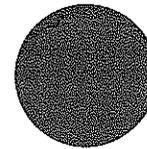
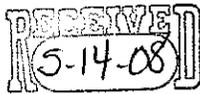


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May 8, 2008

Mr. Tim Meeks, Administrator
Western Area Power Administration
P. O. Box 281213
Lakewood, Colorado 80228-8213

RE: Comments Regarding Western's
April 24, 2008 Meeting in
Lakewood, Colorado

Dear Mr. Meeks:

We strongly support your efforts to maximize the value of the Western transmission facilities, and to ensure continued high reliability and availability of this system at cost-based rates. We all realize that the Western transmission facilities are the backbone of electric transmission for the Western states, and they are vitally important to the public power systems. In the case of the Arizona Power Authority, Western provides the transmission path to deliver Arizona's share of the Hoover generation to the Power Authority and its customers throughout Arizona. The high reliability and attractive price of both the power and transmission service is of great benefit to the State of Arizona and especially to the customers we serve, many of which are involved in providing low-cost food for the entire country.

We are very pleased that you have chosen to pursue Option C and keep the same control area boundaries that are currently in effect. This plan gives the staff of Western the best control for operational reliability and availability of the Western Transmission System. It also allows consolidation of reporting functions into a single group which promotes efficiency and increased expertise in reporting to both the Federal Energy Regulatory Commission (FERC) and the North American Electric Reliability Corporation (NERC). Both of these entities are increasing their reporting requirements; and consolidating Western's expertise in one location increases the consistency, efficiency and quality of the required reports.

One of our concerns, however, regards the increased restrictions in communications caused by the new FERC and NERC regulations. Moving the reporting functions from Phoenix, Arizona to Loveland, Colorado provides an additional barrier to the efficiency of those communications within Western, and may frustrate communications between Western and its customers like the Power Authority.

As you discussed in detail at the April 24th meeting, the real value of the Western Transmission System is based on its availability and reliability for public power users and all other users of the electric transmission facilities in the Western United States. By maintaining the high reliability of the system, you ensure that the system will be used at its optimum level, thereby decreasing the over-all average cost. You are right on target, and we encourage you to continue the high reliability and attractive economic pricing of the Western Transmission System.

You can ensure the high level of reliability on the Western system by continuing the maintenance and capital improvements programs. As you so deftly pointed out, Congressional appropriations required to fund the necessary capital improvements are dwindling, and the burden to supply this money is falling upon Western's customers. As you know, we at the Arizona Power Authority have been working with you and the Department of Energy to develop new and effective funding mechanisms for such capital improvements. We need your continued support with the legal staff at the Department of Energy to bring our efforts to fruition. We continue to support a higher level of appropriations from Congress, and we will also continue to work with you to develop new and novel approaches for Western's customers to supply the necessary funds for capital improvements.

My own experience in the dispatching area has taught me that it is essential for dispatching personnel to know the system over which they have dispatching responsibilities. This can only be achieved by having local dispatch control for transmission lines and substations. Dispatchers must know and understand where the lines and substations are, who they serve, potential dangers and how to keep the facilities in service during normal operations and under emergency conditions. Not only is this important for continued reliability, availability and cost reduction; but, far more importantly, it is essential to protect the lives of the service personnel and general public in the area.

We understand and concur with your decision to use the Desert Southwest and the Rocky Mountain Region Dispatch Control Centers as emergency backup locations for each other. Our concern is the experience level and familiarity of the dispatching personnel in one control center with the other control area's system. Cross training will help ensure that the staffs of each system have adequate knowledge to perform vital backup functions for the other.

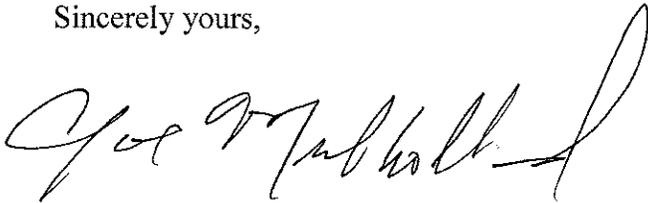
We are wary of attempts to integrate photovoltaic and wind projects into the Western grid by allowing Hoover's flexibility and dynamic signal to supplement these resources. Even if these resources are introduced as firm energy within the NERC standards, which only address a ten minute average window, excursions within that window may be detrimental to the ability of the power system to maintain the balance of generation and load on a short-term basis as was

recently experienced in Texas. We support solar and wind projects; however, we firmly believe these new resources should be economically justified and stand on their own merits. The Hoover dynamic signal provides a great advantage to the State of Arizona, and significantly reduces inefficiencies of fossil fuel generation during ramping and load following functions. This is a fundamental advantage of hydro generation and should not be abrogated or compromised in an effort to support less economic generation resources.

In conclusion, we are pleased that you have decided not to consolidate balancing authority areas and thereby compromise the use of Hoover power regarding its legal service territory. As you know, the 1984 Hoover Power Plant Act specifically requires that Hoover power be used only in its assigned service territory of Arizona, portions of California and portions of Nevada. The Hoover power is an extremely vital and critical resource for the State of Arizona and its use outside of the legal service territory must not be compromised.

Once again, thank you for making the right decision. You are doing a good job, and we support you.

Sincerely yours,

A handwritten signature in black ink, appearing to read "Joe W. Mulholland". The signature is fluid and cursive, with a large, sweeping flourish at the end.

Joseph W. Mulholland
Executive Director