

March 11, 2002

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

RE: Northwest Energy Caucus hearing on March 13, 2002

The Oregon Public Utility Commission (OPUC) and the Oregon Office of Energy (OOE) appreciate the opportunity to present our views on RTO West.

With the increase in electricity load, the change in ownership and type of new generation resources, and the move towards competitive wholesale power markets, we believe that we need to revamp the way the transmission system is operated. A well-designed, independent regional transmission operator will yield benefits to customers that the current system cannot. At a minimum, an independent transmission operator needs to:

- maintain grid reliability;
- assure fair and open access to the transmission system;
- eliminate rate "pancaking";
- promote the efficient operation and expansion of the system; and
- facilitate implementation of demand side response programs.

We believe that the RTO West filing utilities, in collaboration with many interested parties, have made real progress towards crafting a workable proposal for the Northwest. In particular, the current proposal has come a long way towards accommodating legitimate concerns raised about cost shifts, serving native load, and operation of the hydro system. While there are parts of the proposal that are not yet developed, and other areas, such as the pricing and planning proposals, that need to be refined and strengthened, we believe that the filing utilities' proposal is a good start.

Ultimately, the OPUC must approve the transfer of control of transmission assets of Portland General Electric and PacifiCorp to an RTO. The OPUC's mandate is to ensure that the RTO West proposal will generate benefits to customers of those utilities.

Certainly, we are all concerned with rising electricity rates. As recent history has demonstrated, any redesign of the electricity system has to be done correctly or the costs can outweigh the benefits.

As you deliberate on these issues, we encourage you to recognize that while the results of the benefit/cost study are important, they are not the only criteria by which the RTO West proposal should be evaluated. Equally important are any non-quantifiable benefits of a centrally coordinated transmission operator, such as:

- more efficient investment in transmission and generation facilities;
- better access to the transmission system for new power plants; and
- the ability to rely on demand management measures to insure system reliability at least cost.

We believe that it is in the interest of the Northwest to submit an RTO proposal to the FERC at this time. We ask that the delegation encourage the parties to continue to meet to improve the proposal.

Thank you for the opportunity to provide our comments.

Roy Hemmingway
Chairman, OPUC

Joan Smith
Commissioner, OPUC

Lee Beyer
Commissioner, OPUC

Michael Graine
Acting Director, Oregon Office of Energy