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ILLUSTRATIVE SUMMARY OF AN RTO WEST IMPLEMENTATION PLAN

This illustrative plan summary outlines the key elements and set of activities that must be undertaken by RTO West to become operational. This describes the interrelationship of the major development components and their relative duration to completion. It is included here for illustrative purposes only and does not reflect the definitive sequence of events to be agreed by the filing utilities. The filing utilities are working to develop a detailed plan with target dates and proper activity sequencing. They expect to submit to the Commission, within 60 days, a detailed implementation proposal including timelines. While a number of activities will be undertaken in the near future, a commitment to all elements of such a plan must be dependent upon Bonneville Power Administration's participation in RTO West, the Participating Transmission Owners' management approval, state regulatory approval and assurance of cost recovery for the financial commitment expended to date and necessary to implement this plan before RTO West's major long-term financing approval.

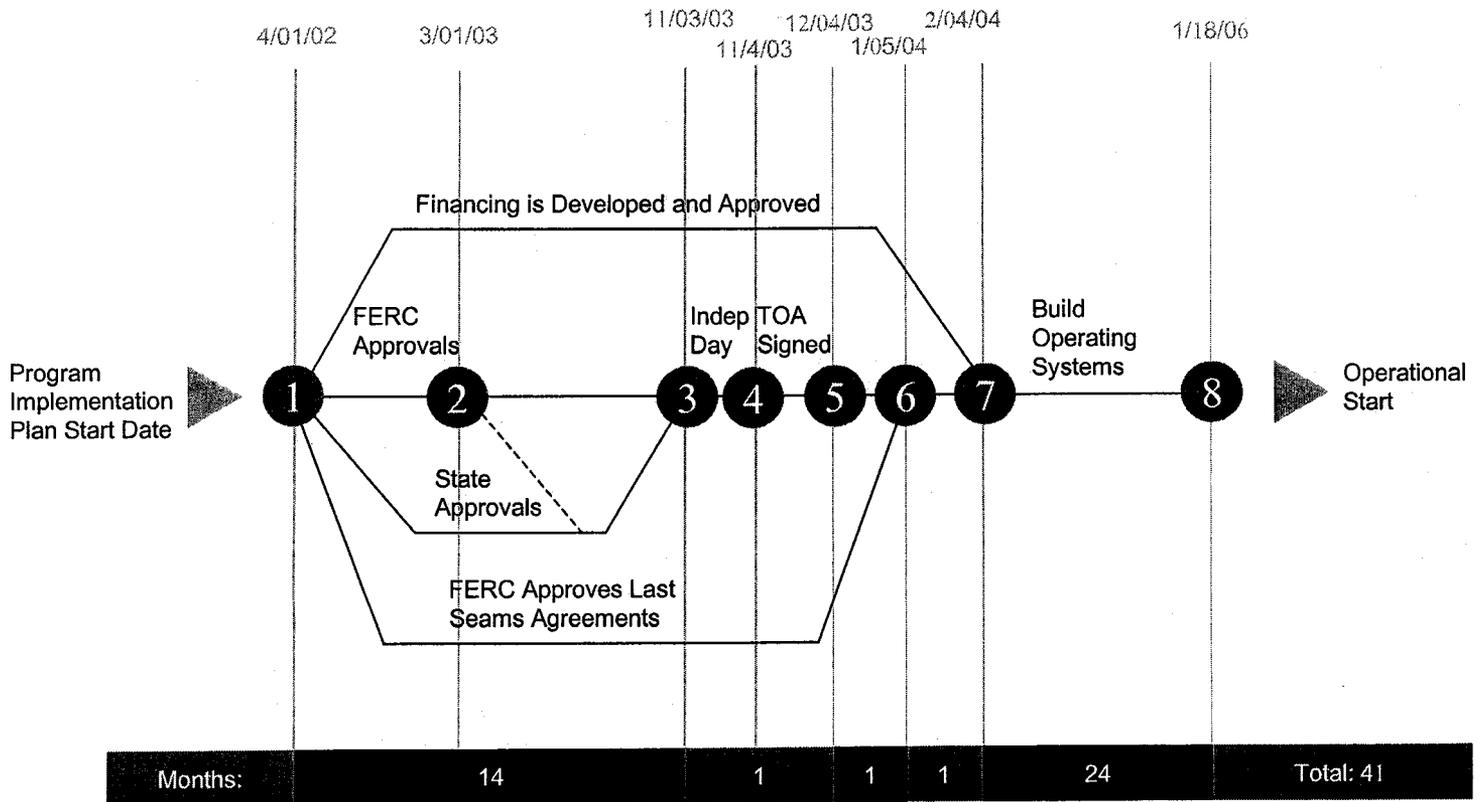
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PLAN SUMMARY

2.1. Overview of the Program Implementation Plan

There are seven critical path milestones that organize the Program Implementation Plan (the Plan) for RTO West implementation.

Chart 2.1 Critical Path Diagram



A more detailed look at the main elements follows.

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Approval of RTO West Financing. Tasks that prepare for major long-term financing that will enable RTO West to be self-sustaining and tasks that execute financing.

FERC Approval of Seams Agreements. Finalization and approval of all necessary Seams agreements that must be in place in order for RTO West to operate effectively.

Startup: Operations and Business Infrastructure. All tasks necessary to develop the operational systems and business processes, including all human resources requirements, and begin operating as a going concern.

Upon completion of these work tracks the Program Implementation Plan ends and RTO West operational start occurs.

2.3. *Scheduled Outcomes*

In preparing the Plan a “bottoms up” method was used with no pre-set end date to constrain the outcome.

Chart 2.3 Completion Dates of Critical Path Milestones

Critical Path Milestone	Scheduled Date of Completion
• Project Start Date	April 1, 2002
• FERC Approvals: OATT	March 1, 2003 (w/ Most Seams July 1, 2003)
• State Regulatory Approval	November 3, 2003
• Independence Day	November 4, 2003
• TOA Signed	December 4, 2003
• FERC Approves Last of Seams Agreements (post Independence, with Scheduling/OASIS)	January 5, 2004
• Major Financing Approved	February 4, 2004
• RTO West Starts Operations	January 18, 2006

2.4. *Incorporation of a Program Management and Systems Integration Office in the Plan*

Because RTO West has significant scale and scope, and associated complexity, implementation success will largely hinge on leadership. Certainly the selection of an RTO Interim Leader is a vital component in the leadership challenge. But the leader, whether interim or permanent, will need clear responsibilities and authority to be effective.

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RTO West before Independence Day is capable of funding and directing implementation. Its nature requires an experienced industry executive and experienced project manager as the interim lead. Prior to an independent Board, FERC has specified that funds may not be spent on certain types of significant activities with substantial consequences and that such binding decisions must be made by the Board.

Operating within these guidelines requires skill to:

- Increase the likelihood of staying on schedule or within budgeted costs,
- Assure FERC that all stakeholders assisted RTO West as build out to operational start occurred,
- Reduce conflict filing utilities may experience between federal and state directives.

Because the restrictions before Independence Day (“significant” activities, “full” stakeholder process) are subjective, the project manager will be required to exercise a great deal of judgment in moving ahead when dissent arises, without risking early termination.

The Plan incorporates a program management office and systems integration office (PMO, or “program management office”) based on the discussion above and as part of the support structure for an interim leader. There are three main categories of work scheduled in the PMO:

- Time to plan and contract for the PMO’s process, work plan, and team,
- Time to clarify the PMO’s authority and communications procedures,
- Time to mobilize and put processes in place.

2.5. Plan Structure and Implications

2.5.1. Underlying Regulatory Context

The critical path milestones in the Plan minimize regulatory related risks that funds dedicated to developing RTO West will be stranded, i.e., not recoverable in rates or convertible to an RTO loan from the filing utilities.

Because of regulatory and governmental uncertainty, the preferred way to minimize risk is to minimize the expenditure of funds until critical regulatory approvals are achieved – notably FERC approvals and in particular state and other jurisdictional approvals. However this approach recognizes that to do only regulatory related work until approvals are achieved means that RTO West will not start operations until much later. The Program Implementation Plan is designed to load as many low cost activities into the years preceding state and regulatory approvals as possible, in order to help shorten the time from start of implementation to start of operations.

It is assumed that all regulatory approvals are important. Other RTOs or ISOs that have been approved by FERC have gone forward without specific state approvals. And although no other

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RTO or ISO has been either delayed or scrapped because of intervention by Congress, it is uncertain whether BPA's position in the Northwest will cause a unique outcome.

Because the assumptions in and associated constraints on the Plan make it somewhat inflexible – and because there may be higher cost implications as a result – a more extensive risk and tradeoff analysis may be merited. For example, how much risk would be involved with earlier funding and/or earlier independence? Or, if FERC approved a funding mechanism, such as recovery of funds spent on RTO West through wholesale transmission rates, would this be sufficient to increase the near-year implementation activities? Or, would BPA join later if RTO West is up and running?

2.5.2. Two Distinctive Structural Phases to the Plan

The Plan has two distinctive structural phases. State and Federal regulatory filings (as well as considerations of the Northwest Congressional delegation) are the primary drivers of the first 18 months of the Plan. The subsequent two years are wholly driven by hiring, operations and other systems build out.

Deferral of activities to the second phase places substantial pressure on builders to prudently spend significant amounts of money in a short time. Such build and spend patterns tend to yield delays and more costs than were planned. Delays and costs stem from higher system failure rates or the late arrival of permanent senior management. Once a Chief Executive becomes responsible for the institution, delays in this Plan are likely in order to avoid risks of failure at operational start, or undue conflicts with stakeholders over pace.

2.5.3. Comprehensiveness of the Plan

The Plan's details span over 600 tasks. There are over 25 major assumptions that govern the Plan. The build out of RTO West takes, from the April 1, 2002 start, approximately four years or 46 months.

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2.6. Financial and Business Tasks

The chart below details the main tasks in the financial and business processes element of the Plan.

Chart 2.4 Task Details for Financial and Business Process Development Requirements

ID	Task Name	Start	Finish	2002				2003				2004				2005				2006	
				Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2
58	Financial/Business	Wed 5/1/02	Wed 1/4/06	[Gantt bar spanning from Q1 2002 to Q2 2006]																	
59	Business and Financial Planning	Wed 5/1/02	Wed 7/31/02	[Gantt bar from Q1 2002 to Q3 2002]																	
60	Conceptual Business Model/Plan	Wed 5/1/02	Wed 7/31/02	[Gantt bar from Q1 2002 to Q3 2002]																	
63	Financing Options	Wed 5/1/02	Mon 7/1/02	[Gantt bar from Q1 2002 to Q2 2002]																	
70	Procurement Model	Wed 5/1/02	Thu 6/13/02	[Gantt bar from Q1 2002 to Q2 2002]																	
73	Submit and Obtain Board Approvals for Model, Financing and Procurement Track	Tue 7/2/02	Mon 7/15/02	[Gantt bar from Q2 2002 to Q3 2002]																	
74	Financing	Tue 7/2/02	Wed 2/4/04	[Gantt bar from Q2 2002 to Q4 2003]																	
75	Prepare RFP for Financing	Tue 7/2/02	Wed 7/31/02	[Gantt bar from Q2 2002 to Q3 2002]																	
76	Select Financing Agent	Thu 8/1/02	Fri 8/30/02	[Gantt bar from Q3 2002 to Q4 2002]																	
80	Develop Financing Deal	Sun 9/1/02	Fri 11/29/02	[Gantt bar from Q4 2002 to Q1 2003]																	
81	Complete Financing Deal	Fri 12/5/03	Wed 2/4/04	[Gantt bar from Q4 2003 to Q1 2004]																	
82	Public Information and Communication Program	Wed 5/1/02	Wed 1/4/06	[Gantt bar spanning from Q1 2002 to Q2 2006]																	
83	Develop and Approve Plan	Wed 5/1/02	Mon 7/1/02	[Gantt bar from Q1 2002 to Q2 2002]																	
84	Establish Regularly Scheduled Meetings	Tue 7/2/02	Wed 7/31/02	[Gantt bar from Q2 2002 to Q3 2002]																	
85	Conduct Meetings	Mon 8/5/02	Wed 1/4/06	[Gantt bar from Q3 2002 to Q2 2006]																	
128	Develop and Implement Website PR Content	Tue 7/2/02	Fri 8/30/02	[Gantt bar from Q2 2002 to Q4 2002]																	
129	Develop and Implement Communications Log and Repository	Tue 7/2/02	Wed 7/31/02	[Gantt bar from Q2 2002 to Q3 2002]																	

2.6.1. Business and Financial Planning

RTO West will be an operator responsible for ensuring network reliability and open access to the transmission system in the Pacific Northwest. It will perform its responsibilities as an institution and an enterprise. To be self-sustaining, it must be financed. And to be financed it must have a clear business plan as the basis for defining financial requirements and evaluating financial options given the risks inherent in the enterprise.

2.6.1.1. Business Planning

The Plan includes several tasks that result in a business plan and associated financials. They are scheduled for the first two years of the overall development and build out period. Early completion of these tasks best positions RTO West to activate financing expeditiously as regulatory approvals are obtained and Independence Day is declared.

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Business planning is typically subordinated to the overriding focus on building core operating systems when starting up an RTO. The importance of operating systems is certainly a predominant focal point. But business planning properly done is a useful discipline for ensuring a comprehensive perspective on the essential institutional and enterprise challenges that will be as important to long-term success, in addition to the operating systems.

2.6.1.2. Selection of Financial Advisor

A critical decision that RTO West must make is whether to select a financial advisor early. The financial advisor will play a lead role in developing the enterprise business plan and identifying financing options that fit that plan.

Typically financial advisors are investment banks that couple their advisory assistance with underwriting services as part of executing the financing package. The experience from some ISO formations is that investment banks may uncouple their advisory and underwriting services if they have an opportunity to win the underwriting job, even though they are not guaranteed it.

2.6.1.3. Procurement Model

The Plan includes tasks for developing and selecting the *procurement model* that RTO West will use to acquire critical operations and business systems. RTOs throughout the US have used several different procurement models from a single source prime contractor to a multiple-contractor system that is managed by the RTO's staff, seconded employees, or a mix of various staff types and consultants in a program management office.

The Plan schedules at the front end a process for procurement model selection. The potential for revisions has been included in the program management office. It takes the form of regularly scheduled evaluations and modifications of the Plan to ensure it reflects the reality of the build out on an ongoing basis.

2.6.2. Financing

The Plan schedules preparation for several tasks related to securing long-term financing before Independence Day. However, the Plan holds execution of any transaction until after Independence Day and hiring the permanent chief executive (CEO). Most financial institutions will not execute until responsible parties are in place in a legitimate independent institution, with the regulatory assurance that it can collect revenue and pay bills. The speed of the financing will depend on how quickly a CFO is hired, and FERC approves the finance application.

2.6.3. Public Information and Communication Program

Included in this element of the Plan is the public information and communications tasks required to ensure effective stakeholder relationships, as well as positive relationships with political leaders nationally, regionally, at the state level, and locally.

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These tasks are scheduled to continue from the start to the finish of the Program Implementation Plan. Properly executed, there will be a transition of responsibility from external and temporary resources to permanent RTO West staff.

2.7. Legal and Regulatory Tasks

The legal and regulatory tasks include the Stage II filing, an Open Access Transmission Tariff (OATT), supplementary filings for procedures that are more detailed than tariff (protocols), and placeholders for review by non-FERC regulators of utilities. Seams agreements are integrated into the OATT and protocol stages. Most legal filings at FERC are planned to result in a decision in 90 days, with a 90 day period for seeking clarifications or rehearing.

This report uses the term “state approval” as a short-cut reference to all non-FERC jurisdictional utility regulatory approvals, be they state, municipal, provincial, or congressional. RTO participation is currently voluntary on the part of FERC regulated entities, and even these utilities require state regulatory approval to transfer operational control of transmission assets and make that choice. The internal milestones of state, congressional, BPA, or provincial review and approval are not included in the Plan. Placeholders for these items are used based on the information available at this time.

Other filing activities are: a 205 filing for the RTO’s own cost of service, a 205 filing for determining revenue requirements of each utility’s transmission assets under RTO control, a 203 filing for the transfer of assets and any contract obligations the RTO will be assuming, a 204 filing for authorization of the RTO’s borrowing and financing activities, SEC review of filings that may be required for borrowing or other activities not yet determined, IRS review of a non-profit application, 205 review of miscellaneous agreements referenced in current Stage II materials, and other miscellaneous legal work needed to support the project management and executive team.

Note that the FERC review of assets to be transferred and related revenue requirements is assumed to be consistent with the assets states have previously authorized can be transferred to RTO control. The formation of a state panel is a possibility included in the Plan, perhaps for further discussion of the cost-benefit study during the Stage II review process.

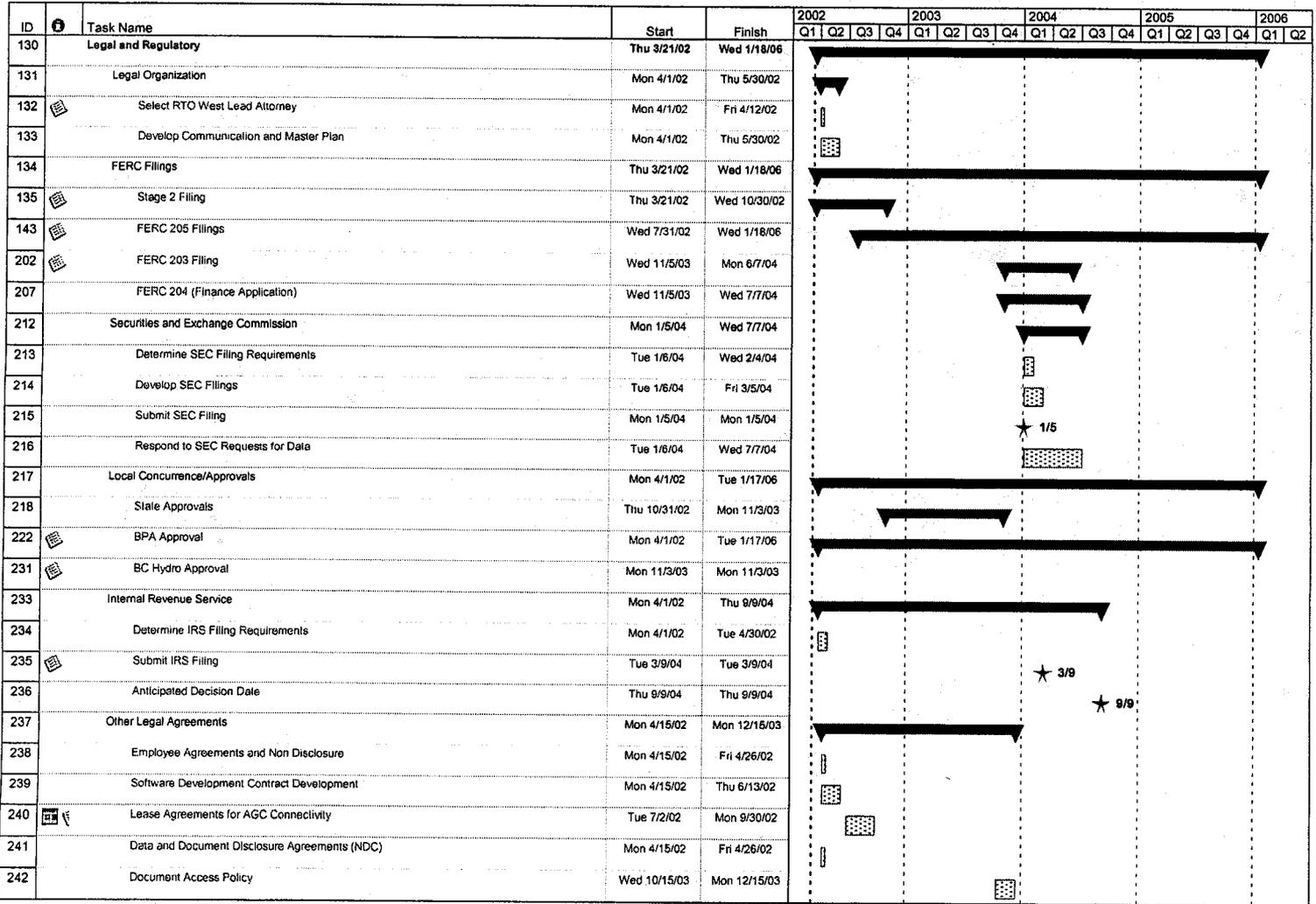
Work that post-dates the seating of an Independent Board is likely to have dates refined closer to execution. Many of the legal and regulatory tasks that are triggered by Independence Day are scheduled as early as possible. None of this work is currently on the Plan’s critical path, therefore the placement of these items in the schedule is at this time more discretionary and probably too optimistic.

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Chart 5 shows the details of the legal and regulatory tasks required to start-up RTO West.

Chart 2.5 Task Details for Legal and Regulatory Process Requirements



2.8. Operations Tasks

Building out operations systems, business and human resources infrastructure, and critical financial systems – including billing and settlements – is on the critical path. Once regulatory approvals are completed, the Plan schedules simultaneous parallel development of all major systems required for operating the network, associated markets, and ensuring a sustainable business. Chart 6 summarizes the main tasks and associated schedule for the Operations element of the Plan.

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The first task in Operations related sequence is an As Is/Gap Analysis Infrastructure Review. The As Is review has been scheduled because the assumption is that existing systems can be used or modified by RTO West and they will reduce costs. To do so, the existing systems must be mapped, vintaged, and operating related processes matched against market design requirements. Once this is done, the tasks of assessing options for how to procure and develop critical systems are scheduled.

The build out schedule for critical infrastructure is divided into two more or less parallel paths – seams-dependent and seams-independent. Seams-independent systems start sooner than seams-dependent systems. Both are completed with significant time built into the Plan for testing and certification of systems.

Testing regimes include tests of major systems for proof of capability to meet all specifications and design requirements. Business simulations are then conducted to stress systems and identify flaws that may undermine smooth operations. Following business simulations, the entire process stream from inbound schedules to outbound bills and settlements are tested rigorously.

Certification follows testing. NERC certification of facilities is done. Certification of settlements systems is critical to complete before going live. System Security certification is also vital to be assured that all necessary reliability capabilities are in place and ready to go. Gaming simulations are conducted to test robustness of systems and market design against potential abusive market behavior. Gaming simulations help market monitors to ramp up their systems and ensure they are operating effectively before operational start.

Once core certifications are completed, true systems operations begin as *shadow operations*. This begins with market testing, includes market participant training, and ends with a parallel live operation of the new system while the existing system continues to run in place. While this last step is not typical of implementation programs in other ISOs in the US, it is included in this Plan in recognition of the complexity of the Northwest and Western US systems. Given their interdependence it is consistent with prudent, conservative program management to adopt a final form of testing, such as shadow operations before going live.

2.9. Administrative and Governance Tasks

The administrative and governance section of the Plan includes a wide range of tasks. Administrative infrastructure, especially human capital, is tasked and scheduled in this section of the Plan. Prototype workflow development is converted into formal standards and practices of the enterprise. Officers come on board and take responsibility for enterprise operations. The stakeholder process is migrated from its present more informal organization to a formalized process orbiting around an appointed representative Advisory Board. Board selection and seating is another key aspect of this element of the Plan. Facilities acquisition and preparation, telecommunications infrastructure, and the furnishing and facilities management tasks are also in this element. Chart 7 below summarizes the key tasks and the schedule for them.

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Chapter 2.7 Administrative and Governance Tasks in the Plan

ID	Task Name	Start	Finish	2002				2003				2004				2005				2006	
				Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2
354	Administrative and Governance	Tue 4/30/02	Tue 1/30/06	[Gantt bar spanning from Q4 2002 to Q2 2006]																	
355	Infrastructure Development	Wed 5/1/02	Tue 4/12/05	[Gantt bar spanning from Q1 2003 to Q4 2004]																	
356	Deline Suite of Systems	Wed 5/1/02	Tue 5/14/02	[Task bar in Q1 2003]																	
357	Perform Outsourcing Analysis	Fri 5/31/02	Mon 7/1/02	[Task bar in Q1 2003]																	
358	Develop RFP and Specifications	Tue 7/2/02	Fri 8/30/02	[Task bar in Q2 2003]																	
359	Select Vendor(s)	Fri 8/30/02	Thu 10/14/04	[Gantt bar spanning from Q3 2003 to Q4 2004]																	
367	Write Software and Construct Systems	Mon 8/18/04	Tue 4/12/05	[Task bar in Q4 2004]																	
368	Prototype Workflow Development	Wed 5/1/02	Thu 5/30/02	[Task bar in Q1 2003]																	
369	Human Resources	Wed 5/1/02	Thu 5/30/02	[Task bar in Q1 2003]																	
370	Procurement	Wed 5/1/02	Thu 5/30/02	[Task bar in Q1 2003]																	
371	Payroll	Wed 5/1/02	Thu 5/30/02	[Task bar in Q1 2003]																	
372	Finance and Accounting (including Credit and Collections)	Wed 5/1/02	Thu 5/30/02	[Task bar in Q1 2003]																	
373	Treasury and Cash Management	Wed 5/1/02	Thu 5/30/02	[Task bar in Q1 2003]																	
374	Billing and Settlements	Wed 5/1/02	Thu 5/30/02	[Task bar in Q1 2003]																	
375	Management Practices and Reporting	Wed 5/1/02	Thu 5/30/02	[Task bar in Q1 2003]																	
376	Legal and Regulatory	Wed 5/1/02	Thu 5/30/02	[Task bar in Q1 2003]																	
377	Internal Audit	Wed 5/1/02	Thu 5/30/02	[Task bar in Q1 2003]																	
378	Media Relations	Wed 5/1/02	Thu 5/30/02	[Task bar in Q1 2003]																	
379	Financial Analysis and Reporting	Wed 5/1/02	Thu 5/30/02	[Task bar in Q1 2003]																	
380	Risk Management	Wed 5/1/02	Thu 5/30/02	[Task bar in Q1 2003]																	
381	FERC and SEC Reporting	Wed 5/1/02	Thu 5/30/02	[Task bar in Q1 2003]																	
382	NERC Reporting	Wed 5/1/02	Thu 5/30/02	[Task bar in Q1 2003]																	
383	Officers Review and Approve Workflows	Mon 8/9/04	Thu 10/7/04	[Task bar in Q4 2004]																	
384	Perform Employee Procedures Training	Fri 10/8/04	Thu 10/21/04	[Task bar in Q4 2004]																	
385	Officers Select Financial Auditor	Mon 8/9/04	Thu 10/7/04	[Task bar in Q4 2004]																	
386	Human Capital and Organization Development	Wed 5/1/02	Tue 1/30/06	[Gantt bar spanning from Q1 2003 to Q2 2006]																	
387	Organization Design	Wed 5/1/02	Thu 8/5/02	[Task bar in Q1 2003]																	
388	HR Resource Procurement	Fri 9/6/02	Tue 1/3/06	[Gantt bar spanning from Q3 2003 to Q2 2006]																	
551	HR Strategy Development	Tue 6/3/03	Wed 7/18/03	[Task bar in Q2 2003]																	
560	Governance Implementation	Mon 12/22/02	Fri 8/6/04	[Gantt bar spanning from Q4 2002 to Q3 2004]																	
585	Stakeholder Process	Tue 4/30/02	Mon 5/3/04	[Gantt bar spanning from Q2 2003 to Q1 2004]																	
586	Continue Existing Processes	Wed 5/1/02	Mon 5/3/04	[Gantt bar spanning from Q1 2003 to Q1 2004]																	
629	Create Formal Advisory Board Reporting to Governing Board	Tue 4/30/02	Fri 5/2/03	[Task bar in Q1 2003]																	
633	Phase Out Existing Processes	Tue 4/30/02	Thu 8/13/02	[Task bar in Q1 2003]																	
637	Integrate Advisory Board with Governance System	Wed 5/1/02	Thu 5/30/02	[Task bar in Q1 2003]																	
640	Facilities	Fri 11/21/03	Thu 10/7/04	[Gantt bar spanning from Q4 2003 to Q4 2004]																	
641	Develop Facilities Requirements	Fri 11/21/03	Mon 12/22/03	[Task bar in Q4 2003]																	
642	Real Estate Search	Tue 12/23/03	Wed 12/1/04	[Task bar in Q4 2003]																	
643	Assess and Select Options	Thu 1/22/04	Wed 2/4/04	[Task bar in Q1 2004]																	
644	Negotiate and Sign Contracts	Thu 2/5/04	Fri 3/5/04	[Task bar in Q1 2004]																	
645	Build-out Permanent Facilities	Mon 3/8/04	Tue 9/7/04	[Gantt bar spanning from Q1 2004 to Q3 2004]																	
646	Occupy Permanent Facilities	Wed 9/8/04	Thu 10/7/04	[Task bar in Q3 2004]																	
651	Transfer Initial Implementations of Business Infrastructure	Mon 5/9/04	Tue 9/7/04	[Gantt bar spanning from Q2 2004 to Q3 2004]																	
652	Vacate Any Temporary RTOWest Facilities	Wed 9/8/04	Thu 10/7/04	[Task bar in Q3 2004]																	
653	Telecommunications	Wed 5/1/02	Fri 2/6/04	[Gantt bar spanning from Q1 2003 to Q4 2003]																	
654	Develop Telecommunications Infrastructure Requirements	Tue 10/1/02	Wed 10/30/02	[Task bar in Q4 2002]																	
655	Develop RFP Shell	Wed 5/1/02	Tue 5/21/02	[Task bar in Q1 2003]																	
656	Issue RFP	Mon 6/2/03	Mon 6/2/03	[Task bar in Q2 2003]																	
657	Vendors Prepare Responses	Tue 6/3/03	Wed 7/2/03	[Task bar in Q2 2003]																	
658	Review and Evaluate Vendor Responses	Thu 7/3/03	Wed 7/16/03	[Task bar in Q2 2003]																	
659	Interview Vendors	Thu 7/17/03	Wed 7/30/03	[Task bar in Q2 2003]																	
660	Sign LOI with vendor(s)	Thu 7/31/03	Wed 8/5/03	[Task bar in Q2 2003]																	
661	Negotiate Contracts Including DSOV	Thu 7/31/03	Fri 8/28/03	[Task bar in Q2 2003]																	
662	Implement Telecommunications Infrastructure	Thu 8/7/03	Fri 2/9/04	[Gantt bar spanning from Q2 2003 to Q1 2004]																	