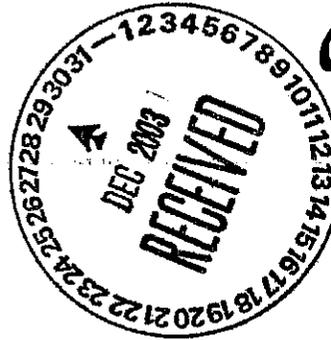


December 19, 2003

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



Re: Comments to Operational Alternative for Post-2004 Operations
Notice of Proposed Decision/Federal Register/December 2, 2003

Mr. Carter:

The City of Ukiah is a member of the Northern California Power Agency and the Transmission Agency of Northern California. The City of Ukiah embraces the following comments suggested by TANC to the referenced Notice of Proposed Decision:

1. 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 subcontrol area with either the California Independent System Operator (CAISO) or the Sacramento Municipal Utility District (SMUD).
2. As Western begins negotiations on behalf of a contract based sub-control area agreement with either SMUD or CAISO, it should state in clear and unambiguous terms its intent to continue its effort toward the creation of a Federal Control Area. Since the outcome of the negotiations with ISO and SMUD is uncertain and the time line for a post 2004 operational plan is very short, Western should move forward with its own control area in the event that contract based subcontrol area negotiations are unable to meet the needs of the Sierra Nevada Region's federal power system post 2004. Toward that end, work to establish a Federal Control Area, including filing for WECC certification, should continue in parallel with the negotiations.
3. Western should aim to submit its Federal Control Area filing to the WECC on February 1, 2004. This would allow for the ongoing 30 day Federal Register Notice comment period to conclude, and would provide an additional 30 days to pursue and gauge potential success of Western's negotiations with ISO and SMUD with regard to subcontrol area formation.
4. Western should establish a clear and aggressive schedule for subcontrol area negotiations with ISO and SMUD. Given the time constraints Western faces in addressing post 2004 operational issues, the agency should conduct negotiations expeditiously to ensure that a lengthy negotiating process with uncertain outcomes does not have the effect of foreclosing any potential implementation of other beneficial operational alternatives.

5. Western should establish clear and definitive elements for measuring the success of the subcontrol area negotiation process. It is proposed that there should be grounds for agreement in the following areas for a contract based subcontrol area to succeed:

- The contract should 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 should state that it is not subject to a unilateral change by the Control Area Operator nor the entities that regulate it.
- Western should retain firm physical transmission rights to meet preference obligations and manage, use, provide, and sell its excess transmission consistent with OASIS principles.
- Western should 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 should 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 should 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 should 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 should 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 should ensure that the control area advisory process is transparent, balanced, inclusive and representative of the entities involved in the control area.

6. The negotiations with SMUD and CAISO should be concluded simultaneously. The following schedule should apply to Western's activities in this regard:

- 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 subcontrol area agreement by April 1, 2004.
- Western should recognize that five months will be needed to conduct adequate testing of the new arrangement and the ability to be running in parallel should be accomplished by August 1, 2004.

Thank you in advance for accepting the above comments.

Sincerely,



City of Ukiah
Councilman Roy Smith
NCPA Board Member

Cc: City Council
Candace Horsley, City Manager
Bob Hedrick, NCPA Regulatory Counsel