

ELECTRIC DISTRIBUTION AND TRANSMISSION FRANCHISE

A FRANCHISE TO TUCSON ELECTRIC POWER COMPANY, AN ARIZONA CORPORATION, ITS SUCCESSORS AND ASSIGNS, GRANTING THE RIGHT, PRIVILEGE AND FRANCHISE TO CONSTRUCT, MAINTAIN, AND OPERATE UPON, OVER, ALONG, ACROSS, AND UNDER STREETS, AVENUES, ALLEYS, HIGHWAYS, BRIDGES, AND OTHER RIGHTS-OF-WAY IN THE CITY OF TUCSON, ARIZONA, ELECTRIC LINES, TRANSMISSION, AND DISTRIBUTION SYSTEM AND NECESSARY FACILITIES FOR THE PURPOSE OF SUPPLYING ELECTRICITY, TO THE CITY AND ITS SUCCESSORS, THE INHABITANTS THEREOF, AND PERSONS AND CORPORATIONS WITHIN OR BEYOND THE LIMITS THEREOF FOR A PERIOD OF TWENTY-FIVE (25) YEARS; AND PRESCRIBING CERTAIN RIGHTS, DUTIES, TERMS, AND CONDITIONS.

SECTION 1. DEFINITIONS.

For the purposes of this Agreement, the following terms, phrases, words, and their derivatives shall have the meanings given in this Section. When consistent with the context, words used in the present tense include the future, words in the plural number include the singular number, and words in the singular number include the plural number. The word "shall" is mandatory and "may" is permissive. Words not defined in this Section or in A.R.S. §§ 40-201, *et seq.*, shall be given their generally accepted meaning in the electric utility industry.

1. "Agreement" means this Franchise Agreement;
2. "Board" means the Dispute Resolution Board;
3. "City" means the City of Tucson;
4. "Committee" means the Utility Planning and Coordinating Committee;
5. "Company" means Tucson Electric Power Company, a corporation organized and existing under and by virtue of the laws of the State of Arizona, its successors, and assigns;
6. "Council" means the Mayor and Council of the City of Tucson;
7. "Facility" or "Facilities" means and includes, but is not limited to, electric works of each and every voltage, systems, improvements, and equipment of the Company such as electric substations, boxes, conduits, transformers, wires, cables (including but not limited to fiber optic cable), poles, meters, electrical equipment, electric vehicle charging infrastructure (including Electric Vehicle Supply Equipment or Electric Vehicle Charging Equipment ("EVSE")) intended to be placed in the Right-of-way for use directly by vehicles) and all necessary appurtenances thereto;

8. "Member" means a member of the Committee;

9. "Right-of-way" means the surface, the air space above the surface and the area below the surface of any public streets, roadways, highways, avenues, lanes, alleys, courts, places, curbs, sidewalks, public utility easements, or other public ways within the present or future limits of the City which have been or may hereafter be dedicated to or otherwise acquired by the City; and

10. "Wire" is inclusive of, but not limited to, fiber optic cable, radio frequency (RF) cable, electrical wire and telephone/data cable.

SECTION 2. GRANT OF FRANCHISE.

There is granted to the Company the non-exclusive right, privilege, and franchise to construct, maintain, and operate upon, over, along, across, and under the present and future Right-of-way of the City an electric transmission and distribution system together with all necessary Facilities for the purpose of supplying electricity to the City, its successors, its inhabitants, and all persons and corporations either within or beyond the limits thereof. This grant shall extend to all Right-of-way as is now designated or may be designated in the future within the corporate limits of the City and any part thereof or as now located or as they may be hereafter altered or extended with the present or future limits of the City commonly or officially designated in part as those set forth upon the City of Tucson Zoning Maps described in Section 1.4.2 of the City Unified Development Code as now in effect or hereafter amended. Nothing contained in this Agreement shall be construed to authorize the Company to engage in activities other than those authorized herein.

Notwithstanding the foregoing, to the extent that Company wishes to provide EVSE in any portion of the Right-of-way for use directly by any type of vehicle, Company shall obtain prior written approval from the City. Such approval shall be subject to City regulation and shall not be unreasonably withheld or delayed.

SECTION 2A. ENERGY COLLABORATION AGREEMENT

As additional consideration for and a condition of the grant of this franchise, Company and City have entered into an Energy Collaboration Agreement ("ECA") in which Company agrees to cooperate in good faith with City to support City's accomplishment of the goals set forth in City's climate action and adaptation plan, entitled "Tucson Resilient Together," ("TRT"), dated March 2023 and/or any successor Climate and Adaptation plan as adopted by Mayor and Council during the term of this agreement, and City agrees to cooperate in good faith with Company to support Company's ability to provide efficient, timely and cost-effective service for City residents and businesses. As part of the ECA, Company has agreed to make grant funding available from Company resources that will not be recovered through Company's electric rates to support City's accomplishments of its goals. Company and City acknowledge that the collaboration described herein and in the ECA remains subject to applicable law, including regulation of Company by the Arizona Corporation Commission. Termination of the ECA shall operate as a notice of termination pursuant to Section 4 by the party terminating the ECA. The non-terminating party shall have the

right to request negotiations for revision of this section and a new ECA or equivalent agreement as a section of this franchise following the process in Section 4(a),(b) and (c).

SECTION 3. EFFECTIVE DATE AND DURATION.

This Agreement shall become effective on that date (the “Effective Date”) that is the first day of the first month following approval by a majority of the qualified electors residing within the corporate limits of the City and voting at a municipal election called pursuant to Article 13, § 4 of the Arizona Constitution, A.R.S. § 9-501, et seq., and Chapter XVII of the City Charter to be held in the City in 2026 for that purpose and shall continue for a period of twenty-five (25) years expiring on the twenty-fifth anniversary of the Effective Date unless terminated earlier. The Company shall file with the City, on or before the approval of this Agreement by the Council, its execution of or written acceptance of all terms, provisions, and conditions of, this Agreement. Upon the Effective Date, this Agreement shall supersede that certain Electric Distribution and Transmission Franchise dated July 10, 2000, which shall be automatically terminated and deemed of no further force or effect.

SECTION 4. REVIEW OF TERMS.

(a) Review. At Ten (10), and Twenty (20) years after the date upon which this Agreement becomes effective, or upon assignment of this Agreement pursuant to Section 22, the City or Company may request a review of the terms of the following sections: 5 (Third Party Access to Company’s System), 13 (Utility Planning and Coordination Committee), 14 (Construction, Maintenance, and Repair of Right-of-way), 17 (Permits and Licenses), and 18 (Undergrounding). If the City and Company agree to enter into negotiations of these sections, then the City and Company may revise them with mutually acceptable language without further action by the qualified electors of the City and the renegotiated provisions shall become effective immediately upon acceptance by the Company, approval by the Council, and a writing executed by both the City and Company. If one party desires to enter into negotiations and the other party refuses, the party desiring to enter into negotiations may terminate this Agreement by giving written notice of termination to the other party. If the City or Company terminates this Agreement pursuant to this Section, the Agreement shall terminate on that date that is one year from the date of the notice of termination. .

(b) Impasse. In the event the parties to this Agreement reach an impasse after entering into good faith negotiations, the issue may be referred to the Board for resolution. The recommendation of the Board is not binding on either party. If either party rejects the recommendation of the Board, the City or Company may terminate this Agreement in accordance with Subsection (a).

(c) Effect of Termination. Should this Agreement be terminated pursuant to Subsection (a) of this Section, Company and City agree to the following:

1. Company shall continue to comply with all applicable laws, rules and regulations for operating, maintaining, replacing or installing Facilities in, on, under

or over the Right-of-way, including acquiring required permits as necessary;

2. City and Company shall negotiate in good faith for a new franchise to present to the voters of the City of Tucson pursuant to A.R.S. § 9-501;

3. Section 20 of the Agreement shall apply as if the Agreement was not renewed;

SECTION 5. THIRD PARTY ACCESS TO COMPANY'S SYSTEM.

(a) Access Requirements. Entities other than the City and Company may attach wires, cables and other appurtenant facilities ("Third Party Attachments") on Company's Facilities only if:

1. the entity obtains the permission of the City and pays all appropriate fees to the City;

2. such use or occupation of the Company's Facilities by the entity does not interfere with the Company or City's use of the Facilities or the use of such Facilities by entities holding a valid license or franchise from the City;

3. such use or occupation does not endanger public health or safety; and

4. the entity indemnifies and holds the City and Company harmless for any such use or occupation and, unless otherwise mandated by applicable law, the Company incurs no additional expense in connection therewith.

(b) It is recognized and understood that, pursuant to legal mandates, wires, cables and other appurtenant facilities ("Third Party Attachments") of other entities ("Attaching Entity(ies)") may be attached to certain utility poles ("Occupied Pole(s)") within the Right-of-Way that also contain Facilities of the Company and that some of the Occupied Poles are owned by Company and some are owned by an Attaching Entity. It is also recognized and understood that the City and Company share a mutual interest in influencing Attaching Entities to relocate their Third Party Attachments from Occupied Poles promptly upon completion by the Company of all work necessary to relocate its Facilities from such poles. It is further recognized and understood that in order to further this mutual interest, the City and Company agree to the following:

1. Company and City shall mutually cooperate in good faith to facilitate the prompt relocation of Third Party Attachments;

2. Company shall maintain records of Occupied Poles owned by Company from which Company has relocated its Facilities but on which Third Party Attachments remain and to provide a copy of such records to the City in a timely manner;

3. Where Company and/or City has the legal, contractual or regulatory

authority over any Third Party Attachments, Company and/or City, as applicable, shall exercise such authority to the fullest reasonable extent to cause relocation of Third Party Attachments and removal of Occupied Poles as promptly as may be reasonable under the circumstances;

4. Company shall include in any agreement entered into or renewed during the term of this Agreement between Company and an Attaching Entity pertaining to Third Party Attachments an obligation of the Attaching Entity to relocate, or affect the relocation of, all Third Party Attachments of such Attaching Entity within 60 days, or such other minimum time mandated by applicable law, after Company completes all work necessary to relocate its Facilities from an Occupied Pole;

5. Company shall provide notice to the City of the Company's completion of all work necessary to relocate its Facilities from an Occupied Pole; and

6. Company and City shall work cooperatively and in good faith to establish mutually agreeable processes and procedures necessary to fulfill their mutual obligations and to document such in a fully executed writing.

SECTION 6. COMPANY STOCK.

The Company, or any entity holding this Agreement or doing any business hereunder, shall not issue any of its corporate stock on account of this grant. Any violation of the terms of this Section shall, at the option of the City and upon the passage of appropriate ordinance by the Council, operate as a forfeiture of this grant.

SECTION 7. OFFICE LOCATION AND SERVICE RESPONSE.

The Company shall maintain an office within the corporate limits of the City, provide a toll-free telephone number, and shall provide prompt, reasonable responses to customers' service requests. The office must be sufficient in size and staffing to serve the needs of its customers throughout its service territory. The Company shall provide a 24-hour toll-free telephone number for emergency use that is available seven (7) days a week.

SECTION 8. FRANCHISE FEE.

(a) As used herein, "Applicable Revenues" shall mean all amounts actually received by Company from the retail sale and/or delivery by Company of electricity to all customers within the present or any future corporate limits of the City and from the delivery of electricity consumed by the City, whether inside or outside of its corporate limits, including regulatory assessments but excluding sales tax, gross revenue tax and similar governmental impositions and taxes.

(b) Imposition of Franchise Fee. The Company, its successors and assigns for and in consideration of the grant of this franchise shall pay to the City a sum equal to two and one quarter percent (2.25%) of all Applicable Revenues of Company as shown by Company's billing records (the "Franchise Fee"). Except as otherwise stated in Section 9, the Franchise

Fee shall be in lieu of any and all fees, charges or exactions of any kind otherwise assessed by the City in any way associated with Company's use of the Right-of-way, including, but not limited to, the construction or repair of Company's facilities hereunder or for permits or inspections thereof during the term of this franchise.

(c) Payment of Franchise Fee. The Franchise Fee shall be paid by the Company to the City in quarterly installments within thirty (30) days after the end of each quarterly period (the "Quarterly Payments"). The first Quarterly Payment shall be due on the first day of the 1st quarter immediately following the election.

(1) Use of Franchise Fee. One-ninth (1/9) of the Quarterly Payments may be used by the City in accordance with Paragraph (2).

(2) Use of Fee. The revenues described in Paragraph (1) shall be allocated by the Council, subject to annual appropriation through the City's budget approval process, to be used for the following purposes:

(A) Low Income Assistance. To fund low-income energy assistance programs such as weatherization, residential lifeline service, senior discount, bill assistance, and rate discount programs.

(B) Undergrounding. To pay the City's share of electric transmission and distribution line undergrounding expenses incurred under Section 18.

(C) Renewable Energy Incentives. To fund programs designed to encourage the use of renewable energy.

(d) Lien. For the purpose of securing to the City the payments required to be made under this Section 8, the City shall have a lien and the same shall be charged upon all the property, estate, and effects of the Company in any form, real, personal, or mixed. The City may enforce this lien by civil action in a court of competent jurisdiction, but such lien shall be subordinate to any mortgages or deeds of trust securing any bona fide indebtedness.

SECTION 9. FRANCHISE FEE NOT IN LIEU OF OTHER FEES OR TAXES; TREATMENT OF PUBLIC UTILITY EASEMENTS.

(a) In General. The fee payments required by Section 8 shall not exempt the Company from the payment of (i) general ad valorem property taxes; (ii) transaction privilege and use tax as authorized by law and collected by Company for its retail sales to its customers within the present and any future corporate limits of City; and (iii) other charges, taxes or fees generally levied upon businesses by the City, provided said charge, tax or fee is a flat fee per year and that the annual amount of such fee does not exceed the amount of similar fees paid by any other businesses operated within the City. This Section shall be interpreted as requiring the Company to obtain a permit for construction only as required by applicable City Charter, Code, or ordinance

(b) Public Utility Easements. The City may not impose any additional fees for the Company's use of public utility easements because of such easements being a part of the Right-of-way under this Agreement.

SECTION 10. INFORMATION REQUIREMENTS; AUDITS; BILLING.

(a) Existing and Future Infrastructure. The Company shall provide to the City, within one (1) year following the effective date of this Agreement, a map of all Company Facilities and all other significant features located within the Right-of-way. This map must be in an electronic format. Upon completion of new or relocation construction of any underground Facilities in the Right-of-way, the Company shall, within sixty (60) days after the date of completion, provide the City with installation records showing the location of the underground and above ground Facilities in an electronic format. Upon completion of all work necessary to relocate Company Facilities from an Occupied Pole as described in Section 5, Company shall, within sixty (60) days after the date of completion, provide the City with: 1) the location of the Occupied Pole; 2) the relocation status of any Third Party Attachments of Attaching Entities; and 3) the Occupied Pole's ownership information, if not owned by Company.

(b) Transaction Data. The Company shall provide to the City Director of General Services Department or the City Manager's designee, on a quarterly basis, (i) a list of each customer class and rate code as categorized by the Company for customers taking service within the corporate limits of the City, (ii) monthly and total sales for each customer class by rate code with each fee payment showing (1) monthly volumetric usage by customer class and rate code, (2) details of any exemptions, (3) supporting worksheets, and (4) if requested by the City no more frequently than once every twelve (12) months, the number of customers by class and rate code, gross Company revenue by customer class and rate code, and monthly demand data by customer class and rate code.

(c) Audit Requirements.

1. Record Requirements. The Company shall keep and maintain complete and accurate books and records of its business and operations for the purpose of ensuring compliance with this Agreement.

2. Inspection of Records. For the purpose of verifying Company's compliance with this Agreement, the books and records of the Company shall be subject to inspection by duly authorized officers or representatives of the City at reasonable times no more frequently than at the close of each quarterly period. City and Company agree to confer regarding any alleged or reported discrepancies or irregularities in Company procedures or activities relating to data submitted pursuant to this Section. Company shall provide responses to inquiries made by the City within a reasonable amount of time, not to exceed thirty (30) days unless otherwise agreed to by both parties.

(d) Information Required by Other Regulatory Agencies. Upon written request by

the City, the Company shall provide at the City's expense copies of any and all reports, data, and any other type of information which the Company is required to submit to any other governmental or quasi-governmental body, including, but not limited to, the United States of America, the Federal Energy Regulatory Commission, the State of Arizona, and the Arizona Corporation Commission. Reports, data, and any other types of information filed confidentially and not available to the public do not have to be submitted to the City.

(e) City Energy Usage. The Company shall provide to the City all information it maintains with respect to energy usage by the City at each location in which electricity is delivered to a City owned or maintained location. Such information shall be provided monthly or at such other time as may be mutually agreed at the cost set by the Company's billing tariff as approved by the Arizona Corporation Commission.

(f) To the extent that technology exists or develops that increases the availability of or the ability to use any or all of the aforementioned information via electronic transfer, City and Company agree to make reasonable efforts to increase City's ability to make use of such technology or technologies.

SECTION 11. RELIABILITY OF UTILITY SERVICE.

(a) Service Outage Map. On an annual basis, the Company shall provide to the City a report of all service outages that last for longer than one (1) hour, technical upgrades made to its distribution system, and efforts made to improve the reliability of the distribution system.

(b) Reporting and Access. The Company shall report in advance to the City any plans to include technological advances relating to communications systems, such as fiber optics, which may utilize Facilities already in place for the transmission of communication signals, which Facilities may be installed by the Company for its use, the use of the City, or for use of others as the Company may license. The City may use said Facilities if it reaches a prior agreement with the Company regarding consideration for the use of said Facilities. In no event shall the City's use impair the Company's ability to use its own Facilities. Upon request of the City, the Company will provide a detailed report for the use of such communications systems subject to protecting confidential information. Nothing contained herein shall be construed to authorize the Company to engage in communications activities for sale or lease nor shall this Agreement be construed as a franchise or license for said telecommunications activities within the City.

SECTION 12. EMERGENCY PROCEDURES.

(a) Company Equipment and Staff Requirements. The Company shall maintain equipment and staff capable of providing timely emergency repairs and restoration of service in case of power outages and other events which may present a danger to public safety or health.

(b) Joint Emergency Procedures. The Company shall cooperate with the City in developing joint standard operating procedures for emergencies requiring the response of City

departments, such as Police and Fire, and the Company.

SECTION 13. UTILITY PLANNING AND COORDINATION COMMITTEE.

(a) Establishment. A Utility Planning and Coordination Committee has been established by the City which shall include appropriate personnel of the Company and City as each may hereafter designate, together with representatives from any other utility or governmental agency providing utility service deemed by the City to be appropriate for fulfilling the Committee's duties and purposes. Such other utilities or governments providing utility service shall be participating members in all respects except for participation in the official reports and recommendations of the Committee under this Agreement as described in Subsection (b).

(b) Reports. The Committee shall submit to the Council such official reports and recommendations as are specifically provided for in this Section and such other reports and recommendations as the City and Company may from time to time mutually determine to be appropriate. Any such official report or recommendation shall be by mutual agreement of both the City's and Company's representatives on the Committee. In the absence of mutual agreement, the Committee may submit for the consideration of the Council a summary report setting forth the various views of the Members relative to the particular matter, but such summary report shall not have the weight of an official report or recommendation of the Committee as a whole.

(c) Purposes. The purposes of the Committee shall be to:

1. provide coordination between the Company and the City in the expansion, maintenance, or relocation of the utility system of any of the Members and other existing or permitted activities within or uses of the City's Right-of-way.

2. ensure that long-range planning of the Members and the City on the extension of utility services maximizes the efficient and orderly expansion of the utility system and minimizes the impact upon the infrastructure of other users of the Right-of-way.

3. ensure that the Members' and the City's utility systems are expanded and modified in the public interest, avoiding undue cost burdens upon customers and taxpayers, that such expansions and modifications are coordinated in a manner to avoid arbitrary or reasonably avoidable interference with the City's planned uses of its Right-of-way, or with utility systems of others, and that environmental consequences have been considered.

4. minimize costs associated with growth or changes to the Members' utility systems and the City's infrastructure occasioned by changes, relocations, or other modifications in those systems which presently affect existing utility systems of the Members and the City.

5. develop joint emergency procedures.

6. coordinate efforts to provide to the City location information of Members' utility systems within the Right-of-way in an electronic format compatible with the City's GIS system for recording utility system locations.

(d) Submission of Plans. All proposed changes in a Member's utility system within the corporate limits of the City shall be submitted to the Committee thirty (30) days before a Member's commencing construction on any such project. Changes submitted to the Committee shall be new transmission or distribution lines operating at 46 (forty-six) kV or greater, relocation or increase in capacity of existing electric distribution Facilities of any size from rear lot lines or alleys to other Rights-of-way, or extensions of transmission or distribution Facilities in excess of one-quarter (1/4) mile within any Right-of-way, and, on the City's part, any extensions of City water lines or other municipal utility systems which would cause relocation of a Member's utility system. The Committee shall meet and review any changes proposed by a Member in its utility system or proposed by the City in its water system within the corporate limits of the City and, should appropriate governmental action be deemed advisable, submit a recommendation of such action to the Council. In the event that any Member's submission results in the delay of service to a customer otherwise entitled to service, the extension may be completed and submitted for review at the next regular meeting of the Committee.

(e) Growth Report. The Committee shall, at the request of the City, prepare and present to the Council an official report and analysis of the projected growth of the City relating to future utility requirements, taking into account such factors as present and proposed zoning, public building projects, annexation programs, public streets, highways and transportation plans, building codes, and economic development trends and objectives. This analysis shall be designed to project the general location and capacity requirements of the Members within the City for generation, transmission, and substation Facilities for electric power and such major municipal utility projects as may be required by the City or other utilities serving within the City. This analysis and projection shall address periods of five (5) years and ten (10) years, shall be reviewed and updated on a periodic basis by the Committee, and shall be submitted to the Council for review.

(f) Meetings. The Committee shall endeavor to meet at least once a month or as often as necessary as determined by the Members.

(g) Exception. The existence and activities of the Committee, including the Company's participation therein, shall not be construed to prohibit the Company from performing any activity or taking any action or inaction that is otherwise in conformance with the orders, rules, and regulations of the Arizona Corporation Commission and other applicable legal requirements.

SECTION 14. CONSTRUCTION, MAINTENANCE, AND REPAIR OF THE RIGHT-OF- WAY.

(a) Interference with Public Uses. The Facilities to be constructed, installed,

operated or maintained hereunder, shall be so located or relocated as to interfere as little as reasonably possible with traffic or other authorized uses of the Right-of-way, including that of other pre-existing utilities, over, under, or through the Right-of-way. Those phases of construction relating to traffic control, back-filling, compaction, and paving, as well as the location or relocation of said Facilities shall be subject to regulation by the City provided that such regulation is not inconsistent with applicable local, state or federal law.

(b) Repair of the Right-of-way. If, in the installation, use, or maintenance of its Facilities, the Company damages or disturbs the surface or subsurface of any public road or adjoining public property of the public improvement located thereon, therein, or thereunder, the Company shall promptly, at its own expense and in a manner reasonably acceptable to the City, restore the surface or subsurface of the public road or public property or repair or replace the public improvement thereon, therein, or thereunder in as good a condition as before such damage or disturbance. If such restoration, repair, or replacement of the surface, subsurface, or any structure located thereon, therein, or thereunder is not completed within a reasonable time after written notification by the City of any concern with the Company's performance, or such repair or replacement does not meet the City's lawfully adopted standards and the Company fails to correct within thirty (30) days after written notification by the City of such deficiency, the City shall have the right to perform the necessary restoration, repair, or replacement either through its own forces or through a hired contractor, provided that such forces or contractor is qualified to perform work near the applicable Facilities, and the Company shall reimburse the City for its expenses in so doing within thirty (30) days after its receipt of the City's invoice. Notwithstanding the foregoing, if, in the opinion of the City Engineer, Company's failure to restore or repair the Right-of-way presents an immediate danger to the public health and safety, City may require Company to make the condition safe within twenty-four (24) hours of notification and City shall have the right, but not the obligation, to make the condition safe after the aforementioned 24-hour period has expired.

(c) Construction Delay Costs. The Company shall promptly repair and restore any property, street, alley, parkway, bridge, or public place in which the Company has performed any construction activity within a time period designated in the written notice to the Company. If, after the Company certifies to the City that its Facilities are no longer in conflict with a public project, the City discovers the Company's Facilities in the Right-of-way are still in conflict and so delays the project's construction causing the City to incur damages due to such delay, the Company shall reimburse the City for those damages attributable to the delay created by the conflict.

(d) City Notification of Delay. If the City becomes aware of a potential delay involving the Company's Facilities, the City shall promptly notify the Company of this potential delay and offer the Company thirty (30) consecutive days to respond to such notification.

SECTION 15. RELOCATION OF AND CONFLICTS WITH SERVICE.

(a) Relocation Requirement. Whenever the City shall, for a lawful purpose, require the relocation, reinstallation or protection in place of any Facility of the Company or its successors in any of the Rights-of-way or public property of the City, the Company shall,

upon notice of such requirement and within a reasonable amount of time, commence work to remove, relocate, reinstall or protect such Facilities as may be reasonably necessary to meet the requirements of the City. The City will not exercise its right to require Facilities to be removed, relocated, reinstalled or protected in an unreasonable or arbitrary manner and will cooperate with Company as reasonably necessary to effectuate the relocation. The Company shall pay the costs of any such removal, relocation, reinstallation or protection unless it can demonstrate to the City that its Facilities were lawfully installed therein prior to the conveyance, dedication, or other transfer by any party of the Right-of-way to the public or to the City, in which case the costs shall be the responsibility of the City. For the purposes of this Section, the acquisition of Right-of-way by the City from another governmental entity shall not entitle the Company to reimbursement from the City for relocation or reinstallation unless the Company can demonstrate to the City that the Company's Facilities were lawfully installed therein prior to the conveyance, dedication, or other transfer by any party of the Right-of-way to the other governmental entity. Any money and all rights to reimbursement from the State of Arizona or the federal government to which the Company may be entitled specifically for work done by the Company pursuant to this Section shall be the property of the Company. The City shall assign or otherwise transfer to the Company all rights it may have to recover costs specifically for such work performed by the Company and shall reasonably cooperate with the Company's efforts to obtain reimbursement, provided City shall not be required to incur costs in doing so. Reimbursement to Company under this Section shall not include upgrades or improvements of Company's Facilities as they existed prior to relocation.

(b) **Discovery of Conflicts.** If, during the design or construction for public improvements, the City discovers a potential conflict with proposed construction, the Company shall locate and, if necessary, expose its Facilities in conflict. The City shall make every reasonable effort to design and construct projects to avoid or minimize relocation expense to the Company. The Company agrees to furnish the location information within a time frame determined by the Committee or, in the absence of such a determination, a reasonable amount of time from the date of the discovery of the potential conflict. For avoidance of doubt, the timeframes for marking underground facilities in A.R.S. § 40-360.22 shall be presumed to be reasonable to furnish the location information described in this Section.

(c) **Company Obligations if Conflict Exists.** If, during the course of a project, the City determines that the Company's Facilities are in conflict the following shall apply:

1. **Prior to City's Notice to Proceed to its Contractor.** The Company shall, within a reasonable time after receiving written notice from the City, remove, relocate, reinstall or protect in place the conflicting Facility.

2. **After City's Notice to Proceed to its Contractor.** The City and Company shall immediately begin the coordination necessary to remove, relocate, reinstall or protect in place the Facility. Actual construction of such removal, relocation, reinstallation or protection shall begin within a reasonable amount of time after written notification from the City to the Company of the conflict.

(d) **Prior Right of City.** The City reserves the prior and superior right to lay, construct, erect, install, use, operate, repair, replace, remove, relocate, regrade, widen, realign, or maintain any street and public ways, aerial, surface, or subsurface improvement for all public purposes, including but not limited to water mains, traffic control conduits, cable and device, storm sewers, and/or green stormwater infrastructure, subways, tunnels, bridges, viaducts, or any other public construction within the Rights-of-way of the City. The Company shall move its Facilities, subject to Subsection (a), that are located in the Right-of-way to such a location as the City directs.

(e) **Relocation of Non-Company Systems.** Consistent with the limitations of Subsection (a), if a conflict exists between the Company's future or existing Facilities and future or existing City utility or communication systems, or non-City utility systems occupying the Right-of-way under authority of a City permit, franchise, or license, the City shall not bear the cost of relocating such City systems or non-City systems, regardless of the function served, where such systems must be relocated and the conflict between the Company's potential Facilities and existing Facilities can only be resolved by the movement of the existing City or permittee systems. Nothing in this provision shall be construed to require the City to bear costs for relocation of non-City systems in the event of a conflict.

SECTION 16. PROJECT DESIGN MODIFICATIONS.

If City construction projects require design modifications as a direct result of the Company's Facilities in the Right-of-way, the City and Company shall make reasonable efforts, including design modification if practicable, to avoid conflicts with Company Facilities. The Company shall pay for any increased construction or redesign costs caused by such modification unless the location of Company's Facilities within the Right-of-way reasonably should have been known by the City prior to project design, was not factored into such design by the City, and there exists a suitable alternative design that meets the City's objectives which would not conflict with Company's Facilities, in which instance the costs of such design modification shall be borne by the City. Such modifications may be made only in the event the City and Company determine that modification of the project is more feasible than relocation of the Facility.

SECTION 17. PERMITS AND LICENSES.

(a) **Permit Requirement.** The Company shall, when required by applicable City Charter, Code, regulation or ordinance, obtain a permit and pay all applicable fees prior to removing, relocating, or reconstructing, if necessary, any portion of its Facilities in the Right-of-way. Subject to Section 14, whenever the Company causes any opening or alteration to be made for any purpose in any Right-of-way, the work shall be completed within a reasonable time and the Company shall, consistent with the requirements of applicable City Charter, Code, regulation or ordinance, and upon the completion of such work, restore the property disturbed in a manner consistent with the City's duly adopted standards or as required by its permit which may incorporate special standards when required for City purposes. The costs for repairing such opening or alteration shall be borne by the Company unless such opening or alteration was made pursuant to a removal, relocation, reinstallation or protection for which

the Company is not responsible for such costs pursuant to Section 14. Pursuant to applicable City Charter, Code, regulation or ordinance, the City shall issue such permit to the Company on such conditions as are reasonable and necessary, and not inconsistent with applicable local, state and federal law and regulation, to ensure compliance with the terms and conditions of this Agreement and any other applicable ordinance or rule or regulation of the City.

(b) Permit Requirement in Emergency Situations. Notwithstanding Subsection (a), if the Company is required to make repairs in compliance with Federal and/or State codes that are of an emergency nature, the Company shall notify the City prior to such repairs, if practicable, and shall obtain the necessary permits in a reasonable time after notification.

SECTION 18. CITY REQUIRED UNDERGROUNDING.

(a) In General. Subject to Subsection (c), in any area where the Company is not required, pursuant to applicable federal, State, or local law or agreement, to place its Facilities underground, in any new construction or relocation of aerial transmission or distribution lines, the City may require the Company to place such lines underground if the City pays the difference between the cost of placing such lines underground and the cost of placing them aerially. Where the City Charter, applicable Code or ordinance specifically requires Company's Facilities to be placed underground within the Right-of-way, and Company desires to install such Facilities in such Right-of-way, then Company shall either: 1) comply with this requirement at no cost to the City; 2) obtain relief from said undergrounding requirement through available exemption or other applicable local processes; or 3) place Company's Facilities in alternative location(s). Notwithstanding anything herein to the contrary, this Subsection (a) does not preclude Company from pursuing any available legal, regulatory or administrative remedy nor does it constitute a waiver of such remedies.

(b) City Projects. In the design and construction of any City project, the Company shall, at the City's option, relocate existing aerial lines underground. The Company shall provide to the City a design and an itemized cost estimate for such undergrounding. Subject to Subsection (c), the City shall pay all costs associated with the undergrounding required by this Subsection except for the Company's electrical engineering costs for design and cost estimate for such undergrounding.

(c) Exception to Undergrounding. The Company shall be required to place new aerial transmission or distribution lines underground pursuant to this Section only when such placement is feasible for technical or system reasons. Such reasons cannot include the monetary cost of the proposed undergrounding project.

(d) Joint Use of Trenches. In the construction of new underground Facilities or the relocation of existing aerial Facilities underground, the Company shall notify all Members of the Committee within a reasonable amount of time prior to construction. Any Member of the Committee shall be permitted to co-locate its utility system, lawfully permitted in the Right-of-way, in the proposed underground location upon such reasonable terms and conditions as the Company may require so long as such co-location does not interfere with Company's Facilities or use of the Right-of-way.

(e) Moratorium on Relocations. If the Company undergrounds Facilities pursuant to Subsections (a) or (b) or Section 14(a), the Company shall not be required to pay any cost for relocating such line for a period of ten (10) years after completion of such undergrounding.

SECTION 19. CITY ACCESS TO COMPANY INFRASTRUCTURE.

(a) In General. The Company shall allow the use by the City of space in excess of the Company's existing or projected requirements upon its Facilities for Wires for fire alarm, police, and communications purposes of the City. The Company shall furnish, string on the available space on its poles, and maintain all Wires and fixtures necessary for fire alarm, police, and communication purposes of the City that are located on Company Facilities. The City shall pay the Company's actual cost for providing such access to Company's Facilities, including the furnishing, stringing and maintaining of City Wires and fixtures, as described in this Section.

(b) City Access to Company Underground Facilities. Whenever the Company proposes to install new underground conduits or replace existing underground conduits within or under the Right-of-way, it shall notify the City as soon as reasonable prior to such construction and shall allow the City, at its own expense and without charge to the Company, to share the trench of the Company to lay its own conduit. The City's access may not unreasonably interfere with the Company's Facilities, the utility systems of other entities lawfully permitted in the Right-of-way, or delay the accomplishment of the project.

(c) Excess Capacity. If requested by the City under Subsections (a) and (b), the design of any new or upgraded infrastructure of the Company shall provide for capacity dedicated for City use. The City shall pay all costs of design, construction, and maintenance of such infrastructure associated with such additional capacity.

(d) Indemnification. The City shall indemnify and hold harmless the Company, its officers, employees, agents, and servants against and from any and all claims, demands, causes of action, suits, proceedings, regardless of the merits of the same, damages, including damages to Company property, liability, and costs or expenses of every type, all or any part thereof which arises by reason of any injury to any person or persons, including death, or property damage, resulting from the negligence of the City, its officers, boards, commissions, agents, employees, and servants which may be occasioned by the use set forth in this Section or while performing any functions in proximity with the Company's operations under this Agreement except where the Company's negligence has in some manner contributed.

SECTION 20. FAILURE TO RENEW AGREEMENT.

If this Agreement is terminated or otherwise not renewed prior to the expiration of its term and the City has not purchased or condemned the Facilities, the Company and the City agree to abide by the terms of this Agreement for one (1) year after such termination or expiration or until a new agreement is reached, whichever occurs first.

SECTION 21. REMOVAL OF FACILITIES.

When the Company abandons any of its Facilities and records such abandonment pursuant to A.R.S. § 40-360.30(A), it shall notify the City of such abandonment. Abandoned Facilities shall be removed from the Right-of-way to the satisfaction of the City at Company's cost unless permitted by the City to be left in place in such manner as the City may prescribe. The Company shall, to the satisfaction of and without cost or expense to the City, promptly remove such Facilities. All City property affected by such removal shall be repaired and restored by the Company consistent with the provisions of this Agreement upon written notice from the City. Any such Facilities which are not removed within one hundred twenty (120) days of either the date of abandonment or of the date the City issues a permit authorizing removal, whichever is later, shall automatically incur charges to be determined by the City. For the purposes of this Section, "abandoned" has the same meaning as that term has in A.R.S. § 40-360.21(1).

SECTION 22. SUCCESSORS OR ASSIGNS.

(a) **Assignment Requirements.** The right, privilege, or franchise granted by this Agreement shall not be leased, assigned, or otherwise alienated without the express consent of the City evidenced by an ordinance or resolution passed by the Council. The Company shall provide not less than ninety (90) days' notice to the City prior to any such assignment. No dealing with the lessee or its assigns on the part of the City to require the performance of any act or payment of any compensation by the lessee or his assigns shall be deemed to operate as such consent. Any assignment shall become effective upon the passage of an ordinance or resolution by the City and written acceptance of this Agreement and any renegotiated terms by the successor.

(b) **City Consent Provided.** The consent of the City is given to the Company to subject this grant and any property constructed or operated under it to any present or future mortgage or other charge incurred by the Company in the ordinary course of business solely for the purpose of securing bonds, notes, or other obligations of the Company. A mortgagee, creditor, or trustee may exercise its rights under any such mortgage or charge without further consent of the City and may purchase at judicial, trustee's, or other involuntary sale and may own and exercise this Agreement and the rights granted by it, but shall be equally subject, with the Company, to the duties and obligations imposed by this Agreement.

SECTION 23. REGULATION BY THE CITY.

As required by the City Charter, the City expressly reserves to itself, subject to the limitations of the Constitutions and laws of the State of Arizona and the United States of America, the right, whether in terms reserved or not, to make all regulations which shall be necessary to secure, in the most ample manner, the safety, welfare and accommodation of the public, including, among other things, the right to pass and enforce ordinances to require proper and adequate extensions of the service of such grant, to protect the public from danger or inconvenience in the operation of any work or business authorized by this Agreement, and to make and enforce all such regulations as shall be reasonably necessary to secure adequate, sufficient, and proper service, extensions, and accommodations for the people and ensure their comfort and convenience. The City, subject to the limitations of the Constitutions and laws of

the State of Arizona and the United States of America, shall have full power to enforce, by forfeiture or otherwise, compliance by the Company with all of the terms and conditions of this Agreement for the effective security of efficient service or for the continued maintenance of the property of the Company in good condition and repair throughout the term of this Agreement. 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..

SECTION 24. DISPUTE RESOLUTION.

(a) In General. If a dispute exists regarding an obligation of the City or Company under this Agreement and the matter cannot be resolved through the mutual agreement of the parties, such controversy may be, but need not be, submitted to arbitration. The arbitration procedures described in A.R.S. § 12-1501, et seq. (Uniform Arbitration Act), shall be followed to the extent they do not conflict with the provisions of this Section.

(b) Dispute Resolution Board. All disputes regarding an obligation of the Company or City under this Agreement may be, but need not be, submitted to a Dispute Resolution Board. The Board shall consist of one member selected by the City, one member selected by the Company, and a third person agreed upon by both parties. The person agreed upon by both parties shall be chairperson of the Board. The City and the Company shall share expenses for the Board equally.

(c) Decisions of the Board. The Board shall hear disputes promptly and render an opinion as soon as possible but in no event later than sixty (60) days after the Board has concluded the proceedings. Decisions of the Board are not binding on the City or the Company.

SECTION 25. ENTIRE AGREEMENT.

This Agreement constitutes the entire agreement of the parties with respect to the subject matter of the Agreement. There have been no representations made other than those contained in this Agreement or any exhibits.

SECTION 26. SEVERABILITY.

(a) In General. Except as provided in Subsection (b), if any provision of this Agreement is adjudged invalid or unconstitutional, the same shall not affect the validity of this Agreement as a whole or any part of the provisions hereof other than the part so adjudged to be invalid or unconstitutional.

(b) Exception. If any part of Section 8 is adjudged invalid or unconstitutional, this entire Agreement will be deemed to be invalid and without effect.

SECTION 27. INDEMNIFICATION AND INSURANCE.

(a) Indemnification by the Company. Except to the extent caused by the gross negligence or willful misconduct of the City, the Company shall indemnify, defend, and hold harmless the City from any and all claims, demands, suits, actions, proceedings, loss, cost, and damages of every kind and description, including any reasonable attorney's fees and/or litigation expenses, which may be brought or made against or by any person, caused by, arising out of, or contributed to, in part, by reasons of any act, omission, professional error, fault, mistake, or negligence of the Company, its employees, agents, representatives, or affiliates, their employees, agents, or representatives in connection with or incidental to the performance of this Agreement, or arising out of worker's compensation claims, unemployment compensation claims, or unemployment disability compensation claims of employees of the Company and/or its affiliates or claims under similar such laws or obligations.

(b) Insurance. The Company shall maintain throughout the term of this Agreement liability insurance to adequately insure and/or protect the legal liability of the Company with respect to the installation, operation, and maintenance of its Facilities together with all the necessary and desirable appurtenances authorized by this Agreement to occupy the Right-of-way. Such insurance program will provide protection for bodily injury and property damage including contractual liability and legal liability for damages arising from the operation by the Company of its Facilities. Such insurance program shall comply with the insurance requirements of the City Risk Manager. The Company shall file with the City documentation of such liability insurance program within sixty (60) days following the effective date of this Agreement and thereafter upon request of the City. Failure to file such documentation shall render this Agreement voidable at the option of the City. The policy limits or any insurance maintained in compliance with this Section shall not limit the Company's indemnification requirements under Subsection (a).

SECTION 28. FORCE MAJEURE.

The Company shall not be deemed to be in violation of this Agreement for the delay of performance or failure to perform in whole or in part its obligations under this Agreement due to strike, war or act of war (whether an actual declaration is made or not), terrorism, insurrection, riot, act of public enemy, fire, flood, act of God, or by other events to the extent that such events are caused by circumstances beyond the Company's control and are not caused by negligence on the part of the Company or any person acting on its behalf. In the event that the delay in performance or failure to perform affects only part of the Company's capacity to perform its obligations under this Agreement, the Company shall perform such obligations to the extent it is able to do so in as expeditious a manner as possible. The Company shall promptly notify the City in writing of an event covered by this Section and the date, nature, and cause of the event. The Company, in such notice, shall indicate the anticipated extent of such delay and the obligations under this Agreement that will or may be affected by the delay or failure to perform.

SECTION 29. EQUAL EMPLOYMENT OPPORTUNITY.

The Company and its affiliates shall adhere to a policy of equal employment opportunity and demonstrate an affirmative effort to recruit, hire, promote, and upgrade the position of employees regardless of race, color, religion, ancestry, sex, age, physical handicap, national origin, sexual or affectional preferences, or marital status.

SECTION 30. ELECTION.

This Agreement shall be submitted to be voted upon by the qualified electors residing within the corporate limits of the City at a general or special municipal election of the City to be held for that purpose. Before calling any such election, the estimated expenses of the election, to be determined by the Council, shall be first deposited by the Company for such franchise with the City Clerk.

SECTION 31. NOTICES.

Any notice required or permitted to be given hereunder shall be in writing, unless otherwise expressly permitted or required, and shall be deemed effective either (i) upon hand delivery to the person then holding the office shown on the attention line of the address below, or, if such office is vacant or no longer exists, to a person holding a comparable office, or (ii) on the third business day following its deposit with the United States Postal Service, first class and certified or registered mail, return receipt requested, postage prepaid, addressed as follows:

To City:

City of Tucson
Attn: City Manager
255 W. Alameda
Tucson, AZ 85701

Copy to:

City of Tucson
Attn: Utility Coordinator
Department of Transportation and Mobility
201 N. Stone Avenue
Tucson, AZ 85701

To Company:

Tucson Electric Power Company

Attn: Manager, Land Resources
88 E. Broadway Blvd.
Tucson, AZ 85701

Copy to:

Tucson Electric Power Company
Attn: General Counsel
88 E. Broadway Blvd.
Tucson, AZ 85701

The Company shall maintain within the City throughout the term of this Agreement an address for service of notices from the City by mail and a local office and telephone number for the conduct of matters relating to this Agreement during normal business hours.

PASSED, ADOPTED AND APPROVED by the Mayor and Council of City of Tucson, Arizona, on this ____ day of _____, 2026.

APPROVED:

The Honorable Regina Romero, Mayor
City of Tucson, Arizona

ATTEST:

Marisa Stoller
City Clerk

APPROVED AS TO FORM:

Roi Lusk
Attorney for City of Tucson

ACCEPTED WITHOUT CHANGE:

Tucson Electric Power Company
By: Cynthia Garcia, Senior Vice President

Date

DRAFT