

**PARKER-DAVIS PROJECT RE-MARKETING:  
FREQUENTLY ASKED QUESTIONS**

September 5, 2003

1. What process will be used for extension of existing Parker-Davis Project (P-DP) firm electric service contracts?

Western has scheduled a meeting with all P-DP firm electric service customers for October 1, 2003 beginning at 10:00 a.m. The location of the meeting will be at the Desert Southwest Regional Office located at 615 South 43<sup>rd</sup> Avenue in Phoenix, Arizona. During this meeting, Western will present and explain the P-DP firm electric service amendment providing for 20-year contract extensions through September 30, 2028 and all other items included in the May 5, 2003 Federal Register Notice. Following the October 1, 2003 meeting, Western will mail a draft contract amendment to each customer with a request for written comments to be provided within two weeks. Western will also be available, upon request, to meet with individual customers or groups of customers to discuss the contract amendment. The amount of customer participation and the number of meetings that will be held with regard to the P-DP contract extensions depends on the comments received from the customers. Western anticipates that the contract extension amendments will be finalized during Fiscal Year 2004.

2. Has the Bureau of Reclamation given notice and made requests for withdrawal of P-DP power for project purposes after 2008?

At the present time, Western has not received a request from Reclamation for withdrawal of P-DP power to serve project purposes. Reclamation's letter of November 19, 2002 responding to Western's proposal to apply the Energy Planning and Management Program Power Marketing Initiative to the Parker-Davis Project stated that "Reclamation today is unable to precisely identify the electric requirements of pumping that may be required Post 2008." Reclamation goes on to state that "Under the re-marketing criteria, the existing contractors should be reminded of the priority use rights and the effects of those rights on their allocation. Additionally new users should be made fully aware of these resource constraints and their potential effects."

3. What is the process that would be followed if Reclamation advises Western of the need for withdrawal of Parker-Davis power?

In the event that a request for withdrawal of P-DP power is received from Reclamation, Western will give the P-DP firm electric service customers a two year notice of the withdrawal. During the two year notice period, Reclamation will supply load data showing the amount of withdrawable power that is needed. Western will review the data from Reclamation to substantiate that the withdrawable power will be used for its specified purpose and to determine the actual amounts to be withdrawn.

4. Are there alternatives available to Western that can be used to satisfy a request for withdrawal from Reclamation?

Western will consider all available alternatives to satisfy a withdrawal request, including but not limited to any available capacity and energy from the Parker-Davis Project that is not contractually committed to the firm electric service customers, and/or economically feasible cost effective purchases that could be blended into the Parker-Davis Project rate.

5. What will be the firm electric service customers' involvement in the Reclamation and Western withdrawal process.

Both Western and Reclamation are open to customer involvement in all processes that could potentially impact the P-DP firm electric service customers. The specific nature of customer involvement in the withdrawal process has not been defined.

6. Does Western intend to change its firm power characteristics for P-DP power and

energy post 2008?

Western's decision published in the May 5, 2003 Federal Register Notice to extend the electric power resource commitments by application of the Energy Planning and Management Program Power Marketing Initiative means that the existing marketing plan criteria and the existing firm electric service contracts will be extended. As a result, the firm power characteristics of P-DP power and energy will continue post 2008. Parker-Davis Project power is a bundled product including generation, transmission and ancillary services.

7. Does the advance funding requirement published in the Federal register notice regarding the final allocations for the P-DP project issued on May 5, 2003 (68 FR 23709) include both generation and transmission?

Advance funding will be included as a requirement in the P-DP contract extensions and both generation and transmission will be included. The advance funding provided by the customers will be used to pay for operation and maintenance expenses, and the customers will receive a credit on their power bills for the amount of funds advanced.

8. Are customers of Western advance funding transmission today?

Western currently has several contracts where customers advance fund transmission. For example, the Department of Defense P-DP firm electric service customers have advance funding contracts that include the transmission portion of their firm electric service bill. Western also has several contracts where customers provide advance funding for transmission, including both pre-existing and open access transmission tariff firm transmission service contracts.

9. Will the new P-DP customers who receive allocations from the 17 MW resource pool be required to sign the Advancement of Funds Contract for P-DP Generation (AOF Contract) between Reclamation, Western and certain P-DP firm electric service customers and the Aggregate Power Managers?

The requirement to advance fund will be included in the Parker-Davis Project firm electric service contract as a condition for receiving an allocation of P-DP power. There are several different types of existing contracts that include advance funding requirements. The P-DP AOF Contract is one example of this type of contract. Becoming a signatory to the AOF Contract will not be required in order to receive a P-DP allocation. However, the AOF Contract at section 9.3 makes it possible for any P-DP customer to become a signatory to the AOF Contract if they choose to do so.

10. Does Western intend to continue the AOF Contract after 2008?

The AOF Contract will continue concurrent with the P-DP firm electric service contracts unless 75% of the non-federal P-DP customers who are signatory to the AOF Contract decide to terminate that contract. As a result of the P-DP remarketing process, there will need to be some revision to the contract. Many features of the AOF Contract have been very effective for Reclamation, Western and the P-DP customers such as discussion of and insight into future plans and funding requirements for Western and Reclamation. However, some of the mechanics of the funding mechanism should probably be updated and changed as a result of the P-DP remarketing process.

11. Concerning a P-DP pool for Indian allocations, will it be governed and managed similar to the CRSP program?

At the present time, there is a 17MW resource pool that is available to be allocated during the P-DP remarketing process. The determination of who will receive these allocations will be a result of a public process.