
Pick-Sloan Missouri Basin Program/Fryingpan-Arkansas Project
Work Program Review
Memorandum of Understanding

Western Area Power Administration

Bureau of Reclamation

U.S. Army Corps of Engineers

Mid-West Electric Consumers Association, Inc.

Loveland Area Customers Association

Western States Power Corporation

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Work Program Review
Memorandum of Understanding

This Memorandum of Understanding ("MOU"), is made this 11th day of March 2004, between the United States Department of Energy, Western Area Power Administration ("Western") acting by and through the Rocky Mountain and Upper Great Plains Regional Managers, the United States Bureau of Reclamation ("Reclamation") acting by and through the Great Plains Region's Regional Director, the United States Army Corps of Engineers ("Corps") acting by and through the Northwestern Division Commander, the Mid-West Electric Consumers Association, Inc. ("Mid-West") acting by and through its Executive Director, the Loveland Area Customer Association ("LACA") acting by and through its President, and the Western States Power Corporation ("WSPC") acting by and through its President, each sometimes hereinafter referred to individually as "Party" and jointly as "Parties."

WITNESSETH:

Whereas Western, acting through the Rocky Mountain and the Upper Great Plains Regional Managers, pursuant to the Acts of Congress approved June 17, 1902 (32 Stat.388), December 22, 1944 (58 Stat. 887), August 4, 1977 (91 Stat. 565), and Acts amendatory thereof and supplementary thereto, currently markets and delivers Federal hydro power to customers of both the Eastern and Western Divisions of the Pick-Sloan Missouri Basin Program ("P-SMBP"), including the integrated projects, and the Fryingpan-Arkansas Project ("Fry-Ark"); and

Whereas Reclamation, acting through the Great Plains Regional Director, pursuant to Section 10 of the Reclamation Act of 1902 (32 Stat.388) and Acts amendatory thereof and supplementary thereto, is responsible for operating and maintaining some of the above referenced projects; and

Whereas the Corps, acting through the Northwestern Division Commander pursuant to the War Department Civil Appropriation Act of 1936, the Fort Peck Project Act of 1938 (52 Stat.403), and the Flood Control Act of 1944 (58 Stat. 887), is responsible for operating and maintaining some of the above referenced projects; and

Whereas Mid-West, a preference customer association acting through its Executive Director on behalf of the Firm Power Customers of Western's Upper Great Plains and Rocky Mountain Regions, has

an interest in maintaining reliable Federal power production and delivery at the lowest sustainable cost;
and

Whereas LACA, a preference customer association acting through its President on behalf of the Firm Power Customers of Western's Rocky Mountain Region, has an interest in maintaining reliable Federal power production and delivery at the lowest sustainable cost; and

Whereas the WSPC, a preference customer association acting through its President on behalf of the Firm Power Customers of Western's Upper Great Plains and Rocky Mountain Regions, has an interest in maintaining reliable Federal power production and delivery at the lowest sustainable cost;

NOW, THEREFORE, the Parties mutually agree as follows:

Purpose

This MOU shall be used as a framework among the Parties to promote active participation, communication and coordination to accomplish the following purposes and objectives:

(a) Ensure that Federal generation, transmission and other services are provided reliably at the lowest rates consistent with sound business principles. Ensure that project costs assigned to be paid by the Firm Power Customers are repaid within the parameters defined by law, regulation and policy.

(b) Develop and implement a common financial reporting format to be used by the Federal Agencies for reporting project work program costs and accounting information on a timely and accurate basis.

(c) Provide early and timely opportunities to exchange and discuss relevant work program information among the Parties regarding purchase power and wheeling, capital investments, replacements, operations, and maintenance of the Federal hydroelectric facilities and associated transmission systems to foster mutual understanding and trust.

(d) Provide a forum that enables the Parties to coordinate and plan the development of Federal generation and transmission systems.

(e) Facilitate a process that provides for non-federal funding of the Federal Agency (ies)' power operations and maintenance programs where permitted by law. It is still the priority of each agency to seek Federal funding through appropriations or access to receipts (see f. below). Non-Federal funding will only be requested as a last resort to meet critical requirements not funded through the appropriation process.

(f) Develop and implement procedures, as appropriate, to coordinate access to receipts funding and to facilitate consultation to ensure that the federal hydroelectric system receives adequate funding to maintain reliability and operating efficiency, while keeping the power rates at a level consistent with sound business practices.

Organization and Procedures

The following committees will be established to coordinate and implement this MOU.

(a) An Executive Committee shall be formed which will consist of a designated representative or alternate from each Party. The Executive Committee will meet at least annually to discuss policy issues, resolve problems, set the schedule for Work Program Information ("WPI") reviews as shown in Exhibit B, as revised from time to time, and review the operations of this MOU. The Executive Committee will elect a chair from its membership to facilitate the meetings. The Executive Committee will oversee the Technical Committee and other committees that it deems necessary. Representation from at least 75% of the Parties shall constitute a quorum and at least two weeks advance notice will be given to all Parties for meetings scheduled for the Executive Committee. The Executive Committee may establish such other procedures as it deems necessary, consistent with applicable law, in order to facilitate the MOU in an efficient manner.

(b) A Technical Committee shall be formed which will consist of at least one representative from each Party. The Technical Committee will meet as necessary in accordance with the schedules described in Exhibit B, but in no case less than twice per year. The Technical Committee, under the direction of the Executive Committee, will meet to review and exchange financial and cost data from the Federal Agencies as described in the Attachments and Exhibits. The Technical Committee will elect a chair to facilitate the meetings from its membership. Representation from at least 75% of the Parties will constitute a quorum. Information and an agenda for the meeting will be distributed to the Committee members at least two weeks prior to the meeting.

(c) Each Federal Agency agrees to respond in a timely manner to the issues raised by the Firm Power Customers over future spending activities within the limits of their authority to disclose such information. The Federal Agency's response shall indicate whether it agrees with issues raised and the reason it has decided upon a particular course of action.

(d) Upon written notice, a Firm Power Customer may request additional information upon which the WPI is based and, subject to applicable federal law and regulations, shall have the right to review, within a reasonable time, relevant records at the offices of the Federal Agency (ies) during regular business hours.

(e) Any disputes or disagreements regarding matters involving the Technical Committee may be referred to the Executive Committee for review. The Technical Committee will be responsible for providing a report summarizing the issues, and the opposing positions for the Executive Committee's consideration.

(f) Any disputes or disagreements regarding issues for the Executive Committee may be referred to the head of the Federal Agency (ies) (Regional Manager, Regional Director, Division Commander) for consideration. The Executive Committee will be responsible for preparing a summary of the issue(s) and

the Parties' respective positions. The appropriate Federal Agency head shall respond to the issue within 20 working days after receipt of the information.

(g) Any final action under this MOU by the appropriate agency head shall not impair the Firm Power Customer's right to pursue its lawful remedies before the appropriate administrative or judicial forum.

(h) Any actions taken by any of the Parties pursuant to this MOU shall not interfere with the decision making authority of the Federal Agencies.

(i) The Federal Agencies will use a concerted best effort to provide accurate and timely information and to respond to inquiries about the information. Nothing in this MOU shall be deemed to diminish the Federal Agency's administrative responsibilities or authorities.

(j) The Firm Power Customers agree to review and comment on the information provided by the Federal Agency in a timely and constructive manner.

Exhibits, Attachments and Appendices

For the purposes of this MOU, Exhibits, Attachments and Appendices will be developed and become a part of this MOU which outline the information to be exchanged, the schedule of such exchange and appropriate meetings, and any procedural details as necessary. The initial Exhibits, Attachments and Appendices to this MOU are:

Exhibit A - General Definitions

Exhibit B - Schedules

Exhibit C - List of Commonly Used Acronyms, Abbreviations and Terms

Attachment 1 - Procedures for the Western Area Power Administration

Attachment 2 - Procedure for the Bureau of Reclamation

Attachment 3 - Procedures for the Army Corps of Engineers

Appendix A - Western Area Power Administration Work Plan Information Tables

Appendix B - Bureau of Reclamation Work Plan Information Tables

Appendix C - Army Corps of Engineers Work Plan Information Tables

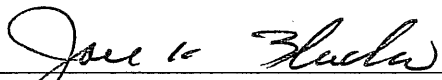
The above referenced Exhibits may be revised and amended as necessary by the Executive Committee. The above referenced Attachments and Appendices may be revised and amended as necessary by the responsible agency with the understanding that an explanation of the changes be provided to the Technical Committee and the Executive Committee.

Terms and Conditions

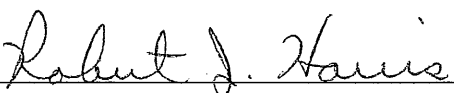
This MOU supersedes BOR-97-AG-60-09020 dated April 7, 1997, and shall become effective on the date stated below and when signed by the representatives of all Parties. It shall remain in effect until terminated by the Parties, provided that these procedures shall be reviewed by the Executive Committee at least every five years and amended by the Parties as necessary. A Party wishing to terminate its participation in this Agreement shall give 30 days written notice to the other Parties to this MOU. The termination by one Party will not preclude the remaining Parties from continuing to participate in this MOU. Other interested entities may become a Party to this MOU provided that they (i) are a Federal Agency associated with the P-SMBP and/ or Fry-Ark Project or represent a group of at least five Firm Power Customers of one or both of these projects, (ii) agree to abide by this MOU, and (iii) are approved by the Executive Committee.

The Parties below hereby agree on this 11th day of March 2004 to the above described Memorandum of Understanding and agree to abide by its provisions.

Western Area Power Administration

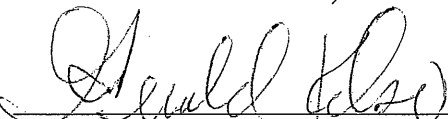


Joel K. Bladow, Rocky Mountain Regional Manager
Address: P.O. Box 3700, Loveland, CO 80539-3003
Date: 3/3/04



Robert J. Harris, Upper Great Plains Regional Manager
Address: P.O. Box 35800, Billings, MT 59107-5800
Date: 2/18/04

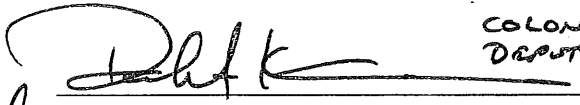
Bureau of Reclamation, Great Plains Region



Gerald Kelso
Maryanne C. Bach, Regional Director
Address: P.O. Box 36900, Billings, MT 59107-6900
Date: 2-27-04

for

United States Army Corps of Engineers


*COLONEL
DEPUTY*
Dale Knierieman

for William T. Grisoli, Brigadier General, US Army Division Engineer,
Northwestern Division Commander

Address: 220 NW Eighth Avenue, Portland, OR 97209

Date: *11 MAR 04*

Loveland Area Customer Association



William J. Goshorn, President

Address: 600 Corporate View, P.O. Box 4877
Topeka, KS 66615

Date:

Mid-West Electric Consumers Association




Thomas P. Graves, Executive Director

Address: 4350 Wadsworth Boulevard, Suite 330
Wheat Ridge, CO 80033

Date: *1/12/04*

Western States Power Corporation



Brian H. Moeck, President

Address: P.O. Box 273239, Ft. Collins, CO 80527

Date: *1/13/04*