

SUMMARY OF POST-2017 HOOVER CONTRACT ISSUES

1. Include additional parties throughout:
 - a. Schedule D new allottees
 - b. Bureau of Reclamation
2. Provide for use of Hoover power in regional energy markets
3. State in section 3 that this is a “new contract” subject to renewal in 2067
4. Provide in section 3 for two effective dates for the contract:
 - a. January 1, 2017 for limited purposes related to actions required to prepare for contract implementation on October 1, 2017
 - b. October 1, 2017, for all other purposes
5. Create a new requirement in section 3 for Western, Reclamation, and Contractor to meet and confer at least every five years to address changing conditions
6. Update definitions in section 4 and make the following additional changes:
 - a. Add definitions for Ancillary Services, Arizona Contractors, Balancing Authority, Balancing Authority Area, Boulder Canyon Implementation Agreement, Coordinating Committee, Emergency, Engineering and Operations Committee, Forced Outage, Good Industry Practice, Hoover Dam, Hoover Power, MSCP, Nevada Contractors, Non-spinning Reserve, Outage, Participating Contractor, Planned Outage, Points of Delivery, Power System Entity, Ramping, Regulation, Repayable Advances, Schedule D Contingent Capacity, Schedule D Contract Capacity, Schedule D Contractor, Spinning Reserve, Transmission Services, 24-Month Trigger Study, and WECC
 - b. Change the following definitions to conform to Hoover Power Allocation Act of 2011: Schedule A Contingent Capacity, Schedule A Contract Capacity, Schedule A Contractor, Schedule B Contingent Capacity, Schedule B Contract Capacity, Schedule B Contractor, and Schedule C
 - c. Amend definition of Boulder Canyon Project, Hoover Powerplant, NERC Holidays, Normal Business Day, NERC, On-Peak Hours, Output Capability, Rated Capacity, Scheduling Entity, Synchronized Generation, and Uprating Program
 - d. Delete definitions of Credit Amount, Credit Carry forward, Credit Difference, Credit Schedule and Day, Interim Contract, Power, Reclamation Contract, Transition Period, Uncontrollable Forces, Uprating Period, Western Capacity, and WSCC

7. Update generally provisions in section 5 regarding provision of Electric Service, and make the following additional changes:
 - a. Conform the requirements of the Electric Service Contract to the requirements of the Implementation Agreement
 - b. Create more detailed requirements for outage reporting and coordination with Contractor's Power System Entity or Scheduling Entity
 - c. Increase accountability and Contractor access to budget data through quarterly meetings at which Reclamation and Western will present revenue and cost data
 - d. Provide for Contractor vote at annual Coordination Committee meetings on proposed budgets used to determinate Hoover rates
 - e. Delete reference to "power being fungible"
 - f. Specify Contractor rights to Ancillary Services
 - g. Provide for Contractors' right to receive compensation for use of Hoover power by Western to integrate operations of Federal Projects on the Colorado River, calculated on the economic value of integrated operations, net of Western administrative costs not recovered from appropriations
 - h. Update Excess Capacity calculation to reflect nameplate capacity of 2074 MW
 - i. Update Contract Capacity language and tables:
 - i. Insert language on entitlement to capacity resulting from an Upgrading Program
 - ii. Update language on reductions in Contract Capacity
 - iii. Insert language on reductions in capacity resulting from an Upgrading Program
 - j. Remove language in section 5 regarding completed Schedule B upgrades
 - k. Update Firm Energy language and tables
 - l. Insert language authorizing use of Hoover Power with Power System Entities and other designated entities
 - m. Require that seasonality of use be taken into account when returning energy
 - n. Clarify when MSCP and Basin Fund charges apply to payments for Firming Energy and Excess Energy
 - o. Require Western to prepare a proposed schedule for an eighteen (18)-month period
 - p. Clarify when Western, and Contractors, may use previously scheduled Synchronized Generation for Ancillary Services and Ramping
 - q. Delete references to Interim Agreement
 - r. Provide for compensation to Contractors, at the posted rate, for use of services generated or made available by the Hoover Powerplant and associated facilities, for the benefit of a non-Contractor

8. Update generally the provisions of section 6 regarding billings, payment, and schedule of rates, and make the following additional changes:
 - a. Update provisions regarding payment for capacity
 - b. Provide that capacity charges to recover costs of an Uprating Program will be paid pro rata by Participating Contractors
 - c. Create a new framework for addressing Contractors' concerns about impact of drought on availability of Hoover Power:
 - i. Require Reclamation to perform a semi-annual Trigger Study of Lake Mead levels and to notify Contractors when the level is at a specified threshold and of the amount of anticipated reduction in generation and revenue
 - ii. Following notice, Reclamation and Western shall meet with E&OC to develop a resolution regarding agreed upon steps to reduce their costs in the next year
 - d. Insert provision regarding operation of Hoover Powerplant if the powerplant is rendered useless by drought conditions or other factors
 - e. Insert provision regarding payment of MSCP charges
 - f. Insert provision regarding payment of Repayable Advances and reimbursement of replacement capital advances that are Repayable Advances from post-2067 contractors.
 - g. Insert provision regarding accounting of revenues from sale of Hoover Power to non-Contractors
 - h. Insert provision for constructing new Uprating Programs, which, among other things, make Western and Reclamation liable for any loss or damage to Contractors resulting from an authorized Uprating Program
 - i. Insert provision for financing of new Uprating Program by Participating Contractors pursuant to separate financing agreements
 - j. Delete provisions related to payments during the Transition Period
9. Amend rates provisions in section 7 to:
 - a. Make rates subject to approval of the Coordinating Committee
 - b. Require rates to be fair, reasonable, and the lowest possible consistent with sound business principles
 - c. Expenditures may only be recovered in rates if they are direct costs of operation, maintenance and replacement of Hoover Powerplant for generation of power
10. Amend provisions in section 8 regarding resale of electric energy to take into account the fact that regionalization of energy markets is incompatible with certain historical use restrictions, and make the following implementing changes:
 - a. Implement stated purpose to encourage the most widespread use

- b. Require Contractor to make the benefits of power available to Contractor's customers at fair and reasonable terms and the lowest possible rates consistent with sound business principles
 - c. Delete requirement to provide rate schedules to Western
 - d. Delete requirement to provide annual statement to Western regarding compliance with distribution principles
 - e. Delete requirement to provide Western with annual financial statement on Contractor's electric system
 - f. Delete requirements restricting uses of Hoover power by Contractor's customers
 - g. Include requirement that Contractor shall not sell Hoover Power for profit to any resale customer, for resale by such resale customer
 - h. Delete place of use restriction
- 11. Streamline conservation and renewable energy program requirements in section 9
 - 12. Update GCPC requirements in section 10
 - 13. Update dispute resolution requirements in section 11
 - 14. Amend use of exhibits under section 12 to conform to the rest of the Contract
 - 15. Amend provisions regarding contract modifications in section 15 to provide that the Contract may be only be amended in writing, and that Western must promptly notify all Contractors of any Contract modification executed with any Contractor
 - 16. Update all citations and references (throughout)