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December 30, 2003

Mr. Tom Carter  
Operations Manager  
Western Area Power Administration  
114 Parkshore Drive  
Folsom, CA 95630-4710

Dear Tom:

This letter provides the City of Roseville's ("Roseville") comments on the Western Area Power Administration's ("Western") December 2, 2003, Federal Register Notice ("FRN"), concerning the post 2004 operational alternatives and announcing the decision to pursue a contract based sub-control area ("SCA") in association with the Sacramento Municipal Utility District ("SMUD") or the California Independent System Operator ("ISO"). Roseville believes this decision is an opportunity for Western to ensure that the post 2004 operating arrangements and procedures maximize the value of the Central Valley Project ("CVP") output for all its customers. In this regard, Roseville has several comments on Western's decision and suggestions for the forthcoming negotiation process.

Roseville concurs with the majority of the comments provided by Northern California Power Agency ("NCPA") and Transmission Agency of Northern California ("TANC") and offers these additional comments in recognition of the fact that Roseville is the largest municipal utility directly connected to and solely dependent on Western's electric system. Consequently, Western's implementation of the SCA option will have considerably more affect on Roseville than on other Western customers who are not directly connected. The uncertain affect of the SCA is further complicated by the fact that Roseville does not have an existing transmission service arrangement with Western for delivering non-CVP power to our native load after December 2004.

**Criteria:** The FRN did not specify the criteria by which Western would determine the success of the negotiation of the SCA. Roseville believes that the same criteria used by Western in evaluating the previously considered operating alternatives should be used for the SCA. Those criteria are flexibility, certainty, durability, operating transparency and cost-effectiveness.

**Pancaked Rates:** Roseville's load is connected to Western's 230 KV transmission system, while the bulk of its resources (NCPA generation and ISO market purchases) are connected to the ISO controlled grid. Consequently, Roseville, since the termination of the NCPA-PG&E Interconnection Agreement, is forced to pay for the integrated 230 KV transmission system twice; i.e., a total system rolled in rate to the ISO and a total system rolled in rate to Western.



The continuation of this situation beyond 2004 is unacceptable. We urge Western to resolve this matter consistent with national transmission policy, as expressed in FERC Order 2000, regardless of whether Western chooses to proceed with negotiating a sub-control area with SMUD or the ISO, or chooses ultimately to form a separate control area.

**Optimizing CVP Power:** Western has developed scheduling and operating protocols that require CVP power to be scheduled three days ahead of the operating day. Hydro resources are particularly suited to following loads in close to real time because of their broad efficiency curves and responsiveness. The Western protocols substantially reduce the value of the CVP hydro system by eliminating the ability to use the resources in a manner for which they are best suited. Western should use the forthcoming negotiations as an opportunity to recapture the load following benefits lost in the current operating regimen. Western's ultimate focus should be to develop an operating regimen that maximizes the value of the CVP resource for its customers and minimizes its operating costs.

**Existing Contractual Arrangements:** As you may know, Roseville has an existing Metered Subsystem Operator Agreement that may be implicated in the SCA arrangement achieved by Western. Moreover, Roseville has numerous power supply purchases and sales that have established delivery points. Roseville urges Western to recognize in any operational alternative the existing contractual relationships that Western's customers may have with third parties.

**Access to Markets:** The SCA operating arrangements should do nothing to diminish the ability of Western's customers to realize the full market value of the customers' capacity and energy resources.

Thank you for this opportunity to provide comments on Western's decision to pursue a contract based sub-control area. Roseville hopes that Western will carefully consider the comments and suggestions of its customers as it proceeds with negotiations with SMUD and the ISO.

Sincerely,



Tom Habashi  
Electric Utility Director

cc: Michael Hacskaylo, Western  
Jim Keselburg, Western