

BRADLEY LAKE HYDROELECTRIC PROJECT

TRANSMISSION FACILITIES

MAINTENANCE AGREEMENT

BETWEEN

ALASKA ENERGY AUTHORITY AND

HOMER ELECTRIC ASSOCIATION, INC.

August 1996

TABLE OF CONTENTS

<u>Section</u>	<u>Title</u>	<u>Page</u>
1	Definitions	2
2	Effective Date and Termination.....	3
3	Previous Contracts and Agreements, Incorporation of Exhibit A of the Master Operating Agreement	3
4	Maintenance of Transmission Facilities	4
5	Maintenance Plan, Schedule and Budget.....	5
6	Invoices and Payment.....	7
7	Emergency Expenditures	8
8	Extraordinary Maintenance and Equipment Replacement	8
9	Authorized Representative.....	8
10	Force Majeure	8
11	Dispute Resolution	9
12	Notices	10
13	Third Party Beneficiaries.....	10

EXHIBIT "A" ONE LINE DIAGRAM

EXHIBIT "B" PROJECT TRANSMISSION FACILITIES DESCRIPTION

BRADLEY LAKE HYDROELECTRIC PROJECT

TRANSMISSION FACILITIES

MAINTENANCE AGREEMENT

BETWEEN

ALASKA ENERGY AUTHORITY AND

HOMER ELECTRIC ASSOCIATION, INC.

This agreement (hereinafter referred to as Agreement), is made and entered into this 26th day of August, 1996, by and between ALASKA ENERGY AUTHORITY, a public corporation of the State of Alaska, hereinafter "Authority", and HOMER ELECTRIC ASSOCIATION, INC., an electric cooperative corporation of the State of Alaska, hereinafter "HEA".

WITNESSETH

WHEREAS, the Authority has constructed Project Transmission Facilities in order to interconnect the Bradley Lake Hydroelectric Project with railbelt utilities.

WHEREAS, the Authority is the owner of the Bradley Lake Hydroelectric Project, including the Project Transmission Facilities between the substation at the Bradley Lake Power House and Bradley Junction;

WHEREAS, the Authority, with the approval of the BPMC, contracts with qualified utilities (as defined by AS 44.83.425(3)) for the operation and maintenance of the Bradley Lake Hydroelectric Project, the operation and maintenance of the Power Transmission Facilities between the substation at the Bradley Lake Power House and Bradley Junction and for the Dispatch of Power from the Project;

WHEREAS, the Authority has presently contracted the Operation and Maintenance of the Bradley Lake Hydroelectric Project with HEA under the Bradley O&M Agreement;

WHEREAS, the Authority desires to contract for the maintenance of the Project Transmission Facilities;

WHEREAS, HEA is a qualified utility and a signatory to the Power Sales Agreement;

WHEREAS, HEA owns, operates and maintains transmission facilities on the Kenai Peninsula and the HEA is willing to maintain a defined portion of the Project Transmission Facilities, and

WHEREAS, pursuant to the Power Sales Agreement, the BPMC has approved the terms of this Agreement;

NOW THEREFORE, IN CONSIDERATION of the mutual covenants herein contained the Parties hereto agree as follows:

SECTION 1 DEFINITIONS

The terms used in this Agreement shall be as defined in the Power Sales Agreement, except as specified below. For the purposes of this Agreement, the following definitions and abbreviations apply:

- A. "Agreement" means this Agreement.
- B. "Bradley O&M Agreement" means the Operation & Maintenance Agreement For Bradley Lake Hydroelectric Project by and between the Authority and HEA dated February 11, 1994.
- C. "BPMC" means the Bradley Lake Project Management Committee.
- D. "Master Operating Agreement" means the Bradley Lake Hydroelectric Project Master Maintenance and Operating Agreement dated May 24, 1994, by and among the Authority and the BPMC.
- E. "Party" or "Parties" means the signatories to this Agreement.
- F. "Power" means electric energy or electric capacity, or both, except where the context requires a distinction, in which case electric energy is expressed in kilowatt hours, and electric capacity is expressed in kilowatts.
- G. "Power Sales Agreement" means the Bradley Lake Power Sales Agreement, dated December 8, 1987, among the Authority; the Municipality of Anchorage (d.b.a. Municipal Light and Power (ML&P)); the City of Seward (d.b.a. Seward Electric System (SES)); the Chugach Electric Association, Inc. (Chugach); the Golden Valley Electric Association, Inc. (GVEA); the Alaska Electric Generation and Transmission Cooperative, Inc. (AEG&T), the Matanuska Electric Association, Inc. (MEA); and the Homer Electric Association, Inc. (HEA).

- H. "Project Transmission Facilities" mean the transmission facilities and equipment owned by the Authority interconnecting the Fritz Creek and Soldotna transmission lines owned by the HEA with the Bradley Lake Hydroelectric generation plant owned by the Authority. Project Transmission Facilities include the 115 kV switching station at Bradley Junction and approximately 20 miles of two parallel, single circuit, 115 kV transmission lines from the overhead line attachment point on the dead end structure adjacent to the transformer at the Bradley Lake Power Plant and are described by Exhibits A and B.

SECTION 2 EFFECTIVE DATE AND TERMINATION

A. Effective Date.

This Agreement will become effective on the date set forth above and will continue in effect until terminated as provided for in Section 2B of this Section.

B. Termination.

Either Party may terminate this Agreement by:

1. Delivering written notice to the other Party at least 6 months prior to the end of the Fiscal Year, or
2. Delivering written notice to the other Party of a material breach of the Agreement by the other party; and if the other Party fails to rectify the material breach within 90 days after receiving notice of the breach, by giving notice of termination to the other Party, or
3. Delivering written notice to the other Party as provided in Section 5.B.3. All liabilities accruing under this Agreement prior to its termination will be and are hereby preserved until satisfied.

SECTION 3 PREVIOUS CONTRACTS AND AGREEMENTS, INCORPORATION OF EXHIBIT A OF THE MASTER OPERATING AGREEMENT

Nothing in this Agreement is intended to alter the rights and obligations of the Authority and the Purchaser(s) under the Power Sales Agreement. This Agreement is subject to the terms of the Master Operating Agreement between the Authority and the BPMC. Except for paragraphs (o) Notice and Communications and (t) Third Party

Beneficiaries, the provisions of Exhibit A, Master Contract Provisions, of the Master Operating Agreement are expressly incorporated by reference in this Agreement. Paragraphs (o) and (t) are modified and included below as Sections 12 and 13. In the event the terms of this Agreement and the Power Sales Agreement or Master Operating Agreement are found to be in conflict, the terms of the Power Sales Agreement will have first priority with the Master Operating Agreement having second priority.

SECTION 4 MAINTENANCE OF TRANSMISSION FACILITIES

A. General Responsibilities.

HEA will maintain the Project Transmission Facilities consistent with the guidelines set by the manufacturer, unless otherwise directed by the Authority, and consistent with Prudent Utility Practice, National Electric Safety Code and other applicable codes, federal and state laws, regulations, requirements and standards. In their performance of this Agreement, the Parties will comply with the terms and provisions of the Power Sales Agreement.

B. Specific Responsibility for Maintaining the Project Transmission Facilities.

HEA will:

1. Coordinate all maintenance schedules and provide maintenance schedules, budgets and records in accordance with the provisions of this Agreement; as directed by the Authority;
2. Develop written maintenance procedures, maintenance training, and preventive maintenance programs;
3. Conduct scheduled inspections required by the annual maintenance plan agreed upon by the Parties under Section 5 of this Agreement and issue an inspection report of findings and recommendations to the Authority within 20 working days of completing all inspections;
4. Except as provided in Section 7, modify Authority equipment only upon Authority approval prior to any changes being made, and provide notification and description of all changes HEA has made to Project Transmission Facilities. Within 45 days after alteration or replacement, HEA will provide to the Authority "as built" mylar

drawings showing all alterations or replacements to Project Transmission Facilities;

5. Make available for inspection by the Authority's or BPMC's representative, upon reasonable notice, all maintenance records maintained in conjunction with or related to this agreement;
6. Subject to the provisions of 4 B. 4 above, upon discovery or notification and as soon as reasonably possible, take all actions reasonably necessary to protect equipment, personnel, and the general public from hazards, which arise from equipment failure (e.g., electrical faults, vandalism, and mechanical failure); repair and report damaged facilities, and notify the Authority as soon as reasonably possible after each equipment failure or repair;

C. Responsibility of Project Transmission Facilities Owner.

1. In accordance with the provisions of 5.B, the Authority will coordinate and submit for adoption in accordance with the Power Sales Agreement, an Annual Project Budget sufficient to satisfy the Project Transmission Facilities maintenance costs budgeted and approved in advance by the BPMC.
2. The Authority will pay HEA for the costs of labor, materials, supplies, equipment, training and administration, incurred in performing its responsibilities hereunder, as provided in Sections 6, 7 and 8 of this Agreement;

D. Prior Authorization.

Except in emergencies as provided in Section 7 or as approved under the annual maintenance plan and budget, HEA will secure written authorization from the BPMC to make alterations or replacements to Project Transmission Facilities.

SECTION 5 MAINTENANCE PLAN, SCHEDULE AND BUDGETS

A. Maintenance Plan and Schedule Requirements.

1. HEA will develop annually a plan and schedule for maintenance of the Project Transmission Facilities. This plan and schedule will be used

for planning and tracking maintenance activities and as the basis for budget submittals to the Authority.

2. The plan and schedule will run from July first to June thirtieth of each Fiscal Year.

B. Annual Transmission Facilities Budget.

1. After the effective date of this Agreement, and in accordance with schedules provided by the Authority, HEA will prepare and submit each year to the Authority and the BPMC a draft Annual Transmission Facilities Budget for the following Fiscal Year as provided in Section 5 D. The draft budget will be prepared in a format and schedule provided to the Authority by the BPMC.
2. The draft Annual Transmission Facilities Budget will be based upon prudent estimates and anticipated operation and maintenance requirements and expenditures, and reflect appropriate accounting and budgetary principles for utilities.
3. HEA will perform its duties in a manner consistent with the Annual Transmission Facilities Budget except as provided in Sections 7 and 8 below. If HEA makes a determination during any Fiscal Year that it cannot perform its obligations under this Agreement without an increase in the expenditures authorized under Annual Project Budget, HEA will report such finding to the Authority and the BPMC and will submit a revised budget for the Authority's and the BPMC's review and approval. In the event the revised budget is not adopted by the BPMC and the Authority, or in the event the Authority, pursuant to Section 13(e) does not authorize and agree to fund such expenditures, and HEA determines that it cannot perform its obligations under this Agreement, HEA may terminate this Agreement upon 90 days written notice to the Authority.

C. Three Year Major Maintenance and Improvements Plan and Budget.

Annually HEA will prepare and submit a three year plan and budget for proposed major maintenance and improvements, (e.g., major equipment replacement) and other projects deemed by HEA to be required to insure continued safe and economical operation of the Project Transmission Facilities that are not included in that Fiscal Year's proposed annual maintenance plan or require more than one year to complete. The three year plan will be revised annually and submitted together with the proposed annual maintenance plan.

D. Budget and Plan Submittal.

HEA will submit the annual maintenance plan, schedule and budget, and the three year plan and budget to the Authority no later than November 1 for the next Fiscal Year. The plans, schedules and budgets may be modified through negotiations between HEA and the Authority, subject to approval by BPMC.

SECTION 6 INVOICES AND PAYMENT

- A. The ordinary costs of performing under this Agreement will be initially paid by HEA.
- B. HEA will prepare an invoice identifying the actual and reasonable costs incurred in a format mutually agreeable to the Authority and HEA. The invoice will be furnished to the Authority by the fifteenth (15) of the month following the month in which the costs are incurred. All such invoices will be subject to audit and approval by the Authority, such approval will not be unreasonably be withheld.
- C. Subject to the availability of funds, the Authority will reimburse HEA for all costs reasonably incurred and properly invoiced and approved under this Agreement.
- D. Any amounts owed by the Authority to HEA will be paid by the Authority within thirty (30) days of receipt of an appropriate invoice from HEA. Any amounts not paid within thirty (30) days will accrue simple interest at the legal rate of interest at the time payment was due, and will continue until paid by the Authority.
- E. The Authority will authorize payment for the full amount of HEA charges pending the resolution of any cost dispute, except for those costs expressly disapproved in writing. Within thirty (30) days after HEA submits a disputed invoice costs charge, the Authority will notify HEA in writing of the amount in dispute and the basis for the dispute. If the Parties cannot settle the dispute informally, or by agreement through the BPMC either Party may file an action in the Alaska Superior Court for the Third Judicial District to obtain a decision resolving such dispute and to obtain any other remedy permitted by law. Pending final resolution of any such dispute the Parties will continue to perform under this Agreement.

SECTION 7 EMERGENCY EXPENDITURES

- A. An emergency is an unforeseen circumstance or the resulting state that requires immediate action to protect or preserve the Project Transmission Facilities, personnel, or public health and safety.
- B. HEA will take such actions as it reasonably believes are necessary in an emergency. If, in the reasonable judgment of HEA, the emergency requires HEA to incur costs prior to obtaining written approval from the Authority, HEA will notify the Authority and the BPMC within 72 hours after discovery of the emergency.

SECTION 8 EXTRAORDINARY MAINTENANCE AND EQUIPMENT REPLACEMENT

When HEA learns of an equipment failure or other contingency which, in HEA's judgment, necessitates incurring an extraordinary maintenance and equipment replacement cost, HEA will promptly notify the Authority of the circumstances. Except as provided in Section 7, HEA will obtain the Authority's written approval prior to incurring an extraordinary maintenance and equipment replacement cost. Except in emergency circumstances HEA will incur no extraordinary maintenance and equipment replacement cost for which the approval of the Authority has been requested and expressly denied in writing.

SECTION 9 AUTHORIZED REPRESENTATIVE

The Parties will each designate one representative to carry out the provisions of this Agreement. Within 30 days after execution of this Agreement, each Party will notify the other Party in writing of its designated representative. Either Party may change its representative at any time and will promptly provide written notice of such change to the other Party.

SECTION 10 FORCE MAJEURE

- A. No Party to the Agreement shall be liable to the other Party for, or be considered to be in breach of or default under this Agreement on account of, any delay in performance or any delay or failure to deliver, receive or accept delivery of energy due to any of the following events:

1. Any cause or condition beyond such Party's reasonable control which such Party is unable to overcome by the exercise of reasonable diligence, including but not limited to: fire, flood, earthquake, volcanic activity, wind, drought and other acts of the elements; court order and act of civil, military or governmental authority; riot, insurrection, sabotage and war; breakdown of or damage to facilities or equipment; electrical disturbance originating in or transmitted through such Party's electric system or any electric system with which such Party's system is interconnected; and, any act or omission of any person or entity other than such Party, or Party's contractors or suppliers of any type or anyone acting on behalf of such Party. Strikes, lockouts, and other labor disturbances shall be considered Force Majeure events and nothing in this Agreement shall require either Party to settle a labor dispute against its best judgment; provided, that during any labor dispute each Party shall make all reasonable efforts under the circumstances, including, to the extent permitted by law and collective bargaining agreements, the use of replacement personnel and or management personnel and/or other personnel under the provisions of a mutual aid agreement to ensure, if possible, the continued ability of the Parties to carry out their obligations under this Agreement, or
 2. Any action taken by such Party which is reasonably necessary or prudent to protect the operation, performance, integrity, reliability or stability of the Project or of such Party's electric system or any electric system with which such Party's electric system is interconnected, whether such actions occur automatically or manually.
- B. In the event of any delay excused under this section, the time for performance thereby delayed shall be extended by a period of time reasonably necessary to compensate for such delay. No cost adjustment shall be allowed, only time extensions as appropriate. Nothing contained in this paragraph shall require any Party to settle any strike, lockout or other labor dispute. Each Party shall give the other Party prompt written notice of any delay which the Party giving notice considers to be an excusable delay of its performance.

SECTION 11 DISPUTE RESOLUTION

Pending resolution of a disputed matter, the Parties will continue performance of their respective obligations pursuant to this Agreement. If the Parties cannot reach timely mutual agreement on any matter in the administration of this Agreement, HEA will, to the extent necessary for its continued performance, make a determination of such

matter without prejudice to the rights of the other Parties. Such determination will not constitute a waiver of any other remedy belonging to either Party.

SECTION 12 NOTICES

Notice to the Authority will be addressed to: Executive Director, Alaska Energy Authority, 480 West Tudor Road, Anchorage, Alaska 99503-6690. Notices to HEA will be addressed to: General Manager, Homer Electric Association, Inc., P.O. Box 169, Homer, Alaska 99603. The foregoing designations of the name or address to which notices or demands are to be directed may be changed at any time by written notice given by one Party to the other Party.

Any notice or request not otherwise provided for in this Agreement will be given in such manner as the Parties agree.

SECTION 13 THIRD PARTY BENEFICIARIES

This Agreement gives no rights or benefits to anyone other than the Parties, HEA and the Authority, and the BPMC as a third party beneficiary. The BPMC is the only third party beneficiary. In any action by the BPMC for damages HEA shall have the right to assert against the BPMC any defense which it could have asserted against the Authority. The raising of any such defense by HEA shall not affect any right of a Purchaser or the BPMC under the Master Operating Agreement or Power Sales Agreement.

IN WITNESS WHEREOF, the Parties hereto have caused this Agreement to be executed by their authorized officers or representatives and their corporate seals to be hereunto affixed as of the day and year first above written.

ALASKA ENERGY AUTHORITY

By: William A. Small

Its: Executive Director

HOMER ELECTRIC ASSOCIATION, INC.

By: *G. Story*

Its: *General Manager*

STATE OF ALASKA)
) ss.
THIRD JUDICIAL DISTRICT)

The foregoing Agreement was acknowledged before me this 26th day of August, 1996, by William R. Snell, the Executive Director of the Alaska Energy Authority, an Alaska corporation, on behalf of the corporation.

Shauna M. Dean
Notary Public in and for Alaska
My commission expires: 3-14-98

STATE OF ALASKA)
) ss.
THIRD JUDICIAL DISTRICT)

The foregoing Agreement was acknowledged before me this 20th day of August, 1996, by Norman L. Story, the General Manager of the Homer Electric Association, Inc., an Alaska corporation, on behalf of the corporation.

Marian L. Inigo
Notary Public in and for Alaska
My commission expires: June 13, 1997

EXHIBIT B
BRADLEY LAKE HYDROELECTRIC PROJECT

PROJECT TRANSMISSION FACILITIES DESCRIPTION

As described in Exhibit A of the Operation and Maintenance Agreement for Bradley Lake Project at page A-9:

2.12 Transmission Line

Two parallel and separate single circuit 115 kV transmission lines, each about 20 miles long, connect to the substation at the powerhouse and carry the power generated to the Fritz Creek-Soldotna 115 kV Transmission Line owned by Homer Electric Association, Inc. The point of connection for these two lines is designated as the Bradley Junction.

The Bradley Lake transmission line towers are guyed, X-configuration towers manufactured of Corten type steel. The conductor is 556 kcmil, 42/19 Aluminum/Steel "Special Dove."