

Dear Salt Lake City Area Integrated Projects Customer:

In the new proposed rate, purchased power expenses have been reduced to a minimal amount in anticipation that a return to normal water conditions will result in Western meeting its firm power commitments through hydropower generation. However, in the event that expenses exceed estimates and in order to adequately maintain a sufficient balance in the Basin Fund, Western has proposed to implement a cost recovery mechanism, or Cost Recovery Charge (CRC), on all Sustainable Hydro Power (SHP) energy.

Under the CRC proposal, Western will notify each customer by May 1 of the need for the CRC in the next fiscal year. Each customer will then have the option of accepting or declining the CRC. If a customer declines the CRC, they will receive less energy from Western during the next fiscal year. If a customer accepts the CRC charge, they will receive their full SHP, and the additional expense of the CRC will be applied to all SHP energy received in that year.

Western has reviewed its financial situation compared to the anticipated hydropower generation levels and has determined that the CRC for Fiscal Year 2006 will be 0 mills/kWh. Because the CRC is not necessary, there will be no adjustments to the Fiscal Year 2006 capacity and energy allocations.

When a CRC is necessary, the customers will need to make an informed choice about whether to decline the CRC; therefore, each customer will be provided with two sets of energy numbers on May 1. One set will show the full SHP energy allocation, which would incur the CRC expense. The other set of numbers would show a lower SHP allocation, but this allocation would not incur the additional charge of the CRC.

Since a CRC is not necessary for FY 2006, Western will not provide you energy and capacity allocations at this time, but instead will proceed as normal and provide you with your Winter Season Attachment in the near future.

If you have any questions, please telephone me at (801) 524-6380.

Sincerely,

Carol A. Loftin  
Rates Manager