

July 15, 2003

Via Email (ekrogh@serve.net)

Mr. Bud Krogh  
RTO West  
5933 NE Win Sivers Drive, Suite 201  
Portland, Oregon 97220

Re: NRU Comments for July 21, 2003 RRG Meeting

Dear Mr. Krogh:

NRU offers these comments in response to your request for input on further regional transmission discussions.

Decision Making & Multiple Forums. NRU utilities have a stake in regional transmission issues, yet we are thinly-staffed and cannot participate in multiple, simultaneous forums on transmission issues. For NRU to participate meaningfully in regional transmission discussions, the number of forums for such discussions needs to be limited. More importantly, a single decision making forum needs to be identified and then used consistently as the only place where significant policy decisions will occur. The existing RRG stakeholder group is a good candidate for such a forum, and it should be reinvigorated toward that end.

Vision Statement. The “Vision” statement provided at the June 25 RRG meeting pre-supposes a particular solution (a regional transmission organization) to the region’s transmission issues. It may be that unified transmission *management* is one good solution to the region’s transmission issues, but it is also possible that a unified, consistent *approach* to transmission may also work and solve problems, without requiring unified management. Also, because the very concept of a “regional transmission organization” is unacceptable to some in the region, this vision statement may make a regional dialogue about solutions to regional issues more difficult than it needs to be. A better vision statement might simply delete the words “Unify transmission management to” from the text, and continue from there.

Regional Transmission Problems. For the long term, NRU utilities desire firm, reliable, and cost effective transmission service. NRU generally agrees with the “objectives” and “problems” identified in the June 25 filing utility presentation, although we think the region needs to explore alternative solutions to unified

transmission management. Stated without assuming that unified transmission management is required, these are the problems that NRU believes could threaten firm, reliable, and cost effective transmission service over the long term.

- Optimal transmission investment and expansion does not appear to be happening in this region under the status quo.
- There is no regional approach to transmission planning that takes generation planning into account, thus it is not clear that the region is or will be able to cost-optimize total investment in both resources.
- There is no regional agreement about how costs of transmission expansions should be allocated, which may inhibit needed investment.
- BPA's future role in transmission planning and expansion needs clarification.
- Uncertainty about the region's transmission future is itself a problem for the region.

Phasing. There was inadequate discussion at the June 25 RRG meeting about phasing in solutions to transmission problems. NRU does not share the view that a clearly designed end state must be in place before the region can take on some solutions to the region's transmission issues. One lesson we should learn from California is that a big bang conversion to a new system is itself fraught with risk and should be avoided. A phased approach should give the region flexibility to learn and change course as needed.

Transmission Dependent Utilities' Resolution of Outstanding Issues with BPA. As I stated in the RRG meeting, there is a list of significant unresolved issues between BPA, our contractual transmission supplier, and the 46 members of NRU that rely upon the Agency for transmission service. We are hopeful of resolving these issues with BPA to our mutual satisfaction. Equally important, we want to reach closure with BPA in a timeframe that coincides or precedes our need to take major policy positions in the broader regional forum you are running.

In closing, NRU thinks that FERC's SMD White Paper was a significant achievement for the Northwest because it signaled that the Commission, at least for now, is willing to give the region some deference regarding its transmission needs and issues. The region can now address its transmission needs without undue concern about what is "acceptable" to FERC. This is an opportunity. NRU will continue to engage with the region on the region's transmission needs.

Very truly yours,



John Saven, Chief Executive Officer

CC: Members of Northwest Requirements Utilities  
Steve Wright, Bonneville Power Administration  
Jerry Leone, Manager, Public Power Council