



WESTERN GOVERNORS' ASSOCIATION

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January 24, 2012

Western Electric Industry Leaders
c/o Michael R. Niggli
President and CEO
SDG&E
8330 Century Park Court
San Diego, CA 92123

Dear Members of WEIL:

I appreciated Pat Reiten's and Bob Rowe's participation in the transmission roundtable at the Western Governors Winter Meeting in Palm Springs on December 8, 2011. The governors and attendees benefitted from hearing their perspective on transmission permitting challenges.

Western Governors are in full agreement that transmission permitting, especially as it relates to federal lands, must be made more efficient. As Governor Schweitzer commented in his opening remarks for the roundtable, there is a dramatic mismatch between the timeframe for planning generation resource additions and electric transmission development. This mismatch poses unwarranted risks to vital resource development and the development of transmission needed to move those resources to consumers.

To help address this problem we have committed to work with the federal Rapid Response Team for Transmission to ensure the Team focuses on real problems and pursues effective solutions. As you may be aware, WGA has hired a consultant to review state siting processes and offer recommendations to facilitate efficiency and cooperation on interstate transmission projects. For this effort to be successful, we must have the participation of people from all critical entities and at all levels. We hope you will make a commitment to work with us as we try to identify and institutionalize needed changes.

We appreciate the WEIL members' seven recommendations needed to improve the effectiveness and efficiency of permitting transmission projects. We have specifically instructed our staff and permitting consultants to incorporate these recommendations into their work with industry and the federal Rapid Response Team in the coming weeks.

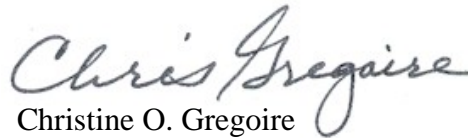
On a parallel path, WGA is working to ensure the existing generation and transmission systems are utilized efficiently as renewable energy resources continue to be built to comply with Renewable Portfolio

Standards. Reducing the cost to consumers of integrating wind and solar into a reliable power system will require even greater cooperation among industry players.

To help bolster our understanding we are requesting you provide a report to us at our annual meeting in June on the scope and magnitude of actions the industry has taken or is contemplating taking to lower wind and solar integration costs to consumers. As background for the discussion, WGA is preparing a white paper based on existing research examining: (1) the barriers to lowering costs to Western electricity consumers when integrating variable wind and solar generation required by state policies; and (2) possible actions to overcome such barriers.

We plan to review our progress on all these efforts at our Annual Meeting at The Lodge at Suncadia in Washington, June 9-12. We look forward to working with WEIL over the next few months and having you join us for the discussion.

Sincerely,

A handwritten signature in cursive script that reads "Chris Gregoire".

Christine O. Gregoire
Governor, State of Washington
Chair, Western Governors' Association

cc: The Honorable Gary R. Herbert, Governor, State of Utah
The Honorable Brian Schweitzer, Governor, State of Montana
Pat Reiten, President and CEO, Pacific Power
Bob Rowe, President and CEO, NorthWestern Energy