



March 29, 2006

Arizona
Arizona Electric Power
Cooperative

Arizona Public Service
Company
Salt River Project
Tucson Electric Power Co.

California
Los Angeles Dept. of
Water & Power
Southern California Edison

Colorado
Colorado Springs Utilities
Xcel Energy
Platte River Power
Authority
Tri-State Generation &
Transmission Co.

Idaho
Idaho Power Company

Nevada
Nevada Power Co./
Sierra Pacific Power Co.

New Mexico
Public Service Company of
New Mexico
Xcel Energy
Tri-State Generation &
Transmission Co.

North Dakota
Basin Electric Power

Oregon
PacifiCorp

Utah
PacifiCorp/Utah Power &
Light

Wyoming
Basin Electric
PacifiCorp
Xcel Energy
Tri-State Generation &
Transition

Mr. John Corra, Director
Department of Environmental Quality
State of Wyoming
122 West 25th St, Herschler Building
Cheyenne, WY 82002

Dear John:

As a follow-up to our meeting in San Diego, I want to first express to you our sincere thanks for joining us. As was expressed at the meeting, we are aware of the demands on your time. Consequently we appreciate your willingness to meet with us on this critical issue.

At our meeting you requested that we provide you with our suggestions on what would be the “dimensions of a good decision” as to which regulatory path the states should choose to implement the regional haze rule – an alternative regional emission trading program or a state-by-state, source-by-source program centered on BART determinations.

As you heard in our discussion, WEST Associates is not of one mind on this topic. However, we do seem to be in agreement on at least some of the elements that need to be considered in the decision the states are about to make on regional haze. These include:

a) The outcome of the decision should result in greater regulatory certainty: As you heard repeatedly, WEST Associates strongly supported the collaborative, stakeholder-based decisions developed under the Grand Canyon Visibility Transport Commission (GCVTC) and the Western Regional Air Partnership (WRAP). However, as a result of factors external to both the GCVTC and the WRAP, the regulatory certainty provided by the WRAP Annex was compromised.

It is important to note that regulatory certainty not only benefits sources, but it has a significant environmental benefit. Emission reduction objectives are more assured when sources know what is expected of them and when it is expected. Similarly, regulatory certainty is important to regulators as well, given the limited amount of fiscal resources available to administer air programs at the state level.

Therefore, we strongly believe that regulatory certainty is a major factor that should be taken into consideration when you chose a regional haze regulatory path.

b) The efficiencies of the proposed regulatory path must be considered: While there is the potential for improved cost efficiencies with a market based program, those efficiencies will not realized if 1) the program rules are not clearly defined; 2) the number of entrants are too few to promote a robust market. For example, as discussed at previous WRAP meetings, there are few uncontrolled SO₂ emission sources left in the West, thus bringing into question whether there are enough allowances to create a viable SO₂ trading market; and 3) there are other regulatory constraints that prohibit participation in the market. As you make your decision, it is important to consider these factors.

c) The decision should not unduly rely on unproven assumptions: The success or failure of either regulatory path is dependent on a number of factors. Many of these were discussed at our meeting in San Diego, including probability of future litigation, EPA's reaction to an alternative program, the results of yet-to-be completed visibility data analyses and modeling, and others. Specifically, the regulatory requirements to address the visibility implications of whatever regulatory path you choose must be fully considered.

d) The decision should respect emission reductions that have already been made: As we discussed, many utility sources have already taken steps to reduce emissions. Many of those emissions reductions were undertaken in anticipation of the previous WRAP program. It is important that those who have reduced their emissions in good faith should not be punished for their good deeds.

Also, the decision should take into consideration how non-BART eligible units will be factored into the chosen regulatory path. These units should not be compelled to install additional controls or need to purchase additional allowances. If an alternative program is adopted, these units should be encouraged to participate by providing incentives, i.e., allowances. The inclusion of these units into the regional program will help to achieve the goals of "better than BART" reasonable progress more economically.

e) Can the outcome of the decision be realistically implemented: Significant uncertainty exists as to the EPA's financial support of Regional Planning Organization (RPO's.) Without substantial EPA involvement, the states would have to establish the institutional, technical and administrative mechanisms for implementing an alternative emissions trading program. If states pursue an alternative trading program, then its future viability should be considered. Alternatively, the states must also consider the fiscal implications of source-by-source BART analysis.

f) Equity among sources: Your decision should consider equity among all of the source sectors relative to their respective contributions to visibility impairment.

g) The decision should consider the implications of demand growth and importance of coal: The West continues to experience significant population growth, and hence, the demand for electricity will continue to increase as well. It is anticipated that much of the new electricity supply will necessarily come from coal-based generation. Accordingly, energy and environmental goals cannot be considered independently.

Mr. John Corra, Director

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We hope this input from WEST Associates is helpful to you and your colleagues as you prepare to make this challenging decision. As was stated in San Diego, consistent with the charge of the Clean Air Act, we view the states and the other stakeholders in the region as our partners in addressing this regional environmental challenge.

Again, thank you for taking the time to join us in San Diego.

Sincerely,

A handwritten signature in black ink, appearing to read "C.V. Mathai", with a horizontal line underneath.

C.V. Mathai, Ph. D., President
WEST Associates Board of Directors

- c.c. Ira Domsy, Arizona Department of Environmental Quality
Rick Sprott, Utah Division of Quality
Jim Norton, New Mexico Environment Department
Mary Uhl, New Mexico Environment Department
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