



OFFICE OF THE COMMISSION

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September 9, 2005

Stephen J. Wright
Administrator
Bonneville Power Administration
PO Box 3621
Portland, OR 97208-3621

Re: Comments on Grid West and Alternatives

Dear Administrator Wright:

Snohomish County PUD No. 1 opposes Grid West as unnecessary, costly, and risky. It will replace longstanding BPA control over transmission decisions with a new, private corporation no longer accountable to local citizens, local utilities, state regulators, or Congress. A decision for Grid West will be as misguided and risky for the Northwest as deregulation was for the West Coast.

Today, if there is a transmission problem or failure, the region is able to place responsibility for answers and corrections on BPA, which owns and controls over 80% of the region's transmission assets and can demand compliance to its standards by others under its reciprocal tariff powers. Under Grid West, when there is a failure, no one will be held accountable – as was the case when a California version of a regional transmission organization allowed Enron to manipulate markets in 2000-2001 or when the Midwest version failed to contain the cascading Northeast blackout in 2003.

Until last week BPA told the region that a Grid West board would be responsive to the public. But the Independent System Operator of New England (ISO-NE), a transmission organization in the Northeast that is similar to the proposed Grid West, recently demonstrated that it could and would ignore a unified protest from the region's elected officials on a critical transmission issue. It implemented Locational Installed Capacity over the protests from state governors, the region's Congressional delegation, and others (see attached). The Massachusetts Attorney General estimates that this decision will cost the New England ratepayers more than \$1.6 billion over the next five years (see attached). Being an "independent" board meant that the ISO-NE did not have to listen to anyone, including the elected officials in the Northeast. Because Grid West will be subject to FERC jurisdiction, it will be more likely to listen to FERC than the citizens of the region and their elected representatives. This is neither a step forward nor an improvement.

Grid West will undermine our region's cost-based public power preference by creating a private transmission corporation that will not care if Northwest hydroelectric power is sent to California instead of serving native loads or if its decisions increase costs for local citizens. It will make "market decisions," not regional decisions. Today, if BPA ignores regional interests, there will

be Congressional review and correction in the long tradition of Senators Magnuson, Jackson, and Hatfield.

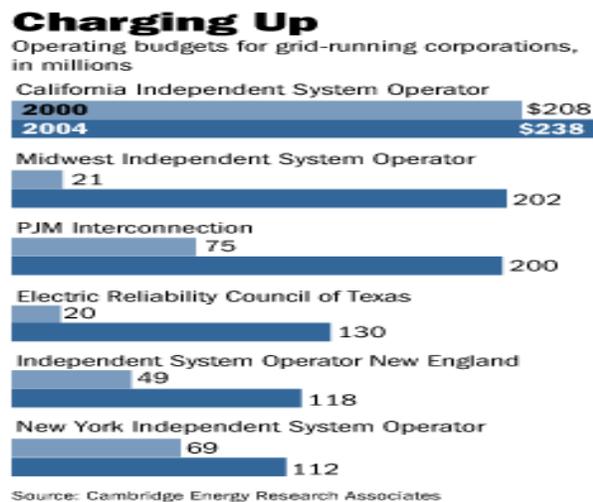
Our intensive Enron efforts have resulted in our heightened concern for the region's transmission system and impacts on consumers if control is turned over to a private corporation. We have spent four years reviewing Enron emails, transcribing Enron trader tapes and uncovering other evidence that demonstrated how Enron systematically and cynically took advantage of the new California transmission organization. What may have looked good on paper was a disaster for the West Coast.

Regional transmission organizations were a key part of the plan to deregulate the electric utility industry in the United States. Today, groups that once favored deregulation now oppose it. Even the Cato Institute, a free market think tank, pulled its support saying that restructuring contributed to the severity of the California electricity crisis and the August 2003 blackout in the Northeast "without delivering many efficiency gains." On December 9, 2004, the American Public Power Association published a comprehensive report highly critical of RTOs, which BPA ignored before it proceeded with its Grid West Decision Point 1 on that same day. The APPA report said:

"APPA members in RTO regions report substantial, across-the-board problems with spiraling RTO costs, unaccountable RTO governance and ever-increasing provision of RTO services through questionable market mechanisms. These APPA members are unable to obtain or even retain long-term transmission service at just and reasonable rates. This is impairing their ability to enter into the long-term generation resource arrangements they need to provide reliable and affordable service to their end-use customers."

As a utility with a statutory responsibility to serve end-use customers, Snohomish agrees with the APPA warning that transmission organizations like Grid West will likely impair our ability to provide reliable and affordable service to our citizen-customers.

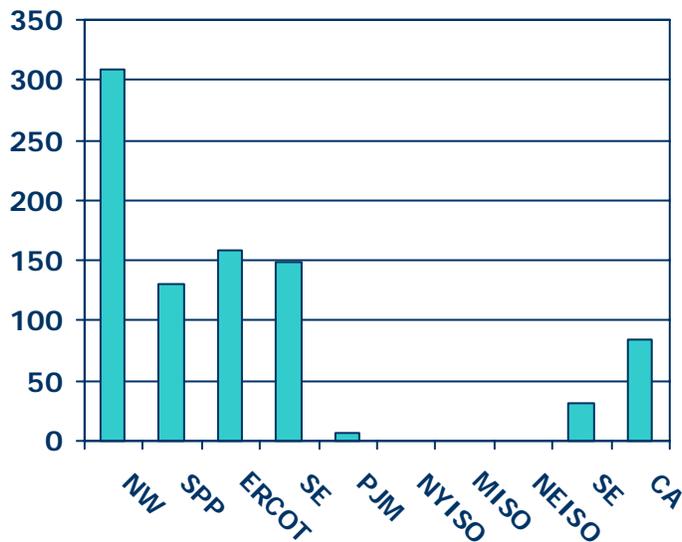
Some say that we have been talking about an RTO in the region for ten years and that the time for talking is over and the time for action is now. But, it is a good thing that we did not take action to form an RTO. In those ten years the country has witnessed one RTO failure and disaster after another. We have seen costs of regional transmission organizations rocket out of control and the promised benefits fall short. The accompanying chart shows the cost trends of the transmission organizations:



Because of these troubling cost trends in other regions, Snohomish and 12 other utilities commissioned a study by a highly regarded independent firm that showed the annual costs of Grid West will exceed the benefits by over \$100M. (See www.snopud.com for a full copy of the report.)

Compared to other regions, the Northwest *has* taken constructive action. In 2001, BPA listed for Congress a number of needed transmission projects in order to justify an RTO. Today, most of those projects have been built, are underway, or the need for the project has disappeared and the project has been deferred or cancelled. When publicly asked if there are any regional projects needed today for reliability that have not been addressed, BPA cannot name one. And, as the chart below shows, in 2004 the Northwest built more miles of transmission than any region with a transmission organization.

Major Transmission Circuit Miles Added by Region
(Note: ERCOT's are a projection)



Source: FERC "2004 State of the Markets"

Further, Grid West will be bad for the environment. Last December BPA rejected our request that the agency perform the required environmental review of Grid West's potential impacts. This refusal disregards BPA's legal obligations to Northwest citizens, and we cover this issue in detail in the attached comments.

Finally, the self-imposed September 29 deadline for the BPA Administrator to make a decision between Grid West and alternatives is arbitrary and counterproductive. We can continue the thoughtful, incremental, and successful improvements to the transmission system under our current regional institutions. BPA, with Congressional oversight responsive to local utilities and local citizens, is superior to a private corporation board subject to FERC jurisdiction.

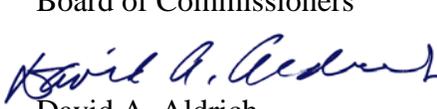
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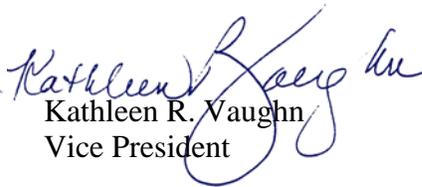
Our more detailed comments and answers to BPA's questions on the choice between Grid West and alternatives are attached. We also agree with the attached two page summary of the Public Power Council's "high level concerns" regarding Grid West.

We are sending copies of this letter and our attached comments to members of the Northwest Congressional delegation, state regulators and state governors. They provide the appropriate ultimate governance for our regional transmission system, whereas a new, unnecessary, costly, and risky private corporation will ignore the citizens we serve and their elected representatives.

Very truly yours,

Snohomish County PUD No. 1
Board of Commissioners


David A. Aldrich
President


Kathleen R. Vaughn
Vice President


Tanya Olson
Secretary

Attachments