



February 28, 2008

Jim Keselburg  
Western Area Power Administration  
P.O. Box 3700  
Loveland, CO 80539-3003

Mr. Keselburg:

This letter provides the initial comments of the Loveland Area Customers Association (LACA) on the Operations Consolidation that is currently under discussion, and supplements those comments that I made verbally at the Customer Meeting in Loveland on February 14, 2008.

First, LACA appreciates the opportunity to provide input to Western on this topic. This issue is important to LACA in that it establishes an operational plan for the three impacted balancing authorities and will likely impact rates, the planning process, project accounting and strategic positioning.

In the material that was presented to the customers there was no clear economic case to move forward with the consolidation. A minor savings was realized, but only when comparing to a "base case" that envisioned substantial staffing increases for regulatory compliance. Although all utilities are faced with compliance issues, there may be more cost effective alternatives that Western could consider, such as a smaller, centralized compliance staff.

Given the time LACA has been given to analyze the supporting documentation, and the lack of detailed analysis, we believe it is important to allow more time for additional interactive discussion with the preference power customers. We simply cannot provide a reasonable critique of the plans that have been presented without the opportunity to review additional, more detailed supporting information.

The LACA customer group looks forward to working with you and your staff as these issues are further explored. We echo comments that were made at the Loveland meeting that it remains important that the benefits associated with the federal hydro system continue to accrue to the preference power customers, and that these benefits not be diluted and provided to transmission customers via ancillary services. Any consolidation studies must include a detailed plan for how regulation and imbalance service are provided across the balancing authority, and how project repayment structures are appropriately maintained with minimal cross subsidies between projects.





Again, we appreciate the opportunity to participate in this process and look forward to engaging in a meaningful exchange of ideas.

Sincerely,

Robert Wolaver, P.E.  
President, Loveland Area Customers Association  
Senior Manager, Energy Resources  
Tri-State Generation and Transmission Association, Inc.

cc: Leslie James  
Dan Payton  
Tom Graves

