



# CITY OF LOMPOC



December 31, 2004

Mr. Thomas Carter  
Power Operations Manager  
Sierra Nevada Region  
Western Area Power Administration  
114 Parkshore Avenue  
Folsom, CA 95630-4170

**Re: December 2, 2003 Federal Register Notice on Post-2004 Operational Alternatives**

Dear Mr. Carter:

City of Lompoc receives an allocation of Western power. Though ours is a relatively small amount, it is significant in proportion to our maximum system peak of 25 MW. Currently the Western allocation is approximately 16% of our load and in the years after 2004, our allocation reduces to near 6% of our load. However, it continues to be an important, economically stabilizing portion of our load.

I read with interest Western's decision, as noticed in the December 2, 2003 Federal Register. In it Western states its intent, on behalf of its customers in the Sierra Nevada Region, to reach agreement with either the California Independent System Operator (CA-ISO) or the Sacramento Municipal Utility District (SMUD), to become a "Contract-Based Sub-Control Area." Exactly what such an entity is or does would, I presume, be determined by the negotiations. I consider such an approach to be inconsistent with Western's ability to continue to deliver Lompoc's allocation from the Federal marketing program. Moreover, it does not best satisfy the five criteria that Western used for making its determination.

The following summarizes my concerns with this approach, and strongly urges that Western pursue NOW the option of creating the Sierra Nevada Control Area.

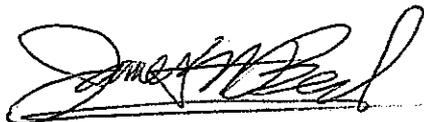
- For Lompoc, the Western power allocation is a small, but a vitally important part of our resource picture. Anything that puts its future delivery in jeopardy – and outside the direct control of Western – is an unnecessary and unacceptable risk. Contracts are by their very nature the result of "give and take" of control. Western will lose some control of its ability to assure the delivery of this critical resource to Lompoc.

- Absent taking the steps **NOW** to create the Sierra Nevada Region Control Area, Western could find itself in the position of having no options in the possible, if not probable, event that contract negotiations stall or fail. Negotiations over such issues in northern California have a history of not running smoothly, nor on original or reasonable timelines.
- Western's Sierra Nevada Control Area Operation could be very smoothly started in a very short time, since it could easily be integrated into the already existing Western control-area operations that are throughout the Western Interconnection. This is not difficult, and it is not without precedent, not only in the West, but also throughout the entire United States. Arguments to the contrary are merely an attempt to fog the issues.
- Finally, it is inconceivable to me that the Federal Government would, or even legally could, be forced to relinquish control of assets that have been paid for with Federal funds, and earmarked for specific Federal purposes, when other options exist that do not require relinquishing such control. Anything that diminishes Western's ability to assure the delivery of Lompoc's allocation of Western power to Lompoc would, it seems, be an inappropriate use of those assets.

For the above stated reasons, I strongly urge that Western **now** take the actions it must to form the Sierra Nevada Control Area within the Western Interconnection. **Moreover, a Sierra Nevada Control Area best satisfies the five criteria of flexibility, certainty, durability, operating transparency, and cost-effectiveness.** If useful, Western could still negotiate with the CA-ISO and with SMUD, in parallel to taking the Control Area steps.

Please see that my comments are considered and become a part of the record in this matter.

Sincerely,



James W. Beck  
Utilities Director  
City of Lompoc

C: Mr. Mike HacsKaylo