



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

**SEP 19 2011**

**OVERNIGHT DELIVERY**

Ms. Lorri Gray-Lee  
Regional Director  
Bureau of Reclamation  
Lower Colorado Region  
ATTN: LC-9130  
500 Fir Street  
Boulder City, NV 89005-2403

Mr. David V. Modeer  
General Manager  
Central Arizona Water Conservation District  
23636 North 7<sup>th</sup> Street  
Phoenix, AZ 85024-3801

Dear Ms. Gray-Lee and Mr. Modeer:

Enclosed for signature are three (3) original signature pages to Contract No. 11-DSR-12296 (Contract), (Reclamation Contract No. 1-CU-30-P1212), which includes Exhibit A, Exhibit B, Operating Procedure OP1 through OP7T, and the FY12 Interagency Reimbursement Funding Agreement among Western Area Power Administration (Western), the Bureau of Reclamation (Reclamation), and Central Arizona Water Conservation District (CAWCD) for administration of the United States entitlement in the Navajo Project. These documents will become effective on October 1, 2011.

If the documents meet with your approval, please sign and return all three (3) original signature pages for this Contract along with all of the other original documents as soon as possible to one of the following addresses:

**If by Postal Service:**

Western Area Power Administration  
Desert Southwest Regional Office  
ATTN: G6218  
P.O. Box 6457  
Phoenix, AZ 85005-6457

**If by Overnight Delivery:**

Western Area Power Administration  
Desert Southwest Regional Office  
ATTN: G6218  
615 South 43rd Avenue  
Phoenix, AZ 85009

Do not date the documents. Western will review the documents upon receipt and, if satisfactory, will date and execute them. One executed and dated original set of documents will be returned to you upon execution by all Parties.

Questions related to any of the documents should be directed to Mr. Brian Young, Power Contracts Manager, at (602) 605-2594.

Sincerely,

A handwritten signature in black ink, appearing to read "Darrick Moe". The signature is fluid and cursive, with a long horizontal stroke extending to the right.

Darrick Moe  
Regional Manager  
Desert Southwest Region

IN TRIPLICATE

WESTERN CONTRACT NO. 11-DSR-12296  
RECLAMATION CONTRACT NO. 1-CU-30-P1212

AMONG  
UNITED STATES  
DEPARTMENT OF ENERGY  
WESTERN AREA POWER ADMINISTRATION  
Desert Southwest Region

AND

UNITED STATES  
DEPARTMENT OF THE INTERIOR  
BUREAU OF RECLAMATION

AND

CENTRAL ARIZONA WATER CONSERVATION DISTRICT

FOR

ADMINISTRATION OF THE U.S. ENTITLEMENT IN THE NAVAJO PROJECT

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**WESTERN CONTRACT NO. 11-DSR-12296  
RECLAMATION CONTRACT NO. 1-CU-30-P1212**

**AMONG**

**UNITED STATES  
DEPARTMENT OF ENERGY  
WESTERN AREA POWER ADMINISTRATION  
Desert Southwest Region**

**AND**

**UNITED STATES  
DEPARTMENT OF THE INTERIOR  
BUREAU OF RECLAMATION**

**AND**

**CENTRAL ARIZONA WATER CONSERVATION DISTRICT**

**FOR**

**ADMINISTRATION OF THE U.S. ENTITLEMENT IN THE NAVAJO PROJECT**

1. **PREAMBLE:** This Contract is made this \_\_\_\_\_ day of \_\_\_\_\_, 2011, pursuant to the Acts of Congress approved June 17, 1902 (32 Stat. 388); August 4, 1939 (53 Stat. 1187); September 30, 1968 (82 Stat. 885); August 4, 1977 (91 Stat. 565); August 17, 1984 (98 Stat. 1333); December 10, 2004 (118 Stat. 3478); and Acts amendatory or supplementary to the foregoing Acts, between the UNITED STATES OF AMERICA, (i) acting by and through the Administrator, Western Area Power Administration, Department of Energy, hereinafter called Western, represented by the officer executing this Contract or a duly appointed successor, and (ii) acting by and through the Commissioner, Bureau of Reclamation, Department of the Interior, hereinafter called Reclamation, represented by the Regional Director, Lower Colorado

Region or a duly appointed successor, and the Central Arizona Water Conservation District, hereinafter called CAWCD, acting through the officer executing this Contract or a duly appointed successor; each sometimes individually called Party and sometimes collectively called Parties.

2. **EXPLANATORY RECITALS:**

- 2.1 The Central Arizona Project (CAP) is a federal Reclamation project authorized under the Colorado River Basin Project Act of 1968, 82 Stat. 885.
- 2.2 Reclamation holds a 24.3% beneficial ownership interest in the NGS and the power generated by it for the benefit of the CAP. Reclamation also administers the Development Fund and is responsible under the Amended Plan, in consultation with CAWCD, for determining the Navajo Surplus available for sale and exchange by Western.
- 2.3 Western is responsible for marketing or exchanging Navajo Surplus in accordance with the Amended Plan.
- 2.4 Western is responsible for management of the United States capacity entitlement in the Navajo Project transmission facilities in accordance with the Master and Operating Agreements (Reclamation Contract Nos. 0-AG-30-P1037/P1038, Western Contract Nos. 99-DSR-11030/11031).
- 2.5 CAWCD is a multi-county water conservation district organized pursuant to the Arizona Revised Statutes (A.R.S.) Sections 48-3701, et seq. for the purposes, among others, of providing assistance in financing and repaying portions of the construction costs of the CAP, and is the organization with the contractual responsibility to operate and maintain the CAP.

- 2.6 CAWCD has contracted for capacity and energy from the Boulder Canyon Project (Hoover Power) through CAWCD's contract with the Arizona Power Authority.
- 2.7 CAWCD operates a pump-generating station at the New Waddell Dam that provides a portion of the power requirements for the CAP.
- 2.8 On March 15, 1994, Reclamation, Western, CAWCD, and Salt River Project (SRP) entered into Contract No. 94-PA0-10563, under which SRP has the full use of the Navajo Entitlement and provides energy for the CAP Pump Load. That contract expires on September 30, 2011.
- 2.9 The Parties desire to enter into a new limited term contract, beginning October 1, 2011, relating to: 1) the reservation of Navajo Reserved Energy to CAWCD; 2) CAWCD's use of Navajo Reserved Energy; and 3) the determination of Navajo Surplus to be marketed or exchanged by Western in accordance with the Amended Plan.
- 2.10 The Parties desire to gain additional operating experience under this limited term Contract so as to better inform future contracting actions by and among the Parties.
3. **AGREEMENT:** Accordingly the Parties do hereby agree as follows:
4. **DEFINITIONS:** The following terms, whether in the singular or the plural, when used in this Contract, shall have the meanings specified:
  - 4.1 Act of 1984 – The Hoover Power Plant Act of 1984 (98 Stat. 1333).
  - 4.2 Amended Navajo Power Marketing Plan (Amended Plan) – The plan for the marketing and exchanging of Navajo Surplus adopted September 18, 2007, in accordance with the Act of 1984.

- 4.3 CAP Facilities – Those pumping plants, water control structures, substations, transmission lines, and other physical properties listed in Exhibit A hereof.
- 4.4 CAP Pump Load – The energy required to serve the CAP Facilities.
- 4.5 CAP Transmission System – Transmission facilities which were constructed as part of the CAP and which connect CAP loads to the Parker-Davis Project Transmission System, Pacific Northwest/Pacific Southwest Intertie Project, and the Navajo Transmission System. The CAP Transmission System does not include the Navajo Western Transmission System and the Navajo Southern Transmission System.
- 4.6 CAWCD Hoover Energy – The energy from the Boulder Canyon Project that is available to CAWCD from the Arizona Power Authority or its lawful successor to serve the CAP Pump Load.
- 4.7 Development Fund – The Lower Colorado River Basin Development Fund established pursuant to the Colorado River Basin Project Act of 1968, Pub. L. 90-537, as amended.
- 4.8 Navajo Generating Station (NGS) – The thermal generating powerplant located near Page, Arizona, as generally described in Exhibit A to the Navajo Project Co-Tenancy Agreement dated March 23, 1976, as amended or supplemented.
- 4.9 Navajo Entitlement - The entitlement of the United States to 24.3% of the power generation from NGS.
- 4.10 Navajo Forward Sales – Western sales of Navajo Surplus of one month duration or greater made in accordance with the Amended Plan.

- 4.11 Navajo Project – The Navajo Generating Station, the Navajo Western Transmission System, the Navajo Southern Transmission System, and the works, structures, and systems necessary for their operation, as generally described in the Navajo Project Co-Tenancy Agreement.
- 4.12 Navajo Reserved Energy – The energy associated with the Navajo Entitlement that is reserved annually by CAWCD, in accordance with this Contract, for the CAP Pump Load.
- 4.13 Navajo Short-Term Sales – Western sales of remaining Navajo Surplus not sold under Navajo Forward Sales.
- 4.14 Navajo Surplus – The capacity and energy associated with the Navajo Entitlement that is in excess of the pumping requirements of the CAP and any needs for desalting and protective pumping facilities under Section 101(b)(2)(B) of the Colorado Basin Salinity Control Act of 1974, Pub. L. 93-320, as amended.
- 4.15 Navajo Southern Transmission System – The United States entitlement in the 500-kV transmission lines and associated facilities from the NGS to and including the Westwing Substation, which are described in Appendix A of the Navajo Project Southern Transmission System Operating Agreement as may be amended.
- 4.16 Navajo Western Transmission System – The United States entitlement in the 500-kV transmission line and associated facilities from the NGS to and including the McCullough Substation which are described in Appendix A of the Navajo Project Western Transmission System Operating Agreement as may be amended.
- 4.17 Navajo Transmission System – The Navajo Southern Transmission System and the Navajo Western Transmission System, collectively.

- 4.18 New Waddell Energy – The energy generated at New Waddell Dam that is available to CAWCD to serve the CAP Pump Load.
- 4.19 Operating Emergency – An unplanned or unexpected operational event, series of operational events, or operational circumstances or any restriction or condition imposed by any governmental authority that (a) causes a loss or interruption of (i) a generating resource or transmission facility ,(ii) a pumping unit or units ,(iii) water control structures, or (iv) purchase of firm power; and (b) in the reasonable judgment of the affected Party’s operator requires the taking of immediate action (i) to preserve, maintain, or re-establish the safety, integrity, or operability of the facilities that have been affected and (ii) to meet the required the water demands of the CAP.
- 4.20 Operating Procedures (OP) – The procedures agreed to by the Parties and attached to this Contract for the purpose of further defining and implementing the terms of this Contract.
- 4.21 Project Use Power - The portion of the Navajo Entitlement sold to CAWCD at cost for the purpose of supplying the full electric service requirements of the CAP Pump Load in conformance with Reclamation project authorization.
- 4.22 Uncontrollable Force – Any cause beyond the control of the Party affected, including but not restricted to, failure of or threat of failure of facilities, drought, flood, earthquake, storm, fire, lightning, epidemic, war, riot, civil disturbance or disobedience, labor dispute, labor or material shortage, sabotage, restraint by court order or public authority and, subsequent to execution and delivery of this Contract by the Parties, action or non-action by, or failure to obtain the necessary

authorizations or approvals from, any governmental agency or authority other than Western, Reclamation, or CAWCD, which by exercise of due diligence such Party could not reasonably have been expected to avoid and which by exercise of due diligence it shall be unable to overcome.

4.23 WALC Balancing Area – The balancing area recognized by the Western Electricity Coordinating Council that is operated by Western.

5. **TERM**: This Contract shall become effective, upon signature by all Parties, on October 1, 2011, and shall remain in effect until December 31, 2014. The term shall automatically extend through December 31, 2017, unless Reclamation, Western, or CAWCD provides notice of termination prior to December 31, 2013. After December 31, 2013, either Western, Reclamation, or CAWCD may terminate this Contract, with or without cause, by giving the other Parties no less than one (1) year's prior written notice of such termination.
6. **OPERATING PROCEDURES**: The Operating Procedures attached to this Contract and hereby incorporated by reference in it have been agreed to by, and are binding upon, all Parties. Individual Operating Procedures may be amended by written consent of all Parties. The initial Operating Procedures are OP1 (Annual Process for Determination of Navajo Surplus), OP2 (Navajo Surplus Power Sales), OP3 (Scheduling CAWCD Resources), OP4 (CAWCD Use of Navajo Reserved Energy), OP5 (Transmission Loss Scheduling), OP6 (Administration of Navajo Generation and Transmission), OP7 (Preparation of Reclamation's Navajo Energy Invoice to CAWCD), and OP7T (Preparation of Reclamation's Navajo Transmission Invoice to CAWCD).

7. **NAVAJO SURPLUS:** The determination of Navajo Surplus shall be made in accordance with OP1. All Navajo Surplus shall be marketed or exchanged by Western in accordance with the Amended Plan and applicable law, and all revenues collected by Western from such marketing or exchanges shall be deposited into the Development Fund in accordance with OP2.
8. **NAVAJO RESERVED ENERGY:**
  - 8.1 Navajo Reserved Energy will be made available to CAWCD in accordance with OP3. The determination of Navajo Reserved Energy shall be made in accordance with OP1. CAWCD agrees to pay for Navajo Reserved Energy in accordance with OP7. The Parties agree that CAWCD may use Navajo Reserved Energy in accordance with OP4. Net revenue, if any, resulting from CAWCD's use of Navajo Reserved Energy shall be deposited into the Development Fund in accordance with OP4.
  - 8.2 The Parties agree CAWCD's use of Navajo Reserved Energy in accordance with OP4, including through exchanges, displacements and pump shaping, will not violate Project Use Power resale provisions under CAP's unique legislative authority (Section 303 of the Colorado River Basin Project Act of 1968; Section 107 of the Hoover Power Plant Act of 1984).
9. **RECLAMATION REVIEW:** This Contract is based upon an understanding by the Parties that: (i) CAWCD is uniquely situated to make transactions and generate revenues from its management of Navajo Reserved Energy that otherwise could not be achieved; and (ii) CAP water customers, including Indian communities, are anticipated to receive financial benefits from such management. Reclamation intends to review the transactions

made under OP4 pursuant to its existing authority in order to confirm the Parties' understanding and expectation and provide data to assess moving forward with a long-term agreement.

10. **WESTERN COMPENSATION:**

10.1 Western's estimated costs identified on the Interagency Reimbursement Funding Agreement (IRFA), attached hereto, are for October 1, 2011, through September 30, 2012. The IRFA may be amended or superseded by mutual agreement of the Parties.

10.2 Prior to October 1 of each subsequent year through the term of this Contract, an IRFA shall be agreed to which provides for Western's estimated annual cost.

10.3 The IRFA shall include separate components for labor costs and for transmission purchases for the purpose of increasing the value of Navajo Surplus sales.

10.4 Western shall bill Reclamation for Western's actual expenses associated with the Navajo Surplus sales through the Intra-Governmental Payment and Collection (IPAC) system on a monthly basis.

10.5 Reclamation shall reimburse Western for its actual expenses associated with Navajo Surplus sales from the Development Fund on a monthly basis.

11. **USE OF NAVAJO TRANSMISSION SYSTEM:** Western shall act as the transmission provider for the United States entitlement in the Navajo Transmission System, consistent with the Navajo Project agreements, and will accommodate the delivery of Navajo Surplus, Navajo Reserved Energy, and other energy in accordance with OP6.

12. **METERING:** Revenue quality metering and communications shall be maintained to facilitate the automatic data transfer to Western for all CAP Pump Loads. If any of the

CAP Pump Loads are located outside Western's balancing authority, CAWCD shall be required to provide the revenue quality metering and communications to facilitate the automatic data transfer to Western. All power metering data collected by CAWCD, CAWCD's agents, or Western shall be provided electronically to Reclamation on a monthly basis or, upon request of Reclamation, more frequently. Reclamation, at CAWCD's expense, may interface with all metering equipment installed by CAWCD or CAWCD's agents in order to secure real-time data. Meters for the CAP Pump Loads are listed in Exhibit B.

13. **TRANSMISSION SYSTEM LOSSES:**

13.1 Navajo Transmission System - Except as otherwise agreed to in writing between the Parties, Navajo Transmission Losses for energy delivered for CAP Pump Load, including all other associated transmission losses and other CAWCD schedules, shall be the responsibility of CAWCD and Navajo Transmission Losses for Navajo Surplus sales energy shall be the responsibility of Reclamation. Details of the loss return responsibilities are described in the OP5.

13.2 Scheduling of Transmission Loss Returns – Navajo Transmission System losses will be returned in accordance with the OP5.

14. **BILLING AND PAYMENT:** The Authorized Representatives shall agree upon written billing and payment procedures that may be revised as necessary to implement the provisions of this Contract.

15. **AMENDMENTS AND MODIFICATIONS:** This Contract and the exhibits and attachments attached hereto may not be amended or modified except in writing duly agreed to and executed by all Parties. The Parties may amend one or more of the

attached Operating Procedures without amending this Contract or other, non-affected Operating Procedures.

16. **GENERAL POWER CONTRACT PROVISIONS:** The General Power Contract Provisions (GPCP), dated September 1, 2007, are hereby made a part of this Contract the same as if they had been expressly set forth in this Contract; provided, that Provisions 2 through 9, 11, 12, 15 through 19, and 37.2 through 37.8 shall not apply, provided further, that if the provisions in the GPCP are in conflict with this Contract, the terms of this Contract shall control.
17. **BOOKS, RECORDS, AND REPORTS:** Subject to applicable Federal laws and regulations, each Party to this Contract shall have the right during office hours to examine and make copies of the other Parties' books and records relating to matters covered by this Contract.
18. **DISPUTE RESOLUTION:** If a dispute arises between or among any of the Parties under this Contract which is not resolved through discussions of the Authorized Representatives, the Parties may submit the dispute to arbitration. Arbitration shall be subject to Reclamation's and Western's ability to consent to arbitration. If Reclamation or Western cannot consent to arbitration, any Party may bring the dispute to a Federal court of competent jurisdiction.
19. **SEVERABILITY:** In the event that any material term, covenant, or condition of this Contract, or the application of such material term, covenant, or condition, shall be held invalid as to any person or circumstance by any court having jurisdiction, the Parties shall have ninety (90) days, or such other time as agreed to by the Parties, to negotiate provisions which restore the benefits and burdens of this Contract among the Parties. If

the Parties fail to agree on such provisions, this Contract shall terminate and shall be of no further force or effect; except that obligations to pay for service rendered hereunder shall remain until satisfied.

20. **UNCONTROLLABLE FORCE**: No Party shall be considered to be in default in the performance of its obligations hereunder (other than obligations of such Party to make payment of bills rendered hereunder) when a failure of performance shall be due to an Uncontrollable Force. Nothing contained herein shall be construed to require a Party to settle any strike or labor dispute in which it may be involved. Any Party rendered unable to fulfill any of its obligations hereunder by reason of an Uncontrollable Force shall give prompt written notice of such fact to the other Parties, as the case may be, and shall exercise due diligence to mitigate and remove such inability with all reasonable dispatch.
21. **WAIVER NOT TO AFFECT SUBSEQUENT DEFAULTS**: No delay in exercising any right or remedy under this Contract shall constitute a waiver thereof, and no waiver of the breach of any provision of this Contract shall be deemed a waiver of any preceding or subsequent breach of the same or any other provision of this Contract.
22. **RELATIONSHIP OF THE PARTIES**: Except to the extent otherwise provided herein, the covenants, obligations, and liabilities of the Parties are intended to be several and not joint or collective, and nothing herein contained shall ever be construed to create an association, joint venture, trust or partnership, or to impose a trust or partnership covenant, obligation, or liability on or with regard to any one or more of the Parties. Each Party shall be responsible for its own covenants, obligations, and liabilities as herein provided. No Party or group of Parties shall be under the control of or shall be deemed to control any other Party or group of Parties as a group. No Party shall be the

agent of or have a right or power to bind any other Party without its express written consent, except as expressly provided in this Contract. Except as provided herein, no provision of this Contract is intended to, or shall be for the benefit of, or construed to create rights in, or grant remedies to, any other person or entity not a Party hereto.

23. **INTERPRETATION**: Excluding terms defined herein, the captions of the sections and subsections are for convenience only and shall not govern or influence the interpretation of such sections and subsections. This Contract is the result of negotiations between the Parties and, accordingly, shall not be construed against any Party regardless of which entity drafted this Contract or any portion thereof.
24. **SUCCESSORS AND ASSIGNS**: This Contract shall inure to the benefit of and shall be binding upon the respective successors and assigns of the Parties to this Contract; Provided, however, that this Contract, or any interest therein, may be assigned or transferred by any Party only with the written consent of the other Parties, which consent shall not be unreasonably withheld.
25. **CONTINGENT UPON APPROPRIATIONS**: Where the obligations of the United States under this Contract extend beyond the current fiscal year and require the appropriations of money therefore by Congress, the performance of such obligations shall be contingent upon Congress making the necessary appropriations. In case such appropriations are not made, the United States shall be relieved of such obligations, and no liability shall accrue to the United States due to the failure of Congress to make such appropriations.
26. **AUTHORIZED REPRESENTATIVES**: Each Party, by written notice to the other Parties, shall designate the representative(s) who is (are) authorized to act in its behalf

with respect to those matters contained in this Contract which are the functions and responsibilities of the Party. Each Party may change the designation of its Authorized Representative(s) by written notice given to the Parties.

27. **GOVERNING LAW:** This Contract shall be interpreted, governed by, and construed under the laws of the State of Arizona. Notwithstanding the foregoing, insofar as the rights or obligations of Western and Reclamation are concerned, applicable Federal law shall be controlling.
28. **DEFAULT:** The failure of any Party to perform any of its respective obligations under this Contract shall constitute a default under this Contract; provided, however, that the Party against whom the default is asserted shall not be deemed in default if it (i) cures the default by rendering the necessary performance within sixty (60) days following written notice from any other Party, which notice shall set forth the acts and omissions which constitute the asserted default, or (ii) is proceeding with reasonable diligence to cure the default or to contest in an appropriate forum and in good faith the assertion that a default has occurred.
29. **NOTICES:** Any notice, demand, or request required by this Contract to be given in writing to any Party shall be considered properly given when delivered in person, or sent by either registered or certified mail, postage prepaid, to the person and address as set forth in Appendix 1 attached hereto. Any Party may change the designation of the person or the address to which such notices are to be sent by notice in writing to the other Parties given in accordance with the foregoing provisions.
30. **EXECUTION BY COUNTERPARTS:** This Contract 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 Contract may be detached from any counterpart of this Contract without impairing the legal effect of any signatures thereon.

31. **AUTHORITY TO EXECUTE**: Each Party certifies that the individual signing this Contract is duly authorized to execute this Contract and to thereby bind and obligate the Party.
32. **NON-PRECEDENTIAL NATURE OF CONTRACT**: The Parties recognize that nothing in this Contract requires or precludes inclusion of similar or identical contractual provisions in any future contract between or among the Parties.

The Parties have caused this Contract No. 11-DSR-12296 to be executed on the date first written above.

DEPARTMENT OF ENERGY  
WESTERN AREA POWER ADMINISTRATION

By \_\_\_\_\_  
Darrick Moe  
Title \_\_\_\_\_ Regional Manager  
Address \_\_\_\_\_ Desert Southwest Region  
\_\_\_\_\_  
P.O. Box 6457  
\_\_\_\_\_  
Phoenix, AZ 85005-6457  
\_\_\_\_\_

DEPARTMENT OF THE INTERIOR  
BUREAU OF RECLAMATION

By \_\_\_\_\_  
Lorri Gray-Lee  
Title \_\_\_\_\_ Regional Director  
Bureau of Reclamation  
Address \_\_\_\_\_ Lower Colorado Region  
\_\_\_\_\_  
P.O. Box 61470  
\_\_\_\_\_  
Boulder City, NV 89006-1470  
\_\_\_\_\_

CENTRAL ARIZONA WATER  
CONSERVATION DISTRICT

By \_\_\_\_\_  
Title \_\_\_\_\_ General Manager  
Address \_\_\_\_\_ P.O. Box 43020  
\_\_\_\_\_  
Phoenix, AZ 85080-3020  
\_\_\_\_\_  
\_\_\_\_\_

Exhibit A  
Central Arizona Project Facilities

Central Arizona Project Facilities are as follows:

Pumping Plants

1. Black Mountain Pumping Plant
2. Bouse Hills Pumping Plant
3. Brady Pumping Plant
4. Brawley Pumping Plant
5. Hassayampa Pumping Plant
6. Little Harquahala Pumping Plant
7. Mark Wilmer Pumping Plant
8. New Waddell Pumping / Generating Plant
9. Picacho Pumping Plant
10. Red Rock Pumping Plant
11. Salt Gila Pumping Plant
12. Sandario Pumping Plant
13. San Xavier Pumping Plant
14. Snyder Hill Pumping Plant
15. Twin Peaks Pumping Plant

Other Facilities

1. Central Arizona Project Administrative and Operation and Maintenance Facilities
2. Central Arizona Project Transmission
3. Check Control Structures and Related Facilities
4. Turnout Structures and Related Facilities
5. Microwave and Communications Sites Utilized for Operation and Control of CAP Facilities
6. New Waddell Dam and Appurtenant Structures
7. Central Arizona Project Underground Storage Facilities
8. Recovery Facilities for Underground Stored Water
9. New Facilities to support extensions of the CAP aqueduct

Exhibit B  
 Central Arizona Project Electric Metering  
 At Delivery Points

CAP Loads reside in different Balancing Authorities areas at points of interconnection (delivery points) between CAP Facilities and the transmission facilities operated by the Balancing Authorities. Revenue quality metering and communications are necessary to facilitate the automatic data transfer to Western for all CAP loads. The table below describes the current delivery point by each load element of CAP Facilities.

| <b>CAP Metering and Delivery Points</b>  |                   |   |
|--|-------------------|---|
| <b>Load Element</b>  | <b>Meter Name</b> | <b>Delivery Point</b>                             |
| <b>Hayden-Rhodes Aqueduct</b>  |                   |   |
| Mark Wilmer P.P.   | PAD534 Out        | Parker Substation                                 |
| Mark Wilmer P.P. D Meter   | PAD534            |   |
| -Havasu Tap<br>S.S.  | HVT530 Out        | Mark Wilmer P.P.                                  |
| Bouse Hills P.P.<br>Little Harqahala P.P.  | HCR532 Out        | Harcuvar Substation                               |
| Hassayampa P.P.  | HAP528 Out        | Hassayampa P.P.                                   |
| <b>Waddell</b>   |                   |   |
| Waddell Generation   | RWY930 In         | Westwing 230 kV<br>Substaton (Raceway)            |
| Waddell Pumping  | RWY930 Out        |   |
| <b>Fannin-McFarland Aqueduct</b>   |                   |   |
| Salt-Gila P.P.<br>(disconnected from Spook<br>Hill)                                      | SPH499 Out        | Spook Hill Substation<br>(Parker-Davis)           |
| Salt-Gila P.P.   | SRP Meter         | Thunderstone Substation<br>(Salt River Project)   |
| <b>Tucson Aqueduct</b>   |                   |   |
| Brady, Picacho and Red Rock<br>P.P.s   | ED2191 Out        | ED#2 Substation                                   |
|  | ED2191 In         |   |
|  | SGR874 Out        | Saguaro Switchyard                                |
|  | SGR874 In         |   |
| Twin Peaks, Sandario,<br>Brawley, San Xavier, Snyder<br>Hill and Black Mountain<br>P.P.s | RSK Out           | Rattlesnake Substation                            |
|  | RSK In            |   |
|  | DLB Out           | Del Bac Substation<br>(disconnected from<br>load) |
|  | DLB In            |   |

OPERATING PROCEDURE  
AMONG  
THE UNITED STATES  
DEPARTMENT OF ENERGY  
WESTERN AREA POWER ADMINISTRATION  
(Western)  
AND  
THE UNITED STATES  
DEPARTMENT OF THE INTERIOR  
BUREAU OF RECLAMATION  
(Reclamation)  
AND  
CENTRAL ARIZONA WATER CONSERVATION DISTRICT  
(CAWCD)  
FOR  
ANNUAL PROCESS FOR DETERMINATION OF NAVAJO SURPLUS

1. PURPOSE

This operating procedure is written in accordance with Section 7 of Contract No. 11-DSR-12296 (Western) / 1-CU-30-P1212 (Reclamation) (Contract).

2. DEFINED TERMS

Capitalized terms used in this operating procedure are defined in the Contract.

3. TERM

This operating procedure will remain in effect during the term of the Contract or until superseded by a revised operating procedure.

4. FACTORS TO BE CONSIDERED, AMONG OTHERS

4.1 Existing contractual commitments for Navajo Surplus.

4.2 Estimates of CAP water deliveries and the associated CAP Pump Load, including losses.

4.3 Estimates of the United States' capacity and energy needs for desalting and protective pumping facilities.

4.4 Estimates of available generation from the United States' share of the Navajo Generation Station including planned generation and transmission outages.

4.5 Estimates of loss return obligations associated to the Navajo Transmission Systems.

## 5. MULTI-YEAR NAVAJO SURPLUS MARKETING

- 5.1 Multi-year Navajo Surplus products shall not include any NGS energy that may be needed as Navajo Reserved Energy in any future year.
- 5.2 The Parties agree that the maximum amount of NGS energy that may be needed as Navajo Reserved Energy, by month, is as follows:

|                  |                       |
|------------------|-----------------------|
| January-May      | 325,000 megawatthours |
| June             | 300,000 megawatthours |
| July-August      | 200,000 megawatthours |
| September        | 300,000 megawatthours |
| October-December | 325,000 megawatthours |

A daily load shape for each month shall be provided to Western by CAWCD.

- 5.3 Western shall develop multi-year Navajo Surplus products and market such products in the forward electricity market based upon this determination pursuant to OP2 and with consideration for curtailment procedures described in OP6.

## 6. ANNUAL NAVAJO SURPLUS DETERMINATION

- 6.1 By December 15<sup>th</sup> of each year, CAWCD shall notify Reclamation and Western as to the amount of NGS energy that is needed as Navajo Reserved Energy for the following year. CAWCD's notification shall include a forecast for each month of the following year that quantifies:
- 6.1.1 Scheduled CAP water deliveries and the associated CAP Pump Load, including losses.
  - 6.1.2 CAWCD Hoover Energy
  - 6.1.3 New Waddell Energy
  - 6.1.4 CAWCD's planned purchases of energy, if any, to serve CAP Pump Load, not including purchases made to effect a shaping or displacement transaction pursuant to OP4.
  - 6.1.5 Energy to be supplied by others for CAP water deliveries.
- 6.2 In identifying the amount of NGS energy needed as Navajo Reserved Energy for the following year, CAWCD may

include an additional quantity, not to exceed five percent (5%) of the total estimated annual CAP Pump Load including losses, to cover contingencies that may arise during the year. The percentage will be allowed to vary month to month but the December 15 Navajo Reserved Energy will not exceed the projected CAP Pump Load including losses by more than 5% on an annual basis.

- 6.3 CAWCD's notification pursuant to section 5.1 shall include a typical daily load shape for each month of the forecast year. Reclamation and Western shall reserve NGS energy (Navajo Reserved Energy) for each month of the forecast calendar year based upon the typical shapes provided.
- 6.4 Western shall market the energy expected to be produced at NGS for the forecast year that is not Navajo Reserved Energy in accordance with OP2.

## 7. MONITORING AND REVISIONS TO NAVAJO SURPLUS

- 7.1 CAWCD, monthly and more frequently especially upon occurrence of demand or supply events, shall monitor CAP water deliveries, variability of water deliveries, estimates of CAWCD Hoover energy, pump maintenance, pumping energy and variability of pumping energy, and typical daily shape.
- 7.2 No later than ten (10) working days prior to the start of each month of the forecast year, CAWCD may establish a forecast of CAP pumping operations for the remainder of the forecast year. Based upon this revised forecast, CAWCD may: (i) release energy to Western to be marketed as Navajo Surplus; and/or (ii) request additional NGS energy. Reclamation in consultation with Western shall determine if NGS energy assigned as Navajo Surplus will be released. Reclamation is under no obligation to release additional energy but will consider the request and make a decision in a timely manner taking into consideration availability, economic impacts, and other issues.

Accepted and agreed to this  
\_\_\_\_\_ day of \_\_\_\_\_, 2011

Accepted and agreed to this  
\_\_\_\_\_ day of \_\_\_\_\_, 2011

\_\_\_\_\_  
Authorized Representative  
Western Area Power  
Administration

\_\_\_\_\_  
Authorized Representative  
Bureau of Reclamation

Accepted and agreed to this  
\_\_\_\_\_ day of \_\_\_\_\_, 2011

\_\_\_\_\_  
Authorized Representative  
Central Arizona Water  
Conservation District

OPERATING PROCEDURE  
AMONG  
THE UNITED STATES  
DEPARTMENT OF ENERGY  
WESTERN AREA POWER ADMINISTRATION  
(Western)  
AND  
THE UNITED STATES  
DEPARTMENT OF THE INTERIOR  
BUREAU OF RECLAMATION  
(Reclamation)  
AND  
CENTRAL ARIZONA WATER CONSERVATION DISTRICT  
(CAWCD)  
FOR  
NAVAJO SURPLUS POWER SALES

1. PURPOSE

This operating procedure is written in accordance with Section 7 of Contract No. 11-DSR-12296 (Western) / 1-CU-30-P1212 (Reclamation) (Contract).

2. DEFINED TERMS

Capitalized terms used in this operating procedure are defined in the Contract.

3. TERM

This operating procedure will remain in effect during the term of the Contract or until superseded by a revised operating procedure.

4. ROLES AND RESPONSIBILITIES

4.1 Western will market Navajo Surplus in accordance with the Amended Plan.

4.2 Western will consult with Reclamation and CAWCD on the forward products formed, processes, the timing of sales, and price triggers.

4.3 The Parties shall periodically meet, as mutually agreed, to facilitate the provisions of this procedure.

5. MARKETING

5.1 The determination of energy to market as Navajo Surplus shall in accordance with OP1. Western will

market Navajo Forward Sales in accordance with the provisions for power sales under section IV.A of the Amended Navajo Power Marketing Plan. All Navajo Forward Sales shall be sold as Western System Power Pool (WSPP) Schedule B Unit Commitment Service, or as contractually comparable as determined by Western, on a plant contingent or plant contingent pro rata basis, unless otherwise agreed to by the Parties.

- 5.2 Navajo Surplus power remaining after Navajo Forward Sales are made (Navajo Short-Term Sales Energy) may be sold day ahead and real-time by Western using standard merchant practices for such products or, if determined to be advantageous, sold comprehensively to an entity under a negotiated pricing mechanism and term in accordance with the provisions for power sales under section IV.B of the Amended Navajo Power Marketing Plan.
- 5.3 Curtailment priority of Navajo Surplus power sales are defined in OP6.

## 6. NAVAJO AGREEMENTS AND BILLING

- 6.1 Western will normally use standard WSPP or Edison Electric Institute terms for the contracts for Navajo Surplus sales.
- 6.2 Western shall issue invoices to Navajo power purchasers following each month of service directing payments to the Development Fund.

## 7. SCHEDULING

- 7.1 Scheduling of all Navajo Surplus power sales shall be in accordance with standard WECC practices.
- 7.2 In the event of a Navajo unit outage or unplanned de-rating, Western shall receive instructions from the NGS plant operator and provide notice to the proper entities and direct the curtailment of Navajo Surplus power sales schedules in accordance with OP6. CAWCD will direct curtailments for Navajo Reserved Energy as required.

## 8. LOSSES

Losses for Navajo Surplus power sales determined in accordance with OP5 will be scheduled by Western to the Navajo Transmission System operating agents and other transmission operators as appropriate.

## 9. SETTLEMENT WITH CAWCD FOR RESIDUAL NAVAJO SURPLUS

9.1 Pursuant to the Annual Process in OP1, Reclamation and Western will reserve NGS energy (Navajo Reserved Energy) for use by CAWCD in serving CAP Facilities for the coming year. During the year CAWCD will make use of Navajo Reserved Energy in accordance with OP4. Residual Navajo Surplus is the amount of Navajo Reserved Energy used by CAWCD that is determined after the fact annually to be in excess of the energy needs of CAP Facilities in a given year. Residual Navajo Surplus is to be settled at a market-based rate above cost based upon the settlement formula and determinations described below.

9.2 Annual quantity settlement for Residual Navajo Surplus

$$\text{RNS} = \text{NE} - (\text{CAP Load} - \text{HE} - \text{WE} - \text{PE})$$

Where:

RNS = Residual Navajo Surplus – i.e., the amount of Navajo Reserved Energy used by CAWCD that is determined after the fact to be in excess of CAP pumping needs (MWh)

NE = Total Annual Navajo Reserved Energy delivered to CAP (MWh)

HE = Annual CAWCD Hoover Energy delivered to CAP (MWh)

WE = Annual New Waddell Energy delivered to CAP (MWh)

PE = Annual energy purchased/acquired by CAP to support CAP Pump Load (includes energy purchased by CAP to meet CAP Pump Load when NGS is not available and energy provided to CAP by a CAP water customer; does not include CAP purchases that are made to effect shaping/displacement transactions under OP4) (MWh)

CAP Load = Annual metered CAP Pump Load energy at approved metering locations listed in Exhibit B of the Contract plus appropriate transmission losses beyond the Navajo Transmission System serving CAP Pump Load (MWh)

9.3 Annual pricing settlement for Residual Navajo Surplus

$$\text{RNS Price} = (\text{PVI} * \text{CF}) - \text{TPS}$$

If RNS Price  $\leq$  NCG, then no additional payment is due from CAP for Residual Navajo Surplus

If RNS Price  $>$  NCG, then:

$$\text{CAP RNS Net Payment} = \text{RNS} * (\text{RNS Price} - \text{NCG})$$

Where:

- PVI = Weighted Average Annual Dow Jones Palo Verde Firm Energy Price calculated by Western from daily Dow Jones Palo Verde Firm Energy Price Indices (\$/MWh)
- NCG = Reconciled actual cost of generation for the Navajo Entitlement divided by the NGS energy delivered by the NGS operator to the U.S. in that year (\$/MWh)
- CF = Conversion Factor for firm pricing to non-firm pricing, set at 0.85
- TPS = Transmission Purchases and Scheduling charges that must be incurred to dispose of Residual Navajo Surplus, set at \$2/MWh

#### 10. TRANSMISSION PURCHASES

10.1 Western may purchase transmission capacity beyond the Navajo Transmission System to facilitate Navajo Surplus sales at times when such transmission purchases provide an increase in the net sales revenues.

10.2 The costs for transmission capacity purchases shall be billed to the Development Fund.

#### 11. WESTERN COSTS

All Western's expenses associated with marketing of Navajo Surplus and Residual Navajo Surplus shall be reimbursed by Reclamation in accordance with Section 10 of the Contract.

#### 12. RECLAMATION COSTS

Reclamation costs associated with the oversight of marketing of Navajo Surplus and Residual Navajo Surplus shall be expended out of the Development Fund.

#### 13. CAWCD COSTS

13.1 The output of the Navajo Generating Station is processed by Salt River Project (SRP) through an allocator mechanism operating in real-time using a dynamic signal from SRP as operator of NGS.

13.2 Western, Reclamation, and CAWCD with consultation from CAWCD's scheduling agent have determined that the NGS dynamic signal will first be handled by Western's operations center then delivered to CAWCD's scheduling

agent. CAWCD's scheduling agent is responsible for balancing loads for CAP Facilities with CAP resources, one of which is NGS.

13.3 CAWCD's scheduling agent will then process Western schedules for the sale of Navajo Surplus through CAWCD's scheduling agents' scheduling process.

13.4 Thereby, CAWCD will incur cost for processing Western's Navajo Surplus schedules from CAWCD's scheduling agent.

13.5 All these CAWCD expenses associated with scheduling Navajo Surplus, exclusive of Residual Navajo Surplus described in Section 9 herein, will be reimbursed monthly as a credit on CAWCD's monthly invoice issued to CAWCD by Reclamation for Navajo Reserved Energy.

Accepted and agreed to this  
\_\_\_\_\_ day of \_\_\_\_\_, 2011

Accepted and agreed to this  
\_\_\_\_\_ day of \_\_\_\_\_, 2011

\_\_\_\_\_  
Authorized Representative  
Western Area Power Administration

\_\_\_\_\_  
Authorized Representative  
Bureau of Reclamation

Accepted and agreed to this  
\_\_\_\_\_ day of \_\_\_\_\_, 2011

\_\_\_\_\_  
Authorized Representative  
Central Arizona Water Conservation District

OPERATING PROCEDURE  
AMONG  
THE UNITED STATES DEPARTMENT OF ENERGY  
WESTERN AREA POWER ADMINISTRATION  
(Western)  
AND  
THE UNITED STATES DEPARTMENT OF THE INTERIOR  
BUREAU OF RECLAMATION  
(Reclamation)  
AND  
CENTRAL ARIZONA WATER CONSERVATION DISTRICT  
(CAWCD)  
FOR  
SCHEDULING CAWCD RESOURCES

1. PURPOSE  
This operating procedure is written in accordance with Section 7 of Contract No. 11-DSR-12296 (Western) / 1-CU-30-P1212 (Reclamation) (Contract).
2. DEFINED TERMS  
Capitalized terms used in this operating procedure are defined in the Contract.
3. TERM  
This operating procedure will remain in effect during the term of the Contract or until superseded by a revised operating procedure.
4. USE OF NAVAJO TRANSMISSION
  - 4.1 The transmission capacities listed in this operating procedure are for information purposes only. No transmission rights or obligations are established under this operating procedure or the exhibits attached hereto.
  - 4.2 The scheduling and tagging depictions listed in this operating procedure are for information purposes only. All scheduling and tagging protocols will ultimately be determined by the scheduling and tagging personnel in accordance with applicable standards and required protocols not necessarily defined within this operating procedure.
  - 4.3 United States' transmission capacity in the Navajo Western Transmission System (NWTs) from Navajo to McCullough

operating at 500kV support scheduling Navajo Generating Station energy for delivery to McCullough 500kV up to 500 megawatts (MW). Once at McCullough 500kV and through transformers to McCullough 230 kV, the total east to west schedule on Navajo-McCullough splits with delivery to (i) Davis and on to Parker; and (ii) Mead to Davis and on to Parker.

4.4 United States' transmission capacity in the Navajo Southern Transmission System (NSTS) from Navajo to Westwing operating at 500kV support scheduling Navajo Generating Station energy for delivery to Westwing 500kV up to 663.6 megawatts. Once at Westwing 500kV and through transformers to Westwing 230 kV, the total north to south schedule on Navajo-Westwing splits with delivery to (i) Liberty and on to CAP facilities; (ii) New Waddell loads; and (iii) CAP loads South of New Waddell.

5. SCHEDULING FOR PUMP LOAD WEST OF NEW WADDELL

5.1 CAP pump load west of New Waddell (Mark Wilmer, Bouse Hills, Little Harquahala and Hassayampa Pumping Plants) can peak at 420 megawatts.

5.2 Transmission capacity available to meet peak load for CAP facilities west of New Waddell identified in Section 5.1 are as follows:

| Path Description  | MW  | Contract Reference                          |
|---|-----|---|
| Navajo > McCullough (shared with Navajo Surplus Sales)            | 500 | Navajo Project Operating Agreement          |
| McCullough 500 > 230 kv transformation                            | 400 | CAP rights in Parker-Davis System           |
| McCullough > Davis > Parker                                       | 240 | CAP Transmission System                     |
| McCullough > Mead   | 122 | Reclamation Contract with LADWP             |
| Mead > Davis > Parker   | 86  | CAWCD Contract with Arizona Power Authority |
| Navajo > Westwing 500kv (shared with Navajo Surplus energy sales) | 547 | Navajo Project Operating Agreement          |
| Westwing 500 > 230 kv transformation                              | 547 | Navajo Project Operating Agreement          |
| Westwing > Liberty  | 31  | CAWCD Contract 10537 with Western           |
| Liberty > Parker  | 103 | CAP rights in Parker-Davis System           |

\*Transmission Assignment Reference Numbers (Arefs) are identified in Attachment #1 to this Procedure.

- 5.3 Exhibit A to this operating procedure describes two physical paths (Davis Wheel and Mead Wheel) using the Navajo-McCullough line to be used for tagging purposes.
  - 5.4 CAWCD may, for pump load deliveries at Mead, utilize Hoover energy, its own energy transactions at Mead, and/or deliveries at McCullough in accordance with Section 4.3 herein through the added use of CAP transmission capacity and APA Parker Davis and Intertie transmission.
  - 5.5 The amount of load for CAP facilities west of New Waddell not met by delivery to Parker from McCullough or Mead through Davis will be served from Liberty.
  - 5.6 Exhibit B to this operating procedure describes one physical path (Liberty Wheel) using the Navajo-Westwing line to be used for tagging purposes.
  - 5.7 CAWCD may, for pump load deliveries at Liberty, use Hoover energy, its own energy transactions at Liberty, and/or deliveries at Westwing in accordance with Section 4.4 herein.
6. SCHEDULING PUMP LOAD FOR AND GENERATION FROM NEW WADDELL
- 6.1 New Waddell's pump/generators operate at or below a peak of 50 megawatts.
  - 6.2 Transmission capacity available to meet peak load for New Waddell or delivery of New Waddell generation to other CAP facilities west of New Waddell identified in Section 6.1 are as follows:

| <b>Path Description</b>           | <b>MW</b> | <b>Contract Reference</b> |
|-----------------------------------|-----------|---------------------------|
| Westwing >< Raceway ><<br>Waddell | 50        | CAP Transmission System   |

\*Arefs are identified in Attachment #1 to this Procedure.

- 6.3 Section 4.4 describes the transmission capacity to Westwing for delivery on to Raceway.
- 6.4 Exhibit C to this operating procedure describes one physical path used bi-directionally, Raceway Wheel when delivering energy to New Waddell pumps and New Waddell Wheel using the Navajo-Westwing line to be used for tagging purposes.

6.5 CAWCD may, for pump load deliveries at Westwing, use Hoover energy, its own energy transactions at Westwing, and/or deliveries at Westwing in accordance with Section 4.4 herein.

7. SCHEDULING SOUTH CAP PUMP LOAD

7.1 CAP South Pump Load consists of service to CAP Facilities including the Salt-Gila, Brady, Picacho, Red Rock, Twin Peaks, Sandario, Brawley, San Xavier, Snyder Hill and Black Mountain Pumping Plants.

7.2 The Salt-Gila Pumping Plant operates at or below a peak of 25 megawatts.

7.3 Transmission capacity available to meet peak load for Salt-Gila Pumping Plant identified in Section 7.2 is as follows:

| <b>Path Description</b>                               | <b>MW</b> | <b>Contract Reference</b> |
|---|-----------|---------------------------|
| Westwing > Thunderstone (SRP)<br>(all 25 MW at 230kV) | 25        | OATT Agreement w/ SRP     |

\*Arefs are identified in Attachment #1 to this Procedure.

7.4 Section 4.4 describes the transmission capacity to Westwing for delivery on to Thunderstone.

7.5 Exhibit D of this operating procedure describes the physical path (SGPP Wheel) using the Navajo-Westwing line to be used for tagging purposes.

7.6 The Brady, Picacho, and Red Rock Pumping Plants combined operate at or below a peak of 60 megawatts.

7.7 Transmission rights available to meet peak load for Salt-Gila Pumping Plant identified in Section 7.6 is as follows:

| <b>Path Description</b>                 | <b>MW</b> | <b>Contract Reference</b> |
|---|-----------|---------------------------|
| Westwing 230kV > Saguaro<br>115kV (APS) | 60        | OATT Agreement w/ APS     |

\*Arefs are identified in Attachment #1 to this Procedure.

7.8 Section 4.4 describes the transmission rights to Westwing for delivery on to Saguaro.

7.9 Exhibit E of this operating procedure describes the physical path (AZPS Wheel) using the Navajo-Westwing line

to be used for tagging purposes for Brady-Picacho-Red Rock delivery.

7.10 The Twin Peaks, Sandario, Brawley, San Xavier, Snyder Hill and Black Mountain Pumping Plants (Tucson Plants) combined operate at or below a peak of 30 megawatts.

7.11 Transmission rights available to meet peak load for Tucson Plants identified in Section 7.10 is as follows:

| <b>Path Description</b>                 | <b>MW</b> | <b>Contract Reference</b>   |
|---|-----------|-----------------------------|
| Westwing > Liberty (All 30 MW at 230kV) | 30        | Contract 10537 with Western |

\*Arefs are identified in Attachment #1 to this Procedure.

7.12 Section 4.4 describes the transmission rights to Westwing for delivery on to Liberty.

7.13 Exhibit F to this operating procedure describes the physical path (Tucson Wheel) using the Navajo-Westwing line to be used for tagging purposes for delivery to the Tucson Plants.

## 8. SCHEDULING

8.1 Within the pre-scheduling calendar, CAWCD provides its scheduling agent with a pre-schedule which includes pump schedules, schedules for repayment of losses, schedules for repayment of deviation and any pre-scheduled transactions balanced by resources available for scheduling from Hoover, New Waddell Generation, Navajo Generating Station, receipt of deviation and market transactions.

8.2 On a real-time basis, CAWCD's scheduling agent will monitor CAP pump loads and other transactions. CAWCD's scheduling agent has authority to act on CAWCD's behalf in the real-time market to take action necessary to maintain balance between CAWCD loads and resources.

8.3 CAWCD's scheduling agent provides e-tagging services for CAWCD transactions on a pre-scheduled and real-time basis.

8.4 CAWCD's scheduling agent provides settlement services for CAWCD transactions.

9. OTHER SUPPLIERS

9.1 When CAWCD obtains energy for CAWCD pumps from third parties CAWCD's scheduling agent will coordinate resultant schedules with Western and the third party.

9.2 Energy purchased by CAWCD from third parties for CAP Facilities will be scheduled and delivered to CAWCD's scheduling agent at points of delivery to Western. Such deliveries will be consistent with CAWCD's transmission rights.

Accepted and agreed to this  
\_\_\_\_\_ day of \_\_\_\_\_, 2011

Accepted and agreed to this  
\_\_\_\_\_ day of \_\_\_\_\_, 2011

\_\_\_\_\_  
Authorized Representative  
Western Area Power Administration

\_\_\_\_\_  
Authorized Representative  
Bureau of Reclamation

Accepted and agreed to this  
\_\_\_\_\_ day of \_\_\_\_\_, 2011

\_\_\_\_\_  
Authorized Representative  
Central Arizona Water  
Conservation District

Exhibit A

Scheduling for West CAP Pump Load  
Navajo Western Transmission System

| Path Reference | Point of Receipt | Point of Delivery | Scheduling Entity | Capacity Right (MW)    |
|----------------|------------------|-------------------|-------------------|------------------------|
| Davis Wheel    | Navajo           |                   |                   |                        |
|                | Navajo 500       | Navajo 500        | AZPS              | 546.750 <sup>1</sup>   |
|                | Navajo 500       | McCullough 500    | LDWP              | Up to 500 <sup>2</sup> |
|                | McCullough 500   | McCullough 230    | LDWP              | Up to 362              |
|                | McCullough 230   | Davis 230         | WALC              | 240 <sup>3</sup>       |
|                | Davis 230        | Parker 230        | WALC              | 240                    |
|                | CAP Pumps        |                   |                   |                        |
|                |                  |                   |                   |                        |
| Mead Wheel     | Navajo           |                   |                   |                        |
|                | Navajo 500       | Navajo 500        | AZPS              | 546.750                |
|                | Navajo 500       | McCullough 500    | LDWP              | Up to 500              |
|                | McCullough 500   | McCullough 230    | LDWP              | Up to 362              |
|                | McCullough 230   | Mead 230          | LDWP              | Up to 122 <sup>4</sup> |
|                | Mead 230         | Davis 230         | WALC              | 86 <sup>5</sup>        |
|                | Davis 230        | Parker 230        | WALC              | 86                     |
|                | CAP Pumps        |                   |                   |                        |
|                |                  |                   |                   |                        |
|                |                  |                   |                   |                        |
|                |                  |                   |                   |                        |

The transmission capacities listed in this operating procedure are for information purposes only. No transmission rights or obligations are established under this operating procedure.

<sup>1</sup> United States share of Navajo Generating Station

<sup>2</sup> United States share of NWTS, part of the Navajo Project

<sup>3</sup> Part of the CAP Transmission System (McCullough to Davis to Parker), operated and maintained by Western Area Power Administration

<sup>4</sup> Ui-directional capacity pursuant to an agreement between the United States and Los Angeles Department of Water and Power

<sup>5</sup> Bi-directional capacity held by CAWCD pursuant to its agreement for Hoover power and energy with the Arizona Power Authority, allowing CAWCD to use capacity for non-Hoover energy schedules

Exhibit B

Scheduling for West CAP Pump Load  
 Navajo Southern Transmission System

| Path Reference | Point of Receipt | Point of Delivery | Scheduling Entity | Capacity Right (MW)     |
|----------------|------------------|-------------------|-------------------|-------------------------|
| Liberty Wheel  | Navajo           |                   |                   |                         |
|                | Navajo 500       | Navajo 500        | AZPS              | 663.6                   |
|                | Navajo 500       | Westwing 500      | AZPS              | Up to 547 <sup>6</sup>  |
|                | Westwing 500     | Westwing 230      | AZPS              | Up to 547               |
|                | Westwing 230     | Liberty 230       | WALC              | 30 <sup>7</sup> or more |
|                | Liberty 230      | Parker 230        | WALC              | 103 <sup>8</sup>        |
|                | CAP Pumps        |                   |                   |                         |

The transmission capacities listed in this operating procedure are for information purposes only. No transmission rights or obligations are established under this operating procedure.

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<sup>6</sup> United States share of NSTS, part of the Navajo Project

<sup>7</sup> Capacity available to CAWCD pursuant to Contract 10537 with Western Area Power Administration

<sup>8</sup> Part of the Parker-Davis System operated and maintained by Western Area Power Administration

Exhibit C

Scheduling for New Waddell Generation/Pump Load  
Navajo Southern Transmission System

| Path Reference                       | Point of Receipt | Point of Delivery | Scheduling Entity | Capacity Right (MW) |
|--------------------------------------|------------------|-------------------|-------------------|---------------------|
| Raceway Wheel<br>(Pump Load)         | Navajo           |                   |                   |                     |
|                                      | Navajo 500       | Navajo 500        | AZPS              | 663.6               |
|                                      | Navajo 500       | Westwing 500      | AZPS              | Up to 547           |
|                                      | Westwing 500     | Westwing 230      | AZPS              | Up to 547           |
|                                      | Westwing 230     | Raceway 230       | WALC              | 45 <sup>9</sup>     |
|                                      | CAP Pumps        |                   |                   |                     |
|                                      |                  |                   |                   |                     |
| New Waddell<br>Wheel<br>(Generation) | New Waddell      |                   |                   |                     |
|                                      | New Waddell 230  | New Waddell 230   | CAWCD             | 45                  |
|                                      | New Waddell 230  | Raceway 230       | WALC              | 45                  |
|                                      | Raceway 230      | Westwing 230      | WALC              | 45                  |
|                                      | Westwing 230     | Liberty 230       | WALC              | 30                  |
|                                      | Liberty 230      | Parker 230        | WALC              | 103                 |
|                                      | CAP Pumps        |                   |                   |                     |

As Stated above, the transmission capacities listed in this operating procedure are for information purposes only. No transmission rights or obligations are established under this operating procedure.

<sup>9</sup> Bi-directional capacity available to CAWCD as part of the CAP Transmission System operated and maintained by Western Area Power Administration

Exhibit D

Scheduling for South CAP Pump Load  
 Salt-Gila Pumping Plant  
 Navajo Southern Transmission System

| Path Reference | Point of Receipt | Point of Delivery | Scheduling Entity | Capacity Right (MW) |
|----------------|------------------|-------------------|-------------------|---------------------|
| SGPP Wheel     | Navajo           |                   |                   |                     |
|                | Navajo 500       | Navajo 500        | AZPS              | 663.6               |
|                | Navajo 500       | Westwing 500      | AZPS              | Up to 547           |
|                | Westwing 500     | Westwing 230      | AZPS              | Up to 547           |
|                | Westwing 230     | Thunderstone 230  | SRP               | 25 <sup>10</sup>    |
|                | CAP Pumps        |                   |                   |                     |

Exhibit E

Scheduling for South CAP Pump Load  
 Brady, Picacho and Red Rock Pumping Plants  
 Navajo Southern Transmission System

| Path Reference | Point of Receipt | Point of Delivery | Scheduling Entity | Capacity Right (MW) |
|----------------|------------------|-------------------|-------------------|---------------------|
| AZPS Wheel     | Navajo           |                   |                   |                     |
|                | Navajo 500       | Navajo 500        | AZPS              | 663.6               |
|                | Navajo 500       | Westwing 500      | AZPS              | Up to 547           |
|                | Westwing 500     | Westwing 230      | AZPS              | Up to 547           |
|                | Westwing 230     | Saguaro 115       | AZPS              | 60 <sup>11</sup>    |
|                | CAP Pumps        |                   |                   |                     |

As stated above transmission capacities listed in this operating procedure are for information purposes only. No transmission rights or obligations are established under this operating procedure.

<sup>10</sup> OATT Service Contract between CAWCD and SRP.

<sup>11</sup> OATT Service Contract between CAWCD and AZPS (72208082 @ 35 MW and 74113052 @ 25 MW).

Exhibit F

Scheduling for South CAP Pump Load  
Tucson Pumping Plants<sup>12</sup>  
Navajo Southern Transmission System

| Path Reference | Point of Receipt | Point of Delivery | Scheduling Entity | Capacity Right (MW) |
|----------------|------------------|-------------------|-------------------|---------------------|
| Tucson Wheel   | Navajo           |                   |                   |                     |
|                | Navajo 500       | Navajo 500        | AZPS              | 663.3               |
|                | Navajo 500       | Westwing 500      | AZPS              | Up to 547           |
|                | Westwing 500     | Westwing 230      | AZPS              | Up to 547           |
|                | Westwing 230     | Marana 115        | WALC              | 30 <sup>13</sup>    |
|                | CAP Pumps        |                   |                   |                     |

As stated above the transmission capacities listed in this operating procedure are for information purposes only. No transmission rights or obligations are established under this operating procedure.

<sup>12</sup> Twin Peaks, Sandario, Brawley, San Xavier, Snyder Hill and Black Mountain Pumping Plants.

<sup>13</sup> Capacity available to CAWCD pursuant to Contract 10537 with Western Area Power Administration (monthly reservation, currently non-firm).

OPERATING PROCEDURE  
AMONG  
THE UNITED STATES  
DEPARTMENT OF ENERGY  
WESTERN AREA POWER ADMINISTRATION  
(Western)  
AND  
THE UNITED STATES  
DEPARTMENT OF THE INTERIOR  
BUREAU OF RECLAMATION  
(Reclamation)  
AND  
CENTRAL ARIZONA WATER CONSERVATION DISTRICT  
(CAWCD)  
FOR  
CAWCD USE OF NAVAJO RESERVED ENERGY

1. PURPOSE

This operating procedure is written in accordance with Section 8 of Contract No. 11-DSR-12296 (Western) / 1-CU-30-P1212 (Reclamation) (Contract).

2. DEFINED TERMS

Capitalized terms used in this operating procedure are defined in the Contract.

3. TERM

This operating procedure will remain in effect during the term of the Contract or until superseded by a revised operating procedure.

4. INTENT

The intent of this procedure is to allow CAWCD to use Navajo Reserved Energy to meet CAP pumping needs and minimize pumping energy costs to CAP customers, both Indian and non-Indian, consistent with CAP operational and maintenance needs.

5. CAWCD USE OF NAVAJO RESERVED ENERGY

5.1 CAWCD may use Navajo Reserved Energy to meet CAP Pump Load requirements directly by delivery to CAP facilities.

5.2 CAWCD may use Navajo Reserved Energy to meet CAP Pump Load requirements indirectly by executing transactions in the electricity market, including shaping, displacement and other purchases and sales. All such transactions shall be at CAWCD's sole discretion based

on market factors, CAP maintenance needs or other considerations.

- 5.3 CAWCD may use the Navajo Transmission System available pursuant to OP6 to complete transactions described in Subsection 5.2.

## 6. ANNUAL SETTLEMENT

- 6.1 CAWCD will maintain records of all transactions carried out pursuant to Subsection 5.2, including all revenues and associated costs, and provide such records to Reclamation on a monthly basis or more frequently at Reclamation's option.

- 6.2 CAWCD shall annually determine net revenue resulting from transactions described in Subsection 5.2. Net revenue is the difference between revenues resulting from such transactions and the associated costs incurred to effect those transactions.

- 6.3 If net revenue determined pursuant to Subsection 6.2 is positive, then CAWCD shall cause such net revenue to be deposited into the Development Fund on or before the last working day of the calendar year.

- 6.4 If net revenue determined pursuant to Subsection 6.2 is negative, the Development Fund will be under no obligation to make up the difference.

- ## 7. APPLICATION OF NET REVENUES TO CAP PUMPING ENERGY RATES
- To the extent that net revenue deposited into the Development Fund in any year pursuant to Subsection 6.3 reduces the amount of supplemental cash that CAWCD would otherwise have had to pay against its repayment obligation for that year, CAWCD will apply a credit in an equivalent amount to a rate stabilization fund associated with the CAP energy rate.

Accepted and agreed to this  
\_\_\_\_\_ day of \_\_\_\_\_, 2011

Accepted and agreed to this  
\_\_\_\_\_ day of \_\_\_\_\_, 2011

\_\_\_\_\_  
Authorized Representative  
Western Area Power  
Administration

\_\_\_\_\_  
Authorized Representative  
Bureau of Reclamation

Accepted and agreed to this  
\_\_\_\_\_ day of \_\_\_\_\_, 2011

\_\_\_\_\_  
Authorized Representative  
Central Arizona Water  
Conservation District

OPERATING PROCEDURE  
AMONG  
THE UNITED STATES  
DEPARTMENT OF ENERGY  
WESTERN AREA POWER ADMINISTRATION  
(Western)  
AND  
THE UNITED STATES  
DEPARTMENT OF THE INTERIOR  
BUREAU OF RECLAMATION  
(Reclamation)  
AND  
CENTRAL ARIZONA WATER CONSERVATION DISTRICT  
(CAWCD)  
FOR  
TRANSMISSION LOSS SCHEDULING

1. PURPOSE  
This operating procedure is written in accordance with Section 13 of Contract No. 11-DSR-12296 (Western) / 1-CU-30-P1212 (Reclamation) (Contract).
2. DEFINED TERMS  
Capitalized terms used in this operating procedure are defined in the Contract.
3. TERM  
This operating procedure will remain in effect during the term of the Contract or until superseded by a revised operating procedure.
4. ROLES AND RESPONSIBILITIES
  - 4.1 The Parties will create and execute hourly power schedules over the Navajo Western Transmission System (Section 5 herein) and the Navajo Southern Transmission System (Section 6 herein).
  - 4.2 Western is the transmission provider and will account for and schedule loss returns to LADWP and APS from Navajo generation for the amount of losses incurred due to the use of the U.S. entitlement in the Navajo Transmission System. Losses collected for transmission sales on Western's OASIS shall be collected according to Western's business practices for such sales.
  - 4.3 Western will provide a monthly accounting to Reclamation of the Navajo Transmission System losses assessed for CAWCD schedules of Navajo Transmission and

by Western schedules for delivery of Navajo Surplus or Navajo Transmission sales.

4.4 Reclamation shall invoice CAWCD for losses assessed for CAWCD's Navajo Transmission schedules as a part of the billing for CAWCD use of Navajo energy under OP7.

5. NAVAJO WESTERN TRANSMISSION SYSTEM (NWTS)

5.1 Losses allocated to the United States on this system will be scheduled by Western to LADWP as computed by the procedure approved by the Transmission Engineering and Operating (E&O) Committee.

5.2 Monthly losses applied to CAWCD is determined from the following formula:

$$\text{CAWCD NWTS LOSS} = A \times B / (C - A)$$

Where:

CAWCD NWTS LOSS = CAWCD's NWTS losses

A = Losses delivered to LADWP by Western

B = Energy scheduled by CAWCD over the NWTS for CAP pump loads and other CAWCD schedules

C = Combined Western (Western schedules of Navajo Surplus and third party deliveries) and CAWCD NWTS schedules

6. NAVAJO SOUTHERN TRANSMISSION SYSTEM (NSTS)

6.1 Losses allocated to the United States on this system will be scheduled by Western to APS as computed by the procedure approved by the Transmission E&O Committee.

6.2 Monthly losses applied to CAWCD are determined from the following formula:

$$\text{CAWCD NSTS LOSS} = A \times B / (C - A)$$

Where:

CAWCD NSTS LOSS = CAWCD's NSTS losses

A = Losses delivered to APS by Western

B = Energy scheduled by CAWCD over the NSTS for CAP pump loads and other CAWCD schedules

C = Combined Western (Western schedules of Navajo Surplus and third party deliveries) and CAWCD NSTS schedules

7. HOOVER

7.1 Losses for CAWCD's Hoover Schedule B Energy and Hoover Schedule C Energy will be scheduled by CAWCD as

determined from the APA Transmission Loss Calculation spreadsheet.

- 7.2 Loss calculation and return scheduling shall be in accordance with the APA Firm Transmission Service and Scheduling Entity agreements.
8. WESTWING - NEW WADDELL  
The metering for generation and pump load at New Waddell is configured such that losses for the CAWCD generation and pump load are a part of the metered flow, and therefore no loss payback is required.
9. PARKER-DAVIS PROJECT TRANSMISSION SYSTEM (PDTS)  
Losses allocated to CAWCD for CAWCD's use of the PDTS will be scheduled by CAWCD to Western pursuant to CAWCD's Firm Transmission Service Agreement with Western (93-PAO-10537).
10. PACIFIC NORTHWEST/PACIFIC SOUTHWEST INTERTIE PROJECT (ITS)  
Losses allocated to CAWCD for CAWCD's use of the ITS will be scheduled by CAWCD to Western pursuant to CAWCD's Firm Transmission Service Agreement with Western (93-PAO-10537).
11. CAP TRANSMISSION SYSTEM  
Losses allocated to CAWCD for CAWCD's use of the CAP Transmission System will be scheduled by CAWCD to Western pursuant to CAWCD's Firm Transmission Service Agreement with Western (93-PAO-10537).
12. SALT GILA PUMP LOAD (SRP OATT SERVICE)  
Salt Gila losses will be assessed at a rate that is determined by SRP's Open Access Transmission Tariff.
13. BRADY/PICACHO/RED ROCK (APS OATT Service)  
Losses allocated to CAWCD for energy wheeled by APS will be the losses scheduled by CAWCD to APS for the Brady, Picacho and Red Rock pump loads.
14. HOURLY LOSS SCHEDULES
  - 14.1 Hourly loss schedules will be prescheduled.
  - 14.2 Hourly loss schedules for the NWTs and NSTs will be determined by LADWP and APS, respectively.
  - 14.3 Hourly loss schedules for the PDTS, ITS, and CAP Transmission System will be mutually determined by CAWCD and Western. Hourly losses will be returned to Western in proportion to the hourly energy schedules. Losses can be determined on a monthly, weekly or daily basis and converted to hourly schedules.

- 14.4 Accumulated loss deviation will be managed to minimize the balance on a monthly basis.
- 14.5 At the end of each month, the billing meter reads for CAP pump loads will be used to determine actual energy deliveries to pump loads. The difference between the pump load schedules and the meter reads will add to the accumulated loss deviation. The meter reads will be in a format as shown on Attachment A.
- 14.6 The delivery points for loss return schedules will be McCullough, Mead, Westwing, Liberty or other mutually acceptable points.

Accepted and agreed to this  
\_\_\_\_\_ day of \_\_\_\_\_, 2011

Accepted and agreed to this  
\_\_\_\_\_ day of \_\_\_\_\_, 2011

\_\_\_\_\_  
Authorized Representative  
Western Area Power  
Administration

\_\_\_\_\_  
Authorized Representative  
Bureau of Reclamation

Accepted and agreed to this  
\_\_\_\_\_ day of \_\_\_\_\_, 2011

\_\_\_\_\_  
Authorized Representative  
Central Arizona Water Conservation District

OPERATING PROCEDURE  
AMONG  
THE UNITED STATES  
DEPARTMENT OF ENERGY  
WESTERN AREA POWER ADMINISTRATION  
(Western)  
AND  
THE UNITED STATES  
DEPARTMENT OF THE INTERIOR  
BUREAU OF RECLAMATION  
(Reclamation)  
AND  
CENTRAL ARIZONA WATER CONSERVATION DISTRICT  
(CAWCD)  
FOR  
ADMINISTRATION OF NAVAJO GENERATION AND TRANSMISSION

1. PURPOSE  
This operating procedure is written in accordance with Sections 7, 8, 11, 12 and 13 of Contract No. 11-DSR-12296 (Western) / 1-CU-30-P1212 (Reclamation) (Contract).
2. DEFINED TERMS  
Capitalized terms used in this operating procedure are defined in the Contract.
3. TERM  
This operating procedure will remain in effect during the term of the Contract or until superseded by a revised operating procedure.
4. ROLES AND RESPONSIBILITIES - GENERATION
  - 4.1 Reclamation is responsible for administration of the contracts and finances associated with the federal participation in the Navajo Project generation. Reclamation is the voting member for the United States on the Generating Station E&O, Coordinating, and all other standing committees associated with participation in Navajo generation.
  - 4.2 Western is responsible for real-time outage and curtailment coordination with the NGS Operating Agent and CAWCD or its scheduling agent, and sales of Navajo Surplus as further defined in Section 7 of the Contract.
  - 4.3 CAWCD is responsible for ensuring the availability of Navajo generation to serve CAP load and for funding of Navajo generation as defined in OP7. CAWCD will provide Western with information on CAP pumping impacts

on proposed outages and curtailments by the NGS Plant Operator.

## 5. ROLES AND RESPONSIBILITIES - TRANSMISSION

- 5.1 Reclamation is responsible for administration of the contracts and finances associated with the federal participation in the Navajo Project transmission. Reclamation attends and provides guidance to Western on Navajo Transmission E&O Committee matters.
- 5.2 Western is the voting member for the United States on the Navajo Transmission E&O Committee, but consults with Reclamation on all matters with financial implications. Western serves as the transmission provider, marketer, and outage coordinator for the United States' capacity entitlement in the Navajo Transmission System.
- 5.3 CAWCD or its scheduling agent is responsible for scheduling Navajo transmission to serve CAP Pump Load and for other transactions to benefit the project. CAWCD is also responsible for funding the portion of Navajo transmission it uses as defined in OP7T. CAWCD will provide Western with information on CAP pumping impacts regarding proposed outages and curtailments by the Navajo Transmission Operators.

## 6. INTERACTION WITH NGS OPERATING AGENT

- 6.1 NGS generation is dynamically signaled by the NGS Operating Agent to each NGS owner participant or his agent. The dynamic signal to each participant is calculated by multiplying the plant's instantaneous generation output multiplied by the participant's entitlement share (adjusted for economic curtailments when scheduled by the participant). The signal associated with the Navajo Entitlement (NGS Signal) is sent to Western, Reclamation's agent.
- 6.2 Western dispatch shall be the coordinating party with the NGS Operating Agent for the Navajo Entitlement.
- 6.3 The NGS Operating Agent provides notices of scheduled and unscheduled outages and curtailments in accordance with Navajo agreements and procedures.
  - 6.3.1 For unplanned outages Western will serve as the real time outage coordinator for the Navajo Entitlement and will receive notifications of unplanned outage and curtailments from the NGS Operating Agent and forward such information to CAWCD's scheduling agent. CAWCD's scheduling agent, Western's merchant, and Western dispatch

shall coordinate cooperatively and in a timely fashion to respond to unplanned outages or curtailments based upon mutually agreed to scheduling practices and procedures.

6.3.2 For planned outages, Western shall provide input to the NGS Operating Agent on behalf of the United States' interest based on both input related to Navajo Surplus sales and input from CAWCD on the impacts to CAP pumping. All parties shall be notified of planned outages and curtailments by the NGS Operating Agent.

## 7. SCHEDULING OF NGS GENERATION AND ENERGY DELIVERIES

7.1 Western shall transmit to CAWCD, or its scheduling agent, the NGS Signal net of Western sales. Western shall include CAWCD, or its scheduling agent, on all electronic tags (e-tags) associated with Navajo Surplus Sales. The net of these shall determine the NGS Energy delivered to CAWCD.

7.2 CAWCD, or its scheduling agent, shall identify on all e-tags what CAWCD Navajo Reserve Energy is being delivered directly to meet CAP Pump Load and Navajo Reserve Energy being used to complete transactions under OP4.

7.3 For Navajo Forward Sales and Navajo Short-Term Sales, Western will e-tag or require the purchaser(s) of such sales to provide the e-tag.

7.4 Western's merchant and CAWCD's scheduling agent shall coordinate requested NGS generation through Western dispatch. The Parties agree to work cooperatively to minimize and mitigate impacts to each Party.

## 8. UTILIZATION OF NAVAJO TRANSMISSION CAPACITY

8.1 Transmission capacity reserved for Navajo Reserved Energy and Navajo Surplus:

| Point of Receipt  | Point of Delivery | Capacity (MW) |
|-------------------|-------------------|---------------|
| Navajo 500 kV     | McCullough 500 kV | 500           |
| McCullough 500 kV | Navajo 500 kV     | 500           |
| McCullough 500 kV | McCullough 230 kV | 400           |
| McCullough 500 kV | Mead 230 kV       | 122           |
| Navajo 500 kV     | Westwing 500 kV   | 547           |
| Westwing 500 kV   | Westwing 230 kV   | 547           |
| Westwing 230 kV   | Westwing 500 kV   | 406           |
| Westwing 500 kV   | Navajo 500 kV     | 547           |

8.2 Transmission capacity reserved for other than Navajo Reserved Energy and Navajo Surplus sales or available to be marketed by Western:

Navajo Western Transmission System (NWTs):

| Point of Receipt  | Point of Delivery | Capacity (MW) |
|-------------------|-------------------|---------------|
| McCullough 230 kV | McCullough 500 kV | 240           |
| McCullough 230 kV | McCullough 500 kV | 122           |
| Crystal 500 kV    | McCullough 500 kV | 93            |
| McCullough 500 kV | Crystal 500 kV    | 93            |

Notes: 240 MW reserved for CAP transmission sales. 122 MW MCC transformer capacity under contract with LADWP. 93 MW bi-directional available for Navajo transmission sales.

Navajo Southern Transmission System (NSTs):

| Point of Receipt | Point of Delivery | Capacity (MW) |
|------------------|-------------------|---------------|
| Navajo 500 kV    | Westwing 500 kV   | 117           |
| Westwing 500 kV  | Navajo 500 kV     | 117           |

Note: Available for Navajo transmission sales

8.3 Westwing Transformation Capacity Reserved For Western Use For Mead-Phoenix Project:

| Point of Receipt | Point of Delivery | Capacity (MW) |
|------------------|-------------------|---------------|
|------------------|-------------------|---------------|

|                 |                 |     |
|-----------------|-----------------|-----|
| Westwing 230 kV | Westwing 500 kV | 412 |
| Westwing 500 kV | Westwing 230 kV | 271 |

8.4 Transmission supporting Navajo Surplus sales is reserved in the quantities and hours matching the products that have been sold. Additional reservations supporting Navajo Surplus sales made during the year by Western will be in accordance with the annual planning process between the Parties.

8.5 Prior to the start of each month after consultations for additional Navajo Surplus considering Annual Planning process determinations, remaining transmission reserved capacity except any capacity needed for daily surplus sales by Western would be released to CAWCD for management within the month, subject to Navajo Transmission System curtailments.

8.6 Western may post all unscheduled Navajo transmission capacity for sale on a non-firm basis.

9. CURTAILMENTS OF GENERATION OR TRANSMISSION CAPACITY BY OPERATING AGENTS

- 9.1 Scheduled and unscheduled curtailments of NGS generation and/or Navajo Transmission System capacity are required at times for maintenance purposes or in response to equipment or system conditions. Western shall ensure correct reductions to all tags for Navajo Surplus and Navajo Reserved Energy deliveries to CAWCD are made by the appropriate scheduling agent during curtailments of NGS generation or Navajo Transmission System capacity by the Operating Agents of these facilities.
- 9.2 Navajo Forward Sales for June through September of any year which includes the first opportunity energy sale to SRP (Western Contract No.07-DSR-11901) shall be of equal priority to Navajo Reserved Energy scheduled to CAWCD. Curtailments shall be made on a pro rata basis for Navajo Forward Sales and Navajo Reserved Energy. Non-firm sales or Navajo Short-Term Sales, if any, shall be curtailed prior to curtailment of Forward Sales of CAP load.
- 9.3 Unless otherwise agreed to by the Parties, Navajo Short-Term Sales and Navajo Forward Sales for October through May of any year shall have lower priority than Navajo Reserved Energy scheduled to CAWCD. Any Navajo Short-Term Sales and Reserved Surplus sales shall be curtailed first, then Navajo Forward Sales, and last energy scheduled for CAP Pump Load.

10. CURTAILMENT OF NAVAJO ENTITLEMENT GENERATION

- 10.1 Navajo Project agreements provide for the owner participants to curtail their share of NGS generation within defined parameters herein. Western shall coordinate with the NGS Operating Agent on requests to curtail Navajo Entitlement share of generation. No economic curtailments of CAP pumping energy will be permitted except as may be agreed to in these procedures.
- 10.2 Western may request NGS curtailments as needed for reliability reasons including, but not limited to, significant loss of CAP Pump Load or cuts of Navajo Surplus sales schedules.
- 10.3 It is the intent of the Parties to make Navajo Surplus sales whose net proceeds are greater than the average NGS variable generation costs. Western may request Short-Term NGS economic curtailments on a day-ahead basis when it is expected that the resultant sales by Western would not be greater than the annual budget

amount of NGS fuel costs on a per kilowatt-hour basis. Economic curtailments associated with Navajo Short-Term Sales shall be governed by the terms of the Navajo Short-Term Sales agreements developed in these procedures.

## 11. CONTACTS

11.1 CAWCD shall designate a day ahead and real time scheduling agent by a sixty (60) day advance written notice to the Parties.

### 11.2 Day Ahead Scheduling Contacts:

- 11.2.1 Western Day Ahead Info
- 11.2.2 CAWCD Scheduling Agent Day Ahead Info
- 11.2.3 Reclamation Day Ahead

### 11.3 Real Time Scheduling Contacts:

- 11.3.1 Western Real Time Info
- 11.3.2 CAWCD Scheduling Agent Real Time Info

## 12. LOSSES

Losses on the Navajo Transmission System will be assessed in accordance with OP5 for Transmission Loss Scheduling.

Accepted and agreed to this  
\_\_\_\_\_ day of \_\_\_\_\_, 2011

Accepted and agreed to this  
\_\_\_\_\_ day of \_\_\_\_\_, 2011

\_\_\_\_\_  
Authorized Representative  
Western Area Power  
Administration

\_\_\_\_\_  
Authorized Representative  
Bureau of Reclamation

Accepted and agreed to this  
\_\_\_\_\_ day of \_\_\_\_\_, 2011

\_\_\_\_\_  
Authorized Representative  
Central Arizona Water Conservation District

OPERATING PROCEDURE  
AMONG  
THE UNITED STATES  
DEPARTMENT OF ENERGY  
WESTERN AREA POWER ADMINISTRATION  
(Western)  
AND  
THE UNITED STATES  
DEPARTMENT OF THE INTERIOR  
BUREAU OF RECLAMATION  
(Reclamation)  
AND  
CENTRAL ARIZONA WATER CONSERVATION DISTRICT  
(CAWCD)  
FOR  
PREPARATION OF RECLAMATION'S NAVAJO ENERGY INVOICE  
TO  
CAWCD

1. PURPOSE

This operating procedure is written in accordance with Section 14 of Contract No. 11-DSR-12296 (Western) / 1-CU-30-P1212 (Reclamation) (Contract).

2. DEFINED TERMS

Capitalized terms used in this operating procedure are defined in the Contract.

3. TERM

This operating procedure will remain in effect during the term of the Contract or until superseded by a revised operating procedure.

4. BILLING

4.1 For each year, Reclamation's Projected Navajo Annual Energy Production shall be the generation estimate identified and budgeted by the Navajo Generating Station (NGS) operating agent for that year as measured in megawatt hours (MWh).

4.2 For each year, Reclamation's Navajo Generation Operating Expense shall equal the sum of expenses identified, budgeted, and billed by the NGS operating agent for operations, maintenance, replacements, and overhead for that year.

- 4.3 Per Unit Operating Charge equals the Navajo Generation Operating Expense divided by Projected Navajo Annual Energy Production.
- 4.4 For each year, Western Expense shall equal the sum of (i) Western's estimated budgeted annual costs exclusive of Western's annual administrative expenses; and (ii) Western's estimated annual administrative expenses for that year for services associated with the United States entitlement in NGS exclusive of those expenses associated with Western's responsibilities pursuant to the Amended Plan.
- 4.5 Per Unit Western Charge equals the Western Expense divided by Projected Navajo Annual Energy Production.
- 4.6 For each year, Reclamation Expense shall equal the sum of (i) Reclamation's estimated budgeted annual costs exclusive of Reclamation's annual administrative expenses; and (ii) Reclamation's estimated annual administrative expenses for that year for services associated with the United States entitlement in NGS exclusive of those expenses associated with Reclamation's responsibilities pursuant to the Amended Plan.
- 4.7 Per Unit Reclamation Charge equals the Reclamation Expense divided by Projected Navajo Annual Energy Production.
- 4.8 For each year, Western and Reclamation will each provide to CAWCD annual supporting documents showing NGS-related expenses by cost center, budget group or other subdivisions employed by Western and Reclamation, including indicators of the percentage of total dollars from each group allocated to NGS.
- 4.9 Exactions are any transaction privilege tax, sales tax, gross receipts tax, excise tax, and any other type of tax or surcharge enacted prior to or after the date of this procedure, and levied or imposed by any Federal, state, tribal, and local governments on the NGS for emissions of pollutants in conjunction with generation of electricity at NGS exclusive of such Exactions included within Operating Expense and Fuel Expense. Exactions shall be billed by Reclamation or Western to CAWCD commencing with the month in which Reclamation or Western first incurs the Exactions. Reclamation shall promptly notify CAWCD of such Exactions enacted after the date of this procedure and payable hereunder.

#### 4.10 Monthly Energy Charge

Formula for calculation of monthly invoice to CAWCD is as follows:

$$IA = (OC + WC + RC) * ED + TX, \text{ WHERE:}$$

IA = Monthly Invoice Amount

OC = Per Unit Operating Charge (Section 4.3)

WC = Per Unit Western Charge (Section 4.5)

RC = Per Unit Reclamation Charge (Section 4.7)

ED = Monthly Navajo Energy delivery (Section 5.2)

TX = Exactions (Section 4.9)

4.11 Annually, Reclamation receives Excess Sulfur Dioxide Allowances as a participant in the NGS. These excess allowances are maintained in an account administered by the Environmental Protection Agency (EPA). Some of these allowances are excess to what is needed to operate NGS and therefore can be sold. All Excess Allowances associated with Reclamation's entitlement are in account number 999900000244 (Reclamation Account). The value of the Excess Allowances is market-based and can vary significantly. Periodically, CAWCD will recommend in writing that Reclamation execute a transaction. Such written recommendations shall include the time of sale and amount of Excess Allowances to be sold from the Reclamation Account. Reclamation will then execute a transaction in the SO2 emissions market and notify CAWCD by copy of the confirmation of the transaction. Funds from each transaction received by Reclamation shall be deposited into the Development Fund.

4.12 At the end of each calendar year, Reclamation shall calculate a Prior Year Adjustment (PA) for that year (the Prior Year) as follows:

$$PA = ((AC / AP) - (BC / BP)) * \text{Sum}(ED), \text{ where}$$

AC = Actual NGS operating, fuel, Western and Reclamation costs for the Prior Year

AP = Actual Annual Navajo Energy Production for the Prior Year

BC = Budgeted operating, Western and Reclamation costs for the Prior Year as described in Sections 4.2, 4.4 and 4.6 above

BP = Projected Annual Navajo Energy Production for the Prior Year as described in Section 4.1 above

Sum(ED) = the sum of the monthly Navajo energy deliveries to CAWCD, as calculated under Section 5.2, for each month during the Prior Year

Reclamation shall apply the Prior Year Adjustment as a charge or credit to the Prior Year's LCRBDF net revenues. To the extent that such application results in a change to the net make-up cash payment otherwise due from CAWCD towards CAWCD's annual repayment related to the Prior Year, then Reclamation shall send written notification to CAWCD confirming the amount of the change. The amount of the Prior Year Adjustment in excess of the change to CAWCD's net make-up cash payment otherwise due from CAWCD towards CAWCD's annual repayment related to the Prior Year, if any, shall be invoiced or refunded to CAWCD by Reclamation.

4.13 Reclamation shall invoice CAWCD monthly pursuant to this Section 4 within 10 calendar days after the end of each month.

4.14 In order to cover potential shortfalls in the Development Fund, Reclamation may bill up to one (1) month in advance.

## 5. CALCULATION OF NAVAJO ENERGY DELIVERY (ED)

5.1 The invoice shall be based upon Navajo Reserved Energy delivered to CAWCD inclusive of losses scheduled to the transmission operators of the Navajo Western Transmission System and the Navajo Southern Transmission System for delivery of Navajo Reserved Energy and the CAWCD share of NGS station service losses.

### 5.2 Navajo Energy Delivery

Formula for calculation of Monthly Navajo energy use by CAWCD is as follows:

$ED = EM + TL + TC$ , WHERE:

EM = Total monthly Navajo Reserved Energy delivered to CAWCD.

TL = Transmission losses scheduled pursuant to the Transmission Loss Scheduling and Accounting, OP5.

TC = CAWCD's share of NGS station service losses associated with monthly delivery of Navajo Reserved Energy to CAWCD (Section 5.4)

5.3 In the event ED, calculated in any month, is negative for purposes of billing pursuant to Section 4.12, ED shall be deemed to be zero.

5.4 CAWCD's Share of Losses at NGS

Formula for calculation of CAWCD monthly share of station service losses at NGS is as follows:

$TC = [(EM + TL) / GEN] * (AUX230 + AUX500 + RRLOSS)$ , WHERE:

EM and TL as defined in Section 5.2

GEN = Monthly generation from U.S. entitlement in NGS

AUX230 = Reclamation's participation share of the monthly 230kV station auxiliary load including any losses associated with delivery of the energy to Western, Upper Colorado.

AUX500 = Reclamation's participation share of the monthly 500kV start-up/auxiliary power including losses in the event all three Navajo Generating Station units are off line.

RRLOSS = Reclamation's participation share of the monthly NGS RR losses owed to Western. RR losses include transmission line losses for the path from Navajo 500kV to Westwing 500kV to Pinnacle Peak 230kV and losses for the Navajo 230/50kV transformer.

5.5 Western will electronically deliver to CAWCD and Reclamation the Metering /Loss Summary worksheet as described in Exhibit A by 12:00 noon of the fifth (5th) business day of the month.

## 6. OTHER TRANSACTIONS

In the event Western and CAWCD execute other transactions during any month, such other transactions shall appear as a separate item on the monthly invoice.

## 7. PAYMENT

- 7.1 CAWCD shall pay the billed amount to Reclamation by the 20th calendar day of each month or within ten (10) calendar days after receipt of the bill, whichever is later. If such day is a weekend day, or a holiday, the bill shall be submitted on the next business day. Payment to be made by wire transfer pursuant to instructions listed on the monthly invoice.
- 7.2 Due to time constraints, should any component of the invoice amount require estimating, the estimated amount(s) will be adjusted to the actual amount(s) in the following month(s) invoice. There will be one estimate and one revision to every month. After each month's one revision has been issued, all subsequent costs identified for that month will be added to the current month invoice as an adjustment.
- 7.3 If any portion of the invoice is disputed, CAWCD shall provide written notice of such dispute and documentation of the reason for disputing such amount to Western. However, all invoices shall be paid in full pending resolution of the dispute, and any adjustment shall be debited or credited in succeeding month(s) invoice.

Accepted and agreed to this  
\_\_\_\_\_ day of \_\_\_\_\_, 2011

Accepted and agreed to this  
\_\_\_\_\_ day of \_\_\_\_\_, 2011

\_\_\_\_\_  
Authorized Representative  
Western Area Power  
Administration

\_\_\_\_\_  
Authorized Representative  
Bureau of Reclamation

Accepted and agreed to this  
\_\_\_\_\_ day of \_\_\_\_\_, 2011

\_\_\_\_\_  
Authorized Representative  
Central Arizona Water  
Conservation District

Exhibit A

| Central Arizona Project                           |     |             |                             |                                 |                                    |
|---|-----|-------------|-----------------------------|---------------------------------|------------------------------------|
| Metering / Deviation / Loss Monthly Summary       |     |             |                             |                                 |                                    |
|   |     |             |                             | Month:                          |                                    |
| METERING / SCHEDULING                             |     |             |                             |                                 |                                    |
| Load Element Name                                 |     | Meter Name  | Meter Load<br>Kilowatthours | Scheduled Load<br>Kilowatthours | Monthly Deviation<br>Kilowatthours |
| <b>Hayden-Rhodes Aqueduct</b>                     |     |             |                             |                                 |                                    |
| Mark Wilmer P.P.                                  | (+) | PAD534 Out  | 0                           |                                 |                                    |
| Mark Wilmer P.P. D Meter                          | (+) | PAD534      |                             |                                 |                                    |
| ^-Havasu Tap S.S.                                 | (+) | HVT530 Out  |                             |                                 |                                    |
| Harcuvar (Bouse Hills and Little Harqahala P.P.)  | (+) | HCR532 Out  |                             |                                 |                                    |
| Hassayampa P.P.                                   | (+) | HAP528 Out  |                             |                                 |                                    |
| CAWCD McCullough-Mead Wheeling Schedule           |     |             |                             |                                 |                                    |
| Schedule @ Liberty                                |     |             |                             |                                 |                                    |
| Schedule @ McCullough-Davis-Parker                |     |             |                             |                                 |                                    |
| West Pump Load                                    | (=) |             | 0                           | 0                               | 0                                  |
| <b>Waddell</b>                                    |     |             |                             |                                 |                                    |
| Waddell Generation                                | (-) | RWY 930 In  |                             |                                 |                                    |
| Waddell Pumping                                   | (+) | RWY 930 Out |                             |                                 |                                    |
| Waddell Load                                      | (=) |             | 0                           | 0                               | 0                                  |
| <b>Fannin-McFarland Aqueduct</b>                  |     |             |                             |                                 |                                    |
| Salt-Gila Pumping Plant                           |     |             |                             |                                 |                                    |
| Spook Hill Substation                             | (+) | SPH499 Out  |                             |                                 |                                    |
| Thunderstone Substation (SRP)                     | (+) | SRP Meter   |                             |                                 |                                    |
| Salt-Gila Total                                   | (=) |             | 0                           | 0                               | 0                                  |
| <b>Tucson Aqueduct</b>                            |     |             |                             |                                 |                                    |
| Brady-Picacho-Red Rock P.P.s                      |     |             |                             |                                 |                                    |
| Electrical District #2 Substation                 | (+) | ED2191 Out  |                             |                                 |                                    |
|   | (-) | ED2191 In   |                             |                                 |                                    |
| Saguaro Switchyard                                | (+) | SRG874 Out  |                             |                                 |                                    |
|   | (-) | SRG 874 In  |                             |                                 |                                    |
| Brady-Picacho-Red Rock Total                      | (=) |             | 0                           | 0                               | 0                                  |
| Tucson Pumping Plants                             |     |             |                             |                                 |                                    |
| Rattlesnake Substation                            | (+) | RSK Out     |                             |                                 |                                    |
|   | (-) | RSK In      |                             |                                 |                                    |
| Del Bac   | (+) | DLB Out     |                             |                                 |                                    |
|   | (-) | DLB In      |                             |                                 |                                    |
| Tucson Pumping Plants Total                       | (=) |             | 0                           | 0                               | 0                                  |
| CAP Metered Load and Schedule Deviation           |     |             | 0                           | 0                               | 0                                  |
| <b>OTHER - SCHEDULING ONLY</b>                    |     |             |                             |                                 |                                    |
| Exchange Out                                      | (+) |             |                             |                                 |                                    |
| Exchange In                                       | (-) |             |                             |                                 |                                    |
| Recovery Water                                    | (+) |             | 0                           |                                 |                                    |
| In Lieu   | (+) |             | 0                           |                                 |                                    |
| Total Scheduling Only                             | (=) |             |                             | 0                               |                                    |
| <b>TOTAL CAP METERED LOAD AND SCHEDULING ONLY</b> |     |             | 0                           | 0                               |                                    |

OPERATING PROCEDURE  
AMONG  
THE UNITED STATES  
DEPARTMENT OF ENERGY  
WESTERN AREA POWER ADMINISTRATION  
(Western)  
AND  
THE UNITED STATES  
DEPARTMENT OF THE INTERIOR  
BUREAU OF RECLAMATION  
(Reclamation)  
AND  
CENTRAL ARIZONA WATER CONSERVATION DISTRICT  
(CAWCD)  
FOR  
PREPARATION OF RECLAMATION'S NAVAJO TRANSMISSION INVOICE TO  
CAWCD

1. PURPOSE

This operating procedure is written in accordance with Section 14 of Contract No. 11-DSR-12296 (Western) / 1-CU-30-P1212 (Reclamation) (Contract).

2. DEFINED TERMS

Capitalized terms used in this operating procedure are defined in the Contract.

3. TERM

This operating procedure will remain in effect during the term of the Contract or until superseded by a revised operating procedure.

4. BILLING

4.1 For each year, Reclamation's Projected Annual Energy Production shall be the Reclamation's generation estimate identified and budgeted by Navajo Generating Station (NGS) for that year as measured in megawatt hours (MWh).

4.2 For each year, Reclamation's Projected Annual Use of Navajo Energy shall be the estimate of NGS energy to be delivered to CAWCD for that year as measured in MWh.

4.3 For each year, Transmission Operating Expense shall equal the sum of expenses identified, budgeted and billed on an annual basis by the operators of the

- Navajo Western Transmission System (NWTS)<sup>1</sup> and the Navajo Southern Transmission System (NSTS) for operations, maintenance, replacements and overhead.
- 4.4 Total Transfer Capability equals the sum of path ratings for NWTS and NSTS as recognized by Western Electricity Coordinating Council, currently 4,800 megawatts (MW) (2,000 MW on NWTS and 2,800 MW on NSTS). The United States' share of Total Transfer Capability is currently 1,163 MW (500 MW on NWTS and 663 MW on NSTS).
- 4.5 Existing Firm Transmission Commitments equals the sum of existing firm transmission capacity commitments for NWTS and NSTS to facilitate delivery of energy to (i) Central Arizona Project facilities and (ii) purchasers of Navajo Surplus energy. Currently, Existing Firm Commitments of the United States' share of Total Transfer Capability is 1,047 MW (500 MW on NWTS and 547 MW on NSTS).
- 4.6 For each year, Western Expense shall equal the sum of (i) Western's estimated budgeted annual costs exclusive of Western's annual administrative expenses; and (ii) Western's estimated annual administrative expenses for that year for services associated with the United States entitlement in Navajo Project Transmission (NWTS and NSTS) exclusive of those expenses associated with Western's responsibilities pursuant to the Amended Navajo Power Marketing Plan.
- 4.7 For each year, Reclamation Expense shall equal the sum of: (i) Reclamation's estimated budgeted annual costs exclusive of Reclamation's annual administrative expenses; and (ii) Reclamation's estimated annual administrative expenses for that year for services associated with the United States entitlement in Navajo Project Transmission (NWST and NSTS) exclusive of those expenses associated with Reclamation's responsibilities pursuant to the Amended Navajo Power Marketing Plan.
- 4.8 For each year, Western and Reclamation will each provide to CAWCD annual supporting documents showing Navajo Project Transmission-related expenses by cost center, budget group or other subdivisions employed by Western and Reclamation including indicators of the percentage of total dollars from each group allocated to Navajo Project Transmission.
- 4.9 Monthly Navajo Transmission Charge

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<sup>1</sup> Including the United States portion of the McCullough Switchyard.

Formula for calculation of monthly Navajo transmission invoice to CAWCD is as follows:

$$TIA = ((TE + TWC + TRC) * (EFTC / USTTC) * (PCAP / PROD)), \text{ WHERE:}$$

TIA = Monthly Transmission Invoice Amount

TE = Transmission Operating Expense (Section 4.3)

TWC = Transmission - Western Charge (Section 4.6)

TRC = Transmission - Reclamation Charge (Section 4.7)

EFTC = Existing Firm Transmission Commitments (Section 4.5)

USTTC = United States' share of Total Transfer Capability (Section 4.4)

PCAP = Projected annual use of NGS energy by CAWCD (Section 4.2)

PROD = Projected annual energy production at NGS (Section 4.1)

4.10 At the end of each calendar year, Reclamation shall calculate a Prior Year Adjustment (PA) for that year (the Prior Year) as follows:

$$TPA = (AC * (EFTC / USTTC) * (PCAP / PROD)) - \text{Sum}(TIA),$$

where:

AC = Actual operating, Western and Reclamation transmission costs for the Prior Year

Sum(TIA) = The sum of the monthly transmission invoices during the Prior Year

Reclamation shall apply the Prior Year Adjustment as a charge or credit to the Prior Year's LCRBDF net revenues. To the extent that such application results in a change to the net make-up cash payment otherwise due from CAWCD towards CAWCD's annual repayment related to the Prior Year, then Reclamation shall send written notification to CAWCD confirming the amount of the change. The amount of the Prior Year Adjustment in excess of the change to CAWCD's net make-up cash payment otherwise due from CAWCD towards CAWCD's annual

repayment related to the Prior Year, if any, shall be invoiced or refunded to CAWCD by Reclamation.

5. OTHER TRANSACTIONS

In the event Western and CAWCD execute other transactions during any month, such other transactions shall appear as a separate item on the monthly invoice.

6. PAYMENT

6.1 Reclamation shall invoice CAWCD monthly for the charges described in Section 4.10 herein within ten (10) days after the end of each month. Each monthly invoice amount shall be due and payable by CAWCD ten (10) calendar days after receipt of the invoice by CAWCD, or the 20th of the month, whichever is later. If the due date falls on a weekend or holiday, payment is due on the next CAWCD working day.

6.2 Due to time constraints, should any component of the invoice amount require estimating, the estimated amount(s) will be adjusted to the actual amount(s) in the following month(s) invoice. There will be one (1) estimate and one (1) revision to every month. After each month's revision has been issued, all subsequent costs identified for that month will be added to the current month invoice as an adjustment.

6.3 If any portion of the invoice is disputed, CAWCD shall provide written notice of such dispute and documentation of the reason for disputing such amount to Western. However, all invoices shall be paid in full pending resolution of the dispute, and the adjustment shall be debited or credited in the succeeding month(s) invoice.

Accepted and agreed to this  
\_\_\_\_\_ day of \_\_\_\_\_, 2011

Accepted and agreed to this  
\_\_\_\_\_ day of \_\_\_\_\_, 2011

\_\_\_\_\_  
Authorized Representative  
Western Area Power Administration

\_\_\_\_\_  
Authorized Representative  
Bureau of Reclamation

Accepted and agreed to this  
\_\_\_\_\_ day of \_\_\_\_\_, 2011

\_\_\_\_\_  
Authorized Representative  
Central Arizona Water  
Conservation District

## INTERAGENCY REIMBURSEMENT FUNDING AGREEMENT

|  |  |   |                                  |  |      |  |  |   |                                       |                                   |      |
|--|--|---|----------------------------------|--|------|--|--|---|---------------------------------------|-----------------------------------|------|
| <b>1 CONTRACT/AGREEMENT NUMBER (25)</b><br><br>DSW: 11-DSR-12296<br>BOR: 1-CU-30-P1212   |  | <b>2 FISCAL YEAR (4)</b><br><br>2012                  |                                  | <b>3 ESTIMATED AMOUNT (11)</b><br><br>\$1,700,000 00 |      | <b>4 SELLER INVOICE</b>  |  | <b>5 TRANS. CODE (1)</b><br><br>2                     |                                       | <b>6 ACTION CODE (1)</b><br><br>1 |      |
| <b>7 AGENCY REQUESTING SERVICE (BUYER)</b>   |  |   |                                  |  |      | <b>8 AGENCY PERFORMING SERVICE (SELLER)</b>  |  |   |                                       |                                   |      |
| NAME (32)<br>Department of the Interior<br>Bureau of Reclamation<br>Lower Colorado Region  |  |   |                                  |  |      | NAME (32)<br>Department of Energy<br>Western Area Power Administration<br>Desert Southwest Regional Office |  |   |                                       |                                   |      |
| DUNS # (32)<br>969794551   |  |   |                                  |  |      | DUNS # (32)<br>030957005   |  |   |                                       |                                   |      |
| ADDRESS (32)<br>P.O. Box 61470   |  |   |                                  |  |      | ADDRESS (32)<br>P.O. Box 6457  |  |   |                                       |                                   |      |
| CITY (21)<br>Boulder City  |  | STATE (2)<br>NV                                       | ZIP CODE (9)<br>89006-1470       |  |      | CITY (21)<br>Phoenix   |  | STATE (2)<br>AZ                                       | ZIP CODE (9)<br>85005-6457            |                                   |      |
| <b>9 SERVICES TO BE PERFORMED</b> <i>(Give brief explanation and basis for determining cost of services. Attach additional sheet if needed.)</i><br>This form is for accounting purposes only and provides for reimbursement of all Western's costs associated with the sales of surplus Navajo power and transmission capacity (approximately \$800,000). Additionally, transmission purchases to support Navajo Surplus sales is approximately \$900,000, for a FY12 estimate of \$1,700,000 (Reclamation Cost Authority is V40-12256210-100000). 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. These funds are only available for supplies and services incurred and obligated during the period listed in Section 11. |  |   |                                  |  |      |  |  |   |                                       |                                   |      |
| <b>10 LIST REFERENCES TO CORRESPONDENCE RELATIVE TO THIS WORK</b> <i>(Requesting agency only.) (50)</i>  |  |   |                                  |  |      |  |  |   |                                       |                                   |      |
| <b>11 DURATION OF AGREEMENT</b>  |  |   |                                  |  |      | <b>12 METHOD OF PAYMENT</b>  |  |   |                                       |                                   |      |
| EFFECTIVE DATE <i>(From)</i><br>10/01/2011   |  |   | CONTINUING THROUGH<br>09/30/2012 |  |      | REIMBURSEMENT<br>1 BILLING FREQUENCY   |  |   | ADVANCE OF FUNDS<br>0 TYPE OF ACCOUNT |                                   |      |
| <b>13 A. BUYER AGENCY LOCATOR CODE</b><br><br>14-06-0905   |  |   |                                  |  |      | <b>BUYER PROJECT #</b> <i>(As applicable)</i>  |  |   |                                       |                                   |      |
| <b>13 B. SELLER AGENCY LOCATOR CODE</b><br><br>89-00-1602  |  |   |                                  |  |      | <b>SELLER PROJECT #</b> <i>(As applicable)</i><br>RMF/GGCA<br>RPF/GGCA                                     |  |   |                                       |                                   |      |
| <b>14 A. BUYER TREASURY ACCOUNT SYMBOL (TAS) AND TITLE</b><br><br>14X0680  |  |   |                                  |  |      | <b>14 B. SELLER TREASURY ACCOUNT SYMBOL (TAS) &amp; TITLE</b><br><br>89X5068                               |  |   |                                       |                                   |      |
| <b>BUYER HEREBY AGREES TO OBLIGATE FUNDS SUFFICIENT TO FUND THE AMOUNT (#3 ABOVE) FOR THE DURATION OF THIS AGREEMENT.</b>  |  |   |                                  |  |      |  |  |   |                                       |                                   |      |
| <b>15 REQUESTING AGENCY (BUYER) APPROVAL</b>   |  |   |                                  |  |      | <b>16 PERFORMING AGENCY (SELLER) APPROVAL</b>  |  |   |                                       |                                   |      |
| SIGNATURE  |  |   |                                  | DATE   |      | SIGNATURE  |  |   |                                       | DATE                              |      |
| TITLE<br><br>Brian Sorensen, Finance Officer   |  |   |                                  |  |      | TITLE<br><br>Ethel Redhair, DSW Financial Manager  |  |   |                                       |                                   |      |
| PERSON TO CONTACT<br><br>Ron Smith   |  | PHONE <i>(Area Code and No.)</i><br><br>(702)293-8231 |                                  | FTS  | COMM | PERSON TO CONTACT<br><br>Tammy Heffner   |  | PHONE <i>(Area Code and No.)</i><br><br>(602)605-2834 |                                       | FTS                               | COMM |

## INSTRUCTIONS FOR DSW FORM R-2 (06/13/06)

- 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 - Fiscal Year
  - 3 - 4 - Region Code
  - 5 - 6 - Unique Agreement Number
- 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 #** (9 positions) (Required for IPAC transfers)
  - 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 – Buyer must enter the Buyer's Agency Locator Code, a required field for Interagency Funds transfers (IPACs).**
- 13B. SELLER AGENCY LOCATOR CODE –** Enter the Seller Agency Locator Code.
- 14A. BUYER Treasury Account Symbol & Title**  
Buyer must enter the Buyer's TAS Code and Title for Interagency Funds transfers (IPACs).
- 14B. SELLER Treasury Account Symbol & Title**
- 15. APPROVAL FOR REQUESTING AGENCY** - Self explanatory.
- 16. APPROVAL FOR PERFORMING AGENCY** - Self explanatory.