



Arizona Electric Power Cooperative, Inc.

P.O. Box 670 • Benson, Arizona 85602-0670 • Phone 520-586-3631

March 9, 2010

Mr. Darrick Moe, Regional Manager
Western Area Power Administration
Desert Southwest Region
615 South 43rd Avenue
PO Box 6457
Phoenix, AZ 85005-6457

RE: Letter of Support for Proposed Use of Prepayments in Construction Funding

Dear *Mr. Moe*:

In the public meeting, held on February 17, 2010, Western Area Power Administration (Western) introduced the concept of using certain “prepayment funds” as a potential funding mechanism for the costs of improvements to the Parker-Davis Project and Intertie Transmission Systems, including certain construction projects proposed by the Southwest Public Power Resources Group (SPPR Group). As a customer of Western, and as a participant in the SPPR Group, we support the use of prepayment funds, subject to the following condition[s].

As was discussed by several parties at the open meeting, Western must provide an opportunity for its customers to participate in meaningful oversight of the proposed funding process, to ensure that projects are properly identified, that customers have input in the process, and that the funded projects are in the best interest of Parker-Davis Project and Intertie customers. One model for such customer input would be to adopt the salient provisions of oversight that were included in the Advancement of Funds Contract (AOF) for the Parker-Davis Project Generation Facilities¹. Specifically, Parker-Davis Project and Intertie customers should have line-item approval over the proposed construction items in their respective budgets (Parker-Davis Project or Intertie) that would use the prepayment funds; and, without customer approval, the prepayment funds would be sent to Treasury.

We suggest a two-year time table to work out the details and look forward to working with Western to develop an appropriate mechanism for ensuring customer oversight of Western’s use of prepayment funds for improvement of the Parker-Davis Project and Intertie System. As a transition consideration towards a formal approval process we support use of current prepayment amounts based upon Western’s internal prioritization.

¹ The Advancement of Funds Contract for Parker-Davis Project Generation Facilities among the United States Department of the Interior Bureau of Reclamation (Contract No. 8-CU-30-P1148) and the United States Department of Energy Western Area Power Administration (Contract No. 98-DSR-10870) and Certain Parker-Davis Project Firm Electric Service Contractors.

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We applaud Western's efforts in developing an innovative and cost effective funding alternative to address the much needed improvements to the Parker-Davis Project. The SPPR Group is committed to work and support Western's efforts to address reliability concerns, improve service through strategic interconnections and to meet the expanding resource requirements of customers. We appreciate the opportunity to offer comments and we look forward to continuing this discussion with Western.

Sincerely,

A handwritten signature in cursive script that reads "Donald W. Kimball".

Donald W. Kimball
Executive Vice President & Chief Executive Officer
Arizona Electric Power Cooperative, Inc.
SPPR Group Member