

July 14, 2003

COMMENTS ON THE JUNE 25TH PROPOSAL OF THE FILING UTILITIES

ON BEHALF OF

THE WESTERN PUBLIC AGENCIES GROUP

At the June 25th, 2003 meeting of the Regional Representatives Group (RRG), the filing utilities presented a proposal to restart the regional dialogue on what problems (if any) face the regional transmission grid, and what are the appropriate actions to address any problems so identified. This re-examination was prompted by two factors: First, the decision by the FERC to give regions more flexibility in identifying and solving transmission issues; and second, the recognition that both the process and the solutions proposed by the filing utilities in the RTO West process have not garnered widespread support in the region, and in fact had provoked vocal opposition by many public utilities.

The Western Public Agencies Group (WPAG) is supportive of the proposal to use the opportunity provided by the FERC to take a fresh look at the regional transmission grid, and to try to forge consensual solutions that address actual problems. Heretofore, the RTO West process has been driven by mandates from the FERC, which were more often than not solutions seeking a problem. Taking a fresh look at the regional transmission grid in the spirit of real problem solving could provide the opportunity to implement solutions that actually solve real problems.

The following comments are provided to aid in this effort.

1. Comments on the Proposed Vision Statement

The materials made available at the June 25th RRG meeting contained the following vision statement:

Unify transmission management to maintain reliability, improve efficient use of the transmission system, and provide the region's customers with access to diverse, widespread wholesale energy alternatives.

This is not a vision statement, but rather it is a description of an end-state that assumes unified transmission management is the only solution that will cost-effectively provide a reliable and efficient transmission system. To transmission users such as the WPAG utilities, this vision statement sounds like an endorsement of RTO West as the only solution, regardless of what problems are identified.

The filing utilities proposed at the June 25th RRG meeting a new process to take a fresh look at the problems and solutions for the regional transmission system. However, the

vision statement that the filing utilities provided seems to indicate that regardless of the problems and solutions that may be identified, the outcome of this process will be a single transmission entity into which all transmission systems are merged.

If it is truly the unalterable objective of the filing utilities that some version of RTO West must be the outcome of this process, then it would be better for the filing utilities and the region that this fact be made apparent to all. It would be most unfortunate for parties to participate in good faith in this new process on the mistaken notion that we are taking a fresh look at all aspects of the currently proposed changes to the transmission system, including the need for RTO West, only to find out that certain solutions are already off the table. This would result in a replay of the cynicism and lack of support that the current process has produced regarding RTO West.

Simply put, if there are any issues or solutions that the filing utilities consider to be off the table already, it would be better that all parties be advised of this right now. Finding out later will be fatal to this process.

A true vision statement that could guide this process does not incorporate a particular solution, but rather speaks to what the transmission system should provide to the users. The following is an attempt at such a vision statement:

The transmission system should provide efficient and reliable transfer service at stable and predictable cost based rates, and should be expanded, in a timely fashion, to relieve congestion, serve load growth and offer service to new customers.

2. Current and Prospective Problems With the Regional Transmission Grid

The following problem statements are offered from the perspective of public utility customers who receive the bulk of their power supply from Bonneville, and who are served directly from the Bonneville transmission system, or have general transfer agreement service for other public utilities. As such, these customers have access to a reliable transmission system that is operated on an open access basis, provides them with access to a vibrant wholesale power market at a single transmission rate, and provides such service at a stable, predictable cost based rate. As a consequence, at the present time there is very little wrong with the current Bonneville transmission system that provides service to them. Nonetheless, problem areas can be identified that, if rectified, avoid larger problems in the future. Among these are the following:

1. Ensuring that sufficient and timely investment is made in the transmission system to serve load growth, to provide capacity to new users, and to alleviate congestion.
2. Establishing a “one utility concept” for the planning and construction of transmission system upgrades to ensure the most cost effective solution is implemented, and avoiding duplicative upgrades.

3. Establishing a single OASIS so that transmission information is more readily available, and the operation of the transmission system is more transparent.
4. Ensuring that adequate transmission capacity is dedicated to moving power to serve regional retail loads, and in a manner that does not require load-serving entities to obtain transmission through competitive bidding.
5. Providing transmission customers of Bonneville with a means of enforcing the terms of their transmission contracts.

While this is not an exhaustive list, it is indicative of the fact that from the perspective of public utilities taking service off of the BPA transmission grid, the system currently in place is not really broken.

3. Recommendations of the Process

The process followed in the creation of RTO West failed to produce a regional consensus in support of that organization for two reasons. First, RTO West did not address nor did it resolve any issues of material importance to public utility customers of Bonneville. And second, the decision making process followed by the filing utilities (including Bonneville) systemically excluded public utility customers from the meetings in which decisions on matters of substance were taken by the filing utilities. It is hardly remarkable that the public utilities did not embrace decisions made by others regarding a transmission system upon which they are vitally dependent.

The following specific process recommendations are made to avoid the mistakes of the past, and to provide a process that will produce solutions that can be supported by most, if not all, of the region.

1. The process should start with an identification of the problems confronting the transmission system, both now and in the immediate future.
2. Once the problems are identified, the potential solutions should be identified and evaluated. In this regard, solutions that have been developed in the RTO West context should be considered, along with other potential solutions. In the end, the best solution for the region should be adopted, even if it differs from that selected during the RTO West process.
3. While the problems and potential solutions are being identified, work groups should be held in abeyance for two reasons. First, it would be inefficient to spend time and effort developing a solution in detail that is ultimately not selected. And second, few other than the filing utilities can effectively staff both the problems/solutions process and a simultaneous work group process.

4. Solutions that are identified should be implemented in stages, to give the region a chance to determine if the proposed solution will actually work, and is better than the *status quo*. The Northwest should not be in a hurry to replicate the deregulation experiment undertaken by California. The rule for changes to a successful transmission system should be put your toe in the water first to check the temperature before diving into the pool.
5. The RRG should be used as the group to debate and decide the vision statement, problem identification and solution selection. If the RRG needs to be expanded or reshaped to allow participation by others, that should be done as quickly as possible.
6. State participation, especially by regulatory bodies, should be encouraged through the use of *ex officio* members or other mechanisms.
7. While any an all parties should be free to caucus and have internal discussions, decisions on the disposition of the existing transmission system, and most especially the federal transmission grid, must be made in open meetings after full discussion and debate. Decisions made by the filing utilities behind closed doors, and then imposed on the region, have no place in the disposition of such an important regional asset.
8. The decisions of the RRG should be made on the basis of consensus, and must be done in a manner that is clear about when a decision has been reached, and what the nature of the decision is. This will require focused discussion and a moderator who can impose subject matter discipline on the RRG. But even more important, the participants to such a process must agree that they will be committed to the outcome, regardless of whether they will or lose on a specific issue.

4. Conclusion

These comments are provided to support the initiation of a process that will produce changes to the current transmission system that will be broadly supported in the region, and which will improve on a transmission system that has served the region well for many decades.