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E-MAILED AND MAILED

September 20, 2004

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

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Date	Initial	Code
	SEP 21 2004	
	<i>[Signature]</i>	G0000
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Re: Proposed Multi-System Transmission Rate (MSTR), 69 Fed.Reg.  
34667, et seq. (June 22, 2004)

Dear Mr. Carlson:

There has been a great deal of discussion over this proposed rate and you have received a multitude of comments. I will not repeat or attempt to embellish upon those comments.

I wish instead to raise an issue that has concerned me and that the documents in this rate process have not yet addressed. I am disappointed that this issue was not addressed but I believe it must be before this process is completed.

Specifically, I am concerned that the MSTR is inconsistent with the guidance that Western must follow in RA 6120.2.

¶ 10.a. of that guidance document provides that the PMA in question will provide a Power Repayment Study (PRS) for each "power system".

¶ 10.h. delineates the transmission cost to be so included.

¶ 7.g. defines a "power system" as one or more projects that are electrically integrated.

Mr. J. Tyler Carlson  
September 20, 2004  
Page 2

By memorandum of September 2, 2004, Western distributed a summary of questions and responses based on the forums that had been conducted and issues that had been raised.

In that set of comments and responses, Western acknowledged that each of the projects involved in the MSTR will continue to have a separate Power Repayment Study and the funds collected under the MSTR rate will continue to go to satisfy the separate financial obligations of each project as determined each year. Thus, the MSTR projects are not a power system under RA 6120.2.

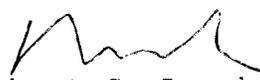
Moreover, these same responses to comments state the proposition that, because each project will have separate accounting and a separate PRS, no cross-subsidization will occur. That is certainly true of the projects in terms of project accounting itself. It is not true of the payments made by customers. I acknowledge that Western has the ability to set different rates for different types of service within a given project. However, I have not been able to find any authority that allows the functional equivalent of that cross-subsidization authority between projects, which is exactly what is taking place with the MSTR.

Any final order by Western on the MSTR should definitively respond to these issues. Western should demonstrate how this rate proposal complies with RA 6120.2 and articulate the authority that the agency believes it has to design a rate mechanism that constitutes a cross-subsidy among projects imposed on customers of the several projects.

If these authorities exist, so be it. If they do not, then further dialogue with your customers rather than completing this process would seem a wiser course of action.

Thank you for the opportunity to comment on this important rate process.

Sincerely,  
ROBERT S. LYNCH & ASSOCIATES

  
Robert S. Lynch

RSL:psr  
cc: Michael S. HacsKaylo  
IEDA Presidents/Chairmen & Managers  
City of Needles