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1521 "I" Street
Sacramento, CA 95814
Tele: 916-448-1638
Fax: 916-446-1063

Email:
Robert: rstack@cvpwater.org
George: gsenn@cvpwater.org
Serge: sergebirk@msn.com

December 30, 2003

Mr. Tom Carter
Power Operations Manager
Western Area Power Administration
Sierra Nevada Customer Service Region
114 Parkshore Drive
Folsom, CA 95630-4710

Dear Mr. Carter:

The Central Valley Project (CVP) Water Association represents 75 Irrigation and Municipal and Industrial (M&I) water districts who contract with the Bureau of Reclamation for their water supplies. While all of our members rely on project use energy (PUE) to move water supplies to their contractual delivery points, many are also preference power customers. Many of our members have PUE pumping requirements that are both directly connected to the Federal Transmission System (Tracy, Contra Costa) and connected to the PG&E system. The purpose of this letter is to comment on the Operational Alternative for Post 2004 Operations as outlined in the December 2, 2003 edition of the Federal Register (Vol. 68, No. 231).

We support the Western option of forming a contract-based sub-control area with either SMUD or the CAISO, however it must be made clear and unambiguous to both parties that Western intends to continue its efforts to create a Federal Control Area. The outcome of negotiations with SMUD and the CAISO is uncertain and the need for a 2004 operational plan is fast approaching. Western must move forward with its own control area in the event that the contract-based sub-control area negotiations are unable to meet the needs of the Sierra-Nevada Region's federal power system post-2004.

Western should move immediately to create a customer support committee that can be used as a resource during the negotiations to form a contract-based sub-control area with either SMUD or the CAISO. Because of time considerations, the negotiations with SMUD and the CAISO should be conducted simultaneously. Western should establish a clear and aggressive schedule for the sub-control area negotiations to ensure that a lengthy negotiation process with uncertain outcomes does not foreclose potential implementation of other beneficial operational alternatives. Western should establish

clear and definitive elements for measuring the success of the sub-control area negotiation process.

Western should aim to submit its Federal Control Area filing to the Western Electricity Coordinating Council on February 1, 2004. This would allow for the ongoing Federal Register Notice comment period to conclude, and as well, would provide an additional 30 days to pursue and gauge potential success of Western's negotiations with SMUD and the CAISO. We believe that under a Federal Control Area we would have a voice in decisions on energy issues that affect us; the CAISO does not have a process that allows for customer input.

In conclusion, the CVP Water Association believes that it is important that PUE deliveries remain under the jurisdiction of a Federal Control Area to best ensure that the intent of CVP Congressional legislation is carried out. We believe that the Federal Control Area best meets Western's decision-making factors of providing service that encompasses reliability, flexibility, certainty, durability, operating transparency, and cost-effectiveness for serving its PUE and preference power customers. If Western is unsuccessful in forming its own Federal Control Area, we would support a contract-based sub-control area with either SMUD or CAISO if such a sub-control area can meet the Federal requirements for the delivery of project use and preference power.

I thank you for allowing us to comment on your Operational Alternative for Post 2004 Operations. If you have any questions, please feel free to contact George Senn, of my staff at 916-448-1638, or Email at gsenn@cvpwater.org

Sincerely,



Robert F. Stackhouse
Manager, CVP Water Association