

WESTERN AREA POWER ADMINISTRATION
LOVELAND AREA PROJECTS

COMMENTS OF
TRI-STATE GENERATION AND TRANSMISSION ASSOCIATION, INC.

REGARDING THE PROPOSED CHANGES TO THE LAP TRANSMISSION AND
ANCILLARY SERVICE RATES

September 8, 2003

The comments presented herein are in response to the proposed adjustment by Western Area Power Administration (Western) to the transmission and ancillary service rates of the Loveland Area Projects (LAP).

Tri-State Generation and Transmission Association, Inc. (Tri-State) is a wholesale supplier of electricity to forty-four (44) member distribution systems throughout Colorado, Nebraska, New Mexico, and Wyoming. These member utilities, in turn, serve residences, farms, ranches, small towns, businesses, and industries. Tri-State serves a total population of approximately 1,000,000 people across a 250,000 square-mile area.

Tri-State submits the following comments regarding LAP's proposed Energy Imbalance Service Rate, specifically "Within-the-Bandwidth Pricing of Energy Imbalance Service" as described on page 20 of the June 2003 *Customer Brochure*.

Tri-State believes that as currently proposed, the Energy Imbalance Service rate will not recover all the costs incurred in providing this product. In expanding the minimum bandwidth to +/- 4 MW, the new Western rate will effectively eliminate the assessment of out-of-bandwidth penalties for a number of Western's existing imbalance customers. This means that Western will be charging customers for hourly energy shortfalls, and crediting customers for hourly energy surpluses, at the actual LAP weighted average real-time sale or purchase pricing. Tri-State submits that a pass-through of the commodity price within the bandwidth does not reflect all the costs incurred by Western in providing this service. Western incurs costs associated with the infrastructure and staffing required to provide the real-time marketing, scheduling and billing that are essential in providing Energy Imbalance Service. Tri-State proposes that these costs should be reflected in the Energy Imbalance Service rates, particularly for inside-the-bandwidth excursions. For example, Western could review and implement something akin to the administrative fees charged to "WRP" and "CDP" customers within the Colorado River Storage Project.

In addition, Tri-State has the following comments on Western's Proposed Intermittent Resources Regulation Rate.

As stated in our oral comments on August 6, it appears that Western has conducted what appears to be a very thorough and objective review and evaluation of the impact of

intermittent resources on its control area's obligations to maintain balance between supply and demand on a real time basis. The proposed rates are cost based, and performance based as well.

It is common knowledge that the ability for a traditional fossil fueled owner plant to maintain its schedule is far superior to the prevalent intermittent renewable resources. The rates Tri-State pays Western for regulation service represents the costs that our resources and loads impose on the control area. Tri-State does not expect to have the owners or the customers of intermittent renewable generation pay more than their fair share of the costs they impose on the control area. On the other hand, if these costs are not sufficiently allocated to their source, existing, long-term customers such as Tri-State will be forced to make up the difference in a future rate case.

If there are any questions regarding these comments, please call Joe Taylor at (303) 452-6111.