



Delivering More Than Power.®

Mail Station ISB250
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May 27, 2005

J. Tyler Carlson
Western Area Power Administration
P.O. Box 6457
Phoenix, AZ 85005-6457

Re: Multi-System Transmission Rate (MSTR)

Dear Tyler:

SRP has contracted for Parker-Davis Project (P-D) power and transmission service since 1939 and has contracted for transmission from the Northwest Southwest Intertie Project (Intertie) on the 345 kV system since 1968. These are 2 of the transmission systems Western is affecting by establishing the MSTR rate.

Our understanding is that the MSTR rate, if it is applied to any of Western's existing customers, will result in a revenue shortfall for both P-D and Intertie transmission projects.

Western has assumed additional revenue will accrue from other services it will market, but that there is no certainty of such revenues and this could result in an increase in P-D and Intertie transmission rates to cover that revenue shortfall.

This means there may be an increase in rates to existing customers of P-D and Intertie with no increase in benefit or no additional expenditures to improve the system, while another set of MSTR customers will receive the benefit of reduced cost for their transmission service.

Unless Western can assure the existing customers it will not increase the P-D or Intertie transmission rate because of the implementation of the MSTR, SRP cannot support the MSTR proposal.

Furthermore, it appears as though if there is an increase in revenue from Western's marketing efforts and no MSTR is in place, the revenue increase would served to reduce the existing P-D and Intertie rates. Please calculate and inform us of the potential P-D and 345 kV Intertie rate decrease if the assumed additional revenues accrue to the P-D and Intertie but there is no MSTR.

It seems we are back to the same scenario as the first MSTR proposal which results in one set of customers subsidizing another set of customers. Western correctly abandoned that proposal due to much opposition from its customers.

Letter to Mr. Carlson
May 27, 2005
Page 2

We thank Western for abandoning that first proposal, and now SRP urges Western to either reconsider this proposal to avoid one set of customers in any way subsidizing another set of customers, or to abandon this MSTR proposal as well.

Sincerely,



Mark S. Mitchell
Manager, Power Marketing

Salt River Project

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FAX COVER SHEET

Date: 5/27/05

Number of pages including cover sheet: 3

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REMARKS: Urgent For your review Reply ASAP Please comment
