



Department of Energy
Western Area Power Administration
Desert Southwest Customer Service Region
P.O. Box 6457
Phoenix, AZ 85005-6457

Authenticated Copy

SEP 30 2005

Western Letter Agreement No. 05-DSR-11643
Reclamation Contract No. 6-CU-30-P1188
Bureau of Reclamation and
Central Arizona Water Conservation District
Reimbursable Agreement

FEDERAL EXPRESS

Mr. David S. Wilson, Jr.
General Manager
Central Arizona Water Conservation District
23636 North 7th Street
Phoenix, AZ 85024-3801

Mr. Robert W. Johnson
Regional Director
Bureau of Reclamation
P.O. Box 61470
Boulder City, NV 89006-1470

Dear Messrs. Wilson and Johnson:

The Bureau of Reclamation (Reclamation), Central Arizona Water Conservation District (CAWCD), and Western Area Power Administration (Western) are working on a master Central Arizona Project (CAP) Shared Responsibilities Contract (CAP Master Contract), which is planned for completion by December 31, 2005. As an interim arrangement pending completion of the CAP Master Contract, Reclamation, CAWCD, and Western agree to provide for reimbursement of Western's expenses associated with the CAP transmission system in accordance with the following Acts: September 30, 1968 (82 Stat. 885); June 24, 1974 (88 Stat. 266); August 4, 1977 (91 Stat. 565); and September 13, 1982 (96 Stat. 877); and Acts amendatory or supplementary to the foregoing Acts.

Reclamation, CAWCD, and Western will sometimes be individually called Party and collectively called Parties. The Parties desire to provide reimbursement to Western for work performed, associated indirect expenses, and administrative and general expenses associated with the CAP transmission system.

Agreement: In accordance with and subject to the provisions of this Letter Agreement (Agreement), the Parties agree as follows:

1. **Term of the Agreement:** This Agreement shall become effective on October 1, 2005, and shall remain in effect until execution of the CAP master contract or December 31, 2005, whichever occurs first. This Agreement and the Interagency Reimbursement Funding Agreement, attached hereto and executed herewith, may be extended for thirty (30) day periods upon mutual agreement of the Parties. This Agreement shall remain in effect until completion of all outstanding financial obligations provided for herein.

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2. **Compensation:**

- 2.1 Western shall bill CAWCD monthly for an equivalent CAP transmission rate, excluding principal and interest in accordance with Attachment No. 1. Attachment No. 1 may be amended or superceded, if necessary, when the CAP transmission rate changes.
 - 2.2 Western shall bill CAWCD for CAP transmission service of 260,464 kW (667,000 kW less third party use of 406,536 kW).
 - 2.3 Western shall bill CAWCD at the kilowatt per month (kW/Mo.) identified in Attachment No. 1 times 260,464 kW monthly.
 - 2.4 CAWCD shall pay Western in accordance with subsection 2.3.
 - 2.5 Western shall transfer all revenue collected for CAP transmission service contracts to Reclamation for deposit into the Lower Colorado River Basin Development Fund (Development Fund), including the transmission equivalent payments received from CAWCD under subsection 2.4.
 - 2.6 Western's estimated costs identified on the Interagency Reimbursement Funding Agreement, attached hereto, are one quarter (1/4) of Western's estimated costs for fiscal year 2006 in accordance with Attachment No. 2. Attachment No. 2 may be amended or superceded by mutual agreement of the Parties.
 - 2.7 Western shall bill Reclamation for Western's actual expenses associated with the CAP transmission system through the IPAC system on a monthly basis.
 - 2.8 Reclamation shall reimburse Western for their actual expenses associated with the CAP transmission system from the Development Fund on a monthly basis.
3. The Parties agree that Western shall be reimbursed for their expenses associated with the CAP transmission system in accordance with the terms of this Agreement. As a result, Western agrees to suspend invoicing under Contract Nos. 94-PAO-10602 and 01-DSR-11251 for the term of this Agreement.

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4. **General Power Contract Provisions:** The General Power Contract Provisions (GPCP), effective June 15, 2005, as they may apply, are attached hereto, and hereby made a part of this Agreement the same as if they had been expressly set forth herein; provided if the provisions in the GPCP are in conflict with this Agreement, the terms of this Agreement shall control.
5. **Execution By Counterparts:** This Agreement may be executed in any number of counterparts and, upon execution and delivery by each Party, the executed and delivered counterparts together shall have the same force and effect as an original instrument as if all Parties had signed the same instrument. Any signature page of this Agreement may be detached from any counterpart of this Agreement without impairing the legal effect of any signatures thereon, and may be attached to another counterpart of this Agreement identical in form hereto, but having attached to it one or more signature pages.
6. **Authority To Execute:** Each individual signing this Agreement certifies that the Party represented has duly authorized such individual to execute this Agreement that binds and obligates the Party.

If the above terms meet with your approval, please sign three originals of this Agreement, and return three (3) signed originals to:

Western Area Power Administration
Desert Southwest Regional Office
ATTN: G6211
P.O. Box 6457
Phoenix, AZ 85005-6457

An executed original will be returned to you for your records upon execution by all Parties.

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Any questions related to contractual issues should be directed to Ms. Brenda McKissack at
(602) 605-2638.

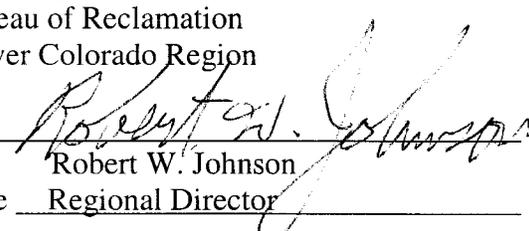
Sincerely,


for J. Tyler Carlson
Regional Manager

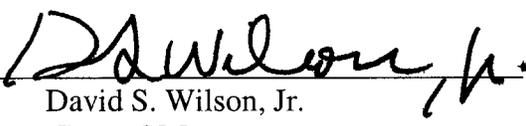
IN TRIPLICATE

Accepted and agreed to this 30th day of September, 2005.

U.S., Department of the Interior
Bureau of Reclamation
Lower Colorado Region

By 
Robert W. Johnson
Title Regional Director

Central Arizona Water Conservation District

By 
David S. Wilson, Jr.
Title General Manager

cc:

Mr. Tom McCann
Senior Attorney
Central Arizona Water Conservation District
23636 North 7th Street
Phoenix, AZ 85024-3801

Mr. Ted Cooke
Assistant General Manager
Central Arizona Water Conservation District
23636 North 7th Street
Phoenix, AZ 85024-3801

Mr. Mark Filippone
Internal Audit Manager
Central Arizona Water Conservation District
23636 North 7th Street
Phoenix, AZ 85024-3801

Mr. Ron C. Smith
Manager, Power and O&M
Attn: BCOO-4800
Bureau of Reclamation
P.O. Box 61470
Boulder City, NV 89006-1470

Mr. Clark A. Newby
Bureau of Reclamation
P.O. Box 61470
Boulder City, NV 89006-1470
(Sent electronically)

Mr. Rick Zaffarese Leavitt
Bureau of Reclamation
P.O. Box 61470
Boulder City, NV 89006-1470

INTERAGENCY REIMBURSEMENT FUNDING AGREEMENT

1 CONTRACT/AGREEMENT NUMBER (25) Reclamation No. 6-PU-30-P1188 Western #05-DSR-11643		2 FISCAL YEAR (4) 2006		3 ESTIMATED AMOUNT (11) \$452,269 00		4 SELLER INVOICE		5 TRANS. CODE (1) 2		6 ACTION CODE (1) 1	
7 AGENCY REQUESTING SERVICE (BUYER)						8 AGENCY PERFORMING SERVICE (SELLER)					
NAME (32) Department of the Interior Bureau of Reclamation Lower Colorado Region						NAME (32) Department of Energy Western Area Power Administration Desert Southwest Regional Office					
DUNS # (32) 969794551						DUNS # (32) 030957005					
ADDRESS (32) P.O. Box 61470						ADDRESS (32) P.O. Box 6457					
CITY (21) Boulder City		STATE (2) NV		ZIP CODE (9) 89006-1470		CITY (21) Phoenix		STATE (2) AZ		ZIP CODE (9) 85005-6457	
9 SERVICES TO BE PERFORMED (Give brief explanation and basis for determining cost of services. Attach additional sheet if needed.) Reclamation No. 6-PU-30-P1188 See Letter Agreement No. 05-DSR-11643, Attachment No. 2, for Western's total FY 2006 estimated expenses. One quarter of fiscal year 2006 expenses are assigned to this agreement. This form is for Accounting purposes only. In accordance with OMB's Memorandum M-03-01 Business Rules for Intergovernmental Exchange Transactions effective Jan. 1, 2003, this Agreement will be deemed accepted when an obligation (see #3 above) is recorded in the Buyer's financial system prior to signature of this document by both parties.											
10 LIST REFERENCES TO CORRESPONDENCE RELATIVE TO THIS WORK (Requesting agency only.) (50)											
11 DURATION OF AGREEMENT						12 METHOD OF PAYMENT					
EFFECTIVE DATE (From) 10/01/2005		CONTINUING THROUGH 12/31/2005				REIMBURSEMENT 5 BILLING FREQUENCY		ADVANCE OF FUNDS 0 TYPE OF ACCOUNT			
13 A. BUYER AGENCY LOCATOR CODE 14060905						BUYER PROJECT # (As applicable)					
13 B. SELLER AGENCY LOCATOR CODE 89001602						SELLER PROJECT # (As applicable)					
14 FINANCING (PERFORMING AGENCY - SELLER)											
APPROPRIATION SYMBOL AND TITLE RMF/GGCA						PROJECT (As applicable)					
BUYER HEREBY AGREES TO OBLIGATE FUNDS SUFFICIENT TO FUND THE AMOUNT (#3 ABOVE) FOR THE DURATION OF THIS AGREEMENT.											
15 REQUESTING AGENCY (BUYER) APPROVAL						16 PERFORMING AGENCY (SELLER) APPROVAL					
SIGNATURE 				DATE 9-30-05		SIGNATURE 				DATE 9-29-05	
TITLE Rick Zaffarese Leavitt						TITLE Deborah K. Emler, DSW Financial Manager					
PERSON TO CONTACT Rick Zaffarese Leavitt		PHONE (Area Code and No.) (702)293-8457		FTS		COMM		PERSON TO CONTACT Steve Smith		PHONE (Area Code and No.) (602) 605-2433	

INSTRUCTIONS FOR DSW FORM R-1 (07/28/03)

1. **AGREEMENT NUMBER** - Enter the Performing Agency's Contract Number or Agreement Number - Enter up to 25 Positions Alpha/Numeric, First 6 Positions must be:

1 - 2 - Agency Code
3 - 4 - Fund Code
5 - 6 - Fiscal Year
2. **FISCAL YEAR** - Enter 4 Positions, e.g. 1984.
3. **ESTIMATED AMOUNT** - Enter up to \$999,999,999.99; omit commas and decimal point.
4. **SELLER INVOICE** - Enter the Performing Agency's Invoice Number
5. **TRANSACTION CODE** - Enter 0, 1, 2

0 - Revenue - Government
1 - Refund - Government
2 - Reimbursement - Government
6. **ACTION CODE** - Enter 1, 2, 3, or 4

1 - Add New Agreement
2 - Change Existing Agreement
3 - Delete Existing Agreement
4 - Issue Bill for Method of Payment upon demand or upon completion of work
7. **NAME AND ADDRESS OF REQUESTING AGENCY (BUYER)**

Name (32 positions)
Buyer DUNS #
2nd Line Address (32 positions)
City (21 positions)
State (2 positions)
Zip Code (9 positions)
8. **NAME AND ADDRESS OF PERFORMING AGENCY – (SELLER)**
Same as item number seven except include Seller's DUNS #.
9. **SERVICES TO BE PERFORMED** - Enter brief narrative.
10. **LIST REFERENCES FOR CORRESPONDENCE** -
Enter reference data that the Requesting Agency requires for Correspondence or Billing (e.g., Requesting Agency Agreement Number) or Authority for Agreement (e.g., Public Law 97-212).
11. **DURATION OF AGREEMENT**

EFFECTIVE DATE - Enter month, day, year.

CONTINUING THROUGH - Enter month, day, year.

For long term projects the end date will be no longer than one Fiscal Year
A new agreement will be completed prior to the Oct. 1 of each Fiscal Year.

For short term projects the end date will be the estimated project Completion date.
12. **METHOD OF PAYMENT**

BILLING FREQUENCY - Enter 0, 1, 2, 3, 4, or 5

0 - Immediately
1 - Monthly
2 - Quarterly
3 - Semi-annually
4 - Upon completion of work
5 - Upon demand

TYPE OF ACCOUNT

0 - Transfer of Appropriation Account
1 - Consolidated Working Fund
- 13A. **BUYER AGENCY LOCATOR CODE** – Enter the Buyer's Agency Locator Code. Buyer may enter Buyer Agency's Project number to document Internal tracking # for Interagency Funds transfers.
- 13B. **SELLER AGENCY LOCATOR CODE** – Enter the Seller Agency Locator Code.
14. **FINANCING (PERFORMING AGENCY-SELLER)**

Appropriation Symbol & Title

Project Number – (BIDSS Project Number)
15. **APPROVAL FOR REQUESTING AGENCY** - Self explanatory.
16. **APPROVAL FOR PERFORMING AGENCY** - Self explanatory.

Attachment No. 1 to
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CENTRAL ARIZONA PROJECT
 115/230-KV TRANSMISSION SYSTEM
 ANNUAL REVENUE REQUIREMENTS

AMORTIZATION COST FOR EVALUATION PERIOD (FY 2001 TO FY 2005)

AMORTIZATION	
Principal	\$8,323,301.67
Interest	<u>19,343,148.21</u>
	\$27,666,449.88

AVERAGE ANNUAL AMORTIZATION COST \$5,533,289.98

OPERATION & MAINTENANCE COSTS

ESTIMATED WESTERN ANNUAL O&M COST	\$1,283,554.00
ESTIMATED RECLAMATION ANNUAL COST	10,500.00
ESTIMATED ADDITIONAL WESTERN EXPENSES	
Unfunded Civil Service Retirement Costs	\$45,584.00
Capitalized Movable Equipment	9,470.25
Warehouse Stores	<u>5,224.95</u>
	<u>60,279.20</u>

TOTAL ESTIMATED ANNUAL O&M COST \$1,354,333.20

SUBTOTAL ESTIMATED ANNUAL COSTS \$6,887,623.18

LESS OTHER ANNUAL REVENUE, See Footnote No. 1 (\$329,325.33)

LESS AVERAGE ANNUAL AMORTIZATION COST PAID TO THE BUREAU OF RECLAMATIOI (\$5,533,289.98)

TOTAL NET ESTIMATED ANNUAL COSTS (REVENUE REQUIREMENTS) \$6,558,297.85

5-YEAR AVERAGE CONTRACT RATE OF DELIVERY 667,000 kW

FIRM TRANSMISSION SERVICE RATE \$9.83 /kW-Yr
 \$0.82 /kW-Mo

CAWCD EQUIVALENT RATE COST COMPONENTS
\$5,533,289.98
\$1,283,554.00
10,500.00
60,279.20
\$1,354,333.20
\$6,887,623.18
\$0.00
(\$5,533,289.98)
\$1,354,333.20
\$2.03 /kW-Yr
\$0.17 /kW-Mo

Footnote No. 1 - Other Annual Revenue consists of UNS, formerly know as Citizens Utilities Company, firm transmission service revenue under Contract No. 87-BCA-10140.

Attachment No. 2
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Central Arizona Transmission

FY2006 Estimated Expenses

FACILITY EXPENSES

<u>BUDGET ACTIVITY</u>	<u>FY2006</u>
N/FGCA GWAMM	\$120,301
N/FGCA SUPTM	\$29,009
N/FGCA COMMM	\$73,329
N/FGCA ENVTX	\$0
N/FGCA SAFEM	\$9,840
N/FGCA SUBSM	\$164,882
N/FGCA SUBCM	\$50,760
N/FGCA LINSM	\$74,278
N/FGCA LINCM	\$9,221
N/FGCA RENTM	\$324,229
<u>N/FGCA SVCFM</u>	<u>\$28,472</u>
FACILITY - SUBTOTAL	\$884,321

SYSTEMWIDE EXPENSES

<u>BUDGET ACTIVITY</u>	<u>FY2006</u>
N/FGCA STUDM	\$86,083
N/FGCA BILLM	\$15,615
N/FGCA MRKTM	\$173,819
N/FGCA FINAM	\$78,012
<u>N/FGCA SOLDM</u>	<u>\$557,402</u>
SYSTEMWIDE - SUBTOTAL	\$910,931

OTHER EXPENSES

<u>BUDGET ACTIVITY</u>	<u>FY2006</u>
CME Depreciation & Interest Expense	\$12,226
<u>Warehouse Interest Expense</u>	<u>\$1,598</u>
OTHER - SUBTOTAL	\$13,824

GRAND TOTAL \$1,809,076