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BY HAND

The Honorable Vernon A. Williams
Secretary
Surface Transportation Board - Case Control Unit
1925 K Street, N.W.
Washington, D.C. 20423

Re: Docket No. 42058, Arizona Electric Power Cooperative, Inc. v. The Burlington Northern and Santa Fe Railway Company and Union Pacific Railroad Company,

Dear Mr. Secretary:

Pursuant to the Board's decision served October 7, 2004, Complainant Arizona Electric Power Cooperative, Inc. ("AEPCO"), hereby advises the Board that Robert D. Rosenberg of Slover & Loftus will appear on its behalf at the oral argument scheduled in the above-captioned proceeding for November 2, 2004. AEPCO presents the following summary of points that it intends to raise at the argument.

AEPCO intends to present argument on a number of key issues. Regarding variable cost/jurisdictional matters, AEPCO will address the division that the Southwestern Railroad Company, Inc. ("SWRR"), receives from co-Defendant The Burlington Northern and Santa Fe Railway Company ("BNSF") and explain that it should be treated as a revenue offset and not as a variable cost subject to an 80% mark-up at the jurisdictional threshold level. AEPCO will also explain that other costs BNSF claims to incur for the SWRR's operations between Rincon and Deming, NM, should not be double-counted in the SWRR division as well as in BNSF's portion of the variable costs.

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AEPCO will further explain that BNSF's ultimate share of any reparations should not be reduced as a result of the settlement that AEPCO previously reached with co-Defendant Union Pacific Railroad Company ("UP"), although AEPCO's treatment of the issue may be limited by the confidential nature of the settlement with UP.

AEPCO also expects to address a number of stand-alone cost ("SAC") issues that have arisen in the case and show the following:

- (1) AEPCO's string diagram modeling of the stand-alone railroad ("SARR"), and not BNSF/UP's use of historical transit times, constitutes the best evidence of record as to the SARR's operations;
- (2) The SARR's future operating expenses should be adjusted utilizing the RCAF-A, or some variant thereof that reflects productivity improvements, and not the RCAF-U;
- (3) The SARR's cost-of-capital should be adjusted to reflect post-2000 developments beyond inclusion of changes in the cost of equity in an expanding multiple-year average of the equity component of the average;
- (4) BNSF/UP's evidence overstates the SARR's operating and capital costs;
- (5) The Vaughn-El Paso, NM trackage rights fee utilized by AEPCO constitutes the best evidence of record; and
- (6) BNSF/UP have not demonstrated that they are entitled to any enhancements in their divisions for cross-over traffic in view of the many deficiencies in their analysis, and even if they were eligible for an enhancement, the maximum enhancement that might be awarded under the circumstances is far less than what they have claimed.

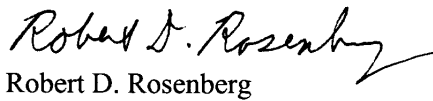
AEPCO also expects to reserve a portion of its argument time for rebuttal.

AEPCO reserves the right to respond to any other questions that might be raised by the Board, as well as the right to respond to any statements or claims by

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BNSF/UP. If there is any issue on which the Board would like to receive argument on that is not covered in this letter, AEPCO would welcome any guidance the Board may wish to provide.

Respectfully submitted,



Robert D. Rosenberg

RDR:kaw

cc: Samuel M. Sipe, Jr., Esq. (by hand)
David L. Meyer, Esq. (by hand)