



August 24, 2005

Bonneville Power Administration
Attn: Communications – DM-7
P.O. Box 14428
Portland, OR 97293-4428

RE: Open Comment Period – Decision Point 2.

Dear BPA:

By letter dated August 4, 2005 Administrator Steve Wright asked the region to respond and provide input concerning the above and to respond to a series of stated questions. We appreciate this opportunity to respond and below have stated our responses.

1. Do you agree with BPA's goal of applying the "one utility" vision to the region's transmission system?

Yes we do. All responsible transmission owners and users acknowledge that significant problems exist and that the physical limitations and operational shortcomings will persist and worsen absent a fundamental restructure in the operation of our critically important transmission systems and facilities. After much study, meetings and discussion we conclude that the status quo is not an option. We are quite comfortable with the "one utility" vision and feel the time for regional collaboration to implement a broad based stakeholder plan is here. We view this point in time as one of extraordinary opportunity. Voluntarily operating individual control areas as one fully-integrated system makes good and prudent sense and presents an opportunity for a level of efficiency and reliability not otherwise achievable.

2. Please describe how well you think each alternative achieves the six benefits described on pages 2-3 of this letter (planning and expansion, reliability, ATC, congestion management, market monitoring, and "one stop" stopping [shopping]).

The Grid West proposal goes to a level of detail and comprehensiveness that results in far superior benefits, practicality, usefulness and application in all the areas enumerated, i.e. planning and expansion, reliability, ATC, congestion management, market monitoring, and "one stop" shopping. We believe that while the Grid West alternative is dynamic and provides solutions for today and for the future, the TIG proposal is a complex derivative of the status quo and offers little in the way of new and meaningful solutions and equity.

The Grid West alternative offers operational independence with accountability to the ultimate users; the TIG alternative is transmission owner dominated and controlled.

3. How well do you believe the Grid West and TIG proposals meet the goal of effective decision-making that is not unduly influenced by market participants?

The TIG proposal does a poor job of meeting the goal of effective decision making that is not unduly influenced by market participants. With TIG, the owners continue to control the decisions and thus the system. With Grid West, policy control is vested in an independent, elected board. The difference in governance between the two proposals is stark. We believe the Grid West proposal presents an alternative that is greatly more responsive to effective operation and greater reliability. By intentional design the Grid West proposal is the least likely to be influenced by market participants and most likely to represent and protect the public from market abuses.

4. If BPA supports the TIG proposal, are you committed to all of the elements of the TIG proposal? If not, which ones are troubling? And why?

We think there are several fundamental principles lacking in the TIG proposal which are necessary and fundamental for maximum system effectiveness and efficiency: (These are not presented in any order of priority or importance.) 1. TIG's does not offer an effective one-system operation and its planning and backstop capability is lacking; TIG can only recommend additions be made to the system. Grid West, on the other hand, will plan, build and assign the costs to the beneficiaries of system additions. TIG's proposal in regard to system additions is much like the status quo. 2. TIG's governance is designed to provide maximum protection to the owners. TIG needs independence from market participants. Grid West's governing board is elected by the users and, as we have stated previously, this elected board will be more accountable and accessible, and as a result, will be more responsive. 3. TIG's unanimous approval by all owners to changing conditions is highly problematic. 4. In the area of congestion management TIG relies on a voluntary bulletin board of available assets and schedule curtailment to manage congestion. Grid West creates a forward reconfiguration service and has a redispatch market to manage congestion in real time. 5. The economic efficiency of Grid West is greater with the addition of voluntary real time ancillary services, imbalance energy and redispatch markets over that offered/proposed by TIG. 6. While some operating cost estimates have been presented by TIG, the benefits of TIG are unknown. 7. With TIG users have little, if any, control over costs. 8. TIG has not solved the problem with pancaking, either rate-wise or transactionally. 9. With TIG the TOs control long-term rights.

5. If the TIG proposal were to be chosen, how likely would it be that the proposal would be successfully implemented?

Without significant enhancements, we think the TIG proposal has zero chance of being successfully implemented. Without significant enhancements, we do not see the TIG proposal gaining the support of key IOUs. We think that without the strong support of

PacifiCorp (east and west) and Idaho Power Company that neither of the transmission proposals, TIG or Grid West, can be successful. In addition to not having the support of key transmission owner/operators, the TIG proposal does not have the broad based support necessary from the region's transmission stakeholders, power producers, end users, environmental and other public interest organizations, and state, provincial, and tribal officials necessary for successful implementation.

6. If BPA supports Grid West, are you committed to all of the elements of the Grid West proposal? If not, which ones are troubling? And why?

If BPA supports Grid West, we commit our full support to all elements of the Grid West proposal for Decision Point 2. We give our commitment with the understanding there are no material and/or substantive changes in the intent of the proposal as we understand it to be today. We understand that Decision Point 2 is a commitment for further development of the Grid West proposal including development of an agreement acceptable to the transmission owners.

7. If the Grid West proposal were to be chosen, how likely would it be that the proposal would be successfully implemented?

We think the Grid West proposal has an excellent opportunity to be successfully implemented for two fundamental and very important reasons, (1) the people involved in its development and (2) the quality of the work product developed thus far. Uniquely and to their credit the developers of the Grid West proposal invited and encouraged broad based participation by the region's stakeholders, including power producers, end users, environmental and other public interest organizations, and state, provincial, and tribal officials for across Idaho, Oregon, Washington, Montana, Utah, Wyoming, Nevada, British Columbia, and Alberta. The support displayed around the room from all these different users, interested parties and owners the day the Grid West proposal was shared was impressive and nearly unanimous. The Grid West plan unveiled that day was built by the aforementioned cross-section of the region's stakeholders from the ground up, so to speak and is all "home grown". The Grid West proposal, as was the approach in its development, is comprehensive and designed to deliver efficiencies, flexibility and durability. In addition to the proposal's development, review and inclusion of design perspectives from all these different parties, RRG studied and incorporated the most desirable and successful operating characteristics from transmission operating entities from around the country; they sought review by the National Academy of Public Administration of its proposed bylaws and structure; and, in addition, sought and received a declaratory order from FERC. The FERC order proved quite valuable. The RRG is not finished with development of the Grid West proposal, however, we feel confident if, after Decision Point 2, the development work to ensue is commensurate with the high quality of work done thus far that the Grid West proposal has an excellent opportunity for successful implementation.

8. If you are a supporter of the TIG alternative, please explain why adopting the TIG alternative will be in the collective best interests of all of BPA's customers who

depend on the Northwest transmission grid and of other stakeholders who have an interest in regional transmission issues.

We are not a supporter of the TIG alternative and do not feel it will come even close to effectively resolving the system's shortcomings and future operating and reliability needs.

9. If you are a supporter of the Grid West alternative, please explain why adopting the Grid West alternative will be in the collective best interests of all of BPA's customers who depend on the Northwest transmission grid and of other stakeholders who have an interest in regional transmission issues.

The Grid West proposal offers a business model where transmission owners/control area operators can safely have their assets operated by an independent entity that will, at the same time, protect their economic interests as well. To us that means greater system reliability and maximum service-to-rate value for our customers. Electric energy is an essential service and any time we can increase the reliability of its delivery at cost based rates we are accomplishing our public mission and all businesses, companies and homes benefit. It is a fact that separate control areas operated as a single fully integrated system can provide efficiencies and economies not otherwise available. This fully integrated system, envisioned by the Grid West alternative will create synergy, i.e. a combined capability that is greater than the sum of individual systems' capabilities. We believe too that the Grid West model provides a dynamic framework for integrating new efficiencies in the future. The maximization of operational efficiencies provides better environmental stewardship than would be possible under the status quo. Another benefit to all customers is made possible by an elected governance board that will be responsive to all stakeholders, including end users, environmental and other public interest organizations, and state, provincial and tribal officials.

10. The RRG recently completed an examination of the benefits of the Grid West proposal. Do you have additional views on the benefits of the Grid West proposal that you have not already brought to our attention?

We think the RRG has done an excellent job of carefully developing both the costs and benefits of operating their proposal. We believe the benefits will far exceed expectations once fully developed. We would like to emphasize that the benefits from those areas included in the "qualitative" column (improved transmission planning; long-term siting efficiencies; construction deferral; conservation and demand-side management; load following; market innovation, and last but not least, market monitoring) will bring even greater value and benefits to all customers that may not be measurable today.

11. Do you have additional views on the estimated costs of the TIG and Grid West proposals.

Though unquantifiable we feel the savings to all the Grid West customers by an effective market monitoring presence is significant.

12. What 2-3 improvements might you suggest for each alternative?

We feel the Grid West and TIG proposals are separated by philosophy and ideals not just words. One (Grid West) was developed with emphasis from both the owners and the system's end users; the other (TIG) was developed from the prospective of the owners and with as little necessary substantive change in the status quo as possible. Two very different perspectives – two very different proposals. If one were to make the necessary changes/enhancements to the TIG proposal to make it responsive, effective and attain critical mass – you would basically have the Grid West proposal. For this reason, we feel the TIG and Grid West alternatives are stand alone proposals.

13. The Grid West and TIG alternatives seem to be quite similar. Please suggest how these alternatives may converge?

If you listed in a point-by-point fashion the areas or categories each of the alternatives included, you would have quite similar lists; however, that is where the similarities would end. When you examine the content of each proposal's solution to the same category or area you will find very different conclusions or end points. The depth and breadth of the Grid West proposal is superior to that from the TIG group. We think there is only one logical selection for BPA: Grid West. In its present form the TIG proposal is fatally flawed and will not achieve critical mass. Making the necessary changes to the TIG proposal to achieve regional support would result in what is basically the Grid West proposal.

14. Where do you think the region will be in ten years under each alternative?

If TIG is the alternative BPA selects the region's hopes for a not-for-profit, fully integrated transmission system will eventually fail for lack of interest and/or sustainable support. TIG's inability to meet the operational and regulatory needs of an essential set of utilities will unfortunately leave us with the status quo and the same problems and shortcomings we have today. So with TIG ten years from now we'll have some variation of our current disaggregated control areas and the political wherewithal for something better will likely have evaporated.

If Grid West is the alternative BPA selects the vision developed by RRG will prove to have been a springboard for operational, environmental and regional transmission operational achievements far beyond our conservative expectations in 2005. Grid West ten years from now will be operational and will be the envy of other parts of the nation and the pride of all the utilities connected thereto.

Conclusion: For the reasons stated above, we support and encourage BPA choosing the Grid West proposal and for their support and approval of Decision Point 2. Support for Decision Point 2 includes a financial commitment and the continued commitment of personnel for its development. In response thereto, Northern Wasco PUD offers its continued support for the most effective and cost effective transmission system possible.

Again thank you for this opportunity to comment and we would be happy to answer any questions you may have to our responses above.

Sincerely,

/s/ Dwight Langer

Dwight Langer
General Manager

cc: Dan Bloyer, AE, BPA