



STATE OF WASHINGTON

WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

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December 5, 2005

The Honorable Patty Murray  
United States Senate  
173 Russell Building  
Washington,, D.C. 20510-4704

Subject: Management of Regional Electric Transmission

Dear Senator Murray:

We are writing to share with you our views concerning the recent proposals made by Grid West and the Transmission Improvements Group ("TIG") to improve regional transmission system management and operations as well as the "convergence" proposal backed by the Bonneville Power Administration ("BPA"). BPA developed the convergence proposal with a number of utilities and other stakeholders to merge key features of the Grid West and TIG proposals. We supported BPA's decision to advance the convergence proposal instead of either the Grid West or the TIG approaches.

As you know, the region has been debating various approaches to improve the planning, operations, and access to transmission for more than a decade. The Grid West proposal is the most recent in a series of proposals that have relied on the formation of a new transmission entity—a new utility—to accomplish these improvements. The TIG proposal focuses on many of the same issues, but relies on reforming the coordination among existing institutions rather than formation of a new institution.

We provided comments to BPA on September 9<sup>th</sup> based on our analysis of these competing approaches. We noted that the proposals shared many of the same objectives, but we concluded that neither approach was likely to be successful on its own. A copy of those comments was sent to your office and is attached for your convenience.



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The key message in our comments is that it is time to turn from process to progress and we noted that BPA leadership is critical. The utilities we regulate have made clear to us that transmission improvements are needed if service reliability is to be maintained and the thermal and renewable power resources needed to meet growing loads are to be developed in a timely manner. We have heard a similar message from some public utilities in Washington. Most importantly, BPA – the entity that owns and operates much of the transmission in the Northwest – has made clear its view that prompt action is needed.

We put great stock in what the utilities have told us they need. The utilities have the obligation to operate control areas, develop resources and provide reliable service to the public. For them, transmission improvements are a real, not an academic concern.

In your October 28th letter to BPA, you emphasized the need for regional consensus before moving forward with any transmission proposal. We share this concern. Indeed, in our view, there is a broad consensus in the region and among the transmission-owning utilities about *what* needs to be done to improve grid planning, operations and reliability management. The dispute is over *how* to do it—the appropriate governance to oversee and achieve those improvements. We doubt that consensus on that issue is possible anytime soon.

So the region confronts a choice: do nothing in the face of a clear need for action, or do what we can despite a lack of consensus on the appropriate shape of governance. While we share the concerns expressed by many in the region about Grid West governance and accountability, we conclude that the needs of the utilities are clear and growing and that starting to address them is better than delaying action in the hope that a consensus about governance may yet be forthcoming.

As our September comments make clear, we were inclined to favor much of the TIG approach. We were disappointed when TIG did not garner sufficient commitment from its advocates to prove viable – particularly with respect to the reliability and balancing authority components. We believe that BPA's proposal to modify significantly the Grid West and TIG proposals was a viable plan that addressed key weaknesses inherent in both of the proposals, including Grid West governance and accountability. Modifications to the Grid West proposal provided for a more phased approach, with focus on near-term actions and greater accountability through significant limitations on the discretion of the governing Board to expand its scope of actions. Modifications to the TIG

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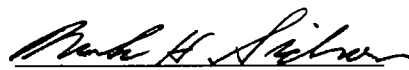
proposal included a more formal governance structure as a means to assure commercially impartial decisions on matters that most agree are difficult or impossible to reach without such impartiality.

Regrettably, BPA's proposal failed to attract sufficient support among Grid West utilities or the public power community. Grid West advocates objected that BPA's proposal was too weak and TIG-like, and limited the "independence" of the Grid West Board. Grid West opponents claimed the proposal was too much like Grid West and not enough like TIG. In our view, both groups were mistaken. We believe that BPA struck a fair and practical balance among the competing regional positions. Puget Sound Energy, Avista, and a number of public utilities in Washington, including Seattle City Light, Grant County PUD and the Northwest Requirements Utilities, also supported BPA's effort. The convergence approach would get the region started soon on real grid improvements and allow the ultimate decision about the scope of Grid West operations to be based on demonstrable experience.

In sum, we support BPA's decision to insist on a convergence approach and are disappointed in those utilities that rebuffed BPA's offer. The region's electricity consumers will not be well served by further stalemate. Given a consensus on what should be done, we believe it is incumbent on those utilities and stakeholders who opposed BPA's proposal to promptly produce a viable alternative. After 10 years of debate we can no longer afford to let the "perfect" be the enemy of the "good."

We are committed to work with BPA and other regional utilities and stakeholders to achieve practical and near-term progress. Like you, we remain hopeful that the region can find an effective and acceptable approach for addressing its electricity needs.

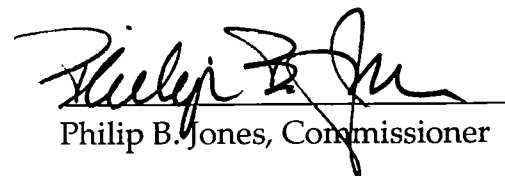
Sincerely,



Mark H. Sidran, Chairman



Patrick J. Oshie, Commissioner



Philip B. Jones, Commissioner

Enclosure