



## Energy Services Department

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Re: City of Ellensburg comments on Grid West/Transmission Interest Group

Dear Mr. Wright,

This letter is submitted on behalf of the City of Ellensburg in response to the August 4, 2005 letter requesting comments on the whether the Bonneville Power Administration ("BPA") should pursue further development of Grid West or the Transmission Interest Group ("TIG") proposal. The City of Ellensburg appreciates the opportunity to provide BPA with input on this important issue.

The City of Ellensburg has followed both the Grid West and the TIG development process, through the Public Power Council ("PPC") and the Western Public Agencies Group ("WPAG"). Additionally, we have reviewed the materials available on both the Grid West and the TIG proposal.

Based on the available information, the City of Ellensburg strongly recommends that BPA suspend further development of the Grid West proposal, and dedicate its efforts in the next year to finalizing and implementing the TIG proposal. The comments submitted by PPC and the WPAG on this topic set forth detailed reasons for this recommendation, and the City of Ellensburg supports and endorses these comments. In addition to the reasons contained in the PPC and WPAG comments, the following factors were pivotal to the City of Ellensburg in reaching this decision.

The most basic difference between the Grid West and TIG proposals is in the area of accountability. The Grid West proposal would establish a board of directors that is independent of the region and its ratepayers, and would ultimately only be accountable to the Federal Energy Regulatory Commission ("FERC"). In contrast, the TIG proposal relies on existing institutions composed on transmission owners and users that are directly accountable to either regional regulatory authorities or their customers.

This difference between the two proposals could not be more fundamental. Under TIG, the region will remain in control of the policy decisions regarding the transmission grid. Under Grid West, the policy decisions will be dictated by the FERC, which has demonstrated indifference to the particular needs of the Northwest and its hydro dominated electric system. This will result in the regional transmission grid being subject to FERC policy initiatives that may work

well in the Northeast, but which will be detrimental to the interests of the region generally, and load serving entities in particular.

The Northwest, and more especially BPA, has a long history of zealously guarding its ability to set its own policy direction and to make regional decisions in the region, and not in Washington D.C. This has served the region and its ratepayers well. The TIG proposal is consistent with and continues this heritage of regional decision making, while the Grid West proposal runs counter to it by ceding to the FERC decision making authority in the hopes that they will do the right thing. Keeping policy direction and decision making in the region is more important than ever, and the TIG proposal accomplishes that goal.

Additionally, BPA is currently undertaking a public process to alter its regional power supply role by shifting to the customers much of the responsibility for obtaining their incremental power supply. This shift in responsibility will make certainty regarding transmission access, availability and costs, especially for long term transmission that is crucial to resource development, vital to load serving utilities.

The Grid West proposal is disruptive of this process. It creates a new institution, new tariffs, and new business relationships at the very time BPA is shifting resource responsibility to its customers. Grid West will create uncertainty regarding access, availability and costs of transmission service at precisely the wrong time. At this point, the use of market mechanisms in the Grid West proposal creates great uncertainty regarding the ability to even obtain long term transmission rights at a known price in order to support new resource development.

The TIG proposal is consistent with BPA's desire to reduce its role as regional resource provider, because it will incrementally improve on the existing transmission system. This will keep uncertainty at a minimum, and will give BPA customers taking on new resource responsibilities confidence that the cost and availability of transmission capacity are known commodities. In all important respects, the TIG proposal will ease the shift in resource responsibility from BPA to its customers, and do so in a way that assists the customers taking on these new responsibilities.

In conclusion, the Grid West proposal is based on the regional transmission organization ("RTO") template originated by the FERC to foster more competitive power markets with lower power prices, and transmission system expansion. None of the RTOs in operation to date have produced these results. What they have produced is expensive new organizations and volatile transmission costs that have detrimentally impacted load serving utilities. The argument for Grid West is that we will learn from and avoid all of the mistakes made by other regions, and produce an RTO that is cheap and responsive to the transmission users. In other words, we will succeed where everyone else in the country have failed. Given the high costs of failure in this regard, it is simply bad public policy to take this gamble. More importantly, it is a gamble that the region need not take. The TIG proposal is a viable alternative that will allow the region to retain control of its transmission future, make incremental improvements to the system, and do so at a reasonable cost. The City of Ellensburg recommends that BPA pursue the TIG proposal.

Sincerely,



Robert J. Titus, Energy Services Director

**RESOLUTION NO. 2005-25**

**A RESOLUTION ENDORSING THE TRANSMISSION INTEREST GROUP PROPOSAL AND RECOMMENDING ADOPTION OF THAT ALTERNATIVE BY THE BONNEVILLE POWER ADMINISTRATION**

WHEREAS, the City of Ellensburg has examined the materials available that describe the major elements of the Grid West and Transmission Interest Group (“TIG”) proposals; and

WHEREAS, the Grid West proposal is based on the regional transmission organization (“RTO”) that would be governed by an independent board and would be directly accountable only to the Federal Energy Regulatory Commission (“FERC”); and

WHEREAS, other regions that have implemented RTO-like organizations have experienced increases in the cost and price volatility of transmission capacity, and a decreases in control by transmission owner and users over transmission policy and decisions; and

WHEREAS, the FERC has imposed policy directives on other RTOs regardless of their particular circumstances, and regardless of the detrimental impacts of such policy directives; and

WHEREAS, the implementation of the Grid West proposal will create great uncertainty regarding the cost, availability and access to long term transmission, which will be disruptive of BPA’s efforts to reduce its power supply role by shifting the responsibility for acquiring new resources to its power customers; and

WHEREAS, the TIG proposal retains transmission decision-making in the regions, and retains decision making by those most directly impacted by those decisions, by using existing institutions to implement transmission system improvements; and

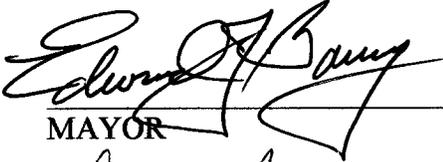
WHEREAS, the TIG proposal will produce more immediate benefits at a lower cost to CITY OF ELLENSBURG customers by avoiding costly mistakes ordained by the FERC, and by taking an incremental approach to changes to the transmission system; and

WHEREAS, the TIG proposal will minimize uncertainty regarding transmission costs, availability and access, in particular long term transmission access needed to support new resource acquisition, by retaining the existing rate and tariff structures, thereby easing BPA’s effort to shift more resource responsibility to its power customers; and

WHEREAS, based on the foregoing, the TIG proposal will be more beneficial to the City of Ellensburg and its customers, and the region generally, than the Grid West proposal;

NOW, THEREFORE, BE IT RESOLVED by the City Council of the City of Ellensburg that the TIG proposal is hereby endorsed as the preferred solution to regional transmission issues, and it is recommended that BPA suspend further work on the Grid West proposal in order to complete development and implement the TIG proposal.

PASSED AND ADOPTED by the City Council of the City of Ellensburg this 6<sup>th</sup> day of September, 2005.

  
MAYOR

Attest:

  
CITY CLERK