

**UNITED STATES OF AMERICA
BEFORE THE
FEDERAL ENERGY REGULATORY COMMISSION**

Avista Corporation,
Bonneville Power Administration,
Idaho Power Company,
The Montana Power Company,
Nevada Power Company,
PacifiCorp,
Portland General Electric Company,
Puget Sound Energy, Inc.,
Sierra Pacific Power Company

Docket No. RT01-35-001

RTO WEST FILING UTILITIES' RESPONSE TO JULY 12, 2001 ORDER

In its Order Granting Rehearing in Part and Granting Clarification in Part issued July 12, 2001, 96 FERC ¶ 61,058 (the "July 12 Order")¹, the Commission addressed the May 29, 2001 request by the RTO West filing utilities (the "filing utilities") for rehearing on liability issues. These issues were first presented to the Commission in the filing utilities' Supplemental

¹ All subsequent references to the July 12 Order in this filing are to the slip opinion.

Compliance Filing and Request for Declaratory Order Pursuant to Order 2000, filed October 23, 2000 (the “October 23 Petition”). The Commission granted rehearing in part and indicated its willingness to accept for filing the filing utilities’ proposal to allocate risk among the transmission owners and the RTO. The Commission, however, rejected aspects of the proposal that addressed limitations on liability affecting other RTO West participants.² The filing utilities have considered the Commission’s guidance as to what would constitute an acceptable proposal to allocate risk within the RTO West structure. The filing utilities intend to craft their Stage 2 filing to take this guidance into account. Accordingly, the filing utilities hereby withdraw the liability proposal elements of their Stage 1 filing, including the Agreement Limiting Liability Among RTO West Participants designated as Attachment Y to the October 23 Petition.

The filing utilities will submit a revised liability proposal as part of their Stage 2 filing. This will permit an opportunity to tailor the liability provisions to reflect the framework for Canadian participation in RTO West,³ consult with transmission owners and other RTO West stakeholders, further review the manner in which state laws or regulations might address liability

² In their October 23 Petition, the filing utilities noted that a comprehensive approach to risk allocation was central to the overall plan to manage RTO risk exposure. October 23 Petition at 87-88. *See also* Section II.B.2.a.1 on page 13 of the October 23 Petition. Accordingly, a revised liability proposal acceptable to the filing utilities and the Commission must be prepared for Stage 2.

³ In its July 12 Order, the Commission expressed its expectation that materials related to liability submitted in Stage 2 would be “tailored to reflect the framework for British Columbia participation in the RTO.” July 12 Order at 23.

in the RTO context, and address seams issues relating to liability.

As a procedural matter, the filing utilities note that the Commission directed the filing utilities to submit a compliance filing in accordance with its determinations concerning their liability proposal within 30 days of the July 12 Order. In their October 23 Petition, however, the filing utilities requested the Commission's declaration (under Rule 207 of the Commission's Rules of Practice and Procedure,⁴ 18 C.F.R. § 385.207(a)(2) (2000)) as to whether their proposal would qualify for RTO status under Order 2000 if they were to submit it for the Commission's acceptance under Sections 203 and 205 of the Federal Power Act. It is therefore premature for the Commission to require a compliance filing on these matters because the filing utilities have not yet made any filings under Sections 203 and 205 of the Federal Power Act.

The filing utilities intend to work diligently on their Stage 2 filing and to submit on December 1, 2001 the status report specified in the Commission's Order Granting with Modification, RTO West Petition for Declaratory Order and Granting TransConnect Petition for Declaratory Order issued on April 26, 2001.⁵ In addition, the jurisdictional members of the filing utilities anticipate making appropriate future filings under Sections

⁴ Pursuant to the Commission's invitation in Order 2000, as codified at 18 C.F.R. 35.34(d)(3), the filing utilities requested in the October 23 Petition that the Commission issue a declaratory order that "[t]he proposed liability and insurance structure as set forth in the Agreement Limiting Liability Among RTO West Participants would be appropriate as part of arrangements otherwise acceptable to the Commission for creating RTO West and is consistent with the requirements of Order 2000." October 23 Petition at 93.

⁵ 95 FERC ¶ 61,114 at 61,343.

203 and 205 of the Federal Power Act, assuming satisfactory resolution of the conditions identified in Section II.B.2 of the October 23 Petition.

Dated: July 25, 2001.

Respectfully submitted,

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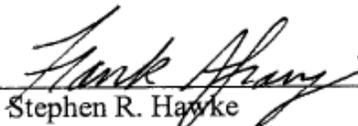
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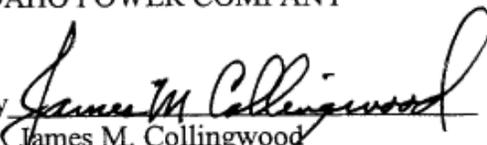
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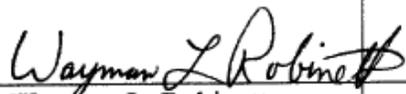
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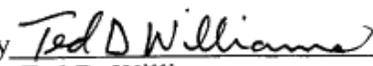
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