PNGC Power
Smart. Local. Connected.

September 9, 2005

Stephen Wright, Administrator and CEO
Bonneville Power Administration R-3
PO Box 3621
Portland, OR 97208-3621

Dear Mr. Wright:

PNGC Power provides these comments on the Bonneville Power Administration's (BPA) Grid West Decision Point 2 on behalf of PNGC Power and its 15 cooperative members. We appreciate the chance to share our views and look forward to continued work on transmission restructuring.

PNGC Power and the Need for Transmission Restructuring

For over a decade, PNGC Power has dedicated significant staff and other resources to actively participating in the transmission restructuring debate in the Pacific Northwest and nationally. PNGC Power's 15 members are located in eight control areas in seven western states. It is the bulk transmission system that ties us together and allows us to operate as a joint operating entity and a generation and transmission cooperative with the goal of providing reliable, low-cost power to all of our members. PNGC Power members are all cooperatives located in rural parts of the Pacific Northwest. They are all transmission dependent in the extreme. Transmission restructuring is of critical interest to PNGC Power's members.

PNGC Power's members are representative of many smaller consumer-owned systems in the Northwest. PNGC Power's members are served both directly off the BPA grid and through the systems of other transmission providers. While it is likely that PNGC's members will continue to buy the majority of their power from BPA, they are exploring the need for non-federal resources in the post-2011 period to meet their load growth and perhaps some portion of their base load. Being able to bring non-federal resources home to their systems, both long-term and short-term, enables these cooperatives to fulfill their mission of delivering reliable, low-cost power to their member/owners.

Problems Faced by PNGC Power and its Members

Currently, PNGC Power's members face a variety of difficulties in accessing short- and long-term resources to serve their loads. First, there is a shortage of available

Pacific Northwest Generating Cooperative
711 NE Halsey • Portland, OR 97232-1268
(503) 288-1234 • Fax (503) 288-2334 • www.pngcpower.com

transmission capacity (ATC) to integrate new long-term resources. This ATC shortage includes the BPA system as well as the systems of other regional transmission providers. Effectively, PNGC members are cut-off from the long-term and sometimes short-term power markets by these shortages of usable transmission capacity.

Secondly, there are issues related to crossing more than one transmission provider's system. Paying more than one embedded cost transmission rate is commonly referred to as rate pancaking. This is a significant long-term problem when considering a long-term resource commitment. Already, one of our members may face pancaked rates to bring a long-term power supply to load. This pancaking will have a substantial and detrimental impact on that member's retail rates.

Transactional pancaking is also a significant problem for PNGC Power. Transactional pancaking refers to the pancaking (duplication or tripling of) the administrative requirements of securing and using transmission service. This includes the initial acquisition of the capacity: multiple OASIS requests, reserving the capacity, and contracting for the capacity. But transactional pancaking also has a daily cost in multiple schedules for the use of the capacity, multiple tags, multiple schedule changes close to the active hour, checking-out with each provider, reconciling after the fact, billing and payment for the capacity, and any ancillary services such as energy imbalance. Further, maintaining current OASIS certificates on multiple transmission providers' systems and staying current on multiple transmission providers' protocols and business practices is a staff intensive, time-consuming job. Rate and transactional pancaking can impose significant costs and effort which make accessing multiple providers difficult and, at times, not economic.

PNGC Power's members interface with many transmission providers other than BPA. Many times we have seen how a load service problem is not solved with the best plan of service in a timely manner because utilities will not step up and accept their share of a best plan of service, or because there is competition for loads at the local level. We often see that upgrades need to be done on one transmission provider's system in order to relieve a problem on another provider's system. And yet they are not done, or not done in a timely manner. The region does not have a good system of determining the best plan of service, ensuring that the plan is implemented, and allocating the costs and benefits of new projects among transmission owners.

Many have pointed to the recent transmission additions that BPA has made to refute the point that transmission is not getting built. But that is exactly the problem. BPA is building, and its rate payers are paying. But because of the central and highly interconnected nature of BPA's high voltage grid, many transmission providers will benefit from transmission additions made on the BPA grid. BPA's ratepayers ability to pay for transmission additions that benefit others is limited as is BPA's capital borrowing authority. We need a more equitable system of allocating and collecting the costs of transmission additions.

PNGC Power Goals for Transmission Restructuring

These are real problems faced by PNGC Power and its members every day. Considering our broad experience in dealing with multiple control areas in providing service to our members' loads, we have developed some goals for any regional transmission restructuring. These goals are not just academic ideals; they are what we need to achieve our mission as load-serving entities. The main objective for PNGC Power's efforts in the transmission restructuring effort is to **ensure a robust transmission system that will allow PNGC Power and its members' access to the wholesale power market in order to deliver the lowest cost resources to our members' loads**. We assume that we will have to contract for some non-federal power supply and move it over at least eight different control areas to our member loads. We evaluate restructuring choices in light of this overarching goal.

We also have specific goals which advance the larger goal of robust access to the transmission system. We are looking to the restructuring effort to **end domination of the region's grid by the transmission owners (TOs).** It has long been recognized throughout the industry that control of transmission assets gives transmission owners transmission market power. This power can result in discriminatory treatment for third party users. This discrimination can be overt or subtle. We are firmly convinced that the answer to this actual and potential discrimination and the exercise of market power is to remove decision-making on transmission matters from the exclusive control of the transmission owners.

We are seeking a system that **will maximize available transmission capacity (ATC) over the entire grid.** Transmission ownership boundaries create artificial restraints on use of capacity. Determination of ATC by the transmission provider provides the ability to exercise market power. Further, much committed capacity goes unused. While there is a secondary bilateral market in such capacity on the Point-to-Point (PTP) side, there remains significant capacity that could be better utilized. Better use of existing capacity, both committed and uncommitted, postpones the day when the next expensive capacity addition is needed.

Eliminating rate and transactional pancaking is an important and long-standing goal of PNGC Power and its far-flung membership. Rate pancaking is both a long-term and a short-term problem. The paying of multiple embedded-cost transmission rates obviously makes many power supply options uneconomic. But equally important is the ongoing cost of transactional pancaking, not just in accessing the capacity, but in its everyday use. Both rate and transactional pancaking impose substantial ongoing costs for those who must cross more than one transmission provider's system.

We are also looking for a rational way to plan and expand the grid, making fair allocations of expansion costs among transmission providers, based not on ownership of the system improvements but on benefits to a transmission provider. In our highly interconnected system, work on one transmission system impacts other systems. The region needs **a fair, open planning and expansion process that vests authority for**

timely construction of needed infrastructure in an independent entity and allows the entity to allocate the costs of expansion among those benefiting transmission providers.

Recommendation

PNGC Power and its members recommend that BPA vote affirmatively to proceed with Grid West Decision Point 2. This is neither an approval of all or any features of Grid West, nor a rejection of some of the items developed by the Transmission Improvements Group (TIG). It is, however, recognition that the Grid West approach will better meet PNGC Power's members' goals with regard to the development of improvements to the region-wide transmission system.

In considering which path to recommend we evaluated which model had the best likelihood of success. We believe that Grid West has the highest likelihood of success. First, it was the Filing Utilities themselves that requested an independent party with whom to negotiate the Transmission Agreement. Having twice failed to negotiate to conclusion, they knew that an independent party was necessary to get the job done. We have serious reservations about the region's major transmission providers successfully negotiating the number of contracts that would be called for by the TIG proposal in a timely manner. Even less likely to occur are successful ongoing revisions and amendments that the TIG proposal would need to keep it current. Grid West has a plan and the means (the Funding Agreement) to get to the finish line. We ask BPA to support this carefully and regionally considered plan to get to a restructured solution.

We also recommend that BPA work with other regional parties to adapt the Grid West proposal to address the concerns expressed by those who have thus far opposed this approach. By going forward with the Grid West approach, however, it is clear that BPA would be making a choice for a development of a FERC jurisdictional entity, a decision we support. Others have expressed concerns involving the level of regional input, scope creep, and the concomitant potential increase in costs. There are ways to address parties' concerns including Grid West bylaw amendments on board member qualification or further limits on scope change. We encourage BPA to fully explore ways to enhance the confidence of parties on the governance issue without violating the ability of Grid West to be an independent operator of the transmission system.

There are also some activities on which TIG has made good progress, particularly on market monitoring and the planning process at the Northwest Power Pool Transmission Planning Committee (NWPP TPC) level. BPA should pull the parties together and start working on those areas where immediate efforts will yield results.

It is vitally important to the entire region that the transmission system be restructured to meet tomorrow's needs. We believe that going forward with Decision Point 2 and seating the Developmental Board is the best way to move transmission restructuring forward. We hope that the whole region will pull together and work on whatever future BPA decides to pursue.

BPA Questions

1. **If you are a supporter of the Grid West alternative, please explain why adopting the Grid West alternative will be in the collective best interests of all of BPA's customers who depend on the Northwest transmission grid and of other stakeholders who have an interest in regional transmission issues.**

PNGC Power and its members support the Grid West *approach* to transmission restructuring and are in support of further development of this alternative. Grid West's **independent governance and FERC jurisdiction** will give it the necessary structure and authority to solve problems faced by PNGC Power and others who depend on the regional transmission grid.

Being FERC jurisdictional, Grid West can sell transmission services on a grid-wide basis both long-term and short-term. This clear authority, coupled with its independent governance, will give users confidence that market power is not exercised by transmission owners.

Because it is independent and has the authority to make ATC calculations, we believe that Grid West will get the most ATC out of the grid. This will allow users like PNGC Power to access transmission and move resources to load. Getting more out of the existing system through Grid West's independent and single ATC calculation and its Reconfiguration Service puts off the need for the next increment of transmission expansion. This lowers the cost of transmission for all users.

Grid West's planning and expansion process provides a transparent and fully-accessible process for determining if there is a need for transmission expansion (or a non-wires alternative). The industry was pulled apart by the separation of transmission and merchant business functions implemented by FERC's Order 889. While this solved some problems, it did create a dysfunctional transmission planning system. Suddenly load and generation data were market sensitive, and the whole transmission planning process broke down. Grid West's independence will allow all parties, users and owners, to submit market sensitive load and generation data with confidence. Grid West then has the authority to ensure that a needed expansion gets done, either by a transmission owner, or by a third party. Grid West's ability to allocate the costs of the expansion to the transmission owners who benefit ensures that the costs of expansion will be fairly allocated. Investment in the grid must be made in a timely and fair manner to ensure our ability to meet our customers' needs in the future. It appears to us that Grid West's model is the most robust and the most likely to succeed of the three alternatives being considered.

Grid West's consolidated control area (CCA) proposal will lower the cost of reserves, regulation, and imbalance energy to the consolidating parties, a savings that will be passed on to the consolidators' customers. For parties with surplus resources, the imbalance market creates a new opportunity to sell resources within the hour. The

imbalance market should also help to relieve congestion within the hour and thereby reduce the amount of redispatch and curtailment needed. The Area Control Error (ACE) diversity exchange will also minimize wear and tear on the consolidating utilities' generating capacity used for control. This will have real benefits to BPA's ratepayers. Grid West's fundamental ability to provide the lowest cost reserves and imbalance energy is premised on its "limited must offer"[1] requirement and its ability to buy and sell ancillary services to the consolidators. Without being FERC jurisdictional, an administrative allocation of energy costs would be necessary which would be less efficient than a market mechanism and leave money on the table.

Grid West was designed to be independent from market participants, not from regional interests. The Grid West bylaws were designed with the issue of regional control in mind. The ability of stakeholders to remove Board members without cause, to require a supermajority vote on scope changes and a list of special issues, member (stakeholders) advisory votes on significant budget increases, and the formal committee structure were included to ensure that the independent board is responsive to regional concerns without giving undue influence to any one party or class of stakeholders. The ability to remove Board members without cause is a real and very powerful tool that regional interests have in ensuring that the Grid West Board does not take Grid West in a direction detrimental to the region. Grid West governance strikes a reasonable balance between independence and regional interests, allowing business to get done efficiently but fully taking into account regional interests.

Grid West has a clear and strong structure for honoring existing contracts. This is an important issue identified by all consumer-owned utilities. Honoring existing transmission contracts was a firm design boundary in the Grid West design work done by the Transmission Services Liaison Group (TSLG). Having had a staff member on the TSLG, we are confident that the design for Grid West does, in fact, honor existing contracts. In fact, the TSLG rejected a day-ahead redispatch market because it was incompatible with honoring the scheduling rights in existing contracts. FERC's response to BPA's request for declaratory order also gives us comfort that existing contracts and the essential features of Open Access Transmission Tariff (OATT) service will be honored. FERC clearly stated that it did not have authority to require BPA to change its OATT. With Grid West providing the new service in the region, BPA is much more likely to leave its existing OATT largely in tact. Further, BPA has offered a "contract lock" agreement in the Grid West environment which does not exist in TIG.

[1] Each consolidator obligates itself to offer at least its pro-rata share of needed reserves or imbalance energy in the event the market does not produce enough offers. This means that BPA's price for reserves is effectively capped at its own cost. If there are lower cost resources available, Grid West would buy them in place of the higher cost consolidators' resources. A consolidator is also able to voluntarily offer more than its share if it has surplus resources it wants to sell.

2. **Do you agree with BPA's goal of applying the "one utility" vision to the region's transmission system?**

Yes. PNGC Power and its members strongly support BPA's goal of applying the single utility vision to the operation and planning of the region's transmission system. PNGC Power, whose members are served by eight different transmission providers, encounters many of the difficulties and inefficiencies that arise from dealing with multiple transmission providers.

Grid West goes much farther than TIG to implement a one-utility vision. For PNGC Power this is absolutely critical to efficient operation. Grid West would be the single provider of new transmission services, the single planner of the grid, the single point to receive schedules (except for grandfathered contracts which may continue to schedule existing transmission providers), the security coordinator, the single queue for transmission service requests and associated studies, the market monitor, and the control area for those who voluntarily consolidate. It would provide true one-stop shopping for transmission services.

Grid West creates tools which do not now exist; tools which will allow Grid West to implement a one-utility vision in operation and management of the region's transmission grid. The Reconfiguration Service allows new access through the combination of existing ATC and secondary sale of committed transmission capacity. The consolidated control area and its imbalance market will provide effective redispatch within the hour. Without these tools, BPA will continue to develop its own fixes to its increasingly constrained system. It will push the system harder and take risks with our NT rights. This is not a theoretical fear. BPA's changes in ATC methodology, its push for the Constraint Schedule Management (CSM) which would result in zonal scheduling within BPA's control area, and products like Conditional Firm are all in the works today. Without the real tools for one-utility operation that Grid West provides, BPA will continue these and other initiatives. TIG provides no real tools to manage these problems because of the limits imposed by avoiding FERC jurisdiction.

For PNGC Power, whose goal it is to reach all of its members with economic power supply, the current TIG proposal falls short. The voluntary nature of TIG, fragmented governance left in the hands of current TO's, and no clear way to move forward as new needs arise without unanimous consent of all the transmission owners, do not provide one-utility vision and its concomitant benefits for PNGC Power members. Leaving ATC on the table, retaining transactional pancaking, and the long-term problems of meshing individual ATC determinations with system-wide flow-based ATC, will not serve PNGC Power members as well as the Grid West proposal in accomplishing their goals.

3. **How well do you believe the Grid West and TIG proposals meet the goal of effective decision-making that is not unduly influenced by market participants?**

Independence from market participants assures all parties that decision making on such critical issues as ATC, allocation of ancillary services in a combined control area, and

day to day business practices and operations will not be biased in favor of the TO's merchant function. Independence also allows parties to submit sensitive load, price, and generation data with confidence that their competitors will not see or use it. Independence allows Grid West to allocate costs of expansion and make independent determinations of system-wide ATC thus eliminating discriminatory treatment and getting the most out of the existing system.

Leaving these decisions to the current decision makers **is** the problem. Recall that it's not just BPA that retains local control but all of the transmission owners. "Local control" for many PNGC Power members and many other utilities served by General Transfer Agreements (GTA) means IOU transmission provider control. Moving decision-making from where it is today is exactly the point of independent governance. Further, the just-passed national energy legislation provides "native load protections." These protections will apply to the native load of IOUs as well as BPA – even more reason to have an independent entity administering the system as opposed to corporations with one bottom line, and the potential to discriminate in favor of native load and its merchant function.

Local control does not always create good regional solutions. Local control is good when dealing with local issues. However, we are dealing with a monopoly transmission system in 7 western states operated by 16 control areas. For this system to be optimized we need the one-utility vision that BPA has asked about. On this set of issues, good regional outcomes are not produced by local control but rather by a ceding of certain rights to an entity with a regional view and mission such as Grid West.

Further, the current system of decision-making has not resulted in the efficiencies that are possible. If we could all "cooperate and just get it done", we would have done so by now and not spent the past 10 years talking about restructuring transmission. Recall that the major TOs have twice negotiated and drafted a transmission agreement, but could not finish the negotiation. It was the owners of the transmission that said they needed a truly independent party to negotiate with in order to finish the transmission agreement negotiation. That is why the developmental board concept was created; it will be the entity with which the TO's can negotiate a transmission agreement to closure.

We have serious reservations about TIG's ability to provide effective and timely decision-making at all, and especially decision-making that is not unduly influenced by transmission owners. Today, local control for many PNGC Power members means IOU control of the transmission system. We encounter problems in getting the system expanded to meet our needs, in maintenance practices, and in outage restoration, to name a few. The TIG governance structure leaves ultimate decision-making in the hands of the current transmission owners and sets up advisory committees of stakeholders. This is troublesome in two regards. First, our ability to influence existing transmission owners has been limited so there is little reason to believe it would be much better. Second, we have seen time and time again the inability of the transmission owners to unanimously move in a single direction. We have strong doubts that TIG will be able to actually execute all of the voluntary agreements needed in its structure or be able to get the unanimous approvals needed to address the problems that occur over time.

Grid West Bylaws, which provide for independent governance with strong formal avenues to regional input, should provide a workable and efficient structure for addressing the issues facing the transmission system without providing undue influence to any party or any class of stakeholders.

4. **If BPA supports the TIG proposal, are you committed to all of the elements of the TIG proposal? If not, which ones are troubling? And why?**

We are troubled by the lack of functionality in the TIG proposal. This lack of functionality arises because TIG is not FERC jurisdictional. For example, TIG's flow-based ATC has a number of fundamental flaws that arise due to a lack of FERC jurisdiction. TIG is only an agent for the transmission providers. It is not clear how long-term system-wide rights would be sold. Would a user have to have contracts with four utilities if power flows over four systems, even though the system they source from may be adjacent to the sink system? How would a long-term transmission contract account for changes in flow over time? How would TIG decrement system-wide long-term sales for ATC and planning purposes? How is liability shared across systems and how are disputes settled for system-wide sales? These are very serious questions that have been scrutinized closely by the region and have, time and time again, been answered with a FERC jurisdictional provider of system-wide transmission.

On several issues, TIG has not been sufficiently specific to know how certain problems would be solved. For example, whenever rates are unpancaked, there is the potential for a revenue shortfall compared to today's world. TIG has proposed to unpancake rates; they propose to charge the highest embedded cost rate crossed by any transaction. There are still revenue shortfalls in this TIG described system but TIG has made no specific proposal about how to deal with this revenue under-recovery. Statements by TIG presenters at their information sessions also leave us wondering if all of the TIG developers truly believe pancaking is an issue worthy of solutions. Further, there is no durability to this proposed pricing proposal; in fact, it is without much detail or evident support within the TIG community. Leaving decision making in the hands of the current transmission owners means that any rate methodology to unpancake rates could be changed at any time.

TIG also has an internal conflict in its treatment of existing contracts. It is just as unclear in TIG as it is in Grid West, how Network Integration (NT) customers would preserve their existing NT contracts and take new system-wide service without experiencing a pancake for the amount of the new service. BPA has the ability to fix this issue and needs to commit to do so in whatever forum is chosen to move ahead.

TIG does not address transactional pancaking in a meaningful way. While the common OASIS may make requesting transmission across multiple systems easier, TIG does not help with the ongoing transactional burdens of scheduling, check-out, settlement, ancillary services, and billing.

Because TIG's design boundary is to avoid creating a FERC jurisdictional entity, TIG is limited in what functions can be performed. TIG cannot offer transmission services, cannot sell any ancillary services to a combined control area, and cannot make an independent calculation of ATC. Not being able to sell transmission services muddies the water on TIGs ability to do "one stop shopping." The joint tariff is not in the first steps of TIG implementation, and the need to contract with each transmission provider is likely to remain. Disputes and liability issues in a flow-based but separately contracted regime are very problematic.

The most significant flaw however is in the ATC area. TIG has said it would have a "common" ATC methodology - common but multiple. Each transmission provider would continue to make its own determination of ATC on its system. The TIG approach also leaves, in the TIG write-up's own words, "decision making where it is today." On the ATC front, this is the very problem that Grid West tries to address. The TIG model employs a "calculator" for running system-wide ATC after the TOs have made their own systems' ATC determination. According to TIG representatives, no degree of independent judgment is required at this point. Calculation of system-wide ATC is a purely mathematical calculation, all the judgment having been done by the TOs in their ATC calculation. This would result in less grid-wide ATC being made available than under the Grid West model. Grid West's independence in this area is particularly important to ensuring that one TO is not advantaged over other TOs and users.

5. **If the TIG proposal were to be chosen, how likely would it be that the proposal would be successfully implemented?**

We do not believe that TIG can be successfully implemented. One of the most troubling aspects of TIG is its ongoing voluntary nature. As noted before, transmission providers do not have a good record of voluntary agreements. The Pacific Northwest Coordination Agreement did get signed but the negotiations took almost a decade. On the transmission side, as noted above, transmission owners have twice failed to complete a transmission agreement and have requested an independent party with whom to negotiate to closure. Moreover, the main TIG developers do not have a good record of voluntarily joining transmission organizations. The following control areas have **not joined** the WECC voluntary Reliability Management System (RMS) agreement: Avista, PGE, Grant PUD, Chelan PUD, and Douglas PUD.

TIG's inability to address the IOUs' fundamental concerns about transmission market power also lessen its attractiveness to IOU participants. We strongly doubt that a sufficient number of major transmission providers will join the TIG effort to make it a viable effort.

6. **If BPA supports Grid West, are you committed to all of the elements of the Grid West proposal? If not, which ones are troubling? And why?**

We are generally comfortable with the elements of the Grid West design as they stand today but much more work has to be done. Of particular concern is BPA's commitment

to working through the rate pancaking issue for its NT customers. Rate pancaking is a critical issue for many consumer-owned entities who are embedded within a non-BPA transmission provider's service area, or for consumer-owned utility accessing supplies from outside the BPA control area.

We would also like to take up the "facilities" discussion now that the higher level of Grid West design is completed. These two issues have not been successfully addressed by either TIG or Grid West and must be resolved under whichever approach is selected.

As Grid West design is refined, we should test and continue to improve the cost assumptions to ensure that they are still valid. Further work on some of the not yet quantified benefits should also be undertaken.

7. **If the Grid West proposal were to be chosen, how likely would it be that the proposal would be successfully implemented?**

We believe that the seating of an independent Grid West Developmental Board will lead to the offer of an acceptable TA within 12 months after the seating of the Board. Once a TA is offered, we believe there is a strong likelihood that the major transmission owners would sign the TA. The Grid West vision could then be quickly implemented. Work on areas like planning, market monitoring, and common OASIS could start with the seating of the Developmental Board.

8. **The RRG recently completed an examination of the benefits of the Grid West proposal. Do you have additional views on the benefits of the Grid West proposal that you have not already brought to our attention?**

The RRG Risk/Rewards group produced a solid, conservative estimate of the easily quantifiable benefits of Grid West. BPA should continue to work with the Risk/Rewards group to finish quantifying those benefits that can be quantified.

9. **Do you have additional views on the estimated costs of the TIG and Grid West proposals?**

Like other regional entities, PNGC is concerned about the costs of Grid West. Increases in costs are tied to increases in scope and function. While there are protections within the Grid West bylaws, we would be interested in exploring further protections in any convergence discussions.

Grid West has been criticized for the possibility of having "runaway" costs "just like other RTOs in the country." Grid West is not an RTO. BPA asked FERC in its declaratory order to consider Grid West under the Order No. 888 framework, not the RTO Order No. 2000. This means that Grid West's mission is more limited than other RTOs and its tariff would be evaluated by FERC under open access standards, not RTO standards. Plus, there are protections in the bylaws against scope expansion.

Further, the TSLG specifically looked into the cost drivers in other RTOs and did their design work with avoidance of these drivers in mind. Some of the cost drivers that were most significant include retail markets (ERCOT), financial transmission rights with an LMP market (PJM), geographic expansion (PJM), energy markets (PJM), artificial deadlines (Cal ISO), and customized software to implement the markets (Cal ISO). Grid West is not undertaking any of these functions or activities; in fact, it has carefully designed its functions and markets so as to use tested, off-the-shelf software with minimum alteration. In this case, not being first to (the software) market has definitely paid off.

Grid West's cost estimate represents an extremely good piece of very credible work. Using a from the ground up estimate and then testing it against industry benchmarks for specific items or categories gives us comfort in the annual and start-up cost estimates that were produced. Further, the benefits produced by the Risk/Rewards group were very modest and realistic. There are many unquantifiable, and not yet quantified benefits that lead us to believe that Grid West will produce regional benefits for all ratepayers in the region.

TIG's information on costs and benefits is very scanty. We have concerns that given TIG's limited functionality, funding TIG might not be worth the cost. In fact, their not yet released cost estimate uses the Grid West cost estimate as the base amount and then subtracts costs for functions they do not perform.

Summary

PNGC Power and its members believe that we must move on transmission restructuring now. With 2011 and the need for new resources looming, we do not have time to try an approach that does not have a high likelihood of success and that does not involve most of the major transmission owners. We believe that Grid West offers a much higher level of functionality, would better address the problems faced by PNGC Power and its members, and has a much greater chance of success.

Grid West's functionality comes from its FERC jurisdiction which allows it to offer transmission services including the Reconfiguration Service and Long-Term Access and to optimize the consolidated control area functions. Its independence will be the glue that fixes the transmission planning and more importantly enables expansion of the system. Independence and jurisdiction will allow Grid West to make its own ATC calculations that will get the most out of the existing system thereby avoiding for as long as possible the costs of expansion and preserving BPA's limited borrowing authority. Grid West's governance structure ensures that the region will have substantial input into and sway over its transmission future. Grid West's commitment to a one utility vision in operations, planning, and access are what makes the difference for us.

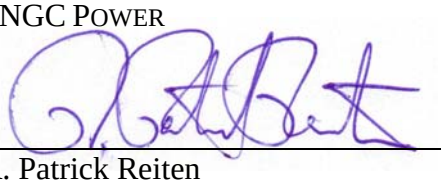
We operate as one utility; we need a transmission system that does too.

We are also willing to participate with BPA and others to see what modifications might be made to the Grid West proposal to make it more acceptable to more regional parties so long as any modifications do not impact the essential functionality of Grid West.

We appreciate this opportunity to comment on this critical BPA decision.

Sincerely,

PNGC POWER



R. Patrick Reiten
President and Chief Executive Officer

BLACHLY LANE ELECTRIC COOPERATIVE

Bud Tracey
General Manager

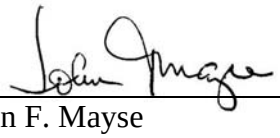
CENTRAL ELECTRIC COOPERATIVE

Al Gonzalez
President and Chief Executive Officer

CLEARWATER POWER COMPANY

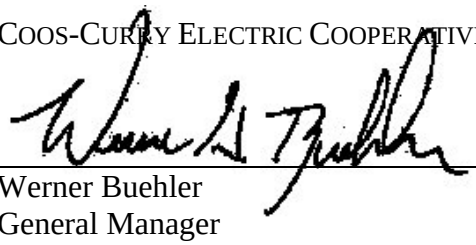
K. Dave Hagen
General Manager

CONSUMERS POWER INC.



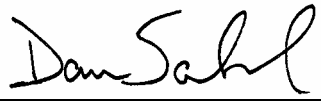
John F. Mayse
President and Chief Executive Officer

COOS-CURRY ELECTRIC COOPERATIVE, INC.



Werner Buehler
General Manager

DOUGLAS ELECTRIC COOPERATIVE



Dave Sabala
General Manager

FALL RIVER RURAL ELECTRIC COOPERATIVE

Dee Reynolds
General Manager

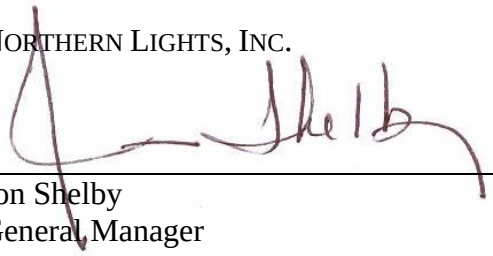
LANE ELECTRIC COOPERATIVE

Rick Crinklaw
General Manager

LOST RIVER ELECTRIC COOPERATIVE

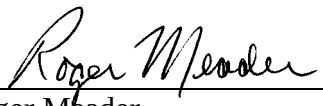
Richard Reynolds
General Manager

NORTHERN LIGHTS, INC.



Jon Shelby
General Manager

OKANOGAN COUNTY ELECTRIC COOPERATIVE

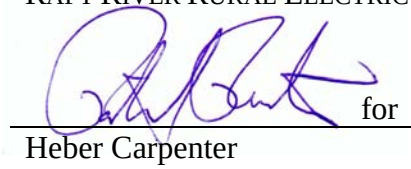


Roger Meader
General Manager

SALMON RIVER ELECTRIC COOPERATIVE, INC.

Ken Dizes
General Manager

RAFT RIVER RURAL ELECTRIC COOPERATIVE


for

Heber Carpenter
Manager of Finance and Administration

UMATILLA ELECTRIC COOPERATIVE

Steve Eldrige
General Manager and Chief Executive Officer

WEST OREGON ELECTRIC COOPERATIVE, INC.

for
Bernard Bird
Director