



Great Northern Power Development L.P.

601 Jefferson Street • Suite 3600
Houston, TX 77002
(713) 751-7500 • Fax (713) 650-0606

Charles H. Kerr
Chief Executive Officer

ckerr@gr-northern.com
Direct: (713) 751-7590

September 9, 2005

Bonneville Power Administration
Attn: Communications – DM-7
PO Box 14428
Portland, Oregon
97293-4428

Subject: Open Comment Period – Decision Point 2

Dear BPA:

Great Northern Properties and Great Northern Power Development, LP (collectively, Great Northern) are pleased to have this opportunity to comment on proposals for reforming the operation of the transmission system in the Pacific Northwest and neighboring states and provinces.

Great Northern is the largest private holder of coal reserves in North America, with approximately 20 billion tons of reserves located principally in Montana and North Dakota. Great Northern has been actively developing two 500 MW mine-mouth generation projects, the Nelson Creek Project near Circle, Montana and the South Heart Project near Dickinson, North Dakota.

Our experience with obtaining transmission service for the Nelson Creek Project may make Great Northern the “poster child” for transmission reform in the Northwest. In the current era of balkanized transmission access and operations, Great Northern has made transmission reservations on BPA and six other transmission providers in an attempt to piece together roughly 500 MW of transmission capacity between eastern Montana and potential utility partners in Washington, Oregon and Idaho. Great Northern has provided more than \$2.5 million in deposits associated with these reservations.

Despite good faith efforts by the various transmission providers, managing the multiple administrative processes, queue positions and studies associated with these reservations has been a challenging and often frustrating experience. Great Northern has had requests in the BPA queue for 18 months and another Montana coal-fired generation project has had requests in the BPA queue for more than 3 years. Studies on these requests are only just now beginning due to difficulties in coordinating studies and administrative processes with multiple transmission providers.

The Northwest needs a “one utility” approach to transmission planning and operations and a real “one stop shop” for transmission users. And we need it now! For those reasons, Great Northern supports the Grid West proposal and urges BPA to respond affirmatively to Decision Point 2.

The Grid West proposal and the Transmission Improvements Group (TIG) proposal contain many similar features and appear to envision a similar future for the Northwest’s transmission system. However, Great Northern’s view is that the Grid West proposal is much more likely to achieve true reform and the “one utility / one stop shop” vision that we believe is critical to providing a reliable and economic transmission system that will benefit electricity consumers throughout the Grid West area.

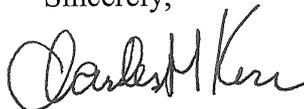
The TIG parties have done an impressive amount of work in a short period of time. However, we believe the multi-lateral contract platform advocated by TIG has serious shortcomings. The difficulty of negotiating at least five multilateral agreements with 15 or so parties, as proposed by TIG, cannot be discounted. These negotiations will be lengthy, contentious and may ultimately be unsuccessful or result in agreements that are inadequately coordinated or substantially different from the current TIG proposal. And we are concerned that these negotiations will not provide a meaningful role for stakeholders other than the transmission owners who will ultimately be invited to sign the agreements.

Great Northern is also concerned that the incremental approach proposed by TIG may result in necessary reforms, such as a single regional queue for new transmission service and a flow-based approach to identifying and contracting for transmission capacity, being significantly delayed or ultimately abandoned. And with the TIG model, there is no single accountable entity responsible for accomplishing the vision set out in the TIG proposal.

The Grid West proposal represents real reform. It includes a comprehensive, coordinated approach to dealing with the full range of transmission issues facing the Northwest. And it creates a governance structure that is accountable for implementing the essential elements of the Grid West proposal.

BPA has recognized that real change is needed in the way the Northwest’s transmission system is planned and operated and that the status quo is no longer acceptable. BPA has also identified the essential elements of a reliable and efficient transmission system for the future. Both the Grid West and TIG proposals appear to meet the BPA criteria. However, only the Grid West proposal provides a clear path for achieving and implementing essential reforms and, therefore, it should be BPA’s choice.

Sincerely,

A handwritten signature in black ink, appearing to read "Charles H. Kerr". The signature is fluid and cursive, with the first name "Charles" being the most prominent.

Chuck H. Kerr