



## Department of Energy

Bonneville Power Administration  
P.O. Box 3621  
Portland, Oregon 97208-3621

CORPORATE

November 19, 2002

In reply refer to: PS/6

### MEMORANDUM

TO: Randall O. Cloward, Avista Corporation  
Yakout Mansour, British Columbia Hydro and Power Authority  
James L. Baggs, Idaho Power Company  
John Carr, PacifiCorp  
Wayman Robinett, Puget Sound Energy, Inc.  
Ted D. Williams, Northwestern Energy, L.L.C.  
Frank Afranji, Portland General Electric Company  
Paul Schmidt, Sierra Pacific and Nevada Power Company

FROM: Allen Burns *Allen L. Burns*

DATE: November 19, 2002

RE: SMD Comments Understanding

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In order to produce joint comments among some of our companies (aka Pacific Northwest Utilities<sup>1</sup>) in response to the Federal Energy Regulatory Commission's ("Commission") Standard Market Design Notice of Proposed Rulemaking in Docket Number RM01-12-000 ("SMD docket"), it became necessary for us to defer commenting on non-jurisdictional participation and facilities issues until we completed our efforts to produce a solution acceptable to our companies.<sup>2</sup> This memorandum is intended to confirm our action plan to achieve a solution.

Non-jurisdictional Participation Issues. In footnote 8 on page 12 of the Stage 2 filing letter we, the filing utilities, agreed as follows:

"It is Bonneville's position that the Commission has no jurisdictional authority over Bonneville's power sales or generation activities, other than the limited authority described in the Northwest Power Act over Bonneville's

<sup>1</sup> The Pacific Northwest Utilities Joint Comments were filed on behalf of Avista Corporation, B.C. Hydro and Power Authority, Bonneville Power Administration, Idaho Power Company, PacifiCorp, and Puget Sound Energy.

<sup>2</sup> PGE and Sierra/Nevada filed direct comments individually on non-jurisdictional participation and facilities issues with the Commission on November 15, 2002. Northwestern Energy, L.L.C. joined in comments with the Crescent Moon Group on the issues of non-jurisdictional participation; however Northwestern intends to withdraw its participation from the Crescent Moon Group comments and join the Pacific Northwest Utilities Joint Comments filed on November 15, 2002. Nonetheless, PGE and Northwestern agree to the action plan set forth herein.

*Sierra/Nevada PS*

power rates. Bonneville is unwilling to indirectly grant authority to the Commission as a function of executing the Transmission Operating Agreement, although Bonneville agrees that all market participants should be governed by market power or price mitigation limitations in order to ensure effective market control. Bonneville will continue to work with the other filing utilities to negotiate a proposal to participate in the market power or price mitigation programs of RTO West on the same terms and conditions as other Participating Transmission Owners, but in a manner that fits within Bonneville's legal structure, retaining its ability to carry out its statutory and environmental obligations. Bonneville must also negotiate an agreement with the other filing utilities with respect to the dispute resolution and enforcement mechanisms to enforce the provisions of such programs."

Bonneville re-confirms the statements made in the text above. As part of this effort, we will also seek to reach agreement on other issues relating to the manner in which Bonneville and other non-jurisdictionals participate in the RTO on the same terms and conditions while respecting different legal and regulatory obligations of participants.

Today, we agreed that our first meeting to work on a solution to the non-jurisdictional participation issues discussed above would be held on November 27 by conference call to identify issues and set our initial agenda. Bonneville commits to each of you that Bonneville will make every effort to reach a solution that is acceptable to all of us and document it by January 31, 2003.

Facilities Issues. The Stage 2 filing for RTO West also contains a detailed facilities proposal. However, on page 35 of the filing letter we agreed as follows:

"In preparing this proposal for RTO West, it was necessary to create the defined terms identified above for the RTO West Transmission System in order to accommodate the competing interests over the transmission facilities, such as state and federal control, wholesale access, and pricing. To strengthen the proposal, meetings with stakeholders will continue over the next few weeks. These meetings may result in the adoption of a proposal that enhances or replaces this facilities approach and may require revisions to the Transmission Operating Agreement.<sup>42</sup>

<sup>42</sup> If revisions to the Transmission Operating Agreement or changes to the lists of facilities are agreed upon, they will be filed promptly."

The stakeholder meetings required by the agreement referenced above occurred. While progress was made with the stakeholders, an agreement was not reached, as there was a desire by some to receive an order from the Commission before modifying positions. However, the Commission's September 18, 2002 order in the RTO West docket did not resolve the facilities

issues. We, the filing utilities, agree to re-initiate discussions with stakeholders referenced in the Stage 2 filing letter above.

Today, we agreed that our first meeting since the RTO West order to work on a facilities solution would be held on November 19, 2002 as part of our weekly filing utility meeting at RTO West. Together, we will attempt to schedule our first stakeholder meeting as soon as possible. We are tentatively considering November 22, 2002 or December 2, 2002 for this first stakeholder meeting. Bonneville commits to each of you that Bonneville will make every effort to reach a solution that is acceptable to all of us and document it so that it can be disclosed to the Commission by January 31, 2003.

SMD Reply Comments. Last Friday, the companies that filed the Pacific Northwest Utilities Joint Comments agreed as part of submitting joint SMD comments and to assure each other of our commitment to making every effort to reach a solution to the above issues, that each of us will defer commenting to the Commission in the SMD and RTO West dockets on the non-jurisdictional participation addressed above until January 31, 2003 and on the facilities issues addressed above until January 9, 2003. Today, the remaining RTO West filing utilities also agreed to making every effort to reach a solution to the above issues, and that each of us will defer commenting further<sup>3</sup> to the Commission in the SMD and RTO West dockets on the non-jurisdictional participation addressed above until January 31, 2003 and on the facilities issues addressed above until January 9, 2003. We agree to petition the Commission to extend the January 10, 2003 comment period until at least January 31, 2003. If the Commission does not extend the comment period, we understand we are foregoing the opportunity to file direct comments on January 10, 2003 on the topic of non-jurisdictional participation. This provision does not address technical conferences scheduled by the Commission on non-jurisdictional participation and facilities issues, if any. Direct comments in the SMD docket on certain issues are due to the Commission on January 10, 2003 and all reply comments are currently due to the Commission on February 17, 2003. Notice of Conferences and Revisions to Public Comment Schedules, FERC Docket No. RM01-12-000 (October 2, 2002).

Confirmation. Please confirm to me through your signature below by the close of business today, November 19, 2002 by facsimile or email that you concur with the understandings reflected in this memorandum, and that you will make every effort to reach a solution that is acceptable to all of us and document it (1) by January 31, 2003 for the non-jurisdictional participation issue, and (2) by January 9, 2003 for the facilities issues.

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<sup>3</sup> Northwestern Energy will not file further comments within the time period specified except that it may file a withdrawal of its participation in the Crescent Moon Group and it may join the Pacific Northwest Utilities Joint Comments.

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