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TELECOPIED AND MAILED
(Fax no.: 602-352-2490)

October 7, 2003

Jean Gray
Assistant Regional Manager for Power Marketing
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Western Area Power Administration
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Phoenix, Arizona 85005-6457

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Date	Initial	Code
	OCT - 8 2003	
	<i>[Signature]</i>	<i>[Signature]</i>

Re: Draft amendment to the Parker-Davis Firm Electric Service
Contract extending the contract under the Power Marketing
Initiative of Western's EPAMP regulations

Dear Jean:

I have been included on the e-mails going back and forth about the time Parker-Davis FES contractors will have to comment on the draft contract and I appreciate your willingness to extend that comment period to December 8, 2003. I think that will be a great help to all of us. I think you will find that, at the point where you have execution copies of the contracts prepared, a 60-day or longer period will also be necessary for the public bodies within the Parker-Davis contractor group and other contractors whose meeting schedules or internal processes demand that sort of timeframe.

Perhaps to get a jumpstart on analysis of the draft contract, I have some questions that are intended to help expand our information base in order that the customer representatives can brief their governing bodies correctly. I am sure that others will have the same or similar questions based on conversations I have had since our meeting. It might be helpful to collect these requests and do a question-and-answer form similar to that that Tony Montoya did previously. At least that might save some paperwork.

Jean Gray
October 7, 2003
Page 2

As I am sure you could tell from the questions at the meeting, many of the Parker-Davis contractors would like more information about how you envision the billing and payment process to work under an advance funding scheme for this contract. Since many of the contractors are signatories to the Advancement of Funds contract, advance payments made under that contract will have to be woven into the fabric of any billing and collecting process under this contract. How do you envision that working? How will the payments be allocated on an advance basis? By schedule submitted by the contractors? By project cash flow requirements?

I know you envision much of this detail being included in metering and scheduling instructions (or perhaps billing, metering and scheduling instructions). But given the added complexity of the AOF contract, I think the contractors are a little concerned. Charlie Reinhold noted at the meeting that your proposed Section 6 of the draft contract does not take into account advancements from other sources. Other issues may crop up in this discussion and I believe it will aid the process if we start that dialogue now rather than waiting for some later process over proposed instructions.

You also said that the current AOF contract is "onerous and burdensome" or perhaps "burdensome and onerous", I forget in which order. Since I am not actively engaged in that process, I would very much like to know your thoughts about what pieces of that process are problematic. I would guess that my interest in knowing more about your complaints is likely to be shared by most of the contractors as well. I think a frank airing of your concerns at this point would be helpful.

In the dialogue over the AOF contract, my notes reflect that Section 11.15 of that contract (at page 25 of the contract) may contain language that limits the contracting Parker-Davis contractors to a repayment obligation outside advance funding of only those monies additionally supplied for that fiscal year from federal appropriations. Obviously, if that is the situation, further discussion over that contract limitation and this process needs to be had. I would appreciate your thoughts on the import of Section 11.15 with regard to this process and any thoughts you might have on how to proceed from here.

Jean Gray
October 7, 2003
Page 3

You also indicated that the contract amendment would become effective when signed. The change in allocation would occur in 2008 on the original termination date, but other provisions of the contract, most especially the advance funding provisions, would be effective immediately. We discussed the fact that, whenever a contract amendment is executed, we will be in the middle of a fiscal year and you will have appropriations for that year. Thus, advance funding will have to have a future target date, probably the beginning of a fiscal year, in order for it to work. I would appreciate your thoughts on how the process would be scheduled into the normal appropriation cycle that Western uses. I would also appreciate your thoughts on whether the contract should have a provision in it designating the initiation of advance funding.

You indicated that you would put on your website contracts that you have been looking at as references for handling advance funding under this contract. I think there were some other things you were going to put on the website but my notes don't reflect those. It occurred to me that, once you have posted these items, a short e-mail to the contractors noting that would be helpful. I would also request that further notices and correspondence include me and the other counsel and consultants that did not get notice of last week's meeting.

I think it goes without saying, but I will say it, that we are breaking new ground here in this process. For that reason, I hope that the additional information I am seeking can be made available to the contractors as soon as possible. I think that can only help the process.

I look forward to hearing from you.

Sincerely,
ROBERT S. LYNCH & ASSOCIATES



Robert S. Lynch

RSL:psr