

*Village of Reserve*

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January 20, 2005

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Mr. J. Tyler Carlson  
Regional Manager – Desert Southwest Region  
Western Area Power Administration  
Post Office Box 6457  
Phoenix, Arizona 85005-6457

Re: Comments on Parker-Davis Project – Post 2008  
Resource Pool Procedures and Supplement to its  
Application for 2 Mw of P-DP Power for Municipal  
End Uses.

Dear Mr. Carlson:

The Village of Reserve, New Mexico (Village/Town) is a political subdivision of the State of New Mexico and an entity organized and existing under the laws and the Constitution of the State of New Mexico. It believes it is a qualified end use applicant which comes under the general eligibility criteria in Paragraph II of General Eligibility Criteria set forth in the Federal Register concerning the Post 2008 marketing of the Parker-Davis Project resource pool and is a preference entity un Section 9 (c) of the Reclamation Project Act 1939, 43 U.S.C. 485h(c).

The Village is acting in conjunction with the Towns of Springerville, St. Johns, Pinetop Lakeside and Eager, Arizona and the Village of Reserve, New Mexico to make this application for an allocation of 2 mw of P-DP power and requests Western modify its criteria to specifically recognize applications by aggregation and pooling. The Village making (and asks Western's assistance) transmission arrangements so that the Village (and indirectly its citizens) can enjoy the benefits of Federal Power provided to Village municipal end uses such as water, wastewater, street lighting and municipal facilities. The Village will need assistance from Western in completing arrangements for transmission. In lieu of physical transmission to the end use, the Village requests Western amend its criteria to consider power pooling and/or the displacement of power and energy and indirect as well as direct paths of transmission. The Village requests that the same consideration and flexibility given to Tribes in securing the benefits of an allocation be given to the Village and those similarly situated.

The Village supports Western's determination to subordinate qualified applicant entities already possessing a contract with Western (directly or indirectly) for federal power resources (including Hoover federal power and energy subcontracts) so that Western diversifies its user portfolio in a more equitable manner. Arizona Power Authority Hoover subcontractor entities already enjoy specific entity allocations and benefits of Federal Power in the form of Hoover Federal power and energy subcontracts expiring in 2017 and as such are entities which indirectly by virtue of the multi-year APA subcontractors should be considered a member of a parent entity that has a contract with Western. Those APA subcontractor customers should not be in the first category for consideration of an allocation without presenting special circumstances.

Likewise, entities holding a CRSP contract directly should not be in the first category, unless they demonstrate special circumstances.

The Village generally agrees with the criteria set forth in under Paragraph III -- General Allocation Criteria in the Federal Register publication.

Concerning Paragraph IV General Contract Principles, except for the following, the Village believes those are acceptable.

a. Payment in Advance: It should be clearly stated in the Contract that any payment in advance will be payment of the monthly power bills no more than one (1) month in advance, and will not be a blank check for Western to require additional payments. Repayment of advances made by prior contractors should be amortized in a way that does not adversely impact the new customers.

b. General Power Contract Provisions: Concerning the GPCPs and standard provisions in the sales contracts, particularly the concept of Section 12 in the proposed Parker-Davis Contract, those provisions should be worded so that it is clear that before any power is taken from a contractor or an allocation under contract is reduced that the contractor has sufficient notice, opportunity to comment and participate in a discussion, and has an opportunity to cure any defects and to exhaust any appeals before losing any power resource under contract.

c. General Allocation Criteria -- Paragraph III (I): The Village notes that it and other qualified applicant municipal end users located in the Navopache Electric Cooperative service area (collectively-St. Johns, Eagar, Pinetop-Lakeside, Springerville, Arizona and Reserve, New Mexico) with whom it seeks to pool and aggregate municipal end use loads are qualified applicant preference end use customers served by a single preference qualified service provider (Navopache). While an individual entity may have less than one megawatt of municipal use in the aggregate, when municipal end-use loads (for purposes of water pumping, wastewater, street lighting, municipal buildings, and other municipal services) are pooled and/or aggregated and taken into consideration, the threshold criteria of one megawatt is

reached. Distributing benefits of federal power over wide areas of rural Arizona and New Mexico (which today suffer from economic adversity) helps Western fulfill its marketing program goal and objective to distribute economic benefits widely and create diversity of load as mandated by Congress.

Since pooling and aggregation of municipal end use loads is sought by the Village and others as end use customers underneath the umbrella of the single service provider, Navopache, the Village requests Western approve the aggregation of municipal end use loads to meet the minimum megawatt requirement by qualified applicants eligible otherwise to receive an allocation of the Parker-Davis resource pool power and energy.

Approval of aggregation and pooling in these unique rural circumstances is fair and appropriate. Without approval, small rural communities, customers of and served by the same service provider, will not benefit from the Parker Davis marketing process to municipal end users. Acceptance and approval of aggregation and pooling of municipal end uses recognizes the needs of small rural communities who struggle economically to pay the costs of delivery of needed services for the health, welfare and safety of the people; and such an acceptance also encourages the widest possible use of this Federal resource.

Concerning Criteria V (A) 4, the Village is working with its supplier but requests that Western consider transmission and other solutions to direct delivery such as displacement, pooling and other concepts which will effectively deliver an allocation, similar to the concepts which Western has approved for Indian tribes. The remote area of the Village and others similarly situated make the use of bill crediting important. So long as the Village enjoys the benefit of the differential between the rates now paid for supplying its end uses, this will result in the equivalent of actual delivery and avoid potentially adverse economic impacts of wheeling and transmission charges that effectively could deny the Village the benefits of any allocation.

The requirement by Western of one-megawatt minimum allocation is based on Western's previous comments that in today's utility operations it cannot efficiently schedule and manage allocations of less than one megawatt. By allowing qualified municipal end use customer needs to be aggregated or pooled and managed by a single service provider, Western avoids the problems it has normally associated with allocations of less than one megawatt.

The Village and those with whom it intends to associate and aggregate understands and appreciates Western's problems. However, if by aggregation the one megawatt threshold can be reached, then there is no reason for Western to not permit the aggregation and award an allocation of Two mw of Parker Davis Project power to the qualified municipal end use entities who gather themselves together under an agreement to contract with Western for the municipal end use benefits of Federal Power from Parker Davis. An appropriate agreement among the entities and a contract with

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Western can bring benefits of Parker Davis from the Colorado River to Eastern Arizona and Western New Mexico citizens of municipalities with end use needs.

Sincerely,

A handwritten signature in black ink, appearing to read "Lori Martinez", with a long, sweeping horizontal flourish extending to the right.

Lori Martinez  
Administrator

LM/lm