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E-MAILED ONLY

October 8, 2012

Mr. Darrick Moe, Regional Manager
Desert Southwest Customer Service Region
Western Area Power Administration
615 South 43rd Avenue
Phoenix, Arizona 85009

Re: Pacific Northwest-Pacific Southwest Intertie Project – Proposed Rate Order No. WAPA-157, 77 Fed.Reg. 34381, et seq. (June 11, 2012)

Dear Darrick:

We are writing you today, the end of the comment period in this proceeding, to request that Western either suspend the proceeding for at least six (6) months or terminate the proceeding and prepare to refile next year for any proposed rate adjustment to be effective October 1, 2013.

We are making this request for several reasons.

First, Western has extended the current rates set in Rate Order No. WAPA-159 for a period of one (1) year to and including September 30, 2013. 77 Fed.Reg. 54575, et seq. (September 8, 2012). The existing rates were set in Rate Order No. WAPA-130 for a period of five (5) years. The current extension obviously can only take place if revenues appear to be sufficient to cover protected expenses over the one-year extension period. That being the case, Western has no immediate need for a rate increase in the pending rate proceeding. A number of things will be happening over the next six (6) months that potentially affect the revenue requirements for the two rate schedules involved and the agency's work plans for the Intertie. It is only prudent to at least suspend this proceeding until next spring or early summer in order that Western might have the benefit of the data and the changes that will be taking place during this time period.

Second, it would be equally prudent for Western to consider terminating this proceeding and refiling it next spring or early summer. The significant new information that will be forthcoming is bound to require, under your current rules, that you have supplementary proceedings for this process at the very least. Terminating the proceeding and starting over is the obvious second alternative given what has developed with regard to these rates.

Either way, we wish to continue a dialogue with Western over the design of these rates and some serious issues that we believe need to be faced. It is entirely possible that, with the reassignment of some cost items, the rate currently proposed will not be necessary and the current rate be deemed

sufficient to collect necessary revenues to continue the operation and maintenance activities for the Intertie.

Either course of action will not interfere with orderly processes at the agency. Indeed, it will provide more time as the ongoing process has already demonstrated is necessary. At the Public Information Forum on June 28, 2012, Western was unable to answer our questions and questions of others about rate design issues. We then were forced to attend and provide comments at the Public Comment Forum on July 10, 2012 without benefit of that information. We were then sent information by memorandum of August 3, 2012 which turned out to be considerably incomplete.

Thereafter, we filed a data request on August 14, 2012 by e-mail, to which you responded with a disk of information that we received on September 4, 2012. On September 10, 2012, we requested an extension of time to comment because the pending comment period deadline would not allow us the opportunity to review the information that you had provided. On September 21, 2012, you notified us of a comment extension to and including Monday, October 8, 2012, which we very much appreciated.

However, as you will see from the enclosed comments that we have received from K.R. Saline & Associates, we have not been able to thoroughly review the data contained in the diskette and there is some thought that we will be needing to ask you for more information in order to complete our analysis.

Obviously, in this proceeding, time is not of the essence. Any proposed rate would not go into effect for almost a year and the intervening events we mentioned of earlier would obviously weigh heavily on the legitimacy of any process concluded before they play out.

Even a cursory review of the enclosed comments by a layman such as myself indicates that there are serious questions about rate design that have been proposed and serious gaps in the information necessary to analyze some of the components of the proposed rates.

We will be working closely with K.R. Saline & Associates to complete the analysis that firm has undertaken and to pinpoint any further data that may be necessary for that task. We will attempt to do so as quickly as possible.

In the meantime, we hope you will entertain our request to put this rate process on hold. Your own Federal Register notice extending the current rate acknowledged that you needed more time to evaluate customer comments. Clearly, you have that time and we should also have time for further input.

Not only that, there are some intervening events on the horizon beyond the control of either Western or its customers that have the potential for seriously impacting rate design, not only for Intertie but other projects. Chief among these is the battle over sequestration in Congress that will continue in the lame duck session after the election. There are other tax issues with regard to financing that are also being considered, especially by the Senate Finance Committee and legislation that it has recently worked. Beyond that, your agency's is operating under a Continuing Resolution until early March and there is really no idea, at least as we can discern, what a proposed budget for next year is going to look like for

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Western or any other agency at this point or whether the Continuing Resolution will be extended through the rest of the fiscal year.

All of these uncertainties militate toward suspension of this rate process at the very least. All of us need the intervening time to let these issues play out and the dust settle in order that we can get a handle on how the agency will be treated for the remainder of the fiscal year, whether automatic spending cuts will have been put in place and enforced against Western and what if any rate adjustments are going to be required by these intervening events.

We hope you will seriously consider our request. We look forward to working with you on this important rate process.

Sincerely,

/s/

Robert S. Lynch
Counsel and Assistant Secretary/Treasurer

RSL:psr
cc: IEDA Presidents/Chairmen and Managers