissioning Committee before the assignment becomes effective.

12.5 Parties not Relieved of Obligations. No Party will be relieved of any of its obligations and duties to the other Parties by a transfer or assignment under this Section 12 without the express prior written consent of the remaining Parties, which consent will not be unreasonably withheld, conditioned or delayed.

12.6 Assigning Party's Right of Refund. Upon receipt of the written consents provided for in Sections 12.3 and 12.5, and the assignee having fully funded its Decommissioning Trust as required in Section 12.4, the Assigning Party will be: (i) released from further obligations under this Decommissioning Agreement; and (ii) entitled to a return of all monies remaining in its Decommissioning Trust.

13.0 Audit Rights; Related Disputes

13.1 Right of Audit. The Decommissioning Agent will maintain complete and accurate records of all expenses and transactions for which a Party may have cost responsibility under this Decommissioning Agreement. Such records will be maintained from the date an expense is billed to a Party hereunder for a period of the longer of: (i) the expiration of the statute of limitations for actions based on contract; or (ii) the date the records may be destroyed under the Decommissioning Agent's document retention policy. Any Party (an "Initiating Party") may, upon reasonable advance written notice to the Decommissioning Agent, conduct an audit of all records, invoices, costs, expenses or liabilities charged to the Initiating Party or for which the Initiating Party has or may have cost responsibility. Parties desiring to perform an audit will cooperate with one another so as to minimize the number of audits and any undue burden upon the Decommissioning Agent. Each such audit will be carried out by an auditor of the Initiating Party's choosing and at the expense of the Initiating Party, except as provided in Section 13.3. The Decommissioning Agent will cooperate with the Initiating Party and the Initiating Party's auditor and will make available its relevant business records at reasonable times and places, upon reasonable advance notice. A copy of the audit report will be provided to all Parties by the Initiating Party within fifteen (15) days of receipt of the audit report.

13.2 Audit Dispute Resolution. If any Party disagrees with an audit finding from an audit conducted under Section 13.1, the Party may within fifteen (15) Business Days of the

receipt of the audit report request in writing that the audit be reviewed by providing such request to all of the Parties. After any such request, the affected Parties will review the expenditure and will endeavor to agree upon whether an over- or under-billing occurred. If, after the review, the affected Parties determine that the expenditure was over- or under-billed, an adjustment to the billing that is the subject of the audit finding will be made to eliminate the over- or under-billing and an adjusted bill will be sent as provided for in Section 13.3. Each Party that receives a payment as a result of under- or over-billing will reimburse the Initiating Party as provided for in Section 13.3. If within thirty (30) Business Days of the date of the mailing of the written request for review the affected Parties are unable to agree in writing on a modification of the expenditure to eliminate the over- or under-billing, the matter will be submitted to dispute resolution pursuant to Section 9.

13.3 Adjusted Billing Procedures. If as the result of an audit and any related dispute resolution procedures under Section 13.1 or Section 13.2 it is determined that there was an under- or over-billing, the Decommissioning Agent will issue invoices to correct the under- or over-billing with interest at the Prime Rate. Interest will be calculated from the due date for payments on the prior invoices that included the under- or over-billed amounts to the date of the revised billings. The owing Party will pay any amounts owed on the corrected invoices within twenty (20) Business Days after receipt of the revised billing reflecting the result of the audit report. Each Party (other than an Initiating Party) that receives a payment or credit as a result of an audit report will reimburse the Initiating Party for the cost of the audit based on the amount received by such Party as a percentage of the total amount of payments and credits received by Parties; provided that if the amount received by a Party is less than the lower of (i) \$5,000 or (ii) ten percent (10%) of the amount of the disputed billing, no reimbursement for the audit costs will be required.

13.4 Audit of Decommissioning A&G Expenses. To the extent practicable, any audit of Decommissioning A&G Expenses will be coordinated with audits of A&G expenses under any other San Juan Project-related agreements.

14.0 Uncontrollable Forces. No Party will be considered to be in default in the performance of any of its obligations hereunder (other than obligations of a Party to pay costs and expenses and to fully fund its Decommissioning Trust) if failure of performance is due to Uncontrollable Forces. The term “Uncontrollable Forces” means any cause beyond the control of the Party affected, including failure of facilities, flood, earthquake, storm, fire, lightning, epidemic or pandemic, war, riot, civil disturbance, labor dispute, sabotage or terrorism, restraint by court order or public authority, or failure to obtain approval from a necessary Governmental Authority which by exercise of due diligence and foresight such Party could not reasonably have been expected to avoid and which by exercise of due diligence it is unable to overcome. Nothing contained herein requires a Party to settle any strike or labor dispute in which it may be involved. Any Party rendered unable to fulfill any obligation by reason of Uncontrollable Forces will promptly provide notice to the other Parties and exercise due diligence to remove such inability with all reasonable dispatch.

15.0 Invalid Provisions. If any provision of this Decommissioning Agreement is held to be illegal, invalid or unenforceable under any present or future Law, and if the rights or obligations of any Party under this Decommissioning Agreement will not be materially and

adversely affected thereby, such provision will be fully severable, this Decommissioning Agreement will be construed and enforced as if such illegal, invalid or unenforceable provision had never comprised a part hereof, the remaining provisions of this Decommissioning Agreement will remain in full force and effect and will not be affected by the illegal, invalid or unenforceable provision or by its severance herefrom, and the Parties will negotiate in good faith to attempt to agree upon a legal, valid and enforceable provision as similar in terms to such illegal, invalid or unenforceable provision as may be possible.

16.0 Applicable Law and Venue

16.1 Compliance with Law. The Parties will comply with all applicable Law in the performance of their respective obligations under this Decommissioning Agreement.

16.2 Governing Law. This Decommissioning Agreement is made under and will be governed by New Mexico law, without regard to conflicts of Law or choice of Law principles that would require the application of the Laws of a different jurisdiction.

16.3 Venue. Venue with respect to any judicial proceeding arising out of or relating to this Decommissioning Agreement will lie exclusively in the state or federal courts in Albuquerque, New Mexico, and the Parties irrevocably consent and submit to the exclusive jurisdiction of such courts for such purpose and irrevocably waive the defense of an inconvenient forum to the maintenance of any such action or proceeding. Service of process may be made in any manner recognized by such courts. A final judgment of the state or federal court will be enforceable in other states under applicable Law.

17.0 Entire Agreement

17.1 Entire Agreement. This Decommissioning Agreement, together with the schedules and exhibits hereto and the Decommissioning Trust Agreements, supersede all prior negotiations, agreements and understandings between the Parties with respect to the covenants and obligations agreed upon in this Decommissioning Agreement.

17.2 Amendment and Modification. Except as otherwise provided herein, this Decommissioning Agreement may be amended, modified or supplemented only by written instrument executed by all of the Parties with the same formality as this Decommissioning Agreement.

17.3 Prior Obligations Unaffected. Except as otherwise provided herein, nothing in this Decommissioning Agreement will be deemed to relieve the Parties of their obligations in effect prior to the Effective Date and such obligations will continue in full force and effect until satisfied or as otherwise mutually agreed.

18.0 No Interpretation Against Drafter. This Decommissioning Agreement has been drafted with the full participation by all of the Parties and their counsel of choice, and no provision of this Decommissioning Agreement will be construed against any Party on the ground that such Party or its counsel was the author of such provision. All of the provisions of this

Decommissioning Agreement will be construed in a reasonable manner to give effect to the intentions of the Parties in executing this Decommissioning Agreement.

19.0 Independent Covenants. The covenants and obligations set forth in this Decommissioning Agreement are independent covenants, not dependent covenants, and the obligation of a Party to perform all of the obligations and covenants to be by it kept and performed is not conditioned on the performance by another Party of all the covenants and obligations to be kept and performed by it. Nothing in this Section 19 affects the rights of the Parties under the dispute resolution and default provisions of Sections 8 and 9.

20.0 Other Documents. Each Party agrees, upon request of another Party, to make, execute and deliver any and all documents and instruments reasonably required to carry into effect the terms of this Decommissioning Agreement; provided, that such documents and instruments will not increase or expand the obligations of a Party hereunder.

21.0 Notices

21.1 Manner of Giving of Notice. Any notice, demand or request provided for in this Decommissioning Agreement, or served, given or made in connection with it, will be deemed properly served, given or made (i) when delivered personally or by prepaid overnight courier, with a record of receipt; (ii) on the fourth day after mailing if mailed by certified mail, return receipt requested; or (iii) on the day of transmission, if sent by facsimile or electronic mail during regular business hours or the day after transmission, if sent after regular business hours (provided, however, that such facsimile or electronic mail will be followed on the same day or next Business Day with the sending of a duplicate notice, demand or request by a nationally recognized prepaid overnight courier with record of receipt), to the persons specified below:

21.1.1 Public Service Company of New Mexico
Attn: Vice President, PNM Generation
2401 Aztec N.E., Bldg. A
Albuquerque, NM 87107

With a copy to:

Public Service Company of New Mexico
c/o Secretary
414 Silver Ave. S.W.
Albuquerque, NM 87102

21.1.2 Tucson Electric Power Company
88 E. Broadway Blvd.
MS HQE901
Tucson, AZ 85701
Attn: Corporate Secretary

21.1.3 City of Farmington

c/o City Clerk
800 Municipal Drive
Farmington, NM 87401

with a copy to:

Farmington Electric Utility System
Electric Utility Director
101 North Browning Parkway
Farmington, NM 87401

21.1.4 M-S-R Public Power Agency
c/o General Manager
1231 11th Street
Modesto, CA 95354

21.1.5 Southern California Public Power Authority
c/o Executive Director
1160 Nicole Court
Glendora, CA 91740

21.1.6 City of Anaheim
c/o City Clerk
200 South Anaheim Boulevard
Anaheim, CA 92805

with a copy to:

Public Utilities General Manager
201 South Anaheim Boulevard
Suite 1101
Anaheim, CA 92805

21.1.7 Incorporated County of
Los Alamos, New Mexico
c/o County Clerk
1000 Central Ave.
Suite 240
Los Alamos, NM 87544

with a copy to:

Incorporated County of
Los Alamos, New Mexico
c/o Utilities Manager
1000 Central Ave.

Suite 130
Los Alamos, NM 87544

21.1.8 Utah Associated Municipal Power Systems
c/o General Manager
155 North 400 West
Suite 480
Salt Lake City, UT 84103

21.1.9 Tri-State Generation and Transmission
Association, Inc.
c/o Chief Executive Officer
1100 West 116th Avenue
Westminster, CO 80234
Or P. O. Box 33695
Denver, CO 80233

For purposes of overnight courier service, Tri-State's address will be:

Tri-State Generation and Transmission Association, Inc.
c/o Chief Executive Officer
3761 Eureka Way
Frederick, CO 80516

21.1.10 PNMR Development and Management Corporation
c/o Corporate Secretary
PNM Resources
Corporate Headquarters
414 Silver Ave. S.W.
Albuquerque, NM 87102

21.2 Changes in Designation. A Party may, at any time or from time-to-time, by written notice to the other Parties, change the designation or address of the person so specified as the one to receive notices pursuant to this Decommissioning Agreement.

22.0 Captions and Headings. The captions and headings appearing in this Decommissioning Agreement are inserted merely to facilitate reference and will have no bearing upon the interpretation of the provisions hereof.

23.0 Effect of Municipal Law

23.1 Anaheim and M-S-R. Anaheim (which includes its Public Utilities Department) and M-S-R are governmental entities whose liability is limited by the California Government Claims Act (Government Code §§ 810 – 998.3) and any liability or indemnity assumed by Anaheim or M-S-R in this Decommissioning Agreement will be limited by the provisions of the

California Government Claims Act. Nothing in this Decommissioning Agreement is intended to create or will be construed or applied to create any obligation, agreement, covenant or promise to indemnify, hold harmless or defend which is against public policy, void and unenforceable. Notwithstanding any other provision of this Decommissioning Agreement, the payment for all purchases, fees or charges made by Anaheim or M-S-R under this Decommissioning Agreement will be made from the legally available revenues of M-S-R or the legally available revenues of the Anaheim Electric System. In no event will the obligation to pay under this Decommissioning Agreement be considered an obligation against the general faith and credit or general taxing power of Anaheim or of M-S-R or any of the members of M-S-R.

23.2 Southern California Public Power Authority. SCPPA is a joint exercise of powers agency organized under the laws of the State of California, created to acquire, construct, finance, operate and maintain generation and transmission projects on behalf of its members. In no event will the obligation to pay under this Decommissioning Agreement be considered an obligation against the general faith and credit or taxing power of any member of SCPPA.

23.3 Farmington and Los Alamos. Farmington (and the Farmington Electric Utility System) and Los Alamos are governmental entities whose liability is limited by the New Mexico Tort Claims Act, NMSA 1978, §§ 41-4-1 through 41-4-27, and any liability or indemnity assumed by Farmington and the Farmington Electric Utility System or Los Alamos in this Decommissioning Agreement will be limited by the provisions of the New Mexico Tort Claims Act. Notwithstanding any other provisions of this Decommissioning Agreement, the payment for all purchases, fees or charges made by Farmington and Los Alamos under this Decommissioning Agreement will be made from the legally available revenues of Farmington's and/or Los Alamos's Electric Utility System. In no event will the obligation to pay under this Decommissioning Agreement be considered an obligation against the general faith and credit or general taxing power of Farmington or Los Alamos.

23.4 Utah Associated Municipal Power Systems. UAMPS is a joint action agency organized under the laws of the State of Utah, created to acquire, construct, finance, operate and maintain generation and transmission projects on behalf of its members. In no event will the obligation to pay under this Decommissioning Agreement be considered an obligation against the general faith and credit or taxing power of any member of UAMPS.

24.0 Parties' Cost Responsibilities. Except for costs incurred by the Decommissioning Agent in its capacity as Decommissioning Agent, each Party will be solely responsible for its own costs and expenses, including fees and costs of counsel, incurred in connection with the negotiation of this Decommissioning Agreement and with any actions associated with the implementation of this Decommissioning Agreement.

25.0 No Third Party Beneficiaries. The terms and provisions of this Decommissioning Agreement are intended solely for the benefit of the Parties and their respective successors and permitted assigns, and it is not the intention of the Parties to confer third-party beneficiary rights upon any other person.

26.0 No Admission of Liability. The terms of this Decommissioning Agreement are the product of compromise between and among the Parties. Neither any conduct nor statements made in its negotiation, nor entry by the Parties into it, will constitute evidence of, or an admission of, liability; provided, however, nothing in this Section 26 will be construed or interpreted to excuse any Party from, or be used by any Party to argue against, that Party's performance of any of its obligations under this Decommissioning Agreement.

27.0 Confidentiality

27.1 Confidentiality of Negotiations. The Parties' discussions and negotiations that led to the development of this Decommissioning Agreement, the Restructuring Agreement, the Mine Reclamation Agreement, the SJPPA Restructuring Amendment and the SJPPA Exit Date Amendment, including discussions taking place in the context of mediation, were conducted in confidence and will remain confidential; provided, that nothing herein will prevent a Party from making disclosures pursuant to a requirement of Law (including laws related to the inspection of public records and securities), including a subpoena or discovery request. If any Party determines that it is legally obligated to make a disclosure, the Party obligated to make such disclosure will make reasonable efforts to notify the other Parties prior to such disclosure and will reasonably cooperate with any other Party in seeking an order of a Governmental Authority preventing or limiting such disclosure; provided further, however, that the Party seeking any such order to prevent or limit disclosure will be responsible for all costs for seeking such an order. Prior to making disclosure, a Party will, as available or appropriate, attempt to utilize a confidentiality agreement to protect the confidentiality of the information disclosed.

27.2 Non-confidentiality of Decommissioning Agreement. While negotiations were and remain confidential as addressed in Section 27.1, neither this Decommissioning Agreement nor any version of it publicly disclosed pursuant to applicable Law is confidential.

28.0 Damages. In no event will any Party be liable under any provision of this Decommissioning Agreement for any indirect, punitive or incidental damages or costs of any other Party (including loss of revenue, cost of capital and loss of business reputation or opportunity), whether based in contract, tort (including negligence or strict liability), or otherwise, and the Parties hereby waive, release and discharge one another from all such indirect, punitive and incidental damages and costs.


29.0 Execution in Counterparts. This Decommissioning Agreement may be executed in any number of counterparts, and each executed counterpart will have the same force and effect as an original instrument as if all the Parties to the aggregated counterparts had signed the same instrument. Any signature page of this Decommissioning Agreement may be detached from any counterpart thereof without impairing the legal effect of any signatures thereon and may be attached to any other counterpart of this Decommissioning Agreement identical in form thereto but having attached to it one or more additional pages. Electronic or pdf signatures will have the same effect as an original signature.

IN WITNESS WHEREOF, the Parties have caused this Decommissioning Agreement to be executed on their behalf and the signatories hereto represent that they have been duly

authorized to enter into this Decommissioning Agreement on behalf of the Party for whom they sign.

[Signatures on succeeding pages]

PUBLIC SERVICE COMPANY OF NEW MEXICO

By: 
Its: Vice President, Generation
Date: June 30, 2015

TUCSON ELECTRIC POWER COMPANY

By: _____
Its: _____
Date: _____

THE CITY OF FARMINGTON, NEW MEXICO

By: _____
Its: _____
Date: _____

M-S-R PUBLIC POWER AGENCY

By: _____
Its: _____
Date: _____

THE INCORPORATED COUNTY OF LOS ALAMOS, NEW MEXICO

By: _____
Its: _____
Date: _____

SOUTHERN CALIFORNIA PUBLIC POWER AUTHORITY

By: _____
Its: _____
Date: _____

CITY OF ANAHEIM

By: _____
Its: _____
Date: _____

PUBLIC SERVICE COMPANY OF NEW MEXICO

By: _____
Its: _____
Date: _____

TUCSON ELECTRIC POWER COMPANY

By:
Its: VP Energy Resources
Date: 7/1/15

THE CITY OF FARMINGTON, NEW MEXICO

By: _____
Its: _____
Date: _____

M-S-R PUBLIC POWER AGENCY

By: _____
Its: _____
Date: _____

THE INCORPORATED COUNTY OF LOS ALAMOS, NEW MEXICO

By: _____
Its: _____
Date: _____

SOUTHERN CALIFORNIA PUBLIC POWER AUTHORITY

By: _____
Its: _____
Date: _____

CITY OF ANAHEIM

By: _____
Its: _____
Date: _____

PUBLIC SERVICE COMPANY OF NEW MEXICO

By: _____
Its: _____
Date: _____

TUCSON ELECTRIC POWER COMPANY

By: _____
Its: _____
Date: _____

THE CITY OF FARMINGTON, NEW MEXICO

By: Robert Mays
Its: City Manager
Date: 7/1/15

M-S-R PUBLIC POWER AGENCY

By: _____
Its: _____
Date: _____

THE INCORPORATED COUNTY OF LOS ALAMOS, NEW MEXICO

By: _____
Its: _____
Date: _____

SOUTHERN CALIFORNIA PUBLIC POWER AUTHORITY

By: _____
Its: _____
Date: _____

CITY OF ANAHEIM

By: _____
Its: _____
Date: _____

PUBLIC SERVICE COMPANY OF NEW MEXICO

By: _____
Its: _____
Date: _____

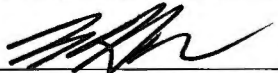
TUCSON ELECTRIC POWER COMPANY

By: _____
Its: _____
Date: _____

THE CITY OF FARMINGTON, NEW MEXICO

By: _____
Its: _____
Date: _____

M-S-R PUBLIC POWER AGENCY

By: 
Its: GENERAL MANAGER
Date: 7-27-15

THE INCORPORATED COUNTY OF LOS ALAMOS, NEW MEXICO

By: _____
Its: _____
Date: _____

SOUTHERN CALIFORNIA PUBLIC POWER AUTHORITY

By: _____
Its: _____
Date: _____

CITY OF ANAHEIM

By: _____
Its: _____
Date: _____

PUBLIC SERVICE COMPANY OF NEW MEXICO

By: _____
Its: _____
Date: _____

TUCSON ELECTRIC POWER COMPANY

By: _____
Its: _____
Date: _____

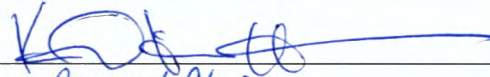
THE CITY OF FARMINGTON, NEW MEXICO

By: _____
Its: _____
Date: _____

M-S-R PUBLIC POWER AGENCY

By: _____
Its: _____
Date: _____

THE INCORPORATED COUNTY OF LOS ALAMOS, NEW MEXICO

By:  _____
Its: *Council Chair* _____
Date: *July 28, 2015* _____

SOUTHERN CALIFORNIA PUBLIC POWER AUTHORITY

By: _____
Its: _____
Date: _____

CITY OF ANAHEIM

By: _____
Its: _____
Date: _____

PUBLIC SERVICE COMPANY OF NEW MEXICO

By: _____
Its: _____
Date: _____

TUCSON ELECTRIC POWER COMPANY

By: _____
Its: _____
Date: _____

THE CITY OF FARMINGTON, NEW MEXICO

By: _____
Its: _____
Date: _____

M-S-R PUBLIC POWER AGENCY

By: _____
Its: _____
Date: _____

THE INCORPORATED COUNTY OF LOS ALAMOS, NEW MEXICO

By: _____
Its: _____
Date: _____

SOUTHERN CALIFORNIA PUBLIC POWER AUTHORITY

By: J. Moran
Its: PRESIDENT
Date: 7-16-15

CITY OF ANAHEIM

By: _____
Its: _____
Date: _____

CALIFORNIA ALL-PURPOSE ACKNOWLEDGMENT
CIVIL CODE § 1189

State of California

County of Los Angeles

}

Salpi Ortiz, a notary public

On July 16, 2015

Date

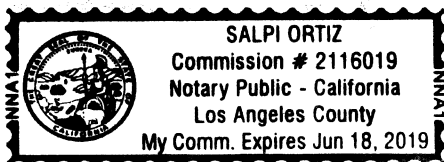
before me,

Name and Title of the Officer

personally appeared

Fred Wilson

Name(s) of Signer(s)



Place Notary Seal Above

who proved to me on the basis of satisfactory evidence to be the person(s) whose name(s) is/are subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument the person(s), or the entity upon behalf of which the person(s) acted, executed the instrument.

I certify under PENALTY OF PERJURY under the laws of the State of California that the foregoing paragraph is true and correct.

WITNESS my hand and official seal.

Signature:

Salpi Ortiz
Signature of Notary Public

OPTIONAL

Though this section is optional, completing this information can deter alteration of the document or fraudulent reattachment of this form to an unintended document.

Description of Attached Document

Title or Type of Document: _____ Document Date: _____

Number of Pages: _____ Signer(s) Other Than Named Above: _____

Capacity(ies) Claimed by Signer(s)

Signer's Name: _____

☐ Corporate Officer — Title(s): _____

☐ Partner — ☐ Limited ☐ General

☐ Individual ☐ Attorney in Fact

☐ Trustee ☐ Guardian or Conservator

☐ Other: _____

Signer's Name: _____

☐ Corporate Officer — Title(s): _____

☐ Partner — ☐ Limited ☐ General

☐ Individual ☐ Attorney in Fact

☐ Trustee ☐ Guardian or Conservator

☐ Other: _____

Signer Is Representing: _____

Signer Is Representing: _____

PUBLIC SERVICE COMPANY OF NEW MEXICO

By: _____
Its: _____
Date: _____

TUCSON ELECTRIC POWER COMPANY

By: _____
Its: _____
Date: _____

THE CITY OF FARMINGTON, NEW MEXICO

By: _____
Its: _____
Date: _____

M-S-R PUBLIC POWER AGENCY

By: _____
Its: _____
Date: _____

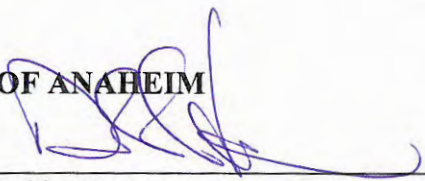
THE INCORPORATED COUNTY OF LOS ALAMOS, NEW MEXICO

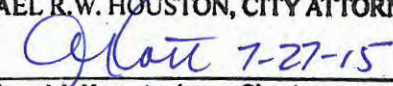
By: _____
Its: _____
Date: _____

SOUTHERN CALIFORNIA PUBLIC POWER AUTHORITY

By: _____
Its: _____
Date: _____

CITY OF ANAHEIM

By:  _____
Dukku Lee
Its: Public Utilities General Manager
Date: July 27, 2015

APPROVED AS TO FORM:
MICHAEL R.W. HOUSTON, CITY ATTORNEY
BY  7-27-15
Alison M. Kott, Assistant City Attorney

UTAH ASSOCIATED MUNICIPAL POWER SYSTEMS

By: Douglas Hunt
Its: General Manager
Date: July 31, 2015

TRI-STATE GENERATION AND TRANSMISSION ASSOCIATION, INC.

By: _____
Its: _____
Date: _____

PNMR DEVELOPMENT AND MANAGEMENT CORPORATION

By: _____
Its: _____
Date: _____

UTAH ASSOCIATED MUNICIPAL POWER SYSTEMS

By: _____
Its: _____
Date: _____

TRI-STATE GENERATION AND TRANSMISSION ASSOCIATION, INC.

By: Michael S. McIntosh
Its: CEO
Date: 7-22-15

PNMR DEVELOPMENT AND MANAGEMENT CORPORATION

By: _____
Its: _____
Date: _____

UTAH ASSOCIATED MUNICIPAL POWER SYSTEMS

By: _____

Its: _____

Date: _____

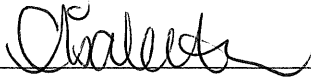
TRI-STATE GENERATION AND TRANSMISSION ASSOCIATION, INC.

By: _____

Its: _____

Date: _____

PNMR DEVELOPMENT AND MANAGEMENT CORPORATION

By: 

Its: President, Chief Executive Officer and Treasurer

Date: June 30, 2015

EXHIBIT A
DECOMMISSIONING SHARES¹

	Pre 2018	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028
PNM	46.6%	46.9%	47.2%	47.5%	47.8%	48.0%	48.3%	48.5%	48.8%	49.0%	49.2%	49.4%
PNMR	-	0.2%	0.4%	0.6%	0.8%	0.9%	1.1%	1.3%	1.4%	1.5%	1.7%	1.8%
TEP	20.2%	20.2%	20.2%	20.2%	20.2%	20.2%	20.2%	20.2%	20.2%	20.2%	20.2%	20.2%
MSR	8.7%	8.4%	8.2%	8.0%	7.8%	7.6%	7.4%	7.3%	7.1%	6.9%	6.8%	6.6%
COF	2.6%	2.6%	2.7%	2.7%	2.8%	2.9%	2.9%	3.0%	3.0%	3.1%	3.1%	3.1%
Tri State	2.4%	2.4%	2.3%	2.2%	2.2%	2.1%	2.1%	2.0%	2.0%	1.9%	1.9%	1.8%
LAC	2.2%	2.2%	2.3%	2.3%	2.4%	2.4%	2.5%	2.5%	2.6%	2.6%	2.6%	2.7%
SCPPA	12.3%	12.0%	11.7%	11.4%	11.1%	10.8%	10.5%	10.3%	10.1%	9.8%	9.6%	9.4%
COA	3.0%	2.9%	2.9%	2.8%	2.7%	2.7%	2.6%	2.5%	2.5%	2.4%	2.4%	2.3%
UAMPS	2.1%	2.2%	2.2%	2.3%	2.3%	2.4%	2.4%	2.5%	2.5%	2.5%	2.6%	2.6%
Total	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%

	2029	2030	2031	2032	2033	2034	2035	2036	2037	2038	2039	2040
PNM	49.6%	49.8%	50.0%	50.1%	50.3%	50.5%	50.6%	50.8%	50.9%	51.0%	51.2%	51.3%
PNMR	1.9%	2.0%	2.2%	2.3%	2.4%	2.5%	2.6%	2.7%	2.8%	2.8%	2.9%	3.0%
TEP	20.2%	20.2%	20.2%	20.2%	20.2%	20.2%	20.2%	20.1%	20.1%	20.1%	20.1%	20.1%
MSR	6.5%	6.4%	6.2%	6.1%	6.0%	5.9%	5.8%	5.7%	5.6%	5.5%	5.4%	5.3%
COF	3.2%	3.2%	3.3%	3.3%	3.3%	3.4%	3.4%	3.4%	3.5%	3.5%	3.5%	3.5%
Tri State	1.8%	1.8%	1.7%	1.7%	1.7%	1.6%	1.6%	1.6%	1.6%	1.5%	1.5%	1.5%
LAC	2.7%	2.7%	2.8%	2.8%	2.8%	2.9%	2.9%	2.9%	2.9%	3.0%	3.0%	3.0%
SCPPA	9.2%	9.0%	8.8%	8.7%	8.5%	8.3%	8.2%	8.0%	7.9%	7.8%	7.6%	7.5%
COA	2.3%	2.2%	2.2%	2.1%	2.1%	2.0%	2.0%	2.0%	1.9%	1.9%	1.9%	1.8%
UAMPS	2.6%	2.7%	2.7%	2.7%	2.8%	2.8%	2.8%	2.8%	2.9%	2.9%	2.9%	2.9%
Total	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%

	2041	2042	2043	2044	2045	2046	2047	2048	2049	2050	2051	2052	2053
PNM	51.4%	51.5%	51.7%	51.8%	51.9%	52.0%	52.1%	52.2%	52.3%	52.4%	52.5%	52.5%	52.6%
PNMR	3.1%	3.2%	3.2%	3.3%	3.4%	3.4%	3.5%	3.6%	3.6%	3.7%	3.7%	3.8%	3.8%
TEP	20.1%	20.1%	20.1%	20.1%	20.1%	20.1%	20.1%	20.1%	20.1%	20.1%	20.1%	20.1%	20.1%
MSR	5.2%	5.1%	5.0%	4.9%	4.9%	4.8%	4.7%	4.6%	4.6%	4.5%	4.4%	4.4%	4.3%
COF	3.6%	3.6%	3.6%	3.6%	3.7%	3.7%	3.7%	3.7%	3.7%	3.8%	3.8%	3.8%	3.8%
Tri State	1.4%	1.4%	1.4%	1.4%	1.4%	1.3%	1.3%	1.3%	1.3%	1.3%	1.2%	1.2%	1.2%
LAC	3.0%	3.0%	3.1%	3.1%	3.1%	3.1%	3.1%	3.2%	3.2%	3.2%	3.2%	3.2%	3.2%
SCPPA	7.4%	7.2%	7.1%	7.0%	6.9%	6.8%	6.7%	6.6%	6.5%	6.4%	6.3%	6.2%	6.1%
COA	1.8%	1.8%	1.8%	1.7%	1.7%	1.7%	1.6%	1.6%	1.6%	1.6%	1.5%	1.5%	1.5%
UAMPS	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.1%	3.1%	3.1%	3.1%	3.1%	3.1%	3.2%
Total	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%

¹ Assumes Units 1 and 4 retire at the same time and there is no change in ownership or Unit rating. Should any of the assumptions change, the Decommissioning Committee will recalculate the Decommissioning Shares.

EXHIBIT B**MANDATORY PROVISIONS**

Trust provisions substantially as shown below are considered to be the “Mandatory Provisions” for the individual Party Decommissioning Trust Agreements as required by Section 6.1 of the San Juan Decommissioning and Trust Funds Agreement (for purposes of this Exhibit B, the “Decommissioning Agreement”). For purposes of this Exhibit B, “Party A” refers to the Party that is a party to a Decommissioning Trust Agreement entered into pursuant to the terms of the Decommissioning Agreement. The numbering provisions in this form are for purposes of convenience and need not correspond to the actual section numbers in the actual Decommissioning Trust Agreement.

1. Purpose. The purpose of this Decommissioning Trust Agreement is to provide funding for the payment of Decommissioning Costs for the San Juan Project in accordance with Party A’s obligations as set out in the Decommissioning Agreement.
2. Identification of Beneficiaries. The beneficiaries of this Decommissioning Trust (“Beneficiaries”) are: (i) Party A, as the settlor; (ii) each of the other Parties to the San Juan Decommissioning and Trust Funds Agreement (“Decommissioning Agreement”); and (iii) the Decommissioning Agent as provided for in the Decommissioning Agreement. At the time of the establishment of Party A’s Trust, Party A will notify the Trustee of the names and contact information of all of the Parties to the Decommissioning Agreement and the Decommissioning Agent.
3. Settlor’s Relinquishment of Beneficial Interest. Party A, as settlor of the Trust, retains no beneficial interest in the funds held in trust except to utilize funds in the Trust as set forth in Section 4 and to receive a return of any funds that may remain in the Trust after the purposes of the Trust have been accomplished and the Trust has been terminated.
4. Decommissioning Trust Fund. Party A hereby establishes and is funding herewith the Decommissioning Trust Fund in accordance with the Decommissioning Agreement. Prior to termination, funds may be disbursed from the Decommissioning Trust Fund for the following and no other purposes: (a) to pay the costs and fees associated with the maintenance of the Decommissioning Trust Account, including the fees and expenses of the Trustee; and (b) to pay Party A’s Decommissioning Share (as defined in Section 5.3 and Exhibit A of the Decommissioning Agreement) of Decommissioning Costs pursuant to invoices rendered to Party A by the Decommissioning Agent (as that term is defined in the Decommissioning Agreement) and approved for payment by Party A. The Trustee will pay funds out of the Decommissioning Trust Fund in accordance with the following procedures. The Decommissioning Agent must bill Party A, in writing, for Decommissioning Costs at least ten (10) Business Days prior to the date that payment is due. Party A must promptly review such invoice and, upon Party A’s review and approval of such invoice from the Decommissioning Agent, must direct the Trustee to pay such invoice by making payment out of the assets of the Decommissioning Trust, in immediately available funds, to the Decommissioning Agent. Upon the making of such payment, the Trustee must provide notice of such payment to Party A. Party A must provide the Trustee with

appropriate wiring instructions for the making of payments in immediately available funds to the Decommissioning Agent. Party A must notify the Trustee of the identity of the Decommissioning Agent and of any changes in the Decommissioning Agent. Subject to and in accordance with the terms and conditions hereof, the Trustee agrees that it will receive, hold in trust, invest, reinvest, and release, disburse or distribute the funds in the Decommissioning Trust Account (“Decommissioning Trust Funds”). All interest and other earnings on the Decommissioning Trust Funds will become a part of the Decommissioning Trust Account and the Decommissioning Trust Funds for all purposes, and all losses resulting from the investment or reinvestment thereof from time to time, and all amounts charged thereto to compensate or reimburse the Trustee for amounts owing to it hereunder from time to time, will be set off against the Decommissioning Trust Funds, from the time of such loss or charge, and thereafter no longer will constitute part of the Decommissioning Trust Funds.

5. Funding Provisions. Party A must fund the Decommissioning Trust Account according to the terms set forth in the Decommissioning Agreement. The Trustee will have no obligation to take any action whatsoever in connection with Party A’s funding of the Decommissioning Trust, or to enforce any obligations that Party A has, or may have, under the Decommissioning Agreement with respect to the funding of the Decommissioning Trust.

6. Modifications. A Decommissioning Trust created pursuant to this Agreement is irrevocable and may not be modified by Party A in a manner that (i) is inconsistent with the Decommissioning Agreement; or (ii) will adversely affect the ability of any Beneficiary to perform its obligations under the Decommissioning Agreement. It will be a condition to any modification of this Agreement that Party A has certified to the Trustee that such modification is not inconsistent with the Decommissioning Agreement and will not adversely affect the ability of any Beneficiary to perform its obligations under the Decommissioning Agreement. In no circumstance will this Agreement be modified in a way that impacts the Trustee’s rights or duties, without the Trustee’s prior written consent.

7. Good Faith Duties of Administration. The Trustee must exercise reasonable care, skill and caution in the administration of the Decommissioning Trust and must administer the Decommissioning Trust in good faith, in accordance with the terms of this Agreement. The Trustee must take reasonable steps to protect the Decommissioning Trust property.

8. No Conflicts of Interest. The Decommissioning Trust will be administered solely in the interests of the Beneficiaries. The Trustee may not permit to exist a conflict of interest between its duties under this Agreement and its personal interests and must keep the Decommissioning Trust property separate from the Trustee’s own property.

9. Trustee Records and Reports. The Trustee must keep or cause to be kept and maintained accurate books and records reflecting all income, principal and expense transactions, which books and records will be open at all reasonable times for inspection by Party A or its duly authorized representatives, upon at least two (2) Business Days prior written notice to the Trustee. The Trustee must furnish statements to Party A and the Decommissioning Agent at least as often as annually, as directed by Party A. The Trustee must promptly respond to requests for information related to the administration of the Decommissioning Trust from Party

A. When applicable and required by applicable regulations, the Trustee will issue annual IRS Form 1099.

10. Scope of Undertaking. The Trustee [, as a fiduciary] [Party A and the Trustee may insert this language or omit it] will be subject to and must perform all duties in accordance with [this Agreement] [all rules of law relating to fiduciaries and trustees] [Party A and the Trustee may insert either of the bracketed phrases.]. The Trustee will perform such duties and only such duties as are specifically set forth in this Agreement, and no implied covenants, agreements or duties will be read into this Agreement against the Trustee. The Trustee will have no duty to perform, cause the performance of, manage, monitor, evaluate or approve the Decommissioning Work. The Trustee is not a principal, participant, or beneficiary in any transaction underlying this Agreement and will have no duty to inquire beyond the terms and provisions of this Agreement except as specifically provided herein. The Trustee will not be required to deliver the Decommissioning Trust Funds or any part thereof, or take any action with respect to any matters that might arise in connection therewith, other than to receive, hold in trust, invest, reinvest, and release, disburse or distribute the Decommissioning Trust Funds as herein provided. The Trustee will not be required to notify or obtain the consent, approval, authorization or order of any court or governmental body to perform its obligations under this Agreement, except as expressly provided herein. Without limiting the generality of the foregoing, it is hereby expressly agreed and stipulated by the Parties that, unless otherwise provided herein, the Trustee will not be required to exercise any discretion hereunder and will have no investment or management responsibility and, accordingly, will have no duty to, or liability for its failure to, provide investment recommendations or investment advice to Party A. The Trustee will not be liable for any error in judgment, any act or omission, any mistake of law or fact, or for anything it may do or refrain from doing in connection herewith, subject, however, to its own willful misconduct or [negligence] [gross negligence] [Party A and the Trustee may agree upon either standard]. It is the intention of the Parties that the Trustee will not be required to use, advance or risk its own funds or otherwise incur financial liability in the performance of any of its duties or the exercise of any of its rights and powers hereunder.

11. Termination of Decommissioning Trust and of this Agreement. The Decommissioning Trust and this Agreement will terminate no earlier than twenty-four (24) months after the Decommissioning Committee determines that the Decommissioning Work is complete; provided, however, that in the event all fees, expenses, costs and other amounts required to be paid to the Trustee hereunder are not fully and finally paid prior to termination, the provisions of Section ____ [concerning payment of Trustee] will survive the termination hereof, and provided further, that the provisions of Section ____ [concerning interpleader] and Section ____ [concerning indemnity] if applicable) will, in any event, survive the termination hereof. Notice of termination of the Decommissioning Trust and of this Agreement must be provided to the Trustee in the following manner: the Decommissioning Agent, at the direction of the Decommissioning Committee, must give written notice to Party A and to each of the other Parties that the Decommissioning Work was completed, and Party A must, in turn, give written notice to the Trustee of the satisfaction of Party A's obligations under the Decommissioning Agreement.

12. Distribution of Assets. Until satisfaction of Party A's obligations under the Decommissioning Agreement, Party A will have no right of return of any of the

Decommissioning Trust Funds. Upon the termination of this Agreement, the Trustee must distribute any remaining assets in the Decommissioning Trust Account to Party A.

13. Spendthrift Clause. The interests of the Beneficiaries are held subject to a spendthrift trust. No interest in the Decommissioning Trust Funds established pursuant to this Agreement will be transferable or assignable, voluntarily or involuntarily, or be subject to the claims of Party A or its creditors other than as provided in the Decommissioning Agreement.

14. Tax Matters. Party A must provide the Trustee with its taxpayer identification number documented by an appropriate Form W8 or W9 (or other appropriate identification information for tax purposes) upon execution of this Agreement. Failure to provide such form may prevent or delay disbursements from the Decommissioning Trust Funds and may also result in the assessment of a penalty and the requirement that the Trustee withhold tax on any interest or other income earned on the Trust Funds. The Parties agree that, for all tax purposes, all interest or other income, gain, or loss from investment of the Trust Funds, as of the end of each calendar year and to the extent required by the Internal Revenue Service or other taxing authority, will be reported as having been earned or lost, as the case may be, by Party A. Any payments of income will be subject to applicable withholding regulations then in force in the United States or any other jurisdiction, as applicable.

15. Third Party Beneficiaries. Nothing in this Agreement will entitle any person other than the Parties to any claim, cause of action, remedy, or right of any kind, except the rights expressly provided to the persons described in Section ____ (if applicable).

EXHIBIT C

SJGS PLANT SITE

The SJGS Plant Site consists of Parcels A, B, D, E and F in the property descriptions below.

PARCEL A

The following portions of Township 30 North, Range 15 West, N.M.P.M., San Juan County, New Mexico:

Section 16: SW 1/4
Section 20: NE 1/4, N 1/2 SE 1/4, SW 1/4 SE 1/4
Section 21: NW 1/4 NW 1/4
Section 29: NE 1/4

PARCEL B

The following portions of Township 30 North, Range 15 West, N.M.P.M., San Juan County, New Mexico:

Section 19: SE 1/4 SW 1/4, SW 1/4 SE 1/4
Section 20: E 1/2 NW 1/4, NE 1/4 SW 1/4
Section 29: NW 1/4, N 1/2 SW 1/4
Section 30: NE 1/4, E 1/2 NW 1/4, N 1/2 SE 1/4

PARCEL D

The following portions of Township 30 North, Range 15 West, N.M.P.M., San Juan County, New Mexico:

Section 17: SE 1/4 SW 1/4, S1/2 SE 1/4

PARCEL E

The following portions of Township 30 North, Range 15 West, N.M.P.M., San Juan County, New Mexico:

Section 19: SE 1/4 SE 1/4
NE 1/4 SE 1/4
E 1/2 NW 1/4 SE 1/4

S 1/2 S 1/2 SE 1/4 NE 1/4

Section 20: SE 1/4 SW 1/4
SW 1/4 SW 1/4
NW 1/4 SW 1/4
S 1/2 SW 1/4 SW 1/4 NW 1/4

Containing 235 acres, more or less.

PARCEL F

The following portions of Township 30 North, Range 15 West, N.M.P.M., San Juan County, New Mexico:

Section 20: SE 1/4 SE 1/4

EXHIBIT D

INITIAL DECOMMISSIONING WORK

Equipment	Scope	Decommissioning Cost Estimates	
		Unit 2	Unit 3
Cleanup ash/coal residual	Remove ash and coal from external and internal areas following unit shutdown.	\$400,000	\$400,000
Unit 2 Cooling Tower	Unit 2 Cooling Tower is a wood structure that would be demolished for safety and to eliminate the need for periodic inspections.	\$400,000	NA

EXHIBIT E
RETIREMENT IN PLACE

Equipment	Scope	Costs	
		Unit 2	Unit 3
Mercury switches	Identify, remove, and dispose of instrumentation containing Mercury, Estimated 132 Instruments on U3 and 120 Instruments on U2.	\$25,000	\$25,000
Freon refrigerant	Included in other costs estimates	Included	Included
Lighting Fixture PCB's	Several lighting fixtures contain PCB's. Would isolate and remove those and dispose of PCB's.	\$100,000	\$195,000
Nuclear sources	Remove and dispose of all nuclear source instrumentation. Highest cost is disposal requirements. 51 sources associated with Unit 3, 20 sources associated with Unit 2 - potential for early disposal prior to 2017.	\$112,200	\$44,000
Purge Generator of Hydrogen	Normal shutdown activity	\$0	\$0
Other chemicals (Acid/ Caustic/etc.)	Plans would be to decrease and suspend feed rates in last few weeks and flush in last few days to clean out tanks and equipment.	\$0	\$0
Oil filled equipment	Drain and dispose of oil/fuel from Fans, BFP, AH, CT gearboxes, Mills, Turbine LO, Diesel Generators, EHC fluid, MOVs, LC transformers, motors, HVAC units, sootblowers, hoists, fuel oil, etc.	\$60,000	\$60,000
Resins (Stator Cooling, etc.)	Removal and disposal of resins	\$2,000	\$2,000
Baghouse bags	Remove excess ash from bags	\$5,000	\$5,000

Batteries	Unit 2 - Battery Charger 2C and Batteries 2C, Unit 3 Battery Charger 2B and Batteries 2B (Systems power EBOP & ESOP motors)	\$15,000	\$15,000
DC & UPS System	Disconnect DC circuits and UPS circuits no longer in use	\$15,000	\$15,000
Precipitator T/R sets	Remove oil in Precipitator T/R sets	\$5,000	\$5,000
Safety Surveys	Setup periodic safety survey. Perform walkdown of remaining structures and equipment to identify potential hazards. Make minor remedies.	\$25,000	\$25,000
Ductwork and Misc. Equipment Stabilization	Follow-up from safety survey and other identified items to ensure equipment remains in safe condition	\$75,000	\$75,000
Review of Major Stand Alone Structures			
Stacks	Maintain minimum maintenance to defer tear down costs	\$25,000	\$25,000
Stacks - install stack caps	Install cap on top of stack to protect stack liner and pooling of water internal to the stack.	\$25,000	\$25,000
Stacks	Maintain minimum maintenance to defer tear down costs	* Aircraft light maint - \$5k per year * Elevator PM until obsolete - \$5k per year * Period stack structural inspection \$10k every 2 years-- Light maintenance for caulking up to \$50k over stack life	* Aircraft light maint - \$5k per year * Elevator PM until obsolete - \$5k per year * Period stack structural inspection \$10k every 2years Light maintenance for caulking up to \$50k over stack life.

Unit 3 Cooling Tower	Unit 3 Cooling Tower is a metal structure. Philosophy would be same as baghouse to leave in place until structural issues, if any, are identified. Plan would be to drain all equipment and leave in place.	\$0	\$5,000
Other Plant Structures	Typically steel structures that are anticipated to be able to stand until final decommissioning with little maintenance and periodic inspections.	\$5,000	\$5,000
Common Building Dismantle (Southside waste water building,)	A number of common unit buildings are no longer necessary. Dismantlement is preference for several of these - undetermined at this time.	\$50,000	\$50,000
Blank off chemical feeds	Blank off feeds to Unit 2 & 3 equipment to ensure no inadvertent filling of equipment or tanks from common chemical systems.	\$20,000	\$20,000
Physical Barriers	Setup physical barriers to prevent access to unmaintained areas.	\$25,000	\$25,000
Boiler	Secure/Close bottom of boiler to prevent draft through system - potentially fill seal tough	\$10,000	\$10,000
Misc. Structural and Environmental Issues	Address any emergent structural integrity or environmental conditions, if any, with equipment and facilities.	TBD	TBD
DCS Logic Changes	Changes to align DCS to two unit operation - logic changes	\$50,000	\$50,000
Medium Voltage Motors	Disconnect 4160V/6900V motors at the switchgear. Label cubicles as spare.	\$20,000	\$20,000
480V Motors	Disconnect 480V motor at the LC/MCC. Label cubicles as spare.	\$30,000	\$30,000
De-energize/disconnect Cooling Tower LC/MCC's	De-energize electrical equipment. Potential physical disconnect to remove potential for inadvertently re-energizing.	\$10,000	\$10,000

etc.			
Electrical disconnect from substation	Physical removal high voltage wire between the Generator MOD and the GSU Xfmrs. Physical removal of the potential backfeeds from medium voltage switchgear bus to the Aux Xfmrs and Generator, also included the Aux feeds to the SO2 Switchgear.	\$50,000	\$50,000
Coal Connection	Physically separate coal system so no inadvertent coal added back into Units 2 & 3 silos, etc.	\$15,000	\$15,000
Fire Protection	Insurance provider recommends maintaining fire detection in areas with oil storage or energized electrical equipment. May cap and drain non-operational areas.	\$50,000	\$50,000
Building elevators	Board up unit elevators - will need to transfer ownership on some to remaining owners to allow access to common piping runs, etc. - need better assessment	\$0	\$0
Property Taxes	Review/address continuing obligations, if any, on property taxes.		
Insurance Requirements	Review/address continuing obligations on required insurance.		
Aux Power Requirements	Aux power requirements for freeze protection, FAA warning lights, and other lighting equipment for the retired units.		
Building winter enclosures	Cover and repair vents, louvers, etc. in areas for heat loss and freeze protection in winter and air ventilation in the summer.	\$10,000	\$10,000

EXHIBIT F**EQUIPMENT REQUIRED FOR ON-GOING
OPERATION OF UNITS 1 AND 4**

Unit Needing Support	Unit Providing Support	Common System	Power Source Feeding	Notes
1	2	Sootblowing Air Compressors #1,2, and 3	2C 480 breakers	
1	2	Unit Plant Air compressor #1	2A 4160	
1	2	Unit Plant Air compressor #2 and 3	2B 4160	
4	3	Sootblowing Air Compressors A and B	U3 6900	
4	3	Bearing Cooling Water Pumps A and B	3A and 3B load centers	
1 and 4	2	Lake Station	U2 4160 A Bus	
1 and 4	2	U1 and U2 Ash Water	U2 4160	
1 and 4		Coal System		
1	2	Baghouse Air Compressor	U2	
4	3	Baghouse Air Compressor	U3 6900	
1		Demineralizer System		
4		Demineralizer System		
1	2	Bearing Cooling Water Pumps	U2	
1	2	Boiler Blowdown		Manual Valves
1 and 4	4	Oxidation Air Blowers	U3 and U4 01 MCC	
Common		Limestone Slurry System C Huff Tank		
4	3 and 4	Aux Cooling System	Switchyard	Blank off U3 Piping
1	1 and 2	Raw Water Supply	U2	
4	3 and 4	Raw Water Supply	U3	Heat Trace and Structure
4	3 and 4	HVAC	U3	
1	1 and 2	Control Room	U2	
4	3 and 4	Control Room	U3	
Common	2	Potable Water	U2	
1	1 and 2	Relay Room	U2	
4	3 and 4	Relay Room	U3	
Common	2	Lab and 1 and 2 Maintenance Shop	U2	
Common		Building Steam		Isolation
1	1 and 2	ME Wash 01 Area		Common Tank and Pumping

Unit Needing Support	Unit Providing Support	Common System	Power Source Feeding	Notes
				System
4	3 and 4	ME Wash 01 Area		Common Tank and Pumping System
1	1 and 2	Fuel Oil Pumping	U2	
4	3 and 4	Start-Up Boiler Feedpump	U3	
Common	2 and 3	Cranes and Elevators	U2 and U3	
4	3 and 4	CT Chemical Injection	U3	
1	1 and 2	Stack Relay, DCS, and LOTO Area	U3	
1	1 and 2	U1 and U2 FP Booster Pump	U2	
4	3 and 4	U3 and U4 FP Booster Pump	U3	
1	1 and 2	CO2 System	U2	
4	3 and 4	CO2 System	U3	
Common		Control System AC Power		Backup Sources from Sister Unit
1	1 and 2	Sample Panel	U2	
4	3 and 4	Sample Panel	U3	
1	1 and 2	Hydrogen Panels		Valving or Capping
4	3 and 4	Hydrogen Panels		Valving or Capping
Common		DBA Tank and Piping	U3	
1	1 and 2	Cathodic Protection	U2	
4	3 and 4	Cathodic Protection	U3	
Common		Aux Steam		
1	1 and 2	Tripper Deck Exhaust Fans	U2	
4	3 and 4	Tripper Deck Exhaust Fans	U3	
1	1 and 2	Lighting	U2	
4	3 and 4	Lighting	U3	
1	2	Stack Lighting	U2	Needed if Stack not Demolished
4	3	Stack Lighting	U3	Needed if Stack not Demolished
Common	2 and 3	Radio repeater System	U2 and U3	
Common		Contractor Support Shop	U2 and U3	

PROPOSED FEE SCHEDULE
TRUSTEE FOR LOS ALAMOS COUNTY
DECOMMISSIONING TRUST

Acceptance Fee.....\$500.00

This one-time fee is payable at closing and includes the review of documents, performing required customer due diligence, opening the account, and receipt of funds.

Annual Administration Fee.....\$2,500.00

Covers the day to day duties of providing Trustee services including account reporting, trade settlement, and compliance and risk management monitoring. Due annually, in advance. First year paid at closing.

Trustee Counsel Fee (if required).....at cost

New Mexico Gross Receipts Tax are applied to all fees.



County of Los Alamos

Staff Report

March 21, 2018

Los Alamos, NM 87544
www.losalamosnm.us

Agenda No.: 6.C
Index (Council Goals): BCC - N/A
Presenters: Steve Cummins, Deputy Utilities Manager - Power Supply
Legislative File: AGR0558-18

Title

Approval of Amendment No. 4 to Services Agreement No. AGR 12-3838 with John & Hengerer in the Amount of \$100,000.00 for Revised Total Agreement Amount of \$395,000.00, plus Applicable Gross Receipts Tax for the Purpose of Providing Legal Services to the Incorporated County of Los Alamos Relating to Matters Pending Before the Federal Energy Regulatory Commission and/or Other Federal Agencies Involved in Energy Regulation

Recommended Action

I move that the Board of Public Utilities approve, Amendment No. 4 to Services Agreement No. AGR 12-3838 with John & Hengerer in the Amount of \$100,000.00 for Revised Total Agreement Amount of \$395,000.00, plus Applicable Gross Receipts Tax for the Purpose of Providing Legal Services to the Incorporated County of Los Alamos Relating to Matters Pending Before the Federal Energy Regulatory Commission and/or Other Federal Agencies Involved in Energy Regulation and forward to County Council for Approval.

Staff Recommendation

Staff and the County Attorney recommend that the Board approve the amendment as presented.

Body

The John & Hengerer law firm continues to provide advice to the County, and represent the, County on matters pending before the Federal Energy Regulatory Commission associated with transmission issues. The County uses the John & Hengerer law firm each year during the PNM formula rate true up in accordance with the Formula Rate Case settlement in 2012. The County Attorney's office has reviewed this contract amendment and agrees that the continued use of the services of this firm is in the best interests of Los Alamos County.

Alternatives

Acquire alternative Counsel to represent the County at the FERC proceedings.

Fiscal and Staff Impact

The approved 2018 and 2019 budget will cover the estimated expenses associated with these proceedings.

Attachments

A - AGR12-3838-A4

**AMENDMENT NO. 4
INCORPORATED COUNTY OF LOS ALAMOS
SERVICES AGREEMENT**

This **AMENDMENT NO. 1** (this "Amendment") is entered into by and between the **Incorporated County of Los Alamos**, an incorporated county of the State of New Mexico ("County"), and **John & Hengerer, LLP**, a Washington, D.C., law partnership ("Consultant"), to be effective for all purposes July 1, 2018.

WHEREAS, County and Consultant entered into Services Agreement No. AGR12-3838, dated November 1, 2011; Amendment No. 1, AGR12-3838-A1, dated October 31, 2013; Amendment No. 2, AGR12-3838-A2, dated July 22, 2014; and Amendment No. 3, AGR12-3838-A3, dated July 1, 2016, (the "Agreement"), for legal services to County relating to matters pending before the Federal Energy Regulatory Commission and/or other federal agencies involved in energy regulation; and

WHEREAS, the Services are ongoing and County and Consultant wish to extend the Term and the Compensation of the Agreement; and

WHEREAS, this Amendment was approved by the Board of Public Utilities at a public meeting held on March 21, 2018, and approved by the County Council at a public meeting held on April 3, 2018.

NOW, THEREFORE, for good and valuable consideration, Consultant and County agree as follows:

1. To delete **SECTION B. TERM** in its entirety and replace it with the following:

SECTION B. TERM: The term of this Agreement shall commence July 1, 2018, and shall continue until June 30, 2021, unless sooner terminated, as provided herein.

2. To delete **SECTION C. COMPENSATION** in its entirety and replace it with the following:

SECTION C. COMPENSATION:

1. **Amount of Compensation.** County shall pay compensation for the performance of the Services in an amount not to exceed THREE HUNDRED NINETY-FIVE THOUSAND DOLLARS (\$395,000.00), including reimbursable expenses, but which amount does not include applicable New Mexico Gross Receipts Taxes (NMGRT). Compensation for Services and reimbursable expenses shall be paid in accordance with Exhibit "A," attached hereto and made a part hereof for all purposes.
2. **Monthly Invoices.** Consultant shall submit monthly invoices to the County Attorney. Invoices shall provide a detailed description of services provided each day; the amount of time spent by Consultant on a daily basis; the hourly rate; the total number of hours spent in providing the service; the amount of compensation for services; itemized reimbursable expenses, if any, and the total of such expenses; the amount of any New

Mexico gross receipts taxes; and the total amount payable. Payment of undisputed amounts shall be due and payable thirty (30) days after County's receipt of the invoice.

3. To remove Exhibit "A" in its entirety and replace it with the amended Compensation Rate Schedule attached hereto as Exhibit "A".

Except as expressly modified by this Amendment No. 4, the terms and conditions of the Agreement remain unchanged and in effect.

IN WITNESS WHEREOF, the parties have executed this Amendment No. 4 on the date(s) set forth opposite the signatures of their authorized representatives to be effective for all purposes on the date first written above.

ATTEST

INCORPORATED COUNTY OF LOS ALAMOS

NAOMI D. MAESTAS
COUNTY CLERK

By: _____
TIMOTHY A. GLASCO, P.E. **DATE**
UTILITIES MANAGER

Approved as to form:

J. ALVIN LEAPHART
COUNTY ATTORNEY

**JOHN & HENGERER, A Washington, D.C., Law
PARTNERSHIP**

DOUGLAS F. JOHN, PARTNER **DATE**

Exhibit "A"
Compensation Rate Schedule
AGR12-3838-A4

Fees for Services shall be based on time actually spent rendering Services satisfactory to County at the following hourly rates:

Douglas F. John	\$500.00
Kevin M. Sweeney	\$450.00
Gordon J. Smith	\$450.00
Matthew T. Rick	\$450.00
Elizabeth A. Zembruski	\$450.00
Kathleen Quinn	\$ 90.00

Reimbursable expenses shall be limited to and paid at the following rates:

- Commercial Messenger/Delivery Services – Actual Charge
- Facsimile – Actual Phone Charge
- Photocopies - .10 per copy or actual costs for large copying projects completed outside the Contractor's Office
- LEXIS, WESTLAW, DIALOG, NM Legal Net Computerized Legal Research – Actual cost with approval of the County Attorney
- Long Distance Telephone Calls – Actual Cost
- Postage – Actual out-of-the ordinary postage costs (i.e., federal express or similar express mail)
- Travel Costs – Actual Cost



County of Los Alamos

Staff Report

March 21, 2018

Los Alamos, NM 87544
www.losalamosnm.us

Agenda No.: 6.D
Index (Council Goals): BCC - N/A
Presenters: Steve Cummins, Deputy Utilities Manager - Power Supply
Legislative File: AGR0561-18

Title

Approval of Amendment No. 1 to Services Agreement No. AGR 16-4270 with Virtue & Najjar, P.C. in an Amount of \$200,000.00 for a Revised Total Agreement Amount of \$400,000.00, plus Applicable Gross Receipts Tax, for the Purpose of Providing Legal Services in Connection with the Incorporated County of Los Alamos' Utilities Operations

Recommended Action

I move that the Board of Public Utilities approve Amendment No. 1 to Services Agreement No. AGR 16-4270 with Virtue & Najjar, P.C. in an Amount of \$200,000.00 for a Revised Total Agreement Amount of \$400,000.00, plus Applicable Gross Receipts Tax, for the Purpose of Providing Legal Services in Connection with the Incorporated County of Los Alamos' Utilities Operations, and forward to Council for approval.

Staff Recommendation

Staff and the County Attorney recommend that the Board approve the amendment as presented.

Body

The County has been using Virtue & Najjar for legal services as requested by the County Attorney in connection with County's utilities operations. Virtue & Najjar is currently supporting Utilities in the San Juan Generating Station, New Mexico Gas Company, UAMPS Carbon Free Power Project and other utility matters as requested. Staff recommends issuing a new contract to Virtue and Najjar for ongoing support as requested. The County Attorney's office has reviewed this contract amendment and agrees that the continued use of the services of this firm is in the best interests of Los Alamos County.

Alternatives

Solicit new bids for outside legal services and potentially need to bring a new provider up to speed on current legal matters being administered by Virtue and Najjar.

Fiscal and Staff Impact

Fiscal impact included annually in Utilities fiscal year budgets. No staff impact.

Attachments

A - AGR16-4270-A1

**AMENDMENT NO. 1
INCORPORATED COUNTY OF LOS ALAMOS
SERVICES AGREEMENT**

This **AMENDMENT NO. 1** (this "Amendment") is entered into by and between the **Incorporated County of Los Alamos**, an incorporated county of the State of New Mexico ("County"), and **Virtue & Najjar, PC**, a New Mexico professional corporation ("Contractor"), to be effective for all purposes July 1, 2018.

WHEREAS, County and Contractor entered into Services Agreement No. AGR16-4270, dated August 26, 2015 (the "Agreement"), for legal services as requested by the County Attorney in connection with County's utilities operations, including but not limited to, regulatory proceedings before the Utility Division of the New Mexico Public Regulation Commission, representation in fuel supply and utility rate and regulation matters, advice and legal counsel in matters related to financing, advice, legal counsel in matters involving the New Mexico Environment Department, and generally in all legal matters related to the operation of a utility; and

WHEREAS, the Services are ongoing and County and Contractor wish to extend the Term and the Compensation of the Agreement; and

WHEREAS, this Amendment was approved by the Board of Public Utilities at a public meeting held on March 21, 2018, and approved by the County Council at a public meeting held on April 3, 2018.

NOW, THEREFORE, for good and valuable consideration, Contractor and County agree as follows:

1. To delete **SECTION B. TERM** in its entirety and replace it with the following:

SECTION B. TERM: The term of this Agreement shall commence August 26, 2015, and shall continue until June 30, 2021, unless sooner terminated, as provided herein.

2. To delete **SECTION C. COMPENSATION** in its entirety and replace it with the following:

SECTION C. COMPENSATION:

1. Amount of Compensation. County shall pay compensation for the performance of the Services in an amount not to exceed TWO HUNDRED THOUSAND DOLLARS (\$200,000) for the period commencing July 1, 2018 through June 30, 2021, for a total of FOUR HUNDRED THOUSAND DOLLARS (\$400,000.00) for the entire term of the Agreement, including this extension, including reimbursable expenses, but which amount does not include applicable New Mexico Gross Receipts Taxes (NMGRT). Compensation for Services and reimbursable expenses shall be paid in accordance with Exhibit "A," attached hereto and made a part hereof for all purposes.

2. Monthly Invoices. Contractor shall submit monthly invoices to the County Attorney. Invoices shall provide a detailed description of services provided each day; the amount of time spent by Contractor on a daily basis; the hourly rate; the total number of hours spent in

providing the service; the amount of compensation for services; itemized reimbursable expenses, if any, and the total of such expenses; the amount of any New Mexico gross receipts taxes; and the total amount payable. Payment of undisputed amounts shall be due and payable thirty (30) days after County's receipt of the invoice.

3. To remove Exhibit "A", Compensation Rate Schedule, in its entirety and replace it with the amended Compensation Rate Schedule attached hereto as Exhibit "A".

Except as expressly modified by this Amendment No. 1, the terms and conditions of the Agreement remain unchanged and in effect.

IN WITNESS WHEREOF, the parties have executed this Amendment No. 1 on the date(s) set forth opposite the signatures of their authorized representatives to be effective for all purposes on the date first written above.

ATTEST

INCORPORATED COUNTY OF LOS ALAMOS

NAOMI D. MAESTAS
COUNTY CLERK

BY: _____
TIMOTHY A. GLASCO, P.E. **DATE**
UTILITIES MANAGER

Approved as to form:

J. ALVIN LEAPHART
COUNTY ATTORNEY

VIRTUE & NAJJAR, PC, A NEW MEXICO
PROFESSIONAL CORPORATION

DANIEL A. NAJJAR, PRESIDENT **DATE**

Exhibit "A"
Compensation Rate Schedule
AGR16-4270-A1

Fees for Services shall be based on time actually spent rendering Services satisfactory to County at the following hourly rates:

Richard L.C. Virtue	\$197.00
Daniel A. Najjar	\$197.00
Paralegal	\$ 85.00
Of Counsel Lawyers	\$185.00 with approval of the County Attorney
Associate Lawyers	\$145.00 with approval of the County Attorney

Reimbursable expenses shall be limited to and paid at the following rates:

- Commercial Messenger/Delivery Services – Actual Charge
- Facsimile – Actual Phone Charge
- Photocopies - .10 per copy or actual costs for large copying projects completed outside the Contractor's Office
- LEXIS, WESTLAW, DIALOG, NM Legal Net Computerized Legal Research – Actual cost with approval of the County Attorney
- Long Distance Telephone Calls – Actual Cost
- Postage – Actual out-of-the ordinary postage costs (i.e., federal express or similar express mail)
- Travel Costs – Actual Cost



County of Los Alamos

Staff Report

March 21, 2018

Los Alamos, NM 87544
www.losalamosnm.us

Agenda No.: 7.A
Index (Council Goals): BCC - N/A
Presenters: Steve Cummins, Deputy Utilities Manager - Power Supply
Legislative File: 10539-18

Title

Recommendations and Possible Action on Carbon Free Power Project (CFPP) Licensing
Period Phase 1 Participation

Recommended Action

I move that the Board of Public Utilities approve and forward to the Los Alamos County Council the Carbon Free Power Project Power Sales Contract between the Utah Associated Municipal Power Systems, a political subdivision of the State of Utah, and the Incorporated County of Los Alamos, a political subdivision organized under the laws of the State of New Mexico.

Staff Recommendation

Staff recommends that the Board approve the Power Sales Contract as presented and forward to the County Council.

Body

BACKGROUND: At the recommendation of a citizen *ad hoc* committee and the direction of the BPU, the Department of Public Utilities (DPU) was tasked to continue participating in the Carbon Free Power Project (CFPP) as an option for meeting the County's power demands. The CFPP is being considered as a potential resource for replacing the County's coal generation assets and to meet a Board-approved goal for the DPU to be a carbon-neutral electrical energy provider by 2040.

Through DPU's membership with the Utah Associated Municipal Power Systems (UAMPS), staff has been following the development of the CFPP, which is a projected 600MW nuclear generating station to be built in Idaho using small modular reactor (SMR) technology. As it is being designed, the facility would house up to twelve SMRs developed by NuScale Power, each capable of generating up to fifty megawatts of electric power for a total plant capacity of 600MW. The County's share would be 8MW.

The following has been accomplished thus far:

- The County participated in the CFPP Project Study Phase and Siting Agreement (also referred to as the fatal flaw analysis). Findings - No fatal flaws were discovered in this phase, clearing the path for continued development.
- DPU surveyed its customers on how strongly they agreed or disagreed with Los Alamos County pursuing nuclear generation. Findings - 73% of residential and 60% of commercial customers agree or strongly agree that Los Alamos should pursue nuclear generation.

-
- DPU hired a third-party independent contractor to conduct an Integrated Resource Plan (IRP) to compare and weigh all of the options to serve the County's Electric Demand on a Levelized Cost of Energy (LCOE) basis, while meeting our carbon neutral goal. Findings - Solar with storage was determined to have the lowest LCOE among the options considered. The CFPP came in second at approximately 3.5% higher cost based on the \$65/MWh cap the participants have determined to be the maximum they're willing to pay. DPU is looking at a combination of these resources for a diverse portfolio.
 - Several public meetings specific to the technology, project commitments, and IRP findings have been held.

For more background information on the project please refer to the DPU's website:
<https://rebrand.ly/DPU-CFPP>

RECOMMENDATION

As stated previously, DPU **staff recommends that the BPU approve the Carbon Free Power Project Power Sales Contract (PSC).**

1. **Commitment:** Should the County enter into the PSC, as DPU recommends, it is important to point out that the BPU and Council are not committing the County to participate through the construction of the CFPP; rather, the decision gives the County the ability to preserve the option to participate in this project if further development demonstrates the prudence of doing so.
2. **Reimbursement:** In the immediate development term, during the first \$6 million of additional development costs for the project, the amount expended by UAMPS (approximately \$1.5 million after DOE and NuScale cost sharing) will be subject to 100% reimbursement if the UAMPS Project Management Committee (PMC) votes to terminate the project. (Note, DPU has a voting representative on the PMC.) The \$6 million cap is expected to be reached in the first quarter of 2019.

Upon the effective date as per Article II of the PSC, UAMPS will focus its efforts over the next year to subscribe 100% of the project capacity and to secure additional cost sharing from DOE for the completion of the combined construction and operating license application.

Based on the level of subscription and any additional cost sharing secured during this period, the PMC through a majority vote of the participating members will decide whether to proceed with the development of the project or terminate and seek reimbursement.

If Los Alamos County makes a unilateral decision to exit the project when the \$6 million cap is reached and the PMC, through a majority vote, decides to continue on with the project without Los Alamos, then the County's out-of-pocket cost ranges from \$0 to a maximum of \$80,000.

DPU will bring the project back to the BPU and County Council in March 2019 with another recommendation as to whether the County should proceed or exit the CFPP based on additional subscription and/or cost sharing secured.

Alternatives

DPU will continue to look at the alternative to meet the County's electrical energy demands.

Fiscal and Staff Impact

Maximum cost exposure is \$80,000.00

Researching new or replacement generation resources is part of staffs normal duties.

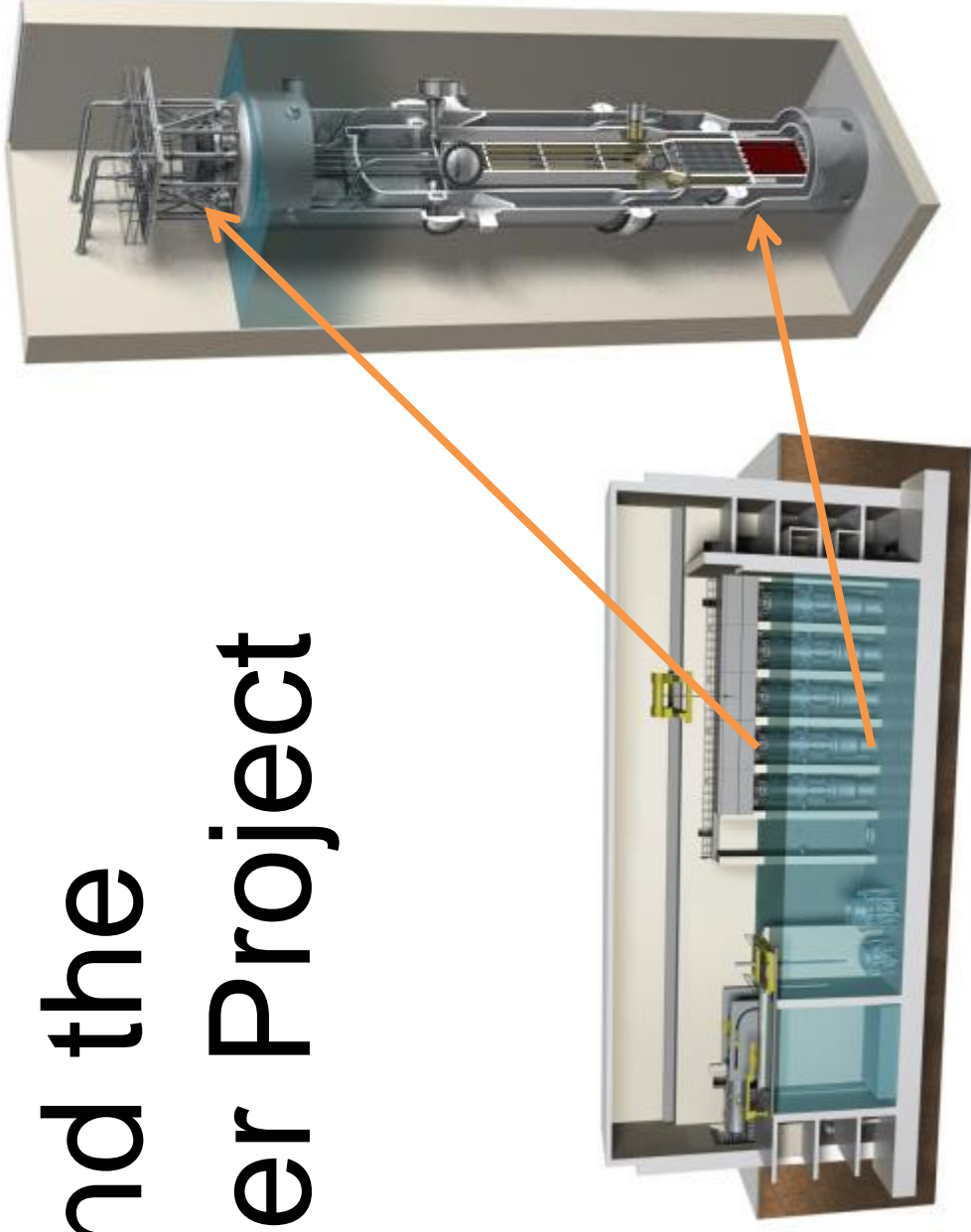
Attachments

- A - LAC CFPP Option March 21 2018
- B - Recap of Q&A from January 25 Carbon Free Power Project Meeting
- C - Summary of major concerns From Jan 25 meeting and open forum
- D - Open Forum Statements
- E - Executive Summary of CFPP PSCs
- F - Power Sales Contract
- G - Certificate of Participation

Los Alamos and the Carbon Free Power Project “Option”

157

March 6, 2018
Joint Board of Public Utilities and
County Council
Informational Meeting



Agenda Topics Update

- UAMPS – A Team Approach by Jackie Flowers
- IRP Summary
- Why Nuclear Power
- Power Generation diversified portfolio Option
- High Level Cost Breakdown
- First-Of-A-Kind Risk Management
- Avoiding the pitfalls of Nuclear Power Plant Construction
- Engineering, Procurement and Construction (EPC) Contracts
- Key Takeaways

IRP Summary

IRP considered the following metrics in the analysis:

Cost (LCOE), Risk, Environmental, Operational (Transmission and Largest Contingency Risk, Control Risk, Development Risk and Weather Dependent Risk)

Preferred Resource Plan:

- Solar with Storage built onsite. The firming mechanism could be either battery storage or onsite RICE units.
- If the Carbon Free Power Project (SMNR) costs can be capped and development risk can be mitigated, it could be considered especially in the event that local land becomes unavailable for the amount of solar needed to achieve renewable goals.

Capital Investments:

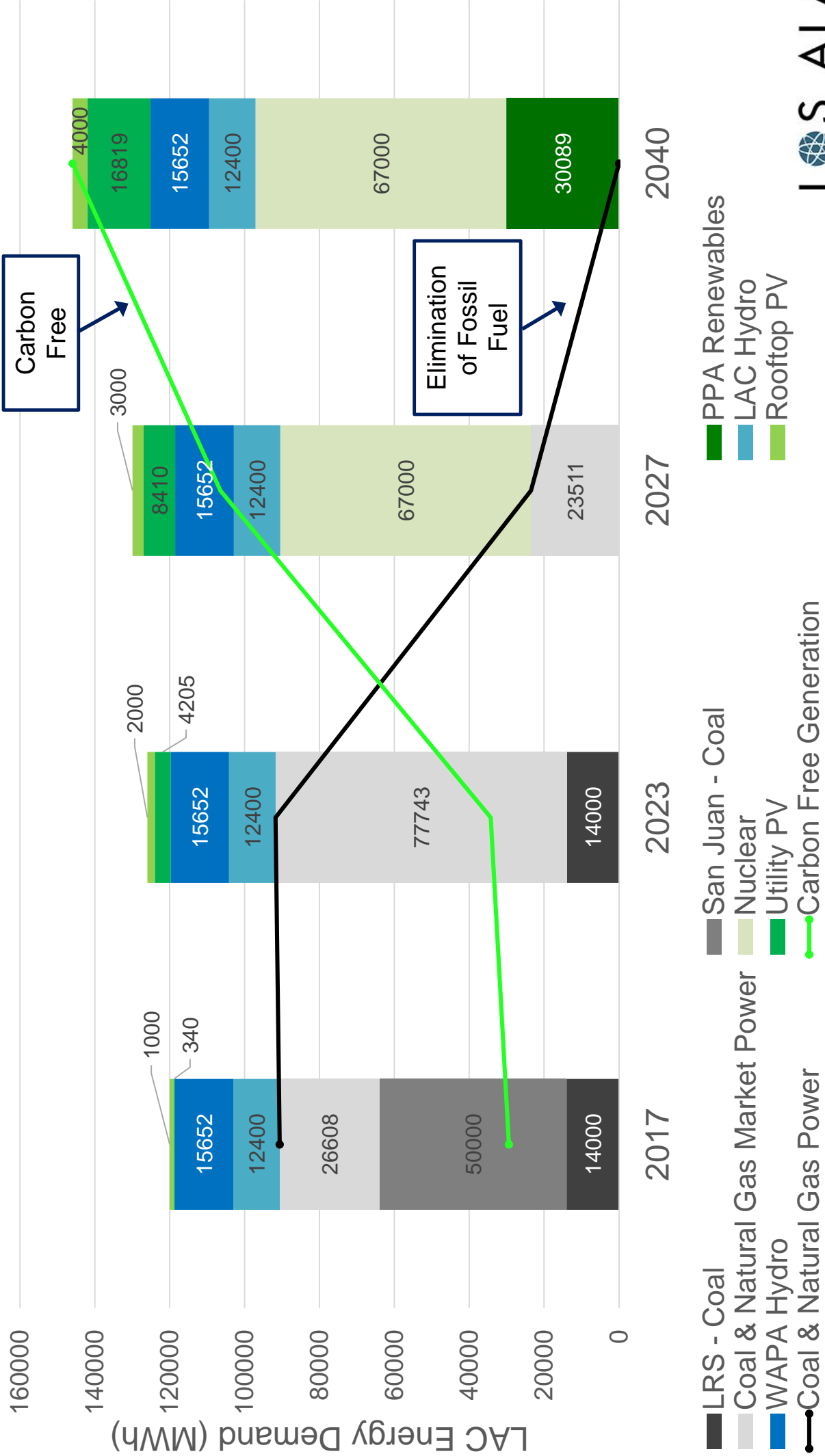
- The current market outlook does not reward building portfolios with excess capacity above load that would be sold into the market.
- A phased approach to purchasing some share of its needs in the market and add smaller and incremental capacity resources on a as needed basis provides overall lower cost benefits of LAC and preserves the flexibility in the face of future uncertainties.

Why Nuclear Power?

- Carbon free power generation
- 95% capacity factor
- Dispatchable
- Marketable Resource

With more and more renewable energy generation resources on the grid, we believe the greater the need for clean base load power during periods of intermittency.

Power Generation Diversified Portfolio Option



High Level Cost Breakdown

Budget & Plan of Finance (Section 601)		Los Alamos:		<i>Fully Subscribed (8 MW) 1.3333%</i>	
Estimated Costs to Completion of Development:		100% Gross		Los Alamos	
		Cost	Net of Cost Share	Start	Finish
Through March 2018		\$ 4,596,969	\$ 148,927	April 2017	March 2018
Licensing Period - 1st Phase (Maximum)		\$ 6,000,000	\$ 80,000	April 2018	March 2019
Licensing Period - 1st Phase (Remaining)		\$ 83,499,764	\$ 877,908	April 2019	May 2020
Licensing Period - 2nd Phase (Preliminary)		\$ 496,303,067	\$ 6,617,374	June 2020	June 2023
		\$ 587,329,857	\$ 7,651,181	April 2017	June 2023
(ii) Acquisition & Construction Preliminary Estimated Costs:					
		Preliminary	Preliminary		
		100% Gross	Los Alamos		
		Cost	Net of Cost Share	Start	Finish
		\$ 4,237,666,633	\$ 56,912,174	July 2023	Nov 2027

NOTE: Dates shown in red are all decision points by BPU and CC

First-Of-A-Kind Risk Management

- Phased approach with off ramps
- DOE and NuScale cost share
- NuScale relationships with DOE & NRC
- DOE/UAMPS negotiating lease of first two modules

Avoiding the pitfalls of Nuclear Power Plant Construction

- Known Issues:
 1. Percentage of Engineering Design Complete Before Committing to Construction
 - AP1000 Engineering Design Percentage Complete=Low double digits
 - UAMPS will require > 85% engineering design complete before committing to construction
 - Constructability of Design:
 - » NuScale/Fluor working with potential vendors now to daylight potential constructability issues
 2. Owner's Engineering Reviews
 - AP1000 utility owners did not have external experts review AP1000 designs
 - UAMPS will have an external owner's engineer review NuScale/Fluor designs during the cost estimating process laid out in the EPC Development Agreement
 3. Integrated Project Schedule
 - AP1000 EPC Consortium (Westinghouse & CB & I) did not have an integrated projected schedule to coordinate their respective scopes of work
 - UAMPS will have an experienced nuclear EPC Contractor in Fluor that will have an integrated project schedule with NuScale
 4. Owner's Project Management
 - AP1000 utility owners did not have adequate owner's project management to address schedule/cost overrun issues
 - UAMPS plans to have in house and external owner's project management if there a decision to proceed to construction

Engineering, Procurement, and Construction Contracts

- Step up provision upon participant default
 - Capped at 25%; No Participant can have an Entitlement Share greater than 25% of the Project
 - No participant defaults in the history of UAMPS' projects (since 1980)
- Cost impacts of construction delays
 - Accounted for in predetermined schedule delay penalties caused by EPC Contractor in Final EPC Contract
- Fluor Corporation Parental Guarantee
 - Will apply to NuScale's reimbursement obligations if there is a failure of the Economic Competitiveness Test under the EPC Development Agreement (DA)
 - Parental Guarantees will be in final EPC Contract to cover Fluor Power and NuScale Power's contractual obligations
- Transition from EPC DA to Final EPC Contract
 - Price Target of \$65/MWh (2017\$) and Economic Competitiveness Test will go away upon Fluor/NuScale delivering a Class I cost estimate that is acceptable to UAMPS
 - UAMPS will have to satisfy itself that final EPC terms ensure an LCOE of less than or equal to the Price Target
 - UAMPS will utilize owner's engineer and Energy Northwest as the potential operator to assist in this evaluation

Key Takeaways

- In approving the Power Sales Contract, LAC is only committing until the maximum cap on the Budget and Plan of Finance is increased above the \$6M cap (anticipated to occur in Q1 2019)
 - While under the \$6M cap, the UAMPS participants have the right to decide as the Project Management Committee to terminate further CFPP development and receive a 100% reimbursement of UAMPS' out of pocket costs associated with the \$6M budget
 - Prior to amending the \$6M cap, additional cost share and/or additional subscription in the project will need to be secured. Monthly progress updates on subscription and cost share will be provided to the Project Management Committee.
 - Each Participant will have an option to withdraw from the Project, upon the Project Management Committee amending the Budget and Plan of Finance deciding to increase the \$6M max cap
 - If LAC exercises this right, their maximum exposure would be \$80,000. It could be less assuming that another entity picks up its cost share responsibility, which is reasonable to assume given that the project is moving forward. Otherwise, the project is not moving forward and the participants will recoup 100% of the cost share of the \$6M budget.
- Thru March of 2018, gross expenditures in developing the CFPP are approximately \$4.5M; UAMPS Participants' in the CFPP net out of pocket exposure to this \$4.5M after cost sharing from DOE and NuScale has been less than \$1.1M [LAC commitment approx. \$30k]
 - UAMPS Project Management Committee is prudently managing the expenditure of the Project and will not seek an amendment to the \$6M budget through the end of the March of 2019 until it is prudent to do so upon there being additional cost share and/or subscription
- The \$4.2B includes interest of \$583 M using a conservative interest calculation.

Key Takeaways

- UAMPS on behalf of their members will continue to mitigate the risks
- UAMPS will continue to seek cost sharing and plant subscription
- By March 2019, we expect more information will be available to make a more informed decision on continuing Licensing Phase 1
- LAC will have more clarity on a post 2025 Electric Coordination Agreement
- LAC will update to the IRP prior to all critical decisions on generation resources

Recap of Q&A from January 25 Carbon Free Power Project Meeting

Los Alamos County

March 6, 2018



UAMPS OVERVIEW

- UAMPS is a joint action agency organized in 1980 operating 16 energy services projects
- LAC has entered into the UAMPS Joint Action Agreement (JAA) which provides a basic foundational governance structure for UAMPS as a project-based entity
- The JAA provides flexibility to accommodate the membership needs and autonomy while structuring UAMPS' projects so there are no cross-defaults between the projects

UAMPS GOVERNANCE

- **Member's UAMPS representative**
 - Each member appoints a UAMPS representative by a governing board resolution to act on their behalf
 - Tim Glasco is the UAMPS Representative for LAC and Steve Cummins is the UAMPS Alternate Representative
- **Project Management Committees (PMC)**
 - Operation of each UAMPS project is under the direct supervision of a PMC comprised of representatives of the participants in the project
 - LAC has a vote on the CFPP
 - Each participant in the project has a vote and can call for a weighted vote of its entitlement share
 - Currently, LAC is the fourth largest participants in the CFPP
 - PMC makes recommendations to the Board

UAMPS GOVERNANCE (CONT.)

- **Board of Directors**
 - Directors represent UAMPS members that are public agencies and have entitlement shares in UAMPS' projects
 - Tim Glasco, is a UAMPS Director for the CFPP Project
 - Board accepts or rejects PMC recommendations
- **Management**
 - The General Manager reports directly to the Board and is responsible for administering staff activities and carrying out policy directives of the Board
 - The staff advises and makes recommendations to the best of their knowledge to the PMC and Board and implements their decisions

PLAN OF FINANCE OBLIGATION PERCENTAGE

Phase 1

- March 31, 2019, \$6 Million cap, as per the amended Budget & Plan of Finance, a participant can unilaterally exit the project
- Possible outcomes if:
 - PMC chooses to terminate the project at this point, 100% reimbursement of \$1.5M of \$6M cap
 - PMC chooses to proceed and LAC takes the off-ramp, LAC pays a maximum of $8/150 * \$1.5 \text{ M} = \80k and a minimum of $8/600 * \$1.5 \text{ M} = \20k
 - Another participant picks up our share, the cost for the next phase could be \$0
- Continuing in the project past the \$6 M cap, the next off-ramp is at the end of the current phase or per the conditions of Section 204 (a) of the Power Sales Contract
- March of 2019, LAC will need to accept the maximum exposure through the end of the phase if they don't take the off-ramp unless there is another amendment to the Budget & Plan of Finance.

CONTRACTUAL RELATIONSHIP

- UAMPS enters into a take-or-pay sales contract obligating each member to pay its share of debt service, O&M, and wheeling costs regardless of output
- UAMPS issues debt (allows members to bring their own money in lieu of all or part of the debt) to finance the project
- Cost of debt is determined by the members credit who will establish a Rate Covenant to cover such obligation
- Participant agrees to charge and collect rates for electric service that produce revenues sufficient to meet its payment obligations under the Power Sales Contract and other obligations payable from such revenues (Rate Covenant)
- Payments are made solely from each Participant's electric system revenues and, after the commercial operation date of the Project, as an operating expense of the Participant's electric system

CONTRACTUAL RELATIONSHIP

- Step-up obligation, non-defaulting Participants can be required to take a portion of a defaulting Participant's Entitlement Share, subject to a maximum increase over the term of the Power Sales Contract of 25%
 - Step-up obligation is invoked when a participant defaults on a contractual obligation, different from a participant withdrawing at the end of a phase
- Participants are limited to an entitlement share of 25% (150MW) which limits the maximum exposure of LAC
- UAMPS has never had a default under any of its Power Sales Contracts since its inception in 1980
- A defaulting participant is not relieved of its liability for payment of any amounts in default and UAMPS will enforce its right of recovery through lawsuit or other action necessary or appropriate to enforce any covenant, agreement or obligation of the participant under the contract

CONTRACTUAL RELATIONSHIP

- PMC has complete and comprehensive decision-making authority over the Project, including
 - Approve each Budget and Plan of Finance and all Project Agreements,
 - Review the results of each run of the Economic Competitiveness Test,
 - Review and authorize all financings,
 - Review and determine whether to submit the COLA, and
 - Determine whether the Project is feasible or whether it should be terminated or suspended

CONTRACTUAL RELATIONSHIP

- The CFPP Power Sales Contract will become effective with no less than a 150 MW subscription
- The PMC will approve new participants in the Project and will determine the buy-in contribution
- At the February 20th PMC meeting, there was more discussion on the buy-in formula with a general consensus of the members to minimize the buy-in amount so we don't discourage new participants from joining, as long as the original participants are made whole
- UAMPS staff will make a proposal to the PMC on how to accomplish this effort at the next CFPP meeting

CONTRACTUAL RELATIONSHIP

- During the Licensing Period, Participants may withdraw from the Project or reduce their Entitlement Shares:
 - If the PMC approves an amendment to the Budget and Plan of Finance that increases the maximum amount of Development Costs that may be incurred during either phase of the Licensing Period
 - Pursuant to the amended initial Budget and Plan of Finance there will be an amendment required to take the Project past March 31, 2019 if the PMC moves forward with the Project
 - Upon the PMC's approval of the updated Budget and Plan of Finance for the second phase of the Licensing Period; this occurs immediately prior to the start of licensing phase 2
 - Upon the PMC's approval of the definitive Budget and Plan of Finance at the Completion of Development
- If the participant's governing body determines to withdraw / reduce for any reason, costs incurred to the date of withdraw / reduce must be repaid to UAMPS within 12 months of the withdraw / reduce
 - Unless, LAC's entitlement share is sold to another participant



Licensing Phase One

- Begins on the Effective Date of the PSC
- Estimating, design and engineering work under the Development Agreement and analyzing each run of the ECT
- Completion of definitive Project Agreements,
- Contracting with prospective Participants, co-owners and third-party power purchasers to achieve full subscription for all Project Output
- Preparation, submission and processing of the COLA
- Updates to the Budget and Plan of Finance, finalization of all Project costs
- Scheduled to be completed June 2020

LAC Option(s)

- ✓ LAC will have the option to reduce its entitlement or withdraw from the Project if the budget and plan of finance is amended
 - ✓ An amendment of the Budget and Plan of Finance will occur around 3-31-19 (or sooner with additional subscription and/or cost share)
- ✓ LAC will have the option to reduce or withdraw from the Project at the end of Phase 1
 - ✓ Governing board approval



Reduce or Withdraw



Licensing Phase Two

- Begins with the submittal of the COLA to the NRC and is completed with the receipt of the NRC License
- Updates to the Budget and Plan of Finance, finalization of all Project costs
- 39 month review
- Scheduled to be completed Q2 2023 upon the receipt of the NRC License

LAC Option(s)

- ✓ LAC will have the option to reduce its entitlement or withdraw from the Project if the budget and plan of finance is amended
- ✓ LAC will have the option to reduce or withdraw from the Project at the end of Phase 2
- ✓ *Governing board approval required to move forward with Construction, Operations and Decommission Phases*



Reduce or Withdraw



LAC Approval Required



Construction Period

- Construction of the Project to the Commercial Operation Date (COD)
- 32 months
- Scheduled to be complete 2027



Operating Period

- COD to end of operating life of the Project
- Up to 80 years



Decommission Period

- to complete decommissioning of the Project

Overall EPC Overnight Plant Costs

(\$1,000,000)

ITEM	2014 Dollars
Power Modules (FOAK Cost plus Fee, Transportation, & Site Assembly)	\$ 848
Home Office Engineering and Support	\$ 144
Site Infrastructure	\$ 60
Nuclear Island (RXB, RWB, MCR)	\$ 538
Turbine Island (2 buildings with 6 turbines each)	\$ 350
Balance of Plant (annex, cooling towers, etc)	\$ 225
Distributables (Temp. Bldgs., Field Staff, Const. Equip., etc.)	\$ 545
Other Costs	\$ 185
Total Overnight Price	\$ 2,895

\$ 5,078 per kWe net

LEVELIZED COST OF ENERGY (LCOE)

- One of the big selling points for this reactor is the fact that it can be built in a factory rather than on-site and that two-thirds of the components are not needed, reducing the cost of the reactor compared to the current large 1,000 MW reactors.
- The \$65/MWH leveled cost of electricity (LCOE), which is the cost of electricity over the debt service of 40 years, is based upon our detailed facility cost estimate, and is comprised of the following cost components:
 - capital (engineer-procure-construct) (48.3%)
 - operations and maintenance (30.9%)
 - fuel (12.1%)
 - waste (1.3%)
 - decommissioning (1.0%)
 - owner's costs to deployment (6.4%)

LEVELIZED COST OF ENERGY (LCOE)

- Capital costs comprise nearly half of the LCOE. The capital costs include systems, buildings, labor, design, procurement, site preparation, and financing costs incurred prior to the start of operations. While the NuScale design has fewer systems than a large gigawatt size design, the costs of these fewer systems is not a significant contributor to the overall capital costs. For example, a simple two-third reduction in system costs will not result in a two-third reduction in the LCOE.
- The U.S. Energy Information Administration's (EIA) 2017 annual analysis comparing the LCOE of different generation technologies using 2016 data presents an LCOE for advanced (large) light water reactors at \$99/MWh.

PRICE TARGET

- The LCOE of not-to-exceed \$65/MWH in 2018 is a price target and is based on the economic competitiveness test (ECT) in the Engineering, Procurement and Construction (EPC) Development Agreement
- The overnight capital costs \$of 2.9B will continue to be finalized at the completion of the Class 1 estimate which will be known prior the execution of the EPC Contract with Fluor
- The EPC Development Agreement will be finalized if the CFPP passes the ECT

DOE COST SHARE

- Since 2014, DOE has been providing 50% of the cost share
- Looking for half of the remaining \$700M to be covered by DOE cost share, yet to be secured
- The \$1.4B achieves design finalization for the NuScale module, completes a Class 1 cost estimate, and reviews the manufacturing supply chain readiness

DOE ON-GOING PARTICIPATION

- UAMPS sees DOE as a key partner moving forward, through the jump lease agreement, continued technical partnership and cost sharing
- Developments here will be a key part in the decision to proceed past \$6M
- UAMPS will continue working with WAPA to market to federal loads over the next few months. DOE would enter into a Power Purchase Agreement, as approved by the PMC
- DOE's and UAMPS' relationship would be contractual and DOE would not be a member of UAMPS with project voting rights

NUCLEAR TAX CREDIT – FEBRUARY 9TH

- The U.S. Congress passed a budget deal that included the extension of the Advanced Nuclear Production Tax Credit (ANPTC)
- The passed language provides for the first 6,000 MW of new nuclear to qualify for the credit, based on a first-come basis for new reactors that come online.
- Currently, the Vogtle AP1000 project in Georgia is anticipated to be the first project to qualify, utilizing approximately 2,200 MW for its two 1,100 MW units. 4,800 MW would remain available for new reactors that come online, such as the CFPP
- Allows UAMPS to transfer tax credits to financial institutions, expanding the market/buyers of these credits.

NUCLEAR REGULATOR COMMISSION LICENSES

- The Design Certification Application (DCA) is submitted to the NRC for the NuScale Module technology.
 - DCA was submitted to the NCR at the end of 2016
 - DCA is anticipated to be received in January 2021
- The Combined Construction and Operating Licensing Application (COLA) is a separate license to install the NuScale technology at the Idaho National Lab site

NUSCALE'S SMALL MODULAR REACTOR (SMR)

- NuScale is developing a unique SMR design that incorporates numerous first-of-a-kind (FOAK) components and systems which require comprehensive testing
- NuScale has a documented test program
- NuScale has developed a process for identifying required tests using a structured process based on identified risk areas, assessment of technology readiness, and risk-informed analysis of physical phenomena that influence plant performance
- Testing requirements are identified and detailed in a comprehensive reactor qualification test plan, which documents all testing and environmental qualification activities required as part of the design, certification, manufacture and commercial deployment of the NuScale SMR

NUSCALE TESTING

- 1:3 scale electrically heated prototype test facility
- Helical Coil Steam Generator testing
- Fuels testing at AREVA
- Critical Heat Flux testing
- Control Rod Assembly drop/shaft alignment testing
- Steam Generator Flow Induced Vibration (FIV) testing
- Control Rod Assembly Guide Tube (CRAGT) FIV

NUSCALE OPERATION CHARACTERISTICS

- The reactor is designed so that no fuel damage can occur on loss of flow “with or without” control rod insertion. In both cases, the fuel cladding temperature (i.e., core heat profile) drops below the normal operating temperature without the need for AC or DC power.
- The small NuScale core has a strong negative moderator coefficient of reactivity. So on loss of flow with failure to insert control rods, core power immediately drops to approximately 5% just from the impact of reactor physics. The design also has passive decay heat removal and emergency core cooling systems that can be used as needed. These safety systems do not require power to function. For more details, see the analysis included in Chapter 15 of our DCA available at <https://www.nrc.gov/reactors/new-reactors/design-cert/nuscale/documents.html>.
- Emergency valves in harsh reactor environment are driven to safe position by gravity, springs, or gas pressure on loss of power. Valves are contained outside of reactor vessel.

NUSCALE FUEL CYCLE

- The refueling cycle is every two years based on NRC's required inspection cycle. This could possibly go to four years if it can be demonstrated over time
- During the refueling operation, the NuScale Module is disassembled in the reactor pool to gain access to the lower portion of the reactor vessel where the nuclear fuel assemblies reside (collectively referred to as the "reactor core")
- During refueling operations, the lower reactor vessel and fuel assemblies always remain near the bottom of the pool covered by tens of feet of pool water, which serves as shielding from the radioactivity of the nuclear fuel
- While refueling, the upper portion of the reactor vessel and containment are moved to a separate dry dock area where maintenance and inspections can be conducted

WATER RIGHT ACQUISITION

- UAMPS is pursuing acquisition of water rights (purchase) from eastern snake plain aquifer in parallel with licensing period
- Hydrologist and water attorney to identify senior water rights holders to minimize curtailment risk
- Idaho Water Law - ground and surface water are conjunctively managed. UAMPS has identified sufficient areas that have zero-mitigation obligation e.g. no curtailment on use
- Water rights are factored into the cost estimate

WATER RIGHT ACQUISITION

- Water use depends on cooling technology:
 - Wet cooling 18k acre-ft/year
 - Dry cooling 4k acre-ft/year
 - Hybrid cooling somewhere in the middle
- PMC to decide on cooling technology, considering cost and water consumption. Working towards 18k acre-ft/year
- UAMPS will secure options on water rights through the Idaho regulatory process to ensure they can be transferred to the point of use
- Plan is to conclude this work before decision to submit COLA

REACTOR WATER POOL

- The reactor water pool will be replenished for evaporation during normal operation,
- During a power outage, no make-up water is needed to keep reactors cooled from decay heat
- The building environment is conditioned space

TRANSMISSION DELIVERY

- Transmission costs are not included in the not-to-exceed \$65 /MWH cost estimate
- To reduce pancaking transmission rates from Idaho to PNM, UAMPS has initiated preliminary discussions with WAPA on a displacement or exchange with federal hydro power
- LANL and PNM have plans to upgrade their transmission system to allow for additional import capacity. The timing for the upgrade will be determined by LANL's load growth and will be completed regardless of the CFPP

Summary of major concerns raised at the January 25, 2018 meeting and the Open Forum.

The following six items were the primary concerns raised:

1. **Why Nuclear – First;** Customer Survey showed that 73% of residents and 60% of commercial customers “Strongly Agree” or “Agree” with that LACDPU should pursue nuclear power. Southwest Planning & Marketing utilized phone surveys, text surveys, email surveys and in-person intercept surveys to garner adequate sample sizes that were representative of the population. Four hundred twenty-one (421) residential surveys were completed utilizing email, phone and text and seventy-eight (78) commercial surveys were completed utilizing phone, email and intercept surveys. SWPM reviewed Census data to assure that the residential responses were representative of the Los Alamos County population. SWPM was able to get a response that was representative of the population without having to weight the data. The margin of error at a 95% confidence interval is +/-4.65 percent.
Second; The Future Energy Resources Committee recommended that DPU “Continue to explore participation in the UAMPS nuclear power project as a replacement source of base power, carefully considering plant safety, realistic life-cycle costs, and potential for a cooperative power-sharing arrangement with DOE/LANL after 2025.”
Third; DPU completed an Integrated Resource Plan (IRP) in August of 2017 which showed the CFPP as the second-best alternative to meet our Carbon Neutral Goal by 2040 at 3.5% higher cost assuming a cost of \$65/MWh.
2. **Why the CFPP?** - UAMPS on behalf of its members, was looking at how to de-risk UAMPS’ exposure to carbon regulation using a three-pronged approach, first; Investigation of Nuclear Small Modular Reactors, second; Energy Efficiency, and third; Distributed Generation (Rooftop Solar). Through Los Alamos membership in UAMPS, we saw this as an option to meet our Carbon Neutral Goal by 2040. With the Department of Energy Nuclear Energy office making this their highest priority and with the cost sharing arrangements, DPU believes this project has the potential to be successful ultimately with an Nth-of-Kind price of \$65/MWh.

Who are the partners in the project outside of the UAMPS members?

The Department of Energy is a key partner in the developing the project. DOE is currently paying for 50% of the cost to develop the NRC license application for the project. In addition, the DOE is investigating leasing the first two modules out of the facility for research and development purposes. UAMPS and the DOE are also investigating other funding pathways to reduce UAMPS’ participant cost exposure to further developing the resource. UAMPS is also working with Energy Northwest, a public power entity that operates the Columbia Generating Station—an 1100 MW nuclear generating station located in Washington that has been in operation since 1984—to be the operating agent for the CFPP. UAMPS is also working with the Tennessee Valley Authority, which is also pursuing a small modular reactor project, to assist UAMPS’ development of the CFPP.

3. Cost exposure – After reviewing the January 25th meeting, the cost exposure to the County was one of the primary concerns. UAMPS staff has been very responsive to Los Alamos towards addressing this concern. Since the January meeting staff worked closely with the other project participants on a strategy to minimize the cost exposure to each participant in this next phase until more of the project capacity is subscribed and/or additional funding by DOE is secured. The Budget and Plan of Finance was amended to extend the fully-refundable (\$6,000,000), period to March 31, 2019 with an off-ramp. Staff believes this is a huge step towards resolving this concern in the interim period. Staff will provide an update at the March 6th meeting.
4. Risks – Cost and technical, as with any project there is the risk of schedule delays driving up the final cost. With Nuclear power plants this risk is even greater because of the long development period and the oversight by the Nuclear Regulatory Commission (NRC).

A primary concern is how will the CFPP not suffer the same cost overruns as experienced by the two AP1000 nuclear reactor projects in Georgia and South Carolina?

UAMPS is taking a phased development approach to developing the project that address cost overrun risk in two ways. First, the two AP1000 reactor projects were developed in a parallel fashion, where the utilities shouldered NRC licensing risk by making contractual and financial commitments to build these projects prior to the resolution of major design and licensing issues. UAMPS' decision on whether to submit its NRC license application will be made after the NRC has spent over three years evaluating NuScale's design application, which will allow UAMPS to assess any licensing issues that may have arisen prior to submitting its license application to the NRC. Second, UAMPS is requiring contractual cost certainty from Fluor and NuScale before UAMPS makes its decision to submit its NRC license application. To meet this demand, Fluor and NuScale will need to complete significantly more engineering work than what was completed for the two AP1000 projects.

The projected cost of the resource is \$45-65/MWh in current dollars. UAMPS and NuScale have agreed to a price ceiling of \$65/MWh. The cost of resource will be continually evaluated as development proceeds to evaluate this resource option against other alternatives.

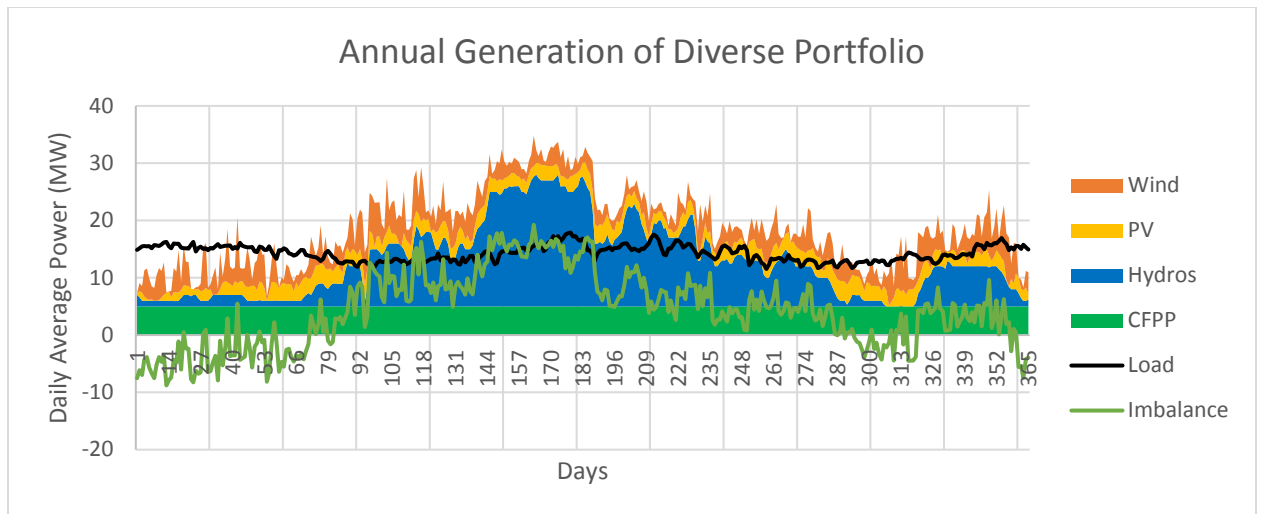
5. Los Alamos County's commitment by signing the Power Sales Contracts. The decision to proceed with signing the Power Sales Contracts for the CFPP is not a decision to construct the CFPP utilizing NuScale's small modular reactor technology; rather, the decision to sign the Power Sales Contracts gives the member the ability to preserve the option to participate in this project if further development demonstrates the prudence of doing so. In the immediate development term, the first \$6 million of additional development costs will be subject to 100% reimbursement. These moneys will be spent only on additional development work on the project, and this work will help us evaluate

whether further development of the project is in the best interest of UAMPS' participating members. UAMPS plans to continue to have development costs subject to 100% reimbursement up until UAMPS decides to submit its Nuclear Regulatory Commission license application in the summer of 2020. The decision to submit its NRC license application will be dependent upon the level of contractual cost certainty NuScale and Fluor are able to provide. If the level of contractual cost certainty is not sufficient in the eyes of a UAMPS member participating in the project, then that member will have the option to discontinue its participation in the project, with no obligation for further development costs, at the time that the NRC license application is submitted. The Power Sales Contracts provide contractual caps to a Participant's cost exposure during this development period.

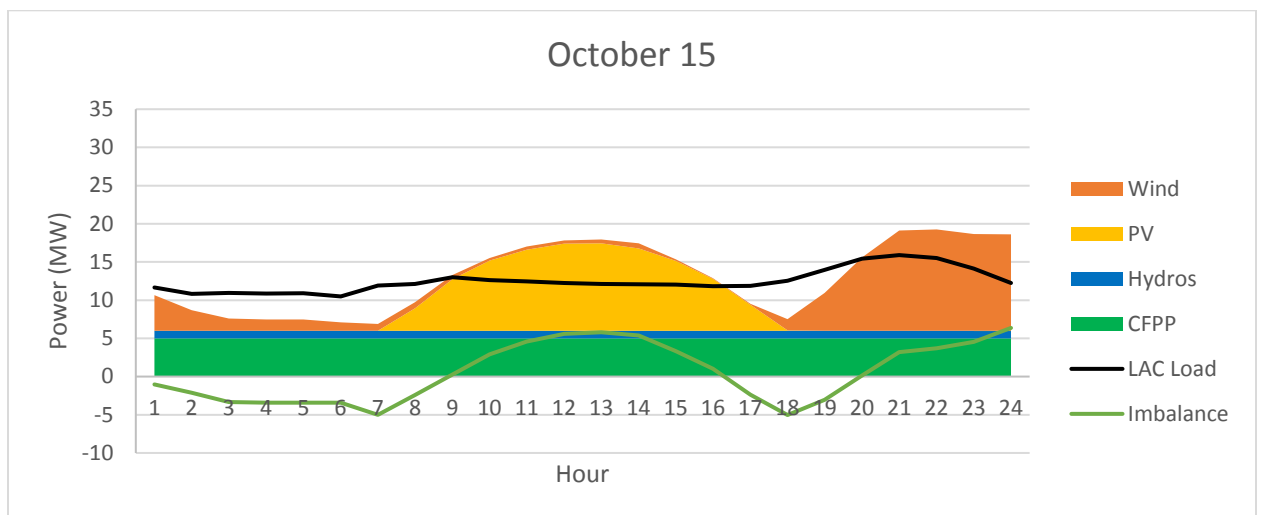
6. Why not renewables here in New Mexico (Wind and Solar) or Natural Gas generation?

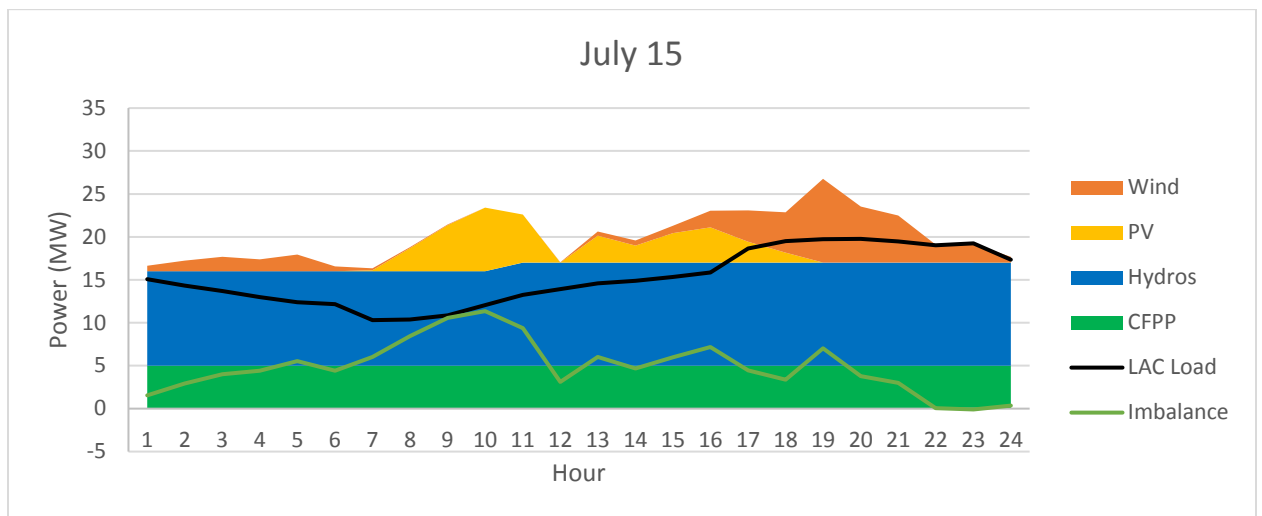
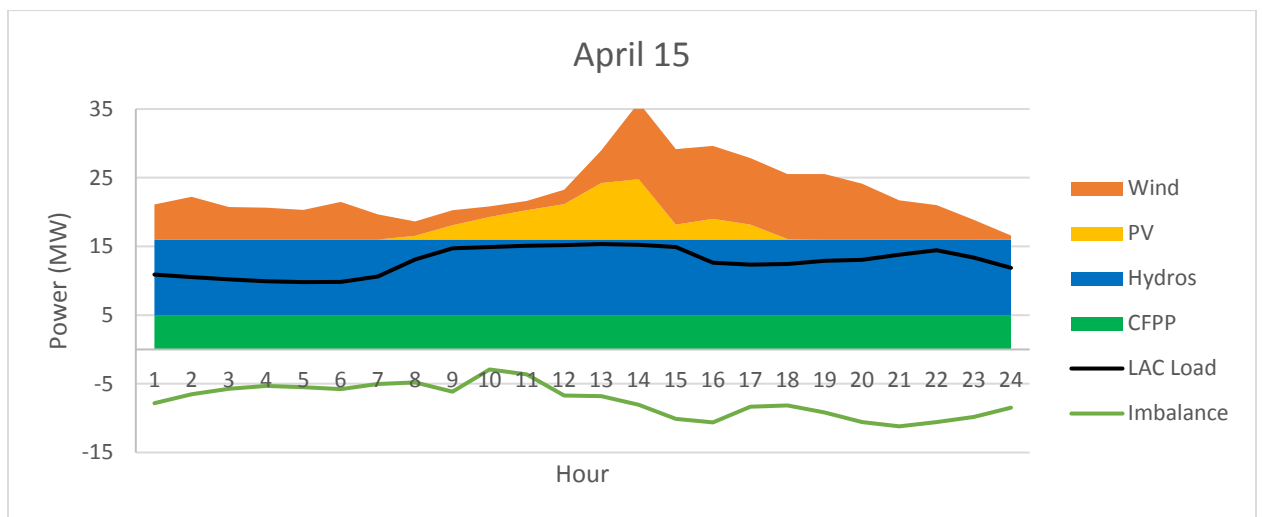
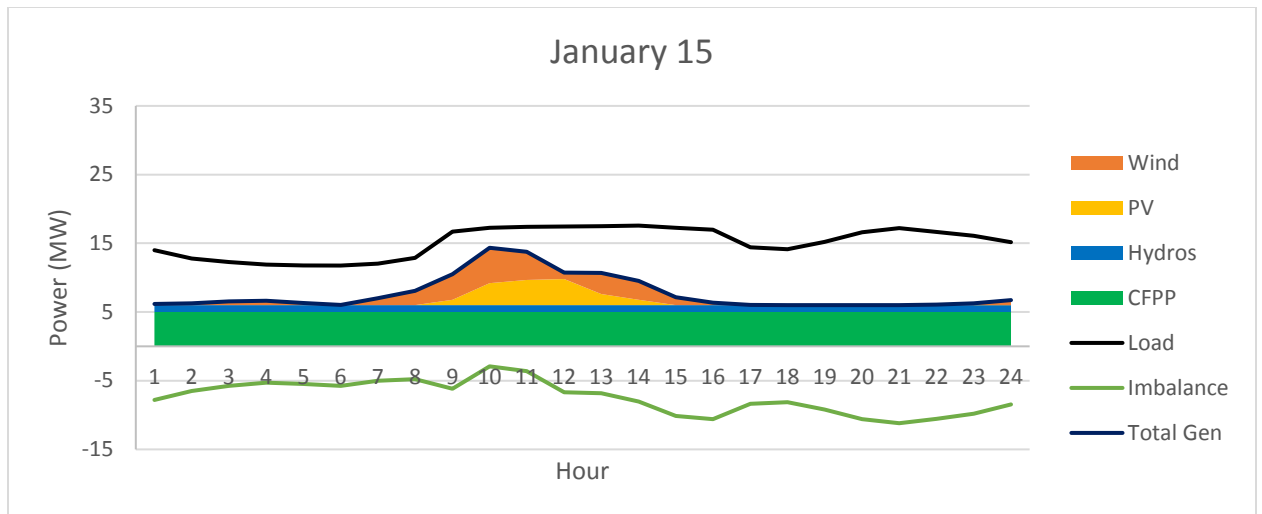
The 2017 Integrated Resource Plan considers renewable energy generation resources. Renewables currently make-up part of our resource portfolio and DPU is planning for them to make-up a greater percentage in the future. The CFPP is being considered as an option to provide 24/7/365 base load power which is carbon free generation to compliment the overall portfolio. (Refer to 2017 Integrated Resource Plan which considers these generation assets as a diverse portfolio to meet our Carbon Neutral goal.)

The graphs below represent a diverse generation portfolio using Nuclear, Hydroelectric, Solar PV and Wind to meet Los Alamos County's annual power demands while meeting their carbon neutral goal. The demand profile is for 2017 and does not consider the expected increase in demand as more electric vehicles penetrate the market. The Nuclear generation resource is baseload power with a 95% capacity factor. The hydroelectric generation at Abiquiu and El Vado is run of the river so you can see the seasonal changes in the generation. Hydro power is seasonal, but dispatchable as the Power Operation Center gets at least a two-hour notice when flows are changing. This allows the dispatchers to purchase market power to maintain the schedule, matching resources to demand each hour of the year. Wind and Solar without storage are considered intermittent resources. As a result, power dispatchers are unable to match generation resources to demand in real time.



The next four graphs show what this same diverse profile looks like in the months of October, January, April, and July.





7. Why a First-of-A-Kind with so many risks?

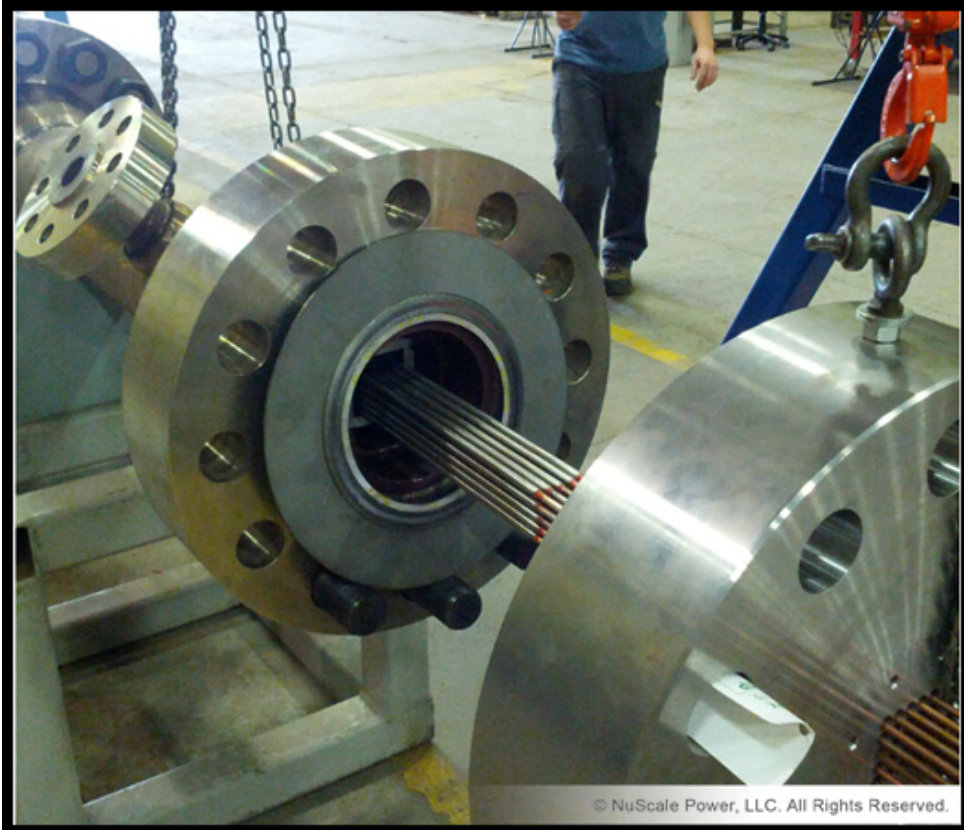
NuScale is developing a unique SMR design that incorporates numerous first-of-a-kind (FOAK) components and systems which require comprehensive testing. NuScale has a documented test program. NuScale has developed a process for identifying required tests using a structured process based on identified risk areas, assessment of technology readiness, and risk-informed analysis of physical phenomena that influence plant performance. Testing requirements are identified and detailed in a comprehensive reactor qualification test plan, which documents all testing and environmental qualification activities required as part of the design, certification, manufacture and commercial deployment of the NuScale SMR.

- 1:3 scale electrically heated prototype test facility
- Critical Heat Flux testing
- Helical Coil Steam Generator testing
- Fuels testing at AREVA's
- Critical Heat Flux testing
- Control Rod Assembly drop/shaft alignment testing
- Steam Generator Flow Induced Vibration (FIV) testing
- Control Rod Assembly Guide Tube (CRAGT) FIV

The Nuclear Regulatory Commission has concluded that NuScale Power's unique safety design approach eliminates the need for class 1E power for its small modular reactor



a. NuScale Integral System Test (NIST-1) facility located at Oregon State University in Corvallis, Oregon



b. Critical Heat Flux testing at Stern Laboratories in Hamilton, Ontario Canada



c. Helical Coil Steam Generator testing at SIET SpA in Piacenza, Italy

Carbon Free Power Project (Small Modular Nuclear Reactors)

Should the County of Los Alamos continue its participation into the next phase of the Carbon Free Power Project?

All Statements sorted chronologically

As of February 23, 2018, 9:12 AM



Open Forum is not a certified voting system or ballot box. As with any public comment process, participation in Open Forum is voluntary. The statements in this record are not necessarily representative of the whole population, nor do they reflect the opinions of any government agency or elected officials.

Carbon Free Power Project (Small Modular Nuclear Reactors)

Should the County of Los Alamos continue its participation into the next phase of the Carbon Free Power Project?

As of February 23, 2018, 9:12 AM, this forum had:

Attendees: 196

All Statements: 39

Hours of Public Comment: 2.0

This topic started on January 26, 2018, 5:34 PM.

Carbon Free Power Project (Small Modular Nuclear Reactors)

Should the County of Los Alamos continue its participation into the next phase of the Carbon Free Power Project?

Jean Dewart inside EASTERN AREA (registered)

February 20, 2018, 4:32 PM

Yes, Los Alamos County should continue into the next phase of the Carbon Free Power Project. Los Alamos needs to replace base load electricity supply over the next few years due to the closure of coal fired power plants. If we want to continue with supporting carbon free generation, nuclear power is the currently available technology. If we do not pursue the UAMPS proposal (because it is judged to be too expensive or not sufficiently robust) then we need to find other nuclear power plant generating capacity to purchase. Of course, as they are available, we should support wind and solar energy projects for our future needs as well.

Reid Priedhorsky inside ASPEN - WALNUT (registered)

February 19, 2018, 12:13 PM

Yes.

Climate change is real and a critical, urgent problem. It requires aggressive investment in all types of carbon-neutral energy, which means both nuclear and renewables. Los Alamos is the type of community that should be leading, not following, and this is a great opportunity to do so, even if results are not guaranteed.

David North inside LA SENDA (registered)

February 19, 2018, 12:05 PM

There are good arguments for the design and for participation. However, Idaho is a long way from here. Undoubtedly transmission trading is part of the deal, etc, but my main concern is once again moving toward a system in another state where we do nothing to further development in New Mexico, regardless the system used. Idaho does not need our support. New Mexico does. Probably there are also DOE issues involved that complicate the question. So I'd put it like this: unless the argument to relocate systems out of state is overwhelmingly compelling, we should be working with a New Mexico system, the more local the better.

Name not shown inside NORTH MESA (registered)

February 18, 2018, 12:28 PM

The cheapest energy available today is solar power. Solar PV with batteries is extremely cost-effective (much more so than coal or nuclear) and is increasingly being used for base load electric supply around the world. There isn't any risk or research that needs to be done. These systems are cost-effective, carbon-free, known quantities and we could begin the process to install one immediately. It would be reasonable to look at land owned by the county and Lab to find the space for the array. As the Lab uses most of the power, an agreement that sites some or all of the array on LANL property ought to be possible.

In addition to a solar and battery power system, there are other things we could do immediately to reduce the county's carbon footprint. For example, installing motion detection street lighting would significantly reduce our energy usage and help to keep our dark skies clear of unnecessary background light. Motion sensing street lights have been used in Europe where they have proven capable of illuminating several streets lights in a row when the motion and direction of a car or pedestrian is detected. Only the lights that are needed are

Carbon Free Power Project (Small Modular Nuclear Reactors)

Should the County of Los Alamos continue its participation into the next phase of the Carbon Free Power Project?

illuminated.

Nuclear power is an expensive dead end as fuel is not available from even the most intensive mining possible in quantities needed to power our future unless breeder reactors are built. Given the very high consequences of a breeder reactor failure, even if the probability of an accident were infinitesimal, we would be ill-advised to build them. It is very difficult to calculate the odds of failure when the probabilities are very low as there are too many unknown and unknowable unknowns. For such dangerous reactors that would run day-in and day-out for decades, we could never design a system that had a sufficiently low probability of failure to make it safe enough to build; the consequences of a failure are too explosive.

One thing we do know is that there will be many cost overruns in bringing a new nuclear reactor system online and the county ratepayers would incur at least part of these costs if we continue to be part of the so-called Carbon Free Power Project.

The nuclear industry also has no way of dealing with its waste. The website for the NuScale Inc. Small Modular Reactor (SMR) Project FAQ blithely states that nuclear waste is a political not a technical problem. I do not believe this is true. If all of the technical problems at Yucca Mountain had been solved, we would have a working high-level nuclear waste repository there. Even if it were true that the only obstacle to solving the nuclear waste problem was political, it is still an unsolved problem. We still have many, many tons of nuclear waste sitting at reactor sites that are extremely dangerous both from a technical (think of Fukushima where they had trouble keeping the cooling pumps to the spent fuel ponds running and lack of cooling would have released an enormous amount of radioactive material into the air) and a terrorist standpoint. Pretending the waste problem is easily solvable and not a serious obstacle to nuclear power is terribly misleading.

In summary we need to look at ways other than the SMR project to make our county energy carbon free.

2 Supporters

Name not available (unclaimed)

February 17, 2018, 10:29 AM

Go for it.

Laurel Conner inside NORTH COMMUNITY (registered)

February 16, 2018, 9:41 AM

I would rather see the county have a greater investment into wind and solar.

Laurel Conner

1 Supporter

John Elder inside DOWNTOWN RESIDENTIAL S (registered)

February 16, 2018, 9:14 AM

Yes, go ahead. I worked in nuclear power early in my career and had confidence in it. The anti-nuke craze was such a waste, delaying nuclear power development by more than the 50 years I have been watching the US

Carbon Free Power Project (Small Modular Nuclear Reactors)

Should the County of Los Alamos continue its participation into the next phase of the Carbon Free Power Project?

blow billions on windmills and solar panels.

Name not available (unclaimed)

February 16, 2018, 6:07 AM

The county should check out all wind and solar options first. We do not need a nuclear option.

Sarah Fields outside Community Boundaries (registered)

February 15, 2018, 1:01 PM

Below please find comments on the proposed Power Sales Contract between the Incorporated County of Los Alamos, New Mexico, and the Utah Associated Municipal Power Systems (UAMPS) related to a proposed NuScale Inc. Small Modular Reactor (SMR) Project to be constricted at the Idaho National Lab, Idaho. These comments are submitted by Sarah Fields, Program Director, Uranium Watch, Moab, Utah. Uranium Watch and Ms. Fields have been following the proposed SMR project and the NuScale design certification process for the past few years.

1. UAMPS and the Los Alamos County (LAC) Council refer to the proposed UAMPS SMR Project as Carbon Free Power Project (CFPP), yet there is no information in support of that very misleading description. Power, most likely derived from fossil fuel, is used for uranium mining and milling, uranium conversion and enrichment, fuel fabrication, fabrication and construction of the SMR, operation of the SMR, used fuel storage, irradiated fuel disposition, transport (road, rail, and ocean shipping), and myriad other aspects of the nuclear fuel chain necessary to license, fabricate, construct, and operate a reactor and the irradiated fuel storage site it will become. Nothing about a nuclear reactor is "Carbon Free." "Carbon Free Power Project" is an egregious Public Relations misnomer leading to false assumptions and poor decisions._

2. The Tennessee Valley Authority (TVA) Clinch River Nuclear Site Early Site Permit (ESP) Application for an SMR project addresses the Environmental impacts associated with different SMR designs, including NuScale design. That ESP Application, Part 3, Environmental Report Revision 1, Chapter 5.7 (Uranium Fuel Cycle and Transportation Impacts) discusses Chemical Effluents. (<https://www.nrc.gov/docs/ML1800/ML18003A456.pdf>). Section 5.7.1.4 states:_ "Because of the gaseous effluents from the [Uranium Fuel Cycle] UFC needed to support the SMRs at the CRN Site are equivalent to the effluents from a small 44 MWe coal-fired power plant or, for an equivalent amount of energy produced with coal, the chemical effluents would be about 2.3 times greater. Therefore, it is concluded that the effects to the degradation of air quality from the power generation needed to support the UFC is SMALL." _ Equating the gaseous effluents from the uranium fuel cycle needed produce the uranium fuel for the proposed NuScale SMR with a 44 MWe coal-fired power plant does not equal "Carbon Free." Nor is the proposed reactor radiological and chemical effluent free (liquid, gas, and solid).

3. UAMPS did not provide detailed information on the full costs, financial commitments, and risks associated with Los Alamos County's participation in the subsequent phases of the project. The presentations and subsequent question and answer session at the January 25 Board of Public Utilities and LAC Council meeting did not provide a clear picture of the expected commitments, possible reimbursements, and other aspects of the financial commitments and risks at each stage of the project. Questions were asked that have not been yet answered, so that the answers are available to the public during the comment period. UAMPS should have

Carbon Free Power Project (Small Modular Nuclear Reactors)

Should the County of Los Alamos continue its participation into the next phase of the Carbon Free Power Project?

provided a written document to the LAC Council with full financial details of the project. A slide presentation, talking points, and the Executive Summary did not provide the Council, the public, and the ratepayers with the information required for an informed decision to approve the Power Sales Contract (PSC).

4. The Council Staff Report did not include an independent analysis of the full costs, financial commitments, and risks at every stage of the UAMPS SMR Project. The Council should not rely solely on those who are committed to the SMR Project or have an interest in the Project, financial or otherwise._

5. The Agenda Packet documents for the January 25 meeting are no longer available to the public on the LAC website. Therefore, members of the public wanting to comment might not have this information before them. All relevant information should be readily available on the LAC website, not just bits and pieces._

6. At the January 25 meeting there was discussion of a NuScale “guarantee” of \$65 per MegaWatt hour (MW/h) of Levelized Cost of Energy (LCOE) over a period of 40 years. There is no information about the nature of that “guarantee;” that is, the terms of a written guarantee that would be developed and signed by the respective parties. _

7. In 2015 NuScale stated, in a presentation (“NuScale Technology & Economic Overview Simple, Safe, Economic;” by Jay Surina, Chief Financial Officer), that their estimate of the LCOE for a 12-unit SMR would be \$98 to \$108 per MW/hr, modeled as a 40-year project. This estimate excludes many of the owner’s costs, include management infrastructure, permits, inspections, regulatory and legal fees, engineering services, switchyard, owner’s project development costs, and other owner costs. NuScale estimates that owner’s costs would add an additional \$5.00 per MW/h.

There was no mention of these owner costs at the January 25 LAC meeting and if they were included in the estimated \$45 to \$65 LCOE.

Further, these are costs averaged over 40 years that will be paid by ratepayers. There is no information regarding how the rates may be affected year by year over the life of the project.

There is no information about the basis of these costs and what happens if, after 40 years (or even before), things don’t work out as expected. _

https://www.iaea.org/NuclearPower/Downloadable/Meetings/2015/2015-08-25-08-28-NPTDS/DAY2/1._NuScale_Power_SMR_-_Simple,_Safe,_Economic.pdf

8. NuScale has not received approval from the Nuclear Regulatory Commission (NRC) of its SMR Design Certification Application and does not yet have the the results of the final technical and regulatory decisions that will impact the costs to fabricate, construct, and operate the 12-unit proposed reactor. Therefore, it is hard to see how NuScale can provide a realistic estimate on the costs over the long term. The current schedule for the Design Certification Application (DCA) indicates that the final Safety Evaluation Report (SER) will be released in the Fall of 2020. After that the NRC will commence the DC Rulemaking. Therefore, it will not be until 2021 or 2022 before the NuScale SMR Design Certification Rulemaking is complete. The Combined Construction and Operation License Application (COLA) cannot be submitted until after that process is complete. That is about 4 years from now, not 2, as expected by UAMPS. _ (<https://www.nrc.gov/reactors/new-reactors/design-cert/nuscale/review-schedule.html>)

9. UAMPS and Los Alamos County mention US Department of Energy (DOE) participation and financial support. Funding has already been provided by the DOE, and more is expected. It would be more honest for

Carbon Free Power Project (Small Modular Nuclear Reactors)

Should the County of Los Alamos continue its participation into the next phase of the Carbon Free Power Project?

UAMPS and Los Alamos to replace the “DOE” with “US Taxpayer,” since the support and funding from the DOE is support and funding that comes from US Taxpayers. The DOE does not make its own money; it is a government entity, funded by US tax dollars. LAC Council should discuss and consider why it is OK for US Taxpayers to subsidize the electrical bills of the Los Alamos County ratepayers.

10. There are over 4,400 abandoned uranium mines associated with the federal atomic weapons program. Yet, the DOE has not provided any funding for their remediation and reclamation. Wouldn't federal tax payer dollars be better spent on reclamation of the Moab uranium mill, abandoned uranium mines, Hanford, and other DOE facilities, rather than subsidizing the electrical bills of UAMPS-member ratepayers?

11. The NuScale SMR is a new technology. The proposed 12-unit SMR operation in Idaho will be a first-of-kind reactor technology. That means there are a number of technical, operational, economic, regulatory, and other aspects of this project that are still being worked out. Every week the NRC meets with NuScale to discuss their Design Certification Application and NRC Requests for Additional Information (RAIs) and NuScale RAI responses. These meetings are open to the public. The NRC posts these meetings 10-days in advance on the NRC meeting schedule (<https://www.nrc.gov/pmns/mtg>); anyone can join via a phone bridge line. I have listened to several meetings and will continue to do so. I am not aware of any representative from UAMPS or UAMPS member utility or member government ever trying to educate themselves by listening to these meetings and asking questions of the NRC.

12. NuScale is proposing various technical and regulatory changes to the NRC that would reduce the cost of the construction and operation of the SMR. One way to reduce to costs is to reduce the number of reactor operator personnel; another is to reduce the size of the Emergency Planning Zone (EPZ). NuScale would like to see the 10-mile EPZ reduced to the reactor site itself, so there would be no need for emergency planning in Idaho Falls outside of the Idaho National Lab reactor site. NuScale gave the Los Alamos County Council the impression that the NRC has approved this proposal. However, the NRC has not approved this proposal, but is considering a Rulemaking to change the EPZ regulations. The NRC issues a draft Regulatory Basis for the Rulemaking in April 2017 (82 Fed. Reg. 17768-17770; April 13, 2017: Rulemaking Docket ID NRC-2015-0225). Any modifications to the EPZ rules will likely end up in court.

13. If the UAMPS SMR were to be constructed at the Los Alamos National Lab, rather than the Idaho National Lab, and NuScale had its way, there would likely be no emergency planning beyond the boundaries of the reactor site. That would mean that the usual emergency responders, medical personnel, and government agencies in Los Alamos County would not be involved in emergency planning for the SMR site. How would that sit with the citizens of Los Alamos County and the surrounding area? This is something that LAC must consider.

14. The more time, resources, and money that Los Alamos County and the ratepayers invest in the UAMPS SMR, the harder it will be to step back and reconsider its investment. It would be harder to justify the funds already spent and committed.

15. One of the questions to UAMPS from the Council was about the source of uranium for the UAMPS SMR. I don't know if that was out of concern that the uranium would come from a foreign country, such as Russia, instead of the United States. Recently, there has been publicity about US uranium industry concerns about the fact that most of the uranium for reactor fuel in the U.S. comes from foreign countries that are not democracies.

Carbon Free Power Project (Small Modular Nuclear Reactors)

Should the County of Los Alamos continue its participation into the next phase of the Carbon Free Power Project?

This concern has been expressed by Energy Fuels Resources (USA), the owner of the only operating uranium mill in the U.S. Energy Fuels is a Canadian company, as are most of the companies that own or have major interests in the U.S. uranium industry. It is likely that uranium from Russia will be used of this project. Recently, there was an fatal accident near Farmington, New Mexico, involving a truck carrying a cylinder of uranium hexafluoride that originated in Russia and was on its way to the AREVA's Richland, Washington, fuel fabrication facility. Apparently, AREVA will be supplying the fuel for the UAMPS SMR.

16. For anyone thinking that supporting the U.S. uranium industry is a good idea, you should also consider that Energy Fuels want to develop a large uranium mine on Mount Taylor, which is sacred to the Diné and to New Mexico Pueblos. The US Forest Service has already determined that the 65-acre mine would have an adverse impact on groundwater and cultural resources. The Roca Honda Mine would be very destructive and harmful, as have all of the uranium mining on the other side of the Jemez Mountains. The Roda Honda ore would be shipped to the White Mesa Mill, adjacent to the lands of the White Mesa Band of the Ute Mountain Ute Tribe. Another company has proposed a new uranium mill in New Mexico to process ore from the Mount Taylor Mine, which has been closed for decades. The federal government has spent millions of dollars to cleanup defunct uranium mines and mills in New Mexico. There are still unreclaimed uranium mines and continued contamination of groundwater in the Grants Mineral District from the legacy of uranium milling. Millions have been spent to compensate uranium mine and mill workers. LAC should take a hard look at the impacts of uranium mining in New Mexico from historic and proposed operations.

17. There is no discussion in the Executive Summary of the availability of relevant documents in a timely manner, open meetings, audio and video access to meetings, availability of the minutes for the full meeting. LAC should assure that all relevant documents be made readily available in a timely manner.

18. The Executive Summary references several documents associated with the Project Management Committee (PMC). These include the Budget and Plan of Finance, Development Agreement and other Project Agreements, Economic Competitiveness Test, Bonds, Project development and feasibility, project oversight. There is not much information about how these documents will be developed and opportunities for input by the ratepayers, based on a transparent and open process.

19. There is no specific information about the Economic Competitiveness Tests. There is no information about what, exactly, those tests will consist of and how the PMC will assure that this is an independent and un-biased analysis of various aspects of the economic competitiveness of this project.

20. The Executive Summary states that the "Budget Plan of Finance" for the initial phase of the Licensing Period will be approved by the Participants' governing bodies at the same time as the Power Sales Contracts are approved. Yet, that document has not been made available to the public, and maybe not to the Council. Where is a copy of the "Budget Plan of Finance" for the public and ratepayers to review and comment on?

21. The Executive Summary should have included more detailed information about the Participant Withdrawal and Reduction Rights during the Licensing Period, possible reimbursements associated with Participant Withdrawal or Reduction, estimates of the increase in financial commitments if other participants withdraw or reduct their participation, and relevant dates. The precise terms of any withdrawal are missing from this discussion. Each participant, their governing bodies, and ratepayers should have complete information regarding the participants rights, dollar amounts, dates, risks related to each development step, and other

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Should the County of Los Alamos continue its participation into the next phase of the Carbon Free Power Project?

relevant information.

22. The Executive Summary provides sketchy information regarding the Financing for Development Costs. There is no information about the amounts available under cost-sharing agreements, grants, etc. There is scant information about the bank and bond financing and repayment obligations over time.

23. There is no information on the qualifications of UAMPS to oversee a nuclear reactor project of this size and complexity, when UAMPS and its members have no experience with financing, licensing, constructing, operating or decommissioning a nuclear reactor, yet alone a first-of-kind reactor design.

24. The LAC Council should consider the impacts of an SMR on the citizens of Idaho and their environment. LAC Council should compare these impacts with the impacts of other kinds of energy generation, such as wind and solar. The TVA Clinch River Nuclear Site Early Site Permit (ESP) Application for an SMR project addresses the Environmental impacts associated with different SMR designs, including NuScale design.

<https://www.nrc.gov/docs/ML1800/ML18003A471.html>

The Environmental Report, Part 3, Chapter 3 discusses Plant Water Use (Section 3.3) Radioactive Waste Management (Section 3.5), and the Non-radioactive Waste System (Section 3.6).

<https://www.nrc.gov/docs/ML1800/ML18003A447.pdf>

Part 3, Chapter 5, Section 5.4, discusses Radiological Impacts of Normal Operation.

<https://www.nrc.gov/docs/ML1800/ML18003A453.pdf>

The TVA Application contains other information about the impacts to the environment and health and safety of the community associated with the proposed SMR project. This information should be given full consideration by the LAC Council in its decision-making process.

25. In sum: The LAC Council, the citizens and ratepayers of LAC, and other interested parties do not have the information necessary to make an informed decision on LAC's continued participation in UAMPS SMR project. If there are problems, it is the ratepayers who will pay, not LAC. I urge you to reject continued participation in the UAMPS SMR Project and work to develop electrical generation capacity that does not carry the significant financial risks and significant risks to public health and the environment as the UAMPS SMR Project surely does.

Sarah Fields

_Program Director

_Uranium Watch

_PO Box 344

_Moab, Utah 84532 _

435-260-8384

4 Supporters

Greg Kendall inside DENVER STEELS (registered)

February 15, 2018, 12:26 PM

I would like to see the Council authorize an independent outside cost / benefit / risk analysis that is not involved with the DPU to see if this project makes sense for a Small Community in Northern New Mexico. I am concerned that this is an Engineering driving project. We need an independent analysis to determine if the

Carbon Free Power Project (Small Modular Nuclear Reactors)

Should the County of Los Alamos continue its participation into the next phase of the Carbon Free Power Project?

project makes sense for us and if the risks are acceptable for a small community with limited funds. I don't believe there are nuclear business experts employed by the county and we need to hear from some before we get involved in a huge project of this magnitude and potential risk. If we hear from independent outside experts that this is a good deal and risk for us then maybe go for it.

Name not shown inside NORTH MESA (registered)

February 13, 2018, 4:53 PM

Los Alamos County should not continue participation into the next phase of the Carbon Free Power Project.

The UAMPS Carbon Free Power Project is an advanced technology development project. There are no Small Modular Reactor (SMR) products in existence today and so no operational experience in their use by electric utilities. The project therefore has considerable risk of unanticipated financial, technical, schedule and operational problems, which would increase its cost and/or delay or prevent its completion. As a small county and utility, LAC and DPU should not take on those risks, which would be shouldered by Los Alamos' residents and businesses. Los Alamos County should withdraw from the UAMPS Carbon Free Power project. Instead, LAC and DPU resources should be directed to meeting the County's clean energy goal with existing, deployed technologies for which reliable cost estimates can be made. Utility-scale solar (photo-voltaic) plus battery storage systems continue to be deployed in multiple states, and are particularly favorable in locations such as Los Alamos with a large proportion of sunny days. These systems can provide daytime power production and time-shifted electricity delivery during peak usage hours after sunset that could meet a large portion of the County's electricity demands. Costs for new utility-scale solar plus battery storage installations have been dropping steadily and are projected to continue to fall. For example, Colorado's Xcel Energy utility received responses to a recent RFP that include 87 bids for utility-scale solar plus storage projects with a median Power Purchase Agreement cost of \$0.036/kWh. This is much less than LAC/DPU is currently paying for coal-generated electricity, and well below the cost projections for SMR-based power generation. LAC and DPU should explore how utility-scale solar plus battery storage could be folded into the county's electrical generation mix as a major step to meeting the County's clean energy goal well before the 2040 date, and potentially reducing electricity rates for DPU's customers.

2 Supporters

Name not available (unclaimed)

February 8, 2018, 11:09 AM

As a prestigious research laboratory we should be leading by example in the way of environmental friendly power solutions. I think it goes without saying Nuclear energy should be one these technologies, and of course, we should eat our own food as the saying goes.

Jill Beck inside EASTERN AREA (registered)

February 7, 2018, 5:26 PM

As a whole, Los Alamos County residents are a carbon conscious and do our part to conserve our energy usage. Why should we shoulder the financial burden of a Carbon-free power project? The major user of most resources is the Los Alamos National Laboratory, let's not lose sight of that.

Nicholas Thompson inside EASTERN AREA (registered)

February 7, 2018, 9:58 AM

Carbon Free Power Project (Small Modular Nuclear Reactors)

Should the County of Los Alamos continue its participation into the next phase of the Carbon Free Power Project?

I think the County should continue participating in the next phase of the CFPP. We'll need a mix of all low carbon sources of energy to fight climate change including nuclear.

1 Supporter

Name not available (unclaimed)

February 5, 2018, 9:55 PM

Although I can see the attraction of a base load 24/7/365 (potential) electric power source, the risk for Los Alamos County is just too large to continue to pay in to the UAMPS project without major support from DOE and LANL. The reactor itself seems much safer than current nuclear plants, but whether or not the \$65/MWhr cost cap guarantee can be maintained in the future in the event that the cost balloons up or Fluor doesn't sell enough of these plants around the world to match their profit calculation is a huge gamble which is not appropriate for a small community like Los Alamos to assume with our very limited financial resources.

Nickolas Stevens inside ASPEN - WALNUT (registered)

February 5, 2018, 5:50 PM

I think there is a lot of DOE land that is prime for solar. We already have plenty of nuclear waste with no where to put it, why make more. There are other 0 carbon energy options that should be considered.

1 Supporter

Nick Mezins inside DOWNTOWN RESIDENTIAL S (registered)

February 4, 2018, 4:34 PM

Nuclear is the only sensible energy solution for the near future. All others pollute or are impractical at this time. Los Alamos, let's do it!

1 Supporter

Richard Nebel inside NORTH MESA (registered)

February 3, 2018, 11:52 PM

I'm concerned about the cost/risk of these modular reactors. Most costs for nuclear power plants are the capital investment costs. The past strategies have been to mitigate these costs by economies of scale. This proposed concept goes the opposite direction with multiple small units.

Also, my understanding is that the number of people that it will take to operate a 50 MWe unit is about the same as it is for a 1000 MWe unit. Consequently, the operating costs per MWe for these units will likely be higher for these modular units than they are for conventional nuclear plants.

Finally, Exelon is the largest nuclear utility in the US. Most of their units were bought for 5 cents to 10 cents on the dollar. Consequently, their costs are almost completely operating costs. Even with that enormous advantage, they are only marginally competitive with natural gas and subsidized wind power. I am skeptical that this proposed system can produce economically competitive power.

Name not available (unclaimed)

February 3, 2018, 8:50 PM

Carbon Free Power Project (Small Modular Nuclear Reactors)

Should the County of Los Alamos continue its participation into the next phase of the Carbon Free Power Project?

Stop increasing the utility rates so you can go out and buy more facilities we don't need. We already pay more than surrounding areas for our utilities.

Stop wasting resident money! We don't need to replace all the utility meters, and we don't need to install nuclear reactors to produce electricity in this tiny county. We're sick of paying for the council's pipe dreams.

Name not shown inside WESTERN (registered)

February 3, 2018, 6:20 PM

Yes. Although I don't believe Carbon was affecting the Earth on a large scale.

Nuclear power has only one down side it's _ dun ta da da!!!_

NUCLEAR WASTE... Steve harshman.

George Chandler inside EASTERN AREA (registered)

February 2, 2018, 5:48 PM

This is a really neat concept that should be developed - by somebody else. I'm not sure just why UAMPS has chosen this path to development, because other small reactor concepts are being developed in more conventional ways. UAMPS is attempting to convince these municipal utilities (like ours) that the technology is "tried and true." The fact is the first reactor of this type is under development at Savannah River and has not been completed, so it's neither tried nor true. They built a 1/3 scale electric-grid-powered model in Corvallis with a prototype control system, They tout this as a prototype but it prototypes nothing of importance. It doesn't have the nuclear module, it only has one system with six screens to control 12 modules, and the "prototype" control system is now 15 years old and will have to be done over by the time this thing comes on line in 2025 (if it meets the schedule). They have not set up the multi-contractor industrial scale fabrication system needed to produce these modules by the dozen. This is way too early to be bringing in municipal utilities, which another commenter pointed out do not have the talent to judge a project like this. You can discover this for yourself by the shortage of critical thinking about this project by our own utilities department.

Name not shown inside WESTERN (registered)

February 2, 2018, 5:16 PM

I would be most interested in investing in clean energy: solar, wind, water storage. Nuclear power looks good but the dire potential consequences are not acceptable to me

Lynne Fischer outside Community Boundaries (registered)

January 30, 2018, 4:25 PM

I do not think that the County of Los Alamos should continue its participation into the next phase of the Carbon Free Power Project. Nuclear energy, while carbon free, remains a dangerous form of energy. Not only is it vulnerable to extreme geological events (earthquakes) but the waste from these plants remains toxic for centuries. Storing nuclear waste poses a continuing threat to communities and water systems. We have seen the proof of this, it is not hypothetical. Finally, with the price of solar and wind energy dropping drastically, it is foolish to invest anymore time and money into an energy source that is so expensive and so dangerous.

Name not shown inside DENVER STEELS (registered)

January 29, 2018, 11:48 AM

Carbon Free Power Project (Small Modular Nuclear Reactors)

Should the County of Los Alamos continue its participation into the next phase of the Carbon Free Power Project?

We should be pursuing solar and wind renewable energy sources. The byproducts are easier to recycle than spent nuclear products are.

Chris Horley outside Community Boundaries (registered)

January 29, 2018, 12:12 AM

After reading some of the comments, I am surprised at the number of misleading statements given. For example, the Tucson solar + battery cost cited as \$45/MHr is based on significant subsidies. The article referenced states the real cost is closer to \$90/MWh. The next least costly solar + batter power generation was \$110/MWh for a 28 MWh solar installation. Both these installations are NOT based on supplying base load power (continuous output) as would be a nuclear plant. The referenced solar project with a real cost of \$90/MWh will have a 100 MW solar farm with a 30 MW 120 MWh storage facility. Solar farms are rated at peak power production. That would always be at local high noon even for tracking systems. Net total power in a day for a solar farm can range from a peak of 30% down to 2% for a cloudy day. Compare this to a 20 MWh nuclear plant operating 24 hrs a day generating a total of 480 MWh.

I would also like to point out that NO human developed energy production is carbon free. Carbon is emitted in the design, the planning and funding cycles, the fabrication, the plant construction, testing, and the operation and maintenance phases of a project. That goes for wind, solar, nuclear, gas, coal etc.

As far as local jobs with renewables, the US manufactures less than 5 percent of the global solar energy panels and they are 10 to 30 cents per watt higher than imports. Most domestic solar projects use foreign made panels, As far as wind turbines go, again, the same manufacturing story. As far as environments impacts go, a 20 MW wind farm will require 1200 to 1600 acres, depending on average wind speed. size of turbines and terrain. They are noisy neighbors and are also destructive to all night flying creatures like owls and bats. For solar, a 20 MW farm will require 12 acres to 18 acres plus the land and buffer zone needed for safe battery storage.

How about safety? Nuclear energy is bashed about how unsafe it is. Here are the deaths rates for the gas and oil industry:In the US alone:

2003 – 85 fatal injuries
2004 – 98 fatal injuries
2005 – 98 fatal injuries
2006 – 125 fatal injuries
2007 – 122 fatal injuries
2008 – 120 fatal injuries
2009 – 68 fatal injuries
2010 – 107 fatal injuries
2011 – 112 fatal injuries

Now let us include the environmental oil spill damage to marine life and reef die off from carbon emissions. Offshore oil spills will continue to happen with rig accidents and tanker accidents. Carbon emissions from transportation now exceeds that from electrical generation.

For wind farms, the fatality rate is:

Carbon Free Power Project (Small Modular Nuclear Reactors)

Should the County of Los Alamos continue its participation into the next phase of the Carbon Free Power Project?

Number of fatal accidents: 136

By year:

Year Before

2000 00 01 02 03 04 05 06 07 08 09 10 11 12 13 14 15 16 17

No. 24 3 0 1 4 4 4 5 5 11 8 8 15 16 4 2 7 6 9

For coal, death statistics in US are:

2005 2006 2007 2008 2009 2010 2011 2012 2013 2014 2015 2016 2017 2018 TOTAL

....23.....47.....34.....30.....18..... 48....20.....20.....20.....16.....12.....8....14.....0.....310

Ok, let's look at nuclear. Since 1955, there have been 13 fatalities at US nuclear plants. No civilian deaths. Guess anti nuclear folks do not care about the risk others take to power their lights and fuel their cars and jets. If they did, they would endorse safer alternatives. This is not to imply we should not pursue solar and wind sources, but they are not capable of supplying all of our energy needs all of the time in all seasons, locations and latitudes.

Bottom line, be wary of non-technical energy folks quoting energy statistics and risks.

3 Supporters

david hayden inside WHITE ROCK (registered)

January 28, 2018, 9:18 PM

Los Alamos County should pursue all technologies that keep energy costs low. There should be no preference to Carbon Free, only abundant sources of energy.

1 Supporter

Gene McCall inside BARRANCA MESA (registered)

January 28, 2018, 8:49 PM

This is development project, and the county has no business funding it. Lots of things can go wrong. Why is it that the councillors seem to believe that they are financial wizards when they discuss an inane topic, such as improving the economy of what is, already, one of the richest counties in the entire nation, but they cannot think of relevant questions for a topic like this? How about: How many reactors have you built? How many of your employees have participated in a reactor construction project? Do you have any experimental results that support your design principles? Who are your main technical people, and what are their credentials? What are your construction milestones, and when do you intend to reach them?

OK, it sounds like a good idea, but no member of the council, and no member of the county staff is qualified to judge. Who will determine whether adequate progress is being made as work progresses? What is the fallback option if the program fails?

Council, please, stick to programs that are appropriate for benefiting the citizens of a small county. And, maybe, even, things that you have a chance of understanding.

1 Supporter

Andrew Fraser inside BARRANCA MESA (registered)

January 28, 2018, 6:46 PM

Carbon Free Power Project (Small Modular Nuclear Reactors)

Should the County of Los Alamos continue its participation into the next phase of the Carbon Free Power Project?

Los Alamos County should not continue its participation into the next phase of the CFPP.

The US should continue developing nuclear power technology, but I think Los Alamos County can save money by waiting and watching technology develop before committing to buy. Since the main cost of nuclear power is capital, a nuclear plant should run all the time. That is a poor match for solar and wind power which are likely to grow.

Doing a quick Google search just now yielded <https://arstechnica.com/information-technology/2017/04/the-economics-of-energy-generation-are-changing-more-metrics-favor-solar-wind/> which forecasts \$56.50/MWH for combined cycle gas. I bet that combined cycle gas generating plants will set the market price over the next few decades. I suspect that the proposed CFPP small nuclear project will end up costing tens of dollars more per MWH than the market price over the decades of its life.

We use between .5 and 1.0 MWH per month at my house. If I am right in my guesses, the CFPP will cost us something like \$10 or \$20 per month. That's OK with me. I think this is a judgment call for the BPU and the Council. It is not a question of principle.

2 Supporters

Name not shown inside WHITE ROCK (registered)

January 28, 2018, 6:34 PM

Yes! Absolutely. Los Alamos should be at the forefront of alternative energy sources. We need to counter the anti-science policies that are so prevalent today. Let's do our part.

3 Supporters

Greg Farrell inside DOWNTOWN RESIDENTIAL S (registered)

January 28, 2018, 5:14 PM

LAC is blessed with abundant solar and wind resources. Why not invest in these clean technologies while researching the advancing storage options? These are local power generation options that will provide local jobs and a boost to the local economy. Solar and wind options are local and safe, the same can not be said for SMR.

Thank you,
Greg Farrell
Los Alamos

2 Supporters

Steve Tobin inside NORTH MESA (registered)

January 28, 2018, 2:34 PM

Carbon Free Power Project (Small Modular Nuclear Reactors)

Should the County of Los Alamos continue its participation into the next phase of the Carbon Free Power Project?

Stephen J. Tobin
Los Alamos

January 27, 2018

Dear Board of Public Utilities and County Council members,

I am writing to give some input on the issue of Los Alamos County's involvement in the Small Modular Reactor (SMR) Project.

Background thoughts:

- I very strongly support Los Alamos County's plan to shape our energy usage such that we will be net carbon zero by 2040!
- Vital data needed as a backdrop to this conversation can be found at the following link: <https://www.lazard.com/perspective/levelized-cost-of-energy-2017/>. I recommend the short video summarizing the research of the Lazard team.
- I have a Ph.D. in Nuclear Engineering and have worked in nuclear nonproliferation for nearly two decades.
- For a range of reasons, in many parts of the planet, nuclear reactors are likely to be the best, if not only, practical power supply to replace fossil fuels. The transition to SMR from the traditional larger scale nuclear installations currently common in the world (and for which the Lazard cost estimate applied) has the potential to significantly lower the cost of nuclear and thus increase the use of this non-carbon emitting energy option.
- Yet, Los Alamos County is not like most of the world in the following relevant ways:
 - o We have high quality solar in our county and nearby counties
 - o We have high quality wind in our state
 - o We have the potential for pumped water storage in our backyard
 - o We are part of a large country, giving us the ability to create a large electric grid, that minimizes the intermittency of our abundant and cheap wind and solar supplies.

Regarding the SMR Option for the county:

- I am very skeptical that continuing with the SMR project will prove to be a wise use of county funds for the following reasons:
 - o Risk: I applaud the SMR team for reusing mature technology and for transitioning to a factory based approach in fabrication, but we cannot fool ourselves. This is not a proven system. I have no doubt it will work, eventually, but this project has, in my estimation, a large probability of being over budget and late.
 - o The DOE, possibly in collaboration with international partners, should be funding this completely. Why are 30-some small communities being asked to fund an unproven system? If this project is not directly within the mission space of the DOE, what project would be? I see the fact that the location of the project is on DOE land as a partial recognition of this reality.

What is still needed to inform this decision:

- The decision facing the County Council is one of choosing among options, or at least it should be. At the meeting in the Council's chambers on Jan. 25th, I recall an explanation being given as to why we do not have a cost estimate to compare to. As I reflect on the decision the council faces, the absence of this comparison weighs large. Why is it not prepared? Specifically, we need to know:
 - o How much would an industrial solar installation cost at various sizes (5, 10, 15 ... 50 MW)?

Carbon Free Power Project (Small Modular Nuclear Reactors)

Should the County of Los Alamos continue its participation into the next phase of the Carbon Free Power Project?

- o How much would a storage system cost at various sizes?
- :clubs: Pumped water storage
- How much is the dual use potential with the ski hill of pumped storage worth to the county?
- What is clear from the cost analysis (Lazard) and the climate change reality, the percentage of wind and solar will increase on the NM grid. How much is it worth to the county to be able to buy power when it is cheap and sell it when it is expensive? Will such ability be factored into a cost assessment?
- :clubs: Lithium ion batteries
- :clubs: Others?
- o Land is expensive and scarce in LA County; why not collaborate with some of the area pueblos? The cloud cover is less for the valley, the land is cheaper, LANL has always sought to collaborate with the local pueblos. This seems like a win-win.
- o How much would participation in a wind plant in New Mexico cost? California power companies are investing in New Mexico wind. Why doesn't Los Alamos County?

Thank you for your time,

Stephen J. Tobin

8 Supporters

Coleen Meyer inside ASPEN - WALNUT (registered)

January 28, 2018, 1:47 PM

Yes, we should remain on the path to becoming carbon free by 2040 (at the latest). I don't think the small nuclear reactors are the way to go, but we need to get there sooner rather than later. This is an environmental issue that is not going away; it's not a fad. Opinions and politics do not change facts. I would like to see LA County move away from all fossil fuels to more solar power, which has been proven to work very well in this county. If the county actively moved to make solar a reality rather than to subtly oppose, the county would be in a much better energy position. We also need to be on the cutting edge of incorporating next generation battery technology as that becomes available.

3 Supporters

Donald Machen inside EASTERN AREA (registered)

January 28, 2018, 12:59 PM

Yes and consider what will happen should LAC not pursue the SMR design and what will happen to the world should we let the <current> administration's policies stand. Climate change and the extreme weather patterns that we have experienced will just get worse and worse. Carbon neutrality is essential. The design of the SMR has been approved by the NRC as a design that is safe will not melt down in case of a loss of cooling, for example. The LAC must have a power source that replaces the coal burning source in Farmington that will be shut down by PNM and others. There is nothing on the horizon, other than battery energy storage that can supply a firm power source over a 24 hour day. The batteries are not yet grid power capable and are still in the development stages for the use of renewable energy sources to be a possibility. The FER Committee recognized this conundrum and selected the SMR as a firm power potential in their

Carbon Free Power Project (Small Modular Nuclear Reactors)

Should the County of Los Alamos continue its participation into the next phase of the Carbon Free Power Project?

conclusions, giving LAC, AND OTHERS, the ability to become carbon neutral. By following and supporting the SMR development, LAC can be among the leaders in the US in recognizing the climate science, climate change and doing something about it. LAC by all means needs to continue the support of this technology.

1 Supporter

Susan Barns inside DENVER STEELS (registered)

January 27, 2018, 1:31 PM

Short answer: No, I don't think so.

Longer answer: Since nuclear energy is not my field, I will not comment on the technical or safety aspects of the SMR. I am impressed with the nuclear expertise present amongst BPU members, and defer to them to address these issues.

My concerns are business, economic and environmental in nature. In short, having paid attention to this matter for over a year, I am concerned about the numerous risks and unknowns of this project. At this time, I feel it may not be the most prudent way forward to meet the FER goals, and before we throw another \$0.5 to 3.6 million(!) at it, I'd like to think that we have carefully considered the issues and alternatives.

Here are my top concerns and comments:

- We may only be getting 16 MW of power (of the approx. 45 MW we need to replace from coal) from the SMR. Is it worth the cost and hassle? What other options are available?
- Regarding the \$0.5 to \$3.6 million COLA payment:
 - o What will be the cost to LAC if there is no "support from the DOE in the form of a grant"?
 - o What else could we do with \$0.5 to \$3.6 million? Encourage energy efficiency and conservation? Put in a large water line up the Ski Hill (instead of/in addition to planned water line for snowmaking), to provide pumped energy storage to firm solar power? Community solar gardens? Fund Distributed Energy Resources Management System (DERMS)?
- Levelized Cost of Energy: projected at \$45 to \$65 /MWh
 - o SMR "Has the potential to go as low as \$45/MWh" Is this really a good deal for LAC ratepayers? That price has already been met in Tucson for solar + battery storage (<https://www.utilitydive.com/news/how-can-tucson-electric-get-solar-storage-for-45kwh/443715/>). Costs for renewables continue to drop. A recent RFP for solar + storage in Colorado returned median bids of \$36/MWh (<http://www.sanjuancitizens.org/wp-content/uploads/2018/01/30-Day-Report-2016-ERP-16A-0396E-Public-Version.pdf>). Who knows how low it will be by 2027 when the SMR may come online? Are we committing ourselves to paying a higher rate than necessary?
- Environmental, health and social justice issues of uranium mining and radioactive waste disposal. How do these compare with impacts from renewable energy options? UAMPS analysis shows lifetime greenhouse gas emissions to be higher for nuclear than for solar energy generation.
- Miscellaneous, niggling doubts about this unprecedented, complex project coming on line on time, within budget, etc.

Carbon Free Power Project (Small Modular Nuclear Reactors)

Should the County of Los Alamos continue its participation into the next phase of the Carbon Free Power Project?

One last thought: Implementation of a solar + storage approach to meeting FER goals is clearly challenged by land availability in LAC. However, a recent development that might be worth pursuing is partnering with surrounding Native American nations which have large amounts of land available. The Navajo and Picuris nations have already installed PV arrays that not only serve tribal needs, but also provide solar energy for sale to surrounding communities (<http://www.daily-times.com/story/news/local/four-corners/2017/07/30/navajo-tribal-utility-authority-opens-first-large-scale-solar-farm/493090001/> http://www.santafenewmexican.com/news/business/picuris-pueblo-goes-solar/article_b231e7b4-35b5-5ad0-b8cb-5bc3bb737051.html). Such an arrangement could not only serve our needs, but also provide jobs and economic independence in Northern New Mexico (better than energy generation at INL, where jobs, taxes, etc. go into the ID economy.) (Also, the PR aspect of supporting local, Native American renewable energy generation vs. a nuke plant might be of interest to LAC...)

Finally, I do want to commend the DPU and BPU for their work on finding ways to implement the FER recommendations! This is an incredibly important, and incredibly complex, process with many interrelated parts, risks and unknowns.

With thanks—
Sue Barns

6 Supporters

Carolynn Sisneros inside ASPEN - WALNUT (registered)

January 27, 2018, 12:36 PM

No. Look at the long term picture. Nuclear energy may be efficient now but the long term effects are not worth the short term benefits. Reducing consumption, using non-pollutants (wind, solar) or recyclable or reusable mediums (battery storage), is a better choice for now and the future. In the event of a disaster, nuclear pollution's effects cannot be undone. Haven't we learned this yet? Please vote NO.

2 Supporters

Arthur Dillon inside NORTH COMMUNITY (registered)

January 27, 2018, 11:35 AM

NO ! I do not want "carbon free" anything pursued. This is another ignorant and useless "feel good" activity. Can you say "plastic bag ban"? I want Los Alamos County Utilities to engage the least expensive, most reliable energy sources. Period. I do not want them making political statements with my hard-earned dollars.

1 Supporter

Harry Flaugh inside DENVER STEELS (registered)

January 27, 2018, 11:26 AM

Absolutely!

2 Supporters

Name not available (unclaimed)

January 27, 2018, 11:05 AM

Carbon Free Power Project (Small Modular Nuclear Reactors)

Should the County of Los Alamos continue its participation into the next phase of the Carbon Free Power Project?

We absolutely should participate in the development of nuclear power for a long term element of carbon free electrical power.

Name not available (unclaimed)

January 27, 2018, 10:09 AM

I think we should invest more knowledge, education, money and effort in solar and wind power.

EXECUTIVE SUMMARY OF CARBON FREE POWER PROJECT POWER SALES CONTRACTS

OVERVIEW

The Power Sales Contracts for the Carbon Free Power Project are based upon the power sales contracts for UAMPS' other generating projects, and incorporate many of the same terms and provisions. New provisions have been added to address CFPP-specific items, including the management of and funding for the Development Work on the Project to the point in time when development is complete and the CFPP can move to construction.

The Power Sales Contracts have been drafted by UAMPS legal counsel under the supervision of the Project Management Committee, with additional legal review by the Legal Committee, which included PMC Representatives, city attorneys and outside counsel.

BASIC TERMS AND PROVISIONS

“Participants”: The power purchasers that participate in the Project under the Power Sales Contracts (PSCs) with UAMPS.

“Project” or “CFPP”: The Carbon Free Power Project.

“Entitlement Share”:

A specified percentage share of the output of the Project.

Passes through benefits and burdens of ownership of the Project:

Benefit: Specified share of Project Output at cost for the life of the Project,

Burden: Obligation to pay a percentage of all ownership, operating and decommissioning costs, including debt service and contract obligations on a “take-or pay” basis, and

Burden: Observing contract covenants and risk of Entitlement Share step-up.

PSC terms that support Project operations and financings include:

“Take-or-pay” payment obligation, the Participants are obligated to pay the amounts due under the PSCs regardless of whether the Project is completed, operable, operating, damaged, destroyed or terminated,

Payments made solely from each Participant's electric system revenues and as an operating expense of the Participant's electric system,

Rate covenant: Participant agrees to charge and collect rates for electric service that produce revenues sufficient to meet its payment obligations under the PSC and other obligations payable from such revenues, and

Step-up obligation, non-defaulting Participants can be required to take a portion of a defaulting Participant's Entitlement Share, subject to a maximum increase in the Entitlement Share over the term of the PSCs of 25%.

PROJECT MANAGEMENT COMMITTEE (PMC)

The Project Management Committee is established by the Power Sales Contracts and the UAMPS Joint Action Agreement. The PMC has complete and comprehensive decision-making authority over the Project and actions to be taken by UAMPS, including:

Approving the Budget and Plan of Finance and all revisions, updates and amendments to it

Approving the Development Agreement and all Project Agreements,

Reviewing the results of each run of the Economic Competitiveness Test,

Reviewing and authorizing all financings and Bond issues,

Reviewing and determining whether and when to submit the COLA,

Determining whether and when Completion of Development has occurred, including the feasibility of the Project, or whether the Project should be terminated or development be suspended, and

If the Project proceeds to the Construction and Operating Periods, supervising the construction and operation of the Project.

Certain decisions of the PMC are required to be made by a Super-Majority Vote (75% by number and Entitlement Share).

PROJECT PERIODS AND PHASES

Target Effective Date of PSCs is April 1, 2018 (PMC to determine).

Licensing Period: begins on Effective Date of PSCs and extends to Completion of Development, with two separate phases:

Phase 1: Effective Date to completion of Construction and Operating License Application (COLA), and

Phase 2: Submission of COLA to the NRC to the receipt of Construction and Operating License (COL) from the NRC and the PMC's determination that Completion of Development has occurred.

Construction Period: begins upon Completion of Development and continues through the construction of the Project to its Commercial Operation Date (COD).

Operating Period: COD to end of operating life of the Project.

Decommissioning Period: Project retirement to complete decommissioning.

DEVELOPMENT WORK DURING THE LICENSING PERIOD

The Development Work includes the following activities during the Licensing Period:

Estimating, design and engineering work under the Development Agreement with Fluor and NuScale, and analyzing each run of the Economic Competitiveness Test,

Completion of definitive Project Agreements, including the EPC contract, operating agreement, fuel, water supply and transmission agreements,

Contracting with prospective Participants, co-owners and third-party power purchasers to achieve full subscription for all Project Output,

Preparation, submission and processing of the COLA,

Obtaining all required permits and approvals for the Project, and

Updates to the Budget and Plan of Finance, finalization of all Project costs.

BUDGET AND PLAN OF FINANCE

The Budget and Plan of Finance for initial phase of the Licensing Period is approved by PMC and Participants' governing bodies at the same time as the PSCs are approved.

The Budget and Plan of Finance is updated and approved by the PMC and Participants' governing bodies before the second phase of the Licensing Period.

"Definitive" (*i.e.*, final and complete) Budget and Plan of Finance is approved by PMC as a part of its determination that Completion of Development has occurred.

Completion of Development would occur only if:

The NRC issues the COL,

UAMPS completes the negotiation of a final EPC contract for the construction of the Project, and

The PMC determines the CFPP to be feasible.

The contents of the Budget and Plan of Finance include:

The estimated total Development Costs to the Completion of Development,

The initial Budget and Plan of Finance and the updated Budget and Plan of Finance for the second phase of the Licensing Period, will include an estimate of and a cap on the Development Costs that can be incurred during each phase,

The estimated total Cost of Acquisition and Construction,

The estimated Commercial Operation Date,

A pro forma analysis of the expected costs of constructing, financing and operating the CFPP, including a target price for Project Output,

The proposed funding and financing arrangements for:

Development Costs during the Licensing Period, and

Cost of Acquisition and Construction during the Construction Period.

PARTICIPANT WITHDRAWAL/REDUCTION RIGHTS DURING THE LICENSING PERIOD

During the Licensing Period, Participants may withdraw from the Project or reduce their Entitlement Shares by action of their governing bodies:

If the PMC approves an amendment to the Budget and Plan of Finance that increases the maximum amount of Development Costs that may be incurred during either phase of the Licensing Period,

When the PMC approves the updated Budget and Plan of Finance for the second phase of the Licensing Period,

When the PMC approves the definitive Budget and Plan of Finance at the Completion of Development,

If withdrawals or Entitlement Share reductions by other Participants cause the Participant's share of Development Costs to increase, and

If the Participant's governing body determines to withdraw/reduce for any reason.

Participant withdrawal terms include:

Withdrawals are effective on the last day of then-current phase of the Licensing Period,

A withdrawing Participant has no liability for the repayment of its Entitlement Share of Development Costs incurred or financings undertaken after the effective date of its withdrawal, and

A withdrawing Participant remains liable for the repayment of its Entitlement Share of Development Costs incurred or financings undertaken before the effective date of its withdrawal:

Repayment must be made within 12 months after the effective date of a Participant's withdrawal

FINANCING FOR DEVELOPMENT COSTS DURING THE LICENSING PERIOD

Financing arrangements during the Licensing Period include:

Amounts available under cost-sharing agreements, grants, etc.,

Bank facilities, and

Bond anticipation notes.

PMC determines whether to finance all Development Costs or to bill Participants for some part of Development Costs.

Development Cost financings would be repaid with long-term Bonds issued by UAMPS after the Completion of Development has occurred.

If all development and construction costs are financed as presently expected, Participants would not be required to make payments for debt service until after the commercial operation date of the CFPP.

FINANCING FOR COST OF ACQUISITION AND CONSTRUCTION

After Completion of Development has occurred, a range of financing instruments are permitted under the PSCs to finance the Cost of Acquisition and Construction of the Project:

Bonds, both taxable and tax-exempt, with fixed or variable interest rates,

DOE-guaranteed loan:

Will not finance all of the Cost of Acquisition and Construction, and

The DOE-financed portion of the Project is required to be mortgaged to secure the guaranteed loan,

Commercial paper,

Bank facilities, and

Special Obligations payable from CFPP revenues other than payments made by the Participants under the PSCs.

Interest on all financings would be capitalized to the estimated commercial operation date of the Project.

The PMC determines the types, timing and amounts of all financings.

Bonds would be issued and loans would be secured under the Financing Documents.

LEGAL SUMMARY OF POWER SALES CONTRACTS

A detailed summary of the terms and provisions of the Power Sales Contracts has been provided to the Participants with this Executive Summary.

**CARBON FREE POWER PROJECT
POWER SALES CONTRACT**

BETWEEN

UTAH ASSOCIATED MUNICIPAL POWER SYSTEMS

AND

INCORPORATED COUNTY OF LOS ALAMOS, NEW MEXICO

DATED AS OF APRIL 1, 2018

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**CARBON FREE POWER PROJECT
POWER SALES CONTRACT**

This CARBON FREE POWER PROJECT POWER SALES CONTRACT made and entered into as of April 1, 2018, is by and between UTAH ASSOCIATED MUNICIPAL POWER SYSTEMS, a political subdivision of the State of Utah (“UAMPS”) and Incorporated County of Los Alamos, a political subdivision organized under the laws of the State of New Mexico (the “Participant”).

RECITALS:*

WHEREAS, UAMPS was organized by the Members under the Act and the Joint Action Agreement as a separate legal entity to accomplish the Members’ joint and cooperative action, including securing power supply and transmission resources for the Members’ present and future needs;

WHEREAS, UAMPS is organized as an energy services interlocal entity under the Act with the power, among other things, to (i) acquire supplies of electric power and energy by the acquisition or construction of electric generation and transmission facilities or by contracting for the purchase of electric power and energy and (ii) enter into contracts for the sale of the output, services and other benefits provided by such facilities or contracts to public agencies and others inside or outside the State of Utah;

WHEREAS, in order to develop a long-term source of reliable, cost-effective electricity with low or zero-carbon emissions for the benefit of its participating Members and other purchasers, UAMPS has examined and is continuing to examine the feasibility of an electric generating project to be known as the “Carbon Free Power Project,” a small modular reactor generating facility to be located at the site determined under the Site Use Permit;

WHEREAS, UAMPS will continue with its examination of the feasibility and development of the Project and, if the Project Management Committee determines the Project to be feasible, UAMPS will proceed to acquire, construct, operate, retire and decommission the Project and sell Electric Energy from the Project to the Participant pursuant to this Contract and to the other Participants pursuant to other Power Sales Contracts substantially similar to this Contract;

WHEREAS, in order to finance the Cost of Acquisition and Construction, UAMPS will issue Bonds that are special and limited obligations of UAMPS, payable solely from a pledge of the revenues derived by UAMPS from the payments to be made by the Participants under the Power Sales Contracts and other amounts pledged pursuant to the Financing Documents;

WHEREAS, the Participant desires to enter into this Contract in order to participate in the development of the Project and to obtain a long-term, cost-based supply of carbon-free Electric Power, Electric Energy and any associated Environmental Attributes by the acquisition of an Entitlement Share pursuant to the terms and conditions of this Contract; and

* Capitalized terms used and not defined in the recitals have the meanings assigned to them in Section 1.

WHEREAS, UAMPS and the Participant are duly authorized under applicable provisions of law, to execute, deliver and perform this Contract and their respective governing bodies have taken all necessary actions and all Required Approvals have been obtained in order to constitute this Contract as the legal, valid and binding obligation of the parties.

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

ARTICLE I

DEFINITIONS AND RULES OF CONSTRUCTION

Section 101. Definitions. As used in this Contract and in the recitals set out above:

“*Act*” means the Interlocal Cooperation Act, Title 11, Chapter 13, Utah Code Annotated 1953, as amended, and other applicable provisions of law.

“*Additional Bonds*” means additional Bonds from time to time issued by UAMPS pursuant to the Financing Documents and in accordance with Section 607.

“*Additional Facilities*” means capital additions, betterments and replacements and other capital facilities directly and functionally related to the Project, whether located at the Project site or another site, all as approved by the Project Management Committee. Additional generating units that are not undertaken as Additional Facilities may be undertaken as a separate phase or phases of the Project as provided in Section 508.

“*Annual Budget*” means the budget adopted by UAMPS for each Contract Year pursuant to the provisions of Section 801.

“*Authorized Officer of UAMPS*” means the Chairman or Vice-Chairman of the Board, or the Secretary, Treasurer, General Manager, or other officer or employee of UAMPS authorized or having delegated authority to perform specific acts or duties under the Power Sales Contracts by resolution duly adopted by the Board.

“*Billing Period*” means such period of time as shall be established from time to time by UAMPS for the preparation, calculation and billing of the amounts payable by the Participant hereunder.

“*Board*” means the Board of Directors of UAMPS or such other governing body of UAMPS as may be established from time to time pursuant to the Joint Action Agreement and the Act. All actions or determinations by the Board with respect to the Project shall be taken or made upon the recommendation of the Project Management Committee as and to the extent provided in the Joint Action Agreement.

“*Bond Counsel*” means a firm of attorneys of recognized standing in matters relating to the tax status of municipal bonds, experienced in matters relating to public power systems and selected by UAMPS.

“*Bond Fund*” means, collectively, the funds and accounts created by the Financing Documents for the payment of and reserves for debt service on Bonds.

“*Bonds*” means (i) bonds, notes, commercial paper, repayment obligations under loan agreements and lines of credit, and other debt obligations issued or incurred from time to time by UAMPS pursuant to the Financing Documents to finance the Cost of Acquisition and Construction, regardless of whether such bonds, notes and other obligations are senior or subordinated obligations, (ii) the repayment obligations of UAMPS or a Special Purpose Entity under any DOE-Guaranteed Loan, and (iii) Additional Bonds and Refunding Bonds.

“*Budget and Plan of Finance*” means the comprehensive budget and plan of finance for the Development Costs, the Construction Costs and other items of the Cost of Acquisition and Construction approved from time to time by the Project Management Committee, together with proposed financing arrangements for Development Costs during the Licensing Period and Construction Costs during the Construction Period, all as more fully described in Section 601.

“*Capital Contribution*” means (i) a capital contribution in respect of the Development Costs of, or the Cost of Acquisition and Construction of, the Initial Facilities that is paid to UAMPS by the Participant pursuant to Section 603 and (ii) a capital contribution paid to UAMPS in connection with the issuance of Additional Bonds or Refunding Bonds as authorized by the Project Management Committee pursuant to Section 603(g).

“*Capital Contribution Percentage*” means with respect to each series of Bonds, a percentage calculated by UAMPS obtained by dividing (i) the dollar amount of the Capital Contribution made by the Participant, by (ii) the Reference Project Costs, all as more fully provided in Section 603.

“*Code*” means the Internal Revenue Code of 1986, as amended. References herein to the Code include all corresponding and applicable U.S. Treasury Regulations.

“*Commercial Operation*” means, with respect to the Initial Facilities, the date on which the Initial Facilities (i) have been substantially completed pursuant to the EPC Contract and any other Construction Agreements, including the satisfaction of all required performance tests thereunder, (ii) are capable of continuous firm operation, (iii) are interconnected and synchronized with, and capable of delivering Electric Energy to, the transmission grid, (iv) have received all Permits and Approvals required for their operation, and (v) meet such additional requirements as may be established by the Project Management Committee; *provided that* the Project Management Committee may make Commercial Operation determinations with respect to individual generating units as provided in Section 301(f). The criteria and standards for the Commercial Operation of any Additional Facilities shall be developed by UAMPS and submitted to the Project Management Committee for its review and approval.

“Commercial Operation Date” means, with respect to the Initial Facilities and any Additional Facilities, the date on which all of the Initial Facilities and any Additional Facilities achieve Commercial Operation, as determined by the Project Management Committee.

“Commercially Reasonable” or *“Commercially Reasonable Efforts”* means, with respect to any action required to be made, attempted or taken by a party under this Contract or one of the Project Agreements, such efforts as a reasonably prudent business would undertake, consistent with Prudent Utility Practice and the past practices of such party, for the protection of its own interest under the conditions affecting such action, including the amount of notice of the need to take such action, the duration and type of the action, the competitive environment in which such action occurs, the terms and provisions of the Project Agreements and the Financing Documents, the contractual and legal obligations of, and the risk to, such party in connection with such action; *provided, however*, an obligation to act in a “Commercially Reasonable” manner or to exercise “Commercially Reasonable Efforts” does not include taking actions that would, individually or in the aggregate, cause the party subject to such obligation to incur costs, or suffer any other detriment, that is out of reasonable proportion to the benefits to the other party under this Contract or the Project Agreements.

“Completion of Development” means, with respect to the Initial Facilities (i) the completion of all Development Work, (ii) the receipt of the COL and all other Permits and Approvals necessary for the construction and operation of the Project, (iii) the completion of definitive forms of the principal Construction Agreements for the Initial Facilities, (iv) the completion of the definitive Budget and Plan of Finance for the Cost of Acquisition and Construction of the Initial Facilities, and (v) a determination by the Project Management Committee that the Project is feasible and that the construction of the Initial Facilities should proceed, all as more fully described in Section 505.

“Construction Agreement” means the EPC Contract and each other contract or agreement providing for the acquisition or construction of any part of the Initial Facilities and any Additional Facilities, including all design, engineering, procurement and construction agreements.

“Construction and Operating License” or *“COL”* means a combined construction and operating license issued with respect to the Project by the NRC.

“Construction and Operating License Application” or *“COLA”* means the application for the COL submitted to the NRC by or on behalf of UAMPS.

“Construction Costs” means all of the Cost of Acquisition and Construction of the Initial Facilities incurred during the Construction Period.

“Construction Period” means the period beginning on the date that the Project Management Committee determines that the Completion of Development has occurred and ending on the Commercial Operation Date.

“*Contract*” means this Carbon Free Power Project Power Sales Contract dated as of April 1, 2018, between UAMPS and the Participant and any amendments permitted pursuant to Section 1104.

“*Contract Resolution*” means the resolution of the Participant’s governing body approving and authorizing the execution of this Contract and approving the initial Budget and Plan of Finance, in substantially the form attached to EXHIBIT III.

“*Contract Year*” means the Fiscal Year, except that the first Contract Year shall begin on the Effective Date and shall end on the last day of the then-current Fiscal Year. In the event that UAMPS changes its Fiscal Year for accounting purposes, the Contract Year shall, without further action, be amended to conform to such Fiscal Year.

“*Contractor*” means, collectively, NuScale and Fluor Enterprises.

“*Cost of Acquisition and Construction*” means all costs and expenses paid or incurred by UAMPS in connection with the acquisition and construction of the Initial Facilities and any Additional Facilities, whether paid or incurred prior or subsequent to the Effective Date, including all Development Costs incurred by UAMPS. “Cost of Acquisition and Construction” includes all costs incurred by UAMPS in connection with the planning, designing, acquisition, construction and placing in operation the Initial Facilities, any Additional Facilities and amounts paid or payable under the Construction Agreements. As and to the extent properly allocable to the Project at any time, but without duplication of any item, “Cost of Acquisition and Construction” also includes:

- (i) payments to UAMPS or any Participant to reimburse advances and payments made or incurred for costs preliminary or incidental to the development, acquisition or construction of the Initial Facilities or any Additional Facilities;

- (ii) planning and development costs; engineering and contractors’ fees; fiduciaries’, auditors’ and accountants’ fees; costs of obtaining all Permits and Approvals; the cost of real property, labor, materials, equipment, supplies, training and testing costs; insurance premiums and other costs of insuring the Project; legal, financial advisory, financing and Bond issuance costs; amounts payable under the Project Agreements during or in connection with the acquisition or construction of the Initial Facilities or any Additional Facilities; administrative and general costs; costs relating to the interconnection of the Project; and all other costs properly allocable to the acquisition or construction of the Initial Facilities or any Additional Facilities or placing the same in operation;

- (iii) interest on Bonds for such period as may be reasonably necessary for placing the Initial Facilities or any Additional Facilities in operation in accordance with the provisions of the Financing Documents;

- (iv) the payment of principal or redemption price of and interest on any Bonds issued as bond anticipation notes;

(v) working capital and reserve requirements of the Project, including amounts for deposit into the Reserve and Contingency Fund, and reserves for Operation and Maintenance Costs and Decommissioning Costs, in each case as may be required by the Financing Documents or otherwise approved by the Project Management Committee;

(vi) deposits into the Bond Fund and any other fund or account required to be funded by the Financing Documents;

(vii) all costs relating to litigation, claims or judgments not otherwise covered by insurance and arising out of the acquisition, construction or operation of the Project or otherwise related to the Project, the Project Agreements, the Power Sales Contracts or the transactions contemplated thereby;

(viii) federal, state and local taxes or payments in lieu of such taxes relating to the Project and incurred during the period of the acquisition or construction thereof; and

(ix) all other costs incurred by UAMPS, and properly allocable to the acquisition and construction of the Project, including all costs financed by the issuance of Additional Bonds.

“Debt Service Costs” means, for each Billing Period of each Contract Year, an amount calculated or estimated in accordance with the Financing Documents equal to the sum of:

(i) the interest accruing on Bonds, except to the extent that amounts are on deposit under the Financing Documents to pay such interest, together with any other amounts required by the Financing Documents to be deposited into the Bond Fund in respect of the interest payments on the Bonds;

(ii) the portion of the next due principal installment accruing on Bonds, together with any other amounts required by the Financing Documents to be deposited into the Bond Fund in respect of the principal payments on the Bonds; *provided, however*, that the amount included in Debt Service Costs pursuant to this clause (ii) shall not include the principal of Bonds becoming due and payable solely as a result of the acceleration of the maturity thereof;

(iii) the amounts payable during such Billing Period under any Interest Rate Contract, including amounts payable as a result of the termination of an Interest Rate Contract;

(iv) any amounts required by the Financing Documents to be deposited into the Bond Fund to meet or replenish debt service reserve requirements for Bonds;

(v) Trustee, paying agent, escrow agent and other fiduciaries’ fees and expenses payable under the Financing Documents; fees and expenses of remarketing agents, broker-dealers, auction agents and others providing services with respect to Bonds; and

(vi) the amounts required to be paid to maintain any credit or liquidity facilities for and ratings on the Bonds, including maintenance fees and other amounts payable under any DOE-Guaranteed Loan and other costs payable by UAMPS from time to time in connection with the Bonds;

provided, however, that the additional interest expense on or in respect of any Bonds that are subject to federal income taxation (and not eligible for tax credits or interest subsidy payments) may, as determined by the Project Management Committee pursuant to Section 602(d), be allocated to those Participants whose legal status or use of the Project Capability or the Project Output adversely affects the Tax Status of such Bonds. In the event of such allocation, the Debt Service Costs payable by such Participants shall be increased to include amounts sufficient to pay any such additional interest expense.

“Debt Service Percentage” means, with respect to each Participant and as of any date of determination, the percentage obtained by subtracting the Participant’s Capital Contribution Percentage from the Participant’s Entitlement Share. The Participant’s initial Debt Service Percentage is set forth on SCHEDULE I. The Debt Service Percentages for the Participants may be calculated separately for each separate series of Bonds.

“Debt Service Share” means, with respect to each Participant and as of any date of determination, the percentage of Debt Service Costs payable by the Participant, determined by dividing the Participant’s Debt Service Percentage (expressed as a decimal) by the sum (expressed as a decimal) of the Debt Service Percentages of all Participants, including the Participant whose Debt Service Share is being determined. The Participant’s initial Debt Service Share is set forth on SCHEDULE I. The Debt Service Shares for the Participants may be calculated separately for each separate series of Bonds.

“Decommission” means all actions necessary to safely retire and remove the Project from service, restore the Project Site and comply with the requirements of the Site Use Permit, satisfy the decommissioning requirements of the Permits and Approvals and satisfy all regulatory requirements of the NRC and other regulatory agencies having jurisdiction over the decommissioning of the Project.

“Decommissioning Costs” means the costs and expenses of Decommissioning the Project.

“Decommissioning Fund” means the fund or funds established by UAMPS for the payment of Decommissioning Costs as provided in Section 711.

“Decommissioning Period” means the period beginning at the end of the Operating Period and continuing to the date on which the Project has been Decommissioned and all Decommissioning Costs have been paid.

“Development Agreement” means the Development Agreement to be entered into by UAMPS and the Contractor which shall, among other things, provide for:

(i) the provision by the Contractor of estimating, design and engineering services with respect to the Initial Facilities to the point in time when the EPC Contract is finalized and executed pursuant to task orders mutually agreed to by UAMPS and the Contractor;

(ii) the performance of an economic competitiveness test at certain milestones with respect to the projected levelized cost of energy from the Initial Facilities;

(iii) the ability of each of UAMPS and the Contractor to terminate the Development Agreement upon certain circumstances set forth therein, including the ability of UAMPS to terminate the Development Agreement upon a failure of the economic competitiveness test;

(iv) the obligation of the Contractor to reimburse some or all of the Development Costs incurred by UAMPS in the event that (A) UAMPS elects to terminate the Project upon a failure of the economic competitiveness test or for cause or (B) the Contractor elects to terminate the Development Agreement for its convenience, such reimbursement being in the amounts and paid at the times provided for in the Development Agreement; and

(v) upon a termination of the Development Agreement by UAMPS upon a failure of the economic competitiveness test or for its convenience, the right of the Contractor to acquire the Development Work and all assets comprising the Project from UAMPS and to develop a small modular reactor project at the Project site for the consideration set forth in the Development Agreement.

“Development Cost Share” means, with respect to each Participant and as of any date of determination, the percentage of Development Costs payable by the Participant during the Licensing Period, determined by dividing the Participant’s Entitlement Share (expressed as a decimal) by the sum (expressed as a decimal) of the Entitlement Shares of all Participants, including the Participant whose Development Cost Share is being determined. The Participant’s initial Development Cost Share is set forth on SCHEDULE I, and shall be adjusted from time to time to account for (i) increases or reductions in the Participant’s Entitlement Share elected by the Participant, (ii) increases or reductions in the Entitlement Shares of, and as elected by, other Participants, (iii) withdrawals by other Participants pursuant to Section 204 of the Power Sales Contracts, (iv) the Entitlement Shares of power purchasers that execute Power Sales Contracts and become Participants after the Effective Date of this Contract, and (v) transfers of Entitlement Shares pursuant to Section 1003.

“Development Costs” means all costs, fees and expenses incurred by UAMPS in performing the Development Work, including (i) costs, fees and expenses previously incurred by UAMPS pursuant to the Study Phase Siting Agreement, (ii) the amounts payable to the Contractor under the Development Agreement (other than amounts financed with the proceeds of Special Obligations), and (iii) pre-construction costs approved by the Project Management Committee, including deposits, advance payments and prepayments for items of the Cost of Acquisition and Construction of the Initial Facilities.

“Development Work” means the development work and services described in Section 502.

“DOE Cost Share Agreement” means, collectively, (i) the Assistance Agreement, Award No. DE-NE0008369, effective August 11, 2015, from the U.S. Department of Energy, Office of Nuclear Energy to NuScale, (ii) the Subaward Agreement dated December 21, 2015 between UAMPS and NuScale, and (iii) the Agreement for a Cost Sharing Option associated with the Siting and Licensing of a Small Modular Reactor dated December 21, 2015 between UAMPS and NuScale.

“DOE-Guaranteed Loan” means, collectively, (i) any loan made to or for the benefit of UAMPS to finance some or all of the Cost of Acquisition and Construction the repayment of which is guaranteed by the U.S. Department of Energy pursuant to Title XVII of the Energy Policy Act of 2005, and (ii) the guaranty, the security agreements and other instruments relating to the DOE-Guaranteed Loan.

“Effective Date” means the date on which (i) this Contract has been executed and delivered to UAMPS by the Participant, (ii) all Required Approvals have been obtained, and (iii) this Contract has been executed by UAMPS (A) upon the declaration of the Effective Date by the Project Management Committee as provided in Section 201 or (B) in the event this Contract is executed by the Participant subsequent to such declaration, upon the approval of this Contract by the Project Management Committee.

“Electric Power” means electric power expressed in kilowatts (kW).

“Electric Energy” means electric energy expressed in kilowatt-hours (kWh).

“Entitlement Share” means the Participant’s entitlement (expressed as a percentage) to a portion of Project Capability and any Environmental Attributes as set forth on SCHEDULE I, as the same may be increased or reduced pursuant to Section 301 or increased pursuant to Section 1003.

“Environmental Attributes” means all environmental and carbon free energy allowances, benefits, certificates, credits, offsets or reductions resulting from the generation of renewable or carbon free energy and the resulting displacement of conventional energy generation. Environmental Attributes include avoided emissions of carbon dioxide, methane, sulfur oxides, nitrogen oxides, carbon monoxide, particulate matter or any other gas recognized as a greenhouse gas or gas, solid or liquid recognized as a source of air, water or soil pollution. Units of Environmental Attributes shall be allocated to the Participants under standards and procedures approved by the Project Management Committee or otherwise utilized as provided in Section 707.

“EPC Contract” means the contract or agreement between UAMPS and the Contractor with respect to the engineering, procurement and construction of the Initial Facilities.

“Excess Power Sales Agreement” means a power sales agreement between UAMPS and a power purchaser for the sale of Project Capability that has not been sold to the Participants under the Power Sales Contracts. The power purchaser under an Excess Power Sales Agreement shall not be considered to be a Participant for any purpose under the Power Sales Contracts.

“Financing Documents” means (i) the bond resolution, indenture, trust agreement or other instrument or instruments providing for the issuance of and the security for Bonds and all amendments thereof and supplements thereto, and (ii) the loan agreement, guaranty agreement, security agreement, and other instruments relating to any DOE-Guaranteed Loan.

“Fiscal Year” means the annual accounting period of UAMPS as from time to time in effect, initially a period commencing on April 1, of each calendar year and ending on March 31 of the next succeeding calendar year.

“Fluor Enterprises” means Fluor Enterprises, Inc., a wholly-owned subsidiary of Fluor Corporation, and its permitted successors and assigns.

“Fuel Supply Agreement” means each contract for the acquisition, processing, design, fabrication, transportation, delivery, reprocessing, storage and disposal of nuclear material required as fuel for the operation of the Project, including any prepayment and hedging transactions relating to such fuel.

“Initial Facilities” means the complete modular reactor generating station, generating units, transmission facilities, fuel and water handling and storage facilities and related facilities comprising the initial Project, together with all real and personal property, facilities, structures, improvements and equipment to be acquired and constructed in connection therewith, all as approved by the Project Management Committee. A description of the Initial Facilities shall be attached as EXHIBIT I to this Contract.

“Interconnection Agreement” means each agreement providing for the interconnection of the Project with the facilities of a transmission provider and all supplements and amendments thereto, together with any successor or replacement agreement providing for the interconnection of the Project with the transmission grid.

“Interest Rate Contract” means an International Swap Dealers Association, Inc. (ISDA) Master Agreement, together with the schedules and confirmations thereto, or any comparable agreement entered into by UAMPS with respect to Bonds pursuant to the provisions of the State Money Management Act, Title 51, Chapter 7, Utah Code Annotated 1953, as amended.

“Joint Action Agreement” means the Utah Associated Municipal Power Systems Amended and Restated Agreement for Joint and Cooperative Action dated March 20, 2009, as amended and supplemented from time to time.

“Joint Ownership Agreement” means (i) an agreement under which UAMPS and another entity own the Project or a portion thereof as tenants in common, (ii) agreements between UAMPS and another person or persons for the organization and operation of a Special Purpose Entity, and (iii) any other form of joint ownership arrangement approved by the Project Management Committee.

“Lay-Off Power Sales Agreement” means a power sales agreement between UAMPS and a power purchaser for the sale of Project Capability that has been sold to one or more Participants

under the Power Sales Contracts. The power purchaser under a Lay-Off Power Sales Agreement shall not be considered to be a Participant for any purpose under the Power Sales Contracts.

“Licensing Period” means the period beginning on the Effective Date and ending on the date that the Project Management Committee determines that the Completion of Development has occurred, all as more fully described in Section 502.

“Members” means, collectively, the parties to the Joint Action Agreement.

“Month” means a calendar month.

“Notice of Reduction” means a notice delivered to UAMPS by the Participant of its election to reduce its Entitlement Share as provided in Section 301(d), such notice to be in the form attached hereto as EXHIBIT VIII.

“Notice of Withdrawal” means a notice delivered to UAMPS by the Participant of its election to withdraw from the Project as provided in Section 204(a), such notice to be in the form attached hereto as EXHIBIT VII.

“NPM Prepayment Agreement” means an agreement under which UAMPS makes a prepayment or an advance payment for the cost of acquisition of one or more of the nuclear power modules to be included in the Project.

“NRC” means the U.S. Nuclear Regulatory Commission and any successor federal agency having regulatory jurisdiction over the construction and operation of the Project.

“NuScale” means NuScale Power, LLC and its permitted successors and assigns.

“Operating Agreement” means any agreement providing for the operation and maintenance of all or any portion of the Project.

“Operating Period” means the period beginning on the Commercial Operation Date and continuing to the date on which the Project is retired and removed from service.

“Operation and Maintenance Costs” means, with respect to each Billing Period, all costs and expenses (other than Transmission Costs and Debt Service Costs) attributable to the Project that are paid, payable, incurred or accrued by UAMPS during each Billing Period resulting from the ownership, operation, maintenance, Decommissioning and termination of, and repairs, renewals, replacements, additions, improvements, and betterments and modifications to, the Project, including amounts payable by UAMPS under the Project Agreements.

Without limiting the generality of the foregoing (it being the intention and understanding of UAMPS and the Participants that “Operation and Maintenance Costs” shall include all of UAMPS costs with respect to the Project other than Transmission Costs, Debt Service Costs and the Cost of Acquisition and Construction financed with Bond proceeds), but without duplication of any item of cost, Operation and Maintenance Costs include:

(i) the costs of operating and maintaining the Initial Facilities and any Additional Facilities and of producing and delivering Electric Power and Electric Energy to the Point of Delivery during such Billing Period, including the operation and maintenance expenses of the Project and fees, expenses, incentives and other amounts payable under the Operating Agreement and the other Project Agreements and relating to the operation and maintenance of the Project;

(ii) any amount which UAMPS may be required during such Billing Period to pay for the prevention or correction of any unusual loss or damage or for renewals, replacements, repairs, additions, improvements, modifications and betterments which arise out of or are required by the Project Agreements for which UAMPS shall be obligated, and amounts necessary to fund or replenish reserves therefor, but only to the extent not funded by Bonds or Capital Contributions;

(iii) legally required federal, state and local taxes, including gross receipts taxes and ad valorem taxes or payments in lieu of ad valorem taxes, in each case related to the Project;

(iv) the Cost of Acquisition and Construction of Additional Facilities, but only to the extent (A) not paid or financed with Bond proceeds and (B) approved to be paid by the Project Management Committee as an item of Operation and Maintenance Costs;

(v) Decommissioning Costs and amounts for deposit into the Decommissioning Fund;

(vi) the portion of UAMPS' administrative and general expenses allocable or directly charged to the Project, working capital and reserves for the payment of operation and maintenance expenses, and all other costs and expenses (but excluding depreciation) not included in the costs specified in the other items of this definition and properly chargeable to the Project;

(vii) amounts to be deposited into the Reserve and Contingency Fund established pursuant to Section 708;

(viii) legal, engineering and accounting fees and expenses, the cost of any litigation related to the Project, the Project Agreements, the Power Sales Contracts and the interests and transactions contemplated by the Project Agreements and the Power Sales Contracts, and the costs of technical and advisory services, of all Permits and Approvals and of certifying, qualifying or registering Environmental Attributes associated with the Project, all to the extent allocable to the Project;

(ix) the costs of insuring the Project, including all insurance required by the Permits and Approvals, and any deferred premiums payable pursuant to the Price-Anderson Nuclear Industries Indemnity Act, 42 U.S.C. §2210, and the NRC regulations thereunder;

(x) costs imposed upon the Project by a balancing authority, independent system operator, regional transmission organization or similar entity, costs of ancillary services and other operational costs necessary to comply with reliability and related requirements; and

(xi) any other amount not specified in the other items of this definition which must be paid by UAMPS during such Billing Period under the Project Agreements or otherwise.

“Participant” means the second party named in the preamble of this Contract and its permitted successors and assigns hereunder.

“Participants” means the Participant and the other entities named on SCHEDULE I, as the same may be amended or supplemented from time to time as provided herein.

“Participant’s Representative” means (i) the officer, employee or other agent of the Participant designated from time to time by the Participant as the Representative of the Participant for purposes of the Joint Action Agreement, to whom all notices and other communications to be given by UAMPS to the Participant hereunder shall be sent or (ii) in the event that the individual appointed as the Participant’s Representative is unavailable to act on behalf of the Participant, the individual duly appointed or designated by the Participant as its alternate Representative pursuant to the Joint Action Agreement.

“Performance Tests” means all start-up and shakedown procedures and performance tests to be conducted under the Construction Contracts prior to the Commercial Operation Date.

“Permits and Approvals” means Construction and Operating License and all other certificates, permits, licenses, approvals, rulings, orders or other authorizations from any federal, state or local governmental body, board or agency having jurisdiction over UAMPS, the Project or both that are required to be obtained or maintained in connection with the acquisition, construction, operation, maintenance or repair of the Project or any component thereof.

“Permitted Contract” means (i) a contract with a term (including all renewal options) not longer than three years and (ii) requirements-type contracts, other than requirements contracts providing for electricity sales at wholesale, with retail consumers or other end users of electricity.

“Point of Delivery” means the point or points of physical interconnection of the Initial Facilities or Additional Facilities, as applicable, with the electric transmission grid, as determined pursuant to the Interconnection Agreement.

“Pooling Agreement” means, collectively, the Power Pooling Agreements between UAMPS and the Members and certain other entities providing for the establishment and operation of the UAMPS Pool and related matters, including all supplements and appendices thereto.

“Power Sales Contracts” means all of the Carbon Free Power Project Power Sales Contracts dated as of April 1, 2018, between UAMPS and the Participants (including this Contract

between UAMPS and the Participant), all of which are uniform in all material respects in their term, conditions and provisions, with the exception of the Entitlement Share, the Capital Contribution Percentage, the Debt Service Percentage and the Debt Service Share for each of the Participants and the other matters set forth in the Exhibits attached hereto.

“Project” means the Carbon Free Power Project undertaken by UAMPS for the use and benefit of the Participants as provided in the Power Sales Contracts, consisting of the acquisition, construction, ownership, improvement, equipping, operation, and retirement and decommissioning of the Initial Facilities and any Additional Facilities, and the rights, interests, obligations and liabilities of UAMPS under the Project Agreements and the Permits and Approvals.

“Project Agreements” means the Development Agreement, each Construction Agreement, Operating Agreement, Fuel Supply Agreement, Water Supply Agreement, Interconnection Agreement, Transmission Agreement and Right-of-Way, the DOE Cost Share Agreement, the Site Use Permit and all other agreements relating to the development, acquisition, construction, operation and Decommissioning of the Project. All references herein to the Project Agreements or any of them refer to the Project Agreements as they may be amended or supplemented from time to time in accordance with their respective provisions and the provisions of Section 1101.

“Project Capability” means the Electric Power and associated Electric Energy that the Initial Facilities, any Additional Facilities and, for purposes of Section 301(f), the individual generating units included in the Initial Facilities are capable of producing. The Project Capability available to UAMPS from (i) the Initial Facilities will be the aggregate nameplate rating of the generating units included in the Initial Facilities, and (ii) an individual generating unit will be the nameplate rating of such unit.

“Project Management Committee” means the committee of the Participants previously established and confirmed in Section 401. All references in this Contract to decisions, approvals, determinations and other actions of the Project Management Committee include the approval of, or delegation of authority with respect to, such decision, approval, determination or action by the Board required by the Joint Action Agreement and the bylaws of UAMPS.

“Project Output” means the amount of Electric Power and Electric Energy, if any, which is generated by the Project in any particular hour.

“Prudent Utility Practice” means, as of any particular time, any of the practices, methods and acts engaged in or approved by a significant portion of the electric utility industry which, in the exercise of reasonable judgment in light of facts known at such time, could have been expected to accomplish the desired results at the lowest reasonable cost consistent with good business practices, reliability, safety and expedition. Prudent Utility Practice is not intended to be limited to the optimum practice, method or act to the exclusion of all others or to be limited to the lowest-cost practice, method or act, but rather to be a spectrum of possible practices, methods and acts, having due regard for manufacturers’ warranties and the jurisdiction.

“Qualified Use” means the sale of electricity to retail customers pursuant to (i) generally applicable and uniformly applied rate schedules or tariffs or (ii) a Permitted Contract; *provided* that Qualified Use shall not include any sale of electricity that gives rise to “private business use” or a “private loan” within the meaning of Section 141 of the Code; and *provided further* that “Qualified Use” shall include such additional uses of electricity as may be approved by UAMPS with a favorable opinion of Bond Counsel.

“Rating Agency” has the meaning assigned to such term in the Indenture.

“Reference Project Costs” means, for purposes of calculating the amount of a Capital Contribution to be made by the Participant as provided in Section 603, (i) in the case of a Capital Contribution to be made with respect to Development Costs, the estimated Development Costs determined by UAMPS and approved by the Project Management Committee prior to the first issuance of Bonds to finance Development Costs, and (ii) in the case of a Capital Contribution to be made with respect to the Cost of Acquisition and Construction of the Initial Facilities or any Additional Facilities, the estimated Cost of Acquisition and Construction determined by UAMPS and approved by the Project Management Committee prior to the first issuance of long-term Bonds to finance the Cost of Acquisition and Construction of the Initial Facilities or any Additional Facilities. Reference Project Costs shall not include amounts for (iii) the costs of issuance of, debt service reserves for and capitalized interest on Bonds and (iv) any other items in the definitions of “Development Costs” or “Cost of Acquisition and Construction” not properly allocable to Reference Project Costs, as determined by the Project Management Committee.

“Refunding Bonds” means refunding Bonds from time to time issued by UAMPS pursuant to the Financing Documents and in accordance with Section 607.

“Required Approvals” means all governmental, regulatory and lender approvals, consents and authorizations required or necessary for (i) the execution, delivery and performance of this Contract (or any amendment hereto) by the Participant and (ii) this Contract (or any amendment hereto) to be the legal, valid and binding obligation of the Participant; *provided, however*, that “Required Approvals” does not include the approval of this Contract by the Participant’s governing board or body pursuant to the Contract Resolution.

“Reserve and Contingency Fund” means the fund, if any, established pursuant to Section 708.

“Right-of-Way” means each right-of-way, lease, grant or similar instrument for the use of the land necessary for the operation or interconnection of the Project.

“Site Use Permit” means Use Permit No. DE-NE700065, effective February 17, 2016, from the United States of America, acting by and through the U.S. Department of Energy to UAMPS.

“Special Obligations” means debt obligations issued or incurred from time to time by UAMPS pursuant to the Financing Documents (i) to finance Development Costs, the Cost of Acquisition and Construction or to refund or refinance Special Obligations, and (ii) which shall

not (a) constitute Bonds for any purpose under the Power Sales Contracts or the Financing Documents and (b) be secured by a pledge of or payable from the payments made by the Participants under the Power Sales Contracts, all as more fully described in Section 606.

“Special Purpose Entity” means (i) a limited liability company, (ii) a segment established by UAMPS pursuant to the Act, or (iii) any other special purpose legal entity organized to own all or a portion of the Project.

“Study Phase Siting Agreement” means the Carbon Free Power Project Study Phase Siting Agreement dated September 1, 2015, between UAMPS and the participants named therein.

“Super-Majority Vote” means the affirmative vote of Participants’ Representatives that represent 75% of (i) the number (per capita) of Participants’ Representatives serving on the Project Management Committee, and (ii) the Entitlement Shares of all Participants. For the avoidance of doubt, in the event that a Super-Majority Vote is required when a Participant’s Representative is not entitled to vote on matters before the Project Management Committee pursuant to Section 402(a)(i), such Participant’s Representative and such Participant’s Entitlement Share shall be disregarded in computing the percentages of Participants’ Representatives and Entitlement Shares that have voted on the matter requiring a Super-Majority Vote.

“System Point of Receipt” means (i) the point(s) of interconnection between the Participant’s electric utility system and the transmission facilities of the applicable balancing authority or authorities, or (ii) such other point(s) for the receipt by the Participant of Electric Energy from the Project as may be agreed to by the parties.

“Tax Credits” means any production tax credits, investment tax credits or other federal or state tax credits that may be received by UAMPS or credited to UAMPS pursuant to the Project Agreements.

“Tax Credit Agreement” means a contract or agreement under which UAMPS (i) sells, assigns or transfers Tax Credits to a third party or (ii) receives consideration from a third party in respect of Tax Credits.

“Tax Status” means (i) the exclusion from gross income for federal income tax purposes of the interest on any Bonds issued as tax-exempt obligations, or (ii) the right of a bondowner (or other investor) to receive tax credits or the right of UAMPS to receive interest subsidy payments on any Bonds issued as tax credit bonds or interest subsidy bonds, respectively, in each case pursuant to the provisions of the Code.

“Transmission Agreements” means each transmission contract, agreement or tariff entered into by UAMPS or the Participant that is used or necessary for the delivery of Electric Power and Electric Energy from the Point of Delivery to the Participant’s System Point of Receipt, whether by direct transmission, displacement, exchange or otherwise.

“Transmission Costs” means, for each Billing Period of each Contract Year, all capital, operating and other costs and expenses paid, payable, incurred or accrued by UAMPS during such

Billing Period for the transmission of Electric Energy from the Point of Delivery to the Participant's System Point of Receipt pursuant to the Transmission Agreements or otherwise. The Participant shall be responsible for the payment of Transmission Costs to UAMPS hereunder only to the extent that UAMPS has, at the request of the Participant, entered into or utilized Transmission Agreements for the transmission of Electric Energy from the Point of Delivery to the Participant's System Point of Receipt.

"Trustee" means the bank or trust company acting as the trustee under the Financing Documents.

"UAMPS" means the first party named in the preamble of this Contract. All references to UAMPS in this Contract shall include Authorized Officers of UAMPS acting pursuant to specific authorization by the Project Management Committee.

"UAMPS Pool" means that certain electric power pool established pursuant to the Pooling Agreement under which UAMPS provides certain services with respect to the scheduling, dispatch and the sale of Electric Power and Electric Energy and other matters provided for in the Pooling Agreement.

"Uncontrollable Force" means any cause, event or force beyond the control of the party affected, including, but not restricted to failure, or threat of failure of facilities, flood, earthquake, storm, fire, lightning, epidemic, war, terrorism, acts of a public enemy, riot, civil disturbance or disobedience, labor dispute, labor or material shortage, sabotage, and restraint by court or public authority and action or non-action by, or inability to obtain the necessary authorizations or approvals from, any governmental agency or authority, which by exercise of due diligence and foresight such party could not reasonably have been expected to avoid and which by exercise of due diligence it shall be unable to overcome. "Uncontrollable Force" includes any cause, event or force constituting "force majeure," "uncontrollable force" or similar term as defined in any Project Agreement.

"Uniform System of Accounts" means the Federal Energy Regulatory Commission Uniform Systems of Accounts Prescribed for Public Utilities and Licensees Subject to the Provisions of the Federal Power Act, 18 C.F.R. Part 101, as the same may be modified, amended or supplemented from time to time or such other system of accounting as may be applicable by law to UAMPS.

"Water Supply Agreement" means each agreement providing for the purchase of water, water rights or shares or other interests in water necessary for the operation of the Project.

Section 102. Rules of Construction. (a) References to Articles, Sections, Schedules and Exhibits are to the Articles and Sections of and Schedules and Exhibits to this Contract, unless otherwise provided. Article and Section headings are included herein for convenience of reference only and shall not constitute a part of this Contract for any other purpose or be given any substantive effect. Any of the defined terms may, unless the context otherwise requires, be used in the singular or the plural, depending on the reference. The use of the word "include" or its derivations shall not be construed as language of limitation.

(b) Any representation, warranty, certificate or legal opinion with respect to the enforceability of this Contract or any other contract or agreement made in or provided pursuant to this Contract shall be deemed to be qualified by reference to the effect of applicable bankruptcy, insolvency, moratorium, reorganization or similar laws affecting creditor's rights generally and by the application of equitable principles, regardless of whether such qualification is expressly stated herein or therein.

ARTICLE II

CONTRACT EFFECTIVE DATE, TERM AND TERMINATION; PARTICIPANT WITHDRAWAL

Section 201. Effective Date. (a) Promptly upon the approval of this Contract by its governing body's adoption of the Contract Resolution, the Participant shall (i) cause this Contract to be executed by its Authorized Officers, and (ii) deliver to UAMPS an executed counterpart of this Contract together with its completed certificate and the exhibits to it (in substantially the form attached hereto as EXHIBIT III) and an opinion of counsel to the Participant in the form attached hereto as EXHIBIT V.

(b) UAMPS shall give notice to the Project Management Committee upon its receipt of executed Power Sales Contracts and certificates and opinions from Participants that have requested Entitlement Shares totaling not less than 150,000 kW of Electric Power. Upon its receipt of such notice, the Project Management Committee may declare that the Effective Date of the Power Sales Contracts has occurred or may defer such declaration to a later date in its discretion. Upon the Project Management Committee's declaration of the Effective Date, UAMPS shall cause all such Power Sales Contracts to be executed by its authorized officers and shall give notice to the Participants that the Effective Date has occurred. Power Sales Contracts subsequently received by UAMPS shall become effective as provided in the definition of Effective Date.

(c) UAMPS shall give notice to the Participant of the occurrence of the Effective Date and shall prepare and deliver to each Participant a completed SCHEDULE I that shows the Entitlement Shares of all Participants. The Study Phase Siting Agreement shall terminate on the Effective Date of the Power Sales Contracts, provided that (i) the Participants that are parties to the Study Phase Siting Agreement shall remain responsible for all costs, expenses and other amounts payable by them thereunder, and (ii) all costs previously incurred by UAMPS under the Study Phase Siting Agreement shall be included as an item of Development Costs.

Section 202. Contract Term. This Contract shall become effective on and as of the Effective Date and will, unless this Contract is terminated pursuant to Section 203, continue in effect until the last to occur of: (i) the date on which all of the Project Agreements have terminated or expired in accordance with their respective terms and all obligations of UAMPS thereunder have been fully paid, satisfied or discharged; (ii) the date on which all Bonds have been paid in full as to principal, premium and interest, or sufficient funds shall have been irrevocably set aside for the full defeasance thereof and all other obligations of UAMPS under the Financing Documents have been paid or satisfied; and (iii) the date on which the Initial Facilities and any Additional Facilities shall be permanently removed from service and Decommissioned and all Decommissioning Costs shall have been paid or fully funded.

Section 203. Contract Termination. (a) This Contract shall not be terminated by either party under any circumstances, whether based upon the default of the other party under this Contract or any other instrument or otherwise, except as specifically provided in this Section.

(b) The Project Management Committee may establish a date for the termination of the Power Sales Contracts upon its determination to terminate the Project at any time during the Licensing Period as provided in Section 504; *provided, however*, that any such termination date shall not occur until the later of: (i) the date on which all Project Agreements have been terminated or have expired in accordance with their respective terms, and all obligations of UAMPS thereunder have been fully paid, satisfied or discharged; (ii) the date on which all Bonds have been paid in full as to principal, premium and interest, or sufficient funds shall have been irrevocably set aside for the full defeasance thereof and all other obligations of UAMPS under the Financing Documents have been paid or satisfied; and (iii) the date on which UAMPS shall have made a final accounting for, and shall have recovered from the Participants, all Development Costs previously incurred.

Section 204. Participant Withdrawal (a) During the Licensing Period, the Participant shall have the right to withdraw from its participation in the Project as provided in this Section. The Participant may exercise its right to withdraw from the Project by delivering a Notice of Withdrawal to UAMPS upon the occurrence of any of the following events:

(i) its receipt of notice from UAMPS pursuant to Section 601(e)(i) that the Project Management Committee has approved the updated Budget and Plan of Finance for the second phase of the Licensing Period;

(ii) its receipt of notice from UAMPS pursuant to Section 601(f) that the Project Management Committee has approved an amendment to the Budget and Plan of Finance that increases the maximum amount of Development Costs that may be incurred for the then-current phase of the Licensing Period;

(iii) its receipt of notice from UAMPS pursuant to Section 204(b) that withdrawals or Entitlement Share reductions elected by other Participants would result in an increase in its Development Cost Share;

(iv) the determination of its governing body not to approve the definitive Budget and Plan of Finance at the end of the Licensing Period; or

(v) its determination to withdraw from the Project at the end of the then-current phase of the Licensing Period.

A withdrawal pursuant to clause (i), (iv) or (v) above shall be effective at and as of the last day of the then-current phase of the Licensing Period. A withdrawal pursuant to clause (ii) above shall be effective immediately prior to the effective date of an amendment to the Budget and Plan of Finance that increases the maximum amount of Development Costs. A withdrawal pursuant to clause (iii) above shall be effective immediately prior to the effective date of the increase in the Participants' Development Cost Shares.

(b) UAMPS shall give prompt notice to the Project Management Committee of its receipt of Notices of Withdrawal pursuant to paragraph (a) above and Notices of Reduction pursuant to Section 301(d). The Project Management Committee shall then determine the effect of such withdrawals or reductions on the development of the Project and whether to proceed with the development of the Project or to suspend or terminate the Project pursuant to Section 504(a). If the Project Management Committee determines to proceed with the Project and if such withdrawals or reductions would result in an increase in the Development Cost Share of any Participant, it shall direct UAMPS to give notice of such withdrawals and reductions and its determination to proceed with the Project to the Participants. Such notice shall include an updated SCHEDULE I reflecting all withdrawals and reductions elected by the Participants, and shall state that a Participant may elect to withdraw from the Project by delivering a Notice of Withdrawal to UAMPS or may elect to reduce its Entitlement Share by delivering a Notice of Reduction to UAMPS. A Participant may elect to withdraw from the Project by delivering a Notice of Withdrawal to UAMPS or may elect to reduce its Entitlement Shares by delivering a Notice of Reduction to UAMPS, in either case within such reasonable period of time as shall be approved by the Project Management Committee and specified in UAMPS' notice.

(c) A Participant that elects to withdraw from the Project shall (i) except as provided in paragraph (d) below, waive any right to receive any reimbursement for Development Costs previously paid by it, and (ii) remain responsible for the payment of an amount equal to its Development Cost Share of all Development Costs incurred, including its Development Cost Share of the amounts necessary to repay all Bonds issued and outstanding, in each case up to the effective date of the Participant's withdrawal from the Project.

(d) In the event that the Project is terminated during the Licensing Period and UAMPS receives third-party reimbursement for Development Costs paid prior to the date of termination (other than reimbursement received pursuant to the DOE Cost Share Agreement), UAMPS shall pay to each person that has withdrawn as a Participant its share, *pro rata* based on the amounts of Development Costs paid by all Participants and persons that have withdrawn as Participants, of the third-party reimbursement received by UAMPS, up to but not exceeding the amount of Development Costs paid by such person that has withdrawn as a Participant.

(e) A Participant that elects to withdraw from the Project shall, within twelve months of the effective date of its withdrawal or within such longer period as may be permitted pursuant to the Financing Documents, repay the amounts described in paragraph (c)(ii) above together with any interest expense on such amounts and any other charges incurred by UAMPS under the Financing Documents.

(f) From and after the effective date of its withdrawal (i) the Participant's Entitlement Share shall be terminated, (ii) the Participant's Representative shall have no right to participate in or vote at meetings of the Project Management Committee or meetings of the Board with respect to the Project, and (iii) this Contract will remain in effect only with respect to the Participant's repayment obligations described in paragraph (d) above. The Participant shall have no responsibility for the payment of Development Costs incurred or Bonds issued after the effective date of its withdrawal.

ARTICLE III

ENTITLEMENT SHARE

Section 301. Entitlement Share. (a) From and after the Effective Date, UAMPS shall sell to the Participant, and the Participant shall purchase from UAMPS, the Participant's Entitlement Share.

(b) As of the Effective Date of its Power Sales Contract, a Participant's Entitlement Share (expressed as a percentage of all Entitlement Shares then in effect) shall not exceed 20 percent, unless otherwise approved by the Project Management Committee.

(c) During the Licensing Period and for so long as less than all of the Project Capability has been sold pursuant to the Power Sales Contracts and any Excess Power Sales Agreements, the Participant may, by notice to UAMPS and upon the approval of the Project Management Committee, elect to increase its Entitlement Share by any amount, subject to (i) the limitation set forth in subsection (b) above, and (ii) such standards and procedures as may be established by the Project Management Committee. Any such increase in the Participant's Entitlement Share shall be effective at the beginning of the second phase of the Licensing Period or the Construction Period, as applicable.

(d) At the times at which the Participant may deliver a Notice of Withdrawal to UAMPS pursuant to Section 204 and in lieu of delivering a Notice of Withdrawal, the Participant may elect to reduce its Entitlement Share by delivering a Notice of Reduction to UAMPS. Any Notice of Reduction shall be delivered at the same time and in the same manner as a Notice of Withdrawal. The effective date of an Entitlement Share reduction shall be the same as the corresponding effective date of a withdrawal pursuant to Section 203(a).

(e) Upon a recommendation of UAMPS pursuant to Section 503(d), and at any time up to the time of its determinations under Section 505(b), the Project Management Committee may determine to round the Participant's Entitlement Shares up or down so that the total Project Capability covered by all Entitlement Shares matches a whole number of the modular generating units included in the Project. The determination of the Project Management Committee shall be made in compliance with Section 503(d). Upon such determination of the Project Management Committee, UAMPS shall give notice to all Participants of the rounded Entitlement Shares.

(f) In the event that the construction of the Initial Facilities provides for sequential Commercial Operation of individual generating units prior to the Commercial Operation Date of all of the Initial Facilities, the Project Management Committee may establish procedures and standards for (i) the Participants to make elections regarding the amounts of and dates on which they will receive Electric Power and Electric Energy from such generating units and (ii) the allocation of the costs and benefits of such generating units among the electing Participants. Such elections shall remain in effect until the Commercial Operation Date of all of the Initial Facilities. If the Project Management Committee determines not to establish such procedures and standards or if the Participant determines not to make an election under them, the Participant will purchase

and pay for its Entitlement Share (expressed as a percentage) of the Project Capability of each individual generating unit from and after the date that it achieves Commercial Operation.

Section 302. Participant Surplus; Lay-Off Power Sales Agreements. (a) If the Participant has or projects that it will have, as of or following the Commercial Operation Date (or the date of Commercial Operation of individual generating units), Electric Power and Electric Energy that is surplus to its needs, it may request that UAMPS sell and deliver any or all of the Electric Power and Electric Energy attributable to the Participant's Entitlement Share pursuant to one or more Lay-Off Power Sales Agreements.

(b) UAMPS shall use Commercially Reasonable Efforts in consultation with the Participant to attempt to sell such surplus at not less than a minimum price approved by the Participant:

first, pro rata to any other Participants that indicate interest in purchasing any such surplus;

second, pro rata, to any Members that are not Participants that indicate interest in purchasing any such surplus; and

third, to any other power purchaser, on such terms and for such period as UAMPS determines to be appropriate and not adverse to the Tax Status of the Bonds or the interests of UAMPS or the other Participants.

(c) If two or more Participants have made requests for surplus sales pursuant to this Section of the Power Sales Contracts, UAMPS (i) may aggregate the surplus amounts of Electric Power and Electric Energy for sale under one or more Lay-Off Power Sales Agreements, and (ii) shall allocate the credits for such sale *pro rata* to the requesting Participants.

(d) UAMPS shall make recommendations to the Project Management Committee regarding (i) the terms and provisions of each Lay-Off Power Sales Agreement or a standard form of Lay-Off Power Sales Agreement, and (ii) the identity, operating experience and financial capability of each power purchaser under a Lay-Off Power Sales Agreement and its ability to meet its obligations thereunder, each of which shall be subject to the approval of the Project Management Committee.

(e) The revenues (net of any expenses incurred by UAMPS in connection with the sale) received by UAMPS from sales pursuant to a Lay-Off Power Sales Agreement shall be credited to the Participant on its billing statements pursuant to Section 804, *provided that* the sale of surplus power and energy pursuant to a Lay-Off Power Sales Agreement shall not relieve such Participant from its primary obligation and liability under this Contract, unless and only to the extent that UAMPS shall receive payments from the purchaser under the Lay-Off Power Sales Agreement.

Section 303. Assignment of Entitlement Share to Other Participants. (a) The Participant may assign this Contract and its rights hereunder, in whole or in part, to another Participant upon 60 day's prior notice to UAMPS and satisfaction of all of the following conditions:

(i) during the Licensing Period, UAMPS, by action of the Project Management Committee, consents in writing to such assignment, which consent shall not be unreasonably withheld;

(ii) after the Licensing Period, UAMPS, by action of the Project Management Committee, (i) consents in writing to such assignment, which consent shall not be unreasonably withheld, and (ii) reasonably determines that such assignment is not expected to result in any increase in the rates and charges payable by any other Participants under the Power Sales Contracts.

(b) The Participant acknowledges and agrees that the ability of UAMPS to consent to such an assignment may be subject to additional requirements and limitations imposed under the Financing Documents. UAMPS and the Participant each agree to exercise Commercially Reasonable Efforts and to cooperate with one another to meet any such limitations and requirements.

Section 304. Assignment of Entitlement Share to Non-Participants. (a) The Participant may assign this Contract and its rights hereunder, in whole or in respect of part of the Participant's Entitlement Share, to any power purchaser upon not less than 180 days' prior notice to UAMPS and satisfaction of each of the following conditions:

(i) the Participant's notice to UAMPS shall include the name of any proposed assignee, the amount of the Participant's interests under this Contract proposed to be assigned, the consideration (if any) for the proposed assignment, and the material terms of the proposed assignment, including, copies of all written proposals, term sheets, letters of intent and assignment documents.

(ii) UAMPS, by action of the Project Management Committee, consents in writing to such assignment, which consent shall not be unreasonably withheld;

(iii) the assignment shall be evidenced by a written instrument pursuant to which the assignee shall assume all obligations (except to the extent theretofore accrued) of the Participant under this Contract or the Participant shall post an acceptable bond or other reasonably acceptable security to assure its obligations hereunder are fulfilled;

(iv) if and to the extent necessary to reflect such assignment and assumption, UAMPS and such assignee shall enter into an agreement supplemental to this Contract to clarify the terms on which power and energy are to be sold hereunder by UAMPS to such assignee;

(v) if the Entitlement Share to be assigned (expressed as percentage of all Entitlement Shares) equals or exceeds five percent, the senior debt of the assignee shall be rated in one of the four highest whole rating categories (without regard to gradations within such categories) by at least one nationally-recognized bond rating agency;

(vi) UAMPS shall have received an opinion or opinions of counsel of recognized standing selected by UAMPS to the effect that such assignment (A) will not adversely affect the pledge and assignment of this Contract or the revenues derived by UAMPS hereunder as security for payment of the Bonds, (B) is lawfully permitted under the law of the Participant's domicile state, and (C) will not adversely affect the Tax Status of any Bonds; and

(vii) the Participant shall pay all fees and expenses incurred by UAMPS, including rating agency, financial advisor and counsel fees, in connection with the proposed assignment.

(b) UAMPS shall not consent to the assignment of this Contract pursuant to this Section unless the Project Management Committee reasonably determines that such assignment is not expected to result in any increase in the rates and charges payable by any other Participants under the Power Sales Contracts.

(c) The Participant acknowledges and agrees that the ability of UAMPS to consent to such an assignment may be subject to additional requirements and limitations imposed under the Financing Documents. UAMPS and the Participant each agree to exercise Commercially Reasonable Efforts and to cooperate with one another to meet any such limitations and requirements.

(d) The Participant agrees that UAMPS shall have a right of first refusal for a period of not less than 180 days to match any bona fide offer for such assignment, in each case for re-assignment to one or more of the other Participants.

ARTICLE IV

PROJECT MANAGEMENT COMMITTEE

Section 401. Confirmation of Project Management Committee (a) The Participants hereby establish and confirm the Project Management Committee, which shall consist of one voting representative from each Participant (who shall be the Participant's Representative) and shall be chaired by a Participant's Representative elected by the Project Management Committee. Pursuant to the Contract Resolution, the Participant has delegated full and complete authority to its Participant's Representative to act on all matters and decisions that come before the Project Management Committee.

(b) Each Representative appointed by the Participant shall serve on the Project Management Committee until the Participant appoints a successor.

(c) An Authorized Officer of UAMPS shall attend all meetings of the Project Management Committee and shall cause minutes to be kept of all such meetings.

Section 402. Procedures and Voting Rights. (a) The Joint Action Agreement and the bylaws of UAMPS shall govern the procedures for and the voting rights on the Project Management Committee, *provided that*:

(i) The Participant's Representative of any Participant that is in default hereunder (A) shall not be entitled to vote on any matter during the period of such default, and the consent or approval of such Participant or such Participant's Representative shall not be required hereunder during the existence of such default and (B) shall be disregarded for purposes of determining whether a quorum of the Project Management Committee is present at any meeting;

(ii) A Super-Majority Vote of all Project Management Committee Representatives shall be required on all decisions which would result in the termination of the Project; and

(iii) All decisions made by the Project Management Committee shall be made by resolution, order or other appropriate action of the Project Management Committee and, before such resolution, order or action of the Project Management Committee shall take effect, the same shall be ratified and approved by resolution, order or action of the Board, acting in accordance with the Joint Action Agreement and the bylaws of UAMPS.

(b) The Participants acknowledge that the Joint Action Agreement provides, among other things, that decisions of the Board with respect to the Project shall be made only upon the recommendation of the Project Management Committee and that weighted votes may be called for on any recommendation or decision to be made by the Project Management Committee or the Board, respectively, all as more fully provided in the Joint Action Agreement.

Section 403. Duties of Project Management Committee. (a) In addition to its other responsibilities under the Power Sales Contracts, the Project Management Committee shall:

(i) review, provide advice and direction to and consult with UAMPS regarding the Project;

(ii) supervise, review and approve the Development Work performed by or at the direction of UAMPS, including all task orders to be entered into with the Contractor pursuant to the Development Agreement, and the Development Costs;

(iii) review and approve the final terms and provisions of the Development Agreement, review the results of each run of the economic competitiveness test performed pursuant to the Development Agreement and the projected levelized cost of energy from the Initial Facilities, and review and approve all directions, actions and notices to be given or made by UAMPS under the Development Agreement;

(iv) review, approve and provide advice and direction to UAMPS on the Project Agreements and any modifications or amendments thereto, appoint all representatives of UAMPS serving under the Project Agreements and provide such direction to UAMPS as

shall be necessary to enable UAMPS to meet timely its obligations and responsibilities under the Project Agreements;

(v) review, approve and revise from to time the Budget and Plan of Finance for the Initial Facilities;

(vi) review, approve and provide advice and direction to UAMPS with respect to the issuance of Bonds, Additional Bonds and Refunding Bonds;

(vii) review, approve and provide advice and direction to UAMPS with respect to each Excess Power Sales Agreement, Joint Ownership Agreement and Lay-Off Power Sales Agreement and any modifications or amendments thereto;

(viii) supervise and provide direction to UAMPS with respect to the construction of the Project, including approving the construction budget for the Project and the notices to proceed and notices to construct given under the Construction Agreements;

(ix) review, modify, and approve or otherwise act on the quarterly estimates of the Cost of Acquisition and Construction by the first day of the month prior to the beginning of each quarter;

(x) review, approve and provide advice and direction to UAMPS regarding the Performance Tests for and the declaration of the Commercial Operation Date of the Project under the applicable Project Agreements;

(xi) determine and declare the Project Capability upon the Commercial Operation Date of the Project and from time to time thereafter as its deems necessary to reflect the actual capability of the Project;

(xii) review and approve the form of the appendix to the Pooling Agreement described in Section 702 and any operating and scheduling procedures and procedures or standards for the allocation of Environmental Attributes that may be deemed necessary or desirable in connection with the Project;

(xiii) review, modify and recommend the Annual Budget and any amendments thereto to the Board;

(xiv) review, approve and recommend to the Board any Additional Facilities and the budget and plan of finance therefor; and

(xv) review and consult with UAMPS regarding any actions or remedies to be taken by UAMPS under Sections 1002 and 1003.

ARTICLE V

DEVELOPMENT, ACQUISITION AND CONSTRUCTION OF THE PROJECT

Section 501. The Initial Facilities. (a) The Project shall consist of the Initial Facilities until such time as the Project Management Committee determines to undertake any Additional Facilities. A preliminary and general description of the Initial Facilities approved by the Project Management Committee is attached as EXHIBIT I to this Contract.

(b) As the development of the Project proceeds through the Licensing Period and the Construction Period and as the components of the Initial Facilities are designed, engineered, constructed, installed and tested, UAMPS shall from time to time recommend revisions to EXHIBIT I to the Project Management Committee for approval in order that the description therein reasonably corresponds to the Initial Facilities being developed and constructed. Following the Commercial Operation Date, UAMPS shall prepare and submit to the Project Management Committee for its review and approval a final description of the Initial Facilities. UAMPS and the Participant agree that in no event will any revisions to EXHIBIT I alter or affect their respective rights and obligations under this Contract.

Section 502. Licensing Period and Development Work. (a) During the Licensing Period, UAMPS shall use Commercially Reasonable Efforts to cause the development of the Project and the Development Work to proceed in an expeditious and economical manner. Without limiting the generality of the term, "Development Work," shall include all work and services necessary or desirable in connection with:

(i) the estimating, design and engineering work to be performed pursuant to the Development Agreement and otherwise with respect to the Project;

(ii) the development and negotiation of definitive Project Agreements, including each Construction Agreement, Operating Agreement, Fuel Supply Agreement, Water Supply Agreement, Transmission Agreement and any other contracts and agreements necessary in connection with the Project;

(iii) the preparation and submission of the Construction and Operating License Application to the NRC and pursuing such Application to the receipt of the Construction and Operating License;

(iv) obtaining all other Permits and Approvals necessary for the construction or operation of the Project;

(v) the continued development of and updates to the Budget and Plan of Finance as provided in Section 601; and

(vi) such other work and services as shall be approved by the Project Management Committee.

(b) During the Licensing Period, UAMPS shall (i) report not less frequently than monthly to the Project Management Committee (unless otherwise approved by the Project Management Committee) with respect to the progress of the Development Work and the Development Costs incurred or expended, (ii) recommend from time to time revisions and updates to the Budget and Plan of Finance to the Project Management Committee, and (iii) act consistently with and in furtherance of the directions given to it by the Project Management Committee.

(c) As provided in Section 601, the Licensing Period shall include two separate phases for budgeting, planning and financing purposes, and the initial Budget and Plan of Finance shall be updated and subject to the approval of the Project Management Committee prior to the commencement of the second phase of the Licensing Period (submission of the COLA and associated and additional Development Work). UAMPS shall perform the Development Work as authorized by and within the limitations of the Budget and Plan of Finance in effect for each phase of the Licensing Period.

(d) UAMPS shall take all actions on its part required or permitted by the Development Agreement under the supervision and direction of the Project Management Committee, and shall monitor the performance, and enforce the obligations, of the Contractor thereunder. UAMPS shall report to the Project Management Committee with respect to each run of the economic competitiveness test provided for in the Development Agreement. The Participants acknowledge and agree that the Development Agreement is subject to early termination by UAMPS or the Contractor under the circumstances set forth therein and that the obligation of the Contractor to reimburse UAMPS for Development Costs incurred (i) applies only to certain early termination events, (ii) excludes certain Development Costs, and (iii) is limited to certain percentages and dollar amounts set forth in the Development Agreement.

(e) The submission, timing and terms of the COLA shall be subject to the approval of the Project Management Committee. If the COLA is submitted, UAMPS shall take all actions necessary on its part to advance the processing and review of the COLA by the NRC. If the COL is received, UAMPS shall review and analyze its terms, conditions and requirements and shall prepare and submit to the Project Management Committee the definitive Budget and Plan of Finance for the Initial Facilities, including updated estimates of Development Costs, Construction Costs and the Commercial Operation Date, together with a report on any remaining items of Development Work and whether and when the Completion of Development can occur, all as provided in Section 505 and Section 601.

(f) Following the conclusion of each phase of the Licensing Period, UAMPS shall deliver a report to the Participants with respect to the status of the development of the Project, expenditures for Development Costs, any changes to SCHEDULE I, together with such other information as may be required by the Project Management Committee.

Section 503. Excess Power Sales Agreements, Joint Ownership Agreements and Adjustments to Entitlement Shares. (a) The parties acknowledge and agree that it is in the mutual interest of UAMPS and the Participants to develop the Initial Facilities with an amount of Project Capability that balances the efficiencies and economies of scale that can be achieved by the development of up to 600 MW of Project Capability against the amount of Project Capability that

has been subscribed for under the Power Sales Contracts. Accordingly, as a part of the Development Work, UAMPS shall continue to solicit and seek subscriptions for Project Capability under Power Sales Contracts with Members that are not Participants and other power purchasers. Any additional Power Sales Contracts with new Participants shall be subject to the approval of the Project Management Committee, which may condition its approval on such requirements as it deems necessary or desirable.

(b) As a part of the Development Work, UAMPS may also solicit and seek other power purchasers interested in purchasing Electric Power and Electric Energy from the Project under Excess Power Sales Agreements. UAMPS shall make recommendations to the Project Management Committee regarding (i) the terms and provisions of each Excess Power Sales Agreement or a standard form of Excess Power Sales Agreement, and (ii) the identity, operating experience and financial capability of each power purchaser under an Excess Power Sales Agreement and its ability to meet its obligations thereunder, each of which shall be subject to the approval of the Project Management Committee. The revenues (net of any expenses incurred by UAMPS in connection with the sale) received by UAMPS from sales pursuant to each Excess Power Sales Agreement (iii) may be pledged by UAMPS to secure Special Obligations issued to finance the Cost of Acquisition and Construction, and (iv) to the extent not so pledged, shall be credited to all of the Participants on the billing statements under Section 804. In addition to the other purposes for which a Special Purpose Entity may be organized pursuant to the Power Sales Contracts, UAMPS may organize a Special Purpose Entity to own a portion of the Project and sell the output of such portion pursuant to one or more Excess Power Sales Agreements.

(c) As a part of the Development Work, UAMPS may also receive indications of interest from other entities regarding the sale of a portion of UAMPS' ownership interest in the Initial Facilities. Subject to the negotiation of a definitive Joint Ownership Agreement, UAMPS may sell a portion of its ownership interest in the Initial Facilities to another entity. UAMPS shall make recommendations to the Project Management Committee regarding (i) the terms and provisions of any Joint Ownership Agreement, and (ii) the identity, operating experience and financial capability of the joint owner under a Joint Ownership Agreement and its ability to meet its obligations thereunder, each of which shall be subject to the approval of the Project Management Committee.

(d) UAMPS shall exercise Commercially Reasonable Efforts to negotiate the amount of Electric Power and Electric Energy that is sold under Excess Power Sales Agreements and the amount of Initial Facilities ownership that is sold under any Joint Ownership Agreement to avoid any interference with the amount of Project Capability that has been sold under the Power Sales Contracts. As and to the extent necessary, UAMPS may recommend to the Project Management Committee increases or decreases to the Entitlement Shares sold under the Power Sales Contracts. Any increases or decreases to Entitlement Shares shall require approval by a Super-Majority Vote of the Project Management Committee and no Participant's Entitlement Share shall be increased or decreased without the affirmative vote of its Representative.

Section 504. Suspension or Termination of the Project During the Licensing Period. (a) As provided in Section 203 and with the effect provided in that Section, by a Super-Majority Vote, the Project Management Committee may determine to suspend or terminate the Project at any time during the Licensing Period upon its determination:

- (i) not to approve the updated Budget and Plan of Finance for the second phase of the Licensing Period;
- (ii) that the economic competitiveness test provided for in the Development Agreement has failed on any run date or that any price target contained in the Budget and Plan of Finance is not reasonably expected to be achieved;
- (iii) not to submit the COLA for any reason;
- (iv) that the COL will not be received or that the terms and conditions of the COL cause the Project to be not feasible;
- (v) that defaults, withdrawals or Entitlement Share reductions by Participants under the Power Sales Contracts make it not feasible to proceed with the Project; or
- (vi) that the Project is not feasible for any reason.

UAMPS shall give prompt written notice to all Participants of any determination of the Project Management Committee to suspend or terminate the Project during the Licensing Period.

(b) In the event of a determination to suspend the Project, the Project Management Committee shall give such directions to UAMPS as it deems necessary to address the cause or causes of its determination to suspend. In the event of a determination to terminate the Project, UAMPS shall take such actions as are necessary to give effect to such determination and wind-up and recover any value from the Project. A determination of the Project Management Committee to suspend or terminate the Project shall not eliminate, reduce or affect the payment obligations of the Participants under the Power Sales Contracts with respect to the amounts necessary to repay any outstanding Bonds and satisfy the obligations of UAMPS under the Project Agreements.

Section 505. Completion of Development. (a) Upon receipt of the terms and conditions of the Construction and Operating License (or an indication of such terms and conditions), UAMPS will conduct a review and analysis and report to and consult with the Project Management Committee regarding the terms and requirements of the COL, the actions necessary to complete the Development Work, and the definitive Budget and Plan of Finance for the Initial Facilities, and will make recommendations to the Project Management Committee as to whether the Project should proceed to the Construction Period.

(b) Following its review of the report and recommendations of UAMPS, the Project Management Committee will:

- (i) determine whether or when Completion of Development has occurred;
- (ii) review and approve definitive engineering and feasibility studies for the Initial Facilities, and such other materials as it deems necessary in order to determine that construction and operation of the Initial Facilities is feasible and should proceed;

(iii) review and approve the definitive Budget and Plan of Finance for the Initial Facilities; and

(iv) make a preliminary determination as to whether construction of the Project is feasible and whether the Project should proceed to the Construction Period.

The determination required by (b)(iv) above shall be made by a Super-Majority Vote of the Project Management Committee.

(c) A determination by the Project Management Committee that construction of the Initial Facilities is not feasible and should not proceed to the Construction Period will result in termination of the Project with the effect provided in Section 203(b).

(d) Upon a preliminary determination by the Project Management Committee that construction of the Initial Facilities is feasible and should proceed to the Construction Period, UAMPS shall give notice to each of the Participants of the Project Management Committee's preliminary determination, together with:

(i) a copy of the definitive Budget and Plan of Finance approved by the Project Management Committee;

(ii) a request for approval of the definitive Budget and Plan of Finance by their governing bodies;

(iii) the form of the approving resolution for consideration by the Participants' governing bodies,

(iv) the date by which the Participant shall deliver a copy of its adopted approving resolution to UAMPS (which date shall be not earlier than the 60th day after the date of such notice);

(v) a statement that a Participant may elect to reduce its Entitlement Share by the delivery of a Notice of Reduction to UAMPS;

(vi) a statement that a Participant may elect to withdraw from the Project by the delivery of a Notice of Withdrawal to UAMPS;

(vii) a statement that a Participant that does not deliver a copy of an adopted authorizing resolution to UAMPS on or before the date specified pursuant to clause (iv) above will be deemed to have elected to withdraw from the Project with effect provided in Section 204; and

(viii) such other information that may be necessary or desirable in connection with the foregoing, all as approved by the Project Management Committee.

(e) Upon its receipt of adopted approving resolutions of the Participants' governing bodies and any Notices of Withdrawal and Notices of Reduction from the Participants, UAMPS shall, subject to any additional notice required to be delivered to the Participants pursuant to Section 204(b), deliver to the Project Management Committee an updated report with respect to the Initial Facilities and any revisions to the definitive Budget and Plan of Finance, and shall provide such assistance as the Project Management Committee may require in order to make a final determination that construction of the Initial Facilities is feasible and should proceed to the Construction Period. The Project Management Committee shall then consider whether and when to make its final determination that construction of the Initial Facilities is feasible and should proceed to the Construction Period.

(f) Upon the final determination by the Project Management Committee that construction of the Initial Facilities is feasible and should proceed to the Construction Period, (i) UAMPS will give notice to each of the Participants of the Project Management Committee's determination, and the proposed effective date of the Construction Period, and (ii) UAMPS will then proceed to execute the principal Construction Contracts for the Initial Facilities and finance the Cost of Acquisition and Construction of the Initial Facilities through the issuance of Bonds and Special Obligations, if any.

Section 506. Construction Period. (a) The Construction Period shall commence upon the determination of the Project Management Committee that Completion of Development has occurred. During the Construction Period, UAMPS shall (i) cause the construction of the Project to proceed in an expeditious and economical manner pursuant to the Construction Agreements and other Project Agreements, (ii) monitor the performance of the contractors under the Construction Agreements, and (iii) report not less frequently than monthly (unless otherwise approved by the Project Management Committee) to the Project Management Committee with respect to the progress of the acquisition and construction of the Project, the Construction Costs incurred and estimated to the Commercial Operation Date, and any changes to the estimated Commercial Operation Date.

(b) UAMPS shall perform its obligations under the Construction Agreements and shall:

(i) use Commercially Reasonable Efforts consistent with and subject to the terms and provisions of the Project Agreements to cause the Project to be expeditiously and economically acquired and constructed pursuant to the Construction Agreements;

(ii) diligently defend and protect the rights of UAMPS and the Project under the Construction Agreements and enforce the contractors' obligations thereunder;

(iii) monitor the performance of the contractors under the Construction Agreements and report promptly to the Project Management Committee with respect to any default or event of default under the Construction Agreements;

(iv) report not less frequently than monthly to the Project Management Committee (unless otherwise approved by the Project Management Committee) regarding

the current status of construction, and any changes to the estimated Commercial Operation Date and the estimated Cost of Acquisition and Construction; and

(v) give prompt notice to the Project Management Committee and the Participant of the occurrence of the Commercial Operation Date of the Initial Facilities and any Additional Facilities.

(c) As soon as practicable after the Commercial Operation Date of the Initial Facilities and any Additional Facilities, UAMPS shall prepare a complete statement and reconciliation of the final (or substantially final) Cost of Acquisition and Construction of the Initial Facilities or Additional Facilities and submit the same to the Project Management Committee for its review and acceptance. In the event that a substantially final statement of the cost of construction of the Initial Facilities or Additional Facilities is submitted to and accepted by the Project Management Committee, UAMPS shall provide periodic reports to the Project Management Committee regarding the remaining items of the Cost of Acquisition and Construction of the Initial Facilities or Additional Facilities until a final statement is available for its review and approval.

Section 507. Additional Facilities. (a) UAMPS may from time to time recommend the acquisition or construction of Additional Facilities to improve or add to the Initial Facilities. Any Additional Facilities, including any additional generating units to be installed at the Project Site, shall be subject to the approval of the Project Management Committee. The Participant acknowledges and agrees that (i) additional generating units not constituting Additional Facilities may be developed, constructed, operated and financed as a separate phase of the Project as provided in Section 508 and (ii) any such separate phase of the Project may use common facilities at the Project Site upon such terms and consideration as shall be determined by the Project Management Committee. Upon the approval of the Project Management Committee, UAMPS may enter into or approve such amendments and supplements to the Project Agreements as it deems necessary or desirable in connection with such separate phase.

(b) Any additional generating units that are undertaken and designated as Additional Facilities shall become a part of the Project for all purposes of this Contract. UAMPS may revise the “KW AMOUNT” column in SCHEDULE I as necessary in the event there are additional generation facilities constituting Additional Facilities.

Section 508. Separate Phases of the Project. (a) UAMPS may from time to time recommend the acquisition and construction of additional generating units not as Additional Facilities but as a separate phase of the Project. Any such separate phase, and any amendments and supplements to the Project Agreements in connection therewith, shall require approval by a Super-Majority Vote of the Project Management Committee. If so approved, UAMPS shall offer the Participants the opportunity to participate in such separate phase under a supplement to this Contract or under a separate agreement, as determined by the Project Management Committee. Each Participant may elect to participate in such separate phase with an entitlement share (expressed as percentage) up to its then-current Entitlement Share. In the event that any Participant elects not to participate in the separate phase or elects a reduced entitlement share, the available entitlement shares shall first be offered by UAMPS to the other Participants, second to Members that are not Participants and third to other power purchasers, all as directed by the Project

Management Committee. Any supplement to this Contract for any separate phase of the Project shall constitute a separate agreement between the parties for all purposes.

(b) UAMPS may issue and incur indebtedness to finance the cost of acquisition and construction of a separate phase of the Project, provided that any such indebtedness shall not constitute Bonds under the Power Sales Contracts or the Financing Documents.

ARTICLE VI

FINANCING OF THE PROJECT

Section 601. Budget and Plan of Finance. (a) The Budget and Plan of Finance for the Initial Facilities shall include the following information:

(i) the amount of Development Costs incurred to the date of the Budget and Plan of Finance and the estimated total Development Costs to the Completion of Development;

(ii) the estimated total Cost of Acquisition and Construction;

(iii) the estimated timeline for the development and construction of the Initial Facilities to the Commercial Operation Date;

(iv) the estimated target price (\$/MWh) for Project output sold to the Participants under the Power Sales Contracts (which may be a range of prices);

(v) the proposed funding and financing arrangements for all Development Costs during the Licensing Period, including amounts available under the DOE Cost Share agreement and any other cost-sharing agreements, grants and funding sources, and Bonds;

(vi) the proposed funding and financing arrangements for the Cost of Acquisition and Construction, including Bonds, DOE-Guaranteed Loans, Special Obligations, Tax Credit Agreements and other funding and financing arrangements; and

(vii) such other information as may be required to be included in the Budget and Plan of Finance by the Project Management Committee.

(b) For budgeting and planning purposes, the Budget and Plan of Finance shall separate the Licensing Period into two separate and sequential phases as follows:

(i) a first phase beginning on the Effective Date of the Power Sales Contracts and extending to the completion of the Construction and Operating License Application; and

(ii) a second phase beginning at the end of the first phase and extending to the estimated date of the Completion of Development.

(c) The initial Budget and Plan of Finance shall (i) set forth the maximum amount of Development Costs that may be incurred by UAMPS during the first phase of the Licensing Period, (ii) be subject to the approval of the Project Management Committee, and (iii) be submitted to the Participants for approval by their governing bodies as set forth in the Contract Resolution. UAMPS and the Participant acknowledge and agree that as of the Effective Date, (iv) UAMPS has not obtained the Permits and Approvals necessary for the construction and operation of the Project, including particularly the COL, (v) the overall development of the Project is at a preliminary stage, and (vi) a definitive estimate of the Cost of Acquisition and Construction will not be available until the Completion of Development. Accordingly, the parties acknowledge and agree that the information contained in the initial Budget and Plan of Finance is necessarily preliminary and is subject to change based on, among other things, additional information that becomes available to UAMPS during the Licensing Period, the negotiation of the terms and provisions of the Project Agreements, the terms and conditions of the Permits and Approvals, and the development and negotiation of funding sources and financing arrangements for Development Costs and the Cost of Acquisition and Construction.

(d) The Budget and Plan of Finance shall be updated by UAMPS prior to the beginning of the second phase of the Licensing Period. Such update of the Budget and Plan of Finance shall (i) be subject to the approval of the Project Management Committee, (ii) include revisions and updates, as applicable, to the information described in Section 601(a) and (iii) set forth the maximum amount of Development Costs that may be incurred by UAMPS during the second phase of the Licensing Period. As a part of the Development Work, UAMPS will review, revise and supplement the information in the Budget and Plan of Finance from time to time, and may submit updates to the Budget and Plan of Finance in addition to the update required by the first sentence of this paragraph, provided that, except as provided in paragraph (f) of this Section, no such update may include an increase in the maximum amount of Development Costs that may be incurred during the then-current phase of the Licensing Period.

(e) Upon the approval of the Project Management Committee of the updated Budget and Plan of Finance for the second phase of the Licensing Period, UAMPS shall deliver notice of such approval to each of the Participants, together with a copy of the updated Budget and Plan of Finance. Such notice shall state that a Participant may elect to withdraw from the Project by delivering a Notice of Withdrawal to UAMPS or may elect to reduce its Entitlement Share by delivering a Notice of Reduction to UAMPS, in either case within 10 days of the date of UAMPS' notice (or such longer period as may be approved by the Project Management Committee).

(f) During each phase of the Licensing Period, UAMPS shall monitor and report regularly to the Project Management Committee with respect to expenditures and commitments of Development Costs. At any time that such expenditures and commitments equal ninety percent or more of the maximum amount of Development Costs that may be incurred during the then-current phase of the Licensing Period as set forth in the Budget and Plan of Finance as then in effect, UAMPS shall advise the Project Management Committee of such fact and whether (i) the Development Work during the then-current phase of the Licensing Period can be completed within such maximum amount or (ii) an increase in the maximum amount of Development Costs is necessary and the recommended amount of any such increase. Any increase in such maximum amount of Development Costs shall be set forth in an amendment to the Budget and Plan of

Finance then in effect. If the Project Management Committee does not approve such amendment, it shall direct UAMPS to suspend or delay some or all of the Development Work and shall give such further instructions as may be necessary to ensure that the maximum amount of Development Costs that may be incurred during the then-current phase of the Licensing Period is not exceeded. If the Project Management Committee approves such amendment, it shall direct UAMPS to give notice to the Participants of the amendment of the Budget and Plan of Finance, together with a copy of the amendment. Such notice shall state that a Participant may elect to withdraw from the Project by delivering a Notice of Withdrawal to UAMPS or may elect to reduce its Entitlement Share by delivering a Notice of Reduction to UAMPS, in either case within 10 days of the date of UAMPS' notice.

(g) As provided in Section 505, upon its receipt of the COL (or information regarding the terms and conditions thereof), UAMPS shall prepare the proposed definitive Budget and Plan of Finance setting forth its final estimates of the information required by paragraph (a) above and shall submit the same to the Project Management Committee for its review and approval. Upon the Project Management Committee's approval of the definitive Budget and Plan of Finance and at the direction of the Project Management Committee, UAMPS shall deliver to the Participants the notice and request for approval of the definitive Budget and Plan of Finance as provided in Section 505(d).

Section 602. Financing of the Project. (a) UAMPS shall finance the portion of the Cost of Acquisition and Construction of the Initial Facilities that is not paid from Capital Contributions made by the Participants through the issuance of one or more series of Bonds and Special Obligations, if any, pursuant to the Budget and Plan of Finance approved by the Project Management Committee; *provided that*, during the Licensing Period UAMPS will not issue Bonds to finance Development Costs in excess of the maximum amount thereof set forth in the current Budget and Plan of Finance.

(b) Unless otherwise approved by the Project Management Committee, the Budget and Plan of Finance shall provide for the financing of all Development Costs, Construction Costs and other Costs of the Initial Facilities to a date not earlier than the estimated Commercial Operation Date of the Initial Facilities with the objective that the Participant will not be required to make any payments to UAMPS in respect of Debt Service Costs until a date that is after the estimated Commercial Operation Date. UAMPS shall use Commercially Reasonable Efforts to structure and implement the financings for the Development Costs and Construction Costs of the Initial Facilities to achieve this result. The Participant acknowledges and agrees that UAMPS cannot guarantee that it will be able to achieve this result, and under certain circumstances it may be necessary for UAMPS to submit billings to the Participant pursuant to Section 804 to enable it to pay Development Costs.

(c) UAMPS and the Participant acknowledge and agree that:

(i) as of the Effective Date, (A) UAMPS has not yet obtained the Permits and Approvals necessary for the construction and operation of the Project, including particularly the COL, and (B) the overall development of the Project is at a preliminary stage;

(ii) UAMPS shall use Commercially Reasonable Efforts to obtain all such Permits and Approvals as a part of the Development Work during the Licensing Period;

(iii) the Development Costs incurred by UAMPS, to the extent not paid from funding available under the DOE Cost Share Agreement or similar arrangements, will be financed by the issuance of Bonds;

(iv) in the event that UAMPS is unable to obtain the required Permits and Approvals or the Project Management Committee determines that the continued development of the Project is not feasible for any reason, the Project Management Committee may determine to terminate the Project as provided in Article V; and

(v) if the Project Management Committee determines to terminate the Project, the Project will not be completed and the Participant will be required to pay, among other things, its Debt Service Share of all Debt Service Costs until all Bonds previously issued are fully paid and retired, as provided in Section 804.

(d) Each Participant may elect to make a Capital Contribution to UAMPS pursuant to Section 603. Prior to the giving by UAMPS of the notice required by Section 603(a), the Project Management Committee shall determine whether any additional interest expense on or in respect of taxable Bonds (not eligible for tax credits or interest subsidy payments) shall be allocated to those Participants whose legal status or use of Project Output requires the issuance of such Bonds. In the event the Project Management Committee determines to make such allocation, the notice required by Section 603(a) shall include such information as shall be necessary to generally inform the affected Participants of the additional Debt Service Costs, if any, that will be payable by them in the event they elect not to make a Capital Contribution.

Section 603. Capital Contributions; Calculation of Capital Contribution Percentage, Debt Service Percentage and Debt Service Share. (a) Prior to the first issuance of Bonds to finance the Development Costs of the Initial Facilities and prior to the first issuance of long-term Bonds to finance the Cost of Acquisition and Construction of the Initial Facilities, UAMPS shall give written notice to the Participant of:

(i) its right to elect to make a Capital Contribution;

(ii) the date by which it must notify UAMPS of its election, which shall be not earlier than 30 days after the date of such notice;

(iii) the applicable Reference Project Costs; and

(iv) the maximum amount of the Participant's Capital Contribution, which shall be an amount equal to the product of (A) such Reference Project Costs and (B) the ratio of the Entitlement Share of the Participant to the Entitlement Shares of all Participants;

provided that, in connection with the financing of the Development Costs of the Initial Facilities during the Licensing Period, the Project Management Committee may (x) determine to waive the

Participants' right to elect to make a Capital Contribution, and (y) establish additional provisions for Capital Contributions to be made with respect to the estimated Development Costs during each phase of the Licensing Period and for the reconciliation of Capital Contributions made and Development Costs incurred at the end of each phase of the Licensing Period.

The Participant may elect to make a partial Capital Contribution equal to the amount of retained earnings or other legally available funds not derived from any external borrowing that it determines to apply to the Capital Contribution. In all other circumstances, a Participant may elect to make a Capital Contribution only in the amount determined under clause (iv) above.

(b) The Participant's election to make a Capital Contribution shall be made by written resolution adopted by its governing body. An original or certified copy of such resolution shall be submitted to UAMPS with the Participant's notice of its election to make the Capital Contribution. In the event that the Participant does not notify UAMPS of the determination of its governing body by the date specified in the notice provided by UAMPS, the Participant shall be deemed to have elected not to make a Capital Contribution.

(c) Following receipt of the Participant's election to make the Capital Contribution, UAMPS will provide the Participant with notice of:

- (i) the date (which shall be not earlier than 30 days after the date of such notice) by which the Participant must make the Capital Contribution;
- (ii) instructions for the deposit of the Capital Contribution into a separate and segregated special escrow account established under the Financing Documents; and
- (iii) a written statement of information regarding UAMPS, the Project and the Project Agreements for the Participant's use in any offering material for any indebtedness to be issued to finance the Capital Contribution.

The Capital Contribution shall be held and invested in accordance with the provisions of the Financing Documents, which shall provide for the investment of the Capital Contribution, the crediting of any interest earnings for the account of the Participant and the application of the Capital Contribution by the Trustee upon the direction of UAMPS to fund a portion of the Development Costs or the Cost of Acquisition and Construction of the Initial Facilities, as applicable, and for deposit into certain funds and accounts established by the Financing Documents. If the Participant fails to make the Capital Contribution as and when required by the UAMPS' notice, it shall be deemed to have rescinded its election to make the Capital Contribution.

(d) The Participant acknowledges and agrees that the amount of the Capital Contribution to be made by the Participant will be based upon an estimate of the Development Costs or the Cost of Acquisition and Construction of the Initial Facilities, as applicable, which estimates will be subject to adjustment to reflect the final Development Costs or the final Cost of Acquisition and Construction of the Initial Facilities approved by the Project Management Committee. Not more than 30 days following the determination of the final Development Costs or the final Cost of Acquisition and Construction of the Initial Facilities, UAMPS shall deliver a final accounting

statement to the Participant showing the final Development Costs or the final Cost of Acquisition and Construction of the Initial Facilities, as applicable, the amount of and interest earnings on the Capital Contribution and any amount payable by or credited to the Participant in respect of the final Development Costs or the final Cost of Acquisition and Construction of the Initial Facilities. The Participant agrees that it will pay any additional amount payable by it shown on such accounting statement on or before the 30th day following the date of such final accounting statement, or on such later date as may be approved by the Project Management Committee.

(e) After Capital Contributions have been made by all electing Participants, UAMPS shall complete (or revise, as applicable) SCHEDULE I and provide a copy of the completed or revised SCHEDULE I to each of the Participants. With respect to all Participants and at all times, SCHEDULE I shall show that:

(i) the sum of each Participant's Capital Contribution Percentage and Debt Service Percentage equals its Entitlement Share;

(ii) the sum of the Capital Contribution Percentages and Debt Service Percentages of all Participants equals 100%; and

(iii) the sum of the Debt Service Shares of all Participants equals 100%.

UAMPS' calculation and determination of the Development Costs and the Cost of Acquisition and Construction of the Initial Facilities and the Participant's Capital Contribution Percentage, Debt Service Percentage and Debt Service Share in accordance with (i), (ii) and (iii) above shall be subject to the approval of the Project Management Committee, and upon such approval shall be conclusive and binding upon UAMPS and the Participant. UAMPS shall revise SCHEDULE I from time to time as provided herein so that it sets forth the correct Entitlement Shares, Capital Contribution Percentages, Debt Service Percentages and Debt Service Shares of all Participants.

(f) The Participant acknowledges and agrees with UAMPS that:

(i) its election to make a Capital Contribution shall be irrevocable and under no circumstances whatsoever shall the Participant be entitled to a return or rebate of all or any portion of any Capital Contribution in the event that Uncontrollable Force, termination of any Project Agreements or other circumstances result in the suspension, interruption, interference, reduction, curtailment or termination of the Project or the Project Output;

(ii) the Capital Contribution shall not be deemed to constitute an investment by the Participant and the Participant shall not be entitled to any investment earnings or rate of return on the Capital Contribution, except with respect to interest earnings on the Capital Contribution pending its application as provided above; and

(iii) any Capital Contribution made by the Participant shall not change or affect UAMPS' ownership in the Project or any of the rights and obligations of UAMPS and the Participant under this Contract, except as specifically provided herein, including the right

of UAMPS to suspend or terminate the Participant's right to receive the Electric Energy allocable to its Entitlement Share as provided in Section 1002.

(g) In connection with the issuance of Additional Bonds or Refunding Bonds, the Project Management Committee may determine to provide Participants with the option of making a capital contribution with respect to the Costs of the Project being financed or refinanced by the Additional Bonds or Refunding Bonds under procedures and standards substantially similar to those set forth in this Section 603, with such adjustments as the Project Management Committee shall determine to be advisable. Any capital contribution made by a Participant pursuant to this paragraph (g) shall constitute a Capital Contribution for all purposes of the Power Sales Contracts.

Section 604. DOE-Guaranteed Loan; Special Purpose Entity. (a) In order to meet the requirements of a DOE-Guaranteed Loan, in connection with the Development Agreement, or to accomplish other purposes deemed beneficial to the Project and the Participants, UAMPS may transfer all, an undivided interest in, or part of its ownership interest in the Project, the Project Agreements and/or the Permits and Approvals to a Special Purpose Entity. In the event of such a transfer, UAMPS may (i) enter into a power purchase agreement with the Special Purpose Entity for the Project Capability associated with the ownership interest transferred to the Special Purpose Entity, (ii) resell such Project Capability received under such power purchase agreement to the Participants as though it was received from UAMPS' ownership of the Project, and (iii) enter into such other agreements as may be necessary or desirable in connection with any DOE-Guaranteed Loan, the Development Agreement or the Project.

(b) Any Special Purpose Entity organized to accomplish the purposes described above shall be owned and controlled by UAMPS, and UAMPS may mortgage or encumber its interests in the Project to secure any DOE-Guaranteed Loan or other financing arrangement determined by the Project Management Committee to be beneficial to the Participants.

(c) Any DOE-Guaranteed Loan, any transfer of UAMPS' ownership interest in the Project to a Special Purpose Entity, any power purchase agreement between UAMPS and the Special Purpose Entity, and any related contracts and agreements entered into by UAMPS shall be subject to the approval of the Project Management Committee upon its determination that such transactions are beneficial to the Participants and will not adversely affect UAMPS' ability to meet its obligations under the Power Sales Contracts.

Section 605. Tax Credits; Tax Credit Agreements. UAMPS shall seek to obtain all Tax Credits that are or may become available with respect to the Project, and may enter into one or more Tax Credit Agreements to enable it to receive value for Tax Credits that cannot be utilized directly by UAMPS.

Section 606. Special Obligations. (a) Special Obligations may be sold and issued by UAMPS from time to time for the purpose of financing the Cost of Acquisition and Construction. Special Obligations shall be secured by a pledge of, and shall be payable from, the revenues and income received by UAMPS under Excess Power Sales Agreements, Tax Credit Agreements, any NPM Prepayment Agreement, and other contractual arrangements or other sources of revenue and income relating to the Project. UAMPS may enter into and adopt all indentures, bond resolutions

and security arrangements necessary or desirable in connection with Special Obligations, subject to the approval of the Project Management Committee.

(b) Any advance payment or prepayment for modular reactor units made by UAMPS pursuant to an NPM Prepayment Agreement shall be financed only with the proceeds of Special Obligations and not with the proceeds of Bonds.

(c) UAMPS may refund or refinance Special Obligations with the proceeds of Special Obligations or Bonds, as approved by the Project Management Committee.

Section 607. Additional Bonds and Refunding Bonds. (a) Additional Bonds may be sold and issued by UAMPS in accordance with the provisions of the Financing Documents at any time and from time to time for the purpose of financing the Cost of Acquisition and Construction. UAMPS may incur other obligations pursuant to the Financing Documents to achieve purposes deemed beneficial to the Project.

(b) Any Additional Bonds shall be secured by the pledge made pursuant to the Financing Documents of the payments required to be made by the Participant under Section 804, as such payments may be increased and extended by reason of the issuance of Additional Bonds, and of other revenues of UAMPS attributable to the Project. Additional Bonds may be issued in amounts sufficient to pay the full amount of such costs and to provide such reserves as may be determined by UAMPS to be reasonably necessary. In the event that the Project Management Committee approves the issuance of Additional Bonds, it shall determine whether to make a capital contribution option available to the Participants and the procedures therefore.

(c) In the event Debt Service Costs may be reduced by the refunding of any Bonds then outstanding or in the event it shall otherwise be advantageous, in the opinion of UAMPS, to refund any Bonds, UAMPS may issue and sell Refunding Bonds in accordance with the Financing Documents.

(d) Any Additional Bonds or Refunding Bonds may be secured by the pledge made pursuant to the Financing Documents of the payments required to be made by the Participant under Section 804 and of other revenues of UAMPS attributable to the Project and may rank on a parity as to the security afforded by the provisions of this Contract with all Bonds theretofore issued pursuant to and secured in accordance with the provisions of the Power Sales Contracts.

Section 608. Pledge of Payments. All payments required to be made by the Participant pursuant to Section 805, together with other revenues of UAMPS attributable to the Project may be pledged by UAMPS pursuant to the Financing Documents to secure the payment of Bonds.

ARTICLE VII

PROJECT OPERATIONS AND DELIVERY OF OUTPUT

Section 701. Operation and Maintenance of the Project. (a) UAMPS covenants and agrees that, during the Operating Period, it will use Commercially Reasonable Efforts consistent

with and subject to the terms and provisions of the Project Agreements to cause the Project to be operated, maintained and managed in an efficient and economical manner in accordance with Prudent Utility Practice for the joint and ratable benefit of all of the Participants. UAMPS agrees with and covenants to the Participant that UAMPS will vigorously enforce and defend its rights under the Project Agreements. The Participant acknowledges and agrees that UAMPS may, upon the approval of the Project Management Committee, from time to time enter into amendments of and supplements to any or all of the Project Agreements and that, except as otherwise required by Section 1101(c), UAMPS will not be required to obtain the consent or approval of the Participant in connection with any such supplement or amendment.

(b) The Participant hereby acknowledges and agrees that, in order to promote the efficient and economical utilization of the Project and to fully realize the benefits to the Participants of their joint and cooperative undertaking, it is necessary and desirable that UAMPS control the operation of the Project and schedule the Project Output in accordance with the provisions of the Power Sales Contracts and the directions of the Project Management Committee, and the Participant hereby authorizes UAMPS to take all actions necessary or desirable in this regard.

Section 702. Scheduling of Electric Energy; Coordination with UAMPS Pool. (a) From and after the Commercial Operation Date of the Initial Facilities, the Participant shall be entitled to use the Electric Energy allocable to the Participant's Entitlement Share. UAMPS shall schedule or cause to be scheduled such Electric Energy in accordance with this Contract and the provisions of the Project Agreements. In its discretion, the Project Management Committee may adopt operating and scheduling procedures to promote the efficient utilization of the Project, and UAMPS shall provide a copy of any such procedures to the Participant.

(b) The Participant agrees that (i) prior and as a condition to the first delivery of Electric Energy under this Contract, it will execute and deliver to UAMPS the Pooling Agreement and an appendix thereto (in a form approved by the Project Management Committee) that assigns the Electric Energy allocable to the Participant's Entitlement Share to the UAMPS Pool and (ii) it will perform its obligations under and will not take any action to terminate the Pooling Agreement and such appendix during the term of this Contract. The assignment of the Electric Energy allocable to the Participant's Entitlement Share pursuant to the Pooling Agreement and appendix shall be solely for operating and scheduling purposes and shall not constitute an assignment or transfer of the Participant's right, title and interest in and to such Electric Energy. At any time the Project is operable or operating the Participant shall not be entitled to use in any hour Electric Energy in excess of that which is allocable to the Participant's Entitlement Share, unless arrangements have been made for a planned purchase of such Electric Energy through the UAMPS Pool. Any surplus Electric Energy attributable to the Participant's Entitlement Share shall be sold or otherwise disposed of by the Participant only in accordance with the provisions of such appendix to the Pooling Agreement. In addition to any sales of surplus Electric Energy requested by the Participant through the UAMPS Pool, UAMPS will utilize Commercially Reasonable Efforts to sell, exchange or otherwise dispose of any incidental surplus Electric Power and Electric Energy attributable to the Project for the benefit of the Participants.

(c) Prior to the first delivery of Electric Energy under this Contract, the Participant shall provide to UAMPS a written schedule of the Participant's available electric resources and the order

in which such resources are to be applied to meet the Participant's requirements for Electric Power and Electric Energy. UAMPS shall verify all such resources and promptly notify the Participant of any reliability or other concerns relating to such resources that could require adjustments to the schedule provided by the Participant. The Participant may revise or modify such schedule upon written notice to UAMPS at least one business day prior to the beginning of any Billing Period.

Section 703. Point of Delivery; Transmission Contracts. (a) The Electric Energy allocable to the Participant's Entitlement Share shall be delivered at the Point of Delivery. The Participant shall be responsible for, and shall pay all costs of, (i) the transmission of such Electric Energy from the Point of Delivery to its System Point of Receipt and (ii) the distribution and delivery of Electric Energy from its System Point of Receipt to its customers. The Participant shall give written notice to UAMPS of its System Point of Receipt prior to the Commercial Operation Date of the Initial Facilities or Additional Facilities, and shall give prompt written notice to UAMPS of any change to its System Point of Receipt.

(b) Upon the request of the Participant, UAMPS will use Commercially Reasonable Efforts to enter into one or more Transmission Agreements, or will utilize its transmission rights under existing Transmission Agreements, to provide for transmission service for the Electric Energy allocable to the Participant's Entitlement Share from the Point of Delivery to the Participant's System Point of Receipt. Any Transmission Agreements entered into by UAMPS for or on behalf of the Participant shall be approved by UAMPS and the Participant, and the Participant shall pay all Transmission Costs thereunder. The Participant agrees that it shall maintain (or cause UAMPS to maintain) during the term of this Contract, such Transmission Agreements as shall be necessary for the firm transmission of the Electric Energy allocable to its Entitlement Share from the Point of Delivery to its System Point of Receipt, except as may be otherwise approved by the Project Management Committee. The Participant shall provide UAMPS with copies of all Transmission Agreements utilized by it and with such other information regarding its transmission arrangements as UAMPS may reasonably request.

Section 704. Risk of Loss. Electric Energy delivered hereunder and risk of loss shall pass from UAMPS to the Participant at the Point of Delivery. As between the parties to this Contract, UAMPS shall be deemed to be in exclusive control and possession of the Electric Energy delivered hereunder, and responsible for any damage or injury caused thereby, prior to the time such Electric Energy shall have been delivered to the Participant at the Point of Delivery. After delivery of Electric Energy to the Participant at the Point of Delivery, the Participant shall be deemed to be in exclusive control and possession thereof and responsible for any injury or damage caused thereby. UAMPS assumes all liability for and shall indemnify, defend and hold harmless the Participant (individually) from any claims, including death of persons, arising from any act or incident occurring when title to Electric Energy is vested in it. All costs and expenses incurred by UAMPS under the foregoing indemnity shall constitute a Cost of Acquisition and Construction or an item of Operation and Maintenance Costs, as determined by the Project Management Committee. To the extent permitted by law and solely to the extent of the revenues of its electric utility system and any available insurance proceeds, the Participant assumes all liability for and shall indemnify, defend and hold harmless UAMPS and the other Participants from any claims, including death of persons, arising from any act or incident occurring when title to Electric Energy is vested in it.

Section 705. Interruption or Reduction of Deliveries. The Participant acknowledges that deliveries of Electric Energy to the Point of Delivery may be interrupted or reduced if: (i) any operator of the Project determines that such interruption or reduction is necessary in case of emergencies affecting the Project, in order to install equipment, to make repairs and replacements to, to make investigations and inspections of, or to perform maintenance work on, the Project or otherwise carry out its obligations in respect of Project operations; (ii) such interruption or reduction is required under the Interconnection Agreement or by any regulatory body, balancing authority, independent system operator, regional transmission organization or similar entity; or (iii) Electric Energy from the Project is otherwise unavailable whether due to an event of Uncontrollable Force or otherwise.

Section 706. Availability of Electric Energy. (a) Except as provided otherwise by this Contract and subject to the provisions of the Project Agreements, Electric Energy allocable to the Participant's Entitlement Share shall be made available in accordance with this Contract during the term hereof; *provided, however*, that nondelivery of Electric Energy hereunder for any reason whatsoever (i) shall not relieve the Participant from its obligation to make its payments under Section 804 and (ii) shall not impose any liability upon UAMPS for any direct or consequential damages suffered by the Participant.

(b) The Participant acknowledges and agrees that deliveries of the Electric Energy allocable to its Entitlement Share to the Point of Delivery are not firm and are contingent upon the operation of the Project and other factors. The costs of reliability and related requirements imposed upon the Project by a balancing authority, independent system operator, regional transmission organization or other regulatory or administrative body shall be payable by the Participants as an item of Operation and Maintenance Costs. To the extent that such costs are imposed upon individual Participants, they shall be the sole responsibility of the affected Participant(s).

Section 707. Environmental Attributes. (a) The Project Management Committee shall establish standards and procedures for the allocation and tracking of Environmental Attributes to the Participants, which shall provide for the allocation of Environmental Attributes to the Participants based on units of generation, unless the Project Management Committee determines that an Environment Attribute should be allocated on the basis of Entitlement Shares or on some other basis. UAMPS shall use Commercially Reasonable Efforts to facilitate the attribution and crediting of Environmental Attributes to the Participants.

(b) If the Participant determines not to use any Environmental Attributes associated with its Entitlement Share in connection with the operations of its electric utility system for any reason and for any period of time, it shall give UAMPS notice to dispose of such Environmental Attributes for the benefit of the Participant. UAMPS will use Commercially Reasonable Efforts to sell, remarket or otherwise cause such Environmental Attributes to be advantageously utilized. UAMPS and the Participant acknowledge that (i) any disposition of Environmental Attributes may constitute a disposition of Bond-financed property and may be subject to restrictions and limitations necessary to maintain the Tax Status of the Bonds, and (ii) the other Participants shall

have a right of first refusal to acquire such Environmental Attributes at prevailing market prices or such other prices as the Project Management Committee may determine to be reasonable in its sole discretion.

Section 708. Reserve and Contingency Fund. (a) In addition to various funds and accounts established under the Financing Documents, UAMPS may, upon the approval of the Project Management Committee, establish an additional fund with respect to the Project known as the “Reserve and Contingency Fund” to be funded, held and applied as provided herein. Amounts on deposit in the Reserve and Contingency Fund may be used to pay or provide reserves for unusual or extraordinary Operation and Maintenance Costs, renewals, repairs, replacements, additions or betterments of or to any items included in the Project, the cost of any Additional Facilities or the cost of or reserves for the retirement, decommissioning and termination of the Initial Facilities and any Additional Facilities that will not be paid from the Decommissioning Fund.

(b) The Project Management Committee may direct UAMPS to include in the Annual Budget adopted pursuant to Section 801 an amount for deposit into the Reserve and Contingency Fund. This amount may represent either an appropriation of excess revenues from the operation of the Project during the preceding Fiscal Year or amounts to be billed to and collected from the Participants as an item of Operation and Maintenance Costs during the Fiscal Year covered by the Annual Budget.

Section 709. Insurance. UAMPS shall maintain or pursuant to the Project Agreements shall cause there to be maintained, as part of the Cost of Acquisition and Construction or Operation and Maintenance Costs, as appropriate, insurance with responsible insurers with policies against risk or direct physical loss, damage or destruction of the Project, including liability insurance and employers’ liability insurance, all to the extent consistent with Prudent Utility Practice and to the extent available at reasonable cost, but in no case less than will satisfy applicable regulatory requirements and requirements of the Financing Documents.

Section 710. Damage, Destruction or Condemnation. Subject to the provisions of the Project Agreements, UAMPS shall use Commercially Reasonable Efforts to collect or cause to be collected amounts arising from insurance proceeds, condemnation awards, damages due from contractors, subcontractors or others and proceeds from the sale or other disposition of surplus property, all related to the Project, and shall apply all receipts, revenues and other moneys received by it or credited to it from the foregoing sources to the repair, reconstruction or replacement of the Project, to the retirement or defeasance of Bonds (in whole or in part), by purchase, redemption or other arrangements therefor, to the payment of other costs and expenses of UAMPS in connection with the Project or to the credit, pro rata, of the Participants, based upon their Entitlement Shares in the Project, all as provided in the Financing Documents.

Section 711. Decommissioning. (a) Upon the retirement of the Project and its removal from service, UAMPS shall take all actions necessary to Decommission the Project. The Decommissioning Fund shall be established as a separate and segregated trust fund or escrow account, and the amounts in the Decommissioning Fund shall be used solely for the payment of Decommissioning Costs and administrative and other charges permitted by the regulations of the

NRC. The Decommissioning Fund shall be established and funded at the times, in the manner and in the amounts required by the Site Use Permit and the regulations of the NRC and any other federal or state agencies having jurisdiction over the Decommissioning of the Project. The Decommissioning Fund may be funded by a prepayment, by sinking fund deposits or by a surety, insurance or other guarantee method acceptable to the NRC. Pending the application of amounts on deposit in the Decommissioning Fund to pay Decommissioning Costs, the Decommissioning Fund may be invested as provided in the trust or escrow agreement. Any amounts remaining in the Decommissioning Fund upon the completion of the Decommissioning of the Project and the termination of the COL shall be applied or disbursed at the direction of the Project Management Committee.

(b) The Project Management Committee may direct UAMPS to establish other funds or accounts to provide additional reserves for the payment of Decommissioning Costs.

Section 712. Disposition or Termination of the Project. (a) Except as provided in Section 505(c), Section 604, Section 1103 and this Section, UAMPS shall not sell, lease or otherwise dispose of the Project or any substantial part of the Project without the approval of the Project Management Committee by a Super-Majority Vote. Subject to the provisions of the Financing Documents and the Project Agreements, this Section shall not prohibit a merger or consolidation or sale of all or substantially all of the property of UAMPS.

(b) Subject to the applicable provisions of the Project Agreements, if the Project shall be terminated, UAMPS shall use Commercially Reasonable Efforts to cause the Project to be economically salvaged, discontinued, disposed of or sold in whole or in part. UAMPS shall make accounting statements for each Billing Period to the Participant of all costs and any net proceeds associated therewith. Such accounting statements shall continue for such Billing Periods until the Project has been salvaged, discontinued or finally disposed of, at which time a final accounting statement with respect thereto shall be made by UAMPS at the earliest reasonable time. The costs of salvage, discontinuance or disposition shall include, but shall not be limited to, all accrued costs and liabilities resulting from the acquisition, construction, operation or maintenance of and renewals and replacements to the Project. Such costs and, subject to the provisions of the Financing Documents, the net proceeds, if any, from the sale or salvage of Project components or assets shall be allocated among the Participants based upon their respective Entitlement Shares.

ARTICLE VIII

BUDGET, BILLING AND PAYMENT

Section 801. Annual Budget; Accounting. (a) On or before 15 days prior to the estimated commencement of the first Contract Year and on or before the beginning of each Contract Year thereafter, UAMPS shall prepare and mail to the Participant an Annual Budget for the Project recommended by the Project Management Committee and approved by the Board, based, to the extent appropriate, on budgets received under the Project Agreements, showing an annual estimate for the following Contract Year of (i) Development Costs and the Participant's share of such Costs, (ii) Operation and Maintenance Costs and Debt Service Costs, and the Participant's share of such Costs, and (iii) the Transmission Costs payable by the Participant, in each case as applicable to the

then-current status of the Project. The Participant shall, to the extent and in the manner deemed appropriate by the Participant, incorporate the estimates shown on the Annual Budget in its annual budgetary process.

(b) At the end of each quarter during each Contract Year and at such other times as it shall deem desirable, UAMPS shall review the Annual Budget of Operation and Maintenance Costs and Debt Service Costs for the Contract Year. In the event such review indicates that the Annual Budget does not or will not substantially correspond with actual receipts or expenditures, or if at any time during such Contract Year there are or are expected to be extraordinary receipts, credits, expenditures or costs substantially affecting Operation and Maintenance Costs or Debt Service Costs, UAMPS shall prepare and deliver to the Project Management Committee a revised Annual Budget for its review and recommendation to the Board, incorporating adjustments to reflect such receipts, credits, expenditures or costs. Upon the approval of the Board (i) the revised Annual Budget shall thereupon supersede the Annual Budget previously in effect and (ii) UAMPS shall deliver a copy of the revised Annual Budget to each of the Participants. The revised Annual Budget and any written materials that accompany it shall specifically identify the changes from the Annual Budget that was previously in effect.

Section 802. Records and Accounting. UAMPS agrees that it will keep accurate records and accounts relating to the Project, the Project Agreements, the Cost of Acquisition and Construction, Operation and Maintenance Costs, Transmission Costs and Debt Service Costs in accordance with the Financing Documents and the Uniform System of Accounts, separate and distinct from its other records and accounts; *provided* that UAMPS may establish revenue and operation and maintenance funds that account for more than one project of UAMPS so long as UAMPS shall maintain books and records adequate to show the amounts in each of such funds allocable to each such project. Said accounts shall be audited annually by a firm of certified public accountants, experienced in public finance and electric utility accounting and of national reputation, to be employed by UAMPS. A copy of each annual audit, including all written comments and recommendations of such accountants, approved by the Members shall be furnished by UAMPS to the Participant not later than 180 days after the end of each Contract Year.

Section 803. Billing Periods. (a) The initial Billing Period to be used for the preparation, calculation and billing of the amounts payable by the Participant hereunder shall be a Month. In order to promote the efficient and economic administration of the Project, UAMPS may, at any time after the end of the initial Contract Year and from time to time thereafter, adopt another standard period of time as the Billing Period hereunder. In addition to the foregoing, UAMPS may, upon the approval of the Project Management Committee, from time to time revise the billing and payment procedures provided for in this Section to promote the efficient and economic administration of the Project or to conform such billing procedures to those utilized in connection with other projects of UAMPS.

(b) Any change in the Billing Period shall be made in the Annual Budget provided for in Section 801 and shall not be effective for at least 30 days after the mailing of notice of such change in the Billing Period or in the billing and payment procedures to the Participant. At the time of the mailing of such Annual Budget, UAMPS shall send to the Participant a revised form of the billing procedures set forth in Section 804(b), which shall reflect any changes in the dates of billing and

payment and the method thereof that are necessary or desirable to make this Section correspond to the new Billing Period, such changes to become effective on the date the new Billing Period takes effect. In no event shall any such change in the Billing Period or in the billing and payment procedures increase the amounts payable by the Participant pursuant to this Section in respect of Operation and Maintenance Costs, Transmission Costs and Debt Service Costs.

Section 804. Billings. (a) The Participant acknowledges and agrees that it is necessary for UAMPS to recover all of the costs and expenses associated with the Project through billings to and payments by the Participants. UAMPS will apply amounts available under the DOE Cost Share and from the proceeds of Bonds issued during the Licensing Period to reduce the amounts billed to the Participants for Development Costs during the Licensing Period. UAMPS will exercise Commercially Reasonable Efforts to finance all Construction Costs, net of any Capital Contributions with Bond proceeds. During the Operating Period, UAMPS will apply the amounts received under any Excess Power Sales Agreements and any Tax Credit Agreements (in each case, only to the extent that such amounts are not pledged to the payment of Special Obligations) to reduce the amounts billed to the Participants for Operation and Maintenance Costs and Debt Service Costs. The Participant's share of Development Costs, Operation and Maintenance Costs and Debt Service Costs will equal the ratio of its Entitlement Share to the Entitlement Shares of all Participants, subject to the adjustments provided for in the Power Sales Contracts.

(b) For so long as the Billing Period is a Month, on or before the 25th day after the end of each Billing Period beginning with the first Billing Period in the first Contract Year, UAMPS shall render to the Participant a billing statement showing the amount payable by the Participant for such Billing Period in respect of: (i) Development Costs, (ii) Operation and Maintenance Costs; (iii) Transmission Costs; (iv) Debt Service Costs; and (v) any other amounts, adjustments or reconciliations payable by or credited to the Participant pursuant to this Contract or the Financing Documents and not otherwise shown. The Participant shall pay the total of such amounts at the time specified in Section 805(a), as the same may be revised from time to time. The billing statement for each Billing Period shall be based, to the fullest extent practicable, upon the actual operation of the Project during such Billing Period. To the extent that any billing statement rendered by UAMPS shall have included any estimated amounts in respect of the Participant's share of Operation and Maintenance Costs, Debt Service Costs or the Transmission Costs or other costs allocable to the Participant, such estimated amounts shall be reconciled at least once during each Contract Year with the actual operation and scheduling of the Project and the Participant shall receive a bill or credit, as applicable, to reflect such reconciliations pursuant to clause (v) of this paragraph.

(c) Debt Service Costs, including any adjustments thereto, shall be determined by UAMPS in accordance with the Financing Documents. Operation and Maintenance Costs, including any adjustments thereto, shall be determined by UAMPS in accordance with the applicable provisions of the Power Sales Contracts and the Project Agreements. UAMPS and the Participant acknowledge and agree that certain categories of costs may be financed as a Cost of Acquisition and Construction (and paid by the Participant as Debt Service Costs or through Capital Contributions) or paid by the Participant as Operation and Maintenance Costs, as determined by the Project Management Committee, but without duplication of any item of cost. Transmission Costs, including any adjustments thereto, shall be determined by UAMPS in accordance with the

applicable provisions of this Contract and the Transmission Agreements. The Participant shall pay all such amounts pursuant to Section 805.

(d) In the event that the failure of a Participant to make its payments in accordance with its Power Sales Contract shall have resulted in the application of amounts in any reserve or working capital funds for the Project, any amounts thereafter paid to UAMPS, including delayed-payment and interest charges, by such defaulting Participant in respect of past due payments (i) shall be used to replenish such fund or (ii) to the extent that the other Participants shall have made up the deficiency created by such application or paid additional amounts into any such funds, shall be credited, pro rata, on the billing statements of such other Participants in the next Billing Period or Billing Periods as shall be appropriate.

Section 805. Participant's Payment Obligations. (a) Payments required to be paid by the Participant to UAMPS shall be due and payable to UAMPS at its principal office or by wire transfer to such account as UAMPS shall designate in writing to the Participant, on the 10th day of the Month following the Month in which the billing statement was rendered or at such other time as may be established by UAMPS pursuant to Section 803.

(b) If payment in full is not made by the Participant on or before the close of business on the due date, UAMPS shall impose a delayed payment charge on the unpaid amount due for each day overdue at a rate equal to the lesser of one percent per month, compounded monthly, or the maximum rate lawfully payable by the Participant; *provided, however*, that UAMPS, acting upon the direction of the Project Management Committee, may elect to waive such delayed payment charge (or portion thereof) but only to the extent that any such waiver will not adversely affect the ability of UAMPS to meet its payment obligations under the Project Agreements or the Financing Documents. If said due date is not a business day, payment shall be made on the next following business day.

(c) The obligation of the Participant to make the payments for Development Costs, Operation and Maintenance Costs, Transmission Costs, Debt Service Costs and other amounts payable by the Participant pursuant to Section 804 is a several obligation and not a joint obligation with those of any other Participant. Prior to the Commercial Operation Date, the obligation of the Participant to make such payments shall constitute a cost of the development of a new power supply resource. From and after the Commercial Operation Date, the obligation of the Participant to make such payments shall constitute an operating expense of the Participant's electric system and a cost of purchased Electric Power and Electric Energy. In all cases, the obligation of the Participant to make the payments required by Section 804 shall be payable solely from the revenues and other legally available funds of its electric system, and in no event shall the Participant be obligated or required to levy or collect ad valorem property taxes or assessments to meet its payment obligations under this Contract. Such payments shall be made whether or not the Project or any portion thereof is acquired, completed, operable, operating, suspended or terminated, and notwithstanding the damage or destruction of the Project, the suspension, interruption, interference, reduction or curtailment of the Project Output, termination of any of the Project Agreements, loss or interruption of transmission from the Point of Delivery or termination of any Transmission Agreement, for any reason whatsoever, in whole or in part. The obligations of the Participant to make such payments shall not be subject to any reduction, whether by offset,

counterclaim, or otherwise, and shall not be conditioned upon the performance by UAMPS under this or any other agreement or instrument.

Section 806. Disputed Billings. In the event of any dispute as to any portion of the billing statement for such Billing Period, the Participant shall nevertheless pay the full amount of the disputed charges when due and shall give written notice of the dispute to UAMPS not later than the 60th day after such billing statement was submitted. Such notice shall identify the disputed billing statement, state the amount in dispute and set forth a full statement of the grounds for such dispute. No adjustment shall be considered or made for disputed charges unless such notice is given by the Participant. UAMPS shall give consideration to such dispute and shall advise the Participant with regard to its position relative thereto within thirty (30) days following receipt of such written notice. Upon final determination (whether by agreement or determination by the Project Management Committee) of the correct amount, any difference between such correct amount and such full amount shall be accounted for in the billing statement next submitted to the Participant after such determination. For the avoidance of doubt, any overpayment or underpayment determined pursuant to Section 807 shall not be considered to be a disputed payment that is subject to this Section.

Section 807. Audit Rights. (a) At its cost, the Participant may, upon the giving of not less than 15 days' prior written notice to UAMPS, but not more often than once during any two-year period, inspect and audit the books and records of UAMPS relating to the Project for the purpose of verifying the amounts payable by the Participant under this Contract within the three-year period preceding the commencement of the audit. UAMPS agrees to make available to the Participant, to the extent Commercially Reasonable, all relevant records and all requested information relating to the subject matter of any such audit, subject in all cases to any confidentiality restrictions applicable to third-party information or contracts; provided that UAMPS shall make Commercially Reasonable Efforts to obtain a waiver of such restrictions for purposes of the audit and the Participant shall execute such non-disclosure agreements as may be reasonably requested by UAMPS. Any audit shall be conducted during normal business hours, and the Participant will use Commercially Reasonable Efforts to complete any audit within one month, subject to the availability of relevant records and information and the absence of material accounting irregularities.

(b) If any audit discloses that an overpayment or underpayment has been made during the three-year period described above, the amount of the overpayment or underpayment will be promptly paid by the appropriate party, together with interest calculated at an annual rate equal to the LIBOR three-month rate published on that date in *The Wall Street Journal* (or, if *The Wall Street Journal* is not published on that date, the next date of publication, or, if such rate is not published in *The Wall Street Journal*, such rate as published in a respected daily financial periodical, or such replacement rate, agreed upon by the parties, acting in a Commercially Reasonable manner), plus 400 basis points, compounded daily and on the basis of a 360-day year, from the date or dates of any such overpayment or underpayment through and including the date of the payment correcting the overpayment or underpayment. Any payment made by UAMPS pursuant to this Section shall constitute an item of Operation and Maintenance Costs.

ARTICLE IX

REPRESENTATIONS, WARRANTIES AND COVENANTS

Section 901. Representations and Warranties. (a) The Participant represents and warrants to UAMPS as follows:

(i) the Participant is a political subdivision, duly created and validly existing under the laws of the State of New Mexico, and has all corporate power and authority necessary to enter into and perform its obligations under this Contract;

(ii) this Contract has been duly authorized, executed and delivered by the Participant and constitutes its legal, valid and binding obligation enforceable in accordance with its terms;

(iii) the execution, delivery and performance by the Participant of this Contract does not and will not (A) conflict with any constitutional, statutory or regulatory provision, judgment, decree or order applicable to the Participant and (B) constitute a breach of or a default under any bond ordinance, resolution or indenture or any contract or agreement to which the Participant is a party or to which any of the property, assets or revenues of its electric system is subject;

(iv) all Required Approvals, if any, have been obtained;

(v) to the Participant's knowledge, there is no pending or threatened action or proceeding affecting the Participant which purports to affect the authorization, legality, validity or enforceability of this Contract, the Joint Action Agreement or the Pooling Agreement; and

(vi) prior to and in connection with its approval and execution of this Contract, the Participant conducted its own review of the descriptions, information and studies regarding the Project, the Project Agreement and this Contract provided by UAMPS and made an independent determination to enter into this Contract.

(b) UAMPS represents and warrants to the Participant as follows:

(i) UAMPS is a political subdivision of the State of Utah and an energy services interlocal entity, duly created and validly existing under the Act and the Joint Action Agreement;

(ii) UAMPS has all corporate power and authority necessary to enter into and perform its obligations under this Contract;

(iii) This Contract has been duly approved by the Project Management Committee and the Board and has been duly authorized, executed and delivered by

UAMPS and constitutes its legal, valid and binding obligation enforceable in accordance with its terms;

(iv) the execution, delivery and performance by UAMPS of this Contract does not and will not (A) conflict with any constitutional, statutory or regulatory provision, judgment, decree or order applicable to UAMPS and (B) constitute a breach of or a default under any bond ordinance, resolution or indenture or any contract or agreement to which UAMPS is a party or to which any of its property, assets or revenues is subject;

(v) to UAMPS' knowledge, there is no pending or threatened action or proceeding affecting UAMPS which purports to affect the authorization, legality, validity or enforceability of this Contract, the Joint Action Agreement or the Pooling Agreement; and

(vi) the descriptions, information and studies regarding the Project, the Project Agreement and this Contract provided to the Participant by UAMPS have been prepared in good faith based upon the facts and information known to UAMPS at the time, and UAMPS has no reason to believe that such descriptions, information and studies taken as a whole are incorrect or misleading in any material respect.

Section 902. Information to Be Made Available. (a) UAMPS shall make available for examination by the Participant at reasonable times (subject to their availability to UAMPS under the applicable provisions of the Project Agreements):

(i) all books of accounts, records, documentation and contracts in the possession of UAMPS relating to the Project;

(ii) copies of all agreements and data in the possession of UAMPS relating to the financing of the Project;

(iii) copies of all operating and financial records and reports relating to the Project in the possession of UAMPS;

(iv) copies of policies of insurance carried pursuant to Section 709; and

(v) such other information and documents with respect to the Project as the Participant may reasonably request from time to time.

To the extent that any of the foregoing items are subject to confidentiality restrictions or include non-public information, UAMPS shall exercise Commercially Reasonable Efforts to obtain a waiver of such restrictions for purposes of the Participant's examination and the Participant shall execute such non-disclosure agreements as may be reasonably requested by UAMPS.

(b) The Participant acknowledges that the ability of UAMPS to issue and sell the Bonds depends upon, among other things, the credit standing of the Participants and their electric systems, and that it will be necessary for UAMPS to provide certain information with respect to the

Participants and their electric systems in connection with the sale of the Bonds (whether or not the Participant is making a Capital Contribution). In addition, UAMPS may be required to enter into continuing disclosure undertakings pursuant to Rule 15c2-12 of the Securities and Exchange Commission (or other law or regulation) to provide annual financial and operating information with respect to the Project and the Participants. The Participant covenants to and agrees with UAMPS that it will provide all information with respect to the Participant and its electric system, including financial and operating information and all contracts, documents, reports, bond resolutions and indentures, as may be requested by UAMPS or its counsel in connection with the financing of the Project, the issuance of the Bonds and compliance with such continuing disclosure undertakings.

(c) The Participant covenants to and agrees with UAMPS that the Participant will furnish to UAMPS (i) concurrently with its execution and delivery of this Contract and not later than 180 days after the end of each fiscal year of the Participant thereafter (or such later date as may be permitted by law), (A) a copy of the most recent annual financial statements of the Participant and its electric enterprise fund, audited by an independent certified public accountant or firm of such accountants, together with copies of all management letters and written recommendations and comments submitted by the accountants making such audit, and (B) the information and documents described in EXHIBIT II attached hereto, and (ii) such other information and documents as UAMPS may reasonably request from time to time.

(d) The Participant may notify UAMPS if non-public information is contained in the materials provided under EXHIBIT II. UAMPS agrees to (i) classify any such non-public information as “protected records” within the meaning of, and to the extent permitted under, the Utah Government Records Access and Management Act and (ii) notify the Participant of any demand for disclosure of such information and will cooperate with the Participant in contesting any such disclosure demand.

(e) Concurrently with its execution and delivery of this Contract, the Participant shall deliver to UAMPS (i) a certificate, together with attached exhibits, in substantially the form attached hereto as EXHIBIT III and (ii) an opinion of counsel in substantially the form attached hereto as EXHIBIT V. In connection with each issuance of Bonds by UAMPS and at such other times as UAMPS may reasonably request, the Participant shall deliver to UAMPS (iii) a bring-down certificate in substantially the form attached hereto as EXHIBIT IV, and (iv) a bring-down opinion of counsel in substantially the form attached hereto as EXHIBIT VI.

Section 903. Covenants and Agreements of the Participant. The Participant covenants to and agrees with UAMPS as follows:

(a) *Maintenance of Rates.* The Participant shall establish, maintain, revise, charge and collect rates for electric service rendered by it to its customers so that such rates shall provide revenues which, together with other funds reasonably estimated to be available, will be sufficient to meet the Participant’s obligations to UAMPS under this Contract, to pay all other operating expenses of the Participant’s electric system and to provide revenues sufficient to pay all obligations of the Participant payable from, or constituting a charge or lien on, the revenues of its

electric system and, to the extent being paid from the revenues of its electric system, all general obligation bonds of the Participant now or hereafter outstanding.

(b) *Maintenance of Revenues.* The Participant shall promptly collect all charges due for electric utility services supplied by it as the same become due. The Participant shall at all times maintain and shall exercise Commercially Reasonable Efforts to enforce its rights against any person, customer or other entity that does not pay such charges when due.

(c) *Sale or Assignment of Electric System or Power Sales Contract.* During the term of this Contract, the Participant shall not assign, sell, lease or otherwise dispose of all or substantially all of its electric system or this Contract, except upon compliance with the provisions of Sections 303 or 304, as applicable.

(d) *Prudent Utility Practice.* The Participant shall, in accordance with Prudent Utility Practice, (i) at all times operate its electric system and the business thereof in an efficient manner, (ii) maintain its electric system in good repair, working order and condition, (iii) from time to time make all necessary and proper repairs, renewals, replacements, additions, betterments and improvements with respect to the electric system, so that at all times the business thereof shall be properly conducted, and (iv) duly perform its obligations under all power supply and transmission service agreements to which it is a party.

(e) *Operating Expenses.* UAMPS and the Participant intend that the payments to be made by the Participant to UAMPS pursuant to this Contract will be payable (i) if and to the extent that any payments are required to be made prior to the Commercial Operation Date, from the revenues and income derived from the operation of the Participant's electric system as a cost of the development of a new long-term power supply resource, (ii) from and after the Commercial Operation Date as a cost of purchased electric power and energy, and (iii) in each case as an operating expense of the Participant's electric system and a first charge, together with all other operating expenses, on the revenues derived from the operation of the Participant's electric system; *provided that* if any amount payable by the Participant under this Contract is prohibited from being paid as an operating expense of the Participant's electric system under applicable law or a binding contractual obligation, such amount shall be payable from the available revenues and income of the Participant's electric system. The Participant covenants to and agrees with UAMPS that it will, unless otherwise required by applicable law or a binding contractual obligation, include the annual payments required to be made by it under this Contract as a cost of purchased electric power and energy as an operating expense in the annual operating budget of its electric system and in any resolution, ordinance or indenture providing for future borrowings for the Participant's electric system.

(f) *Tax Status.*

(i) The Participant agrees that it will apply all of the Electric Energy acquired under this Contract to a Qualified Use and that it will not take or omit to take any action (whether with respect to the Electric Energy or Environmental Attributes acquired under this Contract or otherwise) which could, either alone or in conjunction with any other similar actions by the Participant or other Participants, adversely affect the Tax Status of any Bond or Bonds theretofore issued or thereafter issuable by UAMPS. Upon any breach

of the foregoing covenants, the Participant shall take and pay the costs of all remedial actions as may be directed by UAMPS in order to maintain the Tax Status of the Bonds.

(ii) The Participant represents and warrants that, as of the Effective Date, it has no contracts (and has no current expectation of entering into any contracts) other than Permitted Contracts to provide electric service to any purchaser. At least thirty days prior to entering into any such contract, the Participant shall notify UAMPS of its intent to enter into such contract and provide copies of such contract to UAMPS. Within thirty days after receipt of such notice, UAMPS shall advise the Participant as to whether, in the opinion of Bond Counsel, such contract would result in a violation of the covenant in clause (i) above. The cost of such opinion and other reports necessary in connection therewith shall be borne by the Participant.

(iii) The Participant agrees to provide such information as UAMPS may request and to comply with such additional instructions as may be provided by UAMPS in order to confirm and maintain the Qualified Use of the Electric Energy sold under this Contract and its use of Environmental Attributes in accordance with the provisions of this Section and Section 707.

ARTICLE X

DEFAULT AND REMEDIES

Section 1001. Default by Participant. Each of the following shall constitute a “default” by the Participant under this Contract:

(a) failure of the Participant to make to UAMPS any of the payments for which provision is made in this Contract within five business days after the due date of any such payment; or

(b) failure by the Participant to observe any of the covenants, agreements or obligations on its part contained herein and failure to remedy the same for a period of sixty days after written notice thereof, specifying such failure and requiring the same to be remedied, shall have been given by or on behalf of UAMPS; or

(c) bankruptcy, reorganization, arrangement, insolvency or liquidation proceedings, including proceedings under Title 11, Chapter 9, United States Code or other proceedings for relief under any federal or state bankruptcy law or similar law for the relief of debtors, are instituted by or against the Participant and, if instituted against the Participant, said proceedings are consented to or are not dismissed within thirty (30) days after such institution.

Section 1002. Continuing Obligation of Participant; Right of UAMPS to Discontinue Service. (a) In the event of any default described in Section 1001, the Participant shall not be relieved of its liability for payment of any amounts in default or its failure to observe its covenants, agreements and obligations hereunder and UAMPS shall have the right to recover from the

Participant any amount in default. In enforcement of any such right of recovery, UAMPS may bring any suit, action, or proceeding in law or in equity, including mandamus and action for specific performance, as may be necessary or appropriate to enforce any covenant, agreement or obligation of the Participant hereunder or the obligation of the Participant to make any payment for which provision is made in this Contract.

(b) In addition to proceeding with its rights against a defaulting Participant pursuant to paragraph (a) above, UAMPS may, upon not less than thirty (30) days' written notice from UAMPS to the defaulting Participant, suspend or terminate the Participant's right to receive its Entitlement Share under this Contract. Such notice shall be entitled "NOTICE OF DEFAULT UNDER CARBON FREE POWER PROJECT POWER SALES CONTRACT" and shall: (i) describe the type and amount of payments that are then due and unpaid (in the case of a default under Section 1001(a)) or the nature of such default (in the case of a default under Section 1001(b) or (c)); and (ii) state that the failure to make full and timely payment of all amounts due and payable hereunder, or otherwise to cure such default, within thirty (30) days from the date such notice is received by the defaulting Participant (as determined pursuant to Section 1105) could result in the suspension or termination of its Entitlement Share, in whole or in part. UAMPS shall have no obligation to provide further notice of the default and its consequences to the defaulting Participant. UAMPS shall deliver promptly a copy of each notice delivered pursuant to this paragraph to the nondefaulting Participants.

(c) If the defaulting Participant in good faith disputes the basis for or the validity of the default(s) described in the written notice of UAMPS, including any amounts stated in the notice as being due and unpaid, it shall nevertheless make such payment within said thirty (30)-day period under written protest directed to UAMPS specifying the basis upon which the protest is based. Protested payments shall be treated as a dispute in a monthly billing statement and UAMPS shall consider such dispute as provided in Section 806. All other disputes shall be addressed as provided in Section 1005(b).

(d) In connection with its determination to suspend or terminate a defaulting Participant's Entitlement Share, UAMPS shall take into account, among such other matters as it shall deem relevant, the amounts and due dates of its payment obligations under the Project Agreements and the Financing Documents and the funds and revenues available to UAMPS to enable it to meet its obligations thereunder.

(e) In the event that UAMPS has suspended (but not terminated) a defaulting Participant's right to receive the Electric Energy allocable to its Entitlement Share, such Participant may restore its right to receive such Electric Energy by (i) taking all actions on its part necessary to cure or remedy the default, (ii) paying all amounts necessary to compensate the nondefaulting Participants and UAMPS for fees, costs, expenses and losses incurred by them as a result of such default, and (iii) taking such other action and paying such amounts, including providing such adequate assurances of performance (such as a prepayment or the posting of a security deposit) as may be reasonably required by the Project Management Committee.

(f) The suspension or termination of a defaulting Participant's right to receive its Entitlement Share and any actions taken by UAMPS pursuant to Section 902 shall not terminate,

reduce or modify the defaulting Participant's obligations and liabilities under its Power Sales Contract. The defaulting Participant shall remain liable under all billing statements rendered by UAMPS, whether prior or subsequent to the default, and UAMPS for itself and on behalf of the nondefaulting Participants shall be entitled to recover from the defaulting Participant all damages, legal fees, costs and expenses incurred by UAMPS and the nondefaulting Participants as a result of such default. UAMPS shall exercise Commercially Reasonable Efforts to mitigate the damages resulting from the Participant's default.

Section 1003. Transfer of Entitlement Share Following Default; Other Actions by UAMPS.

(a) UAMPS and the Participant acknowledge that a default by any of the Participants under its Power Sales Contract could reduce the revenues available to UAMPS which are necessary in order for UAMPS to meet its obligations under the Project Agreements and the Financing Documents on a timely basis. In the event of an insufficiency of revenues and an inability of UAMPS to meet timely such obligations, the ability of UAMPS to deliver Electric Energy from the Project and the interests of all of the Participants will be materially and adversely affected. The provisions of this Section are intended to provide a means to assure the sufficiency of revenues to UAMPS following a default by a Participant under its Power Sales Contract. The Participants agree that the provisions of this Section are reasonable and necessary in order for them to achieve the benefits of their joint and cooperative undertaking with respect to the Project.

(b) In the event of a default by any Participant and suspension or termination of the Participant's right to receive its Entitlement Share pursuant to Section 1002, but only if the Project has not been terminated, UAMPS and the nondefaulting Participants shall take the following actions in the order set forth below:

(i) UAMPS shall immediately allocate all of the defaulting Participant's Entitlement Share among all of the nondefaulting Participants, pro rata on the basis of their then-current Entitlement Shares, which shall remain in effect only until the completion of the procedures provided for in this paragraph (b). UAMPS shall provide written notice to the nondefaulting Participants of the initial allocation of the defaulting Participant's Entitlement Share which notice shall (A) set forth the date of the initial allocation, (B) include a revised SCHEDULE I showing the increased Entitlement Shares and (to the extent applicable) the revised Capital Contribution Percentages, Debt Service Percentages and Debt Service Shares of the nondefaulting Participants as a result of such allocation, (C) direct each of the nondefaulting Participants to make an election pursuant to subparagraph (2) below, and (D) set forth the date by which each of the nondefaulting Participants must notify UAMPS of such election. The initial allocation of the defaulting Participant's Entitlement Share and the increased Entitlement Shares and the revised Capital Contribution Percentages, Debt Service Percentages and Debt Service Shares of the nondefaulting Participants as a result of such allocation (as shown on the revised SCHEDULE I prepared by UAMPS) shall remain in effect until the completion of the procedures provided for in this paragraph (b). During such period, each of the nondefaulting Participants shall have all of the rights, benefits, obligations and responsibilities associated with its increased Entitlement Share and its revised Capital Contribution Percentage, Debt Service Percentage and Debt Service Share as a result of such allocation.

(ii) Within sixty days after the initial allocation of the defaulting Participant's Entitlement Share, each nondefaulting Participant shall notify UAMPS in writing of its election to: (A) retain all of its initial allocation of the defaulting Participant's Entitlement Share; or (B) retain none or less than all of such allocation. Any Participant that elects to retain all of its initial allocation of the defaulting Participant's Entitlement Share shall be deemed to have fully satisfied its step-up obligations under this Section and shall not thereafter be required to accept any additional allocation of the defaulting Participant's Entitlement Share; *provided* that any such nondefaulting Participant may give notice to UAMPS of its request to acquire additional amounts of the defaulting Participant's Entitlement Share as may be available.

(iii) Within thirty (30) days after its receipt of the elections of all nondefaulting Participants pursuant to subparagraph (ii), UAMPS shall determine whether the nondefaulting Participants have elected to retain all of the defaulting Participant's Entitlement Share. In the event that one or more of the nondefaulting Participants elected to retain less than all of the initial allocations of the defaulting Participant's Entitlement Share, UAMPS shall reallocate the remaining amounts of the defaulting Participant's Entitlement Share proportionally among those nondefaulting Participants that have requested additional amounts of the defaulting Participant's Entitlement Share. To the extent that any part of the defaulting Participant's Entitlement Share is then unallocated, UAMPS shall next reallocate the remaining portion of the defaulting Participant's Entitlement Share proportionally among those Participants that did not elect to retain all of their initial allocations of such Entitlement Share. Proportional reallocations shall be based upon the Entitlement Shares of the nondefaulting Participants in effect immediately prior to the defaulting Participant's default.

(iv) In no event shall the final allocation of a defaulting Participant's Entitlement Share pursuant to subparagraph (iii) (or the total of all such allocations in the event of multiple Participant defaults) cause any nondefaulting Participant's Entitlement Share to increase by more than 25% over its "Adjusted Entitlement Share" without such Participant's consent. The "Adjusted Entitlement Share" is the Participant's Entitlement Share shown on SCHEDULE I on and as of the Effective Date, as such Entitlement Share may have previously been increased upon an assignment to the Participant pursuant to Section 303.

(v) Each allocation or reallocation of a defaulting Participant's Entitlement Share shall also allocate or reallocate the defaulting Participant's Capital Contribution Percentage and Debt Service Percentage to the nondefaulting Participants receiving such allocation or reallocation. The Capital Contribution Percentage and the Debt Service Percentage of the defaulting Participant shall be allocated to each of such nondefaulting Participants proportionally based upon the respective amounts of the defaulting Participant's Entitlement Share that are allocated or reallocated to them. The standards set forth in Section 603(e) shall apply to the foregoing computations.

(vi) UAMPS shall deliver, promptly after making the determinations and reallocations required by this paragraph (b), a notice to the nondefaulting Participants

which notice shall (A) set forth the final allocation of the defaulting Participant's Entitlement Share pursuant to subparagraph (iii), and the effective date of the final allocation, and (B) include a revised SCHEDULE I showing the revised Entitlement Shares, Capital Contribution Percentages, Debt Service Percentages and Debt Service Shares, respectively, of the nondefaulting Participants upon the final allocation pursuant to subparagraph (iii). The Entitlement Shares, Capital Contribution Percentages, Debt Service Percentages and Debt Service Shares shown on such revised SCHEDULE I shall thereafter be the Entitlement Shares, Capital Contribution Percentages, Debt Service Percentages and Debt Service Shares of the nondefaulting Participants.

(vii) Any portion of the Entitlement Share of a defaulting Participant allocated or reallocated to a nondefaulting Participant pursuant to this paragraph (b) shall become a part of and shall be added to the Entitlement Share of the nondefaulting Participant, and from and after the date of such transfer the nondefaulting Participant shall be obligated to pay for its increased Entitlement Share pursuant to the terms and provisions of this Contract. The defaulting Participant shall remain liable to UAMPS and the nondefaulting Participants for costs incurred and damages suffered by them in connection with the actions taken with respect to the defaulting Participant's Entitlement Share provided for in this Section.

(c) If, as a result of the limitation stated in subparagraph (b)(iv) above, any portion of a defaulting Participant's Entitlement Share remains unallocated or upon the request of any nondefaulting Participant, UAMPS shall use Commercially Reasonable Efforts to sell or dispose of the unallocated or designated Entitlement Share or the associated Project Capability and Environmental Attributes. In the event that UAMPS, based upon the advice of Bond Counsel, determines that any such sale or disposition could adversely affect the Tax Status of any Bonds, UAMPS will, in a Commercially Reasonable manner, take such remedial actions as may be designated by Bond Counsel in order to maintain the Tax Status of such Bonds. The defaulting Participant shall be liable for the costs, fees and expenses incurred by UAMPS in connection with any such sale, disposition or remedial action.

(d) In connection with any action taken by it pursuant to this Section, UAMPS shall take into account the proceeds received or to be received from such sale or disposition and shall, to the extent necessary, but subject to the limitation stated in paragraph (b)(iv) above, make adjustments to the Entitlement Share, Capital Contribution Percentage, Debt Service Percentage and Debt Service Share of each of the nondefaulting Participants to reflect such sale or disposition and to ensure the receipt of revenues sufficient to enable UAMPS to meet its obligations under the Project Agreements and the Financing Documents. The Participant acknowledges that such adjustments may, under certain circumstances, result in a change in the Participant's share of Operation and Maintenance Costs and Debt Service Costs without a corresponding change in the Participant's Entitlement Share. Upon the completion of the procedures provided for in this Section, UAMPS shall prepare and send to each of the Participants a final revised SCHEDULE I, setting forth the Entitlement Shares, the Capital Contribution Percentages, Debt Service Percentages and Debt Service Shares, respectively, of the nondefaulting Participants reflecting the procedures and actions taken pursuant to this Section.

Section 1004. Other Default by Participant. In the event of a failure of the Participant to observe, keep and perform any of the covenants, agreements or obligations on its part contained in this Contract, UAMPS may, in addition to its other rights hereunder, bring any suit, action, or proceeding in law or in equity, including mandamus, injunction and action for specific performance, as may be necessary or appropriate to enforce any covenant, agreement or obligation of this Contract against the Participant.

Section 1005. Default by UAMPS; Dispute Resolution. (a) In the event of any default by UAMPS under any covenant, agreement or obligation of this Contract, the Participant's sole remedy for such default shall be limited to mandamus, injunction, action for specific performance or any other available equitable remedy as may be necessary or appropriate and in no event shall the Participant withhold or offset any payment owed to UAMPS hereunder.

(b) Prior to and as a condition to the filing of any action with respect to this Contract under paragraph (a) above, the Participant shall first submit the dispute or matter in question to the Project Management Committee for mediation by giving notice in writing to UAMPS and the Chair of the Project Management Committee describing the dispute or matter and the issue or issues to be resolved. The Participant agrees to participate fully and in good faith in all mediation proceedings of the Project Management Committee. In the event that the Project Management Committee is unable to resolve or mediate such dispute or matter within 120 days after UAMPS has received written notice of the dispute, the Participant shall have the right to initiate such proceedings as it may deem necessary pursuant to paragraph (a).

Section 1006. Abandonment of Remedy. In case any proceeding taken on account of any default shall have been discontinued or abandoned for any reason, the parties to such proceedings shall be restored to their former positions and rights hereunder, respectively, and all rights, remedies, powers and duties of UAMPS and the Participant shall continue as though no such proceedings had been taken.

Section 1007. Waiver of Default. Any waiver at any time by either UAMPS or the Participant of its rights with respect to any default of the other party hereto, or with respect to any other matter arising in connection with this Contract, shall not be a waiver with respect to any subsequent default, right or matter.

ARTICLE XI

GENERAL PROVISIONS

Section 1101. Relationship to and Compliance with Other Instruments. (a) It is recognized by the parties hereto that UAMPS, in undertaking, or causing to be undertaken, the planning, financing, construction, acquisition, operation and maintenance of the Project, must comply with the requirements of the Financing Documents, the Project Agreements and all Permits and Approvals necessary therefor, and it is therefore agreed that this Contract is made subject to the terms and provisions of the Financing Documents, the Project Agreements and all such Permits and Approvals.

(b) The Participant acknowledges that (i) UAMPS' rights under the Project Agreements are limited to those specifically set forth therein, and (ii) upon any default or performance failure by the other parties to such Project Agreements, UAMPS' remedies will be limited to those set forth in the applicable Project Agreements. The Participant understands and agrees that, this Contract and UAMPS obligations under it are subject to the terms and requirements of the Project Agreements, the Financing Documents and the Permits and Approvals for the Project.

(c) UAMPS covenants and agrees that it will use Commercially Reasonable Efforts for the benefit of the Participant to comply in all material respects with all terms, conditions and covenants applicable to it contained in the Financing Documents, the Project Agreements and all Permits and Approvals, and that it will not, without the consent of the Participant, enter into any amendment or modification of the Financing Documents or the Project Agreements which will change the Participant's Entitlement Share or which will materially and adversely affect the rights and obligations of the Participant hereunder. To the extent that the Power Sales Contracts provide that UAMPS, the Board or the Project Management Committee has discretion over a particular matter, UAMPS (acting upon the recommendation of the Project Management Committee and the approval of the Board) may agree in the Financing Documents or the Project Agreements to limitations, conditions or restrictions on such discretion.

Section 1102. Liability of Parties. UAMPS and the Participant shall assume full responsibility and liability for the maintenance and operation of their respective properties and each shall, to the extent permitted by law, indemnify and save harmless the other from all liability and expense on account of any and all damages, claims, or actions, including injury to or death of persons arising from any act or accident in connection with the installation, presence, maintenance and operation of the property and equipment of the indemnifying party and not caused in whole or in part by the negligence of the other party; *provided* that (i) any liability of the Participant shall be payable only from insurance coverage and the available income and revenues of its electric system, and (ii) any liability which is incurred by UAMPS through the acquisition, construction, operation and maintenance of the Project or pursuant to the Project Agreements and not covered, or not covered sufficiently, by insurance shall be paid solely from the revenues of UAMPS hereunder, and any payments made by UAMPS to satisfy such liability shall, except to the extent paid from proceeds of Bonds or Capital Contributions, become part of Operation and Maintenance Costs.

Section 1103. Assignment. (a) This Contract shall inure to the benefit of and shall be binding upon the respective successors and assigns of the parties to this Contract; *provided, however*, that neither this Contract nor any interest herein shall be transferred or assigned by either party hereto except as follows:

(i) UAMPS may assign its interests under this Contract or all or any portion of the amounts payable by the Participant hereunder pursuant to the Financing Documents as described in paragraph (b) below;

(ii) UAMPS may sell, transfer or reallocate all or any portion of the Participant's Entitlement Share following a default by the Participant and a discontinuance of service as provided in Section 1002;

(iii) after such point in time as all Bonds issued under the Financing Documents have been paid or deemed to have been paid as provided in the Financing Documents, UAMPS may, upon the approval of the Project Management Committee, assign this Contract and pledge the amounts payable by the Participant hereunder;

(iv) the Participant shall assign the Electric Energy allocable to the Participant's Entitlement Share to the UAMPS Pool as provided in Section 702(b); and

(v) the Participant may assign or transfer all or any portion of its Entitlement Share or its interests under this Contract only as provided in Sections 303 or 304, as applicable.

(b) The Participant acknowledges and agrees that UAMPS may assign and pledge to the Trustee designated in the Financing Documents all or any portion of its right, title, and interest in and to the payments to be made to UAMPS under the provisions of this Contract, as security for the payment of the principal (including sinking fund installments) of, premium, if any, and interest on Bonds and, upon such assignment and pledge, UAMPS may grant to the Trustee any rights and remedies herein provided to UAMPS, and thereupon any reference herein to UAMPS shall be deemed, with the necessary changes in detail, to include the Trustee which on behalf of and together with the owners from time to time of the Bonds shall be third party beneficiaries of the covenants and agreements of the Participant herein contained.

(c) The Participant acknowledges and agrees that it may not pledge, assign, encumber or transfer its interests under this Contract to secure any financing undertaken by or for it to fund any Capital Contribution to UAMPS.

Section 1104. Amendments. (a) This Contract shall not be amended, modified, or otherwise altered in any manner that will adversely affect the security for the Bonds afforded by the provisions of this Contract. So long as any of the Bonds are outstanding or until adequate provisions for the payment thereof have been made in accordance with the provisions of the Financing Documents, this Contract shall not be amended, modified, or otherwise altered in any manner which will reduce the payments pledged as security for the Bonds or extend the time of such payments provided herein or which will in any manner impair or adversely affect the rights of the owners from time to time of the Bonds. For the avoidance of doubt, any actions taken by UAMPS or the Participant under or pursuant to this Contract that are required or permitted by this Contract shall not be deemed to constitute an amendment, modification or alteration of this Contract within the meaning of this paragraph.

(b) No Power Sales Contract entered into between UAMPS and another Participant may be amended so as to provide terms and conditions that are substantially and materially different from those contained in this Contract except upon written notice to and written consent or waiver by each of the other Participants, and upon similar amendment being made to the Power Sales Contracts of any other Participants requesting such amendment after receipt by such Participants of notice of such amendment. No amendment to this Contract shall become effective until all Required Approvals have been obtained by or on behalf of the Participant.

(d) In connection with any revision or amendment of the billing procedures provided for in Section 803, Section 804 or of any of the Exhibits attached hereto, UAMPS shall promptly provide a copy of the revision or amendment to the Participant.

Section 1105. Notices and Computation of Time. (a) All notices, demands or other communications made pursuant to this Contract (each, a “Notice”) may be sent by facsimile, electronic mail, other mutually acceptable electronic means, a nationally recognized overnight courier service, first class mail or hand delivery. Notice shall be deemed given when received by the addressee, unless received on a day that is not a business day or received after 5:00 p.m. (receiving party’s local time) on a business day, in which case Notice shall be deemed to have been received on the next following business day. In the absence of proof of the actual receipt date, the following presumptions will apply: (i) Notice sent by facsimile or electronic mail shall be deemed to have been received upon the sending party’s receipt of electronic confirmation of successful transmission; (ii) Notice sent by overnight mail or courier shall be deemed to have been received on the next business day after it was sent or such earlier time as is confirmed by the receiving party; and (iii) Notice sent by first class mail shall be deemed to have been received five business days after mailing.

(b) All Notices shall be sent by UAMPS to the business address, facsimile address or e-mail address of the Participant’s Representative. All Notices shall be sent by the Participant to the business address, facsimile address or designated e-mail address of UAMPS. Either party may change its Notice address(es) by Notice to the other party.

Section 1106. Relationship of UAMPS and the Participant; Relationship Among Participants. (a) This Contract is not intended to create, nor shall it be deemed to create, any relationship between UAMPS and the Participant other than that of independent parties contracting with one another for the purpose of effectuating the provisions of this Contract.

(b) The covenants, obligations, liabilities, rights and benefits of the Participant under this Contract are individual and not joint and several, or collective, with those of any other Participant. Other than giving effect to the joint and cooperative action of UAMPS on behalf of the Participants, the Power Sales Contracts shall not be construed to create an association, joint venture, trust or partnership, or to impose a trust or partnership covenant, obligation or liability on, between or among the Participant and any one or more of the Participants. No Participant shall be or be deemed to be under the control of, nor shall any Participant control or be deemed to control, any or all of the other Participants or the Participants as a group. No Participant shall be bound by the actions of any other Participant, nor shall any Participant be deemed to be the agent of any other Participant or have the right to bind any other Participant.

Section 1107. No Recourse Against Officers, Etc. of UAMPS or Participant. No member of the governing body, nor any officer or employee of UAMPS or the Participant shall be individually or personally liable for any payment under this Contract or be subject to any personal liability or accountability by reason of the execution of this Contract; *provided, however*, that this Section shall not relieve any officer or employee of UAMPS or the Participant from the performance of any official duty imposed by law.

Section 1108. Contract Beneficiaries. This Contract is entered for the benefit of and as the binding agreement of UAMPS and the Participant. The Trustee and the owners of the Bonds are the only third-party beneficiaries of this Contract, as and to the extent provided in the Financing Documents.

Section 1109. Governing Law; Jurisdiction and Venue. (a) This Contract is made under and shall be governed by the law of the State of Utah; *provided, however*, that if the Participant is organized or created pursuant to the laws of another state, then the authority of the Participant to execute and perform its obligations under this Contract shall be determined under the laws of such state.

(b) All judicial proceedings brought against either party arising out of or relating hereto shall be brought exclusively in the courts of the State of Utah or of the United States of America for the District of Utah. By executing and delivering this Contract, each party, for itself and in connection with its properties, irrevocably accepts generally and unconditionally the nonexclusive jurisdiction and venue of such courts; waives any defense of *forum non conveniens*; agrees that service of all process in any such proceeding in any such court may be made by registered or certified mail, return receipt requested, to the party at its address provided in accordance with Section 1105; and agrees that service as provided above is sufficient to confer personal jurisdiction over the party in any such proceeding in any such court, and otherwise constitutes effective and binding service in every respect.

Section 1110. Severability; No Merger. (a) If any section, paragraph, clause or provision of this Contract shall be finally adjudicated by a court of competent jurisdiction to be invalid, the remainder of this Contract shall remain in full force and effect as though such section, paragraph, clause or provision or any part thereof so adjudicated to be invalid had not been included herein.

(b) This Contract constitutes the entire and complete agreement of UAMPS and the Participant in respect of the Project and shall not be nor shall it be deemed to be modified, amended or superseded by any other agreement or contract between UAMPS and the Participant in respect of any other project or subject.

(Signature pages follow.)

IN WITNESS WHEREOF, the parties hereto have caused this Contract to be executed by their proper officers respectively, being thereunto duly authorized, and their respective corporate seals to be hereto affixed, as of the day, month and year first above written.

INCORPORATED COUNTY OF LOS ALAMOS, NEW
MEXICO

By: _____
Its County Manager

[SEAL]

ATTEST AND COUNTERSIGN

By: _____
Title: County Clerk

Date of Execution and
Delivery: _____

Approved as to proper form and
compliance with applicable law:

By: _____
Attorney for Participant

UTAH ASSOCIATED MUNICIPAL POWER SYSTEMS

By: _____
Chairman

[SEAL]

ATTEST AND COUNTERSIGN

By: _____
Secretary

Date of Execution and
Delivery: _____

Approved as to proper form and
compliance with applicable law:

By: _____
Attorney for UAMPS

**SCHEDULE OF PARTICIPANTS, ENTITLEMENT SHARES,
CAPITAL CONTRIBUTION PERCENTAGES, DEBT SERVICE PERCENTAGES
AND DEBT SERVICE SHARES**

SI-1
301

EXHIBIT I

DESCRIPTION OF THE INITIAL FACILITIES

The following is a preliminary and summary description of the Initial Facilities. This description is subject to change based upon selection of the Contractor, the negotiation of the final terms of the Construction Contracts and the construction of the Initial Facilities. The final description of the Initial Facilities will be approved by the Project Management Committee after the Project achieves commercial operation.

PARTICIPANT _____
FISCAL YEAR _____

EXHIBIT II

FORM OF PARTICIPANT'S ANNUAL INFORMATION REPORT*

SYSTEM DESCRIPTION

Incorporated area of municipality _____ square miles.

Service area of utility _____ square miles.

Transmission and distribution lines _____ miles.

Number of employees in electrical department _____. (Include sum of shared employees' time in other city offices to determine equivalent full-time employees.)

Number of customers served outside the city limits _____.

Service area outside of the city limits _____ square miles.

NUMBER OF ELECTRICAL CUSTOMERS AND TYPE OF LOAD SERVED

TYPE OF CUSTOMER	NUMBER OF CUSTOMERS
Residential	
Commercial	
Industrial	
Agricultural and Pumping	
Military and Other	
Total	

Annual audit will be sent to UAMPS as soon as completed after the fiscal year.

Electric Rate Schedules for the above classes of service are attached hereto.

* Under Section 902(d) of the Power Sales Contract, UAMPS has agreed to classify certain of the information provided by the Participant on this Exhibit II as a "protected record", pursuant to the Participant's request. The Participant must also take any actions necessary on its part to appropriately classify and protect such information provided in this Exhibit.

Customer Sales by Class

Total sales to your customers _____ kWh.

Revenues from energy sales to your customers in \$ _____.

	KWH SALES	REVENUES \$
Residential		
Commercial		
Industrial		
Agricultural		
Other		
Total		

**GENERATION
PRODUCED FOR SYSTEM LOAD**

	GENERATING UNIT PRODUCTION							
	#1		#2		#3		#4	
	kW	kWh	kW	kWh	kW	kWh	kW	kWh
July								
August								
September								
October								
November								
December								
January								
February								
March								
April								
May								
June								
TOTAL								

**SYSTEM PEAK INCLUDING LOAD
COVERED BY OWN GENERATION**

	kW		kW
July		January	
August		February	
September		March	
October		April	
November		May	
December		June	

FIVE LARGEST LOADS

	TYPE OF BUSINESS	KWH SOLD	ANNUAL ELECTRICAL BILLINGS
1.	_____	_____	_____
2.	_____	_____	_____
3.	_____	_____	_____
4.	_____	_____	_____
5.	_____	_____	_____

ACHIEVEMENTS

Provide below the achievements of your utility for the year.

EXHIBIT III

FORM OF CERTIFICATE OF PARTICIPANT

STATE OF _____)
)
COUNTY OF _____)

The undersigned hereby certify that they are the [Executive Officer] and [Clerk/Recorder/Secretary] of _____ (the “*Participant*”), a member of Utah Associated Municipal Power Systems (“*UAMPS*”), and that as such they are authorized to execute this Certificate on behalf of the Participant and hereby certify as follows:

1. This Certificate has been executed pursuant to Section 902(e) of the Carbon Free Power Project Power Sales Contract, dated as of April 1, 2018 (the “*Power Sales Contract*”), between the Participant and UAMPS, in connection with the execution and delivery of the Power Sales Contract. Capitalized terms used and not otherwise defined herein have the meanings assigned to them in the Power Sales Contract.

2. The Participant is a _____, duly created and validly existing under the laws of the State of _____, and is governed by a _____ (the “*Governing Body*”) composed of «number» members.

3. Attached hereto as *Exhibit A* is a true, complete and correct copy of a resolution authorizing the execution and delivery of the Power Sales Contract and related matters (the “*Contract Resolution*”). The Contract Resolution was duly adopted by a majority of the Governing Body present and voting at a [regular/special] public meeting of the Governing Body held on _____, at which a quorum was present and acted throughout, all in accordance with law and applicable procedural rules of the Governing Body. The Contract Resolution is in full force and effect and has not been amended, modified, repealed or supplemented.

4. The names of the [Executive Officer] and the [Secretary/Clerk/Recorder] authorized to execute and deliver the Power Sales Contract on behalf of the Participant are as follows:

NAME	OFFICE
«officer»	«office»
«officer»	«office»

5. The _____, meeting of the Governing Body in connection with the authorization of the Power Sales Contract was open to the public at all times and was duly called, noticed and held in conformity with applicable laws of the State and procedural rules of the Governing Body.

6. (a) No petition was filed with the Participant or any of its officers seeking to refer the Contract Resolution to the electors of the Participant in accordance with the provisions of state law; and (b) no litigation has been instituted, is pending or has been threatened to require a referendum election on the Contract Resolution.

7. The Participant owns and operates an electric utility system (the “System”) that distributes and furnishes electric energy to consumers located within the established service area of the System.

8. The Participant has previously executed the Utah Associated Municipal Power Systems Amended and Restated Agreement for Joint and Cooperative Action dated as of March 20, 2009 and all amendments thereof and supplements thereto (the “Joint Action Agreement”) and that certain Power Pooling Agreement (the “Pooling Agreement”) between the Participant and UAMPS relating to the power pool administered by UAMPS. The Joint Action Agreement and the Pooling Agreement are each in full force and effect and constitute the legal, valid and binding agreements of the Participant.

9. «Rep» has been duly appointed by the Governing Body as the Participant’s representative to UAMPS.

10. The representations and warranties of the Participant in Section 901(a) of the Power Sales Contract are true and correct on and as of the date of this certificate.

11. The Participant will use all of the electric energy from its Entitlement Share in a Qualified Use (as defined in the Power Sales Contract).

12. The information provided by the Participant to UAMPS pursuant to Section 902(b) and (c) of the Power Sales Contract and attached as EXHIBIT II thereto with respect to the Participant and the System is true, correct and complete. The Participant has duly authorized UAMPS to use such information in connection with the preparation of an official statement of UAMPS with respect to the bonds to be issued to provide financing for the costs of acquisition and construction of the Project and to provide such information to interested parties.

Dated: _____.

[PARTICIPANT]

By _____
[Executive Officer]

By _____
[Clerk/Recorder/Secretary]

[Seal]

EXHIBIT A

[Form of Contract Resolution]

RESOLUTION NO. _____

A RESOLUTION AUTHORIZING AND APPROVING THE CARBON FREE POWER PROJECT POWER SALES CONTRACT WITH UTAH ASSOCIATED MUNICIPAL POWER SYSTEMS; THE INITIAL BUDGET AND PLAN OF FINANCE FOR THE PROJECT; AND RELATED MATTERS.

***** ***** *****

WHEREAS, _____ (the “Participant”) is a member of Utah Associated Municipal Power Systems (“UAMPS”) pursuant to the provisions of the Utah Associated Municipal Power Systems Amended and Restated Agreement for Joint and Cooperative Action, as amended (the “Joint Action Agreement”);

WHEREAS, one of the purposes of UAMPS under the Joint Action Agreement is the acquisition and construction of electric generating, transmission and related facilities in order to secure reliable, economic sources of electric power and energy for its members;

WHEREAS, UAMPS proposes to acquire and construct a nuclear generating facility plant known as the Carbon Free Power Project (the “Project”) to be located at a site within the Idaho National Laboratory near the City of Idaho Falls, Idaho;

WHEREAS, the Governing Body has reviewed (or caused to be reviewed on its behalf) certain descriptions and summaries of the Project, the Power Sales Contract and the Project Agreements (“Project Agreements” and other capitalized terms used and not defined herein shall have the meanings assigned to them in the Power Sales Contract), and representatives of the Participant have participated in discussions and conferences with UAMPS and others regarding the Project and have received from UAMPS all requested information and materials necessary for the decision of the Governing Body to authorize and approve the Power Sales Contract;

WHEREAS, the Participant acknowledges that the obligation of the Participant to make the payments provided for in the Power Sales Contract will be a special obligation of the Participant and an operating expense of the Participant’s electric system, payable from the revenues and other available funds of the electric system, and that the Participant shall be unconditionally obligated to make the payments required under the Power Sales Contract whether or not the Project or any portion thereof is acquired, constructed, completed, operable or operating and notwithstanding the suspension, interruption, interference, reduction or curtailment of the output thereof for any reason whatsoever;

WHEREAS, the Governing Body has reviewed (or caused to be reviewed on its behalf) the initial Budget and Plan of Finance for the Project prepared by UAMPS setting forth, among other

things, preliminary estimates of the Development Costs, Cost of Acquisition and Construction, the estimated timeline for the development and construction of the Project, the estimated target price range for Project output, and now desires to approve the initial Budget and Plan of Finance; and

WHEREAS, the Participant now desires to authorize and approve the Power Sales Contract;

NOW, THEREFORE, BE IT RESOLVED by the Governing Body of _____, as follows:

Section 1. Approval of Power Sales Contract and Budget and Plan of Finance; Entitlement Share. (a) The Power Sales Contract, in substantially the form attached hereto as *Annex A*, is hereby authorized and approved, and the [Executive Officer] is hereby authorized, empowered and directed to execute and deliver the Power Sales Contract on behalf of the Participant, and the [Clerk/Recorder/Secretary] is hereby authorized, empowered and directed to attest and countersign such execution and to affix the corporate seal of the Participant to the Power Sales Contract, with such changes to the Power Sales Contract from the form attached hereto as *Annex A* as shall be necessary to conform to the Participant's legal status, to complete the form of the Power Sales Contract or to correct any minor irregularities or ambiguities therein and as are approved by the [Executive Officer], his execution thereof to constitute conclusive evidence of such approval.

(b) The initial Budget and Plan of Finance attached hereto as *Annex B* is hereby approved.

(c) An Entitlement Share representing up to _____ kW of capacity, as such capacity amount may be rounded upon the approval of the Project Management Committee and the Participant's Representative pursuant to the Power Sales Contract to provide a whole number of small modular reactors is hereby authorized and approved.

Section 2. Participant's Representative. (a) The appointment of _____ as the Participant's Representative to UAMPS and of _____ and _____ as alternate Representatives is hereby confirmed.

(b) Such Representative (or, in his or her absence, such alternate(s)) is hereby delegated full authority to (i) approve any appendix to the Pooling Agreement between UAMPS and the Participant that may be necessary or desirable in connection with the utilization of the Participant's Entitlement Share, and (ii) act on all matters that may come before the Project Management Committee established by the Power Sales Contract, and shall be responsible for reporting regularly to the Governing Body regarding the activities of the Project Management Committee; *provided that* the Representative shall not deliver a Notice of Withdrawal or a Notice of Reduction under the Power Sales Contract without prior consultation with, and prior approval from, the Governing Body.

Section 3. Compliance with Tax Covenants. The Participant agrees in the Power Sales Contract that it will apply all of the electric power and energy acquired under the Power Sales Contract to a Qualified Use and that it will not take or omit to take any action which could adversely affect the Tax Status of any Bond or Bonds theretofore issued or thereafter issuable by UAMPS. In furtherance of that agreement, the Governing Body of the Participant hereby agrees

that it will observe and comply with such instructions as may be provided from time to time by UAMPS with respect to the Qualified Use of the electric power and energy acquired under the Power Sales Contract.

Section 4. Further Authority. (a) The [Executive Officer] and the [Clerk/Recorder/Secretary] are hereby authorized, empowered and directed to (i) execute the Certificate of the Participant in substantially the form attached as *Exhibit III* to the Power Sales Contract and to deliver the same to UAMPS, and (ii) from time thereafter and upon the request of UAMPS, execute the Bring-Down Certificate of the Participant in substantially the form attached as *Exhibit IV* to the Power Sales Contract and to deliver the same to UAMPS.

(b) The Participant's legal counsel is hereby authorized, empowered and directed to (i) execute the Opinion of Counsel to the Participant in substantially the form attached as *Exhibit V* to the Power Sales Contract and to deliver the same to UAMPS, and (ii) from time thereafter and upon the request of UAMPS, execute the Bring-Down Opinion of Counsel to the Participant in substantially the form attached as *Exhibit VI* to the Power Sales Contract and to deliver the same to UAMPS.

Section 5. Miscellaneous; Effective Date. (a) This resolution shall be and remain irrevocable until the expiration or termination of the Power Sales Contract in accordance with its terms.

(b) All previous acts and resolutions in conflict with this resolution or any part hereof are hereby repealed to the extent of such conflict.

(c) In case any provision in this resolution shall be invalid, illegal or unenforceable, the validity, legality and enforceability of the remaining provisions shall not in any way be affected or impaired thereby.

(d) This resolution shall take effect immediately upon its adoption and approval.

ADOPTED AND APPROVED this __ day of _____, _____.

[PARTICIPANT]

By _____

ATTEST:

[Secretary/Clerk/Recorder]

[SEAL]

ANNEX A

[Attach Power Sales Contract]

ANNEX B

[Attach Budget and Plan of Finance]

EXHIBIT IV

FORM OF BRING DOWN CERTIFICATE OF THE PARTICIPANT

STATE OF _____)
)
COUNTY OF «COUNTY»)

The undersigned hereby certify that they are the [Executive Officer] and [Clerk/Recorder/Secretary] of _____ (the “*Participant*”), a member of Utah Associated Municipal Power Systems (“*UAMPS*”), and that as such they are authorized to execute this Certificate on behalf of the Participant and hereby certify as follows:

1. This certificate has been executed in connection with the issuance by UAMPS of its Carbon Free Power Project Revenue Bonds, _____ Series _____ (the “*Bonds*”), as more fully described in the Official Statement of UAMPS dated _____ (the “*Official Statement*”) prepared in connection with the offering and sale of the Bonds.

2. Pursuant to Section 902(e) of the Carbon Free Power Project Power Sales Contract, dated as of _____, between the Participant and UAMPS, in connection with the execution and delivery of the Carbon Free Power Project, the undersigned executed and delivered a certificate dated _____ (the “*Original Certificate*”). The undersigned hereby reaffirm the statements made in the Original Certificate on and as of the date hereof. Capitalized terms used and not otherwise defined herein have the meanings assigned to them in the Original Certificate.

[3. The undersigned have reviewed the statements and information relating to the Participant and its electric system contained in APPENDIX A to the Preliminary Official Statement and the Official Statement under the caption, “THE MAJOR PARTICIPANTS”, and such statements and information, as of the respective dates of the Preliminary Official Statement and the Official Statement and as of the date hereof, (a) were and are true and correct in all material respects and fairly and accurately present the financial and operating position of the System for the periods and as of the dates presented and (b) did not and do not omit to state a material fact necessary in order to make such statements not misleading. Since the dates of the Preliminary Official Statement and the Official Statement, there has been no change in the business, financial position, results of operations or condition of the Participant or the System that would (x) materially affect the accuracy and completeness of such statements and information or (y) materially and adversely affect the ability of the Participant to meet its obligations under the Power Sales Contract.]

Dated this _____ day of _____.

[PARTICIPANT]

By _____
Its _____

[SEAL]

EXHIBIT V

FORM OF OPINION OF COUNSEL TO THE PARTICIPANT

Utah Associated Municipal Power Systems
[Address]

Ladies and Gentlemen:

I have acted as counsel to _____ (the “*Participant*”) in connection with the Carbon Free Power Project Power Sales Contract, dated as of April 1, 2018 (the “*Power Sales Contract*”), between the Participant and Utah Associated Municipal Power Systems (“*UAMPS*”). Pursuant to the Power Sales Contract, UAMPS has undertaken the Project and has sold all of Electric Power and Electric Energy and Environmental Attributes (if any) of the Project to the Participant and others that have executed Power Sales Contracts with UAMPS.

This opinion is being delivered to you pursuant to Section 902(e) of the Power Sales Contract in connection with the execution and delivery of the Power Sales Contract. Capitalized terms used and not defined herein have the meanings assigned to such terms in the Power Sales Contract.

As counsel to the Participant, I have examined (i) those documents relating to the existence, organization and operation of the Participant and its electric utility system (the “*System*”), (ii) all resolutions and proceedings of the Participant relating to the due authorization, execution and delivery by the Participant of the Power Sales Contract, (iii) an executed counterpart of the Power Sales Contract, and (iv) such other documents, information, facts and matters of law as are necessary for me to render the opinions contained herein.

Based upon the foregoing, I am of the opinion that:

[1. The Participant is a [municipal corporation and/or political subdivision] of the State of _____ (the “*State*”), duly created and validly existing under the laws of the State and duly qualified to own, operate and furnish electric service through the System.]

[1. The Participant is a _____, duly created and validly existing under the laws of the State of _____ (the “*State*”), and duly qualified to own, operate and furnish electric service through the System.]

2. The Participant has full legal right, power and authority to enter into the Power Sales Contract and to carry out and consummate all of the transactions contemplated thereby, and the

Participant has complied with the provisions of applicable law which would be a condition precedent to entering into the Power Sales Contract or carrying out and consummating such transactions.

3. Each of the Power Sales Contract, the Joint Action Agreement and the Pooling Agreement has been duly authorized, executed and delivered by the Participant and constitutes the legal, valid and binding obligation of the Participant and is enforceable under the present law of the State in accordance with its terms, except as enforceability may be limited by bankruptcy, insolvency, moratorium, reorganization or other laws affecting creditors' rights generally or usual equity principles in the event equitable remedies should be sought.

4. The Participant's obligation to make payments to UAMPS under the Power Sales Contract is a special obligation payable solely from the revenues and other available income of the System as a cost of purchased electric energy and an operating expense of the System. The application of the revenues and other available funds of the System to make such payments is not subject to any prior lien, encumbrance or restriction.

5. [The Participant has obtained all Required Approvals] {or} [There are no Required Approvals].

6. There is no pending or, to my knowledge, threatened, action or proceeding affecting the Participant (nor to my knowledge is there any basis therefor), which (a) purports to affect the authorization, legality, validity or enforceability of the Power Sales Contract, the Joint Action Agreement or the Pooling Agreement or (b) involves the possibility of any judgment or liability, not fully covered by insurance, which may result in any material adverse change in the business, affairs, properties or assets, or in the condition, financial or otherwise, of the System.

7. The execution, delivery and performance by the Participant of the Power Sales Contract will not conflict with or constitute a breach of or default under any agreement, indenture, bond, note, resolution or other instrument to which the Participant is a party or by which it or the properties of the System is bound or affected, or any applicable law, ruling, regulation, ordinance, judgment, order or decree to which the Participant (or any of its officers in their respective capacities as such) or its properties is subject.

8. No event has occurred and is continuing which with the passage of time or the giving of notice, or both, would constitute a material default or event of default under any agreement, indenture, bond, note, resolution or other instrument to which the Participant is a party or by which it or the properties of the System is bound or affected, which breach or default would have a material adverse impact on UAMPS' ownership or operation of the Project or the ability of the Participant to fully perform its obligations under the Power Sales Contract.

9. The Participant has lawful authority to fix and collect rates, fees and charges for the services provided by the System. Such rates, fees and charges for utility services provided to customers located within the corporate boundaries of the Participant are not subject to regulation by any authority of the State or the United States and have been duly and validly adopted by the Participant and are in full force and effect.

10. The Participant has lawful authority to own the System and, to my knowledge, the Participant (a) has good and merchantable title to the properties comprising the System and (b) holds all permits, licenses and approvals necessary for the operation of the System.

I hereby authorize [other reliance parties] and Chapman and Cutler LLP, as bond counsel, to rely on this opinion as though addressed to them.

Respectfully submitted,

EXHIBIT VI

FORM OF BRING-DOWN OPINION OF COUNSEL TO THE PARTICIPANT

Utah Associated Municipal Power Systems
[Address]

Ladies and Gentlemen:

I have acted as counsel to _____ (the "*Participant*") in connection with the Carbon Free Power Project Power Sales Contract dated as of _____ (the "*Power Sales Contract*") between the Participant and Utah Associated Municipal Power Systems ("*UAMPS*"). I have been advised that UAMPS has made arrangements for the issuance and sale on the date hereof of its Carbon Free Power Project Revenue Bonds, _____ Series _____ (the "*Bonds*").

Pursuant to Section 902(e) of the Power Sales Contract in connection with the execution and delivery of the Carbon Free Power Project, I rendered to UAMPS an approving legal opinion, dated _____ (the "*Prior Opinion*"), with respect to the Participant. In connection with the issuance and sale by UAMPS of the Bonds, I hereby reaffirm the Prior Opinion, as though it was dated the date hereof, in the form it was so rendered on _____.

[In addition to the foregoing, I have examined (i) the material describing the Participant and its electric system contained in APPENDIX A to each of the Preliminary Official Statement (together with any supplements or amendments thereto as of the date hereof, the "*Preliminary Official Statement*") and the Official Statement (together with any supplements or amendments thereto as of the date hereof, the "*Official Statement*") of UAMPS relating to the Bonds and (ii) such other documents, information, facts and matters of law as are necessary for me to render the following opinion. Based upon the foregoing, I am of the opinion that the statements and information with respect to the Participant and its electric system contained in APPENDIX A to the Preliminary Official Statement and the Official Statement were true and correct in all material respects as of the respective dates of the Preliminary Official Statement and the Official Statement and are true and correct in all material respects as of the date hereof, and no facts have come to my attention which would lead me to believe that such statements and information contained or contain any untrue statement of a material fact or omitted to state or omit to state any material fact necessary in order to make such statements, in the light of the circumstances under which they were made, not misleading; *provided, however*, that I express no view with respect to the tabular, financial and statistical information included therein.]

I hereby authorize the reference to this opinion and to the Prior Opinion set forth under the caption, "APPROVAL OF LEGAL PROCEEDINGS," in the Official Statement. I hereby further authorize [Bond Counsel] and [other reliance parties] to rely on the Prior Opinion and on this opinion in each case as though addressed to them.

Respectfully submitted,

EXHIBIT VII

FORM OF NOTICE OF WITHDRAWAL

[Date]

Utah Associated Municipal Power Systems
155 North 400 West, Suite 480
Salt Lake City, Utah 84103
Attention: General Manager
General Counsel

Re: Carbon Free Power Project Power Sales Contract

[Ladies and] Gentlemen,

Pursuant to Section 204 of the above-referenced Power Sales Contract (the “*Power Sales Contract*”), [name of Participant] (the “*Participant*”) hereby gives notice of its election to withdraw from the Project.

The Participant hereby acknowledges and agrees that:

1. This Notice of Withdrawal shall be effective at and as of the end of the last day of the current phase of the Licensing Period.
2. By delivering this Notice of Withdrawal, the Participant waives its right to receive any reimbursement for Development Costs previously paid by it, except as otherwise provided in the Power Sales Contract.
3. The Participant shall remain responsible for the payment of an amount equal to its Development Cost Share of all Development Costs incurred, including its Development Cost Share of the amounts necessary to repay all Bonds issued and outstanding, in each case up to the effective date of the Participant’s withdrawal from the Project.
4. The Participant that shall, within twelve months of the effective date of its withdrawal, repay the amounts described in paragraph 3 above together with any interest expense on such amounts and any other charges incurred by UAMPS under the Financing Documents.
5. From and after the effective date of its withdrawal (a) the Participant’s Entitlement Share shall be terminated, (b) the Participant’s Representative shall have no right to participate in or vote at meetings of the Project Management Committee or

meetings of the Board with respect to the Project, and (iii) this Contract will remain in effect only with respect to the Participant's repayment obligations described in paragraph 4 above.

6. The Participant shall have no responsibility for the payment of Development Costs incurred or Bonds issued after the effective date of its withdrawal.

Capitalized terms used and not otherwise defined herein have the meanings assigned to them in the Power Sales Contract.

[NAME OF PARTICIPANT]

By _____
Authorized Officer

EXHIBIT VIII

FORM OF NOTICE OF REDUCTION

[Date]

Utah Associated Municipal Power Systems
155 North 400 West, Suite 480
Salt Lake City, Utah 84103
Attention: General Manager
General Counsel

Re: Carbon Free Power Project Power Sales Contract

[Ladies and] Gentlemen,

Pursuant to Section 301(d) of the above-referenced Power Sales Contract (the “*Power Sales Contract*”), [name of Participant] (the “*Participant*”) hereby gives notice of its election to reduce its Entitlement Share from _____ (the “*Original Entitlement Share*”) to _____ (the “*Reduced Entitlement Share*”).

The Participant hereby acknowledges and agrees that:

1. This Notice of Reduction shall be effective at and as of the end of the last day of the current phase of the Licensing Period.
2. The Participant shall remain responsible for the payment of an amount equal to its Development Cost Share of all Development Costs incurred, including its Development Cost Share of the amounts necessary to repay all Bonds issued and outstanding, in each case based in its Original Entitlement Share and up to the effective date of the Participant’s withdrawal from the Project.
3. From and after the effective date of this Notice of Reduction, the Participant’s Reduced Entitlement Share shall apply for all purposes of the Power Sales Contract, including the calculation of the Participant’s Development Cost Share.

Capitalized terms used and not otherwise defined herein have the meanings assigned to them in the Power Sales Contract.

[NAME OF PARTICIPANT]

By _____
Authorized Officer

CERTIFICATE OF PARTICIPANT

STATE OF NEW MEXICO)
)
COUNTY OF LOS ALAMOS)

The undersigned hereby certify that they are the County Manager and County Clerk of the Incorporated County of Los Alamos, New Mexico (the “*Participant*”), a member of Utah Associated Municipal Power Systems (“*UAMPS*”), and that as such they are authorized to execute this Certificate on behalf of the Participant and hereby certify as follows:

1. This Certificate has been executed pursuant to Section 902(e) of the Carbon Free Power Project Power Sales Contract, dated as of April 1, 2018 (the “*Power Sales Contract*”), between the Participant and UAMPS, in connection with the execution and delivery of the Power Sales Contract. Capitalized terms used and not otherwise defined herein have the meanings assigned to them in the Power Sales Contract.

2. The Participant is a political subdivision duly created and validly existing under the laws of the State of New Mexico, and is governed by a County Council (the “*Governing Body*”) composed of seven (7) members.

3. Attached hereto as *Exhibit A* is a true, complete and correct copy of a resolution authorizing the execution and delivery of the Power Sales Contract and related matters (the “*Contract Resolution*”). The Contract Resolution was duly adopted by a majority of the Governing Body present and voting at a [regular/special] public meeting of the Governing Body held on _____, 2018, at which a quorum was present and acted throughout, all in accordance with law and applicable procedural rules of the Governing Body. The Contract Resolution is in full force and effect and has not been amended, modified, repealed or supplemented.

4. The names of the County Manager and the County Clerk authorized to execute and deliver the Power Sales Contract on behalf of the Participant are as follows:

NAME	OFFICE
Harry Burgess	County Manager
Naomi D. Maestes	County Clerk

5. The _____, 2018, meeting of the Governing Body in connection with the authorization of the Power Sales Contract was open to the public at all times and was duly called, noticed and held in conformity with applicable laws of the State and procedural rules of the Governing Body.

6. (a) No petition was filed with the Participant or any of its officers seeking to refer the Contract Resolution to the electors of the Participant in accordance with the provisions of state law; and (b) no litigation has been instituted, is pending or has been threatened to require a referendum election on the Contract Resolution.

7. The Participant owns and operates an electric utility system (the “System”) that distributes and furnishes electric energy to consumers located within the established service area of the System.

8. The Participant has previously executed the Utah Associated Municipal Power Systems Amended and Restated Agreement for Joint and Cooperative Action dated as of March 20, 2009 and all amendments thereof and supplements thereto (the “Joint Action Agreement”) and that certain Power Pooling Agreement (the “Pooling Agreement”) between the Participant and UAMPS relating to the power pool administered by UAMPS. The Joint Action Agreement and the Pooling Agreement are each in full force and effect and constitute the legal, valid and binding agreements of the Participant.

9. Timothy Glasco has been duly appointed by the Governing Body as the Participant’s representative to UAMPS.

10. The representations and warranties of the Participant in Section 901(a) of the Power Sales Contract are true and correct on and as of the date of this certificate.

11. The Participant will use all of the electric energy from its Entitlement Share in a Qualified Use (as defined in the Power Sales Contract).

12. The information provided by the Participant to UAMPS pursuant to Section 902(b) and (c) of the Power Sales Contract and attached as EXHIBIT II thereto with respect to the Participant and the System is true, correct and complete. The Participant has duly authorized UAMPS to use such information in connection with the preparation of an official statement of UAMPS with respect to the bonds to be issued to provide financing for the costs of acquisition and construction of the Project and to provide such information to interested parties.

Dated: _____, 2018.

INCORPORATED COUNTY OF LOS ALAMOS, NEW
MEXICO

By _____
County Manager

By _____
County Clerk

[Seal]

EXHIBIT A

[Attach Executed Contract Resolution]



County of Los Alamos

Staff Report

March 21, 2018

Los Alamos, NM 87544
www.losalamosnm.us

Agenda No.: 7.B
Index (Council Goals): BCC - N/A
Presenters: Bob Westervelt, Deputy Utilities Manager - Finance/Admin
Legislative File: 10317-18

Title

Approval of Department of Public Utilities FY2019 & FY2020 Budget

Recommended Action

I move that the Board of Public Utilities approve the Fiscal Year 2019-2020 budget as presented and forward to Council for adoption.

Staff Recommendation

Staff recommends approval of Fiscal Year 2019-2020 budget as presented.

Body

Attached is the proposed budget for fiscal years 2019 and 2020. This is the first year of a two-year budget cycle. The changes from the February presentation are as follow.

- ☐ Moved \$100,000 from the “Other Contractual Services” line item to the “Capital Outlay” line item to provide for replacement and upgrade of the dump truck at the wastewater treatment facility. This change affects FY19 only.
- ☐ Added \$150,000 to the Admin budget in FY19 to provide budget authority to proceed with the Customer Care Center reconfiguration should the decision be made to do so. The project was originally estimated and budgeted at \$250,000, which amount will be carried over from FY18, but the bids all came in at closer to \$400,000. While the project will be the subject of future discussions, this funding is included to provide budget authority should the decision be made to move forward. This change flows through to all the funds through the “Administrative Allocation” line item in each fund.
- ☐ Interdepartmental Charges from the General County (IDC’s) increased by \$60,149 in each year. IDC’s are calculated and provided by the County Budget Office. While several IDCs are still estimated, the estimates were updated after the February Board meeting. These flow through to all the funds. If necessary, any further revisions will be addressed through budget adjustments and will be brought to the BPU and Council for approval at that time.
- ☐ Purchased Power increased by \$337,960 in FY19 to reflect a revised and updated power supply projection. DOE Revenues, Economy Sales, and the Transfer of costs to the Electric Distribution fund were adjusted accordingly.
- ☐ The February draft did not include the FY20 wage increases provided for in the union contracts. This correction amounts to \$6,458 labor and benefits increase in Electric Distribution, and \$33,300 labor and benefits increase spread among the Water, Wastewater, and Gas utilities. The FY19 salary adjustment was properly included in the

previous budget draft.

- The February report indicated a 10% decrease in total budgeted expenditures between the FY18 approved budget and the FY19 proposed budget. Because of all the changes outlined above, the decrease now totals 9.4%. The updates for FY20 are relatively immaterial, and the resulting percentage change remains at approximately 4% increase over FY18's approved budget and a 15% increase over the proposed FY19 budget. The increase in FY20 budget is due primarily to planned construction of the White Rock Wastewater Treatment Plant in that year.

Budgets for each Utility sub fund are discussed below.

Staffing changes

There are no staffing changes proposed in this budget. We continue to have one limited term FTE on the admin roster, funded by the County ERP project to partially backfill staff resources that will be dedicated to the project. That position is expected to expire when the ERP project is finished. The Electric Production budget continues to fund double fill of a Hydro Plant Maintenance Technician in anticipation of retirement of one of the existing staff in 2018. This double fill is utilizing an existing vacancy so does not result in an increased FTE count. There are no realignments contemplated nor are there any Union agreements scheduled for renewal.

Budget Highlights

Per County Budget Office guidance, salaries were budgeted "flat" except for the increments included in the existing Union agreements. The ten-year capital plan is included in the agenda packet, as well as more detailed descriptions of the projects planned for FY19 and FY20.

Interdepartmental charges from the County (IDCs) are essentially flat in both years presented compared to FY18. Department admin costs decreased by \$352k, or 7% in FY19 and remain essentially at that level in FY20. The planned reconfiguration of the Customer Care Center, budgeted at \$250k in FY18, has not been re-budgeted, as funds will be available for carryover should the project not be completed in FY18. The remainder of the decrease is the result of several studies and initiatives that were budgeted in FY18 that will be completed in FY18 or will be carried over, so have not been re-budgeted in FY19 or FY20. Allocation of Admin costs are included in each utility's O&M, so will not be discussed separately below.

Electric Distribution

No rate increases are projected in FY19 for electric distribution. The ten-year O&M budget forecast includes essentially inflationary increases of 1.5% per year after FY19. The Los Alamos Sub Station (LASS) project is scheduled for completion in FY18, so no additional funding is included in this budget for that project. Projects in Electric Distribution consist of routine overhead and underground replacements as needed.

Electric Production

The O&M budget for Electric Production is \$1.5M lower than FY18, due primarily to continuing low purchased power costs. There is \$250k included each year for LAC's share of the COLA preparation for the Carbon Free Power Project, to establish budget authority should the County decide to continue participation in this phase of the project.

Gas

The NMMEAA deal guarantees a \$0.274 discount, which is included in the budget for FY2018. Natural gas market prices remain low, and gas purchases are budgeted at \$3.05/MMBTU in FY19, and \$3.60/MMBTU in FY20 (before the NMMEAA discount). There are no major O&M or projects initiatives scheduled for this budget period.

Water Production and Distribution

The capital plan for Water Production, like last year, includes non-potable projects that are funded through a partial grant/loan from the Water Trust Board (WTB). These projects will only occur if the WTB funding is realized. The capital plan also includes the LA Reservoir Road Stabilization project, funded primarily with FEMA funds. The County portion of the project, amounting to \$407,500, is being funded jointly by the DPU and the General County.

The O&M and capital budget for water production and distribution has been revised extensively to reflect the proposed 20-year plan presented to the Board at the November 2017 BPU meeting. Water sales appear to have stabilized more in line with the revised sales projections we adopted in last year's budget cycle. In accordance with the long-range plan, a 6.25% increase in retail potable rates is budgeted in FY18. As shown in the ten-year plan, additional modest rate increases are projected through 2022, then essentially inflationary increases thereafter. While in previous drafts of the long-range plan additional increases in the wholesale water rate were projected, the current revision shows adequate cash flow with no additional wholesale rate increases, and previously scheduled increases have been deleted from the 10-year projection.

Wastewater Division

Several initiatives have been implemented to alleviate the financial challenges in the wastewater division associated with the need to construct a replacement treatment facility in White Rock. Through joint Board/Council action, an ordinance was adopted in FY18 allowing for the transfer of excess funds from the Gas fund to the Wastewater fund. A transfer of \$2.5M was used in February to pay down the existing balance of the debt on the LA Plant. In addition, the remaining balance can be refinanced at a lower rate, and potentially the term extended, further reducing debt service requirements in the fund. Staff is evaluating options and will make a final refunding recommendation within the next month or two, but for this budget refinancing for the current loan term of 20 years on the LA Plant debt, and financing of the new plant for 30 years is assumed. All other projects in both the treatment plants and the collection system have been postponed allowing staff and funding to be concentrated on a successful White Rock plant project. Other projects are scheduled to resume in the out years on the 10-year plan.

The financial position of the wastewater fund and several long-term scenarios were discussed with the Board in previous meetings, With the financing initiatives described and the judicious postponement of other large capital projects, the rate trajectory presented in the alternative selected by the Board for implementation appears adequate. As shown on the 10-year plan, this includes an 8% increase in FY19, 6.25% in FY20, and ratcheting downward to essentially inflationary increases by 2024.

Alternatives

The Board could elect to adjust individual items in the budget by appropriate language in their adopted motion or could adopt the budget as presented.

Fiscal and Staff Impact

See above

Attachments

A - FY 2019-20 Budget Briefing Package

**Los Alamos County Utilities Department
Fiscal Year 2019/20 Budget
Board Approval 03-21-2018**

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Los Alamos County Utilities Department
Fiscal Year 2019 and 2020 Budgets
Summary of Expenditure Budget

	Actual FY2017	Jul-Dec Actual FY2018	Adopted Budget FY2018	Proposed Budget FY2019	Projected Budget FY2020
Electric Production	34,021,176	17,888,826	40,600,226	39,108,336	37,789,735
Electric Distribution	14,006,298	8,700,068	14,881,688	14,284,001	13,816,023
Less Interdivision Electric Sales	(5,581,935)	(5,823,259)	(6,980,612)	(7,381,676)	(6,963,589)
Total Electric Fund	\$ 42,445,539	\$ 20,765,635	\$ 48,501,302	\$ 46,010,661	\$ 44,642,169
Gas	\$ 5,520,240	\$ 1,859,001	\$ 5,462,942	\$ 4,556,908	\$ 5,041,516
Water Production	4,416,072	1,934,828	11,200,314	6,616,951	4,646,328
Water Distribution	6,241,623	2,286,814	5,039,246	5,185,937	5,375,317
Less Interdivision Water Sales	(2,767,536)	(1,482,380)	(2,650,500)	(2,829,409)	(2,985,026)
Total Water Fund	\$ 7,890,159	\$ 2,739,262	\$ 13,589,060	\$ 8,973,480	\$ 7,036,619
Wastewater	\$ 4,707,137	\$ 2,277,088	\$ 4,822,576	\$ 6,015,412	\$ 18,359,073
Total Expenditure Budget	\$ 60,563,074	\$ 27,640,987	\$ 72,375,880	\$ 65,556,461	\$ 75,079,377

Los Alamos County Department of Public Utilities
Fiscal Year 2019 and 2020
Budget Summary by Categories

	Actual FY2017	Jul-Dec Actual FY2018	Adopted Budget FY2018	Proposed Budget FY2019	Projected Budget FY2020
Expenditures by Fund:					
Electric	42,445,539	20,765,635	48,501,302	46,010,661	44,642,169
Gas	5,520,240	1,859,001	5,462,942	4,556,908	5,041,516
Water	7,890,159	2,739,262	13,589,060	8,973,480	7,036,619
Wastewater	4,707,137	2,277,088	4,822,576	6,015,412	18,359,073
	<u>60,563,074</u>	<u>27,640,987</u>	<u>72,375,880</u>	<u>65,556,461</u>	<u>75,079,377</u>
Expenditures by Type:					
Salaries	5,623,365	2,764,774	6,925,364	7,008,203	7,040,384
Benefits	3,682,377	1,812,155	2,652,404	2,694,862	2,834,277
Contractual Services	30,654,399	16,050,700	38,501,502	37,084,137	36,110,808
Other Services	1,609,615	726,145	1,796,371	1,759,329	1,749,468
Materials/Supplies	1,166,838	422,671	1,673,104	1,650,200	1,648,900
Interfund Charges	4,069,085	2,109,048	5,684,386	5,399,420	5,262,728
IDCs	2,593,038	1,680,688	2,768,398	2,829,267	2,814,267
Capital Outlay	6,555	102,628	367,140	418,700	323,000
Bank Charges	2,683	-	-	-	-
Misc. Other Charges	227,410	113,700	-	-	-
Profit Transfer	821,156	-	913,140	864,860	889,868
Debt Service	5,130,940	2,564,287	5,182,753	5,251,698	5,255,477
Capital	8,643,866	1,114,821	10,621,000	5,110,000	15,508,266
Admin. & Gen. Allocation	(3,668,253)	(1,820,630)	(4,709,682)	(4,514,216)	(4,358,067)
	<u>60,563,074</u>	<u>27,640,987</u>	<u>72,375,880</u>	<u>65,556,461</u>	<u>75,079,377</u>
FTE Summary:					
Regular (full & part time)	93.00	93.00	93.00	93.00	93.00
Casual, student & temp.	5.34	5.34	5.34	4.60	4.60
	<u>98.34</u>	<u>98.34</u>	<u>98.34</u>	<u>97.60</u>	<u>97.60</u>
FTE by Division:					
Electric Production	12.00	12.00	12.00	13.00	13.00
Electric Distribution	13.00	13.00	13.00	13.00	13.00
Gas/Water/Sewer	29.07	29.07	29.07	28.30	28.30
Water Production	9.25	9.25	9.25	9.50	9.50
Wastewater Treatment	9.00	9.00	9.00	9.50	9.50
Administrative & General	26.02	26.02	26.02	24.30	24.30
	<u>98.34</u>	<u>98.34</u>	<u>98.34</u>	<u>97.60</u>	<u>97.60</u>

Los Alamos County Utilities Department
Fiscal Year 2019 and 2020 Budgets
Summary of Expenditure Budget -- **ELECTRIC PRODUCTION**

	Actual FY2017	Jul-Dec Actual FY2018	Adopted Budget FY2018	Proposed Budget FY2019	Projected Budget FY2020
REVENUE					
Mwh Sales - LANL	456,460	266,188	542,688	510,377	519,916
Mwh Sales - LAC Distribution	115,799	57,412	125,530	121,969	123,371
Total Mwh Sales	572,260	323,600	668,218	632,346	643,287
Revenue per Mwh	\$ 50.45	\$ 55.21	\$ 54.07	\$ 56.66	\$ 53.67
DOE Revenues	\$ 23,290,633	\$ 12,041,733	\$ 29,152,767	\$ 28,446,452	\$ 27,560,161
Economy Sales	3,287,149	2,017,056	4,248,065	3,150,033	3,143,147
Interest on Reserves	40,591	34,041	130,000	96,191	88,855
Bond Federal Subsidy	31,639	16,992	33,984	33,984	33,984
TOTAL REVENUE	\$ 26,650,012	\$ 14,109,822	\$ 33,564,816	\$ 31,726,660	\$ 30,826,147
OPERATING EXPENSES					
El Vado Generation	\$ 447,163	\$ 148,116	\$ 620,427	\$ 476,807	\$ 458,082
Abiquiu Generation	294,949	112,757	403,881	483,551	399,174
Contract Administration	37,334	26,901	20,048	17,997	18,204
Load Control	1,576,674	671,599	1,822,030	1,601,620	1,336,365
Transmission - PNM	1,688,546	845,361	1,405,000	2,899,531	3,044,007
Transmission - Other	2,040,072	1,009,916	2,285,008	1,983,778	2,027,784
Purchased Power	11,698,497	6,595,665	14,614,373	12,669,418	12,900,634
Photovoltaic Array	157,163	22,042	117,000	30,000	30,000
Debt Service	2,498,743	1,253,984	2,536,071	2,774,417	2,776,773
Property Taxes	432,065	208,971	458,055	449,087	443,108
Insurance	114,844	83,750	120,000	120,000	120,000
San Juan Operations	8,123,247	4,221,292	11,213,148	11,066,525	10,381,834
Laramie River Operations	2,782,648	1,865,954	2,854,600	2,865,754	2,373,418
SMR Project	80,651	31,984	450,000	275,595	275,893
Non-Pool Expenses	207,987	33,191	-	-	-
Interdepartmental Charges	415,689	214,445	447,280	459,440	459,440
Administrative Allocation	609,177	343,470	558,305	629,817	610,020
TOTAL OPERATING EXPENSES	\$ 33,205,449	\$ 17,689,399	\$ 39,925,226	\$ 38,803,336	\$ 37,654,735
OPERATING INCOME (LOSS)	\$ (6,555,437)	\$ (3,579,577)	\$ (6,360,410)	\$ (7,076,677)	\$ (6,828,589)
CAPITAL EXPENDITURES					
Capital Expenditures	\$ 815,727	\$ 199,427	\$ 675,000	\$ 305,000	\$ 135,000
OTHER FINANCING Forecast					
Transfer from Distribution Fund	\$ 5,581,935	\$ 5,823,259	\$ 6,980,612	\$ 7,381,676	\$ 6,963,589
NET INCOME (LOSS)	\$ (1,789,229)	\$ 2,044,255	\$ (54,798)	\$ (0)	\$ 0
Cash & Investments					
Working Cash	592,011		(5,911,893)		
Resource Pool Checking			3,441,779		
Operations Reserve	4,399,143		4,338,880	5,341,127	5,177,978
Contingency Reserve			4,000,000	-	-
Total Unrestricted Cash & Investments	\$ 4,991,153		\$ 5,868,766	\$ 5,357,972	\$ 5,130,572
Restricted					
Bond Reserve & Debt Service	1,877,533		\$ 1,829,075	\$ 1,877,533	\$ 1,877,533
San Juan Decommissioning	4,911,606		\$ 4,871,014	\$ 5,288,406	\$ 5,476,806
San Juan Mine Reclamation	3,822,578		\$ 4,428,776	\$ 4,428,776	\$ 4,428,776
Laramie River Decommissioning	740,275		\$ 744,928	\$ 818,275	\$ 857,275
Bond Construction Fund	1,482,614		\$ 1,495,623		
Total Restricted	\$ 12,834,606		\$ 13,369,416	\$ 12,412,990	\$ 12,640,390
Total Cash & Investments	\$ 17,825,759		\$ 19,238,182	\$ 17,770,961	\$ 17,770,962

Los Alamos County Utilities Department
Fiscal Year 2019 and 2020 Budgets
Summary of Expenditure Budget -- **ELECTRIC DISTRIBUTION**

	Actual FY2017	Jul-Dec Actual FY2018	Adopted Budget FY2018	Proposed Budget FY2019	Projected Budget FY2020
REVENUE					
kWh Sales	115,799,390	57,430,990	125,496,000	121,939,000	123,371,000
Revenue per kWh	\$ 0.1188	\$ 0.1188	\$ 0.1221	\$ 0.1165	\$ 0.1151
Sales Revenue	\$ 13,757,854	\$ 6,822,906	\$ 15,319,172	\$ 14,203,145	\$ 14,203,145
Interest on Utility Reserves	131,438	57,944	(183,000)	0	0
Bond Federal Subsidy	63,254	33,971	67,942	67,942	67,942
Pole Rentals	22,262	22,262		53,601	53,601
Misc. Service Revenues	52,097	18,072		50,000	50,000
Revenue on Recoverable Work	243,091	54,671	150,000	150,000	150,000
TOTAL REVENUE	\$ 14,269,996	\$ 7,009,826	\$ 15,354,114	\$ 14,524,688	\$ 14,524,688
OPERATING EXPENSES					
Supervision, Misc Direct Admin	688,765	294,245	710,342	660,479	668,774
Substation Maintenance	24,838	5,286	36,663	36,237	36,772
Switching Station Maintenance	18,652	10,688	29,115	31,520	31,898
Overhead Maintenance	321,509	164,173	488,883	499,014	504,751
Underground Maintenance	310,381	174,005	375,882	391,173	396,118
Meter Maintenance	194,739	59,356	126,101	82,331	83,481
Interdepartmental Charges	428,969	226,232	583,503	649,857	649,857
Eng. Cust Svc. MR and Admin	595,067	324,532	852,774	798,595	739,092
In Lieu Taxes	548,895	233,361	558,229	529,609	526,476
Debt Service	1,248,750	618,388	1,255,148	1,271,957	1,253,438
Cost of Power	5,581,935	5,823,259	6,980,612	7,381,676	6,963,589
TOTAL OPERATING EXPENSES	\$ 9,962,501	\$ 7,933,525	\$ 11,997,252	\$ 12,332,449	\$ 11,854,246
OPERATING INCOME (LOSS)	\$ 4,307,495	\$ (923,699)	\$ 3,356,862	\$ 2,192,239	\$ 2,670,442
CAPITAL EXPENDITURES					
Capital Expenditures	\$ 3,449,116	\$ 766,543	\$ 2,233,371	\$ 1,340,817	\$ 1,351,042
OTHER FINANCING					
Bond/Grant proceeds	\$ -				
Profit Transfer to General Fund	(594,681)		(651,065)	(610,735)	(610,735)
Sale of Scrap/Obsolete Inventory	1,947				
BUDGETED NET INCOME (LOSS)	\$ 265,645	\$ (1,690,242)	\$ 472,426	\$ 240,687	\$ 708,665
Cash & Investments					
Working Cash	(5,365,102)		(12,367,016)	(169,517)	(104,121)
Capital Replacement	-		-	-	-
Operations Reserve	-		1,804,075	739,161	1,382,429
Contingency Reserve	-		1,200,000	-	-
Rate Stabilization Reserve	-		7,000,000	-	-
Total Unrestricted Cash & Investments	\$ (5,365,102)		\$ (2,362,941)	\$ 569,644	\$ 1,278,308
Restricted					
Bond Reserve & Debt Service	1,446,546		1,419,944	1,446,546	1,446,546
Bond Construction Fund	5,221,633		1,392,970		
Total Restricted	\$ 6,668,179		\$ 2,812,914	\$ 1,446,546	\$ 1,446,546
Total Cash & Investments	\$ 1,303,077		\$ 449,973	\$ 2,016,190	\$ 2,724,855

Los Alamos County Utilities Department
Fiscal Year 2019 and 2020 Budgets
Summary of Expenditure Budget -- **GAS DISTRIBUTION**

	Actual FY2017	Jul-Dec Actual FY2018	Adopted Budget FY2018	Proposed Budget FY2019	Projected Budget FY2020
REVENUE					
Therm Sales	7,649,471	2,539,586	8,455,275	7,650,000	7,650,000
Revenue per Therm	\$ 0.5848	\$ 0.7165	\$ 0.6199	\$ 0.7113	\$ 0.7813
Sales Revenue	\$ 4,473,084	\$ 1,819,620	\$ 5,241,503	\$ 5,441,654	\$ 5,977,154
Interest on Utility Reserves	203,885	103,042	82,000	30,496	53,877
Revenue on Recoverable Work	19,787	14,762	20,000	20,000	20,000
TOTAL REVENUE	\$ 4,696,756	\$ 1,937,424	\$ 5,343,503	\$ 5,492,150	\$ 6,051,031
OPERATING EXPENSES					
Supervision, Misc Direct Admin	238,774	147,724	256,975	265,698	269,615
Customer Service	121,902	62,944	63,910	63,015	64,506
Gas Distribution	148,537	140,049	222,566	270,143	277,729
Gas Meters	141,146	75,016	132,003	133,686	136,990
Gas Capital Project Inspection & Support	-	-	-	6,074	6,295
Interdepartmental Charges	285,035	134,225	366,631	355,889	355,889
Eng. Cust Svc. MR and Admin	604,255	315,527	718,310	658,609	634,390
In Lieu Taxes	205,362	81,760	202,705	216,418	227,970
Cost of Gas	2,296,116	883,333	2,537,766	2,333,250	2,754,000
TOTAL OPERATING EXPENSES	\$4,041,128	\$ 1,840,578	\$ 4,500,867	\$ 4,302,782	\$ 4,727,383
OPERATING INCOME (LOSS)	\$ 655,628	\$ 96,846	\$ 842,636	\$ 1,189,368	\$ 1,323,648
CAPITAL EXPENDITURES					
Capital Expenditures	\$ 1,252,637	\$ 18,423	\$ 700,000	\$ -	\$ 35,000
OTHER FINANCING					
Profit Transfer to General Fund	(226,475)		(262,075)	(254,125)	(279,133)
Transfer to WW (FY18 budget revision)		(2,500,000)			
BUDGETED NET INCOME (LOSS)	\$ (823,484)	\$ (2,421,577)	\$ (119,439)	\$ 935,243	\$ 1,009,515
Cash & Investments					
Capital Replacement	583,648		1,050,000	796,295	985,266
Operations Reserve	994,334		823,197	984,766	986,691
Contingency Reserve	50,000		50,000	253,750	257,556
Rate Stabilization Reserve	4,049,400		4,544,692		
Working Cash	0		(73,643)	1,958,374	2,773,187
Total Cash & Investments	\$ 5,677,382		\$ 6,394,246	\$ 3,993,186	\$ 5,002,701

Los Alamos County Utilities Department
Fiscal Year 2019 and 2020 Budgets
Summary of Expenditure Budget -- **WATER DISTRIBUTION**

	Actual FY2017	Jul-Dec Actual FY2018	Adopted Budget FY2018	Proposed Budget FY2019	Projected Budget FY2020
REVENUE					
Sales in Thousand of Gallons	755,656	430,900	775,000	775,000	775,000
Revenue per thousand gallons	\$ 5.7345	\$ 6.0663	\$ 6.3300	\$ 6.6588	\$ 6.9878
Sales Revenue	\$ 4,333,338	\$ 2,613,984	\$ 4,905,750	\$ 5,160,579	\$ 5,415,543
Interest on Utility Reserves	472	1,816	9,161	-	-
Revenue on Recoverable Work	22,389	5,824	30,450	15,000	15,000
Misc Service Revenues	26,404	5,171		15,000	15,000
TOTAL REVENUE	\$ 4,382,603	\$ 2,626,795	\$ 4,945,361	\$ 5,190,579	\$ 5,445,543
OPERATING EXPENSES					
Supervision, Misc Direct Admin	\$ 185,613	\$ 112,278	\$ 184,778	\$ 227,392	\$ 230,673
Hydrants	-	-	-	-	-
Water Distribution	303,360	192,933	439,830	416,904	426,042
Water Meters	531,314	132,130	627,708	693,060	708,326
Capital Project Inspections & Support	-	-	-	6,074	6,295
Interdepartmental Charges	251,649	143,304	330,744	344,477	344,477
Eng. Cust Svc. MR and Admin	416,010	216,288	805,686	668,621	674,478
Cost of Water	2,767,536	1,482,380	2,650,500	2,829,409	2,985,026
TOTAL OPERATING EXPENSES	\$ 4,455,481	\$ 2,279,312	\$ 5,039,246	\$ 5,185,937	\$ 5,375,317
OPERATING INCOME (LOSS)	\$ (72,878)	\$ 347,483	\$ (93,885)	\$ 4,642	\$ 70,226
CAPITAL EXPENDITURES					
Capital Expenditures	\$ 1,786,142	\$ 7,502	\$ -	\$ -	\$ -
OTHER FINANCING					
Sale of Scrap and Obsolete Inventory	9,006	6,058			
BUDGETED NET INCOME (LOSS)	\$ (1,850,014)	\$ 346,039	\$ (93,885)	\$ 4,642	\$ 70,226
Cash & Investments					
Capital Replacement	\$ -		\$ (554,077)	\$ -	\$ -
Operations Reserve	-		2,278,345	-	-
Contingency Reserve	-		40,000	-	-
Working Cash	(1,283,827)		(1,333,491)	(1,373,071)	(1,302,845)
Total Cash & Investments	\$ (1,283,827)		\$ 430,776	(1,373,071)	\$ (1,302,845)

Los Alamos County Utilities Department
Fiscal Year 2019 and 2020 Budgets
Summary of Expenditure Budget -- **WATER PRODUCTION**

	Actual FY2017	Jul-Dec Actual FY2018	Adopted Budget FY2018	Proposed Budget FY2019	Projected Budget FY2020
REVENUE					
Potable 1000-gallon production	1,035,301	583,968	1,150,000	1,150,000	1,150,000
Non-potable 1000-gallon production	63,702	47,430	86,400	90,400	90,400
Revenue per 1000 gallons	\$ 3.4572	\$ 3.5079	\$ 3.6500	\$ 3.3840	\$ 3.3840
Potable Sales Revenue	\$ 3,579,231	\$ 2,048,522	\$ 4,197,500	\$ 4,197,500	\$ 4,197,500
Repayment of InterUtility Loan	187,569	93,784	187,569	187,569	187,569
Interest on Utility Reserves	332,598	186,555	109,233	79,426	71,251
Bond Federal Subsidy	25,673	13,788	27,576	27,576	27,576
Non Potable Revenue	47,043	47,412	216,000	175,663	175,663
TOTAL REVENUE	\$ 4,172,114	\$ 2,390,061	\$ 4,737,878	\$ 4,667,734	\$ 4,659,559
OPERATING EXPENSES					
Supervision, Misc Direct Admin	\$ 729,505	\$ 518,795	\$ 805,445	\$ 676,041	\$ 679,183
Pumping Power	560,399	251,608	800,000	810,500	821,157
Wells	155,664	125,645	135,631	129,025	132,200
Booster Pump Stations	79,395	41,584	123,587	128,025	130,800
Treatment	29,474	21,279	104,271	152,354	155,600
Storage Tanks	7,378	927	19,385	41,512	42,400
Transmission Lines	105,016	60,360	223,066	208,432	213,019
Capital Project Inspection & Support	-	-	-	13,671	14,100
Non Potable System	458,883	127,986	326,132	290,169	271,573
Ski Hill	14,935	876	66,885	67,253	68,625
Interdepartmental Charges	263,893	138,962	341,062	326,610	326,610
Eng. Cust Svc. MR and Admin	539,018	305,281	678,114	684,926	672,687
State Water Tax	35,173	18,621	45,000	45,000	45,000
Debt Service	232,053	116,284	235,735	238,433	258,373
TOTAL OPERATING EXPENSES	\$ 3,210,786	\$ 1,728,206	\$ 3,904,314	\$ 3,811,951	\$ 3,831,328
OPERATING INCOME (LOSS)	\$ 961,329	\$ 661,855	\$ 833,564	\$ 855,782	\$ 828,232
CAPITAL EXPENDITURES					
Capital Expenditures	\$ 1,205,286	\$ 206,622	\$ 7,296,000	\$ 2,805,000	\$ 815,000
OTHER FINANCING					
Grants/Loan Proceeds	\$ 415,506	\$ 58,847	\$ 1,271,000		\$ 468,000
County/External Reimbursement	-		2,000,000		
Sale of scrap					
BUDGETED NET INCOME (LOSS)	\$ 171,549	\$ 514,080	\$ (3,191,436)	\$ (1,949,218)	\$ 481,232
Cash & Investments					
Working Cash	\$ 3,988,376		\$ (3,964,741)	\$ 1,047,249	\$ 1,539,813
Operations Reserve	\$ 1,842,562		\$ 1,817,322	\$ 1,751,671	\$ 1,747,616
Contingency Reserve	\$ 750,000		\$ 125,000	\$ 64,566	\$ 375,875
Retirement/Reclamation Reserve			\$ 200,000	\$ -	\$ -
Capital Replacement	\$4,000,000		\$ 8,000,000	2,563,880	2,219,168
Total Unrestricted Cash & Investments	\$ 10,580,938		\$ 6,177,582	\$ 5,427,366	\$ 5,882,472
Restricted					
Bond Debt Service & Reserve Fund	\$ 206,176		\$ 192,838	\$ 219,094	\$ 245,220
Total Restricted	\$ 206,176		\$ 192,838	\$ 219,094	\$ 245,220
Total Cash & Investments	\$ 10,787,114		\$ 6,370,420	5,646,460	\$ 6,127,692

Los Alamos County Utilities Department
Fiscal Year 2019 and 2020 Budgets
Summary of Expenditure Budget-- **WASTE WATER TREATMENT COLLECTION**

	Actual FY2017	Jul-Dec Actual FY2018	Adopted Budget FY2018	Proposed Budget FY2019	Projected Budget FY2020
REVENUE					
Thousand of Gallons Processed	426,899	226,383	430,000	430,000	430,000
Sales Revenue	\$ 4,913,866	\$ 2,604,303	\$ 5,269,745	\$ 5,582,581	\$ 5,875,734
Interest on Utility Reserves	41,799	29,775	13,516	35,667	25,738
Revenue on Recoverable Work	410	166	-	-	-
TOTAL REVENUE	\$ 4,956,075	\$ 2,634,244	\$ 5,283,261	\$ 5,618,248	\$ 5,901,472
OPERATING EXPENSES					
Supervision, Misc Direct Admin	\$ 265,879	\$ 233,727	\$ 230,375	\$ 282,862	\$ 286,764
Wastewater Collection	289,332	275,913	367,602	341,104	349,902
Lift Stations	220,637	72,870	275,214	139,160	141,580
Collection Capital Proj Inspection & Support	-	-	-	4,074	4,195
Wastewater Treatment	1,206,636	672,725	1,318,100	1,866,805	1,721,473
Interdepartmental Charges	411,402	208,291	590,289	602,162	602,162
Eng. Cust Svc. MR and Admin	499,694	236,882	835,197	812,352	766,103
Debt Service	1,151,394	575,631	1,155,799	966,892	966,893
TOTAL OPERATING EXPENSES	\$ 4,044,975	\$ 2,276,039	\$ 4,772,576	\$ 5,015,412	\$ 4,839,073
OPERATING INCOME (LOSS)	\$ 911,100	\$ 358,205	\$ 510,685	\$ 602,835	\$ 1,062,399
CAPITAL EXPENDITURES					
Capital Expenditures	\$ 662,162	\$ 1,049	\$ 50,000	\$ 1,000,000	\$ 13,520,000
OTHER FINANCING					
Grant/Loan Proceeds					\$ 14,000,000
Transfer from Gas Dist (FY18 budget revision)		2,500,000			
BUDGETED NET INCOME (LOSS)	\$ 248,938	\$ 2,857,156	\$ 460,685	\$ (397,165)	\$ 1,542,399
Cash & Investments					
Capital Replacement	-		\$ (2,063,571)	\$ 305,668	\$ -
Operations Reserve			\$ 1,625,142	\$ 1,765,076	\$ -
Contingency Reserve			\$ 75,000	\$ -	\$ -
Working Cash	\$ (611,144)		\$ (567,590)	\$ (118,368)	\$ 3,494,775
Loan from Gas Division			\$ 1,450,000		
Total Unrestricted Cash & Investments	\$ (611,144)		\$ 518,980	\$ 1,952,376	\$ 3,494,775
Restricted Loan Reserves	\$ 1,682,644		\$ 1,362,985	\$ 1,682,644	\$ 1,682,644
Total Cash & Investments	\$ 1,071,500		1,881,965	3,635,020	5,177,419

Los Alamos County Utilities Department
Fiscal Year 2019 and 2020 Budgets
Summary of Expenditure Budget - **ADMIN**

	Actual FY2017	Jul-Dec Actual FY2018	Adopted Budget FY2018	Proposed Budget FY2019	Projected Budget FY2020
Meter Reading	354,787	196,453	352,536	339,248	343,900
Customer Service	552,714	279,269	840,167	755,756	613,108
Engineering	1,489,100	678,467	1,530,874	1,479,069	1,474,116
Electric Production	170,724	73,948	148,643	167,788	154,691
All Except EP	309,517	146,037	229,305	213,550	216,213
All Divisions	526,997	281,675	200,238	174,928	177,235
Electric Distribution	42,806	20,635	75,267	88,331	89,045
Gas Distribution	74,379	17,221	181,422	187,916	189,795
Water Distribution	38,290	14,601	270,909	206,810	208,641
Wastewater Collection & Treatmer	141,861	32,724	186,616	191,903	194,138
Water Production	184,526	91,626	238,473	247,843	244,358
Administration	458,407	230,706	752,285	684,819	688,367
Electric Production	25,496	18,216	84,121	60,709	61,014
All Except EP	10,162	-	10,000	-	-
All Divisions	420,403	212,490	508,164	474,110	477,354
Electric Distribution	2,346	-	-	-	-
Water Production	-	-	150,000	150,000	150,000
Finance	606,656	328,123	974,152	985,812	992,470
Electric Production	54,985	14,559	77,469	107,436	108,130
All Except EP	2,700	-	58,000	58,000	58,000
All Divisions	548,971	313,564	738,683	770,376	776,339
Electric Distribution	-	-	50,000	-	-
Gas Distribution	-	-	-	-	-
Water Distribution	-	-	50,000	-	50,000
Wastewater Collection & Treatmer	-	-	-	-	-
Management Audit	-	-	-	50,000	-
Public Information	206,589	107,612	259,668	269,512	246,106
Electric Production	-	563	-	-	-
All Except EP	179,361	82,922	173,157	201,803	179,347
All Divisions	-	4,093	-	-	-
Electric Distribution	499	4,132	51,850	26,184	18,484
Gas Distribution	13,075	13,488	17,906	15,200	30,300
Water Distribution	13,203	1,537	13,155	21,825	14,575
Wastewater Collection & Treatmer	450	502	1,800	2,800	1,700
Water Production	-	376	1,800	1,700	1,700
Total Administrative Division	3,668,253	1,820,630	4,709,682	4,514,216	4,358,067

LOS ALAMOS DEPARTMENT OF PUBLIC UTILITIES
CASH & INVESTMENT BUDGET

	FY2017 ACTUAL	FY2019 PROPOSED BUDGET	FY2020 PROJECTED BUDGET
EP Cash & Investments - UNRESTRICTED	\$ 4,991,153	\$ 5,357,972	\$ 5,130,572
EP Cash & Investments - RESTRICTED	\$ 12,834,606	\$ 12,412,990	\$ 12,640,390
EP Cash & Investments - TOTAL	\$ 17,825,759	\$ 17,770,961	\$ 17,770,962
ED Cash & Investments - UNRESTRICTED	\$ (5,365,102)	\$ 569,644	\$ 1,278,308
ED Cash & Investments - RESTRICTED	\$ 6,668,179	\$ 1,446,546	\$ 1,446,546
ED Cash & Investments - TOTAL	\$ 1,303,077	\$ 2,016,190	\$ 2,724,854
GAS Cash & Investments - UNRESTRICTED	\$ 5,677,382	\$ 3,993,186	\$ 5,002,701
GAS Cash & Investments - RESTRICTED	\$ -	\$ -	\$ -
GAS Cash & Investments - TOTAL	\$ 5,677,382	\$ 3,993,186	\$ 5,002,701
DW Cash & Investments - UNRESTRICTED	\$ (1,283,827)	\$ (1,373,071)	\$ (1,302,845)
DW Cash & Investments - RESTRICTED	\$ -	\$ -	\$ -
DW Cash & Investments - TOTAL	\$ (1,283,827)	\$ (1,373,071)	\$ (1,302,845)
WP Cash & Investments - UNRESTRICTED	\$ 10,580,938	\$ 5,427,366	\$ 5,882,472
WP Cash & Investments - RESTRICTED	\$ 206,176	\$ 219,094	\$ 245,220
WP Cash & Investments - TOTAL	\$ 10,787,114	\$ 5,646,460	\$ 6,127,692
WW Cash & Investments - UNRESTRICTED	\$ (611,144)	\$ 1,952,376	\$ 3,494,775
WW Cash & Investments - RESTRICTED	\$ 1,682,644	\$ 1,682,644	\$ 1,682,644
WW Cash & Investments - TOTAL	\$ 1,071,500	\$ 3,635,020	\$ 5,177,419
DPU TOTAL Cash & Investments - UNRESTRICTED	13,989,400	15,927,473	19,485,983
DPU TOTAL Cash & Investments - RESTRICTED	21,391,605	15,761,274	16,014,800
DPU TOTAL Cash & Investments - TOTAL	35,381,006	31,688,747	35,500,783

Los Alamos County Department of Public Utilities
Fiscal Years 2019-2028
10-Year Capital Plan

FY19 (1 July 2018 - 30 June 2019)		Budget
ELECTRIC PRODUCTION		305,000
Electric SCADA Server Consolidation		120,000
Electric SCADA Operating System Back-up		50,000
Back-up Power Operation Center HVAC Upgrades		60,000
Abiquiu & El Vado Transformer Oil and Bushings		75,000
ELECTRIC DISTRIBUTION		1,340,817
Los Alamos URD Replacement (cables, jboxes, pedestals)		300,000
White Rock URD Replacement (cables, jboxes, pedestals)		300,000
Overhead System Replacement (polex, xarms, transformers)		400,000
County Labor and Benefits		340,817
GAS DISTRIBUTION		0
WATER DISTRIBUTION		0
WATER PRODUCTION		2,805,000
LA Reservoir Road Stabilization (\$1,222,500 FEMA / \$407,500 LAC Match)		1,630,000
OW2 Construction - Well House & Equipment		800,000
PW5 MCC Replacement - Construction		275,000
Auto Valves 10 & 11 R&R		100,000
WASTEWATER TREATMENT AND SEWER COLLECTION TOTAL		1,000,000
SEWER COLLECTION		0
WASTEWATER TREATMENT		1,000,000
WR WWTP Replacement Project - Design		1,000,000

Los Alamos County Department of Public Utilities
Fiscal Years 2019-2028
10-Year Capital Plan

FY20 (1 July 2019 - 30 June 2020)		Budget
ELECTRIC PRODUCTION		135,000
	Update Energy & Water Conservation Plan	35,000
	Electric SCADA Upgrades (Modems, Switches & RTUS)	100,000
ELECTRIC DISTRIBUTION		1,351,042
	Los Alamos URD Replacement (cables, jboxes, pedestals)	300,000
	White Rock URD Replacement (cables, jboxes, pedestals)	300,000
	Overhead System Replacement (poles, arms, transformers)	400,000
	Townsite Circuit 15, 3 PHASE	
	White Rock Circuit 1, 3 PHASE	
	County Labor and Benefits	351,042
GAS DISTRIBUTION		35,000
	Update Energy & Water Conservation Plan	35,000
WATER DISTRIBUTION		0
WATER PRODUCTION		815,000
	Update Energy & Water Conservation Plan	35,000
	Design Project (G12 Tank, BS's, etc.) (NP - WTB)	530,000
	Minor Diamond Drive Connections (NP - WTB)	250,000
WASTEWATER TREATMENT AND SEWER COLLECTION TOTAL		13,520,000
SEWER COLLECTION		0
WASTEWATER TREATMENT		13,520,000
	WR WWTP Replacement Project - Construction	13,000,000
	WR WWTP Replacement Project - Construction Admin/Project Mgt	520,000

Los Alamos County Department of Public Utilities
Fiscal Years 2019-2028
10-Year Capital Plan

FY21 (1 July 2020 - 30 June 2021)		Budget
ELECTRIC PRODUCTION		0
ELECTRIC DISTRIBUTION		1,050,000
Los Alamos URD Replacement (cables, jboxes, pedestals)		300,000
White Rock URD Replacement (cables, jboxes, pedestals)		300,000
White Rock GWS & ED Facility		50,000
Overhead System Replacement (polex, xarms, transformers)		400,000
Townsite Circuit 13, 3 PHASE		
White Rock Circuit2, 3 PHASE		
GAS DISTRIBUTION		50,000
GWS/GA Facilities at WR WWTP		50,000
WATER DISTRIBUTION		50,000
GWS/DW Facilities at WR WWTP		50,000
WATER PRODUCTION		750,000
2nd Group 12 Tank (NP - WTB)		750,000
WASTEWATER TREATMENT AND SEWER COLLECTION TOTAL		50,000
SEWER COLLECTION		50,000
GWS/WC Facilities at WR WWTP		50,000
WASTEWATER TREATMENT		0

Los Alamos County Department of Public Utilities
Fiscal Years 2019-2028
10-Year Capital Plan

FY22 (1 July 2021 - 30 June 2022)		Budget
ELECTRIC PRODUCTION		0
ELECTRIC DISTRIBUTION		1,200,000
Los Alamos URD Replacement (cables, jboxes, pedestals)		400,000
White Rock URD Replacement (cables, jboxes, pedestals)		400,000
Overhead System Replacement (polex, xarms, transformers)		400,000
Townsite Circuit 16, 3 PHASE		
White Rock Circuit1, 1 PHASE		
GAS DISTRIBUTION		281,000
White Rock Key Steel Valve Project Phase 1		281,000
WATER DISTRIBUTION		1,075,000
North Mesa Distribution Upgrades		400,000
Barranca Tank 2 Repaint		675,000
WATER PRODUCTION		0
WASTEWATER TREATMENT AND SEWER COLLECTION TOTAL		844,000
SEWER COLLECTION		844,000
Laguna Sewer Canyon Drop Replacement		844,000
WASTEWATER TREATMENT		0

Los Alamos County Department of Public Utilities
Fiscal Years 2019-2028
10-Year Capital Plan

FY23 (1 July 2022 - 30 June 2023)		Budget
ELECTRIC PRODUCTION		0
ELECTRIC DISTRIBUTION		1,200,000
Los Alamos URD Replacement (cables, jboxes, pedestals)		400,000
White Rock URD Replacement (cables, jboxes, pedestals)		400,000
Overhead System Replacement (poles, xarms, transformers)		400,000
Townsite Ski Hill Circuit, 3 PHASE		
White Rock Circuit2, 1 PHASE		
GAS DISTRIBUTION		290,000
White Rock Key Steel Valve Project Phase 2		290,000
WATER DISTRIBUTION		870,000
Aspen School Area Pipeline Phase 1		870,000
WATER PRODUCTION		825,000
Guaje Pines, North Mesa, Diamond Connections (NP - WTB)		825,000
WASTEWATER TREATMENT AND SEWER COLLECTION TOTAL		4,528,000
SEWER COLLECTION		348,000
Aspen School Area Sewerline R&R - Phase 1		174,000
Loma Vista Sewer Lift Station Rehabilitation		174,000
WASTEWATER TREATMENT		4,180,000
LA WWTP 13-Year Upgrade - Construction		3,500,000
LA WWTP 13-Year Upgrade - Construction Admin/Project Mgt		100,000
LA WWTP Non-Potable Pressure Line		580,000

Los Alamos County Department of Public Utilities
Fiscal Years 2019-2028
10-Year Capital Plan

FY24 (1 July 2023 - 30 June 2024)		Budget
ELECTRIC PRODUCTION		0
ELECTRIC DISTRIBUTION		1,200,000
Los Alamos URD Replacement (cables, jboxes, pedestals)		400,000
White Rock URD Replacement (cables, jboxes, pedestals)		400,000
Overhead System Replacement (polex, xarms, transformers)		400,000
Townsite Circuit 15, 1 PHASE		
White Rock Circuit 1, Wire 3 PHASE		
GAS DISTRIBUTION		299,000
White Rock Key Steel Valve Project Phase 2		299,000
WATER DISTRIBUTION		896,000
Aspen School Area Pipeline Phase 2		896,000
WATER PRODUCTION		2,494,000
Townsite 14" Pipeline R&R - Phase 1		1,194,000
Bayo BS & Tank Upgrades (NP - WTB)		1,300,000
WASTEWATER TREATMENT AND SEWER COLLECTION TOTAL		537,000
SEWER COLLECTION		537,000
Aspen School Area Sewerline R&R - Phase 2		179,000
Paseo Penasco Sewer Lift Station Rehabilitation		179,000
Arkansas Area Backyard Sewer Mains & Services R&R		179,000
WASTEWATER TREATMENT		0

Los Alamos County Department of Public Utilities
Fiscal Years 2019-2028
10-Year Capital Plan

FY25 (1 July 2024 - 30 June 2025)		Budget
ELECTRIC PRODUCTION		0
ELECTRIC DISTRIBUTION		1,200,000
Los Alamos URD Replacement (cables, jboxes, pedestals)		400,000
White Rock URD Replacement (cables, jboxes, pedestals)		400,000
Overhead System Replacement (polex, xarms, transformers)		400,000
Townsite Circuit 13, 1 PHASE		
White Rock Circuit2, Wire 3 PHASE		
GAS DISTRIBUTION		307,000
Pipeline Repair & Replacement / Equipment		307,000
WATER DISTRIBUTION		922,000
Aspen School Area Pipeline Phase 3		922,000
WATER PRODUCTION		2,152,000
Townsite 14" Pipeline R&R - Phase 2		1,230,000
Rover & Pinon Park NP Pipeline Connections (NP - WTB)		922,000
WASTEWATER TREATMENT AND SEWER COLLECTION TOTAL		678,000
SEWER COLLECTION		678,000
Aspen School Area Sewerline R&R - Phase 3		185,000
El Gancho Sewer Lift Station Rehabilitation		185,000
North Community Backyard Sewer Mains & Services R&R - Phase 2		308,000
WASTEWATER TREATMENT		0

Los Alamos County Department of Public Utilities
Fiscal Years 2019-2028
10-Year Capital Plan

FY26 (1 July 2025 - 30 June 2026)		Budget
ELECTRIC PRODUCTION		0
ELECTRIC DISTRIBUTION		1,200,000
Los Alamos URD Replacement (cables, jboxes, pedestals)		400,000
White Rock URD Replacement (cables, jboxes, pedestals)		400,000
Overhead System Replacement (poles, arms, transformers)		400,000
Townsite Circuit 16, 1 PHASE		
White Rock Circuit1, Wire 1 PHASE		
GAS DISTRIBUTION		317,000
Pipeline Repair & Replacement / Equipment		317,000
WATER DISTRIBUTION		823,000
Fairway 47th to West Area Pipeline		633,000
PRV Replacements - 2 Each		190,000
WATER PRODUCTION		1,900,000
Townsite 14" Pipeline R&R - Phase 3		1,267,000
Barranca Mesa NP Pipeline Connections (NP - WTB)		633,000
WASTEWATER TREATMENT AND SEWER COLLECTION TOTAL		988,000
SEWER COLLECTION		671,000
Old Pueblo Sewer Canyon Drop Replacement		380,000
41st/45th/46th/47th Sewerline R&R {PW-WA 7}		101,000
Ridge Park Sewer Lift Station Rehabilitation		190,000
WASTEWATER TREATMENT		317,000
Equipment / Vehicle		317,000

Los Alamos County Department of Public Utilities
Fiscal Years 2019-2028
10-Year Capital Plan

FY27 (1 July 2026 - 30 June 2027)		Budget
ELECTRIC PRODUCTION		0
ELECTRIC DISTRIBUTION		1,200,000
Los Alamos URD Replacement (cables, jboxes, pedestals)		400,000
White Rock URD Replacement (cables, jboxes, pedestals)		400,000
Overhead System Replacement (polex, xarms, transformers)		400,000
Townsite Circuit 16, 1 PHASE		
White Rock Circuit1, Wire 1 PHASE		
GAS DISTRIBUTION		326,000
Pipeline Repair & Replacement / Equipment		326,000
WATER DISTRIBUTION		1,174,000
Denver Steel Area East Portion Pipeline		1,174,000
WATER PRODUCTION		2,512,000
West Pajarito Road Pipeline R&R - Phase 1		1,305,000
Bayo BS Winter Storage Facility (NP - WTB)		1,207,000
WASTEWATER TREATMENT AND SEWER COLLECTION TOTAL		854,000
SEWER COLLECTION		854,000
Denver Steel Area East Portion Sewerline R&R {PW-WA 5}		104,000
Airport Canyon Sewer Canyon Drop Replacement		750,000
WASTEWATER TREATMENT		0

Los Alamos County Department of Public Utilities
Fiscal Years 2019-2028
10-Year Capital Plan

FY28 (1 July 2027 - 30 June 2028)		Budget
ELECTRIC PRODUCTION		0
ELECTRIC DISTRIBUTION		1,200,000
Los Alamos URD Replacement (cables, jboxes, pedestals)		400,000
White Rock URD Replacement (cables, jboxes, pedestals)		400,000
Overhead System Replacement (poles, xarms, transformers)		400,000
Townsite Circuit 16, 1 PHASE		
White Rock Circuit 1, Wire 1 PHASE		
GAS DISTRIBUTION		250,000
Pipeline Repair & Replacement / Equipment		250,000
WATER DISTRIBUTION		1,041,000
Denver Steel Area West Portion Pipeline		739,000
PRV Replacement - 3 Each		302,000
WATER PRODUCTION		1,680,000
West Pajarito Road Pipeline R&R - Phase 2		1,344,000
SCADA Upgrades (NP - WTB)		336,000
WASTEWATER TREATMENT AND SEWER COLLECTION TOTAL		512,000
SEWER COLLECTION		512,000
Denver Steel Area West Portion Sewerline R&R		108,000
Ponderosa Sewer Lift Station Rehabilitation		202,000
Potrillo Sewer Lift Station Rehabilitation		202,000
WASTEWATER TREATMENT		0

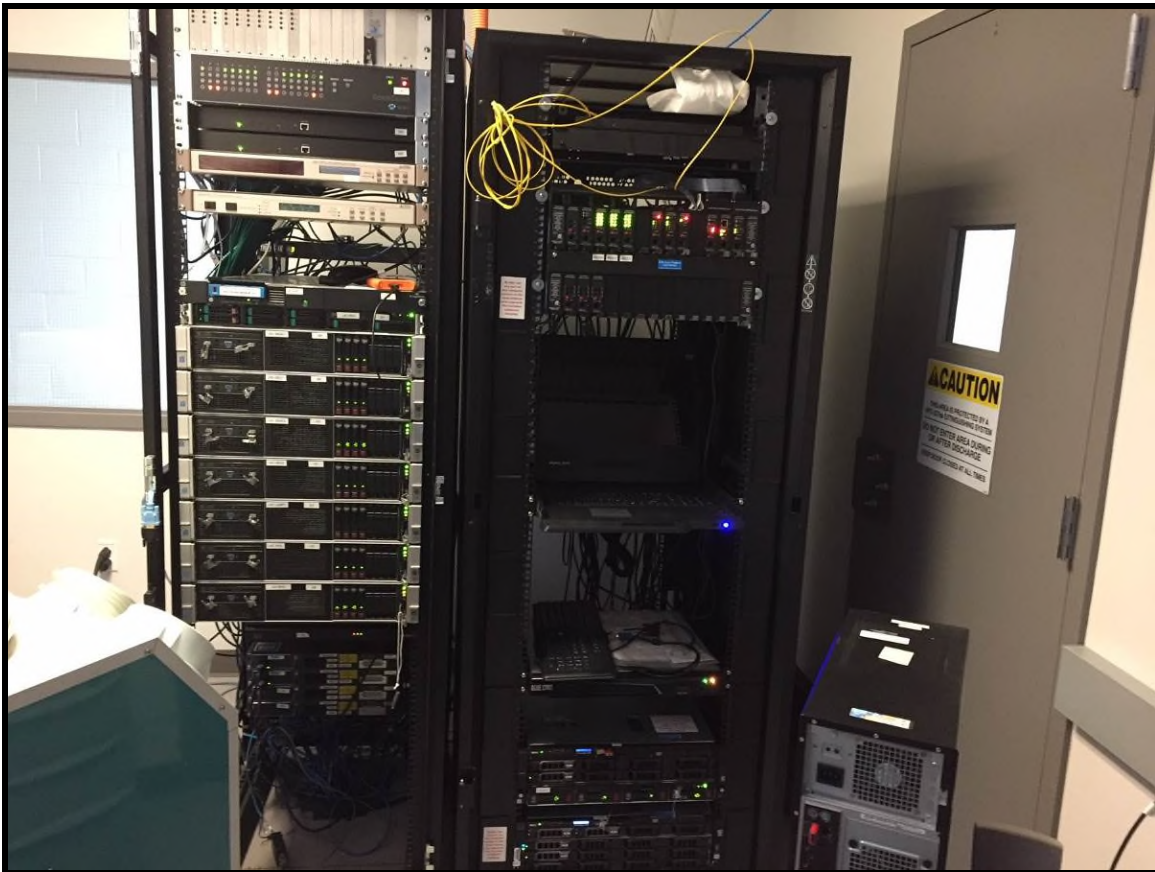
ELECTRIC PRODUCTION

FY19 & FY20: Electric SCADA

Project Scope: A number of components on the electric SCADA system are at the end of their useful life and replacement parts are becoming difficult to acquire. Over the next two years a number of upgrades to the systems are planned to maintain a reliable operation.

Budget:	FY19 Operating System Back-up	\$ 50,000
	FY19 Server Consolidation	\$120,000
	FY20 Modems, Switches & RTUs	\$100,000

Schedule: Spring 2019 through spring 2020



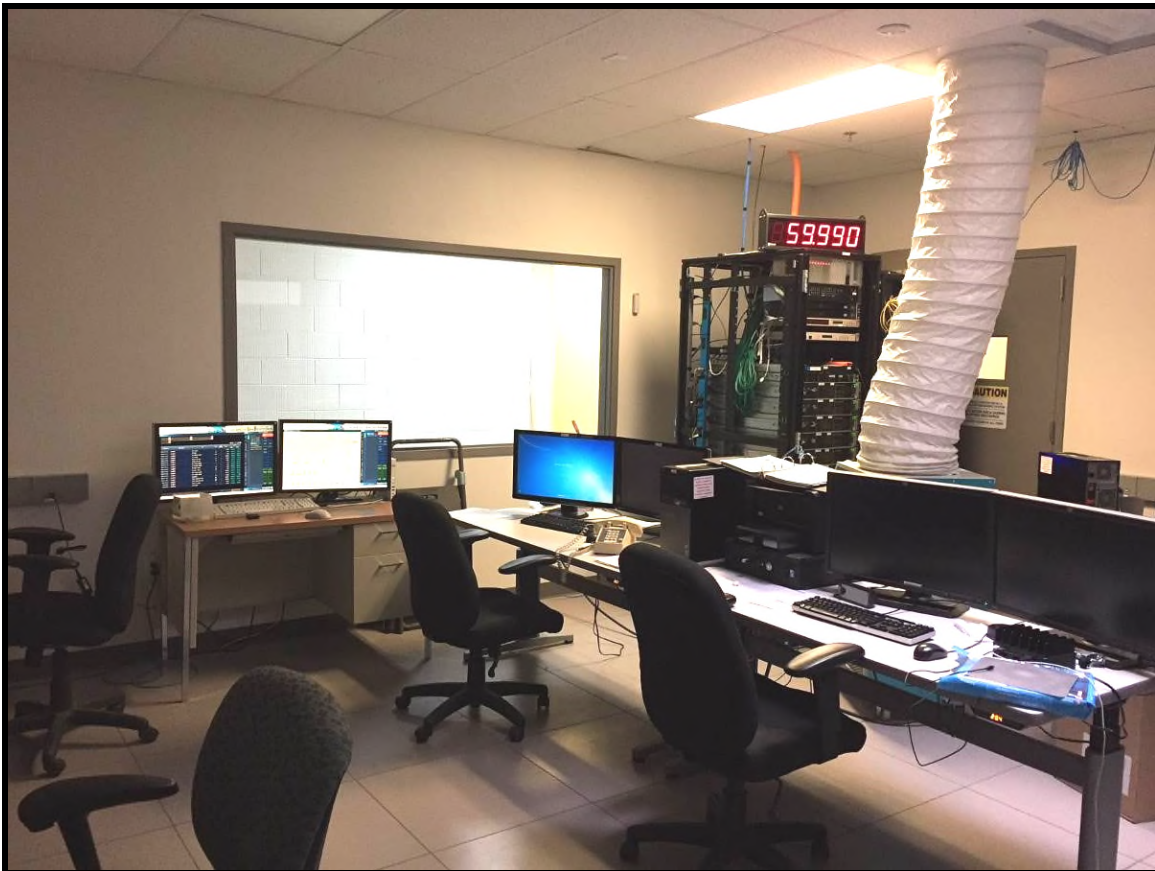
ELECTRIC PRODUCTION

FY19: Back-up Operations Center HVAC

Project Scope: Recent cyber security regulations require the water and electric SCADA master stations to be in separate rooms. The electric SCADA system has been relocated into a room which is not capable of cooling the room with the large amount of heat generated by the SCADA servers and electronics. An independent HVAC system will be installed in the electric SCADA server room.

Budget: \$ 60,000

Schedule: Summer 2018



ELECTRIC PRODUCTION

FY19: Abiquiu and El Vado Transformer Oil & Bushings

Project Scope: Bushings on the main transformer in El Vado and Abiquiu show evidence of oil leakage around the bushing level gauge. The condition of the bushings will be further investigated. The transformer insulation in El Vado is in question due to test results of the transformer insulating oil. Replacement of bushings and the insulating oil and filter will prolong reliable operation of the transformer.

Budget: \$ 75,000

Schedule: Winter 2018



ELECTRIC DISTRIBUTION

FY19: Overhead System Replacement

Project Scope: Many components of the utilities' overhead infrastructure operate near or past their useful plant life; greater than 50 years. The department's Asset Management Program (AMP) prioritizes O&M projects on (a) root cause analysis after power outages, (b) quarterly line patrols, and (c) year-end assessments. The O&M program includes: replacement of power poles, cross-arms, and revamps (wire & transformer upgrades). Priority is placed on the three phase backbone and areas affecting the highest number of consumers.

- | | |
|----------------------------|------------|
| 1. White Rock service area | \$200,000. |
| 2. Los Alamos service area | \$200,000. |

Budget: \$ 400,000
Schedule: Year round design and construction



ELECTRIC DISTRIBUTION

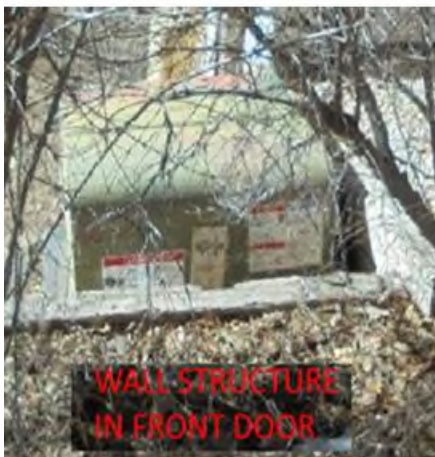
FY19: URD (UG residential distribution) Replacements

Project Scope: The underground system contains 1970s infrastructure which was direct-buried and in direct contact with the earth. Portions or segments of the underground system which have experienced 3 or more failures are targeted for replacement because they will fail again. Old and obsolete live-front transformers are routinely replaced due to safety and arc-flash concerns. New loop segments are designed for radial power lines which serve large amounts of customers.

- | | |
|---|------------|
| 1. Los Alamos town site area after three failure replacements | \$300,000. |
| 2. White Rock area after three failure replacements | \$300,000. |

Budget: \$ 600,000

Schedule: Year round design and construction



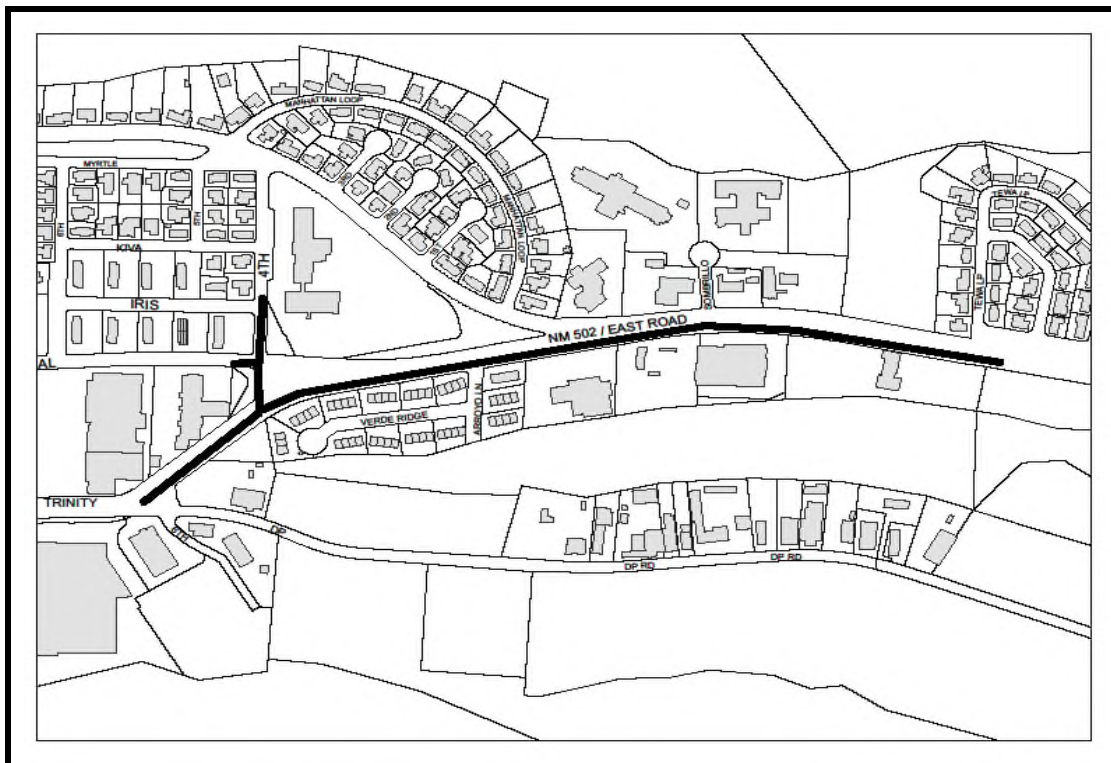
NMDOT NM 502 RECONSTRUCTION

FY19 & FY20: Gas, Water, Sewer, Fiber Optic and Electric

Project Scope: The road and utility reconstruction project, administered by the New Mexico Department of Transportation, was scheduled to begin in 2017. The project was bid three times in 2017. The first two bid attempts resulted in only one bid received and the road component of the project was much higher than expected. As a result of the high bids the project was not awarded. In the third attempt no bids were received. The project is scheduled to be bid in October of 2018. The Department of Public Utilities funded the project in FY 2017 and the funds remain dedicated to the project.

Budget:	Gas Distribution	\$ 417,012.08
	Water Production	\$ 450,291.15
	Water Distribution	\$ 914,826.23
	Wastewater	\$ 101,830.12
	Electric Distribution	\$ 552,784.66
	Fiber Optic	\$ 160,435.68
	Total	\$2,597,179.92

Schedule: Construct 2019



WATER PRODUCTION

FY19: Los Alamos Reservoir Road Stabilization

Project Scope: FEMA awarded Los Alamos County a grant for the stabilization of the Los Alamos Reservoir road and to clear debris from the channel and route the channel to its original path. Phase I of the grant for design and environmental documents is ongoing. This budget item is for Phase II of the project for construction of the improvements. The FEMA grant will cover 75% of the cost while the remaining 25% will be the responsibility of Los Alamos County.

Budget:	FEMA	\$ 1,222,500
	DPU	\$ 203,750
	General Fund	\$ 203,750
	Total Construction	\$ 1,630,000

Schedule: Design and environmental documents are currently in progress. Construction is scheduled for spring 2019.



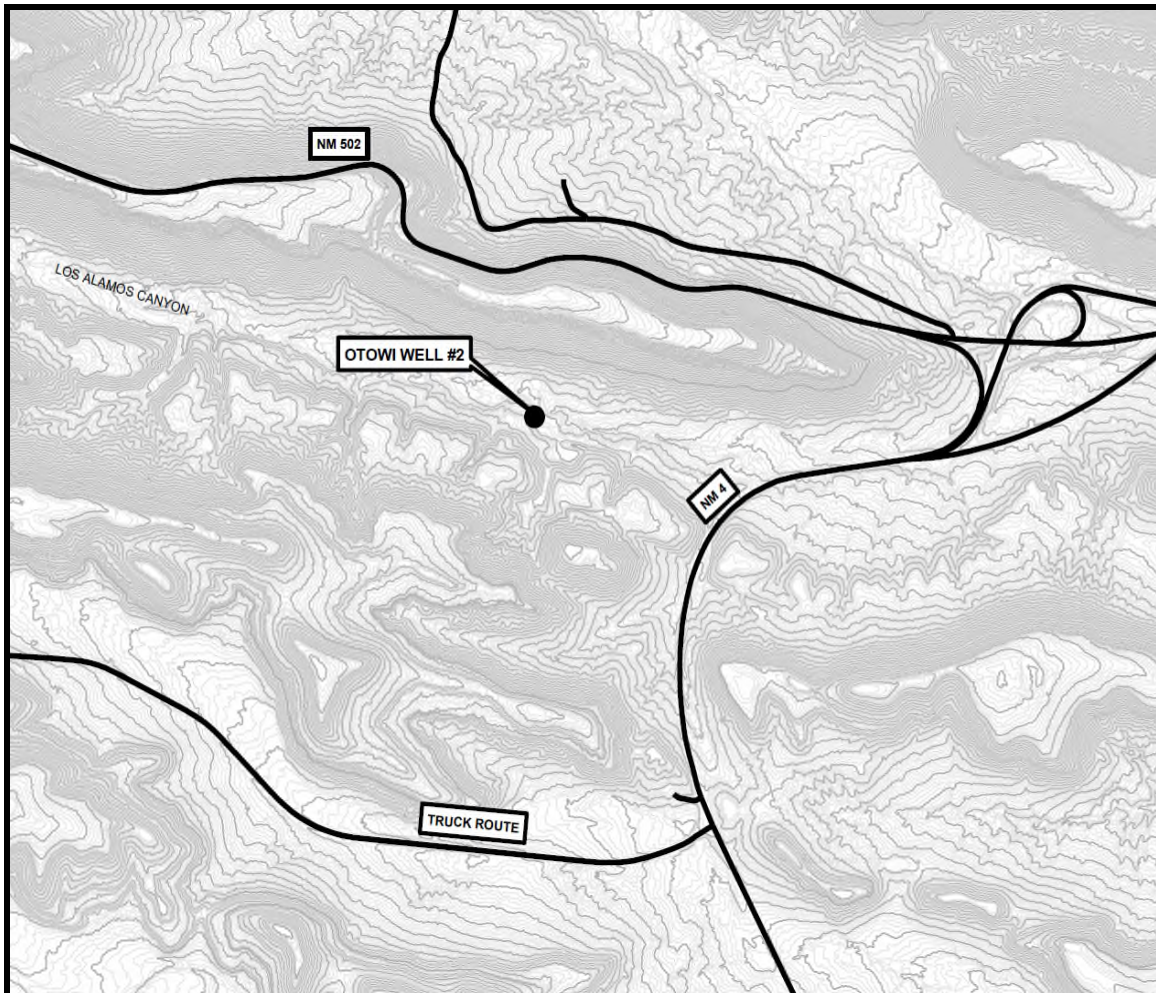
WATER PRODUCTION

FY19: Otowi Well No. 2 Well House and Equipment

Project Scope: The project will be executed in two phases. The first phase of the project for the design, drilling and development of the well is ongoing and scheduled for completion in the summer of 2018. This budget item is for the second phase of the project for design and construction of the well house, electric gear and equipping the well with pumps. The well is scheduled to be online by spring of 2019.

Budget: \$800,000

Schedule: Well to be drilled and developed by summer 2018. Equipping the well is scheduled to be complete by the spring of 2019.



WATER PRODUCTION

FY19: Pajarito Well No. 5 Motor Control Center Replacement

Project Scope: The MCC equipment on the Pajarito Well No. 5 is becoming obsolete. Parts are no longer available on the open market. The DPU has maintained this equipment using parts from spare units. New equipment is required to avoid system breakdowns and to keep the system functioning properly. This project is part of a system wide effort to update all motor control centers and control equipment so they meet current codes and maintain reliable service.

Budget: \$275,000

Schedule: Construction is scheduled for winter 2018/2019.



WATER PRODUCTION

FY19: Automatic Well Replacement: Valves 10 & 11.

Project Scope: These automatic valves are needed to open and close pipelines to transfer water efficiently from one section of the potable water system to other sections whenever there is a need due to a booster station or well pump failure. The mechanical and electrical portions of these valves do not function properly. Further, the equipment was manufactured overseas and it is extremely difficult to order and receive parts.

Budget: \$100,000

Schedule: Spring 2019.



WASTEWATER TREATMENT

FY19 & 20: New Wastewater Treatment Plant in White Rock Design & Construction

Project Scope: Perform the engineering design required to completely replace the existing 50-year old trickling filter plant, with a modern facility that will produce high quality irrigation water for public spaces. The design will follow the selection and recommendations made under the Preliminary Engineering Report approved by the County in summer 2016.

Budget:	Design	\$ 1,000,000
	Construction	\$ 13,000,000
	Construction Admin./Inspection	\$ 520,000

Schedule: Retain engineering services fall 2018. Bid for Construction summer 2019

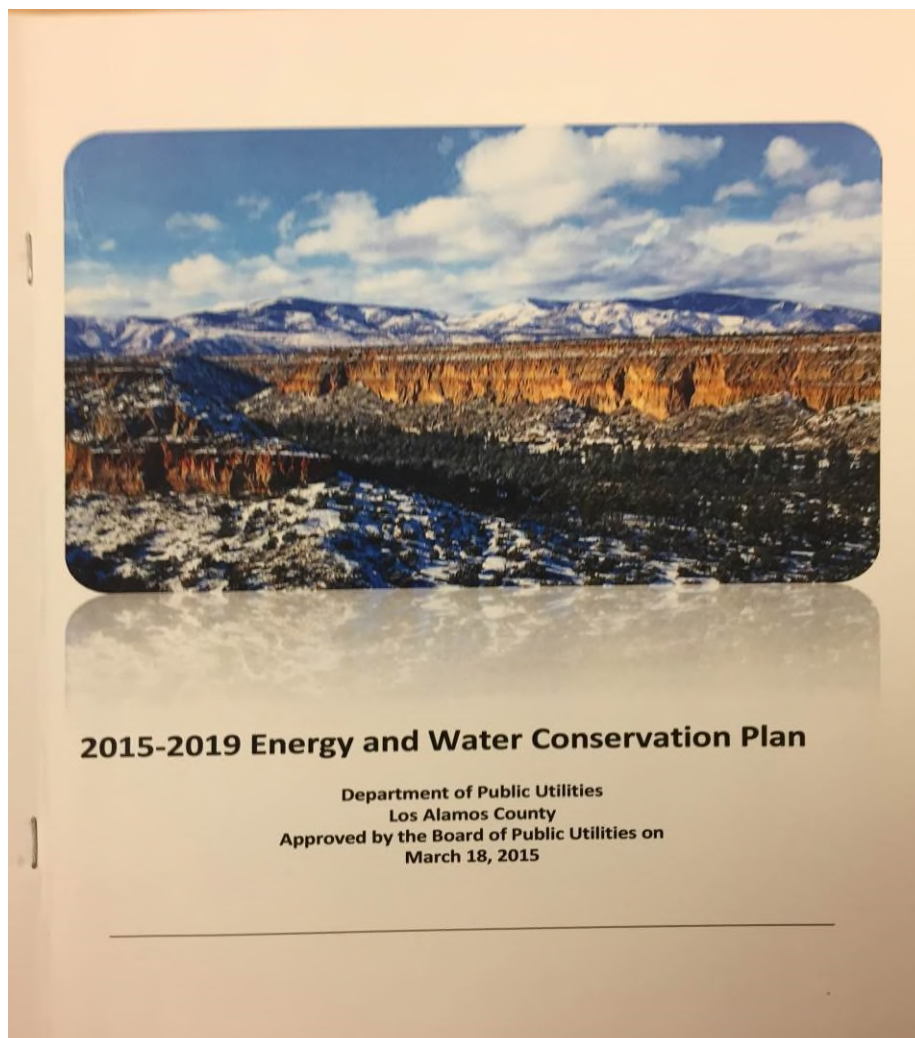


FY20: UPDATE WATER AND ENERGY CONSERVATION PLAN

Project Scope: Complete a five-year update of the Department of Public Utilities energy and water conservation plan. A conservation plan is required by the multiple regulatory agencies.

Budget:	Gas Distribution	\$ 35,000
	Water Production	\$ 35,000
	<u>Electric Production</u>	<u>\$ 35,000</u>
	Total	\$ 105,000

Schedule: Spring 2020



ELECTRIC DISTRIBUTION

FY20: Overhead System Replacement

Project Scope: Many components of the utilities' overhead infrastructure operate near or past their useful plant life; greater than 50 years. The department's Asset Management Program (AMP) prioritizes O&M projects on (a) root cause analysis after power outages, (b) quarterly line patrols, and (c) year-end assessments. The O&M program includes: replacement of power poles, cross-arms, and revamps (wire & transformer upgrades). Priority is placed on the three phase backbone and areas affecting the highest number of consumers.

- | | |
|----------------------------|------------|
| 3. White Rock service area | \$200,000. |
| 4. Los Alamos service area | \$200,000. |

Budget: \$ 400,000
Schedule: Year round design and construction



ELECTRIC DISTRIBUTION

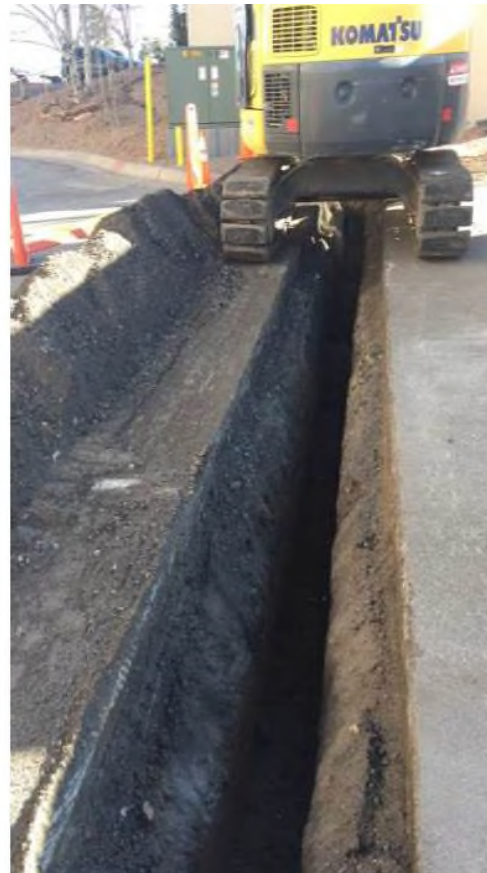
FY20: URD (UG residential distribution) Replacements

Project Scope: The underground system contains 1970s infrastructure which was direct-buried and in direct contact with the earth. Portions or segments of the underground system which have experienced 3 or more failures are targeted for replacement because they will fail again. Old and obsolete live-front transformers are routinely replaced due to safety and arc-flash concerns. New loop segments are designed for radial power lines which serve large amounts of customers.

- | | |
|---|------------|
| 3. Los Alamos town site area after three failure replacements | \$300,000. |
| 4. White Rock area after three failure replacements | \$300,000. |

Budget: \$ 600,000

Schedule: Year round design and construction



WATER PRODUCTION

FY20: Design of New Tank & Booster Stations & Diamond Drive Service Connections

Project Scope: These two projects are for expansion of the non-potable water system. Application for funding to the Water Trust Board will be made in 2019 for funding. The projects will not go forward if grant funding is not secured. One project is to design the replacement/refurbishment of existing booster stations in Bayo Canyon and at Overlook Park and design of a second tank adjacent to the existing Group 12 tank. The second project is for construction of non-potable water service connections along the Diamond Drive corridor.

Budget:	Design Tank and boosters	\$530,000
	Diamond Service Connections	\$250,000

Schedule: Spring 2020



Los Alamos County Utilities Department
10-Year Financial Forecast - FY2019-FY2028
Electric Production

	FORECAST 2019	FORECAST 2020	FORECAST 2021	FORECAST 2022	FORECAST 2023	FORECAST 2024	FORECAST 2025	FORECAST 2026	FORECAST 2027	FORECAST 2028
Expenditure Forecast										
Total Cash Outflow	38,754,542	37,773,881	41,621,311	41,520,050	41,488,097	42,230,255	44,878,979	50,613,307	52,921,981	52,228,059
	1.50%									
	1.01%									
Revenue Forecast										
Mwh Sales - LANL	510,377	519,916	583,553	603,387	614,684	626,491	650,045	769,065	794,157	794,157
Mwh Sales - LAC Distribution	121,969	123,371	124,788	126,219	127,664	129,123	130,597	132,086	133,590	135,108
Total Mwh Sales	632,346	643,288	708,341	729,606	742,347	755,614	780,642	901,151	927,747	929,265
Revenue per Mwh	\$56.66	\$53.67	\$53.91	\$51.97	\$50.79	\$50.56	\$52.25	\$51.51	\$52.32	\$51.24
DOE Revenues	28,446,452	27,560,161	31,266,164	31,183,097	31,110,920	31,578,030	33,872,341	39,529,405	41,466,077	40,616,561
Economy Sales	3,150,033	3,143,147	3,271,954	3,441,796	3,623,876	3,869,152	3,935,095	4,044,614	4,236,771	4,467,232
Interest on Reserves	96,191	88,855	130,000	130,000	130,000	130,000	130,000	130,000	130,000	130,000
Bond Federal Subsidy	33,984	33,984	33,984	33,984	33,984	30,867	27,669	24,080	19,561	19,561
Transfer from Distribution Fund	7,381,676	6,963,589	6,919,210	6,731,174	6,589,318	6,622,207	6,913,874	6,885,208	7,069,573	6,994,705
Total Cash Inflow	39,108,336	37,789,736	41,621,311	41,520,050	41,488,097	42,230,255	44,878,979	50,613,307	52,921,981	52,228,059
Net Cash Flow	353,794	15,855	-	-	-	-	-	-	-	-
Cumulative Net Cash Flow	353,794	369,649	369,649	369,649	369,649	369,649	369,649	369,649	369,649	369,649
Cash Balance	17,532,849	17,548,704	17,548,704	17,548,704	17,548,704	17,548,704	17,548,704	17,548,704	17,548,704	17,548,704
Recommended Cash Balance	17,692,423	17,781,289	17,959,101	18,138,692	18,320,079	18,503,280	18,688,313	18,875,196	19,063,948	19,254,587
Reserves										
Retirement/Reclamation Reserve	10,204,395	10,293,261	10,421,375	10,426,053	9,808,674	9,239,130	8,708,141	8,130,692	8,149,336	8,320,837
Identified items on site	304,500	309,068	313,704	318,409	323,185	328,033	332,953	337,948	343,017	348,162
San Juan Decommissioning	4,898,220	5,086,620	5,275,020	5,463,420	5,651,820	5,840,220	6,028,620	6,217,020	6,405,420	6,593,820
Laramie River Decommissioning	760,980	799,980	838,980	877,980	916,980	955,980	994,980	1,033,980	1,072,980	1,111,980
San Juan Mine Reclamation	4,240,695	4,097,593	3,993,671	3,766,244	2,916,689	2,114,897	1,351,588	541,744	327,919	266,875

Los Alamos County Utilities Department
10-Year Financial Forecast - FY2019-FY2028
Electric Distribution

	BUDGET 2019	BUDGET 2020	FORECAST 2021	FORECAST 2022	FORECAST 2023	FORECAST 2024	FORECAST 2025	FORECAST 2026	FORECAST 2027	FORECAST 2028
Expenditure Forecast										
Supervision, Misc Direct Admin	660,479	668,774	678,805	688,987	699,322	709,812	720,459	731,266	742,235	753,369
Substation Maintenance	36,237	36,772	37,324	37,884	38,452	39,029	39,614	40,208	40,811	41,424
Switching Station Maintenance	31,520	31,898	32,376	32,862	33,355	33,855	34,363	34,879	35,402	35,933
Overhead Maintenance	499,014	504,751	512,322	520,007	527,807	535,724	543,760	551,916	560,195	568,598
Underground Maintenance	391,173	396,118	402,059	408,090	414,212	420,425	426,731	433,132	439,629	446,223
Meter Maintenance	82,331	83,481	84,734	86,005	87,295	88,604	89,933	91,282	92,651	94,041
Interdepartmental Charges	649,857	649,857	659,605	669,499	679,542	689,735	700,081	710,582	721,241	732,059
Administrative Division Allocation	798,595	739,092	750,179	761,431	772,853	784,446	796,212	808,156	820,278	832,582
In Lieu Taxes	529,609	526,476	419,207	422,250	425,322	428,425	431,560	434,725	437,922	441,152
Debt Service	1,271,957	1,253,438	1,253,443	1,133,909	982,377	984,776	1,015,816	1,178,311	1,178,311	1,178,311
Profit Transfer	610,735	610,735	654,046	660,587	667,192	673,864	680,603	687,409	694,283	701,226
Cost of Power	7,381,676	6,963,589	6,919,210	6,731,174	6,589,318	6,622,207	6,913,874	6,885,208	7,069,573	6,994,705
Total Operations Expenses	12,943,184	12,464,981	12,403,311	12,152,684	11,917,046	12,010,902	12,393,006	12,587,074	12,832,531	12,819,623
Capital	1,340,817	1,351,042	1,071,105	1,236,361	1,248,725	1,261,212	1,273,824	1,286,562	1,299,428	1,312,422
Total Cash Outflow	14,284,001	13,816,023	13,474,416	13,389,045	13,165,771	13,272,115	13,666,830	13,873,637	14,131,960	14,132,045
Revenue Forecast										
KWh Sales	121,939,000	123,371,000	124,604,710	125,850,757	127,109,265	128,380,357	129,664,161	130,960,802	132,270,411	133,593,115
Revenue per KWh	\$0.1221	\$0.1221	\$0.1221	\$0.1221	\$0.1221	\$0.1221	\$0.1221	\$0.1221	\$0.1221	\$0.1221
Rate Increase Percentage										
Total Sales Revenue	14,203,145	14,203,145	15,210,373	15,362,477	15,516,102	15,671,263	15,827,975	15,986,255	16,146,118	16,307,579
Bond Federal Subsidy	67,942	67,942	67,942	67,942	67,942	66,045	64,099	58,759	47,731	47,731
Interest on Utility Reserves	-	-	-	32,014	90,189	159,240	231,191	298,942	367,040	434,103
Pole Rentals	53,601	53,601	53,601	53,601	53,601	53,601	53,601	53,601	53,601	53,601
Misc. Service Revenues	50,000	50,000	50,000	50,000	50,000	50,000	50,000	50,000	50,000	50,000
Revenue on Recoverable Work	150,000	150,000	150,000	150,000	150,000	150,000	150,000	150,000	150,000	150,000
Total Cash Inflow	14,524,688	14,524,688	15,531,916	15,716,034	15,927,833	16,150,149	16,376,867	16,597,557	16,814,489	17,043,014
R&R and Cash Flows										
Net Cash Flow	240,687	708,665	2,057,500	2,326,988	2,762,062	2,878,034	2,710,036	2,723,920	2,682,530	2,910,969
Cumulative Net Cash Flow	240,687	949,352	3,006,852	5,333,840	8,095,902	10,973,937	13,683,973	16,407,893	19,090,423	22,001,392
Cash Balance	(1,485,608)	(776,943)	1,280,557	3,607,545	6,369,608	9,247,642	11,957,678	14,681,599	17,364,128	20,275,097
Recommended Cash Balance	11,923,271	11,857,412	11,345,762	11,267,416	11,182,306	11,510,400	11,547,303	11,929,203	11,889,893	11,450,627

Los Alamos County Utilities Department
10-Year Financial Forecast - FY2019 through FY2028
Electric Fund Cash Reserve Analysis

	FORECAST 2019	FORECAST 2020	FORECAST 2021	FORECAST 2022	FORECAST 2023	FORECAST 2024	FORECAST 2025	FORECAST 2026	FORECAST 2027	FORECAST 2028
ELECTRIC DIST & PROD CASH RESERVES										
Combined Cash Balance ED & EP	16,047,241	16,771,761	18,829,261	21,156,249	23,918,311	26,796,346	29,506,382	32,230,302	34,912,832	37,823,801
Recommended Cash Balance (ED)	11,923,271	11,857,412	11,345,762	11,267,416	11,182,306	11,510,400	11,547,303	11,929,203	11,889,893	11,450,627
Recommended Cash Balance (EP)	17,692,423	17,781,289	17,959,101	18,138,692	18,320,079	18,503,280	18,688,313	18,875,196	19,063,948	19,254,587
Recommended Cash Balance	29,615,694	29,638,701	29,304,864	29,406,108	29,502,385	30,013,680	30,235,616	30,804,399	30,953,841	30,705,214
TARGET RESERVE BALANCES										
Debt Service Reserve	4,046,374	4,030,211	4,016,054	2,058,835	1,430,597	1,429,568	1,449,954	1,602,373	1,596,699	1,594,293
Retirement/Reclamation Reserve	10,204,395	10,293,261	10,421,375	10,426,053	9,808,674	9,239,130	8,708,141	8,130,692	8,149,336	8,320,837
Identified Items on site	304,500	309,068	313,704	318,409	323,185	328,033	332,953	337,948	343,017	348,162
San Juan Decommissioning	4,898,220	5,086,620	5,275,020	5,463,420	5,651,820	5,840,220	6,028,620	6,217,020	6,405,420	6,593,820
Laramie River Decommissioning	760,980	799,980	838,980	877,980	916,980	955,980	994,980	1,033,980	1,072,980	1,111,980
San Juan Mine Reclamation	4,240,695	4,097,593	3,993,671	3,766,244	2,916,689	2,114,897	1,351,588	541,744	327,919	266,875
Operations Reserve	6,553,019	6,429,648	6,935,068	7,085,741	7,235,773	7,398,878	7,626,600	7,739,278	7,854,776	1,972,690
Capital Expenditures Reserve	1,486,042	1,050,000	1,200,000	1,200,000	1,200,000	1,200,000	1,200,000	1,200,000	1,200,000	2,000,000
Contingency Reserve	507,500	515,113	522,839	530,682	538,642	546,722	554,922	563,246	571,695	580,270
Rate Stabilization Reserve	6,963,589	6,919,210	6,731,174	6,589,318	6,622,207	6,913,874	6,885,208	7,069,573	7,175,616	7,283,251
	29,760,919	29,237,442	29,826,509	27,890,629	26,835,893	26,728,172	26,424,826	26,305,162	26,548,122	21,751,342
RESERVE BALANCE FORECAST										
Debt Service Reserve	4,046,374	4,030,211	4,016,054	2,058,835	1,430,597	1,429,568	1,449,954	1,602,373	1,596,699	1,594,293
Retirement/Reclamation Reserve	10,204,395	10,293,261	10,421,375	10,426,053	9,808,674	9,239,130	8,708,141	8,130,692	8,149,336	8,320,837
Operations Reserve	1,796,472	2,448,289	4,391,832	7,085,741	7,235,773	7,398,878	7,626,600	7,739,278	7,854,776	1,972,690
Capital Expenditures Reserve	-	-	-	1,200,000	1,200,000	1,200,000	1,200,000	1,200,000	1,200,000	2,000,000
Contingency Reserve	-	-	-	385,619	538,642	546,722	554,922	563,246	571,695	580,270
Rate Stabilization Reserve	-	-	-	-	3,704,625	6,913,874	6,885,208	7,069,573	7,175,616	7,283,251
Total Cash Remaining	-	-	-	-	-	68,173	3,081,556	5,925,141	8,364,710	16,072,459

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Los Alamos County Utilities Department
10-Year Financial Forecast - FY2019-FY2028
Gas Distribution

1.50%

Expenditure Forecast

	BUDGET 2019	BUDGET 2020	FORECAST 2021	FORECAST 2022	FORECAST 2023	FORECAST 2024	FORECAST 2025	FORECAST 2026	FORECAST 2027	FORECAST 2028
Supervision, Misc Direct Admin	265,698	269,615	273,659	277,764	281,931	286,160	290,452	294,809	299,231	303,719
Customer Service	63,015	64,506	65,474	66,456	67,453	68,464	69,491	70,534	71,592	72,666
Gas Distribution	270,143	277,729	281,895	286,123	290,415	294,771	299,193	303,681	308,236	312,860
Gas Meters	133,686	136,990	139,044	141,130	143,247	145,396	147,577	149,790	152,037	154,318
Capital Support & Inspection	6,074	6,295	6,389	6,485	6,582	6,681	6,781	6,883	6,986	7,091
Interdepartmental Charges	355,889	355,889	361,227	366,645	372,145	377,727	383,393	389,144	394,981	400,906
Administrative Division Allocation	658,609	634,390	643,906	653,564	663,368	673,318	683,418	693,669	704,074	714,635
In Lieu Taxes	216,418	227,970	227,970	227,970	227,970	227,970	227,970	227,970	227,970	227,970
Profit Transfer	254,125	279,133	262,692	264,836	275,553	283,413	286,985	290,915	290,915	292,344
Cost of Gas	2,333,250	2,754,000	2,960,550	3,006,450	3,235,950	3,404,250	3,480,750	3,564,900	3,564,900	3,595,500
TOTAL Operations Expenses	4,556,908	5,006,516	5,222,806	5,297,424	5,564,614	5,768,151	5,876,011	5,992,295	6,020,923	6,082,009
Capital	-	35,000	51,005	289,515	301,775	314,252	325,887	339,867	353,011	273,421
TOTAL Cash Outflow	4,556,908	5,041,516	5,273,811	5,586,938	5,866,389	6,082,403	6,201,898	6,332,162	6,373,934	6,355,430
<i>Total outflow less COG</i>	<i>2,223,658</i>	<i>2,287,516</i>	<i>2,313,261</i>	<i>2,580,488</i>	<i>2,630,439</i>	<i>2,678,153</i>	<i>2,721,148</i>	<i>2,767,262</i>	<i>2,809,034</i>	<i>2,759,930</i>

Revenue Forecast

Therm Sales	7,650,000	7,650,000	7,650,000	7,650,000	7,650,000	7,650,000	7,650,000	7,650,000	7,650,000	7,650,000
Revenue per Therm	\$ 0.230	\$ 0.230	\$ 0.230	\$ 0.230	\$ 0.230	\$ 0.230	\$ 0.230	\$ 0.230	\$ 0.230	\$ 0.230
Rate Increase Percentage										
Cost of Gas Sales Revenue	2,333,250	2,754,000	2,960,550	3,006,450	3,235,950	3,404,250	3,480,750	3,564,900	3,564,900	3,595,500
Sales Rev from Fixed/Svc Chg	3,108,404	3,223,154	2,664,546	2,664,546	2,664,546	2,664,546	2,664,546	2,664,546	2,664,546	2,664,546
Total Sales Revenue	5,441,654	5,977,154	5,625,096	5,670,996	5,900,496	6,068,796	6,145,296	6,229,446	6,229,446	6,260,046
Interest on Utility Reserves	30,496	53,877	47,469	53,755	56,131	57,798	58,780	59,136	58,810	57,858
Revenue on Recoverable Work	20,000	20,000	20,300	20,605	20,914	21,227	21,546	21,869	22,197	22,530
TOTAL Cash Inflow	5,492,150	6,051,031	5,692,865	5,745,355	5,977,541	6,147,822	6,225,621	6,310,450	6,310,453	6,340,434

R&R and Cash Flows

Net Cash Flow	935,243	1,009,515	419,054	158,417	111,152	65,419	23,724	(21,712)	(63,481)	(14,997)
Cummulative net cash flow	935,243	1,944,758	2,363,812	2,522,229	2,633,380	2,698,800	2,722,524	2,700,812	2,637,330	2,622,334
Cash Balance	2,155,090	3,164,605	3,583,659	3,742,076	3,853,228	3,918,647	3,942,371	3,920,659	3,857,178	3,842,181
Recommended Cash Balance	1,273,516	1,294,248	1,542,202	1,568,410	1,594,876	1,620,605	1,648,599	1,675,863	1,618,401	1,637,218

Los Alamos County Utilities Department
10-Year Financial Forecast - FY2019 through FY2028
Gas Cash Reserve Analysis

GAS UTILITY CASH RESERVES										
	BUDGET 2019	BUDGET 2020	FORECAST 2021	FORECAST 2022	FORECAST 2023	FORECAST 2024	FORECAST 2025	FORECAST 2026	FORECAST 2027	FORECAST 2028
Cash Balance	2,155,090	3,164,605	3,583,659	3,742,076	3,853,228	3,918,647	3,942,371	3,920,659	3,857,178	3,842,181
Recommended Cash Balance	1,273,516	1,294,248	1,542,202	1,568,410	1,594,876	1,620,605	1,648,599	1,675,863	1,618,401	1,637,218
TARGET RESERVE BALANCES										
Operations Reserve	984,766	986,691	999,782	1,013,069	1,026,555	1,040,244	1,054,138	1,068,240	1,082,554	1,097,082
Capital Expenditures Reserve	35,000	50,000	281,000	290,000	299,000	307,000	317,000	326,000	250,000	250,000
Contingency Reserve	253,750	257,556	261,420	265,341	269,321	273,361	277,461	281,623	285,847	290,135
Rate Stabilization Reserve*	-	-	-	-	-	-	-	-	-	-
	1,273,516	1,294,248	1,542,202	1,568,410	1,594,876	1,620,605	1,648,599	1,675,863	1,618,401	1,637,218
RESERVE BALANCE FORECAST										
Operations Reserve	984,766	986,691	999,782	1,013,069	1,026,555	1,040,244	1,054,138	1,068,240	1,082,554	1,097,082
Capital Expenditures Reserve	35,000	50,000	281,000	290,000	299,000	307,000	317,000	326,000	250,000	250,000
Contingency Reserve	253,750	257,556	261,420	265,341	269,321	273,361	277,461	281,623	285,847	290,135
Rate Stabilization Reserve*	-	-	-	-	-	-	-	-	-	-
Total Cash Remaining	881,573	1,870,357	2,041,457	2,173,666	2,258,351	2,298,042	2,293,772	2,244,796	2,238,776	2,204,963

* Assumes pass-through cost of gas rate remains in place.

Los Alamos County Utilities Department
10-Year Financial Forecast - FY2019-FY2028
Water Distribution

	BUDGET 2019	BUDGET 2020	FORECAST 2021	FORECAST 2022	FORECAST 2023	FORECAST 2024	FORECAST 2025	FORECAST 2026	FORECAST 2027	FORECAST 2028
Expenditure Forecast										
Supervision, Misc Direct Admin	227,392	230,673	234,133	237,645	241,210	244,828	248,501	252,228	256,012	259,852
Hydrants	-	-	-	-	-	-	-	-	-	-
Water Distribution	416,904	426,042	432,433	438,919	445,503	452,186	458,969	465,853	472,841	479,933
Water Meters	693,060	708,326	408,326	414,450	420,667	426,977	433,382	439,883	446,481	453,178
Capital Project Inspections & Support	6,074	6,295	6,389	6,485	6,582	6,681	6,781	6,883	6,986	7,091
Interdepartmental Charges	344,477	344,477	349,645	354,889	360,213	365,616	371,100	376,667	382,317	388,051
Administrative Division Allocation	668,621	674,478	684,595	694,864	705,287	715,866	726,604	737,503	748,566	759,794
Cost of Water	2,829,409	2,985,026	2,828,750	2,828,750	2,828,750	2,828,750	2,828,750	2,828,750	2,828,750	2,828,750
Capital	-	-	51,005	1,075,000	870,000	896,000	922,000	823,000	1,174,000	1,041,000
Total Operation Expenses	5,185,937	5,375,317	4,944,271	4,976,003	5,008,212	5,040,904	5,074,086	5,107,767	5,141,952	5,176,650
Total Capital Expenditures	0	0	51,005	1,075,000	870,000	896,000	922,000	823,000	1,174,000	1,041,000
Total Expenditures	5,185,937	5,375,317	4,995,276	6,051,003	5,878,212	5,936,904	5,996,086	5,930,767	6,315,952	6,217,650
Revenue Forecast										
kgal Sales	775,000	775,000	775,000	775,000	775,000	775,000	775,000	775,000	775,000	775,000
Revenue per kgal	\$ 6.66	\$ 6.99	\$ 7.28	\$ 7.54	\$ 7.73	\$ 7.88	\$ 8.02	\$ 8.14	\$ 8.26	\$ 8.39
Rate Increase Percentage	6.25%	5.00%	4.25%	3.50%	2.50%	2.00%	1.75%	1.50%	1.50%	1.50%
Total Sales Revenue	5,160,579	5,415,543	5,645,704	5,843,303	5,989,386	6,109,173	6,216,084	6,309,325	6,403,965	6,500,025
Interest on Utility Reserves	-	-	-	-	-	-	-	-	-	-
Revenue on Recoverable Work	15,000	15,000	15,225	15,453	15,685	15,920	16,159	16,402	16,648	16,897
Misc Service Revenues	15,000	15,000	15,225	15,453	15,685	15,920	16,159	16,402	16,648	16,897
Total Cash Inflow from Operations	5,190,579	5,445,543	5,676,154	5,874,210	6,020,756	6,141,014	6,248,403	6,342,129	6,437,261	6,533,819
R&R and Cash Flows										
Net Cash Flow	4,642	70,226	680,878	(176,793)	142,544	204,110	252,316	411,362	121,309	316,170
Cumulative Net Cash Flow	4,642	74,868	755,745	578,952	721,496	925,606	1,177,922	1,589,284	1,710,593	2,026,763
Cash Balance	(2,849,065)	(2,778,839)	(2,097,961)	(2,274,754)	(2,132,211)	(1,928,100)	(1,675,784)	(1,264,422)	(1,143,114)	(826,944)
Recommended Cash Balance	1,225,227	2,266,998	1,924,566	1,966,384	2,008,440	1,925,737	2,293,278	2,177,067	1,953,108	1,170,404

Los Alamos County Utilities Department
10-Year Financial Forecast - FY2019-FY2028
Water Distribution

Rates											
Commodity rate per kgal											
Residential Tier 1 - < 9,000 gals	5.29	5.55	5.79	5.99	6.14	6.26	6.37	6.47	6.57	6.67	
Residential Tier 2 - 9 to 15,000 gals	5.62	5.90	6.15	6.37	6.53	6.66	6.78	6.88	6.98	7.08	
Residential Tier 3 - > 15,000 gals	6.71	7.05	7.35	7.61	7.80	7.96	8.10	8.22	8.34	8.47	
Multi-Family Tier 1 - < 9,000 gals	5.29	5.55	5.79	5.99	6.14	6.26	6.37	6.47	6.57	6.67	
Multi-Family Tier 2 - 9 to 15,000 gals	5.55	5.83	6.08	6.29	6.45	6.58	6.70	6.80	6.90	7.00	
Multi-Family Tier 3 - > 15,000 gals	5.68	5.96	6.21	6.43	6.59	6.72	6.84	6.94	7.04	7.15	
Commercial All Tiers	5.29	5.55	5.79	5.99	6.14	6.26	6.37	6.47	6.57	6.67	
County & Schools All Tiers	5.29	5.55	5.79	5.99	6.14	6.26	6.37	6.47	6.57	6.67	
Customer Charge per Meter Size											
= or < 1.25"	10.01	10.51	10.96	11.34	11.62	11.85	12.06	12.24	12.42	12.61	
1.5"	31.71	33.30	34.72	35.94	36.84	37.58	38.24	38.81	39.39	39.98	
2"	47.33	49.70	51.81	53.62	54.96	56.06	57.04	57.90	58.77	59.65	
2.5" to 3"	93.41	98.08	102.25	105.83	108.48	110.65	112.59	114.28	115.99	117.73	
4"	159.04	166.99	174.09	180.18	184.68	188.37	191.67	194.55	197.47	200.43	
6"	335.76	352.55	367.53	380.39	389.90	397.70	404.66	410.73	416.89	423.14	
8"	554.76	582.50	607.26	628.51	644.22	657.10	668.60	678.63	688.81	699.14	

Los Alamos County Utilities Department
10-Year Financial Forecast - FY2019-FY2028
Water Production

	BUDGET 2019	BUDGET 2020	FORECAST 2021	FORECAST 2022	FORECAST 2023	FORECAST 2024	FORECAST 2025	FORECAST 2026	FORECAST 2027	FORECAST 2028
Expenditure Forecast										
Supervision and Operations	676,041	679,183	689,371	699,712	710,207	720,861	731,673	742,649	753,788	765,095
Pumping Power	810,500	821,157	833,474	845,976	858,666	871,546	884,619	897,889	911,357	925,027
Wells	129,025	132,200	134,183	136,196	138,239	140,312	142,417	144,553	146,721	148,922
Booster Pump Stations	128,025	130,800	132,762	134,753	136,775	138,826	140,909	143,022	145,168	147,345
Treatment	152,354	155,600	157,934	160,303	162,707	165,148	167,625	170,140	172,692	175,282
Storage Tanks	41,512	42,400	43,036	43,681	44,337	45,002	45,677	46,362	47,057	47,763
Transmission Lines	208,432	213,019	216,214	219,457	222,749	226,090	229,482	232,924	236,418	239,964
Capital Project Inspection & Support	13,671	14,100	14,311	14,526	14,744	14,965	15,190	15,418	15,649	15,884
Non Potable System	290,169	271,573	275,646	279,781	283,978	288,237	292,561	296,949	301,404	305,925
Ski Hill	67,253	68,625	69,654	70,699	71,760	72,836	73,929	75,038	76,163	77,306
Interdepartmental Charges	326,610	326,610	331,510	336,482	341,530	346,652	351,852	357,130	362,487	367,924
Administrative Division Allocation	684,926	672,687	682,778	693,019	703,415	713,966	724,675	735,545	746,579	757,777
State Water Tax	45,000	45,000	45,675	46,360	47,056	47,761	48,478	49,205	49,943	50,692
Debt Service	238,433	258,373	306,914	356,139	645,312	691,916	624,327	500,759	547,161	586,686
Capital	1,378,750	35,000	-	-	-	1,194,000	1,230,000	1,267,000	1,305,000	1,344,000
Capital Paid with Debt/Grants/Reimb	1,426,250	780,000	750,000	-	825,000	1,300,000	922,000	633,000	1,207,000	336,000
Capital Paid with Cash										
Total Operations Expenses	3,811,951	3,831,328	3,933,462	4,037,086	4,381,473	4,484,120	4,473,414	4,407,581	4,512,586	4,611,592
Total Capital Expenditures	2,805,000	815,000	750,000	0	825,000	2,494,000	2,152,000	1,900,000	2,512,000	1,680,000
Less Capital Paid by WTB/Other	(1,426,250)	(780,000)	(750,000)	-	(825,000)	(1,300,000)	(922,000)	(633,000)	(1,207,000)	(336,000)
Total Cash Outflow	5,190,701	3,866,328	3,933,462	4,037,086	4,381,473	5,678,120	5,703,414	5,674,581	5,817,586	5,955,592
Revenue Forecast										
Non-potable										
Non-potable production in kgal	90,400	90,400	94,500	94,500	108,600	136,500	136,500	136,500	136,500	136,500
Revenue per kgal	\$ 1.70	\$ 1.70	\$ 1.70	\$ 1.70	\$ 1.70	\$ 1.70	\$ 1.70	\$ 1.70	\$ 1.70	\$ 1.70
Non-potable rate per 1000 gallons	\$ 2.50	\$ 2.50	\$ 2.50	\$ 2.50	\$ 2.50	\$ 2.50	\$ 2.50	\$ 2.50	\$ 2.50	\$ 2.50
Rate Increase Percentage										
Non-potable sales revenue	\$ 153,680	\$ 153,680	\$ 160,650	\$ 160,650	\$ 184,620	\$ 232,050	\$ 232,050	\$ 232,050	\$ 232,050	\$ 232,050

Los Alamos County Utilities Department
10-Year Financial Forecast - FY2019-FY2028
Water Production

	BUDGET 2019	BUDGET 2020	FORECAST 2021	FORECAST 2022	FORECAST 2023	FORECAST 2024	FORECAST 2025	FORECAST 2026	FORECAST 2027	FORECAST 2028
Potable										
Production in thousand gallons	1,150,000	1,150,000	1,150,000	1,150,000	1,150,000	1,150,000	1,150,000	1,150,000	1,150,000	1,150,000
Revenue per thousand gallons	\$ 3.65	\$ 3.65	\$ 3.65	\$ 3.65	\$ 3.65	\$ 3.65	\$ 3.65	\$ 3.65	\$ 3.65	\$ 3.65
Rate Increase Percentage										
Potable sales revenue	\$ 4,197,500	\$ 4,197,500	\$ 4,197,500	\$ 4,197,500	\$ 4,197,500	\$ 4,197,500	\$ 4,197,500	\$ 4,197,500	\$ 4,197,500	\$ 4,197,500
Total Sales Revenue	\$ 4,351,180	\$ 4,351,180	\$ 4,358,150	\$ 4,358,150	\$ 4,382,120	\$ 4,429,550	\$ 4,429,550	\$ 4,429,550	\$ 4,429,550	\$ 4,429,550
Repayment & Interest on Inter-Utility Loans	187,569	187,569	187,569	187,569	187,569	187,569	93,784	-	-	-
Interest on Utility Reserves	79,426	71,251	89,840	112,035	121,759	139,197	145,190	143,721	136,853	136,318
Bond Federal Subsidy	27,576	27,576	27,576	27,576	27,576	21,338	14,940	10,459	8,496	8,496
Econ Dev Fund/Ski Hill Reimb	-	468,000								
Federal or State Grant/Loan	-	-	750,000	-	825,000	1,300,000	922,000	633,000	1,207,000	336,000
Total Cash Inflow	4,645,751	5,105,576	5,413,135	4,685,330	5,544,024	6,077,654	5,605,464	5,216,729	5,781,899	4,910,363
R&R and Cash Flows										
Net Cash Flow	(544,951)	1,239,249	1,479,673	648,244	1,162,551	399,534	(97,950)	(457,852)	(35,687)	(1,045,229)
Cumulative Net Cash Flow	(544,951)	694,298	2,173,971	2,822,215	3,984,766	4,384,300	4,286,350	3,828,498	3,792,811	2,747,582
Cash Balance	4,750,086	5,989,335	7,469,008	8,117,252	9,279,803	9,679,337	9,581,387	9,123,535	9,087,848	8,042,619
Recommended Cash Balance	2,745,980	2,776,157	2,862,464	4,144,023	4,508,103	4,631,200	4,641,695	4,597,812	4,341,510	3,422,950

Los Alamos County Utilities Department
10-Year Financial Forecast - FY2019 through FY2028
Water Fund Cash Reserve Analysis

WATER DIST & PROD CASH RESERVES										
	BUDGET 2019	BUDGET 2020	FORECAST 2021	FORECAST 2022	FORECAST 2023	FORECAST 2024	FORECAST 2025	FORECAST 2026	FORECAST 2027	FORECAST 2028
Combined Cash Balance DW & WP	1,901,021	3,210,496	5,371,047	5,842,497	7,147,592	7,751,237	7,905,603	7,859,113	7,944,734	7,215,675
Recommended Cash Balance (DW)	1,225,227	2,266,998	1,924,566	1,966,384	2,008,440	1,925,737	2,293,278	2,177,067	1,953,108	1,170,404
Recommended Cash Balance (WP)	2,745,980	2,776,157	2,862,464	4,144,023	4,508,103	4,631,200	4,641,695	4,597,812	4,341,510	3,422,950
Recommended Cash Balance	3,971,207	5,043,155	4,787,029	6,110,407	6,516,543	6,556,936	6,934,973	6,774,879	6,294,618	4,593,355
TARGET RESERVE BALANCES										
Debt Service Reserve	238,433	258,373	306,914	356,139	645,312	691,916	624,327	500,759	547,161	586,686
Operations Reserve	2,965,023	2,981,623	2,871,035	2,914,100	2,957,812	3,002,179	3,047,211	3,092,920	3,139,313	3,186,403
Capital Expenditures Reserve	35,000	50,000	1,075,000	870,000	2,090,000	2,152,000	2,090,000	2,479,000	2,385,000	1,800,000
Contingency Reserve	761,250	772,669	784,259	796,023	807,963	820,082	832,384	844,869	857,542	870,406
	3,999,706	4,062,665	5,037,207	4,936,262	6,501,086	6,666,178	6,593,923	6,917,548	6,929,017	6,443,495
RESERVE BALANCE FORECAST										
Debt Service Reserve	238,433	258,373	306,914	356,139	645,312	691,916	624,327	500,759	547,161	586,686
Operations Reserve	1,662,588	2,952,122	2,871,035	2,914,100	2,957,812	3,002,179	3,047,211	3,092,920	3,139,313	3,186,403
Capital Expenditures Reserve	-	-	1,075,000	870,000	2,090,000	2,152,000	2,090,000	2,479,000	2,385,000	1,800,000
Contingency Reserve	-	-	784,259	796,023	807,963	820,082	832,384	844,869	857,542	870,406
Total Cash Remaining	-	-	333,840	906,235	646,506	1,085,059	1,311,680	941,565	1,015,717	772,180

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Los Alamos County Utilities Department
10-Year Financial Forecast - FY2019-FY2028
Wastewater Division

1.50%

EXPENSE FORECAST										
WASTEWATER COLLECTION										
BUDGET 2019	BUDGET 2020	FORECAST 2021	FORECAST 2022	FORECAST 2023	FORECAST 2024	FORECAST 2025	FORECAST 2026	FORECAST 2027	FORECAST 2028	
Supervision, Misc Direct Admin	282,862	286,764	291,065	295,431	299,863	304,361	308,926	313,560	318,263	323,037
Wastewater Collection Operations	341,104	349,902	355,151	360,478	365,885	371,373	376,944	382,598	388,337	394,162
Sewer Lift Stations	139,160	141,580	143,704	145,860	148,047	150,268	152,522	154,810	157,132	159,489
Capital Project Inspection & Support	4,074	4,195	4,258	4,322	4,386	4,452	4,519	4,587	4,656	4,725
Total WWC Operations Expenses	767,201	782,441	794,178	806,090	818,182	830,454	842,911	855,555	868,388	881,414
WASTEWATER TREATMENT										
LA WWTP Operations & Maintenance	-	-	-	-	-	-	-	-	-	-
WR WWTP Operations & Maintenance	1,866,805	1,721,473	1,747,295	1,773,505	1,800,107	1,827,109	1,854,515	1,882,333	1,910,568	1,939,227
Total WWT Operations Expenses	1,866,805	1,721,473	1,747,295	1,773,505	1,800,107	1,827,109	1,854,515	1,882,333	1,910,568	1,939,227
Interdepartmental Charges	602,162	602,162	611,195	620,363	629,668	639,113	648,700	658,430	668,307	678,331
Administrative Division Allocation	812,352	766,103	777,595	789,259	801,098	813,114	825,311	837,690	850,256	863,010
Operations encumbrances rolled forward										
Debt Service (WWT)	966,892	966,893	1,625,124	1,625,123	1,625,123	1,625,124	1,531,339	1,437,555	1,437,554	1,434,213
Capital	1,000,000	13,520,000	50,000	844,000	4,528,000	537,000	678,000	988,000	854,000	854,000
Total Operations Expenses	5,015,412	4,839,073	5,555,386	5,614,340	5,674,178	5,734,914	5,702,777	5,671,563	5,735,073	5,796,195
Total Capital Expenditures	1,000,000	13,520,000	50,000	844,000	4,528,000	537,000	678,000	988,000	854,000	854,000
Total Cash Outflow	6,015,412	18,359,073	5,605,386	6,458,340	10,202,178	6,271,914	6,380,777	6,659,563	6,589,073	6,650,195
REVENUE FORECAST										
Mgal Processed										
Res'l Single-Family Flat Rate Customers	6,629	6,629	6,629	6,629	6,629	6,629	6,629	6,629	6,629	6,629
Res'l Single Family Flat Rate	40.15	42.66	44.79	46.69	48.32	49.53	50.52	51.40	52.17	52.95
Res'l Single-Family Service Charge	11.09	11.78	12.37	12.90	13.35	13.68	13.95	14.19	14.40	14.62
Rate Increase Percentage	8.00%	6.25%	5.00%	4.25%	3.50%	2.50%	2.00%	1.75%	1.50%	1.50%
Total Revenue from Res'l SF Flat Rate	4,035,279	4,287,287	4,501,494	4,692,863	4,856,668	4,977,947	5,077,175	5,165,378	5,242,555	5,321,308

Los Alamos County Utilities Department
10-Year Financial Forecast - FY2019-FY2028
Wastewater Division

1.50%

	BUDGET 2019	BUDGET 2020	FORECAST 2021	FORECAST 2022	FORECAST 2023	FORECAST 2024	FORECAST 2025	FORECAST 2026	FORECAST 2027	FORECAST 2028
Res'l Multi-Family Flat Rate Customers	75	75	75	75	75	75	75	75	75	75
Res'l Multi-Family Service Charge	11.09	11.78	12.37	12.90	13.35	13.68	13.95	14.19	14.40	14.62
No. of Res'l Multi-Family Dwelling Units	1,585	1,585	1,585	1,585	1,585	1,585	1,585	1,585	1,585	1,585
Res'l Multi-Family Flat Rate	33.45	35.54	37.32	38.91	40.27	41.28	42.11	42.85	43.49	44.14
Rate Increase Percentage	8.00%	6.25%	5.00%	4.25%	3.50%	2.50%	2.00%	1.75%	1.50%	1.50%
Total Revenue from Res'l MF Flat Rate	607,428	645,378	677,702	706,578	731,273	749,610	764,678	778,111	789,731	801,539
Non-Residential Customers	291	291	291	291	291	291	291	291	291	291
Non-Residential Service Charge	11.09	11.78	12.37	12.90	13.35	13.68	13.95	14.19	14.40	14.62
Non-Residential Sales in Kgal	45,572	45,572	45,481	45,390	45,299	45,209	45,118	45,028	44,938	44,848
Adjustment Factor	8.00%	1.75%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Adjusted Non-Residential Sales in Kgal	49,218	46,370	45,481	45,390	45,209	45,209	45,118	45,028	44,938	44,848
Non-Res'l Commodity Charge per Kgal	18.90	20.08	21.08	21.98	22.75	23.32	23.79	24.21	24.57	24.94
Rate Increase Percentage	8.00%	6.25%	5.00%	4.25%	3.50%	2.50%	2.00%	1.75%	1.50%	1.50%
Total Revenue from Non-Residential	939,874	943,068	971,875	1,011,435	1,044,858	1,068,972	1,088,411	1,105,486	1,119,775	1,134,474
Total Sales Revenue	5,582,581	5,875,734	6,151,070	6,410,875	6,632,799	6,796,529	6,930,264	7,048,975	7,152,061	7,257,320
Interest on Utility Reserves	35,667	25,738	64,298	79,547	80,349	-	6,239	20,132	30,371	45,205
Loan Proceeds	-	14,000,000	-	-	-	-	-	-	-	-
Revenue on Recoverable Work	-	-	-	-	-	-	-	-	-	-
Total Cash Inflow	5,618,248	19,901,472	6,215,368	6,490,422	6,713,148	6,796,529	6,936,503	7,069,107	7,182,432	7,302,525
Net Cash Flow	(397,165)	1,542,399	609,982	32,083	(3,489,029)	524,615	555,726	409,543	593,359	652,330
Cumulative Net Cash Flow	(397,165)	1,145,234	1,755,216	1,787,299	(1,701,731)	(1,177,116)	(621,390)	(211,846)	381,512	1,033,842
Cash Balance	1,029,505	2,571,904	3,181,886	3,213,969	(275,061)	249,554	805,280	1,214,823	1,808,182	2,460,512
Recommended Cash Balance	3,396,402	4,107,562	8,484,242	4,528,209	4,704,700	5,050,724	4,859,504	4,460,831	4,736,500	4,021,393

Los Alamos County Utilities Department
10-Year Financial Forecast - FY2019 through FY2028
Wastewater Fund Cash Reserve Analysis

WASTEWATER UTILITY CASH RESERVES										
BUDGET	BUDGET	FORECAST	FORECAST	FORECAST	FORECAST	FORECAST	FORECAST	FORECAST	FORECAST	FORECAST
2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	
1,029,505	2,571,904	3,181,886	3,213,969	(275,061)	249,554	805,280	1,214,823	1,808,182	2,460,512	
3,396,402	4,107,562	8,484,242	4,528,209	4,704,700	5,050,724	4,859,504	4,460,831	4,736,500	4,021,393	
TARGET RESERVE BALANCES										
Debt Service Reserve	966,892	966,893	1,625,124	1,625,123	1,625,124	1,531,339	1,437,555	1,437,554	1,434,213	
Operations Reserve	2,024,260	1,936,090	1,965,131	1,994,608	2,024,527	2,085,719	2,117,004	2,148,759	2,180,991	
Capital Expenditures Reserve	13,520,000	50,000	844,000	4,528,000	537,000	988,000	854,000	512,000	750,000	
Contingency Reserve	355,250	360,579	365,987	371,477	377,049	388,446	394,272	400,186	406,189	
	16,866,402	3,313,562	4,800,242	8,519,209	4,563,700	4,993,504	4,802,831	4,498,500	4,771,393	
RESERVE BALANCE FORECAST										
Debt Service Reserve	966,892	966,893	1,625,124	1,625,123	-	249,554	1,214,823	1,437,554	1,434,213	
Operations Reserve	62,613	1,605,011	1,556,762	1,588,845	-	-	-	370,628	1,026,299	
Capital Expenditures Reserve	-	-	-	-	-	-	-	-	-	
Contingency Reserve	-	-	-	-	-	-	-	-	-	
Total Cash Remaining	-	-	-	-	(275,061)	-	-	-	-	

3380

* Cash balance doesn't include bond funding or bond funded projects

Los Alamos County Department of Public Utilities
10-Year Financial Forecast - FY2019 - FY1028
Customer Impact

Projected Average Bill for Residential

	ELECTRIC 500 kwh	GAS 75 therms (assumes \$0.30 variable)	WATER 6,000 gal	SEWER	Total (excludes refuse)	Total % annual Increase	Total cumulative % Increase
FY2018	\$69.60	\$49.25	\$39.30	\$47.45	\$205.60		
FY2019	\$69.60	\$49.25	\$41.76	\$51.25	\$211.85	3.04%	3%
FY2020	\$69.60	\$49.25	\$43.84	\$54.45	\$217.14	2.50%	6%
FY2021	\$69.60	\$49.25	\$45.71	\$57.17	\$221.73	2.11%	8%
FY2022	\$69.60	\$49.25	\$47.31	\$59.60	\$225.76	1.82%	10%
FY2023	\$69.60	\$49.25	\$48.49	\$61.69	\$229.03	1.45%	11%
FY2024	\$69.60	\$49.25	\$49.46	\$63.23	\$231.54	1.10%	13%
FY2025	\$69.60	\$49.25	\$50.33	\$64.49	\$233.67	0.92%	14%
FY2026	\$69.60	\$49.25	\$51.08	\$65.62	\$235.55	0.81%	15%
FY2027	\$69.60	\$49.25	\$51.85	\$66.61	\$237.30	0.74%	15%
FY2028	\$69.60	\$49.25	\$52.62	\$67.61	\$239.08	0.75%	16%

Utility Expense as a Percentage of Income

	Total Bill for Average Household	Los Alamos Median Household Income	Assumed Annual Income Increase	Percentage Needed to Pay Utility Bill
FY2018	\$205.60	\$107,031	2.5%	2.31%
FY2019	\$211.85	\$109,707	2.5%	2.32%
FY2020	\$217.14	\$112,449	2.5%	2.32%
FY2021	\$221.73	\$115,261	2.5%	2.31%
FY2022	\$225.76	\$118,142	2.5%	2.29%
FY2023	\$229.03	\$121,096	2.5%	2.27%
FY2024	\$231.54	\$124,123	2.5%	2.24%
FY2025	\$233.67	\$127,226	2.5%	2.20%
FY2026	\$235.55	\$130,407	2.5%	2.17%
FY2027	\$237.30	\$133,667	2.5%	2.13%
FY2028	\$239.08	\$137,009	2.5%	2.09%



County of Los Alamos

Staff Report

March 21, 2018

Los Alamos, NM 87544
www.losalamosnm.us

Agenda No.: 8.A
Index (Council Goals): BCC - N/A
Presenters: Board of Public Utilities
Legislative File: 10583-18

Title

Status Reports

Body

Each month the Board receives in the agenda packet informational reports on various items. No presentation is given, but the Board may discuss any of the reports provided.

Attachments

A - Electric Reliability Report

B - Accounts Receivables Report

C - Safety Report

There were no County Property, Tort or Workers' Comp claims related to Utilities in February.

At the time of agenda publication, the OSHA Incident report was not yet available from Risk. If it is available prior to the meeting, it will be given to the Board at that time.

STATUS REPORTS

ELECTRIC RELIABILITY

Los Alamos County Utilities



Electric Distribution Reliability

March 21, 2018

Stephen Marez
Senior Engineer

Electric Distribution Reliability Study
Twelve Month Outage History

Prepared by Stephen Marez
Senior Engineer L.A.C.U.

Date	Call Rcd.	Circuit	Cause	Start Time	End Time	Duration	Customers Affected (Meters)	Combined Customer Outage Durations	Total Outage H:M:S	Running SAIDI
3/6/2017	Utilities	WR1	OH Failure	8:00	9:30	1:30	5	7:30:00	7:30:00	0:00:03
4/27/2017	Utilities	16	URD Failure	9:00	10:00	1:00	70	70:00:00	77:30:00	0:00:31
4/29/2017	Utilities	16	URD Failure	0:00	5:00	5:00	7	35:00:00	112:30:00	0:00:45
5/6/2017	Utilities	WR1	Animal	9:35	10:30	0:55	30	27:30:00	140:00:00	0:00:56
5/15/2017	Utilities	16	URD Failure	12:15	13:15	1:00	40	40:00:00	180:00:00	0:01:12
5/6/2017	Utilities	WR1	Planned	9:00	12:00	3:00	10	30:00:00	210:00:00	0:01:24
6/18/2017	Utilities	14	URD Failure	15:15	15:30	0:15	539	134:45:00	344:45:00	0:02:17
6/27/2017	Utilities	17	URD Failure	11:30	12:30	1:00	4	4:00:00	348:45:00	0:02:19
7/26/2017	Utilities	WR1	URD Failure	6:50	10:30	3:40	10	36:40:00	385:25:00	0:02:33
8/12/2017	Utilities	EA4	OH Failure	14:30	15:00	0:30	5	2:30:00	387:55:00	0:02:34
9/10/2017	Utilities	16	URD Failure	17:00	18:50	1:50	40	73:20:00	461:15:00	0:03:04
9/19/2017	Utilities	14	URD Failure	2:45	3:35	0:50	18	15:00:00	476:15:00	0:03:10
9/19/2017	Utilities	14	URD Failure	7:45	9:00	1:15	80	100:00:00	576:15:00	0:03:49
9/19/2017	Utilities	14	URD Failure	7:45	14:15	6:30	45	292:30:00	868:45:00	0:05:46
10/5/2017	Utilities	15	Tree	16:00	16:15	0:15	10	2:30:00	871:15:00	0:05:47
10/27/2017	Utilities	18	Planned	8:30	9:30	1:00	1	1:00:00	872:15:00	0:05:47
11/24/2017	Dispatch	TC2	Supply line Failure	2:54	6:03	3:09	2264	7131:36:00	8003:51:00	0:53:06
11/24/2017	Dispatch	TC1	System Failure	3:53	5:59	2:06	4069	8644:54:00	16548:45:00	1:49:47
11/30/2017	Utilities	WR1	Planned	19:00	23:00	4:00	1	4:00:00	16552:45:00	1:49:48
11/30/2017	Utilities	WR1	Planned	19:00	0:30	5:30	5	27:30:00	16580:15:00	1:49:59
12/22/2017	Utilities	13	URD Failure	12:30	15:50	3:20	15	50:00:00	16630:15:00	1:50:19
12/27/2017	Utilities	13	URD Failure	18:30	21:07	2:37	1	2:37:00	16632:52:00	1:50:20
1/16/2018	Utilities	18	HUMAN	8:30	8:34	0:04	213	14:12:00	16647:04:00	1:50:26
2/3/2018	Utilities	13	Animal	1:30	2:30	1:00	8	8:00:00	16655:04:00	1:50:29
2/14/2018	Utilities	14	Planned	9:00	10:30	1:30	7	10:30:00	16665:34:00	1:50:33

CIRCUIT SAIDI IS CALCULATED ACCORDING TO THE NUMBER OF CUSTOMERS IN EACH CIRCUIT RESPECTIVELY											
Running SAIDI Circuit 13	Running SAIDI Circuit 14	Running SAIDI Circuit 15	Running SAIDI Circuit 16	Running SAIDI Circuit 17	Running SAIDI Circuit 18	SAIDI Circuit EA4 & Royal Crest	Running SAIDI Circuit WR1	Running SAIDI Circuit WR2	Monthly SAIDI	Monthly Customer Minutes out of service	WEATHER SAIDI
			0:02:17				0:00:17		MARCH	0:00:03	7:30:00
			0:03:25				0:01:19		APRIL	0:00:42	105:00:00
			0:04:43				0:02:28		MAY	0:00:39	70:00:00
	0:15:00			0:01:09			0:03:51		JUNE	0:00:55	138:45:00
						0:00:05			JULY	0:00:15	36:40:00
			0:07:07						AUGUST	0:00:01	2:30:00
	0:16:40										
	0:27:48								SEPTEMBER	0:03:11	480:50:00
	1:00:22	0:00:05							OCTOBER	0:00:01	396:00:00
4:18:33	14:14:14	3:48:47		40:54:14	0:00:17						
			4:45:27	40:07:18	40:07:18		0:04:00				
							0:05:02		NOVEMBER	1:44:12	15708:00:00
4:20:22									DECEMBER	0:00:21	84:07:00
4:20:27					0:04:00				JANUARY	0:00:06	94:19:00
4:20:45	14:15:24								FEBRUARY	0:00:07	35:19:00
									SAIDI TOTAL	1:50:33	WEATHER
Circ 13	Circ 14	Circ 15	Circ 16	Circ 17	Circ 18	Circ EA4	Circ WR1	Circ WR2	Total		
1655	539	1875	1842	209	213	165	1586	961	9045		

Twelve Month History	February 2018	
Total # Accounts	9045	
Total # Interruptions	25	
Sum Customer Interruption Durations	16665:34:00	hours:min:sec
# Customers Interrupted	7497	
SAIFI(APPA AVG. = 1.0)	.83	int./cust.
SAIDI (APPA AVG. = 1:00)	1:50	hours:min
CAIDI	2:13	hours:min/INT
ASAI	99.9991%	% available

- **SAIFI - System Average Interruption Frequency Index**

A measure of interruptions per customer (Per Year)

$$\text{SAIFI} = \frac{(\text{Total number of customer interruptions})}{(\text{Total number of customers served})}$$

- **SAIDI – System Average Interruption Duration Index**

A measure of outage time per customer if all customers were out at the same time (hours per year)

$$\text{SAIDI} = \frac{(\text{Sum of all customer outage durations})}{(\text{Total number of customers served})}$$

- **CAIDI – Customer Average Interruption Duration Index**

A measure of the average outage duration per customer (hours per interruption)

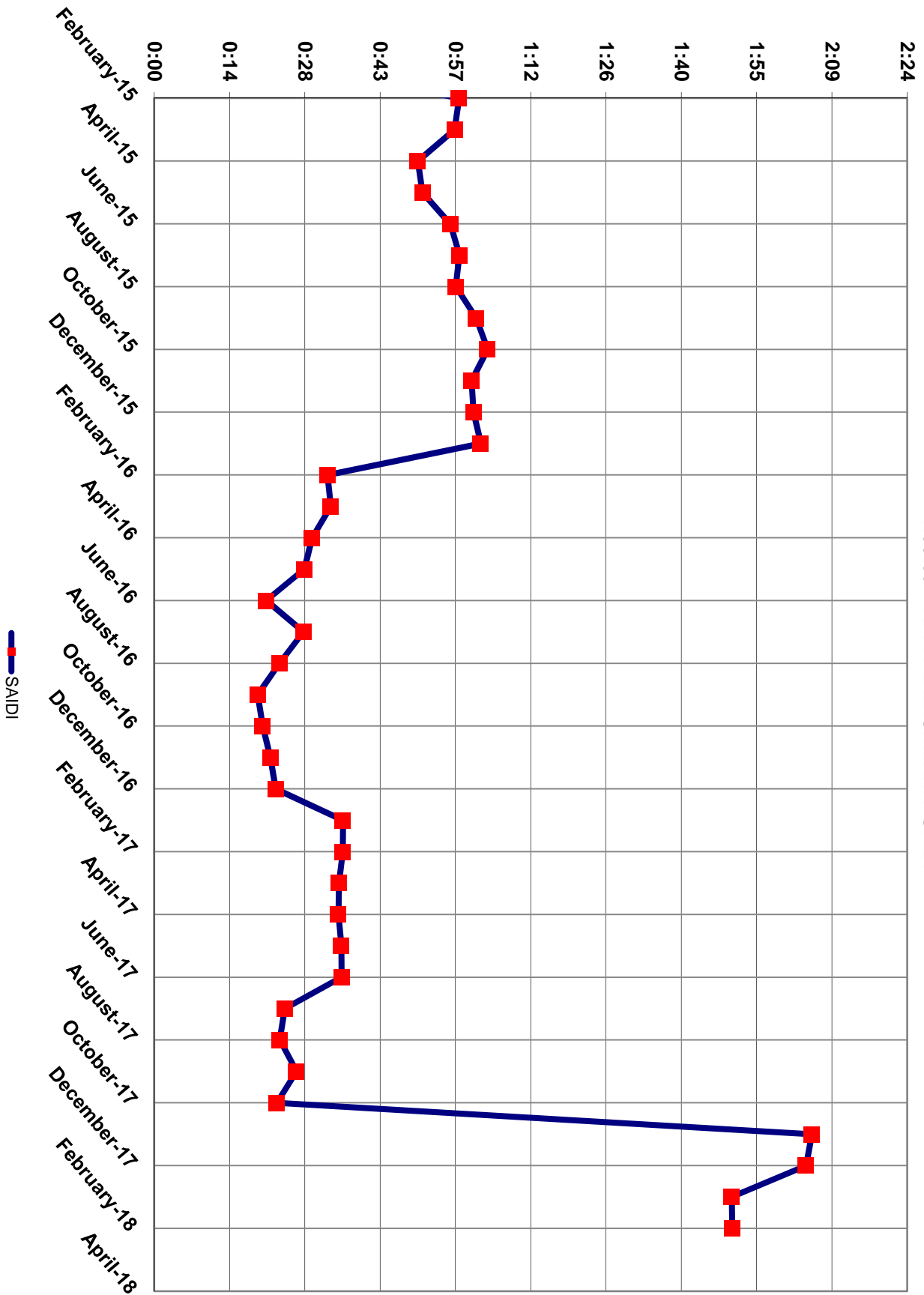
$$\text{CAIDI} = \frac{(\text{Sum of all customer outage durations})}{(\text{Total number of customer interruptions})} = \frac{\text{SAIDI}}{\text{SAIFI}}$$

- **ASAI – Average System Availability Index**

A measure of the average service availability (Per unit)

$$\text{ASAI} = \frac{(\text{Service hours available})}{(\text{Customer demand hours})} = \frac{8760 - \text{SAIDI}}{8760}$$

EACH POINT IS A 12 MONTH SAIDI HISTORY
1:00:00 = APFA BENCHMARK SAIDI



STATUS REPORTS

ACCOUNTS RECEIVABLES

Los Alamos County Utilities Department
Active Receivables Over 90 Days Past Due
February 1, 2018

<i>Account</i>	<i>Acct Type</i>	<i>Comments</i>	<i>90 - 119</i>	<i>120 +</i>
2133408	RES	Adjustments made to account, balance is no longer pastdue	109.90	0.78
2133128	RES	Paid in full on 2/2/18	101.32	61.41
2097908	RES	Final bill past due, new bill issued on 1/29/18 for new address	-	299.08
2116108	COMM	Payment Plan on file, Payment of \$1,000 paid on 2/2 & 2/8	184.62	311.02
			395.84	672.29
			TOTAL \$	1,068.13

Los Alamos County Utilities Department
Receivables More than 60 Days Inactive
February 1, 2018

<i>YEAR</i>	<i>OUTSTANDING 2/1</i>	<i># OF ACCOUNTS</i>	<i>OUTSTANDING 1/2</i>	<i># OF ACCOUNTS</i>
FY14	28,242.22	96	28,242.22	96
FY15	25,258.78	94	25,510.66	95
FY16	20,488.28	119	21,079.15	120
FY17	27,440.66	107	28,036.53	106
FY18	4,427.81	58	4,248.46	44
TOTAL	\$ 105,857.75	474	\$ 107,117.02	461