

Summary of Customer Dialogue

Beginning in April 2003, Western has held five informal customer meetings to discuss and review various options for transitioning to a multi-system transmission rate (MSTR). This single rate will apply to transmission service on all three power systems within Western's Desert Southwest Region (DSW); Parker-Davis, Pacific Northwest-Pacific Southwest Intertie and the Central Arizona Project.

In the initial meetings Western presented the reasons for exploring and transitioning to a MSTR. Western's primary reason for looking to the MSTR was based on renewed interest and requests by customers to explore the feasibility of implementing one transmission rate for all DSW systems. Additionally, a MSTR will eliminate pancaked rates, will free up additional contract capacity and provide for more focused system upgrades. -Also, since DSW is, from an operations standpoint, three systems utilized as one, a MSTR allows product pricing to match operational realities.

Also during the informal meetings, DSW presented several options for implementing a MSTR. The various options may be reviewed in detail on Western's web site at www.wapa.gov/dsw/pwrmt/MSTRP. In summary, Western analyzed and presented five options for MSTR implementation: 1) "MSTR only", which immediately moves all customers to the MSTR; 2) converging to a MSTR over 5 years with implementation in the 1st year; 3) converging over 5 years with MSTR implementation in the 5th year; 4) a "customer choice" model, which in theory allowed customers a choice of whether to go to a MSTR or remain on the single system rates; and 5) "OATT first", another customer choice model which gave any new customers or those renewing contracts the MSTR while the existing customers have the option of staying on a single system rate. Official customer comments received to date may also be reviewed on the above mentioned website.

Western's goal throughout the informal process has been to find a way to move to a ~~common transmission rate~~ multi-system transmission rate while mitigating negative economic impacts to our customers as much as possible. To this end, the method which meets ~~this~~ the criteria and which this rate process is based on, is the convergence model with implementation in the 5th year.