

July 7, 2008

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Dear Ms. Anderson:

The City of Palo Alto appreciates this opportunity to comment on eligibility requirements for the 2015 Resource Pool allocation.

Palo Alto continues to enjoy a long and constructive partnership with Western and recognizes the Western Base Resource (BR) as one of if not the most valuable resource in our portfolio. This year BR is projected to be about 20% of our resource portfolio and slowly shrinking.

Palo Alto has been a leader in sustainable resource planning including aggressive energy efficiency programs, load management programs, IRPs, and the purchase of qualifying renewable energy (QRE). In California, the legislature has determined that QRE consists of hydroelectric power from plants less than 30 MW, solar, wind, geothermal, landfill gas, and biomass powered projects.

Palo Alto adopted a local Renewable Portfolio Standard (RPS) of meeting 20% of its load with new QRE by 2015 up from approximately zero. In 2007, Palo Alto increased its RPS targets to 33% by 2015 with a retail rate impact of not more than one half cent per total kWh sold. As we have procured almost 20% of our needs from QRE to date we are noticing the substantial help provided by having a share of the dependable, reliable, flexible and schedulable Western Base Resource. We use our BR to supplement our less certain, less flexible and intermittent renewable resources. The BR lets us backfill and load gap follow behind our less schedulable resources as the need arises.

Noting this synergism between the emerging renewables and the reliable BR we respectfully suggest eliminating the exclusion of eligibility of customers based on the size of their extension CRD (MW and % of peak load MW) and in its place establishing a criteria linking BR allocated from the Resource Pool

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to existing customers that have pursued substantial percentages of QRE in their portfolio content.

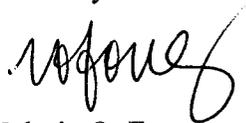
This will bring Western's marketing criteria in line with emerging national and global priorities of constructively dealing with the challenge of using our resources to reduce greenhouse gas emissions.

Specifically, eliminating the prohibition on applications by customers with extension CRDs exceeding 10 MW or BR in excess of 15% of peak load allows several of Western's customers who are industry leaders in QRE acquisition, Green Power program operation, resources efficiency programs and sustainability to apply for a share of the Resource Pool to support their efforts in those areas.

Otherwise, ironically, it is not in customers' interests to institute efficiency programs that lower peak loads and make their static BR appear as a larger percent of a reduced peak load.

Thank you for considering these comments and recommendations for changing the eligibility criteria. We look forward to working together on our growing mutual interests.

Sincerely



Valerie O. Fong
Director