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October 27, 2004



## Arizona Electric Power Cooperative, Inc.

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Ms. Jean Gray  
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**RE: COMMENTS ON THE SEPTEMBER 27, 2004 PROPOSED VERSION OF SECTION 12 OF THE PARKER-DAVIS PROJECT FIRM ELECTRIC SERVICE CONTRACT EXTENSION AMENDMENT**

Dear Ms. Gray:

This letter is in response to your letter of September 27, 2004 regarding the proposed section 12 language. We appreciate the opportunity to offer the following comments:

Arizona Electric Power Cooperative, Inc. (AEPCO) has in previous comments on section 12 indicated our concern with the language that provides the Administrator with unilateral and unfettered authority to terminate or impose an adjustment in allocation for virtually any change in beneficiary status, including those that may be immaterial to our obligation to serve such member beneficiary.

Although we are sensitive to the Western's need to "preserve the integrity of its marketing plan," we nevertheless have more recently stated our preference that the section 12 language not be included in the contract extension amendments. We agree with the position taken by other contractors that Western has adequate authority to enforce Reclamation Laws, including the ability to impose preference power resale limitations. Moreover, it appears to us that the few instances of changes in customer status that have occurred were resolved satisfactorily, without

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the sort of unprecedented, unilateral authority contemplated in section 12. Finally, the legal underpinnings for the proposed section 12 are substantially in doubt, as demonstrated by comments in a letter to you this week by Robert S. Lynch, Esq., Counsel to Irrigation and Electrical Districts of Arizona.

AEPCO also supports the position taken by Electrical District No. 3 and other contractors that Western's advance funding provisions for existing power customers should remain voluntary or negotiated on a case-by-case basis with customers.



We reiterate our willingness to pursue solutions that will meet the needs of Western, AEPCO and other customers and look forward to working with you to resolve such issues.  
Sincerely,

Patrick F. Ledger  
Corporate Counsel

c/ Michael S. HacsKaylo  
M. Schwirtz  
W. Bray  
AEPCO Board