



Department of Energy
Western Area Power Administration
Desert Southwest Customer Service Region
P.O. Box 6457
Phoenix, AZ 85005-6457

October 22, 2025

Letter Agreement No. 25-DSR-13496
City of Needles
Voluntary Energy Reduction

ELECTRONIC DELIVERY

Rainie Torrance
Utility Manager
City of Needles
817 Third Street
Needles, CA 92363

Dear Ms. Torrance:

This Letter Agreement No. 25-DSR-13496 (Agreement) is entered into between U.S. Department of Energy, Western Area Power Administration (WAPA) and City of Needles (Participating Contractor), which hereinafter may each be called a Party individually, or collectively, the Parties.

WAPA and Participating Contractor are parties to Contract No. 87-BCA-10098 (FES Contract), for firm electric service of Parker-Davis Project (PDP) power. Under Section 6.1.2 of the FES Contract, WAPA is committed to deliver specified obligations of firm Monthly Energy (as defined in the FES Contract) to Participating Contractor. In recent years, drought conditions in the Colorado River Basin and disruptions in the wholesale energy market have made it increasingly difficult for WAPA to meet its Monthly Energy commitments to FES contractors with federal hydropower alone. To meet its Monthly Energy requirements to FES contractors, WAPA has increasingly relied on purchasing power and adding such costs to the PDP FES rate.

This Agreement permits the Participating Contractor, on a voluntary basis, to elect to reduce its reliance on WAPA-purchased power and accept reduced energy deliveries from WAPA. Such reductions would be based on federal hydropower generation projections made available to WAPA by the Department of Interior, Bureau of Reclamation (Reclamation), and shared with Participating Contractor and other FES contractors. In return for voluntarily electing to take reduced energy deliveries, Participating Contractor would receive monthly billing credits based upon the purchase power component of the PDP FES rate. Participating Contractor would also receive credits for their part in reducing purchase power deficits. The process by which Participating Contractor may voluntarily elect to reduce its energy deliveries and obtain corresponding billing credits is set forth herein.

This Agreement shall be read and interpreted in accordance with FES Contract No. 87-BCA-10098. The terms used in this Agreement shall have the same meaning provided by the FES Contract, unless otherwise noted herein. Nothing in this Agreement shall be construed as altering or reducing Participating Contractor or other FES contractors' PDP allocations.

1. **Agreement:** In accordance with, and subject to, the provisions of this Agreement, the Parties agree to the terms and conditions set forth as follows.

2. **Definitions:**

- 2.1 **Adjusted Monthly Energy:** The amount of monthly energy deliveries including voluntarily accepted reductions by the Participating Contractor for the forthcoming three-month period. Such Adjusted Monthly Energy may be the Proposed Reduced Monthly Energy, or some other amount which is less than Participating Contractor's Exhibit A Energy.
- 2.2 **Annual Operating Plan:** A plan produced annually and presented to FES contractors, typically in May of each year, to cover PDP loads with PDP generation, PPW, and other resources.
- 2.3 **Deficit Credits:** As defined in Section No. 7.
- 2.4 **Energy Credits:** As defined in Section No. 6.
- 2.5 **Exhibit A Energy:** The allocated energy as expressed in Exhibit A, Section 3 to a contractor's FES Contract.
- 2.6 **FES Contractor:** Any contractor who is a party to an FES Contract with WAPA and has an allocation of PDP energy, whether it is a Participating Contractor or not.
- 2.7 **Participating Contractor:** An FES Contractor who has signed a letter agreement with WAPA which permits it to voluntarily elect monthly reduced energy deliveries in exchange for billing credits.
- 2.8 **Projected Reduced Monthly Energy:** Estimated reduced monthly energy amounts for three-month periods beyond the forthcoming three-month period that WAPA will issue to Participating Contractors for planning purposes.
- 2.9 **Proposed Reduced Monthly Energy:** The amount of reduced monthly energy deliveries WAPA will propose to the Participating Contractor for the forthcoming three-month period, based on the Participating Contractor's proportion of

Reclamation's generation projections for that three-month period. Participating Contractor's proportion will be calculated by dividing the Participating Contractor's Exhibit A Energy (the numerator) by the sum of all FES Contractors' Exhibit A Energy (the denominator).

- 2.10 **Purchased Power and Wheeling (PPW):** The amount of energy, capacity, and transmission wheeling necessary to support Firm Electric Service obligations absent sufficient federal hydropower.

3. **Term:**

- 3.1 This Agreement shall be effective upon execution and remain in effect concurrent with the term of FES Contract No. 87-BCA-10098.
- 3.2 A Party may, at any time, terminate this Agreement by providing thirty (30) days advance written notice of termination to the other Party; provided, that the termination shall be effective prospectively, and shall have no effect on performance, actions, or obligations already incurred under this Agreement, including prior, voluntary elections by Participating Contractor to take Adjusted Monthly Energy and commitments by WAPA to deliver such Adjusted Monthly Energy.

4. **Proposed Reduced Monthly Energy:**

- 4.1 In months where federal hydropower generation projections are equal to, or more than all FES Contractors' Exhibit A Energy, energy deliveries by WAPA will be in accordance with Participating Contractor's FES Contract.
- 4.2 In months where federal hydropower generation projections are less than the total of all FES Contractors' combined monthly energy allocations, WAPA will offer Proposed Reduced Monthly Energy to Participating Contractors.
- 4.3 WAPA will offer Proposed Reduced Monthly Energy to the Participating Contractor for the next full three-month period based on published federal hydropower generation projections in Reclamation's latest 24-month study. Proposed Reduced Monthly Energy will be shared with Participating Contractors by electronic means of communication no later than one month in advance of the first day of the applicable three-month period. The three-month periods in which Proposed Reduced Monthly Energy will be offered by WAPA, and Adjusted Monthly Energy may be voluntarily accepted by Participating Contractors, are based on the federal fiscal year (FY), and shall be October 1-December 31, January 1-March 31, April 1-June 30, and July 1-September 30.

5. **Adjusted Monthly Energy:**

- 5.1 If the Participating Contractor voluntarily elects to accept reduced energy deliveries less than Exhibit A Energy for the forthcoming three-month period, the Participating Contractor shall notify WAPA of its Adjusted Monthly Energy elections no later than 15 days in advance of the first day of the applicable three-month period. The Participating Contractor shall specify the quantity of Adjusted Monthly Energy for each month of the three-month period. The timely election to accept Adjusted Monthly Energy shall be binding and enforceable as between the Participating Contractor and WAPA, subject to the terms of this Agreement.

6. **Billing Credits for Participation (Energy Credits):**

- 6.1 Participating Contractors that elect to receive Adjusted Monthly Energy shall be entitled to billing credits (hereinafter, "Energy Credits"). The volume of energy in MWh subject to Energy Credits will be the difference between the Participating Contractor's Adjusted Monthly Energy and its Exhibit A Energy.
- 6.2 In advance of each new FY, WAPA will inform Participating Contractor of its maximum monthly Energy Credit amounts for each month of the upcoming FY. The maximum monthly Energy Credit amounts will be calculated using the Participating Contractor's proportionate share (percentage) of the total allocated PDP energy (i.e., the Participating Contractor's Exhibit A Energy divided by the total allocated PDP energy) multiplied by the monthly distribution of PPW included in the annual PDP FES rate. The PPW component of the annual PDP FES rate includes only an annual total amount; the monthly distributions of PPW included in the annual PDP FES rate shall be derived by calculating ratios between the monthly PPW forecast and the annual PPW forecast set forth in the PDP Annual Operating Plan and multiplying the applicable ratio by the annual total amount of PPW included in the PDP FES rate. Energy Credits will be applied to Participating Contractors based on the result of the applicable maximum monthly Energy Credit multiplied by the proportion of reduction the Participating Contractor elects.

See the chart below for examples of how maximum monthly Energy Credits will be calculated, using a theoretical scenario including the 2024 PPW estimates from the PDP Annual Operating Plan, the amount of PPW included in the 2024 PDP FES rate and the monthly distributions thereof, and a contractor who has an allocation of 10% of the total allocated energy from PDP and elects to take the maximum reduction (100%) proposed by WAPA.

Letter Agreement No. 25-DSR-13496
City of Needles
Voluntary Energy Reduction

| | A | B | C | D | E |
|-----|-------------------------|---------------------|-------------------------------|---------------------|--------------------------------------|
| | Purchase Power Estimate | PPW in Rate Monthly | Maximum Monthly Energy Credit | Contractor Energy % | Portion of Voluntary Reduction Taken |
| Oct | \$421,866 | \$404,020 | \$40,402 | 10% | 100% |
| Nov | \$728,255 | \$697,448 | \$69,745 | 10% | 100% |
| Dec | \$1,487,916 | \$1,424,973 | \$142,497 | 10% | 100% |
| Jan | \$1,208,300 | \$1,157,186 | \$115,719 | 10% | 100% |
| Feb | \$559,349 | \$535,687 | \$53,569 | 10% | 100% |
| Mar | \$867,130 | \$830,448 | \$83,045 | 10% | 100% |
| Apr | \$273,036 | \$261,486 | \$26,149 | 10% | 100% |
| May | \$257,134 | \$246,256 | \$24,626 | 10% | 100% |
| Jun | \$1,120,454 | \$1,073,056 | \$107,306 | 10% | 100% |
| Jul | \$3,627,596 | \$3,474,138 | \$347,414 | 10% | 100% |
| Aug | \$4,535,122 | \$4,343,272 | \$434,327 | 10% | 100% |
| Sep | \$3,708,930 | \$3,552,031 | \$355,203 | 10% | 100% |
| TOT | \$18,795,089 | \$18,000,000 | \$1,800,000 | | |

- A: 2024 monthly purchase power forecasts, with an annual forecasted amount of \$20,000,000, as presented in the PDP Annual Operating Plan meeting
- B: Purchase Power and Wheeling (PPW) included in the 2024 PDP FES rate for annual total amount of \$18M [months calculated based on ratios from the monthly amounts in Column A divided by the Column A total]
- C: Maximum monthly credit assuming all of a proposed voluntary reduction is accepted
[(B multiplied by D) multiplied by E]

- 6.3 Energy Credits will be applied to service bills as soon as accounting information is available and after the applicable service month is completed. If the credit exceeds the cost of firm electric service for the month, the credit shall be applied to the extent it results in a zero-balance due with no payment required from the Participating Contractor. WAPA shall carry forward any balances of Energy Credits and apply them to service bills in subsequent months.
- 6.4 WAPA will make reasonable efforts to credit any such unapplied Energy Credits no later than two years after the applicable service month.

7. **Billing Credits for Deficits (Deficit Credits):**

- 7.1 When cost projections for PPW in the PDP FES rate are less than actual PPW expenditures, PDP incurs a deficit that must be repaid within a prescribed period. If amortized, that payment includes both principal and interest components that are added to a subsequent year's PDP FES rate. To hold Participating Contractors harmless from deficits for PPW incurred during a month in which they elected to receive Adjusted Monthly Energy, and to the extent they reduced energy deliveries, additional billing credits will be provided to Participating Contractors (hereinafter, "Deficit Credits"). Deficit Credits will be provided because the Participating Contractor did not receive energy covered by the deficit and as such did not benefit from the deficit. Deficit Credits will be calculated based on the amount of principal and interest for the deficit included in the PDP FES rate and the Participating Contractor's proportion of energy reduction when the deficit was incurred.
- 7.2 Deficits attributed to PPW required to deliver Adjusted Monthly Energy to Participating Contractors will not be eligible for Deficit Credits. The Participating Contractor must pay its share of such a deficit because the deficit covered the cost of energy necessary to meet the Participating Contractor's Adjusted Monthly Energy amount and, as such, the Participating Contractor benefited from the deficit.

8. **Projected Reduced Monthly Energy:**

- 8.1 At the same time WAPA offers Proposed Reduced Monthly Energy to Participating Contractors for the forthcoming three-month period, WAPA will also provide to Participating Contractors, for planning purposes, Projected Reduced Monthly Energy for the three subsequent three-month periods. Projected Reduced Monthly Energy amounts are subject to change as new Reclamation projections are published.
- 8.2 At the same time Participating Contractor notifies WAPA of its Adjusted Monthly Energy elections for the forthcoming three-month period, the Participating Contractor shall also disclose to WAPA, for planning purposes, reductions they intend to elect for the three subsequent three-month periods. Notwithstanding Section 5.1, Participating Contractor's disclosed reductions for the subsequent three three-month periods are not binding.

9. **Notification Requirements:**

9.1 Publications of Proposed Reduced Monthly Energy and Projected Reduced Monthly Energy will be issued by the WAPA Energy Management and Marketing Office via e-mail. WAPA intends to develop a web-based application for such publications, and upon notice to Participating Contractors, will transition from e-mail to web-based posting in the future.

9.2 The Participating Contractor will identify points of contact who will provide WAPA notice of Adjusted Monthly Energy elections in accordance with section 5.1.

10. **Attachments:** Attachments shall be made part of this Agreement. Changes, additions, or modifications to the attachments shall be reflected in new or revised attachments and will be distributed in accordance with Provision 40 of the General Power Contract Provisions.
11. **Governing Law:** This Contract shall be interpreted, governed by, and construed under applicable Federal law.
12. **Relationship to Other Contracts:** Except as expressly provided in this Agreement, all other agreements(s) or contract(s) between Participating Contractor and WAPA will remain unchanged and in full force and effect. Failure of a Participating Contractor to provide timely notice under this Agreement shall not be deemed an event of default under Contract No. 87-BCA-10098.
13. **Amendments and Modifications:** This Agreement may be amended or modified by mutual written agreement duly executed by the Parties.
14. **General Power Contract Provisions:** The General Power Contract Provisions (GPCP), effective July 17, 2025, are attached hereto, and are hereby made a part of this Agreement the same as if they had been expressly set forth herein; provided, that if the provisions in the GPCP conflict with this Agreement, the terms of this Agreement shall control.
15. **Execution By Counterparts:** This Agreement 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 Agreement may be detached from any counterpart of this Agreement without impairing the legal effect of any signatures thereon and may be attached to another counterpart of this Agreement identical in form hereto, by having attached to it one or more signature pages.

16. **Electronic Signatures:** The Parties agree that this Agreement may be executed by either handwritten signature or digitally signed using Adobe Sign, Adobe E-Sign, or DocuSign pursuant to Section 17, herein. A digital signature is the same as a handwritten signature and shall be considered valid and acceptable.
17. **Authority to Execute:** Everyone signing this Agreement certifies that the Party represented has duly authorized such individual to execute this Agreement that binds and obligates the Party.

Please provide acceptance of this Agreement by having an authorized representative date and sign the Agreement by handwritten signature or affix a digital signature by using only Adobe Sign, Adobe E-Sign or DocuSign that provides a certificate-based identification to authenticate the signer's identity and which binds each signature to the document with encryption. Return the dated and signed Agreement, as soon as possible, using (1) of the following options:

1. Digital Signature: email Agreement to colletti@wapa.gov,
2. Handwritten Signature: email scanned Agreement to colletti@wapa.gov and mail both originals to one (1) of the following addresses:

If by U. S. Postal Service:

Western Area Power Administration
Desert Southwest Regional Office
ATTN: G6216 (Colletti)
P.O. Box 6457
Phoenix, AZ 85005-6457

If by Overnight Delivery:

Western Area Power Administration
Desert Southwest Regional Office
ATTN: G6216 (Colletti)
615 South 43rd Avenue
Phoenix, AZ 85009

If the Agreement is signed by handwritten signature, provide attestation on the signature page and affix your corporate seal. If a seal is not available, then provide a signed letter of authorization from the Corporate Secretary, or any applicable certificates, resolutions, or minutes to indicate the signatory is duly authorized to commit Customer to the terms of the Agreement. If digitally signed, provide the applicable certificates, resolutions, or minutes.

Letter Agreement No. 25-DSR-13496
City of Needles
Voluntary Energy Reduction

Technical questions related to the work to be performed under this Agreement should be directed to Shannon Joya, at (602) 812-2366. Contractual questions should be directed to Audrey Colletti, Public Utilities Specialist at (602) 812-2707.

Sincerely,

JOHN
PAULSEN

Digitally signed by JOHN
PAULSEN
Date: 2025.10.21
15:28:10 -07'00'

John T. Paulsen
Vice President of Power Marketing
for Desert Southwest Region

Accepted and agreed to this 22nd day of October, 2025.

[SEAL]

Attest:

By: Candace Clark
Candace ~~Martinez~~ Clark
Title: City Clerk

CITY OF NEEDLES

By: Patrick Joya
Name: Patrick Martinez
Title: City Manager