JAN - 4 2016

Ms. Valerie Fong
Director of Utilities Department
City of Palo Alto
250 Hamilton Avenue, 3rd Floor
Palo Alto, CA 94301

Dear Ms. Fong:

Western Area Power Administration (Western) appreciates your September 18, 2015, comment letter in support of a three-year rate extension for Sierra Nevada Region's (SNR) power, transmission, and ancillary services formula rates.

Western will file its final notice and order of rate extension and, upon approval by the Deputy Secretary and the Federal Energy Regulatory Commission, will extend our existing formula rate methodologies to September 30, 2019, for the Central Valley Project, California-Oregon Transmission Project, Pacific Alternating Current Intertie, and Information on Path 15 Transmission Upgrade. We expect the final notice to be published in the *Federal Register* and filed with the Federal Energy Regulatory Commission by the end of January 2016.

You also requested that Western confirm whether termination windows will be available after the rate extension in 2016 and full rate proceedings in 2019. Western understands its customers' concerns with the monetary pressures they are facing due to increased environmental costs and limited federal hydro resources during the recent four year California drought. Under these circumstances, as it relates to this rate extension and the 2019 full rate proceeding, SNR, if requested, is willing to agree to terminate power contracts. While we recognize the termination question is outside the scope of rate proceedings and will be addressed in the 2025 Power Marketing Program, Western will agree to terminate any preference power contract if a customer provides notice to terminate its power contract within 90 days of the effective date of the 2016 rate extension or the 2019 rate proceeding. It should be understood, SNR's action to allow a preference power customer to terminate its power contracts after the 2016 rate extension and the 2019 rate proceeding is not meant to interpret any contract provisions, set policy, or set precedent for future actions.

We appreciate your support of our rates, and we will continue to work with our customers to seek short and long-term solutions through our rate and power marketing plan public initiatives.

Western is committed to providing federal power to our consumers at the lowest cost possible consistent with sound business principles.

Sincerely,

ORIGINAL SIGNED BY
FOR Charles J. Faust

Sonja A. Anderson
Vice President of Power Marketing for
Sierra Nevada Region

cc: A0200, N6100, N6200, N6213