

McMULLEN VALLEY
WATER CONSERVATION & DRAINAGE DISTRICT

P.O. Box 70
SALOME, AZ 85348

PHONE (928) 859-3647
FAX (928) 859-3145

October 27, 2004

FAX ((602) 352-2520) and MAIL

J. Tyler Carlson
Regional Manager
Western Area Power Administration
Desert Southwest Region
P. O. Box 6457
Phoenix, AZ 85005-6457

Dear Mr. Carlson

This letter is intended to respond to the letter of September 27, 2004 from the Assistant Regional Manager for Power Marketing, Desert Southwest Customer Service Region, Western Area Power Administration, stating that if no further comments were received, Parker-Davis Project Firm Electric Service Contract Extension Amendments would be offered in executable form within 30 days. The Assistant Regional Manager's letter further stated that previous customer comments to Western indicated that a dialogue between Western and its Parker-Davis Customers has resulted in workable language for Section 12, the section dealing with Western's unilateral right to determine whether to terminate a customer's contract or adjust its allocation of Parker-Davis power based upon certain unspecified events and determinations.

We have stated our deep concerns with the positions espoused by the Assistant Regional Manager for Power Marketing to you and to Western's Administrator in correspondence dated August 23, 2004 and September 14, 2004 and in our meeting with you and Western's Administrator October 18, 2004. While we are not a Parker-Davis contractor, we reiterate our concerns here and our opposition to the positions espoused by Western in proceeding to confront Parker-Davis customers with executable Parker-Davis contract extensions because we believe such positions could become precedent for us in future negotiations with Western.

In a letter dated October 27, 2004, Electrical District No. 3 and various other Parker-Davis contractors have set forth the following positions:

- Western should abandon its proposal to force customers to agree to Western having the unilateral right to terminate the power contracts and adjust the power allocation.

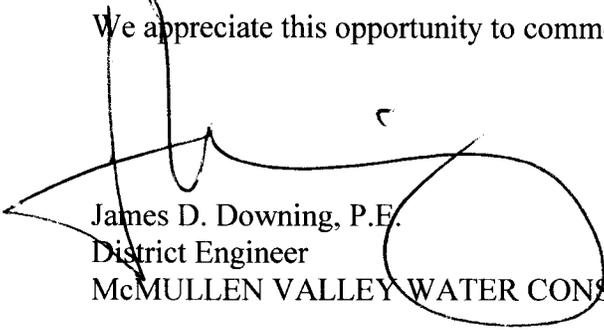
- Western's advance funding provisions for existing power customers should remain voluntary.

October 27, 2004

Page 2

We adopt these positions and the rationale for them set forth in the comments of Electrical District No. 3. Further, we believe that (1) Western's proposal to force customers to agree to Western having the unilateral right to terminate the power contracts and adjust the power allocation is so far removed from sound business practices that it appears Western has no knowledge of its customer's operations and that (2) mandating advanced funding removes Western from oversight and to a large extent gives Western a blank check..

We appreciate this opportunity to comment.



James D. Downing, P.E.
District Engineer

McMULLEN VALLEY WATER CONSERVATION & DRAINAGE DISTRICT

cc: Mr. Michael HacsKaylo, Administrator
Western Area Power Administration