

**INTERLOCAL AGREEMENT BETWEEN
THE CITY OF LAS VEGAS
AND THE SOUTHERN NEVADA WATER AUTHORITY**

1. PARTIES

THIS AGREEMENT is made and entered into by and between the CITY OF LAS VEGAS (hereinafter referred to as "CITY") and the SOUTHERN NEVADA WATER AUTHORITY (hereinafter referred to as "AUTHORITY").

2. RECITALS

2.1 WHEREAS, the CITY, a municipal corporation in the State of Nevada and a member agency of the AUTHORITY, requires a reliable supply of power for CITY operations in Clark County, Nevada; and

2.2 WHEREAS, the AUTHORITY, a political subdivision of the State of Nevada, has entered into a First Amended Power Supply Agreement with the Colorado River Commission of Nevada (hereinafter referred to as "CRC") pursuant to NRS 704.787, for the reliable supply of power for the AUTHORITY and its Participating Agencies for designated water and wastewater operations; and

2.3 WHEREAS, the First Amended Power Supply Agreement provides that the CRC and the AUTHORITY will maintain their collaborative relationship for the planning and acquisition of Power Supply Assets, Transmission Assets, and Energy Management Services for the benefit of the AUTHORITY and its member agencies, with the CRC acting as the agent of the AUTHORITY to procure a reliable, cost effective means of meeting the energy supply needs of the AUTHORITY and its member agencies.

2.3 WHEREAS, the CITY is desirous of having the AUTHORITY supply the energy needs of the CITY for designated water and wastewater operations by acting as agent for the CITY; and

2.4 WHEREAS, Nevada Revised Statute § 277.045 authorizes two or more political subdivisions of the State of Nevada to enter into interlocal agreements for the performance of any governmental function; and

2.5 WHEREAS, the AUTHORITY has agreed, pursuant to the First Amended Power Supply Agreement, to guarantee, on behalf of the CITY, payment for Power Supply Assets, Transmission Assets, and Energy Management Services which are provided to the CITY; and

2.6 WHEREAS, the CITY is willing and able to guarantee payment to the AUTHORITY for Power Supply Assets, Transmission Assets, and Energy Management Services which are provided to the CITY.

2.7 NOW THEREFORE, in consideration for the mutual covenants contained herein, the Parties hereto agree as follows;

3. EFFECTIVE DATE AND TERM OF AGREEMENT

3.1 This Interlocal Agreement between the CITY and the AUTHORITY shall become effective upon execution by both Parties. Within 90 days from the execution of this Agreement, the AUTHORITY shall supply the CITY's electrical needs from forward market transactions that are sufficient to meet the CITY's forecasted needs for designated wastewater operations during the Initial Service Period. The "Initial Service Period" begins on the date specified in the Distribution Only Service Agreement between NV Energy, the CITY, and the CRC and approved by the Public Utilities Commission of Nevada as the first day on which the

CRC can begin acting as the agent for the AUTHORITY to supply the CITY with Power Supply Assets and ends on December 31, 2014. In addition and for so long as this Agreement is in effect, the CITY and the AUTHORITY agree that the AUTHORITY shall provide Power Supply Assests to meet the electrical needs of the CITY by transacting in the forward power market beyond the Initial Service Period on a five year rolling basis, or other such term as determined by theRisk Control Committee.

4. DEFINITIONS

As used in this Agreement, unless the context otherwise requires a different meaning:

4.1 **"Agreement"** means this Interlocal Agreement between the CITY and the AUTHORITY.

4.2 **"Ancillary Services"** means those services that are necessary to support the transmission and distribution of energy to electrical loads while maintaining the reliable, secure and safe operation of the transmission and distribution system. Such services may include, without limitation, frequency and voltage regulation, regulation and frequency response, operating reserve-spinning, operating reserve-supplemental, scheduling, system control, dispatch, automatic generation control, governor control, load shedding, rapid generating unit loading, reactive power, reactive supply and voltage control from generation sources, rapid generating unit unloading, system restart, energy imbalance, generation imbalance, or banked energy.

4.3 **"AUTHORITY"** means the Southern Nevada Water AUTHORITY, a political subdivision of the State of Nevada, created on July 25, 1991 by a cooperative agreement entered into pursuant o the provisions of chapter 277 of NRS.

4.4 **"CRC"** means the Colorado River Commission of Nevada, an agency of the State of Nevada created pursuant to NRS 538.041 *et seq.*

4.5 **"CITY"** means the City of Las Vegas, a municipal corporation in the State of Nevada.

4.6 **"Electric Power Supply Plan"** means the Electric Power Supply Plan created by the CRC and the AUTHORITY pursuant to the First Amended Power Supply Agreement.

4.7 **"Energy Management Services"** means Ancillary Services and the scheduling, delivery, dispatch, marketing, hedging and financial management of and billing for Power Supply Assets, Facility Assets and Transmission Assets.

4.8 **"Energy Risk Management Policy"** means the Southern Nevada Water Authority Energy Risk Management Policy attached as Exhibit A to the Electric Power Supply Plan and any subsequent modifications to that policy adopted by the AUTHORITY.

4.9 **"First Amended Power Supply Agreement"** means the First Amended and Restated Electric Power Supply Agreement between the Colorado River Commission of Nevada and the AUTHORITY entered into on March 13, 2006.

4.10 **"Five Year Rolling Basis"** means the initial Agreement is for a five year period, with automatic annual renewal for additional one-year periods.

4.11 **"Participating Agency"** means a member agency of the AUTHORITY which has contracted with the AUTHORITY to have designated Power Supply Assets, Transmission Assets, or Energy Management Services scheduled, delivered, purchased, owned, or controlled, as the case may be, pursuant to this Agreement.

4.12 **"Party" or "Parties"** means the CITY, the AUTHORITY, or both.

4.13 **“Power”** means electrical capacity and energy.

4.14 **“Power Supply Assets”** means electrical generation and all power or rights to power owned, controlled, purchased or sold by the AUTHORITY for the benefit of the CITY whether taken or delivered in the name of the CITY or in the name of the AUTHORITY.

4.15 **“Risk Control Committee”** means the committee comprised of staff members of the AUTHORITY, the CRC, and any member agency that is receiving electrical service from the AUTHORITY, that are responsible for the oversight and effective management of the AUTHORITY’s energy supply program.

4.16 **“Transmission Assets”** means transmission, distribution, and related infrastructure that is purchased, owned, controlled or sold by the AUTHORITY for the benefit of the CITY, whether taken or delivered in the name of the CITY or in the name of the AUTHORITY.

5. POWER SUPPLY AND TRANSMISSION ASSETS

5.1 Nothing in this Agreement shall preclude the CITY or the AUTHORITY from owning, controlling, acquiring, selling or constructing Power Supply or Transmission Assets.

5.2 Unless otherwise instructed by the CITY, the AUTHORITY shall have the right to use Power Supply and Transmission Assets owned or controlled by the CITY to provide power to the CITY.

6. AUTHORITY RESPONSIBILITIES

6.1 The AUTHORITY shall be responsible for supplying the power supply needs for designated water and wastewater operations of the CITY including Power Supply Assets, Transmission Assets, and Energy Management Services.

6.2 The AUTHORITY shall provide sufficient Power Supply Assets to meet the electrical needs of the CITY by transacting in the forward power markets either in its own name, or through its contractual arrangements with the CRC.

6.4 The AUTHORITY shall use its best efforts as agent for the CITY to purchase and sell any Power Supply Assets or Transmission Assets, or portion thereof, to the extent such Power Supply Assets or Transmission Assets are deficient or may be or become surplus to the needs of the CITY. The proceeds from any sale of Power Supply Assets or Transmission Assets on behalf of the CITY must be used to offset the costs charged to the CITY.

6.5 The AUTHORITY shall provide financial accounting, recordkeeping, budgeting and billing for the portion of the Power Supply Assets, Transmission Assets, and Energy Management Services which are provided for the CITY pursuant to this Agreement.

6.6 The AUTHORITY shall, on an annual basis, provide the CITY with a ten-year budget for Power Supply Assets, Transmission Assets and Energy Management Services.

6.7 The AUTHORITY shall guarantee, on behalf of the CITY, payment for Power Supply Assets, Transmission Assets, and Energy Management Services which are provided by the AUTHORITY on behalf of the CITY.

6.8 The AUTHORITY shall supply Power Supply Assets, Transmission Assets and Energy Management Services to the CITY pursuant to the Energy Risk Management Policy adopted by the AUTHORITY.

7. CITY RESPONSIBILITIES

7.1 The CITY expressly acknowledges that the AUTHORITY will be supplying Power Supply Assets from forward market transactions. The CITY shall guarantee

payment to the AUTHORITY for Power Supply Assets, Transmission Assets, and Energy Management Services which are procured for the CITY by the AUTHORITY.

7.2 The CITY shall designate one representative to participate on the Risk Control Committee.

7.3 Until the CITY procures a letter of credit, the CITY, through its Finance Department, shall create and maintain an escrow account containing \$4,500,000. The CITY will provide the AUTHORITY with an irrevocable letter of credit in the amount of \$4,500,000 and in a form acceptable to the AUTHORITY. The CITY may terminate the escrow account once a letter of credit has been provided to the AUTHORITY.

7.4 The CITY shall timely provide the AUTHORITY the forecast and planning information necessary for the AUTHORITY and the CRC to jointly prepare and produce an Electric Power Supply Plan as provided for in the First Amended Power Supply Agreement.

7.5 The CITY shall cooperate in assisting the AUTHORITY so that the AUTHORITY can generally act as its agent with the CRC relative to the First Amended Power Supply Agreement.

7.6 The CITY Public Works Director is hereby authorized to prepare and submit to the AUTHORITY the annual forecast and planning information necessary for the AUTHORITY and the CRC to jointly prepare and produce an Electric Power Supply Plan. The annual estimate for power contained in the Electric Power Supply Plan will be used to meet the electrical needs of the CITY. Based on the annual estimate for power contained in the Electric Power Supply Plan, the AUTHORITY is authorized to provide Power Supply Assets to meet the estimated electrical needs of the CITY by transacting in the forward power market beyond the Initial Service Period on a five year rolling basis, or other such term as determined by the Risk Control Committee consistent with the terms of this Agreement.

8. INDEMNIFICATION

To the fullest extent permitted by Law, a Party to this Agreement (the “Indemnifying Party”) shall indemnify, defend and hold harmless the other Party, its parent and affiliates (each an “Indemnified Party”) from and against any and all claims, demands, suits, obligations, payments, liabilities, costs, fines, penalties, sanctions, judgments, damages, losses or expenses asserted by third parties against an Indemnified Party and arising out of, relating to, or resulting from the Indemnifying Party’s breach of, or the performance or non-performance of its obligations under this Agreement (including without limitation, penalties, fines and costs associated with Renewable Quotas); provided, however, that no Party shall be indemnified hereunder for any Loss resulting from its gross negligence, fraud or willful misconduct.

9. NO THIRD PARTY RIGHTS

This document is not intended to and shall not create any right in or benefit to any person or entity other than the CITY or the AUTHORITY.

10. SEVERABILITY

Any provisions or portion of this Agreement prohibited as unlawful or unenforceable under any applicable law of any jurisdiction shall as to such jurisdiction be ineffective without affecting other provisions of this Agreement. If the provisions of such applicable law may be waived, they are hereby waived to the end that this Agreement may be deemed to be a valid and binding Agreement enforceable in accordance with its terms.

11. FORCE MAJEURE

The respective duties and obligations of the Parties hereunder (except the obligation of the CITY to pay the AUTHORITY such sums as may become due from time to time for services rendered by it) shall be suspended while and so long as performance thereto is

prevented or impeded by strikes, disturbances, riots, fire, governmental action, war acts, acts of God, or any other similar cause which are beyond the reasonable control of the Party from whom the affected performance was due.

12. TERMINATION AND USE OF ESCROW ACCOUNT OR LETTER OF CREDIT

12.1 The AUTHORITY or the CITY may terminate this Agreement by action of its governing body provided that the terminating Party provides at least 30 days written notice of its proposed board action to terminate the Agreement to the other Party. The effective date of the termination will be 90 days after the date on which the terminating Party's governing board approves the termination. All representations, agreements, covenants and obligations herein are material, shall be deemed to have been relied upon by the other Party, and shall survive termination of this Agreement.

12.2 The escrow account or letter of credit are intended to cover the costs of liquidating forward market purchases in the event of nonpayment or termination of this Agreement by the CITY. Should liquidation become necessary, the AUTHORITY may draw upon the escrow account or letter of credit. The extent of the CITY's liability to the AUTHORITY is limited to full draw of the escrow account or letter of credit, subject to any increases requested by the AUTHORITY and approved by the Risk Control Committee.

12.3 Should the AUTHORITY determine that an increase in the amount of the letter of credit is necessary, the CITY will provide the required increase within 30 days of the written request by the AUTHORITY or the AUTHORITY may take additional protective measures including liquidating energy contracts entered into on behalf of the CITY and drawing upon the

escrow account or letter of credit. The AUTHORITY may only request an increase if approved in advance by the Risk Control Committee.

12.4 If the AUTHORITY is unable to perform or fails to perform its responsibilities under this Agreement and the CITY must obtain power from another source, the AUTHORITY agrees to reimburse the CITY for the costs of initiating service from another source, including but not limited to Nevada Energy fees and costs, necessary infrastructure upgrades, and attorney's fees and costs.

13. NOTICES

All notices, demands and other communications hereunder shall be in writing and shall be deemed to have been duly given: (a) when personally delivered; (b) upon receipt during normal business hours, otherwise on the first day thereafter, if transmitted by facsimile or telecopier with confirmation of receipt; (c) when mailed by certified mail, return receipt requested, postage prepaid; or (d) when sent by overnight courier; in each case, to the following addresses, or to such other addresses as a Party may from time to time specify by written notice to the other Party given pursuant hereto.

If to the CITY:

**City of Las Vegas
6005 E. Vegas Valley Drive
Las Vegas, NV 89142
Attention: John Bettencourt
Telecopier No.: (702) 431-7611**

If to the AUTHORITY:

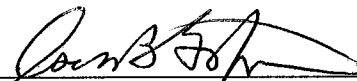
**Southern Nevada Water Authority
100 City Parkway, Suite 700
Las Vegas, NV 89106
Attention: Scott Krantz
Telecopier No.: (702) 691-5220**

14. GOVERNING LAW

The laws of the State of Nevada will govern as to the interpretation, validity, and effect of this Agreement.

IN WITNESS WHEREOF, the Parties hereto have executed this Agreement this 15TH day of July, 2009.

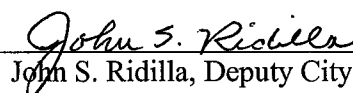
CITY OF LAS VEGAS

By: 
Oscar B. Goodman, Mayor

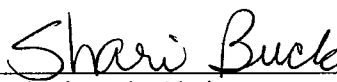
ATTEST

By:  7/21/09
Beverly K. Bridges, CMC, City Clerk Date

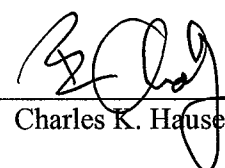
APPROVED AS TO FORM

By:  6/24/09
John S. Ridilla, Deputy City Attorney Date

SOUTHERN NEVADA WATER AUTHORITY

By:  3-19-09
Shari Buck, Chair Date

APPROVED AS TO FORM:

By:  3/19/09
Charles K. Hauser, General Counsel Date