



# LASSEN MUNICIPAL UTILITY DISTRICT

65 S. ROOP ST. • SUSANVILLE, CA • 96130  
(530) 257-4174 • FAX (530) 257-2558

Wayne Langston, Pres. • George Sargent, V.P. • Nancy Cardenas, Treas. • Fredric R. Nagel, Sec/Clerk • Alfred G. Vazquez, Director

December 24, 2003

Tom Carter  
Power Operations Manager  
Western Area Power Administration  
114 Parkshore Drive  
Folsom, CA 95630-4170



Tom:

Lassen Municipal Utility District submits the following comments in response to Western Area Power Administration's December 2, 2003 Federal Register Notice on Post-2004 Operational Alternatives:

- I. Western should actively continue the process for creation of a Federal Control Area. This process should be done in conjunction with negotiations with the California Independent System Operator (CA-ISO) and the Sacramento Municipal Utility District (SMUD). Time is of the essence; therefore a very aggressive approach must be taken with these two options.
- II. Western should move immediately to create a customer support committee that can be used as a resource during proposed negotiations to form a contract-based sub-control area with either the CA-ISO and the SMUD.
- III. LMUD recommends the following negotiation points for creation and evaluation of a contract-based sub-control area:
  - The contract must be with a WECC certified Control Area Operator. It must provide for a six-month "off-ramp", and expressly honor Western's existing contracts. By its terms, the contract must state that it is not subject to unilateral change by the Control Area Operator nor the entities that regulate it.

- Western must retain firm physical transmission rights to meet preference obligations and manage, use, provide and sell its excess transmission consistent with OASIS principles.
- Western must retain rights to physically self-provide ancillary services per WECC standards, and to provide such services to its customers in accordance with federal law and the 2004 marketing plan.
- Western must assure that the Control Area has sufficient operating reserves, accurate and timely settlement processes and scheduling protocols that balance loads to resources consistent with prevailing business practices in the WECC region, including recognition of the need for a single path operator for the COI.
- Western must ensure that its costs for operating the sub-control area are reasonable, stable, predictable and allocated in a manner consistent with cost-causation principles.
- Western's agreement must allow for the COTP to be operated and utilized in a stable and cost-effective manner.
- Western must ensure that the control area utilizes proper emergency management procedures. Any party with insufficient resources should bear the entire burden of any economically driven load reductions. Emergency resource sharing procedures should be established with all parties.
- Western must assure that administrative overhead will be kept to a minimum and be strictly managed through an advisory committee with the proper links to the control area budget process.
- Western must ensure that the control area advisory process is transparent, balanced, inclusive and representative of the entities involved in the control area.

IV. The following time frame should be met for negotiations with CA-ISO and SMUD:

- By January 24, 2004, Western should assess which negotiations have best advanced the established criteria and, in the event such progress can be demonstrated, be prepared to sign a letter of commitment with that party by February 29, 2004.
- Execution of a comprehensive sub-control area agreement by April 1, 2004.
- Implementation (ability to be running in parallel) by August 1, 2004. Western must understand this is a non-negotiable date, as five months will clearly be needed to conduct adequate testing of this new arrangement.

V. Western should aim to submit its Federal Control Area filing to the WECC on February 1, 2004, and continue all the other necessary steps for creation of a Federal Control Area. This allows for the ongoing 30-day 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 the CA-ISO and SMUD with regard to sub-control area formation.

The fees associated with power delivery are a large cost for a small utility such as LMUD. Western determining and implementing the most economic Post-2004 Operational Activity is crucial.

Sincerely,



Evelene Twitchell  
General Manager