

INDUSTRIAL
CUSTOMERS OF
NORTHWEST
UTILITIES

KEN CANON
EXECUTIVE DIRECTOR

March 7, 2002

Tom Vinson
Legislative Director
Representative Peter DeFazio (OR-04)
2134 Rayburn House Office Building
Washington, DC 20515

Dear Mr. Vinson:

Thank you for the opportunity to offer the thoughts of the Industrial Customers of Northwest Utilities regarding "must have" components of RTO West.

We have identified the following components of any regional transmission organization that would be needed to garner the support of Northwest industrial customers:

- Conclusive demonstration of sufficient net benefits of RTO West to Northwest customers, including the nonquantifiable benefits and costs plus the quantifiable transmission and power cost impacts. Net benefits should be sufficiently large to overcome the risks associated with establishing and operating such a large, new institution. The calculations should not ignore the fixed transmission costs to be paid by loads in the after-RTO case rather than paid through higher power market prices.
- Reduction in areas of significant uncertainty, such as the reopening of the congestion-management structure in three years and resolution of the losses methodology before the filing is made.
- Comparable access to the transmission system by all market participants including direct-access customers. That is, no favored access for incumbents, except where they have existing contract rights. Also, no new pancaked rates through transmission reservation fees.
- Reliance on market-price signals to incentivize new generation, demand-management/buybacks and transmission construction to clear congestion on the transmission system rather than through central-planning decisions and allocations of cost responsibility.
- Ability of loads and generation to purchase long-term (10 to 20 year) transmission rights or to obtain such rights through construction.
- RTO West treatment of all Eligible Customers (per the FERC definition) in a nondiscriminatory fashion, whether such customers are utilities or end users with wholesale transmission rights.

As of now, the RTO West proposal has failed to demonstrate conclusive benefits, sufficient certainty regarding comparability in access, a plan for long-term transmission rights and nondiscriminatory treatment of Eligible Customers. The proposal for reliance on market signals for clearing congestion is still not well-formed.

Thank you for your interest in this critical issue.

Sincerely,

Ken Canon