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August 8, 2003

Tom Carter, Manager of Post-2004 Operations
Western Area Power Administration
114 Park shore Drive
Folsom, CA

Subject: CONSOLIDATED COMMENTS REGARDING POST-2004 OPERATIONAL OPTIONS FOR CENTRAL VALLEY PROJECT POWER TRANSMISSION

Dear Mr. Carter:

The following comments on the Post-2004 Operational options are consolidated on behalf of the Agricultural Customer Group[1]. These are all Customers of Western under the Post-2004 Marketing Plan and signatories to the Base Resource Contract under that plan. These Customers signed Base Resource contracts before December 31, 2000, at which time and by doing so in a public venue, they served notice to PG&E and SCE that as of January 1, 2005, they would take wholesale service under Western Area Power Administration for their entire load instead of the utilities' Bundled Service. Accordingly, they are keenly interested in resolution of the Operational Options Western is pursuing, including Western's *active* support in these customers' initiative to fend off utility hijacking of rights under the Base Resource Contracts.

The ISO is fundamentally flawed due to unwieldy governance – resulting in an unstable tariff structure and escalating costs. Several options deserve a serious look.

A new federal control area maybe be – but is not necessarily the solution. Western should examine alternatives such as a metamorphosis of the exiting SMUD or BPA control areas into a public power control area. Western should move cautiously AND OBJECTIVELY to a well-

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[1] *Arvin-Edison Water Storage District, Banta-Carbona Irrigation District, Byron-Bethany Irrigation District, Cawelo Water District, Delano-Earlimart Irrigation District, Glenn-Colusa Irrigation District, James Irrigation District, Kern-Tulare & Rag Gulch Water Districts, Lindsay-Strathmore Irrigation District, Lower Tule River Water District, San Luis Water District, Terra Bella Irrigation District, The West Side Irrigation District, West Stanislaus Irrigation District, East contra Costa Water District, Reclamation District 108, Princeton-Cordora Water District, Santa Clara Valley Water District, and Sonoma County Water Agency*

reasoned answer without over-committing in any one venue. It is better to spend extra to buy the time to make the right choice, than to mire us in a quagmire of our own doing. To that end, Western should examine interim measures to buy time, and yet move toward an independent operation – such may be the case with a metered subsystem (MSS) under the ISO, either through the existing Northern California Power Agency or separately. While an interim MSS may entail additional costs, it is prudent to pursue such a large endeavor as a Control Area carefully. Once a Control Area is formed, it will take on a life of its own and is unlikely to be undone – witness the ISO – a mosaic of bandages held together by talented staff.

These entities are envisioned to be the last in-line for service under any new control area. Consequently, until they are brought into the fold, we expect that any new control area will entail an additional layer of bureaucracy with which to deal, and with that, additional fees for duplicative service (pancaking). We are skeptical of the rate process that has taken years to reveal rates for the CVP Base Resource. This does not instill confidence for rate making under a new control area. Western must set forth a reasonably firm plan for inclusion of these customers with any new operational setting including a schedule of activities and rate structures.

We are also skeptical of Western's ability to avoid the pitfalls of the ISO wherein costs are disaggregated to such a degree that it "spends a dollar to save a dime". Having said that, Western must disaggregate costs sufficiently to avoid the pancaking of grid management and other charges for customers that, for at least the near-term, would be relegated to deal with both the CAISO and a new Control Area. Having said that, we trust Western to act efficiently and in the best interest of its customers – including project use customers as most of these customers receive CVP water.

We applaud Western's efforts to push the envelope; none-the-less, we encourage Western to: 1) objectively consider all the options, including a new Federal control Area, and a morphing of either the SMUD or BPA Control Areas, before it becomes ensnared in a web it cannot unravel, 2) buy the time it needs to make informed and objective decisions perhaps by considering a metered subsystem as an initial step toward control area formation, and 3) define the principles and tenets that balance customer equity with costs of tariff complexity.

Respectfully submitted on behalf of the above listed Western Customers,

Stuart Robertson
President