

Western Area Power Administration, Sierra Nevada Region – Acting as its Local Regulatory Authority Establishes the Following Criteria for its Resource Adequacy Plans

The Western Area Power Administration (Western), Sierra Nevada Region (SNR), is a certified Scheduling Coordinator for a portion of loads and resources within the California Independent System Operator (CAISO) Control Area, and acting as its own Local Regulatory Authority (LRA), submits the following criteria for establishing its Resource Adequacy Plan (RA Plan). While Western has disputed its legal obligations to submit a Resource Adequacy Plan, Western is submitting this plan as a matter of comity and to comply with the Federal Energy Regulatory Commission's (Commission) Order to assist the CAISO to meet its California Public Utility Commission obligations in the development of its requirements. This plan establishes the process for determining Qualifying Capacity under section 40 of the CAISO tariff filed in FERC Docket ER06-723 for Western's obligation as a Scheduling Coordinator in the CAISO Control Area and as part of the CAISO's Interim Reliability Requirements Program (IRRP). To assist the CAISO, Western is preparing its criteria for determining Qualifying Capacity and then, as a Scheduling Coordinator (SC), applying those criteria to its monthly and annual resource plans. The classes of loads this LRA applies to are Western's SNR's Project Use Loads (PU), First Preference and Full Load Service (FLS) customer loads located in the CAISO area. These customer classes are defined below. With this submission, Western does not alter its position nor does it waive any legal rights or defenses it may have regarding the applicability of the Tariffs to Western, including, but not limited to, any rights and defenses raised by Western in ER06-723-000, *et al.* and ER06-615-000, *et al.*

Background

Western's SNR markets power in accordance with specific Federal statutes, regulations, and policies. In contrast to other utilities and non-jurisdictional Load Serving Entities (LSEs) in California, Western must follow Federal directives in its marketing and operations processes. When state or local requirements conflict with Federal directives, Western must give deference to the Federal directives. The following background information is included in light of this unique requirement. The information presented below is not meant to be exhaustive, but may be helpful to better understand this LRA document.

Western, headquartered in Lakewood, Colorado, markets hydroelectric power from more than 50 power plants at Federal dams throughout the western United States. The dams and powerplants are owned and operated by the Bureau of Reclamation (Reclamation), the U.S. Army Corps of Engineers, and the International Boundary and Water Commission. Western also markets the United States' 24.3 percent share (547 megawatts) from the coal-fired Navajo Generating Station near Page, Arizona. These powerplants have a combined maximum operating capability of more than 10,400 megawatts (MW).

Western's service area covers 1.3 million square miles in 15 western states (Arizona, California, Colorado, Iowa, Kansas, Minnesota, Montana, Nebraska, Nevada, New Mexico, North Dakota, South Dakota, Texas, Utah and Wyoming). Within this service area, Western operates and maintains more than 16,500 miles of transmission lines and 265 substations and related facilities.

Western has four regional offices located in Billings, Montana; Loveland, Colorado; Phoenix, Arizona; and Folsom, California; and a Colorado River Storage Project Management Center in Salt Lake City, Utah. Western's SNR Office, located in Folsom, California, markets power from the Federal Central Valley Project (CVP) and the Washoe Project.

The body of laws applicable to CVP facilities is known collectively as Reclamation Law, including authorizing legislation for each CVP facility. The CVP was reauthorized in the Rivers and Harbors Act of 1937. The Act of 1937 defined the priorities for the purposes of the CVP as: (1) navigation and flood control, (2) irrigation and municipal and industrial water supplies, and (3) power supply. The Central Valley Project Improvement Act (CVPIA) in 1992 modified the authorizations of the CVP to include the fish and wildlife function as a new authorized purpose. Along with managing several threatened and endangered species in the CVP's service area, the net effect of CVPIA was to establish specific mitigation objectives and to establish a CVPIA Restoration Fund which requires payments from CVP water and power customers to fund activities to mitigate damages caused by the construction and operation of the CVP upon the native fish and wildlife resources.

CVP hydroelectric power is delivered to loads throughout central and northern California. Under Reclamation Law, the first priority for CVP power is to meet the authorized loads of the project (PU loads) including irrigation pumping, municipal and industrial needs, authorized fish and wildlife purposes, and station service at CVP facilities. Approximately 25% to 30% of the CVP's power generation is typically used to support PU loads. Under existing laws, Western markets the remaining power to Preference Customers, which includes first preference customers, Indian tribes, Federal agencies, military bases, municipalities, public utilities districts, irrigation and water districts, and state agencies.¹

Western provides service to its customers under federally authorized Marketing Plans. Under SNR's Post 2004 Marketing Plan, which became effective on January 1, 2005, customers receive the net power output of the CVP and Washoe projects after project needs are met. Project needs include PU, sub-control area (SCA) operational requirements and First Preference power. The remaining power is served to preference

¹ It is important to note that the CAISO's definition of Load Serving Entity at Section 40.1 of the Tariff filed in ER06-723-000 does not apply to Western because Western does not serve "retail load."

customers and is referred to as the “Base Resource” (BR).

Preference Customers that receive BR are generally divided in three groups under the Post 2004 Marketing Plan: Base Resource, Variable Resource (VR) and FLS customers. Base Resource customers are those customers that have opted to only receive BR power from Western. VR Customers are customers that have requested supplemental power from Western in addition to their BR. The third category of customers, FLS customers, are customers that have their total load at specified delivery points met by Western through a combination of their BR and supplemental purchases by Western on their behalf. FLS customers also can bring their own contracts to Western for Western to manage. These contracts are called Third Party Power Contracts.

Under the Post 2004 Marketing Plan, SNR has seventy-seven (77) CVP Preference Power Customers. Of these customers, four are First Preference entities. First Preference customers are a special class of customers who are statutorily entitled to up to 25% of the generation added to the CVP as a result of the hydro electric facilities built in their counties. The two projects whose enabling legislation provided for First Preference Power are the New Melones Project, which is located in Tuolumne and Calaveras counties, and the Trinity Project, which is located in Trinity County. As explained above, First Preference power has priority over other types of preference power in the Post 2004 Marketing Plan.

Current Load Obligations

As discussed above, SNR serves several types of loads. Appendix A lists the SCIDs that Western schedules and the specific customers included under each SCID. These loads are served from CVP and Washoe generation, market purchases and customer energy exchange accounts. The following describes SNR’s load obligations:

1. Project Use

PU loads have the highest priority to CVP generation. SNR has about 180 delivery points for the CVP PU loads, the majority of which are located in the CAISO’s Control Area. These loads are first met with CVP and Washoe generation, and in hours when the loads exceed CVP generation, the shortfall is met either through a customer energy exchange account or from market purchases. Several of these loads, including the San Luis pump-generation station and Dos Amigos Pumping Plant, are operated by the California Department of Water Resources (CDWR) as joint federal/state facilities. Occasionally, CVP Project water is pumped at the State’s Banks Pumping Plant which also is scheduled as PU. A significant portion of these loads are served under an ETC on the PG&E system for which PG&E serves as the SC. Western and PG&E have recently agreed to transfer the SC responsibility for a number of PU loads from PG&E to

Western. This agreement has been filed at FERC and, pending FERC's approval, Western will begin scheduling these loads under the SCID of WSLW. Washoe PU loads are located in Sierra Pacific Power Company's Control Area.

2. First Preference Loads

Western has four First Preference customers all of which are located in the CAISO Control Area. Under the authorizing legislation for the New Melones and Trinity Projects, customers in Trinity, Tuolumne, and Calaveras are entitled to have their entire load met from CVP Project generation, up to an amount not exceed 25% of the additional energy generated by the CVP as a result of the project facilities constructed in those counties. In Trinity County, Trinity County Public Utility District has an allocation of First Preference Power which currently meets their full loads. In Tuolumne and Calaveras Counties, the Tuolumne Public Power Agency, the Calaveras Public Power Agency, and the Sierra Conservation Center have First Preference allocations that meet their total loads.

3. Base Resource

BR Power is served to BR Customers, VR Customers and FLS Customers. Western has preference customers in all three categories located both in Western's sub control area (SCA) and the CAISO Control Area. This LRA plan is only applicable to those customers located in the CAISO Control Area. In accordance with Federal law and Western's Post 2004 Marketing Plan, the BR power must be made available to these customers before it is sold to any other entity, and it cannot be resold by these customers. If a Preference Customer has load in any hour, it must first use the BR power it receives to meet that load before using other resources. Under the scheduling protocols developed for the 2004 Marketing Plan, BR energy schedules for all preference customers are firmed 2 days ahead, and, on those days that CVP generation is modified after the final schedules are published, the SCA is balanced through day-ahead and active day transactions in the energy markets.

4. Custom Product Power (CP) for Full Load Service Customers

Western has nineteen (19) FLS customers, of which eighteen (18) are located in the CAISO Control Area. Western is obligated by contract to meet the total loads of these customers at specified delivery points. The load not met by BR energy or Third Party Contracts for these customers is served from the market under long term CP contracts, and the portfolio is balanced on an hourly basis by day-ahead purchases or sales.

5. Third-Party Power (TP) for Department of Energy (DOE) Laboratories

Western has four DOE Laboratory loads, three of which are located in the CAISO Control Area. DOE has contracted with Western for Portfolio Management service, which means Western is responsible for balancing DOE's loads and resources. The portion of these loads not met by BR energy is served from the market under long term

TP contracts, and the portfolio is balanced on an hourly basis by day-ahead purchases or sales, which are booked as CP Power.

6. Supplemental Power to Variable Resource Customers

Western sells supplemental power to two Preference customers located in the SCA that is currently delivered over the Pacific Northwest-Southwest Alternating Current Intertie (PACI). Since the loads are located in the SCA, and the only CAISO transactions are the schedules on the PACI, which result in an import into the SCA, the CAISO-established RA requirements do not apply to these schedules.

Resources

Western SNR currently meets its load obligations through generation from CVP and Washoe hydro facilities, long term contracts, day-ahead transactions and real time transactions.

Under the Post 2004 Marketing Plan, Western markets its generation from the CVP and Washoe projects to first preference customers and any remaining power is then marketed as BR to Preference Customers on an as-available basis. The term, "as-available" reflects the fact that CVP and Washoe energy generation is dependent on weather and water release criteria as determined by Reclamation and, during flood control events, the Corps of Engineers.

A few facts about the availability of CVP generation are relevant to the determination of Qualifying Capacity in the RA process. Although the CVP is a hydro resource, the generation that can reasonably be expected is significantly less variable than typical hydro projects. The CVP is not a run of the river system. The considerable storage in CVP reservoirs enables Reclamation to meet water demands through dry and critical years at reduced, but reasonably predictable, levels. The generation from the CVP is, therefore, considerably less variable on an annual and seasonal basis than most other hydro projects. Another factor which reduces variability is the fact that the CVP is a serially operated, multi-reservoir project. Reclamation can thus frequently meet its water demands from several different reservoirs. As an example, if there is a pumping requirement in the Delta for agricultural demands in the San Joaquin Valley, these water export demands may be met from releases at Shasta, Folsom, San Luis, or New Melones. Finally, all major CVP dams have reregulation reservoirs, which provide considerable flexibility to shape generation from the major power plants during the day without effecting downstream releases. A reregulation reservoir is a secondary smaller reservoir located adjacent to and down stream from the primary reservoir, with sufficient storage to allow a peaking operation out of the primary reservoir while maintaining a constant release down the river. This increased flexibility enhances the predictability to meet power demands. The firmness and predictability of the CVP power resource is

therefore significantly greater than most other hydro projects in California and elsewhere.

Forecasts of CVP generation are published every month on Western's Web site. Western, in coordination with Reclamation, prepares an estimate of a rolling 12-month forecast of generation for the CVP on a monthly basis. Two forecasts are normally provided, one at 50% and one at 90% inflow exceedence levels. The 50% forecast assumes average inflows into CVP reservoirs for the upcoming water year, while the 90% forecast assumes critically dry year inflows. The 50% and 90% forecasts are very similar for the summer and fall periods when water releases from the CVP are provided primarily from reservoir storage. This is also true for the first few months of the winter season before rainfall starts to influence release schedules. The biggest difference between the two forecasts occurs in the January through April period when weather is a direct factor in determining water release schedules. The difference in energy generation from the CVP available for delivery to Preference Customers is about 20% between an average year and a dry year based on long term studies of CVP operations. In contrast, the difference in energy generation between the 50% and 90% rolling 12 month forecasts that are published for Preference Customers every month is usually about 10%. This relatively small difference is explained by the fact that the rolling 12-month forecasts take current reservoir storage levels into account as the starting point, whereas long term studies calculate reservoir storage levels based on sequential historical years. For purposes of RA forecasts of qualifying capacity for the CVP, Western has determined that it will utilize the 50% rolling 12-month forecast as the basis for forecasting qualifying and net qualifying capacity from the CVP for its monthly and annual forecasts.

Criteria for Western's Resource Adequacy Plan

Qualifying Capacity

SNR has several generation projects in the Sacramento Municipal Utility District's (SMUD) Control Area, which comprise the bulk of the CVP generation facilities. With the exceptions of the New Melones power plant and the San Luis and O'Neill pump/generation plants, which are addressed separately below, all CVP generation plants reside in the SMUD Control Area. Western operates its SCA, which includes the Modesto Irrigation District's facilities and the California-Oregon Transmission Project (COTP), within SMUD's Control Area. In addition to being adjacent to the CAISO Control Area, SNR's SCA is adjacent to the Turlock Irrigation District's Control Area and included in SMUD's Control Area. Western also has a direct tie to the Bonneville Power Administration's Control Area through its firm transmission rights on the COTP, and additional access to the northwest through its firm transmission rights on the Pacific AC Intertie.

1. CVP Hydroelectric Facilities in the SMUD Control Area – Designation of Qualifying Capacity

Western designates its hydroelectric facilities in the SMUD Control Area as a system resource with 100% of its forecast capacity as qualifying capacity. Western will determine its forecasted capacity by utilizing Western's 50% rolling 12 months forecast for the appropriate month. The rolling 12-month forecast is discussed in detail above. This import into the CAISO Control Area is backed with reserves as required under Western Electric Coordinating Council standards from the CVP resources in SMUD's Control Area.

In designating the CVP facilities as a system resource, Western notes that these facilities appear to be consistent with the definition of a system resource set forth in the CAISO Tariff filed on February 9, 2006, in FERC Docket ER06-615:

“A group of resources, single resource, or a portion of a resource located outside of the CAISO Control Area, or an allocated portion of a Control Area's portfolio of generating resources that are directly responsive to that Control Area's Automatic Generation Control (AGC) capable of providing Energy and/or Ancillary Services to the ISO.”

As noted above, Western's resources, by law, must first be utilized to serve PU load and then preference customers. To the extent there is surplus energy Western markets such surplus at its discretion.

2. New Melones Power Plant Area – Designation of Qualifying Capacity

The New Melones power plant physically resides in the CAISO Control Area. Western and the CAISO have agreed to pseudo-tie the generation from New Melones into the SMUD Control Area. For all intents and purposes, this allows New Melones to be electronically and operationally included as part of the SMUD Control Area. It is anticipated that this pseudo-tie arrangement will be implemented and operational on or before November 30, 2006. For purposes of qualifying capacity, after execution of the pseudo-tie agreement, Western will designate the New Melones power plant as part of the CVP resource in the SMUD Control Area. Prior to the execution of the pseudo-tie agreement, Western designates the forecasted capacity of New Melones as qualifying capacity.

Under Federal Reclamation Law, the capacity of New Melones, as well as the energy generated from the plant, must be made available to meet PU, First Preference and Federal preference loads. Therefore, the capacity of the plant is not available as must offer capacity in the Pre-MRTU RA tariff prior to or after the pseudo-tie arrangement becoming effective. The Existing Transmission Contract (ETC) for delivery of New Melones generation into Western's SCA is noted below.

3. San Luis and O'Neill Pump/Generating Plants – Designation of Qualifying Capacity

The San Luis Pump/generating Plant is operated by CDWR. The O'Neill Pump/Generating Plant is owned and operated by Reclamation. Both plants are operated to meet both Federal PU loads and to comply with State/Federal guidelines for the coordination of the Federal and State water projects. By contract and operation of law, project operations for the CVP and State Water Project (SWP) are coordinated in order to assure that water quality standards in the San Francisco Bay/Sacramento-San Joaquin Delta and Estuary, as well as other applicable environmental operating criteria, are achieved. See the Coordinated Operations Agreement Amendments Act, Act of October 27, 1986, Public Law 99-546, 100 Stat. 3050.

For the San Luis Pump/Generating Plant, Western is deferring designation of qualifying capacity pending CDWR's submittal on how its capacity in this facility will be determined. Once that submittal is made, Western, in consultation with Reclamation, will determine if the methodology is consistent with Reclamation's contractual framework with CDWR and also if the designation is consistent with Federal laws and Western's policies. If CDWR's LRA determinations are acceptable to Western, the capacity associated with the Federal share of this facility will be treated in the same manner as the State's share. If CDWR's LRA determinations are not consistent with Federal law or the contractual framework, Western will submit alternate criteria in an addendum to this document to address Qualifying Capacity at San Luis.

Prior to Western's determination as to whether CDWR's LRA designation criteria is consistent with Federal law, Western designates the forecasted capacity of San Luis as Qualifying Capacity.

For O'Neill, Western designates 100% of the forecasted capacity as Qualifying Capacity.

Under Federal Reclamation Law, the capacity as well as the energy generated from these plants must be made available to meet PU and Federal preference loads. The capacity of these plants are therefore not available for must offer capacity requirements in the Pre-MRTU RA tariff. The ETC for delivery of generation from these plants is noted below.

4. Existing Western Contracts – Designation of Qualifying Capacity

As noted above, Western has several classes of customers on the CAISO-controlled grid. These customers include FLS customers comprised primarily of municipal utility districts and Federal end-use Preference Customers, and PU loads. Many of these customers and loads receive their power at transmission and distribution levels via the Pacific Gas and Electric Company's (PG&E) transmission and distribution facilities. Transmission level delivery to these loads is over the CAISO-controlled grid.

To meet its statutory and contractual obligations to serve the above customers and loads, Western has entered into a number of long-term contracts. These are firm energy contracts as generally reflected in Service Schedule C of the Western Systems Power Pool Agreement. The terms of current Western contracts range from 1 month to 5 years. The contract with the longest term was entered into in late 2004 on behalf of one of Western's preference customers, the DOE Laboratories, and extends through 2009. In total, for the period from January 2006 through 2009, to meet FLS customer obligations, Western has entered into forty contracts with varying terms. In addition, Western has entered into four contracts to meet PU obligations. To the extent that these contracts are used to serve loads in the CAISO area, the designation in this section shall be applicable. The energy schedules from these contracts that meet SCA loads are not addressed here. It is important to note that Western has developed its budgets for the next three years under the assumption that these contracts are firm and meet the firm capacity and energy requirements of Western's customers consistent with their respective delivery levels.

Western notes that these contracts are considered firm under current industry standards and are backed by reserves in the control area where the generation originates. As noted below, Western has existing firm transmission rights on the COTP and PACI for the contracts originating in the northwest, and the remaining contracts have delivery points in NP15, which are firmed by the CAISO or self provided by the supplier under CAISO tariff guidelines.

Consistent with the Commission's Order in Docket ER06-723, for purposes of this RA Plan, Western designates the contracted capacity from these existing contracts as Qualifying Capacity. Unless otherwise specified in a subsequent LRA Plan filing by Western, Western also designates as Qualifying Capacity the contracted capacity from any future firm power contracts.

5. Deliverability Considerations – Designation of Net Qualifying Capacity

Under Section 40.5.2 of the Tariff, Net Qualifying Capacity is Qualifying Capacity, determined under the criteria provided by an LRA, based upon (1) testing and verification and (2) deliverability restrictions.

For imports into the CAISO Control Area, which include both CVP generation and contract imports, Western notes that it has sufficient Existing Transmission Contracts (ETCs) and/or Transmission Ownership Rights, reserved on its and other Parties systems, to deliver all imports under this RA process to loads in the CAISO Control Area. In light of these rights, all imports into the CAISO Control Area and NP 15 delivery contracts should qualify as Net Qualifying Capacity under the CAISO's criteria. If any portion of the energy from Western's imports or NP 15 delivery contracts are determined to not qualify as Net Qualifying Capacity, Western is willing to meet with CAISO to discuss relevant considerations.

Specifically, Western has the following rights to deliver imports into the CAISO Control Area:

1. Western has a priority scheduling right on the Pacific AC Intertie of 400 MW, which is not curtailable unless the COI is derated below 3,000 of its 4,800 MW of capacity. Please see Contract No. 04-SNR-00788-A.
2. Western owns and operates its own transmission system in its SCA consisting of 230, 115 and 69 kilovolt (kV) facilities. Western has determined that the following amounts of capacity are available on a firm basis at its interconnection points with the CAISO-controlled grid:

<u>Line</u>	<u>Connect Point</u>	<u>Normal MVA</u>	<u>Normal Amps</u>	<u>Emergency MVA</u>	<u>Emergency Amps</u>
Cottonwood 230 kV Bus 1	PCB 472 Disc 475	797	2000		
Cottonwood 230 kV Bus 2	PCB 482 Disc 485	797	2000		
Lawrence Livermore National Laboratory 115kV Tesla #1	PCB 752 PCB 852	164	825	194	975
Round Mountain 230 kV Cottonwood	PCB 242 Disc 245	320	800	320	800
Tracy 230 kV Tesla #1	PCB 382	683	1714	746	1874
Tracy 230 kV Tesla #2	PCB 582	683	1714	746	1874

Tracy 69 kV Herdlyn	PCB 2452	72	600	72	600
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3. Western is the operator and is also a participant in the COTP and has 177 MW of firm transmission rights into its SCA from the northwest (North to South) and 136 MW from its SCA to the northwest (South to North) over this 500 kV line. The COTP is interconnected to CAISO grid near Tesla Substation.

4. Western's ETC with PG&E for delivery of New Melones generation to its SCA is Contract 8-07-200-P0004. It provides firm transmission capacity for the delivery of New Melones power until 2032.

5. Western's ETC for delivery of San Luis and O'Neill generation to its loads or SCA is Contract 14-06-200-2207A. This contract provides transmission and delivery service from PG&E for the San Luis Unit generation and loads. This agreement expires in 2016.

6. Western's ETC on Path 15 is 150 MW. Western has turned over the operational control of Path 15 to the CAISO. Please see Contract 03-SNR-00605. Unless otherwise determined in a subsequent addendum to this LRA plan, Western will not be subject to any limit on imports that may be designated as Qualifying Capacity.

7. Unless otherwise determined in a subsequent addendum to this LRA plan, as its own independent LRA, Western has administratively determined it will not be subject to any limit on imports that may be designated as Qualifying Capacity.

Demand Forecasts and Protocols

Loads in the SCA

Western does not have any statutory or contractual obligation to meet most of the preference customer's loads that are located in the SCA, except for BR and/or future CP and supplemental power requirements. These loads are not within the scope of this LRA plan for the CAISO Control Area, Western will not be furnishing any demand forecasts or resource information for these loads to the CAISO.

Western also has an obligation to meet the PU loads in its SCA and the loads of three FLS customers. Western will not supply demand forecasts or resource information for these loads because these loads are not within the scope of this LRA plan for the CAISO Control Area.

Loads in the CAISO Control Area

For its loads in the CAISO Control Area, Western will determine its demand forecasts as follows:

1. For its PU Loads in the CAISO Control Area that it acts as SC for, Western will determine their demand forecasts based on their projected coincident peak monthly demand. The SCID for these loads is WPUL. As noted above, an agreement between Western and PG&E is pending at FERC, which will add PU loads Western is SC for under the WSLW SCID.
2. For its FLS customers in the CAISO Control Area, Western will determine their demand forecasts based on their projected coincident peak monthly demand. The SCID for these loads is WFLS. Beginning on November 1, 2006, the DOE Laboratory loads in the CAISO area, consisting of the Stanford Linear Accelerator Center, The Lawrence Berkeley National Laboratory and Site 300, will split out of WFLS and be scheduled under the SCID of WDOE.
3. For Trinity County Public Utility District, which resides in the CAISO Control Area, Western will determine its demand forecast based on its projected coincident peak monthly demand. The SCID for these loads is WTRN.
4. For the loads of the NASA Ames Research Center Western will determine the average demand for a month consistent with current arrangements with the CAISO for forecasting this very unique load. The SCID for this load is WNAS.
5. For Eastside Power Authority, Western will determine its demand forecast based upon their monthly coincident peak demand. The SCID for this load is WEPA.
6. For The Power and Water Resources Pooling Authority (PWRPA) Western will defer to PWRPA's LRA. As PWRPA's SC, Western will submit the required demand and resource data received from PWRPA to the CAISO. The SCID for these loads is WPWR.
7. For VR and BR customers in the CAISO Control Area, Western will defer to the customer's SC to provide demand forecasts for their loads. The BR energy to these customers will be scheduled as noted above.

Planning Reserve Margins

Under this LRA plan, Western has designated its hydroelectric facilities in the SMUD Control Area as a system resource that meets its definition of Qualifying Capacity, 100% of forecasted capacity. The forecasted capacity is determined utilizing Western's

50% rolling 12 months forecast for the appropriate month. The rolling 12 month forecast and the designation of the capacity level is discussed in detail above. This import into the CAISO Control Area comes with operating reserves consistent with WECC and NERC standards, backed by the CVP resources in SMUD's Control Area.

Similarly, Western has designated 100% of its contract deliveries as Qualifying Capacity. These contracts are backed by reserves in the originating control area and are therefore considered firm. For its reserve requirements in its SCA, Western will ensure its operations are also consistent with Western's Interconnected Operations Agreement with SMUD.

Consistent with the CAISO tariff, Western will make a year-ahead showing that it has a minimum of 90% of the capacity required to meet its forecasted monthly coincident peak load in the CAISO Control Area, as determined by Western, plus its Planning Reserve Margin. Under the CAISO IRRP approach, the Planning Reserve Margin is a percentage of firm capacity over the demand forecast available to the CAISO to meet reserve requirements. Western has determined that for the purposes of this LRA Plan it will provide capacity to the CAISO consistent with the CAISO's planning reserve criteria as follows:

<u>Operative Months</u>	<u>Planning Reserve Capacity</u>
January – May & October - December	5%
June - September	10%

Western has further determined that it will conduct a public process to provide its customers and other interested parties the opportunity to provide input to Western with regard to the amount and character of RA capacity it will provide in the future.

For its month-ahead showing, Western will demonstrate that it is prepared to meet 100% of its forecasted monthly coincident peak load.

Appendix A

Western Customers Included Under this LRA Plan

SCID - WFLS

Ca. Medical Facility, Vacaville
Ca. Deuel Vocation Institution
Calaveras Public Power Agency
City and County of San Francisco
City of Avenal
East Bay Municipal Utility District
East Contra Costa Irrigation District
Lassen Municipal Utility District
Northern California Youth Correctional Center
Reclamation District 2035
Sierra Conservation Center
Shelter Cove
Tuolumne Public Power Agency
Pittsburg Power Company
University of California at Davis

Beale Air Force Base
DLA Sharpe and Tracy
Moffett Air Field
Onizuka Air Force Base
Travis Air Force Base
U.S. Navy – Lemoore
U.S. Navy – Dixon

SCID – WDOE (Currently under WFLS – Effective November 1, 2006)

U.S. DOE – Stanford Linear Accelerator Center
U.S. DOE – Lawrence Berkeley Laboratory
U.S. DOE – Site 300

SCIDs – WPUL and WSLW (WSLW will become effective upon FERC approval of agreement between Western and PG&E)

U.S. Bureau of Reclamation, Mid Pacific Region

SCID – WEPA

Eastside Power Authority

SCID – WPWR

The Power and Water Resources Pooling Authority has notified Western that it will act as its own LRA. Please refer to their filing for loads included in this SCID.

SCID – WNAS

NASA Ames Research Center

SCID – WTRN

Trinity County Public Utility District