



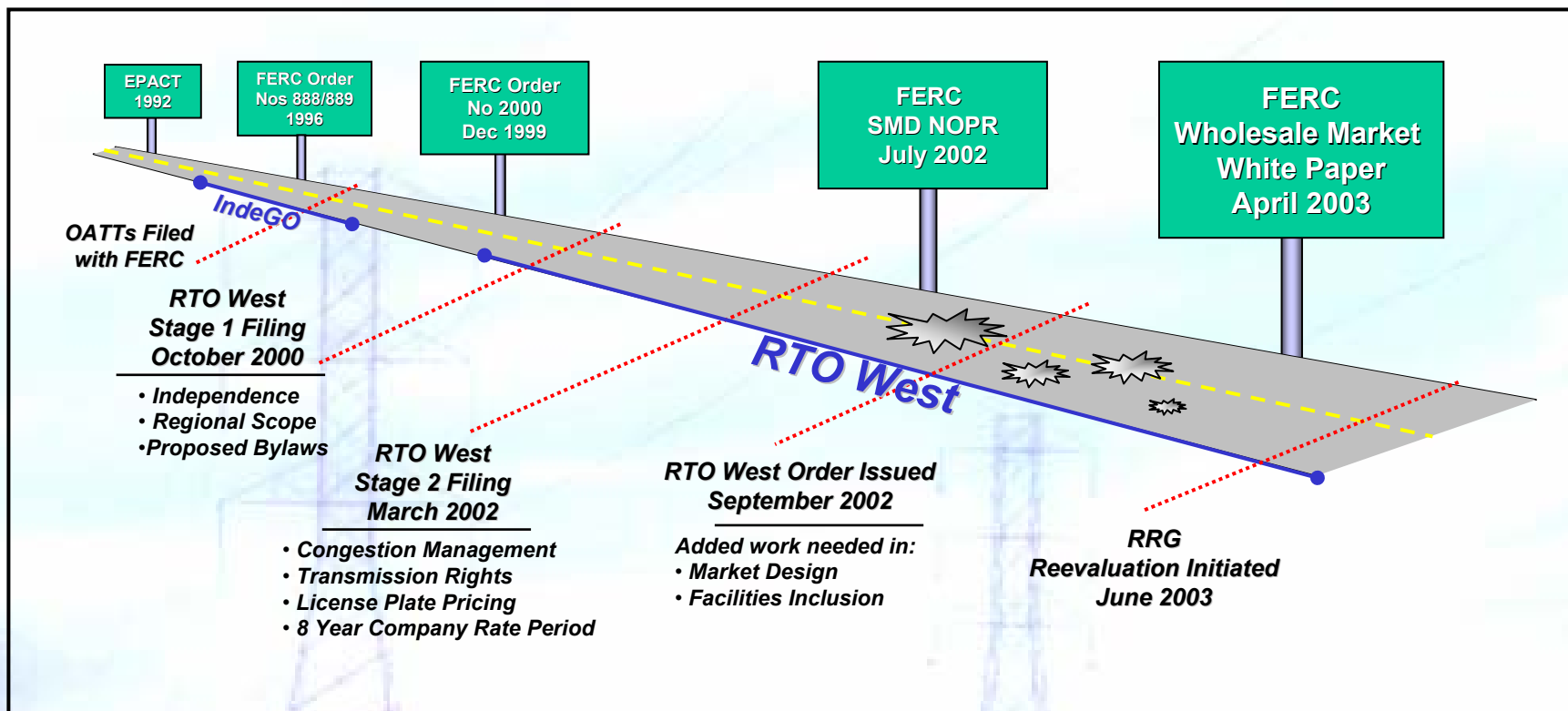
RTO West Update

Regional Representative Group Activities In Developing a Regional Proposal 2003 and 2004

*Meeting of Committee on Regional
Electric Power Cooperation
San Francisco, CA
March 25-26, 2004*



The Road Taken



- The firestorm of opposition to SMD made progress on RTO West increasingly difficult.
- In the Wholesale Market White paper, FERC acknowledged importance of regional approaches.
- Led to a from-the-ground-up re-evaluation of regional transmission system needs and opportunities.



A New Regional Approach

- Following FERC's April 2003 White Paper, regional parties discussed how to proceed.
- State commission representatives from states in the RTO West footprint (Washington, Oregon, Idaho, Montana, Utah, Nevada, and Wyoming) met with filing utility representatives and proposed renewing the Regional Representatives Group (RRG) process that had been used in Stages 1 and 2.
- State commissions pledged to participate actively in this renewed process, and this participation has been vital.



Renewed RRG Process

- Since June 25, 2003 representatives have participated from: (1) the states, (2) public power, (3) independent power producers, (4) renewable resources, (5) environmental interests, (6) end-use customers, (7) the tribes, and (8) the filing utilities.
- The central emphasis:
 - *ENSURE A SOLUTION FOCUSED ON REGIONAL NEEDS NOT A RESPONSE TO FEDERAL MANDATES*
 - *DEVELOP AND MAINTAIN BROAD REGIONAL CONSENSUS*



2003 — Reevaluating Needs “From-the-ground-up”

Stakeholder Views Requested

- Transmission problems
- Technical and structural challenges
- Priority of issues

Development

- Regional Transmission Problems and Opportunities List
- Work plan and schedule

Evaluation

- What problems warrant action?

Possible Solutions Identification

- Different approaches identified
- Idea groups formed to develop solution packages for approaches

Option Group Discussions

Issue Work Groups

- Convergence, Congestion Management
Regulatory, & Governance

Platform Group Formed

Regional Proposal Presented

Consensus to Proceed with
Regional Proposal Development

Development Process
Presented to RRG

Jun 25

July 21

Jul 31

Aug 6

Aug 20-21

Sep 3-4

Sep 10-11

Sep 22-23

Oct 9

Oct 29-30

Nov 19-20

Dec 10-11

Jan 28

Regional Participants:

- State commission representatives
- Public power representatives
- Environmental interests
- Tribal representatives
- Renewable resources
- End-use customers
- Filing utilities



Common Elements

A set of common elements existed, among the three options developed to address problems and opportunities, that served as the basis for the Regional Proposal:

- 1) Independent decision-making
- 2) Single transmission plan with dispute resolution
- 3) Transmission planning leads to needed expansion investments (with a possible backstop)
- 4) Independent flow-based ATC calculation and scheduling
- 5) Preservation of existing rights
- 6) Independent market monitor
- 7) Voluntary inc/dec redispatch markets which clear congestion
- 8) Enhanced short-term reliability
- 9) Staged implementation
- 10) Resource adequacy not included



Regional Proposal–Key Elements

- 1) Creation of an independent entity to manage the region's grid.
- 2) Voluntary beginning state features, e.g.,
 - Participation in day-ahead inc/dec redispatch market.
 - Control area consolidation – potentially Bonneville, Idaho, PacifiCorp and perhaps others.
- 3) Regional accountability via mandatory consultation with state representatives, advisory committees, and trustee selection committee.
- 4) Staged implementation (beginning, interim, and target end-state).
- 5) Key bylaws provisions include trustee selection committee voting rights on special issues.



Regional Proposal–Accountability

- 1) Election to Board of Trustees of Independent Entity requires 24 votes out of the 30 members of the Trustee Selection Committee. (The Committee has a corresponding power of removal.)
- 2) Mandatory consultation with:
 - State and provincial officials and regulators as well as tribes with applicable regulatory authority.
 - Regional stakeholders including advance notice on key proposals.
- 3) Special Issues List:
 - chronic congestion backstop;
 - move to financial rights;
 - departure from company rates;
 - authorization for market monitor to impose penalties;
 - and authorization for Independent Entity to adopt loss methodology that overrides individual company loss methodologies.
- 4) To proceed with a matter on the Special Issues list, there is a requirement for a higher level of Board approval (from 5 to 7 of the 9 Board members) if the Trustee Selection Committee votes contrary to the Board’s proposal.



Regional Proposal–Staging

- STAGING is key to this proposal. It sets out a beginning state, an interim state, and an advanced target state.
- Because of the tension between those who want certainty regarding the “end state” and those who do not want a “forced march” to outcomes, three criteria were developed for the stages of the proposal:
 - 1) Beginning state should be an improvement over the existing situation and respond to RRG identified problems.
 - 2) Each stage should be workable itself.
 - 3) Each stage should allow further evolution and not lock in to intermediate states.



Regional Proposal–Basic Principles

- 1) All existing contracts, settlements, and other relevant obligations are expected to be honored according to their terms.
- 2) Transmission owners are still in charge of their company rates, subject to applicable regulatory authority.
- 3) Cost shifts should be minimized.

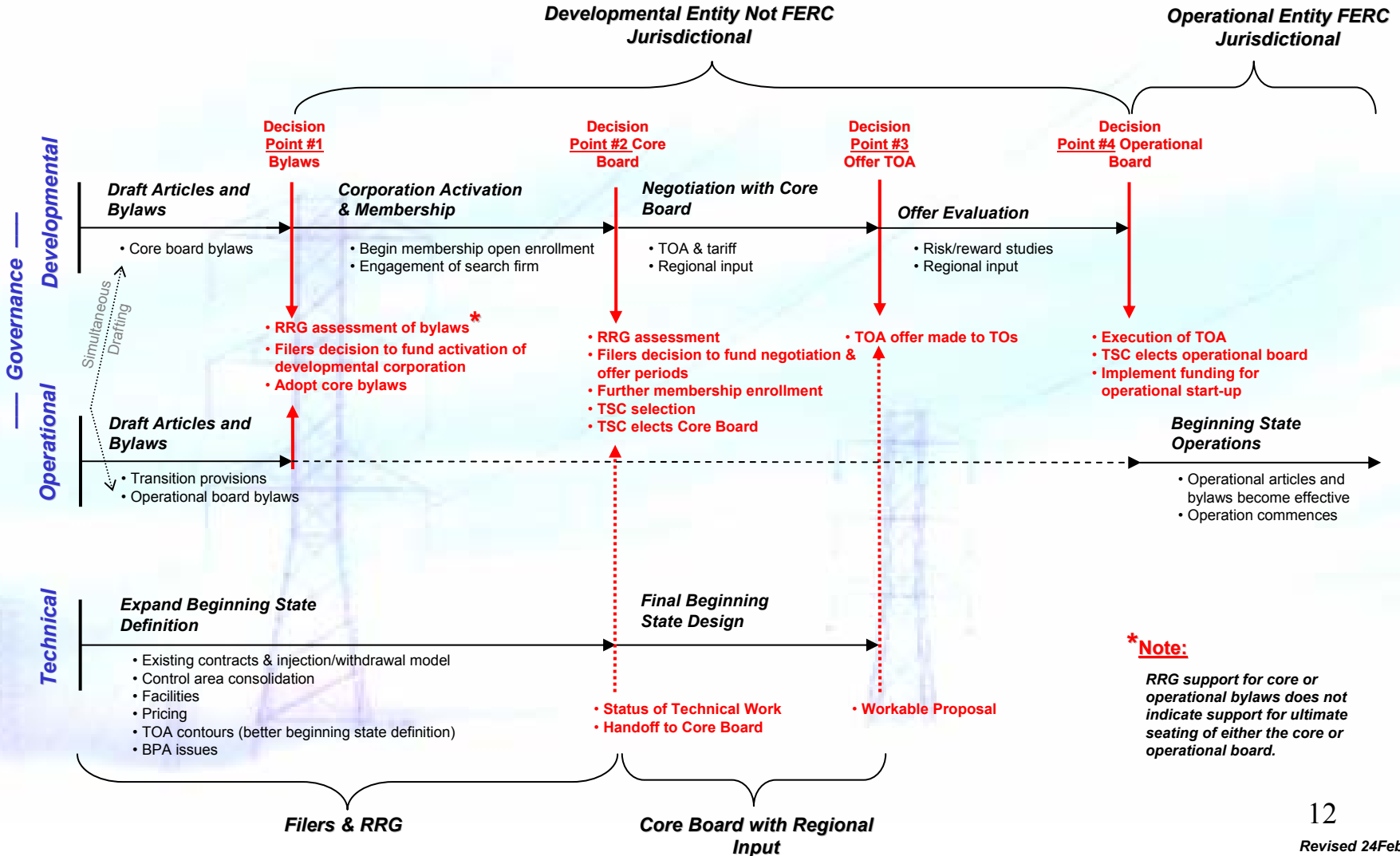


Development Process

- 1) Process developed in January 2004:
 - Enables the seating of an independent board for the developmental entity by the end of calendar year 2004.
 - The board of the developmental entity would have limited number of trustees.
- 2) Initial work divided into two major activity lines:
 - Governance —
 - *Activities to meet four key decision points for creating the independent board*
 - *Articles and Bylaws Work Group*
 - Technical —
 - *Expand beginning state definition to support key governance decisions.*
 - *Transmission Services Liaison Group (TSLG)*
- 3) Other work groups and activities:
 - *Address pricing, embedded cost recovery, and facilities*
 - *Develop state, provincial, and federal approval processes*



Process Diagram





Technical Activities Report

- Report on voluntary control area consolidation presented January 28, 2004.
- Scope of Activities developed for next 6-9 months:
 - Work Module 1 – Basic definition of tariff and services structure – Estimated completion May 2004.
 - Work Modules 2-5 – RFQ issued March 12, 2004 to obtain technical support for developing framework for operational and market structure.
 - *Module 2 – Rights Administration.*
 - *Module 3 – Scheduling, Operations and Settlement.*
 - *Module 4 – Ancillary Services.*
 - *Module 5 – Specifications for Beginning State Implementation (to include cost estimates for Beginning State).*



Governance Activities Report

- Articles and Bylaws Work Group :
 - Began work February 2004. Upcoming calls and meetings are generally scheduled on a weekly basis through March and April.
 - Developed a work plan with the primary goal of presenting to the RRG, in time for the April 28, 2004 RRG meeting, complete proposed drafts of articles of incorporation and bylaws for both the Developmental Entity and the Operational Entity.
 - Using small teams to develop preliminary draft provisions for both Developmental and Operational bylaws.
 - Plan to draft articles of incorporation when the bylaws work is further along.
- Member class composition and voting structure:
 - Following up on suggestion at the last RRG, an informal consultation process is underway to discuss concerns about composition and voting structure within member classes related to electing Trustee Selection Committee members.



Sources for Further Information

- Attendance at RRG meetings – Meeting schedules, summaries and progress reports are posted at www.rtowest.com and click on “RRG Main Page”
- Final Narrative Description of RRG Regional Transmission Proposal
Posted December 24, 2003
- “Message” Document About the Regional Proposal
Posted February 3, 2004
- Briefing Paper About the Regional Proposal
Posted February 3, 2004