



SALT RIVER PROJECT

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March 13, 2008

Mr. Tyler Carlson
Regional Manager
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RE: Proposed Operations Consolidation

Dear Tyler,

SRP appreciates the opportunity to comment on the Operational Consolidation proposal as presented at the February 12, 2008 information meeting. SRP applauds Western's desire and effort to seek ways to operate more efficiently and cost effectively, but we have a few comments and/or concerns that we would like to see addressed regarding Western's current proposal.

First, the cost/benefit analysis, as presented, does not provide a compelling argument in support of the consolidation, showing only marginal economic benefits. Although we understand the attractiveness of an operational consolidation by Western; we believe the result of any such consolidation must not be overly burdensome on Western customers or detrimental to customer service. In our view, the economic benefit should be sufficient to justify a change when considering the cost implications to both Western and its customers in association with maintaining ongoing relationships and face to face communication, ie, travel costs to attend meetings, etc., and other associated sensitivities. We would like to see additional analysis considering this broader array of costs.

Secondly, we have concerns about the effectiveness of the consolidated operations of two systems that are not heavily interconnected. Given the limited amount of available transmission capacity (ATC) that exists between the RMR and DSW, the consolidated operation of these regions is likely to have a significant effect on the operation of the system and on the ATC of the transmission system linking the two areas. These effects and the pertinent sensitivities need to be carefully analyzed and the associated implications, whether beneficial or detrimental to the overall operation and the ATC of the transmission system, need to be clearly identified and taken into consideration in future analyses.

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Finally, SRP, as a Hoover power contractor and the current Arizona Power Authority scheduling entity, would be opposed to any operational changes resulting from the consolidation effort that would inhibit our ability to utilize the Hoover resources that have been contracted for with respect to regulation, ramping, and reserves.

We hope this effort will continue to remain an open and objective process and look forward to continued participation in the review of future analyses and related discussions with respect to the proposed operational consolidation effort.

Sincerely,

A handwritten signature in blue ink that reads "Mark S. Mitchell". The signature is written in a cursive style with a large, stylized "M" and "S".

Mark S. Mitchell, Manager
Power Marketing