



Truckee Donner Public Utility District

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December 19, 2003

Tom Carter
Power Operations Manager
Sierra Nevada Region
Western Area Power Administration
114 Parkshore Drive
Folsom, Ca. 95630-4170



Dear Mr. Carter:

On behalf of the Truckee Donner Public Utility District, I would like to comment on the December 2, 2003 Federal Register Notice on Post-2004 Operational Alternatives.

I. Western should move at once 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 California Independent System Operator (CAISO) and the Sacramento Municipal Utility District (SMUD).

II. As Western begins negotiations on behalf of a contract-based sub-control area agreement with either SMUD or CAISO, it needs to state in understandable terms its intent to continue its effort toward creation of a Federal Control Area. Since the negotiation outcome with the ISO and SMUD is unsure and the post-2004 operational plan timeline is very short, Western must move forward with its own control area in the event that contract-based sub-control area negotiations are unable to meet the needs of the Sierra-Nevada Region's federal power system post-2004. The work to establish a Federal Control Area, including filing for WECC certification, should continue in parallel with the negotiations.

III. Western should aim to submit its Federal Control Area filing to the WECC on February 1, 2004. This would allow the ongoing 30-day Federal Register Notice comment period to conclude. It would also provide an additional 30 days to track potential success of Western negotiations with the ISO and SMUD with regard to sub-control area formation.

IV. A clear and assertive schedule for sub-control area negotiations with the ISO and SMUD must be established by Western. Given the limited time frame in addressing post-2004 operational issues, Western must conduct negotiations expeditiously to make sure that a lengthy negotiating process with uncertain outcomes does not have the effect of foreclosing potential implementation of other beneficial operational alternatives.

V. Western needs to establish understandable elements for measuring the success of the sub-control area negotiation process. TANC proposes there must be grounds for agreement in the following areas for contract-based sub-control area to succeed:

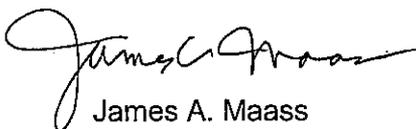
- The contract must be with a WECC certified Control Area Operator. It must provide for a six-month "off ramp", and honor Western's existing contracts. The contract must state that it is not subject to unilateral change by the Control Area Operator nor the entities that regulate it.
- Western must keep 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. This should also include 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 realistic, 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 uses proper emergency management procedures. Any party with insufficient resources should accept the entire burden of any economically driven load reductions. Sharing of emergency resource procedures should be established with all parties.
- Western should declare 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 agree that the control area advisory process is clear, objective and a thorough representative of the entities involved in the control area.

VI. The negotiations with SMUD and CAISO should be conducted at the same time. The following schedule should apply to Western's activities in this regard:

- By January 24, 2004, Western should look at which negotiations have achieved 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.
- By April 1, 2004, execution of a comprehensive sub-control area agreement.
- By August 1, 2004, the ability to be running in parallel as Western must understand this is a non-negotiable date. Five months will clearly be needed to conduct adequate testing of this new arrangement.

Very truly yours,



James A. Maass
Board President

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