OFFICE OF THE UNDER SECRETARY OF DEFENSE

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ACQUISITION,
TECHNOLOGY
AND LOGISTICS

April 15, 2002

DP(DAR)

In reply refer to
DAR Tracking No.: 2002-O0002

MEMORANDUM FOR DIRECTORS OF DEFENSE AGENCIES
DEPUTY FOR ACQUISITION AND BUSINESS MANAGEMENT, ASN(RD&A)/ABM
DEPUTY ASSISTANT SECRETARY OF THE AIR FORCE (CONTRACTING), SAF/AQC
DEPUTY ASSISTANT SECRETARY OF THE ARMY (PROCUREMENT), ASA (ALT)
EXECUTIVE DIRECTOR, LOGISTICS POLICY AND ACQUISITION MANAGEMENT (DLA)

SUBJECT: Class Deviation – Interest Costs

I authorize a class deviation from the cost principle at Federal Acquisition Regulation (FAR) 31.205-20, Interest and other financial costs, for utilities privatization contracts under which previously Government-owned utility systems are conveyed by a Military Department or Defense Agency to a contractor. Pursuant to this deviation, the utilities privatization contractor will be permitted to recover its interest costs associated only with capital expenditures to acquire, renovate, replace, upgrade, and/or expand utility systems, and the contractor will not be permitted to receive *facilities capital cost of money* as a contract cost under FAR 31.205-10, Cost of money. Interest rates used to calculate allowable interest costs pursuant to this class deviation must be limited to 600 basis points above the Contract Disputes Act interest rate (41 U.S.C. 611) in effect at the time the contractor makes the capital expenditure. This class deviation is effective for utilities privatization contracts awarded from May 1, 2002 through April 30, 2007. Questions about this deviation may be addressed to Mr. Christopher Werner at (703)695-9764, or christopher.werner@osd.mil.

Deidre A. Lee
Director, Defense Procurement

cc:
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