

WSPP Inc.



To: WSPP Membership
February 19, 2008

From: WSPP Contingency Reserves Task Force of the Executive Committee

INTERIM REPORT ON CONTINGENCY RESERVES IN WECC

The WSPP formed a task force to address certain contingency reserves issues raised by the Western Electricity Coordinating Council (“WECC”) to WSPP by letter dated November 7, 2007. In that letter, WECC informed WSPP that it had identified “concerns that need to be addressed as a result of certain upcoming changes to contingency reserve responsibility,” resulting from the WECC Board of Directors Interpretation of Load Responsibility (ILR) approved September 7, 2007, as well as the WECC Business Practice INT-BPS-014-0 – Identification of Contingency Reserve Responsibilities in the e-Tag (BP14).

Executive Committee Chair Jeff Atkinson formed a task force to address the matter. The duty of the task force is to prepare and submit a report for Executive Committee consideration. The task force consists of the following:

Brenda Anderson, BPA
Jeff Atkinson, EC Chair
David Hansen, Arizona Public Service
Curtis Keebler, Goldman Sachs
David Lemmons, Xcel Energy
Seumas Lobban, Constellation Energy
Damon McCauley, Portland General Electric
Leesa Nayudu, Sempra Generation
Bob Schwermann, Sacramento Municipal Utility District (representing WECC MIC)
Phil Tice, Deseret G&T
Mike Wells, Western Electric Coordinating Council
Arnie Podgorsky, Wright & Talisman, P.C., legal counsel.

WSPP officers believe this to be a representative cross section among the various sectors of WSPP members: IOUs, municipalities, cooperatives, merchants, and financial institutions. The group also represents surplus and deficit balancing authorities, Northwest and Southwest entities, and planning, contract and operational expertise, particularly as it relates to reserves.

It is the duty of each task force participant to represent his/her sector and keep sector participants informed as to development. The task force meets approximately every 3 weeks, and will hold

periodic conference calls with the entire Executive and Operating Committees as the report develops. At this point, the role of the task force is to identify the strengths, weaknesses, value shifts, and functional and regulatory hurdles involved in several possible solutions the task force is considering. These are set out below.

Once this task is completed, the task force will present the findings to the Executive Committee. The Executive Committee will then have the opportunity to take action, using the report as a guide, and with a goal of bolstering liquidity. It is anticipated that meeting that goal will require working with the necessary agencies, companies, or groups needed to make changes in the industry in order to incorporate the model. This may include the Federal Energy Regulatory Commission (“FERC”), WECC, reserve sharing groups, the CAISO, and minority view stakeholders. There is disagreement among WSPP members over whether Schedule C is clear on the reserves issue.

Ultimately, the goal is to develop language that is clear, agreed to, and understood by at least 90% of the membership. **Ninety percent is a high bar to clear. To that end, please keep an open mind on this issue, and decide to what extent you are willing to compromise in order to achieve consensus for the sake of liquidity.**

Thanks,

Jeff Atkinson
Chair, Executive Committee