

ENERGY COLLABORATION AGREEMENT

This Energy Collaboration Agreement ("Agreement") is made as of the date last executed below between the City of Tucson, a municipal corporation and political subdivision of the State of Arizona ("City"), and Tucson Electric Power Company, an Arizona corporation ("TEP"). City and TEP may be referred to individually as a "Party" and collectively as "Parties."

RECITALS

WHEREAS, in September of 2020, the Mayor and Council of the City of Tucson passed Resolution 23222, declaring a Climate Emergency and committing the City to move towards carbon neutrality for City operations by 2030, among other goals;

WHEREAS, in February of 2023, City, after extensive community engagement and outreach, adopted a climate action and adaptation plan, entitled *Tucson Resilient Together* ("TRT"), with aggressive electrification and renewable goals to reduce greenhouse gas ("GHG") emissions, decarbonize the City and community energy supplies and enhance energy resilience;

WHEREAS, City invited community stakeholders to aid the development of and prioritize a list of TRT goals and other community energy objectives that could benefit from collaboration with TEP, including but not limited to:

1. Clean Energy Transition: Commit to a 100% clean, renewable citywide energy supply by 2045, with accelerated interim targets and continuous public updates.
2. Resilience and Infrastructure Upgrades: Strengthen community resilience against extreme heat and emergencies.
3. Affordability and Ratepayer Protection: Collaborate with TEP to promote affordable energy solutions and ensure that low-income residents are supported against rising energy costs.
4. Equity-Centered Climate Action: Prioritize historically underserved areas of the community through all programs and investments.
5. Transparency and Accountability: Regular public reporting and data sharing on cooperative major project planning, right of way use and construction practice coordination, and community education on TEP service options, plans, and utilization of efficiency and low-income assistance programs.
6. Workforce and Economic Development: Support pathways to future energy careers, prioritizing economically disadvantaged residents.

WHEREAS, TEP's plans for serving future energy needs are documented in Integrated Resource Plans developed periodically through a process that includes opportunities for

engagement with and feedback from many stakeholders, including the City, and that are ultimately submitted to the Arizona Corporation Commission for review;

WHEREAS, TEP has established objectives that prioritize the provision of safe, reliable and affordable service grounded in strong community partnerships in furtherance of its vision to be an exceptional energy provider that positively impacts the lives of its employees, customers, and communities;

WHEREAS, the affordability of TEP's service and TEP's capacity to support the goals articulated in this Agreement benefit from economic growth that minimizes the construction costs of utility infrastructure, a clean and clear right-of-way ("ROW") free of debris, uncontrolled vegetation, and trash that impair access to TEP facilities, timely and consistent processing of its City permit and other land use requests, timely and efficient closure of TEP projects, opportunities for input from TEP prior to the initiation of public improvement projects that may impact TEP's facilities and consideration of TEP's input to minimize the disruption and cost to TEP and City, and the preservation of TEP's then-existing land rights and prior rights;

WHEREAS, City and TEP desire to work cooperatively, efficiently and effectively in support of the community they share and serve;

NOW, THEREFORE, in consideration of the mutual promises and covenants contained herein, and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Parties hereby agree as follows:

1. **Purpose.** The purpose of this Agreement is to establish a collaborative relationship between the City and TEP in order to accomplish the goals and objectives outlined in this Agreement. To this end, City and TEP agree to (a) collaborate in good faith with each other to help each Party achieve its objectives, (b) explore joint projects that provide mutual benefits, (c) work cooperatively and efficiently together, and (d) provide other support and cooperation as articulated in this Agreement.
2. **Implementation.** City and TEP will regularly collaborate during the Term of this Agreement to ensure a coordinated and efficient implementation of the projects, programs, and initiatives that further the goals and objectives of this Agreement.
3. **Effective Date and Term.** This Agreement shall be effective on the date (the "Effective Date") that is the effective date of a new franchise agreement between the City and TEP ("Franchise Agreement"), after approval by the qualified voters of the City of Tucson, and shall expire on the date that the Franchise Agreement terminates, unless terminated earlier. Notwithstanding the foregoing, if a Franchise Agreement has not become effective on or before April 26, 2027, then this Agreement shall automatically terminate and be of no further force or effect. After the Effective Date, either Party may terminate this Agreement at any time, with or without cause, by providing one-hundred-eighty (180) calendar days' written notice to the other Party. Upon termination, each Party shall be required to fulfill any outstanding obligations incurred prior to the termination date.

4. **Dynamic Agreement.** City and TEP agree that the energy field is innovating rapidly, with new technologies, new laws and new regulations that govern the delivery of energy. Consequently, City and TEP further agree that this Agreement will be reviewed by the Parties at least biannually and may be revised at any time to address these changed circumstances, subject to Section 13(d) of this Agreement.

5. **Reducing GHG Emissions.** TEP and City agree to collaborate and seek mutually agreed upon opportunities to increase the use of energy from cost-effective resources that do not produce GHG emissions while reducing or offsetting GHG emissions where possible. Specific projects or programs of focus by one or both Parties are:
 - a. City efforts to report and inventory GHG emissions citywide;
 - b. Expanded use within the City of distributed energy resources (“DERs”) such as rooftop, business and utility scale solar projects, battery energy storage systems (“BESS”) and microgrid community resiliency hubs;
 - c. Expanded participation in the City’s Solar Empowerment Program;
 - d. Expanded electric vehicle (“EV”) charging infrastructure to support transportation electrification and EV-readiness;
 - e. Increased City fleet electrification;
 - f. City implementation of a home energy audit and retrofit program for Tucson residents, with a priority for low-income families and homeowners;
 - g. City reduction of GHG emissions at City buildings and facilities through energy audits, electrification of municipal buildings, appropriate energy efficiency measures and energy usage monitoring;
 - h. Exploration of emerging clean energy technologies, such as solar street lighting; and
 - i. Mitigation of GHG emissions through the Tucson Million Trees program.

6. **Resilient Infrastructure and Emergency Preparedness.** TEP and City will seek mutually agreed upon opportunities to collaborate in support of community resiliency. Specific projects or programs of focus by one or both Parties are:
 - a. An inventory of critical municipal infrastructure;
 - b. Resilience Hubs with solar and BESS technology at key City locations;
 - c. Cooling centers, shade structures, and tree canopy expansion; and
 - d. Ongoing emergency preparedness coordination for significant weather and heat-related events.

7. **Supporting Vulnerable Communities.** TEP and City will seek mutually agreed upon opportunities to help low-income residents manage their energy expenses and extend the benefits of their collaboration into vulnerable communities through engagement and outreach. Specific projects or programs of focus by one or both Parties are:
 - a. Utility bill payment assistance for qualifying low-income residents, possibly through additional support for existing programs in partnership with third-party nonprofit groups;

- b. Inclusive, multilingual communication and outreach campaigns to raise awareness about energy conservation, clean energy and climate resilience, possibly in collaboration with schools, colleges and nonprofit groups;
 - c. Establishing a central resource hub to simplify access to energy programs, incentives and potential energy saving upgrades; and
 - d. Promoting energy literacy, including an understanding of usage data, utility bills and energy efficiency opportunities;
8. **Workforce and Economic Development.** TEP and City will seek mutually agreed upon opportunities to prepare Tucson residents for energy-related careers. Specific projects or programs of focus by one or both Parties are:
- a. Educational outreach, including participation in career day events, in local schools; and
 - b. Internship and apprenticeship programs focused on energy-related careers;
9. **Safe, Reliable, Affordable Energy.** TEP and City will seek mutually agreed upon opportunities to collaborate in support of efficient, cost-effective electric service. Specific projects or programs of focus by one or both Parties are:
- a. Mutually acceptable policies that promote cost effective construction and maintenance of utility infrastructure;
 - b. Mutually acceptable policies for timely processing of TEP requests for land use entitlements or permits through firm, enforceable deadlines and the assignment of a senior level City planner for such requests;
 - c. Mutually acceptable policies that ensure right of way and public easements are maintained for safe and efficient access;
 - d. Mutually acceptable policies that:
 - i. facilitate and expedite compensation to TEP through efficient and transparent processes where City is required by applicable law to compensate TEP at fair market value for the acquisition, by negotiation or condemnation, of any TEP easements or fee-owned land for public improvement projects;
 - ii. facilitate and expedite reimbursement to TEP for relocation costs through efficient and transparent processes where City is required by applicable law and TEP's prior rights to reimburse TEP for costs to relocate utility infrastructure to accommodate public improvement projects from TEP easements or fee-owned land;
 - iii. facilitate inventory and acknowledgement of TEP easements with prior rights affected by public improvement projects and low or no cost replacement of said easements with equivalent easements where possible.
 - iv. reduce or streamline subsequent development requirements for TEP fee-owned remnant parcels impacted by City public improvement projects.
 - e. Mutually acceptable policies that reflect the City's commitment to solicit input from TEP, and TEP's commitment to providing timely input, prior to the initiation of any City project which may require the relocation of TEP facilities or the acquisition of TEP land rights or fee-owned property, and that offer TEP the opportunity to articulate the impact of the project on TEP facilities and real

property rights and to make suggestions for alternative designs of such projects which may minimize the disruption to TEP while achieving the City's purpose for such project.

- f. Mutually acceptable policies that encourage flexible and efficient processes for closing out TEP's projects that include the ability of TEP to self-certify certain projects in lieu of final inspections.

10. Funding. To promote successful collaboration in support of the Parties' objectives and goals listed in this Agreement and in recognition of TEP's role as the sole regulated provider of electric service to local jurisdictions in its service territory, TEP agrees to make an annual payment (each an "Annual Payment") to City during each year this Agreement remains in effect as described in Exhibit "A" hereto. The initial Annual Payment shall be in the amount of \$2,000,000 and shall be made on or before December 31 of the year immediately succeeding the Effective Date and each subsequent Annual Payment shall be made no later than December 31 of each subsequent year this Agreement remains in effect. TEP shall not seek recovery of this funding through customers' rates. The Parties agree to collaborate to develop mutually acceptable policies and procedures for the distribution of these funds, submission and review of projects to be funded and other necessary and desirable processes.

- a. The Annual Payment will increase at a fixed annual rate of 2.0% every other year for the entirety of the term for a total of \$56,184,842.50 paid over the course of the anticipated 25-year term pursuant to the schedule of payments described in Exhibit "A."
- b. As a condition precedent for TEP's obligation to remit any Annual Payment to City, City covenants and agrees that during any calendar year in which the City has authorized condemnation of TEP's assets, in whole or in part, under A.R.S. § 9-511, *et seq.*, or otherwise taken other formal action required under Title 9, Chapter 5, Article 2 of the Arizona Revised Statutes for the purpose of creating a municipal electric utility, the City shall not be entitled to receive, and TEP shall not be obligated to remit, the Annual Payment for that calendar year, and TEP shall have the right to terminate this Agreement upon written notice to City, such termination to be immediately effective upon receipt.
- c. As a further condition precedent for TEP's obligation to remit any Annual Payment to City, City covenants and agrees that each Annual Payment shall be used to further the initiatives and projects identified in Sections 5 through 9 of this Agreement, or such other initiatives and projects as the Parties may mutually agree.

11. Transparency and Accountability. At least once each calendar year, TEP and City will jointly provide updates regarding the progress made toward achieving the goals and objectives listed in this Agreement. These updates shall be provided through joint presentations to Mayor and Council, joint reports prepared by City staff and TEP provided to Mayor and Council, or in any other mutually agreeable method as may be requested by and convenient to Mayor and Council and approved by TEP, and shall include:

- a. **Rate Transparency.** TEP shall provide information about current Arizona Corporation Commission (“ACC”) approved rate structures and recent rate changes filed with, pending before or approved by the ACC and applicable to the City and customers within the City’s jurisdiction.
- b. **Major Projects.** The City and TEP shall provide an update on any major projects, programs, or other major initiatives that were active during the previous year which contributed to the Parties’ goals and objectives set forth in this Agreement.
- c. **Customer Assistance Programs.** The City and TEP shall provide information about the then-current availability to and usage by City residents of bill payment assistance and other electric-related assistance programs, including low-income rates, energy efficiency incentives, pricing plan options, and other similar programs.
- d. **Affordable Energy Assistance.** City shall provide information about the steps it has taken to preserve affordable energy service through timely response to TEP permit and entitlement requests, flexible land use policies and practices, and support for cost-effective utility system development and operation.
- e. **GHG Reductions and Inventory.** Consistent with Section 5 of this Agreement, the City and TEP shall provide information on City efforts to inventory GHG emissions, increase the use of non-GHG energy and reduce or mitigate GHS emissions citywide.

12. **Legal and Regulatory Environment.** City and TEP acknowledge a legal and regulatory framework that governs the topics in this Agreement, including numerous federal and state laws governing the procurement, transmission and distribution of electricity. As a public service corporation, TEP is regulated by the ACC, which sets the rates, terms, and conditions under which TEP provides utility services to customers. TEP is also regulated by the Federal Energy Regulatory Commission (“FERC”), which includes regulation of TEP’s electric transmission operations. All of the City’s and TEP’s efforts under this Agreement are intended to be consistent with all applicable laws and regulations, including without limitation, those of the ACC, FERC and any applicable laws and regulations that may apply to funding for programs and projects undertaken by either Party. This Agreement is not intended to and shall not be read to increase or diminish either Party’s respective legal rights and responsibilities. In the event of any conflict between the terms of this Agreement and any applicable federal, state, or local law, the applicable law shall govern and control. The Parties agree to comply with all such applicable laws and regulations in the performance of their obligations under this Agreement.

13. **General Legal Terms.**

- a. **Governing Law.** This Agreement shall be governed by, and construed in accordance with, the laws of the State of Arizona, without regard to its conflict of law principles.
- b. **Dispute Resolution.** In the event of any dispute, controversy, or claim arising out of or relating to this Agreement, the Parties agree to resolve the matter as follows:

- i. **Negotiation:** The Parties shall first attempt in good faith to resolve the dispute through informal negotiations which shall include senior officials and/or officers of both Parties who are empowered to make all decisions necessary to resolve the dispute. Such negotiations shall begin upon written notice from one Party to the other and shall continue for a period of at least thirty (30) calendar days (the “Negotiation Period”).
 - ii. **Mediation:** If the dispute is not resolved through negotiation, the Parties agree to submit the matter to mediation before a mutually agreed-upon mediator. The mediation shall occur as promptly as commercially reasonable, but in no event later than sixty (60) calendar days after the end of the Negotiation Period, and take place in the City of Tucson. All costs of the mediation shall be shared equally by the Parties.
 - iii. **Arbitration:** If the dispute is not resolved through mediation, the dispute may be, but need not be, submitted for arbitration administered by the American Arbitration Association in accordance with its Commercial Arbitration Rules. The arbitration shall take place in the City of Tucson, and judgment on the award rendered by the arbitrator(s) may be entered in any court having jurisdiction thereof.
- c. **No Partnership or Joint Venture.** Nothing in this Agreement shall be construed to create a partnership, joint venture, agency, or employment relationship between the Parties.
 - d. **Amendments and Revisions.** This Agreement may not be amended, modified, or supplemented except by a written instrument signed by both Parties.
 - e. **Intellectual Property.** Any intellectual property, including but not limited to inventions, designs, processes, software, data, or documentation, developed by a Party in connection with this Agreement shall remain the sole and exclusive property of that Party.

IN WITNESS WHEREOF, the Parties hereto have caused this Agreement to be executed, for and on behalf of each, by their duly authorized agents, officers or representatives, as of the Effective Date.