



**Public
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April 8, 2004

The Honorable Maria Cantwell
United States Senate
717 Hart Senate Office Building
Washington, D.C. 20510

Dear Senator Cantwell:

On behalf of the Public Generating Pool (PGP), I am writing to express our serious concern that the Northwest is continuing to pursue the wrong direction regarding transmission restructuring by formation of a Regional Transmission Organization (RTO). Although the PGP has participated in the discussions of the Regional Representatives Group (RRG), this should not be interpreted as an endorsement of the decisions of that Group or of the formation of a new Independent Entity to oversee the Northwest's transmission system. The PGP remains deeply skeptical regarding the need for an Independent Entity, especially given the continuing erosion of regional control as the governance details of the Independent Entity evolve. We are concerned that the Independent Entity will evolve into a full-blown RTO under FERC jurisdiction. Given FERC's current preferences, this would imply fundamental changes in the way transmission and energy are traded in the Northwest, with absolutely no promise of benefits that can reasonably be expected to outweigh the costs.

The current governance proposal for the Independent Entity does not provide sufficient "checks and balances" to ensure that decisions by the Entity's Board are in the interests of Northwest consumers. Proposals by the PGP and others for more stringent regional oversight have been rejected. The only regional oversight currently contemplated is a "remand" right by regional stakeholders regarding certain major changes in the scope of the activities of RTO West. The region needs more than a simple remand right to ensure that the Board pursues only those changes that are in the region's best interests. In addition, recent FERC decisions in other parts of the country have led us to conclude that the Northwest will be provided very little deference, if any, by FERC regarding critical matters of both governance and implementation of new markets.

We continue in our conviction that incremental improvements can be made in a cost-effective manner that do not threaten the risks and costs that come with an RTO. To that extent, we support the efforts currently underway by a small group of publicly-owned and privately-owned utilities, focusing on incremental improvements, such as adopting common software platforms for transmission scheduling, and easing transaction costs and uncertainty through the development of a single regional queue for transmission service.

These are improvements that can help consumers and developers alike, but do not require the formation of an RTO. Furthermore, we are working to document the transmission expansion that is already taking place without an RTO to demonstrate again that solutions are possible without the risks, costs, and loss of regional oversight that an RTO implies.

The PGP utilities are looking for cost-effective and gradual improvements that make sense for the Northwest. Formation of an RTO does not meet these criteria.

Sincerely,



Robert Geddes
Chair, Administrative Committee

cc: Steve Wright - Bonneville Power Administration