MOHAVE ELECTRIC COOPERATIVE, INC.

WELLTON-MOHAWK IRRIGATION & DRAINAGE DISTRICT

CORTARO-MARANA IRRIGATION DISTRICT

HOHOKAM IRRIGATION & DRAINAGE DISTRICT

NAVOPACHE ELECTRIC COOPERATIVE, INC.

YUMA COUNTY WATER USERS' ASSOCIATION

TOWN OF WICKENBURG, ARIZONA

CITY OF SAFFORD, ARIZONA

February 19, 2008

Mr. Timothy Meeks, Administrator
Western Area Power Administration
Post Office Box 281213
Lakewood, Colorado 80228-8213

Re: Proposed Western Consolidation - ***Serious Concerns***

Dear Mr. Meeks:

Mohave Electric Cooperative and Navopache Electric Cooperative and their respective and collective 70,000 plus meters and approximately 210,000 people, as well as the Yuma County Water Users Association, the Welllton-Mohawk Irrigation and Drainage District, the Town of Wickenburg, Arizona, the Cortaro-Marana Irrigation District, the HoHoKam Irrigation & Drainage District and the City of Safford, Arizona object to the process being followed by Western for implementation of its plan of consolidation for the lack of meaningful customer involvement, lack of timely consultation, inadequate presentation of necessary studies, the imposition upon customers of inappropriate costs and taking away from customers long established relationships between the agency and the customers whom the agency serves.

We formally submit the following questions which supplement our prior request for copies of the studies that are used to justify the actions proposed by Western (or an admission that no studies exist and none were performed prior to decisions/proposals being made).

FERC 890-890A-PRACTICES AND PROCEDURES AND SETTLEMENT METHODOLOGIES: Regarding new orders from FERC 890 and 890A and the subject of ancillary rates and specifically the settling of energy imbalances.

DSW IMBALANCE ACCOUNTING PREFERENCE: We as customers in the DSW have learned to work with, live with and are accustomed to and have a preference for the Western

Area Load Control (WALC) settlement methodologies. It does not cost Western, does not jeopardize Western and Western has not presented any reasons or rationale based on any facts and circumstances that require us to abandon it. We want Western to fight to keep them as they are.

PREDECISION ON WESTERN'S 890 FERC FILING: The Western presentation either implies a) that Western has made a decision to abandon the existing DSW methods or b) there is a purposeful deception being practiced to get us customers to believe that FERC will require only such settlement parameters as Western is deceptively describing. Customers' reading of FERC 890 indicates flexibility opportunities for local or existing conditions. Western has not filed anything and yet, and yet it would have the customers believe the outcome is clear and that there is no flexibility. The presentation and presenters appear to indicate that DSW must give up local practices to our economic disadvantage. Western is committing us and Western to a process and organization before Western's filing. As a result, DSW customers are very concerned with Western's next FERC filing and would like request extensive involvement.

NEXT DOMINO: Also, some of the rates Western indicates would change appear to us as being actually Transmission rates, determined as part of a transmission rate process. The Western statement of not touching transmission rates and then indicating they may be modified appears to be deceptive and contradictory. The statements within the presentations of "not at this time" gives us great pause for concern over the next domino to fall. Where is Western going in this plan? As Mr. Graves has commented, there is the shadow of an 800-pound gorilla in here, and yet no one is disclosing or showing us the gorilla. What economic studies and analysis was done concerning the cost shifts to customers in the event of a transmission rate consolidation and was the old Desert Star study that we participated in for several years referred to? Please provide any studies.

TWO BALANCING AUTHORITIES: Regarding the Options, it is apparent that more than one balancing authority can be run from option D. We draw this conclusion from the data presented that showed equal numbers of reliability/operations (desk) personnel in either option C or D. If more than one balancing authority can be run from option D with little or no additional personnel, then we support D while keeping the balancing authority in WALC whole. We like the idea of single reporting structure to the entities of FERC, NERC, WECC, but do not support unilateral business practice changes within the projects or balancing authorities.

RMR SCADA CHOICE UNSUPPORTABLE-NO OBJECTIVE DATA: Regarding the FAQ about the reason for choosing RMR as the reporting location, the response is very subjective, un-compelling, and the analysis is incomplete or lacking. The state of the SCADA system development in each Region is dependent upon the local interconnection entities and the interconnection requirements in place, not the capability or expertise of the SCADA personnel in each Region. However, in the final form, both Operation Centers will use the best and same SCADA system. As such, the answer to SCADA system use gives no indication of a preference.

REGIONAL PERFORMANCE HISTORY: We would like to get some objective data about the two present operation centers to help make an objective decision: relative annual costs of personnel, accountable outage performance over the last few years, safety performance over the last few years for each Region. We all know that Reliability, Safety, and Costs are important and Operations are directly or indirectly tied to such performance.

WESTERN JEOPARDIZES HOOVER AND APA BONDS: We are certain that the 1984 Hoover act, as well as our existing contracts, prohibits Boulder Canyon Project use outside of the WALC and the existing Hoover marketing plan. What provisions will Western implement (or has it even thought about the problems and issues) to ensure these requirements are met, and at what cost will provisions be made (which of course we as customers will pay for)? If there are additional dollars/costs to ensure compliance with the law and our contracts concerning Hoover, we do not think that WALC customers should pay them as we are whole today without the additional costs.

REAL STRATEGIC ISSUE APPEARS TO BE ACCESS TO FUNDS/RESOURCES: We understand Western's financial concerns. We are concerned that Western does not have or get enough O&M dollars to enhance or even take care of the system. We are interested in working with Western to help take care of the system and help with the funding, regardless of the outcome of this discussion. If the issues of access to dollars and FTE and additional personnel are the real strategic drivers, we would encourage some sort of dialogue with the customers to help solve those issues directly, rather than indirectly with proposals like these that have other implications. DSW customers have a history of providing mechanisms to ensure annual funding for the DSW projects. In fact the DSW customers are presently entertaining additional pre-payment provisions. It is hard to understand the logic behind impacting these same customer's rates and service with any strategic issue.

USE OUTSOURCING FOR SYSTEM PLANNING/INTERCONNECTION: Regarding system planning needs for interconnections and the like, we are aware that many utilities contract out all of the study requests for interconnection requests and system enhancements. By performing these functions internally, Western has to add, what we understand, to be FTE positions instead of passing the cost to the person(s) or entities asking for the planning and interconnection. Adoption of this practice would in itself avoid new and more personnel costs and put the burden of non-customer interconnection requests on the appropriate entity.

MORE TIME NEEDED TO MEANINGFULLY PARTICIPATE: Having reviewed the website and presentation in Phoenix and in Loveland, we have additional questions and many requests for information, studies and documents. We will need at least the amount of time provided for in the Administrative Procedures Act, but not less than ninety (90) days to comment after Western has provided answers to questions and studies which will be submitted shortly. We anticipate it will require at least 15 days to send in these data requests and initial questions and comments.

OPPOSITION TO INCREASED COSTS TO DSW CUSTOMERS: To say the very least, it should be noted we oppose any Western consolidation results which raise our rates, increase potential costs and make delivery of Western services more distant from us and more difficult to access. We oppose any increased costs for ancillary service fees. We protest and object to any dollar averaging or blending of the RMR tag of $31.82 and the DSW tag rate of $26.92. What studies have been made of the impacts on customers in the DSW if there must be a new ancillary service rate for scheduling and a new scheduling rate in a reconfigured balancing authority? What do your studies show and can we see the studies and analysis?

FORGOTTEN MISSION: Western seems to have forgotten that we, and not Western, are the beneficiaries of the reclamation programs from which this agency was born, both water and power, and those programs are regionally specific and congressionally enacted. We want to retain the benefits of the federal program and will pay the costs of keeping the program local and responsive to local interests. Western is an agency created to bring to us, the customers, the benefits of the projects authorized by Congress. Customers either pay all the costs of these projects, or are committed to pay them if others leave the system.

SEARCH FOR NEW STAKEHOLDERS: While acknowledging there are stakeholders such as wind, solar, Indian, and environmentalists who are not customers, we are concerned that these Western efforts are really to satisfy those stakeholder needs. But satisfying those needs has always ended up at the expense of existing customers. We have already contributed one-third of Glen Canyon output to the environment and a measurable portion of CRSP and Parker-Davis to the Indian communities. We support new efforts by Western to bring benefits to those communities and the environment, but not at the expense of the current customers. Wind, solar, photovoltaic and ocean energy technologies need to develop their own economic base and we as customers object to being the financing vehicles for these region wide and nationwide projects. We are opposed to the dedication of resources that need to be managed in a cost effective manner for customer benefit as the payers of the project debts to the use of other third parties. Does Western have the studies that indicate these other uses are not leaning on us to our cost detriment? Otherwise, we oppose any efforts in these regards.

DSW LOCATION: One of the questions we have asked is the following: we know the costs and efficiencies of the DSW program and its record of reliability. From the data you presented, it appears that all of the rates that may change are lower or lowest in the DSW. Why is there no option for consolidating in Phoenix? The tag rates are lower, the voltage support rate is lower, the annual reports indicate the efficiencies and reliability factors are higher and the cost of living is lower. Why was there no option shown consolidating in DSW in Phoenix? Can you provide us some cost analysis of differences of locating the majority of personnel in DSW versus RMR.

PROPOSALS LACK SUBSTANCE AND APPEAR VERY SUBJECTIVE: These proposals lack substance, details and specificity which we require of our own employees, consultants and engineers before making decisions. After a review of the presentation, the consolidation costs appear to be a wash and the net effect of these proposals give no benefit to the customers. There are some aspects which deserve study, such as reporting consolidation. But as the remaining items Western presented, we cannot find the benefits and only see costs and problems. The averaging of rates, conforming processes between regions, and blending of differences are unacceptable.

WECC, NERC, FERC: We applaud Western for these efforts to consolidate some aspects of operations, particularly we agree that concerning those operations subject to third party jurisdiction, it would be helpful to have them consolidated such as the FERC, NERC, and WECC functions. Having a central group of expertise, with local experts in the regions, avoids duplication and problems and provides each region with access to central expertise.

We are concerned about when the calculation and implementation of WECC dues to be imposed on customers as a result of consolidation.. What study has been done to be sure that Bureau and APM customers are not disadvantaged? We do not believe it will be fair or equitable for there to be any WECC dues cost shift.

We are firmly opposed to any increased costs attributed to changes in the interpretation of standards or protocols, rules and regulations applicable to network integration by virtue of consolidation. Standard OATT language at times can be left ambiguous and open to interpretation when it comes time to implement. DSW has worked with its Network integration transmission service customers throughout the last few years to implement Network integration transmission service in a customer friendly way that is believed to abide by OATT principles. Several nuances that have emerged at FERC and throughout the industry recently have been the following:

1) Source of designated resources;
2) Firmness of upstream transmission; and
3) Un-designating network resources when surplus.

Under a consolidated or reconfigured WAPA balancing authority, the treatment of Network integration transmission service customers in regards to these three characteristics, or other Network integration transmission service implementation parameters could differ dramatically. Western could severely disadvantage us as DSW customers and we see no reason for that disadvantage. We have successfully solved network integration transmission service issues and have explored in the DSW the flexibility that Western can provide. We object to any merger or consolidation efforts which will diminish these services or their flexibility.

MERCHANT PROGRAM: We have hired and pay Western to perform merchant and marketing functions in DSW at Phoenix, which is a central location for them. There is no net cost to Western for these FES people, in fact it is a net positive for FES customers. Since we pay all the costs including overhead and labor, we are very concerned with any discussion of Merchant Consolidation based upon Western-perceived efficiencies. Significant customer involvement to determine the customer needs and desires needs to occur prior to any move of merchant and marketing functions out of the DSW region to a central Western location.

Has there been a study of why those functions would be moved, and has there been an analysis of the cost to customers if the functions are moved? If there have been any studies concerning the cost and expense of movement of personnel or functions related to the marketing services paid for by us or a study of the increased costs to customers if there is consolidation, will Western please provide them to us together with any analysis?

PROSOSAL IGNORES COSTS TO CUSTOMERS TO FAVOR WESTERN: We are concerned about consolidation efforts that reduce the costs of Western, but significantly increase the costs to us for time away, travel, lodging and inconvenience that have been previously accommodated in the current organizational structure.

What cost study and analysis has been made of the economic impact of consolidation on the customers in Arizona, Nevada and California if customers in those locations have to travel to Colorado to meet with Western? If the study has been made, may we see a copy? Was the study focused on man-days of travel, cost of travel, lodging?

EACH REGION INTENDED TO STAND ON ITS OWN: We oppose consolidated rates as revenue generating device and tool to cover financial problems in other regions. Each region was designed to fiscally stand on its own. There is a suspicion consolidation is a trick to cover regional cash flow and cost problems with cross-subsidies from DSW.

ENERGY BANK FUNCTIONS ARE REGIONAL AND UNIQUE: We are concerned about the consolidation proposals as they may affect energy bank functions. We are concerned that the result may not maintain the existing economies and flexibilities of the functions currently existing in the DSW. How will energy banks and banking be accomplished and what studies have been done on merging? Our energy banks accommodate regional and customer distinctions. What studies have been done indicating the distinctions will be maintained and accommodated for the benefit of us in the DSW?

We are unalterably and firmly opposed to any increased costs in the structure and management of energy banking relationships. Energy Banks provide for the storage of energy surpluses in monetary form to be drawn out later when shortages are experienced. We are very concerned that the balancing authority consolidation process will cause changes to these existing arrangements. The DSW/WALC implementation of Energy banks pertain to energy stored on behalf of the current balancing authority which provides these areas with the ability to purchase regulation, energy, or spinning reserves to help fulfill its regulatory requirements.

Who will track our balances is an important aspect to the consolidation process. What study and analysis has been done concerning the future management of these banks and will Western provide us with the results? Currently deciding how much energy should be banked on a yearly basis versus sold is determined locally during the planning and rate process. We object that the DSW area could lose flexibility if limitations are imposed on these operations regardless of where the function resides.

SCADA COSTS: We have commented on SCADA above. Another point needs to be made. We are firmly opposed to any increased consolidation costs as the result of SCADA changes which impact the federal power program and its DSW EMMO program and the associated 24X7 program. Currently the costs are merged and as customers we pay for them indirectly. What cost studies and analysis have been done concerning SCADA system integration and the impact to the EMMO office that customers pay for? May we see them? Does a study exist that shows the cost impacts for the SCADA services needed in DSW Federal Power Program and the DSW EMMO office and the configurations that must be created if there is consolidation? We oppose consolidation and merger actions that will increase our costs.

COMMUNICATION: The proposal indicates an acceleration of Communication facility additions and replacements. Where will Western intend to obtain these funds if they increase an already highly cut appropriation budget?

There are a number of technical issues/programs that are very important in the event of consolidation of balancing authorities. Changes to these programs are very important to DSW customers.

ENERGY DEVIATION AND ACCOUNTING: We are concerned about the costs due and attributed to new or different methods for accounting for deviation, transmission losses and energy imbalances. What studies and analysis has been made of the unique relationship between Hoover and Parker-Davis with respect to minimizing the impact of deviations and purchases for firming and the flexibility that now exists by pooling those resources for customer benefit?

a. How would a consolidated balancing authority collect for transmission losses and energy imbalance?

b. If those collections would continue to be in the form of energy which office will be in charge of managing assets?

c. What effect would the end of energy attributable to the Balancing authority being pooled with FES resources have on future purchase strategies?

d. What are the possible rate impacts to FES customers as a result?

FINANCIAL SETTELEMENTS AND ENERGY SETTLEMENTS AND BANDWIDTHS-DO NOT TAKE AWAY ENERGY SETTLEMENTS: We are concerned about the result of a consolidation or merger that affects the availability and costs of bandwidths and the rate process under energy integration. Energy Integration service has been provided in the DSW with a unique method of variable bandwidth allowances and penalties depending on long/short or On/Off peak positions. Based on the balancing authority's need to balance ACE with minimal down-regulation capabilities, the current rate structure attempts to minimize an overscheduled position in low demand off peak hours as well as a short position over high demand on peak times. Assessments are calculated hourly and an energy value is collected by the balancing authority from the customer simultaneously. The integration of such an Energy Integration policy provides a multi benefit approach to Energy Integration treatments because the balancing authority has a means of minimizing customer contribution to an a reliability problem; and since the assessment of Energy Integration is collected in energy instead of a financial invoice, additional energy flexibilities are gained in the Energy Manager's ability to work with Reclamation to attain Boulder Canyon Project monthly targets and provide for the ability to make balancing authority sales in low demand hours to minimize the lack of down-regulation in the WALC balancing authority. Has an assessment been made of operation under the large single balancing authority with respect to an assessment of Energy Integration rate structures and implementation procedures? Has a study been made with an analysis of negative impacts on customers in one or more regions due to a new rate that might be more generic in nature?

We are about the adverse cost impacts due to recalculations on deviations. Has there been a study of assessments for deviations outside of the different bandwidth as to each region, RMR and DSW, operating alone or under consolidation? Under consolidation are there negative impacts on us? What about associated penalties? Has there been a study of the impact on us if there is a loss of bandwidth by us in the DSW? May we see the study? We are unalterably and firmly opposed to any increased costs as a result of the difference in approaching energy imbalances, particularly for aggregated groups

CUSTOMER EXCHANGE OF BENEFITS (INCLUDES USING ENERGY BANKS): We are concerned that a BA consolidation will result in losing flexibility and the current practices of customers which exchange benefits including use of energy banks without having to monetize or provide financial revenues whereby in the DSW we get and provide regulation services. What study and analysis has been made under a consolidation scenario of the customer provided down regulation in DSW and the rate applicable to the customer who has been working with Wapa on exchanges of services, providing of regulation service and energy banking relationships? We as customers object to being forced to seek additional compensation or cease providing the down regulation product to WALC. Depending on the consolidated balancing authority portfolio of available resources the lack of this down regulation could result in the need to replace with a market purchase. Historical purchases of this nature have been particularly costly. We object to these additional costs that would need to be born by us.

REGULATION RATE (CREDITS FOR FES, ETC): Our DSW rate for regulation was formed to take a customer's monthly Kwh of load and apply a predetermined rate. At the time it was recognized that customers receiving Firm Electric Service (FES) schedules were entitled to regulation service via the FES supply. Therefore the decision was made to net out the Kwh's of load the amount of energy delivered under the customer's FES contracts. This in turn eliminated the double charging for regulation service. Under a consolidated or reconfigured balancing authority, will the regulation rate change and the overall costs for some balancing authority customers go down in the RMR at the expense of other customers' in the DSW costs going up? Has a study been made of this impact and can we see it? Has a study been done of the potentials for some customers to subsidize the regulation costs of others?

NET ZERO IS TOO MUCH UNKNOWN: Although it is not directly related to the consolidation efforts that Western is contemplating, Net Zero is a concern for us. Within the last few weeks, APPA has informed us that the Administration still supports the Net Zero appropriations for Western, but that the scoring fix is not in place to make it effective.

We are very concerned with Western's and/or the Administration's support of Net Zero at this time. We are aware that CREDA has asked for analysis that showed that Western's cash flow would not cause rate problems or cross-subsidy problems with projects within Western for various risk positions of annual expenses and hydrology. Absent these studies, we cannot endorse the Net Zero concept and cannot support it.

Taken into context with the other actions that appear to be happening without any initiation of customers, appear to disregard customer issues that Western should be sensitive to, and with little customer involvement early enough in the process, it gives us cause for concern for supporting new funding concepts that appear to give us less influence on Western's costs and the correlated rates that we pay.

We need copies of reports and studies and analysis, or an acknowledgment they do not exist. We need sufficient time to analyze the answers to our questions, and sufficient time to respond.

Very truly yours,

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