



June 23, 2004

Western Area Power Administration
Debbie Dietz
114 Parkshore Drive
Folsom, CA 95630

Dear Ms. Deitz:

In response to the May 12, 2004 FRN, and the May 18 Public Information forum regarding Western's Post 2004 rates the Trinity Public Utilities District (TPUD) offers the following comments.

First we want to thank Western for all the work that went into preparing the proposed rates and supporting information. We are particularly grateful for Western's efforts to establish rates that are so precisely consistent with the 2004 Marketing Plan. As you know the TPUD believes that the "First Preference" mitigation benefit intended by Congress was never fully met. The proposed rates go a long way toward meeting that benefit, because of their consistency with the 2004 Marketing Plan.

Based on Western's representation during the Public Information Forum that none of the charges addressed in Sections VII through XVI are applicable to First Preference power purchases or delivery, the TPUD has only three concerns regarding the proposed rates.

First we are concerned that the Formula for First Preference as amended during the Public Information Forum would, in the extreme of several consecutive drought years, create an unintended consequence. In that extreme, First Preference would be paying for all of Western's repayment obligation as well as those costs that would normally be covered by revenues from the Base Resource. In the extreme, there would be little or no revenue from the Base Resource. In the extreme of consecutive wet years there would be unintended consequences in the opposite direction.

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We believe that such possibilities are unintended consequences and propose the following solution. First, use the proposed formulas, except for subtracting the Repayment obligations from the Power Revenue requirement. Then, in addition to charging First Preference in accordance with the foregoing suggestion, charge First Preference a percentage of the Repayment obligation. The percentage could be based on a number of similar factors such as: 1) the formula assuming an average water year, 2) a fixed percentage based on the formula using a long term, 20 plus average of historical or projected years, or 3) the formula based on a rolling average of at least five historical years.

With our suggestion, everyone except Project Use would be paying a more appropriate share of the Repayment obligation in order to garner long term benefits associated with the long-term obligation.

Our second concern stems from the fact that the actual payments to Western will fluctuate significantly every year and perhaps every six months. In addition, the payments would be inconsistent with our revenue stream. We would prefer that Western convert the fixed payment to a per kWh rate with periodic adjustments to ensure that the fixed payment revenue is recovered. Perhaps the TPUD could accomplish the same thing by establishing a third party trustee, if Western would accept payments from the Trustee.

Our final concern is with regard to the change in strategy to exclude certain ISO/PG&E charges from PACI revenue. We understand that action by PG&E has gone a long way toward meeting their moral, if not their legal, obligations associated with preventing Western from building the transmission lines that, in hindsight, should have been built. However, that action stops very short of their obligation. We know that Western understands this, as it indicated in the Public Information Forum that they would seek "appropriate credits" in the current FERC process.

Western's proposal regarding transmission rates is problematic for two reasons. First, the FERC process will be on-going well after the rates are implemented. Second, Western is seeking credits in a FERC process in which there are currently no charges proposed to credit against. The TPUD would prefer that Western proceed as first proposed and then reduce the rates if the credits actually materialize. This is much more preferable to the potential of needing to increase the rates if the credits don't occur.

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Of the three concerns we listed, the first is by far our largest concern. We urge Western to modify the final rate in accordance with our suggestions.

Once again we thank Western for its diligence and ability to reach fair and just decisions for the benefit of its customers.

Sincerely,

A handwritten signature in black ink, appearing to read 'Rick Coleman', with a long horizontal flourish extending to the right.

Rick Coleman
General Manager

Cc: Members of the Board of Directors

RC/dc