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ASSOCIATION OF ARIZONA**

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E-MAILED ONLY

May 29, 2008

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

Re: Parker-Davis Project Rate Order No. WAPA-138, your Notice of Proposed Formula Rates for Firm Electric and Transmission Service, 83 Fed.Reg. 23248, et seq. (April 29, 2008)

Dear Mr. Carlson:

I am writing to follow up on the oral comments I made at the Parker-Davis Project Preliminary Fiscal Year 2009 Annual Operating Plan meeting on May 8, 2008 when the subject of this rate was discussed. While that discussion is not part of the record in this case, I do want to provide these comments for the record here. We also discussed these same subjects at the informal rate meeting on March 12, 2008 but subsequent events make these comments necessary now.

First, in finalizing these formula rates, we have been advised that Western will use the most recent 24-month study provided by the Bureau of Reclamation. As you know, equalization releases from Glen Canyon Dam began in April and will continue through September of this year. The hydrology forecast for next year will also be increased from its current estimate. Additional water will be stored at Lake Mead. We understand that the amount of water that you have to generate from Davis and Parker dams is dependent on downstream water orders and not on storage at Lake Mead but that storage at Lake Mead has other operational factors that can impact Parker and Davis dam operations and can have some beneficial effects on generation at these two dams which would lower the unit cost of electricity necessary to meet budgetary requirements. We hope that the hydrology that you use to finalize this rate will be that collected by the Bureau of Reclamation through July when the runoff of this year into Lake Powell will have been most accurately measured and the equalization releases into Lake Mead will have been more carefully determined.

Second, as you know, Congress has passed and the President has signed an omnibus bill that includes the legislation concerning the liability of power users for security costs at Reclamation facilities including the Parker-Davis Project. Budgetary requirements for that cost item will obviously need to be adjusted. We hope that your office will make those adjustments in the process of finalizing this rate.

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We would also ask you, in your rate order, to address these two subjects specifically in order that we know how they have been treated and how that treatment affects the rates that you conclude are necessary.

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

Sincerely,

/s/

Robert S. Lynch
Counsel and Assistant Secretary/Treasurer

RSL:psr

cc: IEDA Presidents/Chairmen and Managers