



California ISO
Shaping a Renewed Future



SMUD
SACRAMENTO MUNICIPAL UTILITY DISTRICT



January 24, 2011

Dear RETI Stakeholders:

On behalf of the entire Coordinating Committee, we are writing to extend our sincerest thanks for the tireless effort that you and your organizations have exerted over the past four years in support of the Renewable Energy Transmission Initiative (RETI).

RETI has been a closely watched force for significant change in the process of transmission planning in California. It has been a model process emulated by the Western Governors' Association in the development of Western Renewable Energy Zones; used by the California Independent System Operator (CAISO) as a foundation for its application to Federal Energy Regulatory Commission (FERC) to allow it to approve transmission projects based on their contributions to the state's Renewable Portfolio Standard; and used by the California Public Utilities Commission (CPUC) in its Long-Term Procurement Planning Process, and in decisions on the Eldorado-Ivanpah, Tehachapi, Sunrise Powerlink, and Devers-Palo Verde #2 California Only transmission projects. In addition, RETI has been a key input in to the modeling done by the California Transmission Planning Group (CTPG) where for the first time all of the state's transmission planning entities are jointly developing a statewide transmission plan.

Your expertise, knowledge, and hard work have made RETI a successful venture that has led to improved understanding of environmental and project development issues, increased cooperation among interested parties, and cleared the path forward for California's renewable energy future.

You are all aware that RETI created a great deal of interest both in California and around the West. Besides numerous press articles, RETI also recently received one of seven national State Leadership in Clean Energy (SLICE) awards given in 2010 by the Clean Energy States Alliance for its demonstrated leadership, effectiveness, and innovation in clean energy.

RETI represents an innovative approach to assist transmission planning at a time when California was beginning a renewable energy renaissance and transmission siting was becoming increasingly difficult. RETI was the first organization to:

- Bring together public-owned utilities, investor-owned utilities, and third-party developers with the CAISO into a statewide electrical transmission planning process.
- Bring together environmental, developer, ratepayer, regulatory, tribal, and other interests in a stakeholder-driven consensus process to develop new methodologies for assessing potential environmental concerns and economic benefits of renewable energy development throughout the state.

- Identify Competitive Renewable Energy Zones (CREZs) in California to help guide potentially suitable renewable development in California, informing the Desert Renewable Energy Conservation Plan (DRECP) process and the BLM Solar Programmatic Environmental Impact Statement analysis that were subsequently launched.
- Establish and facilitate a public, transparent, and accessible process open to everyone.
- Identify and map environmentally sensitive areas that could be adversely affected, balanced against information about the significant economic potential for renewable energy development.
- Perform an exhaustive, detailed assessment of the renewable generation potential in California and neighboring areas, developing a store of information that has proved invaluable to agencies, planners, developers, and other stakeholders

RETI's value and success can be measured in part by the number of initiatives that have since developed and are advancing renewable energy and transmission planning. Transmission project developers have a number of projects now in the study phase at the CAISO and the permitting process at the CPUC. In addition, projects are being considered in the POU regions as well. Many of these projects directly resulted from the work of RETI stakeholders.

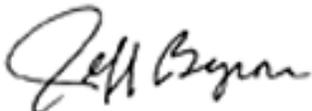
There has never been such a high level of interest in developing renewable energy projects in California. Not only has the RETI organization played an important role in current projects under development, but RETI's work products will continue to aid California in the future development of cost-effective, environmentally preferable renewable energy areas.

Recent analysis by CTPG has indicated that transmission projects identified could deliver between 22-24% renewables by 2020; and CAISO analysis suggests that transmission projects in process, if completed as planned, may be sufficient to accomplish delivery of 33% renewables in California by 2020. If it happens, this would be an extraordinary accomplishment – one that was not foreseen only a few years ago. A great deal of work still needs to happen to bring the vision to fruition, including additional planning, engineering, siting, and construction, and we anticipate continuing to work together to address these challenges in the years ahead.

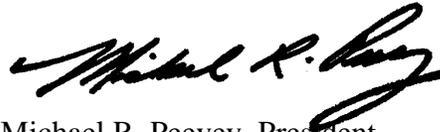
As the work of RETI is incorporated into formal processes at the agencies, the ISO, and POUs, and as current transmission projects continue through their development phases, we do not see an immediate need for additional work by RETI at this time. However, changes in energy policy, technology developments, and the uncertainty of the economy and its effect upon electricity demand will require periodic updates to transmission planning. We anticipate that the work of RETI will once again be an important element of that process, and that there will likely be a need for RETI to reconvene, re-assess CREZs, update data and assumptions, and re-evaluate work products. We will be back in touch with the stakeholder committee when that need arises.

In the meantime, we hope that you will continue to work towards achieving the state's renewable energy goals and take satisfaction in your contribution towards getting us there. Your hard work and perseverance on behalf of California's energy and environmental resources is very much appreciated.

Sincerely,



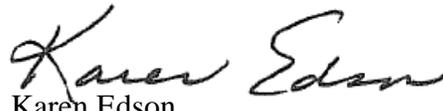
Jeffrey D. Byron, Commissioner
California Energy Commission



Michael R. Peevey, President
California Public Utilities Commission



James R. Shetler
Assistant General Manager
Energy Supply
Sacramento Municipal Utility District



Karen Edson
Vice President, Policy and Client Services
California Independent System Operator



JAMES H. POPE
General Manager
Northern California Power Agency



Bill Carnahan
Executive Director
Southern California Public Power Authority

cc: Governor Edmund G. Brown Jr.
Senate Pro tempore Darrell Steinberg
Senator Alex Padilla
Assembly Member Steven C. Bradford