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Good morning,

At midnight today, Sierra Nevada, along with several other California utilities, successfully entered the real-time Western Energy Imbalance Market administered by the California Independent System Operator.

The Western EIM allows participating utilities to more economically balance supply and demand within their respective service areas in real-time by scheduling power deliveries every 15 minutes with five-minute power plant dispatching. By joining the market, SN can better manage real-time supply and demand on a more frequent basis, harness market efficiencies, improve cost effectiveness and mitigate the loss of bilateral trading partners in real-time energy transactions. We estimate that the region will realize about \$1 million in cost savings and avoidance annually through EIM.

Thanks to the team's commitment and exemplary planning and performance, we were able to complete the project under budget and accommodate CAISO's request to accelerate go-live by an entire week from the original April 1 cut-over date announced in September 2019.

SN joined EIM along with a few other utilities under the Balancing Authority of Northern California Western EIM Phase II, including Modesto Irrigation District and the cities of Redding and Roseville. Turlock Irrigation District also began participating today.

We greatly appreciate the engagement from our customers to make this project a success. It is because of your support and collaboration that this accomplishment was possible. In the past 18 months, we held frequent group and one-on-one meetings with customers; revised our Open Access Transmission Tariff; developed and refined generation, load, and transmission models to determine what resources will be involved in EIM; completed a formal rate process; implemented a new metering system of record; updated software and processes; and coordinated with the Bureau of Reclamation on the impacts of EIM to the Central Valley Project.

This successful transition is the latest achievement toward securing a valuable and relevant future for WAPA and our customers. On Feb. 1, Upper Great Plains-West, Rocky Mountain and the Colorado River Storage Project joined the new Western Energy Imbalance Service operated by the Southwest Power Pool. Desert Southwest expects to decide its future regarding energy imbalance management later this spring along with neighboring utilities.

Our markets efforts have been and remain the most critical activities we are undertaking as an organization after marketing affordable hydropower and safely operating a reliable grid. WAPA continues to evaluate a host of options regarding its future in the West's dynamic energy frontier, including the potential expansion of the SPP Regional Transmission Organization.

Given all the prospects for markets today, it is imperative we review these developments individually and holistically so we understand how the parts and the whole will affect WAPA and our customers.

We are taking a multifactor approach to our vision of the future, evaluating each initiative on its own merits, on the compounding effects of multiple overlapping changes and in the context of the broader energy industry.

As always, our decisions regarding our future and specifically markets will serve the best interests of WAPA, the regions and our customers based on the unique needs and circumstances of each locality. We will continue to engage with all of you as we evaluate our options for the future and collaborate to create a bright and sustainable future for us all.

Thank you for your continued support of WAPA and our valuable mission.

Tracey A. LeBeau | Administrator and Chief Executive Officer (Interim)

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