

**Parker-Davis Project Electric Service Contract Amendment  
Response to Comments  
Received After January 16, 2004**

**Comment:** Explain why Section 12 is needed in all firm electric service (FES) contracts when it appears Western is trying to address specific problems related to a very small number of customers.

**Response:** Western cannot anticipate which customers might experience a change in status or structure over the 20-year term of the contract which may trigger action under Section 12. As a result, Western must require inclusion of this language in all Parker-Davis Project (PDP) FES contracts.

**Comment:** Explain why the Colorado River Storage Project (CRSP) version of the Section 12 language would not work in the PDP FES contract amendments.

**Response:** The current language in the Salt Lake City Area/Integrated Projects (SLCA/IP) FES contracts does not adequately address all instances in which the Administrator may need to exercise his or her discretion in response to customer changes, nor does it establish a baseline as of a certain date against which to evaluate a change in status as defined in Section 12. Additionally, the SLCA/IP language does not address an instance where the customer, or its member, sells their distribution system.

**Comment:** The proposed Section 12 language gives the Administrator relatively unfettered discretion to make adjustments to allocations, which the words “reasonably appropriate” do little to rein in.

**Response:** Western’s Power Marketing Authority gives the Administrator broad discretion with respect to federal power allocations. Western agrees that the adjective “reasonably”, as used in the phrase “reasonably appropriate” in Section 12, does not serve to better define this discretion and has therefore deleted it from the language.

**Comment:** The vagueness of Western’s proposed Section 12 language introduces uncertainty to the firm electric service agreement, which could lead to jeopardized bond ratings and difficulty in meeting credit requirements.

**Response:** Customers have the certainty of a firm electric service contract. Uncertainty is introduced only if the customer implements a change in status

or obligation to supply electricity to preference entity loads. Bonding authorities and credit rating agencies will be most concerned with how Western reacts to the change. In order to mitigate the uncertainty associated with implementing change, Western is available, upon request from the customer, to discuss the consequences of a customer-proposed change prior to implementation.

**Comment:** Western's proposed Section 12 language leaves vague what the class of triggering events would be which would cause a possible disenfranchisement.

**Response:** The triggering event would be a change in customer status. Examples of triggering events are: (a) a change in customer status as a "preference" entity; (b) sale, lease, or other disposition of an entity's electrical distribution system, or; (c) a change in structure as defined in Section 12.

**Comment:** Western's proposed Section 12 language discourages aggregation of power loads, instead encouraging disintegration by providing an "easy way out".

**Response:** Western does not encourage or discourage its customers to aggregate their power loads. It is the customer's decision as to whether it is more beneficial to aggregate or to operate independently.

**Comment:** Western should consider the impact on the Advancement of Funds (AOF) contract of any Administrator action as a result of the Section 12 language which would reallocate power; and whether Western needs to include language addressing AOF contract requirements regarding reallocations.

**Response:** There is no intention to amend the PDP Generation AOF contract by implication or otherwise by way of the PDP FES amendment. Conversely, the PDP FES Contract as amended is independent of and shall not be subordinate to any other contract. Western will honor its requirements and commitments under the AOF contract, and does not need to restate them in this Amendment.

**Comment:** Language needs to be included in Section 12 which would define a baseline for a change in customer status, that being "the Contractor's basis for being a priority contractor at the time this contract amendment is executed".

**Response:** Western agrees with this comment and has inserted language in Section 12.2 to define this baseline.

**Comment:** Western should provide an opportunity for customer involvement and comments during the development of new General Power Contract Provisions (GPCP's).

**Response:** The GPCPs attached to the PDP FES contract will be those that were last revised on July 10, 1998. The new GPCPs will not be completed prior to completion of the Parker-Davis Project Firm Electric Service Contract Amendment. As a result, existing PDP FES customers will not be affected by the new GPCPs. The new GPCPs become effective as they are included in new contracts. Any customer who is either amending an existing contract or entering into a new contract will have an opportunity to recommend exclusion or modification of a GPCP as part of the contract negotiation process. In addition, as new GPCPs are developed, Western will provide an opportunity for informal review and comment upon request.