

*Summary of RTO West
9/18/02 Declaratory
Order*

Highlights of RTO West Declaratory Order

- FERC's RTO West Order suggests that the Commission may be deferential when it comes to points where the RTO proposal differs from the Standard Market Design Notice of Proposed Rulemaking (SMD NOPR) issued on July 31, 2002.
- Several commissioners have said they remained open to permitting additional regional variances from FERC's SMD rulemaking. The Order, however, indicated that the extent of the flexibility permitted RTO West might in fact be subject to the outcome of future stakeholder and Commission discussions as the proposal is further developed.
- It will not be necessary for RTO West to operate a Day-Ahead Market upon start-up.
- Certain RTO West market design features currently at odds with FERC's proposed SMD (e.g., the balanced scheduling requirement and the "use or lose" nature of Financial Options) may be permissible.

FERC approvals

FERC approved the majority of the filing, including:

- ☑ Approval of the governance proposal
- ☑ Approval of the license plate and export fee rate designs, including the length of the transition period
- ☑ Approval, with modification and subject to more detailed development, of the congestion management proposal
- ☑ Approval of catalogued transmission rights with voluntary contract conversion
- ☑ Approval, with modification, of the market monitoring proposal, subject to the SMD rulemaking
- ☑ Approval, with modification, of the planning and expansion proposal
- ☑ Approval, with modification, of the inter-RTO seams coordination efforts

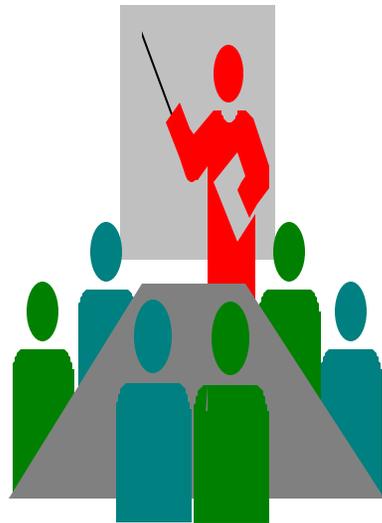
FERC deferrals

FERC deferred action on a host of issues, including:

- Most elements contained in the Transmission Owner Agreement (TOA) pending submittal of the RTO West Tariff;
- Whether RTO West would have sufficient operational authority; this issue will be addressed concurrent with the resolution of the facilities inclusion issue;
- Strongly encouraged BPA and Canadian participation in RTO West; and
- Cost-benefit analysis of RTO West pending a final order.

FERC-requested modifications

FERC requested that the Filing Utilities make several modifications to the original proposal and:

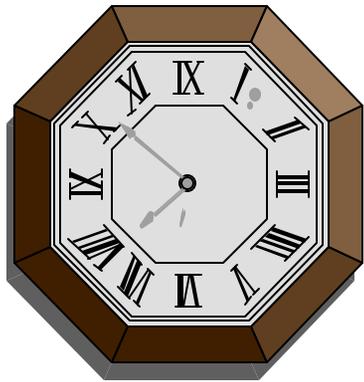


(1) Develop the remaining aspects of the RTO West proposal, including:

- Congestion management
- Scheduling protocols
- Facilities
- Cataloguing of transmission rights

(2) Hold additional discussions among stakeholders, under the auspices of the RTO West Regional Representatives Group (RRG) and technical conferences with Commission staff

FERC-requested modifications (continued)



(3) File a proposed RTO Tariff within 120 days, including:

- Detailed ancillary services plan
- Justification of transmission facilities under RTO West control
- Limited liability provisions

(4) Revise the proposed RTO West TOA to:

- Eliminate the provision that the TOA would automatically govern when conflicts exist with the RTO West Tariff
- Grant RTO West ultimate responsibility for transmission planning and expansion within the region
- Remove the provision placing the burden of proof on a customer in dispute resolution regarding cataloguing transmission rights and include an equivalent dispute resolution provision in the RTO West Tariff.

FERC-requested modifications (continued)



(5) Continue participating in the Seams Steering Group – Western Interconnection (SSG-WI) in an effort to form a single market monitoring unit for the West.

(6) Develop the planning and expansion process through SSG-WI with participation by state representatives .

(7) Work with WestConnect and California ISO to formalize SSG-WI as the seams resolution group for the RTOs in the West and provide a status report to FERC within 90 days.

FERC-requested modifications (continued)

(8) Develop standards for generation interconnection for RTO West as a whole using a stakeholder process. RTO West alone will administer all interconnection requests, subject to the outcome of a separate interconnection rulemaking proceeding.



(9) Accelerate the RTO West Board Selection process.

(10) Consider developing an appropriate resource adequacy plan.

