

United States Senate

WASHINGTON, DC 20510-7012

May 15, 2014

The Honorable Cheryl A. LaFleur
Acting Chairman
Federal Energy Regulatory Commission
888 First Street, N.E.
Washington, D.C. 20426

The Honorable Philip Moeller
Commissioner
Federal Energy Regulatory Commission
888 First Street, N.E.
Washington, D.C. 20426

The Honorable John R. Norris
Commissioner
Federal Energy Regulatory Commission
888 First Street, N.E.
Washington, D.C. 20426

The Honorable Tony Clark
Commissioner
Federal Energy Regulatory Commission
888 First Street, N.E.
Washington, D.C. 20426

Dear Acting Chairman LaFleur and Commissioners Moeller, Norris, and Clark:

I am writing in regard to the California Independent System Operator Corporation (CAISO)'s proposed Energy Imbalance Market (EIM). I understand that CAISO and PacifiCorp have filed certain tariff amendments with the Federal Energy Regulatory Commission (FERC) to implement the voluntary EIM and begin operations later this year (Docket Nos. ER14-1386-000 and ER14-1578-000).

NV Energy, Nevada's largest utility, announced in August 2012 that it agreed to "jointly study the potential for development of transmission facilities between the two systems, as well as sharing conventional and renewable energy resources for the benefit of the respective customer groups" with CAISO. Subsequently, on April 16, 2014, CAISO also filed an implementation agreement with FERC to incorporate NV Energy into the EIM by October 2015 (Docket No. ER14-1729-000). I urge FERC to accept the above-referenced filings so this important initiative can move forward to implementation this year.

I have been encouraged by efforts to enhance regional coordination and improve market efficiency in the West. The proposed EIM is a voluntary regional initiative that allows participants to benefit from a real-time energy market to balance electricity supply and demand on the grid and improve reliability. It offers an automated, regional, and far more efficient method of meeting real-time energy needs than the manual operations currently used by many individual balancing authorities. In March 2014, NV Energy and CAISO released an economic analysis that was prepared by ABB, Inc. and Energy and Environmental Economics on the benefits and costs of NV Energy's participation in the voluntary EIM. This analysis found that the EIM would allow for more efficient interregional dispatch, reduced flexibility reserve requirements, and reduced renewable energy curtailment. Additionally, the analysis found that "even under conservative assumptions, the incremental benefits of NV Energy's participation in the EIM would be greater than expected costs." The voluntary nature of the EIM also allows

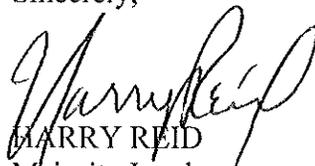
entities to participate without altering their autonomy, structure, or existing responsibilities. The EIM is designed as a flexible system in which each balancing authority has the ability to determine its level of voluntary participation. Importantly, there are no fees to exit if an entity no longer desires to participate in the EIM.

Additionally, the EIM will provide geographic diversity and extensive resource options to more effectively integrate variable energy supplies, such as wind power and solar energy, into regional grid operations. Further, it will establish transparency and broad-based situational awareness for grid operators that will help to ensure greater electricity reliability in the West.

Finally, I understand that the EIM has widespread support among regional stakeholders, Public Utility Commissioners, the Western Interstate Energy Board's PUC-EIM Working Group, renewable energy advocacy groups, environmental organizations, electric power trade groups, and a host of private corporations, including major electric utilities in the region.

Thank you for your consideration of this letter, and the pending EIM-related filings of CAISO, PacifiCorp, and NV Energy.

Sincerely,



HARRY REID
Majority Leader

CC: Chairman Alaina Burtenshaw, Nevada Public Utilities Commission
Commissioner Rebecca Wagner, Nevada Public Utilities Commission
Commissioner David Noble, Nevada Public Utilities Commission
Steve Berberich, California Independent System Operator
The Honorable Catherine Cortez Masto, Nevada Attorney General