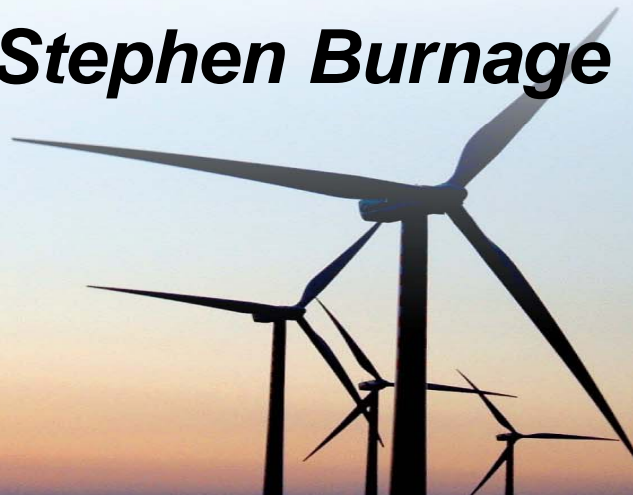


Renewable Energy Transmission Company (RetCo)
Inc.

*Presentation to the Wyoming Infrastructure Authority
on the future direction of the
Wyoming Collector System and the Task Force*

by Stephen Burnage

January 25, 2009



The Wyoming Collector System

Part I: Key questions for Wyoming...

Question 1. What is the role of the collector system?

Question 2. What is the right design?

Question 3. What is the right business + governance structure?

Question 4. How should we organize our work plan priorities?

Question 5. How is Wyoming wind to be scheduled?

Part II: Conclusions, recommended way forward

Task Force Participants



LS Power

RetCo's Shareholders and Directors

Michael Kahn, former Chair of the California Independent System Operator (CAISO); Chair of the California Electricity Oversight Board; Chair of California Green Team; Member of the Electricity Maintenance and Operation Board and Chair of the California State Commission on Judicial Performance. Key energy advisor to both Governor Gray Davis and Governor Arnold Schwarzenegger. Thirty years experience as an attorney in private practice serving a wide range of energy sector clients, including all forms of renewable energy developers.

Joe Walker, former Managing Director of JP Morgan. Former Global Co-Head of Merger & Acquisitions; member of the bank's Investment Banking Management Committee and its Capital Allocation Committee. Former board member of the Hertz Corporation, Liquid Environmental Solutions and several not-for-profit organizations + senior advisor to General Motors Corporation.

Stephen Burnage extensive transmission business experience. Early career in major projects with Bechtel followed by twenty years with National Grid. Led development of the world's first independent transmission project in the early 1990's and has since developed transmission assets on six continents. Closely involved with Wyoming since 2004, having contributed to RMA's and led development of the Frontier Project (later renamed TransWest Express). Authored the key report to Congress "The US Transmission Grid" (2009).

Question 1.

- What is the role of the collector system?

Fact: A common collector system will introduce significant additional complexity.

Conclusion: Be clear what we are seeking to achieve. Reasons may include:

1. NEPA / public opinion will not allow unnecessary duplication of new lines.
2. Collector system reduces overall costs / improves competitiveness.
3. Required for system balancing (diversity of wind areas and other resources).
4. Required for system reliability.
5. Provides flexibility for generators to reach additional markets.
6. WAPA better able to allocate stimulus funding to a collective initiative.
7. Helps build credibility with customer states / utilities.

The task force is working to better define / refine its goals

Question 2. What is the right design?

The October 8, 2009 report was a good first step.

The ICF design alternatives report is a great second step.

Design, however, is an process that also needs to consider...

Firstly, a better definition of our goals (as discussed on prior page).

Secondly, a matching of design to business structure e.g.

- what degree of “overbuild” is acceptable?
- preference for “generator leads” over common infrastructure?

Thirdly, a need to build in flexibility:

- in location (matching designs to wind developments) and
- in sequencing (unlikely all projects will proceed at one time).

Fourthly, a need to understand how Wyoming wind will be scheduled.

Additionally, we need to evaluate with PacifiCorp and WAPA whether there are any co-build and/or re-build or other mutual opportunities.

Question 3. What is the right business structure?

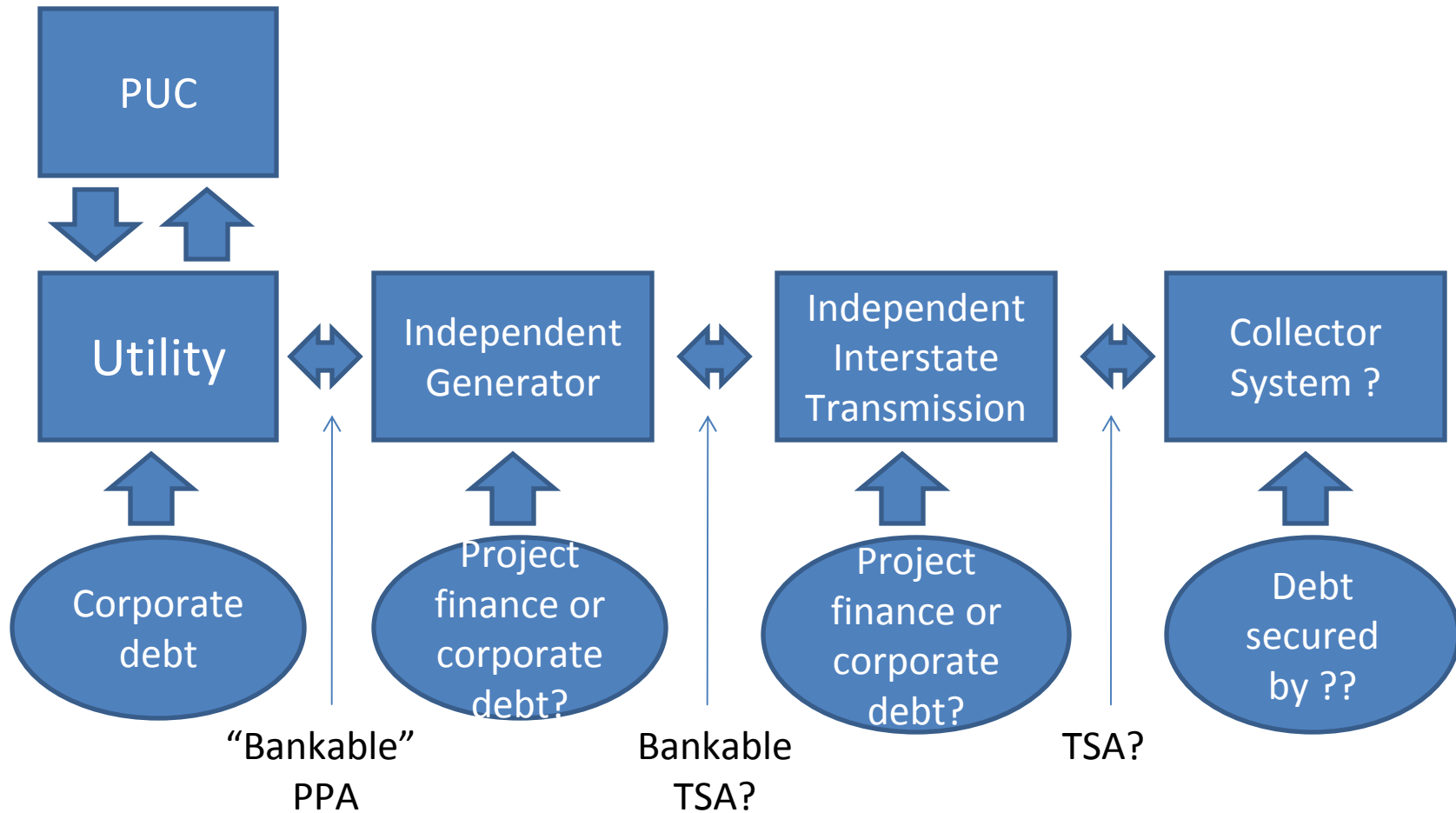
Facts:

1. Before release of the stimulus funds, WAPA Administrator's is required to certify that there is a *reasonable expectation that the proceeds from the project shall be adequate to make repayment of the (Treasury) loan.*
2. Wyoming is not Texas or California. There is no rate based type solution.
3. Existing RTO models are about operating assets plus a rate based capex program. They are not project finance structures.
4. Any broader Federal or State support would likely be in the form of guarantees, not a \$3- \$5bn check...

Conclusions:

1. The goal has to be a collector system that is capable of raising its own capital.
2. Even so, significant Federal and State support will likely be required.
3. This suggests some form of public private partnership (PPP) as a way forward.

Question 3. What is the right business structure? - the debt / credit question...



The collector system may require credit support in order to raise project finance

Question 3. What is the right business structure?

– ownership / equity options

Common collector circuits

1. Structured to be capable of raising capital (with or without support).
2. Independent but Wyoming developers to have first call on the equity?
3. Regulatory treatment requires the entity to file its own OATT.

Star connections generator leads

1. Potentially owned by one (or a small group of) generators?
2. Regulatory treatment as a “generator lead”?
3. Organized as part of the overall collector system?

Any co-built or re-built circuits

1. Co-owned under a tenants in common structure.
2. Rate based + independent OATT, along side each other.

This is a network with multiple individual circuits

- and will likely involve several potential business approaches

Question 3. What is the right business structure?

– governance arrangements might look like..

Development Phase

Day to day hands on management team governed by those putting up the money e.g.

- WAPA, WIA + Wyoming Inter-State transmission developers.
- Closest to the issues, most committed to the goal, most financially committed.

+ Close relationship with PacifiCorp on a wide range of collaborative issues.

+ Consultative relationship with Wyoming wind generation developers, others etc.

Construction + Operational Phase

With all major contracts signed, all major regulatory approvals secured, the collector system becomes a stand alone business.

The task force has a vital role for the next year or so and more formal governance arrangements will be required. Over time, the goal has to be a stand alone business entity.

Question 4. How to organize our work plan priorities?

As an infrastructure project, multiple, inter-dependent work streams need to be managed e.g.

1. Business, budget and governance arrangements.
2. Customer, stakeholder and political out reach.
3. Engineering / design.
4. Permitting / right of way.
5. Capacity allocation / regulatory.
6. Documentation / contractual / Finance.

This is more than an infrastructure project, however. There is an institutional project to be managed as we need to

7. Negotiate the scheduling and balancing of Wyoming wind.

This needs to be managed as an infrastructure + institutional project

Question 5. How is Wyoming wind to be scheduled? – a key issue for the task force

1. California's RFP process for renewables is effectively an in-state program. Currently, CAISO block hourly schedules *all* imports and views them as "G-FC" product coded.
2. CAISO is implementing its major 2007 report on wind integration.
3. Wyoming has two balancing authorities: PacifiCorp (west) and WAPA (east).
4. The current structure of multiple balancing authorities was never designed for high concentrations of intermittent renewables. A paradigm shift is required.
5. The current western initiatives are mostly focused on technology not structure.
6. Key questions the task force will be considering include:
 - Will Wyoming exports be dynamically scheduled?
 - How best to integrate Wyoming wind?
 - Will the current structure of "sink" and "source" balancing area survive?
 - What is PacifiCorp's or WAPA's role as a "source" balancing area?
 - What should Wyoming be doing on scheduling and tagging exports?
 - Is Wyoming positioned to build natural gas fired generating plants?

In addition to the infrastructure project, the task force has structural issues to address

II. Recommended way forward / work plan

1. The Wyoming Collector System is a unique project. It will set precedents.
2. Flexibility will be key, as the collector system has to respond to market developments, rather than unnecessarily attempting to control them.
3. While the aim has to be a viable business, public support in the form of a PPP will be required. Assistance from DoE / WAPA and the State of Wyoming, beyond the Stimulus Funds, may prove necessary.
4. The task force has a key role and will need to progressively introduce more formal governance arrangements as it “nurtures” the project.
5. Several work streams need to be pursued in parallel.
6. The question of scheduling (independent) Wyoming wind is key.
7. The task force is considering how best to respond to these suggestions.

