MEMORANDUM OF UNDERSTANDING

NO. 10-DSR-12175, MODIFICATION No. 1

FOR

PREPAYMENT FUNDING PROCESS FOR CAPITAL PROGRAM

BETWEEN

UNITED STATES DEPARTMENT OF ENERGY WESTERN AREA POWER ADMINISTRATION Desert Southwest Region

AND

LONG-TERM TRANSMISSION CUSTOMERS OF THE DESERT SOUTHWEST REGION

RECITALS

Whereas, Western Area Power Administration (WAPA) receives payment in advance (Prepayments) for long-term firm transmission service in the Desert Southwest Region (DSW) in accordance with the applicable rate schedule; and

Whereas, the Prepayments are made for, among other purposes, to fund DSW's Capital Program, as defined herein, and WAPA intends to continue to utilize Prepayments for this purpose; and

Whereas, the One Transmission Rate (OTR) is the pricing mechanism for transmission service in DSW; and

Whereas, WAPA will maintain a process for DSW customer input on the prioritization of the projects in the use of Prepayments for DSW's Capital Program; and

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Whereas, DSW customers acknowledge that WAPA has the responsibility for final decisions on the use of Prepayments for DSW's Capital Program; and

WAPA hereby agrees to the customer oversight process on the use of Prepayments for DSW's Capital Program as hereinafter defined and documented in this Modification No. 1 (Modification) to the Memorandum of Understanding No. 10-DSR-12175 (MOU). In accordance with section 10 of the MOU, this Modification will take effect upon affirmative vote of the Participants and DSW Regional Manager signature.

STATEMENTS OF UNDERSTANDING

1. **DEFINITIONS**: Capitalized terms used, whether singular or plural, but not otherwise defined in this MOU, shall have the meanings given to such terms in the Joint Planning Agreement No. 18-DSR-12868 (JPA).

1.1 Approved Project: A capital project funded by Prepayments that is approved under the Prepayment Funding Plan.

1.2 DSW's Capital Program: Construction Projects and RRADs, as defined in the JPA.

1.3 Eligible Customer: Entity with qualifications to enter into this MOU as specified in Section 2.

1.4 Long-Term Transmission Customer: An entity with one or more contracts with WAPA for firm point-to-point or network transmission service from DSW of five (5) years or longer in duration. This includes entities that have contracts with

WAPA for firm electric service from Federal hydropower that include payment for DSW transmission service.

1.5 Participant: Eligible Customer whose authorized representative has signed this MOU.

1.6 Prepayment Funding Plan: An annual plan developed to prioritize the portion of the Ten-Year Plan funded by Prepayments for the current fiscal year.

1.7 Prepayment Funding Process: The process documented in this MOU for determining how to utilize Prepayments for funding of DSW's Capital Program.

1.8 Ten-Year Plan (TYP): A report that outlines planned DSW Capital Program projects developed through a customer planning process outlined in the JPA.

2. **ELIGIBILITY**: All Long-Term Transmission Customers are eligible during the term of their transmission service agreements for participation in the Prepayment Funding Process under this MOU.

2.1 Eligible Customers will be required to sign this MOU to participate in the Prepayment Funding Process. Participants shall designate an authorized representative and an alternate to participate in the Prepayment Funding Process.

2.2 WAPA shall provide a copy of this MOU to each Eligible Customer.

3. **COORDINATION WITH THE TYP PROCESS**:

3.1 The JPA is used as a framework among the Parties to provide pertinent Materials and opportunities for input and recommendations for DSW.

3.2 Under the JPA, WAPA will formulate a draft TYP for DSW's Captial Program with each project prioritized. The purpose is to clearly describe challenges, goals,

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strategies, and accomplishments necessary to maintain reliable power delivery to WAPA's customers, as well as provide a mechanism for customer collaboration.

3.3 At the TYP Draft Plan Meeting, typically held in June, WAPA will propose the use of Prepayments for DSW's Capital Program that will be voted on at the Prepayment Funding Meeting held during the 4^{th} quarter.

3.4 The level of funding for the first year of the TYP will be based on the available Prepayments and an estimate of appropriations and Transmission Infrastructure Program (TIP) funding (for eligible projects, if any) for the upcoming year. WAPA will use appropriations to fund DSW's Capital Program whenever available. The remaining nine (9) years of the TYP will be based on system needs.

3.5 The draft TYP, including the portion proposed to be financed with Prepayments, will be distributed to Participants for review prior to the TYP Formal Plan Meeting, typically held in September.

3.6 After considering and incorporating feedback, DSW will finalize and distribute the TYP, and schedule a Prepayment Funding Meeting, in accordance with Attachment No. 1 to the JPA.

3.7 DSW will host the Prepayment Funding Meeting, typically in December, to review the final TYP and seek Participant approval of the priority of projects funded with Prepayments. The agreed upon plan becomes the Prepayment Funding Plan which is distributed in accordance with Section 5.6. The final TYP will also be distributed again if changes are made during this meeting.

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4. **PREPAYMENT FUNDING MEETING PROCEDURES**:

4.1 The meeting will be hosted by WAPA. WAPA shall provide the Participants notice of the date and location of the Prepayment Funding Meeting as described in the JPA and provide the amount of Prepayment funding available.

4.2 Participants will provide WAPA with agenda topics or Materials for distribution at least fourteen (14) business days prior to the meeting.

4.3 WAPA will send out an agenda and distribute any working Materials to the Participants at least five (5) business days prior to the meeting including the report on Approved Projects called for under Section 7.

4.4 The authorized representative or alternate for each Participant may participate.

4.5 The Prepayment Funding Plan is developed using the priorities of projects in the final TYP adjusted for changes agreed to during the Prepayment Funding Meeting.

4.6 The Prepayment Funding Plan is approved by a vote of the Participants who have signed this MOU in accordance with Section 5.

5. **VOTING PROCESS**:

5.1 WAPA will work to cooperatively develop a Prepayment Funding Plan that receives broad-based customer support.

5.2 Each Participant will have one vote. Voting will be in the form of voice or show of hands during the meeting, email to WAPA's designated contact; or by proxy on a form to be determined by WAPA.

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5.3 Participant approval for the Prepayment Funding Plan requires an affirmative vote of greater than fifty (50) percent of those Participants that vote by the close of the meeting.

5.4 Multi-year projects in the Prepayment Funding Plan will be approved for the total funding of the project and are not subject to re-voting in subsequent years except for additional funding when required in accordance with Section 8.

5.5 If WAPA needs to pursue a project that Participants do not approve to fund with Prepayments, WAPA shall find other sources to fund the project other than using Prepayments or move the project to a later fiscal year for reconsideration.

5.6 The final approved Prepayment Funding Plan will be formally recorded and posted on WAPA's Ten-Year Capital Program website.

6. **EMERGENCY EXCEPTION**: With any transmission system, emergencies are likely to occur. In the event of an emergency, WAPA will immediately initiate all actions and repairs necessary to preserve, maintain, or re-establish the safety, integrity, or operability of the DSW transmission assets that have been affected. WAPA may use any available sources of funding including Prepayments for emergency repairs without prior customer notification. DSW's maintenance crew shall act swiftly to make the necessary repair and DSW representatives shall follow up with the Participants to inform them of the issue and provide estimated costs involved.

7. **PROJECT REPORTS**: Prior to the Prepayment Funding Meeting each year, WAPA shall prepare and distribute to Eligible Customers a report on Approved Projects that are

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in progress or completed since the prior meeting. The report shall include project status, costs to date, and actual or estimated changes to the total project costs.

8. **PREPAYMENT PROGRAM EXECUTION**: Projects in the Prepayment Funding Plan are approved with an estimated total project cost provided by WAPA. WAPA will manage Prepayment funding of Approved Projects within the following limitations:

8.1 For Approved Projects that exceed the approved estimated total cost by not more than ten (10) percent, no further Participant approval is required.

8.2 For Approved Projects that exceed the approved estimated total cost by not more than twenty-five (25) percent, WAPA may re-program funds from other Approved Projects that are completed or anticipated to be completed below their approved estimated total cost without further approval to the extent these projects are below their approved estimated cost.

8.3 For Approved Projects that are anticipated to exceed the estimated total cost limitations in subsections 8.1 and 8.2, approval of the Participants for additional Prepayment funding is required. WAPA shall schedule a Prepayment Funding Meeting for a vote of the Participants, if needed.

9. **USE OF PREPAYMENTS**: DSW will not transfer Prepayment dollars to other WAPA Regions or fund projects with Prepayments that financially impact systems outside DSW.

10. **MODIFICATIONS**: WAPA is receptive to continuing to work with the Participants to make future improvements to this process. This MOU may be modified by mutual agreement of WAPA and the Participants. Approval of modifications shall be made by

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an affirmative vote of the Participants in accordance with Section 5 of this MOU and written agreement by WAPA.

11. **TERMINATION OF CONTRACT AND LIABILITY HEREUNDER**

11.1 Any Participant may withdraw from this MOU for any reason with ten (10) calendar days' notice. The Participants also agree that no Participant shall have any liability of any kind or nature to the other Participants for a termination or breach of this MOU. Withdrawal from this MOU negates any Participant's ability to vote on the use of prepayments but does not relieve the Participant of any obligation to make payment under contracts with WAPA for transmission service or firm electric service.

11.2 This MOU may be terminated at any time by mutual agreement of WAPA and the Participants. Termination of this MOU shall require an affirmative vote of the Participants in accordance with Section 5 of this MOU and written agreement by WAPA.

11.3 In the event that WAPA permanently discontinues the use of Prepayments as a source of funding, WAPA will terminate this MOU by written notice to the Participants.

12. **EXECUTION BY COUNTERPARTS**: This MOU may be executed in any number of counterparts and, upon execution and delivery by each party, the executed and delivered counterparts together shall have the same force and effect as an original instrument as if all parties had signed the same instrument. Any signature page of this MOU may be detached by any counterpart of this MOU without impairing the legal effect of any

signatures thereon, and may be attached to another counterpart of this MOU identical in form hereto, by having attached to it one or more signature pages.

13. **AUTHORITY TO EXECUTE**: Each individual signing this MOU certifies that the party represented has duly authorized such individual to execute this MOU.

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This Modification No. 1 to Agreement No. 10-DSR-12175 for the Prepayment Funding Process is executed this ____ day of ______________, 2026.

DEPARTMENT OF ENERGY
WESTERN AREA POWER ADMINISTRATION

By: ___________________________________
Scott R. Lund
Title: Senior Vice President and
Desert Southwest Regional
Regional Manager

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