

WESTERN ELECTRIC INDUSTRY
LEADERS GROUP

April 18, 2008

Dear Governors, Regulators & Energy Policymakers:

Halting global warming and protecting the environment have properly moved high atop the public-policy agenda. There is no doubt that this challenge is one of the most significant developments of the past century that impacts the energy sector, especially how we produce, transmit, deliver and use electricity. We are writing you today to urge you to address the challenges and opportunities in a cooperative, collaborative approach that recognizes the roles that new technology development and innovative policy decisions will have in shaping the future of energy use and provision in the West, in the same spirit as that of the Western Governors Association. We also want to stress one inescapable fact that we live with every day: *“our western electric grid is fully interconnected, and changes in policy, resource additions and operations affect us all.”*

Arizona, California, Colorado, Montana, Nevada, New Mexico, Oregon, and Washington have adopted portfolio standards mandating that their utilities derive an increasing percentage of power from renewable energy. Some states have put limits on the use of conventional coal resources and other states are considering similar requirements. The push for emissions reductions also could lead to tighter restrictions on other conventional energy resources. As the Western Climate Initiative acknowledges, these policy initiatives cannot be looked at in isolation, but should be considered and coordinated with the broader design and operation of the western U.S. electrical grid.

At the same time, regional electricity demand continues to grow faster than forecasted. New supplies and expanded energy-efficiency programs must be developed to keep pace with demand growth while also meeting stricter environmental standards. The costs of new electricity supplies have risen substantially, and continue to increase due to global competition for raw materials, power plant components and skilled labor, as well as the movement away from traditional resources. We are seriously concerned about these developments because the implications – in terms of reliability and the cost of electrical service – are dramatic and widespread, extending beyond the boundaries of any single state.

Over the past several months, we, as leaders of private and public utilities in the western U.S., have met to discuss our shared interests, common challenges and potential solutions. We share a common interest because the western interconnection is integrated from both a reliability and market perspective. We believe it is imperative to look at what we can do *together* to achieve the various energy and environmental policy mandates implemented by our home states, while ensuring the reliability of our interconnected power grid at a reasonable cost.

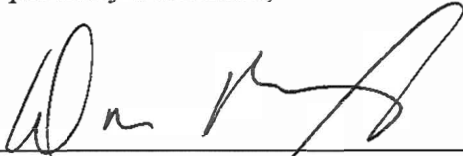
We believe the following key issues should be considered as we plan for meeting future energy needs in the lowest-cost, most reliable, and environmentally sustainable manner:

- Renewable resources often are located far from the urban centers that need the power and will require new transmission lines to deliver them to market. Coordination is needed among state, local and federal agencies to expedite the current planning, permitting and approval process for building new electric transmission to provide access to renewable and conventional resources while ensuring grid reliability. Further, tradeable renewable energy certificates (REC's) may be economically beneficial to the region.
- Some renewable resources, such as wind and solar, are not available at certain times of the day – when the sun doesn't shine or the wind doesn't blow. Changes are needed in our transmission systems and the operation of conventional generating resources to accommodate the inherent voltage and frequency fluctuations of these intermittent resources. Future technology advances in controlled demand response, electricity storage and better wind forecasting could help address these challenges. In the interim, new natural gas-fired and other state-of-the-art resources must be developed as a bridge to the new technologies. This also will require the development of adequate natural gas infrastructure.
- Maintaining the output and operating flexibility of existing power sources is vital to managing rates, ensuring grid reliability and adequate supply while utilities pursue increased renewable energy.
- Low carbon generation resources and optimal use of the interconnected grid are essential for a long term solution to global warming. Significant investment in the research and development of low carbon generation resources and interactive grid technologies is required to meet our policy objectives.

To achieve the vision of a clean energy future, we will need to re-think and re-tool our energy supply. Energy-efficiency is still the most economical resource. All of us must work to maximize the benefits of energy-efficiency, advanced metering technologies and other demand-side programs for customers and our electrical system. Considerable uncertainty remains about the pace of development and the viability of emerging technologies, but these promising new tools will be key. It will take resolve and commitment, creativity and considerable investment to develop them to meet our resource goals.

Energy has no borders. Utilities in the West share many of the same concerns and have been working cooperatively for decades. A comprehensive and collaborative approach to address the region's energy needs within the framework of environmental responsibility is a logical next step. We strongly urge you, as leaders and policy makers, to redouble your efforts to recognize the importance of coordination and cooperation as state and federal energy policy continues to evolve. For our part, we intend to strengthen our efforts to work together to find solutions to the common challenges affecting rates, reliability and a sustainable energy future.

Respectfully Submitted,



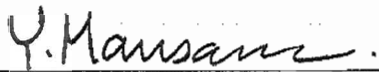
Arizona Public Service
Don Brandt, President & CEO



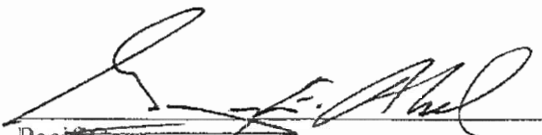
Avista Corporation
Scott Morris, Chairman, President & CEO



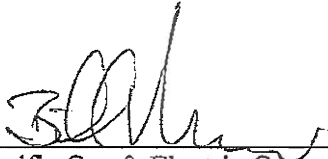
Bonneville Power Administration
Steve Wright, Administrator & CEO



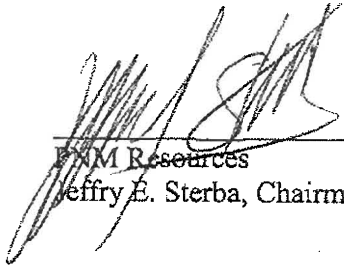
California Independent System Operator
Yakout Mansour, President & CEO



PacifiCorp
Greg Abel, CEO



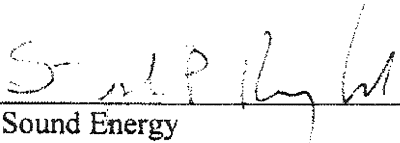
Pacific Gas & Electric Co.
Bill Morrow, President & CEO



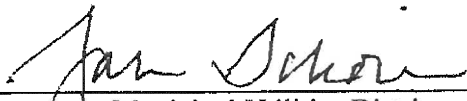
FNM Resources
Jeffrey E. Sterba, Chairman, President & CEO

Peggy Y. Fowler

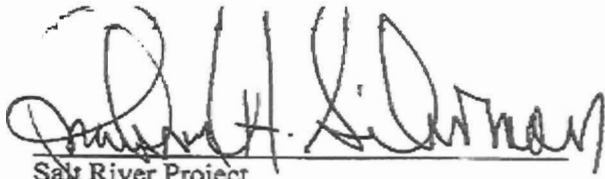
Portland General Electric
Peggy Fowler, President & CEO



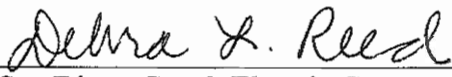
Puget Sound Energy
Steve Reynolds, Chairman, President & CEO



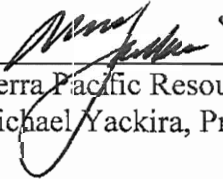
Sacramento Municipal Utilities District
Jan Schori, General Manager



Salt River Project
Richard H. Silverman, General Manager



San Diego Gas & Electric Co.
Debra L. Reed, President & CEO



Sierra Pacific Resources
Michael Yackira, President & CEO



Southern California Edison
Al Fohrer, Chairman & CEO



UniSource Energy Corporation
James S. Pignatelli, Chairman, President & CEO