



**WESTERN MONTANA ELECTRIC
GENERATING & TRANSMISSION COOPERATIVE, INC.**

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April 9, 2004

VIA FACSIMILE

Stephen J. Wright
Administrator
Bonneville Power Administration
Post Office Box 3621
Portland, Oregon 97208

RE: Bonneville Power Administration's Participation in RTO-West

Dear Steve:

The members of Western Montana Electric Generating and Transmission Cooperative (WMTG&T) have followed the efforts to develop some sort of regional transmission organization for the last decade. Some of our members receive power directly over Bonneville lines, while others are served via Bonneville's GTA with Northwestern Energy. We have a strong interest in making sure that transmission capacity is always available to provide reliable service to our member/owners, no matter who owns the transmission lines or is responsible for their design, construction, operation, or maintenance. The regional efforts on RTO-West and Bonneville's participation in those discussions are of extreme importance to us.

The WMTG&T members have viewed the efforts of the FERC to mandate RTOs and the efforts here in the region to respond to those demands with skepticism. While there are certainly regional transmission problems that need to be addressed, we have never been convinced that, a priori, an RTO is the best alternative. Recognizing the demands FERC can place on jurisdictional utilities, however, we have participated directly and through umbrella organizations in the RTO discussions.

The latest incarnation of RTO-West (or Grid-West), known as the regional proposal, contains a staged process for moving forward. After formation of the Independent Entity, the Beginning State would essentially involve an exploration of what can be accomplished as much as possible with a small independent entity, but within existing contractual and economic bounds, to resolve regional transmission issues. WMTG&T members are supportive of this initial step to try to resolve transmission problems without resorting to a huge FERC-style RTO with its attendant costs and risks.

Following the Beginning State is the Advanced State. The Advanced State as currently described causes us considerable concern. Many elements included in the Advanced State were essentially drawn from the RTO-West Stage 2 proposal, which we were opposed to. Two of these elements include conversion of physical contract rights to financial rights and the use of markets and locational marginal pricing to resolve congestion.

We recognize that there is not a direct, unimpeded path from the Beginning to the Advanced State. One hurdle requires super-majorities of the Independent Entity's Board and the Trustee Selection Committee for decisions on any issues included in the Special Issues List. This requirement is somewhat diminished by the fact that the Board could over-ride the rejection of an issue by the Trustee Selection Committee if 7 of 9 Board members vote to do so. Another safeguard requires that a set of necessary findings by the Board necessary prior to deciding issues on the Special Issues list.

The members of WMG&T support Bonneville's continued participation in the RTO- West, especially as it relates to the Beginning State. We believe, however, that additional steps should be placed between the Beginning and Advanced States so that the region has a chance to fully evaluate what was accomplished through the Beginning State, what problems with the transmission system remain and what elements should be included in any subsequent State before proceeding to that subsequent State. This evaluation, of course, must involve far more than just the RTO-West Board and the Trustee Selection Committee.

WMG&T members do not believe that Bonneville should stop participating in the RTO-West discussions. While we have serious objections to the Advanced State as it is currently proposed, we believe that the Beginning State offers an opportunity to resolve some of the region's transmission problems. We simply want to make sure that before any movement is made beyond the Beginning State, clear and convincing evidence demonstrates that additional steps are necessary and that all transmission users will benefit.

Very truly yours,



William K. Drummond
Manager

Cc: WMG&T Board of Trustees
Member System Managers
Allen Burns - BPA
Jerry Leone - PPC
Steve Johnson - WAPUDA
Terry Mundorf - WAPAG
Pat Reiten - PNGC