

# Montana Consumer Counsel



Robert A. Nelson  
*Consumer Counsel*

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September 9, 2005

Mr. Stephen J. Wright  
Administrator and Chief Executive Officer  
Bonneville Power Administration  
P.O. Box 3621  
Portland, OR 97208-3621

RE: Grid West Decision Point 2

Dear Mr. Wright:

BPA has requested comments on its upcoming decision regarding Grid West's Decision Point 2. BPA characterizes this decision as a choice between proceeding with efforts to develop Grid West, abandoning Grid West in favor of the TIG proposal, or trying to develop a compromise between the two proposals. There has been general consensus that doing nothing is not an option and that changes in grid management are necessary.

Montana consumers are affected by the limitations inherent in the current arrangements in many ways, including being captive to local market power and a lack of efficient signals and incentives for construction of new grid capacity. The Montana Consumer Counsel has therefore been a strong supporter of regional efforts to develop a consensual process for Grid West. At the same time, we are also keenly interested in the proposals of the pricing work group and the ultimate regional disaggregation of the risk/reward analysis, as these will strongly influence how we view Montana's commitment to participate in an operational Grid West.

We have been closely following the efforts to assess the risks and rewards of Grid West. The preliminary results of the current analysis show that while Grid West will not be cheap, it will likely return greater benefits to the region. We believe that these preliminary results warrant proceeding beyond Decision Point 2 and continuing efforts to develop an independent counter party (the developmental board) and tariffs and Transmission Operating Agreements (TOAs). We must withhold judgment about the operational decision, as must the entire region, until all information is available at the point of Decision 4. We stress that our position on Decision 4 will depend on the results of utility- and state-specific estimates of risks and benefits.

Some stakeholders within the region have opposed Grid West for a number of reasons. One aspect of this opposition has been a reduced scope of the Grid West proposal. A second aspect is the development of TIG, a counter proposal attempting to accomplish the benefits of Grid West through voluntary cooperation and contracts among the region's transmission owners and users.

We have not yet been convinced that the TIG proposal can deliver the benefits it claims, or that it can serve the needs of the region for efficient grid management in the long term. There are two reasons for our concerns. First, because it is designed to avoid FERC jurisdiction and to maintain long term control by current owners and stakeholders it has no independent entity that can operate the system and respond to events in a prompt manner. TIG depends upon an assumption that the region will be able to agree on contracts to carry out its responsibilities. If such voluntary arrangements cannot be achieved, TIG will be unable to deliver its promised benefits.

Our second concern is that the lack of an independent entity and a viable mechanism for the evolution of the starting proposal would further institutionalize the current gridlock facing the region. Conflicts are inevitable given the diverse interests in the region, but some means of resolving conflict must be found. The Grid West proposal promises to enable grid management while still containing a governance structure that preserves regional accountability.

At this point, TIG has not been established as a viable alternative for the region. We are concerned that a decision by BPA to rely on TIG proposals and to abandon Grid

West development could ultimately be revealed as a course of action that does not adequately address acknowledged grid management issues.

For the same reasons, we are concerned about proposals to find a “third way” or middle ground between the Grid West and TIG. We believe this would be a mistake if it is seen as an alternative to proceeding with Decision 2, and might jeopardize the benefits of the past 10 years of effort to develop the Grid West proposal.

The regional transmission efforts were previously stalled for almost a year, due to the reaction to FERC’s Standard Market Design Notice of Proposed Rulemaking in July 2002. Since resumption of work on Northwestern transmission issues two years ago, largely at the urging of the states, we have devoted significant resources to the regional process. The passage of time has not improved the situation before us. We have seen the region’s transmission grid appear more congested and we have seen increasing pressures to expand the grid despite good information on the costs and benefits of doing so. Reliability has become more difficult. New construction has been inhibited while the region waits to see the outcome of the grid negotiations. Potential efficiencies remain to be adequately addressed.

The Montana Consumer Counsel urges Bonneville Power Administration and other critical participants in the Grid West process to continue through Decision 2, to seat the developmental board, to allow negotiations over TOA to begin, and to continue to refine and disaggregate the Risk-Reward analysis so the states can make informed decisions about participation. We emphasize that a decision to continue with Grid West development would not prevent TIG from continuing to refine its proposal, nor would it prevent BPA and the region from seeking ways to blend the best attributes of both proposals. It would not prevent the region from adopting an amended or blended proposal in whole or part if it turns out to be superior and if it is implementable.

The issues that drive the proposals to reform grid management in the region should be adequately addressed. As we have stated, we are not uncritical supporters of the Grid West process; we await the final proposal and the results of the Risk Reward analysis showing the impact on Montana. However, we believe it is incumbent on us to maintain a process and schedule that ensures we can progress towards a regional solution.

A decision by BPA to halt Grid West development at this stage would be a setback to the long regional effort to reform grid management.

Sincerely,

A handwritten signature in black ink, appearing to read "Robert A. Nelson", with a long horizontal flourish extending to the right.

Robert A. Nelson

Montana Consumer Counsel