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California State Senate

SENATOR
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RETIREMENT

July 31, 2006

Mr. Yakout Mansour
President and Chief Executive Officer
California Independent System Operator
P.O. Box 639014
Folsom, CA 95763

Dear Mr. Mansour:

As members of the California Legislature representing ratepayers in Riverside County and San Diego County, we want to take this opportunity to urge you to direct the staff of the California Independent System Operator to follow the CAISO's Southern Regional Transmission Plan process in reaching a decision to fairly consider and expeditiously approve or deny the Lake Elsinore Advanced Pumped Storage (LEAPS) project.

It is our understanding that a process for approving LEAPS was established more than three months ago and is not yet scheduled for review. Since the LEAPS project may soon receive federal entitlement, the CAISO needs to immediately act in order to ensure that State's independent operator acknowledges federal efforts to address California's energy needs.

Given the urgent need for increased transmission capacity in the region along with the need for new electric generation sources, we are puzzled by the CAISO's apparent refusal to take action on LEAPS at this time. LEAPS currently has a pending draft Environmental Impact Study (FERC Project 11858) on file with the Federal Energy Regulatory Commission, and engineering has already begun on this project - meaning that ratepayers and consumers could potentially see the benefits of LEAPS in less than two years.

Over the past year, there has been significant progress towards completing the LEAPS approval process. Our understanding is that studies have been ordered; tests and simulations have been run; and data has been collected to allow the CAISO to reach a decision about whether or not LEAPS is a beneficial project. Pumped storage projects, such as LEAPS, provide an important contribution in facilitating attainment both of California's Renewable Portfolio Standards and reductions of air emissions.

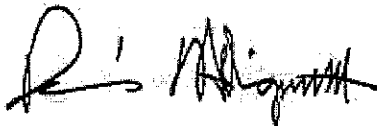
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Prior statements have been made indicating that LEAPS is needed for the reliability of the transmission system, and our hope is that the CAISO will evaluate LEAPS in accordance with the CS RTP process that was established. Our understanding of this process is that it provides a fair, unbiased and objective analysis of the need and feasibility of all projects currently proposed in the region.

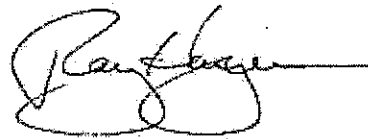
Again, as legislators who represent over 1 million ratepayers and electricity consumers in Southern California, our hope is that the CAISO would follow the CS RTP process and make quick and prompt decisions relative to LEAPS in a fair and unbiased manner. Our constituents and our State's economy are dependent upon access to reliable energy. An overemphasis on a single implementation strategy places all parties at risk if delays or other issues were to impede that project's effectuation.

Thank you for your attention to this matter, and we look forward to monitoring the approval process. Please feel free to contact either of us with any questions.

Sincerely,



Dennis Hollingsworth
State Senator, 36th District



Ray Haynes
Assemblyman, 66th District

cc: Governor Arnold Schwarzenegger
Ken Wiseman, Chairman, CAISO
Tim Gage, Vice Chairman, CAISO
Edward Cazalet, Governor, CAISO
Elizabeth Lowe, Governor, CAISO
Mason Willrich, Governor, CAISO
Armando Perez, CAISO V.P., Planning & Infrastructure Development
Margalie Salas, Federal Energy Regulator Commission