

March 17, 2000

RTO FILING UTILITIES'  
RTO PRINCIPLES

The RTO Filing Utilities<sup>1</sup> all support the following RTO principles. These shared principles are not to the exclusion of other principles important to the individual utilities.

1. Transmission Reliability: The RTO shall maintain and enhance the reliability of the transmission network under its control.
2. Customer Benefits: The RTO shall provide sustainable customer benefits.
3. Open Wholesale Markets: The RTO shall facilitate and promote open bulk power/wholesale markets.
4. Economic Incentives: The RTO shall include economic incentives for the reliable and efficient operation and maintenance of transmission facilities and performance of RTO functions. The incentives shall apply both to RTO management and to the participating transmission owners.
5. Financial Impacts: With respect to the Bonneville Power Administration, the RTO shall be designed so as (a) not to increase the risk to the United States Treasury or to third party bondholders and (b) to avoid financial restructuring of low-cost BPA debt. With respect to the investor-owned participants, the RTO shall provide an opportunity to create value for shareholders.
6. Federal Treaty Obligations: The RTO shall preserve the obligations of the United States to (a) the Tribes associated with the Federal Columbia River Transmission System and (b) to Canadian entities under the Columbia River Treaty.
7. Characteristics and Functions: The RTO shall be a single entity that has the characteristics and functions as set forth in Order 2000 and other applicable orders of the Federal Energy Regulatory Commission ("FERC"). The RTO's Operational Authority and the RTO's authority for maintaining Short-Term Reliability shall not be separated. The RTO specifically shall have the authority (a) to approve and with appropriate compensation to transmission owners to cover additional maintenance costs, to alter transmission maintenance schedules and (b) to enter into agreements that would result in transmission facility interconnections, additions, expansions and upgrades that the RTO found were needed to facilitate transmission reliability and to meet economically the transmission requirements of the wholesale power market.

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<sup>1</sup> Avista, the Bonneville Power Administration, Idaho Power Company, Montana Power Company, Nevada Power Company, PacifiCorp, Portland General Electric Company, Puget Sound Energy, Inc., and Sierra Pacific Power Company

8. Financial Structure: The RTO shall be designed so as to have a sustainable financial structure, including adequate access to capital at acceptable costs.
9. Remote Utilities: The RTO proposal shall address the special needs of remote utilities.
10. Open Architecture: The RTO shall be designed so as to accommodate the maximum variety of transmission ownership structures, including independent transmission companies. No transmission owner shall be required to divest its transmission assets.
11. Non-Discriminatory Treatment: While the RTO agreements of necessity must recognize certain differences applicable to the various participating transmission owners, no participating transmission owner and no generation owner shall receive discriminatorily preferential or discriminatorily adverse treatment.
12. Compliance with FERC's Timelines: The Filing Transmission Owners shall comply with the RTO timelines set forth in Order 2000. The Filing Transmission Owners understand that in order to make the filing required by October 15, 2000, the RTO negotiations must be substantially complete by September 1, 2000. The October 15 filing shall meet all of FERC's requirements for the completeness of such filing. Those Filing Transmission Owners that are able shall take the steps needed to commence RTO operations by December 15, 2001.
13. Public Involvement: The Filing Transmission Owners shall assure public involvement in the process for creating the RTO.
14. Retail Access: The RTO proposal shall accommodate the requirements for retail access as ordered at the state level. The RTO proposal also shall protect and maintain the rights of states to make determinations about retail access. The RTO proposal shall not alter the rights of a transmission facility owner to control retail access to its transmission facilities, in accordance with applicable law.