



Yakout Mansour
President & Chief Executive Officer

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January 31, 2006

Pam O. Inman
Executive Director
Western Governors' Association
1515 Cleveland Place
Suite 200
Denver, Colorado 80202-5114

Dear Ms. Inman:

Thank you for your letter dated December 5, 2005. In that letter you request that the California Independent System Operator Corporation ("ISO"), as a control area operator in the Western Interconnection, contribute money to support the work of the Western states and provinces to address regional electric power issues. The ISO has always been, and will continue to be, a strong proponent of meaningful regional coordination on electric power issues. At this time, however, I cannot satisfy your request.

First, the ISO does not have at its disposal the requested funds under our previously established 2006 budget. Pursuant to the request of both our Governing Board as well as our stakeholders, the ISO has made great efforts to reduce and limit our operating budget. To that end, we have limited expenditures on efforts not focused on performing our core functions - operating a reliable power system and providing open and non-discriminatory transmission access.

Second, while the ISO has and will always step forward and support such efforts as the implementation of the Energy Policy Act of 2005 ("EPACT") and meaningful action regarding the issues you mention - resource adequacy, reliability, transmission expansion, efficient transmission permitting, and market assessments - such efforts need to be orchestrated by institutions empowered to take action. Too often there are lots of studies and too little action.

In the future, in order for the ISO to commit the resources of its participants it must ensure that such resources are dedicated to results-driven activities. Producing a coordinated *plan*, in our opinion, is not enough. Over the years many coordinated plans have been developed, by the same people, under many organizations, with similar results, but with no institutional authority to address

them. I suggest to you that the formation of a new group, if that is the case, to produce another coordinated plan will not be useful.

I will be happy to discuss these issues with you further if you wish.

Sincerely,

A handwritten signature in black ink, appearing to read "Y. Mansour". The signature is fluid and cursive, with a long horizontal stroke at the end.

Yakout Mansour
President and CEO