



WESTERN GOVERNORS' ASSOCIATION

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May 31, 2002

The Honorable Spencer Abraham
Secretary of Energy
U.S. Department of Energy
1000 Independence Ave, SW, Forrestal Bldg.
Washington, DC 20585

VIA FAX

Dear Mr. Secretary:

In preparation for the Western Governors' Association (WGA) annual meeting in Phoenix, June 23, the governors have reviewed our progress under the Memorandum of Understanding Regarding Energy Development and Conservation in the West (MOU), which the Administration agreed to last September. We have revisited the priorities we communicated to the department last summer and consolidated the seven areas of concern into three priority areas. We would like to cooperate closely with the Administration on these topics in the following manner.

As you know, one of the top priorities we identified at the Energy Summit in Portland, Oregon, and amplified at our annual meeting in Coeur d'Alene, Idaho last August, is the creation of a planning and information system for Western energy decision-making. This remains one of our top three priorities and it was reaffirmed as a crucial need by stakeholders at our recent Environmental Summit on the West. We seek financial and technical support from the Department to develop this system over the next three years.

Such a system will require close coordination and support from the Department as well as the Federal Energy Regulatory Commission, private energy firms and the states. We envision development of the planning and information system in parallel with the creation of other energy management mechanisms in the West, such as Regional Transmission Organizations and the Western Electricity Coordinating Council so that the appropriate entity or entities can take over operation of the systems when they are fully established. We believe this project can serve as a national model, and a proposal is attached.

The capacity to site and finance transmission enhancements remains a top priority. At the WGA annual meeting, we will be adopting an interstate protocol for the siting of transmission lines in the West. We hope that concerned federal agencies will join us in adopting a collaborative siting mechanism at the same time. We will also be reviewing recommendations on the financing of transmission enhancements.

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Your encouragement and leadership of the many concerned federal agencies in these transmission issues is appreciated. We look forward to reviewing the National Grid Study and discussing its implications for the West. Perhaps we can use the WGA annual meeting to leverage federal action on a collaborative siting process for transmission.

Our third priority area is the development of a more cohesive and resilient North American energy market. The Western grid and Western states have demonstrated how important and interdependent our energy requirements are among the U.S., Canada and Mexico. The importance of these relationships will grow tremendously over the next decade as we look in both directions for additional energy resources, markets for energy technology, and opportunities for investment. On May 1-2, our staff met with representatives of all three nations to discuss the creation of a North American Energy Coalition, a public-private partnership to pursue a more robust energy market across our northern and southern borders. These ideas resonated with our neighbors and we would like to work with you on the issue. Perhaps we could jointly plan a North American Energy Summit for 2003-2004, where participants at all levels of the public and private sectors in the three nations could take a comprehensive look at how to meet our growing energy demands.

We believe that these three priority areas fit well under the MOU. We hope that you agree, and that we can announce our cooperation on them at the WGA annual meeting, June 23, in Phoenix. Please contact our Executive Director, Jim Souby, or any one of us if you have questions about our priorities or the proposal. We look forward to working with you on these important matters.

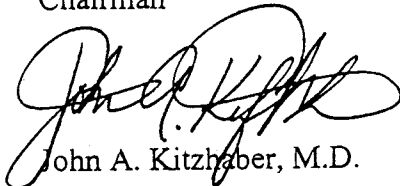
Sincerely,



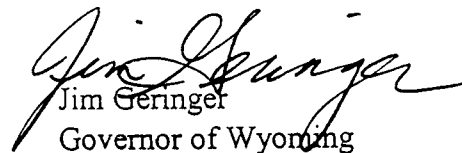
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John A. Kitzhaber, M.D.
Governor of Oregon
Lead Governor for Energy



Jim Geringer
Governor of Wyoming
Lead Governor for Energy

Attachment