



October 18, 2004

Utilities Administration

Mr. Michael Hacskeylo, Administrator  
Western Area Power Administration (Western)  
P.O. Box 281213  
Lakewood, Colorado 80228-8213

Dear Mr. Hacskeylo:

I want to express appreciation to Ms. Jean Gray, Mr. Tyler Carlson and you for your efforts to propose mutually agreeable and beneficial language for a new contract provision, Section 12, in the Contract Extension Amendment for our Parker-Davis Firm Electric Service Contracts. Unfortunately, the City of Mesa Utilities Department is unable to agree that the language proposed in the attachment to the letter dated September 27, 2004, from Ms. Gray and the information contained in Ms. Gray's letter dated October 5, 2004, provides a mutually beneficial agreement for one of Mesa's most critical electrical resources.

Our preference is to not include such a section in our Amendment. The Parker-Davis contracts and other power contracts have been successfully marketed under the preference laws for decades without the kind of unilateral dispute resolution envisioned in Section 12. This is why, to our knowledge, the strong preference of most, if not all, customers continues to be that the Section 12 language not be included in the contract extension amendments.

Since first learning that Western was proposing the Section 12 language, we have participated in Western's customer consultation process to determine whether the language could be revised to be acceptable to both Western and its customers. While Western has incorporated some of the suggestions made by customers, our central concerns have not been addressed.

We are continuing to assess this issue and will communicate with you further, certainly within the thirty day time period stated in the September 27 letter. In the meantime, we appreciate your willingness to meet with certain Western customers on October 18, 2004 to discuss the Section 12 language and other related matters and pledge our continued cooperation to achieve resolution.

We look forward to working with you further on this and other Parker-Davis contract extension issues.

Sincerely,

David C. Plumb  
Utilities Manager

DCP:FM

cc: Tyler Carlson

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