



LASSEN MUNICIPAL UTILITY DISTRICT

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

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

August 4, 2004

Debbie R. Dietz
Rates Manager
Sierra Nevada Customer Service Region
Western Area Power Administration
114 Parkshore Drive
Folsom, CA 95630-4710

Dear Ms. Dietz,

Thank you for this opportunity for Lassen Municipal Utility District to comment on the 2005 Proposed Rate Adjustment. We commend Western and its staff for developing an excellent rate proposal and appreciate the comprehensive approach taken. However, we do have one area of significant concern where we believe certain customers are not treated equitably under Western's proposal.

As a customer of Western that takes delivery off of the PG&E transmission system (non-direct connect), we would be subject to stacking of transmission charges: paying both Western's fully embedded transmission rate and the California Independent System Operator's (ISO) fully embedded rate for all Federal Power deliveries. This, in effect, would result in paying twice for transmission service. We believe this is not only inequitable, but is not in keeping with earlier proposals by Western, and indeed may not meet the intent of Congress in authorizing the CVP. Lassen Municipal Utility District serves a small rural community and as one of Western's smaller customers, this proposed rate adjustment would cause an undue hardship on the utility's resources.

As a remedy, we recommend that Western modify its proposal to mitigate this situation. This could be accomplished by either rolling-in the ISO transmission charges to develop the total CVP transmission revenue requirements applicable to all users of Western's transmission system, including customers that are directly connected to the Western transmission system which would result in all Western customers paying the same transmission rate. Another remedy might be to exclude Western's transmission revenue requirement within the Base Resource revenue requirement for non-direct connected customers which would result in non-direct connect customers having to pay only the ISO transmission charge and not being subjected to inequitable rate stacking for Federal Power deliveries.

Thanks again for the opportunity to comment on Western's rate proposal.

Sincerely,

A handwritten signature in cursive script that reads "Fred Nagel". The signature is written in black ink and is positioned above the printed name.

Fred Nagel, Board President
LMUD Board of Directors