



SMUD

SACRAMENTO MUNICIPAL UTILITY DISTRICT
The Power To Do More.SM

P.O. Box 15830, Sacramento, CA 95852-1830; 1-888-742-SMUD (7683)

April 3, 2006
ET&C 06-111

Mr. Sean Sanderson
Rates Manager
Sierra Nevada Customer Service Region
Western Area Power Administration
114 Parkshore Drive
Folsom, CA 95830-4710



Dear Mr. Sanderson,

This letter provides SMUD comments on Western's proposed rate change as defined in the notice that Western posted in the Federal Register Notice (71 Fed. Reg. 10,666), dated March 2, 2006. In that notice, Western proposed a change to the Central Valley Project (CVP) rates for transmission and power regarding the reactive power and voltage control costs.

SMUD supports Western's recommendation to remove all VAR Support costs from Western's Transmissions Revenue Requirement (TRR) and recovering CVP Western generator VAR costs from Western's Power Revenue Requirement. This will allocate costs associated with CVP generation to the CVP power rate base, which is much more appropriate and consistent with cost causation than allocating these generator costs to the Transmission Revenue Requirement.

Thank you for requesting our comments and we hope that they are reflected in Western's decision.

Sincerely,

Thomas W. Ingwers
Director, Energy Trading and Contracts

Cc: Jim Kesselburg
Darren Buck
Tom Boyko