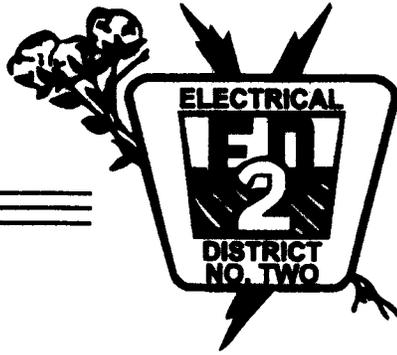


ELECTRICAL DISTRICT



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November 4, 2002

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

Re: Parker-Davis Reallocation

DSW REGIONAL OFFICE OFFICIAL FILE COPY		
Date	Initial	Code
NOV - 7 2002		
	<i>JTC</i>	G0000
	<i>JTC</i>	G6000
	<i>JTC</i>	G6002

Dear Mr. Carlson:

Western has been seeking comments regarding the future disposition of expiring Parker-Davis contracts. Upon much reflection, it appears that the best use of a scarce resource, such as Parker-Davis, would be to make it more available to qualifying entities who are small and for whom an allocation of low-cost Parker-Davis power would produce the greatest benefits.

Accordingly, it is ED-2's recommendation that existing contracts to "small" customers be renewed in the same amounts as they are presently allocated and that a 15-20 MW resource pool be made available through reductions among those customers holding "larger" contracts. I would suggest that Western first define the size of the pool that it wants to create. Having already lost seven percent of our CRSP resource in the most recent PMI, predominantly to Indian tribes, the District would strenuously object to another attempt to carve out a specific portion of whatever resource pool is created to meet additional tribal requirements. Instead, Western should look at each individual entity requesting an allocation and determine if an allocation could be made that would "substantially" mitigate their overall cost of power. A "large" contract could be considered one which, if reduced in quantity, would have little impact on the total cost of power to that system.

Admittedly, my use of the terms "small", "large", and "substantial" are subjective, but there is no way to accomplish the mission of renewing or extending new Parker-Davis contracts without some such assessment by Western. It can be reasonably said, however, that the entities who can benefit most from an allocation of Parker-Davis power are typically small, rural utilities whose total operating costs reflect their inability to achieve economy of scale in the purchase of electric power and in their much higher distribution costs resulting from their low-density networks. It is also worth noting that economic downturns are felt most acutely in rural areas where the cost of power typically represents a higher portion of total income that would be the case in most urban and suburban areas.

Finally, it is our recommendation that all new contracts be made for a period not less than twenty years. On behalf of ED-2, we appreciate this opportunity to express our interests and concerns.

Sincerely,

Thomas Martin
Thomas Martin
General Manager