



Arizona Electric Power Cooperative, Inc.

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Via Fax: (602) 605-2490

Via E-Mail: Post2017BCP@wapa.gov

Mr. Darrick Moe, Regional Manager
Desert Southwest Region
Western Area Power Administration,
P.O Box 6457
Phoenix, Arizona 85005-6457

RE: BOULDER CANYON PROJECT POWER MARKETING INITIATIVE

Dear Mr. Moe:

Arizona Electric Power Cooperative, Inc. (AEPCO) is a Generation and Transmission Cooperative organized under Arizona law and recognized as an entity entitled to preference in the marketing of federal power under pre-1930 statutes and subsequent statutes concerning the marketing of Federal Power.

AEPCO contends that it is or should be entitled under federal law to an allocation of power energy from the Boulder Canyon Project Hoover Plant (BCP) in the post-2017 time period. We write to you as a prospective applicant for BCP power and to support the power marketing initiative (PMI).

We support the extension of a substantial percentage of the existing contractors' contingent capacity allocations (which today total 1,951 MW) and the proposed marketable firm energy to the existing contractors based proportionally upon their existing allocations of marketed annual firm energy; and we support the creation of a single one-time resource pool of seven to eight percent (7%-8%), consisting of contingent capacity with associated megawatt hours of annual firm energy - similar to the pool created in the marketing of other federal resources. We firmly believe that the 5% resource pool is inadequate to meet the needs of the many public power utilities that have been denied access to BCP power.

AEPCO supports electric service contracts resulting from this effort with a term of not less than twenty-five years and not more than thirty years commencing on October 1, 2017. Changing times and circumstances, changing demographics, changing economic conditions and changing utility dynamics argue against any further timeframe for extension of contracts. It is not unreasonable in our opinion to request and require that contractors begin fifteen years after the commencement of the new contracts to work with Western Area Power Administration (Western) in the creation of the next allocation to be marketed.

AEPCO believes that it is important for Western to immediately begin the federal marketing process. We are supportive of and encourage Western to fulfill its statutory obligation to market the Hoover power pursuant to Section 5 of the Project Act in conjunction with Section 302 of the Department of Energy Organization Act of 1977. We believe the PMI should be conducted in a manner similar to the process that has occurred in other Federal power projects since its implementation in 1995. This is an appropriate means of balancing existing contractor resource stability while also encouraging the widespread public use of the Federal generation.

We believe that the Department of Energy Organization Act of 1977 and Section 5 of the Project Act authorized Western to proceed in the public interest, including the creation of a seven to eight percent (7%-8%) resource-pool and application of the PMI to balance the needs of the existing contractors with the needs of those of prospective contractors, which we believe is substantial.

We support marketing a substantial portion of the resource to the existing contractors in accordance with provisions of Federal law not requiring the application of Federal preference. As to the remainder of the marketable firm and excess power and energy, however, we strongly believe Western should market the remainder in accordance with existing Federal Preference Law without the 1939 Hoover exemption.

Sincerely,



Patrick F. Ledger
Chief Operation Officer

c\Timothy Meeks, Western *(via facsimile)*
Mike Simonton, Western *(via facsimile)*
Arizona Congressional Delegation *(via facsimile)*
AEPCO Board of Directors *(via email)*
Tom Jones – Grand Canyon State Electric Cooperative Association *(via email)*