

**WESTERN AND RECLAMATION
QUESTIONS, COMMENTS, AND RESPONSES
Boulder Canyon Project Post-2017 Contracts
May 2015 Contract Sessions**

Electric Service Contract:

Term of Contract

1. ***Why is there a October 1, 2016, deadline date for execution of the contracts?***

Response: There are provisions in the final marketing criteria requiring that the new resource pool allottees have necessary transmission arrangements in place (excluding tribal allottees) and have an executed contract by October 1, 2016, or their allocations will be redistributed to the remaining resource pool allottees. These provisions were made to help ensure that the resource pool power could be redistributed to other new allottees in the event one or more of the allottees had issues that prevented them from contracting for their allocation.

2. ***Is there a termination provision in the contract for the Contractor?***

Response: No, there is no termination provision in the contract. Allowing termination for one contractor would cause remaining contractors to have to absorb the share of Hoover costs associated with the terminated contract.

3. ***Would Western consider Nevada law requiring NV Energy to accommodate Western allottees as sufficient in meeting the marketing criteria of having transmission and/or distribution arrangements in place?***

Response: Western has reviewed the Nevada law that was cited, however, we would require some documentation/confirmation that NV Energy can and will provide these arrangements to the allottees, and that the allottees are actively taking advantage of such arrangements.

4. ***If a Tribal allottee cannot take Federal power directly by October 1, 2017, can they enter into a Benefit Arrangement?***

Response: Yes, benefit crediting arrangements are an option for tribes which are not required to have arrangements to take the power directly.

Electric Service to be Furnished

5. ***How would increases in capacity due to upratings be handled?***

Response: This is currently not addressed in the contract, as it is not feasible to anticipate the circumstances under which such upgrades would occur and how they might be implemented over a 50-year period, and therefore should be determined at the time such upgrades are proposed.

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6. ***There should be a provision that addresses very low generation levels and provides specifics on what steps will be taken to mitigate the financial impacts of the reductions in generation. What will agencies do if there is a reservoir drawdown so that there is very low or no generation?***

Response: Reclamation and Western considers Contractor financial concerns at all times and actively seeks Contractor input through the existing Contractor processes that we intend to retain on a go-forward basis. During such low generation periods we would strive to reduce costs where feasible while continuing to meet the obligations of our respective agencies.

7. ***Since firming energy is at the individual Contractor cost and does not impact other contractors, it should not be limited to the contract values for firm energy.***

Response: Western agrees that firming energy could potentially be customized to meet the individual contractor needs. Firming quantities would be determined in the separate contracts required for firming energy purchases.

8. ***If parties ask to layoff power does that transfer financial responsibility to other parties?***

Response: No, the original Contractor is responsible for payment of their electric service, however they will receive credit for the revenue received (may not be in the same month as the payment).

9. ***Section 6.9.2 and 6.9.4 of the proposed contract provide no time lag between the submission of a draft and Master schedule yet allows for submission of comments by a contractor.***

Response: Subsection 6.9.2 will be revised to indicate that the initial draft Master Schedule will be provided on or before March 1st. The second draft Master Schedule will be provided on or before May 1st.

10. ***Will designation of more than one scheduling agent be allowed?***

Response: We currently have situations with Contractors having more than one scheduling entity and plan to accommodate requests for more than one scheduling entity in the new contracts.

Billing, Payment and Rates

11. ***Why is there a Lower Colorado River Basin Development Fund Contribution Charge (LCRBDF Charge)?***

Response: The LCRBDF Charge was mandated by the Hoover Power Plant Act of 1984 Section 102 (c), to provide funding for other federal projects (Colorado River Basin Salinity Control and the Central Arizona Project).

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- 12. *Should there be a provision for revenue insufficiency like under the existing contracts?***

Response: The provision is not required because collection of the base charge eliminates the risk of revenue deficiencies that were contemplated.

- 13. *Can Western provide an estimate of the composite rate for 2017-2027?***

Western has provided projected composite rates for the period 2017-2027. The information can be downloaded at http://www.wapa.gov/dsw/pwrmt/BCP_Remarketing/Additional_Documents.htm. The actual rates can vary significantly, depending on conditions and cost data at the time the rates are established.

Resale of Electric Energy

- 14. *Request that Western review the requirements in subsection 8.1 including the annual submittals.***

Response: Western agrees that the distribution principles should be updated and intends to eliminate annual documentation requirements and make them upon request.

- 15. *Language in subsection 8.1 regarding rates is not appropriate for tribes which do not operate electric utilities.***

Response: Western intends to clarify the subsection in regards to requirements for contractors that do not operate electric utilities.

- 16. *There is a reference in subsection 8.2 to paragraph 8.2.1 which does not exist.***

Response: The reference should have been to subsection 8.1 and will be corrected.

- 17. *Subsection 8.3 should clarify how the LCRBDF Charge and MSCP payments should be applied under benefit crediting arrangements.***

Response: The LCRBDF Charge and MSCP payments are based upon location of the contractor, not the benefit crediting partner. We agree it is best to state this in the contract.

- 18. *One entity noted they would provide additional language in regards to State regulatory approval.***

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Integrated Resource Plans (IRP) and Small Customer Plans

19. ***Can Western exempt small customers who are not electric utilities from this requirement?***

Response: Submittal of these plans is a legislative requirement that was implemented Western-wide through a public process and therefore Western cannot waive these requirements. However, most of these small customers should fall into the small customer plan category (less than 25 GWh of load annually). The example IRP and Small Customer Plan documents can be downloaded at http://www.wapa.gov/dsw/pwrmkt/BCP_Remarketing/Additional_Documents.htm. Whichever plan may be required, Western staff will assist and make these as simple as possible.

20. ***Will Western allow APA and CRC subcontractors to submit their individual IRPs or small customer plans instead of APA or CRC.***

Response: The contractual requirement to submit these plans is with APA and CRC since Western does not have contracts with their subcontractors. However, Western does currently accept IRP and small customer plans submittals from the subcontractors in lieu of submittals from APA and CRC and will continue to provide this option post-2017.

21. ***Will Western require a party that has prepared an IRP for purchases from other projects to prepare a duplicate IRP? Furthermore, if an IRP has been prepared on behalf of an entity, will Western accept a previously filed and representative IRP?***

Response: Western only requires a single IRP for entities having allocations for more than one project. In a number of cases, IRPs submitted by Contractors to other authorities are accepted by Western for its IRP requirement.

Other Provisions

22. ***The creditworthiness policy does not provide proper notice and contractors could be determined to be non-creditworthy with little or no notice.***

Response: We are not certain what specific requirement is of concern and would requests further clarification on this.

23. ***Would a pro rata reallocation of Schedule D power include redistribution to allottees that are at the 3 MW maximum allocation?***

Response: The final marketing criteria provided that the 3 MW maximum limit could be waived at Western's discretion in a reallocation of Schedule D power not under contract by October 1, 2016. It has not been determined at this time whether the 3 MW allocation maximum would be waived.

24. ***Does Provision 11, Change of Rates in the General Power Contract Provisions (GPCP) apply and would it allow for termination of the contract?***

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Response: Provision 11 of the GPCPs is specifically excluded from the electric service contract as stated in Section 16.

- 25. *There may be some State requirements that may require accommodation relative to some of provisions in the GPCPs.***

Response: We would need to know what the specific requirements are in order to be able to evaluate, however, normally Western is able to accommodate State requirements in our contracts to the extent they are not in conflict with federal laws and regulations.

- 26. *Consider relevant laws in the development of the contract.***

Response: We have considered relevant laws and have included the specific requirements of the Hoover Power Allocation Act of 2011.

- 27. *There should be a voting mechanism provided for in the Electric Service contract. The Contractors want to vote on items that are not currently voted on.***

Response: Reclamation and Western believe that the existing Contractor processes which are described in the Implementation Agreement provides for voting mechanisms. Reclamation and Western are open to further discussion.

- 28. *Would Western and Reclamation consider meetings outside of the general contract discussion for specific topics such as ancillary services and balancing areas?***

Response: We would be open to additional meetings to discuss such topics.

Implementation Agreement (IA):

Repayable Advances

- 1. *Under a benefit crediting agreement, would the repayable advances be paid by the contractor or the benefit crediting partner?***

Response: Financial payment of repayable advances by the benefit crediting partner is something that is subject to negotiation between the tribe and the benefit crediting partner and could vary between agreements. However, the contractor would retain ultimate payment responsibility for the repayable advances if for any reason the payment is not made by the benefit crediting partner.

- 2. *Could Western provide an example of an estimated reimbursement to an existing contractor similar to the example of the payment obligation example in the presentation for a new contractor?***

Response: Western agreed to provide an example estimated reimbursement to an existing contractor. The calculations associated with the repayable advancements takes into account the percentage differences of capacity and energy a particular contractor experiences relative to the Post-2017 allocation activity. Considering that

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the existing contractor allocations' capacity factor varies from about 10% to 59%, providing a dollar per megawatt/kilowatt method similar to the payment obligation for Schedule D allottees that have a constant capacity factor is not commensurate or relatively accurate. The attached table depicts the estimated repayable advancement credits the existing contractors would realize given the current estimate of the total 2017 repayable advances. The final repayable advance reimbursement amounts will not be available until after October 1, 2017, data is accumulated and accounted for.

Other

3. ***Will APA subcontractors be able to attend the committee meetings with the approval of APA?***

Response: It is the intent that each Contractor may designate a primary and alternate representative on the committees. Additional attendees beyond the Contractor representatives are subject to space restrictions given the anticipated number of contractors.

4. ***When does Western expect to have the IA executed?***

Response: We are working to maintain the same timeframe as the electric service contract and have both contracts ready to be executed by the end of 2015.

Benefit Arrangements:

1. ***Have service providers assessed "parting load" charges to electric service contractors associated with loss of retail load?***

Response: To date we have not had service providers assess such charges but not all service providers have been accommodated bill crediting arrangements in a way that was economically feasible.

2. ***Are benefit arrangement contracts required to be for the term of the electric service contracts?***

Response: Benefit arrangement contracts can be for any period of time, as long as they are agreed to by the parties (up to the term of the electric service agreement). Western also requires a termination provision for contractors, with a reasonable notice period.

3. ***A request was made for Western to ask existing contractors about interest in partnering arrangements.***

Response: Western did announce this at the final presentation which followed this request and will continue to seek facilitating partnering opportunities for tribal contractors going forward.

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4. ***The sample arrangement contracts template posted by Western on the web page includes a benefit based on the cost of displaced power and not other benefits such as being a non-carbon resource. Why is this?***

Response: Other benefits other than the cost of displaced power could be included in the calculation. These will depend on the partner and their particular situation. When this template was last used for example, carbon reduction was not a defined benefit. The posted template is merely a starting point suggestion and subject to modification subject to tribe and benefit crediting partner negotiations.

Other Questions:

1. ***Will Western be providing MS Word documents of contracts?***

Response: Word documents of each of the contracts were emailed on May 8, 2015, during the contract meetings. Future drafts will be provided in MS Word.

2. ***Did Western include comments in the Colorado River Commission letter and redlined contracts from November 2014 in the draft contracts?***

Response: Western did not specifically include the comments in the Colorado River Commission (CRC) letter in the initial draft. As noted during the remarketing process, we intended to take input from all allottees after the final allocations were made. The draft was created from the existing contracts primarily updating, revising, or deleting provisions deemed required due to current conditions. Per CRC's request, Western posted the summary document and redlined draft electric service contract relative to their November 2014 communications to the Post-2017 webpage located at http://www.wapa.gov/dsw/pwrmkt/BCP_Remarketing/CorrespondencePresentations.htm.

Western and Reclamation are now reviewing all comments including those previously provided by CRC and expect to have discussions on these comments.

3. ***Can you take allocations at two different delivery points?***

Response: The only point of delivery under the Electric Service contract is Mead Substation 230-kV Switchyard. Transmission arrangements beyond Mead 230-kV are the responsibility of the contractor. If the contractor obtains the needed transmission from Mead 230-kV, delivery to more than one point of delivery is possible.

4. ***Can Western make displacement arrangements?***

Response: This is open to discussion. Western does not have any current displacements involving Hoover deliveries.

Western Notes and General Information:

1. *The original Attachment No.4 to the Electric Service contract posted on the web page (http://www.wapa.gov/dsw/pwrmkt/BCP_Remarketing/BCPPost2017.htm) was not the*

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correct list of allottees and was revised in the MS Word version that was emailed on May 8, 2015.

- 2. Western is requesting contract comments by June 15th to be incorporated in the second drafts. We will continue to take comments after June 15th, however they may not be reviewed in the next draft.*
- 3. We request that customers use the POST2017BCP@WAPA.GOV email for comments and questions as this is viewed by multiple staff members at Western.*
- 4. Western staff is available for individual or group consultations outside of the scheduled contract group meetings and will arrange them upon request.*