

STATEMENT OF DON FURMAN
SENIOR VICE PRESIDENT FOR REGULATION AND GOVERNMENT AFFAIRS
PACIFICORP
NORTHWEST ENERGY CAUCUS MEETING
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Thank you for the opportunity to comment on 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?”

PacifiCorp has nearly 1.5 million electric customers across the states of Oregon, Washington, Idaho, California, Utah, and Wyoming. After the Bonneville Power Administration, PacifiCorp is the largest transmission owner and operator across the region contemplated for inclusion in RTO West. Promoting efficient, reliable operation of the region’s grid at low cost is critical to meeting the needs of PacifiCorp’s very diverse customer base. We believe the status quo is not an option for ensuring reliable, efficient, low-cost operation of the grid on an enduring basis.

For PacifiCorp, there is a fundamental ‘make or break’ standard that must be met to merit participation in an RTO: customers must benefit. We are hard-pressed to identify another standard by which any entity should measure whether to move forward with development and implementation of RTO West.

We believe RTO West meets this test.

RTO West will:

- Drive down the cost of transporting power within the region through the elimination of “pancaked” rates and the creation of one-stop shopping for transmission services;
- Produce efficiencies through coordinated operations, better dispatch of generation, and pooling of reserves. For example, utilities will have lower generating capacity reserve requirements and, in turn, the system peak will be reduced;
- Reduce transmission congestion by facilitating system planning to enable the addition of new transmission, as well as other actions such as the location of new generation in appropriate places and demand-side opportunities;
- Improve regional grid reliability; and,
- Minimize cost shifting through preservation of company rates.

In PacifiCorp’s view, these are significant, tangible benefits that would serve well the region’s electric consumers with the formation of RTO West. But our views of the potential benefits of RTO West are not enough.

We do not have the final say on this matter. The 20 regulators who serve on the six state commissions that regulate PacifiCorp will be asked to approve our participation in RTO West under the terms and conditions set by the FERC when it rules on the filing we anticipate making later this month. It is doubtful the states would approve the

participation of the region's regulated utilities in RTO West if the RTO produces no or negligible benefits and/or if it results in significant cost shifts among customers. Other regulators and BPA will be making similar evaluations on behalf of their constituencies.

We believe independent evaluations of RTO West to verify the potential for benefits and to measure them against the cost of implementing RTO West better informs the regional debate and gives policy makers and regulators a better basis for their decisions on this matter.

The filing utilities and the region's stakeholders unanimously agreed to retain an independent contractor, Tabors, Caramanis & Associates, to prepare a benefit/cost analysis of RTO West. The stakeholders also participated in the development of the base case and assumptions used in the study. The study results confirm the benefits I outlined above and show these benefits significantly outweigh any quantifiable negative impacts.

We recognize that some in the region have been skeptical of RTO West since its inception. PacifiCorp and the other filing utilities have worked hard to address the concerns of the region. The filing utilities have continuously collaborated with the publicly-owned utilities and other parties in the region to resolve as many of their concerns as possible. We started the process with very diverse needs and views. We now have a proposal that, while not perfect, addresses most of the needs of the stakeholders while providing benefits to consumers in the region. We also have worked

very closely with Bonneville to accommodate important issues that are unique to the agency and its customers.

We also have taken very seriously the feedback we have received from the congressional delegation. From a process standpoint, we proceeded with the advice to undertake a benefit-cost analysis, and we delayed filing deadlines twice to make this and other input a meaningful part of the process. Substantively, the RTO West proposal has been modified in response to specific concerns many of you have raised. Some of these modifications include:

- The addition of protections against gaming of the transmission system;
- Elimination of the ability of speculators to hoard transmission; and,
- Creation of a comprehensive approach to regional planning that includes an RTO backstop facilitating the addition of transmission for reliability purposes as well as the relief of significant and chronic congestion.

PacifiCorp believes your input as well as that of many other stakeholders have helped the filing utilities create the framework for an RTO that will, as the delegation has called for, enable the transmission system to operate as a common carrier to the benefit of the region.

The filing utilities intend to keep addressing the concerns of the region's stakeholders, the congressional delegation and our regulators as the process moves forward. This effort

will not be significantly impeded by filing the RTO West proposal with the FERC later this month. As noted above, we have twice delayed the FERC filing to allow time for completion of the benefit-cost analysis and to give the delegation and others in the region time to review and critique the findings and the analysis on which the findings are based.

While much of the analysis, comments and suggestions submitted in the last few months have been constructive and will result in a better filing, it is now time to move ahead. One key reason not to delay further is that the FERC is in the process of developing uniform national market design standards. PacifiCorp joins many in the region in the belief that uniform market design standards may not be in the interest of the electric consumers of the Northwest. The region could very well be disadvantaged if FERC proposes market design standards without the benefit of a regionally-vetted RTO West plan that recognizes the unique characteristics of the power and transmission systems in the region. Further delay in filing RTO West at the FERC will severely limit our influence in the design of those market standards.

In addition, although BPA is not subject to FERC's jurisdiction pursuant to the Federal Power Act, many of the region's other transmission owners -- representing about half of the entire RTO West region's transmission -- are. If the RTO West proposal is further delayed, or killed outright, the Commission is likely to penalize the jurisdictional utilities. Ultimately, the customers of those utilities may bear much of the cost of FERC's penalties for noncompliance.

As noted earlier, there are a number of hurdles RTO West must clear and a number of additional filings to be submitted and reviewed before RTO West is ready for implementation. Each of these steps in the process provides another check for members of the congressional delegation and other interested parties to review whether this initiative is headed in the right direction – a direction that benefits the region’s electric consumers. It will be several years before RTO West is up and running. PacifiCorp believes the region needs to move ahead with the next FERC filing and continue the work of shaping a regional transmission organization that meets the promise of improving reliability, increasing system efficiency, and reducing costs.