



April 3, 2006

Mr. Sean Sanderson
Rates Manager
Western Area Power Administration
Sierra Nevada Customer Service Region
114 Parkshore Drive
Folsom, CA 95630-4710

Subject: Comments on Reactive Power and Voltage Control Revenue Requirement
Component

Dear Mr. Sanderson:

The purpose of this letter is to provide Western with Redding's comments on Western's proposal to revise component 1 of its transmission revenue requirement to exclude the costs associated with reactive power and voltage control (VAR support) from the Central Valley Project (CVP) and other non-federal generation sources.

Redding has reviewed Western's rate revisions and supports the proposed rate change associated with the collection of VAR support costs related to CVP generation. Such a rate methodology more closely allocates costs associated with CVP generation to the CVP Base Resource power rates. This methodology better reflects the principles of cost causation for Western's transmission rates.

In essence, Western's proposal will ensure that VAR support costs for CVP generation are paid by those entities that are benefiting from the associated generation. Western's preference customers will pay for VAR support associated with Base Resource deliveries, and customers of non-federal generators will pay for VAR support associated the delivery of their power.

Thank you for the opportunity to express our support with Western's proposed revenue requirement changes.

Sincerely,

A handwritten signature in black ink that reads 'Tim Nichols'.

Tim Nichols
Assistant Director-Resources