AGREEMENT FOR THE SALE AND PURCHASE OF ELECTRIC POWER

("POWER SALES AGREEMENT")

by and among

THE ALASKA POWER AUTHORITY,
An Agency Of The State Of Alaska,
("Seller"),

and

The CHUGACH ELECTRIC ASSOCIATION, INC.,
The GOLDEN VALLEY ELECTRIC ASSOCIATION, INC.,
The MUNICIPALITY OF ANCHORAGE d/b/a MUNICIPAL LIGHT AND POWER,
The CITY OF SEWARD d/b/a SEWARD ELECTRIC SYSTEM,
and
The ALASKA ELECTRIC GENERATION & TRANSMISSION COOPERATIVE, INC.,
("Purchasers")

and

The HOMER ELECTRIC ASSOCIATION, INC.,
and
The MATANUSKA ELECTRIC ASSOCIATION, INC.,
(Additional Parties)
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Exhibit "D", Purchasers' Percentage Shares Of Project Capacity And Of Annual Project Costs

Exhibit "E", Form Of Certain Supplemental Bond Resolutions
POWER SALES AGREEMENT

THIS AGREEMENT dated as of December 8, 1987, is entered into by and among the ALASKA POWER AUTHORITY (the "Authority") and the CHUGACH ELECTRIC ASSOCIATION, INC., the GOLDEN VALLEY ELECTRIC ASSOCIATION, INC., the MUNICIPALITY OF ANCHORAGE d/b/a MUNICIPAL LIGHT AND POWER, the CITY OF SEWARD d/b/a SEWARD ELECTRIC SYSTEM, and the ALASKA ELECTRIC GENERATION & TRANSMISSION COOPERATIVE, INC. (individually a "Purchaser," and collectively the "Purchasers"), and the HOMER ELECTRIC ASSOCIATION, INC., and the MATANUSKA ELECTRIC ASSOCIATION, INC. (as additional Parties with some, but not all, of the rights and responsibilities of Purchasers).

WITNESSETH:

The Authority recites, agrees, represents and covenants as follows:

(1) The Authority is a public corporation of the State of Alaska duly created, organized and existing pursuant to AS 44.83;

(2) The Authority is authorized, and has taken all steps necessary pursuant to the Constitution and laws of the State of Alaska and the regulations and by-laws of the Authority, to enter into this Agreement and to comply fully with the terms hereof;

(3) The Authority desires to fulfill its legislatively established duty of providing residents of the State of Alaska with long-term, stable, and economic sources of power and an adequate, economic, and reliable long-term supply of power; and

(4) The Authority's execution and performance of this Agreement will not conflict with, violate, or constitute an event of default under any other resolution, contract, agreement, bond, note, mortgage, or other obligation of the Authority, or with respect to any order, ruling, or decree of any court or regulatory agency to which the Authority is subject at the time the Authority executes this Agreement.

Each Cooperative Purchaser (as hereinafter defined) and the Homer Electric Association, Inc. ("HEA") and the Matanuska Electric Association, Inc. ("MEA") recites, agrees, represents and covenants as follows:

(1) The Purchaser is a duly organized and constituted electric cooperative under the laws of the State of Alaska and is currently a borrower from the Rural Electrification Administration, United States Department of Agriculture, under the Rural Electrification Act of 1936 (7 U.S.C. § 901 et seq.);
(2) The Purchaser is authorized, and has taken all steps necessary pursuant to its articles of incorporation and by-laws and applicable laws and regulations, to enter into this Agreement and to comply fully with the terms hereof;

(3) The Purchaser performs the functions of a utility and is a wholesale power customer eligible to purchase power produced from a project pursuant to AS 44.83; and

(4) The Purchaser's execution and performance of this Agreement will not conflict with, violate, or constitute an event of default under any other resolution, contract, agreement, bond, note, mortgage, or other obligation of the Purchaser, or with respect to any order, ruling, or decree of any court or regulatory agency to which the Purchaser is subject at the time the Purchaser executes this Agreement.

Each Municipal Purchaser (as hereinafter defined) recites, agrees, represents and covenants as follows:

(1) The Purchaser is a duly organized and constituted municipal corporation under the Constitution and laws of the State of Alaska;

(2) The Purchaser is authorized, and has taken all steps necessary pursuant to the Constitution and laws of the State of Alaska and other applicable laws and regulations, and pursuant to its charter and ordinances, to enter into this Agreement and to comply fully with the terms hereof;

(3) The Purchaser performs the functions of a utility and is a wholesale power customer eligible to purchase power produced from a project pursuant to AS 44.83; and

(4) The Purchaser's execution and performance of this Agreement will not conflict with, violate, or constitute an event of default under any other charter, ordinance, resolution, contract, agreement, bond, note, mortgage, or other obligation of the Purchaser, or with respect to any order, ruling, or decree of any court or regulatory agency to which the Purchaser is subject at the time the Purchaser executes this Agreement.

NOW, THEREFORE, the parties agree as follows:

Section 1. Definitions. For the purposes of this Agreement, the following definitions apply:

(a) "Act" or references to AS 44.83 mean Title 44, Chapter 83 of the Alaska Statutes (AS 44.83) as the same may be amended or supplemented from time to time.
(b) "Agreement" means this Power Sales Agreement.

(c) "Annual Payment Obligation" means the total amount payable by a Purchaser in or for a Fiscal Year pursuant to this Agreement.

(d) "Annual Project Budget" means the budget for the Project as adopted or in effect for a particular Fiscal Year, and amended or supplemented from time to time, pursuant to Section 13.

(e) "Annual Project Costs" shall have the meaning given it in Section 8 of this Agreement.

(f) "Authority" means the Alaska Power Authority as established by the Act, and any successor agency thereto.

(g) "Bond Resolution" means (i) the document attached as Exhibit "A", or a resolution adopted by the Authority substantially in the form of Exhibit "A", as supplemented and amended from time to time in a manner consistent with Section 11 of this Agreement and with the provisions of the Act, or (ii) a further bond resolution, consistent with Section 11, adopted in connection with the issuance of bonds to refund the Bonds.

(h) "Bonds" means bonds, notes or other evidences of indebtedness (including refunding bonds) issued pursuant to the Bond Resolution, the proceeds of which are used to pay or reimburse Costs of Acquisition and Construction and Required or Optional Project Work.

(i) "Committee" means the Project Management Committee established pursuant to Section 13.

(j) "Consultant" means an independent individual or firm (i) of nationwide and favorable reputation, having demonstrated expertise in the field or the matter or the item referred to it under various specific provisions of this Agreement, and (ii) approved by the Authority and the Committee in accordance with rules of procedure to be adopted by the Committee to govern such approval, which approval shall not be unreasonably withheld.

(k) "Cooperative Purchasers" means Chugach Electric Association, Inc., Golden Valley Electric Association, Inc., and Alaska Electric Generation & Transmission Cooperative, Inc. The term "Cooperative Purchasers" includes Homer Electric Association, Inc., and Matanuska Electric Association, Inc., only to the extent specified in Section 30 of this Agreement.
(l) "Cost of Acquisition and Construction" means the Cost of Acquisition and Construction (as defined in Section 101 of the Bond Resolution) of the Project; provided, that for purposes of this Agreement the Cost of Acquisition and Construction of the Project shall not include the Cost of Acquisition and Construction of Capital Improvements (as defined in Section 101 of the Bond Resolution).

(m) "Date of Commercial Operation" means the date on which engineers retained for this purpose by the Authority have reasonably declared that the Project is fully available to be operated at not less than ninety megawatts (90 MW), and its output can be scheduled on a commercial basis.

(n) "Debt Service" means amounts that the Authority is required to set aside for the payment of principal of, premium, if any, sinking fund payments, and interest on the Bonds, as the same are scheduled to become due under the Bond Resolution, and not by reason of any acceleration.

(o) "Delivery Point" means the Bradley Junction facilities, as identified and further described in Exhibit B.

(p) "Electric power" or "power" means electric energy or electric capacity or both. Where the context of this Agreement requires a distinction, electric energy is specified and/or expressed in kilowatthours or megawatt-hours and electric capacity is specified and/or expressed in kilowatts or megawatts.

(q) "Excess Payment Amount" means the amounts, if any, computed as provided in Section 29 and included in Annual Project Costs.

(r) "Fiscal Year" means that twelve-month period starting July 1 of a calendar year through and including June 30 of the succeeding calendar year. The initial Fiscal Year for purposes of this Agreement is that portion of the twelve-month period starting on the Date of Commercial Operation through and including the following June 30. If the portion of the period is shorter than 90 days the parties shall determine the initial Fiscal Year, which must end on a June 30 and may not be longer than 456 days. The last Fiscal Year for purposes of this Agreement shall be that portion of the twelve-month period between the end of the last full (i.e., twelve month) Fiscal Year and the expiration of this Agreement.

(s) "Municipal Purchaser" means the Municipality of Anchorage d/b/a/ Municipal Light and Power, and the
City of Seward d/b/a Seward Electrical System.

(t) "Optional Project Work" means Project repairs, renewals and replacements, improvements, betterments, additions, or expansions that do not constitute Required Project Work.

(u) "Percentage Share" means the fraction, expressed as a percent and set forth for each Purchaser in Exhibit D as that Exhibit may be amended from time to time, used to compute the amount of each Purchaser's entitlement to Project Capacity and obligation to pay Annual Project Costs.

(v) "Project" means the Bradley Lake Hydroelectric Project as described in Exhibit C.

(w) "Project Capacity" means the amount of electric capacity capable of being produced by the Project (including capacity attributable to Required or Optional Project Work) at any and all times from the Date of Commercial Operation until the termination of this Agreement (or any renewal thereof) under the operating conditions that exist during such times, including periods when the Project may be not operating or inoperable or the operation thereof is suspended, interrupted, interfered with, reduced, or curtailed, in each case in whole or in part for any reason whatsoever, after corrections for station and Project use, and depletions required under any federal license for the Project.

(x) "Prudent Utility Practice" shall mean at a particular time any of the practices, methods and acts engaged in or approved by a significant portion of the electric utility industry at such time, or 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 reasonable expedition. Prudent Utility Practice is not required to be the optimum practice, method or act to the exclusion of all others, but rather to be a spectrum of possible practices, methods or acts which could have been expected to accomplish the desired result at the lowest reasonable cost consistent with reliability, safety and expedition. Prudent Utility Practice includes due regard for manufacturers' warranties and the requirements of governmental agencies of competent jurisdiction and shall apply not only to functional parts of a Project, but also to appropriate structures, landscaping, painting, signs, lighting and other facilities. In evaluating whether any matter conforms to Prudent Utility Practice, the parties shall take into account (i) the nature of the parties
hereto under the laws of the State of Alaska and their statutory duties and responsibilities, and (ii) the objective of integrating Project Capacity with the generating resources of the Purchasers, including resources available under contract, to achieve optimum utilization of the resources and achieve efficient and economical operation of each Purchaser's System. For purposes of this Agreement, "national standards for the industry" means Prudent Utility Practice.

(y) "Purchaser" means, as of any particular time, such of the Municipality of Anchorage d/b/a Municipal Light and Power, Chugach Electric Association, Inc., Golden Valley Electric Association, Inc., the City of Seward as have executed this Agreement, and the Alaska Electric Generation & Transmission Cooperative, Inc. ("AEG&T"). The term "Purchaser" includes Homer Electric Association, Inc., and Matanuska Electric Association, Inc., only to the extent specified in Section 30 of this Agreement.

(z) "Purchaser's System" means a Purchaser's electric utility system for the distribution, transmission, and generation of electrical power and which is owned and operated by the Purchaser. If Purchaser's electric utility system is combined with other utilities of the Purchaser, then "Purchaser's System" includes only those facilities, activities, and revenues properly allocable to Purchaser's electric utility service. "Purchaser's System" does not include the Project, regardless of whether the Purchaser operates the Project under a separate agreement with the Authority.

(aa) "Purchaser's Water Allocation" means the number of acre feet of water from the Project allocated for generation purposes by the Committee to a Purchaser from time to time, based on that Purchaser's Percentage Share.

(bb) "Railbelt" means the geographic area served by the Purchasers.

(cc) "Railbelt Energy Fund" means a fund created by the legislature, the use of which is intended only for approved power supply and transmission projects in the Railbelt.

(dd) "REA" means the Rural Electrification Administration, an agency of the United States Department of Agriculture.

(ee) "Recoverable Construction Cost" means an amount equal to $175,000,000 less one half the amount, if
any, by which $350,000,000 exceeds the Cost of Acquisition and Construction, plus the principal amount of additional Bonds (if any) issued pursuant to Section 31.

(ff) "Renewal and Contingency Reserve Fund" means the Renewal and Contingency Reserve Fund established pursuant to Section 502 of the Bond Resolution.

(gg) "Required Action" means an action that must be taken in order for the Authority to comply with federal or state law, the orders of licensing and regulatory agencies, the Bond Resolution, or this Agreement.

(hh) "Required Project Work" means repairs, maintenance, renewals, replacements, improvements or betterments required by federal or state law, a licensing or regulatory agency with jurisdiction over the Project, or this Agreement, or otherwise necessary to keep the Project in good and efficient operating condition, consistent with (1) sound economics for the Project and the Purchasers, and (2) national standards for the industry.

(ii) "Revenue Fund" means the Revenue Fund established pursuant to Section 502 of the Bond Resolution.

(jj) "Trustee" means the trustee appointed pursuant to Article IX of the Bond Resolution, or that Trustee's successor or successors and any other corporation which may at any time be substituted in that Trustee's place under the Bond Resolution.

Section 2. Term Of Agreement.

(a) Effectiveness. This Agreement shall become effective on the first date when (i) the Agreement has been executed and delivered by all Purchasers and by the Authority, and (ii) each Purchaser has obtained all necessary approvals of this Agreement and of all transmission and/or services agreements for the transmission of Project power to the Purchasers. An approval shall not be considered "necessary" for purposes of this Section 2(a) unless, prior to or contemporaneously with delivery of this Agreement, the person or entity from which such approval must be obtained has been identified to the other parties in writing by the Purchaser requiring such approval. It is the intent of each Purchaser to take all steps reasonably within its power to obtain all necessary approvals from its governing body no later than December 1, 1987.

(b) Commencement of payment obligations. The payment obligations of each Purchaser under this Agreement shall commence on the Date of Commercial Operation; provided, that the Purchasers shall be obligated to pay those Committee costs referenced in the last sentence of Section
13(a) regardless of whether the Date of Commercial Operation occurs.

(c) Termination. This Agreement shall terminate (i) 50 years after the Date of Commercial Operation, or (ii) when no Bonds are Outstanding under the Bond Resolution and all payment obligations under this Agreement (other than any payment obligations under Section 29) have been satisfied or provided for, whichever occurs later; provided, that if the Date of Commercial Operation does not occur before January 1, 1996, then this Agreement shall terminate on January 1, 1996. The parties may mutually agree to terminate or to renew this Agreement prior to termination, subject, however, to the written approval of the Administrator of REA if such written approval is then required, and the terms and conditions of covenants and agreements between the Authority and holders of Bonds. If such approval is then required, no amendment of this Agreement shall take effect without the written approval of the Administrator of REA.

(d) Renewal. Any Purchaser may renew this Agreement on the same terms and conditions as provided herein for successive additional terms (such terms to equal forty (40) years or, if shorter, the remaining useful life of the Project), upon written notice to the Authority by the Purchaser given no less than six and no more than twenty-four months prior to the end of the term of this Agreement. Purchasers electing to renew this Agreement shall be entitled to have their Percentage Shares adjusted pro rata, based on their Percentage Shares as set forth in Exhibit D as that Exhibit exists twenty-four months prior to the end of the initial term of this Agreement, so that the adjusted Percentage Shares of the Purchasers renewing this Agreement total one hundred percent (100%). No renewing Purchaser shall be required to accept the entirety of the Percentage Share to which that Purchaser becomes entitled, but if the Percentage Shares of all renewing Purchasers do not total one hundred percent, the Authority may sell to any other utility that is a qualified purchaser of power under the Act any remaining Percentage Share or portion thereof upon the same terms and conditions applicable to the renewing Purchasers, if the Authority reasonably determines that such utility is able to carry out the obligations of a Purchaser under this Agreement and that such sale to such utility will not adversely affect the tax exemption of interest on any Bonds Outstanding under the Bond Resolution that originally were issued on a tax-exempt basis. The Authority shall not be obligated to renew this Agreement if, after reasonable notice to the renewing Purchasers, Percentage Shares that total one hundred percent have not been sold to such Purchasers or to other qualified utility purchasers.
Section 3. Exhibits. The following exhibits are incorporated by reference into this Agreement:

(a) Exhibit "A", Bond Resolution,
(b) Exhibit "B", Delivery Point,
(c) Exhibit "C", Description of the Project,
(d) Exhibit "D", Purchasers' Percentage Shares of Project Capacity and of Annual Project Costs, and
(e) Exhibit "E", Form Of Certain Supplemental Bond Resolutions.

Section 4. Electric Service To Be Furnished.

(a) Sale and purchase. The Authority hereby sells, and each Purchaser hereby purchases, that Purchaser's Percentage Share of Project Capacity (together with associated energy) from the Project in accordance with this Agreement. The actual delivery (if any) of electric capacity and associated energy to Purchasers from the Project shall be made in accordance with scheduling procedures adopted by the Committee.

(b) Available Power. The Authority shall at all times, except when prevented by a cause or event not within the control of the Authority, make power available to the Purchasers from the Project in an amount equal to the amount the Purchasers may schedule from the Project, within the limitations imposed by available Project capability, available water, and the scheduling procedures adopted by the Committee.

(c) Required Project Work. The Authority shall make or cause to be made all Required Project Work, provided that funds are legally available to the Authority for this purpose. The costs of Required Project Work shall be included in Annual Project Costs in the manner set forth in Section 8(a)(iv). The Authority shall give reasonable notification to all Purchasers prior to making or causing to be made any Required Project Work. Alternative methods (if any) of carrying out and funding Required Project Work shall be subject to approval by the Committee under rules of procedure to be adopted pursuant to Section 13.
(d) Optional Project Work. The Authority shall not make or cause to be made Optional Project Work unless such Optional Project Work is approved by the Committee. Any Optional Project Work shall be at the expense of the benefitted Purchaser(s), as determined in advance by the Committee, in proportion to the value of the benefit conferred upon each such Purchaser. If such Optional Project Work has an adverse impact upon the operations or finances of a Purchaser as determined by the Committee, the benefitted Purchaser(s) shall compensate the adversely affected Purchaser(s) for the increased costs and reduced benefits resulting from such impact. In the event the Purchasers are unable to agree as to how any increased costs or compensation will be apportioned, or as to the amount of any increased costs or appropriate compensation, the parties shall submit the question to dispute resolution in accordance with the dispute resolution procedures adopted by the Committee under Section 13.

Section 5. Electric Power Reserves For The Project

(a) Need for reserves. The parties recognize that (i) electric power from the Project may be unavailable periodically because of generation and transmission outages, repairs, maintenance, inspections, testing, and similar events, and (ii) under the Alaska Intertie Agreement or otherwise, each Purchaser is responsible for maintaining (or contracting for the use of) generation reserves in amounts sufficient to protect its own loads in the event that Project power is unavailable.

(b) Reserve procedures. Promptly after its establishment, the Committee shall adopt and implement procedures under which, in as cost-effective a manner as possible:

(i) the Authority shall have the right to require the operation of specific amounts of generating capacity owned by a Purchaser and made available to the Authority, and to use the power produced by such operation to provide reserves to requesting Purchasers for some or all Project power, to the extent such capacity would otherwise be idle or its output would otherwise not be needed by the owner of that capacity to enable that Purchaser to meet its own loads or to make power sales to other utilities;

(ii) the additional costs incurred by any Purchaser in making such capacity available to the Authority and in operating the same for the Authority shall be computed equitably and reimbursed promptly to such Purchaser by the Authority; and
(iii) the costs of so reimbursing any Purchaser shall be included in Annual Project Costs.

(c) Alternative reserves. Nothing in Section 5(b) shall:

(i) relieve any Purchaser of the responsibility set forth in Section 5(a)(ii);

(ii) require any Purchaser to make reserve capacity available to the Authority under Section 5(b)(i); or

(iii) require any Purchaser to avail itself of reserve power available from the Authority under Section 5(b)(i), or to bear any of the costs of such power if the Purchaser does not avail itself of such power, if the Purchaser chooses and is able to rely upon its own reserves to meet its loads when Project power is unavailable.

Section 6. Obligations Under Bond Resolution; Completion of Project.

(a) Assignment or payment to Trustee. The parties recognize and agree that (i) the Authority may assign its rights to receive payments under this Agreement as security for the payment of the Bonds to the Trustee under the Bond Resolution for the benefit of the holders of the Bonds, and (ii) the Authority may direct that amounts payable to it under this Agreement be paid directly to the Trustee.

(b) Project funding. The Authority shall issue Bonds, or otherwise obtain funds (including appropriations), sufficient to pay or reimburse the Cost of Acquisition and Construction. Annual Project Costs shall include Debt Service on Bonds issued to pay the Cost of Acquisition and Construction in an aggregate principal amount up to but not exceeding the Recoverable Construction Cost. The Authority may estimate the Recoverable Construction Cost and issue Bonds at any time in amounts up to the amount of such estimate. As soon as practicable after the Date of Commercial Operation, the Authority shall adjust (and re-adjust when necessary) Annual Project Costs to reflect actual Recoverable Construction Cost.

(c) Covenants of the Authority. The Authority covenants that it will not cause rates for Project Power to increase by reason of any bond resolution, covenant or agreement contained in any trust indenture or trust agreement entered into by the Authority in connection with a power project other than the Project, nor on account of any inadequacy in its actual or projected aggregate
revenues, other than revenues from the Project, nor will the Authority include in Annual Project Costs debt service payable on debt incurred for any purpose except in respect of the Project as provided herein.

(d) Project completion and operation. The Authority agrees to use its best efforts to complete the Project expeditiously and in accordance with sound engineering practice and with the provisions of the Bond Resolution. The Authority shall also use its best efforts consistent with Prudent Utility Practice to construct and complete, and to operate and maintain the Project (or to arrange for such operation and maintenance) to provide power at the lowest reasonable cost to the Purchasers in a manner that is compatible with the Purchasers' Systems and consistent with the Act, the Bond Resolution, and this Agreement.

(e) Best efforts by Committee members. To the extent that the cost of Project power is or may be affected by actions of the Committee under Section 13, each Purchaser in its capacity as a member of the Committee agrees to use its best efforts consistent with Prudent Utility Practice to assist in assuring that the Project provides power at the lowest reasonable cost to the Purchasers in a manner that is compatible with the Purchasers' Systems and consistent with the Act, the Bond Resolution, and this Agreement.

Section 7. Payment Obligation.

(a) Payment Obligation. Each Purchaser agrees to pay its Percentage Share of Annual Project Costs for each Fiscal Year. The procedures for determining the amount of and for making such payments are set forth in Section 13 of this Agreement.

(b) Purchaser's Obligations. Each Purchaser shall make payments in the amounts and at the times required by this Agreement notwithstanding a suspension or reduction in the amount of power supplied by the Project. Such payments shall not be subject to any reduction, by offset or otherwise. The parties intend and interpret the foregoing two sentences to mean that the obligation to make such payments shall be absolute and unconditional and unaffected by any interruption, interference, or curtailment in whole or in part of power supplied by the Project. In the event that (i) the Project is no longer operable, or its operation is interrupted or curtailed for any reason whatsoever in whole or in part, and (ii) the Authority does not restore the Project to full operation within a reasonable time, then the Purchasers may upon reasonable notice to the Authority and at their own expense take such action as they deem necessary to so restore the Project.
The taking of such action by the Purchasers shall not alter each Purchaser's obligation to pay its Percentage Share of Annual Project Costs.

Section 8. Annual Project Costs

(a) Annual Project Costs defined. Annual Project Costs means all of the costs resulting from the ownership, operation, maintenance of and renewals and replacements to the Project, properly incurred or paid during each Fiscal Year, including:

(i) Amounts required to be set aside by the Authority for the payment of Debt Service on Bonds issued to pay the Cost of Acquisition and Construction in an aggregate principal amount up to but not exceeding the Recoverable Construction Cost;

(ii) Amounts required to be set aside for the payment of Debt Service on other Bonds and debt service on other obligations approved in accordance with Sections 11 and 13;

(iii) Amounts required to restore the funds established under the Bond Resolution to the levels required by the Bond Resolution to be maintained therein;

(iv) Amounts which may be required to pay for Required Project Work, to the extent that such costs are not covered by insurance or Bond proceeds or by the Renewal and Contingency Reserve Fund;

(v) Other amounts determined by the Committee to be necessary or appropriate to supplement and to be paid into the Funds established under the Bond Resolution;

(vi) Excess Payment Amounts, if any, computed in accordance with Section 29;

(vii) All other costs of producing and delivering Project power (excluding depreciation) not accounted for by the payments out of funds and reserves specified in the foregoing sections and properly chargeable to the Project under the Uniform System of Accounts, less any credits against said costs by reason of revenues from sources other than the direct sale of power to Purchasers, and also less any credits for interest earned during construction and available for Project purposes; provided, that income from interest earned on reserve funds shall be used at least annually to accumulate and maintain said reserve funds in the amounts required under the Bond.
Resolution or in such greater amounts as may be determined by the Committee, or to reduce Annual Project Costs. Such other costs shall include:

(A) Project operating and maintenance costs, in accordance with the Annual Budget adopted in accordance with Section 13;

(B) Costs of Project-related insurance, and, to the extent permitted with respect to each Purchaser under Section 5, the costs of electric power reserves for the Project;

(C) Project-specific administrative and general expenses of the Authority, such as costs of safety inspections and investigations;

(D) Costs of the Committee, whether incurred by the Authority or incurred by a Purchaser on behalf of the Committee; and

(E) Such other Project costs as the Committee may from time to time approve for inclusion in Annual Project Costs in accordance with procedures to be adopted by the Committee.

(b) Proceeds of a taking. Any payment received by the Authority as a result of a taking of the whole or any portion of the capacity, facilities, available water, or output of the Project by any state or federal government agency shall be used by the Authority, after consultation with the Committee, to (i) reduce Annual Project Costs, (ii) retire Bonds, or (iii) reimburse the State of Alaska for a portion of the State's capital contribution to the Project (recognizing the separate sources of Project funding under Section 6(b)), whichever of these uses or combination of such uses shall be equitable and proper under the circumstances existing at the time of the taking.

Section 9. Obligations In The Event Of Default.

(a) Enforcement. Upon failure of a Purchaser to perform any obligation herein, the Authority may bring any suit, action or proceeding at law or in equity ("Suit"), including mandamus, injunction and action for specific performance, as may be necessary or appropriate to enforce any covenant, agreement or obligation of this Agreement against that Purchaser. The Authority may bring such Suit (i) thirty days after giving the Purchaser a written demand for performance, in the case of default by the Purchaser on any obligation other than a payment obligation, and (ii) immediately, in the case of default by the Purchaser on any payment obligation. Each Purchaser
shall continue to make payments in the event of any dispute regarding performance of any obligation by any party under this Agreement or in the event of any dispute under the Bond Resolution, and this obligation of continued payment pending resolution of disputes shall be immediately enforceable by any party upon application to any court of competent jurisdiction.

(b) Additional rights and remedies. In addition to the Authority's rights under Section 9(a), if a Purchaser has for any reason suspended or reduced, or has failed to make or has been prevented from making, payments required under this Agreement, the Authority may terminate or suspend the delivery of power to that non-paying Purchaser if, after consulting with the other Purchasers, the Authority reasonably determines that such termination or suspension is more effective than other available alternatives in minimizing adverse impacts on such other Purchasers.

(i) If the Authority so terminates or suspends deliveries, the Authority shall:

(A) offer to other Purchasers, on terms and conditions applicable to other power sold under this Agreement, any power not delivered to the non-paying Purchaser, and if necessary allocate such power pro rata on the basis of Percentage Shares among Purchasers accepting such offer;

(B) offer any power not sold under Section 9(b)(i)(A) to any qualified utility (including the other Purchasers) on terms and conditions deemed favorable by the Authority after consultation with the Committee; and

(C) if the Authority projects that the amounts to be deposited into the Revenue Fund will nonetheless be insufficient to pay Annual Project Costs, increase every other Purchaser's Percentage Share of Annual Project Costs and Project Capacity pro rata to the extent and for the period necessary to compensate for such insufficiency; provided, that no Purchaser's Percentage Share shall be increased by more than twenty-five (25) percent above the amount set forth in Exhibit D without the written consent of that Purchaser.

(ii) If the Authority determines that the process of offering power to others under Sections 9(b)(i)(A) or (B) would delay exercise of the Authority's rights under Section 9(b)(i)(C), and that as a
result the Authority will be unable to make deposits when required under the Bond Resolution, the Authority may exercise its rights under (C) immediately and take the actions required under (A) and (if necessary) under (B) as soon as practicable thereafter. No exercise by the Authority of any of its rights (or any failure by the Authority to exercise any of its rights) under this Section 9(b) shall relieve any non-paying Purchaser of any payment obligation under this Agreement or relieve such Purchaser of any liability for damages resulting from non-payment. In particular, sales of power under Section 9(b)(i)(A) and (B) are intended to reduce the financial impact of any Purchaser's non-payment on other, paying Purchasers. Such sales are not intended to, nor shall they, reduce the payment obligations of the non-paying Purchaser or the damages for which such non-paying Purchaser may be liable.

(iii) To the extent that the Authority uses Project reserve funds to permit it to make timely payments under the Bond Resolution following non-payment by a Purchaser, the amount needed to replenish such reserve funds shall be added to the Annual Payment Obligation of the non-paying Purchaser, and if the non-paying Purchaser fails to make payment of its Annual Payment Obligation as so increased, the Authority may exercise any of the rights available to it under this Section 9(b).

(c) Litigation. If Purchasers' Percentage Shares are increased pursuant to Section 9(b)(i)(C), then the Authority shall, and any other Purchaser(s) may, immediately initiate and diligently pursue litigation in any court of competent jurisdiction to compel full and timely payment by the non-paying Purchaser, to recover amounts needed to compensate Purchasers whose Percentage Shares have been increased, and to obtain such other relief as shall be fair and equitable. The same or similar litigation against any non-paying Purchaser may also be initiated and pursued by the Authority and/or by any paying Purchaser if in response to any non-payment the Authority takes action pursuant to Sections 9(b)(i)(A) or (B).

(d) Default by the Authority. In the event of any default by the Authority under any covenant, agreement or obligation under this Agreement with respect to a Purchaser, that Purchaser may, upon thirty (30) days written notice to the Authority, bring any suit, action or proceeding, at 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 Agreement against the Authority. No
payment obligation of a Purchaser under this Agreement is subject to offset, however.

Section 10. Purchasers' Systems.

(a) **Character of expense.** The amounts payable under this Agreement are operating expenses of each Purchaser's System, and are valid and binding obligations of each Purchaser, payable only from the gross revenues of said Purchaser's System as a cost of purchased electric power, and not payable from any taxes.

(b) **Purchasers' rate covenants.** In order to afford, permit, and make timely payments as specified in this Agreement, each Purchaser agrees that it will establish, charge and collect rates, fees, and charges with respect to that Purchaser's System in accordance with applicable law to provide revenues sufficient to meet its obligations under this Agreement and sufficient to pay, together with any other funds or monies available therefor, any and all other amounts payable from or which constitute or may constitute a charge and lien upon such revenues including, but not limited to, amounts sufficient to meet obligations to service debt incurred by the Purchaser to finance the Purchaser's System.

(c) **Operation and maintenance of Purchasers' Systems.** Each Purchaser covenants and agrees that it will operate and maintain its System in good repair, working order and condition, and in accordance with Prudent Utility Practice.

(d) **Limitation on certain contracts.** Each Purchaser covenants and agrees not to enter voluntarily into any contract or agreement to take or to take or pay for power, other than this Agreement, payable from the revenues of the Purchaser's System on a parity with or superior to the payment of its obligations under this Agreement, except that a Purchaser may enter into such a contract or agreement of not to exceed two years' duration under which the Purchaser's payment obligation is on a parity with the payment of its obligations under this Agreement. The limitations of this Section 10(d) shall not apply to contracts or agreements creating obligations on a parity with obligations under this Agreement if a written opinion from a Consultant is rendered that (i) the contract or agreement is reasonably expected to contribute to the conduct of the business of the Purchaser's System in an efficient and economical manner consistent with Prudent Utility Practice, and (ii) the contract or agreement will not impair the ability of the Purchaser to raise revenues sufficient to meet its obligations under this Agreement.
Section 11. Bond Resolution.

(a) Amendment or supplementation of Bond Resolution. Except as provided in Section 12, the Authority will not amend or supplement the Bond Resolution in any manner, or adopt a new Bond Resolution in connection with the refunding of the Bonds, which would materially adversely affect the ability of a Purchaser to fulfill the terms of this Agreement or impose any increased burden or obligation, financial or otherwise, on a Purchaser, without the consent of the Purchaser, unless:

(i) the Committee has approved the Authority's proposed action by a resolution adopted by the affirmative vote of members whose Percentage Shares equal or exceed eighty percent (80%) of Project Capacity and of Annual Project Costs; or

(ii) the Committee by majority vote of the Purchasers requests that Required Project Work be paid for out of the proceeds of Bonds, and such Work is projected to cost in excess of the amount of money then available in the Renewal and Contingency Reserve Fund established pursuant to the Bond Resolution, plus available insurance proceeds, in which event, if such Bonds can then be legally issued and can be sold, the Authority shall issue such Bonds, payable from the Revenues of the Project (as defined in the Bond Resolution), to pay the portion of such costs which exceed insurance proceeds, if any, and to restore said Reserve Fund to its required level.

(b) Insurance. The Authority will maintain physical loss insurance to the extent required by the Bond Resolution, and the Authority will consult with the Committee as provided in Sections 12 and 13 with respect to the disposition of proceeds of said insurance received as a consequence of physical destruction or impairment of the Project, including but not limited to disposition for the purpose of redemption of Bonds, replacement of the Project, or replacement of power. The Committee shall advise the Authority from time to time as to the appropriate extent of insurance coverage.

(c) Information. The Authority shall provide each Purchaser a copy of any report, certificate, letter, or other communication which the Authority is required to furnish to the Trustee under the Bond Resolution or that the Trustee furnishes to the Authority.

Section 12. Purchasers' Consent To Supplemental Bond Resolutions To Construct The Project. The Purchasers hereby consent to the adoption by the Authority of supplemental Bond Resolutions pursuant to Section 11(a), as necessary to comply
with the Authority's obligation to finance and construct the
Project pursuant to Section 6(b) and the Authority's obligation
under Section 6(d) to use its best efforts to complete the Pro-
ject expeditiously and in accordance with sound engineering
practices and with the provisions of the Bond Resolution. The
Authority shall consult with the Purchasers regarding the pro-
visions to be included in such supplemental Bond Resolutions,
and shall use its reasonable best efforts to comply with the
requests of the Purchasers with respect thereto. Unless other-
wise approved in accordance with Section 11(a)(i), such supple-
mental Bond Resolutions shall:

(a) provide that the total amounts required for
the payment of Debt Service when due shall be, on an an-
nual basis, as nearly equal as practicable;

(b) provide that the final maturity of Bonds
issued pursuant to such supplemental Bond Resolutions
shall not be earlier than twenty-five (25) years from the
date when the first of such Bonds is issued;

(c) be substantially in the form attached here-
to as Exhibit E, except to the extent that the Authority
finds that modifications are necessary to sell the Bonds
on a tax-exempt basis; and

(d) be adopted no earlier than January 1, 1989.

Section 13. Establishment Of The Committee.

(a) Formation and composition of the Committee.
The parties agree that a Project Management Committee
("Committee") shall be established on January 15, 1988, or
on such earlier date as may be agreed to by the parties.
The Committee shall consist of the Authority and the Pur-
chasers (including as Purchasers for this purpose both
Homer Electric Association, Inc., and Matanuska Electric
Association, Inc., for themselves and for AEG&T as a Pur-
chaser represented by and through those utilities). No
Committee member shall obtain an additional vote through
merger with, acquisition of, or assignment from any other
Committee member, and AEG&T shall have no direct vote, but
shall be represented by and through Homer Electric Associa-
tion, Inc., and Matanuska Electric Association, Inc.,
each of which shall be entitled to vote as a Purchaser
member for purposes of Committee procedure. Each Commit-
te member entitled to vote shall name one representative
to serve on the Committee and one designated alternate for
that representative. Each such member shall notify all
other members in writing of the names, addresses, and tele-
phone numbers of its representative and designated al-
ternate. After it is established, the Committee shall
meet not less than once each quarter. Costs of the Com-
mittee (other than costs incurred by the Authority) which
are incurred prior to the Date of Commercial Operation shall be borne by the Purchasers in accordance with the Percentage Shares of each.

(b) Adoption of rules of procedure. The Committee shall adopt, by the affirmative vote of a majority of the Purchasers and the affirmative vote of the Authority, procedural rules governing the conduct of the Committee's affairs. Such rules shall address, among other matters, procedures for the periodic selection of Committee officers, the conduct of Committee meetings, dispute resolution, the approval (including possible pre-approval) of Consultants, and modification of the Committee's procedural rules, and, to the extent not otherwise specified in this Agreement, such rules shall also specify the applicable voting requirements for approval of matters to be decided by the Committee. Committee approval of operations and maintenance arrangements for the Project, the sufficiency of the annual budget and wholesale power rates, and the undertaking of Optional Project Work shall require the affirmative vote of a majority of the Purchasers and the affirmative vote of the Authority.

(c) Committee responsibilities; approval by the Authority.

(i) As the legal owner and licensee of the Project, the issuer of Project debt, and the agency charged by statute with various duties affecting or affected by the Project, the Authority has certain non-delegable rights, duties, and responsibilities with respect to the Project. Subject to such non-delegable rights, duties, and responsibilities, the Committee shall be responsible for the management, operation, maintenance, and improvement of the Project, in recognition that as take-or-pay purchasers of Project Capacity after the Date of Commercial Operation, the Purchasers have substantial long-term financial interests in, and service and planning responsibilities affected by, the Project.

(ii) The Committee shall take the following actions, subject to the provisions of the Bond Resolution, federal and state law, the requirements of licensing and regulatory agencies, and the rights of the Authority and the Purchasers under other provisions of this Agreement:

(A) Arrange for the operation and maintenance of the Project, and the scheduling, production, and dispatch of Project power;

(B) Establish procedures for the use of each Purchaser's Water Allocation in a manner
consistent with the needs and desires of other Purchasers and the capabilities of the Project;

(C) Adopt in each Fiscal Year (and revise as necessary or prudent during such Fiscal Year) a budget of Annual Project Costs for that Fiscal Year, which budget shall be in an amount estimated by the Committee to be sufficient to pay all Annual Project Costs;

(D) Establish for each Fiscal Year the estimated Annual Payment Obligation of each Purchaser, together with a schedule for each Purchaser of equal monthly payments that such Purchaser shall be required to make during that Fiscal Year, which payment schedule shall be (I) designed to recover such estimated Annual Payment Obligation from that Purchaser during the Fiscal Year, and (II) revised during such Year to reflect any revisions to the budget of Annual Project Costs for that Fiscal Year;

(E) Determine after the conclusion of each Fiscal Year the actual Annual Project Costs for that Fiscal Year, the actual Annual Payment Obligation of each Purchaser for that Fiscal Year, and the amount of any additional payment required from (or the amount of any refund to be returned to) each Purchaser to ensure that the total of all payments received from each Purchaser for each Fiscal Year is equal to that Purchaser’s actual Annual Payment Obligation for that Fiscal Year;

(F) Evaluate and select among alternative methods (if any) of carrying out and funding (including through issuance of bonds) Required Project Work;

(G) Adopt provisions to evaluate and approve Optional Project Work, and to determine the compensation (if any) to be provided in accordance with Section 4(d) of this Agreement if the Committee approves any such Optional Project Work;

(H) Adopt procedures consistent with Section 13(f) for the resolution of disputes that may arise between or among the Purchasers and the Authority concerning the interpretation of this Agreement, the obligations created by this Agreement, or the performance of such obligations;
(I) Make an initial determination of "customary" insurance within the meaning of Section 714 of the Bond Resolution and determine the appropriate amount of, and obtain, insurance for or related to the Project, in addition to such insurance as may be required by the Bond Resolution;

(J) Adopt maintenance schedules for the Project that do not interfere unreasonably with the operations of the Purchasers;

(K) Adopt and implement procedures relating to electric power reserves for the Project in accordance with Section 5; and

(L) Consider the need for and approve any additional amount to be added to the Renewal and Contingency Reserve Fund over and above the Renewal and Contingency Reserve Requirement provided under the Bond Resolution.

(iii) If and when no Bonds are outstanding under the Bond Resolution, and the Bond Resolution is therefore no longer effective, the Committee shall provide for the establishment of such accounts and the taking of such actions as may be necessary to manage the Project.

(d) Payment obligation unimpaired. Notwithstanding any Committee action or inaction under this Agreement, each Purchaser's obligation to make the monthly payments necessary to pay its Purchaser's Percentage Share of Debt Service, costs of operation and maintenance, and all other amounts to be paid by Purchasers under this Agreement shall be absolute and unimpaired.

(e) The Authority's ability to take Required Action. In the event the Committee fails to take any of the actions set forth in Section 13(c)(ii)(C)-(E) in a timely fashion, or fails to take any other action which the Authority believes to be a Required Action, and as a result the Authority determines that it will be unable to meet any of its obligations imposed by statute, by the Bond Resolution, by this Agreement, or by any licensing or regulatory agency, then the Authority may (i) adopt a budget of Annual Project Costs, (ii) estimate the Annual Payment Obligation of each Purchaser, (iii) require each Purchaser to make payments on the basis of such estimated Annual Payment Obligation, and (iv) take such other action as the Authority deems necessary to meet such obligations. Failure of the Committee to adopt an Annual Project Budget by the ninetieth (90th) day prior to the beginning of a Fiscal Year shall permit the Authority to adopt an Annual
Project Budget pursuant to this subsection. All actions and determinations under this Section 13(e) shall be taken and made in accordance with Prudent Utility Practice.

(f) Purchasers' duties and rights of review. Each Purchaser shall make payment as required by the Authority as a result of any action taken by the Authority under Section 13(e), but such payment shall not constitute a waiver of any Purchaser's rights under this Agreement. Any Purchaser may seek review of such action in accordance with the dispute resolution procedures adopted by the Committee, or may seek to enforce this Agreement judicially in accordance with Section 9(d) if no applicable dispute resolution procedures have been adopted.

Section 14. End Of Project

(a) Authority's declaration. The Authority shall declare the Project ended, and the Authority's obligations to make power available to the Purchasers and to operate and maintain (or to assure the operation and maintenance of) the Project shall also end, if and when (i) such a declaration is required under Section 14(b), or (ii) the Project can no longer be operated in accordance with Prudent Utility Practice.

(b) Consultant's report. The Authority shall make the declaration described in Section 14(a) if all of the following conditions are met:

(i) the Project cannot be operated at full capacity in a manner consistent with Prudent Utility Practice absent repairs, modifications, or additions ("Repairs") to the Project;

(ii) a Consultant retained by the Committee concludes that such Repairs are not cost-effective in comparison with other power supply alternatives then available to the Purchasers; and

(iii) Committee members who are Purchasers and whose Percentage Shares total eighty percent (80%) vote that such Repairs should not be undertaken.

(c) Consequences of Authority's declaration. After the Authority has declared the Project ended, each Purchaser shall complete its payment obligation for Project Capacity and associated energy delivered to such Purchaser before the Project ended, and shall do so by paying its Percentage Share of Annual Project Costs until all Bonds have been paid or provision has been made for the payment of the Bonds in accordance with the Bond Resolution; provided, that from the date on which the Authority
declares the Project ended, Annual Project Costs shall no longer include (except with Committee approval) costs other than those set forth in Sections 8(a)(i), 8(a)(ii), 8(a)(iii), 8(a)(vii)(C), and 8(a)(vii)(D).

Section 15. Records. In addition to meter records, the parties shall keep log sheets and other records as may be needed for the purposes of this Agreement. In keeping books of account, each Purchaser will, to the extent that different rules are not prescribed by this Agreement or by federal and state laws or agencies, follow the system of accounts prescribed for public utilities and licensees by the Federal Energy Regulatory Commission, except that as long as a Purchaser is a borrower from REA then it shall follow the system of accounts prescribed by REA for its electric borrowers.

Section 16. Inspection Of Facilities. For purposes of this Agreement, each party may, but shall not be obligated to, inspect any other party's facilities relating to the Project at any time upon reasonable notice, but such inspection or failure to inspect shall not render the inspecting party, its officers, agents or employees, liable or responsible for any injury, loss, damage, or accident resulting from defects in such electric installation, or for violation of this Agreement.

Section 17. Covenants To Maintain Integrity Of Agreement.

(a) Retail rate approval. Each Purchaser will affirmatively and promptly pursue all administrative and judicial remedies necessary to secure Alaska Public Utility Commission approval of retail rates required to meet the terms of this Agreement where Commission approval is required.

(b) Compliance with law. Each Purchaser will take all necessary steps to comply with applicable federal and state laws and regulations, licenses and permits relating to the use and operation of the Purchaser's System.

(c) Sales, mergers, and assignments. No Purchaser shall abandon, sell, mortgage, lease or otherwise dispose of the Purchaser's System or any assets of that System (including by sale to or merger with any other utility), or assign this Agreement or any interest thereunder to any assignee or successor in interest, unless:

(1) such disposal or assignment accords with the terms of any of the Purchaser's covenants or agreements with the holders of the Purchaser's bonds, notes or other evidences of indebtedness relating to the abandonment, sale, mortgage, lease or other disposition of property of the Purchaser's System; and
(2) such disposal or assignment is:

(A) consented to in writing by a majority of the Committee, including the Authority's representative; or

(B) made to another utility that is already a Purchaser under this Agreement and is able to meet the obligations resulting from the disposal or assignment; or

(C) limited to assets that the Purchaser determines to be surplus to the needs of that Purchaser's System, but the depreciated value of assets so disposed of or assigned in any given year shall not exceed five percent (5%) of the depreciated value of the assets of the Purchaser's System prior to the disposal or assignment; or

(D) evaluated by a Consultant and that Consultant certifies that, taking into account the other obligations of the Purchaser or of the assignee or successor in interest (as the case may be), the Purchaser or the assignee or successor in interest will have (A) substantially the same or greater ability to produce sufficient revenues to meet its payment obligations as would the Purchaser absent the transaction, and (B) the ability to perform all obligations under this Agreement.

Any assignee of this Agreement must assume in writing all of the assigning Purchaser's obligations hereunder, must pay any amounts due and owing from the assigning Purchaser hereunder, and (unless the assignee is already a Purchaser) must provide the Authority and the Purchasers with an opinion of counsel that this Agreement is enforceable against the assignee.

(d) **Status of Bonds.** The parties will not take any action, including entry into power sales agreements, which would cause the interest on any Bond which is originally issued on a tax-exempt basis to become taxable under the Internal Revenue Code of 1986, as the same may be amended from time to time.

(e) **Licenses and permits.** The parties will take all necessary steps within their control to comply with applicable federal and state laws and regulations, and to obtain and thereafter comply with all applicable licenses and permits relating to the use and operation of the Project, including without limitation, the Federal Energy Regulatory Commission license applicable to the
Project. The Authority will take all necessary steps to cause the Federal Energy Regulatory Commission license to be renewed, if necessary, so that it is in effect during the term of this Agreement or any renewal hereof.

Section 18. Assignment.

(a) Assignment generally. This Agreement shall inure to the benefit of, and shall be binding upon the respective successors and assigns of the parties to this Agreement; provided, that this Agreement or any interest herein may be transferred or assigned by a Purchaser only in accordance with the provisions of Section 17(c).

(b) Specific rights and transactions. Notwithstanding Sections 17(c) and 18(a):

(1) A Cooperative Purchaser shall have the right to assign its assets, including its rights under this Agreement for security purposes to REA, or to a lender or guarantor in connection with loans to such Cooperative Purchaser where the proceeds of such loans are used to refinance obligations of such Cooperative Purchaser to REA or the Federal Financing Bank under Section 311 of the Rural Electrification Act or otherwise; provided, however, that (A) neither REA nor any secured lender or guarantor exercising any rights, powers or privileges with respect to this Agreement under any mortgage, deed of trust or other security agreement shall be entitled to exercise the rights of the Cooperative Purchaser under this Agreement unless the obligations of such Cooperative Purchaser hereunder shall have been performed, (B) no such assignment shall in any way relieve such Cooperative Purchaser of any obligations hereunder, and (C) no assignment shall be permitted hereunder if such assignment would adversely affect the tax exemption of interest on any Bonds Outstanding under the Bond Resolution that originally were issued on a tax-exempt basis.

(2) A Purchaser's agreement to resell power from the Project shall not be deemed a transfer or assignment of this Agreement, but neither shall any such resale of Project power relieve the Purchaser of any payment obligation under this Agreement.

Section 19. Notices, Computation Of Time And Holidays. Any notice required by this Agreement to be given to any party shall be effective when it is received by such party, and in computing any period of time from such notice, such period shall commence at 12:01 p.m. prevailing time at the place of receipt on the date of receipt of such notice. Whenever this Agreement calls for notice to or notification by any party the
same (unless otherwise specifically provided) shall be in writing directed to the Authority's executive director or a Purchaser's general manager. If the date for making any payment or performing any act is a day on which banking institutions are closed in the place where payment is to be made or a legal holiday, payment may be made or the act performed on the next succeeding day which is neither a legal holiday nor a day when banking institutions are closed in such place.

Section 20. Applicable Law. The laws of the State of Alaska (including without limitation the equal opportunity laws set forth in AS 18.80.220, as the same may be amended from time to time) shall govern the interpretation and application of this Agreement and the actions of the parties hereunder.

Section 21. Availability Of Information. The parties shall make available to each other, for inspection and copying during business hours, all books, records, plans and other information relating to any calculation or determination to be made pursuant to this Agreement.

Section 22. Severability.

(a) Severability generally. If any section, paragraph, clause or provision of this Agreement or any agreement referred to in this Agreement shall be finally adjudicated by a court of competent jurisdiction to be invalid or unenforceable, the remainder of this Agreement shall be unaffected by such adjudication and all the remaining provisions of this Agreement shall remain in full force and effect as if such section, paragraph, clause or provision or any part thereof so adjudicated to be invalid had not been included herein.

(b) Correction and substitution. If any section, paragraph, clause or provision of this Agreement or any agreement referred to in this Agreement shall be finally adjudicated by a court of competent jurisdiction to be invalid or unenforceable, then and in such event the parties agree that they shall exercise their best efforts to correct such invalidation and substitute appropriate agreements and contractual arrangements to achieve the intent of this Agreement.

(c) References to REA. From and after the time any Cooperative Purchaser is no longer indebted to REA under any mortgage or other security agreement with REA, all references to REA and required approvals of the Administrator of REA provided for in this Agreement shall be of no further force and effect with respect to that Cooperative Purchaser.

Section 23. Remedies Cumulative. No remedy conferred upon or reserved to the parties hereto is intended to be
exclusive of any other remedy or remedies available hereunder or now or hereafter existing at law, in equity, by statute or otherwise, but each and every such remedy shall be cumulative and shall be in addition to every other such remedy.

Section 24. Waiver Not Continuing. Any waiver at any time by either party to this Agreement 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 Agreement, shall not be considered a waiver with respect to any subsequent default, right or matter.

Section 25. Section Headings. The section headings in this Agreement are for convenience only, and do not purport to, and shall not be deemed to, define, limit or extend the scope or intent of the section to which they pertain.

Section 26. Multiple Copies. This Agreement shall be executed in several counterparts, each of which shall be an original, but all of which shall constitute one and the same instrument.

Section 27. Covenant To Act In Good Faith. In order to permit this Agreement, throughout its term, to be fully effective in accordance with the original intent of the parties, each party agrees that it shall at all times act in good faith in performing its obligations and in exercising its rights under this Agreement.

Section 28. No Third Party Beneficiaries. Notwithstanding that the operation of this Agreement may and is intended to confer benefits on third parties who are not signatories to this Agreement, this Agreement shall be enforceable only in accordance with its provisions expressly governing enforcement. In promising performance to one another under this Agreement, the parties intend to create binding legal obligations to and rights of enforcement in (a) one another, and (b) such assignees or successors in interest of the parties as may enjoy a right to enforce this Agreement by virtue of provisions of this Agreement that expressly create such a right in such assignees or successors in interest. By entering into this Agreement, the parties expressly do not intend to create any obligation or promise any performance to any other third party, nor have the parties created for any other third party any right to enforce this Agreement.

Section 29. Excess Payments.

(a) Payments in Recognition of Efforts to Obtain Intertie. In recognition of the Railbelt Energy Council's commitment to continue efforts to obtain a satisfactory transmission intertie between Fairbanks and the Kenai Peninsula, and the Railbelt Energy Council's recognition of the importance of such an intertie to the well-
being of the Railbelt region and the Purchasers' ratepay-
ers, and in anticipation of legislative funding of such an
intertie, the Purchasers agree to make the payments de-
scribed below in excess of actual debt service required
for retirement of Bonds issued to pay Recoverable Con-
struction Costs. The Purchasers' obligations to make pay-
ment under this Section 29 are not contingent upon the
success of such continued efforts to obtain a satisfactory
transmission intertie between Fairbanks and the Kenai Pen-
ninsula.

(b) Calculation of Excess Payment Amount. Subject
to the limitations set forth in Sections 29(e) and
29(f), upon the retirement of all Bonds issued to pay Re-
coverable Construction Costs (and of all Bonds issued to
refund such Bonds) and the consequent reduction of Debt
Service includable in Annual Project Costs, there shall be
added to and included in Annual Project Costs an amount
(the "Excess Payment Amount") calculated as follows:

(i) The average annual Debt Service on
such retired Bonds, less

(ii) any debt service included in Annual
Project Costs that is associated with bonds or other
debt issued to fund Required Project Work.

In no event shall the Excess Payment Amount be negative.

(c) Payment of Excess Payment Amount. Each
Purchaser shall pay its Percentage Share of the Excess
Payment Amount as part of that Purchaser's Annual Payment
Obligation so long as that Purchaser continues to purchase
Project power under this Agreement or any renewal thereof.

(d) Disposition of Payments. All Excess Pay-
ment Amounts received from Purchasers, and all additional
charges paid pursuant to Section 29(b), shall be paid to
the Authority for deposit into the Railbelt Energy Fund.

(e) Limitation. Notwithstanding any other pro-
vision of this Section 29, no Purchaser's Annual Payment
Obligation shall include a charge with respect to any Ex-
cess Payment Amount in excess of four cents ($0.04) per
kilowatthour of Project power delivered to such Purchaser.

(f) Duration. The provisions of this Section
29 shall not serve to extend the term of this Agreement or
any renewal thereof, and shall cease to be effective upon
the expiration or termination of this Agreement (as the
same may be extended through any renewal thereof).
Section 30. Special Arrangements Regarding AEG&T.

(a) Contracts acknowledged. The parties recognize that Homer Electric Association, Inc. ("HEA") and Matanuska Electric Association, Inc. ("MEA"), have previously entered into contracts with the Alaska Electric Generation & Transmission Cooperative, Inc. ("AEG&T"), and that under such contracts AEG&T is to sell and HEA and MEA are to buy electric power in amounts necessary to meet the full requirements of HEA and MEA, such power to be generated by AEG&T or to be purchased by AEG&T from other suppliers. Under this Agreement, therefore, AEG&T is a Purchaser on behalf of HEA and MEA, and AEG&T's payment obligations are secured by HEA's and MEA's respective obligations to provide at all times the monies necessary for the performance of AEG&T's payment obligations, as more fully described in Section 30(b).

(b) Treatment of HEA and MEA as Purchasers for certain purposes. HEA and MEA shall have all the rights and obligations of individual Purchasers and/or Cooperative Purchasers with respect to Sections 2(a), 4(d), 6(e), 8(a)(vii)(D), 10, 13(c), 13(d), 15, 17, 18, 31, and 32, unless the context otherwise requires. If AEG&T at any time fails to meet its payment obligations under this Agreement, then to the extent of such failure by AEG&T and for so long as such failure continues, HEA and MEA shall each be obligated to meet directly its respective share of AEG&T's payment obligations in the same manner as if HEA and MEA were individual Purchasers obligated to make payment in accordance with Section 7 and Section 9. All rights and remedies available to the Authority and/or to the other Purchasers against AEG&T shall also be available to the Authority and the other Purchasers against HEA and MEA to the extent of the respective individual share of HEA and/or MEA, as applicable. For purposes of this Section 30(b), HEA's share shall be a Percentage Share of Project Capacity equal to 12.0 percent, and MEA's share shall be a Percentage Share of Project Capacity equal to 13.8 percent.

(c) Arrangements among HEA, MEA, and AEG&T. In accordance with the provisions of Section 30(a) and subject to the provisions of Section 30(b), AEG&T as a Purchaser hereunder shall act on behalf of HEA and MEA for purposes of power deliveries, billing, payment, notification, and other communications under this Agreement. AEG&T shall be, on behalf of HEA and/or MEA, the Purchaser from the Authority and the re-seller to HEA and/or MEA of power to be taken by HEA and/or by MEA under this Agreement. Further, AEG&T will receive, on behalf of HEA and/or MEA, all billings and other communications under
this Agreement, and AEG&T will be required to pay such bills for and on behalf of HEA and/or MEA from funds made available to AEG&T by HEA and/or MEA for this purpose.

Section 31. Capitalization Of Certain Costs Of Purchasers.

(a) Promptly after the Committee is formed, and before the Authority first issues Bonds, the Purchaser members of the Committee shall determine by the affirmative vote of members whose Percentage Shares equal or exceed eighty percent (80%) of Project Capacity and of Annual Project Costs:

(i) whether and to what extent the costs borne by the Purchasers pursuant to the last sentence of Section 13(a) should be capitalized through issuance of additional Bonds, with the costs of debt service on those additional Bonds to be added to Annual Project Costs; and

(ii) whether and to what extent the costs incurred by the individual Purchasers in conjunction with this Agreement prior to the Date of Commercial Operation should be capitalized and reimbursed through issuance of additional Bonds, and whether and to what extent the costs of debt service on those additional Bonds should be added to Annual Project Costs and allocated among Purchasers either in accordance with their respective Percentage Shares or in some other manner.

(b) If the Purchasers provide the Authority with a written determination that additional Bonds should be issued for either or both of the foregoing purposes, then notwithstanding any other provision of this Agreement, the Authority shall issue additional Bonds in the requisite principal amount, allocate the proceeds of such additional Bonds among the appropriate Purchasers in accordance with such written determination, and include the costs of debt service on such additional Bonds in Annual Project Costs; provided, that the Authority shall not be obligated to issue such additional Bonds unless the Authority is reasonably able to do so in conjunction with the issuance of other Bonds; and provided further, that the allocation among Purchasers of the costs of debt service on additional Bonds issued for the purpose set forth in Section 31(a)(ii) shall be made in the manner specified in such written determination.

Section 32. Efforts To Obtain Intertie. The Purchasers recognize the importance of the completion of a satisfactory high-capacity Fairbanks to Kenai Peninsula transmission.
intertie, and of full $218 million funding for the Project, and agree to continue all reasonable efforts to obtain sufficient state funding for such transmission intertie and Bradley Lake.

IN WITNESS WHEREOF, the parties have caused this Agreement to be executed the day and year first above written.

THE ALASKA POWER AUTHORITY

By

As

ALASKA ELECTRIC GENERATION & TRANSMISSION COOPERATIVE, INC.

By

As

CHUGACH ELECTRIC ASSOCIATION, INC.

By

As

HOMER ELECTRIC ASSOCIATION, INC.

By

As
GOLDEN VALLEY ELECTRIC ASSOCIATION, INC.

By ___________________________
As ___________________________

MATANUSKA ELECTRIC ASSOCIATION, INC.

By ___________________________
As ___________________________

By ___________________________
As ___________________________

THE MUNICIPALITY OF ANCHORAGE d/b/a MUNICIPAL LIGHT AND POWER

By ___________________________
As ___________________________

THE CITY OF SEWARD d/b/a SEWARD ELECTRIC SYSTEM

By ___________________________
As ___________________________
EXHIBIT B

Delivery Point

The Delivery Point of the Project and the point at which the Purchasers accept delivery shall be at the point where the 115 kV Project transmission lines connect to a 115 kV switching station (included within the Project) at Bradley Junction on the Fritz Creek - Soldotna transmission line to be built by the Homer Electric Association, Inc.
EXHIBIT C

Description Of The Project

The Bradley Lake Hydroelectric Project site is located on the Kenai Peninsula, about 105 miles south of Anchorage and 27 miles northeast of Homer, Alaska. Bradley Lake, with an existing elevation of 1,080, is situated in the Kenai Mountain Range. A Project Location Map is attached.

The proposed development includes raising the existing Bradley Lake level 100 feet by constructing a diversion tunnel, dam, spillway and outlet facility at the lake outlet. An 18,760 foot long, 11 foot diameter concrete lined power tunnel will connect the reservoir intake works with a two 45 MW (nominal rating) unit powerhouse located just above sea level on the northeast shore of Kachemak Bay.

A substation containing step-up transformers will be located at the power plant. Project transmission facilities include approximately 20 miles of two parallel, single circuit, 115 kv transmission lines to connect the power plant to a 115 kv switching station at Bradley Junction (which is also included within the project). The switching station will connect to a 115 kv transmission line (not included in the project) which will transmit power between Fritz Creek and Soldotna on the Kenai Peninsula. The Project also includes the Middle Fork Diversion consisting of a small diversion structure and excavated channel which diverts the upper Middle Fork flows into Bradley Lake, and the construction of a small diversion works at the headwaters of the Nuka River which diverts flows from Nuka Glacier into Bradley Lake.

The project site is remote and will be designed to be operated as an unattended plant, but will require on-site maintenance personnel. A supervisory control and data acquisition (SCADA) system will be provided. Site access is by water or airborne transportation. To support construction, operations and maintenance of the Project, a barge basin, airstrip, construction camp, permanent housing facilities, and approximately ten miles of access road will be required.

Provisions for adding a third 45 MW turbine-generator will be included in the Project.

A Project Location Map and general plan are attached.
1. Dam
   Concrete-faced, rock fill, 610 feet long, 125 feet high, 362,000 cubic yards rock fill, 10,800 cubic yards concrete.

2. Spillway
   Ungated concrete ogee section, 175 feet long.

3. Power Tunnel
   11-foot nominal diameter, fully concrete lined, 18,760 feet long.

4. Diversion
   21-foot horseshoe tunnel, 440 feet long.

5. Steel Liner/Penstock
   Steel 11-foot diameter, 2,400 feet long tapering to 9 foot diameter manifold with 6 1/2 foot diameter branches.

6. Middle Fork
   Excavated channel and river diversion structure.

7. Nuka Diversion
   9 foot high gravel fill dike.

8. Powerhouse
   Above ground, steel superstructure, 160 feet long, 80 feet wide, 92 feet high.

9. Turbines
   2 each Pelton, vertical shaft.

10. Generators
    2 each; 63 MVA with nominal output of 45 MW.

11. Transmission
    115 kV, steel pole, 2 parallel single circuits, 20 Line miles long, with 115 kV switching station at Bradley Junction.

12. Barge Dock
    Sheetpile cellular structure, granular fill.

13. Access Roads
    10.8 miles gravel surfaced.

14. Airstrip
    Gravel surfaced, 2,400 feet long x 75 feet wide.
**Exhibit D**

Purchasers' Percentage Shares Of Project Capacity
And Of Annual Project Costs

<table>
<thead>
<tr>
<th>PURCHASER</th>
<th>PERCENTAGE SHARE</th>
</tr>
</thead>
<tbody>
<tr>
<td>Alaska Electric Generation &amp; Transmission Cooperative, Inc.</td>
<td>25.8</td>
</tr>
<tr>
<td>Chugach Electric Association, Inc.</td>
<td>30.4</td>
</tr>
<tr>
<td>Golden Valley Electric Association, Inc.</td>
<td>16.9</td>
</tr>
<tr>
<td>Municipality of Anchorage, d/b/a Municipal Light and Power</td>
<td>25.9</td>
</tr>
<tr>
<td>City of Seward, d/b/a Seward Electric System</td>
<td>1.0</td>
</tr>
</tbody>
</table>

100.00%
Exhibit E

ALASKA POWER AUTHORITY
RESOLUTION NO. ________

A SUPPLEMENTAL RESOLUTION AUTHORIZING
THE ISSUANCE OF $__________
POWER REVENUE BONDS, FIRST SERIES

BE IT RESOLVED by the Board of Directors of the
Alaska Power Authority on the ___ day of __________, 19___,
that pursuant to the General Bond Resolution adopted on
______________, 19___, (hereinafter referred to as the "Resolution"),
this Supplemental Resolution is adopted as follows:

ARTICLE I
Definitions and Authority

101. Short Title. This Resolution may hereafter be
cited by the Authority, and is hereinafter sometimes referred
to as the "First Series Resolution".

102. Definitions. (a) All defined terms contained
in the Resolution shall have the same meanings, respectively,
in this First Series Resolution as such defined terms are given
in Section 102 of the Resolution.

(b) In addition, as used in this First Series
Resolution, unless the context shall otherwise require, the
following terms shall have the following respective meanings:

"Bonds" or "First Series Bonds" means the Bonds of
the Authority of the Series authorized by this First Series
Resolution and herein designated "Power Revenue Bonds, First
Series".

"Series Bonds" means any First Series Bond maturing
on or before ________________.

(c) Unless the context shall otherwise indicate,
words of the masculine gender shall be deemed and construed to
include correlative words of the feminine and neuter genders,
words importing the singular number shall include the plural
number and vice versa, and words importing persons shall include firms, associations, partnerships (including limited partnerships), trusts, corporations and other legal entities, including public bodies, as well as natural persons.

The terms "hereby", "hereof", "hereto", "herein", "hereunder", and any similar terms, as used in this _____ Series Resolution, refer to this _____ Series Resolution and such terms when used in the form of bond herein refer to said bond.

103. Authority for this Resolution. This First Series Resolution is adopted pursuant to the provisions of the Act and the Resolution.

ARTICLE II

Authorization, Terms and Issuance

201. Authorization, Principal Amount, Description and Series. In order to provide funds necessary for the purpose specified in Section 203, in accordance with and subject to the terms, conditions and limitations established herein and in the Resolution, a Series of Power Revenue Bonds is hereby authorized to be issued in the aggregate principal amount of $____________. The Authority is of the opinion and hereby determines that the issuance of the Bonds in said amount is necessary to provide sufficient funds to be used and expended for the purpose specified in Section 203. In addition to the title "Power Revenue Bond", the Bonds of such Series shall bear the additional designation "First Series" and each as so designated shall be entitled "Power Revenue Bond, First Series". The Power Revenue First Series Bonds shall consist of $_________ principal amount of Serial Bonds and $_________ principal amount of Term Bonds and shall be issued in fully registered form.

202. Purposes. The purposes for which the _____ Series Bonds are being issued are to provide funds for deposit in the Renewal and Contingency Reserve, Capital Reserve Fund, Operating Reserve Account, and Construction Fund, respectively, all to the extent and subject to the limitations and in the amounts provided in the Resolution and in Article III hereof.

203. Issue Date. The First Series Bonds shall be dated ______________, except as otherwise provided in the Resolution in the case of Bonds issued on or subsequent to ______________.

204. Maturities and Interest Rates. The _____ Series Bonds shall mature on the anniversary of their date in
the following years and the Bonds maturing in each such year shall mature in the principal amount and bear interest from the date thereof, payable semi-annually on the first day of each month commencing 6 months and 12 months from date, at the rates set opposite such year in the following table:

| Years | Amount Maturing | Interest Rates | Years | Amount Maturing | Interest Rates |

205. Denominations, Numbers and Letters. The First Series Bonds maturing in each year shall be issued in denominations of $5,000, or any whole multiple thereof not exceeding the aggregate principal amount of First Series Bonds maturing in such year, in the case of fully registered Bonds. The First Series Bonds shall be lettered A and numbered separately from 1 consecutively upwards in such order as the Trustee in its discretion shall determine.

206. Paying Agents. __________, in __________, __________, are hereby appointed the Paying Agents for the __________ Series Bonds pursuant to Section 902 of the Resolution.

207. Redemption at the Election of the Authority and Terms. The Bonds maturing __________ and thereafter shall also be subject to redemption, either as a whole or in part, and in such amount or amounts of such maturity or maturities as the Authority shall elect, on any date (which date shall be determined by the Authority or selected by the Trustee, subject to the provisions of, and in accordance with, the Resolution and when so determined or selected shall be deemed and is hereby set forth as the redemption date) on and after __________, and prior to their respective maturities, upon notice as provided in Article IV of the Resolution, at the respective Redemption Prices (expressed as percentages of the principal amount of such Bonds to be so redeemed) set opposite such period in the following table, plus in each case interest accrued to the redemption date:
208. **Sinking Fund Payments.** The Term Bonds shall be subject to redemption in part by operation of the Principal Account through application of Sinking Fund Payments as provided in subsection 507(2) of the Resolution on ________ and on each ________ thereafter as herein provided in each case at a Redemption Price equal to the principal amount of each Bond or portion thereof to be redeemed, together with interest accrued to the redemption date. There shall be due and the Authority shall at any and all events be required to pay on ________ of each of the years set forth in the following table the amount set opposite each such year in said table and said amount is hereby established as and shall constitute a Sinking Fund Payment for the retirement of the Term Bonds, provided, however, that the amount set opposite ________ in said table shall be payable at the stated maturity date of the Term Bonds and shall not constitute a Sinking Fund Payment:

<table>
<thead>
<tr>
<th>Year</th>
<th>Sinking Fund Payments</th>
</tr>
</thead>
</table>

209. **Selection by Lot.** If less than all of the First Series Bonds of a like maturity are to be redeemed, the particular Bonds of such maturity to be redeemed shall be selected by lot in accordance with Section 404 of the Resolution.
ARTICLE III

Disposition of Proceeds

301. Deposits. Upon receipt of the proceeds of sale of the First Series Bonds, there shall be deposited (a) in the Capital Reserve Fund to equal the Capital Reserve Fund Requirement immediately after delivery of the First Series Bonds, (b) in the Interest Account the amount of accrued interest on the First Series Bonds from their date to the date of delivery thereof and payment therefor, (c) in the Renewal and Contingency Reserve Fund the amount necessary to cause the amount in the Fund to equal the Renewal and Contingency Reserve Requirement, and (d) in the Operating Reserve Account $__________.

302. Construction Fund. After the deposits referred to in Section 301 hereof have been made, the balance of the proceeds of sale of the First Series Bonds shall be deposited in the First Series Bonds Account of the Construction Fund.

ARTICLE IV

Effective Date

401. This Resolution shall take effect immediately.