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Western Area Power Administration is a broad and diverse organization covering more than 1.4 million square miles. Our 15-state footprint makes us one of the largest utilities in the United States. Through 14 multipurpose water projects and 12 separate rate-setting mechanisms, we serve nearly 700 customers who, in turn, serve 40 million Americans.

We recognize there are clear differences among WAPA's regions and take that into account in our decision-making processes.

When it comes to markets and market services ***one size does NOT fit all***. What is currently working well in Upper Great Plains may not work at all in Sierra Nevada in California. Each region is unique; therefore, there cannot, nor will there be, a single, WAPA-wide decision.

In fact, looking at comparably sized utilities in the U.S., most, if not all, participate in multiple market structures. Some are members of Southwest Power Pool, Midcontinent Independent System Operator and PJM Interconnection, L.L.C. Others participate in two markets and in states without any market structure.

Our decision making will be consistent in terms of transparency and customer communications. We will take into account the regional differences and continue supporting our customers in terms of the lowest possible cost consistent with sound business principles.

What does this look like for WAPA?

- Full membership in SPP since October 2015 has greatly enhanced the ability of the Upper Great Plains region to successfully market surplus hydro generation, providing $48 million benefits to our customer in net SPP market revenue in Fiscal Year 2018, alone.
- We intend to participate in the California Independent System Operator Energy Imbalance Market (EIM) for Sierra Nevada.
- We intend to participate in the Western Energy Imbalance Service offered by SPP, which includes the firm electric service loads and resources of Pick-Sloan Missouri Basin Program–Eastern Division, Loveland Area Projects and Salt Lake City Area Integrated Projects, in the Upper Great Plains Western Area Balancing Authority (WAUW) and Western Area Colorado Missouri Balancing Authority (WACM) footprints.
- We have committed to study market options for our Desert Southwest region over the course of the next year.
- We will be using both CAISO and SPP for reliability coordinator services.
- We will be expanding our participation in the Northwest Power Pool Reserve Sharing Group.

The pace of change in the electric industry is increasing, and generation options are evolving as is the need to look at different market structures. Pressing needs regarding balancing area operations are creating a sense of urgency for our regions. Increased balancing-area reserve demands with coal plant closures and renewable penetration are rapidly changing how the system is operated. Movement by our customers and trading partners towards energy markets requires that WAPA decision paths be accelerated.

It is important to understand that energy imbalance management alternatives (Energy Imbalance Market versus Western Energy Imbalance Service) are not decisions to move into a full market nor are they forever. We will look beyond the horizon and take the long view to help ensure that decisions we make today will not foreclose on options and

opportunities for WAPA and our customers in the future. We will continually assess the needs of our system and our customers.

We are committed to keeping WAPA's value at the highest level, as another of our core values emphasizes: "Do what is right. Do what is safe."

Please feel free to reach out to me, your regional senior vice president or your vice president power marketing manager if you have any comments or questions.

Sincerely,

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