

Risk Reward Study Group
Meeting #5 – Facilitator’s Notes
November 2, 2004

Notice

These facilitator’s meeting notes have been prepared for the personal use of the participants in the Risk Reward Study Group (Rn’R Group). These notes do not necessarily represent the position of any individual participant or the position of the group as a whole. Because different views and positions may be developed in subsequent discussions, these notes are provided solely for informational purposes and to communicate the general nature of the discussion.

Attendance

Member	On Site	By Phone	Absent
Ray Bliven (DSIs)	X		
Stefan Brown (OPUC)			X
Dick Byers (WUTC)			X
Kurt Conger (Grid West Coordinating Team)	X		
Pete Craven (PacifiCorp)			X
Tom DeBoer (PSE)			X
Chris Elliott (Grid West Coordinating Team)	X		
Tom Foley (Renewable Resources Community)	X		
Jim Hicks (PacifiCorp)	X		
Dave Hoff (PSE)			X
Bob Kahn (NIPPC)			X
Bud Krogh (Grid West Coordinating Team)		X	
Larry Nordell (MT)			X
Mike McMahon (Snohomish PUD)		X	
Terry Morlan (NWPCC)		X	
Kevin O’Meara (PPC)			X
Carol Opatrny (BCTC) - <i>Co-Lead</i>	X		
Lon Peters (PGP)		X	
Ken Petersen (Idaho Power Company)			X
Janelle Schmidt (BPA) - <i>Co-Lead</i>	X		
Marilynn Semro (SCL)			X
Vito Stagliano (Calpine)			X
Lou Ann Westerfield (IPUC)			X
Linc Wolverton (ICNU)	X		

Guests/Replacements:

- Sarah Dennison-Leonard (Grid West Coordinating Team)
- Chuck Durick (Idaho Power Company)
- Kurt Granat (PacifiCorp)
- Denise Hill (TransAlta)

Topics of Discussion

1. Review Goals/Timeline/Output

The group discussed the value of setting spring 2005 as a target deadline for developing preliminary results, i.e., risks and rewards associated with the Beginning State of Grid West.

In order to meet this deadline, the workgroup agreed to meet at least once again during 2004 and at least monthly (or potentially twice/month) starting in 2005.

The preliminary results would potentially draw from three activities: (1) “benefits” elements derived from the TCA or Henwood production cost efforts; (2) cost estimates of the Beginning State which will require coordination with the Transmission Services Liaison Group (TSLG) and the Consolidated Control Area workgroup; and, (3) results from the “Problem Identification and Quantification” survey.

2. Review of Existing Models

The group discussed the purpose and need of using production cost models for determining the “benefits” of Grid West. There is disagreement among the group’s participants as to the value of using production cost results due primarily to the concern that such models cannot capture some of the benefits that are anticipated to result from an independent transmission organization. Others indicated strong support for either using production cost modeling results or doing further production cost analysis in order to capture at least some assessment of benefits.

There was general acknowledgement that the Risk Reward Workgroup had previously agreed to not engage directly in production cost modeling but rather to consider the appropriateness (or not) of using results from other efforts, such as the Tabors Caramanis and Associates (TCA) study commissioned by RTO West and more recently, the Henwood Energy Services, Inc. (HESI) study commissioned by Snohomish PUD. The group concluded that it could decide later, after survey results are coming in, whether to use any outputs from these models.

Many in the workgroup indicated that they had questions about the study performed by HESI and Snohomish PUD offered a willingness to field questions about the study that was performed. Janelle Schmidt agreed to coordinate this effort and asked interested parties to submit questions about the HESI modeling effort, assumptions, and results to her by November 17th. The Rn’R Workgroup

will have a conference call on November 22nd in order to review the questions and in turn, submit them to Snohomish PUD/HESI.

3. Cost Review Efforts

The group discussed the various source materials that will be used to inform a cost estimate of the Grid West Beginning State, e.g., the TSLG cost drivers work prepared by the Structure Group; the survey performed by the Public Power Council; the Grid West Consolidated Control Area scoping effort; the APPA survey; the FERC staff report (Docket No. PL04-16-000); and, the TSLG's anticipated bottom-up calculation (Module 5).

The group talked about the various costs and benefits that may not be directly evaluated by any other of these efforts but would still be relevant in terms of comprehensively evaluating Grid West. For example, there is a need to consider what were called "non-GMC" costs or those costs that could be incurred by entities not directly participating in Grid West. These entities could possibly incur costs necessary to interface with Grid West, e.g., incremental regulatory costs, staffing, etc.

The group also discussed the need to consider how the introduction of a transmission organization may result in savings, e.g., due to functionality being moved from one entity to another. In addition, some suggested that changes in NERC functionality needs to be considered, given that cost increases or decreases may or may not be the result of introducing a transmission organization but rather be the result of new industry requirements (e.g., NERC version 0 standards). There was also some discussion about taking into consideration how markets are maturing and making allowances for new commercial activities and opportunities, e.g., combined heat/power (CHP) technologies and new/broader ancillary service markets. The group agreed that these considerations could possibly be folded into the survey effort.

4. Survey

The group discussed the survey and the proposed process for getting input from the survey respondents. Sarah Dennison-Leonard joined in the discussion for the purpose of providing the group with her legal opinion as to how confidentiality of survey results could be ensured and the extent to which confidentiality and non-disclosure arrangements may be necessary. The group discussed the possibility of hiring a "neutral" party to assemble the survey results submitted by the respondents and essentially producing the results in an aggregated form. It was thought that aggregation of responses could minimize some respondents' concerns about the questions and enhance willingness to answer the survey more completely. Given that some survey respondents have indicated concern

about how the survey results could wind their way into other potentially contentious proceedings and also concern over the magnitude of the effort (and, therefore, an inability to meet the November 30th survey completion deadline), Carol Opatry agreed to make calls to all of the survey respondents and gather reactions to the effort, the process and whether any concerns had yet been identified, in particular concerns over confidentiality.

5. Next Meeting(s)

- November 22, 2004 (1 pm PST) Conference call.

Date: Monday, Nov. 22

Time: 1:00-3:00 (120 minutes)

Bridge: 503-813-5600 or 1-800-503-3360

Mtg Id/Passcode: 438585

Mtg Name: Risk Reward

- December 8, 2004 (1-4 pm PST) Grid West Office, teleconference phone-in will be available.

Materials Provided

- Agenda
- RRG Workgroup "Problem Identification and Quantification Survey"
- TSLG Cost Presentation
www.rtowest.com/Doc/TSLG_CostDiscussion_RRGOct272004.pdf