

**AGREEMENT BETWEEN THE SUNZIA SOUTHWEST TRANSMISSION, LLC, AND
THE ARIZONA GAME AND FISH COMMISSION PROVIDING CERTAIN
MITIGATION AND CONSERVATION COMMITMENTS RELATED TO THE SUNZIA
SOUTHWEST TRANSMISSION PROJECT**

This Agreement (“Agreement”) is entered into by and between SunZia Transmission, LLC (“SunZia”), and the Arizona Game and Fish Commission (“Commission”). The terms “Department” and “Director” shall mean the Arizona Game and Fish Department and its Director, acting as the administrative agent for the Commission. SunZia and the Commission are referred to collectively as the “Parties” and individually as a “Party” herein, exclusively for the purposes of this Agreement.

List of Attachments:

- Attachment A: Joint letter from Arizona Cooperating Agencies
- Attachment B: List of Species of Greatest Conservation Need, Species of Economic and Recreational Importance
- Attachment C: Points of contact for Parties to the Agreement
- Attachment D: Map of SunZia corridor and land ownership
- Attachment E: Map of SunZia corridor and Game Management Units

RECITALS

- A. WHEREAS, SunZia is developing the SunZia Southwest Transmission Project (the “SunZia Project” or “Project”), a proposed transmission line project, comprised of two new, single-circuit 500 kV transmission lines and related facilities, designed to collect and transmit electricity across southern New Mexico and southern Arizona, which would enable the bidirectional use of power both west and east along its route, relieve congestion, strengthen the existing electrical system, and improve transmission access for local renewable and other energy sources;
- B. WHEREAS, the length of the SunZia Project’s route within Arizona, identified in the Map at Attachment D hereto, which is incorporated herein by reference, is approximately 200 miles.
- C. WHEREAS, the route enters Arizona in Greenlee County, approximately three miles north of the Cochise County line, and terminates at the existing Pinal Central Substation in Pinal County,
- D. WHEREAS, the route crosses lands administered by the Arizona State Land Department (“ASLD”), Bureau of Reclamation (“BOR”), and Bureau of Land Management (“BLM”), and private lands, identified in the map at Attachment D hereto.
- E. WHEREAS, the Project will require new rights-of-way on federal, state, and private lands for the transmission lines and related facilities. The typical right-of-way width will be up to 200 feet for each of the two transmission lines within a single 2,500 foot-wide corridor. In the Paige Canyon area (Cochise County) and near Saddlebrooke Ranch (Pinal County), the

corridor is wider than 2,500 feet to allow greater flexibility for micro-siting opportunities. Typically, there will be a 50-foot-wide separation between the two transmission line rights-of-way. However, in some locations, the separation of the transmission line rights-of-way could be up to 1,000 feet to accommodate physical constraints such as terrain features, or to avoid sensitive environmental resources and to preserve critical habitat, existing land uses, and important cultural resources.

- F. WHEREAS, based on a typical span of 1,400 feet between transmission line structures, three to four transmission line structures per mile will be required for each of the two lines, with typical structure heights of 135 feet, typically ranging from 100 to 170 feet in certain conditions.
- G. WHEREAS, on January 23, 2015, the BLM issued a Record of Decision (“**ROD**”) granting the SunZia Project the right to cross federal lands, under the jurisdiction of BLM, within the Proposed Route. The ROD was issued after the BLM conducted a comprehensive, 6 plus year, National Environmental Policy Act (“**NEPA**”) process analyzing all reasonable alternatives of the SunZia Project’s Proposed Route, and analyzing all potential direct, indirect, and cumulative impacts of the SunZia Project on lands and resources traversed or potentially impacted by the same; this analysis examined impacts on all lands, including Federal, State Trust, and private lands.
- H. WHEREAS, pursuant to Arizona law, the Commission has statewide responsibility for the preservation and propagation of wildlife;
- I. WHEREAS, the Commission has authority under Arizona Revised Statutes § 17-231(B)(7) to enter into agreements with private organizations for measures relating to the preservation of wildlife;
- J. WHEREAS, the Department acts under the authority of the Commission;
- K. WHEREAS, the Department has special expertise with respect to wildlife, including game, non-game, threatened and endangered species and State trust species, wildlife habitat and habitat connectivity;
- L. WHEREAS, beginning in 2010, through the issuance of the ROD, the Department was, pursuant to 40 C.F.R. § 1501.6 and 40 C.F.R. § 1508.5, a cooperating agency in the NEPA process for the SunZia Project.
- M. WHEREAS, on September 2, 2015, the SunZia Project filed an Application for a Certificate of Environmental Compatibility (“**CEC**”) with the Arizona Corporation Commission (“**ACC**”), Power Plant and Line Siting Committee (“**LSC**”).
- N. WHEREAS, the BLM requested that the Department, the ASLD, and the Arizona Department of Transportation sign a joint letter in support of the route identified in Attachment D hereto for submission to the LSC.
- O. WHEREAS, the joint letter was signed by the Department, the BLM, the ASLD, and the Arizona Department of Transportation, and submitted to the LSC and docketed with the ACC

in September 2015; a true and accurate copy of the joint letter is included herewith, and incorporated herein by reference, at Attachment A;

- P. WHEREAS, the Department requested, and SunZia agreed, to negotiate and develop an agreement in principle to provide mitigation for State trust species and their habitat ultimately adversely impacted by the construction and operation of SunZia Project;
- Q. WHEREAS, the joint letter, included herewith as Attachment A, was entered into evidence, by SunZia, at the hearing before the LSC,
- R. WHEREAS, the LSC, on November 19, 2015, voted to issue a CEC for the SunZia Project, for the route identified in Attachment D; specifically, on November 24, 2015, the LSC Chairman executed and filed in the docket for the ACC the CEC issued by the LSC.
- S. WHEREAS, the Department believes the placement of the Project will cause adverse impacts to federally protected species and State trust wildlife species and habitat in Arizona;
- T. WHEREAS, mitigation measures to be implemented by SunZia for federally protected species and habitat are identified within the BLM's Final Environmental Impact Statement ("FEIS"), and appendices and attachments thereto; the ROD, and appendices and attachments thereto; and the CEC, and exhibits thereto;
- U. WHEREAS, mitigation and conservation measures to be implemented by SunZia pursuant to the terms and conditions of this Agreement will serve to mitigate adverse impacts to federally protected species and State trust species and their habitat as a result of the construction and operation of the SunZia Project;
- V. WHEREAS, the Parties commit to implementing the plans, deliverables, activities, and funding identified herein to further enhance federally protected species and state trust wildlife species and habitat as compensation for actual impacts from the construction and operation of the SunZia Project.
- W. WHEREAS, this Agreement is not an endorsement by the Department of the SunZia Project, rather, this Agreement reflects that the Department supports the Arizona portion of the Project with the implementation of mitigation and restoration measures contained herein.

NOW THEREFORE, THE PARTIES AGREE AS FOLLOWS:

- 1. The following terms are defined and used herein as follows:
 - a. "Certificate of Environmental Compatibility," or "CEC" means the certificate required by A.R.S. § 40-360 *et seq.*, "which evidences the approval by the state of the sites for a . . . transmission line . . .", which was issued by the LSC on November 19, 2015, and on November 24, 2015, the Chairman executed and filed in the docket for the ACC the CEC issued by the LSC.
 - b. "EIS" means the documentation prepared by the BLM pursuant to the following description: SunZia submitted, in 2008, an application for right-of-way to construct,

operate, and maintain up to two transmission lines and related infrastructure (the "SunZia Project" or "Project") on public land administered by the BLM. An Environmental Impact Statement ("EIS") and Proposed Resource Management Plan Amendments were prepared. The Final Environmental Impact Statement and Proposed Resource Management Plan Amendments for the SunZia Project ("Final EIS/PRMPA") were completed and published in June 2013.

- c. "Plan of Development" or "POD" means the plan SunZia develops following the issuance of any Record of Decision ("ROD") approving the project, whereby SunZia identifies the stipulations and mitigation measures that will be followed during the construction of the Project. The POD will identify and document how SunZia will comply with the conditions set forth in the ROD, including commitments regarding mitigation and monitoring requirements, as contemplated by 40 C.F.R. § 1505.3. The BLM will ultimately be responsible for reviewing, and, if BLM determines a particular POD satisfies the requirement on any ROD, approving and accepting a POD and thereafter issuing a Notice to Proceed.
 - d. "POC" means a Party's point of contact, as identified in Attachment C hereto.
 - e. "San Pedro River crossing" means the portion of the SunZia Project corridor that crosses riparian woodlands at the San Pedro River, which is delineated for the purposes of this Agreement as the designated critical habitat for the Southwestern Willow Flycatcher at that location (identified in the map attached hereto as Attachment D, inset).
 - f. "San Pedro River Valley" means the portion of the SunZia Project corridor between Cascabel Road in Cochise County and the location where the corridor enters Pinal County, identified in the map attached hereto as Attachment D, which is incorporated herein by reference.
 - g. "SunZia Transmission LLC" means the foreign limited liability company registered with the Arizona Corporation Commission and authorized to conduct business within the State of Arizona.
2. All of the commitments and requirements herein apply only to the Arizona portion of the SunZia Project, identified in Attachment D hereto.
 3. The Department assumes no obligation for implementation of federally required conservation measures, or standard and selective mitigation measures contained within the ROD.
 4. None of the terms herein are intended by the Parties to contradict or redefine any non-discretionary requirements of the ROD. In the event any term herein conflicts with a non-discretionary requirement of the ROD, or any attachments thereto, the provisions of the ROD shall control with respect to federal lands and resources under the jurisdiction of any federal agency.
 5. The quantification of acreage in the Restoration Estimate Table in Paragraph 16 assumes the construction of two 200-mile transmission lines, and is derived from the model used to

estimate permanent disturbance in the Final EIS. The final mitigation and restoration obligations imposed on the Project will be based on actual disturbance, and the acreages herein are subject to change. Provided that all other mitigation commitments herein will be based upon the actual area of permanent ground disturbance of the SunZia Project as ultimately constructed within Arizona. Provided further that any of the funding commitments contained in Paragraphs 14 and 26 will be reduced on a pro rata basis in the event that Project, as ultimately constructed in Arizona, is less than two transmission lines, each 200 linear miles in length.

6. All measures proposed in this Agreement are subject to the approval or acquiescence of landowners and land-management agencies where these measures would be applied. During the development of any right-of-way agreements and the POD, SunZia will coordinate with landowners and land-management agencies to satisfy the obligations of this Agreement.
7. Prior to construction, SunZia shall provide the Department the opportunity to review and provide input for all portions of the POD that will address biological resources prior to submission to BLM for final approval.
8. The Department will cooperate with landowners and land-management agencies in the development and execution of the Reclamation and Restoration Plan within the POD [the final plan name may differ], in accordance with the requirements and policies of the landowner or land-management agency.
9. The Department, along with the U.S. Fish and Wildlife Service (“USFWS”), may review and provide input for the Migratory Bird Conservation Plan, the Avian Protection Plan, and the Biological Protection Plan [the final names may differ], in the POD prior to construction.
10. SunZia shall implement mitigation activities commensurate with all appropriate Department guidelines (<http://www.azgfd.gov/hgis/guidelines.aspx>) during the construction phase for preconstruction surveys, construction monitoring, and resource awareness training. SunZia will verify, by review of the website referenced herein, that all guidelines are current prior to implementation.
11. At least 60 days prior to construction, SunZia shall provide the Department the opportunity to review and comment on the content of the ecological resource training that will be provided to contractors during the construction phase.
12. SunZia will ensure that an environmental monitor will be on-site during appropriate pre-construction periods to perform plant and wildlife surveys, and during the construction phase to ensure compliance with the Agreement. The environmental monitor will complete general biological resource surveys, and will record and address all Species of Greatest Conservation Need (“SGCN”) Tier 1A and Tier 1B species, and Species of Economic and Recreational Importance (“SERI”) within the ROW and locations where Project facilities, including roads, are to be constructed (identified in the List attached hereto at Attachment B, and incorporated herein by reference). Individuals of these species will be relocated or allowed to disperse out of harm’s way, or otherwise treated according to current and appropriate guidelines (see Paragraph 10). Large burrows will be cleared and collapsed (see Paragraph

- 22). For Sonoran Desert Tortoise (“SDT”), protective measures will be developed from the Department’s SDT survey guidelines. The environmental monitor will ensure the application of the “Recommended Standard Mitigation Measures for Projects in Sonoran Desert Tortoise Habitat,” Arizona Interagency Tortoise Team (June 2008), for the benefit of all sensitive reptiles. If avoidance is not possible, the environmental monitor, or someone under their supervision and control, will relocate reptiles in accordance with “Guidelines for Handling Sonoran Desert Tortoises Encountered on Development Projects,” Arizona Game and Fish Department (Revised September 22, 2014). The environmental monitor will submit a monthly report to the Department during preconstruction and weekly during construction phase, which will include biological data (GPS location, photos, and disposition) of all species of concern and burrow numbers, locations, and treatments per species. The environmental monitor(s) will hold or serve as agents under state Scientific Collecting Permits issued pursuant to Arizona Administrative Code, Rule R12-4-418, which for construction monitoring typically include stipulations regarding reporting of all wildlife handled and relocated. Any issues or problems involving wildlife that arise, including but not limited to any injured or dead animals, will be reported to the Department within one business day of discovery in the field. A final report will be submitted to the Department within 90 calendar days following completion of construction.
13. The BLM will have Compliance Inspection Contractors (“CIC”) to monitor and to ensure that the mitigation commitments, which may include those herein, are being met during construction with respect to biological resources.
 14. SunZia shall provide the Department a lump-sum payment of \$212,524, to defray the Department’s personnel costs in reviewing reports and in monitoring compliance with this Agreement. This lump-sum shall be paid prior to commencement of construction of any Arizona portion of the Project. This lump-sum payment assumes that Project will be constructed as two 200-mile transmission lines, for a total of 400 linear miles of transmission lines. If less than 400 linear miles of transmission lines are ultimately constructed, then this lump sum will be reduced on a pro rata basis, with the assumption that the first 200 linear miles of transmission lines account for 2/3 of the funding required herein. For example, if only 200 linear miles of the Project were ultimately constructed, then the lump-sum payments required herein would be reduced to \$141,683.
 15. Post-construction ROW revegetation objectives will at least meet Department revegetation guidelines, using a Department approved plant palette and locally collected or sourced seeds and plants. All such revegetation objectives will likewise be in accordance with landowner or land-management agency requirements and reclamation objectives.
 16. In addition to restoration of temporary disturbance within the ROW, SunZia will mitigate for habitat removal due to permanent disturbance caused by the Project; provided that the commitment contained herein excludes agricultural lands. In accordance with AGFD policy, restoration activities will be performed at a 3:1 compensation ratio, in accordance with the Restoration Estimate Table below. Restoration activities may include mechanical and/or chemical brush treatment, invasive species removal, piling and burning of brush carcasses, revegetation with native species, erosion control, restoration of wildcat roads, fence modifications for wildlife connectivity, or other methods to be identified at a later date.

Within properties selected for these restoration actions, improvements to xeric riparian habitat will be performed to contribute towards mitigation described in this agreement (see Paragraph 21). All restoration proposals will be subject to approval by the Department and evaluated for effectiveness through the monitoring required in Paragraphs 12 and 14 herein). The restoration activities required in this Paragraph 16 for each transmission line, and related facilities, shall be completed within 12 months following completion of construction of the same.

Mitigation provided for under the BLM Migratory Bird Conservation Plan, to be developed in coordination with the Department and the USFWS, may contribute towards the intended purpose of benefitting all wildlife. Once detailed descriptions for resulting mitigation projects are available, this information will be made available to the Department for evaluation of the effectiveness of those actions to provide the wildlife benefits intended under this Agreement. Should those actions be deemed by the Department to be of adequate benefit to State trust species, those restoration efforts shall be credited toward meeting the obligations as described herein.

Restoration Estimate Table		
Vegetation Community	Permanent Disturbance (acres)¹	Mitigation Actions (acres - 3:1 estimate)
Arizona Upland Sonoran Desertscrub	307.4	922.2
Grassland Associations	152.7	458.1
Lower Colorado River Sonoran Desertscrub	63.5	190.5
Chihuahuan Desertscrub Associations	392.1	1176.3
Mid-elevation Associations	53.5	160.5
Riparian and Xeroriparian Associations	5.8	17.4
Total	975	2925

¹The figures contained herein are estimates derived from the method used in the Final EIS. The final acreage may vary, and will be based on actual permanent disturbance.

17. Saguaro cacti will be left in place whenever possible. Those that cannot be avoided will be salvaged and transplanted on site along with an additional cactus of equal or greater height. Any cacti that cannot be transplanted within the right-of-way, or that must be destroyed, will be replaced according to the following schedule, not to exceed the capacity of suitable sites in the right-of-way to accommodate transplanted saguaros, except as provided further herein:

- < 12 feet and no arms – 3:1 replacement with same size or taller (up to 12 feet).
- > 12 feet or with arms – 5:1 replacement numerically, or 3:1 replacement of linear feet (stem and arms), of lost saguaros with 6 to 12 foot tall plants.

All saguaros planted or transplanted will be monitored at least once a year for a minimum of 5 years and replaced as needed to achieve no net loss of preconstruction saguaro numbers within each size class defined above. Replacement saguaros may include plants from areas planned for development, where salvage of such plants would not necessarily otherwise occur.

Saguaro cacti that are successfully salvaged and transplanted, and the costs associated with the same, may be counted towards, and constitute partial compliance with Paragraph 16 and this Paragraph 17 herein, as follows: Saguaros will be salvaged, stockpiled, and used to restore areas of temporary disturbance within the Project ROW to achieve the densities that were present prior to construction (i.e., a 1:1 replacement ratio). Saguaros in excess of the number required to achieve a 1:1 replacement ratio will be used to assist in restoration actions offsite, as provided for in Paragraph 16, and as such shall contribute towards compliance with Paragraph 16 and this Paragraph 17 herein.

18. Paniculate (Palmer's and Parry's) agaves will be left in place whenever possible. All non-flowering paniculate agaves that cannot be avoided will be salvaged and transplanted in the right-of-way or will be replaced at a minimum of 3:1, to exceed the minimum level of no net loss of preconstruction agave numbers required in the Biological Opinion for the Project, and not to exceed the capacity of suitable sites in the right-of-way to accommodate transplanted agaves, except as provided further herein. Monitoring and maintenance will occur for a minimum of five years. Paniculate agaves which are successfully salvaged and transplanted, and the costs associated with the same, may be counted towards, and constitute partial compliance with Paragraph 16 and this Paragraph 18 herein, as follows: Paniculate agaves will be salvaged, stockpiled, and used to restore areas of temporary disturbance within the Project ROW to achieve the densities that were present prior to construction (i.e., a 1:1 replacement ratio). Paniculate agaves in excess of the number required to achieve a 1:1 replacement ratio will be used to assist in restoration actions offsite, as provided for in Paragraph 16, and as such shall contribute towards compliance with Paragraph 16 and this Paragraph 18 herein.
19. The Department considers streams, wetlands, xeric riparian, and riparian areas as having some of the highest values for wildlife. SunZia, during the development of the POD, will micro-site the Project wherever possible to avoid any adverse impacts to streams, wetlands, xeric riparian, and riparian areas. Impacts at wash crossings are anticipated to be limited to permanent impacts associated with access roads. Replacement of permanent impacts is addressed under Paragraph 16.
20. Whenever possible, SunZia shall construct the Project with existing roads, with short spurs if necessary. If allowed by the landowner, all new access roads not needed for maintenance will be permanently closed as stated in selective mitigation measure #4 contained in Table 2-11 of Appendix E of the ROD, and fully restored to their natural state. All other access roads should be restored back to the minimum widths required for maintenance (where feasible, pre-construction widths if the road existed prior to construction), or as determined in the POD. Whenever possible, access roads through the San Pedro River Valley will be closed and fully restored following completion of construction. New roads in the San Pedro River Valley required for Project maintenance shall be closed to public vehicular access with physical barriers or gates, subject to landowner requirements, consent, and approval.
21. Impacts to the San Pedro River riparian area as delineated by habitat designated as critical habitat for the Southwestern Willow Flycatcher ("SWWF") by the USFWS shall be limited to trimming vegetation that exceeds required conductor clearances as required in the Biological Opinion for the project. Any temporary ground disturbance or tree removal within

the riparian area shall be restored to a functioning condition as determined by the Department. In the event that restoration is not feasible and the area of permanent disturbance is a quarter-acre or larger in size, SunZia shall, within one year following completion of construction of the portion of the transmission line traversing the critical habitat for the SWWF at the San Pedro River Crossing, as shown on Attachment D, acquire in the form of a warranty deed or the recordation of a conservation easement equivalent riparian habitat at a 3:1 ratio at a location within the San Pedro River corridor, or at any other location approved by the Department. This acquisition shall be in the form of a recorded deed containing a restrictive covenant prohibiting development in perpetuity, or, in the alternative, in the form of a recorded conservation easement with SunZia (or its designee) as grantor, and a qualified non-profit land management conservation organization, as approved by the Department, as grantee.

22. To determine animal occupancy, pre-construction burrow surveys with a camera probe will take place for burrows large enough to support the following species: Badger, Sonoran Desert Tortoise, Ornate Box Turtle, Gila Monster, Burrowing Owl, Kit Fox, or Black-tailed Prairie Dog. If occupied, species should be removed from the burrow or the burrow fitted with a one-way exclosure. If unoccupied, the burrow should be immediately collapsed or fitted with a one-way exclosure.
23. SunZia will provide up to \$77,000 as a direct contribution to an organization identified by the Department to support buffelgrass eradication to mitigate for impacts to Sonoran Desert Tortoise and other desert species. The funding amount will be calculated as \$1,000 per mile (over an estimated 77 linear miles) of the portion of the Project centerline shown in Attachment D which traverses the Sonoran Desert as mapped in Brown and Lowe's "Biotic Communities of the Southwest" (Brown and Lowe 1981), hereinafter referred to as "Brown and Lowe." The Department will provide SunZia with notice of the organization to receive the funding required herein prior to the commencement of construction of that portion of the Project to be located within the Sonoran Desert biotic community, as defined by Brown and Lowe. SunZia will provide the funding required herein upon the commencement of construction of the Project within the Sonoran Desert biotic community, as mapped in Brown and Lowe.
24. SunZia will provide \$50,000 directly to the Department to support Black-tailed Prairie Dog ("BTPD") management actions as mitigation for grassland habitat impacts, in recognition of the important role prairie dogs can play in maintaining long-term grassland health. These actions will include site preparation (brush removal, mowing, artificial burrow placement, and acclimation cages). The Department will be responsible for identification of suitable recipient sites and acquisition of landowner approval for BTPD introduction, although SunZia will support this process where possible through its role in supporting habitat improvements identified in this Agreement. The Department will be responsible for all actions directly related to live BTPDs (pre-capture monitoring, capture, transportation, release, and post-release monitoring). SunZia will provide the funding required herein upon the commencement of construction of the Project within any grasslands, as defined by Brown and Lowe.

25. Soil-disturbing activities will be minimized, to the extent possible, within 50 meters of all desert washes. For road construction and improvements, soil will be pulled away from, instead of pushing into, washes in an effort to not change flow of water. Replacement of permanent impacts to wash vegetation is addressed under Paragraph 16 herein.
26. SunZia shall fund the construction of a maximum of six (6) new wildlife water catchments to assist in offsetting the impacts to wildlife related to noise, disturbance, and stress that will result from construction and maintenance of the Project. SunZia shall provide funding in the amount of up to \$225,000 to the Department for the construction of three water catchments at locations to be determined by the Department within Game Management Unit (“GMU”) 32 not later than nine (9) months prior to the commencement of Project construction in GMU 31 or GMU 32. SunZia shall provide additional funding in the amount of up to \$225,000 to the Department for the construction of three water catchments at locations to be determined by the Department within GMUs 37A and 37B not later than nine (9) months prior to the commencement of project construction in GMU 37A or 37B. For ease of reference, a map depicting the GMUs referenced herein has been included with, and incorporated by reference into, this Agreement as Attachment E. All catchments will be constructed to Department specifications. The Department will be responsible for administering the funding, construction, and maintenance of all wildlife water catchments. Where feasible, if construction activities (e.g., use of heavy equipment and materials) associated with the Project can be used to support development of any wildlife water catchment, the fund amount may be reduced proportional to such contribution. Provided that the funding commitment required herein will be the lower of the actual cost for the construction of the catchments, or \$75,000.00 per catchment. Provided further that if less than the two 200-mile transmission lines of the Project, totaling 400 linear miles, are ultimately constructed, then the funding level herein will be reduced accordingly, assuming that the first constructed transmission line, the first 200 linear miles, will require that the funding herein be provided at a 2/3 basis. For example, if the Project is ultimately constructed as 200 linear miles of transmission line(s), i.e. one line, then the commitment herein would be reduced to the lower of a funding commitment of up to \$300,000.00 or the actual construction costs of four catchments.
27. No line construction activity shall occur within 1/2 mile of existing wildlife water catchments from May through October. Night-time line construction activities and lighting in areas will be avoided within 1 mile of existing wildlife water catchments.
28. Any habitat mitigation or restoration activities undertaken by SunZia for the Arizona portion of the Project at the behest of, or as required by, the landowner or land-management agency will be evaluated by the Department for credit towards the requirements of Paragraph 16 herein. SunZia will not be required to engage in mitigation activities, or expend funds for the same, pursuant to this Agreement if the resources which are addressed hereunder are protected, mitigated, or restored pursuant to the requirement of the landowner or land-management agency whose lands are traversed by the SunZia Project, provided that such protection, mitigation, or restoration measures meet the requirements contained herein. Once detailed descriptions for resulting mitigation are available, this information will be made available to the Department for evaluation of the effectiveness of those actions to provide the wildlife benefits intended under this Agreement. Should those actions be deemed by the Department to be of adequate benefit to State trust species, those restoration efforts will

contribute to meeting the obligations contained in Paragraph 16. Those agencies and programs may include compensation for habitat restoration required under the BLM-USFWS Migratory Bird Conservation Plan (required in the ROD), BLM's pasture and habitat rehabilitation and enhancement fund (required in the ROD), agreements with Redington and Winkelman Natural Resource Conservation Districts relating to habitat restoration (CEC Condition 7), potential replacement habitat for waters of the U.S. if required under the Clean Water Act section 404 (Army Corps of Engineers), and potential replacement credits if required with respect to Pima County's Multi-species Conservation Plan (CEC Condition 37).

Once the POD has been drafted such that it contains a detailed estimate of predicted permanent disturbance, but prior to the initiation of construction, SunZia will invite agencies and parties with which it has reached mitigation agreements with respect to biological resources to take part in a working group to review all such mitigation agreements and any resulting specific mitigation projects identified at that time. One purpose of the working group will be to identify and account for overlapping or duplicative mitigation commitments, and attempt to reach agreement among the parties with respect to such overlaps and appropriate allocation of mitigation funds and programs. With respect to the commitments contained in this Agreement, if the AGFD does not discount the obligations herein commensurate with mitigation funds and commitments necessitated by other mitigation agreements, then AGFD shall provide a rationale for the same supported by biological information and information from the Project description as presented in the Final POD.

29. Within 30 days prior to commencement of construction of the Project or Phase, as applicable, SunZia shall furnish to the Commission either a Performance Bond or Bank Direct Pay Letter of Credit (as applicable, the "Financial Security"). The Financial Security shall be in the penal sum or drawable amount, as applicable, set forth in the following table ("Maximum Amount") for each period set forth next to the applicable Maximum Amount:

Applicable Period Measured From Commencement of Construction of Project or Phase	Maximum Amount
Months 1-12	\$4,000,000
Months 13-24	\$3,000,000
Months 25-36	\$2,000,000
Months 37-48	\$1,000,000
Month 49 and thereafter	\$0 – Financial Security to be released by Commission

If the Project is constructed in two phases in which each phase consists of construction of a single-circuit transmission line (a "Phase"), in lieu of Financial Security for the entire Project, SunZia shall instead provide Financial Security for each Phase in a Maximum Amount equal to two-thirds of the Maximum Amount set forth in the table above.

Financial Security for the Project or a Phase shall be released 48 months after the commencement of construction of the Project or Phase, as applicable ("Release Date"), or, if sooner than the Release Date, when SunZia has fulfilled its mitigation and conservation

obligations under this Agreement with respect to the Project or Phase, as applicable, to which the Financial Security relates. The Department shall return the Financial Security and execute such documentation as may reasonably be requested by SunZia or the surety or issuer of the Financial Security in connection with such release.

Each Performance Bond shall name the Commission as beneficiary. Each Performance Bond shall be executed solely by a surety company or companies holding a certificate of authority to transact surety business in this State issued by the Director of the Department of Insurance, and shall be written or countersigned by an authorized representative of the Surety who is either a resident of the State or whose principal office is maintained in this State. Each Performance Bond shall have attached the power of attorney of the signing official.

Each Performance Bond shall provide that the surety is liable on the bond obligation if SunZia undergoes either a Bankruptcy Event or a Prohibited Transfer and SunZia breaches in any material respect its mitigation and conservation obligations under this Agreement. Each Performance Bond shall provide that the surety payments under the terms of the bond shall be deposited directly into a Standby Trust Fund for the benefit of the Commission, as directed by the Arizona Game and Fish Director, for payment of the costs of curing SunZia's breach(es) of its mitigation and conservation obligations under this Agreement (any excess to be returned to the surety company or SunZia, as their respective interests may appear).

Each Bank Direct Pay Letter of Credit shall name the Commission as the payee. Each Bank Direct Pay Letter of Credit may have a term that expires prior to the Release Date, but SunZia shall provide a replacement Bank Direct Pay Letter of Credit prior to such expiration (if expiration occurs prior to the applicable Release Date). Each Bank Direct Pay Letter of Credit shall be issued solely by a financial institution reasonably acceptable to the Commission. Each Bank Direct Pay Letter of Credit shall provide that the Commission may draw the entire amount of the Bank Direct Pay Letter of Credit if the Commission certifies to the issuer that either (1) SunZia has undergone either a Bankruptcy Event or a Prohibited Transfer with respect to the Project or Phase, as applicable, and SunZia has breached in any material respect its mitigation and conservation obligations under this Agreement, or (2) SunZia has failed to replace an expiring Bank Direct Pay Letter of Credit with a replacement Bank Direct Pay Letter of Credit as and if required by this Agreement at least 10 days before its expiration date. Any amount drawn under a Bank Direct Pay Letter of Credit shall be deposited directly into a Standby Trust Fund for the benefit of the Commission, as directed by the Arizona Game and Fish Director, for payment of the costs of curing SunZia's breach(es) of its mitigation and conservation obligations set forth in this Agreement (any excess to be returned to SunZia).

SunZia may replace any Financial Security with replacement Financial Security that meets the requirements of this Paragraph.

Revisions or amendments to this Agreement shall not release any surety under its bond obligations nor shall same release the issuer of any Bank Direct Pay Letter of Credit. SunZia may terminate the Performance Bond by sending written notice to the surety, provided, however, that no such notice given before the Release Date shall become effective until the surety receives written authorization for termination of the bond by the Arizona Game and

Fish Director. A copy of the fully executed Financial Security shall be delivered to the Department's POC Contact as described in Paragraph 48.

A "Bankruptcy Event" shall be deemed to occur if SunZia files a petition or answer seeking liquidation, reorganization or arrangement or similar relief under the federal bankruptcy laws; or if a court of competent jurisdiction shall enter an order, judgment or decree appointing a trustee of SunZia or the Project or any Phase and such order, judgment or decree continues unstayed and in effect for a period of 90 days.

A "Prohibited Transfer" shall be deemed to occur with respect to the Project or a Phase, as applicable, if SunZia sells, transfers, distributes in liquidation, or otherwise disposes of all or substantially all of the assets of the Project (if constructed in a single phase) or a Phase (if the Project is constructed in more than one phase) and the successor to such assets does not assume all of SunZia's unperformed mitigation and conservation obligations under this Agreement related to the Project or Phase, as applicable.

30. This Agreement may be modified only by the written agreement of the Parties, duly signed by their authorized representatives. This Agreement may be assigned or transferred by SunZia, without the consent or approval of the Department, provided SunZia provides advance written notice of such an assignment or transfer to the Department. SunZia will continue to be bound by this Agreement, even upon assignment or transfer, until the occurrence of both of the following conditions:
- a. the assignee expressly agrees to be bound by all terms of this Agreement, including this Paragraph 30;
 - b. the assignee expressly agrees to assume and perform all of SunZia's obligations herein.

Upon occurrence of the conditions contained in Paragraph 30(a) and 30(b), SunZia will no longer be a party to this Agreement, and all its obligations hereunder shall automatically terminate. Provided that, although not anticipated, in the event there is any partial assignment or transfer of any of SunZia's interest in the Project, SunZia will continue to be bound by all the terms contained herein unless the partial assignee agrees in writing to be bound by all terms of this Agreement and to assume and perform all of SunZia's obligations herein; if a partial assignee agrees in writing to be bound by all terms of this Agreement and to assume and perform all of SunZia's obligations herein, then SunZia will no longer be a party to this Agreement and all its obligations hereunder shall automatically terminate. Provided further that changes to SunZia's membership will not be considered an assignment or transfer, and in such an event SunZia will continue to be bound by all terms herein.

31. All performances and actions required by this Agreement will be conducted in conformance with the duty of good faith and fair dealing, which is expressly included herein. This duty applies in equal force and effect to both SunZia and the Department. The applicability of this duty includes, but is not limited to, any determination by AGFD with respect to whether any mitigation measures or funding commitments contained in this Agreement are addressed by

any mitigation or restoration activities undertaken by SunZia for the Arizona portion of the Project at the behest of, or as required by, the landowner or land-management agency.

32. This Agreement shall be governed by and construed in accordance with the laws of the State of Arizona.
33. The recitals of this Agreement are incorporated into and shall constitute a part of this Agreement.
34. In the event that any part of this Agreement is held invalid or unenforceable by a court of competent jurisdiction, the validity and enforceability of the remainder of the Agreement shall not be affected.
35. All work performed pursuant to this Agreement shall be in compliance with all applicable state and federal laws and regulations.
36. Nothing in this Agreement shall create any partnership, joint venture, or other arrangement between SunZia or its successor(s) and the Department. SunZia, its officers, directors, employees, agents, contractors, transferees and assigns shall not be considered employees, contractors, or agents of the State, its agencies, or commissions.
37. This Agreement constitutes the sole and entire agreement of the Parties. The terms of this Agreement supersede any and all prior oral or written agreements, representations, discussions or negotiations between the Parties, all of which shall be merged into this Agreement. This Agreement may not be modified, amended, or terminated except by an instrument in writing, signed by each of the Parties, unless otherwise provided herein.
38. This Agreement may be executed in one or more counterparts. Signature pages may be detached from the counterparts and attached to a single copy of this Agreement to physically form one legally effective document. Signatures submitted by facsimile or telecopy transmission shall be effective in all respects as original signatures and shall be fully binding on the Parties. This Agreement will only become binding and effective upon execution by both Parties.
39. The Parties acknowledge that this Agreement is entered into freely and voluntarily after consultation with counsel of their choice. No provision of this Agreement shall be construed for or against either Party by reason of the identity of the Party drafting this Agreement. The Parties shall cooperate with each other and shall execute, acknowledge, and deliver such documents, and take such other actions, as may be reasonably requested (and which actions are consistent with the provisions of this Agreement) to obtain for the requesting Party the benefit of the transaction contemplated hereby.
40. Each of the persons signing below represents and warrants that he/she has the full power and authority to enter this Agreement on behalf of the Party for which he/she is signing.
41. All terms of this Agreement are contingent upon SunZia obtaining all necessary federal, state and local permits, licenses, agreements for the construction of the Project, and the Project actually being constructed.

42. No delay by any Party exercising any right or remedy shall constitute a waiver thereof, and no waiver by SunZia or the Department of any default under this Agreement shall be construed as a waiver of any preceding or subsequent default.
43. Any Party may assert the other Party is in default of its commitments under this Agreement by providing a Notice of Default addressed and delivered as provided for in Paragraph 48. The Notice of Default shall specify the nature of the asserted default by the other Party.
44. Any Party receiving a Notice of Default pursuant to Paragraph 43 shall have 30 days to cure the asserted default. If the asserted default has not been cured within this 30-day period, the Party asserting the default may pursue any and all legal remedies.
45. The Parties agree to use their best efforts to resolve disputes without litigation. In addition to providing Notices of Default as specified in Paragraph 43, the Parties shall meet to discuss and attempt to resolve the dispute informally. Nothing in this provision shall be interpreted as requiring the Parties to participate in alternative dispute resolution, including binding or non-binding arbitration.
46. If any Party finds it necessary to bring an action at law against the other Party to enforce any of the terms or conditions hereof, or by reason of any default hereunder, the Party prevailing in any such action shall be paid all reasonable costs, attorneys' fees, and litigation-related expenses by the other Party, with the fees to be set by the court.
47. This Agreement shall inure to the benefit of and be binding upon the successors and assigns of the Parties.
48. All notices or information related to this Agreement shall be in writing and may be delivered electronically or by U.S. Mail or hand-delivered correspondence.
 - a. Notice shall be directed to a Party's POC as identified in Attachment C hereto, and will be deemed effective on the date of receipt by the recipient.
 - b. Attachment C may be revised from time to time in writing and submitted to the other Parties, and such revision will not be considered a modification of this Agreement.
49. This Agreement is effective as of the last signature date below, and expires upon completion of the commitments contained herein or unless the Parties mutually agree to terminate this Agreement in a writing signed by both parties.

Subject to the preceding, this Agreement has been acknowledged and agreed effective as of date of the final signatory hereto, by:

SunZia Transmission, LLC

By: Tom Culray
Tom C. Wray
Its: Project Manager

Date: 1-27-2016

Arizona Game and Fish Commission

By: Larry D. Voyles (for)
Larry D. Voyles, Director and
Secretary to the Commission

Date: 1/29/16

ATTACHMENT A



United States Department of the Interior

BUREAU OF LAND MANAGEMENT
Arizona State Office
One North Central Avenue, Suite 800
Phoenix, Arizona 85004-4427
www.blm.gov/azi



2015 SEP 28 PM 1:13

SANTA FE

SEP 18 2015

In Reply Refer To:
2800 (9310)
NM114438
AZA35058

Mr. Thomas Chenal, Chairman
Arizona Corporation Commission
Power Plant and Line Siting Committee
1275 West Washington Street
Phoenix, AZ 85007-2926

Re: SunZia Transmission Line Project

Dear Chairman Chenal:

Please accept this correspondence as a summary regarding the extensive cooperation between the Bureau of Land Management (BLM), the respective Arizona State agencies and other Federal cooperators on the SunZia Transmission Project. At a July 22, 2015, meeting with SunZia Transmission, LLC (SunZia) a request was made to the BLM, Arizona State Land Department, Arizona Department of Transportation, and Arizona Game and Fish Department to author a joint letter summarizing the process for the selected route for the project in the BLM's Record of Decision (ROD) dated January 23, 2015, as well as to outline the cooperation that occurred between all the parties involved in the project.

On September 11, 2008, SunZia submitted an application for a right-of-way for an electric transmission line process consisting of two parallel 500 kilovolt overhead transmission lines, approximately 515 miles in length. The proposed line originates in Lincoln County, New Mexico and terminates at the Pinal Central Substation, in Pinal County, Arizona, northwest of Tucson.

As the lead Federal agency, the BLM was responsible for completing an Environmental Impact Statement (EIS) under the authority of the National Environmental Policy Act (NEPA) that analyzed and disclosed the effects of the proposed project on both the natural and human environment. The analysis incorporated valuable input from the public as well as Federal, State, and local agencies having related jurisdiction or special expertise.

Some of the agencies elected to become "Cooperating Agencies", which afforded them the opportunity to participate in the BLM's interdisciplinary team process. The Cooperating Agencies were able to inform the BLM of resource and socio-economic impacts, policies, regulations, and laws of which they may have specific local knowledge. In the SunZia planning process, this cooperation and the significant

public input through the public comment period resulted in the identification of four main alternatives and various sub-alternatives in Arizona. Federal agencies participating in this EIS process included the U.S. Fish & Wildlife Service; National Park Service; Fort Huachuca Army Base, AZ; White Sands Missile Range, NM; Holloman Air Force Base, NM; and Fort Bliss Army Base, TX. Arizona State agencies participating as Cooperating Agencies included the State Land Department, Game and Fish Department, and Department of Transportation.

The EIS thoroughly analyzed and disclosed the effects to the natural and human environment on Federal and non-Federal lands. The involvement of local and Federal agencies with jurisdiction and/or special expertise in the analysis was critical in analyzing those impacts to non-Federal lands, as the selected route in Arizona was comprised of a total of 198 miles (crossing 130 miles of State Land, 18 miles of private land, and 50 miles of BLM managed land).

Through this collaborative effort, the route that was ultimately selected resulted in mitigation development that reduced the resource impacts; and

- Optimized the use of existing utility corridors and infrastructure
- Minimized impacts to sensitive resources
- Minimized, to the extent practical, impacts at river crossings

The routes evaluated but not chosen would result in greater impacts to natural, cultural, and sensitive resources. For example, the other routes crossed the San Pedro River at points with critical habitat designated by the Fish and Wildlife Service. Also, those crossings and routes have lower levels of existing disturbance. The construction of a line of this scope and size would introduce new disturbance by aiding access to previously un-fragmented land. Additionally, the northern routes traverse through rugged terrain that contributes to the habitat and ecological function of the Aravaipa wilderness. Other concerns with the northern routes near Mount Graham included Native American Tribal areas of religious and cultural significance. These are a few resources that factored into making the decision of the selected route. While further details are in the Final EIS and the ROD, the BLM in Arizona, along with the State Agencies engaged as Cooperators, stand prepared to answer any questions regarding the NEPA process and the cooperative engagement that resulted in a Record of Decision.

If you have questions, please call me at 602-417-9500.

Sincerely,



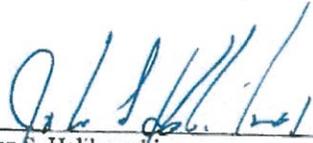
Raymond Suazo
State Director



Lisa Atkins
Commissioner
Arizona State Land Department



Larry D. Voyles
Director
Arizona Game and Fish Department



John S. Halikowski
Director
Arizona Department of Transportation

cc: Mr. Aden Seidlitz, Acting State Director
Bureau of Land Management
New Mexico State Office
Attention: Adrian Garcia
301 Dinosaur Trail
Santa Fe, NM 87508

ATTACHMENT B

SGCN (SPECIES OF GREATEST CONSERVATION NEED)

Tier 1A

Black-tailed Prairie Dog
Hooded Nightsnake
Gila Monster
Jaguar
Lesser Long-nosed Bat
Ocelot
Peregrine Falcon
Sonoran Desert Tortoise
Sprague's Pipit
Tucson Shovel-nosed Snake

Tier 1B

Antelope Jackrabbit
Arizona Bell's Vireo
Arizona Pocket Mouse
Arizona Woodpecker
Banner-tailed Kangaroo Rat

Broad-billed Hummingbird
Burrowing Owl
Cactus Ferruginous Pygmy-Owl
Desert Purple Martin
Ferruginous Hawk
Gila Woodpecker
Gilded Flicker
Golden Eagle
Kit Fox
Lincoln's Sparrow
LeConte's Thrasher
Regal Horned Lizard
Rufous-winged Sparrow
Saddled Leaf-nosed Snake
Savannah Sparrow
Sonoran Coralsnake
Sonoran Whipsnake
Tiger Rattlesnake
Variable Sandsnake
Western Grasshopper Sparrow

SERI (SPECIES OF ECONOMIC AND RECREATIONAL IMPORTANCE)

Javelina
Mule Deer
Pronghorn
Scaled Quail
White-tailed Deer

ATTACHMENT C

**POINTS OF CONTACT FOR THE AGREEMENT BETWEEN THE SUNZIA
SOUTHWEST TRANSMISSION, LLC, AND THE ARIZONA GAME AND FISH
COMMISSION PROVIDING CERTAIN MITIGATION AND CONSERVATION
COMMITMENTS RELATED TO THE SUNZIA SOUTHWEST TRANSMISSION
PROJECT**

DATE:

For: Arizona Game and Fish Department

Name: Joyce M. Francis

Position: Habitat, Evaluation and Lands Branch Chief

Telephone Number: 623-236-7605

Email: JFrancis@azgfd.gov

Address: 5000 W. Carefree Highway, Phoenix AZ 85086

For: SunZia Transmission, LLC

Name: Tom C. Wray

Position: Project Manager

Telephone Number: 602-808-2004

Email: twray@southwesternpower.com

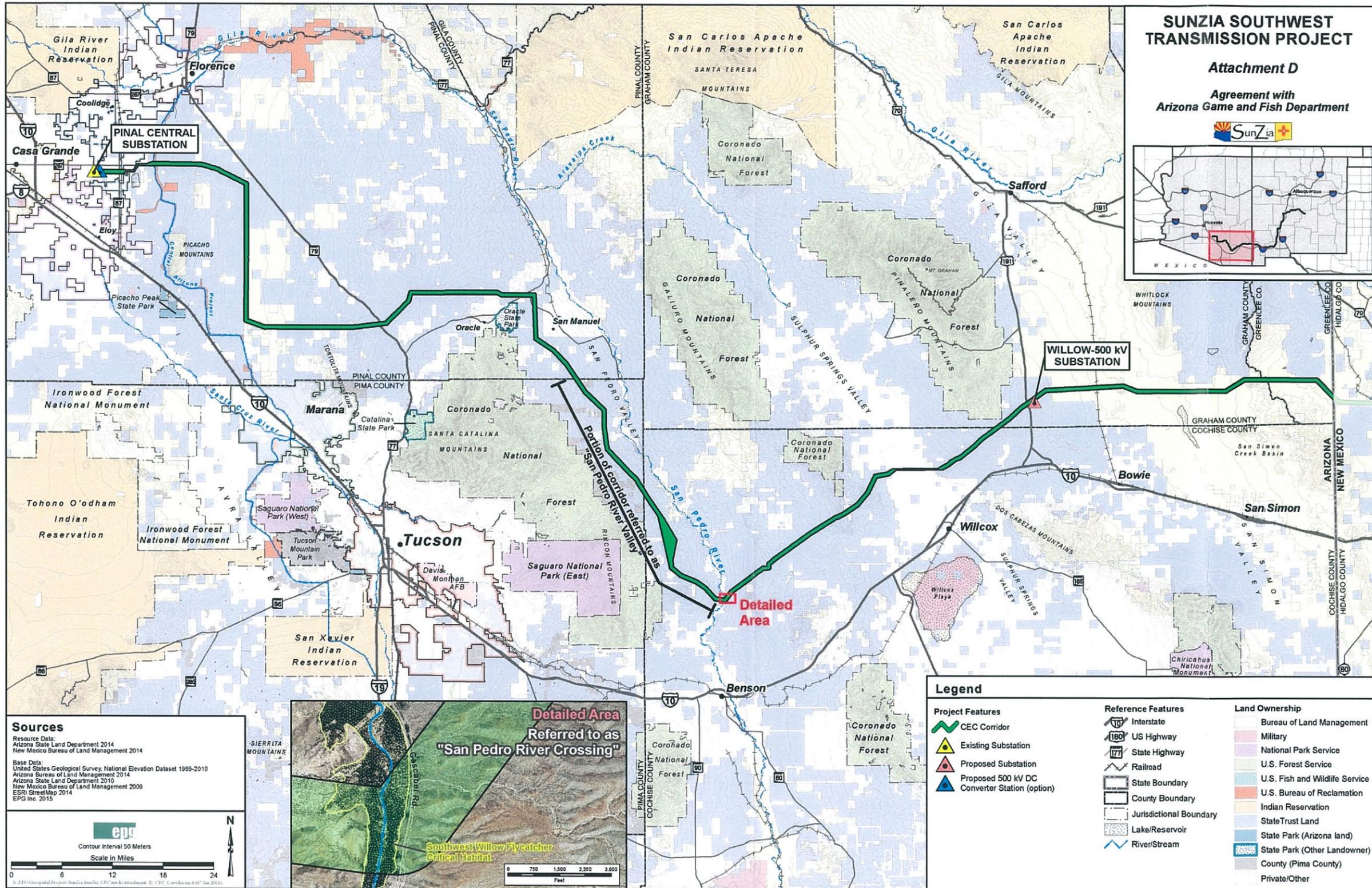
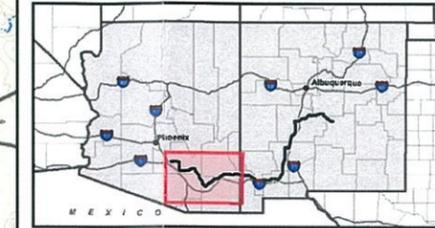
Address: 3610 North 44th Street, Suite 250, Phoenix, AZ 85018

ATTACHMENT D

SUNZIA SOUTHWEST TRANSMISSION PROJECT

Attachment D

Agreement with
Arizona Game and Fish Department



Sources
Resource Data:
Arizona State Land Department 2014
New Mexico Bureau of Land Management 2014

Base Data:
United States Geological Survey, National Elevation Dataset 1999-2010
Arizona Bureau of Land Management 2014
Arizona State Land Department 2010
New Mexico Bureau of Land Management 2000
ESRI StreetMap 2014
EPG Inc. 2015

Detailed Area
Referred to as
"San Pedro River Crossing"

Southwest Willow Flycatcher
Critical Habitat

Legend

Project Features	Reference Features	Land Ownership
CEC Corridor	Interstate	Bureau of Land Management
Existing Substation	US Highway	Military
Proposed Substation	State Highway	National Park Service
Proposed 500 kV DC Converter Station (option)	Railroad	U.S. Forest Service
	State Boundary	U.S. Fish and Wildlife Service
	County Boundary	U.S. Bureau of Reclamation
	Jurisdictional Boundary	Indian Reservation
	Lake/Reservoir	State Trust Land
	River/Stream	State Park (Arizona land)
		State Park (Other Landowner)
		County (Pima County)
		Private/Other

ATTACHMENT E

