



CITY OF GILLETTE

P.O. Box 3003 • Gillette, Wyoming 82717-3003
Phone (307) 686-5200

UTILITIES DEPARTMENT ADMINISTRATION

September 4, 2003

Mr. Joel K. Bladow
Regional Manager
Western Area Power Administration
P.O. Box 3700
Loveland, CO 80539-3003

Dear Mr. Bladow,

The purpose of this letter is to provide comments to Western Area Power Administration on behalf of the City of Gillette regarding the Proposed Rate Adjustment for Transmission and Ancillary Services for the Loveland Area Projects (LAP) of the Western Area Power Administration (WAPA), effective January 2004, as proposed in the Federal Register Notice dated June 13, 2003.

The City of Gillette is a customer of WAPA and purchases its supplemental requirements from the Municipal Energy Agency of Nebraska (MEAN). The City of Gillette is seriously concerned about WAPA's proposed rate for Regulation and Frequency Response Service for Intermittent Renewable Resources. The proposed rate directly affects Gillette because it purchases approximately 1% of its energy from the MEAN Wind Project in Kimball, NE. The proposed rate will have a significant economic impact on the cost of wind energy from the MEAN Wind Project in Kimball, potentially increasing costs by approximately \$6.00/MWh.

The proposed rate is discriminatory in that it singles out renewable resources without similarly charging intermittent loads or other non-renewable resources that are occasionally intermittent. The rate is unreasonable because it is not cost-based, is punitive in nature, and is over 300% higher than similar rates calculated for other systems, such as the Xcel Energy North system. In fact, it just doesn't make sense in light of the long history of Western's efforts to gain customer support and their adoption of renewables programs.

Perhaps most importantly, the rate is inconsistent with the Energy Planning and Management Program, which requires MEAN and the City of Gillette to describe efforts to minimize adverse environmental impacts in resource planning decisions. MEAN and Gillette take this commitment seriously, as evidenced by our participation in the MEAN Wind Project at Kimball. It is unfortunate that WAPA is now proposing

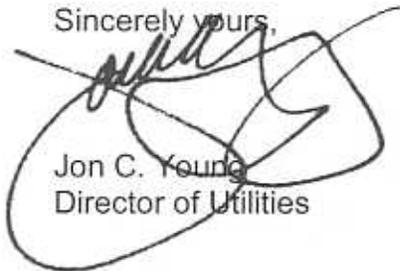
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to significantly increase the cost of our commitment to minimizing environmental impacts through our embrace of renewables such as wind power.

We have been closely following and fully support the oral and written comments provided by MEAN during the public comment period. It is our opinion that WAPA should exempt existing renewable resources serving load within the LAP control area. For future renewable resources, detailed studies should be completed to calculate the true cost of providing the service.

The City of Gillette appreciates your consideration of these comments. We appreciate WAPA's history of supporting renewable programs and being responsive to customer concerns.

Sincerely yours,

A handwritten signature in black ink, appearing to read "Jon C. Young", is written over a large, loopy scribble that also overlaps the typed name below it.

Jon C. Young
Director of Utilities

C: John Krajewski – MEAN