

Sent Via Email on August 13, 2004

August 13, 2004



Arizona Electric Power Cooperative, Inc.

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Ms. Jean Gray
Assistant Regional Manager for Power Marketing
Western Area Power Administration
Desert Southwest Region
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RE: Comments on June 30, 2004 Proposed Revisions to the Provision Entitled "Review and Adjustment of Federal Power Allocation" (Section 12) of the Parker-Davis Firm Electric Service Contract Extension Amendment.

Dear Ms. Gray:

Arizona Electric Power Cooperative, Inc. (AEPCO) strongly contends that the language in subpart 12.2 must be modified to preserve certainty, for the purpose of future resource planning, by more clearly specifying the parameters triggering re-examination and adjustment with respect to member-based power supply entities. The language we support is:

12.2 Western's Administrator reserves the right to re-examine and adjust Western's firm electric service obligations under this contract as the Administrator deems reasonably appropriate, if, the Contractor's status, from and after the date of execution of this Amendment, changes in a manner that results in an obligation to supply power and energy that is materially different from that recognized by the Administrator in approving the Contractor's present allocation, including but not limited to: (1) merging with, acquiring, or being acquired by another entity; (2) creating a new entity from an existing one; (3) joining or withdrawing from a member-based power supply entity; (4) if the Contractor is a member-based power supply entity, losing a member and terminating or modifying its contractual relationship with such member; or (5) selling, leasing, or otherwise disposing of its, or a member's, electric distribution system.

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Within AEPCO's system, a partial requirements distribution cooperative member has the right, at any time, to withdraw as a member of AEPCO, which may or may not affect existing contractual obligations regarding power and energy. Consequently, AEPCO could "lose one or more members" without any impact on its contractual obligation to serve that former member. It is therefore our position that a unilaterally imposed "adjustment" in allocation by the Administrator is warranted only when a member withdraws and such member's contract with AEPCO is terminated or modified resulting in a material impact on AEPCO's obligation to supply power and energy as measured against the obligation recognized by the Administrator in approving AEPCO's present allocation.

If this or similar language is not acceptable to Western, then AEPCO's position is that Western should return to the CRSP version included in Amendment 5 to the CRSP contracts. Our Board of Directors have unanimously agreed to that version and it appears to be acceptable to the majority of Western's contractor base.

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ook forward to the opportunity to further discuss these comments.

Sincerely,

Patrick F. Ledger
Corporate Counsel

c/ Mark Schwirtz, COO
Walter Bray, Manager of Power Scheduling and Trading
AEPCO Board of Directors