

Memo To: Market Participants
Date: October 14, 2008
Regarding: Notice of Information requested by O&M Funding Technical Committee
Subject: Proposed Capital Improvement Projects Estimated Effect on TRR

"As part of the O&M Funding Program (Program) Technical Committee (TC) meeting held on Wednesday, October 8, 2008, the TC members requested information regarding the effects on Western's SNR Transmission Revenue Requirement (TRR) associated with the Western proposed Capital Improvement Projects (CIP) presented for Program funding consideration by the TC.

The following are preliminary TRR change estimates. These percentage increases represent cumulative changes to the TRR and do not take into consideration future year O&M costs or plant retirements. Please note that there were several assumed factors used in determining these impacts including: Plant in Service (PIS) date, the Interest During Construction (IDC) rate, the Interest on Investment (IOI) rate, and the term of capitalization based on the life of the major facility features/elements (i.e. 35 years for breakers, 50 years for transmission lines, etc).

<u>Proposed CIP</u>	<u>PIS Value</u>	<u>Estimated Effect on TRR</u>
Tracy Substation Double Breaker Double Bus	\$15.8 M	2.2%
Elverta Substation Breaker and One-Half Scheme	\$14.7 M	1.9%
Tracy-Hurley No 1&2 Reconductoring (Combined)	\$42.8 M	5.0%

Questions on the above information may be directed to Russell Knight at (916) 353-4523."