



A subsidiary of Pinnacle West Capital Corporation

TEL 928/669-2248
FAX 602/250-5989
<http://www.aps.com>

1221 W. ARIZONA AVE
PARKER, AZ 85344-5648

April 1, 2005

Hillcrest Bay Homeowners' Association
924 Bayview Drive
Parker, AZ 85344

Subject: Conversion of Overhead Electrical Facilities to Underground

Dear Sirs:

Over the past several months we have been discussing the process and costs to replace the existing APS overhead facilities in Hillcrest Bay Subdivision with an underground system. You have advanced funds to cover the estimated costs to prepare detailed construction drawings and cost estimates for the APS portion of this work.

In general, the Association will be responsible for providing all trench, conduit, backfill, transformer pad sites and surface restoration necessary for APS to install new underground facilities. APS will provide and the Association will be responsible for the installation of the transformer pads and ground rods at each transformer site. The Association and/or the individual homeowners will be responsible for the conduits from the transformer to the front lot meter locations and the meter pedestals or panels for each individual home as well as reconnecting the home to the new meter panel. Please consider this a general scope of work with additional details to be provided in agreements that will need to be executed by both parties prior to start of construction.

APS will install all underground conductors from the source to the meter panel locations, as well as all transformers and meters. When appropriate, APS will remove the overhead primary and secondary conductors, transformers and overhead services. APS poles will be removed by either Telco or APS when all facilities have been removed from the poles. Removal of meter poles will be customers' responsibility.

Based upon the detailed estimates, and with consideration for future work that would be required on the overhead system by APS, it has been determined that no contribution to APS will be required from the Hillcrest Bay Homeowners' Association for this work to be done. Additionally, once APS underground primary (7.2 kV) facilities are installed and energized the amounts previously advanced by the Association for preparation of design drawings and estimates will be refunded. The Association will also be eligible to receive a Conduit Reimbursement at that time in the amount of \$23,472.80 from APS.

We look forward to working with you on this project.

Sincerely,

D.L Wilson

Parker Area Manager