

**Northwest Delegation Energy Caucus
RTO West Field Hearing
March 13, 2002**

**Testimony on Behalf of Northwest Requirements Utilities
Shelly Richardson, Attorney at Law**

I. Introduction.

Good afternoon ladies and gentlemen, and thank you for the inviting us. You've asked each of us on today's panel to respond to the question,

"What do you view as the 'make or break' issues in the development of RTO West, and how would you like to see them resolved?"

My name is Shelly Richardson, and my response to your inquiry arises from the perspective of small electric utilities located in rural areas throughout Washington, Oregon, Idaho, Western Montana, Northern California and Northern Nevada. The Bonneville Power Administration sells wholesale power from the Federal Columbia River Power System to approximately 100 consumer-owned electric utilities in the Northwestern United States. On behalf of a group known as Northwest Requirements Utilities ("NRU"), I am happy to represent the interests of forty-four of Bonneville's wholesale utility customers.

II. Executive Summary.

For Northwest Requirements Utilities to endorse the RTO West model, open issues in the current RTO West proposal must be resolved. When implemented, RTO West must provide the following attributes:

1. Preserve and Protect Pre-Existing Transmission Rights.
2. RTO West Authority Over Facilities Necessary For Wholesale Power Transfers.
3. The "Company Rate Period" Is Implemented for 10 Years.
4. Transmission Adequacy For Load Service Not At Risk.
5. A Completed Cost Benefit Study Shows Net Benefits.

III. Background.

The characteristics of Northwest Requirements Utilities provide perspective and background for our response to your question, above. These small, rural Northwest electric utilities are simultaneously “transmission dependent” and “requirements power customers.” By this, we mean:

- All Northwest Requirements Utilities meet their firm wholesale power supply requirements with power purchases from the Bonneville Power Administration; most NRU utilities purchase one hundred percent (100%) of their power supply requirements from Bonneville.
- No Northwest Requirements Utilities own or control transmission facilities sufficient to move their power supply requirements from federal generating resources to NRU utilities’ local loads.
- All Northwest Requirements Utilities are located within the geographic scope proposed for RTO West.
- All Northwest Requirements Utilities purchase transmission service from one or more of the RTO West sponsors. Collectively I’ll refer to the RTO West sponsors -- namely, Bonneville Power Administration, the eight investor-owned utilities and B.C. Hydro -- as the “Filing Utilities”.
- The power supply of many Northwest Requirements Utilities is transmitted entirely over the Bonneville Power Administration’s federal transmission system, from federal generating resources that are often located great distances away from the local loads served by NRU utilities.
- The power supply of the remaining Northwest Requirements Utilities is transmitted first over Bonneville’s transmission system, and then over transmission facilities owned by one of the remaining Filing Utilities. Each one of the investor-owned Filing Utilities owns transmission facilities that intervene between the Bonneville transmission system and the point(s) of receipt for such NRU members. Bonneville contracts individually with these Filing Utilities to purchase transmission service necessary to transfer the wholesale power purchases of requirements power customers such as NRU members; such transmission contracts between Bonneville and an individual Filing Utility are known as “**General Transfer Agreements.**”

Northwest Requirements Utilities' interests are directly impacted by the RTO West proposal, through the firm transmission service agreements and other transmission arrangements between NRU utilities and one or more Filing Utilities. Therefore, NRU is participating with the Filing Utilities in a regional collaborative process to develop RTO West. NRU's policy, legal and technical participation is on behalf of transmission dependent utility customers of Bonneville (including those served over general transfer agreements) that purchase their firm power requirements from Bonneville, and that purchase firm transmission from one or more Filing Utilities.

In addition, Northwest Requirements Utilities' interests are effected by the policies of the current Administration (as well as its predecessor), the Department of Energy, and the Federal Energy Regulatory Commission ("FERC") advocating Regional Transmission Organizations as the means to achieve open and competitive electric power markets. For example, we are troubled by the FERC's evident intention to initiate, then implement, a fast-track policy known as "Standard Market Design" that is expected to be applicable to transmission services throughout the United States. Imposing a standard market design in the Northwest is inconsistent with a regionally developed and tailored proposal such as RTO West, that attempts to account for the many non-profit electric utility purchasers of transmission who rely on the Northwest's hydro-electric generating resources to serve local loads well removed from the generation. However, with the just issued judicial precedent of the United States Supreme Court (*New York v. F.E.R.C.*, 535 U.S. ____ (2002)), FERC may be emboldened, if

not empowered, to order just such a standard market design for the Northwest if the region does not first create an RTO to FERC's liking.

IV. Northwest Requirements Utilities' "Make or Break" Issues.

To date, RTO West is the model all major transmission owners in the Northwest have endorsed, and FERC has encouraged. However, the current RTO West proposal must be modified by correcting certain elements and providing third party enforceability of those essential elements, for Northwest Requirements Utilities to consider endorsing the proposal.

If Bonneville Power Administration and the RTO West Filing Utilities correct the RTO West proposal for the following key issues, Northwest Requirements Utilities believe that RTO West will be the preferred RTO platform when compared to either WestConnect (a competing for-profit RTO that is proposed in the Southwest) or to the model expected to emerge from a FERC imposed standard market design.

1. Preserve and Protect Pre-Existing Transmission Rights.

Rights associated with pre-existing transmission agreements (including Network Integration and Point to Point Transmission Service, and service over General Transfer Agreements) must be preserved, in order to "protect" those rights. For transmission customers of Bonneville, including Northwest Requirements Utilities, such rights are presently contained in Bonneville's transmission service agreements and contracts, tariffs and business practices. Key transmission rights must be memorialized for the term of those pre-existing transmission

agreements in order to “protect” such rights. The essential characteristics of unconverted transmission service that must be preserved include, but may not be limited to, the following:

For Network Integration Service: load growth; flexible points of integration (POIs) to permit federal resources to fit local loads; load following; rollover rights.

For Point to Point Service: modify preschedule in real time; generation resources (POIs) are aggregated; points of delivery (PODs) and POIs are bidirectional; schedules vary among contiguous points (POIs and PODs); secondary rights on BPA system (Non-firm).

2. RTO West Authority Over Facilities Necessary For Wholesale Power Transfers.

Many Northwest Requirements Utilities must use two transmission systems in order to move, or transfer, wholesale Bonneville power from federal generating resources to NRU utilities’ local loads: the Bonneville transmission system, and then transmission provided by someone else who owns transmission lies between Bonneville’s system and the local load-serving utility. General Transfer Agreements are contracts for transmission service over such a third party’s system.

For an RTO to provide reliable, adequate service at a single “un-pancaked” rate, all facilities owned by Filing Utilities and that are necessary for wholesale power transfers should be under the authority of the RTO. Unfortunately, the RTO West proposal currently permits the Filing Utilities to withhold General Transfer Agreement and other transmission facilities from RTO West authority over control, or pricing, or both. In addition, General Transfer Agreement contracts are not treated comparably to other pre-existing transmission agreements for transactions over facilities included within RTO West. If a facility is needed for wholesale

power transfers, it should be under the RTO's control and pricing authority; and disputes under agreements such as General Transfer Agreements should be afforded the same remedy available to other disputes via the RTO's dispute resolution procedure.

3. The "Company Rate Period" Implemented For Ten Years.

The RTO West proposal would terminate the "Company Rate Period" in 2011, irrespective of when RTO West is operational. The Company Rate Period was a negotiated transition period and as negotiated, should extend for ten years from the date when RTO West begins commercial operation.

4. Transmission Adequacy For Load Service Not At Risk.

Transmission adequacy – keeping the lights on – must survive the RTO development process. Thus Northwest Requirements Utilities have concluded that transmission adequacy standards must be collaboratively developed within the region before the operative provisions of RTO West's transmission planning, expansion and upgrade authority may be implemented. RTO West's commitment to keeping the lights on is ephemeral if transmission adequacy standards are not an agreed upon predicate to FERC's authorization of RTO West operations.

5. A Completed Cost Benefit Study Shows Net Benefits.

The cost benefit study must demonstrate that the cost of providing transmission service for existing contract holders does not increase significantly due to events such as any RTO West cost shifts or additional charges; increased complexity of doing business that would require the

existing contract holder to add staff or automation; or additional risk of doing business. Any benefits attributable to RTO West must result in a net positive position when such benefits are applied against cost increases associated with RTO West.

V. Conclusion.

In summary, the support of Northwest Requirements Utilities for the RTO West proposal is contingent on successful resolution of the five “make or break” issues detailed above. We appreciate the interest the Northwest Delegation Energy Caucus has shown in the our energy and transmission future, and we stand ready to work with you in order to provide our consumers with reliable, adequate and low-cost service. Again, thank you for the opportunity to provide this testimony.

March 13, 2002.

**Northwest Requirements Utilities
RTO Representation
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1.	Ashland, City of	Ashland, OR
2.	Benton County PUD	Kennewick, WA
3.	Benton REA	Prosser, WA
4.	Big Bend Electric Co-Operative, Inc.	Ritzville, WA
5.	Canby Utility	Canby, OR
6.	Cascade Locks, City of	Cascade Locks, OR
7.	Columbia Basin Electric Co-op	Heppner, OR
8.	Columbia Power Cooperative	Monument, OR
9.	Columbia REA	Dayton, WA
10.	Columbia River PUD	St. Helens, OR
11.	Emerald Peoples Utility District	Eugene, OR
12.	Ferry County PUD #1	Republic, WA
13.	Flathead Electric Cooperative	Kalispell, MT
14.	Forest Grove, City of	Forest Grove, OR
15.	Franklin County PUD	Pasco, WA
16.	Glacier Electric Cooperative, Inc	Cut Bank, MT
17.	Harney Electric Cooperative	Burns, OR
18.	Hood River Electric Co-op	Odell, OR
19.	Idaho Falls, City of	Idaho Falls, ID
20.	Inland Power & Light	Spokane, WA
21.	Klickitat County PUD	Goldendale, WA
22.	Lincoln Electric Cooperative, Inc.	Eureka, MT
23.	McMinnville Water & Light	McMinnville, OR
24.	Midstate Electric Cooperative	La Pine, OR
25.	Mission Valley Power	Pablo, MT
26.	Missoula Electric Cooperative, Inc.	Missoula, MT
27.	Nespelem Valley Cooperative	Nespelem, WA
28.	Northern Wasco County PUD	The Dalles, OR
29.	Okanogan County PUD	Okanogan, WA
30.	Orcas Power and Light	Eastsound, WA
31.	Oregon Trail Electric Co-op	Baker City, OR
32.	Ravalli County Electric Cooperative, Inc.	Corvallis, MT
33.	Richland, City of	Richland, WA
34.	Salem Electric	Salem, OR
35.	Skamania County PUD	Carson, WA
36.	Surprise Valley Electrification Corp.	Alturas, CA
37.	Tanner Electric Cooperative	North Bend, WA
38.	Tillamook PUD	Tillamook, OR
39.	United Electric Cooperative	Heyburn, ID
40.	Vera Water & Power	Veradale, WA
41.	Vigilanti Electric Cooperative, Inc.	Dillon, MT
42.	Wasco Electric Cooperative	The Dalles, OR
43.	Wells Rural Electric	Wells, NV
44.	Western Montana Electric G& T Coop.	Missoula, MT