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WAPA-130-021

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MARCH 2, 2007

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EXECUTIVE SECRETARY

**ARIZONA POWER AUTHORITY**

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March 2, 2007

Mr. J. Tyler Carlson  
Regional Manager  
Desert Southwest Region  
Western Area Power Administration  
P.O. Box 6457  
Phoenix, AZ 85005-6457

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RE: Pacific Northwest-Pacific Southwest Intertie Project Rates

Dear Mr. Carlson:

For the past four years the Arizona Power Authority has been paying for transmission service on the Intertie System one month in advance and encountered no problems. After careful study and consideration, the Commission and staff of the Power Authority chose this advance payment procedure because it reduced the financial risk for Western and provided a cash working capital which has given Western needed spending flexibility. During this period we have had no problems with the procedure, and we strongly recommend it for all of Western's customers. In brief, this advance money would further enhance Western's financial stability, and allow the system to continue operating at its high level of reliability.

Turning to the rate increase, the Power Authority is never enthused about paying higher rates; however, we do support Western's concept of having all deficits paid by 2017. We commend Western for its efforts in exploring ways to control costs and stabilize rates. The ability of Western to market excess capacity will benefit all Intertie Transmission System customers in the long run. The Authority will continue to work with Western on all power supply matters in the future.

Sincerely,

Joseph W. Mulholland  
Executive Director