

SMUD – List of Questions to Present to Western at their Public Comment Forum to be held on May 9, 2007 in Rancho Cordova, California, regarding their Proposed Resource Adequacy Plan.

Questions:

- 1) In Western's Current Local Resource Adequacy Plan, Western has stated that it has several generation projects in the Sacramento Municipal Utility District's (SMUD) Control Area [Balancing Authority], which comprise the bulk of the CVP generation facilities. Western also states that it designates its hydroelectric facilities in the SMUD Control Area as a system resource with 100% of its forecast capacity as qualifying capacity, where Western will determine its forecasted capacity by utilizing Western's 50% rolling 12 months forecast for the appropriate month. The CAISO uses the term qualifying capacity to mean the maximum capacity of a Resource Adequacy Resource. Yet, I understand that Western will not use CVP generators to meet Western Resource Adequacy requirements. Am I correct in understanding that Western will not use these resources to meet its RA needs? What then is the purpose of designating these resources as qualifying capacity? **Western's response: RA resources include resources to meet load and RA Capacity requirements. The criteria for calculating Qualifying Capacity is determined by the LRA. With the limitations imposed on Western by federal law, regulations and policies, Western has designated the CVP hydroelectric resources as Qualifying Capacity, as defined in Western's Current RA Plan. Western utilizes such resources to meet Western's loads on the CAISO grid. Western markets and sells CVP Resources based on Federal laws, regulations and policies. Such laws, regulations and policies require Western to first offer CVP Resources to meet federal project uses, then to first preference and preference customers. Under Western's proposal, CVP resources will not be used for Planning Reserve Capacity.**

- 2) It was my understanding that Western indicated at the May 2, 2007 Public Information Forum on their proposed Resource Adequacy Plan that Western RA needs are all located in the NP15 region, and that Western has resources to meet these needs that are also located in the NP15 area. Is this correct? **Western's response: RA resources include resources to meet load and RA Capacity requirements. Western provides power for project use and first preference loads and markets power to its preference customers in NP15 with CVP resources and power purchases under Western's 2004 Marketing Plan. As part of Western's Proposed Final RA Plan, Western has designated the CVP resources and power purchases as Qualifying Capacity. For the Planning Reserve margin, Western is purchasing RA Capacity for the loads in the CAISO Balancing Authority for which Western is the LSE. All of these loads are currently located in NP15. The purchases for RA Capacity that Western has made through December 2007 for the Planning Reserve margin are from units that are included on the CAISO's list of qualified resources that**

can be used for RA Capacity. All of these resources are located within the CAISO Balancing Authority Area, either in NP15 or SP15.

- 3) If Western's loads that need RA resources are located in the NP15 region, please clarify for me how Western plans to utilize its PACI and COTP ETC rights to meet these requirements? **Western's response:** RA resources include resources to meet load and RA Capacity requirements. Under Western's proposal, if Western uses a Liquidated Damages (LD) Contract outside of the CAISO Balancing Authority Area, Western may use its rights on the COTP and/or PACI to deliver energy under the LD Contract. Western proposes to designate its LD Contracts as Qualifying Capacity to meet load or as Planning Reserve Capacity.

- 4) What is Western's estimated capacity that it will need to reserve for RA purposes on the COTP, and/or PACI? **Western's response:** RA resources include resources to meet load and RA Capacity requirements. Under Western's proposal, if Western uses a Liquidated Damages (LD) Contract outside of the CAISO Balancing Authority Area, Western may use its rights on the COTP and/or PACI to deliver energy under the LD Contract. Western proposes to designate LD Contracts as Qualifying Capacity to meet load or as Planning Reserve Capacity. For calendar year 2007, Western determined its needs for procuring Planning Reserve Capacity based on the customers' peak load information. The peak load information for these customers ranged from approximately 280 megawatts (MW) to 350 MW. Western has currently procured all of its current Planning Reserve Capacity in the CAISO Balancing Authority Area. If Western had procured such Planning Reserve Capacity from outside of the CAISO Balancing Authority Area and had a need to use either Western's rights on the COTP and/or PACI to deliver energy, Western would have reserved a maximum of 15 MW in October, November and December of 2006; 16 MW in January through May of 2007; 36 MW in June through September of 2007; and 16 MW in October through December of 2007.