

Grid West Bylaws

September 3, 2004

The attached comments reflect comment log number(s): GWB-001 through GWB-026

Allen Burns – R-3
Syd Berwager – R-3
Preston Michie – R-3
Tara Exe – R-3
Steve Larson – L-7

NOTE: If you have any changes to the above distribution list, please contact Ginny Kuehn, x4413. Thank you.

Grid West Bylaws

03-Sep-04

Specialist: Tara Exe

Program Office: Industry Rest.

Comment Close Date: 9/3/2004

Comment Log #	First Name	Last Name	Affiliation	Receipt Date	Notes
GWB-001	Marvin	Bailie	Board of Commissioners of Franklin Coun	7/16/2004	Resolution No. 975
GWB-002	Frank	Mrsa	Board of Commissioners of Grays Harbor	7/16/2004	Resolution No. 4131
GWB-003	Tom D.	Svendsen	Board of Commissioners of Klickitat PUD	7/16/2004	Resolution No. 1417
GWB-004	Harry M.	Paul	Board of Commissioners of Thurston Cou	7/16/2004	Resolution No. 04-2
GWB-005	Dennis P.	Robinson	Board of Commissioners of Cowlitz Count	7/16/2004	Resolution No. 2510
GWB-006	Jayne	Jurgensen	Board of Commissioners of Ferry County	7/16/2004	Resolution No. 04-10
GWB-007	John A.	Goldsbury	Board of Benton County PUD No. 1	8/18/2004	Resolution No. 1798
GWB-008	Charles L.	Dawsey	Benton Rural Electric Association	8/19/2004	Resolution 12-07-04
GWB-009	John H.	Whalen	Mason County PUD #3 Board of Commiss	8/20/2004	also signed by Bruce Jorgenso
GWB-010		N/A	comments by Public Interest Constituent R	8/20/2004	Reps. Kevin Bell, Steve Weiss,
GWB-011	Bo	Buchynskyl	Diamond Generating Corporation	8/20/2004	
GWB-012	Wyla J.	Wood	Mason County PUD No. 3 Board of Comm	8/24/2004	Resolution No. 1312
GWB-013	C. Clark	Leone	Public Power Council	8/24/2004	
GWB-014	Debra A.	Smith	Tractebel Energy Marketing/Chehalis Po	8/27/2004	
GWB-015	Steven J.	Klein	Tacoma Power	8/30/2004	
GWB-016	Clay	Fitch	Wells Rural Electric Company	9/2/2004	
GWB-017	John D.	Carr	PacifiCorp	9/2/2004	
GWB-018	Deborah L.	Hart	Morgan Stanley Capital Group Inc.	9/2/2004	FAX
GWB-019	Richard	Campell	American Forest & Paper Association	9/2/2004	
GWB-020	Robert J.	Schmitt	Springfield Utility Board	9/2/2004	
GWB-021	Bill	Dearing	Mid-Columbia Public Utility Districts	9/3/2004	Filed on behalf of Chelan, Dou
GWB-022	Steven	Weiss	NW Energy Coalition/Renewable NW Pro	9/3/2004	
GWB-023	Gary	Wiens	Montana Electric Cooperatives' Associatio	9/3/2004	
GWB-024	James L.	Baggs	Idaho Power Co.	9/3/2004	
GWB-025	Bill	Drummond	Western Montana Electric Generating & T	9/3/2004	
GWB-026	Lee	Beyer	Oregon Public Utility Commission	9/3/2004	

RESOLUTION NO. 975

OPPOSING THE APPROVAL OF THE PROPOSED DEVELOPMENTAL BYLAWS FOR GRID WEST BY THE REGIONAL REPRESENTATIVES GROUP, AND ADOPTION OF THE DEVELOPMENTAL BYLAWS BY THE BOARD OF TRUSTEES OF GRID WEST.

WHEREAS, the Board of Commissioners ("Board") has followed the development of regional transmission organizations ("RTOs") in other areas of the country; and

WHEREAS, the track record to date has been that RTOs have become ever expanding and more costly bureaucratic organizations that have imposed ever increasing costs on transmission users with no appreciable increase in transmission capacity or reliability; and

WHEREAS, many national organizations that have been supportive of RTO formation are re-examining their support of RTOs in light of the history of ever increasing costs and minimal benefits provided by such organizations; and

WHEREAS, the Board has observed the activities of the Regional Representatives Group ("RRG"), of Grid West, and its predecessor RTO West, in attempting to identify both problem areas with the present transmission system and cost-effective solutions that would be an improvement over current circumstances; and

WHEREAS, in December of 2003, the RRG developed a high level concept for identifying transmission system problems and coming up with least costs solutions on a gradual, incremental basis; and

WHEREAS, a majority of the RRG members decided that this high level concept had sufficient promise to justify further investigation and development to determine if it was a useful approach for identifying and addressing specific regional transmission problems; and

WHEREAS, the Board felt that the efforts of the RRG to identify specific problems and tailor limited solutions to resolve them in a least cost manner had some promise, and might good for the region and its electric customers; and

WHEREAS, the Board has viewed with alarm and disappointment the change in the focus of the RRG and its recent efforts; and

WHEREAS, the RRG efforts now is focused not on specific, cost-effective solutions to discrete transmission problems, but rather on a complete transformation of the existing transmission system, and on an institution building effort to create yet another regional organization before the task of the new organization is even identified and understood; and

WHEREAS, the Board believes that this is a major change in the direction and effort of the RRG, and is inconsistent with the program that was described to the region by the RRG in December of 2003; and

WHEREAS, the Board believes that the current focus on completely revamping the current transmission system and creating a new regional transmission organization will materially detract from the more important effort of identifying and resolving specific regional transmission problems in a least cost manner, and will preclude the consideration and use of more focused, and more cost-effective, solutions; and

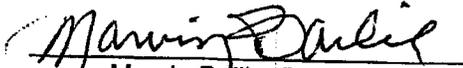
WHEREAS, the Board believes that efforts of the RRG should be directed to identifying and addressing specific transmission problems confronting the regional transmission system, and determining whether the proposal developed by the RRG in December of 2003 provides a mechanism for doing so, or some other alternative mechanism for addressing such problems, is the most effective, least cost manner for resolving regional transmission problems; and

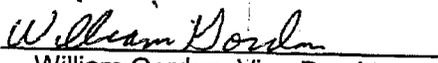
WHEREAS, it is not in the interests of the region, its electricity users, or the utilities that serve them, nor does it make any sense, to spend time, money and effort to adopt bylaws and establish an organization before the task of that organization is identified and understood, and before it is determined whether the benefits of such an organization would be outweighed by its costs.

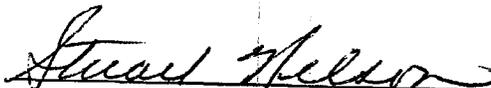
NOW, THEREFORE, it is resolved that

1. The Board objects to and opposes at this time the approval by the RRG of the proposed Developmental Bylaws for GRID West, and objects to and opposes the adoption of such proposed Developmental Bylaws by the Board of Trustees of Grid West.
2. The Board urges the RRG and Grid West in the strongest possible terms to turn their attention to identifying specific transmission problems and least cost ways of addressing them, and to more fully developing the conceptual proposal presented by the RRG in December of 2003 to determine if it is a useful mechanism for implementing least cost solutions to specific regional transmission problems.
3. The Board urges the RRG and the Board of Grid West to not consider adoption of the proposed Developmental Bylaws unless and until the RRG proposal, and any alternatives to it, is fully developed and understood, and the costs and benefits of their implementation have been fully evaluated.

PASSED by the Board of Commissioners of Public Utility District No. 1 of Franklin County this 8th day of June, 2004.


Marvin Baillie, President


William Gordon, Vice-President


Stuart Nelson, Secretary

GWB-002
JUL 16 2004

RESOLUTION NO. 4131

RESOLUTION OF GRAYS HARBOR PUBLIC UTILITY DISTRICT NO. 1, GRAYS HARBOR COUNTY, WASHINGTON, OPPOSING THE APPROVAL OF THE PROPOSED DEVELOPMENTAL BYLAWS FOR GRID WEST BY THE REGIONAL REPRESENTATIVES GROUP, AND ADOPTION OF THE DEVELOPMENTAL BYLAWS BY THE BOARD OF TRUSTEES OF GRID WEST.

WHEREAS, the Board of Commissioners ("Board") has followed the development of regional transmission organizations ("RTOs") in other areas of the country; and

WHEREAS, the track record to date has been that RTOs have become ever expanding and more costly bureaucratic organizations that have imposed ever increasing costs on transmission users with no appreciable increase in transmission capacity or reliability; and

WHEREAS, many national organizations that have been supportive of RTO formation are re-examining their support of RTOs in light of the history of ever increasing costs and minimal benefits provided by such organizations; and

WHEREAS, the Board has observed the activities of the Regional Representatives Group ("RRG"), of Grid West, and its predecessor RTO West, in attempting to identify both problem areas with the present transmission system and cost-effective solutions that would be an improvement over current circumstances; and

WHEREAS, in December of 2003, the RRG developed a high level concept for identifying transmission system problems and coming up with least costs solutions on a gradual, incremental basis; and

WHEREAS, a majority of the RRG members decided that this high level concept had sufficient promise to justify further investigation and development to determine if it was a useful approach for identifying and addressing specific regional transmission problems; and

WHEREAS, the Board felt that the efforts of the RRG to identify specific problems and tailor limited solutions to resolve them in a least cost manner had some promise, and might be good for the region and its electric customers; and

WHEREAS, the Board has viewed with alarm and disappointment the change in the focus of the RRG and its recent efforts; and

WHEREAS, the RRG effort now is focused not on specific, cost-effective solutions to discrete transmission problems, but rather on a complete transformation of the existing transmission system, and on an institution building effort to create yet another regional

organization before the task of the new organization is even identified and understood;
and

WHEREAS, the Board believes that this is a major change in the direction and effort of the RRG, and is inconsistent with the program that was described to the region by the RRG in December of 2003; and

WHEREAS, the Board believes that the current focus on completely revamping the current transmission system and creating a new regional transmission organization will materially detract from the more important effort of identifying and resolving specific regional transmission problems in a least cost manner, and will preclude the consideration and use of more focused, and more cost-effective, solutions; and

WHEREAS, the Board believes that efforts of the RRG should be directed to identifying and addressing specific transmission problems confronting the regional transmission system, and determining whether the proposal developed by the RRG in December of 2003 provides a mechanism for doing so, or some other alternative mechanism for addressing such problems, is the most effective, least cost manner for resolving regional transmission problems; and

WHEREAS, it is not in the interests of the region, its electricity users, or the utilities that serve them, nor does it make any sense, to spend time, money and effort to adopt bylaws and establish an organization before the task of that organization is identified and understood, and before it is determined whether the benefits of such an organization would be outweighed by its costs.

NOW, THEREFORE, it is resolved that

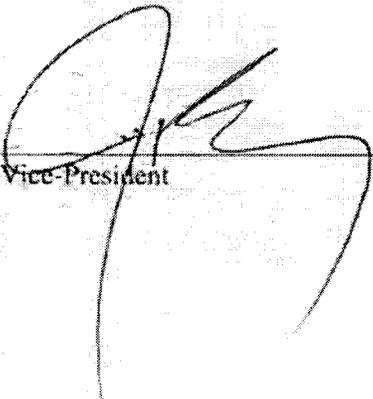
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3. The Board urges the RRG and the Board of Grid West to not consider adoption of the proposed Developmental Bylaws unless and until the RRG proposal, or any alternative to it, is fully developed and understood, and the costs and benefits of their implementation have been fully evaluated.

Dated this 7th day of June, 2004.



President



Vice President



Public Utility District No. 1 of Klickitat County

Owned By Those It Serves

GWB-003
JUL 16 2004

June 22, 2004

Mr. Steve Wright, Administrator
Bonneville Power Administration
PO BOX 3621
Portland, OR 97208-3621

Dear Steve:

Enclosed please find a copy of Resolution No. 1417 signed by the Board of Commissioners of Klickitat PUD opposing the adoption of the proposed developmental bylaws for Grid West by the Regional Representatives Group.

Klickitat PUD thanks you for hearing Public Power's concerns and for taking prudent steps in addressing the debate over Grid West.

The initiative BPA has shown in taking a strong stand and saying that "essentially we are not ready at this time to move ahead on this project" reflects leadership and a commitment toward the northwest power system. We commend you for this action.

Sincerely,

Tom D. Svendsen
General Manager

TDS/kl
enclosure

cc: Allen Burns, Executive Vice President for Industry Restructuring, BPA

RESOLUTION NO. 1417

RESOLUTION OF PUBLIC UTILITY DISTRICT NO. 1 OF KLICKITAT COUNTY (KPUD) OPPOSING THE APPROVAL OF THE PROPOSED DEVELOPMENTAL BYLAWS FOR GRID WEST BY THE REGIONAL REPRESENTATIVES GROUP, AND ADOPTION OF THE DEVELOPMENTAL BYLAWS BY THE BOARD OF TRUSTEES OF GRID WEST.

WHEREAS, the Board of Commissioners ("Board") has followed the development of regional transmission organizations ("RTOs") in other areas of the country; and

WHEREAS, the track record to date has been that RTOs have become ever expanding and more costly bureaucratic organizations that have imposed ever increasing costs on transmission users with no appreciable increase in transmission capacity or reliability; and

WHEREAS, many national organizations that have been supportive of RTO formation are re-examining their support of RTOs in light of the history of ever increasing costs and minimal benefits provided by such organizations; and

WHEREAS, the Board has observed the activities of the Regional Representatives Group ("RRG"), of Grid West, and its predecessor RTO West, in attempting to identify both problem areas with the present transmission system and cost-effective solutions that would be an improvement over current circumstances; and

WHEREAS, in December of 2003, the RRG developed a high level concept for identifying transmission system problems and coming up with least costs solutions on a gradual, incremental basis; and

WHEREAS, a majority of the RRG members decided that this high level concept had sufficient promise to justify further investigation and development to determine if it was a useful approach for identifying and addressing specific regional transmission problems; and

WHEREAS, the Board felt that the efforts of the RRG to identify specific problems and tailor limited solutions to resolve them in a least cost manner had some promise, and might good for the region and its electric customers; and

WHEREAS, the Board has viewed with alarm and disappointment the change in the focus of the RRG and its recent efforts; and

WHEREAS, the RRG efforts now is focused not on specific, cost-effective solutions to discrete transmission problems, but rather on a complete transformation of the existing transmission system, and on an institution building effort to create yet another regional organization before the task of the new organization is even identified and understood; and

WHEREAS, the Board believes that this is a major change in the direction and effort of the RRG, and is inconsistent with the program that was described to the region by the RRG in December of 2003; and

WHEREAS, the Board believes that the current focus on completely revamping the current transmission system and creating a new regional transmission organization will materially detract from the more important effort of identifying and resolving specific regional transmission problems in a least cost manner, and will preclude the consideration and use of more focused, and more cost-effective, solutions; and

WHEREAS, the Board believes that efforts of the RRG should be directed to identifying and addressing specific transmission problems confronting the regional transmission system, and determining whether the proposal developed by the RRG in December of 2003 provides a mechanism for doing so, or some other alternative mechanism for addressing such problems, is the most effective, least cost manner for resolving regional transmission problems; and

WHEREAS, it is not in the interests of the region, its electricity users, or the utilities that serve them, nor does it make any sense, to spend time, money and effort to adopt bylaws and establish an organization before the task of that organization is identified and understood, and before it is determined whether the benefits of such an organization would be outweighed by its costs.

NOW, THEREFORE, it is resolved that

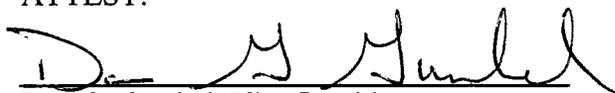
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3. The Board urges the RRG and the Board of Grid West to not consider adoption of the proposed Developmental Bylaws unless and until the RRG proposal, and any alternatives to it, is fully developed and understood, and the costs and benefits of their implementation have been fully evaluated.

Adopted this 8th day of June, 2004.



Randy L. Knowles, President

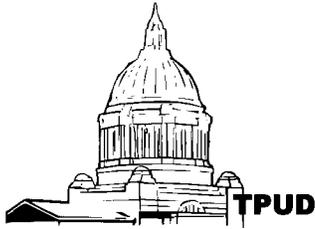
ATTEST:



Dan G. Gunkel, Vice President



Harold W. Hill, Secretary



**Thurston
Public Utility District**

Commissioners
Paul Pickett
Gary Cooper
Joseph (Bud) Kerr

GWB-004 General Manager
JUL 16 2004 Harry Paul

July 7, 2004

Allen L. Burns
Executive Vice President
Industry Restructuring
Bonneville Power Administration
905 N.E. 11th Ave., - Mail Stop R-3
Portland, Oregon 97208-3621

Dear Mr. Burns:

The Commissioners of Public Utility District No. 1 of Thurston County have monitored the development process of Grid West and the ever expanding role of the Regional Representatives Group.

Recent information now indicates that many supporters of a RTO's, around the nation, are having second thoughts as costs continue to escalate for transmission users with no apparent improvement in transmission service reliability or especially transmission capacity.

On July 1, 2004 the Board, to express their concern and objection to actions of the RRG, passed the attached Resolution stating their opposition and requesting that no action be taken until all the costs and benefits have been fully evaluated.

Sincerely,

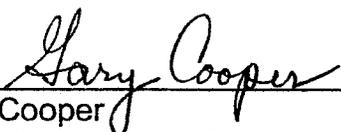
Harry M. Paul,
General Manager

Cc: WPUA

CERTIFICATE

I, Gary Cooper, do hereby certify that I am a Commissioner and Secretary of the Thurston County Public Utility District No. 1 (Hereafter "PUD"). The Resolution attached hereto is a true and correct copy of the Resolution duly adopted by the Board of Commissioners of the PUD at the regular meeting held on July 1, 2004 and entered in the minute book of the PUD; the meeting was duly called to order and held in accordance with the laws of the State of Washington and the rules and regulations of the PUD; and none of the resolutions attached hereto have been rescinded or modified.

In witness whereof, I hereunto set my hand this 1st day of July, 2004.



Gary Cooper
Commissioner and Secretary of PUD

RESOLUTION NO. 04-2

RESOLUTION OF THURSTON COUNTY PUBLIC UTILITY DISTRICT NO. 1 OPPOSING THE PROPOSED DEVELOPMENTAL BYLAWS FOR GRID WEST BY THE REGIONAL REPRESENTATIVES GROUP, AND ADOPTION OF THE DEVELOPMENTAL BYLAWS BY THE BOARD OF TRUSTEES OF GRID WEST.

WHEREAS, the Board of Commissioners ("Board") has followed the development of regional transmission organizations ("RTOs") in other areas of the country; and

WHEREAS, the track record to date has been that RTOs have become ever expanding and more costly bureaucratic organizations that have imposed ever increasing costs on transmission users with no appreciable increase in transmission capacity or reliability; and

WHEREAS, many national organizations that have been supportive of RTO formation are re-examining their support of RTOs in light of the history of ever increasing costs and minimal benefits provided by such organizations; and

WHEREAS, the Board has observed the activities of the Regional Representatives Group ("RRG"), of Grid West, and its predecessor RTO West, in attempting to identify both problem areas with the present transmission system and cost-effective solutions that would be an improvement over current circumstances; and

WHEREAS, in December of 2003, the RRG developed a high level concept for identifying transmission system problems and coming up with least costs solutions on a gradual, incremental basis; and

WHEREAS, a majority of the RRG members decided that this high level concept had sufficient promise to justify further investigation and development to determine if it was a useful approach for identifying and addressing specific regional transmission problems; and

WHEREAS, the Board felt that the efforts of the RRG to identify specific problems and tailor limited solutions to resolve them in a least cost manner had some promise, and might good for the region and its electric customers; and

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WHEREAS, the RRG efforts now is focused not on specific, cost-effective solutions to discrete transmission problems, but rather on a complete transformation of the existing transmission system, and on an institution building effort to create yet another regional organization before the task of the new organization is even identified and understood; and

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WHEREAS, the Board believe that the efforts of the RRG should be directed to identifying and addressing specific transmission problems confronting the regional transmission system, and determining whether the proposal developed by the RRG in December of 2003 provides a mechanism for doing so, or some other alternative mechanism for addressing such problems, is the most effective, least cost manner for resolving regional transmission problems; and

WHEREAS, it is not in the interests of the region, its electricity users, or the utilities that serve them, nor does it make any sense, to spend time, money and effort to adopt bylaws and establish an organization before the task of that organization is identified and understood, and before it is determined whether the benefits of such an organization would be outweighed by its costs.

NOW, THEREFORE, it is resolved that

1. The Board objects to and opposes at this time the approval by the RRG of the proposed Developmental Bylaws for GRID West, and objects to and opposes the adoption of such proposed Developmental Bylaws by the Board of Trustees of Grid West.
2. The Board urges the RRG and Grid West in the strongest possible terms to turn their attention to identifying specific

transmission problems and least cost ways of addressing them, and to more fully developing the conceptual proposal presented by the RRG in December of 2003 to determine if it is a useful mechanism for implementing least cost solutions to specific regional transmission problems.

3. The Board urges the RRG and the Board of Grid West to not consider adoption of the proposed Developmental Bylaws unless and until the RRG proposal, and any alternatives to it, is fully developed and understood, and the costs and benefits of their implementation have been fully evaluated.



"CUSTOMER-OWNED for CUSTOMER BENEFIT"

961 12TH AVENUE • PO Box 3007 • LONGVIEW, WASHINGTON 98632 • (360) 423-2210 FAX (360) 577-7559

GWB-005
JUL 16 2004

Board of Commissioners:
MERRITT H. (BUZ) KETCHAM EDWARD M. (NED) PIPER JOHN M. SEARING

General Manager:
DENNIS P. ROBINSON

July 6, 2004

Mr. Stephen J. Wright, Administrator
Bonneville Power Administration
P.O. Box 3621
Portland, OR 97208 3621

Dear Steve:

We support BPA's recent decision to put on hold the process to establish Grid West and to take time to carefully review the entire plan to determine what is best for the region.

Until the recent decision to delay the process, we were troubled by discussion which seemed to signal that a complete overhaul of the existing regional transmission system was forthcoming, rather than a more conservative approach to first determine cost-effective solutions to confront specific problems now faced. Our concerns are spelled out in the attached resolution, adopted by the Board on July 6, 2004. A delay to carefully assess what we really need makes far more sense. By taking time to perform the "due diligence" work, the region will be able to fully identify the potential benefits of such an organization, before spending the time and money necessary to adopt bylaws and establish it.

Thank you for hearing our concerns on this important regional issue. If you have any questions, please feel free to contact us.

Sincerely,

Dennis P. Robinson
General Manager

BOARD OF COMMISSIONERS

Edward M. Piper, President

John M. Searing, Vice President

Merritt H. Ketcham, Secretary

II.DPR.BPA.GridWest

Attachment

cc: Alan Burns
U.S. Representative Brian Baird (via e-mail)
U.S. Senator Maria Cantwell (via e-mail)
U.S. Senator Patty Murray (via e-mail)

RESOLUTION NO. 2510

A RESOLUTION of Public Utility District No. 1 of Cowlitz County, Washington opposing the Approval of the Proposed Developmental Bylaws for Grid West by the Regional Representatives Group and Adoption of the Developmental Bylaws by the Board of Trustees of Grid West.

WHEREAS, the Board of Commissioners (the Board) has followed the development of regional transmission organizations (RTOs) in other areas of the country; and,

WHEREAS, the track record to date has been that RTOs have become ever-expanding and more costly bureaucratic organizations that have imposed ever-increasing costs on transmission users with no appreciable increase in transmission capacity or reliability; and,

WHEREAS, many national organizations that have been supportive of RTO formation are re-examining their support of RTOs in light of the history of ever-increasing costs and minimal benefits provided by such organizations; and,

WHEREAS, the Board has observed the activities of the Regional Representatives Group (RRG) of Grid West, and its predecessor RTO West, in an attempt to identify both problem areas with the present transmission system and cost-effective solutions that would be an improvement over current circumstances; and,

WHEREAS, in December of 2003, the RRG developed a high-level concept for identifying transmission system problems and coming up with least-cost solutions on a gradual, incremental basis; and,

WHEREAS, a majority of the RRG members decided that this high level concept had sufficient promise to justify further investigation and development to determine if it was a useful approach for identifying and addressing specific regional transmission problems; and,

WHEREAS, the Board felt that the efforts of the RRG to identify specific problems and tailor limited solutions to resolve them in a least-cost manner had some promise, and might be good for the region and its electric customers; and,

WHEREAS, the Board has viewed with alarm and disappointment the change in the focus of the RRG and its recent efforts; and,

WHEREAS, the RRG effort is not focused on specific, cost-effective solutions to discrete transmission problems, but rather on a complete transformation of the existing transmission system, and on an institution-building effort to create yet another regional organization before the task of the new organization is even identified and understood; and,

WHEREAS, the Board believes that this is a major change in the direction and effort of the RRG, and is inconsistent with the program that was described to the region by the RRG in December of 2003; and,

WHEREAS, the Board believes that the current focus on completely revamping the current transmission system and creating a new regional transmission organization will materially detract from the more important effort of identifying and resolving specific regional transmission problems in a least-cost manner and will preclude the consideration and use of more focused, and more cost-effective, solutions; and,

WHEREAS, the Board believes that efforts of the RRG should be directed to identifying and addressing specific transmission problems confronting the regional transmission system, and determining whether the proposal developed by the RRG in December of 2003 provides a mechanism for doing so, or some other alternative mechanism for addressing such problems, is the most effective, least-cost manner for resolving regional transmission problems; and,

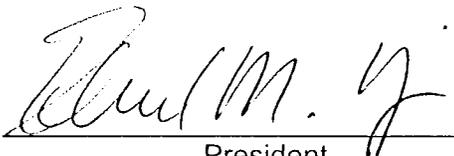
WHEREAS, it is not in the interests of the region, its electricity users, or the utilities that serve them, nor does it make any sense to spend time, money and effort to adopt bylaws and establish an organization before the task of that organization is identified and understood and before it is determined whether the benefits of such an organization would be outweighed by its costs.

NOW, THEREFORE, IT IS RESOLVED AS FOLLOWS:

1. The Board objects to, and opposes at this time, the approval by the RRG of the proposed Developmental Bylaws for GRID West and objects to, and opposes, the adoption of such proposed Developmental Bylaws by the Board of Trustees of Grid West.
2. The Board urges the RRG and Grid West, in the strongest possible terms, to turn their attention to identifying specific transmission problems and least-cost ways of addressing them, and to more fully developing the conceptual proposal presented by the RRG in December of 2003 to determine if it is a useful mechanism for implementing least-cost solutions to specific regional transmission problems.

3. The Board urges the RRG and the Board of Grid West to not consider adoption of the proposed Developmental Bylaws unless and until the RRG proposal, and any alternatives to it, is fully developed and understood and the costs and benefits of their implementation have been fully evaluated.

ADOPTED by the Commission of Public Utility District No. 1 of Cowlitz County, Washington, at a regular meeting thereof this 6th day of July, 2004.



President



Vice President

ATTEST:



Secretary

Kuehn, Ginny - DM-7

GW8-006
JUL 16 2004

From: Exe, Tara D - R-3
Sent: Friday, July 16, 2004 11:50 AM
To: Kuehn, Ginny - DM-7
Subject: FW: Ferry PUD Resolution

Here is another resolution to enter into the public comment for Grid West bylaws.
Thanks Ginny!

-----Original Message-----

From: Timberman, Toni L - TM-OPP-2
Sent: Wednesday, July 14, 2004 1:52 PM
To: Exe, Tara D - R-3
Subject: FW: Ferry PUD Resolution

-----Original Message-----

From: Jayne Jurgensen [mailto:jjfcpud@rcabletv.com]
Sent: Wednesday, July 14, 2004 1:49 PM
To: Timberman, Toni L - TM-OPP-2
Subject: Ferry PUD Resolution

Toni
Attached is the Resolution opposing Grid West.
Jayne

RESOLUTION NO. 04-10

GWB-cob
JUL 16 2004

A Resolution Opposing the Approval of the Proposed
Developmental Bylaws for Grid West by the Regional
Representatives Group, and Adoption of the Developmental
Bylaws by the Board of Trustees of Grid West

WHEREAS, the Board of Commissioners of P.U.D. No. One of Ferry County, the "Board", has followed the development of regional transmission organizations ("RTOs") in other areas of the country; and

WHEREAS, the track record to date has been that RTOs have become ever expanding and more costly bureaucratic organizations that have imposed ever increasing costs on transmission users with no appreciable increase in transmission capacity or reliability; and

WHEREAS, many national organizations that have been supportive of RTO formation are re-examining their support of RTOs in light of the history of ever increasing costs and minimal benefits provided by such organizations; and

WHEREAS, the Board has observed the activities of the Regional Representatives Group ("RRG"), of Grid West, and its predecessor RTO West, in attempting to identify both problem areas with the present transmission system and cost-effective solutions that would be an improvement over current circumstances; and

WHEREAS, in December of 2003, the RRG developed a high level concept for identifying transmission system problems and coming up with least costs solutions on a gradual, incremental basis; and

WHEREAS, a majority of the RRG members decided that this high level concept had sufficient promise to justify further investigation and development to determine if it was a useful approach for identifying and addressing specific regional transmission problems; and

WHEREAS, the Board felt that the efforts of the RRG to identify specific problems and tailor limited solutions to resolve them in a least cost manner had some promise, and might be good for the region and its electric customers; and

WHEREAS, the Board has viewed with alarm and disappointment, the change in the focus of the RRG and its recent efforts; and

WHEREAS, the RRG efforts now are focused not on specific, cost-effective solutions to discrete transmission problems, but rather on a complete transformation of the existing transmission system, and on an institution building effort to create yet another regional organization before the task of the new organization is even identified and understood; and

WHEREAS, the Board believes that this is a major change in the direction and effort of the RRG, and is inconsistent with the program that was described to the region by the RRG in December of 2003; and

WHEREAS, the Board believes that the current focus on completely revamping the current transmission system and creating a new regional transmission organization will materially detract from the more important effort of identifying and resolving specific regional transmission problems in a least cost manner, and will preclude the consideration and use of more focused, and more cost-effective, solutions; and

WHEREAS, the Board believes that efforts of the RRG should be directed to identifying and addressing specific transmission problems confronting the regional transmission system, and determining whether the proposal developed by the RRG in December of 2003 provides a mechanism for doing so, or some other alternative mechanism for addressing such problems, is the most effective, least cost manner for resolving regional transmission problems; and

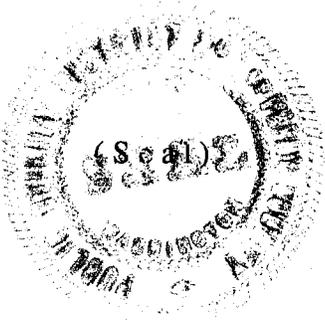
WHEREAS, it is not in the interests of the region, its electricity users, or the utilities that serve them, nor does it make any sense, to spend time, money and effort to adopt bylaws and establish an organization before the task of that organization is identified and understood, and before it is determined whether the benefits of such an organization would be outweighed by its costs.

NOW, THEREFORE, BE IT RESOLVED that the Board objects to and opposes, at this time, the approval by the RRG of the proposed Developmental Bylaws for GRID West, and objects to and opposes the adoption of such proposed Developmental Bylaws by the Board of Trustees of Grid West.

NOW THEREFORE BE IT FURTHER RESOLVED, the Board urges the RRG and Grid West in the strongest possible terms to turn their attention to identifying specific transmission problems and least cost ways of addressing them, and to more fully developing the conceptual proposal presented by the RRG in December of 2003 to determine if it is a useful mechanism for implementing least cost solutions to specific regional transmission problems.

NOW THEREFORE BE IT FURTHER RESOLVED, the Board urges the RRG and the Board of Grid West to not consider adoption of the proposed Developmental Bylaws unless and until the RRG proposal, and any alternatives to it, is fully developed and understood, and the costs and benefits of their implementation have been fully evaluated.

ADOPTED this 21st day of June, 2004, at a regular meeting of the Board of Commissioners of Public Utility District No. One of Ferry County, Washington.



BOARD OF COMMISSIONERS
PUBLIC UTILITY DISTRICT NO. ONE
FERRY COUNTY, WASHINGTON



President



Vice-President

ATTEST:



Secretary

-----Original Message-----

From: Carlson, Debbie - PGC-Richland
Sent: Friday, August 06, 2004 7:15 AM
To: Bloomer, Cain - PFR-6
Cc: Brost, Ed - PSE-Richland
Subject: Benton County PUD - Resolution No. 1798

GWA-007
AUG 18 2004

Cain:

Per your request -- the BPUD resolution on they view BPA's position concerning Grid West.

debbie

RESOLUTION NO. 1798

June 8, 2004

A RESOLUTION OF PUBLIC UTILITY DISTRICT NO. 1 OF BENTON COUNTY, WA OPPOSING THE APPROVAL OF THE PROPOSED DEVELOPMENTAL BYLAWS FOR GRID WEST BY THE REGIONAL REPRESENTATIVES GROUP, AND ADOPTION OF THE DEVELOPMENTAL BYLAWS BY THE BOARD OF TRUSTEES OF GRID WEST

WHEREAS, the Board of Public Utility District No. 1 of Benton County, WA ("Board") has followed the development of regional transmission organizations ("RTOs") in other areas of the country; and

WHEREAS, the track record to date has been that RTOs have become ever expanding and more costly bureaucratic organizations that have imposed ever increasing costs on transmission users with no apparent increase in transmission capacity or reliability; and

WHEREAS, many national organizations that have been supportive of RTO formation are re-examining their support of RTOs in light of the history of ever increasing costs and minimal benefits provided by such organizations; and

WHEREAS, the Board has observed the activities of the Regional Representatives Group ("RRG") of Grid West, and its predecessor RTO West, in attempting to identify both problem areas with the present transmission system and cost-effective solutions that would be an improvement over current circumstances; and

WHEREAS, in December of 2003, the RRG developed a high level concept for identifying transmission system problems and coming up with least cost solutions on a gradual, incremental basis; and

WHEREAS, a majority of the RRG members decided that this high level concept had sufficient promise to justify further investigation and development to determine if it was a useful approach for identifying and addressing specific regional transmission problems; and

WHEREAS, the RRG was to be presented with both Development Bylaws and Operational Bylaws so that a comprehensive picture of what the Grid West was envisioned to be could be considered before seating of the Development Board; and

WHEREAS, the Board felt that the efforts of the RRG to identify specific problems and tailor solutions to resolve them in a least cost manner had some promise, and might be good for the region and its electric customers; and

WHEREAS, the Board disagrees with the current approach for seating the Development Board; and

WHEREAS, the RRG efforts now are focused on seating the Development Board prior to having a clear picture of what the Grid West is envisioned to be, and on an institution building effort to create yet another regional organization before the task of the new organization is even identified and understood; and

WHEREAS, the Board believes that this is a major change in the direction and effort of the RRG, and is inconsistent with the program that was described to the region by the RRG in December of 2003; and

WHEREAS, the Board believes that efforts of the RRG should be directed to provide a clear picture of what Grid West is envisioned to be, so it can be determined whether the proposal developed by the RRG in December of 2003 provides a mechanism for effectively addressing the regional transmission problems, or whether some other alternative mechanism is the most effective, least cost manner for resolving these problems; and

WHEREAS, it is not in the interests of the region, its electricity users, or the utilities that serve them, nor does it make any sense to spend time, money and effort to adopt bylaws and establish an organization before the task of that organization is identified and understood, and before it is determined whether the benefits of such an organization would be outweighed by its costs.

NOW, THEREFORE, it is resolved that

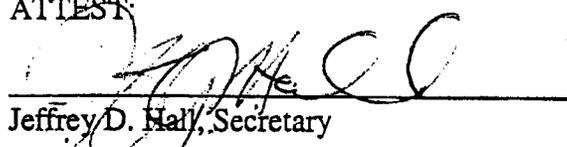
The Board objects to and opposes at this time the approval by the RRG of the proposed Developmental Bylaws for GRID West, and objects to and opposes the adoption of such proposed Developmental Bylaws by the Board of Trustees of Grid West.

2. The Board urges the RRG and Grid West in the strongest possible terms to turn their attention to more fully developing the conceptual proposal presented by the RRG in December of 2003 to determine if it is a useful mechanism for implementing least cost solutions to specific regional transmission problems.
3. The Board urges the RRG and the Board of Grid West to not consider adoption of the proposed Developmental Bylaws unless and until the RRG proposal, and any alternatives to it, is fully developed and understood, and the costs and benefits of their implementation have been fully evaluated.

APPROVED AND ADOPTED by the Commission of Public Utility District No. 1 of Benton County at an open meeting, with notice of such meeting being given as required by law, this 8th day of June, 2004.


John A. Goldsbury, President

ATTEST:


Jeffrey D. Hall, Secretary



The Cooperative Way!

GWB-008
AUG 19 2004

BENTON RURAL ELECTRIC ASSOCIATION

402 7TH Street * P.O. BOX 1150 * PROSSER, WASHINGTON 99350 * 509/786-2913 * Fax: 509/786-0291

August 2, 2004

Allen Burns, Exec Vice President of Industry Restructuring
Bonneville Power Administration
PO Box 3621
Portland OR 97208

Dear Allen:

Subject: Bonneville Power Administration's Participation in a Regional
Transmission Organization (RTO) or Grid West.

After much deliberation, the Board of Trustees has adopted the attached resolution setting forth the position of the Benton Rural Electric Association regarding RTO or Grid West.

While we are not rejecting the formation of RTO or Grid West, we are conditioning any further support of these efforts until the outstanding issues surrounding General Transfer Agreements, including cost assignment and meaningful "contract lock language", are resolved.

An acceptable resolution of these issues would include new or amended transmission service contracts that memorialize the Association's current transmission contract rights, including those transmission rights set forth in the transmission tariff ("contract lock") and a commitment regarding GTA service and cost allocation. In addition, the new contracts or amendments must be enforceable and clearly recognize that the Association's transmission rights are not a matter of ratemaking.

Sincerely yours,

A handwritten signature in cursive script that reads "Charles L. Dawsey". The signature is written in black ink and includes a long, sweeping horizontal line at the end.

Charles L. Dawsey
General Manager Executive Vice President

Enclosure



The Cooperative Way!

BENTON RURAL ELECTRIC ASSOCIATION

402 7TH Street ❖ P.O. BOX 1150 ❖ PROSSER, WASHINGTON 99350 ❖ 509/786-2913 ❖ Fax: 509/786-0291

Resolution 12-07-04

BOARD RESOLUTION SETTING FOR THE OFFICIAL POSITION OF THE BENTON RURAL ELECTRIC ASSOCIATION REGARDING GRID WEST

Whereas, The Benton Rural Electric Association (Benton REA) is a transmission dependent utility, relying on the Bonneville Power Administration (BPA) for transmission services directly from the federal system, or through General Transfer Agreements (GTA) between BPA and third party utilities; and

Whereas, Benton REA is concerned that Grid West or any RTO has the ability to restrict Benton REA's historical access to transmission to serve its residential load; and

Whereas, Benton REA is further concerned that there has been no cost benefit study completed to provide assurances that Benton REA and its members will not be financially disadvantaged as a result of changes to transmission charges resulting from constrained path clearing or to exposure from potential auction associated with transmission access and/or capacity to serve load growth; and

Whereas, Benton REA is not convinced that the "developmental stage" bylaws of Grid West provide adequate off ramps that would allow the BPA to disconnect from the process if it were determined at some point in the process to be disadvantageous to BPA or its transmission dependent customers.

NOW, BE IT RESOLVED THAT

Benton REA Board of Trustees do hereby adopt and set forth the following official position of the Benton REA regarding Grid West and RTO.

"Benton REA will not consider supporting any implementation of changes that affect the regional transmission system, including implementing the proposed Grid West developmental bylaws without, at a minimum, successful resolution of; (i) a contract lock that ensures that Benton REA's current transmission rights, transmission service and associated business practices all as set forth in Benton REA's current transmission contract with BPA and the BPA transmission tariffs, are memorialized in new or amended long-term transmission contracts between BPA and Benton REA; and (ii) the

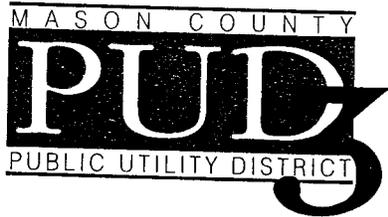
current outstanding issues regarding service under general transfer agreements (GTAs) including assignment of GTA costs. These new or amended contracts must be enforceable through binding arbitrations, and must state that Benton REA's transmission rights are not a matter of rate making, not subject to the exclusive jurisdiction of the United States Court of Appeals for the 9th Circuit Court."

Date: July 28, 2004


Virgil Boyle - President

ATTEST:


Howard Christen - Secretary



GWB-009
AUG 20 2004
COMMISSIONERS
LINDA R. GOTT
BRUCE E. JORGENSEN
JOHN H. WHALEN
MANAGER
WYLA J. WOOD

August 17, 2004

Allen Burns
Executive Vice President
for Industry Restructuring
Bonneville Power Administration
P. O. Box 3621
Portland, OR 97208

Dear Mr. Burns:

We, the Commissioners of Mason County PUD No. 3, would like to thank you for your visit on Friday, August 6th. We appreciate your taking the time to give the presentation and answer questions on the Grid West proposal, in addition to listening to the many concerns expressed by those in attendance.

While we may not be in agreement with the direction BPA is leaning in regards to Grid West, PUD 3 does recognize the need for some transmission improvements and will continue to work with BPA to develop a workable alternative to the Grid West proposal.

Sincerely,

BOARD OF COMMISSIONERS


John H. Whalen Bruce E. Jorgenson Linda R. Gott
President Vice President Secretary

JHW/BEJ/LRG:nb

AUG 20 2004

Kuehn, Ginny - DM-7

From: Exe, Tara D - R-3
Sent: Friday, August 20, 2004 9:56 AM
To: Kuehn, Ginny - DM-7
Subject: FW: Grid West: The Pros and Cons as Seen by Public Interest Constituent Representatives

Hi Ginny

Here are more comments to be added to the Grid West Bylaws open comment period. The attachment has the comments per each person listed below. If you have any questions, please let me know. Thank you!

-----Original Message-----

From: Taves, John - DR-7-C
Sent: Tuesday, August 10, 2004 11:12 AM
To: Berwager, Syd - R-3; VanZandt, Vickie - T-DITT2; Silverstein, Brian L - TO-PPO2-1; Burns, Allen - R-3; Exe, Tara D - R-3; Whitney, Carolyn A - T-DITT2
Cc: Hickok, Steven G - D-7; Goodwin, Helen - PS-6; Brannon, Christy - PL-6; Wright, Stephen J - A-7; Hunt, Karen - DR-7; Bennett, Ruth - K-7; Norman, Paul - P-6; Smith, Alexandra - PS-6
Subject: Grid West: The Pros and Cons as Seen by Public Interest Constituent Representatives

The attached MS Word document is a compilation of e-mail coming from a variety of public interest group representatives concerning Grid West and the potential reintegration of BPA. The perspectives range from strongly pro- to strongly anti-Grid West. It is an informative window into the varied thinking and concerns of this stakeholder group. I suggest including this information in our official record of comments on the Grid West proposed bylaws.

Participants in this dialogue include the following:

- Kevin Bell, Convergence Research (former Chair of NW Energy Coalition and (frequent pro bono consultant to the environmental community))
- Steve Weiss, policy analyst, NW Energy Coalition
- Jeff Shields, former manager, Emerald PUD
- Katherine Schact, board member, Emerald PUD
- Fred Heutte, Sierra Club
- Natalie McIntire, policy associate, Renewable Northwest Project (oversees transmission issues for renewables)
- Jim Lazar, Microdesign Northwest (frequent pro bono consultant to the environmental community)



Constituents
Dialogue.doc

Kevin Bell, Convergence Research, Fri 8/6/2004 9:18 AM

Not that it will ever happen, but I do feel compelled to point out that the big picture solution to the generation of chaos that has followed the failure to the Regional Power Act involves more than just reintegrating BPA.

The problem with trying to separate electric delivery from electric production is that "production" is not just another commodity widget in the case of BPA. BPA dominates regional "ancillary" services (reserves, real-time automatic generation control, instantaneous peaking capacity, low-cost emergency replacement power, load balancing, system stability) that are critical and underappreciated components of a functional grid. Having transmission and ancillary energy components integrated under the control of a single nonprofit entity is a Very Good Thing. Failure to do so explains a lot of the meltdowns in California and elsewhere.

I still think that the right answer for the Northwest is a regional grid under public control, with all of the necessary ancillary services attached. BPA is probably the best candidate for this role, which would require separation of the functions where BPA competes (commodity power production) from the functions where BPA is (and should be) the de facto dominant player (transmission and associated ancillary services).

This would work if there was a functional regional planning process that defined the rule curves for both ancillary and bulk power functions, and if the other regional transmission players were willing to give up their fantasy of transmission as a potential profit center. Politically, there is zero chance of either effective regional planning or selfless utility behavior at this point. The alternative on the table - surrender of public transmission resources to a profit-oriented regional grid - is unacceptable.

Given the reality, I support reintegrating BPA. But I come to that conclusion reluctantly - it's not a good choice, simply the least bad one under the circumstances. And, it's a stopgap - it resolves nothing, and doesn't fix either BPA or the regional power system over the long haul.

Steve Weiss, Policy Analyst, NW Energy Coalition, Fri 8/6/2004 9:18 AM

The alternative currently on the table is **not** a profit-oriented regional grid, but Grid West, a non-profit entity with no commercial interests. Grid West would do planning, provide an ancillary service market, etc. While the political chances for getting there are somewhat tenuous, I'd still give it around a 40% chance of going forward. BPA is now receiving comments, and their opinion will make or break Grid West. So I'd ask folks to send in comments now to help counteract a lot of misinformed backlash from many public utilities. Internally I think that BPA is fairly positive about it, but there is a lot of back pressure.

Jeff Shields, former manager, Emerald PUD, Sat 8/7/2004 8:59 AM

I was not aware that the Grid West construct included elected directors. If these are open public elections then there is a chance for true Independent decision making.

Katherine Schact, Emerald PUD Boardmember, Sun 8/8/2004 9:48 PM

I have been trying to not enter this conversation, but now I must. Anyone, that honestly believes that Grid West will facilitate and be a tremendous asset to renewables etc. maybe just fell of the turnip truck. Folks, we are talking about markets and big dollars here. We are talking about

obtaining Pacific Northwest resources to make bukoo bucks on. This in the long run, or maybe even in the short term will continue to be a manipulation of energy resources by the haves and the have mores. A continuation of the Enron fiasco. While I am not sure we can completely stop Grid West, at the very least we can deter it and hope to kill it in the long run. Just looking at the cost of the effort should convince everyone that it is not a good idea. We already spend \$2 and 1/2 million a year on the RTO and Grid West effort, and to what avail? An ISO effort, an additional layer of government, in my opinion is not any better. While it is true we need to do some transmission planning, it could be done without planning to connect to Texas and other additional arbitrary thrusts.

Steve Weiss, Policy Analyst, NW Energy Coalition, Mon 8/9/2004 10:12 AM

I would hope that before folks get too carried away with this discussion that they would at least read a little of the actual Grid West proposal. A lot of this discussion seems to be somewhat uninformed, to say the least. RTOWest.com is the website and there are various documents, from one-page summaries to the complete documents of the proposal.

First, folks should understand that there are quite a few problems with the current system. Anyone who has attended the recent McNary Open Season meetings or the Queue Management meetings conducted by BPA could see that BPA alone cannot (and will not) address them. There is substantial unused capacity on the system right now that cannot be used because of current policies, and getting new construction (or non-wires alternatives) is a very dysfunctional process as well.

One example: the current system uses that age-old economically efficient (sarcasm here) system called "first come, first served" to allocate valuable transmission capacity. This means a 10 MW request over a constrained path gets priority over a 400 MW request which has 10MWs of loop flow over that same path, but came in a day later. That means the 400 MW request gets denied, and that means every current user of the system is denied the 400 MWs of new revenue it would have provided to lower everyone's rates.

There is no efficient way for the 10 MW requester and the 400 MW requester to trade places, or for TBL to group their two requests, or for one to buy the rights from the other (not just that there is no market, but even the identities of the requesters are proprietary so no one knows who has what or who needs what.) There is also no good way TBL could offer redispatch of its own generation, or seek redispatch of other generation to enable both transactions to occur at modest cost (again, there is no market for incs and decs or released rights). There is also no good way for someone else to sell some of his or her rights to enable the transactions. There is also no interruptible firm product BPA has that could enable the transaction to take place if the requester was willing to use non-firm rights or other generation to deal with the handful of hours a year that are actually congested. Contrary to the happy talk that BPA has put out about investigating new products, they have no staff time to do so until after 2007 at the earliest. Not solving these problems cost the region way more than the few million that have been spent developing Grid West.

Many other issues need an independent board such as Grid West to handle. Do you want regional planning done by utilities who represent parochial interests? Do you want new interconnection requests handled by utilities who have their own competing generation? Do you want maintenance schedules set by separate utilities to maximize their own interests? Grid West would set maintenance schedules to maximize efficient grid use, handle interconnection requests and planning, neutrally.

Grid West DOES have an elected board. It's a new public utility. Three of the nine members are elected each year by a regional stakeholder committee. Elections require a very high vote (24 out of 30 votes) so even fairly small interests can get rid of directors who they feel are running up costs or discriminating against some players or contributing or enabling market manipulation.

Grid West DOES NOT force any party to give up existing rights or to even participate in any market. Its markets are completely voluntary. If you don't want to buy or sell your rights, or offer generation or the ability to interrupt loads, you don't have to.

Grid West will use off-the-shelf computer technology and existing control room equipment at BPA. There is no inherent reason costs will escalate out of control. Many of the high costs of other RTOs come from having to deal with retail access (we don't have) and divested utilities (we don't have, except for those idiots in Montana).

Yes Grid West will be FERC jurisdictional. But all IOU lines are now, and BPA is forced to follow FERC because of FERC's reciprocity policy. If anything, Grid West will provide a buffer against FERC. Wouldn't you really want dispute resolution at Grid West rather than at FERC (or the 9th Circuit, for BPA)?

Is Grid West perfect? No way. It still doesn't really have a good way to deal with non-transmission alternatives, but neither does the current system. It will probably lessen individual state's control over transmission issues. But these issues can certainly be addressed as it moves forward.

On balance, I think Grid West will provide important benefits to the region at fairly low risk.

Fred Heutte, Sierra Club, Mon 8/9/2004 3:32 PM

I support Steve's effort for effective changes in planning and policy to fix the problems with the Northwest grid. But I also caution us to be very careful about letting FERC get any more leverage over the Northwest than they already have.

Let me say it a different way: I don't advocate sitting on our hands and holding on to the status quo. There is an opportunity to improve things on the Northwest grid that can also substantially increase the prospects for a clean energy transition in this region.

It goes back to FDR and J.D. Ross's vision for distributing the renewable energy resources here for the widest possible benefit in our region. The federal grid rather than power sales at the busbar at Bonneville and Grand Coulee was the foundational mechanism of the 1937 Bonneville Project Act to achieve that vision, and the very purpose of the federal grid is what is at stake here and now.

Natalie McIntire, Policy Associate, Renewable Northwest Project, Mon 8/9/2004 4:04 PM

Thanks Steve for beginning to shift the focus of this discussion from what is wrong with Grid West to what is wrong with the status quo. I know there is a wide array of views on Grid West and RTO's in the NW, and there are significant concerns about increased costs and loss of control. I'm sympathetic to those concerns, but feel that the current Grid West proposal does a good job of balancing the needs for an independent regional transmission administration and planning organization with regional stakeholder oversight. I also believe that what we have learned from other regions of the country will help the NW avoid similar pitfalls.

I would like to focus a bit on the reality of transmission constraints and road blocks that face the renewables industry today. If we do not have Grid West, we need some other way to get solutions to transmission problems that will enable more renewable resource development.

The Northwest is at a point of great opportunity for the development of renewable resources. Three of the regions investor owned utilities have active RFP's for renewable resources, and others are also looking at acquiring some as well. Some of the regions public utilities are actively trying to acquire wind resources for their customers. These utilities and developers need transmission rights to complete their deals, but they are not finding much available.

The BPA transmission system has several highly constrained paths and as TBL staff said at a public workshop last week, there is almost no capacity left on their system. In addition, the length of the TBL transmission request queue is impractical. It may be a year or more before many requestors in the queue are told whether or not there is transmission available for them. Renewable resources looking to use

the BPA transmission system are faced with no access and no capacity available to them. And BPA says there will not likely be any new transmission products or new line construction to solve these problems in the near future. Other transmission control areas face similar problems.

RNP and its members have been proponents of Grid West because we see its potential to remove many transmission barriers facing renewables. In addition to solving problems of access for new resources, and aiding the process of building new transmission lines, we believe Grid West will also help eliminate pancaked rates, and create markets that will allow more efficient use of the current system. In addition, an independent entity should be able to bring more transparency to costs associated with running the NW grid, and allow for a truly cost based system. With BPA we do not have transparency.

If you are against Grid West and RTO's, I ask you, "What do you propose to solve these problems so that our region can make a growing percentage of renewable resources a reality, resources that bring price stability and local economic benefits to Northwest customers?" If we don't have solutions in the near future, developers will focus on projects in regions of the country where there is greater transmission access. And Northwest utilities will say to us, "We tried to buy renewable power, but we couldn't bring the power to our customers. Now, we'll go back to what we know we can accomplish, fossil resources located close to our load centers."

Jim Lazar, Microdesign Northwest, Mon 8/9/2004 5:03 PM

Let me explain my concern about any form of RTO, in particular the regulation by FERC of transmission rates.

Currently Puget, Avista, and Pacificorp own much or most of their own transmission, and use that to bring power from Colstrip, Bridger, and other remote power plants to their service territories. The transmission cost included in bundled rates for retail service include a return on equity and capital structure for transmission determined by the state commissions. That generates a transmission revenue requirement, which is then apportioned among customer classes by the state commissions.

In general, the state commission have allowed much lower (and, in my opinion, more appropriate) returns on equity and revenue requirements for transmission than FERC has. In the gas pipeline field, the FERC approach produces revenue requirements that can be 50% higher than those approved by the State commissions, and I fear the same would occur if FERC regulated the transmission component of bundled service.

In addition, the FERC approach to transmission cost allocation between customer classes heavily favors industrial customers, compared with that used by the Washington Commission (sorry, Oregon folks, but you have a Commission that also favors industrial customers).

The likely result of an RTO would then be something like a 20% increase in the total transmission revenue requirement, and a shifting of that revenue requirement towards residential and small business (i.e., low load factor) classes. Core customers could see a 40% or greater increase in transmission revenue requirement. A principle known as the "filed rate doctrine" requires the states to recognize and allow a FERC-established rate in the calculation of state revenue requirements. In the gas industry, this has meant allowing a very high gas transmission revenue requirement into retail rates. The states do have the flexibility to reapportion that between customer classes, but the arguments for an "as-billed pass through" of the transmission revenue requirement have been pretty persuasive.

The issue about pancaking of rates is, in my opinion, bogus. If transmission owners "overcollect" their "true" transmission revenue requirements from wholesale shippers by virtue of pancaking of rates, those excess revenues serve to offset other revenue requirements, and billpayers get that benefit in some other way. Yes, some wholesale shippers of power get "overcharged" but end-use customers still only pay a fair rate of return -- the revenues they receive (wheeling) are a credit against retail revenue requirements. Yes, some sellers get "screwed" but the public does receive the benefit of that -- not the shareholders.

If FERC were willing to cede transmission ratemaking to the states, I'd have less worry, but my experience has been that the principal REASON that PacifiCorp has supported RTO-West as strongly as it has is a desire to move its \$1-billion transmission investment out of state control (where it gets a 10.5% return on equity) into federal control (where it might get 13% or more). It might also solve their interstate cost allocation problem, in which the state of Utah has a different philosophy than Oregon and Washington, with the result being that the "sum" of all of the costs absorbed by the different states don't add up to 100%. With FERC regulation, PacifiCorp could probably avoid that problem. Of course, consumers would pay any additional revenue allowed by FERC.

Note that NONE of my concerns have anything to do with the treatment of renewable resources on the transmission system. I think it's straightforward to solve those problems, and that there's no need for a federal takeover of regulation of the transmission component of bundled electric service needed to achieve that.

My two cents.

Jeff Shields, former manager, Emerald PUD, Mon 8/9/2004 7:32 PM

The key to a credible and functional Grid West will rest in the true "Independence" of the governing Board. I am not at all clear on how this Board will be constituted. There was a suggestion that it is an elected Board. Really? Who votes?

Steve Weiss, Policy Analyst, NW Energy Coalition, Tue 8/10/2004 7:57 AM

It's not just a "suggestion" that the Board is elected, it's in the Bylaws. There will be 9 members with rotating three-year terms. A stakeholder representatives group of 30 votes for them, three each year. The stakeholder group is made up of 5 classes of six members each. All members who join are assigned to a class, and the class elects its stakeholder representatives. The 5 classes are: (a) large transmission-owning utilities, including BPA; (b) transmission dependent utilities, essentially all of the publics that don't own a lot of transmission; (c) end-users, three of whom represent residential customers; (d) marketers and IPPs, developers; and, (e) states, tribes and public interest groups, 4 for states (representatives of governors, PUCs, energy offices), 1 for tribes, 1 for public interest groups. It requires 24 votes to elect a Board member.

While votes are from stakeholders, the actual Board members cannot be affiliated with any of the classes or represent any of their interests. There are a host of independence requirements on board members.

Jeff Shields, former manager, Emerald PUD, Mon 8/9/2004 7:44 PM

Be warned of how grid reliability standards and specifically, reserves, are determined by an independent grid operator. Many Governing Boards of Independent Grid Operators set their own planning standards and the effect is such stringent standards that building new transmission is the only way for participating utilities to stay in compliance. I hope those you that are involved in the Grid West discussions pay close attention to how they propose to set reserve requirements.

BPA currently uses one of the most liberal reserve standards I am aware of. In my opinion they are acting responsible. They are in compliance with WECC but then WECC has pretty generic standards. Don't let BPA get sucked into unrealistic planning standards.

Steve Weiss, Policy Analyst, NW Energy Coalition, Tue 8/10/2004 8:19 AM

This issue has not yet been addressed, as the Transmission Operating Agreement between Grid West and the transmission owners has not been negotiated, nor have tariffs been set. I can imagine there will be great resistance to standards from many public utilities, and perhaps resistance from states who think

standards might pre-empt their authority. On the other hand, Grid West may be able to withhold service if a party doesn't meet its standard, so the issue needs watching. Of course the LACK of standards probably helped cause the 2000-2001 crisis, but your point is well taken.

I should also note that Grid West won't go operational until after the transmission operating agreement is signed, and for it to be signed each IOU will have to get its state's utility commission approval, and BPA will have to go through a ROD process. So while this issue might be a concern, going forward now does not mean folks won't be able to stop Grid West at a subsequent decision point. The idea that this is a freight train is not credible.

Jeff Shields, former manager, Emerald PUD, Mon 8/9/2004 7:32 PM

The key to a credible and functional Grid West will rest in the true "Independence" of the governing Board. I am not at all clear on how this Board will be constituted. There was a suggestion that it is an elected Board. Really? Who votes?

Steve Weiss, Policy Analyst, NW Energy Coalition, Tue 8/10/2004 7:57 AM

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Katherine Schact, Emerald PUD Boardmember, Tue 8/10/2004 10:16 AM

Sure Steve you are right there are problems. I know that you are well read and knowledgeable about the RTOs' and Grid West proposals. I support your effort in all this, but honestly Steve I still believe you do not need an elephant to kill a fly. You have to admit that some of my analysis and theory have a great deal of truth to it. (I think we are already nearing a period when energy resources will be nationalized, Grid West will certainly facilitate that effort) I believe planning can be done without more government layers. Lets face it BPA with support from its users can in fact solve the transmission problems. Wouldn't this be a better solution than adding higher rates for these additional costs on the backs of ratepayers, who have already absorbed a 50% increase? And lets face it Steve, all the technical planning and problem solving will not overcome the political will when push comes to "shove".

GWB-011

AUG 20 2004

Kuehn, Ginny - DM-7

From: a.shakill@dgc-us.com

Sent: Friday, August 20, 2004 1:13 PM

To: BPA Public Involvement

Subject: Comment on Review of Proposed Grid West Developmental and Operational Bylaws

Comment on Review of Proposed Grid West Developmental and Operational Bylaws

View open comment periods on <http://www.bpa.gov/corporate/kc/home/comment.cfm>

Amin Shakill, P.E.

Diamond Generating Corporation

a.shakill@dgc-us.com

(213) 620-7652

333 South Grand Avenue Suite 1570

Los Angeles, CA 90071

Please see the attachment

This comment includes an attachment!



Diamond Wanapa I, LP

333 South Grand Avenue
Suite 1570

Los Angeles, CA 90071

Tel: (213) 473-0080

Fax: (213) 620-1170

August 20, 2004

Allen Burns
Executive Vice President for Industry Restructuring
Bonneville Power Administration
Attn: Communications - DM-7
P.O. Box 14428
Portland, OR 97293-4428

VIA Fax: to 503-230-3285

Dear Mr. Burns

Diamond Wanapa I, LP (Diamond), a subsidiary of Diamond Generating Corporation, and the Confederated Tribes of the Umatilla Indian Reservation, in conjunction with the City of Hermiston, the Eugene Water & Electric Board and the Port of Umatilla, are jointly developing, a new 1,200 megawatt natural gas-fired electric generating facility, known as the Wanapa Energy Center, on the Tribal lands located east of the city of Umatilla, Oregon.

Diamond as the lead developer of the Wanapa Energy Center supports Bonneville Power Administration's effort in the creation and implementation of the Grid West proposal as presently constituted. We also encourage and advocate the independence of the board of the Grid West. In our view, weakening the independence of the boards will not be prudent in resolving the regional problems identified in your letter.

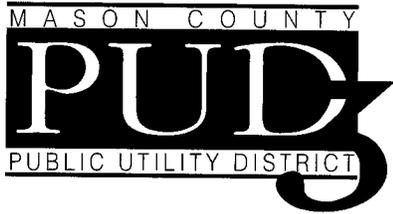
Our experience with developing the Wanapa Energy Center leads us to believe that the addition of cost-effective generating resources and expansion of the northwest transmission system can best be achieved through an independent operator of the transmission system.

We encourage Bonneville Power Administration to continue this effort and make Grid West a reality.

Sincerely,

Bo. Buchynsky
Sr. Vice President

Cc: A. Shakill - DGC
FILES



COMMISSIONERS
LINDA R. GOTT
BRUCE E. JORGENSEN
JOHN H. WHALEN
MANAGER
WYLA J. WOOD

SW-012
AUG 23 2004

August 19, 2004

Stephen J. Wright, Administrator
Bonneville Power Administration
P. O. Box 3621
Portland, Oregon 97208

Dear Mr. Wright:

On behalf of the Mason County PUD No. 3 Board of Commissioners, I am forwarding to you a copy of a resolution adopted on August 17, 2004, regarding Grid West.

As stated in Resolution No. 1312, the PUD 3 commissioners object to and oppose the approval of the developmental bylaws for Grid West, as well as the adoption of said bylaws by the Board of Trustees of Grid West, until such time that alternatives to it are understood and the costs and benefits of it have been fully evaluated.

Sincerely,

A handwritten signature in cursive script that reads "Wyla J. Wood". The signature is written in black ink and includes a small flourish at the end.

Wyla J. Wood
Manager

WJW:nb

Enclosure

c: Allen Burns, Executive Vice President for Industry Restructuring
Vickie VanZandt, Senior Vice President for Transmission Business Line

RESOLUTION NO. 1312

A RESOLUTION OPPOSING THE APPROVAL OF THE
PROPOSED DEVELOPMENTAL BYLAWS FOR GRID WEST
BY THE REGIONAL REPRESENTATIVES GROUP, AND
ADOPTION OF THE DEVELOPMENTAL BYLAWS BY THE
BOARD OF TRUSTEES OF GRID WEST

WHEREAS, the Board of Commissioners ("Board") of Mason County Public Utility District No. 3 ("PUD 3") has followed the development of regional transmission organizations ("RTOs") in other areas of the country; and

WHEREAS, the track record to date has been that RTOs have become ever expanding and more costly bureaucratic organizations that have imposed ever increasing costs on transmission users with no appreciable increase in transmission capacity or reliability; and

WHEREAS, many national organizations that have been supportive of RTO formation and re-examining their support of RTOs in light of the history of ever increasing costs and minimal benefits provided by such organizations; and

WHEREAS, the Board has observed the activities of the Regional Representatives Group ("RRG"), of Grid West, and its predecessor RTO West, in attempting to identify both problem areas with the present transmission system and cost-effective solutions that would be an improvement over current circumstances; and

WHEREAS, in December of 2003, the RRG developed a high level concept for identifying transmission system problems and coming up with least costs solutions on a gradual, incremental basis; and

WHEREAS, a majority of the RRG members decided that this high level concept had sufficient promise to justify further investigation and development to determine if it was a useful approach for identifying and addressing specific regional transmission problems; and

WHEREAS, the Board felt that the efforts of the RRG to identify specific problems and tailor limited solutions to resolve them in a least cost manner had some promise, and might be good for the region and its electric customers; and

WHEREAS, the Board has viewed with alarm and disappointment the change in the focus of the RRG and its recent efforts; and

WHEREAS, the RRG efforts now are focused not on specific, cost-effective solutions to discrete transmission problems, but rather on a complete transformation of the existing transmission system, and on an institution building effort to create yet another regional organization before the task of the new organization is even identified and understood; and

WHEREAS, the Board believes that this is a major change in the direction and effort of the RRG, and is inconsistent with the program that was described to the region by the RRG in December of 2003; and

WHEREAS, the Board believes that the current focus on completely revamping the current transmission system and creating a new regional transmission organization will materially detract from the more important effort of identifying and resolving specific regional transmission problems in a least cost manner, and will preclude the consideration and use of more focused, and more cost-effective, solutions; and

WHEREAS, the Board believes that efforts of the RRG should be directed to identifying and addressing specific transmission problems confronting the regional

transmission system, and determining whether the proposal developed by the RRG in December of 2003 provides a mechanism for doing so, or some other alternative mechanism for addressing such problems, is the most effective, least cost manner for resolving regional transmission problems; and

WHEREAS, it is not in the interests of the region, its electricity users, or the utilities that serve them, nor does it make sense to spend time, money and effort to adopt bylaws and establish an organization before the task of that organization is identified and understood, and before it is determined whether the benefits of such an organization would be outweighed by its costs.

NOW, THEREFORE, IT IS RESOLVED that:

1. The Board objects to and opposes at this time the approval by the RRG of the proposed Developmental Bylaws for Grid West, and objects to and opposes the adoption of such proposed Developmental Bylaws by the Board of Trustees of Grid West.
2. The Board urges the RRG and Grid West in the strongest possible terms to turn their attention to identifying specific transmission problems and least cost ways of addressing them, and to more fully developing the conceptual proposal presented by the RRG in December of 2003 to determine if it is a useful mechanism for implementing least cost solutions to specific regional transmission problems.
3. The Board urges the RRG and the Board of Grid West to not consider adoption of the proposed Developmental Bylaws unless and until the RRG proposal, and any alternatives to it, is fully developed and understood, and the costs and benefits of their implementation have been fully evaluated.

ADOPTED this 17th day of August, 2004.



John H. Whalen, President



Bruce E. Jorgenson, Vice President

ATTEST:



Linda R. Gott, Secretary



Public Power Council

1500 NE Irving, Suite 200
Portland, Oregon 97232
503.232.2427
Fax 503.239.5959

August 23, 2004

GWB - 013

VIA FACSIMILE and U.S. MAIL

Allen Burns
Executive Vice President for
Industry Restructuring
Bonneville Power Administration, R-3
P.O. Box 3621
Portland, Oregon 97208-3621
503.230.3285

AUG 24 2004

Re: Comments of PPC Regarding BPA's Proposed Support for Grid West's Developmental and Operational Bylaws.

Dear Allen:

The following are the Public Power Council's (PPC's) comments on whether BPA should vote to adopt the Developmental Bylaws¹ of the Grid West Corporation of which BPA is a member. These comments were approved by a unanimous vote of PPC's Executive Committee.

PPC has three primary areas of concern regarding the Grid West bylaws:

- Loss of control by the region over major energy policy decisions;
- Inadequate opportunity to make decisions regarding the corporation's budget; and
- Inclusion of the Platform Proposal's Advanced State in the Narrative Description and accommodation of it in the Operational Bylaws.

¹ All references in these comments regarding the Developmental Bylaws refer to the *Proposed Developmental Bylaws for Grid West*, RRG "Good Enough" Version, posted July 7, 2004.

Each of these concerns is implicated by the Developmental and Operational Bylaws.²

1. The Governance Provisions Of The Developmental And Operational Bylaws Do Not Give Sufficient Control Of Energy Policy Decisions To The Region And Do Not Successfully Balance “Independence” And “Regional Control.”

PPC starts from the premise that the region should control the major policy decisions concerning the region’s electricity business. The reasons for this are straightforward: (1) Grid West will be subject to the Federal Energy Regulatory Commission’s (FERC’s) jurisdiction and thus obligated to execute FERC’s directives; (2) FERC continues assiduously to pursue its policies regarding RTOs and standardized transmission and energy markets; (3) these policies do not fit the Northwest’s interdependent hydro-electric system, are extremely costly to operate, and are unnecessary for the Northwest.

Because the Northwest remains largely and adamantly opposed to many of FERC’s initiatives, it became clear in 2003 that the RTO West Stage 2 proposal was unsustainable. One of the purposes of last summer and fall’s RTO West exercise was to let the region, rather than FERC, make the policy choices regarding a Northwest transmission organization. There is no compelling reason to abandon that purpose. In order for the Northwest to avoid the imposition of inappropriate and costly “reforms”, the region must act as a brake on FERC and must effectively fashion energy policy to address the problems that it actually faces. *Constituting Grid West as a FERC-jurisdictional entity without first ensuring a strong and effective policy role for the region, however, gives FERC, not the region, control.*

A. FERC Continues To Pursue RTOs As A Means To Implement Standardized Markets.

FERC control of regional energy policy is undesirable for a simple reason - over the last four years, FERC has been bent upon a path of standardized integrated markets, financial rights and transmission

² The Developmental Bylaws attach and incorporate the Narrative Description of the Platform Proposal. Developmental Bylaws, Exh. D & F, respectively. Because that document is part of the Developmental Bylaws, we will comment on it as well.

services.³ Its drive to establish RTOs or ISOs in every region continues. Although the omnibus “standard market design” rulemaking ran into significant opposition, FERC has not withdrawn it and continues to pursue this initiative on a piecemeal basis. Despite being presented with nearly universal opposition from the Northwest to application of certain features of SMD, FERC has given no assurance that it would not insist on adoption of SMD’s features in the region.⁴

Indeed, we must assume that FERC will insist that Grid West implement these proposals to a substantial extent. Every operating RTO and ISO in the U.S. has moved toward compliance with standard market design. FERC’s White Paper⁵ continues to require that a region have an Order 2000-compliant RTO or an ISO, have a transmission rate for access and transmission services, operate spot markets for energy and ancillary services, operate a day-ahead market for energy, and manage congestion.⁶

B. FERC’s RTO Initiatives Have Proven To Be Extremely Costly And Formation of Grid West Could Result In A Substantial Cost Increase For Customers.

³ Standard Market Design, and the subsequent Wholesale Market Platform, would mandate financial transmission rights and integrated markets for imbalance energy (real time energy), day-ahead energy and ancillary services. The establishment of RTOs and ISOs is the mechanism through which these and other proposals would be implemented. See *Remedying Undue Discrimination through Open Access Trans. Service & Standard Electricity Market Design & Structure*, Notice of Proposed Rulemaking, FERC Docket No. RM01-12-000 (July 31, 2002), 67 Fed. Reg. 55452 (Aug. 29, 2002); *Remedying Undue Discrimination through Open Access Trans. Service & Standard Electricity Market Design & Structure*, White Paper - Wholesale Power Market Platform, FERC Docket No. RM01-12-000, (Apr. 28, 2003), 68 Fed. Reg. 24679 (May 8, 2003)(White Paper).

⁴ Two statements in the White Paper are frequently pointed to as demonstrations of FERC’s willingness to accommodate Northwest needs. FERC declares that it has “heard the concerns expressed about the merits of locational pricing and a day ahead market. . . . With respect to these concerns, our commitment is to work with interested parties, including state commissions, to find solutions that are appropriate to the unique needs of the Pacific Northwest.” *White Paper*, 68 Fed. Reg. at 24681. FERC also says that “if for a specific RTO or ISO it can be demonstrated to the Commission that the costs of implementing any feature of the market platform outweigh the benefits, the Commission will not require implementation of the feature for that particular RTO or ISO.” *Id.* at 24684. FERC agrees “to work” with the Northwest; this is no commitment not to impose any feature of SMD. FERC will not require a feature if “it can be demonstrated to the Commission” that there is no net benefit; the Commission has already made the factual finding that RTOs, ISOs and SMD benefit consumers. These “assurances” are cold comfort at best.

⁵ *White Paper*, 68 Fed. Reg. 24679 (May 8, 2003).

⁶ FERC continues to insist on the specific features of Order 2000 that established the requirements for RTOs. See e.g., *Southwest Power Pool, Inc.*, 108 FERC ¶61,003 (July 2, 2004).

RTOs and ISOs in the U.S. have proven to be expensive propositions. Each operating, extant RTO or ISO has demonstrated a clear pattern of growth of its annual operating costs.⁷ In 2004 existing, operating RTOs and ISOs will spend, collectively, over \$1 billion in operating costs.⁸ On an individual basis, these costs range from \$119 to \$229 million for 2004 (2003 dollars).⁹ For the RTOs and ISOs that provide data on annual energy, this works out to a weighted average unit cost of \$0.73/MWh (2003 dollars).¹⁰ We have seen no conclusive evidence of offsetting benefits reflected in retail bills. Consumers in some areas have experienced rate decreases due solely to price caps. When price caps are removed, consumers in many areas (such as California, New Jersey, Ohio and Maryland) face large rate hikes.

A key driver of annual operating costs is the addition of functions performed and services provided by the RTO. During the period for which operating costs were surveyed and analyzed, each RTO or ISO has grown in size and activity. Each has hired additional employees,¹¹ undertaken new duties, and developed new markets.¹²

Applying the average unit cost of \$0.73/MWh to the estimated 280 TWh served annually in the Grid West area would produce an estimate of \$204 million of annual operating costs.¹³ Because the BPA system accounts for a significant percentage of that annual energy figure, the rate impact that BPA customers experience could be substantial.

It is not compelling to assert that Grid West would learn from the mistakes made by other RTOs and ISOs. None of these organizations has demonstrated any ability to keep their costs under control. Moreover, to the extent that FERC requires compliance with Order 2000 and the features of Standard Market Design, the assertion fails. FERC wants

⁷ See PPC Comments, Attachment A (“Attachment A”), p. 4.

⁸ See Attachment A, p. 3. Operating costs are in 2003 dollars and include amortization, depreciation and interest expenses.

⁹ See Attachment A, pages 9 - 15.

¹⁰ Calculated as a weighted average using operating cost data. See Attachment A, page 9 - 15. Note that MISO does not collect data regarding annual energy for its service territory but inclusion of that data in this calculation could reduce the average unit cost.

¹¹ See Attachment A, p. 8.

¹² Compare Attachment A, pp. 9 - 15.

¹³ Annual energy estimate for 2004 taken from *Tabors Caramanis RTO West Cost Benefit Study*, 3/11/2002 at 39

uniformity in conformance with its vision of standardized markets; we have every expectation that FERC will impose the same requirements it has elsewhere unless the region provides a credible counterweight. The Board of Trustees is beholden to its regulator, and at this point, the region has no way to say “no” to FERC and make it stick. Even if Grid West does not have to implement more than Orders 2000 and 2000-A, this is too expensive.

C. The Bylaws Do Not Give Grid West Members Control Of Major Energy Policy Decisions.

The Operational Bylaws vest the Board of Trustees with the authority to decide what services Grid West would offer and functions it would perform. The role of the members is very limited. Before making a decision relating to any of a limited set of issues, the Board must consult with a committee elected by the members, the Members Representative Committee or MRC. These issues are

- i. Authorization to exercise backstop measures with respect to chronic, significant, commercial congestion;
- ii. Departure from using the company rate approach to recover fixed costs of transmission service;
- iii. Authorization for the Corporation to convert the transmission rights of the transmission owner to financial rights and to issue new financial rights;
- iv. Authorization for the Corporation’s market monitor to impose penalties or actively intervene in markets; and
- v. Authorization for the Corporation to adopt and enforce a loss methodology that overrides individual company loss methodologies.¹⁴

In order for the Board to adopt a proposal requiring authorization under section 7.16. the MRC must vote on the proposal¹⁵ and fail to remand it by a vote of 20 of 30 members of the MRC or of 16 members with at least one member class unanimously voting “no.”¹⁶ Once the MRC fails to carry a “no” vote on a proposal, then the authorization is granted and

¹⁴ Operational Bylaws, § 7.16.1.

¹⁵ *Id.* at § 7.16.2(iv).

¹⁶ *Id.* at § 7.16.2(v).

the board need not *ever* return to the MRC for authorization to adopt a proposal relating to that issue.¹⁷

The MRC vote does not give the region policy control. First, the Board can override the MRC remand with a vote of 7 of 9 Board members. The only punishment with which the members can threaten the Board is removal of trustees. Removal of trustees is inevitably *post hoc*, expensive and difficult to accomplish. We do not have any confidence it will generate sufficient “moral authority” to prevent Board action in the face of a FERC order. Certainly a majority “no” vote on transition to RTO status by the ISO New England membership did not stop the board from proceeding with its FERC filing to accomplish this transition. We do not want to see this situation repeated in the Northwest.¹⁸

Second, the special issues list is not sufficiently comprehensive. It should not be limited to the specific issue, such as departure from company rates, but should apply each time the general issue arises, in that case a significant change in rate design. In other words, the obligation to consult and obtain consent from the MRC should not be limited to the first time the issue arises. Moreover, the list is too limited in the issues covered. For example, the decision to operate integrated energy markets would not be covered and could be extremely expensive. The bylaws should require an MRC vote for any proposal that is reasonably expected to increase total transmission costs for one or more customer classes by 5% or more.

¹⁷ This result is the express intent of the platform proposal. We see this reflected in the bylaws by the way the questions are worded. For example, the authorization to change from company rates is just that; it is not an authorization to change the rate design. Once Grid West has departed from company rates, the Board is not obliged to consult about subsequent changes in rate design. The question about the new rate design would not even fall within the Special Issues list.

¹⁸ Some have suggested that BPA would withdraw, or threaten to withdraw from Grid West, if the matters went awry. We do not agree that BPA would be able to provide protection for the region because we do not believe BPA’s ability to use this lever is realistic. By joining the RTO BPA would weaken itself. It would limit its role as a decision-maker. It would have demonstrated that it can make many of the changes that FERC wants to see. And, it would have invested significant capital and ego in the project - this alone would make it difficult for it to disengage. Perhaps most significantly, BPA may well have structurally altered itself, either through eliminating functions then performed by the RTO or by simple loss of expertise, and those functions would have to be recreated to permit it to disengage. Withdrawal is very unlikely to be either easy or cheap.

Third, the MRC vote on a Board proposal should be binding on the Board and not subject to override. The bylaws should require that the MRC approve the proposal by a majority vote, not merely fail to obtain a supermajority of votes against the proposal. A binding vote would give the MRC actual authority and elevate its role to more than that of consultation. As it stands now, however, the region (through the membership) lacks that actual authority and cannot direct policy for itself.

2. Grid West Members Need Real Budget Oversight Authority.

Although Grid West's members do not necessarily need direct input into the day-to-day operations of the corporation, they should have greater oversight over the budget than the Bylaws provide. Greater oversight would give the members a tool to control some costs. Members have the right to a financial audit of the corporation,¹⁹ but this does not address the budget directly and is inherently a *post hoc* remedy. The Board Advisory Committee is permitted to review and comment on proposed annual budgets.²⁰ The proposed budget, however, should be subject to a binding vote of the general membership or of the MRC. This would make review by the members a meaningful event and force the Board to deal with their concerns.

3. Grid West Members Need Greater Oversight of Transmission Agreement Development.

The Developmental Bylaws do not give members sufficient review or control over the Transmission Agreements to be offered participating transmission owners. A lot will ride on these agreements as to what services are offered initially, particularly control area services. Under the Operational Bylaws, the Board must give the Board Advisory Committee the opportunity to be heard on amendments to the Grid West tariff, amendments to the Transmission Agreements (governing agreements between transmission owners and Grid West), system planning matters, and measures to implement market power mitigation.²¹ This does not, however, provide review of or input into the Transmission Agreements as they are developed.

¹⁹ Operational Bylaws, § 5.1.2.

²⁰ *Id.* at § 8.5.3.

²¹ *Id.* at § 8.5.3.

This could be remedied by giving the members a binding vote on the adoption of the Operational Bylaws and transition to the operational corporation. This would resolve also the question of membership input into the Grid West tariff and the details of the services to be offered.

4. The Narrative Description of the Grid West Proposal should omit the “Advanced State.”

The inclusion of the “Advanced State” in the Narrative Description of the Platform Proposal, attached to and incorporated into the Developmental and Operational Bylaws, biases the Board toward adoption of the features in that State. Moreover, inclusion in the Operational Bylaws of provisions requiring the Board to make proposals on the Special Issues at specified times and under specified conditions all but predetermines the movement toward the Advanced State.

Inclusion of the Advanced State in the Narrative and the Operational Bylaws is divisive and premature. The Advanced State describes proposals that are not acceptable to PPC. These include, for example, financial transmission rights. Many of these features promise to be expensive, unnecessary and undesirable; many are similar, if not identical, to initiatives that are now driving operating costs through the roof at other ISOs and RTOs. Any services offered or functions performed by Grid West after the initial start date should evolve from the development of the Northwest wholesale electricity industry and its needs.

5. BPA should vote “no” on the developmental bylaws.

If BPA permits the Developmental Bylaws to go forward without correcting fundamental flaws in the operational bylaws and Grid West proposal, it will perpetuate the division in the region and delay agreement upon and implementation of solutions to existing transmission problems in the region. Approval of the Developmental Bylaws is not an insignificant step. BPA would be signaling its approval not only of the governance provisions but also of the platform proposal. This goes beyond what BPA has previously done - agreed to continue to try to develop a solution within the Platform Proposal. Unless the Advanced State is removed both from the proposal and the Bylaws, and unless the region is given actual, effective control of major policy decisions, PPC

will not agree to adoption of the Grid West governance structure regardless of our opinion about the remainder of the proposal.

In addition, we note that approval of the Developmental Bylaws would be premature. BPA must first demonstrate that it can offer acceptable replacement contracts for the current transmission service contracts and grandfathered agreements that would “lock” the economically consequential aspects of the current transmission service. Without such contracts, PPC believes that such replacement agreements would be essential to mitigate the considerable risk that existing transmission rights holders would face under Grid West.

Moreover, neither BPA nor its customers have a clear picture of the Beginning State, *i.e.*, Grid West’s proposed initial services and functions. As a result, customers do not know what they would be giving up to adopt Grid West. Similarly, we do not yet have any details, or even an outline, of what the proposed consolidated control area would be. This is an extremely significant aspect of the Grid West proposal as it could entail significant changes in business and significant cost increases for BPA’s customers. For example, it could result in centralized ancillary services and balancing energy markets. While the approval of the bylaws would not bind BPA to adopt Grid West, approval would signal acceptance of the framework of the proposal. We believe BPA lacks sufficient information at this stage to signal that acceptance.

Lastly, BPA has yet to demonstrate that the benefits of adoption of the Grid West proposal would outweigh the costs. As noted above, the approval of the Developmental Bylaws is a significant step to which this demonstration is relevant. We do not view the demonstration of net benefits to consumers in each Northwest state as a small or *pro forma* matter, as it goes to the very heart of the question.

Until and unless the each of following changes or demonstrations is made, BPA should vote “no” on the Developmental Bylaws:

- The MRC vote on Special Issues is made binding on the Board of Trustees;
- The Special Issues List is revised so that the Board of Trustees has an ongoing obligation to obtain approval from the MRC on significant proposals;

- Adoption of the Grid West annual budget is subject to approval by the Grid West members through a binding vote;
- The authority of the Board of Trustees to adopt the Operational Bylaws is subject to a binding vote by the Grid West members;
- The Advanced State is omitted from both the Narrative Description and the Operational Bylaws;
- BPA has made a satisfactory demonstration of progress on “contract lock” and has reached agreement with customers on the scope of the replacement agreements;
- Sufficient details of the proposed Beginning State and control area consolidation have been made available to BPA’s customers to allow them to determine whether it is advisable to go forward with development of Grid West; and
- BPA has “demonstrate[ed] end-use consumer benefits in each affected state.”²²

Conclusion

“Have the draft bylaws addressed the governance concerns expressed earlier in the region?”²³ Based on the above analysis, our answer to that question would be “no.” PPC does not agree that major policy decisions should be ceded to a Board beholden to FERC. Specifically, PPC does not believe that “the draft bylaws appropriately balance regional accountability with independence and workability[.]”²⁴ The region needs a meaningful, central role in Grid West for that organization to exist and become successful.

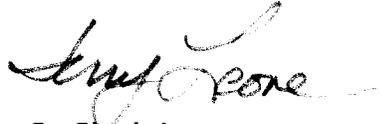
²² *BPA Regional Transmission Organization Draft Principles*, 1/22/02, p. 2.

²³ Letter from Allen Burns (BPA) to Customers, et al., *Soliciting Comments on the Proposed Grid West Bylaws*, p. 1.

²⁴ *Id.*

We hope that these comments assist you in deciding how BPA will vote on the proposed Bylaws. If you have any questions or require further information, please call me at your earliest convenience.

Sincerely,

A handwritten signature in black ink, appearing to read "C. Clark Leone". The signature is fluid and cursive, with a long horizontal stroke extending to the right.

C. Clark Leone
Manager

cc: PPC Executive Committee
Marty Kanner, Kanner & Asso.
Nicole Case, Kanner & Asso.

CWB-014

AUG 27 2004

Kuehn, Ginny - DM-7

From: debrasmith@tractebelusa.com

Sent: Friday, August 27, 2004 10:11 AM

To: BPA Public Involvement

Subject: Comment on Review of Proposed Grid West Developmental and Operational Bylaws

Comment on **Review of Proposed Grid West Developmental and Operational Bylaws**
View open comment periods on <http://www.bpa.gov/corporate/kc/home/comment.cfm>

Debra Smith
Tractebel Energy Marketing/Chehalis Power Generating LP
debrasmith@tractebelusa.com
713-636-1661
1990 Post Oak Blvd, Suite 1900
Houston TX 77056
Please see attached letter (also sent via fax)

This comment includes an attachment!

1990 Post Oak Blvd., Suite 1900
Houston, TX 77056

August 27, 2004

GWB - 014
AUG 27 2004

Mr. Allen Burns
Executive Vice President for Industry Restructuring
Bonneville Power Administration
Attn: Communications DM-7
P.O. Box 14428
Portland, OR 97293-4428

RE: Comments in support of GridWest

Dear Mr. Burns:

Tractebel Energy Marketing, Inc. ("Tractebel") and Chehalis Power Generating Limited Partnership ("Chehalis") are submitting comments on the Operational and Developmental bylaws proposed for GridWest as requested by BPA in its July 14, 2004 letter. Tractebel and Chehalis strongly support adoption of the Developmental and Operational bylaws, however certain principles must be observed for successful implementation

Listed below are principles to be upheld and examples of Tractebel's concerns:

Developmental bylaws – Under the current version of the bylaws, the independence of GridWest's "Developmental" Board is questionable due to the extensive and cumbersome processes the Board is required to undertake in order to be functional. The bylaws provide the independent Board with limited functions including serving as the counterparty with the filing utilities in negotiating the Transmission Agreements (TAs) and for completing the final GridWest proposal for hand off to the new "Operational" Board. Independence is as important in the Developmental phase as it is in the Operating phase. In current form, the Developmental bylaws create an independent entity that effectively lacks independence

Operational bylaws – Tractebel and Chehalis support the Operational bylaws, but again are concerned, as an overarching principle, that the independence of the Board is eroded.

Tractebel and Chehalis understand that BPA agrees with the principles and support the Developmental and Operational GridWest bylaws, which allow the respective Boards to operate as an independent legal entity. We eagerly await an affirmative public BPA response on or before Decision Point 1, which is scheduled for October 14, 2004.

Regards,

Debra A. Smith
Vice President, West Origination

Cc: Lilly Teng
Rob Minter
Mark Depew
Jennifer Diaz



3628 South 35th Street
Tacoma, Washington 98409-3192

GWB-015
AUG 30 2004

TACOMA PUBLIC UTILITIES

VIA E-MAIL and US MAIL

Allen Burns
Executive Vice President for Industry Restructuring
Bonneville Power Administration, R-3
P.O. Box 3621
Portland, Oregon 97208-3621

Subject: Tacoma Power's Comments Regarding Bonneville Power Administration's (BPA's) Proposed Support for Grid West's Developmental and Operational Bylaws.

The following are the Tacoma Power comments on whether BPA should vote to adopt the Developmental Bylaws of the Grid West Corporation of which BPA is a member.

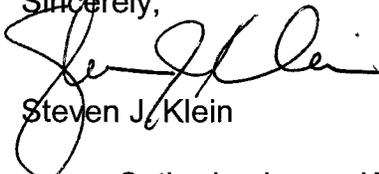
Tacoma Power agrees with the comments submitted by the Public Power Council (PPC), and incorporates them by reference. We agree with the PPC's three main points raised in answer to your question about whether the Grid West bylaws adequately balance regional control and independence:

- The region loses too much control by developing a Federal Energy Regulatory Commission (FERC) jurisdictional regional transmission organization (RTO).
- The bylaws provide inadequate opportunity to make decisions regarding the corporation's budget.
- The bylaws inappropriately include the Platform Proposal's Advanced State in the Narrative Description.

Under the category of "other concerns" that you asked commenters to address, Tacoma Power believes the operation of our regional transmission system can be improved incrementally without an RTO. As you know, the Transmission Issues Group (TIG) has identified ways that existing institutions can be utilized to address problems in our existing system. Grid West has yet to demonstrate their proposal is cost effective. Until such a demonstration is made, Tacoma Power believes the region should investigate low-cost but potentially effective solutions before building a new and expensive institution like the proposed RTO.

In summary, Tacoma Power encourages BPA to reject the Grid West Developmental and Operational Bylaws until it can be demonstrated that (a) the region will not be ceding control to FERC; (b) the proposal is cost effective; and, (c) no lower-cost alternatives exist to solve transmission issues.

Sincerely,



Steven J. Klein

c. Catherine Leone-Woods

Kuehn, Ginny - DM-7

GW8-016
SEP 02 2004

From: cfitch@wrec2.com
Sent: Wednesday, September 01, 2004 2:47 PM
To: BPA Public Involvement
Subject: Comment on Review of Proposed Grid West Developmental and Operational Bylaws

Comment on Review of Proposed Grid West Developmental and Operational Bylaws
View open comment periods on <http://www.bpa.gov/corporate/kc/home/comment.cfm>

Clay Fitch
Wells Rural Electric Company
cfitch@wrec2.com
7757523328
PO Box 365
Wells NV 89835
Attached are WREC's Comments

This comment includes an attachment!

CWB-016
SEP 1 2004

Bonneville Power Administration
Allen Burns, Executive V.P. for Industry Restructuring
Attn: Communications - DM-7
PO Box 14428
Portland, OR 97232-4428

Re: Decision Point #1 Grid West

August 26, 2004

Dear Allen,

Wells Rural Electric Company is transmission dependent and a member of NRU. We fully support the detailed comments submitted jointly by NRU, PNGC, Western Montana G&T and ICUA. With the adoption of the changes proposed in these comments WREC recommends supporting the bylaws.

This does not necessarily indicate WREC's support of Grid West. That support is dependant on future evidence of overall cost benefits.

To ensure that Grid West does not go operational without the understanding and approval of all members we would emphasize the importance of that decision of the developmental board to adopt the operational bylaws being subject to a *binding* membership vote.

Additionally, WREC supports the 5 "Must Haves" promoted by NRU

1. Preserve existing transmission rights - (progress in GTA contracts)
2. Include all facilities in the RTO required for delivery of wholesale power
3. A 10 year company rate period
4. Maintain adequate transmission standards
5. A cost benefit study must show a benefit before the RTO proceeds

WREC supports the agreement with BPA on long term contract language for GTA service regarding transfer of Federal Power and the commitment to propose in rate cases to roll these costs in to the general revenue requirement of the PBL.

Thank you for your efforts in addressing regional transmission issues by serving as a member of the Regional Representatives Group of Grid West. We appreciate the opportunity to provide comments on development of the Grid West bylaws.

Sincerely,

Clay Fitch, CEO
Wells Rural Electric Company

GWB-017
SEP 02 2004**Kuehn, Ginny - DM-7**

From: john.carr@pacificorp.com
Sent: Thursday, September 02, 2004 11:02 AM
To: BPA Public Involvement
Subject: Comment on Review of Proposed Grid West Developmental and Operational Bylaws

Comment on **Review of Proposed Grid West Developmental and Operational Bylaws**
View open comment periods on <http://www.bpa.gov/corporate/kc/home/comment.cfm>

John D. Carr
PacifiCorp
john.carr@pacificorp.com
503-813-5123
825 NE Multnomah
Portland OR 97232

PacifiCorp's Comments to the Bonneville Power Administration Regarding its Grid West Developmental and Operational Bylaws Review August 27, 2004 BPA is soliciting comments on the proposed Developmental and Operational Grid West Bylaws. Commenters have been asked to focus comments on the following key points: • Have the draft bylaws addressed the governance concerns expressed earlier? • Do the draft bylaws appropriately balance regional accountability with independence and workability? • Are there other matters BPA should consider in making this decision? PacifiCorp will address each of the questions posed in these comments. As an introductory matter, however, the Company notes its disappointment with BPA's decision to delay Decision Point #1 by three to four months, a decision which PacifiCorp believes was unnecessary and harmful to the Grid West development process. The Company has explained its views on the delay in RRG sessions and in direct discussions with BPA's executives. It simply wishes to reiterate here the need to move forward expeditiously with clear commitment to resolution of the region's transmission problems and opportunities through establishment of an independent transmission entity, barring discovery of some fatal technical flaw. Careful development and staged implementation is acceptable to PacifiCorp; imposition of unnecessary procedural barriers is not.

1. Have the draft bylaws addressed the governance concerns expressed earlier? Yes. The RRG process involved issue identification by the bylaws workgroup, review and refinement of issues in the RRG plenary sessions and additional opportunity for individual stakeholders to identify matters of concern to them. All issues were considered by the bylaws workgroup. The workgroup brought proposed resolution of issues to the RRG which considered, reached consensus or remanded issues to the workgroup for further consideration. This iterative process resulted in the full airing of many issues and resolutions that balance the competing concerns of stakeholders. The materials on the website reference many of the issues raised and addressed throughout the bylaws development and summarize the resolution of many issues of concern to stakeholders. For example, the presentation to the RRG on May 5-6, 2004 illustrates efforts to resolve two key concerns: retaining regional control over Grid West development process; and seating an independent counterparty for the transmission agreement and tariff negotiations. Discussions of class membership, voting structure, membership rights, the non-jurisdictional status of the developmental corporation are also addressed in the May 5-6 and subsequent presentations. Other issues were considered by the bylaws workgroup and many were also discussed by the RRG. Summaries of the RRG meetings capture some of the issues raised and the manner in which they were resolved.

2. Do the draft bylaws appropriately balance regional accountability with independence and workability? The proposed developmental and operational bylaws balance 1) the need to retain regional control over the Grid West developmental process and regional accountability of Grid West once operational with 2) the need for developmental

9/2/2004

and operational board independence to ensure objective decisions based on region-wide perspectives rather than decisions based on the parochial views of market participants or other stakeholders. Although PacifiCorp remains concerned about whether too much process is required to reach decisions and could not support any additional infringements on the independence of Board decisions, it believes the proposed bylaws, taken as a whole, strike an acceptable balance between maintaining board independence and flexibility and regional accountability. Similarly, although some concerns remain, the Company has concluded that the proposed governance structure is workable and, assuming the open issue regarding transition from the developmental bylaws to the operational bylaws is resolved satisfactorily, appropriately phased. 3. Are there other matters BPA should consider in making this decision? Yes. BPA recognizes that the region's transmission system faces problems and opportunities that are not being addressed adequately. It also recognizes that development of a region-wide independent entity such as Grid West could provide an effective way to resolve those problems, as well as capitalizing on opportunities for improvements. Given this potential, and the availability of a workable Grid West governance structure, BPA should make the decision to move forward and approve the bylaws as drafted.

GWB-018
SEP 02 2004**Morgan Stanley**

2000 Westchester Avenue
Purchase, New York 10577

August 31, 2004

Allen Burns
Executive Vice President for Industry Restructuring
Bonneville Power Administration
Attn: Communications - DM-7
P.O. Box 14428
Portland, OR 97293-4428

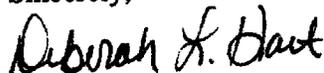
VIA Fax: to 503-230-3285

Dear Mr. Burns:

Morgan Stanley Capital Group Inc. (MSCG) as a participant in power markets throughout the United States, and a long standing customer of BPA's TBL, encourages and supports the development of an independent RTO in the Pacific Northwest such as Grid West. The creation of an independently-operated transmission grid will encourage broader market participation as well as stimulate expansion of the northwest transmission system, which will benefit the market and the consumers in the Pacific Northwest. [not sure about the last part]

MSCG urges BPA to continue in its efforts toward the development of an independent board and system operator. We further urge BPA to continue to participate in the process to make Grid West a reality.

Sincerely,



Deborah L. Hart
Vice President
Morgan Stanley Capital Group Inc.

GWB-019
SEP 02 2004**Kuehn, Ginny - DM-7**

From: richard_campbell@afandpa.org
Sent: Thursday, September 02, 2004 1:32 PM
To: BPA Public Involvement
Subject: Comment on Review of Proposed Grid West Developmental and Operational Bylaws

Comment on **Review of Proposed Grid West Developmental and Operational Bylaws**
View open comment periods on <http://www.bpa.gov/corporate/kc/home/comment.cfm>

Richard Campbell
American Forest & Paper Association
richard_campbell@afandpa.org
202/ 463-5159
1111 Nineteenth Street, NW Suite 800
Washington DC 20036

COMMENTS OF THE AMERICAN FOREST & PAPER ASSOCIATION Grid West Developmental and Operational By-Laws I. Introduction The American Forest and Paper Association (AF&PA) is the trade association and leading voice for the forest products industry. AF&PA represents over 200 companies and related associations in the industry. AF&PA members produce over 80 percent of the wood, paper, and other forest products manufactured in the United States; its members include non-industrial private land owners, large multi-product companies and family owned mills. AF&PA members own a large proportion of the commercial timberland in the United States and annually plant nearly half of all the tree seedlings in the country. A significant portion of AF&PA members operate wood products, pulp mills, paper mills, and converting plants in the region included in the Grid West geographic area. All of the manufacturing operations of AF&PA members consume electricity and many AF&PA members are significant customers of regional electric utilities. Many of the pulp and paper mills in the region also generate electric power, primarily in facilities that are Qualifying Facilities (Cogenerators or Small Power Production Facilities) under PURPA. Some of these facilities sell electric power to the electric utility with which they are interconnected and some sell to entities over transmission lines. The kraft pulp manufacturing industry, which comprises the largest number of pulp mills in the region, is on the verge of a technological change, which may result in the generation of considerably more electric power than the industry currently generates. AF&PA has long been involved with and has considerable interest in public issues related to the generation, transmission, delivery, and use of electric power. Its members participate, either directly or through an association, in proceedings before electric regulatory commissions. One such association in the Grid West region is the Industrial Customers of Northwest Utilities, which is located in Portland, Oregon. AF&PA hopes that its comments are helpful to the Bonneville Power Administration as the agency evaluates responses to the proposed Developmental and Operational By-Laws for Grid West. II. Overview The proposed by-laws raise issues that are a concern to the members of the forest products industry. First, the proposals are incomplete, which is unusual for material put forth for public comment; a complete package of by-laws should have been presented for public review. Second, the definitions of quorum and the possibility that one individual can represent more than one member makes it possible that a quorum of a Class or Sub-Class of Members could be met by the presence of one individual. Third, two categories of members, Consumer Advocates and certain Public Interest Groups, are afforded the opportunity by their very nature to represent groups of persons or customers; there are end users, not represented by Consumer Advocates, and smaller generators, both of which should be afforded the opportunity to be represented as Members through an association. Fourth, requirements for being a Trustee should not include executive management or board experience with electric utilities and certainly some members should

not have that experience in their backgrounds. Finally, AF&PA notes that the criteria for trustee precludes anyone with any direct or indirect financial interest in a Market Participant or Member and recognize that many Market Participants or Members may not have significant interests in the sale or transmission of electricity. AF&PA suggests that the restriction be applied to individuals who have a financial interest in Market Participants or Members that have significant business interests related to selling or brokering or transmitting electricity. As a practical matter, an individual holding a small number of shares in a company in which selling electricity is a minor activity would not have a conflict of interest of consequence. All in all, the proposed by-laws are a good start toward a workable system of governance. AF&PA notes that the expected implementation date for the Operational By-Laws is 2007 and suggests that the Operational By-Laws should be submitted again for public consideration after about a year of experience has been accumulated with the Developmental By-Laws. Such review of the Operational By-Laws should take place in 2006.

III. Key Comments

a. "Good Enough" Drafts Are Inadequate for Public Review. The drafts of the proposed Developmental and Operational By-Laws are not complete. Material submitted for public review should be complete. Significant undefined sections, which exist in both by-laws, should be completed and submitted for public comment prior to mid-October. The decisions on the proposed text for the incomplete sections should be made in early September and a two week review scheduled in the latter part of September. As the Operational By-Laws are not to be implemented until 2007, such an immediate review may not be necessary if the complete proposed Operational By-Laws are to be submitted again for review in 2006.

b. An Individual Representative Should Not Constitute a Quorum. Section 5.14 of both proposed by-laws allows a designated member or alternate to represent more than one Member in a Sub-Class or, if a Class has no Sub-Classes, the entire Class. A quorum can be one third of the Members or two of a Class or Sub-Class, which means that one individual can constitute a quorum and conduct business by him or herself. Activities in Grid West should be participatory. A quorum should be larger, say half or three Members, and each Member should be represented by a different individual.

c. Large Consumers and Small Generators Should Be allowed to Be Represented by Associations. Large consumers, whether bundled or unbundled, and small generators, such as Qualifying Cogenerators and/or Small Power Producers, should be afforded the opportunity to be represented as a Member by an association of similar entities. In this manner, Members from the relevant categories will be able to provide input from a group of interested entities. Consumer Advocates and certain Public Interest Groups are already afforded this opportunity in the by-laws. Such an opportunity will increase the breadth of input to Grid West.

d. Requirements for Holding a Trustee Position Should Attract a Wide Spectrum of Candidates. The members of each board of trustees should have a wide perspective of the issues faced by Grid West. Many of the characteristics of the qualified candidates in Section 7.22 of the Proposed Operational By-Laws should also apply to members of the Developmental Board. The requirement in Section 7.22 above that some candidates have executive management or board experience with electric utilities is sound, but members with that background should be no more than half of the number of trustees on either Board. Some electric utility experience will be valuable, but the two boards will need much more breadth than a utility background can provide.

e. Financial Interests in Entities with Minor Involvement in Electricity Matters Should Not Preclude Membership in the Operational Board of Trustees. Section 7.10.1 precludes individuals with any financial interest in a Market Participant or Member from being a trustee. This restriction applied to individuals with holdings in business entities with minor involvement in electricity matters will eliminate many capable people whose conflicts would be of no consequence. AF&PA recognizes the issue of conflict of interest as important, but restrictions that are too severe will preclude participation by many capable people. A standard of a Market Participant's or Member's involvement in electricity matters at least should be that the electricity business be primary; a tighter restriction of perhaps ten percent of revenue may be more appropriate, but inconsequential or non-material involvement is not realistic and certainly too restrictive.

III. Conclusion

AF&PA is hopeful that its comments are useful to the Bonneville Power Administration in the development of Grid West. Sincerely, Richard Campbell Director, Energy & Technology American Forest & Paper Association

GWB-020
SEP 02 2004

Kuehn, Ginny - DM-7

From: bobs@subutil.com
Sent: Thursday, September 02, 2004 2:19 PM
To: BPA Public Involvement
Subject: Comment on Review of Proposed Grid West Developmental and Operational Bylaws

Comment on Review of Proposed Grid West Developmental and Operational Bylaws
View open comment periods on <http://www.bpa.gov/corporate/kc/home/comment.cfm>

Robert J. Schmitt
Springfield Utility Board
bobs@subutil.com
541-744-3771
250 A Street
Springfield OR 97477

This comment includes an attachment!



SPRINGFIELD UTILITY BOARD

GWB-020
SEP 02 2004

MAIN OFFICE 250 A Street, PO Box 300 Springfield, OR 97477-0077 Tel 541.746.8451 Fax 541.746.0230 TDD 541.744.3659 www.subutil.com

VIA E-Mail

September 2, 2004

Mr. Allen Burns
Executive Vice President for Industry Restructuring
Bonneville Power Administration, R-3
P.O. Box 3621
Portland, OR 97208-3621
www.bpa.gov/comment

Re: Comments of Springfield Utility Board Regarding Bonneville Power Association's
Proposed Support for Grid West's Developmental and Operational Bylaws

Dear Allen:

The Springfield Utility Board (SUB) strongly urges the Bonneville Power Administration (BPA) **not** to support the adoption of the two sets of Grid West bylaws until a number of critical items are resolved as further discussed in this letter.

SUB supports the Grid West bylaws comments as submitted by the Public Power Council (PPC) on August 23, 2004 and as highlighted below. SUB also advocates for BPA support of the Transmission Issues Group approach as contained in their recent paper of July 2004 titled "Recommended Improvements to the Northwest Transmission System".

As indicated in PPCs recent comments to BPA, the proposed Grid West bylaws are the first step in establishing a new transmission agency that is expected to lead to

1. Loss of regional control regarding energy policy decisions
2. Hundreds of millions of dollars of Northwest customer retail customer electric rates used for Grid West agency budgets that will be approved by an appointed governing board without the direct approval from participating Grid West members or transmission system customers
3. A prescribed advanced state approach for a potentially new, premature Grid West entity
4. Lack of BPA transmission rate lock protection and lack of preservation of firm transmission rights for current BPA transmission system customers

Mr. Alan Burns

RE: Comments of Springfield Utility Board Regarding Bonneville Power
Administration's Proposed Support for Grid West's Developmental and Operational
Bylaws

September 2, 2004

Page 2

5. The formation of a new Grid West agency that may be established without demonstrating an acceptable level of regional benefits when compared to the total expected cost of the Grid West approach.

SUB requests that BPA refrain from supporting the Grid West bylaws until these critical issues, along with the other issues identified in the PPC comments, are adequately addressed and resolved. SUB does not want BPA to be subject to indirect Federal Energy Regulatory Commission jurisdiction and control via the proposed Grid West bylaws.

SUB supports the Transmission Issues Group (TIG) group approach as outlined in their recommendations from the July 2004 issues paper. Specifically, SUB encourages BPA to support this approach as a first step toward improving the Northwest transmission system. SUB recognizes that BPA may not view the approach outlined by TIG to fully resolve all of the identified transmission system enhancement issues; however, the TIG approach is practical, it can be implemented relatively quickly and it does not preempt the potential acceptance of a Grid West type entity in the future. The critical aspects of the TIG approach include the following items:

1. Shift to a single web site for Northwest transmission access
2. Establish Northwest Transmission Assessment Committee under the Northwest Power Pool to provide regional transmission planning and system expansion plans
3. Expand role of Pacific Northwest Security Coordinator to address needs for enhanced reliability and security
4. Establish a new entity or joint contract for a new Northwest Market Monitoring Unit
5. Establish single regional transmission queues for various types of service: long-term service, short-term service and interconnection of new generation.

SUB is concerned that Grid West developmental bylaws are counter to BPA's recently issued vision/flight plan for 2007-2011. Below we have provided our perspective on the proposed Grid West entity including how the proposed bylaws do not support BPA's stated vision and goals:

Stakeholder Perspective as communicated by BPA in May 2004 (*SUB comments in italics*).

- ❖ S1: BPA policies encourage regional actions that ensure adequate, efficient and reliable transmission and power service

Mr. Alan Burns

RE: Comments of Springfield Utility Board Regarding Bonneville Power
Administration's Proposed Support for Grid West's Developmental and Operational
Bylaws

September 2, 2004

Page 3

SUB questions if the Grid West approach will lead to adequate, efficient and reliable transmission services. Grid West does not resolve the adequacy issue of how to pay for needed transmission system improvements. SUB expects Grid West will reduce the efficiency of BPA's ability to provide transmission services by establishing a new level of bureaucracy and administrative burdens that will lead to a less efficient system, especially if the Federal Energy Regulatory Commission asserts undesirable authority over Grid West. SUB is not convinced that Grid West will lead to increased reliability over the proposed TIG group approach and subsequent practical and cooperative approaches to reliability system enhancements.

- ❖ S5: Provide open, non-discriminatory transmission services at rates that are kept low through achievement of BPA's objectives at the lowest practical cost

SUB is very skeptical of the total costs of the Grid West approach as evidenced by similar regional transmission organizations that have been recently established in specific areas across the United States. We believe BPA will need to have significant transmission rate increases if Grid West is formed as indicated under the proposed bylaws. SUB does not believe Grid West will lead to the achievement of BPA's objectives at the lowest practical cost.

- ❖ S10: Customer, constituent, and tribal satisfaction, trust and confidence meet targeted levels

Over the past 12 months, BPA has significantly improved customer trust by advocating for appropriate changes to summer spill requirements, by engaging in meaningful dialogues on key issues, by establishing ad hoc customer advisory committees to help BPA reduce costs, and by use of the Administrator's discretion to hopefully implement a zero percent SNCRAC (Safety-Net Cost Recovery Adjustment Clause) on October 1, 2004. However, all of these efforts to improve customer trust may eventually be dimmed by BPA's support and approval of the current Grid West bylaws.

SUB acknowledges that BPA will continue to receive political pressure to adopt the Grid West bylaws and approve of a future Grid West type of entity. However, we urge BPA not to overlook its role as a Northwest public agency whose purpose is to provide the best possible service at the lowest reasonable cost. Please do not rush to judgement

Mr. Alan Burns

RE: Comments of Springfield Utility Board Regarding Bonneville Power
Administration's Proposed Support for Grid West's Developmental and Operational
Bylaws

September 2, 2004

Page 4

on approval of the Grid West bylaws. SUB requests that BPA work to resolve the issues as identified by PPC before moving forward with the current Grid West approach.

Allen, SUB strongly urges BPA to do "the right thing". SUB strongly urges BPA to refrain from adopting the Grid West bylaws until each of these critical issues is addressed and resolved. SUB strongly urges BPA to continue the recent track record of standing up to political pressure while looking out for the best interests of the people and the businesses in the Northwest.

Sincerely,

Robert J. Schmitt
Director of Resource Management

cc: Steve Loveland, Bob Linahan, and Jeff Nelson, SUB



MID-COLUMBIA PUBLIC UTILITY DISTRICTS CHELAN, DOUGLAS, GRANT COUNTIES, WASHINGTON

September 3, 2004

Mr. Allen Burns
Executive Vice President for Industry Restructuring
Bonneville Power Administration
P.O. Box 3621
Portland, Oregon 97208-3621

Re: Mid-Columbia PUD's Comments on Bonneville Adoption of Grid West
Developmental Bylaws

Dear Allen:

Thank you for the opportunity to provide Bonneville with comments on whether or not Bonneville should support adoption of the Developmental Bylaws for Grid West. We have focused our comments primarily on the third question contained in your letter to Customers dated July 14, 2004 – “Are there other matters BPA should consider in making the decision [to support the Grid West Developmental Bylaws]?” By examining this particular question, we can avoid getting lost in the details of the Developmental Bylaws and provide a somewhat unique perspective on the future of Grid West.

While the Mid-Columbia PUDs have varying reliance on Bonneville transmission service, the PUDs have actively participated in the development of Grid West. We recognize that the Western transmission system faces unprecedented operational and commercial challenges as transmission owners and customers struggle with the aftermath of the 2003 Northeast Blackout, shifting loads, incompatible interregional business practices (e.g. Northwest to California), utility deregulation, poorly designed energy markets, etc. Mid-Columbia PUD representatives have also worked with other entities, including the Transmission Issues Group (TIG), in an attempt to construct a set of transmission access, pricing, reliability, market monitoring, and planning concepts that would obviate the need to form Grid West. TIG membership includes representatives from public power utilities, utility regulators, and certain Grid West Filing Utilities.

Summary

To summarize our position, the Mid-Columbia PUDs believe that Grid West is inordinately complicated and burdensome, and that continued participation by our limited staffs will not benefit our customer-owners. On the other hand, while TIG has identified a

number of measures that would in timely fashion incrementally improve the commercial operation of the region's transmission system, TIG needs to exert considerable effort to address the key issues that create the unworkable complexity of a regional transmission organization in the first place – namely the need for better congestion management in the short term and a coherent method for financing needed transmission system additions for the long term.

Instead of relying on the massive multiparty Grid West negotiation process, Bonneville should consider revising commercial rules, tariffs, and structural changes that are designed to better utilize existing transmission infrastructure to make more transmission service available throughout the Pacific Northwest while maintaining the reliability of the regional transmission system. The Mid-Columbia PUDs believe that a key component of this approach should be the development of transmission access concepts that can be implemented by Bonneville utilizing its existing public process procedures. For example, BPA participation in the development and evolution of WestTrans to provide a single point of contact for transmission access and creation of a viable release market would benefit the entire region.

As the operator of 80% of the high voltage transmission in the region, Bonneville is uniquely positioned to modify its transmission business to the benefit of the regional wholesale electricity market. While Bonneville cannot make such modifications unilaterally, Bonneville's process to adopt new business practices carries a higher probability of success at far less expense, in our opinion, than does the current Grid West development effort.

Grid West Recommendation

Should it become operational, the success of Grid West will likely be dictated more by those entities that choose not to participate than by those who do. Unlike the California Independent System Operator (CAISO), Grid West does not have the benefit of a perception of significant mutual interest that would compel ratification of operational bylaws by most key transmission owners and stakeholders.

From a practical standpoint, unless Bonneville can rally more support for Grid West from public power, as well as those Filing Utilities that are currently sitting on the fence, Bonneville should decline to support the Grid West Developmental Bylaws.

If Not Grid West, What Then?

The Mid-Columbia PUDs strongly doubt that Grid West can achieve operational status. Given that starting assumption, we do believe that the TIG could provide an effective forum to develop meaningful procedures to address the most critical issues that afflict the region's transmission system: endemic transmission constraints, the potential for market power abuse, and financial hurdles to transmission facility development. Rather than continue the Grid West development effort, the Mid-Columbia PUDs believe that Bonneville and the region should expand the scope of TIG to identify the impediments to

the solution of the region's transmission problems and to propose meaningful transmission access and reliability measures.

Conclusion

The Mid-Columbia PUDs recognize that empowering TIG to develop meaningful measures that would enhance the region's transmission system is a radical departure from the Grid West approach. However, we believe that the region has a better chance of improving its transmission system by using the TIG proposal as a starting point, rather than relying on a cumbersome, experimental re-design of regional planning and operations as envisioned with the Grid West process. Therefore, we recommend against BPA supporting adoption of the Developmental Bylaws for Grid West.

We stand ready to provide Bonneville and the region with whatever support we can offer in order to implement improvements that are beneficial to the reliability and commercial viability of the region's transmission system. The Mid-Columbia PUDs would welcome the opportunity to discuss these comments with you at your convenience.

Sincerely,

Randall C. Lowe
Director of Power Management
Chelan County PUD

Charles E. Wagers, Jr.
Power Planning and Contracts Administrator
Douglas County PUD

William G. Dearing
Director of Power Management
Grant County PUD

SVF/CEW/WGD

c: D. Rohr – Rohr & Associates



GWB-072
SEP 03 2004

September 3, 2004

Bonneville Power Administration
Attn: Communications - DM-7
Portland, Oregon

**Comments of the NW Energy Coalition
and the
Renewable Northwest Project
on proposed
GridWest Bylaws**

Introduction

The NW Energy Coalition (NWECC) represents many thousands of individual members and over one-hundred environmental, consumer, renewables, faith-based and low-income advocacy groups and utilities in the Northwest. The Renewable Northwest Project (RNP) is a non-profit renewable energy advocacy organization whose members include environmental and consumer groups, and energy companies. RNP works to increase the development of clean renewable energy resources in the Northwest. Our organizations have worked to design and implement energy policies that benefit both consumers and the environment. Progress on Grid West is critical to the advancement of clean energy in the region. We would like to express our strong support for the proposed Grid West bylaws-- with the small changes recommended by NAPA --that the Regional Representatives Group has developed over the past year.

We believe that the Grid West bylaws are a carefully constructed compromise that balances the many diverse interests in the region and works for our hydro-dominated power system. These bylaws should be supported by Bonneville. They provide for an independent Board that both has the ability to be flexible and proactive, but at the same time is responsive and accountable to stakeholders.. This will result in a controlled, staged introduction of market elements into the management of the grid that has garnered the support of many stakeholders in the region. We join in expressing our support as well.

At this time--"Decision Point #1"--the region is only being asked to approve the bylaws and to continue working on the various elements of the proposal. It is not an irrevocable decision to go forward with Grid West. Given the promise of the proposal, and the hard work that has gone into it, it would be imprudent for BPA to stop work now. This is especially true given that only the framework of the proposal has been developed,

and no cost/benefit study can yet be done without continuing to flesh out enough details to do that study credibly. Thus, NWECA and RNP strongly encourage BPA to continue its participation in Grid West and to continued funding BPA staff's efforts to work with the Grid West development process.

Benefits of Grid West

We believe that there are significant benefits to having an independent entity manage the region's transmission assets and coordinate plans for new investment. From the perspective of our members, the implementation of a regionally-accountable, independent system operator will deliver functional and financial transparency, improve reliability, eliminate rate pancaking, enable an ancillary services market and, in due course, more liquid and efficient transmission markets, while honoring existing transmission rights. The result will be more efficient dispatch and siting of generation, and the use of demand-side technologies. It will also bring about regional planning that will result in new transmission construction --when truly needed. Overall, NWECA and RNP believe that the establishment of Grid West will result in more efficient use of the current system and an expansion of transmission capability that the region so sorely needs.

In particular, an organization such as Grid West is critical for the robust development of new renewable resources. Currently there is little long-term ATC available on the system, but actual flow studies show that many of the constrained paths are only constrained a small number of hours per year. However, there is little incentive and no efficient market for dealing with this problem. Grid West's proposed redispatch markets and the ability for Grid West to develop "semi-firm" or "conditional-firm" products integrated into that market promises the ability for new renewable resources to gain access to the transmission system without waiting for new transmission to be built. This redispatch market can also provide opportunities for interruptible loads and new load-control technologies to be developed. Finally, these new markets will begin to give developers of both new generation and transmission the price signals they need to properly site their projects.

Draft Bylaws

NWECA is very supportive of the draft bylaws. In our opinion they effectively balance the need for a truly independent board with regional and stakeholder accountability and responsiveness. They also give us confidence that the fear of some in the region that costs will not be controlled is unjustified.

However, we think that the changes recommended by NAPA, in its recent draft staff review of the bylaws, would be extremely beneficial. We will not repeat our points here, but instead refer you to the comments we recently submitted that are appended below.

Conclusion

As you know, and to BPA's credit, our organizations have been encouraged and allowed to fully participate in the development process of Grid West. This open and inclusive process has resulted in a platform and bylaws that we believe will result in Grid West ultimately obtaining the support of the region. Bonneville should not now abandon that effort. We look forward to continued participation in Grid West's successful development.

Steven Weiss
Sr. Policy Associate
NW Energy Coalition

Rachel Shimshak
Director
Renewable NW Project

Appendix

**Comments of the NW Energy Coalition
on the
National Academy of Public Administration
Initial Staff Drafts Review of the Governance Structure of Grid West**

August 27, 2004

The NW Energy Coalition (NVEC) is a coalition of over a hundred environmental, good-government, consumer, faith-based and low-income groups and utilities in the Northwest working for a clean and affordable energy future. We thank you for this opportunity to comment.

In general NVEC is very supportive of the draft review, so these comments are brief. We wholeheartedly endorse the recommendations in the Staff draft. If implemented, they would improve the proposed Grid West bylaws.

In particular, we were also troubled by the voting requirements to elect Board members. First, the bylaws have no "forcing" mechanism. Thus a small faction of only seven MRC members could effectively stop Grid West from functioning. The NAPA Staff's recommendation that it take only a two-thirds vote to elect Board members would be a distinct improvement and lessen the chance of this happening. As additional information, however, it might be useful to the RRG if the Review included examples of "forcing" arrangements that the Staff could recommend from its experience with other organizations, in case the RRG felt such a mechanism were needed.

Our only other suggestion is in regard to the section on cost control (p. 30). We believe it would be useful to put this issue into context. The fear of "runaway costs" is mentioned by many in this region as a reason to forego any possible benefits that might be achieved with Grid West. This fear is based, for the most part, on the perception that

other RTOs have uniformly experienced rapid and unjustified cost increases. However, we suspect that this perception is not tied to an appreciation of the functions these RTOs perform that may have driven those costs.

It would be extremely useful for the region to have this Review put some of those costs into perspective. For example, what portion of those costs are balanced by savings from transmission owners and users not having to provide services themselves that are now being provided by the RTOs? For example, if an RTO provides scheduling services that were once a part of each transmission owner's tariff, there might be few or no net costs, or even net savings. Also, what part of those costs are simply pass-throughs of ancillary services, not *new* costs that would not have existed absent the RTO.

If this sort of breakdown of typical RTO costs were available, it might put this whole debate--and the fear it seems to have generated--into proper context.

Thank you,

Steven Weiss
Sr. Policy Associate
NW Energy Coalition
503-851-4054
steve@nwenergy.org

GW3-023
SEP 03 2004

September 3, 2004

Mr. Allen Burns
Executive Vice-President for Industry Restructuring
Bonneville Power Administration
905 NE 11th Ave.
Portland, OR 97232

Dear Mr. Burns:

Although Montana Electric Cooperatives' Association, which represents all 26 electric distribution cooperatives in Montana, has taken no formal position on Grid West, we are writing to let you know of our preliminary affirmations and concerns regarding this proposal.

First, it appears that, despite some concerns, Grid West at the Beginning State is, with exceptions pointed out below, in general on a sensible course toward addressing regional transmission problems. These existing problems include inability to determine region-wide transmission capacity, barriers to integrating new power resources due to lack of system-wide analysis of new resource development impacts, and pan caked rates, which further hamper development of new generation facilities. We also believe there is a strong need for greater access to already committed, but underutilized transmission that could be resolved with the establishment of an organization like Grid West.

Our concerns regarding Grid West echo those of many of our members who are customers of BPA. They include concerns about bias in the proposed bylaws toward pressing for financial transmission rights, the lack of safeguards against FERC control needed to prevent FERC from moving toward forcing Grid West to adopt financial rights similar or identical to Standard Market Design, a lack of sufficient cost control provisions and lack of safeguards to ensure existing contractual rights are protected. In that regard, we appreciate BPA's continued strong efforts to ensure these contract rights are protected.

With these concerns in view and, providing they are thoroughly addressed, we encourage continued development of Grid West as well as BPA's continued involvement in this process and other transmission processes it believes have merit.

Sincerely,

Gary Wiens
Assistant General Manager
Montana Electric Cooperatives' Association

GWB-024
SEP 03 2004



September 3, 2004

VIA EMAIL

Mr. Allen Burns
Executive Vice President for
Industry Restructuring
Bonneville Power Administration, R-3
P.O. Box 3621
Portland, Oregon 97208-3621
www.bpa.gov/comment

Re: Comments of Idaho Power Company Regarding BPA's Proposed Support for
Grid West's Developmental and Operational Bylaws

Dear Allen:

The Bonneville Power Administration ("Bonneville") requested comments on Grid West's proposed governance structure in preparation for Decision Point 1. Idaho Power Company ("Idaho Power") appreciates this opportunity to comment.

Since mid-2003, Bonneville, Idaho Power and other regional parties from all sectors of the electric power industry, with the encouragement and active participation of state and provincial representatives, have worked together to define the transmission problems and opportunities facing the Northwest region. The region has correctly reached the conclusion that the problems and opportunities are real, significant and the *status quo* will not suffice in the long run. Our industry has changed significantly over recent years, new players and new transactions are a reality, and they should be welcome. In the face of this continuing and inevitable change, our ability to maintain reliability, develop needed new infrastructure, and improve the efficiency of markets all hinge on reorganizing transmission service. As a result, the region is creating a solution for its problems and opportunities – Grid West.

Advancing this regional effort at Decision Point 1 is worth your continued support. Our region needs this type of leadership. As you correctly noted in your July 14, 2004 letter to customers and interested parties, Decision Point 1 enables the seating of an independent board of trustees to develop, with the region, the transmission agreements and tariff necessary to evolve the manner in which our individual transmission systems are managed.

It is imperative that an organization, as opposed to loosely structured stakeholder initiatives, be formed to guide the next round of discussions and manage our transmission systems. While stakeholder discussions can produce a vision for the future, an organization provides structure, accountability and a vehicle for actually managing the transmission system. Better management of our collective transmission system is needed to enable the region to fully realize its value.

The organization must be responsive to regional stakeholders, but at the same time produce decisions that reflect the best interests of the region as a whole, as opposed to the narrow interests of particular stakeholders. It is in this regard that Idaho Power adamantly believes the organization's board of trustees must be truly independent. In our view independence means two equally important things. First, that no trustee has a financial interest in any market participant that does business within Grid West's proposed geographic area, and second, that no trustee is intended to represent the interests a particular stakeholder or class of stakeholders.

As we saw in California, when decision makers are elected to represent special interests the organization becomes incapable of making tough decisions. People elected to represent particular stakeholders are too likely to give those narrow interests excessive consideration and be unwilling to make decisions that are best for the system as a whole. Bonneville should not lose sight of the fact that Grid West will be responsible for managing the operation of our transmission systems. An organization that is paralyzed by political squabbling and is slow or unable to make decisions because of the need for endless compromises or to conduct numerous member votes will be unreliable and likely fail to deliver benefits to the region.

Decision-making must lie in the hands of decision makers that lack, in perception and in reality, the narrow interests of particular stakeholders or classes of stakeholders. Specifically, within the Grid West governance structure the members and the Members Representative Committee ("MRC") should not wield actual authority in policy or operational decisions beyond that which is already provided in the bylaws. The members and MRC are not independent. It is appropriate for them to provide the board of trustees with guidance and advice, but it is not appropriate for them to make policy or operational decisions for Grid West. For these reasons Idaho Power opposes expanding or changing the member and MRC bylaw voting provisions. The best interests of the whole come from a decision-making process where the independent board carefully listens to each position, deliberates in public, and then makes a decision.

During the course of developing Grid West's governance structure, everything from complete independence to member votes on virtually every decision has been proposed and considered. As a result, Grid West's proposed governance structure provides an acceptable balance between independence and regional accountability. The bylaws define rules to prevent personal and financial conflicts of interest. Trustees are

not able to look back through the election process to identify specific entities or interests to which they must be loyal. Trustees must look after the interests of the corporation as a whole and the transmission facilities they manage. At the same time, the bylaws define strong consultation mechanisms, open meetings, and individual member access to Trustees. The result is a transparent decision-making process. Trustees that fail to live up to the expectations of the members will be identified, publicly chastised, and ultimately either removed from office or not re-elected.

With all that being said, the true test of Grid West will come not from what is written, but from the people we choose to run the organization. The people that make up Grid West must create the culture that reflects the spirit of the Northwest. Grid West's board of trustees must sincerely listen to the region and communicate; but know when to take action, take action decisively, and support its decisions. The balance between what is written and this culture provides all the accountability the region needs without reaching over and destroying the fundamental independence of the decision-makers and the decision-making process.

Furthermore, Grid West's articles and bylaws set the correct tone for solving the region's transmission problems and realizing its opportunities. They cause Grid West's Board of Trustees to

- Focus on addressing the Northwest region's transmission problems and opportunities as opposed to issues identified by the Federal Energy Regulatory Commission;
- Stay focused on adding value to the Northwest region and to provide the vision and follow-through to realize the benefits; and
- Take realistic, thoughtful and careful steps to evolving the manner in which our region's transmission assets are managed as opposed to flash cutting to a radically different structure as other regions attempted.

It is appropriate for the Northwest region to evolve slowly and carefully. Evolution is inevitable. The transmission system must adjust to the region's energy needs, and the changing industry structure; anything less risks supply disruption and economic hardship. Continuing to maintain our current transmission management practices does not reflect the need to change, and it may not afford the region with the necessary tools to bring low cost generation resources on line and build necessary transmission infrastructure.

In this vein, Idaho Power is concerned about the severe limitations imposed on Grid West's authorities. The region was so concerned about Grid West taking on responsibilities outside the desires of the members – particularly in the developmental



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6003-025

September 3, 2004

BY ELECTRONIC MAIL

Allen Burns
Executive Vice-President for
Industry Restructuring
Bonneville Power Administration R-3
Post Office Box 3621
Portland, OR 97208-3621

RE: Comments of WMG&T Regarding Bonneville's Participation in Grid-West

Dear Allen:

The members of Western Montana Electric Generating and Transmission Cooperative, Inc. (WMG&T), representing over 100,000 consumers in Western Montana, offer the following comments on Bonneville's participation in Grid-West. In particular, we want to comment on the draft bylaws for Grid-West. WMG&T has also signed on to the comments offered by Northwest Requirements Utilities (NRU), *et al*, and offers these comments in addition to and in support of them.

The members of WMG&T support Bonneville's continued participation in Grid-West with the changes outlined below and included in the NRU, *et al*, comments. While we have some concerns about certain elements of Grid-West's proposed bylaws, we believe that there are serious and well-documented problems with the Northwest's transmission system, and that Grid-West offers the potential to resolve them. While Grid-West is not the sole alternative to addressing these problems, it has the most advanced structure to date. We also support Bonneville's participation in the TIG process.

WMG&T members do not subscribe to the idea that if Bonneville continues to participate in Grid-West, the region is unalterably destined to face the Advanced State of Grid-West as it is currently described with the attendant obligations to adopt a financial-rights based contract mechanism, locational marginal pricing for addressing congestion, etc. Although we have serious objections to certain parts of the Advanced State as it is currently defined, the region has been discussing some type of regional transmission entity for at least 10 years and Grid West is at least the fourth incarnation of that concept. Even assuming the heroic timetable proposed by Grid-West, it is difficult to believe that there will not be substantial and necessary changes to the organization, its role and functions, before it reaches the final approval and operation. That is

entirely appropriate as the region learns from the experiences of other regional transmission organizations around the country and decides what elements will best resolve the transmission problems in this region.

Our comments fall generally into three areas: removal of the predisposition in the draft bylaws to a financial-rights based transmission model; addition of the requirement of a binding membership vote before Grid-West goes operational; and additional cost-control elements to increase member input into the Grid-West budget.

Our biggest single objection to the Grid-West bylaws as currently proposed is what appears to be an inherent bias towards a financial-based transmission rights model. It is impossible to find an example in the U.S. to date where this model has resulted in the benefits its proponents claimed would result and the costs have been wildly exorbitant everywhere it has been tried. While theoretically tantalizing, it is beset with serious flaws, both technical and practical. Any move to adopting a financial-rights based system should face both very stringent obligations on the part of its proponents and an extremely strong showing of support from the Grid-West membership, not just the Board.

WMG&T members appreciate that the draft bylaws already contain some requirements that must be met before a financial-rights based system is adopted, but we believe those requirements are not strict enough. In particular, §7.16.3(iii)(b) of the Operational Bylaws that requires the Board to examine whether to move to a financial-rights based transmission model every two years must be removed. The Operational Bylaws should be further revised as described in the NRU comments to require that before a financial-rights model is adopted, the Board must demonstrate that it has resulted in significant benefits in those jurisdictions where it has been adopted and that an independent cost-benefit study shows positive value to the region from adopting it. Finally, adoption of a financial-rights model should only occur with the unanimous consent of the Board.

The WMG&T members also believe that a positive binding vote of the Grid-West membership must be a necessary condition for Grid-West to move to an operational state. This final opportunity for the membership to declare that Grid-West is structured to meet their needs and that they have the confidence to launch grid-West operationally is an absolute necessity. The changes to the Draft Developmental Bylaws necessary to implement this requirement are described in the NRU comments.

Finally, cost control at Grid-West remains a concern. Across the country, regional transmission entities have exhibited a complete lack of cost control. The “hockey stick” shape to the budgets of all of these organizations and the ballooning of staff provides no comfort that, without additional controls, Grid-West and the people paying for it will not suffer the same fate. We support the formation of a formal budget committee of the Board to receive input on and prepare a budget for the full Board. While likely required by the recent Sarbanes-Oxley law anyway, memorializing the budget committee’s responsibilities, including offering the membership an opportunity for meaningful input, is something that should be included in the bylaws.

The current version of Grid-West is likely not the last the region will have to address. Indeed, each incarnation has almost always been an improvement on the previous one as the region grapples with how to address its looming transmission problems. With the changes described above and those included in the NRU, *et al* comments, the members of WMG&T support Bonneville's continued participation in Grid-West.

Very truly yours,

/s/

William K. Drummond
Manager

cc: WMG&T Board & Managers
Public Power Council
NRU
Montana Power Planning Council Members

6WB-026
SEP 03 2004

September 3, 2004

Stephen J. Wright, Administrator
Bonneville Power Administration
P.O. Box 3621
Portland, Oregon 97208-3621

RE: Grid West Developmental and Operational Bylaws Review

Dear Mr. Wright:

The Oregon Public Utility Commission appreciates the opportunity to comment on the Grid West Developmental and Operational Bylaws.

Although the Commission has not conducted a formal investigation into the merits of the Grid West proposal, we support both the proposed Bylaws and the effort to develop the Regional Proposal. We believe that an independent entity, properly structured, would yield benefits to the region's ratepayers through timely investment in infrastructure, improved planning, enhanced reliability, and more efficient use of the existing system, among other benefits. The regional proposal appears to balance board independence and strong regional oversight.

We support the phased-in approach outlined in the Bylaws. Under this approach, Grid West would have to demonstrate that the next generation of changes would yield net benefits to the region before implementing those changes. This incremental approach, coupled with the proposed treatment of the five special issues, provides adequate safeguards against failed reforms.

One of the key concerns in the region is the cost of setting up and running an independent regional transmission entity. We believe that the current proposal contains a number of safeguards to ensure that costs are kept low. For example, the phased-in approach as outlined in the Regional Proposal helps address these cost control concerns by proposing a rather modest scope of activities for Grid West in the initial stage. Costs during the Developmental Stage would be constrained because the Developmental Board's primary purpose is to develop and negotiate Transmission Agreements with transmission owners and operators within the Geographic Area, and the Developmental Board is prohibited from offering transmission services. We urge you to look for additional ways to constrain the costs of operating an independent regional entity.

Steven J. Wright

RE: Grid West Developmental and Operational Bylaws Review

September 3, 2004

Page 2

We believe that all of us in the region will benefit substantially by dealing with the transmission challenges and opportunities the region faces. We laud Bonneville for seeking to educate the region about those challenges and assisting in structuring the Grid West proposal to address those problems. In addition, we want to single out the work of Allen Burns and his staff for commendation.

OREGON PUBLIC UTILITY COMMISSION

A handwritten signature in black ink, appearing to read "Lee Beyer", with a horizontal line underneath.

Chairman Lee Beyer

Commissioner Ray Baum

Commissioner John Savage