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July 9, 2012

VIA EMAIL - moe@wapa.gov

VIA FACSIMILE - 602-605-2490 (Attn: Jack Murray)

Mr. Darrick Moe, Regional Manager
Desert Southwest Customer Service Region
Western Area Power Administration
Post Office Box 6457
Phoenix, Arizona 85005-6457

Re: Intertie Project rate Increases

Dear Mr. Moe:

On behalf of the membership of the Arizona Municipal Power Users' Association, we believe the following are the questions and comments which need to be addressed by Western concerning the projected rise in the rates for the Intertie Transmission Project.

1. Overhead and maintenance - Please describe in each element what is driving the increase in costs. Please provide the details supporting your answer.
2. Increase in capitalization from use of prepayments - Please explain the amount of capitalization of prepayments that have been included in the computation of the need for increased rates.
3. Please describe in detail the increase in cost attributed to the Western Consolidation of Operations Program and confirm that those costs have not been any factor in the increase of the rates.
4. Please confirm there has been no cost "shifting" as the result of Control Area or "Balancing Authority" consolidation. We note that there are Balancing Area cost increases and would you please describe in detail whether or not the Balancing Area for the

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Desert Southwest has had increased Balancing Area costs, and if so, what extent and how have they impacted the proposed increase in rates.

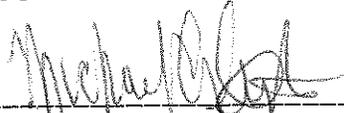
5. Concerning the Balancing Area from Loveland, please affirm and confirm that none of the Balancing Area costs from the Loveland area have impacted the rate increase being proposed for Desert Southwest.

Receipt of statistical information (indicating the derivation of the costs which have lead to the conclusion that there is a need for an increase in rates) will be important in giving comfort to the members that as a result of Western's consolidation activities and efforts, Balancing Authority efforts are not the causative factors involved in the projected rate increase will be helpful.

Very truly yours,

ARIZONA MUNICIPAL POWER USERS'
ASSOCIATION

By



Its Executive Secretary

cc: Members