



SALT RIVER PROJECT

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Steven J. Hulet
Manager, Supply and Trading

March 10, 2010

Mr. Darrick Moe
Desert Southwest Regional Manager
Western Area Power Administration
P.O. Box 6457
Phoenix, AZ 85005-6457

Re: Proposed Prepayment Funding Mechanism for Construction Program

Dear Mr. Moe:

Salt River Project Agricultural Improvement and Power District ("SRP") appreciates the opportunity to comment on Western Area Power Administration's ("Western") proposal to utilize a prepayment funding mechanism to supplement the Parker-Davis Project ("PDP") construction program, as described in the presentation provided at the Sheraton Crescent Hotel in Phoenix on February 17, 2010. SRP would like to applaud Western for exploring alternatives to resolve the continuing funding shortages associated with the PDP transmission system.

SRP is supportive of the general concept of the proposed "prepayment" funding mechanism as a means of supplementing the PDP construction program, but we believe it will be essential to implement sufficient customer oversight and control of the funds utilized in support of the PDP and/or Intertie construction program. The oversight currently provided through the Joint Planning Agreement and the Ten-Year Plan processes do not adequately provide the controls necessary to assure PDP and Intertie customers that the funds are being spent in the most appropriate manner.

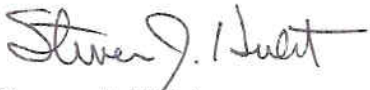
Given the amount of rehabilitation work currently required on the PDP system, it is fairly easy to agree to apply the available funds to the project and accept the increased debt and rate impacts. However, in the future, use of the available funds might be more discretionary from the customers' perspective and we may not support the spending and associated rate impacts. It is critical for Western and its customers to jointly develop a mutually acceptable process for proposing, reviewing and agreeing upon appropriate uses of these funds. SRP believes Western should develop a process along the lines of the PDP advancement of funds or the Western States Power Corporation customer review and approval process.

Mr. Darrick Moe
March 10, 2010
Page 2

If funds available in one federal project are proposed to be used in a different federal project, there must also be a process that will provide visibility of this cross project use and demonstration that there is no risk or cost impact to the project from which the funds are provided. There must also be a customer review and approval process in the recipient federal project to ensure there is customer support for the application of the funds.

Again, SRP applauds Western's creativity and effort to identify alternate funding sources to ensure it can properly maintain and develop its system, but SRP's support of the proposed "prepayment" funding mechanism, is contingent on the development of sufficient oversight of fund expenditures by the PDP customers. SRP stands ready to work with Western and other customers to develop an appropriate and mutually acceptable process.

Sincerely,

A handwritten signature in black ink that reads "Steven J. Hulet". The signature is written in a cursive style with a large, stylized 'S' and 'H'.

Steven J. Hulet
Manager, Supply and Trading