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September 9, 2005

Steven J. Wright
Administrator and CEO
Bonneville Power Administration
P.O. Box 3621
Portland, OR 97208-3621

Re: Open Comment Period – Decision Point 2
Comments of the Western Public Agencies Group on Grid
West/Transmission Improvements Group

Dear Mr. Wright,

The attached comments are submitted on behalf of twenty-one preference customers that comprise the Western Public Agencies Group (“WPAG”), and are in response to the August 4, 2005 letter requesting comments on the whether the Bonneville Power Administration (“BPA”) should pursue further development of Grid West or the Transmission Improvements Group (“TIG”) proposal. Individual members of the WPAG are likely to submit separate comments in addition to these group comments, highlighting points and issues of particular interest to them.

The WPAG utilities appreciate the opportunity to provide BPA with its thoughts on this important issue.

Yours truly,

Terence L. Mundorf
Attorney for the Western
Public Agencies Group

**COMMENTS OF THE WESTERN PUBLIC AGENCIES GROUP
REGARDING THE CHOICE BETWEEN THE GRID WEST AND
TRANSMISSION IMPROVEMENTS GROUP PROPOSALS**

I. Introduction and Summary of Comments

These comments are submitted on behalf of the twenty-one preference customers that comprise the Western Public Agencies Group (“WPAG”). The WPAG utilities have been active participants in both the Grid West and Transmission Improvements Group (“TIG”) development processes. This participation stems from the vital interest the WPAG utilities have in matters affecting the Federal Columbia River Transmission System (“FCRTS”) operated by BPA.

The WPAG utilities are a diverse group that is a microcosm of BPA’s preference customer class. WPAG includes public utility districts, municipalities, cooperatives and mutuals; utilities located on the east and west side of BPA’s service area; utilities that purchase power from BPA as full requirements, Block and Slice customers; and utilities that receive service over general transfer agreement.

As a consequence of this diversity, the WPAG utilities do not bring a narrow focus or a special interest to the question of which proposal, Grid West or TIG, should be pursued by BPA. Rather, the WPAG utilities approach this question from the perspective of organizations whose primary mission is to reliably deliver to their end-use customers power at the lowest possible cost. And to these utilities, reliable, cost-based transmission service is a *vital* element in accomplishing this mission.

A. Summary of Comments

- The WPAG utilities strongly recommend that BPA focus on completing and implementing the TIG process, and that further work on the Grid West proposal be suspended.
- The Grid West proposal would establish an independent board to make decisions regarding the regional transmission grid that is not sufficiently accountable to regional transmission owners, transmission users and end-use customers. This board would be accountable only to the FERC, and would therefore cede to the FERC control over regional transmission grid policy and operational decisions, including those directly affecting the FCTRS, at the cost of diminished regional control of such decisions. In contrast, the TIG proposal would maintain current accountability, and would not expand the role of the FERC.
- The Grid West board would be independent of market interests, but also of the interests of regional transmission owners, transmission users and end-use customers. Further, the Grid West board would be independent of any consideration of the public interest that BPA and state regulators bring to bear on regional transmission policy and operational decisions. The TIG proposal would retain the public interest standard in regional transmission policy and operational decisions.

- Materially changing the way that transmission service is provided and priced, and placing the operation of the regional transmission grid in the hands of a new, untested organization, as proposed by Grid West, will create major uncertainties at the very time that BPA is attempting to make dramatic changes to its power supply role. These uncertainties will raise concerns among preference customers regarding their ability to take on additional resource acquisition responsibilities, making the change to BPA's power supply role more difficult to implement. The TIG proposal will not have this affect, because it relies on existing institutions and makes less sweeping changes to the access, availability and price of transmission service.
- The Grid West proposal will be more costly to the region because it creates a new organization, and pursues the implementation of new markets. The TIG proposal will deliver to the region solutions to existing problems, and a paradigm for addressing future problems that will be less costly because of its narrower scope and its use of existing institutions.
- The Grid West proposal is focused on creating a completely new institution and creating new markets. These activities are complicated and will take time to accomplish. The TIG proposal uses existing institutions, and does not require the institution building that is an integral part of Grid West. As a consequence, TIG will be able to deliver to the region more benefits sooner than will Grid West.
- The Grid West proposal does not address rate pancaking and long-term transmission pricing, the two most divisive issues that have the potential of creating major cost shifts. It leaves the resolution of these issues until after the independent board is seated, and the need for a regional consensus on the solution to these issues is eliminated. This essentially insulates the decision on these issues from regional control. The TIG approach is just the opposite. While these divisive issues are not addressed in the TIG proposal, any resolution of them in the future will require a regional consensus, thereby ensuring regional control.

II. Background

A. The Grid West Proposal

Grid West represents the third try by a number of transmission-owning investor owned utilities ("IOUs") to establish a new organization to operate the regional high voltage transmission system, the majority of which is currently operated by BPA. All three of these efforts were patterned after the regional transmission organizations ("RTO") promoted by the Federal Energy Regulatory Commission ("FERC") in order to create more competitive markets for both power and transmission services. These competitive markets were expected, in turn, to produce both lower prices and, in the case of transmission, spur transmission capacity expansion.

The Grid West proposal follows the FERC paradigm for RTOs. Grid West would have an independent board of directors that would not be directly accountable to any regional regulatory body, nor to the regional transmission owners, transmission users or their end-use customers. Instead, the Grid West board of directors would only be directly accountable to the FERC. And as has been the case with RTOs established in other regions, the major emphasis of Grid West, at least initially, would be to establish a new and independent transmission organization, and to

develop and operate markets in which various transmission services are sold to the highest bidder.

On the trade-off between independence of the new transmission organization on the one hand, and accountability to regional transmission owner, transmission users and end-use customers regarding the future of the FCRTS and other high voltage transmission facilities on the other hand, the Grid West proposal comes down firmly on the side of independence. The independence of the Grid West board comes at the cost of greatly diminished regional control over the future of the regional transmission grid. The Grid West proposal contains a great deal of process through which regional interests can express their sentiments, but at the end of the day the independent board of Grid West will make the decisions, and it will be accountable only to the FERC.

B. The TIG Proposal

The TIG proposal takes an entirely different approach. It seeks to avoid expanding the jurisdiction of the FERC over regional transmission policy, and particularly over the FCRTS operated by BPA. It does so by relying on existing institutions to accomplish most of the initial improvements to the regional high voltage transmission system, and by using multi-lateral contracts between transmission owners to implement needed changes.

The TIG proposal envisions implementation of a number of substantial changes to the way that transmission business is currently conducted in the region, including moving to a flow-based system, establishing a common OASIS, voluntarily consolidating control areas and employing a “one utility” approach to transmission planning. However, after this first wave of changes, the TIG proposal envisions an incremental or gradualist approach to subsequent changes, in particular to the establishment of markets and moving to a financial rights model for transmission. In this respect, the TIG proposal represents a much more cautious approach than that envisioned in the Grid West proposal.

The TIG proposal relies on existing institutions and retention of the major role of current transmission-owners and transmission users in the decisions regarding the future of the regional high voltage transmission, and avoids any expansion of the role of the FERC in setting the policy direction for the regional transmission grid. As a consequence, the TIG proposal comes down squarely in favor of retaining as much regional control of the transmission grid as exists today, and as a consequence does not establish an independent body to make decisions regarding the regional transmission system.

III. WPAG SUPPORTS IMPLEMENTATION OF THE TIG PROPOSAL

Based on information that is currently available, it seems clear that the Grid West and TIG proposals can accomplish many of the same improvements to the regional transmission grid. So, the question before BPA and the region is not *whether* to make these improvements, but rather it is a question of *how* the region should implement these improvements. In this regard, the Grid West and the TIG proposals offer starkly different approaches, and provide a clear choice on how these improvements should be made.

The Grid West proposal emphasizes establishing a new, independent organization making transmission decisions, with final accountability only to the FERC. The consequence of this approach is a major expansion of FERC authority to set transmission policy for the Northwest, and a material loss of regional control over the future of the high voltage transmission grid.

The TIG proposal emphasizes use of existing regional institutions to make improvements to the regional transmission system, with accountability to regional regulatory bodies and, ultimately, to the region's ratepayers. This approach consciously avoids expanding FERC authority to set transmission policy for the region, and will not result in a new, independent organization making policy decisions for the regional transmission grid.

Concern has been expressed that since TIG is voluntary in nature, large transmission owners such as PacifiCorp and Idaho Power may not participate in TIG, thereby limiting the benefits it can provide. BPA and regional regulators hold the answer to this concern. Both PacifiCorp and Idaho Power have publicly stated that their participation in Grid West is contingent on consolidating their control areas with the control area of BPA. This public posture allows BPA to take the position that participation in TIG by PacifiCorp and Idaho Power is a prerequisite for control area consolidation. Further, each state regulator would be entitled to query these utilities as to why they are foregoing participation in an activity such as TIG that is benefiting the public interest. Either of these approaches would be sufficient to motivate participation in TIG by these utilities.

The WPAG utilities have concluded that it is not in the long-term interests of the region to establish a new organization that is not directly accountable to transmission owners, transmission users or their end-use customers, and to materially expand the ability of the FERC to dictate transmission policy to the region, all as envisioned by the Grid West proposal. As a consequence, the WPAG utilities recommend that BPA focus its attention on the completions and implementation of the TIG proposal. The following reasons support this recommendation.

A. Regional Decision-making Must Be Retained

The Northwest has a long history of zealous guarding the ability of the region to make decisions regarding its electric system, and particularly the federal power and transmission system. The retention of the right to make these decisions locally has served the region's electric end-users well. The WPAG utilities believe that it is bad public policy to abandon this tradition of local decision making and accountability by placing the regional transmission grid under the direction and control of a new, independent organization that is directly accountable only to the FERC, as envisioned by the Grid West proposal.

The detrimental consequences of this proposal are two-fold. First, the ability of regional transmission owners, transmission users and end-users to control future policy decisions regarding the regional transmission grid will be limited, since the primary interest of this new organization will be to stay on good terms with its regulator, the FERC. The provisions in the Grid West proposal providing opportunities to comment, the right to remove board members and the ability of BPA to withdraw from Grid West are no substitute for direct accountability to

regional regulators and end-use customers that we have in place today. The decision-makers in the Grid West proposal are truly independent, and as a consequence they are insulated from those who will ultimately pay the bills. This is bad public policy, and will lead to bad decision-making for the regional transmission grid.

Second, the Grid West proposal will, for the first time, directly subject the FCRTS as operated by Grid West to the policy initiatives of the FERC. This is a major concern for BPA's preference customers. The FERC has demonstrated a studied indifference to the particular needs of the Northwest and its hydro dominated electric system. Time and again, the FERC has demonstrated a propensity for setting policy direction based on the problems and needs of the eastern electric systems. While these FERC policy directives may be perfectly suited for thermal based systems, they do not take into account the special nature of the hydro based Northwest electric system, and may actually do harm to the regional power system. And the FERC has resisted efforts to obtain exceptions their policy directives to fit regional needs.

It has been argued that the region can rely on the Northwest Congressional delegation to police the FERC, and to keep it from doing serious harm to the region through Grid West. What has actually happened to date is that the delegation has been somewhat successful in undoing policy decisions by the FERC that have inflicted harm on the region, meaning that the Northwest Congressional delegation has been successful in minimizing the harm done to the region by the FERC, not in preventing such harm. Even if this argument is correct, it must be asked whether it is truly in the best interests of the region to pursue the establishment of Grid West when it is openly acknowledged that it will require constant vigilance and protection by the Northwest delegation to keep the FERC, through Grid West, from inflicting harm on the region. Is this really the future we seek for the region and its end-use customers?

This is a particular concern for BPA's preference customers, who are heavily dependent on the reliable transmission service they receive at cost based rates from BPA to deliver the power needed to serve their end-use customers. The attributes that preference customers value most about the federal transmission system, service provided at stable, cost based rates are not valued by the FERC. The FERC has shown a consistent pattern over a number of years of preferring competition and market mechanisms to price and allocate the supply of both power and transmission, with little regard for price stability or cost based rates. The reliance on competition, market mechanisms and selling to the highest bidder are contrary to the interests of load serving, cost minimizing preference customers and their end-use customers. Preference customers fear that these attributes will not survive for long in a world were FERC, through an independent Grid West that is not directly accountable to the region, sets the policy direction for the regional transmission grid.

The TIG proposal does not raise these concerns. The TIG proposal relies on existing regional institutions to implement changes to the transmission system, and keeps the decision-making in the hands of those currently responsible for operating the transmission system. And because the TIG proposal retains existing rate-making processes, regulatory authorities and tariffs, the current framework for regional accountability is maintained.

The TIG approach also overtly seeks to limit the encroachment of the FERC into regional decision-making on transmission issues. It does so by not establishing a new, FERC jurisdictional organization to operate the regional transmission grid. This is important to preference customers, because it does not expand FERC jurisdiction, or the ability to set policy direction, over the FCRTS. As a consequence, the operation of the FCRTS will continue to be buffered from the FERC policy directives that are ill-suited for implementation in the Northwest. The WPAG utilities believe that good public policy is set, and good decisions are made, when those making the decisions are accountable to those who pay the bills. Conversely, good public policy is not set by placing decisions in the hands of a body that is only directly accountable to, and is subject to the policy directives of, the FERC. Removing the FCRTS from regional control and accountability, and placing it in the hands of an independent body accountable only to the FERC is too high a price to pay for the dubious benefits of independence.

B. Regional Independence Should Be Maintained

The Grid West proposal promises that its board of directors will be “independent”. Unfortunately, the independence provided by the Grid West proposal is not the type that will benefit the region’s transmission owners, transmission user or end-use customers. The Grid West proposal will establish a board that is independent of market participants in all material respects. However, the board will also be independent of the end-use customers that will pay the costs of the decisions of this independent board. The opportunities to provide comments, the ability to remove board members, and ultimately the right of BPA to withdraw from Grid West are problematic and inadequate substitutes for the direct accountability that exists today.

The Grid West board will also be independent of any obligation to serve the public interest. Under the current system, the over 70 percent of the high voltage transmission grid operated by BPA is, by statute, operated in the public interest, and administered by an individual who is personally responsible for ensuring that the public interest is served by its operation. Similarly, the IOUs that are transmission owners are directly accountable to state regulators whose statutory obligation is to ensure that the public interest is served by the operation and use of IOU transmission facilities. And the region and its end-use customers have been well-served because the public interest, and not some market-based theory, has been the standard by which transmission policy has been judged.

The Grid West will remove the public interest standard from regional transmission grid policy and operational decisions. The Grid West board is not charged with operating in the public interest, nor must its decisions be based on what best serves the public interest. In short, the Grid West proposal would remove from the regional transmission decision-making and policy-setting process any individual who is personally charged with protecting the public interest. This is a serious loss for the region, the implications of which no one really can assess at this time.

In contrast, the TIG proposal does not offer the same degree of independence from market participants. However, it more than compensates by retaining in its current form the pre-eminence of the public interest as a standard by which regional transmission policy and operational decisions are made. And the use of the public interest standard in regional transmission decision-making has a proven track record of benefiting the region. It would be

unwise to trade the proven benefits of the public interest standard with the unproven and speculative benefits of “market independence” promised by the Grid West proposal.

C. Major Change To Transmission Service Is Not Timely

Implementing the Grid West proposal would require major changes to all aspects of the provision of transmission service in the region. In addition to turning the operation of the regional transmission grid over to a completely new, untested organization, the Grid West proposal would also include new service tariffs, new pricing structures, new transmission grid operators, and new markets for various transmission products. All of these changes in a short period of time will create great uncertainty regarding access to, the availability and cost of transmission service.

These major changes envisioned by the Grid West proposal will occur at the very time that BPA will also be seeking to implement a major change in its power supply role by shifting responsibility for new resource acquisition to its power customers. At a time when BPA’s power customers will need assurance regarding the availability and price of transmission, the Grid West proposal will introduce uncertainty and confusion.

As envisioned by BPA, under its new power supply role BPA will cease being the default power supplier for the entire region. Instead, BPA’s preference customers will become more responsible for obtaining power from non-federal resources to serve their growing loads. This shift in responsibility will make these customers even more dependent on the FCRTS to move power from non-federal resources to their loads. New resource development depends on predictable, long-term access to the regional transmission grid at low, stable prices. The Grid West proposal does not adequately address these needs, and instead creates uncertainty at precisely the wrong time.

How long-term transmission rights needed to develop new resources will be provided, and by whom, are still unanswered questions under the Grid West proposal. Added to this uncertainty is the still unresolved question of how long-term transmission capacity will be priced under the Grid West approach. A variety of methods have been discussed, and all of them involve some amount of revenue responsibility redistribution to cover revenue shortfalls that may be experienced by transmission owners. The bottom line is that the Grid West proposal, by instituting sweeping changes to the provision of transmission service, has created uncertainty where none currently exists regarding how long-term transmission service will be provided, how available it will be, and how it will be priced.

The Grid West proposal introduces uncertainty regarding the availability and cost of long-term transmission needed to develop new resources at precisely the wrong time. Implementing the Grid West proposal will cause preference customers to have serious and well grounded concerns about whether transmission capacity will be available to them for the long-term at low, stable prices. This uncertainty will make them understandably reluctant to accept resource responsibility from BPA, and make the task of revising BPA’s power supply role even more difficult than it already is.

In contrast, the TIG proposal does not create new uncertainties that will stymie BPA's effort to shift of resource responsibility from BPA to the preference customers. The TIG proposal retains the same processes for setting long-term transmission rates, for obtaining access to long-term capacity, and retains the same parties as transmission service providers. In all important respects, the TIG proposal retains the existing processes and institutions, except for those specific areas where improvements will be implemented. In this respect, the TIG proposal provides preference customers with reassurance that transmission access, availability and pricing will be known commodities that can be relied upon to fulfill any new resource acquisition responsibilities. In short, the TIG proposal does not create uncertainty regarding the availability, access to and pricing of long-term transmission needed to construct new resources.

The change that BPA is proposing to its power supply role will materially increase the responsibility of preference customers regarding new resource acquisition. Such a major change to BPA's power supply role cannot be successfully implemented simultaneously with a complete restructuring of the way the transmission grid is operated, and the way transmission service is provided and priced, as envisioned by the Grid West proposal. Attempting to do both at the same time is simply a bad idea.

The WPAG utilities believe that if BPA wants to make material changes to its role as regional power supplier by shifting responsibility for the acquisition of new resources to its preference customers, it must provide stability and certainty in the area of transmission access, availability and price. And the only way to do so, while at the same time improving the regional transmission system, is by implementing the TIG proposal.

D. The Costs of Improving the Transmission Grid Should be Minimized

A number of cost/benefit analyses have been performed over time on the various proposals to alter the manner in which the regional transmission system is operated. While these analyses are informative of the possible outcomes that may occur, the widely varying results demonstrate both the difficulty in estimating the costs of such change, and the degree to which the results are driven by the assumptions made. A more useful measure of the possible cost impacts of the Grid West and TIG proposals is by reviewing what has been spent to date, and the costs incurred by other regions that have implemented an RTO type organization.

To date, it appears that about \$40 million dollars have been spend by BPA and the IOUs in developing the Grid West proposal, including both direct loans and utility staff contributions. This amount does not include the staff time of other utilities and stakeholder organizations. By contrast, to date the effort to develop the TIG proposal has cost the participating utilities less than \$2.0 million. Part of this differential is due to the differing amounts of time spent in developing the two proposals. However, some of this difference must also be attributed to the fact that the Grid West proposal requires the creation of new institutions, new markets, and new tariffs, all of which are complicated, time consuming and labor intensive efforts. Hence, the nature of the Grid West proposal explains, in part, the reason why it has cost more to develop.

The cost experience of other regions that have implemented RTO type organizations has shown a steady, distressing trend of increasing costs. Almost without regard to the funding level at which

these organizations started, they have in almost all cases resulted in an organization employing in excess of 400 employees, and additional operating costs ranging from \$0.45 to \$0.90 per megawatt-hour. And there is no documentation to support the notion that transmission owners or transmission users have seen a commensurate decrease in the number of utility transmission employees.

It has been suggested that Grid West will not experience the same cost escalation, since we can learn from the mistakes of other regions. And while it may be true that initial costs may start lower with Grid West, it is also true that it is in the nature of organizations to expand and grow, and this is particularly the case for organizations that are independent of, and not accountable to, those who ultimately pay the bill. And once established, Grid West will have no protection from FERC ordered policy directives that have been a major driver in the cost increase experienced by other regions. It is wishful thinking to assume that somehow the Northwest will avoid the cost escalations that have plagued RTO type organizations in other regions.

The TIG proposal will also involve cost increases, because any effort to improve the operation of the regional transmission system will require time and effort in addition to that currently being expended. The fundamental difference is the size of that increase, which is driven by the way in which the changes are implemented. In contrast to Grid West, the TIG proposal will minimize institution building, and will have direct accountability to existing regional regulatory bodies and end-use customers. These characteristics of the TIG proposal will provide counterweights to the natural inclination of all organizations to grow and spend more money. Further, the incremental nature of the way the TIG proposal will consider and implement additional changes should keep cost escalations at a minimum.

Based on these factors, the WPAG utilities believe that the TIG proposal will provide the necessary improvements to the regional transmission system at a lower initial cost, and will keep future cost escalations at a much lower level than can be expected under the Grid West proposal. As a consequence, the TIG proposal can be expected to deliver more value at a lesser cost for the region's end-use customers.

E. Improvements to the Regional Grid Should be Made Soon

Based on available information, both Grid West and TIG appear to address many of the same near-term transmission issues. The primary distinction between the two approaches is that Grid West focuses a great deal of attention and effort into constructing various new institutions and new markets, while TIG focuses on using existing institutions to identify changes that can be implemented now and that address the most pressing transmission issues. As a consequence, TIG does not have to await the completion of an elaborate institution building effort before it starts to make real improvements to the transmission system.

It is also clear that regulatory uncertainty retards capital investment, for a couple of reasons. First, transmission owners are reluctant to make investments when it is unclear whether they will receive a return on their investment. And second, transmission owners tend to hold back on transmission investments when it is unclear who is responsible for making the transmission investment.

The Grid West proposal is likely to have a chilling affect on transmission investment because it will create uncertainty over a broad range of topics critical to transmission owners. These include who will be responsible to transmission system additions, how the costs of such additions will be shared, how long-term transmission rights will be priced, and which regulatory body (FERC or state regulators) will have the ultimate say over cost recovery for investments made. The uncertainty created by the sweeping changes envisioned by the Grid West proposal will likely stifle transmission system investment for the near term.

The fundamental difference between the Grid West and the TIG proposals means that under TIG the region will likely see results, in the form of improvements to the regional transmission system, now rather than later. And as a consequence, the region will have a better transmission system sooner under the TIG proposal.

F. Fundamental Issues Must Be Addressed Now

Prior efforts to establish a new regional transmission entity foundered on two specific issues – pricing long-term transmission, and elimination of rate pancakes. There were substantial reasons why these issues proved to be insoluble in previous efforts, and the failure to address them now in the Grid West proposal raises concerns that difficult, and perhaps deal-breaking issues, are being purposefully ignored until an after independent board is established so that these issues can be resolved without the necessity of reaching a regional consensus on the solutions. This raises serious concerns about the transparency of the approach to these issues under Grid West.

The difficulty in resolving these two issues stems from the cost consequences of any solution. Eliminating rate pancaking means that one group of customers will no longer pay as much as they are now paying for transmission service. This means that either the transmission provider will suffer a revenue loss, or some other group of customers will have to pay more for their service. The region was unable to find a solution to rate pancaking that did not result in a major cost shift that was supported by a regional consensus in the two prior attempts.

Similarly, pricing long-term transmission on a unified grid means, inevitably, that some transmission providers will suffer a revenue loss for the use of their transmission system, since the objective is to only charge a single rate for use of the entire Grid West transmission system. This means that either the transmission provider or existing customers must make up this shortfall in transmission revenues. Again, this is a cost shift that on prior occasions transmission customers have found unacceptable, and for which no regionally acceptable solution was found.

The fact that these two issues have not been dealt with in the Grid West proposal raises concerns that difficult cost shift issues are being reserved for the independent board, who will be able to implement “solutions” even if they involve substantial cost shifts to and among existing customers. This approach of ignoring difficult issues is not transparent, and causes suspicion and distrust to develop.

The TIG proposal makes no pretense of solving, at the initial stages, the cost shift issue associated with the elimination of rate pancaking. And since any solution to that problem will

require agreement of the transmission owners, it is apparent that the TIG proposal will not foist on the region a solution to the rate pancaking/cost shift issue a solution that is not supported by a strong regional consensus.

The same holds true for the potential revenue loss and cost shift issue associated with the pricing of long-term transmission service. Because the TIG proposal retains existing tariffs, rate setting and service providers, there is no revenue loss issue with which to deal. And if there is a desire at a later date to move towards a system that allows the use of the entire regional grid for the payment of a single rate, under the TIG proposal it will only be implemented if the region reaches consensus on how to do so without a major cost shift.

The TIG proposal is forthright in its treatment of the difficult issues that present cost shift issues, and it is structured so that no material change will be made in the areas of rate pancaking and long-term transmission service pricing in the absence of a regional consensus. The WPAG utilities find this approach more transparent, and believe that the TIG proposal is superior to the Grid West proposal for the region and its end-use customers in this regard.

IV. Conclusion

The Grid West proposal is based on the RTO template originated by the FERC to foster more competitive power markets with lower power prices, and transmission system expansion. None of the RTOs in operation have produced these results. What they have produced is expensive new organizations and volatile transmission costs that have detrimentally impacted load serving utilities.

Given the high costs of a failed attempt to improve the regional transmission system using the RTO approach that has not been a success anywhere, it is bad public policy to gamble that somehow the Northwest can make the RTO approach work when every other attempt has been an expensive failure. More importantly, it is a gamble that the region need not take. The TIG proposal is a viable alternative that will allow the region to retain control of its transmission future, make incremental improvements to the system, and do so at a reasonable cost.

And it must be remembered that a decision to implement Grid West is irrevocable, and if it is a mistake, it is an irrevocable mistake. In contrast, a decision to pursue implementation of TIG is not irrevocable. If it is a mistake, it can be undone. If it is a success, it can be built upon. This characteristic alone is enough to warrant pursuit of TIG.

For all of the reasons set out in these comments, the WPAG utilities strongly recommend that BPA pursue the TIG proposal.

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TRANSMISSION IMPROVEMENTS GROUP PROPOSALS**

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These comments are submitted on behalf of the twenty-one preference customers that comprise the Western Public Agencies Group (“WPAG”). The WPAG utilities have been active participants in both the Grid West and Transmission Improvements Group (“TIG”) development processes. This participation stems from the vital interest the WPAG utilities have in matters affecting the Federal Columbia River Transmission System (“FCRTS”) operated by BPA.

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As a consequence of this diversity, the WPAG utilities do not bring a narrow focus or a special interest to the question of which proposal, Grid West or TIG, should be pursued by BPA. Rather, the WPAG utilities approach this question from the perspective of organizations whose primary mission is to reliably deliver to their end-use customers power at the lowest possible cost. And to these utilities, reliable, cost-based transmission service is a *vital* element in accomplishing this mission.

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- The Grid West board would be independent of market interests, but also of the interests of regional transmission owners, transmission users and end-use customers. Further, the Grid West board would be independent of any consideration of the public interest that BPA and state regulators bring to bear on regional transmission policy and operational decisions. The TIG proposal would retain the public interest standard in regional transmission policy and operational decisions.

- Materially changing the way that transmission service is provided and priced, and placing the operation of the regional transmission grid in the hands of a new, untested organization, as proposed by Grid West, will create major uncertainties at the very time that BPA is attempting to make dramatic changes to its power supply role. These uncertainties will raise concerns among preference customers regarding their ability to take on additional resource acquisition responsibilities, making the change to BPA's power supply role more difficult to implement. The TIG proposal will not have this affect, because it relies on existing institutions and makes less sweeping changes to the access, availability and price of transmission service.
- The Grid West proposal will be more costly to the region because it creates a new organization, and pursues the implementation of new markets. The TIG proposal will deliver to the region solutions to existing problems, and a paradigm for addressing future problems that will be less costly because of its narrower scope and its use of existing institutions.
- The Grid West proposal is focused on creating a completely new institution and creating new markets. These activities are complicated and will take time to accomplish. The TIG proposal uses existing institutions, and does not require the institution building that is an integral part of Grid West. As a consequence, TIG will be able to deliver to the region more benefits sooner than will Grid West.
- The Grid West proposal does not address rate pancaking and long-term transmission pricing, the two most divisive issues that have the potential of creating major cost shifts. It leaves the resolution of these issues until after the independent board is seated, and the need for a regional consensus on the solution to these issues is eliminated. This essentially insulates the decision on these issues from regional control. The TIG approach is just the opposite. While these divisive issues are not addressed in the TIG proposal, any resolution of them in the future will require a regional consensus, thereby ensuring regional control.

II. Background

A. The Grid West Proposal

Grid West represents the third try by a number of transmission-owning investor owned utilities ("IOUs") to establish a new organization to operate the regional high voltage transmission system, the majority of which is currently operated by BPA. All three of these efforts were patterned after the regional transmission organizations ("RTO") promoted by the Federal Energy Regulatory Commission ("FERC") in order to create more competitive markets for both power and transmission services. These competitive markets were expected, in turn, to produce both lower prices and, in the case of transmission, spur transmission capacity expansion.

The Grid West proposal follows the FERC paradigm for RTOs. Grid West would have an independent board of directors that would not be directly accountable to any regional regulatory body, nor to the regional transmission owners, transmission users or their end-use customers. Instead, the Grid West board of directors would only be directly accountable to the FERC. And as has been the case with RTOs established in other regions, the major emphasis of Grid West, at least initially, would be to establish a new and independent transmission organization, and to

develop and operate markets in which various transmission services are sold to the highest bidder.

On the trade-off between independence of the new transmission organization on the one hand, and accountability to regional transmission owner, transmission users and end-use customers regarding the future of the FCRTS and other high voltage transmission facilities on the other hand, the Grid West proposal comes down firmly on the side of independence. The independence of the Grid West board comes at the cost of greatly diminished regional control over the future of the regional transmission grid. The Grid West proposal contains a great deal of process through which regional interests can express their sentiments, but at the end of the day the independent board of Grid West will make the decisions, and it will be accountable only to the FERC.

B. The TIG Proposal

The TIG proposal takes an entirely different approach. It seeks to avoid expanding the jurisdiction of the FERC over regional transmission policy, and particularly over the FCRTS operated by BPA. It does so by relying on existing institutions to accomplish most of the initial improvements to the regional high voltage transmission system, and by using multi-lateral contracts between transmission owners to implement needed changes.

The TIG proposal envisions implementation of a number of substantial changes to the way that transmission business is currently conducted in the region, including moving to a flow-based system, establishing a common OASIS, voluntarily consolidating control areas and employing a “one utility” approach to transmission planning. However, after this first wave of changes, the TIG proposal envisions an incremental or gradualist approach to subsequent changes, in particular to the establishment of markets and moving to a financial rights model for transmission. In this respect, the TIG proposal represents a much more cautious approach than that envisioned in the Grid West proposal.

The TIG proposal relies on existing institutions and retention of the major role of current transmission-owners and transmission users in the decisions regarding the future of the regional high voltage transmission, and avoids any expansion of the role of the FERC in setting the policy direction for the regional transmission grid. As a consequence, the TIG proposal comes down squarely in favor of retaining as much regional control of the transmission grid as exists today, and as a consequence does not establish an independent body to make decisions regarding the regional transmission system.

III. WPAG SUPPORTS IMPLEMENTATION OF THE TIG PROPOSAL

Based on information that is currently available, it seems clear that the Grid West and TIG proposals can accomplish many of the same improvements to the regional transmission grid. So, the question before BPA and the region is not *whether* to make these improvements, but rather it is a question of *how* the region should implement these improvements. In this regard, the Grid West and the TIG proposals offer starkly different approaches, and provide a clear choice on how these improvements should be made.

The Grid West proposal emphasizes establishing a new, independent organization making transmission decisions, with final accountability only to the FERC. The consequence of this approach is a major expansion of FERC authority to set transmission policy for the Northwest, and a material loss of regional control over the future of the high voltage transmission grid.

The TIG proposal emphasizes use of existing regional institutions to make improvements to the regional transmission system, with accountability to regional regulatory bodies and, ultimately, to the region's ratepayers. This approach consciously avoids expanding FERC authority to set transmission policy for the region, and will not result in a new, independent organization making policy decisions for the regional transmission grid.

Concern has been expressed that since TIG is voluntary in nature, large transmission owners such as PacifiCorp and Idaho Power may not participate in TIG, thereby limiting the benefits it can provide. BPA and regional regulators hold the answer to this concern. Both PacifiCorp and Idaho Power have publicly stated that their participation in Grid West is contingent on consolidating their control areas with the control area of BPA. This public posture allows BPA to take the position that participation in TIG by PacifiCorp and Idaho Power is a prerequisite for control area consolidation. Further, each state regulator would be entitled to query these utilities as to why they are foregoing participation in an activity such as TIG that is benefiting the public interest. Either of these approaches would be sufficient to motivate participation in TIG by these utilities.

The WPAG utilities have concluded that it is not in the long-term interests of the region to establish a new organization that is not directly accountable to transmission owners, transmission users or their end-use customers, and to materially expand the ability of the FERC to dictate transmission policy to the region, all as envisioned by the Grid West proposal. As a consequence, the WPAG utilities recommend that BPA focus its attention of the completions and implementation of the TIG proposal. The following reasons support this recommendation.

A. Regional Decision-making Must Be Retained

The Northwest has a long history of zealous guarding the ability of the region to make decisions regarding its electric system, and particularly the federal power and transmission system. The retention of the right to make these decisions locally has served the region's electric end-users well. The WPAG utilities believe that it is bad public policy to abandon this tradition of local decision making and accountability by placing the regional transmission grid under the direction and control of a new, independent organization that is directly accountable only to the FERC, as envisioned by the Grid West proposal.

The detrimental consequences of this proposal are two-fold. First, the ability of regional transmission owners, transmission users and end-users to control future policy decisions regarding the regional transmission grid will be limited, since the primary interest of this new organization will be to stay on good terms with its regulator, the FERC. The provisions in the Grid West proposal providing opportunities to comment, the right to remove board members and the ability of BPA to withdraw from Grid West are no substitute for direct accountability to

regional regulators and end-use customers that we have in place today. The decision-makers in the Grid West proposal are truly independent, and as a consequence they are insulated from those who will ultimately pay the bills. This is bad public policy, and will lead to bad decision-making for the regional transmission grid.

Second, the Grid West proposal will, for the first time, directly subject the FCRTS as operated by Grid West to the policy initiatives of the FERC. This is a major concern for BPA's preference customers. The FERC has demonstrated a studied indifference to the particular needs of the Northwest and its hydro dominated electric system. Time and again, the FERC has demonstrated a propensity for setting policy direction based on the problems and needs of the eastern electric systems. While these FERC policy directives may be perfectly suited for thermal based systems, they do not take into account the special nature of the hydro based Northwest electric system, and may actually do harm to the regional power system. And the FERC has resisted efforts to obtain exceptions their policy directives to fit regional needs.

It has been argued that the region can rely on the Northwest Congressional delegation to police the FERC, and to keep it from doing serious harm to the region through Grid West. What has actually happened to date is that the delegation has been somewhat successful in undoing policy decisions by the FERC that have inflicted harm on the region, meaning that the Northwest Congressional delegation has been successful in minimizing the harm done to the region by the FERC, not in preventing such harm. Even if this argument is correct, it must be asked whether it is truly in the best interests of the region to pursue the establishment of Grid West when it is openly acknowledged that it will require constant vigilance and protection by the Northwest delegation to keep the FERC, through Grid West, from inflicting harm on the region. Is this really the future we seek for the region and its end-use customers?

This is a particular concern for BPA's preference customers, who are heavily dependent on the reliable transmission service they receive at cost based rates from BPA to deliver the power needed to serve their end-use customers. The attributes that preference customers value most about the federal transmission system, service provided at stable, cost based rates are not valued by the FERC. The FERC has shown a consistent pattern over a number of years of preferring competition and market mechanisms to price and allocate the supply of both power and transmission, with little regard for price stability or cost based rates. The reliance on competition, market mechanisms and selling to the highest bidder are contrary to the interests of load serving, cost minimizing preference customers and their end-use customers. Preference customers fear that these attributes will not survive for long in a world were FERC, through an independent Grid West that is not directly accountable to the region, sets the policy direction for the regional transmission grid.

The TIG proposal does not raise these concerns. The TIG proposal relies on existing regional institutions to implement changes to the transmission system, and keeps the decision-making in the hands of those currently responsible for operating the transmission system. And because the TIG proposal retains existing rate-making processes, regulatory authorities and tariffs, the current framework for regional accountability is maintained.

The TIG approach also overtly seeks to limit the encroachment of the FERC into regional decision-making on transmission issues. It does so by not establishing a new, FERC jurisdictional organization to operate the regional transmission grid. This is important to preference customers, because it does not expand FERC jurisdiction, or the ability to set policy direction, over the FCRTS. As a consequence, the operation of the FCRTS will continue to be buffered from the FERC policy directives that are ill-suited for implementation in the Northwest. The WPAG utilities believe that good public policy is set, and good decisions are made, when those making the decisions are accountable to those who pay the bills. Conversely, good public policy is not set by placing decisions in the hands of a body that is only directly accountable to, and is subject to the policy directives of, the FERC. Removing the FCRTS from regional control and accountability, and placing it in the hands of an independent body accountable only to the FERC is too high a price to pay for the dubious benefits of independence.

B. Regional Independence Should Be Maintained

The Grid West proposal promises that its board of directors will be “independent”. Unfortunately, the independence provided by the Grid West proposal is not the type that will benefit the region’s transmission owners, transmission user or end-use customers. The Grid West proposal will establish a board that is independent of market participants in all material respects. However, the board will also be independent of the end-use customers that will pay the costs of the decisions of this independent board. The opportunities to provide comments, the ability to remove board members, and ultimately the right of BPA to withdraw from Grid West are problematic and inadequate substitutes for the direct accountability that exists today.

The Grid West board will also be independent of any obligation to serve the public interest. Under the current system, the over 70 percent of the high voltage transmission grid operated by BPA is, by statute, operated in the public interest, and administered by an individual who is personally responsible for ensuring that the public interest is served by its operation. Similarly, the IOUs that are transmission owners are directly accountable to state regulators whose statutory obligation is to ensure that the public interest is served by the operation and use of IOU transmission facilities. And the region and its end-use customers have been well-served because the public interest, and not some market-based theory, has been the standard by which transmission policy has been judged.

The Grid West will remove the public interest standard from regional transmission grid policy and operational decisions. The Grid West board is not charged with operating in the public interest, nor must its decisions be based on what best serves the public interest. In short, the Grid West proposal would remove from the regional transmission decision-making and policy-setting process any individual who is personally charged with protecting the public interest. This is a serious loss for the region, the implications of which no one really can assess at this time.

In contrast, the TIG proposal does not offer the same degree of independence from market participants. However, it more than compensates by retaining in its current form the pre-eminence of the public interest as a standard by which regional transmission policy and operational decisions are made. And the use of the public interest standard in regional transmission decision-making has a proven track record of benefiting the region. It would be

unwise to trade the proven benefits of the public interest standard with the unproven and speculative benefits of “market independence” promised by the Grid West proposal.

C. Major Change To Transmission Service Is Not Timely

Implementing the Grid West proposal would require major changes to all aspects of the provision of transmission service in the region. In addition to turning the operation of the regional transmission grid over to a completely new, untested organization, the Grid West proposal would also include new service tariffs, new pricing structures, new transmission grid operators, and new markets for various transmission products. All of these changes in a short period of time will create great uncertainty regarding access to, the availability and cost of transmission service.

These major changes envisioned by the Grid West proposal will occur at the very time that BPA will also be seeking to implement a major change in its power supply role by shifting responsibility for new resource acquisition to its power customers. At a time when BPA’s power customers will need assurance regarding the availability and price of transmission, the Grid West proposal will introduce uncertainty and confusion.

As envisioned by BPA, under its new power supply role BPA will cease being the default power supplier for the entire region. Instead, BPA’s preference customers will become more responsible for obtaining power from non-federal resources to serve their growing loads. This shift in responsibility will make these customers even more dependent on the FCRTS to move power from non-federal resources to their loads. New resource development depends on predictable, long-term access to the regional transmission grid at low, stable prices. The Grid West proposal does not adequately address these needs, and instead creates uncertainty at precisely the wrong time.

How long-term transmission rights needed to develop new resources will be provided, and by whom, are still unanswered questions under the Grid West proposal. Added to this uncertainty is the still unresolved question of how long-term transmission capacity will be priced under the Grid West approach. A variety of methods have been discussed, and all of them involve some amount of revenue responsibility redistribution to cover revenue shortfalls that may be experienced by transmission owners. The bottom line is that the Grid West proposal, by instituting sweeping changes to the provision of transmission service, has created uncertainty where none currently exists regarding how long-term transmission service will be provided, how available it will be, and how it will be priced.

The Grid West proposal introduces uncertainty regarding the availability and cost of long-term transmission needed to develop new resources at precisely the wrong time. Implementing the Grid West proposal will cause preference customers to have serious and well grounded concerns about whether transmission capacity will be available to them for the long-term at low, stable prices. This uncertainty will make them understandably reluctant to accept resource responsibility from BPA, and make the task of revising BPA’s power supply role even more difficult than it already is.

In contrast, the TIG proposal does not create new uncertainties that will stymie BPA's effort to shift of resource responsibility from BPA to the preference customers. The TIG proposal retains the same processes for setting long-term transmission rates, for obtaining access to long-term capacity, and retains the same parties as transmission service providers. In all important respects, the TIG proposal retains the existing processes and institutions, except for those specific areas where improvements will be implemented. In this respect, the TIG proposal provides preference customers with reassurance that transmission access, availability and pricing will be known commodities that can be relied upon to fulfill any new resource acquisition responsibilities. In short, the TIG proposal does not create uncertainty regarding the availability, access to and pricing of long-term transmission needed to construct new resources.

The change that BPA is proposing to its power supply role will materially increase the responsibility of preference customers regarding new resource acquisition. Such a major change to BPA's power supply role cannot be successfully implemented simultaneously with a complete restructuring of the way the transmission grid is operated, and the way transmission service is provided and priced, as envisioned by the Grid West proposal. Attempting to do both at the same time is simply a bad idea.

The WPAG utilities believe that if BPA wants to make material changes to its role as regional power supplier by shifting responsibility for the acquisition of new resources to its preference customers, it must provide stability and certainty in the area of transmission access, availability and price. And the only way to do so, while at the same time improving the regional transmission system, is by implementing the TIG proposal.

D. The Costs of Improving the Transmission Grid Should be Minimized

A number of cost/benefit analyses have been performed over time on the various proposals to alter the manner in which the regional transmission system is operated. While these analyses are informative of the possible outcomes that may occur, the widely varying results demonstrate both the difficulty in estimating the costs of such change, and the degree to which the results are driven by the assumptions made. A more useful measure of the possible cost impacts of the Grid West and TIG proposals is by reviewing what has been spent to date, and the costs incurred by other regions that have implemented an RTO type organization.

To date, it appears that about \$40 million dollars have been spend by BPA and the IOUs in developing the Grid West proposal, including both direct loans and utility staff contributions. This amount does not include the staff time of other utilities and stakeholder organizations. By contrast, to date the effort to develop the TIG proposal has cost the participating utilities less than \$2.0 million. Part of this differential is due to the differing amounts of time spent in developing the two proposals. However, some of this difference must also be attributed to the fact that the Grid West proposal requires the creation of new institutions, new markets, and new tariffs, all of which are complicated, time consuming and labor intensive efforts. Hence, the nature of the Grid West proposal explains, in part, the reason why it has cost more to develop.

The cost experience of other regions that have implemented RTO type organizations has shown a steady, distressing trend of increasing costs. Almost without regard to the funding level at which

these organizations started, they have in almost all cases resulted in an organization employing in excess of 400 employees, and additional operating costs ranging from \$0.45 to \$0.90 per megawatt-hour. And there is no documentation to support the notion that transmission owners or transmission users have seen a commensurate decrease in the number of utility transmission employees.

It has been suggested that Grid West will not experience the same cost escalation, since we can learn from the mistakes of other regions. And while it may be true that initial costs may start lower with Grid West, it is also true that it is in the nature of organizations to expand and grow, and this is particularly the case for organizations that are independent of, and not accountable to, those who ultimately pay the bill. And once established, Grid West will have no protection from FERC ordered policy directives that have been a major driver in the cost increase experienced by other regions. It is wishful thinking to assume that somehow the Northwest will avoid the cost escalations that have plagued RTO type organizations in other regions.

The TIG proposal will also involve cost increases, because any effort to improve the operation of the regional transmission system will require time and effort in addition to that currently being expended. The fundamental difference is the size of that increase, which is driven by the way in which the changes are implemented. In contrast to Grid West, the TIG proposal will minimize institution building, and will have direct accountability to existing regional regulatory bodies and end-use customers. These characteristics of the TIG proposal will provide counterweights to the natural inclination of all organizations to grow and spend more money. Further, the incremental nature of the way the TIG proposal will consider and implement additional changes should keep cost escalations at a minimum.

Based on these factors, the WPAG utilities believe that the TIG proposal will provide the necessary improvements to the regional transmission system at a lower initial cost, and will keep future cost escalations at a much lower level than can be expected under the Grid West proposal. As a consequence, the TIG proposal can be expected to deliver more value at a lesser cost for the region's end-use customers.

E. Improvements to the Regional Grid Should be Made Soon

Based on available information, both Grid West and TIG appear to address many of the same near-term transmission issues. The primary distinction between the two approaches is that Grid West focuses a great deal of attention and effort into constructing various new institutions and new markets, while TIG focuses on using existing institutions to identify changes that can be implemented now and that address the most pressing transmission issues. As a consequence, TIG does not have to await the completion of an elaborate institution building effort before it starts to make real improvements to the transmission system.

It is also clear that regulatory uncertainty retards capital investment, for a couple of reasons. First, transmission owners are reluctant to make investments when it is unclear whether they will receive a return on their investment. And second, transmission owners tend to hold back on transmission investments when it is unclear who is responsible for making the transmission investment.

The Grid West proposal is likely to have a chilling affect on transmission investment because it will create uncertainty over a broad range of topics critical to transmission owners. These include who will be responsible to transmission system additions, how the costs of such additions will be shared, how long-term transmission rights will be priced, and which regulatory body (FERC or state regulators) will have the ultimate say over cost recovery for investments made. The uncertainty created by the sweeping changes envisioned by the Grid West proposal will likely stifle transmission system investment for the near term.

The fundamental difference between the Grid West and the TIG proposals means that under TIG the region will likely see results, in the form of improvements to the regional transmission system, now rather than later. And as a consequence, the region will have a better transmission system sooner under the TIG proposal.

F. Fundamental Issues Must Be Addressed Now

Prior efforts to establish a new regional transmission entity foundered on two specific issues – pricing long-term transmission, and elimination of rate pancakes. There were substantial reasons why these issues proved to be insoluble in previous efforts, and the failure to address them now in the Grid West proposal raises concerns that difficult, and perhaps deal-breaking issues, are being purposefully ignored until an after independent board is established so that these issues can be resolved without the necessity of reaching a regional consensus on the solutions. This raises serious concerns about the transparency of the approach to these issues under Grid West.

The difficulty in resolving these two issues stems from the cost consequences of any solution. Eliminating rate pancaking means that one group of customers will no longer pay as much as they are now paying for transmission service. This means that either the transmission provider will suffer a revenue loss, or some other group of customers will have to pay more for their service. The region was unable to find a solution to rate pancaking that did not result in a major cost shift that was supported by a regional consensus in the two prior attempts.

Similarly, pricing long-term transmission on a unified grid means, inevitably, that some transmission providers will suffer a revenue loss for the use of their transmission system, since the objective is to only charge a single rate for use of the entire Grid West transmission system. This means that either the transmission provider or existing customers must make up this shortfall in transmission revenues. Again, this is a cost shift that on prior occasions transmission customers have found unacceptable, and for which no regionally acceptable solution was found.

The fact that these two issues have not been dealt with in the Grid West proposal raises concerns that difficult cost shift issues are being reserved for the independent board, who will be able to implement “solutions” even if they involve substantial cost shifts to and among existing customers. This approach of ignoring difficult issues is not transparent, and causes suspicion and distrust to develop.

The TIG proposal makes no pretense of solving, at the initial stages, the cost shift issue associated with the elimination of rate pancaking. And since any solution to that problem will

require agreement of the transmission owners, it is apparent that the TIG proposal will not foist on the region a solution to the rate pancaking/cost shift issue a solution that is not supported by a strong regional consensus.

The same holds true for the potential revenue loss and cost shift issue associated with the pricing of long-term transmission service. Because the TIG proposal retains existing tariffs, rate setting and service providers, there is no revenue loss issue with which to deal. And if there is a desire at a later date to move towards a system that allows the use of the entire regional grid for the payment of a single rate, under the TIG proposal it will only be implemented if the region reaches consensus on how to do so without a major cost shift.

The TIG proposal is forthright in its treatment of the difficult issues that present cost shift issues, and it is structured so that no material change will be made in the areas of rate pancaking and long-term transmission service pricing in the absence of a regional consensus. The WPAG utilities find this approach more transparent, and believe that the TIG proposal is superior to the Grid West proposal for the region and its end-use customers in this regard.

IV. Conclusion

The Grid West proposal is based on the RTO template originated by the FERC to foster more competitive power markets with lower power prices, and transmission system expansion. None of the RTOs in operation have produced these results. What they have produced is expensive new organizations and volatile transmission costs that have detrimentally impacted load serving utilities.

Given the high costs of a failed attempt to improve the regional transmission system using the RTO approach that has not been a success anywhere, it is bad public policy to gamble that somehow the Northwest can make the RTO approach work when every other attempt has been an expensive failure. More importantly, it is a gamble that the region need not take. The TIG proposal is a viable alternative that will allow the region to retain control of its transmission future, make incremental improvements to the system, and do so at a reasonable cost.

And it must be remembered that a decision to implement Grid West is irrevocable, and if it is a mistake, it is an irrevocable mistake. In contrast, a decision to pursue implementation of TIG is not irrevocable. If it is a mistake, it can be undone. If it is a success, it can be built upon. This characteristic alone is enough to warrant pursuit of TIG.

For all of the reasons set out in these comments, the WPAG utilities strongly recommend that BPA pursue the TIG proposal.