

Testimony of Oregon Municipal Electric Utilities (OMEU)  
For  
Northwest Energy Caucus Oversight Hearing on RTO West  
March 12-13, 2002

Oregon Municipal Electric Utilities (OMEU) has become increasingly concerned that our consumers and the people of the Northwest could face significant negative impacts if either the current FERC RTO vision or the current draft of RTO West are forced upon us. We are glad to hear that the Northwest Congressional delegation is seeking additional input on this issue March 12<sup>th</sup> and 13<sup>th</sup> in Washington D.C.

It seems to us that RTO West is an overly complex and complicated structure that could result in increased costs, reduce our ability to provide our local communities with reliable and low-cost electric service, and diminish public accountability. There are a huge number of major issues left unresolved and questions unanswered and yet the process marches on. If after your review and discussion this week you have similar questions and concerns, we urge you to insist that Bonneville slow down and delay additional filings. We need time to resolve key issues and to explore other lower-cost, less complex alternatives that fit the Northwest.

When we visited with many of you in January, we said that it was unclear whether RTO West would provide benefits to the Region and that there were many unanswered questions and key structural issues left unresolved. We said any RTO proposal must:

1. Preserve existing transmission rights and contracts;
2. Provide a completed, credible cost benefit study that shows significant net benefits to each state in the Region;
3. Include facilities necessary for wholesale power transfers (GTAs) in the RTO;
4. Provide for a ten year "company rate period" from the date when the RTO begins operation;
5. Preserve transmission adequacy (keep the lights on) with standards and a backstop mechanism to ensure reliable service to community loads if market mechanisms fail.

The process has marched on, much work has been done since then, and yet these issues have not been resolved. In addition, at the BPA Update on RTO March 6, BPA itself acknowledged a number of potential drawbacks and areas of uncertainty. Some of the major ones included whether the proposal will really lower congestion and congestion management costs, the potential for new tax and liability exposure, the potential for increased transmission price volatility, and whether a RTO Board will be accountable to the public. (See BPA Evaluation of RTO West Proposal). These issues should be resolved before the Region continues down this path.

Our Region is extremely fortunate to have an efficient, open and reliable transmission system. It has been a key part of our ability to provide reliable, low-cost electric service to our communities. The RTO concept is being forced upon us from outside the Region. Often, it is driven by an ideological view that market forces provide the answer to all problems. The result, however, has largely been increased volatility and higher costs to consumers. We recognize that there are areas of the country that feel they need some form of RTO structure. They should proceed ahead and others can take the time to learn from their mistakes and successes.

The Northwest economy and our consumers are still suffering from the impacts of failed deregulation experiments and market volatility that has resulted in significant rate increases. Now is not the time to rush into another experiment with unproven benefits. Let's take the time to find a solution that benefits and protects Northwest consumers.

Thank you for your continued attention to these issues.

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City of Ashland  
City of Bandon

Canby Utility Board  
City of Cascade Locks  
City of Drain  
Forest Grove Light & Power  
Hermiston Energy Services  
McMinnville Water & Light  
Milton-Freewater Light & Power  
City of Monmouth  
Springfield Utility Board

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