UNITED STATES OF AMERICA
BEFORE THE
FEDERAL ENERGY REGULATORY COMMISSION

Avista Corporation, Bonneville Power Administration, Idaho Power Company, The Montana Power Company, Nevada Power Company, PacifiCorp, Portland General Electric Company, Puget Sound Energy, Inc., Sierra Pacific Power Company	Docket No. RT01-35-005

U.S. FILING UTILITIES' REQUEST FOR LEAVE TO FILE ANSWER AND ANSWER TO PROTESTS AND COMMENTS FILED IN RESPONSE TO RTO WEST STAGE 2 FILING

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Pursuant to Rule 213 of the Rules of Practice and Procedure of the Federal Energy Regulatory Commission (the "Commission"), 18 C.F.R. § 385.213 (2001), Avista Corporation ("Avista"), the Bonneville Power Administration ("Bonneville"), Idaho Power Company, Nevada Power Company, NorthWestern Energy, L.L.C. ("NorthWestern," formerly The Montana Power Company), PacifiCorp, Portland General Electric Company, Puget Sound Energy, Inc., and Sierra Pacific Power Company (referred to collectively in this filing as the "filing utilities") submit this Request for Leave to File Answer and Answer to Protests and Comments Filed in Response to RTO

West Stage 2 Filing. The filing utilities request waiver of Rule 213 to the extent it would otherwise prohibit an answer to protests and comments.

A. Introduction.

On March 29, 2002, the filing utilities, joined by British Columbia Hydro and Power Authority, a nonjurisdictional Canadian utility, submitted to the Commission a Stage 2 Filing and Request for Declaratory Order Pursuant to Order 2000, in accordance with Rule 207(a)(2) of the Commission's Rules of Practice and Procedure, 18 C.F.R. § 385.207(a)(2) (2001) (the "Stage 2 Filing"). The Commission issued notices related to the Stage 2 Filing that, taken together, permitted interested parties to file interventions and protests in response to the Stage 2 Filing by no later than May 29, 2002. A substantial number of parties submitted interventions, protests, or comments (or a combination of the foregoing) as permitted by the Commission's notices.[1] The filing utilities submit the information set forth below to aid the Commission in its understanding and resolution of the issues presented in certain of the protests and comments.[2]

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[1] Attachment A to this filing contains an index of all of the interventions, protests, and comments submitted to the Commission in response to the Stage 2 Filing. Attachment A also includes shortened references for each of these submissions and the parties filing them. For convenience and readability, the parties and their submissions are referred to throughout this filing by their shortened references.

[2] The filing utilities note that the WUTC and Alberta included in their comments in this docket statements highlighting the importance of appropriately resolving tort liability issues as they affect RTO West and its Participating Transmission Owners. The filing utilities have emphasized the urgency of this issue from the outset of the Commission's proceedings in Docket No. RT01-35. The issue of tort liability is currently active before the Commission in several other dockets as well, including RM02-1-000 (Standardization of Generation Interconnection Agreements and Procedures), RM01-12-000 (Electricity Market Design and Structure), and, most recently, the Midwest Independent System Operator's (the "MISO") tariff application to the Commission in Docket No. ER02-2033-000, filed June 5, 2002. The filing utilities intend to intervene in Docket No. ER02-2033-000 in support of comprehensive liability protections and to place any materials they file in the MISO docket into the RTO West docket as well because the matters before the Commission in the MISO's tariff application also have great significance for the RTO West proposal.

B. Request for Waiver.

The filing utilities recognize that the Commission's rules do not allow answers to protests. 18 C.F.R. § 385.213(a)(2) (2001). In certain situations, however, and for good cause shown, the Commission has permitted such answers when they "clarify the issues and aid [the Commission] in the decisional process."[3] The filing utilities believe this answer will assist the Commission in its deliberations and that good cause exists to waive the rule prohibiting answers.[4] Accordingly, the filing utilities request the Commission grant waiver and accept this filing.

C. Answer to Certain Protests and Comments.

1. Independence of RTO West.

Some intervenors argue that the RTO West proposal does not satisfy the independence requirement of Order 2000 because the RTO West Transmission Operating Agreement (the "Transmission Operating Agreement") reserves too many rights and decisions for Participating Transmission Owners.[5] Others parties cite specific provisions of the Transmission Operating Agreement that they believe are overly restrictive. Some

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[3] *See, e.g., Order Granting, with Modification, RTO West Petition for Declaratory Order and Granting TransConnect Petition for Declaratory Order*, 95 FERC ¶ 61,114 at 61,323 (2001).

[4] The filing utilities have not attempted to respond to every intervenor's argument with which they disagree or to correct every erroneous assertion. The absence of a filing utility response in this answer should not be interpreted as acquiescence to the views expressed in any of the protests and comments filed in Docket No. RT01-35-005. Rather, the filing utilities have attempted to focus their responses on areas in which they believe additional information or clarifications will be most helpful to the Commission.

[5] *See, e.g.,* PIO Protest at 11-12; UAMPS Comments at 5-16; NWEC Protest at 8-10.

of the cited provisions relate to core elements of the RTO West proposal, such as the provisions implementing the pricing proposal for the Company Rate Period.[6]

These and similar arguments appear to urge that the Transmission Operating Agreement should operate as a one-way contract – that it should bind Participating Transmission Owners[7] but should allow RTO West the freedom to amend the agreement as it sees fit. This is not reasonable. The Transmission Operating Agreement reflects a painstaking process of developing provisions that will empower RTO West to carry out its fundamental purposes under Order 2000 while providing appropriate certainty and protection to the owners of the billions of dollars' worth of assets with which RTO West will be entrusted. The provisions of the Transmission Operating Agreement have been crafted with careful attention to competing considerations and interests that must be addressed if RTO West is to receive necessary support from stakeholders and those with regulatory and decision-making power over various members of the filing utility coalition.

Each of the filing utilities, whether an investor-owned utility, a federal power marketing agency, or a Crown corporation of the province of British Columbia, is subject to legal duties that require it to exercise appropriate stewardship over its transmission assets. The filing utilities must be mindful of the costs they incur that they pass on to

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[6] *See, e.g.,* Duke Protest at 4-5 (citing Transmission Operating Agreement Section 16.2); UAMPS Comments at 7-11 (citing Transmission Operating Agreement Sections 16.1, 16.3, and 17 and suggesting that these sections give Participating Transmission Owners too much control over rate design).

[7] In fact, at least one intervenor argued that the Commission should deny the Participating Transmission Owners the ability to exercise reasonable termination rights. *See* Duke Protest at 5-6, citing Transmission Operating Agreement Section 2.3. These termination provisions are not only reasonable, but the Transmission Operating Agreement provides elaborate provisions to ensure that a Participating Transmission Owner that exercises termination rights does not disrupt RTO West's ability to provide transmission service. (*See, e.g.,* Transmission Operating Agreement Sections 2.4.1, 2.4.2, and 2.6.)

ratepayers. It would irresponsible to voluntarily enter into a transaction with consequences as far-reaching as those resulting from execution of the Transmission Operating Agreement without requiring that the fundamental terms be clear and dependable.

Many elements of the Transmission Operating Agreement are particularly important to Bonneville's participation in RTO West.[8] As expressed in a February 26, 1998 opinion of the Department of Energy's Office of General Counsel, Bonneville may not entirely delegate responsibility for its statutory, contractual, and treaty obligations and responsibilities to a nonfederal entity. Bonneville must establish performance standards to ensure that its obligations and responsibilities are implemented by RTO West and must retain the authority to withdraw its participation if RTO West fails to carry out these obligations and responsibilities. Bonneville maintains that these requirements must be established in contractual form. Including them in a tariff that could be modified by RTO West would not be acceptable.

Of necessity, the Transmission Operating Agreement does, to a degree, constrain the discretion of RTO West to take whatever course of action concerning a Participating Transmission Owner's assets it may see fit to take. This is the nature of a contract – it binds a party to do what it would have the freedom not to do in the absence of the contract. The provisions of the Transmission Operating Agreement are appropriate for their purposes, and they are necessary to provide reasonable protection of the legitimate

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[8] *See* Supplemental Compliance Filing and Request for Declaratory Order Pursuant to Order 2000, filed with the Commission in Docket No. RT01-35-000 on October 23, 2000, at 46-51. Provisions designed to facilitate Bonneville's participation in RTO West are interspersed throughout the Transmission Operating Agreement. Some of these provisions specifically refer to Bonneville, while others do not.

interests of the Participating Transmission Owners, and the ratepayers, shareholders, regulators, and other bodies to which they are answerable.[9]

Conversely, some commenters have suggested that the Transmission Operating Agreement does not require enough of RTO West. They urge that it be amended to add a duty of the parties to operate in the public interest.[10] The filing utilities believe such a provision is unnecessary. RTO West is a nonprofit corporation formed to permit creation of a regional transmission organization ("RTO") that will meet the Commission's applicable requirements.[11] The Commission has acknowledged that its approval of any proposals under section 203 or 205 of the Federal Power Act will require a Commission finding that the formation of an RTO is in the public interest. *Pub. Util. Dist. No. 1 of Snohomish County, WA v. FERC*, 272 F.3d 607, 618 (D.C. Cir. 2001). Once RTO West becomes operational, the Commission will have continuing jurisdiction over RTO West. The Commission has ample investigatory powers if it appears that the public interest is not served by RTO West's manner of operation. The Commission also has the ability to remedy complaints that RTO West is not operating in compliance with the Federal Power

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[9] Some intervenors complain that there are terms in the Transmission Operating Agreement that they believe should be in the RTO West tariff so that the terms will apply to all parties equally. *See, e.g.*, Truckee Comments at 5; NW IPP Protest at 18; Alcoa Protest at 7-8. The inclusion of provisions in the Transmission Operating Agreement that will need to be implemented through the RTO West tariff is not an attempt to obtain preferential treatment for Participating Transmission Owners. Although the Participating Transmission Owners must assure themselves through the Transmission Operating Agreement that these commitments from RTO West will be kept (*see, e.g.*, Transmission Operating Agreement Sections 8.2, 8.3.2, and 10.1), RTO West, like any Commission-jurisdictional transmission provider, will have a legal obligation to provide nondiscriminatory service. Accordingly, whatever protections apply under the Transmission Operating Agreement to Participating Transmission Owners in their relationships to RTO West as customers will also apply under the RTO West tariff to RTO West's other transmission customers.

[10] *See, e.g.*, ATNI Protest at 15-16; NWEC Protest at 6-7; PIO Protest at 12-13.

[11] *See* RTO West Bylaws, filed as Attachment C to Stage 2 Filing, at Article III.

Act. The filing utilities believe the Commission's Federal Power Act authority is sufficient to protect the public interest as it is affected by RTO West's operations.[12]

2. Facilities Inclusion Issues.[13]

As explained in Section C.1 above (and as noted in the Stage 2 Filing),[14] the entire Transmission Operating Agreement has been carefully crafted to strike a fair and workable balance among competing objectives and interests. Central among the relevant considerations are the filing utilities' efforts to develop a proposal that they believe could support necessary state commission approvals. The Stage 2 approach to facilities inclusion is no exception.

As the Commission is aware, many states are concerned about how the formation of and transfer of assets or operational control to RTOs might affect the quality and cost of service to retail customers, and affect state commission regulatory prerogatives in general. Some commenters urge that the Commission require the filing utilities to place under RTO West's operational control all facilities used for wholesale service.[15] This is

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[12] It should also be noted that the filing utilities have provided in the Transmission Operating Agreement that RTO West will comply with various statutes governing the Participating Transmission Owners' conduct. Transmission Operating Agreement Sections 6.9, 13.1, 13.2, and 13.3. To the extent that the public interest is defined in laws or regulations, all parties to the Transmission Operating Agreement will be obligated to comply.

[13] Bonneville does not join in this section of the filing. As is evident from some protests and interventions submitted in response to the Stage 2 Filing, there are parties in the region, particularly customers of Bonneville, that are not yet satisfied with the RTO Wes facilities inclusion proposal. Bonneville nevertheless encourages the Commission to enter a timely order on the Stage 2 Filing.

[14] Filing letter to Stage 2 Filing at 6, 17-19.

[15] *See* IEA Protest (asking that "all the facilities over which power is delivered [which includes distribution] be classified as transmission and placed under the control of the RTO," *id*. at 6; and requesting that "all wholesale transmission facilities . . . regardless of voltage level, be included under the control of RTO West," *id*. at 9 (emphasis in original)); NRU Protest at 24-25 (requesting that all facilities used to serve Bonneville customers under General Transfer Agreements [which includes distribution facilities] be placed under the RTO's operational authority). Others proposed similarly unworkable solutions. *See, e.g.,*

unworkable. With many of the filing utilities' systems, there is no way to make a rational, consistent distinction between distribution facilities over which wholesale deliveries are made and those that are used exclusively for retail deliveries. (*See* the Declaration included as Attachment B to this filing, which explains why a simplistic solution urged by some intervenors will not work.) The practical effect of placing all facilities used for wholesale service under the RTO's operational control would be one of two alternatives: (1) to hopelessly balkanize many filing utilities' delivery systems, including local transmission and distribution (with the corresponding prospect of "dueling" standards, regulation, and pricing applicable to essentially identical facilities, depending on which customers they serve) or (2) to effect a complete transfer to federal regulatory jurisdiction of entire filing utilities' delivery systems, including distribution. Neither of these results is acceptable to the investor-owned filing utilities because both alternatives would materially impede their ability to provide cost-effective local service to retail loads. These alternatives are also unlikely to be acceptable to the state commissions with regulatory jurisdiction over investor-owned filing utilities' retail services.

The facilities proposal included in the Stage 2 Filing provides RTO West with the operational authority it needs to fulfill all of the characteristics and functions required by Order 2000. It goes further and empowers RTO West to provide wholesale service to eligible customers across any part of the filing utilities' electric systems, regardless of the affected facilities' primary function or voltage level.

Duke Protest at 10, 12; PNGC Protest at 10, 14-15; Truckee Comments at 7; UAMPS Comments at 3-4, 20, 33.

3. Issues Related to RTO West Planning Authority.

Some intervenors have urged the Commission to withhold its approval of the RTO West proposal because, they allege, the Stage 2 Filing does not provide enough detail concerning the manner in which RTO West will carry out the required characteristics and functions of Order 2000.[16] One example cited for this proposition is the manner in which RTO West would allocate costs when it exercises its planning and expansion "backstop" authority.[17]

The planning and expansion authority of RTO West described in the Stage 2 Filing is, in fact, adequate to meet the requirements of Order 2000.[18] The filing utilities acknowledge, as does the Stage 2 Filing, that additional details will be needed before RTO West becomes operational. This is not fatal to the filing utilities' declaratory order request, however. The Commission itself has recognized the complexity of cost recovery related to upgrades and expansions of the transmission grid, and the need for additional input and analysis from industry participants and stakeholders.[19] The governing principle of cost allocation for RTO West backstop planning and expansion is clear and consistent with Commission policy: those who benefit should pay.

A number of intervenors also criticized the limitations on RTO West's ability to implement non-wires solutions to the need for grid upgrades or expansions.[20] The

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[16] *See, e.g.,* MCC Protest at 1-5; WUTC Comments at 19-21.

[17] *See, e.g.,* NWPPC Comments at 6-7; Oregon Comments at 3.

[18] *See* filing letter to Stage 2 Filing at 52-55 and Attachment I to Stage 2 Filing.

[19] *See* Working Paper on Standardized Transmission Service and Wholesale Electric Market Design, Docket No. RM01-12-000 (notice issued March 15, 2002), at 1, 7-10, 21.

[20] *See* NWEC Protest at 11-13; PIO Protest at 19-21.

Commission has addressed this issue in other proceedings in a manner that supports the RTO West proposal. Specifically, the Commission has accepted the Midwest ISO protocols for planning and expansion.[21] Under the planning and expansion provisions of the Midwest ISO's agreement with its transmission owners, the Midwest ISO has the authority to carry out and allocate costs only of necessary *transmission* projects.[22]

The planning and expansion proposal included in the Stage 2 Filing gives RTO West broader authority to address transmission adequacy problems than the Midwest ISO protocols, which the Commission has already determined meet the requirements of Order 2000. RTO West must take into consideration, encourage, and evaluate non-wires proposals brought forward by participants in the RTO West planning process.[23] In addition, RTO West has the power to cause implementation of non-wires solutions when a Participating Transmission Owner has not taken the necessary action to resolve a transmission adequacy problem.[24] There can be no question, therefore, that RTO West's authority concerning non-wires solutions as part of its planning and expansion process meets the requirements of Order 2000.

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[21] *Midwest Independent System Operator, Inc.*, 97 FERC ¶ 61,326 (2001)

[22] *See* Agreement of the Transmission Facilities Owners to Organize the Midwest Independent Transmission System Operator, Inc., FERC Electric Tariff, First Revised Rate Schedule No. 1, Appendix B.

[23] *See* Attachment I to Stage 2 Filing at 4, 10. Compare to Agreement of the Transmission Facilities Owners to Organize the Midwest Independent Transmission System Operator, Inc., FERC Electric Tariff, First Revised Rate Schedule No. 1, Appendix B, which does not grant authority to impose (and spread the costs of) non-wires solutions to address adequacy or other transmission expansion issues. (The Midwest ISO, like RTO West, has authority to address congestion and reliability problems during real-time operations. *See* Attachment K to the Open Access Transmission Tariff of the Midwest Independent Transmission System Operator, Inc; filing letter to Stage 2 Filing at 38-40; Transmission Operating Agreement Sections 6.6, 6.7.6, 6.10, and 12.)

[24] *See* Attachment I to Stage 2 Filing at 9.

Moreover, the RTO West proposal makes sense for the region RTO West will serve. As the Commission no doubt realizes, the staff, training, hardware, and software necessary to support a transmission planning function are not trivial. In fact, they are a significant driver for a transmission provider's operating costs. It does not make sense to force a more costly approach onto the RTO West region when the simpler, more efficient approach of the Stage 2 Filing will suffice. The Stage 2 proposal also avoids the need to extend RTO West's scope of operations beyond providing transmission service into assuming positions or interests in generation markets. Acquiring generation interests would conflict with the Commission's fundamental goal under Order 2000 of creating RTOs that are independent of all market interests.

Even if RTO West could find a way to avoid taking direct interests or positions in generation facilities, output, or markets, the filing utilities do not believe it is appropriate to compel RTO West to adopt planning and expansion policies that would subsidize generation-building by third parties. Among other things, this could have the unintended consequence of causing project sponsors to refuse to build until they receive a subsidy. This would distort, rather than drive efficient development of, generation markets. The RTO West planning and expansion proposal is evolutionary rather than revolutionary. It builds on the structural and institutional foundations that are already in place, which makes good sense, politically and economically, for the RTO West region.

4. Role of the States.

Oregon and the WUTC submitted comments about aspects of the state-federal jurisdictional responsibilities under an RTO structure and the role of states in RTO West. The WUTC pointed out that in its review of the RTO West proposal it will "examine very

carefully whether the proposal enhances, undermines, or leaves unaltered [the WUTC's] ability to protect the interests of retail electricity consumers in Washington state."[25] The filing utilities therefore urge the Commission to continue discussions with the states and state-regulated utilities on the range of issues raised by RTO formation and pertinent to allowing the states to evaluate their continuing role in protecting the public interest after RTO West becomes operational. These discussions should, among other things, describe the transfer to the federal level of responsibility for determination and recovery of a state-regulated utility's transmission revenue requirement, the pass-through of RTO West charges for retail service by the states, protections for customers in one state from the consequences of the default of a Scheduling Coordinator serving customers in another state, and future cooperation between the Commission and state regulatory commissions concerning such matters as rate structures and costs.[26]

Oregon observed that the Stage 2 RTO West proposal does not include a specific role for state commissions. The filing utilities note that the states are entitled to full participation on the Board Advisory Committee under the RTO West Bylaws and believe that active state involvement in that committee is important to RTO West's success. Oregon specifically recommended that the Commission "direct the Filing Utilities to work with state commissions to develop a proposal for an interstate panel with significant

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[25] WUTC Comments at 22.

[26] *See* section 209(b) of the Federal Power Act. Oregon suggests in its comments that a state should have a right to party status in arbitrations related to issues affecting retail customers that are under its jurisdiction. This issue is addressed below in Section C.8 of this filing.

state regulatory participation to review RTO West backstop and [cost] allocation proposals prior to review by the Commission."[27]

The filing utilities have designed an open, public process for planning and expansion and fully expect state participation in the planning process. Nonetheless, the filing utilities are willing to explore with the states whether it is appropriate for state regulators (and perhaps other entities with regulatory responsibility for electric services) to play a more specific role in RTO West planning and expansion process and decisions, especially when RTO West invokes its backstop authority. This might take place at the RTO West level or at the inter-RTO level through the Seams Steering Group-Western Interconnection. The filing utilities welcome the Commission's participation in such discussions to ensure that any proposed regional allocation of costs has sufficient support before RTO West exercises its authority to allocate costs (the Transmission Facility Cost Sharing Payments), which may be recovered through Commission-approved rates.

Oregon also commented on the filing utilities' proposal that states should agree to terminate service to loads whose Scheduling Coordinators default and are not replaced within a set time frame.[28] The filing utilities proposed this approach to avoid the cascading and potentially disastrous financial consequences of the default of a Scheduling Coordinator in one state from affecting loads in other states.[29] Oregon

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[27] Oregon Comments at 3. The Stage 2 proposal provides RTO West with the ability to arrange for implementation of backstop proposals under certain conditions and to allocate costs through the Transmission Facility Cost Sharing Payment mechanism under specific conditions. While RTO West decisions under these authorities are subject to dispute resolution and appeal to the Commission, Commission approval of the exercise of such authority is not required on a case-by-case basis.

[28] *See* Transmission Operating Agreement Section 6.11; s*ee also* Oregon Comments at 4.

[29] *See* filing letter to Stage 2 Filing at 24-26 and Attachments J1 - J6 to Stage 2 Filing.

recognized the serious problem posed by a Scheduling Coordinator default but proposed a different remedy – an RTO West tariff that would allow RTO West to begin collecting any defaulted costs from the loads of customers of the defaulting Scheduling Coordinator.[30] In its comments in the Commission's current proceedings on Electric Market Design and Structure in Docket No. RM01-12-000, Avista offered yet another possible solution.[31] The filing utilities believe the Oregon proposal should be considered, along with any other proposals that may provide a workable solution to this difficult problem.[32] The filing utilities are willing to explore these proposals and others as they emerge. They also urge the Commission to include resolution of the Scheduling Coordinator default issue among the state-federal issues that should be addressed before RTO West commences operations.

5. Benefit-Cost Issues.

A number of parties submitting protests and comments raised the issue of benefit-cost.[33] States within the region to be encompassed by RTO West have also emphasized

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[30] *See* Oregon Comments at 4. The filing utilities assume that under this approach, RTO West would not serve (or bill) retail loads directly, but rather that an intermediary, such as a state, would manage the relationship with RTO West on behalf of the affected retail customers.

[31] *See* Comments of Avista Corporation on the Working Paper on Standardized Transmission Service and Wholesale Electric Market Design, Docket No. RM01-12-000, April 9, 2002, and errata to page 4 of Comments of Avista Corporation on the Working Paper on Standardized Transmission Service and Wholesale Electric Market Design, Docket No. RM01-12-000, April 10, 2002. *See also* Comments of Avista Corporation on the Options Paper for Resolving Rate and Transmission Issues in Standardized Transmission Service and Wholesale Electric Market Design, Docket No. RM01-12-000, May 1, 2002.

[32] *See* filing letter to Stage 2 Filing at note 11, which states that "[b]ecause of the potential unavailability of liability insurance for service outages and the complexity of exercising termination rights under the RTO West Transmission Operating Agreement (due in large part to the congestion management model proposed for RTO West), Avista and possibly other filing utilities may not be able to proceed with RTO West if tariff or legislative limitations of RTO West liability are not adopted."

[33] *See, e.g.*, ATNI Protest at 4-6; Alcoa Protest at 4-5; ICNU Protest at 11-13; MCC Protest, Dunn Affidavit at 8-9; NWPPC Comments at 3; PIO Protest at 9.

the importance of this issue to them.[34] Central themes of the PGP Protest are the contentions that (1) the RTO West Stage 2 proposal, if implemented, would harm consumers and (2) the independent benefit-cost analysis commissioned by the filing utilities (in consultation with interested stakeholders) was fundamentally flawed.[35]

The filing utilities did not include the independent benefit-cost analysis in the Stage 2 Filing, because a showing of net benefits is not a necessary element of a request for a declaratory order concerning compliance with the four characteristics and eight functions required of an RTO under Order 2000.

The filing utilities acknowledge that, in *Public Utility District No. 1*, the Commission stated that it must address specific benefit-cost evidence that has been presented in the RTO West proceeding before reaching a final decision. 272 F.3d at 619. Intervenors in the Stage 2 Filing docket have now placed in the record evidence concerning the expected benefits and costs of the RTO West proposal.

The filing utilities recognize that it is the Commission's prerogative to determine when in the proceedings related to RTO West it will address the issue of benefit-cost. They would appreciate the Commission's guidance concerning when it expects to make this determination. The filing utilities intend to continue moving forward with appropriate steps to implement the RTO West proposal. If the Commission has concerns about the prudency of this course based on currently available benefit-cost information, the filing utilities request that the Commission make its views clear.

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[34] *See, e.g.,* WUTC Comments at 10-12.

[35] *See* PGP Protest at 3-31.

6. Issues Related to External Interface Access Fee.

IEPs,[36] while not opposing the equitable recovery of embedded costs from all users of the transmission system, asked the Commission to require a demonstration as to how price reciprocity will be achieved with this proposal in place. NW IPPs commented that the External Interface Access Fee (or "export charge") is unnecessary and should be subject to elimination through reciprocity negotiation with other RTOs in the West. Lest the Commission underestimate the importance of this issue to the workability of the Stage 2 proposal, the filing utilities note by example the impact on customers of NorthWestern, Bonneville, and PacifiCorp of eliminating the export charge (and backstop recovery mechanism). NorthWestern could experience an increase of approximately 29% in the revenue requirement recoverable from its customers, while Bonneville could experience an increase of approximately 18% in the revenue requirement it must recover, and PacifiCorp, 10%.[37] Such cost shifts are simply not acceptable to the filing utilities and will act as a barrier to voluntary RTO formation.[38]

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[36] *See* IEP Comments at 8-9. IEPs also urged the Commission to ensure that the External Interface Access Fee recovers only its proportional share of embedded costs allocable to exports. *Id.* By design, the fee will not recover more from exporters than their proportional share of embedded costs because the fee is a postage-stamp fee based on RTO West average grid costs.

[37] *See* Corrected Attachment E2 submitted with Errata Filing Relating to Stage 2 Filing and Request for Declaratory Order Pursuant to Order 2000, filed on April 22, 2002, for the data from which these figures are derived. If the External Interface Access Fee is eliminated to achieve price reciprocity and the backstop mechanism were retained and used to fill the revenue gap created by not charging exports, RTO West loads would have the cost of exports to loads in other RTOs shifted to them through the backstop mechanism. This would create unacceptable intra-RTO West cost shifts, thereby perpetuating the very problem the RTO West pricing proposal is designed to eliminate.

[38] The NW IPPs also assert that the External Interface Access Fee is discriminatory, by which the filing utilities understand the commenters to mean that customers who convert long-term contracts should pay both a transfer payment and the External Interface Access Fee. The treatment of customers that have long-term contract rights from points within RTO West to external interface access points is no different from treatment of customers with long-term contract rights to move power within RTO West. In both cases the customer may convert to RTO West service and pay a transfer charge, without being subject to any other access fee. If customers holding long-term contracts do not convert, they may continue to move

Just as there are those that object to the inclusion of the External Interface Access Fee, there are those that would object if it were removed.[39] As was explained in detail in the Stage 2 Filing, the External Interface Access Fee is an integral part of a pricing proposal that has been carefully crafted to balance a number of competing objectives.[40] It cannot be stripped of selective pieces and remain workable.

As explained in the Stage 2 Filing, the filing utilities envision that over the long term the External Interface Access Fee could be phased out if it were replaced by an RTO-to-RTO transfer payment arrangement.[41] Any solution involving reciprocity among western RTOs must, however, fully offset the short-term and non-firm transmission revenue loss the External Interface Access Fee is designed to remedy.

7. Cataloguing and Conversion Process.

A number of intervenors complained about the cataloguing process. The most prevalent complaint was that nonconverting customers have no rights to determine, dispute, or enforce the Catalogued Transmission Rights ("CTRs") that will be provided to their transmission providers to meet the customers' pre-existing transmission contract obligations.[42] Notably, the Transmission Operating Agreement states that "[f]or Non-

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power as before in exchange for continuing payments under the pre-existing contracts. Under either scenario, the treatment of converting customers and nonconverting customers with long-term contracts is non-discriminatory – the contract holders pay what they had paid historically and receive access to the RTO West grid in exchange.

[39] *See, e.g.*, NRU Protest at 30-33; WUTC Comments at 16.

[40] *See* Section B.2 of Attachment E1 to Stage 2 Filing.

[41] *Id*. at Section B.2.e.

[42] *See, e.g.*, IEA Protest at 7-8; ATNI Protest at 11-13.

Converted Transmission Agreements, the Catalogued Transmission Rights do not affect or limit the pre-existing contract rights of the Executing Transmission Owner customer."[43] Transmission customers that elect to remain with their pre-existing contracts should be neither adversely affected nor advantaged by the cataloguing process. Although the filing utilities are open to some involvement by transmission customers in the determination of CTRs, the nonconverting customers should obtain no additional *rights* to further define their existing contractual relationships with Participating Transmission Owners. Nonconverting customers will continue to enjoy the legal protections afforded them under their pre-existing contracts with the transmission provider, as well as the ability to enforce those rights. Contrary to the assertions of the PPC that the Participating Transmission Owners have incentives to minimize these rights during the cataloguing process,[44] the Participating Transmission Owners have strong incentives to ensure the adequacy of these rights to enable them to avoid conflicts with, and potential enforcement suits by, nonconverted customers with pre-existing contract rights. In addition, the Transmission Operating Agreement provides that "if the Executing Transmission Owner determines or, pursuant to a dispute resolution process, it is determined that the catalogue set forth in Exhibit F does not satisfy a transmission customer's rights, the Catalogued Transmission Rights shall be modified to satisfy such rights."[45]

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[43] Transmission Operating Agreement Section 9.2

[44] PPC Protest at 8-10.

[45] Transmission Operating Agreement Section 8.3.

A number of commenters cite Exhibit P as evidence of discrimination in the conversion process. Exhibit P is the product of a proposed compromise between (1) the right to use the RTO West arbitration procedures to resolve quality-of-service and access issues related to non-RTO West facilities (desired by many public power entities) and (2) the right to an option to convert to CTRs instead of Financial Transmission Options ("FTOs") (desired by some filing utilities and other stakeholders with unique contracts). Open Access Transmission Tariff ("OATT") contracts were precluded from the CTR conversion option because they are more generic and able to be converted on a consistent basis. There are many customers with pre-OATT contracts (often with Bonneville as the transmission provider), including municipal utilities, public utility districts, and filing utilities. All of these customers would have an equal opportunity to take advantage of the option to convert pre-existing contract rights to CTRs.

NRU asserts that the lack of third-party beneficiary rights undermines even converting customers' ability to challenge Participating Transmission Owners' determinations of their rights.[46] This is incorrect. In Section 9.3.2, the Transmission Operating Agreement explicitly states that the Participating Transmission Owner agrees to participate in an arbitration process if the converting customer continues to dispute the rights it would receive through the conversion. The alternative dispute resolution procedures of the RTO West tariff will be available to the converting customer.[47]

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[46] NRU Protest at 15-20; *see also* PGP Protest at 54-55.

[47] Although the final terms of the process that will govern disputes arising under the RTO West tariff have not yet been developed, the RTO West Bylaws as submitted in the Stage 2 Filing include: (1) dispute resolution provisions very similar to those previously developed for the RTO West tariff (*see* Exhibit C to Attachment C to Stage 2 Filing); and (2) a clause that requires RTO West to adopt a dispute resolution process for its tariff that is "consistent with the provisions in Exhibit C," (*see* Attachment C to Stage 2 Filing at Article XI, Section 11.6.3). *See also* filing letter to Stage 2 Filing at 23. The draft tariff

The PGP Coalition alleges that the conversion process will be "selective and secretive."[48] It conjures up "special rules" for conversion to be constructed in secret negotiations between Participating Transmission Owners and RTO West. In fact, the "special rules" refer to "special limitations or exceptions that cannot be captured by the set of injections and withdrawals."[49] The PGP Coalition's citation in support of secret negotiations[50] describes the conversion process that *any* contract customer would follow. The "'willingness to establish a relationship with RTO West through a Scheduling Coordinator'"[51] is not mysterious at all. It merely means that "from the date of conversion forward, the transmission service relationship is directly between the Contract Customer and RTO West."[52] Moreover, the results of the conversion process will be filed with the Commission under Exhibit F to the Transmission Operating Agreement.

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dispute resolution provisions on which the RTO West Bylaws' dispute resolution process is based were developed through a completely open public process. The resulting draft tariff provisions are posted on the RTO West Web site at www.rtowest.org/Doc/TIGR_Oct5CleanDraft_TariffADR.PDF (October 5, 2001).

[48] PGP Protest at 54.

[49] *See* Attachment F to Stage 2 Filing at Appendix B, page 1.

[50] *Id. at* 2.

[51] PGP Protest at 54.

[52] Attachment F to Stage 2 Filing at Appendix B, page 2.

The PGP Coalition,[53] NW IPPs,[54] and Duke[55] assert that the Participating Transmission Owners will receive favored service under the conversion proposal. To the contrary, all participants with long-term contracts, whether independent power producers, Participating Transmission Owner merchant functions, or other entities, will have the same options to convert or not convert those contracts.[56] Similarly, all market participants, including Participating Transmission Owner merchant functions, seeking new service (Transmission Use Service) will purchase their new service from RTO West.[57] The only difference between the Participating Transmission Owners and other participants is that Participating Transmission Owner *transmission functions* may receive Non-Converted Transmission Service to serve the contracts of their customers who have elected not to convert.

WIEC, NW IPPs, Alberta, EPSA, and Duke assert that incumbents with pre-existing contract rights will enjoy advantageous access to the system over entities without pre-existing contract rights.[58] Asserted advantages relate to payment of congestion costs, payment of transmission reservation fees, and lack of available transmission rights and capacity.[59] While the Commission has stated that pre-existing transmission contract

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[53] PGP Protest at 54-55.

[54] NW IPP Protest at 19-32.

[55] Duke Protest at 6-10.

[56] Transmission Operating Agreement Sections 9.1-9.3.3.

[57] Transmission Operating Agreement Section 6.4.1.

[58] *See* WIEC Comments at 9-10; NW IPP Protests at 15; Alberta Comments at 5-7; EPSA Comments at 8-9; Duke Protest at 8-9.

[59] *See* WIEC Comments at 9.

rights should be protected if so desired by the transmission customer, the filing utilities have proposed an approach that should make increased amounts of capacity available to those without pre-existing rights including: (1) incentives for conversion to more liquid and tradable financial options, (2) a use-it-or-lose it approach to FTOs, (3) a combination of accept-all-schedules and a redispatch market, and (4) incentives for early lock-down of schedules.[60]

8. Dispute Resolution Issues.

A number of parties raised issues in their protests or comments related to the dispute resolution process applicable to various RTO West relationships and documents.[61] Among the issues raised was the inability of third parties to intervene in disputes between RTO West and a Participating Transmission Owner under the Transmission Operating Agreement.[62]

The entire set of Transmission Operating Agreements between RTO West and its Participating Transmission Owners will be a series of bilateral contracts, each of which will be essentially identical (except where necessary to accommodate unique laws and circumstances, such as those applicable to Bonneville). The Transmission Operating Agreement is the principal document that governs the terms under which RTO West is granted authority to operate and provide service over the transmission assets of each Participating Transmission Owner. The dispute resolution provisions of the Transmission Operating Agreement, which permit intervention only by other

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[60] *See* Transmission Operating Agreement Section 9.5.

[61] *See* NWEC Protest at 6-7; ATNI Protest at 9-10; PNGC Protest at 17-18.

[62] *See* NWEC Protest at 6-7; PPC Protest at 24-26.

Participation Transmission Owners, are appropriate given the nature of that agreement. Moreover, to the extent that resolution of a dispute between RTO West and a Participating Transmission Owner might result in any modification of the Transmission Operating Agreement, the amended form of agreement must be filed with the Commission, in which case any parties meeting the Commission's standards for intervention would have the opportunity to protest or comment in response to the filing.

As noted in the preceding discussion concerning the cataloguing and conversion process, some protests and comments allege lack of access to dispute resolution in that context. As explained above, those customers that do not wish to convert will continue to enjoy the protections of their pre-existing contracts. Those that wish to convert, and thereby establish a direct service relationship with RTO West, will be able to address any service complaints (and any conversion-related disagreements) through RTO West dispute resolution.

While some intervenors suggest that it is too difficult for them to intervene in disputes involving RTO West, the standards for intervention (as well as the provisions that specify who is eligible to intervene as a full party in an RTO West-related dispute) were developed in an open public process. They are appropriate for the circumstances to which they apply and are consistent with comparable court and administrative rules. The intervention standards strike an appropriate balance that allows directly affected parties to meaningfully participate in dispute resolution, but the rules avoid paralysis through unlimited challenges and interventions. If anything, the standards for intervention are less rigorous than those applied in judicial and administrative forums. For example, under the draft dispute resolution provisions developed for the RTO West tariff, an entity

that is eligible for service under the RTO West tariff (an "Eligible Customer") may intervene in a dispute as a full party upon a showing that

> (i) the applicant has an interest relating to the property or the transaction that is the subject of the arbitration,
>
> (ii) the applicant is so situated that the disposition of the matter subject to arbitration may as a practical matter impair or impede the applicant's ability to protect that interest, and
>
> (iii) no existing Party adequately represents the applicant's interest.[63]

This standard is fair without being unduly restrictive.

Oregon expressed concern in its comments that states would not be able to intervene in disputes under the RTO West tariff, and was troubled in particular about the limitations this might place on state participation in the RTO West planning and expansion process.[64]

The RTO West planning and expansion process will be carried out pursuant to the RTO West tariff (as opposed to the Transmission Operating Agreement or some other document). To assess states' (and other governmental bodies') ability to engage in the process effectively, one must therefore look at both the dispute resolution provisions for the RTO West tariff and the Commission's rate-setting process.

As explained in note 47 above, the RTO West Bylaws provide that the RTO West tariff must have a dispute resolution process consistent with the process set forth in the Bylaws. The filing utilities do not believe that those who participated in the development of the dispute resolution provisions for the RTO West tariff (which were the basis for the

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[63] *See* draft tariff provision posted on the RTO West Web site at page 6, www.rtowest.org/Doc/TIGR_Oct5CleanDraft_TariffADR.PDF.

RTO West Bylaws' dispute resolution provisions) intended that states or provinces be specifically excluded.[65] The filing utilities acknowledge that to the extent the planning and expansion process may encompass matters such as allocation among transmission owners of benefits and costs, it may have an indirect effect on retail rates. Accordingly, the filing utilities are willing to include language in the RTO West tariff dispute resolution provisions that would entitle any state, provincial, or tribal regulatory authority to intervene as a party when the matter in dispute may have a material impact on retail rates and terms of service for customers whose service is regulated by the state, province, or tribal authority. The filing utilities also note that the process for setting transmission rates is not subject to dispute resolution under any of the RTO West documents. Establishment of rates for transmission services (including rates that may be indirectly borne by retail customers) will not be carried out through arbitration. Rather, the rates and terms of the RTO West tariff will be addressed through the Commission's section 205 filing procedures. States have specific procedural rights to intervene in Commission-jurisdictional regulatory proceedings.[66]

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[64] Oregon Comments at 5.

[65] States' participation in the dispute resolution process under the RTO West Bylaws will not be limited by the language in Exhibit C to Attachment C to Stage 2 Filing, because states and state agencies are eligible to be members of RTO West, along with a broad range of other governmental, business, and public interest organizations.

[66] *See* Rule 214(a)(2) of the Commission's Rules of Practice and Procedure, 18 C.F.R. § 385.214(a)(2) (2001). Other affected parties will be able to intervene as provided in other provisions of the Commission's Rules of Practice and Procedure. *See* 18 C.F.R. § 385.214(a)(3); 18 C.F.R. § 385.906(c)(2).

9. Other Matters.

A number of intervenors offered interpretations of documents or statements in the Stage 2 Filing that the filing utilities believe to be erroneous and that could, if not clarified, cause confusion. The filing utilities have therefore included as Attachment C to this filing a table that identifies errors and misinterpretations and provides corresponding corrections and clarifications.

10. Conclusion.

The filing utilities appreciate the Commission's consideration of the information offered in this answer. They hope it will assist the Commission in resolving the issues raised in various protests and comments related to the RTO West proposal so that the Commission will soon be able to grant the request for declaratory order submitted with the Stage 2 Filing.

Respectfully submitted this 21st day of June, 2002.

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Pamela L. Jacklin
Of Attorneys for PacifiCorp and, for the purposes of this filing only, on behalf of the filing utilities

Attachment A
RTO West Stage 2
Index of Motions, Protests, and Comments

Shortened Reference to Party	Shortened Reference to Party's Pleading	Pleading Title
Affiliated Tribes	ATNI Protest	Protest and Comments of the Affiliated Tribes of Northwest Indians Economic Development Corporation
Alberta	Alberta Comments	Motion to Intervene and Comments of the Alberta Department of Energy, ESBI Alberta, Ltd., and the Power Pool of Alberta on Stage Two Proposal of Filing Utilities
Alcoa	Alcoa Protest	Protest and Comments of Alcoa Inc., Columbia Falls Aluminum Company, LLC, and Golden Northwest Aluminum, Inc. on the Filing Utilities' Stage 2 Filing and Request for Declaratory Order
Bonneville	Bonneville Comments	Bonneville Power Administration's Comment on the Stage 2 Filing
Columbia River PUD	Columbia River Motion	Motion to Intervene of the Columbia River People's Utility District
Coral Power	Coral Power Motion	Motion of Coral Power, L.L.C. to Intervene
Duke	Duke Protest	Protest of Duke Energy North America, LLC and Duke Energy Trading and Marketing, LLC
EPSA	EPSA Comments	Comments of the Electric Power Supply Association on the RTO West Stage 2 Filing
EWEB	EWEB Comments	Motion to Intervene and Comments of the Eugene Water & Electric Board
ICNU	ICNU Protest	Protest of the Industrial Customers of Northwest Utilities
IEA	IEA Protest	Protest and Comments of the Idaho Energy Authority, Inc.
IEPs	IEP Comments	Motion to Intervene and Comments of the Independent Energy Producers
MCC	MCC Protest	Protest and Comments Regarding the RTO West Stage 2 Filing on Behalf of the Montana Consumer Counsel

Shortened Reference to Party	Shortened Reference to Party's Pleading	Pleading Title
Mirant	Mirant Protest	Motion to Intervene and Protest of Mirant Americas, Inc. and Mirant Americas Energy Marketing, L.P.
NCPA	NCPA Motion	Motion to Intervene of the Northern California Power Agency
NIEP	NIEP Comments	Comments of the Nevada Independent Energy Coalition and the Cogeneration Coalition of Washington
NRU	NRU Protest	Protest of Northwest Requirements Utilities Requesting the Commission to Deny, In Part, the Proposed RTO West "Stage 2 Filing and Request for Declaratory Order Pursuant to Order 2000"
Nucor	Nucor Protest	Motion to Intervene and Protest of Nucor Steel-Utah, a Division of Nucor Corporation
NW IPPs	NW IPP Protest	Intervention and Protest of Northwest IPPs/Marketers Group (includes Errata Filing)
NWEC	NWEC Protest	Protest of the NW Energy Coalition
NWPPC	NWPPC Comments	Comments of the Northwest Power Planning Council
Oregon	Oregon Comments	Comments (of Oregon Public Utility Commission and Oregon Office of Energy) to the FERC on the Stage 2 Filing of RTO West
PG&E	PG&E Comments	Motion of Pacific Gas and Electric Company for Leave to File Comments Out-of-Time
PGP Coalition	PGP Protest	Motion to Intervene and Protest of the Public Generating Pool, the Washington Public Utility Districts Association, the Western Public Agencies Group, Public Utility District No. 1 of Snohomish County, Springfield Utility Board, Tacoma Power, and the Eugene Water and Electric Board on the Filing Utilities' Stage 2 Filing and Request for Declaratory Order Pursuant to Order 2000
PIOs	PIO Protest	Motion to Intervene and Protest of Public Interest Organizations
PNGC	PNGC Protest	Protest and Comments of PNGC Power to the Proposed RTO West "Stage 2 Filing and Request for Declaratory Order Pursuant to Order 2000"

Shortened Reference to Party	Shortened Reference to Party's Pleading	Pleading Title
PPC	PPC Protest	Protest and Comments of the Public Power Council on the Filing Utilities' Stage 2 Filing and Request for Declaratory Order Pursuant to Order 2000
TRANSLink	TRANSLink Comments	Motion to Intervene and Comments of the TRANSLink Participants
Truckee	Truckee Comments	Comments of Truckee Donner Public Utility District on Stage 2 Filing of RTO West Utilities
UAMPS	UAMPS Comments	Motion and Comments of Utah Associated Municipal Power Systems for Leave to File Comments One Day Out of Time on RTO West Stage 2 Filing
UBS AG	UBS AG Motion	Motion of UBS AG to Intervene
WAPA	WAPA Comments	Motion to Intervene and Comments by the Western Area Power Administration
WIEC	WIEC Comments	Motion to Intervene and Comments of the Wyoming Industrial Energy Consumers Regarding RTO West Stage 2 Filing
Williams	Williams Comments	Comments of Williams Energy Marketing & Trading Company in Support of the Comments Submitted by the Independent Energy Producers Association and the Electric Power Supply Association
WUTC	WUTC Comments	Comments of the Washington Utilities and Transportation Commission
Xcel	Xcel Motion	Motion to Intervene of Xcel Energy Services Inc.

UNITED STATES OF AMERICA
BEFORE THE
FEDERAL ENERGY REGULATORY COMMISSION

Avista Corporation, Bonneville Power Administration, Idaho Power Company, The Montana Power Company, Nevada Power Company, PacifiCorp, Portland General Electric Company, Puget Sound Energy, Inc., Sierra Pacific Power Company	Docket No. RT01-35-005

DECLARATION OF JAMES L. BAGGS, RANDALL O. CLOWARD, RICHARD BAYLESS, DAVID LAMB, AND WAYMAN ROBINETT
IN SUPPORT OF
FILING UTILITIES' REQUEST FOR LEAVE TO FILE ANSWER AND ANSWER TO PROTESTS AND COMMENTS
FILED IN RESPONSE TO RTO WEST STAGE 2 FILING

I, **JAMES L. BAGGS**, am employed by Idaho Power Company ("Idaho Power") as the General Manager, Grid Operations and Planning. I make this declaration on behalf of Idaho Power.

I, **RANDALL O. CLOWARD**, am employed by Avista Corporation ("Avista") as Manager, Transmission Operations. I make this declaration on behalf of Avista.

I, **RICHARD BAYLESS**, am employed by PacifiCorp as Director of Strategy. In that capacity, I serve as PacifiCorp's RTO Team Lead for the Market Design

Technical Group and am the team engineer responsible for addressing facilities issues. I make this declaration on behalf of PacifiCorp.

I, **DAVID LAMB**, am employed by Portland General Electric Company ("PGE") as Manager of System Planning and Engineering. I make this declaration on behalf of PGE.

I, **WAYMAN ROBINETT**, am employed by Puget Sound Energy, Inc. ("Puget") as Director, Wholesale Transmission. I make this declaration on behalf of Puget.

With respect to this declaration, the above individuals declare that any specific references to a company's specific transmission systems are made by the specific representative of that company and not on behalf of any other party.

Some commenters on the Stage 2 RTO West proposal urge that the Federal Energy Regulatory Commission (the "Commission") require the filing utilities to place under RTO West's operational control all facilities used for wholesale service.[1] This is unworkable. As is demonstrated below, using a wholesale-service test to decide which facilities are placed under RTO West's control would impair efficient system operations and create an irrational split between state and federal jurisdiction.

Modifying the Stage 2 approach so that all facilities over which wholesale service is provided, including service provided to the Bonneville Power Administration's ("Bonneville") so that it can serve its public agency customers under General Transfer Agreements, are placed under RTO West's operational control would have a profound

[1] *See* IEA Protest at 6, 9 (asking that "all the facilities over which power is delivered [which includes distribution] be classified as transmission and placed under the control of the RTO," *Id* at 6; and requesting that "all wholesale transmission facilities . . . regardless of voltage level, be included under the control of RTO West," *Id* at 9. *See also* Duke Protest at 10, 12; NRU Protest at 8-9; PNGC Protest at 10, 14-15; Truckee Comments at 7; UAMPS Comments at 3-4, 20, 33.

effect upon the price and quality of service received by all of our retail and wholesale customers.[2] The quality of service for some retail customers (those served on lines used for mixed retail/wholesale service) would be established by RTO West under the Commission's oversight. This would result in differences in retail service standards for retail customers served by retail-only lines and those served by mixed-use lines. As a result, residential and other retail service customers proximately located to each other would be treated differently.

This bifurcation of responsibility for controlling standards of service would diminish the ability of each participating utility and its state regulatory authority to determine the appropriate standards of service for similarly situated retail customers. Increased retail-customer complaints because of different treatment of neighbors and frustration of the state's ability to set retail standards are the predictable consequences.

Moreover, under the commenters' proposal, the cost of some distribution and local transmission lines that are now included in state rate bases would be removed and included in the transmission revenue requirement set by the Commission. The states would therefore lose the ability to control the costs of these facilities, because they are not setting the standards for service, despite the fact that the predominant use of these facilities is for retail service. The resulting costs may be higher than the utilities or states believe is necessary or appropriate for retail service. This, too, would degrade the utilities' and states' ability to fulfill their responsibilities and objectives.

[2] Service provided under the General Transfer Agreements includes service over both higher and lower voltage level distribution facilities.

Under the wholesale-service test, RTO West would control a line simply because wholesale transactions occur on the line. This would result in Avista placing at least one 480-volt line under the operational control of RTO West. Many "upstream" lines and other facilities would also be included, without any consideration of the operational impacts on the entire local transmission or distribution system or on retail customers. The random combination of lines controlled by RTO West and the local utility would have operational impacts. For example, lines with mixed retail and wholesale service would be planned to meet RTO West standards, while nearby retail-only lines—even those of higher voltage—would be planned to meet local standards.

Some examples of the use of our local transmission and distribution systems to serve our retail customers, alongside wholesale customers, may be helpful. In some cases, we have attached five maps, each of which illustrates the points made above.

Example 1: The Idaho Power System. Map 1 depicts the Duffin 043 feeder, a portion of Idaho Power's distribution system. This map is a representative example (neither the worst nor best example) of how Idaho Power's distribution lines are used to provide wholesale service to Bonneville customers and to Idaho Power's retail customers. It is not workable to segregate our local transmission system between retail only and mixed retail/wholesale facilities.

On the feeder map, the ovals represent irrigation pumps. An oval shaded in yellow represents a pump purchasing wholesale service from Bonneville over Idaho Power's distribution line. An oval without shading represents a retail customer of Idaho Power. Specifically, look at sections 2 and 3 in the lower right-hand corner of the map in Township 9 South, Range 23 East. Here, you will notice that A&B Irrigation Company

(yellow oval labeled "A&B") is taking service literally right next to Idaho Power's retail customers off the same wire. In section 3, the device marked X45 represents an open switch that can be closed in the event of an outage. The reference to "Paul-043" represents a connection of the feeder to other feeders and substations located in the same general vicinity that may also be used to serve these wholesale irrigation loads as well as local distribution loads. It is not at all clear which Idaho Power facilities would be designated as serving wholesale customers without including all distribution and local transmission facilities in a wide geographic area.

The wholesale customer may pay a two-segment price to move their energy to load on these feeders. One rate would recover the costs of using high voltage transmission to get to these local facilities, and another rate will recover the costs of using these local facilities. This would not be pancaking as each rate recovers the costs associated with a different class of facility. The neighboring retail customers would also pay a price that recovers both the cost of using high voltage transmission and the cost of using local facilities.

If control of all feeders used to serve wholesale load were transferred to RTO West, the local utility would no longer have the control necessary to quickly reconfigure the distribution system by closing switches and rerouting power in response to local maintenance and load changes. Responses to outages on local transmission and distribution systems would have to be coordinated through RTO West. This coordination would unnecessarily increase the duration of an outage.

Map 2, consisting of three pages, shows Idaho Power's retail service area in the Caldwell and Weiser, Idaho, and the Ontario, Oregon area. It is a single-line electrical

drawing that is not geographically accurate. The map shows a typical example of service in a rural area in which service is mostly retail but includes some wholesale customers served from the same 69-kV subtransmission system. Each dotted-line box on these pages represents a substation. In about the center of the first page is a box labeled "Dead Ox P. P." That is a wholesale pumping plant load of about 2.2 megawatts located between Jacobson Gulch and Holly (both Idaho Power retail loads totaling about 10.5 MW) and served off of our largely retail 69-kV system. On the third page are two boxes representing wholesale loads. Just right of center is Dunaway P. P., a wholesale load of about 1.8 MW and more toward the lower right of the diagram is Gem Irr. Dist. P. P., a wholesale load of over 5 MW. The customers served from the other substations on these maps are overwhelmingly retail. As is clear from these diagrams, service to the wholesale loads is completely dependent on our largely retail 69-kV system.

Example 2: The PacifiCorp System. Map 3 shows PacifiCorp's retail service district in the Lava, Idaho area. The map shows a typical example of service in a rural area in which service is mostly retail but includes some wholesale customers served from the same 46-kV subtransmission system. In the map, line voltage levels are indicated by the voltages shown for the terminating substations (indicated in the circles representing substations). Subtransmission in this type of area is typically on long, low-voltage lines, normally operated radially from the main grid, with line switches that allow loads to be switched to backup feeds following feeder-line outages.

Soda Springs, a municipality, is the only wholesale load in the area. It is marked in blue and served off a substation fed by a 46-kV line, which line is marked in yellow. The Soda Springs load is about 10 average megawatts a year. The other loads served off

the same 46-kV feeder line—Alexander, Grace City, and Cove, all retail loads of PacifiCorp—are about 39 average megawatts. Thus, if the wholesale-service test proposed by some were adopted, the 46-kV feeder line serving Soda Springs would be placed under RTO West operational control, even though the wholesale load is only about 20% of the total load on that line. Besides providing wholesale access and scheduling for wholesale loads on the feeder line, RTO West operational control also means that RTO West would operate the line to meet regional RTO West operational, performance, interconnection, maintenance, and planning standards that probably would be tailored to a more urban or main-grid type of system operation. Main-grid-type standards usually include, for example, a first contingency standard (N-1) that requires the system to withstand a line outage without loss of load. In a radial rural system as in Map 3, this N-1 standard would be impossible to attain on the existing 46-kV system and would require significant costly additions for compliance. If the Soda Springs feeder line were thus operated or upgraded, it would create a large difference in costs and quality of service as compared to the prevailing service for other retail loads in the area (on other feeder lines), while the upgrade costs might be spread to all. Locally derived and approved operational standards and practices would more appropriately reflect the diversity and characteristics of the individual loads in this mainly agricultural area. Switching and other operational functions for the local low-voltage radial rural system might also receive less attention from an RTO concerned with main-grid operations than it would from the local utility responsible for retail service.

If the lines typically used for backup to serve Soda Springs during an outage also had to be placed under RTO West operational control, then the 46-kV line (marked in

green) that serves loads in Simplot, Horsley, Caribou, Trail, Dermac, Conda Junction, Eightmile, and George Junction would also be removed from local jurisdiction (State of Idaho in this case). These loads are about 64 average megawatts. Thus, if both lines were placed under RTO West's control because the lines are used to provide direct or backup service to Soda Springs, the state would lose jurisdiction over lines serving 100 megawatts of load, because about 10% of that load would be to a wholesale nonjurisdictional utility.

PacifiCorp's customers in the entire Lava area, primarily farms and residential customers, would be divided into two camps: 100 megawatts of load with service standards set by RTO West and the Commission, and about 206 megawatts of load with service standards set by PacifiCorp and the State of Idaho.

Map 4 shows PacifiCorp's retail service in the Cody, Wyoming area. The PacifiCorp retail loads are served from substations marked in pink. The Oregon Basin retail load is about 75 megawatts and is served by PacifiCorp facilities. (The PacifiCorp 230-kV line shown on this map will be placed under RTO West operational control.)

However, the remaining PacifiCorp retail loads—Celotex; Husky; South Cody; Pitchfork; west of Meeteetse; on the Wyoming side of the border near Cooke City, Montana; a tunnel near Shoshone; and west of Ralston—are all served off facilities owned by Western Area Power Administration or other nonjurisdictional utilities. This service is provided off lines of 69 kV, 34.5 kV, and 12 kV. As a wholesale customer of these nonjurisdictional utilities, PacifiCorp obtains local transmission services sufficient to serve its retail load of about 73 average megawatts in this area. Because these transmission providers are nonjurisdictional, they are not subject to Order 2000.

Consequently, PacifiCorp's retail customers would be provided service based on the local standards of nonjurisdictional utilities, even though the service over those utilities' facilities is wholesale service.

Example 3: The Avista System. Map 5 is a distribution map of a portion of Avista's distribution system that serves the Clarkston, Washington area. This map is a representative example of how Avista's distribution lines are used to provide wholesale service to Bonneville's customers (through Avista's General Transfer Agreement with Bonneville) and retail service to Avista's own customers. The wholesale load of the highlighted distribution lines makes up only approximately 3 to 7.5% of the total load for that line. RTO West control of all lines that service any wholesale customers would include some of Avista's distribution lines, which are primarily used to serve retail customers. It is not possible to classify lines based on a wholesale/retail service standard, because of the mixed nature of systems like Avista's.

Example 4: The PGE System. On PGE's system, the wholesale transmission service PGE provides to Bonneville's customers is typically a small fraction of the total load on any given facility. For example, PGE provides 100 kW of transmission service to the Western Oregon Co-Op, a Bonneville customer, at the 13-kV level. The wholesale load represents 1.5% of the use on the nine-mile, 13-kV distribution system and 0.6% of the use on the 57-kV transmission system. In all but one case, wholesale transmission provided to Bonneville customers comprises less than 50% of the total load on the facility.

Example 5: The Puget System. Puget's delivery system is used primarily for retail load service, with a secondary purpose of providing and supporting wholesale

service. These facilities are predominantly used for bundled retail service under the WUTC jurisdiction, and are also used to provide delivery service under a state-mandated retail access program. Puget classified facilities that are used both for retail distribution and wholesale transmission service as distribution facilities in conjunction with the state-mandated retail access program.[3] The WUTC approved Puget's classification. Because these facilities sometimes are used for wholesale transmission service, they also are subject to the Commission's jurisdiction under Commission approved rates for wholesale distribution service. That decision was reached in *Puget Sound Energy, Inc*., 98 FERC ¶ 61,168 (2002), at 61,622; *rehearing denied,* 99 FERC ¶ 61,134 (2002).

The state mandated retail access program applies only to Puget and creates a regulatory environment for Puget that is unique, even among utilities in Washington state. Because of the unique regulatory environment in which Puget operates, including all wholesale facilities within RTO West is not necessary or workable. Indeed, placing Certain Distribution Facilities under RTO West's operational control would undercut the WUTC's ability to regulate bundled retail service and to oversee the retail access program. Puget understands that the WUTC views its continued jurisdiction over the Certain Distribution Facilities as being necessary to fulfill its regulatory obligations.

The Stage 2 proposal sought to balance protections for wholesale transmission customers with the need for state regulation of these distribution facilities.[4] Eliminating

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[3] These facilities are referred in the Stage 2 filing as "Certain Distribution Facilities."

[4] The Transmission Operating Agreement ensures that wholesale transmission customers are protected and that access over Certain Distribution Facilities is assured through RTO service. For example, RTO West, not the transmission owner, provides the transmission service over the Certain Distribution Facilities. The transmission owner must facilitate that service. RTO West may order upgrades of Certain Distribution Facilities to improve reliability and system-wide capacity. RTO West exercises operation and maintenance (cont'd)

the category of Certain Distribution Facilities would override the very flexibility that the Commission has encouraged in Order 2000 and would probably lead to WUTC disapproval of Puget's participation in RTO West.

Conclusion

The above examples are offered to help illustrate why the simplistic proposal that all facilities used for wholesale service be placed under RTO West's operational control is unworkable. Other examples could be provided from throughout RTO West's service area.

The practical effect of including all facilities used for wholesale service in RTO West would be either to hopelessly balkanize our delivery systems, including local transmission distribution (with the corresponding prospect of "dueling" standards, regulation, and pricing applicable to neighbors taking service off the same line), or to effect a complete transfer to federal regulatory jurisdiction of entire filing utilities' delivery systems, including distribution. Neither of these results are acceptable in the context of voluntary formation of an RTO. The companies believe either result would materially impair their ability to provide cost-effective local service. We also believe that neither of these results is likely to be acceptable to the state commissions with regulatory jurisdiction over investor-owned filing utilities' retail services.

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authority over these facilities as necessary for their transmission function. RTO West will include Certain Distribution Facilities in its planning process. The quality of service over these will be the same as service over the facilities controlled by RTO West.

This declaration may be signed in counterparts, each of which will be deemed an original.

To the best of our knowledge and belief, we hereby declare under penalty of perjury that the testimony we have given is true and correct.

Dated this _____ day of June, 2002.

IDAHO POWER COMPANY

By: _____
James L. Baggs

AVISTA CORPORATION

By: _____
Randall O. Cloward

PORTLAND GENERAL ELECTRIC COMPANY

By: _____
David Lamb

PACIFICORP

By: _____
Richard Bayless

PUGET SOUND ENERGY, INC.

By: _____
Wayman Robinett

Attachment C
Table of Clarifications and Corrections for
Erroneous Interpretations of or Assertions Concerning Stage 2 Filing Documents

Document and Section or Issue in Question	**Intervenor's Assertion**	**Correction/Clarification**
TOA Section 2.6	PTOs should be required to continue nonpancaked service after termination. Truckee Comments at 9.	The TOA addresses this issue. Section 2.6 requires a terminating PTO to continue providing transmission service to RTO West to enable RTO West to continue to honor the terms of any service agreements it entered into before the PTO terminated.
TOA Section 5.1	TOA discriminates in favor of filing utilities by prohibiting RTO West from adopting interconnection standards that might cause financial impact on PTOs. NWEC Protest at 10-11. *See also* OPUC Comments at 4.	Section 5.1 gives RTO West the authority to adopt interconnection standards that supersede the owner's standards. The only limits on RTO West are that its standards must be "consistent with applicable regulatory requirements and industry standards" and must "not have a material adverse impact on the Executing Transmission Owner's Electric System or Interconnected Loads (including financial impacts)." The filing utilities intend that the reference to "financial impacts" prevent only the imposition on its loads of unreasonable costs to comply with the new standards.
TOA Sections 5.1, 5.3.1, 5.3.2, 10.3.2, 14.6.1.	The generation interconnection proposal assigns too much control to the filing utilities. Generation interconnection authority should be under the control of the RTO. UAMPS Comments at 12; MCC Protest, Dunn Affidavit at 11; NW IPP Protest at 24-25; Truckee Comments at 6; Duke Protest at 12.	The assertion that the owners will control the interconnection process in each of their service territories is inaccurate. In fact, RTO West will manage the interconnection process. RTO West has the power to set its own standards (within reasonable limits) and to compel an owner to participate in an expedited arbitration process pursuant to Section 5.3.2 when interconnection with a requesting party does not occur rapidly.

Document and Section or Issue in Question	Intervenor's Assertion	Correction/Clarification
TOA Section 5.3	Proposal prevents direct-access customers from exercising their right to obtain access from any entity willing to provide service. ICNU Protest at 24-25.	Section 5.3 requires PTOs to allow interconnections by Electric Utilities and Generation Owners. Nothing in Section 5.3, however, prohibits interconnections by direct-access entities in states or service areas where they have such right.
TOA Sections 5.3 and 14	Requirement that PTOs cooperate with requests by Electric Utility or Generation Owner to interconnect and exclusion of other third-parties seeking to build merchant transmission lines for the opportunity to create and sell new transmission rights should be amended to include other qualified third-party sponsors seeking to expand the system, not only utilities or generation owners. NWEC Protest at 11.	This comment appears to reflect both an overreading of Section 5.3 and a failure to recognize the expansion provisions of Section 14. Section 5.3 relates only to interconnection of new generators or load-serving utilities. Interconnection related to expanding or upgrading the transmission system is covered by Section 14, and the provisions of Section 14 are not limited to any particular type of entity. They apply to any "third-party sponsor."
TOA Section 6.7.5	Only PTOs may dispute RTO West's calculations of ATC and TTC. ICNU Protest at 25.	The RTO West tariff will provide a means for all customers to dispute RTO West's calculation of ATC and TTC through Dispute Resolution.
TOA Section 6.7.7	Filing utilities retain the ability to decide whether institute a process at RTO West that might lead to market power screens. PGP Protest at 58.	Section 6.7.7 requires RTO West to establish a market power and price mitigation program if three conditions are satisfied. Nothing in the proposal, however, prohibits or limits RTO West's ability to establish market power screens.
TOA Section 14.2	Unclear whether PTOs' right to submit a bid to construct an upgrade or expansion is exclusive. ICNU Protest at 18.	The PTOs' right to submit a bid pursuant to Section 14.2 is not exclusive.

Document and Section or Issue in Question	Intervenor's Assertion	Correction/Clarification
TOA Section 14.6	PTOs may veto third-party expansion projects by withholding their agreement. ICNU Protest at 17.	Nothing in Section 14.6 or any other provision of the TOA allows a PTO to veto third-party expansion projects. The last sentence of Section 14.6.1.2 explicitly states that RTO West determinations related to third-party projects are subject to the RTO West Arbitration Process. Moreover, Section 14.3 requires PTOs to support upgrades or expansions RTO West determines are necessary and third-party projects that meet RTO West's standards for interconnection.
TOA Section 16.2	The Commission stated that it is acceptable for Transmission Owners to "enter into agreements with RTO West regarding their revenue requirement and how it will be recovered through the RTO West tariff and file such agreements with the Commission as rate schedules." Thus, a Transmission Owner remains capable of seeking changes to its rates, but, consistent with the goals of an RTO, it may only do so with the consent of RTO West and to the extent consistent with the RTO West Tariff. Section 16.2 therefore should be deleted consistent with the Commission's April 26 ruling. Duke Protest at 16-17.	The Commission's April 26 Order expressly permits the unilateral revenue requirement filings by transmission owners: "Furthermore, transmission owners can make such revenue requirement filings unilaterally to the Commission where they cannot reach consensus with RTO West." April 26 Order, slip op. at 34. Section 16.2 is consistent with the April 26 Order.

Document and Section or Issue in Question	Intervenor's Assertion	Correction/Clarification
TOA Section 16.2	The Commission's direction to establish uniform region-wide transmission rates and charges, and to limit the authority of Transmission Owners to seek changes in such rates, charges and fees for services provided, was made clear in its April 26 Order. Duke Protest at 16.	The Commission's April 26 Order never references "uniform region-wide transmission rates and charges." The Order provides that the RTO, as the sole administrator of the RTO tariff, shall incorporate the revenue requirements of its members (as approved by the Commission) into a "single, cohesive transmission tariff it will administer for the region." April 26 Order, slip op. at 34.
TOA Section 16.2 (Should be TOA Section 16.3)	Section 16.2 is inconsistent with the Commission's direction to RTO West to revise the TOA "to eliminate the authority of those transmission owners that are not independent of market participants, to unilaterally file with the Commission to establish or change rates under the region-wide RTO tariff." Duke Protest at 16.	The Commission's order addressed the provisions concerning innovative rate proposals by transmission owners, which are addressed in Section 16.3, not Section 16.2. The filing utilities have revised Section 16.3 as directed by the Commission's April 26 Order. Section 16.2 (described above) simply reserves a transmission owner's rights under applicable law and policy to develop rates, charges and fees, which it will assess for RTO West's use of its facilities. Section 16.2 simply makes it clear that the owner is not contractually waiving its right to do that which the law permits.
TOA Section 17.5	RTO West's proposed rate includes costs that the Federal Power Act does not allow (*e.g.*, cross subsidy of its generation function). Alcoa Protest at 9.	Section 17.5 is intended to address participation in RTO West by municipal and publicly owned nonjurisdictional transmission providers.

Document and Section or Issue in Question	Intervenor's Assertion	Correction/Clarification
TOA Section 18	The TOA grants the filing utilities direct control over RTO West's entire budget and over the business practices RTO West will be obligated to follow. UAMPS Comments at 12-13; ICNU Protest at 17; Truckee Comments at 6.	Section 18.2.2 allows the owners of multi-billion-dollar assets over which RTO West receives operational authority nothing more than the opportunity to comment on RTO West's management and budget control. This does not amount to compromising the independence of RTO West.
Exhibit H to TOA	Customers who suspend pre-existing PTP contracts and convert to RTO West service must pay a Transfer Charge for the entire Company Rate Period, even if the pre-existing contract would have expired during the Company Rate Period. Alcoa Protest at 4.	This provision applies only to PTOs. The concern is that the merchant function of a PTO could terminate a pre-existing PTP contract with another PTO, used to serve the first PTO's load service obligations, and begin purchasing transmission service from RTO West priced only at the first PTO's own Company Rate. This would shift revenues among the PTOs during the Company Rate Period, a result the filing utilities are trying to avoid. Because a non-PTO, such as Alcoa, a direct service industrial customer of Bonneville, would not have its own Company Rate, which it could apply to new service, it would continue to be an Interconnected Load of the PTO and would pay the PTO's Company Rate if it replaced a pre-existing contract with new service from RTO West.

Document and Section or Issue in Question	Intervenor's Assertion	Correction/Clarification
Exhibit H to TOA	The required extension of certain pre-existing contracts favors PTOs, particularly Powerex, and violates a Bonneville rate case settlement agreement. PGP Protest at 80-84.	The intent of this provision is *not* to favor the PTOs but rather to limit their freedom of action during the Company Rate Period. PTOs are prohibited from terminating payments under pre-existing contracts in order to avoid cost and revenue shifts among the PTOs. As described by the PGP Coalition, the Powerex contract with Bonneville from Big Eddy to the Nevada border does not appear to be necessary to serve Powerex's own load service obligation and thus would not be subject to mandatory extension. The applicable provision in Exhibit H does not apply to the Powerex contract. Even if this were not the case, the rollover rights pursuant to the OATT settlement would be "limited to three (3) consecutive rollovers of one (1) year each following the termination of the current Service Agreement."
Exhibit H to TOA	Filing does not consider how Transfer Charges change over time. NRU Protest at 31 n.23	The Transfer Charge Adjustment section of Exhibit H addresses how Transfer Charges may change over time.

Document and Section or Issue in Question	Intervenor's Assertion	Correction/Clarification
Exhibit P to TOA	"RTO West Arbitration Process" is not defined in Exhibit P. The references in Exhibit P are to "Transmission Facilities" and possibly "Certain Distribution Facilities" and would appear to exclude Exhibit D facilities from any such dispute. PNGC Protest at 18.	The definitions in Exhibit A to the TOA, including the definition of "RTO West Arbitration Process," apply to Exhibit P. The reason Exhibit P does not address RTO West Controlled Transmission Facilities (which are the facilities listed on Exhibit D to the TOA) is because the provisions of Exhibit P are not necessary for RTO West Controlled Transmission Facilities. RTO West already has ample means (through its authority to require upgrades and expansions to meet Transmission Adequacy Standards or to make Congestion Management Assets sufficient, among other things) to resolve any problems with service across the facilities over which it exercises operational control. These provisions are all subject to dispute resolution under the TOA. To the extent any problems related to RTO West Controlled Transmission Facilities adversely affect the terms and conditions of service under the RTO West tariff, affected customers may use the tariff dispute resolution process.
Filing Letter to Stage 2 Filing at 29 n.29 and TOA Section 4.2	Unclear whether EIAC will apply to transactions between RTO West and an Independent Operator. Truckee Comments at 17 n.26.	The EIAC will apply when a transaction reaches external interface access points at the boundary of the combined RTO West and [Canadian] Independent Operator systems.
Stage 2 Filing at Attachment E1 (Pricing Proposal)	Because the revenues associated with a utility's use of its own system do not flow through the Replacement Revenue Pool, RTO West would be unaware of this usage. PPC Protest at 15-16.	This is false. RTO West will be aware of revenue credits included in PTOs' revenue recovery rate filings. RTO West will use these data and all other data at its disposal in making any proposal to the Commission concerning revenue recovery backstop.

Document and Section or Issue in Question	Intervenor's Assertion	Correction/Clarification
Stage 2 Filing at Attachment E1 (Pricing Proposal)	The EIAC should be rejected because an under recovery will occur and the EIAC is applied in a discriminatory manner. PPC Protest at 15-16.	The request for a prospective ruling is a request that the Commission decide now that RTO West will make a discriminatory filing in the future if under-recovery occurs and that it will target that recovery unfairly. The proposal is that RTO West would file with the Commission for approval of a modification of its tariff when and if the cumulative over- or under-recoveries exceed boundaries based on the highest and lowest revenue figures experienced in a historic reference period. The only thing at issue is whether it is appropriate for RTO West to propose and file a remedy. The examples provided were only cited to give examples of what RTO West might propose to the Commission. With regard to the fairness of the examples, "targeting" recovery is the same thing as using cost causation for determining allocation of costs and does not violate the "just and reasonable" standard for setting rates. If a filing utility's load is growing, which reduces the available capacity for sale as FTOs, then the utility is causing the reduction in revenues by making greater use of the system. In such a case it would be appropriate to allocate a greater share of the revenue requirement, consistent with long-standing regulatory practice on cost causation. On the other hand, if everyone's use of the system is growing, then a general allocation of costs, using an appropriate allocation factor related to that growth, is also a just and reasonable outcome.

Document and Section or Issue in Question	**Intervenor's Assertion**	**Correction/Clarification**
Stage 2 Filing at Attachment E1 (Pricing Proposal)	The EIAC is discriminatory because a PTO merchant's own use of the external interface points does not pass through the Replacement Revenue Pool but is credited against the Company Rate. PPC Protest at 15-16.	The Revenue Recovery Target does not include the historic usage of a PTO merchant's use of its own system. This would have likely doubled the Revenue Recovery Target. To make matching adjustments, one must either include this "own use" in the Revenue Recovery Target and then pass the "own use" revenues through the Replacement Revenue Pool, or one may leave the "own use" out of the target and directly credit them instead of sending "own use" through the pool. Both provide matching adjustments; the filing utilities chose the latter set of matched adjustments. If directly credited, the "own use" revenues will lower the revenue requirement used to set the owner's Company Rate, so any entity paying the Company Rate will benefit.
Stage 2 Filing at Attachment E1 (Pricing Proposal)	Unclear whether load growth service must be procured from RTO West rather than provided under pre-existing agreements. NRU at 19 n.8	If a non-converted pre-existing contract includes the right to receive service for load growth, the provisions of the pre-existing contract will be honored. *See* Section 8.3.1.
Stage 2 Filing at Attachment E1 (Pricing Proposal) at 15, 16	Unclear why only existing customers will pay Company Rate. Truckee Comments at 17 n.26.	The pages of the RTO West Pricing Proposal cited in this comment discuss service to existing customers because they describe *Non-Converted Service* (which is relevant only to pre-existing contracts that are not converted). The cited section does not explain application of the Company Rate. New customers served from a given PTO's facilities will pay the Company Rate of that PTO during the Company Rate Period.

Document and Section or Issue in Question	Intervenor's Assertion	Correction/Clarification
Stage 2 Filing at Attachment E1 (Pricing Proposal) at 19	Unclear why PTOs do not establish a rate for service to new loads. Truckee Comments at 17 n.26.	What is meant by the cited statement is that PTOs do not establish a *separate* rate for new loads. New loads are charged the Company Rate of the applicable PTO during the Company Rate Period, as is the case with existing native load customers that are not served under pre-existing contracts (as well as customers that elect to convert certain types of pre-existing contracts).

GLOSSARY

PTO:	Participating Transmission Owner
TOA:	Transmission Operating Agreement
EIAC:	External Interface Access Fee
April 26 Order:	*Order Granting, with Modification, RTO West Petition for Declaratory Order and Granting TransConnect Petition for Declaratory Order*, 95 FERC ¶ 61,114 (2001).