WESTERN AREA POWER ADMINISTRATION

TRANSMISSION INFRASTRUCTURE PROGRAM

OVERVIEW AND UPDATE

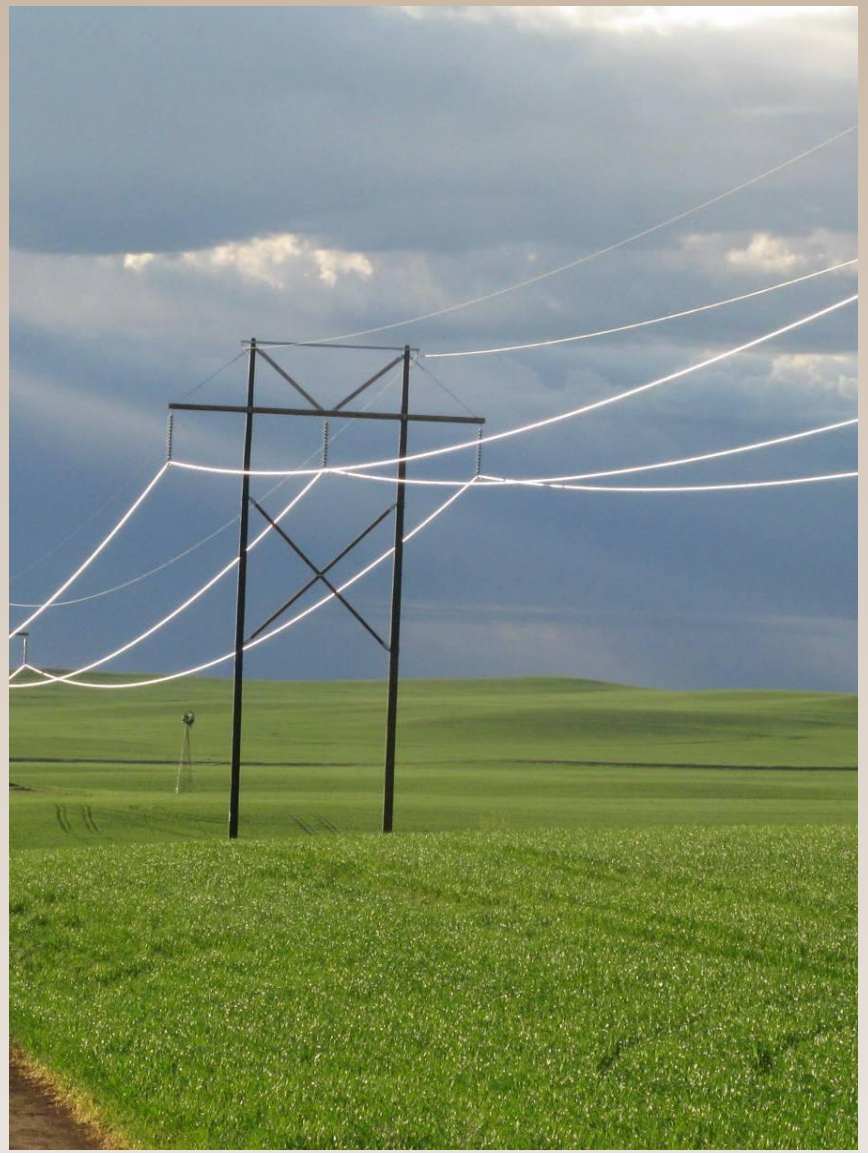
MEETING TRANSMISSION CHALLENGES IN THE ROCKY MOUNTAIN REGION

JUNE 21, 2011, FT. COLLINS, CO

TOPICS

- Western
- TIP
- Current TIP Projects
- Potential TIP Projects
- Projects Expected to Borrow Next

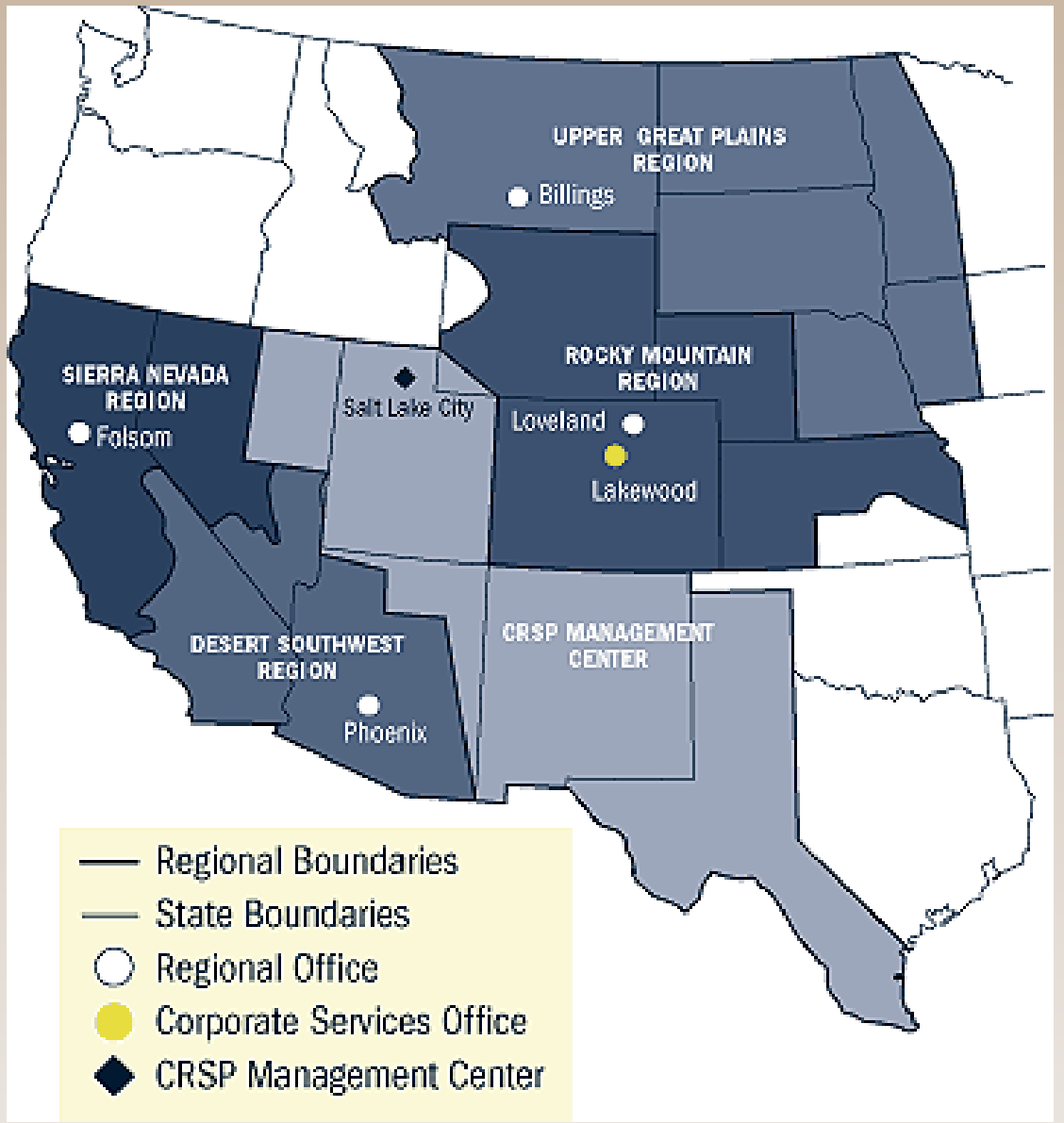
WHAT IS WESTERN?



- Power Marketing Administration under DOE
- Wholesale electricity supplier, 57 hydropower plants, 10,479 MW capacity
- 682 long-term/firm power preference customers

Western AREA POWER ADMINISTRATION

WESTERN'S SERVICE TERRITORY



OUR ROLES IN ENERGY

Glen Canyon Dam, Arizona

- Markets clean hydropower at cost-based rates
- Operates 17,000+ miles of transmission lines
- Controls parts of the energy grid
- Manages interties
- Provides open access to transmission

TIP PROGRAM OVERVIEW

Projects must pass TIP evaluation criteria to include:

- Have one terminus within area served by Western
- Deliver, or facilitate the delivery of, power generated by renewable energy resources to be constructed or reasonably expected to be constructed

TIP PROGRAM OVERVIEW (CONT'D)

Implement Title III, Hoover Power Plant Act of 1984
(under American Recovery and Reinvestment Act)

Borrowing authority of $3.25 billion

Identify, prioritize and participate in the study, facilitation, financing, planning, operating, maintaining, and construction of new or upgraded transmission facilities

TIP PROGRAM PRINCIPLES

Program Principles

- Encourage broad-based participation
- Uses project revenue as the only source of revenue for:
  - Repayment of the project loan
  - Payment of ancillary service and O&M expenses
- Maintain controls for accounting and repayment - projects under this authority are separate and distinct
- Ensure project beneficiaries repay project cost

TIP PROJECT PRINCIPLES

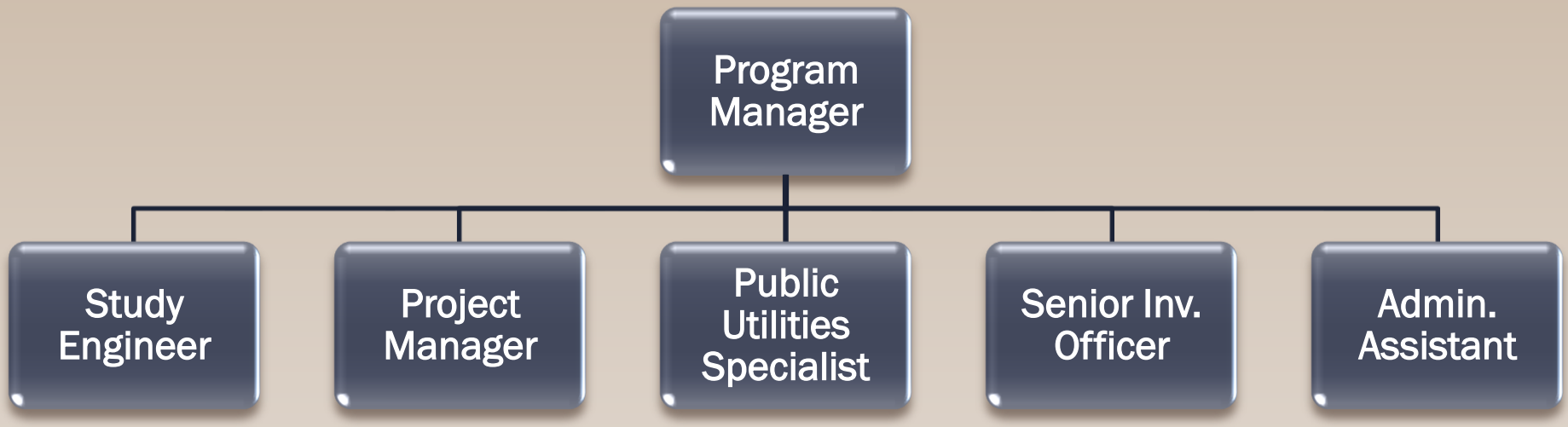
Project Principles

- Must be in the public interest
- Must not impair system reliability or statutory obligations
- Have reasonable expectation of repayment of principal and interest of Treasury loan and associated project costs on a stand alone basis – costs cannot be integrated into existing projects
- Western uses a public process to set new rates for any transmission capacity resulting from new facilities developed from TIP participation in such projects.
- Must independently obtain and arrange for the delivery of generation-related ancillary services

PROJECT EVALUATION CRITERIA

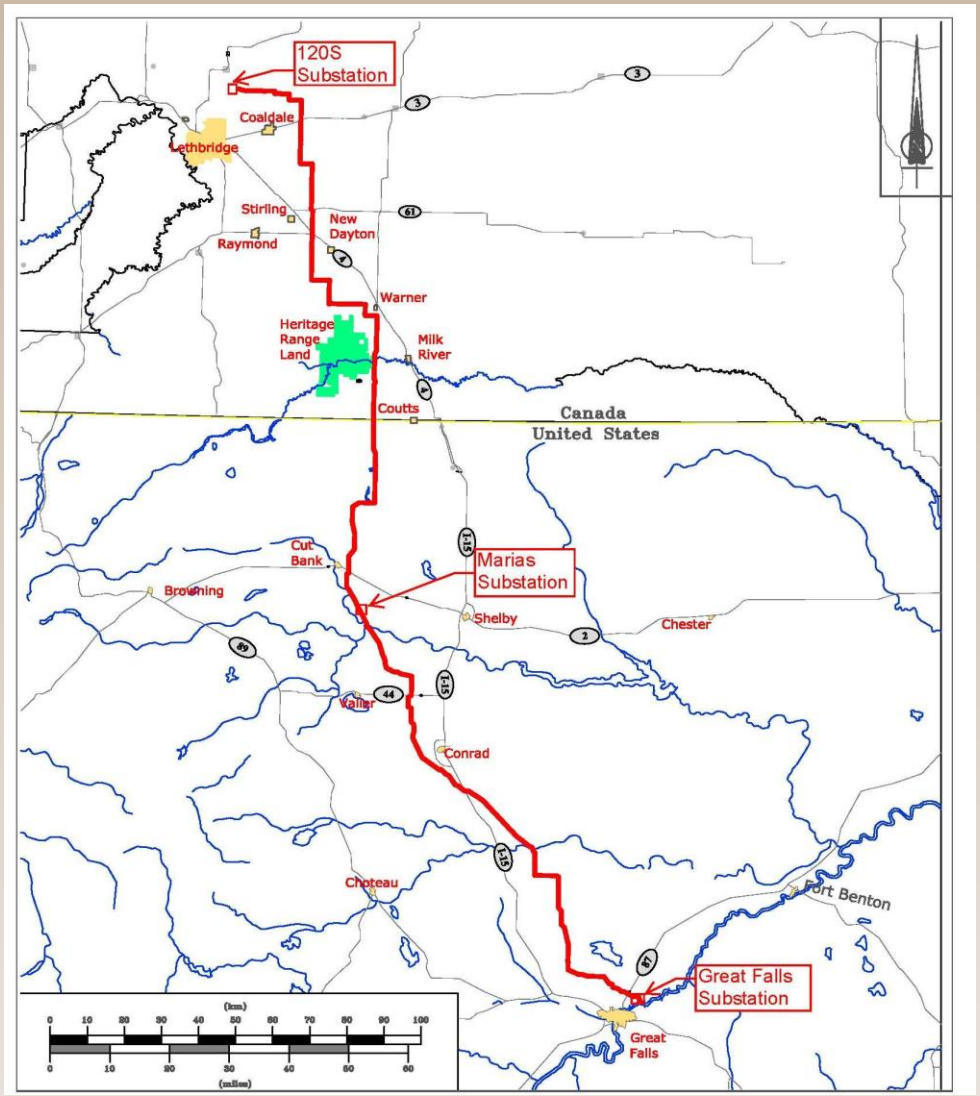
- Facilitate delivery of renewable energy to market
- Public interest
- No adverse impact to system reliability
- Project will generate enough revenue to repay costs
- At least one terminus in Western's territory
- Economic benefits, including jobs
- Satisfies Western's OATT
- Technically feasible
- Partners' financial stability and capability Project readiness
- Participation in region-wide and/or interconnection-wide transmission planning

TIP OFFICE



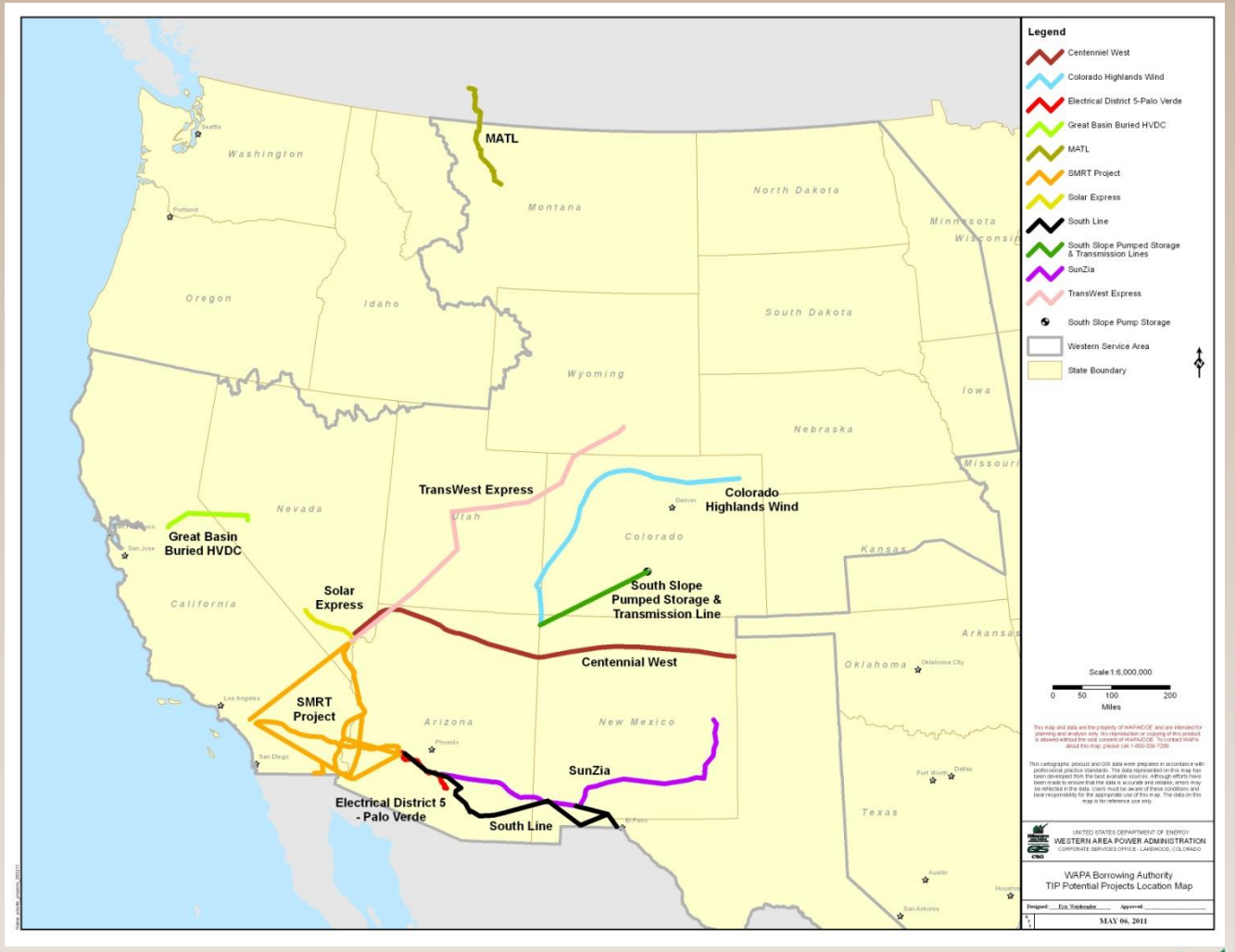
TIP office, created in May 2009, establishes the policies and practices to implement Western's borrowing authority

MATL - SELECTED PROJECT – WESTERN AS FINANCIER



- New 230-kV transmission from Lethbridge, Alberta to Great Falls, Montana
- 300 MW (bi-directional) of wind energy connecting near line's midpoint
- $161 million in TIP funding; $213 million project cost
- Substation construction began June 2010
- Transmission construction began August 2010
- Commercial Operation Date Late 2011

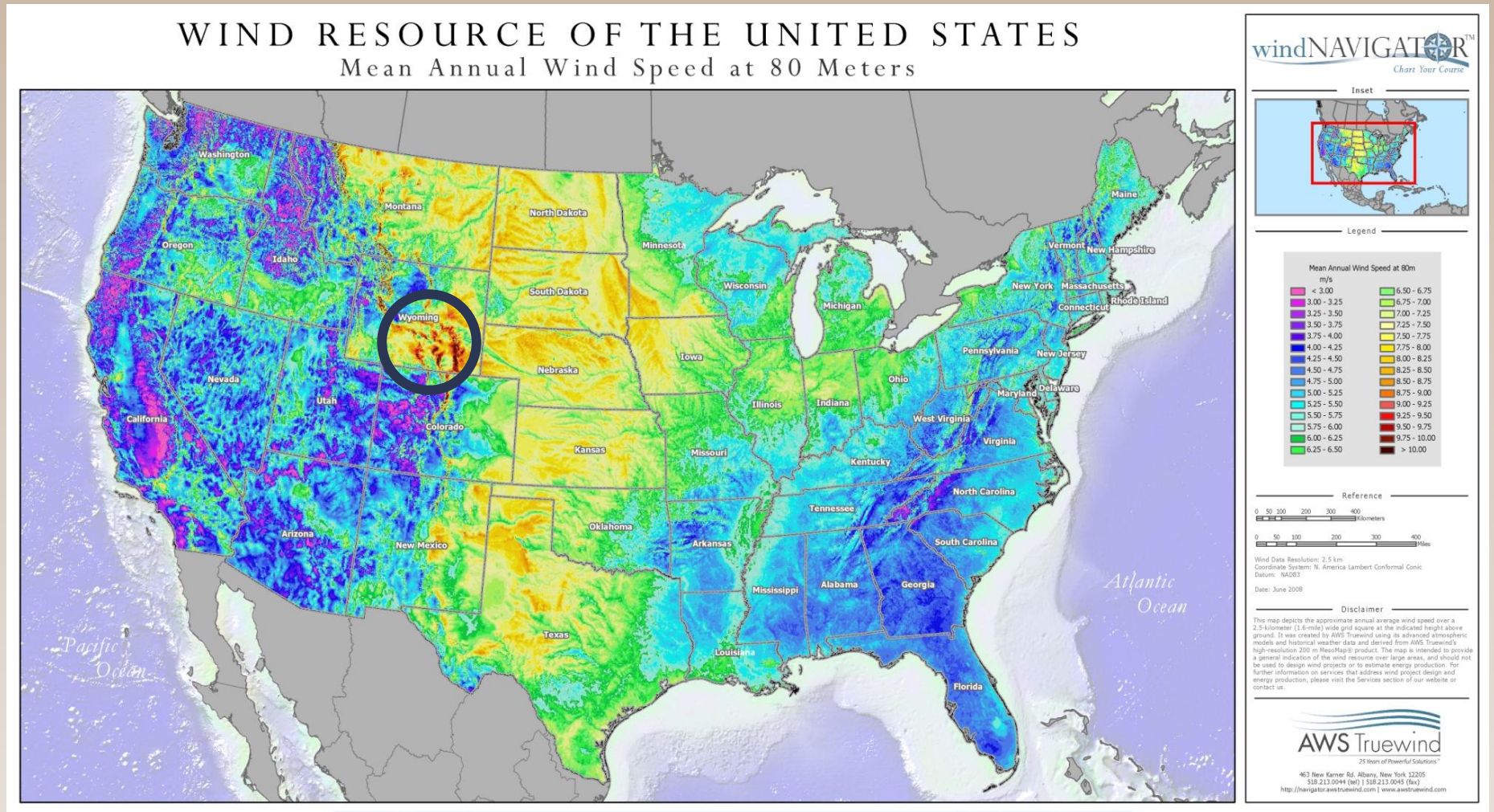
PROJECT PROPOSALS UNDER DISCUSSION

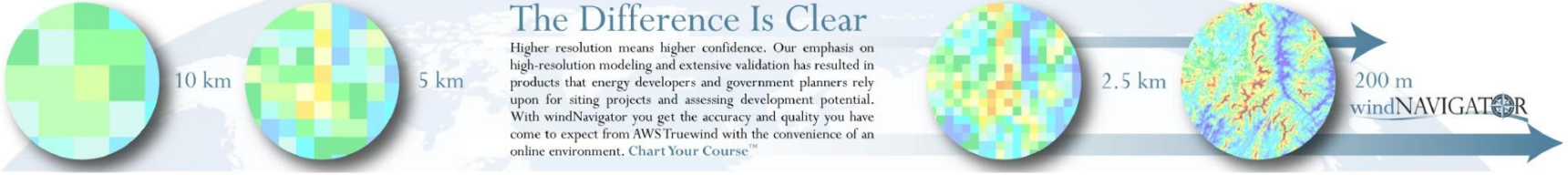


TWE – PUBLIC/PRIVATE PARTNERSHIP

- 3,000 MW capacity
- 600 kV HVDC
- About 725 miles
  - Federal: 434
  - Private: 240
  - State: 51
- 2015 in-service date
- Capable of delivering reliable, cost-effective renewable energy from various Wyoming wind projects
- Western joint lead with BLM on EIS

HIGH-QUALITY WYOMING WIND



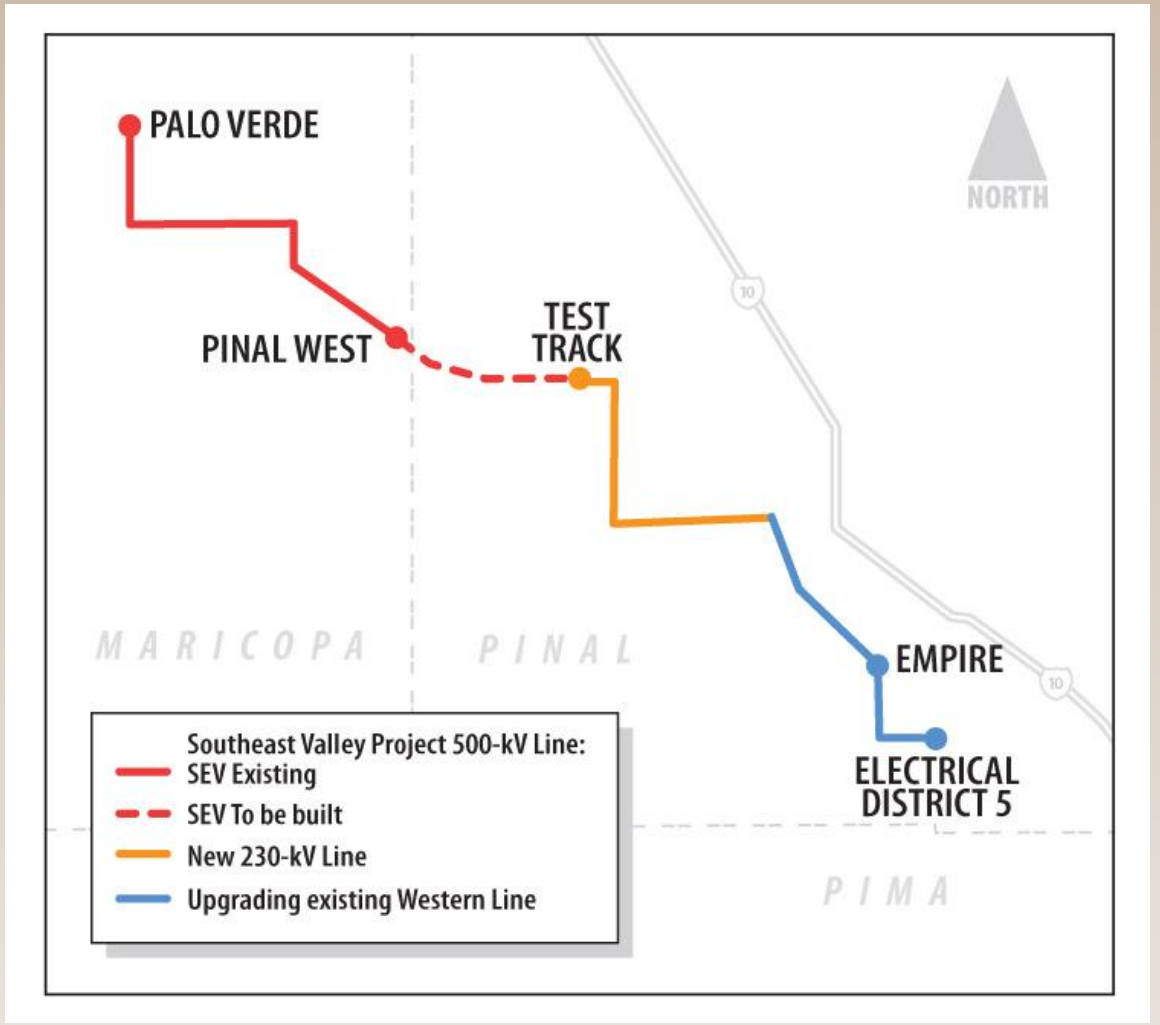


TRANSWEST PROJECT PROPOSAL – PUBLIC/PRIVATE PARTNERSHIP

- 2010: TWE and Western enter into non-binding agreement for Western to potentially acquire 50% ownership of the TWE Project
- 2010-11: TWE and Western continue due diligence and working to define the partnership to construct, operate and maintain TWE Project
- Financing: Western will finance its ownership contribution using borrowing authority; funds ultimately will be repaid to Treasury with interest through the transmission rate for this facility.

ED5-PALO VERDE HUB PROJECT PROPOSAL – CUSTOMER PARTNERSHIP

Maricopa & Pinal Counties, AZ

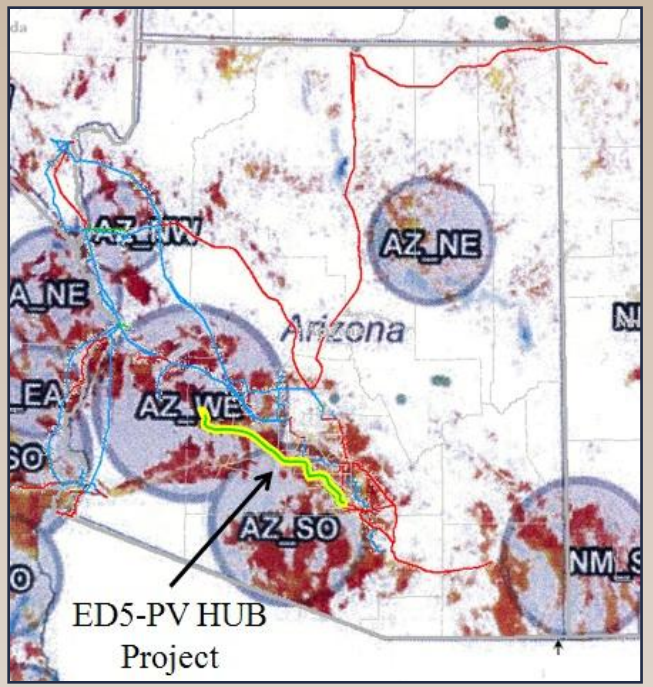


ED5-PALO VERDE HUB PROJECT PROPOSAL – CUSTOMER PARTNERSHIP

- Western's Desert Southwest Region and the Southwest Public Power Resources Group
- 45 circuit-miles of new and upgraded Western transmission line
- Purchase capacity rights on 64 miles of the Southeast Valley Project (SEV) 500-kV line
- Cost Estimate: $79.34 million
- EA: Complete Summer 2011
- In Commercial Operation: 2015

OVERALL ED5-PVH PROJECT BENEFITS

- "Right-sized" to promote renewable energy development in region, especially solar
- Stimulate local economy - jobs
- Upgrading existing lines to add capacity, increase reliability, minimize project impact
- Enhances regional reliability of transmission services
- Partners committed to capacity and will repay principal investment, operating costs and interest through facilities use charge
- Renewable power for up to 15,000 homes



Western Governors' Association Renewable Energy Zones

WESTERN CONTACTS

Craig Knoell, TIP Program Manager
E-mail: knoell@wapa.gov
Phone: 720-962-7710

Theresa Williams, TIP Liaison
E-mail: twilliam@wapa.gov
Phone: 720-962-7055

Visit us online @ www.wapa.gov/recovery