



P.O. Box 1045, Bullhead City, AZ 86430

April 14, 2004

Ms. Jean Gray
Assistant Regional Manager for Power Marketing
Western Area Power Administration
Post Office Box 6457
Phoenix, Arizona 85005-6457

Re: Comments on Parker-Davis Power Marketing Language
Included in Parker-Davis Project Contract Extensions -
Section 12

Dear Ms. Gray:

Upon the announcement by Western of the process to deal with the expiring Parker-Davis Project contracts in the year 2008, Mohave Electric Cooperative, Inc. ("Mohave" or "MEC"), as a Partial Requirements Contractor with the Arizona Electric Power Cooperative, Inc. ("AEPSCO"), intended to become an applicant for an allocation of P-DP power. After making comments to Western, Mohave received notice Western made a decision to extend the existing contracts in a slightly different amount of power and energy and in a new contract form, and to not open the P-DP process to reallocation and application. Given the circumstances of the special contract relationship between Mohave and AEPSCO, Mohave believes it is critically important that Western understand the existence of the special Partial Requirements Contract between Mohave and AEPSCO, and the potential relationship to the use of P-DP power allocations. Now that Mohave has extended its Partial Requirements Contract (PRC) with AEPSCO until 2035 (with a 35.8% entitlement to the resources of AEPSCO, including P-DP), and since the P-DP allocation will be extended to AEPSCO until 2028, the concern of Mohave is deferred until 2028 (previously the PRC of Mohave and AEPSCO would have expired in 2020 and Mohave would no longer have been an AEPSCO member but the P-DP contract would have continued until 2028 and Mohave would have been in the same position as Navopache when Plains merged with Tri State and Tri State refused, for the contractual reasons described by Bob Lynch in his IEDA letter, to allow the proper and equitable percentage of CRSP to be awarded to Navopache).

Historically before 1988, P-DP allocations were made by Reclamation and Western to retail or aggregating entities based on retail loads. Aggregators have wholesale but not retail loads. The pre-1988 P-DP contracts expired, along with all the rights associated with

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those contracts. The 1988 P-DP allocations by Western were based on an analysis by Western of retail loads of customers.

The PFC of Mohave previously expired in 2020 (and so did the membership of Mohave in AEPCO). The Parker-Davis Project extension is set to expire in 2028. The need for Mohave's concern (based on what happened with CRSP and Navopache) was apparent until the PFC was extended until 2035. It may still be wise to address the circumstances in anticipation of 2035 (the P-DP contract will expire in 2028 creating the same situation).

The utilization of some type of Section 12 language is necessary in order to anticipate the customer behavior and prevent the extraordinarily inequitable result that occurred concerning Navopache and the Plains and Tri-State merger in 2000 during the contract extension for CRSP. The Section 12 language must clearly give the Administrator sufficient authority to follow historic federal power marketing practice and process of recognizing allocations are intended to serve retail load and to assure preference customer retail distribution entities are not made vulnerable when Western encounters unique and special circumstances devised or created by customers in the management of their contract resources (such as mergers, pools, consolidations, joint power agreements, partnerships, control area rights, etc.).

Mohave is mindful of the fact concerning claims of proprietary rights in Federal power allocations that the Hoover Federal allocations in some instances were allocated to states for use within the states and, therefore, belong to state customers as a matter of contract for the term. Arizona and Nevada qualified for those proprietary Hoover allocations. Hoover is not Parker Davis and not CRSP.

Mohave has a reading and understanding of the Parker-Davis Project Act that indicates that the Secretary of Interior (and its agent, the Administrator of Western) has the authority to act in the matter of allocations of Parker-Davis Project power and energy. The original basis for power allocations was on load and service to retail customers. Reclamation continued this practice and handed it off to Western. The Arizona Power Pooling Association (Pool), one of the first joint action agencies to be created by preference power customers, was recognized by Western as an aggregator of the Federal resources of the City of Mesa, Electrical District No. 2, Pinal County, Arizona, and AEPCO. However, in its contracts with the Pool, Western reserved the right (negotiated by Marlene Moody of the Federal Power Marketing Department), in the event the Pool changed its structure, to change the Pool allocations of the federal resource (not, however to reduce the individual allocations unless other circumstances legally justified such).

In conclusion, Mohave agrees the Administrator of Western is lawfully authorized by law under changed circumstances (such as the Navopache case, or in the event of a unique partial requirement instance, or a challenging customer innovation in contract relationships) to exercise authority and discretion to be sure that implementation of federal policy and practice in

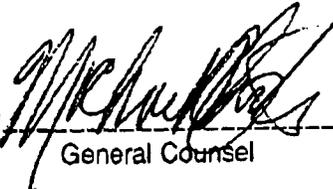


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the marketing of the federal hydro resource to meet retail load continues in a fair and equitable manner, mindful however that individual retail load allocations should not be reduced without cause. Mohave does request that the Administrator review the proposed language and be mindful of the concerns expressed by customers. The certainty that customers need for future operations and financing obviously will require consultation with Western in the event some new and novel action by a customer alone, with other customers or with third parties is contemplated. Given the history of consultation, Western has usually accommodated the plans and innovations of customers without hindering customers. The exceptions which may require some Section 12 language, and the recognition of the trust relationship that exists with respect to the receipt of benefits of federal power, are obviously circumstances that have caused Western to conclude there is a need for some Section 12 language.

Very truly yours,

MOHAVE ELECTRIC COOPERATIVE, INC.

By  _____
General Counsel

cc: Robert E. Broz, CEO, Mohave Electric
Cooperative

