



**United States  
Department of Energy**

**WESTERN AREA  
POWER ADMINISTRATION**

**Desert Southwest  
Regional Office**

# **AGREEMENT**

**AGREEMENT NO. 02-DSR-11382**

**BETWEEN**

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

**AND**

**ARIZONA POWER AUTHORITY**

**FOR**

**ADVANCEMENT OF FUNDS FOR TRANSMISSION SERVICES**

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1. **PREAMBLE:** This AGREEMENT is made this 24 day of January, 2003, pursuant to the Reclamation Act, the Acts of Congress approved June 17, 1902 (32 Stat. 388); the Act of March 4, 1921 (41 Stat. 1404) popularly referred to as the Contributed Funds Act; the Interior Department Appropriation Act for 1928, Act of January 12, 1927 (44 Stat. 934); the Parker-Davis Project Consolidation Act of May 28, 1954 (68 Stat. 143); the Pacific Northwest-Pacific Southwest Intertie Project Act of August 31, 1964 (78 Stat. 756); the Department of Energy Organization Act of August 4, 1977 (91 Stat. 565); the Hoover Power Plant Act of August 17, 1984 (98 Stat. 1333), the Energy Policy Act of 1992, (Public Law 102-486); the annual Energy and Water Development Appropriations Act; and all acts amendatory or supplementary to the foregoing acts, between the UNITED STATES OF AMERICA, acting by and through the Administrator, Western Area Power Administration, Department of Energy, hereinafter called Western, represented by the officer executing this Agreement or a duly appointed successor, hereinafter called the Contracting Officer; and the ARIZONA POWER

AUTHORITY, a body corporate and politic, hereinafter called Contractor, acting in accordance with an Act of the Legislature of the State of Arizona approved March 27, 1944, (Second Special Session of the Sixteenth Legislature), as amended, and also acting pursuant to Chapter 12, Article 1 (consisting of A.R.S., Sections 45-2501 to 45-2521) as added by Laws 1967, Chapter 57, Section 1, (Arizona State Water and Power Plan), its successors and assigns; each sometimes hereinafter individually called Party, and both sometimes hereinafter collectively called Parties.

2. **EXPLANATORY RECITALS:**

2.1 The United States Department of Energy, Western Area Power Administration, pursuant to law, holds title to, operates, maintains, and makes replacements to Pacific Northwest-Pacific Southwest Intertie Project (Intertie) and the Parker-Davis Project (Parker-Davis) transmission facilities, and appurtenances.

2.2 Pursuant to the Boulder Canyon Project Act of December 21, 1928 (45 Stat. 1057), the Boulder Canyon Project Adjustment Act of July 19, 1940 (54 Stat. 774), and the Hoover Power Plant Act of August 17, 1984 (98 Stat. 1333), Contractor is receiving contingent capacity and associated energy, and excess energy from the Boulder Canyon Project.

2.3 Western has entered into a Firm and Nonfirm Transmission Service Contract, Contract No. DE-MS65-85WP39502, with the Contractor for delivery of energy from the Boulder Canyon Project through September 30, 2017.

2.4 Prior to Fiscal Year 2003, Western's costs for operation, maintenance, and replacement costs for transmission services have been primarily funded through money appropriated each year by Congress.

2.5 Federal appropriations for Western's costs for operation, maintenance, and replacement activities for transmission facilities are repaid through revenues collected from Western's transmission service contractors through monthly transmission service bills.

2.6 In lieu of appropriations, Western seeks advance funding for Contractor's share of transmission service directly from Contractor to fund Contractor's share of operation, maintenance, and replacement costs.

2.7 The reliability of transmission services is an essential component in the Contractor's ability to serve the end use electric customer. To ensure the reliability of this transmission, the Contractor is willing to advance funds to Western for deposit into a Trust Account for Contractor's share of transmission services.

2.8 To provide the necessary funds to ensure the reliability of transmission facilities and maximize the benefits of these facilities, Western hereby requests the Contractor to make advance payment of the Contractor's share of the cost of furnishing transmission service and Contractor agrees to so advance such funds, thereby establishing an advance funding process through this Agreement.

3. **AGREEMENT**: The Parties agree to the terms and conditions set forth herein.

4. **TERM AND TERMINATION OF THE AGREEMENT**:

4.1 This Agreement shall become effective upon signature by the Parties, and will apply to payments due after January 1, 2003, and shall remain in effect as long as Contract No. DE-MS65-85WP39502 between Western and Contractor for Firm and

Nonfirm Transmission Service (Transmission Service Contract) remains in effect<sup>1</sup>, provided that this Agreement: (1) may also be terminated by either Party by giving one (1) year advance written notice prior to the beginning of a Fiscal Year (October 1 of each year) and (2) shall be terminated by the occurrence of a failure of authorization contemplated by Section 14 of this Agreement.

4.2 If for any reason this Agreement is terminated, Western shall issue final credits equal to any remaining uncredited funds advanced under this Agreement, and the billing and payment process hereunder shall revert to the billing and payment provision provided for in the Contractor's Transmission Service Contract.

5. **RESPONSIBILITIES OF WESTERN:**

5.1 Western shall establish and administer a United States Treasury trust account (Trust Account) for funds advanced by the Contractor, which funds shall be expended only for purposes established as provided in Section 5.4 below.

5.2 Western shall prepare the necessary funding schedule reflecting the Contractor's Advancement of Funds Schedule, as shown in Exhibit A herein. The Advancement of Funds Schedule will show the Contractor's funding obligation for the funding year, not to exceed the Contractor's obligation under Contractor's Transmission Service Contract.

5.3 Western shall provide credits on the Contractor's Transmission Service Contract bill for funds advanced pursuant to Exhibit A of this Agreement.

5.4 At least sixty (60) days prior to the submission of the Desert Southwest Region's component of Western's annual budget request to Western's Corporate Services

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1. Contract No. DE-MS65-85WP39502 will expire on September 30, 2017, unless otherwise modified.

Office, Western and the Contractor shall meet to discuss Western's estimated work plan for the upcoming Fiscal Year for the advance funded transmission related operations, maintenance, and replacement costs including a listing of replacement items to be accomplished and the estimated cost for each replacement item. At this meeting Western shall furnish to Contractor its estimated work plan for the upcoming Fiscal Year.

Contractor shall review the above information and shall furnish written comments to Western within twenty (20) days of receipt of such information. Western shall consider Contractor's comments in Western's decision making and rate making processes, and provide a written response within twenty (20) days of receipt of such comments.

5.5 Within ninety (90) days after the close of each Fiscal Year, Western shall provide a listing of replacement items that were completed in the Fiscal Year just closed and are planned in future years.

5.6 Western shall continue to operate and maintain its transmission facilities in accordance with prudent utility practice.

6. **RESPONSIBILITIES OF CONTRACTOR:**

6.1 The Contractor shall participate in Western's maintenance and replacement programs through Western's public Rate and Repayment Process, Ten Year Planning Process, and as a Party to Contract No. 95-DSR-10534 for Joint Planning Agreement Principles.

6.2 Upon execution of this Agreement and for each month thereafter, the Contractor shall advance to Western monthly for deposit into the Trust Account, its funding obligation in accordance with Contractor's Advancement of Funds Schedule, as shown in Exhibit A hereof, and as modified pursuant to Section 11 of this Agreement.

The first advance funding payment will be due on January 25, 2003, as set forth in Exhibit A. On that date, the Contractor will also make payment of One Hundred Eighty-Two Thousand Three Hundred and Sixty Dollars (\$182,360) for service provided during December 2002 as required pursuant to the Contractor's Transmission Service Contract.

7. **DEPOSITS**: The funds to be deposited are due and payable before the close of business on the due dates shown in Contractor's Advancement of Funds Schedule, as shown in Exhibit A, or the next business day thereafter if the due date is a Saturday, Sunday, or Federal holiday. These deposits shall be considered paid when payment is confirmed as deposited into the Trust Account.

8. **INVOICING AND TRANSMISSION SERVICE BILLS FOR FISCAL YEAR 2003 AND THEREAFTER**. Each month, Western shall issue to the Contractor the following:

8.1 An invoice for advance funding of operations, maintenance, and related expenses associated with transmission service, as specified in Exhibit(s) A to this Agreement. Exhibit B sets forth the form of invoicing for the advancement of funds to be used by Western under this Agreement.

8.2 A Transmission Service Bill in an amount equal to the transmission capacity reserved for Contractor's use, multiplied by the applicable transmission rate then in effect. The Transmission Service Bill will also show the credit for any payments confirmed as deposited into the Trust Account and received for the service month being billed. Exhibit C sets forth the form of transmission service billing to be used by Western under this Agreement.

9. **RECORDS AND AUDITS**: The Contractor, upon written request and reasonable notice, shall have the right, at its own expense, to audit and to examine any cost, payment,

settlement, or supporting documentation pertaining to any of the terms and conditions of performance set forth in this Contract. Audits shall be performed at mutually agreed times and in conformance with generally accepted auditing standards. This right to audit shall extend for a period of three (3) years following the date of each payment under this Agreement. Western agrees to retain all necessary records and documentation during this audit period.

10. **AUTHORIZED REPRESENTATIVES OF THE PARTIES**: Each Party, by written notice to the other, shall designate the representative who is authorized to act on its behalf with respect to those matters contained herein which are the functions and responsibilities of the Parties. Either Party may change the designation of its authorized representative upon oral notice given to the other and confirmed promptly by written notice.
11. **MODIFICATIONS**: No modification, change, or amendment of this Agreement or any exhibits hereto shall be effective unless made in writing and signed by the Parties to this Agreement.
12. **EXHIBITS MADE PART OF THE AGREEMENT**: Exhibits to this Agreement, including, the initial Exhibits A, B, and C as such exhibits may be amended, revised or added from time to time, shall be attached to this Agreement and are incorporated by reference as if fully set forth herein. Exhibits shall be in force and effect until superseded by a subsequent exhibit, as agreed upon by the Parties in writing.
13. **GENERAL POWER CONTRACT PROVISIONS MADE PART OF THE AGREEMENT**: The General Power Contract Provisions (GPCP) dated July 10, 1998, as they may apply, are attached hereto, and hereby made a part of this Agreement the same as if they had been expressly set forth herein; provided, that if the articles in the

GPCP are in conflict with this Agreement, the provisions of this Agreement shall control.

14. **CONTINGENT UPON AUTHORIZATION**: Continued expenditures by the United States are contingent upon Congress making the necessary authorization required for the continued performance of the United States' obligations under this Agreement. In case such authorization is not made, Contractor hereby releases the United States from its contractual obligations and from all liability due to the failure of Congress to make such authorization.
15. **AUTHORITY TO EXECUTE**: Each individual signing this Agreement certifies that the Party represented has duly authorized such individual to execute this Agreement that binds and obligates the Party.

[INTENTIONALLY BLANK]

The Parties have caused this Agreement No. 02-DSR-11382 to be executed the date first written above.

UNITED STATES OF AMERICA  
DEPARTMENT OF ENERGY  
WESTERN AREA POWER ADMINISTRATION

By J. Tyler Carlson  
J. Tyler Carlson  
Title Regional Manager

Address Desert Southwest Region  
P.O. Box 6457  
Phoenix, AZ 85005-6457

ARIZONA POWER AUTHORITY

By Jewell M. Lewis  
Jewell M. Lewis  
Title Commission Chair

Address Arizona Power Authority  
1810 W. Adams Street  
Phoenix, AZ 85007-2697

**SCHEDULE FOR CONTRACTOR'S ADVANCEMENT OF FUNDS TO WESTERN**

1. This Exhibit A-Intertie, effective under and as a part of Agreement No. 02-DSR-11382 (Agreement) for Advancement of Funds for Transmission Services, shall become effective upon execution of the Agreement and shall remain in effect until superseded by another revision to Exhibit A-Intertie, provided, that this Exhibit A-Intertie or any superseding Exhibit A-Intertie shall be terminated upon termination of the Agreement.
2. The Fiscal Year 2003 schedule for advance of funds by Contractor for Pacific Northwest-Pacific Southwest Intertie Project (Pacific Intertie) is as follows, and shall apply beginning in Fiscal Year 2003 with the payment due January 25, 2003:

<u>Transmission Service Month</u>	<u>O&amp;M Expenses Month</u>	<u>Advance Payment Due Date</u>	<u>Amount</u>	<u>Credit on Transmission Bill Due Date</u>
January	February	January 25	\$ 182,360.00	February 28
February	March	February 25	\$ 182,360.00	March 30
March	April	March 25	\$ 182,360.00	April 30
April	May	April 25	\$ 182,360.00	May 30
May	June	May 25	\$ 182,360.00	June 30
June	July	June 25	\$ 182,360.00	July 30
July	August	July 25	\$ 182,360.00	August 30
August	September	August 25	\$ 182,360.00	September 30
September	October	September 25	\$ 182,360.00	October 30
<b>Total Amount Advanced in Fiscal Year 2003</b>			<b>— \$ 1,641,240.00</b>	

Exhibit A-Intertie  
 Agreement No. 02-DSR-11382  
 ARIZONA POWER AUTHORITY

3. The Fiscal Year schedule for advance of funds by Contractor for the Pacific Intertie for each Fiscal year after 2003 is as follows:

<u>Transmission Service Month</u>	<u>O&amp;M Expenses Month</u>	<u>Advance Payment Due Date</u>	<u>Amount</u>	<u>Credit on Transmission Bill Due Date</u>
October	November	October 25	\$ 182,360.00	November 30
November	December	November 25	\$ 182,360.00	December 30
December	January	December 25	\$ 182,360.00	January 30
January	February	January 25	\$ 182,360.00	February 28
February	March	February 25	\$ 182,360.00	March 30
March	April	March 25	\$ 182,360.00	April 30
April	May	April 25	\$ 182,360.00	May 30
May	June	May 25	\$ 182,360.00	June 30
June	July	June 25	\$ 182,360.00	July 30
July	August	July 25	\$ 182,360.00	August 30
August	September	August 25	\$ 182,360.00	September 30
September	October	September 25	\$ 182,360.00	October 30
<b>Total Annual Payment — \$ 2,188,320.00</b>				

4. Non-firm and Parker-Davis firm transmission services shall not be advance funded.

5. **Payment Address:**

Payments shall be mailed to:  
 Western Area Power Administration  
 File No. 51587  
 P.O. Box 60000  
 San Francisco, CA 94160-1587.

6. **Electronic Payments:** Payments may be made electronically by Electronic Funds Transfer (EFT) or via (ACH) (Automatic Clearinghouse).

6.1 If sending payment via **Electronic Funds Transfer**, (New York Federal Reserve Bank), payment shall include the following information:

**ABA (Routing Identifier): 021030004**  
**ALC (Agency Locator Code): 89001602**

6.2 If sending payment via **ACH** (Richmond Federal Reserve Bank), payment shall include the following information:

**ABA (Routing Identifier): 051036706**  
**Account Number – 312003**

7. **Modification of Charges**: The charge set forth in this Exhibit A may be modified from time to time pursuant to Department of Energy procedures for public participation in energy and transmission rate adjustments.
8. This Exhibit A-Intertie may be modified as provided by Sections 11 and 12 of this Agreement.

**FORM OF INVOICE FOR ADVANCEMENT OF FUNDS**

1. This Exhibit B, effective under and as a part of Agreement No. 02-DSR-11382 (Agreement) for Advancement of Funds for Transmission Services, shall become effective upon execution of the Agreement and shall remain in effect until superseded by another revision to Exhibit B, provided, that this Exhibit B or any superseding Exhibit B shall be terminated upon termination of the Agreement.
2. The invoice for advancement of funds under this Agreement shall be in a form similar in form and substance to the following:

**U.S. Department of Energy  
Western Area Power Administration  
PO Box 6457  
Phoenix, AZ 85005-6457**

**Bill for Collection**

Payer:

Arizona Power Authority  
State of Arizona  
1810 West Adams Street  
Phoenix, AZ 85007

Bill Description:

INVOICE DATE	DUE DATE	INVOICE NUMBER	AGREEMENT NUMBER
10 JAN 2003	25 JAN 2003	#####	02-DSR-11382

Line Number	Description	Amount
1	Advancement of Funds Billing - Billing for the Month of February 2003 O&M Expenses N/FGIN AOF3M-APA03  Original Copy	\$182,360.00

Thank you for your cooperation.

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Total Amount of Invoice # xxxxxx	\$182,360.00
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PLEASE REFERENCE THE INVOICE NUMBER ON YOUR PAYMENT AND SEND TO:

U.S. Department of Energy  
Western Area Power Administration  
File #51587, PO Box 60000  
ACH = ABA 051036706 Acct # 312003 or EFT = ABA 021030004 Acct # 89001602  
San Francisco, CA 94160-1587

For questions regarding this invoice contact:  
Accounts Receivable (602) 352-2525

All accounts not paid by the due date are subject to a late charge assessed at current applicable interest rate.

3. This Exhibit B may be modified as provided by Sections 11 and 12 of this Agreement.

**FORM OF TRANSMISSION SERVICE BILL**

1. This Exhibit C, effective under and as a part of Agreement No. 02-DSR-11382 (Agreement) for Advancement of Funds for Transmission Services, shall become effective upon execution of the Agreement and shall remain in effect until superseded by another revision to Exhibit C, provided, that this Exhibit C or any superseding Exhibit C shall be terminated upon termination of the Agreement.
2. The transmission service bill reflecting credits under this Agreement shall be in a form similar in form and substance to the following:

Exhibit C  
 Contract No. 02-DSR-11382  
 ARIZONA POWER AUTHORITY

WESTERN AREA POWER ADMINISTRATION  
 DESERT SOUTHWEST REGION  
 615 SOUTH 43RD AVENUE  
 PHOENIX, AZ 85009  
 SAMPLE - BILL FOR COLLECTION -

STATE OF ARIZONA  
 ARIZONA POWER AUTHORITY  
 1810 WEST ADAMS STREET  
 PHOENIX, AZ 85007

Bill Issue Date: 3/10/2003  
 Bill Due Date: 3/30/2003  
 Bill Number: GG1065B-022803  
 Customer Number 1065

Services for February, 2003

DESCRIPTION	AMOUNT
<b>DE-MS65-85WP39502</b> <b>INTERTIE POWER SYSTEM</b> Schedule of Rates for Firm Transmission Service CAPACITY 182,360 kW x \$1.00	\$182,360.00
Credit for Advance Payment of March, 2003, O&M Expenses	-\$182,360.00
Amount Due for Intertie Transmission for February, 2003	\$0.00
<b>PARKER DAVIS POWER SYSTEM</b> Schedule of Rates for Firm Transmission Service CAPACITY 230,940 kW x \$1.08	\$249,415.00
<b>ELEC FUND TRANSFER PAY BY 3 P.M.</b> <b>[March 30, 2003]</b>	
<b>Total Amount Due</b>	<b>\$249,415.00</b>
Contact: LINDALU MILLER	Contact Phone: (602) 352-2446

Remit Wire Transfers To:  
 NEW YORK FEDERAL RESERVE BANK  
 REFERENCE BILL NUMBER(S)  
 ACH PAYMENTS:  
 RICHMOND FED RESERVE BANK  
 ABA#: 051036706  
 Account#:312003

Make Remittance Payable To:  
 U.S. DEPARTMENT OF ENERGY  
 WESTERN AREA POWER ADMINISTRATION  
 FILE #51587, P.O. BOX 60000  
 SAN FRANCISCO, CA 94160-1587

ALL ACCOUNTS NOT PAID BY THE DUE DATE ARE SUBJECT TO INITIAL LATE PAYMENT CHARGES, IF APPLICABLE  
 PLUS INTEREST ASSESSED AT THE EFFECTIVE RATE IN ACCORDANCE WITH THE CONTRACT

Exhibit C  
Contract No. 02-DSR-11382  
ARIZONA POWER AUTHORITY

3. This Exhibit C may be modified as provided by Sections 11 and 12 of this Agreement.