ADDITIONAL QUESTIONS RECEIVED AFTER CUSTOMER MEETINGS

1. Copies of the worksheets embedded in the September 19th-20th, 2011 presentation.

RESPONSE: See attached spread sheet.

2. Copy of the workbook used to develop the "FY11 Historical 5 Year %".

RESPONSE: This methodology is no longer relevant because Operations budget was consolidated in FY 11, which determined the 53%/47% split. It doesn't appropriately compare the cost as it relates to the budget in FY 12 and beyond.

3. Cross walk document which would allow us to track how the labor dollars which are allocated by the "FY11 Historical 5 Year %" flow into the rate models for the DSW projects.

RESPONSE: Outside the scope for the cost allocation methodology. The development of 5-year historical averaging was done several years ago and wasn't part of the presentation, rather, just as a reference.

4. Number of transmission circuit miles for the 500 kV Intertie project.

RESPONSE: As a participant in the Mead-Phoenix Project, Western doesn't physically own any line miles in the MPP 500kV system. It essentially owns capacity rights, the costs of which are recovered in the Intertie rate. Western also maintains the MPP under a trust arrangement with SRP and the trust project is included in the allocation methodology.

5. Verification of the Central Arizona and Parker-Davis Name plate capacity. Please provide the name plate capacity for each Parker and Davis Unit.

RESPONSE: See attached, spread sheet.

6. Please provide a breakout of the name plate capacity of CRSP and Pick-Sloan generating unit (unit by unit not a site total).

RESPONSE: See attached, spread sheet.

7. Name plate capacity and location of each Independent Power Producer unit (unit by unit not a site total).

RESPONSE: Not applicable (Western didn't use any IPP unit data in its proposal)

8. Number of FTE and cost allocation for the Western Merchant desks.

RESPONSE: Not applicable (the presentation was for Power System Operations (Reliability side of the house) and not the Merchant. The attached document has a copy of the organizational chart for our Operations group.

9. How does the $506,311 historical cost on page 26 for Central Arizona relate to CAP? Is it part of our direct billing from WAPA of $1,273,273 for Central Arizona Power System transmission service, or is it directly charged to the LCRBDF as CAP transmission O&M expense, or some combination of the two?

RESPONSE: It is a combination of the two. The historical numbers on slide 26 of the presentation represent how labor costs for the Operations function are currently allocated among the DSW power systems. The $506,311 would be included as part of the calculated CAP 115-230kV rate that is charged to Calpine, UNS and any other user of the CAP transmission system. Also, since it's a

component of the transmission rate, CAWCD also pays a share of the cost in the "equivalent rate" calculation under Letter Agreement No. 05-DSR-11643.

10. How does the $479,563 change in cost on page 26 for Central Arizona relate to CAP? Is it part of our direct billing from WAPA for transmission service, or is it directly charged to the LCRBDF for CAP transmission O&M and paid for with LCRBDF revenues (such as Calpine revenues), or is it related to the new activity of WAPA selling surplus Navajo energy and thus charged to the LCRBDF and paid for with surplus energy sales revenue?

RESPONSE: From a cost recovery standpoint, this is the same answer as above. The $469,563 simply represents the change in costs that will be allocated to CAP under the proposed allocation methodology.

11. On page 24, the Central Arizona is given a WAPA generation allocation of $701,525. WAPA does not generate any power for CAP. Why would the allocation amount not be zero?

RESPONSE: Dynamic Transfer is required for the Navajo generation to be used by CAWCD in WALC BA. This type of schedule requires Western every hour to approve and checkout schedules with SRP and AEPCO. The Dynamic Transfer also requires the monitoring of the generation in the Automated Generation Control (AGC) for the WALC BA. This is significant workload that Western did not perform before the CAP load was moved to the WALC.

12. On page 26 there is $985,874 on the line for Central Arizona. Is any of this cost related to energy for CAP' pump load and therefore charged to the LCRBDF and included in CAP's energy charges? If some of these costs are charged to the LCRBDF, but are related to surplus Navajo power sales, then are they included in the $800,000 per year WAPA has indicated they would charge the LCRBDF for this service or are they in addition to the $800,000?

RESPONSE: The $985,874 figure represents the total Operations Labor costs to be allocated to CAP, based on FY2014 cost estimates. The costs will be recovered through the CAP transmission rate, and CAWCD will pay its share in the "equivalent rate" calculation in Letter Agreement 11643. The costs presented in the Cost Allocation presentation are not related to surplus Navajo power sales.

13. Am I correct in concluding that the proposal would drop Parker-Davis Project point-to-point by 5-6 percent? CAP point-to-point up by 3 percent and Balancing Authority services for SouthPoint unaffected.

RESPONSE: In relation to your questions, based on the September 19, 2011 presentation, you are correct that the amount of Operations Division costs being allocated to the Parker-Davis Project will decrease by approximately 5%-6% compared to the allocation the project is currently receiving. Likewise, the CAP transmission rate will experience an increase of approximately 3% over the existing allocation.

Please keep in mind, though that there are numerous factors that influence a project's rates. A change in allocation percentage of the Operations Division costs isn't likely to result in a rate change of the same percentage.

You are also accurate that the Cost Allocation Proposal presented on September 19 will have no impact on the existing Balancing Authority (Control Area) Services Agreement between Western and Calpine.