

Rick,

We have reviewed your email and can provide responses to the items for which you asked questions. As for the other items, those are considered comments, and Western will consider the comments and respond to those comments as part of its administrative process.

In response to your first question below, as previously stated, in the event that Western designates the CVP as RA Resources and elects to utilize the Modified Reserve Sharing provisions of the MRTU Tariff, in an actual or imminent system emergency, the CAISO can call on any CVP RA Resources even if they have not submitted a self scheduled or economic bid in the IFM.

In addition, Western previously stated that Western must follow Federal directives in its marketing and operations. The CVP hydro facilities are first operated to meet other authorized project purposes with a higher priority than power generation.

Jeanne

Jeanne Haas  
Contracts and Energy Services Manager  
Western Area Power Administration  
114 Parkshore Drive  
Folsom, CA 95630  
Phone (916) 353-4438  
Fax (916) 985-1931

>>> <[tpudcoleman@snowcrest.net](mailto:tpudcoleman@snowcrest.net)> 5/8/2007 7:38 PM >>>

Jeanne:

Thanks for such a fast response, but I am still unclear.

CAISO Control:

I think you are saying the issue is NOT that the CAISO has to have control of the RA resource, as I have been led to believe. Rather the issue is that, if the CAISO asks for the RA to generate it may be to serve loads that are NOT PU, Preference or First Preference, and that use of CVP generation violates federal law. Is this restatement correct?

If the restatement is NOT correct, then I am not aware of any Federal statutes, regulations, and policies that would prevent Western from maintaining a minuscule amount of freeboard in Wiskeytown or Keswick reservoirs and backing down the peaking generation to meet RA requirements for PU and First Preference. BUT I am NOT arguing that Western should do

so. My point is that the “inability” of CVP generation meeting such RA needs is NOT justification for distributing the cost of RA purchases as Western proposes. ALL western customers benefit from not using CVP generation for RA and therefore ALL western customers should pay for the ALTERNATIVE of purchasing RA for PU and First Preference.

If the restatement is correct, then I understand the logic. But I think that logic does not seem to be consistently applied. Particularly with regard to “energy imbalances”, or whatever the term da-jour that is now being used to address the fact that the laws of man can not trump the laws of physic, or schedules on paper do not always match reality.

#### LRA's and LSE's

Your statement “if TPUD chooses, TPUD may establish its own LSE and its own LRA” confuses me. I do not think the TPUD has to be a LSE in order to be its own LRA. I think the TPUD is already its own LRA and that Western is the LSE for TPUD load. Under the documents you provided I do not see the requirement for a LSE to be an LRA or vice versa. In other words I think the fact that Western is an LSE, does not make it the LRA for ALL of the load Western serves. I

I am also confused about the statement that “if TPUD establishes its own LRA, Western cannot act as TPUD’s LSE”, in that it presumes that to do otherwise Western would have to “take direction” from the TPUD. As I read the tariff there is no requirement for the LSE to have any say in the level of RA the LRA establishes. Further the tariff reads to me like it is the scheduling Coordinator, NOT the LSE, that informs the CAISO as to what RA the LRA has established. So I believe that in order for the TPUD, as the LRA, to establish the RA level, there is no direction for Western, as the LSE, to take from the TPUD. There is an administrative action for the Western, as the Scheduling Coordinator, to pass on information regarding the LRA’s decision to the CAISO.

Please understand that I do not care much as to what western does regarding RA, as long as it does not pass on “market costs” to the TPUD. That is what I think FERC determined. I am only trying to find a means to avoid Western thinking they are backed into a corner and must charge the TPUD market rates for RA.

The TPUD is way past its patience for paying to fix the holy market, considering that even in the remote possibility it is ever fixed the TPUD will get no benefit in return.

Again thank you for the fast response. I am already in sac. And will

check my email about 11am in case you have clarification before I make my remarks tomorrow.

> Rick,

>

> Please see Western's comments as indicated in red below your questions.

> We will post a copy of this email on our external website at

> <http://www.wapa.gov/sn/marketing/racapacity.asp>. In addition, we

> will bring copies of this email to the Public Comment Forum scheduled

> for tomorrow at the Marriott, Rancho Cordova. Hopefully this addresses

> the concerns you have raised with us regarding RA Capacity.

>

> Thanks, Jeanne

>

> Jeanne Haas

> Contracts and Energy Services Manager

> Western Area Power Administration

> 114 Parkshore Drive

> Folsom, CA 95630

> Phone (916) 353-4438

> Fax (916) 985-1931

>

>>>> "Rick Coleman" <[rcoleman@trinitypud.com](mailto:rcoleman@trinitypud.com)> 5/7/2007 5:09 PM >>>

> Jeanne:

>

> Well I took the time to do something I am loathed to do and that is

> actually

> read the overly complex CAISO tariff language, but only section 40.

> Either

> I am too stupid to understand it or the "got-cha" parts are not in

> section

> 40, buried in the "Business Practice Manual" or "the annual

> deliverability

> study" or definition of "Participating Generators or System units"; but

> I

> can not find anything in that tariff section that supports two points

> that I

> believe Western has made to justify its RA proposal. I say "believe"

> as

> both points have been made mostly verbal with little written record.

>

>

>

> CAISO Control

>  
> The tariff reads to me like Western only needs to keep about a  
> millimeter of  
> freeboard in Keswick or Wiskeytown, and back the upstream generation  
> down a  
> little from maximum in order to provide a RA equal to the 15% "default"  
> for  
> the TPUD (given our stable load and lack of air conditioning such a  
> reserve  
> is huge). I am not arguing in favor of doing so but western has  
> suggested  
> that it will charge the TPUD for RA only because the CAISO prohibits  
> use of  
> CVP resources unless they control it. Can you walk me through how it  
> is  
> that Western believes the generator must be in the CAISO's control?  
>  
> Western stated in the Federal Register notice announcing its Notice of  
> Proposed Final Resource Adequacy Plan for Transactions in the California  
> Independent System Operator Corporation\*s Balancing Authority Area (72  
> FR 20528) that:  
>  
> \*Western must follow Federal directives in its marketing and  
> operations. The CVP hydroelectric facilities are owned by Reclamation  
> and operated primarily to meet authorized project purposes that have a  
> higher priority than power generation. Western\*s flexibility to  
> modify generation schedules and ancillary service availability is  
> limited by these and other related constraints.\*  
>  
> Western further stated in the same Federal Register notice that:  
>  
> \*Western will not make CVP capacity available to the CAISO for  
> scheduling in the Day-Ahead or Real-Time markets for RA purposes due to  
> specific Federal statutes, regulations, and policies which Western must  
> follow in its marketing and operations processes.\*  
>  
> Under Section 40.5.3 of the MRTU Tariff, it states:  
>  
> \*\*\*Scheduling Coordinators for all other Modified Reserve Sharing  
> LSEs shall make available to the CAISO upon a warning or emergency  
> notice of an actual or imminent System Emergency all resources that have  
> not submitted a Self-Schedule or Economic Bid in the IFM that were  
> listed in the Modified Reserve Sharing LSEs monthly Resource Adequacy  
> Plan that are physically capable of operating without violation of any  
> applicable law.\*  
>

> Western cannot meet the requirements of Section 40.5.3 because to do so  
> would require an immediate change in its hydro units to respond to the  
> CAISO. Western is not able to change its generation in real time due to  
> the Federal statutes, regulations and policies that Western must follow  
> in its marketing and operations processes.

>

> In addition, as stated in Western's 2004 Power Marketing Plan,  
> Western has an obligation to market power first to preference entities  
> under Reclamation laws. Within broad statutory guidelines and  
> operational constraints of the CVP, Western has discretion as to whom  
> and under what terms it will c  
> ontract for the sale of Federal power, as  
> long as preference is accorded to statutorily defined public bodies.  
> Given these restrictions, if Western were to set aside some portion of  
> the CVP generating units to meet RA Capacity requirements to the CAISO,  
> Western would be going against the Federal preference requirements  
> provided for in the 2004 Power Marketing Plan. The generation from the  
> CVP hydro units is to be provided first to preference entities before  
> being marketed to any other entity.

>

>

> LRA

>

> The tariff reads to me like the TPUD's elected Board is the LRA for  
> the  
> TPUD. The tariff also reads to me like the TPUD Board can determine  
> that  
> due to our First Preference rights our RA should be zero. The tariff  
> seems  
> to only require that our Scheduling coordinator (Western) report that  
> the  
> TPUD's LRA has established a RA of zero. (obviously such a  
> determination  
> should cause any other LRA that is anticipating using whatever western  
> power  
> we don't use, to slightly increase their RA determination)

>

>

>

> Can you explain how and why Western believes that Western is the TPUD's  
> LRA?  
> Can you explain to me, regardless of if the TPUD or Western is the  
> TPUD's  
> LRA, why the TPUD's LRA can not, or should not, determine that a RA of  
> zero  
> is appropriate given the TPUD's 400% reserve margin?

- >
- > Western clarifies that Western is not TPUD\*s LRA. Western
- > understands that under the MRTU and IRRP Tariffs an LRA has authority
- > over the LSE\*s within its jurisdiction. Western qualifies and meets
- > the criteria to be an LSE. Western is currently the LSE for TPUD\*s
- > loads which it serves on the CAISO grid. Western also is an LRA.
- > Western, as an LRA has jurisdiction over Western as an LSE including the
- > loads it serves for TPUD.
- >
- > As set forth in Article V of the CAISO\*s MTRU Tariff, Section 40.1,
- > \*A Load Serving Entity, and its Scheduling Coordinator, shall be
- > exempt from Section 40 during the compliance year, as defined in the
- > Business Practice Manual, if the metered peak Demand of the Load Serving
- > Entity did not exceed one (1) MW during the twelve months preceding the
- > compliance year. Section 40 shall apply to all other Load Serving
- > Entities and their respective Scheduling Coordinators.\*
- >
- > As a result, to the extent Western is the LSE for TPUD\*s load,
- > Western as an LRA regulates Western as an LSE. Western understands that
- > if TPUD chooses, TPUD may establish its own LSE and its own LRA.
- > However, Western is unable to take directions from a state or local LRA.
- > As a federal agency, Western takes directions as provided under federal
- > laws, regulation and policies. As a result, if TPUD establishes its own
- > LRA, Western cannot act as TPUD\*s LSE.
- >
- > As for your question as to why \*regardless of if the TPUD or Western
- > is the TPUD\*s LRA, TPUD\*s LRA can not, or should not, determine that
- > a RA of zero is appropriate given the TPUD\*s 400% reserve margin?\*,
- >
- >
- > I refer you to our response as to why Western is not using the CVP
- > hydro units to meet RA Capacity requirements. Specifically there are
- > specific Federal statutes, regulations, and policies which Western must
- > follow in its marketing and operations processes.
- >
- >
- > On a related note I am concern about the short time frame between the
- > start
- > of this process and comments due, particularly since a lot of details
- > seem
- > to be missing. Your rapid response would be most appreciated.
- >
- >
- >
- >
- >
- >

>  
>  
> -----Original Message-----  
> From: Jeanne Haas [<mailto:HAAS@wapa.gov>]  
> Sent: Thursday, May 03, 2007 2:23 PM  
> To: John Goodin; Keoni Almeida; Lowell Watros; Ron Davis; P G  
> Scheuerman;  
> Nannette Engelbrite; Edward Roman; Paul Scanlan; Rick Coleman  
> Cc: Debbie Dietz; Hiroshi Kashiwagi; Koji Kawamura  
> Subject: Information requested at yesterday's Public Information Forum  
>  
>  
>  
> As requested by an attendee at yesterday's Public Information Forum  
> for  
> Western's proposed Final Resource Adequacy Plan, we have posted unto  
> our  
> external website at the following address:  
> <http://www.wapa.gov/sn/marketing/racapacity.asp> the following  
> information  
> :  
>  
>  
>  
> Section 40 of the California Independent System Operator's pre MRTU  
> Tariff,  
> which deals with Resource Adequacy requirements  
>  
>  
>  
> Section 40 of the California Independent System Operator's proposed  
> MRTU  
> Tariff, which deals with Resource Adequacy requirements  
>  
>  
>  
> Certain definitions (as defined by the CAISO) that were requested at  
> the  
> Public Information Forum:  
>  
> Load Serving Entity (LSE)  
>  
> End-Use Customer or End-User  
>  
> Local Regulatory Authority (LRA)  
>

- > Resource Adequacy Capacity or RA Capacity
- >
- > Resource Adequacy Resource
- >
- > Qualifying Capacity
- >
- >
- >
- > You can access each of these PDF files from the above website.
- >
- >
- >
- > Thanks, Jeanne
- >
- >
- >
- >

---

This message was sent using SnowCrest WebMail.  
<http://www.snowcrest.net>