

Q#1. When does WAPA/DSW determine whether a project is to be a construction (TYP) project or a RRADs project? Who decides it, how is it determined and is there a specific process used?

Potential projects are initially assessed by key personnel in DSW's transmission system asset management organization in advance of TYP program coordination efforts, usually a few years out. Various factors are considered when determining whether a project will be pursued as TYP construction project or as a RRAD project. These factors typically include the magnitude of the project scope, anticipated cost, workforce capability/availability, potential impacts to reliability, and observed best practices to maintain a reliable system in a cost efficient manner.

Construction projects are characterized to be larger in scope and cost and require more outside resources and/or construction contractors to perform the work. RRADs projects are typically smaller in scope and cost and are generally executed using WAPA's internal labor.

Q#2. At the last JPA meeting with DSW, we talked about DSW providing the entire package to Customers so that DSW total program/costs are known prior to Customers voting on the TYP. DSW concurred that Customers should see the whole expense/forecast to enable them to improve Customers' insights prior to voting and better develop their own budgets and forecasting. Customers need a comprehensive package which includes estimated TYP, O&M, RRADs and PPW. Seems like a good place to include that is Section 8, Exchange of Information.

As previously discussed, although the customers will continue to vote on the use of prepayments for construction projects rather than the entire 10-Year Plan, WAPA wants to provide as much information as possible regarding the costs of the DSW Transmission Systems. This will both better inform the customers and provide for a more collaborative process. WAPA is not opposed to compiling the various cost elements; however these elements are available incrementally throughout the year. For example, the 10-Year Plan is typically finalized in September and prepayment voting occurs in December, but the O&M budget is not available until the following April.

Q#3. Customers would appreciate further discussion on the need for a JPA agreement and Exhibit A. There has been some discussion but in reviewing the DSW documents, it seems as though the information in Exhibit A could/should be included in the JPA to avoid two separate signatures. Please provide your thinking so that we can better understand the thought behind it. If it is determined that Exhibit A is not needed, then the Exhibit section within the JPA should be deleted.

Exhibit A is separate from the body of the JPA to accommodate customers who want to become a party to the JPA but not participate in the prepayment funding process. Additionally, future customer-based funding mechanisms could be included as subsequent exhibits rather than requiring an amendment to the body of the JPA to incorporate them. WAPA finds this approach documents existing processes while maintaining ample flexibility for the Parties.

Q#4. On access to materials, Customers request that WAPA provides a particular law, policy, etc when WAPA determines that information should be withheld from the Participants.

There is not a singular policy or law that dictates when WAPA must consider information confidential or proprietary. Some examples include FERC's orders on Critical Energy/Electric Infrastructure Information, certain applications and requests under WAPA's OATT, and correspondence from customers specifically marked as confidential.

Q#5. In Exhibit A, 7. Reliability Exceptions. Include in your reply what is meant by, "to comply with reliability standards as determined by WAPA". Are there any limitations? Is there any notification or discussion?

WAPA intends to seek approval for the use of prepayments for construction projects that are necessary for reliability; however, similar to the exception for emergencies in Section 6, WAPA needs an exception to the prepayment process, if necessary, to ensure the reliability of the DSW Transmission Systems.

Independent of Section 6, any construction project would be presented and discussed as a part of the 10-Year Plan process under Attachment No. 1.

Q#6. Exhibit A, 9.5. Please clarify exactly what WAPA means in the sentence: "WAPA may adjust any portion of a construction project cost that is not covered by Prepayments without the approval of Participants?" What is the purpose of this section based on other sections within the agreement and attachments?

This language is intended to cover any portion of a construction project that is not funded with prepayments. For example, seed funding for the Gila-Dome Tap transmission line project was funded by appropriations rather than prepayments and as such changes to seed funding would not be subject to customer approval under Exhibit A.

Q#7. In Exhibit A, 12.3. "In the event that WAPA permanently discontinues the use of Prepayments as a source for funding Construction Projects...." Are there current internal discussions regarding this potential? DSW agreed to not use Net Zero for O&M. Are there discussions to revise this position? Do you agree that any change such as this would be discussed with Customers prior to any decision?

WAPA is not considering discontinuing the use of prepayments. This section is similar to Section 11.3 of the Prepayment MOU and is intended to apply should WAPA's ability to collect or use prepayments change.

Exhibit A is only applicable to the use of prepayments for construction projects, not O&M, so Net Zero is not an element of this exhibit. WAPA is not considering using Net Zero as a source of O&M funding for the DSW Transmission Systems.

WAPA would consult with customers prior to any significant changes in funding sources and it is likely new funding sources would be customer-based.

Q#8. In Attachment No3. in the table under 1.2.2, please clarify the information that will be included in the Budget Activity Information so that we are able to make we understand, and concur with, the specific information provided.

The Budget Activity information will include the Budget Activities presented in the work plan meeting at the following link: [FY 2020 Work Plan Presentation on slides 20 – 31](#).

Q#9. DSW includes information on Unobligated Balances. WAPA processes include funding for approved TYP projects in the total of unobligated balances. We have concerns that there is a potential for WAPA to send unobligated funds to Treasury that could include Customer funds to be used for the TYP. Is it possible for WAPA to revise its accounting to separate Customer funds already targeted for approved TYP projects from the total unobligated balances? If not, we request that a separate report be maintained, and reported on, to ensure adequate internal controls for Customer funding.

Based on previous customer requests and as shown in slide 35 of the Work Plan presentation from April 30, 2018, available at this [website](#), WAPA now reports on the amount of unobligated balances for the DSW Transmission Systems that are attributed to projects approved for prepayment funding. WAPA will continue to refine the unobligated balances strategy in collaboration with the customers, including how prepayments are treated.