



Arizona Electric Power Cooperative, Inc.

P.O. Box 670 • Benson, Arizona 85602-0670 • Phone 520-586-3631

January 15, 2004

Ms. Jean Gray
Assistant Regional Manager for Power Marketing
Western Area Power Administration
P.O. Box 6457
Phoenix, AZ 85005-6457

**RE: PROPOSED SECTION 12 (TRANSFER OF INTEREST IN CONTRACT) TO
AMENDMENT NO. 1 PROTOTYPE REVISED DECEMBER 21, 2003 TO DRAFT
COPY OCTOBER 6, 2003**

Dear Ms. Gray:

Arizona Electric Power Cooperative, Inc. (AEPCO) has reviewed the December 21, 2003 Prototype of Amendment No.1 to the Parker Davis Contract (Amendment) between it as Contractor and Western Area Power Administration (Western), especially as to the proposed Section 12 (Transfer of Interest in Contract). We have also noted the various comments pertinent to that proposed Section 12, including those from Mohave Electric Cooperative's (Mohave) General Counsel Michael Curtis, dated January 9, 2004 (Curtis Letter) and the Colorado River Commission's Executive Director George M. Caan, dated January 7, 2004 (CRC Letter).

On January 8, 2004 the Board of Directors of AEPCO unanimously voted to oppose the December 21, 2003 language of Proposed Section 12, believing that AEPCO's relationships with its members and the effects of changes in those relationships on AEPCO's power supply resources to be a matter between AEPCO and its members just as the proposed Amendment is a matter between Western and AEPCO. You will note that AEPCO's Board of Directors is composed solely of representatives of all of its members, whether Class A (Distribution Electric Cooperatives each with two directors), Class B (one director) or Class C (one director).

Further, AEPCO's position is that if Western and its other Contractors believe language is necessary to provide Western with certain authority in the event of certain changes in circumstances, the language shown as stricken in Section 12, that is now referred to as the CRSP Version, is the more appropriate as it is written not only because the change in customer status requires two conditions be satisfied before triggering a potential adjustment, but also for all of the other reasons set forth in the CRC Letter.

Ms. Jean Gray
Page 2
January 15, 2004

Additionally, there is no immediate need to resolve this issue in this 2028 extension. Each of AEPCO's Class A members, including Mohave, are in the process of extending their respective wholesale power agreements with AEPCO until December 31, 2035. The PDP Extension is until 2028. Even if this matter is not satisfactorily resolved until 2028, seven years still remain thereafter until an enumerated circumstance is currently set to arise.

For all these reasons, AEPCO has undertaken a study of its hydro power resources, its allocations, contracts and history to determine their proper disposition and understand AEPCO's rights and those of its members.

In the interim, and for purposes of the Amendment, AEPCO's position as set forth above is to leave AEPCO and its members to resolve these matters among themselves, oppose the December 21, 2003 Section 12 wording and use the CRSP Version instead if such contract language is needed and agreed to by Western and its Contractors.

AEPCO appreciates the opportunity to comment on this matter of critical importance to its members and Western's continued accommodation of its Contractors' concerns over the terms and conditions of the proposed PDP Amendment. In that regard, we believe it important to note that in addition to the above comments we also share the concerns of other Contractors over the new drafts of the GPCP's and their effect on the PDP Contract as well as other future contracts, the issues concerning advanced funding and prepay for the transmission portion of the FES Contract. We look forward to working with Western to address these matters.

Sincerely,

/s/ Patricia E. Cooper

Patricia E. Cooper
Chief Legal Officer

c/ Members, AEPCO Board of Directors
Michael Curtis, Esquire
D. Kimball, CEO
M. Schwartz, AEPCO
Tyler Carlson, Western
Tony Montoya, Western
FES Contractors (via email)