

CONFIDENTIALITY AGREEMENT

This Confidentiality Agreement (the "Agreement") is made as of the ____ day _____ 2005 by and between ARIZONA PUBLIC SERVICE COMPANY ("APS") and _____ ("Seller") (all of the foregoing referred to individually as "Party" or collectively as the "Parties").

WHEREAS, the Parties are currently exploring a possible transaction (the "Transaction") pursuant to the Request for Proposal dated _____, through which APS may acquire generation assets and/or capacity and/or energy from Seller (the "Bidding Process").

WHEREAS, in order to evaluate the Transaction, the Parties may request of each other that certain non-public, confidential or proprietary information be kept confidential (the "Information").

THEREFORE, in consideration of the receipt by the Parties from each other of such Information for their mutual benefit in connection with the Transaction, the Parties hereby agree:

1. The Parties will make best efforts to safeguard the Information against disclosure by employing the same means to protect the Information as that Party uses to protect its own non-public, confidential or proprietary information.

2. No receiving Party shall itself, or permit its employees, consultants and/or agents to, disclose to any person, corporation or other entity the Information without the prior written consent of the Party providing the Information, except a receiving Party may distribute the Information to its board members, officers, employees, agents and consultants and others who have a need for such Information for purposes of evaluating the Transaction, including but not limited to the Arizona Corporation Commission ("ACC"), the Residential Utility Consumer Office ("RUCU"), the Federal Energy Regulatory Commission ("FERC") and each of the above's employees, staff, consultants and/or agents.

3. In the event that any Party receiving the Information becomes legally compelled (by deposition, interrogatory, request for documents, subpoena, civil investigative demand or similar process) to disclose any of the Information, the legally compelled Party shall give the other Party providing the Information prompt prior written notice of such requirement so that the providing Party may seek a protective order or other appropriate remedy and/or waive compliance with the terms of this Agreement. In the event that such protective order or other remedy is not obtained, the providing Party waives compliance with the terms hereof.

4. The term "Information" does not include any information which (i) at the time of disclosure or thereafter is generally available to the public (other than as a result of a disclosure by any Party in violation of this Agreement), (ii) was available to any Party on a non-confidential basis from a source other than the Party hereto providing the Information, provided that such source is not and was not known by the receiving Party to be bound by a confidentiality agreement that protected the Information, or (iii) has

been independently acquired or developed by any Party without violating any of its obligations under this Agreement.

5. This Agreement shall be interpreted, governed and construed under the laws of the State of Arizona as if it were executed and to be performed wholly within the State of Arizona without regard to its conflict of laws principles.

6. The Parties agree that in the event of a breach of this Agreement, the Party providing the Information shall be entitled to equitable relief, including injunction and specific performance, in addition to all other remedies available at law or equity. Under no circumstances will APS directors, management, employees, agents or consultants be individually liable for any damages resulting from the disclosure of Seller's Information provided during the RFP process.

7. The Parties' obligations under this Agreement will expire one (1) year from the date hereof.

8. This Agreement may be executed in counterparts, and each counterpart shall for all purposes be an original, and all such counterparts shall together constitute one and the same Agreement.

9. This Agreement shall in no way be construed to (i) preclude in any way either Party from pursuing any business opportunities; (ii) establish any relationship between the parties with respect to such business opportunities; or (iii) establish any relationship between the parties with respect to the Transaction that is the subject of this Agreement.

10. This Agreement (i) may only be amended by both Parties in writing, and (ii) represents the entire understanding of the Parties with respect to the matters that are the subject hereof.

IN WITNESS WHEREOF, the Parties have duly executed this Confidentiality Agreement as of the date first above written.

ARIZONA PUBLIC SERVICE COMPANY

By: _____

Title: _____

Dated: _____

By: _____

Title: _____

Dated: _____