

August 6, 2004

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

Subject: Western's Post 2004 Marketing Plan Rates

Dear Ms. Dietz,

The Modesto Irrigation District (Modesto) appreciates the opportunity to submit comments regarding the Western Area Power Administration (Western) proposed rates for the implementation of Western's Post 2004 Marketing Plan. Modesto hereby respectfully submits the following comments in response to the Western Area Power Administration (Western) Sierra Nevada Customer Service Region Federal Register Notice dated May 12, 2004 (FR Doc. 04-10776).

Modesto serves approximately 92,000 electric customers within a 160 square mile area encompassing parts of San Joaquin and Stanislaus Counties. Modesto is directly connected to Western's 230kV electric system at the Tracy Substation via the Interconnection Agreement that was established through the Westley-Tracy Transmission Project.

Modesto recognizes that Western has taken a comprehensive approach to establish effective rates that fully honor the intent of the contracts of directly connected Base Resource Customers and commends Western for adopting this methodology. In addition, Modesto also recognizes that Western needs to consider those customers that have to pay both Western's and the California Independent System operator (CAISO) fully embedded rates for the delivery of Federal Power. Non-directly connected utilities assumed this implanted business risk when they negotiated contracts for Federal power delivery to meet their loads. As it resulted, the CAISO indeed charged for the transmission of Federal power deliveries to those utilities that utilize PG&E's electric system to deliver Federal power to their territories. In the same manner that the non-directly connected utilities assumed such specific business risk, the directly-connected utilities are also being asked to accept similar business risks, as a Base Resource customer's Base Resource costs are independent of the CVP generation output and depend more on Project Use

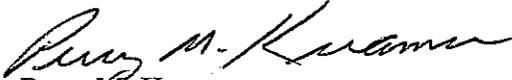
purchases of CVP generation. Also, the power revenue requirement portion of the Base Resource power deliveries include CVP network transmission costs. Directly-connected utilities are already paying an impartial share of costs to bring the generated output from these CVP resources to our territories to meet our loads.

In the spirit of the Interconnection Agreements that were negotiated with utilities, and that enabled the interconnection of our utility with the Western electric system, Modesto asks that Western continue on a unwavering path to develop the rates that it is proposing for its Post 2004 Marketing Plan, but also extend the stakeholder comment period to examine additional costs that may have an impact on rates, as the impacts of costs for operations under a SMUD Sub-Control Area arrangement have not been fully disclosed in this process and are still uncertain.

If you should have any questions, please do not hesitate to contact me at (209) 526-7550.

Sincerely,

Modesto Irrigation District



Perry M. Kreamer

Manager, Resource Planning & Development

cc: Roger VanHoy, Assistant General Manager, Electric Resources
David Olivares, Associate Engineer, Resource Planning & Development

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