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## I. RTO PRESENTATION TO COMMITTEE ON REGIONAL ELECTRIC POWER COOPERATION (CREPC)

The purpose of this mtg was to give state regulators an update on RTO West. Steve Walton (Enron) gave a brief overview. Carl Imparato (represents marketers) gave a one-sided talk about the need for an FTR (firm tx rights) auction. He admitted that he was giving a biased talk, but thought that there would be time later for the opposing view (there wasn't).

The Filing Utilities (FUs) highlighted the significant issues of pricing, asset inclusion and congestion management that still need to be resolved. The ITC (independent tx company, made up of Sierra, PGE, Puget and Montana Power) described its goals and purposes.

Judy Sheldrew (Nevada PUC) spoke of establishing Mountain West ISA (Nevada's precursor to RTO), wherein an FTR auction-type system "follows the money."

Randy Hardy said that congestion management needs to be resolved now. He foresees two consequences if it isn't: 1) FERC decides, and/or 2) federal legislation will be drafted to fix the problem next year.

Bill Pascoe (Montana Power) outlined the tx facilities inclusion issue and how pricing would work if some facilities are excluded from, and others turned over to, the RTO. Public power reps argued that by keeping some lines in and other lines out, a system is created whereby some customers would pay the utility + the ITC + RTO West -- a three-stop shop. One of the state regulators mentioned (as if prompted) that a possible solution is to have the RTO act as an agent for the aggrieved party.

Pascoe thought that a decision to include facilities in the RTO should rely less on FERC's 7-factor test and more on an engineer's smell test of what the function of a facility is. A FERC staffer mentioned that an "efficient and reliable system" with "comparability and consistency" should be used as guideposts, and that FERC is thinking about creating a tariff for tx facilities not turned over to the RTO (though some at FERC opposed this idea).

When the group discussed how to translate existing rights into the RTO world, Imparato once again suggested that monetization is the best way of making rights fluid. Marsha Smith (Idaho PUC) noted that perhaps an auction of FTR rights is the correct way to go because public have had it so good for so long that now is the time to pay up.

## II. MEETING BETWEEN BPA AND PUBLIC POWER REPS

Mark Maher summarized two earlier meetings for us:

1. BPA held an internal retreat to check on whether the direction RTO West was headed matched BPA's objectives. BPA believes there are no showstoppers, but some issues remain. The seven BPA "must haves" for RTO West are

a. The RTO would be a single control area. [LOOKS LIKE A GO]

b. The RTO would have a tx planning backstop, with a role to compel solutions to meet requirements for reliability and load service obligations. [LOOKS LIKE A GO]

c. BPA will offer scheduling services at cost to those full requirements and simple partial requirements customers who request them. [BPA IS NOT NOW CONSIDERING OFFERING SCHEDULING COORDINATOR SERVICE TO SLICERS AND COMPLEX PARTIAL CUSTOMERS BECAUSE IT WOULD BE MORE COMPLEX AND PROVIDE BPA WITH MARKET INFORMATION]

d. BPA's standards, monitoring and remedies must be implemented. [THIS ONE COULD BE A TAD DIFFICULT SINCE IT MAY CONFLICT WITH RTO INDEPENDENCE CRITERIA]

e. The RTO must have the ability to plan ahead to identify and minimize price spikes. [LOOKS LIKE A GO]

f. The RTO must be able to set and impose penalties for "bad actors" in the Northwest tx market. [THIS REFERS PRIMARILY TO TARIFF COMPLIANCE; LOOKS PRETTY GOOD]

g. The RTO is consistent with the consensus principles initially developed. [SO FAR SO GOOD BUT BPA WILL DO A FINAL CHECK BEFORE THE FILING IS A DONE DEAL]

2. The FUs met in Salt Lake City last week. There were no showstoppers but there are some issues. BPA presented its "must haves" and got no pushback. No other FU presented a similar "must have" list. There was consensus that Governance and the Transmission Operating Agreement (TOA -- the agreement formerly known as the Transmission Control Agreement) should be essentially done, but there was insufficient time for Tariff to be completed. PGE broke with the consensus the following Monday saying that it did not have the resources necessary to complete the TOA by mid-October.

Transfer payments were also discussed. The heart of the problem is that there is a substantial amount of money, \$30-45M, that BPA receives from grandmothers deals, mostly short-term delivered sales. As the contracts expire, the FTRs would be returned to BPA which could then auction them off. If the paths are not high-demand paths, the auction revenues would not be enough to reimburse BPA for the revenue lost after the contract expires. BPA prefers that transfer payments continue. Others, particularly PacifiCorp, believe that once a contract expires, the payor should not be on the hook for continued transfer payments. How this issue is resolved is important to public power customers because the impact of lost transfer payment revenues will show up in higher company rates.

The role of BPA/TBL in the post-RTO world was discussed. TBL would continue to own facilities and perform O&M on its system. TBL acknowledged that it was likely many publics probably would not convert their tx contracts to RTO service (and may hold out for as long as possible) which TBL would continue to administer. Before RTO startup, individual customers and TBL must agree on instructions for how TBL would administer the customer's tx contract in its dealings with the RTO. TBL's estimates RTO startup on 12/02.

### III. WORKGROUP MEETINGS

TRANSMISSION OPERATING AGREEMENT WORKGROUP is reviewing the latest redlined TOA and forwarding comments to the workgroup leader. This document will then be forwarded to the FUs. The FUs will eventually circulate a final redlined TOA for comments.

GOVERNANCE WORKGROUP is dealing with the following issues important to public power:

1. Whether broad disqualification provisions for board candidates should be implemented to ensure that any board member is not unfairly biased toward any market participant or whether such broad provisions will unnecessarily weed out qualified and capable candidates;
2. Whether the membership fee to become a member of the corporation should be set low (\$250) to enable smaller utilities and groups to join or high (\$5,000) to assure that only those groups who have a serious stake in the issues participate;
3. Whether three-fourths of the nominees for the board of trustee positions will be required to have significant business experience with a company having annual revenues of at least \$1.25 billion;

4. Whether votes for board of trustee positions should be weighted according to load or amount of tx facilities turned over to the RTO or whether there should be no weighting at all. (Note: This is particularly important because the ITC companies, which will no longer have tx assets, plan to join the Transmission Dependent Utility group. Thus, the publics and those particular IOUs must decide how to divide 6 votes.)

NEXT UP . . . The FUs will meet September 18-19. BPA hopes to talk with public power reps the following morning. The final RRG, a briefing of the filing utilities' meeting, will be later in the day of the 20th. The meeting of FERC with the non-filers will be the 21st.

(Editor's note: I did not coin the acronym for the Filing Utilities; that was done long ago, and is, I believe, an official acronym.) **ESENT**