



**WESTERN MONTANA ELECTRIC  
GENERATING & TRANSMISSION COOPERATIVE, INC.**

1001 SW Higgins, Panorama Park, Suite 206, Missoula, MT 59803-1340 (406) 721-0945/721-3738 FAX

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BY ELECTRONIC MAIL

Allen Burns  
V.P., Industry Restructuring  
Bonneville Power Administration  
Post Office Box 3621  
Portland, OR 97208-3621

RE: WMG&T Comments on Grid-West and TIG

Dear Allen:

On behalf of the seven utility members of Western Montana Electric Generating and Transmission Cooperative, Inc. (WMG&T), all of whom purchase their power and transmission services from Bonneville Power Administration (Bonneville or BPA), we offer these comments on Bonneville's participation in Grid-West and the Transmission Improvements Group (TIG) processes.

WMG&T has participated either directly or through associations with which it shares members, all the regional transmission proposals over the last 10 years, including both the Grid-West and TIG processes. As rural utilities often at the end of the transmission system, we are concerned about reliability, investments in operation and maintenance, management of congestion, and investment in new transmission facilities.

After careful consideration of both Grid-West and TIG, the WMG&T Board of Trustees unanimously adopted the following points at its meeting last week:

- WMG&T supports TIG over the current Grid-West proposal due to concerns regarding governance and FERC jurisdiction. The proposed Grid-West governance structure lacks appropriate accountability and while it does contain opportunities for member input, the Grid-West board still retains the right to override the express wishes of the membership.

- WMG&T recognizes the limitations of the current TIG proposal, especially regarding whether TIG can really deliver the benefits it claims through voluntary contractual mechanisms. The WMG&T members are particularly concerned about reliability, investments in operation and maintenance, congestion management and new transmission investment.
- WMG&T supports a reasonable delay in Grid-West's Decision Point 2 so that discussion can continue on merging the two alternatives.

There are two main differences between Grid-West and TIG: FERC jurisdiction and governance. While the benefits and risks of FERC jurisdiction have received considerable discussion, it now appears to be less of an issue than previously thought. First, FERC issued a declaratory order in July indicating that it would take an expansive view of Grid-West's authority and would not try to assert jurisdiction over non-jurisdictional utilities that join Grid-West. The order also specified that FERC would not try to abrogate existing transmission contracts and that if Bonneville decided it wanted to leave Grid-West, the agency would not have to seek FERC approval. Second, while TIG has sought to avoid designing a FERC jurisdictional entity, all jurisdictional utilities would still have to file tariffs at FERC. It is also possible that FERC could use its new power under the recently-passed energy bill to assert jurisdiction on the basis of reliability. The upshot is that while it seems a good idea to avoid FERC jurisdiction if at all possible, the fact that Grid-West would be a FERC jurisdictional entity should not automatically eliminate it from consideration.

Governance is another issue, however. Experience from other RTOs around the country shows a distinct and consistent pattern of abuse by the independent governing boards. Virtually every RTO governing board has taken steps that either are in direct conflict with the interests of the members and ratepayers, or have simply ignored the express wishes of the members. From attempting to abrogate grandfathered transmission contracts to implementing questionable expansion schemes to failing to exercise any reasonable cost control, these independent boards have been an unmitigated disaster. Lacking any real accountability to local regulators, elected officials or the members, the boards of these existing RTOs have made a convincing case against their own lack of regulatory oversight.

It is the issue of governance, therefore, that truly separates Grid-West from TIG, and it is this issue that the case rests for TIG and against Grid-West. Grid-West proponents argue that although their board would be independent, on five important issues and the budget the membership would have significant input. The members would only provide input, however, and not hold veto power. Given this lack of veto power over Grid-West board decisions and the continuing record of board decisions adverse to member interests by existing RTOs, WMG&T cannot support Grid-West as it is currently proposed.

The region is deeply split over Grid-West and TIG. While some believe that once BPA chooses an alternative the other one will go away, the WMG&T members do not share that view. It is their opinion that both Grid-West and TIG have supporters whose views are so strongly held that they will fight to the end to see their alternative prevail, regardless of which alternative BPA

chooses. Since neither side will have sufficient strength to negate the other, the region will be locked in a stalemate – which essentially means we will have the status quo complete with all the existing transmission problems. This is not a good outcome.

WMG&T supports continuing the effort to merge the two alternatives. A merged proposal is the only way to avoid a significant regional meltdown and offer hope of addressing the region's transmissions problems. While there is no guarantee that a merged solution can be developed or that it will be supported by a critical mass of entities, it offers the only real hope of avoiding the impending regional impasse.

WMG&T looks forward to continuing to participate in regional transmission discussions. If you have any questions about these comments, please feel free to contact me.

Very truly yours,

/s/

William K. Drummond  
Manager

cc: Board of Trustees  
Member System Managers  
Steve Wright - BPA  
Syd Berwager - BPA  
John Saven - NRU  
Marilyn Showalter - PPC  
Bruce Measure - NWPPC  
Rhonda Whiting - NWPPC