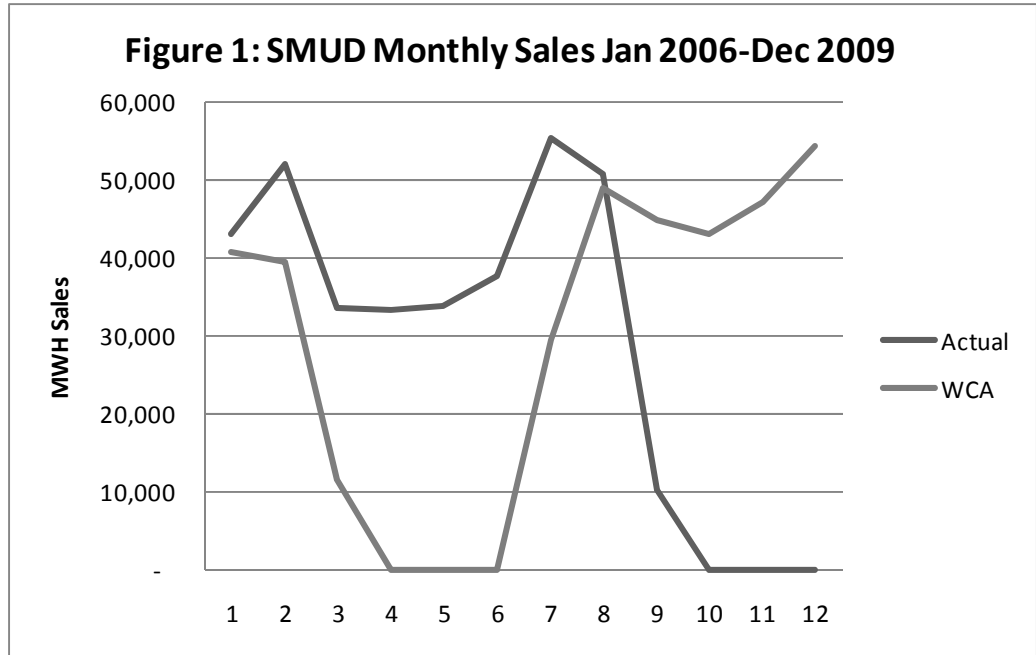


1 never take power during low cost months such as April through June, in reality
 2 SMUD takes substantial deliveries during those months.



3 There are many reasons why this is be the case. First, SMUD is not using
 4 the same forward price curves as the Company. It is safe to assume that SMUD
 5 has no specific knowledge of the Company’s forward price curves. Differences in
 6 delivery location, transmission constraints, availability of the SMUD’s own
 7 generation and many other factors will drive decisions to use the available energy.
 8 In the end, SMUD is interested in serving its own customers at the least possible
 9 cost (subject to its own constraints), not in maximizing the cost to PacifiCorp.
 10 The Company’s approach does not represent “normalization” of the contract, but
 11 rather the very worst possible outcome for the Company.