**Summary Report on the
Project to develop Recommendations on Effective Linkages Between
State IRP, Facility Siting and Regional Transmission Planning
in a Competitive Environment**

This project, which began on May 1, 1994, was designed to:

- ▶ Improve the understanding of the types of linkages (or lack of linkages) between utility-specific IRP, state facility siting, and regional transmission planning given (1) the current level of competition, (2) increased generation competition, and (3) retail competition;
- ▶ Identify opportunities to better coordinate utility-specific IRP and state facility siting with regional transmission planning, including better regional market and transmission planning information for utility-specific plans; and
- ▶ Improve the understanding of the influence of competition on utility-specific IRP in terms of planning objectives, planning process, plan implementation and plan output, and identify potential changes to utility-specific IRP to allow IRP to meet planning objectives in a competitive environment.

The major product of this proposal was to be recommendations to the Committee on Regional Electric Power Cooperation¹ (CREPC) on how to effectively link state IRP and facility siting to regional transmission planning and to outline how western states can effectively participate in regional transmission planning. The project built on a workshop held among western states/provinces and western utilities in April 1994. **On October 21, 1994 the CREPC reviewed, modified and adopted recommendations developed under this project.** (Attachment A)

The project evolved during this period of rapid change in the evolution of a western regional transmission association. Because of the rapid pace of developments, the major emphasis was placed on reaching agreement among western states/provinces on the character of participation in western RTGs and then enabling that participation. During this period, major changes to state IRP were being considered as part of proposals in California (and elsewhere) to restructure the electric power industry and several states were considering changes to their facility siting processes. To accommodate continuing state participation in these rapid changes, the project was extended from its initial expiration date of December 31, 1994 to March 31, 1995.

¹The Committee on Regional Electric Power Cooperation is a joint effort of the Western Interstate Energy Board and the Western Conference of Public Service Commissioners. It consists of the regulatory agencies, governors' energy offices and facility siting agencies of the 11 states in the western interconnected grid and the Provinces of British Columbia and Alberta.

Following is a chronology of developments:

- April 1994: The CREPC agreed to establish a task force on state/provincial participation in Regional Transmission Groups (RTG Implementation Task Force).
- May 1994: The following CREPC members agreed to serve on the Task Force:
- Jim Byrne, Utah PSC, **Task Force Chairman**
 - Prem Bahl, Arizona Corporation Commission
 - Les MacLaren, British Columbia Ministry of Energy
 - Kent Wheatland, California PUC
 - Larry Nordell, Montana DNRC
 - Rex Reed, Nevada PSC
 - Prasad Poturri, New Mexico PUC
 - Phil Carver, Oregon DOE
 - Bernard Somdah, Oregon PUC
 - Jim Miernyk, Washington UTC
 - Deb Ross, Washington State Energy Office
 - Dave Walker, Wyoming PSC
- June 6: The CREPC transmitted a letter to the FERC urging the Commission to expeditiously consider applications for the formation of western RTGs. (Attachment B)
- Sept. 8: A staff paper on options for state/provincial involvement in RTGs was sent to the Task Force (Attachment C)
- Sept. 14: The Task Force met in Seattle to: be updated on the status of the development of western RTGs; develop options for state/provincial interaction with RTGs; examine state/provincial participation in RTG transmission planning (and related activities of the Western Systems Coordinating Council); examine what states/provinces want to get out of RTG planning; examine options for communicating information on RTG planning; and consider options for financing state/provincial participation in RTGs. The Task Force developed a survey of CREPC members on their interest and ability to participate in western RTGs and WSCC. The Task Force also met with the WSCC's Regional Planning Policy Committee on linkages between RTG planning and WSCC planning. (Attachment D)
- Oct. 10: The Task Force forwarded its recommendations to the CREPC. (Attachment E)
- Oct. 19-21 The CREPC received and debated the recommendations of the Task Force. Several wording changes were adopted. (See Attachment F for the meeting

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summary.)

- Oct. 11: The Task Force issues a summary of responses to the survey of state/provincial interest in participating in RTGs and the financial feasibility of such participation. The Task Force also develops a summary of the skills available to western states/provinces to support their participation in RTGs and related activities of the Western Systems Coordinating Council. (Attachment G)
- Oct. 26: FERC conditionally approves two western RTGs — the Western Regional Transmission Association and the Southwest Regional Transmission Association. A key issue is the planning process to be used by RTGs.
- Nov. 17: The Washington Utilities & Transportation Commission requests a rehearing of FERC's order approving WRTA to receive clarification of FERC's intentions regarding RTG transmission planning and the degree to which states are bound by RTG transmission planning decisions. (Attachment H)
- Nov. 29: Task Force members attend a WRTA meeting to review FERC's transmission comparability requirement, FERC's requirement for a single regional transmission plan, and other WRTA implementation issues. (Attachment H)
- Dec. 1: SWRTA meets to address transmission comparability conditions imposed by FERC. A Task Force member participates in the meeting. (Attachment H)
- Dec. 1-2: At its annual meeting, the Western Systems Coordinating Council revises its governance agreement to comport with WRTA requirements and allow for coordination between WSCC and WRTA on transmission planning. The meeting is attended by the Task Force chairman. (Attachment H)
- Dec. 5: The Northwest Regional Transmission Association meets to examine: transmission comparability; a "binding" regional plan; and geographic exclusion and treatment of non-members. Task Force members participate in the meeting. (Attachment H)
- Dec. 16: The Task Force chairman urges states/provinces to begin necessary actions to join western RTGs and to let the FERC know of their intention to join. (Attachment I)
- Dec. 31: The expiration date of the project is extended from December 31, 1994 to March 31, 1995.
- January 18: WRTA holds its first workshop on developing transmission comparability tariffs which Task Force members attend. (Attachment J)
- February 9: The CREPC reiterates to the FERC its support of RTGs. (Attachment K)

- February 22: CREPC Chairman appoints Roger Hamilton, Commissioner, Oregon Public Utilities Commission, to succeed Jim Byrne, who is leaving the Utah Commission, to chair the RTG Implementation Task Force. (Attachment L)
- March 7: WRTA holds its second comparability workshop in which several Task Force members participate. (Attachment M)
- March 9: CREPC Chairman reports on the 16 western states agencies which have submitted letters of intent to join WRTA.

Arizona Corporation Commission
California Energy Commission
California PUC
Colorado PUC
Idaho PUC
Montana Department of Natural Resources & Conservation
Montana PSC
New Mexico PUC
Oregon Department of Energy
Oregon PUC
Utah Department of Natural Resources
Utah Division of Public Utilities
Washington State Energy Office
Washington Utilities & Transportation Commission
Wyoming PSC
Northwest Power Planning Council

The letters became part of WRTA's filing with the FERC at the end of February. Those states which are interested in joining NRTA are encouraged to submit similar letters of intent to joint that RTG.

*Recommendations Regarding State/Provincial Participation
in Western Regional Transmission Groups (RTG)*

Given the recognition that the states and provinces will not permit RTG planning activities to compromise their regulatory authority, the following recommendations from the Committee on Regional Electric Power Cooperation are made.

1. Coordination and consultation with relevant states/provinces regulatory, siting and other authorities by RTGs in RTG planning activities is an appropriate step toward improving the efficiency of the western electricity system because:

- a. Individual state/provincial requirements will be identified;
- b. Transmission planning can be coordinated among the various states/provinces affected by an RTG proposal; and
- c. States/provinces can effectively convey to RTGs the need to —
 - 1) evaluate alternatives to transmission construction and transmission system use which enhance the efficiency of the electricity system, and
 - 2) address state/provincial IRP and siting requirements, including environmental impacts of transmission siting.

Consideration of regulatory (e.g., IRP and siting) requirements at the front end of project planning can minimize the cost of analyses required prior to a permitting decision and minimize investment in projects that cannot be permitted.

2. It will be a major undertaking for states/provinces to effectively participate in RTGs because:
 - a. The plethora of forums in which states/provinces may coordinate or consult with RTGs (and related WSCC activities) may severely strain state/provincial personnel and fiscal resources; and
 - b. Coordination and consultation in RTG implementation over the next 24-30 months will be particularly important in establishing the long-term state/provincial role under RTGs.
3. The Committee should seek financial support to help states participate in RTGs over the next 24-30 months.
4. A rapid information-sharing mechanism needs to be established. The Task Force, with the support of the Washington State Energy Office, has taken a first step in this direction by establishing a "CREPC" forum on the Electric Ideas Electronic Bulletin Board.

5. The Committee needs to create a process to determine state/provincial appointments to WRTA and WSCC. States in the Southwest and states/provinces in the Northwest need to likewise create a process to make appointments to SWRTA and NRTA either through the Committee or among themselves.
6. Given the importance of RTGs for both transmission planning and access (and in the future pricing of transmission), states/provinces should consider joining RTGs as members.

Adopted by the Committee on Regional Electric Power Cooperation, October 20, 1994

Western Interstate Energy Board/ WINB

June 6, 1994

ATTACHMENT B

The Honorable Elizabeth A. Moler, Chair
Federal Energy Regulatory Commission
825 North Capitol Street, N.E., Room 9000
Washington, D.C. 20426

Dear Chair Moler:

The Committee on Regional Electric Power Cooperation urges the Federal Energy Regulatory Commission to expeditiously consider applications for the formation of Regional Transmission Groups (RTGs) in the western interconnected electric grid. The Committee consists of the public utility commissions, energy departments, and facility siting agencies in the 11 states of the Western Systems Coordinating Council region, and the Provinces of British Columbia and Alberta. The Committee agrees on the following principles.*

Alberta
Arizona
British Columbia
California
Colorado
Hawaii
Montana
Nebraska
Nevada
New Mexico
North Dakota
Oregon
Saskatchewan
Utah
Washington
Wyoming

Anita Lockwood
Chair

Douglas C. Larson
Executive Director

- ▶ The Committee supports the development of RTGs in the western interconnected high voltage electric grid.
- ▶ The Committee recognizes the potential benefits from the creation of both region-wide and subregional RTGs in the West, particularly in the case of transmission planning issues. The Committee also recognizes the potential overlap and inefficiencies that may be created by inconsistent RTG procedures throughout the West and its subregions. It is the Committee's desire to have integrated transmission planning, access and dispute resolution procedures across the West and its subregions. For these reasons, the Committee believes that integrated procedures are necessary to allow efficient delivery of electric service and efficient use of industry and regulatory resources.
- ▶ To gain experience and familiarity with RTG operations, the Committee supports a two-year experiment during which the Western Systems Coordinating Council (WSCC) will perform or assist the planning functions for the western RTGs. During this two-year period, the participants should study the feasibility of integrating the WSCC and RTG planning processes to achieve operational efficiency and economies.
- ▶ The Committee also supports a two-year evaluation of other functions which western regional and subregional RTGs will perform. These non-planning functions include transmission access and dispute resolution. During this two-year period, the participants should consider consolidation of non-planning functions to the extent possible.

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Denver, Colorado 80202-5447
303/573-8910 FAX 303/573-9107

The Honorable Elizabeth Moler
June 6, 1994
Page Two

- The states and provinces in the Committee are committed to participating in the RTG processes in the West to ensure that state/provincial regulatory concerns and decision criteria are considered. The states and provinces believe that RTG planning should fully reflect and build upon integrated resource planning, and recognize the requirements of siting processes. This will provide a planning foundation which will facilitate state and provincial review of individual utility resource plans and transmission siting applications.

In addition to this letter, individual states and provinces may be submitting additional comments on any or all of the western RTG applications. We appreciate the support the Commission has given to the development of RTGs in the West and urge your action to make RTGs a reality.

Sincerely,

Bil Tucker, Chairman
Committee on Regional Electric Power Cooperation
and
Chairman, Wyoming Public Service Commission

* Adoption of a position by the Committee requires no negative votes by its members. As of June 6, the Nevada Public Service Commission, because of its open meeting requirements, was unable to concur in this letter and therefore abstains at this time.

cc: Committee on Regional Electric Power Cooperation
The Honorable Don Santa, FERC Commissioner
The Honorable William Massey, FERC Commissioner
The Honorable Vicky Bailey, FERC Commissioner
The Honorable James Hoecker, FERC Commissioner
Steve Herod, Director, FERC Office of Electric Power Regulation

Western Interstate Energy Board/ WINB

TO: RTG Implementation Task Force
Jim Byrne (UT-PSC)
Phil Carver (OR-DOE)
Rex Reed (NV-PSC)
Larry Nordell (MT-DNRC)
Prem Bahl (AZ-CC)
Kent Wheatland (CA-PUC)
Deb Ross (WA-SEO)/Jim Miernyk (WA-UTC)
Prasad Poturri (NM-PUC)
Peter Ostergaard/Les MacLaren (BC)

FROM: Douglas Larson, Executive Director

DATE: September 8, 1994

SUBJECT: Options for State/Provincial Involvement in RTG Activities

There are many uncertainties about state/provincial participation in RTG activities, including:

- ▶ How active will RTGs/WSCC be in the critical areas of transmission planning, pricing and access and what opportunities are there for state/provincial participation in those activities?
- ▶ How active do states/provinces want to be in these activities (e.g., monitoring only, giving advice, or actively participating (e.g., being on planning work groups)?
- ▶ What resources/commitment will it take from the states/provinces to achieve the desired level of participation?

The following matrix was developed to help sort through these uncertainties. The left column illustrates different levels of RTG activity. The headings across the top show optional levels of state involvement in planning, pricing and access activities. The cells of the matrix are coded to a discussion that follows the chart. This may be of some use in organizing your thinking for next week's meeting in Seattle. If not, put it in the circular file.

OPTIONAL LEVELS OF STATE/PROVINCIAL INVOLVEMENT

	Potential State/Provincial Objectives						
	Planning			Pricing		Access	
	Monitoring	Advice (e.g., what issues planning should address to accommodate IRP/siting reviews)	Participation in planning activities	Monitoring	Participation in pricing discussions	Monitoring	Active review of access decisions
Levels of RTG Activity							
WSCC does RTG planning; only projects of "regional significance," as defined by WSCC, are reviewed	1 (monitor only)	1 (advice) 3	3, 4				
WSCC does RTG planning but on a broader basis than outlined in WSCC documents, including consideration of state siting/IRP requirements		1 (advice) 3	3, 4				
RTG does planning, WSCC crunches numbers and houses data	2	2	2, 4				
RTG active in transmission pricing				5, 6 (monitor only)	5, 6		
RTG active in access arbitration						6, 7	6, 7
Establishment of a POOLCO (as proposed in California PUC restructuring hearings)	Unknown, but potentially much more involved than currently contemplated RTG activities (e.g., provision of and payment for control area services, efficient generation dispatch and energy trading arrangements, efficient transmission pricing and use, incentive for efficient construction of new generation and transmission).						

KEY TO OPTIONAL LEVELS OF STATE/PROVINCIAL INVOLVEMENT

1. The three representatives of the Committee on Regional Electric Power Cooperation (CREPC) to WSCC's Regional Planning Policy Advisory Committee attend meetings and report findings to the CREPC. The CREPC representatives can only monitor developments or also provide collective advice from the CREPC. States/provinces are not members of the Regional Planning Policy Committee and their ability to participate in RPPC meetings is unknown.

Requires minimal funding for travel of representatives. Most effective if there is an established information sharing system (e.g., faxes, BBS) so that the three designated representatives can convey developments to other states/provinces. Conveying collective state/provincial views to the RPPC Advisory Committee would require coordination with states/provinces, much of which could be done at the meetings of the CREPC.

2. Interested states/provinces attend RTG Planning Committee meetings in order to monitor developments and/or advise industry of their IRP and siting requirements.

Requires minimal travel funds to participate in initial RTG Planning Committee meeting. Staff time required to prepare documents describing IRP/siting requirements. Additional attendance at RTG Planning Committee meetings would likely be required to clarify state requirements applicable to a project under review or to evaluate how RTG's planning work is responding to IRP/siting requirements. Requires some coordination among states on their experiences with RTG planning to evaluate responsiveness to the requests of the states/provinces. This coordination could occur at CREPC meetings.

WRTA provides that any member of an RTG can be a member of the Planning Committee. "Commissions," which include "governmental agencies in the states and provinces constituting the Western Interconnection with ratemaking, siting or resource-planning authority in regard to electrical

energy," are members of WRTA. SWRTA provides that "ex officio membership on the Planning Committee shall be open to all Commission staffs." NRTA provides that any member, which includes "commissions," can attend Planning Committee meetings.

3. If WSCC creates a forum as part of its review of projects which allows for direct state/provincial participation, that forum could be used to advise industry of IRP and siting requirements. At present, states/provinces are not members of WSCC's RPPC and their ability to participate in RPPC meetings or the activities of the WSCC's Planning Coordination Committee is unknown.

Requires funding for initial state/provincial travel to any WSCC forums to convey state/provincial siting/IRP processes. As with No. 2 above, attendance at additional meetings and coordination among states on their experiences with WSCC planning would be required.

4. Direct participation by interested states/provinces in RTG Planning Committee meetings and WSCC technical planning forums; analysis of data; sharing of technical findings among states/provinces

Requires funding for state/provincial travel to all Planning Committee meetings and working sessions.

Requires technical analysis time by state/provincial staffs and possibly outside consultants. Requires more extensive information sharing system (e.g., BBS).

5. Active ex-officio membership on RTG Pricing Committee. NRTA establishes a Pricing Committee to make recommendations on transmission pricing policies. All members, including "commissions," are invited to participate in Pricing Committee meetings. SWRTA does not establish a pricing committee but such a committee could be established under SWRTA bylaws in which case "commissions" may appoint ex-officio members to the pricing committee. Like SWRTA, WRTA does not establish a pricing committee. WRTA invites all members (i.e., including "commissions") to participate in meetings of its committees.

Requires travel for state/provincial persons (or representatives) to participate in Pricing Committee meetings and mechanisms for sharing information from Board meetings (e.g., reports at CREPC meetings; BBS; memos). Depending on how in-depth the states/provinces wish to participate, it could require substantial technical analysis and possibly outside consultants.

6. Membership in RTG Board of Directors. In the case of WRTA and SWRTA, pricing issues are initially going to be dealt with by the RTG Board of Directors. (In the case of NRTA, the Pricing Committee can only make recommendations to the Board of Directors.) WRTA provides for seven "commission" members to be on the Board of Directors. SWRTA and NRTA provide for three "commission members." In all cases "commission" members are ex-officio (i.e., non-voting).

Would require travel to Board of Director meetings; potential analysis of impact of pricing options.

Would require mechanisms to report meeting results to other states/provinces. For issues where state/provincial representatives want to express a collective view, it would require pre-meeting coordination with other states and provinces, some of which could be done at CREPC meetings.

7. Membership in Arbitration Committee. WRTA establishes a three-member Arbitration Committee. Any member of WRTA (including "commissions") can attend meetings of the Arbitration Committee. NRTA also establishes an Arbitration Committee and "commissions" can attend meetings of the NRTA Arbitration Committee as ex-officio members. SWRTA does not establish an Arbitration Committee. If it did, "commissions" can be ex-officio members of such a committee.

The role of an RTG Arbitration Committee appears significantly more limited than of the RTG planning or pricing committee. State/provincial interest may be limited to monitoring the process for selecting arbitrators and implementing judgments.

Western Interstate Energy Board/ WINB

TO: Committee on Regional Electric Power Cooperation

FROM: Jim Byrne (UT), Chairman
RTG Implementation Task Force

DATE: September 21, 1994

SUBJECT: Survey of Interest and Ability of States/Provinces to Participate in Western RTGs and WSCC

At its April 1994, meeting in Scottsdale, the Committee on Regional Electric Power cooperation (CREPC) established a Task Force to develop recommendations to the Committee on how states/provinces can effectively participate in the activities of regional transmission groups (RTGs) being formed in the West and related activities by the Western Systems Coordinating Council (WSCC). The Task Force met on September 14 (see attached meeting summary) and identified numerous opportunities for states/provinces to participate in RTG and WSCC activities. Our concern is that state/provincial resources will be stretched too thin to effectively participate.

The Task Force asks that each agency involved with the CREPC complete the enclosed questionnaire and fax it to staff (ATT: Doug Larson, WIEB, FAX 303/573-9107) **no later than September 30**. The responses to the questionnaire will provide the basis for the Task Force's recommendations to the Committee at its October 19-21 meeting in Park City.

The questionnaire is being sent to the following people in the states/provinces:

Alberta:	Larry Charach
Arizona:	Renz Jennings
	Jack Haenichen
British Columbia:	Peter Ostergaard
California:	Dan Fessler
	Chuck Imbrecht
Colorado:	Christine Alvarez
	Tom Brotherton
Idaho:	Ralph Nelson
Montana:	Bob Anderson
	Larry Nordell

MEMORANDUM
September 21, 1994
Page Two

Nevada:	Mike Pitlock Rose McKinney-James
New Mexico:	Larry Ingram Anita Lockwood
Oregon:	Roger Hamilton Phil Carver
Utah:	Jim Byrne Jeff Burks
Washington:	Judy Lamson Judy Merchant
Wyoming:	Bil Tucker
Northwest Power Planning Council:	Dick Watson

Please call me (801/530-6763) or Doug Larson, WIEB (303/573-8910) if you have any questions. Thanks.

Enclosures: Summary of September 14 Task Force meeting
Information on electronic bulletin board
Survey questionnaire

Summary of the September 14, 1994 Meeting of the CREPC's RTG Implementation Task Force

The Task Force met on September 14 and decided on the following.

1. To **circulate a survey** to states/provinces to — (a) determine their interest in participating in the numerous opportunities created under the Western Regional Transmission Association (WRTA), Southwest Regional Transmission Association (SWRTA), Northwest Regional Transmission Association (NRTA) and the WSCC, (b) determine whether resources are available to allow such agency participation, and (c) determine the skills in agencies which could be called upon in support of participation of the states/provinces in the RTGs and WSCC.
2. To establish a forum for the Committee on Regional Electric Power Cooperation on the Energy Ideas **electronic bulletin board** operated by the Washington State Energy Office. The forum would provide for rapid distribution of information generated by RTGs and WSCC. The forum would initially include notices of RTGs and WSCC meetings and agendas, meeting summaries prepared by RTGs or WSCC, and reports by state/provincial participants in the meetings. (See attached information on how to access the bulletin board.)
3. There is a need to better identify the appropriate place for states/provinces to focus their **point of involvement in regional transmission planning**. At a luncheon with the WSCC's Regional Planning Policy Committee, the Task Force received advice that the appropriate point of involvement was with the RTGs, not WSCC. However, at WRTA's meeting the following day, the discussion indicated that WRTA would be providing oversight to the WSCC regional planning effort and suggest projects for inclusion in the WSCC process. WRTA would not actually do the planning.
4. To identify for the CREPC the **estimated budget needs** to support state/provincial involvement in RTGs and related WSCC activities. This would be used to prepared a grant proposal to the U.S. Department of Energy. The Task Force believes that first priority for funding would be for interstate travel and second priority would be for reimbursement of staff time by the persons designated by the CREPC as lead contacts to the various groups. The survey discussed under No. 1 above would be the basis for developing this funding proposal.
5. To **advise the RTG planners** of the need to (a) evaluate alternatives to transmission construction and transmission system use which enhance the efficiency of the electricity system and (b) address state/provincial IRP and siting requirements, including environmental impacts of transmission siting.
6. To recommend to the CREPC an appropriate **method of selecting state/provincial representatives to the Boards of the RTGs and WSCC**.

Task Force Meeting Attendees

	<u>Phone</u>	<u>Fax</u>
Prem Bahl, Arizona Corporation Commission	602/542-7271	602/542-2129
Les MacLaren, British Columbia Ministry of Energy	604/952-0265	604/952-0258
Kent Wheatland, California PUC	415/703-1825	415/703-1965
Larry Nordell, Montana DNRC	406/444-6757	406/444-6721
Judy Sheldrew, Nevada PSC	702/687-6107	702/687-6110
Rex Reed, Nevada PSC	702/687-6086	702/687-6110
Phil Carver, Oregon DOE	503/378-6874	503/373-7806
Bernard Somdah, Oregon PUC	503/378-3778	503/373-7752
Jim Byrne, Utah PSC	801/530-6763	801/530-6796
Jim Miernyk, Washington UTC	206/586-1106	206/586-1150
Deb Ross, Washington State Energy Office	206/956-2124	206/956-2217
Email debros@wseo.wa.gov		
Doug Larson, WIEB	303/57-8910	303/573-9107

The Electric Ideas CLEARINGHOUSE

Bulletin Board System (BBS)

<<About the Clearinghouse...>>

The Electric Ideas Clearinghouse ("Clearinghouse") was established in 1990 to provide a variety of information services to utility representatives and energy professionals in the commercial and industrial sectors. In addition to the bulletin board service (EICBBS), the Clearinghouse offers a technical assistance hotline (toll-free in the Pacific Northwest), fact sheets, product and literature searches, a training calendar, an extensive referrals directory, and an in-house library with technical literature and dozens of energy-related periodicals.

The Clearinghouse is managed by the Washington State Energy Office (WSEO) in Olympia, Washington with funding from the Bonneville Power Administration (BPA) and the Western Area Power Administration ("Western"). Additional financial support is provided by the U.S. Dept. of Energy (USDOE) for Institutional Conservation Program (ICP) activities on the EICBBS. WSEO, BPA, Western and USDOE do not recommend, endorse, or favor any products or services publicized on the Clearinghouse bulletin board system.

<< Services available on the BBS >>

The EICBBS offers many different types of services for energy professionals, including: electronic mail (including Internet), forums, file libraries, and FAX documents. In addition, there are several databases for jobs, resumes, training events, and programs & organizations. Most of these databases are the largest of their kind in the country.

<< Connecting to the BBS >>

To connect to this BBS, all you need is a computer, modem, and telecommunication software. When configuring your software, set your communication parameters as follows:

- 300, 1200, 2400, 9600, or 14400 (max) Baud
- No Parity
- 8 Data Bits
- 1 Stop Bit
- Full Duplex
- ANSI Terminal Emulation
- Local Echo Off
- Phone #: 1-800-762-3319 (Bonneville Power Administration service area)
1-800-797-7584 (Western Area Power Administration service area)
1-206-586-6854 (all other areas)
- Telnet (Internet): eicbbs.wseo.wa.gov

The first time you connect to the BBS you will be asked to enter a user-ID and a password. We generally recommend that people use the first three letters of their first name combined with the

first three letters of their last name (eg. JohSmi for John Smith, JanDoe for Jane Doehe) as their user-ID. If you are more comfortable using your last name and first initial or vice versa, that is acceptable. Please do NOT use a non-professional "handle" such as SunLover, WattBuster, NrgGuru, etc. Choose a password that is easy to remember and unique. If you forget your password, just call the Clearinghouse.

New users are given approximately 30 minutes to "browse" through the system and perform basic operations (read E-mail, scan Forum messages, etc.). When the system operators (Sysops) have reviewed your account information and determined that you are a valid user (ie. an energy professional or student), you will be given unlimited access to the system. That is, you will be able to call-in as often and as long as you like. We do, however, ask that you use your time on-line as efficiently as possible to help us reduce our phone costs and to free-up lines for other callers.

<< How to find the CREPC forum >>

The Committee on Regional Electric Power Cooperation (CREPC) has a forum (discussion group) on the Clearinghouse BBS by the same name. To access this private forum, you will need to send an e-mail message to the forum operator - Doug Larson (userID is "Larson") - asking for permission. To write an e-mail message, type "E" then ENTER at the main menu, then "W" to write a message. When prompted for a userID, type "Larson" (without the quotes). Enter a topic, then your message. When you're finished type CTRL-G to save the message (if you don't have ANSI capabilities, type /S or OK on a separate line then press ENTER).

When Mr. Larson has responded to your e-mail and confirmed that you have access rights, type "F" for Forums at the main menu, then "S" to select a forum. When prompted, type "CREPC" (without the quotes). At that point, you can type "L" then ENTER to see a list of the current messages in the system (date, author, subject), or "R" to read one or more messages, or "W" to write a message. Keep in mind that even if you write a message to a particular person in a forum, all users who have access to that forum will be able to see it. If you want the message to be truly private, send them e-mail.

<< For More Information.. >>.

Call the Electric Ideas Clearinghouse hotline at (800) 872-3568 in the Pacific Northwest or (206) 956-2237 in other areas.

Survey of the Committee on Regional Electric Power Cooperation

The purpose of this survey is to ascertain the interest and availability of state/provincial agency personnel to participate in the committees and boards of directors that are being established by the Western Regional Transmission Association, the Southwest Regional Transmission Association, the Northwest Regional Transmission Association and the Western Systems Coordinating Council. A second purpose of the survey is to determine the skills in state/provincial agencies that can be called upon in support of state/provincial participation.

There are a minimum of 21 potential appointments to the RTGs and WSCC, excluding participation on critical planning committees which are open to all states/provinces. The ability to participate may be constrained by the lack of funds for travel and staff time. The second part of the survey asks you to indicate whether funding of travel and/or reimbursement of staff time is a requisite for participating.

AGENCY RESPONDING TO SURVEY _____
CONTACT NAME FOR SURVEY _____
PHONE NUMBER OF CONTACT PERSON _____

Fax completed Survey to:

Doug Larson, WIEB
FAX 303/573-9107
Phone 303/573-8910

Part I: Skills Available in Your Agency to Support State/Provincial Participation in RTG and WSCC Activities

Indicate if any of the following skills are present in your agency and if they would be available to support participation in the activities of RTGs/WSCC

Skill	Available in Agency	Not Available in Agency
Power flow/stability studies		
Production cost modeling		
Transmission contracting policy/principles		
Transmission pricing policy/principles		
Evaluation of transmission in IRP		
FERC transmission policies		
Siting/environmental assessment		

Part II: Survey of Interest in Participating in Different Forums and Financial Feasibility of Such Participation

Opportunity to participate	Expected workload	Are you interested in participating?	Would you be able to participate given currently available resources?	Would you be able to participate if only travel costs were reimbursed?	Would you be able to participate if both travel and some staff costs were reimbursed?
WESTERN REGIONAL TRANSMISSION ASSOCIATION					
Member ¹	A				
Member of Board of Directors ²	A, B				
Planning Committee member ³	A, B, C				
Liaison between Planning Committee and WSCC ⁴	A, B				
SOUTHWEST REGIONAL TRANSMISSION ASSOCIATION					
Member ⁵	A				
Member of Board of Directors ⁶	A, B				
Planning Committee member ⁷	A, B, C				
NORTHWEST REGIONAL TRANSMISSION ASSOCIATION					
Member ⁸	A				
Member of Board of Directors ⁹	A, B				
Member of Planning Committee ¹⁰	A, B, C				
Member of Pricing Committee ¹¹	A, B, C				
Liaison with WSCC and NW Power Pool ¹²	A, B				
Member of NW Power Pool and TPC ¹³	A, B, C				
WESTERN SYSTEMS COORDINATING COUNCIL					
Member of Board of Directors ¹⁴	A, B				
Member of RPPC Advisory Committee ¹⁵	A, B				
Participate in Planning Coordination Committee meetings ¹⁶	A, B, C				

KEY

- "A" Receive information and attend meetings, as appropriate
- "B" Prepare written summaries of meetings and post on electronic bulletin board; canvas other states/provinces on issues before the meeting
- "C" Review and analyze data/studies generated by the RTG or WSCC activities

1. WRTA Member: All "commissions" are ex-officio (non-voting) members of WRTA upon submission of a letter to WRTA indicating they want to be a member. Commissions are defined as "governmental agencies in the states and provinces constituting the Western Interconnection with ratemaking, siting or resource planning authority in regard to electrical energy." (§§ 2.6, 2.13, 3)

Expected workload: Receive information and attend meetings, as appropriate.

2. WRTA Board of Directors: The WRTA Governing Agreement provides for seven ex-officio (non-voting) "commission" members of the Board of Directors. Not more than four members can be from the Southwest (i.e., AZ, CA, NV, NM, TX, Mexico); not more than four members can be from the Northwest (CO, ID, MT, NE, ND, OR, UT, WA, WY, B.C., Alberta). Other members of the Board: seven from transmission owning utilities; seven members from transmission dependent utilities; seven members from non-utility suppliers. (§§ 5.2, 5.3)

Expected workload: At least annual meetings of the Board of Directors. Reports on developments to other states/provinces.

3. WRTA Planning Committee: All members of WRTA can participate as members of the Planning Committee. (§ 6.6)

Expected workload: Unknown, but could include participation in meetings, reports to states/provinces on Planning Committee issues, and review and analysis of data/studies. It is believed that this will be a primary opportunity for state/provincial input into regional transmission planning. The Governing Agreement anticipates WRTA contracting with WSCC to conduct planning activities, but the division of labor between the WRTA Planning Committee and WSCC is unknown at this time and will be the subject of a contract between WRTA and WSCC. The WSCC's Regional Planning Policy Committee has indicated that the RTG Planning Committees will be the place to raise issues such as state/provincial IRP and siting requirements and requests that different alternatives be considered in transmission analyses.

4. WRTA Liaison with WSCC: One "commission" member, one transmission-dependent utility and one nonutility supplier are designated as liaisons between the WRTA Planning Committee and the WSCC and other planning bodies (e.g. subregional RTGs). (§6.6)

Expected workload: Could be significant, particularly in the early stages of working out the relationship between WRTA and WSCC on transmission planning. Would involve attending meetings and reporting findings to states/provinces.

5. SWRTA Member: "Commissions" are not explicitly included in the definition of "member" in the bylaws. However, "commissions" may attend Board and committee meetings. "Commissions" are defined as "governmental agencies with ratemaking, siting or resource planning authority in regard to electricity supply in the states and provinces which have SWRTA members." Given the expressions of interest in SWRTA by industry thus far, it appears that "commissions" in AZ, NM, NV, TX, CA, UT (and possibly CO and WA) will be eligible to be SWRTA members. (§§ 2.15, 2.17, 3)

Expected workload: Attending annual meeting.

6. SWRTA Board of Directors: The SWRTA Governing Agreement provides for three ex-officio (non-voting) "commission" members of the Board of Directors. Other members of the SWRTA board include up to three members from transmission-owning utilities, three members from transmission-dependent utilities, and three nonutility suppliers. (§§ 13.1, 13.2)

Expected workload: At least annual meetings of the Board of Directors. Reports on developments to other states/provinces.

7. SWRTA Planning Committee: All "commission" staffs can participate as ex-officio members of the Planning Committee. (§ 6.2)

Expected workload: Unknown, but could include participation in meetings, reports to states/provinces, and review and analysis of data/studies. It is believed that this will be a primary opportunity for state/provincial input into regional transmission planning. The Governing Agreement anticipates SWRTA contracting with WSCC to conduct some planning activities, but the division of labor between the SWRTA Planning Committee and WSCC is unknown at this time and will be the subject of a contract between SWRTA and WSCC.

8. NRTA Member: All "commissions" with members from the Northwest are ex-officio (non-voting) members of NRTA upon submission of a letter to NRTA indicating they want to be a member. Commissions are defined as "any state or provincial utility regulatory commission, state energy commission, or regional, state or provincial agency in the Northwest Interconnected Area with rate-making, siting, or resource-planning authority in regard to electrical energy." Given the expressions of interest in NRTA by industry thus far, it appears that "commissions" in WA, OR, ID, MT, NV, CA, UT, and WY will be eligible to be NRTA members. (§§ 2.15, 2.17, 3)

Expected workload: Receive information and attend meetings, as appropriate.

9. NRTA Board of Directors: The NRTA Governing Agreement provides for three ex-officio (non-voting) "commission" members of the Board of Directors. Other members of the Board include five transmitting utilities, five transmission dependent utilities and five nonutility entities. (§§ 5.1, 5.2)

Expected workload: At least annual meetings of the Board of Directors. Reports on developments to other states/provinces.

10. NRTA Planning Committee: Participation in Planning Committee meetings is open to any member, including "commission" members. (§§ 5.2, 6.5, 6.6, 9.6)

Expected workload: Unknown, but could include participation in meetings, reports to states/provinces, and review and analysis of data/studies. It is believed that this will be the primary opportunity for state/provincial input into regional transmission planning. The Governing Agreement anticipates NRTA contracting with the Northwest Power Pool to conduct some planning activities, but the division of labor between the NRTA Planning Committee and the NWPP is unknown at this time and will be the subject of a contract between NRTA and NWPP. According to the Governing Agreement, in the event NRTA and NWPP execute a contract the Planning Committee will function as a policy group to make recommendations to the Board of Directors.

11. NRTA Pricing Committee: NRTA is the only RTG to establish a permanent pricing Committee. All members of NRTA, including "commissions," can attend meetings of the Pricing Committee. (§§ 5.2, 6.5, 6.8)

Expected workload: Unknown, but could include participation in meetings, reports to states/provinces, and review and analysis of data/studies. May depend on forthcoming FERC transmission pricing policy and ongoing discussions among the industry in the Northwest.

12. NRTA Liaison with WSCC and Northwest Power Pool: One transmission-dependent utility member, one nonutility member and one "commission" member from the Planning Committee shall serve as liaison with the WSCC, the NWPP, and other planning and reliability councils. (§ 6.6)

13. Member of Northwest Power Pool's Transmission Planning Committee: There can be one member per state. States would be non-voting members of the TPC.

Expected workload: Unknown, but could include participation in meetings, reports to state/provinces, and review analysis of data/studies.

14. Member of WSCC Board of Directors: Current WSCC Bylaws do not provide for ex-officio membership by state/provinces in WSCC. However, a potential proposed change to the Bylaws would establish three ex-officio, non-voting members of the Board of Directors from states/provinces.

Expected workload: At least annual meetings of the Board of Directors. Reports on developments to other states/provinces.

15. RPPC Advisory Committee: At its last meeting, the Committee on Regional Electric Power Cooperation appointed Jim Byrne (UT PSC), Mary McNerny (NM-PUC) and Alan Davis (MT-DNRC) to represent the states/provinces on this Committee. This Committee, which includes many diverse groups (e.g., environmental groups, consumer advocates, BLM, Forest Service), advises the WSCC's Regional Planning Policy Committee. Based on statements by the RPPC, it does not appear that the RPPC will be the primary avenue for states/provincial input on transmission planning.

Expected workload: Unknown number of meetings per year.

16. Planning Coordination Committee: The WSCC's Planning Coordination Committee has existed for many years. Many states/provinces receive regular invitations to attend their meetings. States/provinces, however, are not members of the Committee, only attendees. If contracts are executed between WSCC and WRTA and/or SWRTA, it is expected the Planning Coordination Committee will be the focus of much of the technical analysis.

Expected workload: The PCC meets four times per year and also has working groups. Reports to other states/provinces and analysis of data/studies are likely required.

MEMORANDUM

TO: Committee on Regional Electric Power Cooperation

FROM: Jim Byrne (UT), RTG Task Force Chairman

DATE: October 10, 1994

SUBJECT: Recommendations of the Task Force

At its April meeting, the Committee created a Task Force on Regional Transmission Group (RTG) Implementation. It charged the Task Force with coming up with recommendations to the Committee on how states/provinces can effectively participate in western RTGs¹. The following people volunteered to be on the Task Force:

Prem Bahl, Arizona Corporation Commission
Les MacLaren, British Columbia Ministry of Energy
Kent Wheatland, California PUC
Larry Nordell, Montana DNRC
Rex Reed, Nevada PSC
Judy Sheldrew, Nevada PSC
Prasad Poturri, New Mexico PUC
Phil Carver, Oregon DOE
Bernard Somdah, Oregon PUC
Jim Byrne, Utah PSC
Jim Miernyk, Washington UTC
Deb Ross, Washington State Energy Office

The work of the Task Force has been financially supported by the Department of Energy.

¹ The establishment of the Task Force followed two workshops the Committee held on RTGs in October 1993 and April 1994. The workshops were held with financial support from the Department of Energy. The Committee has also designated a liaison with the Western Regional Transmission Association (WRTA) during the development of WRTA's Governing Agreement. Additionally, several Northwest states have been attending bylaw discussion meetings of the Northwest Regional Transmission Association. In June, the Committee wrote the FERC urging approval of western RTGs and establishing key principles for RTGs. (See Tab 1 for text of letter.)

MEMORANDUM

October 10, 1994

Page Two

The Task Force met twice in September, first by conference call and then in Seattle in conjunction with a meeting of the Western Systems Coordinating Council's Regional Planning Policy Committee and the Western Regional Transmission Association (WRTA). Based on the September discussions and detailed review of the bylaws of WRTA, Southwest Regional Transmission Association (SWRTA), and the Northwest Regional Transmission Association (NRTA), the Task Force makes several findings and recommendations. These findings and recommendations are based on two key assumptions:

- ▶ FERC will approve the WRTA, SWRTA, NRTA bylaws essentially as proposed, including a proposed amendment dealing with membership by Canadian entities. (Approval of the WRTA and SWRTA bylaws are on the agenda for the FERC's October 12 meeting, but may slip to October 26. There are indications that the FERC will accept the bylaws but not without some amendment or additional requirements.)
- ▶ WRTA and SWRTA will contract with the WSCC for some planning services and NRTA will contract with the Northwest Power Pool for some planning services. However, initially, the main transmission planning discussions will occur in the RTG planning committees, not WSCC.

These assumptions will need to be reevaluated as the RTGs evolve.

The Task Force identified the opportunities for participation in RTGs and WSCC and surveyed states/provinces on their interest and financial ability to participate. The Task Force survey also asked the types of skills available in state/provincial agencies that could support participation in RTGs and WSCC. The survey and survey results are appended to this report.

Findings

1. The Task Force found that there will be numerous opportunities to participate in the three western RTGs. There are likely to be up to 21 appointments for states/provinces to make to RTGs and WSCC bodies. There are even greater opportunities to participate in critical RTG planning committees, where much of the substantive work may occur. Each of the RTGs provide for direct, non-voting state participation in the key forums, e.g., Board of Directors and planning committee. The WSCC presently provides no direct state/provincial membership on its Board of Directors, Regional Planning Policy Committee or Planning Coordination Committee (although states/provinces are invited to attend PCC meetings). WSCC does provide for three state/provincial representatives on a multi-interest advisory committee to the Regional Planning Policy Committee. The RPPC has recommended to the WSCC Board of Directors that three ex-officio commission members be added to the Board.

MEMORANDUM

October 10, 1994

Page Three

2. The Task Force found substantial interest and willingness by states/provinces to participate in RTG/WSCC bodies. Actual participation, however, will be constrained by fiscal limitations, particularly lack of out-of-state travel funds.
3. The Task Force found that effective participation in RTG/WSCC forums will require significantly enhanced coordination and the timely sharing of information among states/provinces. Such efforts require access to an electronic bulletin board and a commitment by states and provinces to use it.

Recommendations

1. Participation by states/provinces in RTGs and related planning activities contracted by RTGs to WSCC is an appropriate step toward improving the efficiency of the western electricity system because:
 - a. State/provincial participation will be a unifying force as transmission planning occurs under different RTGs; and
 - b. By participating in RTG activities, states/provinces can effectively convey to the industry the need to (a) evaluate alternatives to transmission construction and transmission system use which enhance the efficiency of the electricity system and (b) address state/provincial IRP and siting requirements, including environmental impacts of transmission siting. Consideration of regulatory (e.g., IRP and siting) requirements at the front end of project planning can minimize the cost of analyses required prior to a permitting decision and minimize investment in projects that cannot be permitted.
2. It will be a major undertaking for states/provinces to effectively participate in RTGs because:
 - a. The plethora of forums in which states/provinces may participate under RTGs (and related WSCC activities) will severely strain state/provincial personnel and fiscal resources; and
 - b. Participation in RTG implementation over the next 24-30 months will be particularly important in establishing the long-term state/provincial role under RTGs.²

² The Committee, in its June 1994 letter to the FERC, stated, "To gain experience and familiarity with RTG operations, the Committee supports a two-year experiment during which the Western Systems Coordinating Council

MEMORANDUM

October 10, 1994

Page Four

3. The Committee should seek financial support from the Department of Energy to help states participate in RTGs over the next 24-30 months.
4. A rapid information-sharing mechanism needs to be established. The Task Force, with the support of the Washington State Energy Office, has taken a first step in this direction by establishing a "CREPC" forum on the Electric Ideas Electronic Bulletin Board. (See blue pages for instructions on access and use of the forum.)
5. The Committee needs to create a process to determine state/provincial appointments to WRTA and WSCC. States in the Southwest and states/provinces in the Northwest need to likewise create a process to make appointments to SWRTA and NRTA either through the Committee or among themselves.
6. Given the importance of RTGs for both transmission planning and access (and in the future pricing of transmission), all states/provinces should join RTGs as members.³

Attachments: Summary of survey results
Survey responses
Information on the Electric Ideas Clearinghouse Bulletin Board System

(WSCC) will perform or assist the planning functions of the western RTGs. During this period, the participants should study the feasibility of integrating the WSCC and RTG planning processes to achieve operational efficiency and economies. The Committee also supports a two-year evaluation of other functions which western RTGs will perform. These non-planning functions include transmission access and dispute resolution. During this two-year period, the participants should consider consolidation of non-planning functions to the extent possible."

³ Participation by Alberta and British Columbia would be contingent upon adoption of amendments to RTG bylaws to accommodate Canadian participation in the RTG.

Summary of the Meeting of the Committee on Regional Electric Power Cooperation

Park City, Utah
October 19-21, 1994

Summary of Actions

- ▶ Adopted RTG Task Force recommendations;
- ▶ Agreed to consider a resolution to NARUC in support of R&D;
- ▶ Adopted a resolution thanking Jim Byrne;
- ▶ Appointed Bil Tucker to officially Chair the Committee
- ▶ Set the next meeting for January 19-20 in San Diego, California

Recent Developments

October 19

Committee Chairman Bil Tucker (WY) called the meeting to order and outlined the agenda for the meeting. He reported on three developments since the last meeting: (1) delivery of a Committee letter to the Federal Energy Regulatory Commission (FERC) suggesting criteria the FERC should use in approving western Regional Transmission Groups (RTGs); (2) adoption of a Committee resolution endorsing (with three abstentions) the Western Systems Coordinating Council's (WSCC) proposed solution of loopflow in the western interconnected grid; and (3) establishment of an RTG Implementation Task Force chaired by Jim Byrne (UT).

Roundtable. In conducting the discussion, Chairman Tucker asked the Committee to comment on their respective sections to the draft *1994 Western Electricity Report* that was included in the meeting briefing material.

Utah: Jim Byrne (UT-PSC) reported on a municipalization scheme to supply industrial customers. Becky Wilson (UT-PSC) reported on the status of seven renewable energy projects in Utah and a Western Areas Power Administration notice regarding replacement power for generation lost from a change in the operation of Glen Canyon dam. (Attachment A)

New Mexico: Larry Ingram (NM-PUC) reported that all utilities in the state have reduced their rates or will reduce their rates by 1995. A hearing on the merger involving bankrupt El Paso and Central SouthWest is scheduled to take place in early 1995. Uncertainty remains as to whether the merger will occur, due in part to conditions associated with FERC approval and a decision by Las Cruces voters to condemn El Paso's facilities situated within the city. In April, the National Regulatory Research Institute sponsored a roundtable to explore the future of electricity regulation.

Oregon: Phil Carver (OR-DOE) noted that negotiations with PacifiCorp on its IRP have broken down. The IRP may not be acknowledged by the PUC at its November 8 meeting. Oregon facility siting rules have been posted on the Washington State Energy Office electronic bulletin board. The Oregon Energy Facilities Siting Council exempted the Hermiston project from having to demonstrate need. In general it is the state's policy to exempt projects from need determinations if they are part of the Northwest Power Plan. The exemption of the facility from the need determination is being challenged. A decision on the matter is

expected in November.

Roger Hamilton (OR-PUC) reported the commission's concern about the proliferation of combustion turbines. He reported that staff has recommended that PGE be allowed to recover decommissioning costs of the Trojan nuclear power plant and 80 percent of the original plant cost.

British Columbia: Lee Thiessen (Ministry of Energy, Mines & Petroleum Resources) reported that various groups are raising concerns about natural gas exports and the impact of gas generation on energy efficiency in the U.S. The Rocky Mountain Ecosystem Board challenged in court the National Energy Board's decision not to do an environmental assessment on gas exports. He also reported the exemption of oil and gas exports from environmental assessments under the Canadian Environmental Assessment Act.

Washington: Jim Miernyk (WA-UTC) reported that the UTC ruled on the prudence review of Puget Power's power supply contracts. He noted the disconnect between IRP and the purchase of power. The UTC has issued a Notice of Inquiry on the time when prudence reviews should occur. Currently, the UTC conducts such reviews during a rate case, not at the time of acquisition. Washington Water Power filed an application with the Commission to merge with Sierra Pacific Power to form Resources West Energy Corporation.

Deb Ross (WA-SEO) reported that a collaborative fuel blind integrated resource planning project involving participation from the state Energy Office, UTC, Puget Power, Seattle City Light and Washington Natural Gas has been completed. The purpose of the cooperative effort was to develop energy efficient services for utility customers. A report on the joint effort was recently released by the Energy Office. It was also reported that a regional plan on curtailment of electricity has been developed. Each of the four Northwestern states now have curtailment plans. There appears to be consensus that the state's existing siting law is inadequate; a new siting bill may therefore be crafted.

Mark Anderson (WA-SEO) reported that a Record of Decision on the potential use of Washington Public Power Supply System (WPPSS) reactors to burn federally-owned plutonium is expected in January 1996. Governor Lowrey has said that WPPSS unit 3 will not be completed; however, DOE is looking at using unit 3 and retrofitting unit 2 to burn plutonium. It would take 23 years to bury all the plutonium. Another option is to vitrify the plutonium.

Nevada: Galen Denio (NV-PSC) reported that the Commission approved Sierra Pacific's request to spend up to \$20 million on new gas pipeline capacity (only 45,000 dekatherms of capacity are likely to be needed). The PSC issued a permit for the construction of the first natural gas combustion turbine unit at Nevada Power's Henry Allen Site. Resources are needed to meet a growing load. In June, demand exceeded the forecast by 120 Mw. Nevada Power will file a new resource plan in December. Nevada Power is spending \$200,000 on solar projects. Judy Sheldrew (NV-PSC) said the Commission has found that Citizens has no standing as an intervenor in the proposed Washington Water Power/Sierra Pacific merger.

Wyoming: Steve Ellenbecker (WY-PSC) reported on a wind technology resolution to be offered by the NARUC Electricity Committee at the forthcoming NARUC meeting in Reno.

Idaho: Marsha Smith (ID-PUC) reported that the Commission deadlocked on a PacifiCorp proposal to buyout a 10 Mw cogeneration contract. The Auger Falls hydro project has been scrapped. The Commission rejected Island Power's claim that power produced from its Island Power Plant hydropower plant in Montana is entitled to "grandfathered" Idaho avoided cost rates in place prior to January 14, 1994. Idaho

Power is still going forward with the Southwest Intertie Project, which is planned for completion in December 1998. Smith noted Idaho Power's interest in the Rosebud project in Montana.

Arizona: Prem Bahl (AZ-ACC) reported that the information in the draft *Western Electricity Report* accurately reflected conditions in Arizona.

Montana: Bill Lee (MT-PSC) reported that the Commission has affirmed an earlier decision on the use of externality costs. Larry Nordell (MT- DNRC) reported on the Rosebud powerplant (also known as Yellowstone Electric and other names) which burns refinery waste coke. Exxon has a seven-year supply of waste coke. Rosebud is pursuing a 30-year coal contract which it says it will acquire competitively. Alan Davis (MT-DNRC) reported that Nordell received an award from the Governor in recognition of his work in the area of electricity issues. Davis also reported on a collaborative effort to review Montana's siting law. DOE is helping to financially support the effort.

Alberta: Rick Hyndman (AB-DOE) reported that with the consensus of a broad cross-section of stakeholders, the provincial Department of Energy has filed a report to establish a competitive wholesale market. (Attachment B) The issue of retail wheeling will be dealt with later. Implementation of the proposed electricity industry restructuring would begin in January 1996. The Department of Energy is currently seeking public comment on the plan before proceeding with the legislative/regulatory development process.

Saskatchewan: Randy Greggains (SK-Energy & Mines) provided background on the province and its electricity system. The province has less than 1 million people. Seventy percent of the province's electricity generation is derived from coal, the remainder is from hydro. The province has a DC interconnection with Alberta and major ties with Manitoba and the U.S. eastern grid. There is no regulatory body since the utility is a Crown corporation. No generation is expected to be added in the next 5-10 years. The grid is being reinforced from north to south. Energy & Mines is in the process of developing a comprehensive energy plan, including background papers.

Colorado: Morey Wolfson (CO-PUC) informed the Committee that Commissioner Christine Alvarez was appointed to the Energy and Transportation Task Force of the President's Council on Sustainable Development and that Robert Hix has been appointed chairman of the PUC. He noted a correction on page 28 of the draft *Western Electricity Report*. Wolfson noted that the NARUC Energy Conservation Committee has teamed up with the National Conference of State Legislatures on electric industry restructuring issues. He reported that a white paper has been prepared on the role of renewables, R&D and DSM in a restructured industry. In addition, NARUC has received a grant from the U.S. EPA to evaluate DSM.

California: Chuck Imbrecht (CEC) reported that electricity demand is forecast to be lower than expected because of the recession (even with the penetration of electric vehicles beginning in 1998). He noted that the state's new building codes are expected to result in a 20 percent net decrease in capacity requirements and that the latest revisions to the code will cut energy use more than any of the previous revisions. Two of the issues the Commission's 1994 *Electricity Report* will examine are the implications of competition on utility DSM and resource diversity, including the viability of biomass generation plants and the disposition of emission offsets for such plants. He reported that Hughes announced it will develop electric vehicle charging technologies that will reduce vehicle charging time to four minutes.

Greg Conlon (CA-PUC) reported on the status of the BRPU's (Biannual Resource Planning Update) competitive bidding process which sought 1400 Mw of new resources, including 400 Mw of renewables. The disposition of the bids received by utilities is the subject of a rehearing. He also noted that the Commission's direct access hearings are being telecast.

Wyoming: Bil Tucker (WY-PSC) reported that Neil Simpson II, an 80 Mw coal powerplant, is 50 percent complete.

Department of Energy: David Meyer (Office of Electricity Policy) reported on the first meeting of the Electricity Forum that is being held in Washington, D.C. on November 1-2. DOE hopes the forum, which will focus on electricity industry restructuring issues, will develop an analytical agenda. It is anticipated that the Forum will meet twice a year. Meyer also noted the October 31 Edison Electric Institute restructuring meeting and two related IRP workshops and an Energy Information Administration workshop. Meyer solicited the CREPC's input on a DOE proposal to set up an electronic bulletin board forum so that stakeholders could share information on restructuring. The Committee expressed support for this initiative. Greg Conlon (CA-PUC) noted that all of the California PUC's restructuring filings are available on Internet. Deb Ross (WA-SEO) noted that the Washington State Energy Office bulletin board was a potential forum DOE could use. Chuck Imbrecht (CA) stated that the information on any bulletin board needs to be organized by subject.

Developments at BPA. Stephen Oliver, BPA's Manager of Extraregional Segment, briefed the Committee on recent developments at BPA. As part of its strategy to change the way it has traditionally conducted business, BPA is reorganizing and downsizing its work force, developing tiered rates, unbundling power products and services and reinventing its programs. To date, 200-300 employees have left BPA as a result of downsizing. Oliver stated that BPA's program reinvention initiative will not result in a compromised commitment to fish, wildlife and environmental conservation.

Recent developments with two of BPA's customers (Snohomish PUD and Clark PUD) highlight the agency's concerns about continuing to be a low-cost supplier. BPA's rates are 2.7 cents/Kwh and the agency is losing loads. By statute, BPA cannot make sales to marketers, however, the agency is supporting NYMEX's efforts to establish a market price at the California/Oregon border. McGraw-Hill is publishing market data based on third party data collection. Included in BPA's rates are more services than would otherwise be provided by a stand-alone generator. Oliver noted the need to devise an analytical paradigm to compare existing electric services with a stand-alone generator.

Oliver reported that BPA is seeking passage of the Bonneville Power Administration Refinancing Act. The proposed debt refinancing legislation would result in a 0.5 to 1 percent increase in rates over the next 15 years, and then decline to zero impact. BPA expects the legislation to be approved by Congress next year. With respect to BPA's proposal to become a federal corporation, Oliver stated that reactions expressed at regional hearings revealed a concern that BPA might function too much like a private business and subsequently abandon its traditional responsibilities in the area of fish and wildlife. To placate these concerns, BPA's federal corporation proposal has been revised to contain assurances that it will continue to honor its obligations to economic and social accountability. (Attachment C) BPA will attempt to achieve regional consensus on its proposal before seeking Congressional approval.

Oliver also summarized BPA's proposed business construct and principles for transmission services. Among other things, BPA will manage its transmission system as a separate line of business (Transmission

Business Line) and pursue participation in the Westwide and Northwest Regional Transmission Groups. BPA is offering transmission at embedded cost even when the transmission system is constrained. The agency expects other utilities to reciprocate with transmission on similar terms. Lastly, Oliver updated the Committee on the status of the Third AC Intertie Project as of October 14. In September, five utilities signed Capacity Ownership contracts with BPA for a total of 693 MW. Another 32 MW has been offered to PacifiCorp. The purchase price for Capacity Ownership is \$215/kW. (Attachment D)

Mark Anderson (WA) offered copies of the state Energy Office comments on BPA's Federal Corporation plan to interested Committee members. (Attachment E -- WA-UTC comments also included)

Renewable Energy in the Western Electricity System

Gerald Alderson, President and CEO of Kenetech, briefed the Committee on wind power in the West. Kenetech is involved in 18 wind projects underway in eight U.S. states and six countries. In addition, projects in ten states and ten foreign countries are currently in the negotiation phase. Costs in contracts under negotiation range from 2.95 cents/kWh to 5.7 cents/kWh (including the existing federal tax credit). The tax credit is good for the first 10 years of operation for machines installed by July 1, 1999. Therefore, Kenetech is expecting a rush of orders to build projects in 1998-99. Alderson noted that Kenetech and U.S. Wind Power are actually the same business and that the company's mission is to have wind power become a "generally accepted utility technology." Most of the technological development efforts are directed towards building equipment capable of withstanding fierce wind — to duck the wind. Building machines to withstand fierce winds is the major capital cost of windpower development. Windpower generation costs have dropped to less than 5 cents/kWh as a result of improvements in windmill design. Alderson does not believe "green pricing" policies will provide a significant boost to renewable generation deployment. Quebec Hydro has found wind and hydro indistinguishable resources in terms of system operation. Alderson expects current windpower generation costs to decline by 20 to 25 percent over the next 5-7 years. Alderson cited the elimination of fuel risk and the absence of price increases as examples of some of the key advantages to windpower. Drawbacks to windpower include visual pollution and the land intensiveness of wind projects. To overcome land-use/access obstacles, Kenetech pays a two percent royalty to landowners for access to property to install wind machines. Alderson stated that bird kill concerns have been exaggerated as a result of a perception bias. According to Alderson, wind technology has successfully moved passed the experimental stage and, in fact, Kenetech advocates development of large-scale wind projects (no less than 50 MW) which would be integrated into a utility's resource portfolio. Compared to other regions of the U.S., the West has the greatest wind resource potential. Kenetech's windpower development efforts in the U.S. will therefore be focussed in the West. (Attachment F)

Steve Ellenbecker (WY PSC) reported on the National Wind Coordinating Committee which includes environmental groups, conservation advocates, regulators and other state agencies, and the wind industry. He introduced Dan Watkiss of Bracewell and Patterson, who serves as general counsel to the American Wind Energy Association (AWEA). Watkiss reported on a paper prepared for AWEA by the Tellus Institute. (See Tab 2 of the meeting briefing book.) The paper has been submitted to the FERC as part of its transmission pricing docket. The paper asks for unbundling of transmission. Tellus proposes transmission charges based on average capacity — not peak generator capacity (i.e., "equivalent capacity") — and embedded system-wide charges within regional transmission groups. He noted that AWEA is participating in Wisconsin's industry restructuring study. Deb Ross (WA-SEO) indicated support for the use of incremental transmission pricing when evaluating resource options. Ross argued that incremental cost pricing is central to planning but not necessary for pricing. Greg Conlon (CA-PUC) said that embedded, postage-stamp pricing

does not send proper pricing signals regarding new transmission construction. Ralph Nelson (ID-PUC) questioned what was wrong with embedded, postage-stamp pricing since it will average out to be comparable with point-to-point service charges over many projects.

Recommendations of the RTG Implementation Task Force

Bil Tucker introduced this agenda item by reviewing the Committee's involvement to date in encouraging the formation of RTGs. These efforts include two workshops on RTGs, the filing of two Committee letters to the FERC and participation in bylaw drafting sessions. At the last Committee meeting in April, a RTG Task Force was established to help the Committee identify opportunities to participate in RTGs and assess the feasibility of such participation. Jim Byrne (UT) was appointed to chair the Task Force.

Jim Byrne summarized the findings and recommendations of the Task Force which were detailed in a memo dated October 10. Several word changes to the memo were proposed by Committee members and subsequently adopted. The Task Force found that while there will be numerous opportunities to participate in the three western RTGs, actual participation will be constrained due to fiscal limitations rather than a lack of interest. The Task Force recommends that the Committee should seek financial support to ensure their participation in RTG implementation activities over the next two to two and a half year period. In addition, the Task Force advocates the establishment of a "rapid information-sharing mechanism" (e.g., electronic bulletin board forum) and the development of a process by which state/provincial appointments to WRTA and WSCC can be made. (Attachment G)

Galen Denio (NV-PSC) indicated that while the Nevada Commission is the state agency with jurisdiction related to RTGs, statutory limitations will constrain the extent of its participation. Additionally, it was noted that the two utilities in the state do not intend to join any of the proposed RTGs.

Marsha Smith (ID-PUC) offered a motion to adopt the recommendations of the Task Force. Chairman Tucker, however, ruled that the matter should be taken up at Friday's business session. He also noted that the Committee should explore the possibility of obtaining travel fund assistance from the U.S. DOE to help finance state/provincial participation in RTGs over the next 24-30 months.

October 20

Regional Implications of the California PUC's Direct Access Proposal

Chairman Tucker began the meeting by introducing the day's agenda topic — the regional implications of the California PUC's direct access proposal. An expert panel was assembled to help the Committee decipher the regional implications of the CPUC's proposal and alternatives to the proposal. The panel was comprised of Chuck Imbrecht (CEC); Bob Haywood (Pacific Gas & Electric); Bob Kendall (Southern California Edison); Wayne Sakarias (San Diego Gas & Electric); Jerry Jordan (California Municipal Utility Agency); Steven Kean (Enron); Dan Kirschner (Environmental Defense Fund); Dennis Steinberg (PacifiCorp); Stephen Oliver (BPA); David Avern (POWEREX); Steve Oldham (Sierra Pacific) and Jeff Sterba (Public Service Company of New Mexico).

Dan Fessler, President of the CPUC, initiated the discussion by briefly explaining CPUC's direct access proposal and reporting on recent developments. Fessler noted that he has been working with Sue Tierney (DOE) in an attempt to resolve jurisdictional issues related to direct access by retail customers. He

related the evolution of two options — a pool where physical and financial markets are separated and bilateral contracts without a pool. He reviewed Professor Hogan's observations that the differences among the proposals are less than they appear. Fessler reported the position of consumer groups that direct access may or may not be good, but in any case residential customers should be granted the same access at the same time as industrial customers. He noted that above market Standard Offer 4 contracts could be bought out, but that may cause local economic dislocations even if the generator is held harmless. He contended that the CPUC's actions are not creating changes in the industry, but rather responding to changes that are already underway. Fessler emphasized industry's concern that it is critical for California to resolve in the near-term a number of important issues stemming from the direct access proposal. In order to compete effectively in a liberalized electricity market, the IOU's need to know with certainty how the mechanisms of the market will function. He also distributed a brief summary of four key regional implications of restructuring: reciprocity; operation and control of the grid; implications for future generation additions, and FERC/state jurisdictional issues. (Attachment H) Fessler noted the correspondence he has had with the Department of Energy on jurisdictional issues involved in the restructuring proposals. (Attachment I) Greg Conlon (CPUC) amplified on the briefing provided by Fessler. (Attachment J)

Sue Tierney, DOE's Assistant Secretary for Policy, outlined the types of benefits DOE would expect from increased competition in the electricity industry. These benefits include: (1) lower electricity bills; (2) increased energy productivity; (3) system reliability; (4) improved environmental protection (e.g., reduced emissions of NO_x, SO_x, and carbon dioxide); (5) ability to attract affordable capital; (6) equitable alignment of costs and benefits; (7) reduced vulnerability to energy price shocks; and (8) smarter regulation. To realize these benefits, a number of conditions must first be met, including: the establishment of a fully competitive wholesale market complete with unbundled generation and transmission and open access transmission and efficient pricing, options which can be financed and sited, environmental commitments via market mechanisms (e.g., RECLAIM in Los Angeles), continued technological development, fair allocation of stranded investment, adoption of performance based ratemaking, and shared federal/state decision making. Tierney noted that the success of a direct access electricity market is dependant in part on the extent to which industry regulators are able to let go of their traditional reactive, litigious and insular approach to decision making. As competition emerges in the marketplace, it will become increasingly important for regulators to be more flexible in their dealings with industry. To achieve the benefits of competition, regulators will need to secure innovative deals with industry based on negotiation rather than unilateral decision making. (Attachment K) Lastly, Tierney informed the Committee that DOE is currently conducting a study on the efficiency gains from direct access.

The View from Within California. Chuck Imbrecht (CEC) reviewed sections of a paper prepared by John Chandley of CEC on issues related to implementation of direct access. (Attachment L) Imbrecht stated that while the three California IOUs (PG&E, SCE and SDG&E) acknowledge the inevitability of direct access, the issue of how to coordinate implementation of both wholesale and retail competition remains to be resolved. Each of the IOUs has proposed an alternative market model of direct access. Imbrecht also identified a number of other important direct access issues which need to be resolved, including the viability of DSM, fuel diversity, renewables (including continued operation of biomass plants), collective R&D (e.g., PG&E's intention to withdraw from the Electric Power Research Institute), and low income ratepayer assistance programs. Imbrecht noted that if utilities retain control over the transmission "black box," municipal utilities will remain suspicious of reforms.

Bob Haywood described PG&E's proposed bilateral contract model of direct access. Haywood believes PG&E's proposal will maintain system reliability. He expressed the opinion that the POOLCO

approach will stifle innovation and is a step in the wrong direction. Haywood said the POOLCO idea comes out of the "average price" mentality; one needs market segmentation to create competitive products. He also said that direct access needs to be authorized in order to secure real-world information on its performance. He noted that the conditions in the United Kingdom and California are vastly different. He argued that one cannot execute bilateral contracts in a POOLCO system. He recommended moving directly to retail wheeling, albeit with an extended phase-in period. He argued that QF costs should be covered by all ratepayers and that social programs should be unbundled to let the market work.

Bob Kendall of Southern California Edison described SCE's preferred model of direct access which involves the creation of an independent, privately owned POOLCO. He urged parties to let go of the old ways of doing business, including 20 years of litigation with wholesale customers. He urged that system realities be recognized: there is one western grid where physical laws rule, customers and generators are not linked one to one (customers continue to consume if the supplier is off-line), and operation of the grid requires continual system balancing. The structure of the industry needs to be aligned with these realities of the grid. Under SCE's preferred scheme, POOLCO would open the wholesale market, but retain retail direct access. Utilities would turn over utility system operation to the POOLCO, but would retain transmission ownership. An independent system operator would be responsible for balancing energy inputs/outputs every hour. All contracts can be accommodated under POOLCO and wholesale generation competition will put downward pressure on electricity rates.

Wayne Sakarias of San Diego Gas & Electric stated that SDG&E prefers an independently operated regional pool offering direct access for all customers by 1998. He said that competition is like a cancer, it will spread everywhere. He noted that the contract path way of doing business is based on a fiction and that operation of the transmission system should be separated from ownership. To encourage renewables, SDG&E believes the California General Assembly should consider creating a statewide fund to finance above-market renewable energy resources. Sakarias stated it is not essential that out-of-state interests be included in POOLCO, however, it is desirable. He argued that reciprocity among states should not be an issue if transition costs are dealt with. He said that location pricing is required. He argued that the fate of reforms should not be determined by the outcome of federal/state jurisdictional disputes (Attachment M)

Jerry Jordan of the California Municipal Utility Agency stated that resolving the issue of transmission access should take precedence over both creation of a POOLCO and bilateral contracts. He argued that municipal utilities still do not have access. They are awaiting FERC's transmission pricing rules and believe that approval of the Western Regional Transmission Association is the best way to provide wholesale competition. CMUA has not closed the door to any of the reform proposals, however, retail wheeling seems to have the most drawbacks. He is concerned about shifting transition costs to transmission rates. However, he argued that stranded costs should be paid, as is the case with the Rancho Seco plant. Jordan sees difficulties in implementing DSM under the proposed reforms. He argued that Professor Hogan's POOLCO idea is clearer than that of Southern California Edison.

Steve Kean said Enron views the direct access proposal in California as a promising initiative, but will need to see the implementation details before making a judgment. He argued that bilateral contracts give customers more choice. He believes the big problem to be overcome is past bad investment decisions by utilities and argued that future price signals will preclude such bad decisions in the future. The issue is neither reliability, stranded investment or social objectives, rather, it is avoiding future stranded investments. He posed the question of what is the best way to deliver choice to consumers at lower prices: monopoly, bilateral contracts, or POOLCO. Enron agrees that there is a need for a system operator, but questions what

the operator will do and argued there is not a need for a "market operator" in a commodity market. He noted several problems in the UK POOLCO: merit order dispatch is not honored, it is not responsive to price difference (no forward pricing and lack of trust in long-term pricing), continued regulatory intervention, and the difficulty in executing bilateral trades in the pool. He said POOLCO is a good idea, it will evolve on its own, not because it has been designed in advance.

Dan Kirschner of the Environmental Defense Fund (EDF) proclaimed, "the sky does not have to fall" — environmental gains and efficiency should be interdependent. EDF supports restructuring of the electric utility industry but cautions that industry restructuring does not hinge on a POOLCO versus bilateral contracts; it will be decided by legislation which will determine what is fair. Fair means giving all parties direct access. He argued that DSM can fit with the remaining distribution monopoly since the distribution company will not care about sales. He suggested that environmental externalities could be dealt with through a pool, but that would make a pool less desirable. Kirschner also noted that further thought needs to be given to the idea of using surcharges to reflect environmental costs. Lastly, Kirschner stated that the process of restructuring the industry needs to include environmental groups.

View from Outside California. Dennis Steinberg of PacifiCorp said his company preferred the bilateral contract approach, but agrees that there are not radical differences between the bilateral and POOLCO approaches. He is concerned that a POOLCO could stifle innovation in the delivery of transmission related services, such as those PacifiCorp is providing to the Clark PUD under a recently executed agreement. He said states outside California may need to deal with the reciprocity issue. Without reciprocity, who controls monies from sales by out-of-state utilities to retail customers in California? What are the risks and rewards for a company participating in the California market. He cautioned that direct access in California may create jobs in that state but at the expense of jobs in other states. He also suggested that a generation tax may be one way of achieving environmental objectives in a competitive retail market.

Steve Oliver of BPA says the agency has not decided whether it would participate in a POOLCO or a different market mechanism. A POOLCO reduces the incentive to build new capacity and therefore has different affects on utilities depending on whether they are energy long or capacity long. Oliver asked if a POOLCO would only take bids or will it undertake power exchanges to optimize system lambdas (through a contract for differences). It is not clear how existing long-term contracts with POOLCO members might be affected. The relationship between a POOLCO and the Western Regional Transmission Association is not clear. BPA may have legal problems in selling through a POOLCO and is not interested in dealing with numerous small customers through a POOLCO. He also questioned the future of preference power under a POOLCO. (Attachment N)

Dave Avern of Powerex noted that since 1988, the B.C. PUC has had the authority to order retail wheeling, but, to date, has not done so. B.C. Hydro may file for retail wheeling rates next year. He urged the California PUC to allow for bilateral and multilateral contracts and not mandate a POOLCO. A POOLCO creates a new monopoly that needs regulation, but it will only be subject to U.S. federal government jurisdiction. He noted the need for reciprocity in international trade, as required by the U.S./Canada Free Trade Agreement and the North American Free Trade Agreement. Avern reported on the efforts to move toward reciprocity in the RTG discussions. Restructuring will reduce regional price differences over time. It is likely that Canadian jurisdictions (especially high cost areas) will likely follow suit if California moves ahead.

Steve Oldham of Sierra Pacific views competition as an opportunity not a threat. He likes the direct

access model. He said the western region is not homogeneous. Oldham cited a "wake up call" his company got when a gold mine requested service. The Nevada commission would not force the mine to take service from Sierra Pacific. The utility went to court and won, but in the meantime the gold mine built its own generation. As a result of this experience, the utility has developed a flexible purchase contract based on the world price of gold. He noted that there are several big customers of Sierra Pacific who could be picked off by competitors. He cited the advantages the proposed Sierra Pacific/Washington Water Power merger would provide in terms of customer and load diversity.

Jeff Sterba of the Public Service Company of New Mexico said the company has taken voluntary write-offs of assets already in its rate base. He does not believe the wholesale market is optimally organized yet, and such organization is needed before moving to retail wheeling. He warned that fees on transmission to cover transition costs will confuse market price signals. Sterba said he is unable to see through the smoke of the differences between POOLCO and bilateral contracts. He warned that the proposed 12 year transition period to a competitive market cannot be sustained; it will happen quickly. He suggested the need to walk through how a POOLCO contract would work. Sterba said the concept of reciprocity makes sense, but it may violate the Interstate Commerce Clause of the Constitution.

Committee Identification of Afternoon Discussion Topics. Chairman Tucker asked Committee members to formulate questions on the key regional implications of restructuring which they would like to further address. The following questions were identified:

1. Who owns transmission, builds new transmission and sets prices in Poolco?
2. What is the right/optimal size of Poolco? Is there a minimum size below which the pool offers no significant benefits?
3. How does Poolco expand from a California-only pool to a western regional pool?
4. What implications does Poolco have for consumers of existing low-cost power in the region?
5. How does NEPOOL work and how do extra-regional players interact with NEPOOL?
6. How can consumers of electricity in low-cost states avoid having their rates increase due to exports to high-cost states?
7. How do we make sure the operating efficiencies of a pool are passed back to generators and ratepayers?
8. What efficiency gains does retail wheeling offer beyond those offered by a robust wholesale market?
9. Is retail wheeling inevitable?
10. How would achievement of the objectives of the California PUC's proposal be affected if California moves to retail wheeling and the rest of the West does not?
11. What does reciprocity mean? What types or levels of reciprocity are needed under different restructuring options? Does reciprocity require exporting restructuring options (e.g., authorization of direct access or creation of a Poolco) or just granting market access?
12. How would customer choice work for residential and small commercial customers?
13. Who has jurisdiction over a retail sale (in each state/province)? Would the seller become a jurisdictional utility?
14. What would happen if above market generating assets are written down?
15. How will financial markets respond to the various restructuring options being proposed?
16. How does a multi-state utility respond if one part of the service territory adopts one type of restructuring scheme and the rest of the service territory adopts another restructuring scheme or takes no action?

17. How do the restructuring options fit with state-mandated least-cost planning?
18. How would environmental externalities be dealt with under Poolco? Under bilateral contracts?
19. Will restructuring lead to forum shopping regarding environmental regulation?

Exploration of Selected Topics Identified in Morning Discussion. Since many of the questions related to the operation of a POOLCO, Bob Kendall provided a more detailed description of SCE's model of POOLCO. According to SCE's market model, generators would establish a spot price for power by bidding into the Pool. The Pool then dispatches power to a contracting customer at the spot price. The contracting customer pays the spot price to the Pool which in turn pays the generator providing the lowest bid. The difference between the Pool's spot price and the price in a contract between the generator and customer would be covered through a contract of differences. (Attachment O)

Sue Tierney (DOE) briefed the Committee on NEPOOL which is like POOLCO in many ways, except for ownership and the reliance on system lambdas rather than bid prices. Existing bilateral contracts and accounting rules reallocate monies to account for differences between pool prices and contract prices. NEPOOL is owned by transmission companies. Non-members must have transmission contracts in order to access the Pool.

In response to the question of who pays for new transmission, it was suggested that congestion pricing signals through the market would signal the need for new construction. Questions were raised about who collects congestion pricing rentals and whether there might be tradeable congestion rights.

With respect to the size of a Pool, it was argued that the area encompassing the membership of WSCC would be optimum. At a minimum all of California would have to join a pool to create the critical mass.

With regards to the question on the efficiency gains from wholesale competition, it was suggested that the gains would come from more efficient dispatch, system diversity, long-term planning, performance-based ratemaking, and improved managerial efficiency. Dave Meyer (DOE) noted that three-fourths of retail cost is in generation, therefore one would expect most gains to be made at the wholesale level.

Alan Davis (MT-DNRC) argued that competition may result in environmental costs being ignored, and an increase in forum shopping when locating new generation and transmission. Wayne Sakarias (SDG&E) argued that forum shopping is already going on and will continue regardless of whether a POOLCO or bilateral contract scheme is adopted. Sue Tierney (DOE) questioned whether you can sustain the condemnation powers granted utilities when such powers are used for market purposes. Chuck Imbrecht (CEC) suggested that continued electric industry R&D will require a national solution, perhaps in the form of a tax or transmission fee. He also noted that when siting a powerplant the Energy Commission determines there is a need for the plant if the project lowers system cost.

Committee Discussion.

Two items were discussed: (1) the timing of future California PUC action on its restructuring proposal; and (2) the need for the Committee to meet again prior to its regularly scheduled Spring meeting in light of the CPUC's implementation schedule.

According to Greg Conlon (CPUC), the Commission's schedule for adopting the "blue book"

depends on the outcome of upcoming elections. If Governor Wilson is re-elected, the direct access proposal could be approved by the Commission quickly. The PUC is making a report to the legislature as soon as January 31. If the proposal is indeed adopted, at least 12 state statutes would have to be amended by the legislature.

It was suggested by several participants that the Committee meet again before the January 31 deadline to further pursue the regional implications of restructuring. Chuck Imbrecht (CEC) suggested it may be to the advantage of low-cost states to form a subcommittee to resolve regional price impact concerns.

Chairman Tucker agreed with the need to schedule an additional Committee session to address the questions identified. Larry Ingram (NM-PUC) noted that additional questions were raised in a session on industry restructuring sponsored by New Mexico State University. Dan Fessler informed the Committee that the California PUC has received funding from the U.S. DOE to help finance the cost of travelling to other state commissions for purposes of discussing the direct access proposal.

In light of the fact that the Committee was not able to adequately address (due to time restrictions and a crowded agenda schedule) many of the priority questions identified during the day's proceedings, the Committee agreed that it should meet again before January 31 to focus exclusively on the regional impacts of a direct access market in California. It was suggested that a financial industry representative attend the next meeting. Dick Hemstad (WA) recommended that the Committee investigate how the federal government will resolve jurisdictional issues. Larry Ingram (NM) and Marsha Smith (ID) recommended that the next meeting should focus on transmission issues related to direct access and include the FERC. The meeting date and location were determined on the following day (see meeting summary for October 21). Chairman Tucker expressed an interest in a west-wide (not just low-cost states) task force to organize the January meeting. He asked for volunteers to join a Restructuring Task Force. The following people volunteered: Rick Hyndman, AL-DOE; Greg Conlon, CA-PUC; Dan Nix (CA Energy Commission); Ralph Nelson (ID-PUC); Galen Denio (NV-PSC); Bernard Somdah (OR-PUC); Judy Lamson/Jim Miernyk (WA-UTC); and Steve Ellenbecker/Dave Walker (WY-PSC). Dick Hemstad (WA-UTC) agreed to chair the Task Force.

October 21

The Committee briefly continued the POOLCO discussion from the previous day and suggested that the January meeting focus on how to protect consumers of existing low-cost power and what pressure there may be on other states to adopt direct access if California does. Dennis Eyre (WSCC) noted that utilities are already responding to competition by cutting staffs. He noted that WSCC does not have central dispatch; dispatching is done by 30 control areas. Some control areas, such as PG&E's are as big as NEPOOL. He questioned whether there is a need for west-wide central dispatch or whether subregional dispatch would be better. Greg Conlan (CPUC) clarified the point that each utility can enter into a contract of differences to lock-in rates. Phil Carver (OR-DOE) raised the question of how the net benefits resulting from the operational efficiencies of a POOLCO can be shared. Chairman Tucker suggested that Carver's concern should be addressed during the Committee's next workshop on California's restructuring proposal.

Developments at WSCC

Dennis Eyre briefed the Committee on recent developments at WSCC. Eyre began his remarks by outlining the history and function of WSCC. He informed the Committee that the WSCC Board of Trustees recently approved changes to the Bylaws regarding its governance structure. (All proposed Bylaw changes

must be approved by the WSCC membership before they can take effect.) The proposed changes include extending full membership to those entities owning or having rights to transmission pursuant to FERC section 210/211 authority. Canadian and Mexican entities are eligible for full membership as are marketers with 400,000 MWh. The proposed Bylaw changes also allow for affiliate membership. Entities eligible for affiliate membership include: (1) organizations with less than 100 MW of generation capacity or 230 kV transmission; (2) marketers with less than 400,000 MWh; (3) organizations planning facilities and (4) organizations with common WSCC goals and reliability interests (e.g., regulators and brokers). The lowest cost membership dues for full members is \$11,000. Affiliate membership dues are \$3,500. Members may self elect into one of three membership categories: Transmission Utilities, Transmission Dependents and Independent Power/Marketers (this is similar to RTG structure). Actions would be approved by a two-thirds vote of all present at the meeting (not a two-thirds vote of each member category, as is the case with RTGs). Agents or consultants of members are permitted to participate, but not on the Board of Trustees. Three regulatory observers may serve as ex-officio, non-voting participants on the 21 member Board of Trustees. In response to Mike Lee's (MT-PSC) request for clarification of the term regulatory observer, Eyre stated that the definition is not the same as that commonly used in the proposed RTGs. In WSCC's case, regulatory observer applies to Public Utility Commission representatives, but not necessarily to facility siting agencies. Lee, Bil Tucker (WY), and Alan Davis (MT) suggested that WSCC should adopt the RTG's definition of Commission. In response to Deb Ross's (WA-SEO) question about the difference between an ex-officio member and an observer, Eyre said that observers can be excluded from discussions of some items before the Board.

With respect to the status of its loop flow proposal, WSCC will file a mitigation plan to FERC on November 1. Each WSCC member is responsible for paying a share of the total capital and operating cost of the phase shifters. If any member is unable to pay its allocation, then that member will be expelled from WSCC. Jim Micnyk (WA-UTC) asked Eyre to summarize the concerns expressed by Northwest utilities over the mitigation plan. The Northwest utilities believe they should not have to pay for the phase shifters because they did not contribute to the problem of unscheduled flows.

Eyre also commented on WSCC's Regional Planning Policy Committee (RPPC). He reported that a data base is being developed for WSCC which will use the GE MAPS program. This will allow WSCC to study transmission constraints. Individual members of the WSCC will have access to the data and program. He noted that Dennis Steinberg (PacifiCorp) chairs an outreach group to advise the RPPC and promote stakeholder involvement in WSCC. Jim Byrne (UT-PSC) asked Eyre to describe the relationship between WSCC and the subregional RTG planning bodies. Eyre responded by noting that WSCC has circulated a letter among its membership stating it will provide planning services to the RTGs. WRTA and the Southwest Regional Transmission Association have indicated they will request planning services from WSCC. The Northwest Regional Transmission Association has indicated it will rely on the Northwest Power Pool. Further WSCC action on this matter awaits FERC action on RTGs. (Attachment P)

Future of Externalities

Chairman Tucker introduced this agenda item by noting that Bob Anderson (MT) recommended that the Committee examine the issue of environmental externalities in light of the changes in the electricity market. In an effort to satisfy that request, the Committee formed a discussion panel on externalities. Roger Hamilton (OR-PUC) served as the panel moderator which included: Dan Nix (CEC); Phil Carver (OR-DOE); Jan Hamrin (Hansen, McQuat, Hamrin & Rhode); and David Engberg (PacifiCorp).

Roger Hamilton reviewed the Oregon PUC's 1993 order which includes environmental adders for NO_x, particulates and carbon dioxide. The values are based on the cost of controls, not the cost of damages from the emissions. The values also apply to power purchases regardless of the location of the plant. A ten percent cost advantage is given to DSM to reflect externalities other than air emissions. He said use of such externality values recognizes the existence of market failures. He posed two key questions to the panel members: (1) how can the playing field be leveled for those pursuing DSM; and (2) can IRP continue to be used to ensure externalities are accounted for.

Dan Nix stated it is possible for externality values to be reflected in a competitive market via such mechanisms as dispatch prices, surcharges or bid prices. However, it is not certain how uniformity in the methodologies used to develop externality values can be achieved. Nix discussed the various types of externalities identified by Arizona's Externality Prioritization Working Group and highlighted the difference between project specific externalities and broader application externalities. Nix also compared the similarities between California's RECLAIM program and the federal SO₂ trading program. In both programs the government sets emissions limits, the market sets the cost and the cost is internalized. There is a robust NO_x market in southern California which is broader than powerplants. Among other things, both programs established a pool of allowed emissions and provided for permit trading. In response to a question, Nix explained that externalities can be reflected in a POOLCO-type system. (Attachment Q)

David Engberg questioned what is meant by externalities and what is meant by a competitive market. He noted that a competitive wholesale market already exists. He noted that the share of new generation being built by vertically integrated utilities is now less than 50 percent. Thus, much of the new generation being built does not fit the paradigm of adders applied through integrated resource planning. The changes occurring in the industry compound the problem of applying externality values, therefore, accounting for such externalities will lead to more perverse outcomes (to the extent that IRP is covering a decreasing share of generation decisions). He reported that carbon dioxide/global warming has provided the driving force behind the development of externality values. Engberg argued that national and international forums are the best place to address carbon dioxide externalities.

Phil Carver stated that he prefers market-based solutions. He said that the Clinton Administration's goal of stabilizing CO₂ emissions by 2000 is not achievable and may be difficult to achieve even by 2015. To achieve stabilization goals, carbon taxes would need to be imposed. In a competitive market that includes gencos, transcos, and discos, the value of IRP will change. The IRP model will not fit with gencos. Emissions taxes (or the potential for such taxes) as reflected in contracts would be the most effective means of incorporating externalities in generation. The IRP model applies to discos, but the focus will need to be on purchase power contracts and the risks associated with such contracts.

Jan Hamrin informed the Committee that she recently completed a study for NARUC which includes a discussion of the role of externalities in an increasingly competitive electric industry. She noted that without a new way of accounting for environmental impacts in a competitive market, she fears the environment could be worse off as old, dirty plants are brought out of mothballs. She also noted that one externality from fossil fuel burning, mercury emissions, has been a sleeper thus far. She noted the few public policy levers available to deal with externalities — taxes/subsidies, licensing/certification, economic regulation, siting/permitting, statutes such as those dealing with health and safety, anti-trust, and environmental regulation. She argued that the time to influence decisions on how to account for externalities in a competitive market has arrived. She suggested consideration of a feebate system which would tax dirty generation bid into the pool and rebate to clean generation. (Attachment R)

Roger Hamilton asked about the importance and feasibility of establishing uniformity in the methodology used to develop externality values. Dan Nix stated that the Committee must address the methodology issue. Phil Carver said there is value in having comparable risk factors for future carbon taxes and questioned whether research in this area by utilities and national labs is properly focussed. He believes new technology is the solution. David Engberg added that solutions should be market based and regional or national in scope. Jan Hamrin noted that the application of externality values, not the methodology, is controversial. She suggested that air quality boards and utility regulators should work together on the issue.

In response to a statement about future stranded investment caused by technological change, Hamrin stated that side contracts and resource portfolio diversification are needed to mitigate risk. Phil Carver said that bonds are needed to cover the costs of dismantling aborted projects. Nix argued that stability in price and supply is the goal and that diversification is a tool to reach that goal. Dan Kirschner (EDF) expressed skepticism about the ability of restructuring to deal with environmental externalities because all options require taxes or fees that may not be politically feasible. Lee Thiessen (BC) suggested the need to harmonize carbon dioxide values as part of international trade and noted efforts to use tree planting costs as a proxy for carbon values. He asked if it is possible to establish a North American market for CO₂.

Performance-Based Ratemaking

Chairman Tucker introduced this agenda item by noting that Mary McNerny (NM-PUC) asked that this meeting include a discussion of performance-based ratemaking (PBR). To help the Committee sort through the issues, Larry Hill from Oak Ridge National Lab presented a framework for understanding PBR and Greg Conlan (CA- PUC) described the application of PBR in California.

Larry Hill noted that PBR and regulatory incentives terminology have been used interchangeably. He cited the problems with the incentives inherent in cost-of-service regulation. He argued that total factor productivity (the ratio of outputs to inputs) is the best measure for PBR. However, there is a major problem in measuring productivity statistically. (See Tab 7 in meeting briefing book for Hill's draft paper on PBR.) (Attachment S)

Greg Conlan identified the goals of PBR: efficient utility operation, streamlined regulation and promotion of effective competition. Conlan reviewed details of San Diego Gas & Electric's adopted base rate mechanism and the proposed base rate mechanisms for Southern California Edison and Southern California Gas. SDG&E's PBR mechanism is experimental and involves the use of a revenue requirement formula which includes adjustments for inflation, productivity and customer growth. In addition, the mechanism provides for revenue sharing between ratepayers and shareholders. Z factors (factors beyond the control of management) for external events are also included in SDG&E's program. The program requires no changes to cost of capital and rate design proceedings. SCE's proposed PBR mechanism consists of two phases — Phase I affects transmission and distribution and Phase II affects generation. Like SDG&E's program, SCE's proposed Phase I mechanism is experimental and includes a revenue index tied to inflation, productivity and customer growth. Additionally, the program provides for revenue sharing between ratepayers and shareholders. Z factors for extraordinary events are also included in SCE's proposed mechanism. SCE's proposed Phase II PBR mechanism will be filed following a Commission decision on direct access. Conlan also discussed the Division of Ratepayer Advocates (DRA) proposed PBR mechanism for SCE. DRA's proposal incorporates the use of price caps instead of revenue caps and provides for no revenue sharing between ratepayers and shareholders. Under DRA's proposal all revenue would accrue to the shareholders. The Commission is currently in the hearing process to review utility, DRA and other PBR proposals.

(Attachment T)

In response to a question Conlan reported that all approved PBRs are experimental. A full rate case was used to set the base for the PBR analysis. Conlon noted that PBR works best when the commission and company can agree on benchmarks. Conlan also noted that he views direct access as the ultimate form of PBR.

Business Session

Chairman Tucker outlined four items for potential Committee action: (1) next steps in organizing state/provincial participation in RTGs and WSCC; (2) reviewing and possibly revising the Committee's policy on publicizing its meetings and opening the meetings to outside groups; (3) recommendation of a Committee chair; and (4) the time, place and agenda for the next Committee meeting.

Several Committee members offered changes to the RTG Task Force's memo of recommendations. These changes were approved by the Committee and the recommendations were subsequently adopted. With the changes, Marsha Smith (ID-PUC) moved and Larry Ingram (NM-PUC) seconded approval of the recommendations. The motion was approved. A discussion regarding the appointment of Committee members to participate in the various RTGs and WSCC was tabled until the next meeting. Chairman Tucker asked Committee members to submit to staff updates to the RTG survey of interest in participating in RTGs and WSCC. Tucker noted that efforts would be made to ascertain the availability of travel funds for RTG/WSCC participation prior to redoing the survey. He noted that travel to at least the first such meetings may have to be covered by states/provinces. The Committee discussed various means of securing funding to offset the costs of participating in RTGs and WSCC. Chairman Tucker asked members to submit funding suggestions to staff.

Larry Ingram (NM-PUC) moved that by acclamation Bil Tucker be recommended to chair the Committee. The motion was adopted.

Jim Byrne announced he will be leaving the Utah Public Service Commission in February and requested that another Committee member be appointed to chair the Committee's RTG Task Force. Byrne noted that if funding is available he may be available to serve as a consultant to the Committee on RTG matters. Bil Tucker moved that a resolution thanking Jim Byrne for his contribution to the Committee be adopted by acclamation. The resolution was adopted. (Attachment U) Tucker presented Byrne with a plaque commemorating his service in organizing the Committee, becoming its first chairman and being a leader of the Committee throughout its tenure.

Bil Tucker proposed that the Committee consider a resolution on electric power R&D that would caution against eliminating federal funds for such R&D. Larry Nordell (MT-DNRC), Dan Nix (CEC), and Phil Carver (OR-DOE) cautioned that any such resolution should not necessarily endorse the allocation of such funds to the existing federal laboratories.

With respect to opening future Committee meetings to outside groups, the Committee decided to maintain the practice of allowing only state/provincial representatives and invited guests to attend. This action was taken to preserve the candid dialogue which has become characteristic of Committee proceedings.

The Committee decided to hold a special workshop on California's restructuring proposal in San

Diego, California on January 19 -20. Staff was directed to secure meeting facilities. The Committee also proposed holding its Spring meeting on April 20 -21 in Seattle or Vancouver. Staff was instructed to investigate the cost of these two potential meeting sites. Suggested agenda items for the April meeting include: continuation of the January investigation into the regional impacts of California's restructuring proposal, R&D, transmission pricing, reliance on natural gas generation, and renewal of the Columbia River Treaty.

There being no further Committee business, the meeting was adjourned.

Summary of Responses to the Survey of State/Provincial Interest in Participating in Different RTG Forums and Financial Feasibility of Such Participation

Opportunity to participate	AL	AZ CC	AZ EO	BC	CA- CEC	CA- PUC	CO- OEC	CO- PUC	ID- PUC	MT- DNRC	MT- PSC	NV- PSC	NM- EMNR	NM- PUC	OR- DOE	OR- PUC	UT- DNR	UT- PSC	WA- SEO	WA- UTC	WY- PSC
WESTERN REGIONAL TRANSMISSION ASSOCIATION																					
Member ¹	Y	N	Y	U	Y	Y		Y	Y	Y	N			N	Y	Y	Y	Y	Y	Y	Y
Member of Board of Directors ²	N	N	N	Y	Y	Y		Y	N	N	N			N	Y	Y	Y	Y	Y	U	Y
Planning Committee member ³	N	N	Y	N	Y	Y		Y	N	Y	N			N	N	Y	Y	Y	Y	U	Y
Liaison between Planning Committee and WSCC ⁴	N	N	N	N	Y	Y		N	N	Y	N			N	N	N	N	Y	N	N	Y
SOUTHWEST REGIONAL TRANSMISSION ASSOCIATION																					
Member ⁵	N	Y	N	N	N	Y		N	N	N	N			Y	N	N	N	N	N	N	N
Member of Board of Directors ⁶	N	Y	N	N	N	Y		N	N	N	N			Y	N	N	N	N	N	N	N
Planning Committee member ⁷	N	Y	N	N	N	Y		N	N	N	N			Y	N	N	N	N	N	N	N
NORTHWEST REGIONAL TRANSMISSION ASSOCIATION																					
Member ⁸	N	N	N	U	N	Y		N	Y	Y	N			N	Y	Y	N	Y	Y	Y	Y
Member of Board of Directors ⁹	N	N	N	Y	N	Y		N	N	N	N			N	Y	Y	N	N	Y	Y	N
Member of Planning Committee ¹⁰	N	N	N	N	N	Y		N	N	Y	N			N	U	Y	N	Y	N	Y	N
Member of Pricing Committee ¹¹	N	N	N	N	N	Y		N	N	N	N			N	Y	Y	N	Y	N	Y	Y
Liaison with WSCC and NW Power Pool ¹²	N	N	N	N	N	Y		N	N	Y	N			N	U	N	N	N	N	U	N
Member of NW Power Pool and TPC ¹³	N	N	N	N	N	Y		N	N	Y	N			N	Y	Y	N	N	N	Y	Y
WESTERN SYSTEMS COORDINATING COUNCIL																					
Member of Board of Directors ¹⁴	N	Y	N	N	Y	Y		Y	N	N	N			N	U	Y	N	Y	N	N	N
Member of RPPC Advisory Committee ¹⁵	N	Y	N	N	Y	Y		Y	Y	Y	N			Y	N	N	N	Y	N	N	Y
Participate in Planning Coordination Committee meetings ¹⁶	N	Y	N	N	Y	Y		Y	N	Y	N			Y	N	N	N	Y	N	N	Y

Legend: N — Means one of three things: (1) not interested in participating; (2) not applicable to the agency because the specified involvement is not within the purview of the agency's responsibilities; or (3) not applicable due to limitations of the geographic reach of a given RTG. Y — Interested in participating and have sufficient resources to commit to such involvement. y — Interested in participating, but do not have the resources (e.g., travel funds and/or staff) to participate fully. In general, most state/provincial agencies in this category indicated that participation would be feasible if travel costs were eligible for reimbursement. Additionally, a number of survey respondents indicated that available resources would first be allocated towards those RTG activities where state interests are directly involved. U — Uncertain.

Skills Available in Western State Agencies to Support State/Provincial Participation in RTG and WSCC Activities

Skill	AL	AZ-CC	AZ-EO	BC	CA-CEC	CA-PUC	CO-OEC	CO-PUC	ID-PUC	MT-DNRC	MT-PSC	NV-PSC	NM-EMNR	NM-PUC	OR-DOE	OR-PUC	UT-DNR	UT-PSC	WA-SEO	WA-UTC	WY-PSC
Power Flow/Stability Studies	N	Y	N	N	Y1	Y2,4		Y2	N	N	N			Y	N	N	N	Y2		Y4	Y2
Production Cost Modeling	N	Y	N	N	Y1	Y		Y2	N	N	N			Y	Y	N	N	Y2		Y4	N
Transmission Contracting Policy/Principles	Y	Y	N	Y	Y	Y2,4		Y2	N	N	N			Y	Y2	N	N	Y		N	Y
Transmission Pricing Policy/Principles	Y	Y	N	Y	Y1	Y2,4		Y2	Y	N	N			Y	Y2	Y	N	Y	Y	Y	Y
Evaluation of Transmission in IRP	N	Y	N	N	Y	Y		Y1	Y	Y	N			Y	Y	Y	N	Y	Y	Y	Y
FERC Transmission Policies	N	Y	N	N	Y	Y		Y2	Y	Y	N			Y	N	Y	N	Y	Y	Y	Y
Siting/Environmental Assessment	N	Y	Y	Y	Y1	Y		Y3	N	Y	N			Y	Y	Y	N	Y	Y ^a	N	Y2

Key to footnotes

1. High degree of skills
2. Limited
3. Some skills but very limited
4. Skills are available but agency may not be able to commit personnel to RTG support
 - a. Via WA Energy Facility Site Evaluation Council

1. WRTA Member: All "commissions" are ex-officio (non-voting) members of WRTA upon submission of a letter to WRTA indicating they want to be a member. Commissions are defined as "governmental agencies in the states and provinces constituting the Western Interconnection with ratemaking, siting or resource planning authority in regard to electrical energy." (§§ 2.6, 2.13, 3)

Expected workload: Receive information and attend meetings, as appropriate.

2. WRTA Board of Directors: The WRTA Governing Agreement provides for seven ex-officio (non-voting) "commission" members of the Board of Directors. Not more than four members can be from the Southwest (i.e., AZ, CA, NV, NM, TX, Mexico); not more than four members can be from the Northwest (CO, ID, MT, NE, ND, OR, UT, WA, WY, B.C., Alberta). Other members of the Board: seven from transmission owning utilities; seven members from transmission dependent utilities; seven members from non-utility suppliers. (§§ 5.2, 5.3)

Expected workload: At least annual meetings of the Board of Directors. Reports on developments to other states/provinces.

3. WRTA Planning Committee: All members of WRTA can participate as members of the Planning Committee. (§ 6.6)

Expected workload: Unknown, but could include participation in meetings, reports to states/provinces on Planning Committee issues, and review and analysis of data/studies. It is believed that this will be a primary opportunity for state/provincial input into regional transmission planning. The Governing Agreement anticipates WRTA contracting with WSCC to conduct planning activities, but the division of labor between the WRTA Planning Committee and WSCC is unknown at this time and will be the subject of a contract between WRTA and WSCC. The WSCC's Regional Planning Policy Committee has indicated that the RTG Planning Committees will be the place to raise issues such as state/provincial IRP and siting requirements and requests that different alternatives be considered in transmission analyses.

4. WRTA Liaison with WSCC: One "commission" member, one transmission-dependent utility and one nonutility supplier are designated as liaisons between the WRTA Planning Committee and the WSCC and other planning bodies (e.g. subregional RTGs). (§6.6)

Expected workload: Could be significant, particularly in the early stages of working out the relationship between WRTA and WSCC on transmission planning. Would involve attending meetings and reporting findings to states/provinces.

5. SWRTA Member: "Commissions" are not explicitly included in the definition of "member" in the bylaws. However, "commissions" may attend Board and committee meetings. "Commissions" are defined as "governmental agencies with ratemaking, siting or resource planning authority in regard to electricity supply in the states and provinces which have SWRTA members." Given the expressions of interest in SWRTA by industry thus far, it appears that "commissions" in AZ, NM, NV, TX, CA, UT (and possibly CO and WA) will be eligible to be SWRTA members. (§§ 2.15, 2.17, 3)

Expected workload: Attending annual meeting.

6. SWRTA Board of Directors: The SWRTA Governing Agreement provides for three ex-officio (non-voting) "commission" members of the Board of Directors. Other members of the SWRTA board include up to three members from transmission-owning utilities, three members from transmission-dependent utilities, and three nonutility suppliers. (§§ 13.1, 13.2)

Expected workload: At least annual meetings of the Board of Directors. Reports on developments to other states/provinces.

7. SWRTA Planning Committee: All "commission" staffs can participate as ex-officio members of the Planning Committee. (§ 6.2)

Expected workload: Unknown, but could include participation in meetings, reports to states/provinces, and review and analysis of data/studies. It is believed that this will be a primary opportunity for state/provincial input into regional transmission planning. The Governing Agreement anticipates SWRTA contracting with WSCC to conduct some planning activities, but the division of labor between the SWRTA Planning Committee and WSCC is unknown at this time and will be the subject of a contract between SWRTA and WSCC.

8. NRTA Member: All "commissions" with members from the Northwest are ex-officio (non-voting) members of NRTA upon submission of a letter to NRTA indicating they want to be a member. Commissions are defined as "any state or provincial utility regulatory commission, state energy commission, or regional, state or provincial agency in the Northwest Interconnected Area with rate-making, siting, or resource-planning authority in regard to electrical energy." Given the expressions of interest in NRTA by industry thus far, it appears that "commissions" in WA, OR, ID, MT, NV, CA, UT, and WY will be eligible to be NRTA members. (§§ 2.15, 2.17, 3)

Expected workload: Receive information and attend meetings, as appropriate.

9. NRTA Board of Directors: The NRTA Governing Agreement provides for three ex-officio (non-voting) "commission" members of the Board of Directors. Other members of the Board include five transmitting utilities, five transmission dependent utilities and five nonutility entities. (§§ 5.1, 5.2)

Expected workload: At least annual meetings of the Board of Directors. Reports on developments to other states/provinces.

10. NRTA Planning Committee: Participation in Planning Committee meetings is open to any member, including "commission" members. (§§ 5.2, 6.5, 6.6, 9.6)

Expected workload: Unknown, but could include participation in meetings, reports to states/provinces, and review and analysis of data/studies. It is believed that this will be the primary opportunity for state/provincial input into regional transmission planning. The Governing Agreement anticipates NRTA contracting with the Northwest Power Pool to conduct some planning activities, but the division of labor between the NRTA Planning Committee and the NWPP is unknown at this time and will be the subject of a contract between NRTA and NWPP. According to the Governing Agreement, in the event NRTA and NWPP execute a contract the Planning Committee will function as a policy group to make recommendations to the Board of Directors.

11. NRTA Pricing Committee: NRTA is the only RTG to establish a permanent pricing Committee. All members of NRTA, including "commissions," can attend meetings of the Pricing

Committee. (§§ 5.2, 6.5, 6.8)

Expected workload: Unknown, but could include participation in meetings, reports to states/provinces, and review and analysis of data/studies. May depend on forthcoming FERC transmission pricing policy and ongoing discussions among the industry in the Northwest.

12. NRTA Liaison with WSCC and Northwest Power Pool: One transmission-dependent utility member, one nonutility member and one "commission" member from the Planning Committee shall serve as liaison with the WSCC, the NWPP, and other planning and reliability councils. (§ 6.6)

13. Member of Northwest Power Pool's Transmission Planning Committee: There can be one member per state. States would be non-voting members of the TPC.

Expected workload: Unknown, but could include participation in meetings, reports to state/provinces, and review analysis of data/studies.

14. Member of WSCC Board of Directors: Current WSCC Bylaws do not provide for ex-officio membership by state/provinces in WSCC. However, a potential proposed change to the Bylaws would establish three ex-officio, non-voting members of the Board of Directors from states/provinces.

Expected workload: At least annual meetings of the Board of Directors. Reports on developments to other states/provinces.

15. RPPC Advisory Committee: At its last meeting, the Committee on Regional Electric Power Cooperation appointed Jim Byrne (UT PSC), Mary McNerny (NM-PUC) and Alan Davis (MT-DNRC) to represent the states/provinces on this Committee. This Committee, which includes many diverse groups (e.g., environmental groups, consumer advocates, BLM, Forest Service), advises the WSCC's Regional Planning Policy Committee. Based on statements by the RPPC, it does not appear that the RPPC will be the primary avenue for states/provincial input on transmission planning.

Expected workload: Unknown number of meetings per year.

16. Planning Coordination Committee: The WSCC's Planning Coordination Committee has existed for many years. Many states/provinces receive regular invitations to attend their meetings. States/provinces, however, are not members of the Committee, only attendees. If contracts are executed between WSCC and WRTA and/or SWRTA, it is expected the Planning Coordination Committee will be the focus of much of the technical analysis.

Expected workload: The PCC meets four times per year and also has working groups. Reports to other states/provinces and analysis of data/studies are likely required.

MEMORANDUM

TO: Committee on Regional Electric Power Cooperation

FROM: Jim Byrne (UT), Chairman
RTG Implementation Task Force

DATE: December 8, 1994

SUBJECT: Recent Developments with Regional Transmission Groups and WSCC

This memorandum conveys recent western RTG developments since FERC ruled on the proposed Western Regional Transmission Association (WRTA) and the Southwest Regional Transmission Association (SWRTA) on October 26. Attached for your review are:

- (1) A summary prepared by Brad Wetstone (WIEB) of the November 29 WRTA general meeting in San Francisco, which I and several other members of the RTG Implementation Task Force attended;
- (2) A summary of the December 1 meeting of the SWRTA Subcommittee on Comparability Tariffs prepared by Prem Bahl (AZ-CC);
- (3) A summary of the December 1-2 annual meeting of the Western Systems Coordinating Council prepared by Jim Byrne (UT-PSC);
- (4) A summary of the December 5 meeting of the Northwest Regional Transmission Association prepared by Phil Carver (ODOE); and
- (5) A copy of the request for rehearing on the WRTA order filed in November by the Washington UTC.

Summary of the Western Regional Transmission Association Meeting

November 28, 1994

San Francisco, California

Steve Walton of PacifiCorp presided over the meeting and outlined six agenda items for participants to address: (1) FERC's comparability requirement; (2) FERC's requirement for a single regional transmission plan; (3) the California Municipal Utility Association's (CMUA) potential filing of a Request for Rehearing; (4) Canadian membership; (5) the Washington State Utilities and Transportation Commission's recent Request for Rehearing; and (6) WSCC's proposed bylaw revisions.

Comparability Tariffs

With respect to FERC's requirement that the Governing Agreement be amended to require all transmitting members to offer comparable services through either individual transmission tariffs or a generic regional tariff, WRTA agreed that each jurisdictional transmitting utility will file transmission tariffs with the FERC. (Walton expressed doubt that WRTA could reach agreement on the details necessary for the development of a single regional tariff.) WRTA also agreed that non-jurisdictional transmitting utilities will be required to prepare individual transmission tariffs, but will not be obligated to file such tariffs unless specifically required to do so by FERC order. In addition, WRTA agreed that the proposed comparability tariffs of non-jurisdictional transmitting utilities will be published and made available to the membership. In reaching the decision to require the filing of individual transmission tariffs, it was observed that some utilities will have to file comparability tariffs in response to other business needs independent of RTG activities. For example, Pacific Gas & Electric said it will be filing an open access tariff in six to eight months, BPA reported it is likely to develop a comparability tariff as part of its next rate filing, and it was noted that there are currently a number of proposed comparability tariffs awaiting FERC action. Comparability tariffs to be filed by members of WRTA, SWRTA and NWRTA are likely to be similar in structure as a result of overlapping membership and collaboration among participants. Lastly, it was decided that each member will maintain the right to specify in individually filed transmission tariffs if non-members are to receive comparable transmission service.

Single Regional Transmission Plan /Requests for Rehearing

WRTA agreed to FERC's requirement that the Governing Agreement be revised to provide for the development of a single regional transmission plan. Walton, however, expressed concern that requests for rehearing may complicate WRTA's efforts to modify its Governing Agreement to comply with this FERC condition. CMUA informed meeting participants that it decided not to file a Request for Rehearing. No one attending the meeting was able to address the issues raised in the Washington UTC's Request for Rehearing.

WRTA will revise its Governing Agreement to require the Planning Committee to develop a single regional transmission plan. Additionally, the Governing Agreement will be modified so

that Commission members will not be bound to support and promote projects included in an RTG regional plan — several Commissions raised the point that if they are obligated to support such transmission projects their regulatory authority may be compromised and this would preclude their participation in an RTG. During the discussion on planning, a number of utilities indicated it is critical that a regional plan not bind members to invest in new projects included in a plan. To address this concern, the Governing Agreement will be revised to acknowledge that while members are obligated to provide transmission service to other members, they will not be required to invest in new projects identified in a regional plan, unless otherwise determined in an arbitration proceeding or specified in a contract for service. Additionally, WRTA agreed that members must be afforded latitude to depart from projects included in a regional plan (the plan should not be regarded by FERC as static, members need to retain some flexibility to satisfy Commission orders and to respond to a dynamic electricity market). Participants did not spend considerable time developing a list of elements to be included in a regional plan, although it was noted that a plan should identify transmission bottlenecks and duplicate projects. It was also noted that it would be necessary for WRTA to establish a minimum voltage level for proposed projects for inclusion in a regional plan.

CREPC Update

Jim Byrne (UT-PSC) and Galen Denio (NV-PSC) briefed participants on recent activities of the Committee on Regional Electric Power Cooperation in the area of RTGs and outlined the recommendations of the Committee's RTG Task Force, as adopted by the Committee. Commissioner Denio stressed that the FERC RTG Policy Statement places the burden on RTGs to obtain state input.

Canadian Membership

Representatives from BC Hydro and Powerex expressed their support for proposed language to be included in a revised Governing Agreement which will permit their participation in WRTA.

WSCC Governance

Lastly it was noted that the general membership of WSCC will be meeting on December 1, at which time revisions to the WSCC Bylaws will be considered by the full membership.

WRTA Action Plan

- By January 1, 1995, WRTA will distribute a revised Governing Agreement to all interested parties and allow two-weeks for review. The latest revision is intended to comply with each of the FERC conditions.
- On January 17, WRTA will hold a general meeting in San Francisco to discuss and consider the changes to the Governing Agreement.
- On January 18, a workshop on comparability tariffs will be held in San Francisco for

purposes of exploring issues of common concern to interested parties. The proposed workshop is intended to help prospective members structure their comparability tariffs.

- On January 26, WRTA will submit a formal letter to FERC stating the RTG accepts each of the Commission's conditions for approval. The letter to FERC will specify a date by which jurisdictional transmitting utilities will file comparability tariffs (date to be determined) and identify the limitations of a regional planning document to be prepared by the Planning Committee (see section on planning above). Additionally, the letter will state that a revised Governing Agreement will be filed by March 1.

- By March 1, WRTA will submit its revised Governing Agreement along with executed signature pages from members, and **letters from Commission members formally expressing their intent to participate in WRTA proceedings.**

Summary of the Southwestern Regional Transmission Association's Subcommittee on Comparability Tariffs

December 1, 1994

Phoenix, Arizona

During the meeting, which was held at the offices of Salt River Project, participants discussed various sections of FERC's Trial Staff's Point-to-Point Transmission Service Tariff. The main concerns raised at the meeting focussed on the establishment of a bulletin board system and defining ancillary services. There was consensus that all members would file a comparability service tariff with FERC. Members of the SWRTA subcommittees on comparability and planning will meet again in Phoenix on December 12 or 13 to discuss modification of the Bylaws. Revised Bylaws must be filed with FERC by January 25, 1995.

The Subcommittee on Planning was not able to meet at the same time as the Subcommittee on Comparability as Harlow Peterson of Salt River Project was out of town. However, Planning Subcommittee members were able to discuss the issues raised by FERC through a conference call. The Planning Subcommittee members concluded that SWRTA will agree to develop a single unified plan for the southwest region which will include alternatives arising out of different states' IRP processes and changes in plans.

At this time, FERC only wants SWRTA to modify its Bylaws to reflect inclusion of comparability of service tariffs and a commitment to develop a single unified transmission plan. FERC also requires SWRTA to submit a time-table outlining when its members will file comparability of service tariffs. In addition, FERC requires other minor modifications to the Bylaws.

SUMMARY OF THE WESTERN SYSTEMS COORDINATING COUNCIL (WSCC) ANNUAL MEETING

DECEMBER 1 & 2, 1994

LAS VEGAS, NEVADA

The WSCC held its annual meeting in Las Vegas on December 1 & 2, 1994. The issues of principal interest to the CREPC were changes in the bylaws having to do with governance and the Unscheduled Flow Dues Assessment.

There are currently 69 members in the WSCC. An affirmative 2/3 vote (46 members) is required for amendment of the bylaws. The proposed changes to the bylaws, discussion and votes were as follows:

- * Proposed language to clarify that each member is responsible for its portion of the annual Unscheduled Flow Dues Assessment.

The Board of Trustees and the Executive Committee recommended the change in the bylaws for the following reasons:

- This is an unscheduled flow mitigation plan that most of the members have agreed to.
- The cost per member is not large and is equitably allocated.
- Other loop flow mitigation plans have been tried and failed.
- The industry is changing and the old I'll scratch your back, you scratch mine methods won't work anymore.

Washington Water Power, Chelan PUD, Portland General Electric, Puget Power, and others opposed this bylaw change. Without attribution to any one speaker, the points raised against included:

- We don't engage in regional transactions and will receive no benefit from unscheduled flow mitigation.
- WSCC is a reliability council and should deal with reliability; unscheduled flow mitigation is a commercial arrangement and should be dealt with in an RTG.
- The dues assessment should not be utilized to coerce members into paying for something they don't want or need

The vote counters said the vote would be close and indeed it was. The Unscheduled Flow Dues Assessment bylaw change was affirmed by a vote of 48 for, 9 against, and 4 abstentions.

As a concession to the members who raised concerns about this issue, the Board has formed a Task Force to look into the equity of the plan and to make recommendations on what to do if a member doesn't pay.

There will also be an Unscheduled Flow Subcommittee which will evaluate the plan after one year, three years, and seven years.

- * Proposed changes in WSCC's governance and other editorial changes in the bylaws.

The Board of Trustees and the Executive Committee also recommended these changes which included:

- Creation of three membership categories for full members
 - Major Transmission Dependent Utilities
 - Transmission Dependent Utilities
 - Independent Power Producers/Marketers
- a Board with a minimum of two and a maximum of seven representatives from each membership category. Actions of the Board require a 2/3 vote of the representatives of the meeting
- Open full membership to marketers
- Open affiliate membership to brokers
- Three positions available for representatives from the state/province regulatory agencies to serve as observers on the Board of Trustees in a non-voting capacity.

There was no debate on this proposal and it was affirmed by a vote of 53 for, 8 against, and 3 abstentions.

These two votes were major milestones in the history of WSCC and position the organization to continue to be a major player in the western electric interconnected grid.

- * In other action the WSCC changed the Administrative Manger's title to Executive Director, and voted to include the Executive Director as a non-voting member of the Board of Trustees and an ex-officio member of the Executive Committee.

Congratulations-Dennis! (but would you rather have had the raise?)

Summary of the Northwest Regional Transmission Association Meeting

December 5, 1994

The group reviewed the WRTA response to the FERC Order. It decided to ask the FERC for a 60 day delay to amend the application. The application will revise the comparability and planning language to move toward the FERC WRTA order, but not completely satisfy the conditions. Much of the meeting was spent trying to give direction to the drafting committee on these issues. The new application will also include Canadian language similar to the proposed changes to the WRTA. These and other NWRTA features remain similar to the WRTA except that the NWRTA excludes non-northwestern entities. There has been no decision on the governance of the Northwest Power Pool, which oversees the Transmission Planning Committee staffing.

COMPARABILITY

Even with the amendments the NWRTA Bylaws will not require non-jurisdictional utilities (publicly-owned) to submit comparability tariffs to the NWRTA. Instead, the Bylaws will have minimum standards for tariffs. The hope is these minimum standards will serve as "tariffs" for the non-jurisdictional utilities. It is unclear how the FERC will react to this.

A "BINDING" REGIONAL PLAN

This caused the most confusion. In the WRTA FERC order the plan is labeled "consensual." Utilities are supposed to "adopt and support" this plan. The utilities and states agreed that members and states cannot be bound by the plan.

The plan is envisioned as a comprehensive analysis and discussion of bottlenecks and alternative solutions. All agreed this will be useful. It seems unlikely a consensus could be reached on the "best" alternatives. Even if there were consensus, a utility cannot be forced to invest in a project.

The utilities agreed to strive for a comprehensive plan that is more than the individual utility plans stapled together. It is unclear how definitive the plan will be. It will be approved by the NWRTA, probably by consensus of both the TPC and the NWRTA Board. The new language will clarify that states are not bound by the plan.

GEOGRAPHIC EXCLUSION AND TREATMENT OF NON-MEMBERS

This is the only place where the NWRTA might have more difficulty than the WRTA. The NWRTA excludes non-northwestern participants and allows northwestern utilities to offer different tariffs to non-members. The WRTA has no geographic exclusion. This might be seen by the FERC as discriminatory. This may not be an issue if applying for a 211 request in the northwest automatically makes the applicant a northwestern entity.

PROCESS

The NWRTA will ask FERC for a 60 day delay by Dec. 16. The new draft will be available by Jan 5. The whole committee will meet near the end of January if the amendments are controversial.

UNITED STATES OF AMERICA
FEDERAL ENERGY REGULATORY COMMISSION

PacifiCorp, the California Municipal)
Utilities Association, and the)
Independent Energy Producers) Docket No. ER94-1288-000
(on behalf of Western Regional)
Transmission Association))

REQUEST FOR REHEARING OF THE
WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

Pursuant to Federal Energy Regulatory Commission Rule of Practice and Procedure 713 (18 C.F.R. Section 385.713), the Washington Utilities and Transportation Commission (WUTC) requests rehearing of the Commission's Order Conditionally Approving Regional Transmission Group Filing, issued October 27, 1994 in this docket. In support of its request, the WUTC states as follows:

I. IDENTITY OF REQUESTING PARTY

The WUTC is an agency of the State of Washington, having jurisdiction over the rates, services and practices of all public service companies engaging in the generation, transmission, distribution or sale of electricity for hire in the State of Washington. The WUTC is an intervenor in this proceeding and may elect to become a non-voting member of the Western Regional Transmission Association.

II. REQUEST FOR REHEARING

On May 20, 1994, PacifiCorp, the California Municipal Utilities Association, and the Independent Energy Producers filed the Western Regional Transmission Association (WRTA) Governing Agreement under Section 205 of the Federal Power Act. The Commission, by order issued October 27, 1994, conditionally accepted the Governing Agreement and found that the WRTA qualifies as a regional transmission group (RTG) if certain modifications are made to the Governing Agreement.

One of the conditions established by the Commission requires the Governing Agreement to be revised "to provide for the development of a single regional transmission plan that takes into account and coordinates the planning information, decisions, and needs of individual members and incorporates the needs of non-members." (Order at 15.) WRTA members would then be required to commit to adopt and to promote the consolidated plan before individual state regulatory and siting authorities as a consensual, unified plan for meeting the transmission needs of the region.¹ (Id.)

¹ Similar conditions were established by the Commission in its October 27, 1994 order approving the Southwest Regional Transmission Association in Docket No. ER94-1381-000. (Order at 26-28.)

The WUTC seeks rehearing from the Commission with respect to these conditions. First, the Commission should clarify that the requirement to develop a single regional transmission plan does not bind WRTA members to any particular completion date for that plan. This will enable the regional transmission planning process envisioned by the Commission to commence and afford members the opportunity to begin to communicate, coordinate and share relevant information in an efficient and effective manner.

Second, the Commission should clarify that the requirement to adopt and promote a single regional transmission plan does not apply to non-voting members such as state commissions. That requirement may discourage state commissions from participating in the WRTA and other sub-regional RTGs if it may arguably impede upon the retail ratemaking authority and discretion of a state commission.

A. The RTG Transmission Planning Process Must Evolve Before A Regional Plan Can Be Developed.

The WUTC believes that the formation of RTGs offers several potential benefits, including open access to the transmission grid, greater competition in wholesale markets, timely resolution of disputes, and coordinated regional transmission planning. For the WRTA or subregional RTGs, planning committees should facilitate communication, coordination, sharing of technical information among members, and early identification of state siting/planning requirements.² This should broaden and advance the regional dialogue on planning for the efficient use and expansion of the transmission system, and allow for the eventual development of a single consolidated regional transmission plan in accordance with the Commission's requirements.

However, neither the Commission nor WRTA members can expect these processes to be completed in a short time period. RTG planning and coordination processes will undoubtedly require time to develop and produce useful results. Therefore, while it may be beneficial to require WRTA members to eventually develop, adopt and promote a single regional transmission plan, the WUTC believes these are unrealistic and unworkable expectations for the near term and may impede the successful formation and operation of the WRTA.

The WUTC, therefore, requests that the Commission clarify that the requirement to develop and adopt a single regional transmission plan does not place any near-term time constraints on WRTA members who should see their immediate priority as forming their planning committee and beginning a regional dialogue among members concerning coordinated transmission planning. The successful formation and operation of the WRTA, and other subregional RTGs, depends on the ability of members to satisfy that priority.

B. Non-Voting Members Should Be Exempt From the Requirement to Adopt and Promote A Regional Plan.

In its Policy Statement Regarding Regional Transmission Groups, the Commission indicated that an RTG agreement must provide a "means of adequate consultation and

² Through the Western Systems Coordinating Council and other subregional planning entities, utilities in the West now coordinate transmission planning activities. However, the nature and extent of this planning will evolve as RTGs form and evolve.

coordination with relevant state regulatory, siting, and other authorities." Policy Statement Regarding Regional Transmission Groups at 14, Docket No. RM93-3-000, July 30, 1993. The Commission also noted:

"....state involvement in RTGs can allow state agencies to improve communications with utilities and with each other in dealing with transmission concerns, and can facilitate coordinated treatment of siting issues among the states." (*Id.* at 15.)

The WUTC agrees that state involvement in RTGs is necessary and important, and supports coordinated regional transmission planning. As such, the WUTC participated in meetings during the development of the WRTA agreement, as well as the Northwest Regional Transmission Association (NWRTA) agreement currently pending before the Commission in Docket No. ER95-19-000. The WUTC also participates on the Committee on Regional Electric Power Cooperation's (CREPC) RTG Implementation Task Force which has worked to identify opportunities for western state and provincial regulatory agency participation in RTGs.

Were it to become a member of WRTA or a subregional RTG, the WUTC could participate on the Board of Directors, Planning Committees, and/or other committees. This participation would not include the ability to vote on matters before the Board or committees, but meets the objectives of the Commission in its Policy Statement and contributes to the WUTC's regulation of jurisdictional electric utilities within the State of Washington.

However, the WUTC is concerned that its participation as a member of the WRTA and in the adoption and promotion of a regional transmission plan could be construed as regulatory pre-approval, thus, limiting the authority of the WUTC to fulfill its statutory responsibilities to regulate in the public interest the retail rates for electric utility services in the State of Washington. Despite its desire to participate in WRTA, the WUTC could not participate under such circumstances.

The WUTC, therefore, requests that the Commission modify its Order in this docket to require only **voting** WRTA members to adopt and promote a single regional transmission plan. In the alternative, the Commission could clarify that the adoption and promotion of a plan does not impede in any way upon a WRTA member/commission's regulatory authority to establish rates for retail electric services.³

III. CONCLUSION.

For these reasons, the WUTC requests that the Commission grant rehearing and revise its Order Conditionally Approving Regional Transmission Group Filing in this docket as set forth above.

DATED this 17th day of November, 1994.

Respectfully submitted,

³ We note that Section 14.4 of the WRTA Governing Agreement states that it "does not replace, modify, supersede or limit any contracts, decisions or regulatory agencies or courts of law, or other legally enforceable entitlements, rights or obligations of any Member..." We interpret this provision to acknowledge and respect the WUTC's statutory authority to regulate the retail rates for electric services within the State of Washington.

Robert D. Cedarbaum
Assistant Attorney General
Counsel for the Washington
Utilities and Transportation
Commission

MEMORANDUM

TO: Committee on Regional Electric Power Cooperation (CREPC)

FROM: Jim Byrne, Chairman
RTG Implementation Task Force

DATE: December 16, 1994

SUBJECT: Letters of intent of Commissions to Participate in WRTA

At the November 28, 1994 meeting of the Western Regional Transmission Association (WRTA) in San Francisco, the potential members of WRTA agreed to accept, in major part, the conditions imposed by the FERC in their October 26, 1994 order. (See meeting summary, Attachment (1) to my December 8, 1994 memo to the CREPC.)

WRTA also agreed to file its revised Governing Agreement on March 1, 1995 together with contract execution pages from each member and letters expressing a desire to participate from state Commissions.

Since the beginning of our discussions on RTGs at the CREPC in 1992, it has been clear that there is substantial support among the western Commissions, energy and siting agencies for WRTA. We passed a resolution supporting the RTG concept in October 1992 and in June of 1994 sent a letter to FERC Chair Molér supporting the effort to form regional and subregional RTGs. The principle reservation which has been expressed in our discussions is that the states would not and could not give up their jurisdictional authority to a regional organization, and that participation in such an organization might be so interpreted. The Washington Utilities & Transportation Commission (UTC), in their November 17, 1994 Request for Rehearing of the WRTA decision filed at the FERC, requested that it be made clear that the non-voting members (states) would be exempt from the requirement to adopt and promote a regional transmission plan.

At the November 28 WRTA meeting, it was decided to explicitly state this principle in the WRTA bylaws. In the December 9, 1994 Draft of the WRTA bylaws it states in section 3.3:

Commission Members. Membership in the Association by a Commission or any participation in the activities of the association by a representative of a Commission Member shall not be deemed to bind any Commission Member in any respect in regard to any administrative proceedings that may be conducted by such Commission Member provided, however, if a Commission Member intervenes as a party to an Arbitration, it shall be bound by the award in the same fashion as any other Member.

On December 14, the FERC granted the Washington UTC's request for rehearing and agreed that the states could not be bound by the regional transmission plan, stating "we agree with the Washington Commission. Non-voting members need not 'adopt and promote' the plan, although we encourage state authority members to participate in the formulation and implementation of the plan."

I hope that these actions by WRTA and the FERC will alleviate the concerns previously expressed on this issue.

"Commission" participation in WRTA does not necessarily mean Commissioner participation. Commission, energy or siting agency staff may participate or a state may adopt a "monitor" rather than "attend" approach. It is clear, however, that the RTG process will function best for the region, if all states participate in some way.

The FERC expressed concern about the lack of state comment on the original WRTA filing and indicated in its order that it sought state participation.

I urge that you begin whatever process is necessary in your state, to determine if you will participate in WRTA and, if so, to prepare a letter of intent by February 15, 1995 so that it can be forwarded to WRTA for inclusion in their filing with FERC by March 1, 1995.

Hotel Reservation Reminder

Please make your hotel room reservations for San Francisco. The Committee is meeting on January 19-20 at the Holiday Inn Financial District. The meeting is expected to end in the early afternoon on January 20. Call 800/424-8292 or 415/433-6600 to make a reservation at the Holiday Inn under the Western Interstate Energy Board room block. The room rate is \$75 single/\$85 double. Alternatively, you may make a room reservation at the San Francisco Hilton where the DOE meeting on January 18 is being held. Call 415/771-1400 to reserve a room under the DOE room block at the Hilton. The room rate

WRTA Comparability Workshop

MEMORANDUM

February 15, 1994

TO: The Committee on Regional Electric Power Cooperation

FROM: Jim Miernyk, Washington UTC

SUBJECT: WRTA Workshop on Comparability

On January 18, 1994, prospective members in the Western Regional Transmission Association (WRTA) held a workshop [in San Francisco] on developing comparability transmission tariffs. The meeting followed a general meeting on the revised WRTA governing agreement on the 17th.

FERC, in the October 27, 1994 order conditionally approving the WRTA agreement, required all transmitting utility members to offer comparable services to members and (if WRTA chooses) to non-members [P. 2]. The mechanism by which comparable services are to be defined and judged is a transmission tariff filed with the FERC. FERC gave WRTA transmission-owning utilities the option of filing individual tariffs or a generic regional tariff.

This meeting was the first effort by WRTA participants to:

- ▶ develop a strategy for proceeding;
- ▶ define comparability;
- ▶ develop a schedule;
- ▶ identify products; and,
- ▶ identify and assign tasks.

Another aspect of the meeting was to simply share information. One of primary reasons I attended was to learn more about comparability, which clearly has major implications on utility transmission services and wholesale marketing. In fact, utilities themselves are uncertain as to what constitutes comparability! But progress was made. Chuck Derrick of Idaho Power led the discussion very effectively and speakers provided valuable insights. Kent Wheatland (CPUC) and myself were the only state representatives in attendance, and Steve Henderson from the FERC was also there.

Meeting Summary

WRTA members decided to file individual transmission tariffs with the FERC rather than a generic regional tariff. Several major transmitting utilities, including PacifiCorp, PG&E, and Bonneville indicated they are currently working on tariffs based

on the FERC trial staff's model tariffs and other information. The open access tariffs filed by Washington Water Power and Sierra Pacific Power as part of the Resources West merger are also considered model tariffs. Other model tariffs mentioned at various times throughout the day were the Louisville Gas and Electric, Kansas City Power & Light, Florida Power & Light, and Central and Southwest tariffs.

FERC

Steve Henderson provided FERC's perspective on comparability.

Utility filings should include provisions for both point-to-point and network service. Control area services (i.e., ancillary services such as voltage support, load following, dispatch and scheduling, backup) should also be offered. Available transmission capacity and services should be posted on an electronic bulletin board (EBB). In the tariff, a utility must also commit to expand the grid if the customer is willing to pay. The tariff should allow the third party wheeling customer to reassign firm rights (for point-to-point service) to others. Another key item is request procedures and how to queue up for transmission services.

FERC believes that ideally, a utility should take service under its own comparability tariff. This is likely to be a future issue. For now, FERC wants transmitting utilities to define and outline the conditions for providing service to third parties on the same basis that the utilities provide themselves.

Utility Perspective

Steve Walton discussed **PacifiCorp's** strategy and the open access tariff filed in 1988 as part of the PP&L - UP&L merger. Factors for utilities to keep in mind as they proceed with developing tariffs include: dealing with confidential information; addressing line losses; defining scheduling procedures; differentiating between long-term and short-term service (primarily for point-to-point); curtailment provisions; and information required for the electronic bulletin board. Curtailment is particularly important.

Steve Larson provided an overview of **Bonneville's** plans to meet the comparability standard. During negotiations with customers, BPA has agreed to meet FERC's comparability standard, except where prohibited by statute. BPA will offer three tariffs (network, point-to-point firm, point-to-point non-firm) to customers. Pricing and price transparency continue to be major issues. The customers want to see a line item for transmission service on their bill and they want Bonneville to "charge itself"

the same price. Steve favors a single consolidated EBB for the region.

Carl Imperato said **PG&E** will file a transmission tariff by summer, consistent with policies arising from the California PUC's industry restructuring proposals. Carl said their tariff assumes an independent grid operator and unbundling of services. PG&E's approach is not based on firm or non-firm service, but rather on a concept of intra-system assured delivery. Carl said the market will determine the "firmness" of ultimate delivery. Congestion-based zonal pricing will be

proposed. PG&E, at least initially, shall be the sole provider of ancillary services but expects there to be other providers in the future. Questions include: how to allocate fixed costs?; how to grandfather existing transmission rights?; how to plan for future expansion?; how to determine congestion pricing? (complex time of use procedures?); and curtailment.

Discussion

The discussion focused on many topics, but there was particular focus on the EBB. Members decided to determine what services to post on the board and develop common parameters to support this information. Sub-groups formed to research various aspects of electronic bulletin boards with participants from all three voting classes of WRTA volunteering to be involved. The bulletin board may well become the unifying piece of the puzzle as the various transmitting utilities file their unique individual tariffs with the FERC.

WSCC Bulletin Board

The WSCC has set up a conference area on their EBB for WRTA members to use as they work on comparability tariffs. There are several important documents already posted on the board, including the FERC trial staff's model tariffs. To access the board, call 801/582-8421 and set your modem to an 8 bit word, one-stop bit, no parity, and ANSI-BBS terminal emulation. To activate your account, call the WSCC staff at 801/582-0353.

Next Meeting

The next comparability workshop will take place on March 7 in Salt Lake City.

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Western Interstate Energy Board/ WINB

February 9, 1995

ATTACHMENT K

Ms. Lois D. Cashell
Secretary
Federal Energy Regulatory Commission
825 North Capitol Street, N.E.
Washington, D.C. 20426

Alberta
Arizona
British Columbia
California
Colorado
Hawaii
Montana
Nebraska
Nevada
New Mexico
Oregon
Saskatchewan
Utah
Washington
Wyoming

Anita Lockwood
Chair

Douglas C. Larson
Executive Director

RE: Western Regional Transmission Association
DOCKET NO. ER94-1288-000

Dear Secretary Cashell:

The Committee on Regional Electric Power Cooperation reiterates its recommendation that the Commission approve the Western Regional Transmission Association's (WRTA) application which is before you in Docket No. ER94-1288-000. The attached letter outlines the Committee's views on the principles which should guide the Commission's actions on WRTA in this docket, as well as the Commission's actions on the proposed Southwest Regional Transmission Association in Docket No. ER94-1381-000 and the expected application to create a Northwest Regional Transmission Association.

As noted in the letter, the western states are committed to participating in western RTGs. Letters from states intending to participate in the Western Regional Transmission Association will accompany WRTA's expected filing at the end of the month.

The Committee consists of the public utility commissions, energy departments, and facility siting agencies in the 11 states of the western interconnected grid which are affected by the proposed RTGs, and the Canadian Provinces of Alberta and British Columbia.

Sincerely,

Bil Tucker, Chairman
Committee on Regional Electric Power Cooperation
and
Chairman, Wyoming Public Service Commission

cc: Commissioners

Enclosure: June 6, 1994 letter to the Honorable Elizabeth A. Moler

600 17th Street, Suite 1704 South Tower
Denver, Colorado 80202-5447
303/573-8910 FAX 303/573-9107

Western Interstate Energy Board/ WINB

ATTACHMENT L

TO: RTG Implementation Task Force
Roger Hamilton (OR-PUC), Chairman
Phil Carver (OR-DOE)/Bernard Somdah (OR-PUC)
Galen Denio/Rex Reed (NV-PSC)
Larry Nordell (MT-DNRC)
Prem Bahl (AZ-CC)
Kent Wheatland (CA-PUC)
Deb Ross (WA-SEO)/Jim Miernyk (WA-UTC)
Prasad Poturri (NM-PUC)
Peter Ostergaard (BC)
Dave Walker (WY)

FROM: Bil Tucker, CREPC Chairman

DATE: February 22, 1995

SUBJECT: **WRTA Comparability Transmission Tariffs Workshop
Task Force Chairman**

The Western Regional Transmission Association (WRTA) is holding a second workshop on how to develop transmission comparability tariffs, as required by the FERC as a condition of approving WRTA. Jim Miernyk (WA-UTC) and Kent Wheatland (CA-PUC) attended the first WRTA workshop. Jim's notes from the workshop are posted on the CREPC forum.

The second workshop is being held on March 7 in Salt Lake City (20th Floor Conference Room, One Utah Center, 201 South Main). No hotel sleeping rooms have been reserved by WRTA, however there are three suggested hotels nearby: Red Lion (255 S. West Temple 801/328-2000); Shilo Inn (206 S. West Temple 801/521-9500); and Little America (500 S. Main 801/363-6781). WRTA has not yet sent out a meeting agenda.

WRTA has a Comparability Conference (or forum) on the WSCC electronic bulletin board and many FERC orders and other documents associated with comparability have been posted on the WSCC bulletin board. Staff has uploaded some of the key files to the CREPC forum.

Please call Doug Larson (303/573-8910) if you are interested in attending the March 7 comparability workshop. There is limited funding available to cover travel expenses.

Finally, as you know Jim Byrne (UT), who has chaired the Task Force, is leaving the Utah Commission at the end of the month. I am delighted that Roger Hamilton of the Oregon PUC has agreed to take on the task of chairing this important Task Force.

**Western Regional Transmission Association
Comparability Workshop
March 7, 1995
Salt Lake City, Utah**

Workshop Summary

Chuck Durick of Idaho Power led the workshop which was attended by the following CREPC members: Prem Bahl (ACC); Dave Walker (WY-PSC); Kent Wheatland (CA-PUC); Bernard Somdah (OR-PUC); Doug Larson (WIEB); and Brad Wetstone (WIEB). Jim Byrne (consultant to the UT-PSC) and Tom Flynn of the California Energy Commission were also in attendance. The meeting focussed principally on the need for WRTA to develop definitions of various transmission services in order to standardize products and the need to reach consensus on the objectives of the electronic bulletin board (EBB) which will be used to post transmission service information/opportunities.

WRTA Update: Steve Walton, PacifiCorp, reported that a total of 37 entities have signed-on to WRTA as voting members and 17 state agencies have submitted letters of intent to join the RTG as ex-officio Commission members. A handful of other entities have expressed their intent to join WRTA including the Los Angeles Department of Water and Power, Kenetech, Seattle City Light, Deseret Generation & Transmission, and Tri-State Generation & Transmission. Walton noted there is a problem with the lack of geographic diversity among Transmission Dependent Utility (TDU) members — all current TDU signatories are located in California. In addition, he noted that B.C. Hydro/Powerex recently asked the FERC to clarify Section 10.2 of the Governing Agreement dealing with comparability of service. Notwithstanding these minor problems, Walton is confident that the FERC will accept the WRTA Governing Agreement. Five weeks after FERC issues its approval, WRTA will hold a General Meeting and a Board of Directors meeting in Salt Lake City to organize the membership and elect officers. A Pricing and Tariff Committee is likely to be established during the start-up phase of the RTG to help members construct comparability tariffs which are due to be filed with the FERC 180 days following FERC approval. Walton concluded his remarks by observing that the "comparability train is coming ... and WRTA can either watch itself get run over or lay down the tracks." He also mentioned that PacifiCorp will file a Network tariff in one month.

SWRTA Update: The SWRTA organizers are developing a compliance strategy for FERC's two requirements for comparability tariffs and regional planning. With respect to comparability, prospective charter members are working to develop standard definitions for "firm" and "non-firm" service, including ancillary services, and are discussing development of an EBB. SWRTA has not yet addressed Network service. Regarding transmission planning, SWRTA organizers are preparing a white paper which will outline the subregional planning process and help in the development of revised planning provisions of SWRTA's Bylaws. The white paper will address the relationship of SWRTA and Western Systems Coordinating Council planning. The SWRTA Bylaws are scheduled to be filed with FERC on April 25. Individual comparability tariffs will be filed with the Commission approximately six months after FERC's approval of the Bylaws. Once WRTA is formally established, SWRTA will initiate a dialogue with WRTA in accordance with a FERC requirement that WRTA and SWRTA provide for planning collaboration and coordination. SWRTA is meeting on comparability on March 8-9.

NRTA Update: A final Governing Agreement has been filed with FERC and executed signature pages are due by the end of March. Planning provisions have been constructed to parallel the planning language contained in the WRTA Governing Agreement (e.g., NRTA may contract with the Northwest Power

Pool Transmission Planning Committee for planning functions akin to WRTA contracting with WSCC). Initial members are likely to include a large number of small public utilities, several large IOUs and some IPPs. NRTA

is including language in its Governing Agreement acceptable to POWEREX. WRTA will await FERC's review of the NRTA language before acting to incorporate the new Canadian language into its Governing Agreement in the terms of an amendment.

Standards and Products Task Force: Carl Imparato, Pacific Gas & Electric, heads this Task Force. He stated that WRTA needs to develop principles and/or objectives for applying comparability in transmission tariffs. He asked if there are minimum requirements for comparability and if WRTA should endorse a set of standards for transmission service. Imparato indicated it is important that WRTA arrive at a common understanding of different transmission services (e.g., firm and non-firm) and that terms and conditions for such services be standardized. He observed that the design of an EBB (e.g., guidelines on the type of information to be posted) will help define both the specific types of transmission services which will be available among members and the general parameters of comparable transmission tariffs. Essentially, development of an EBB will provide the framework for determining comparability of service. Steve Walton and Imparato expressed the view that litigation will likely bring individual tariffs into alignment.

It was noted that the Western Systems Power Pool, as part of its effort to develop on-line trading, is working on parallel definitional issues. Common terms are essential to making the EBB function, otherwise no one will know what they are buying.

For the next meeting, the Task Force was asked to develop definitions for various transmission services (products) in a collaborative forum involving system operators, planning personnel, transmission engineers and IPPs. As a starting point, it was suggested that the Task Force look at EPRI's Phase I and II reports, which represent rough attempts to defining transmission products. Additionally, it was requested that the Task Force consider the issue of who has the right to resell unused firm capacity obligated under a contract. Can the unused portion be sold on a non-firm basis by the transmission provider or contract holder? Rick Shapiro of Enron offered to consult with gas pipeline officials to investigate the types of attributes defined as part of that industry's real-time trading program. The Task Force will develop strawman standards and products.

Electronic Bulletin Board Task Force: Tarcy Lee, PacifiCorp, briefed meeting participants on the activities of this Task Force. The Task Force looked at the FERC settlement order with Louisville Gas & Electric and the FERC trial staff's model tariff to determine the general requirements of an EBB. To date, the Task Force has discussed EBB needs with four vendors. Many of these vendors' products focus on trading, not RTG operational level data. Thus a question is whether the focus should be on a complex trading-like product or a minimum complexity product conveying comparability information, such as that outlined in the Louisville Gas & Electric proposal. The Task Force agreed that if there is to be more than one EBB, they need to be interactive. The Task Force was asked to: identify minimum posting requirements needed to put transmission service information/opportunities on-line; identify technical requirements of the system; establish protocols for EBB access, posting and, potentially, deal consummation (e.g., security protection, guidelines for types of information eligible for posting); and to start with a modular EBB to ensure that it can be upgraded to accommodate complex uses such as interactive business transactions. There appeared to be general agreement that the EBB should evolve from a "bare bones" information posting system to a fully interactive, real-time trading system. The Task Force was encouraged to consult with the airline reservation industry, given their vast experience in real-time, reservation systems. It was noted that the WSPP Bulletin Board System (BBS) will begin the test phase of an on-line trading program on May 1. Perhaps lessons learned from that experience can benefit WRTA's efforts to design its EBB.

Education/Information Sharing Task Force: Chuck Durick, Idaho Power, described the types of information currently available on the WRTA BBS, including: comparability tariffs filed with FERC; FERC orders; and WRTA documents (e.g., Governing Agreement, list of signatories). Information uploaded onto the BBS should be formatted in WordPerfect 5.1. Durick will also be uploading FERC's spreadsheets for determining if transmission costs are just and reasonable. Several participants noted that it would be helpful if summaries of new comparability tariffs and cost of capital information specific to public utilities were accessible from the BBS.

Next Steps: The Task Forces were asked to perform their delegated functions as specified above. The next comparability workshop is scheduled for April 18 in Portland, Oregon.

Observations:

1. Basic terms used in comparability tariffs need to be defined. This will not be an easy task.

For example, there is no common agreement on what such terms as "firm" and "non-firm" transmission mean. Significant efforts will be needed to reach agreement on such standards. Such standards are needed to allow for the creation of a smoothly operating market for transmission in the West. Even more difficult will be efforts to define ancillary transmission services (e.g., voltage/VAR support, spinning reserve, standby/reserve/backup capacity).

2. What constitutes comparable transmission tariffs is likely to change over time, but many western utilities and all WRTA members need to develop such tariffs before FERC comparability rules are in place.

A number of western utilities (e.g., Washington Water Power/Sierra Pacific, Pacific Gas & Electric, PacifiCorp, Bonneville Power Administration, Public Service Company of Colorado) will need to file comparability tariffs with the FERC in order to secure Commission approval of desired company actions. In addition, all members of WRTA are committed to filing comparability tariffs within 180 days of the time the FERC approves the WRTA Governing Agreement (which is expected next month). Indications are that FERC wants to develop comparability rules, rather than continuing to rely on case-by-case decisions to set policy. FERC is expected to issue a notice of proposed rulemaking in May or June. It would likely be followed by an extended comment period before final rules would be issued. This would push the date of final rules past the WRTA 180 day deadline. Therefore, we can expect to see most major western utilities file comparability tariffs in advance of FERC rules with subsequent modifications of the tariff to incorporate comparability provisions in final FERC rules. As is the case now, the tariffs in effect at the time a contract is signed will govern the terms and conditions for the life of that contract.

3. Establishment of one or more electronic bulletin boards will be a central feature of each company's comparability tariffs and a unifying factor for all companies. The type of information required to be posted on such bulletin boards is important to states/provinces as well as to utilities and independent power producers.

There is concern that the FERC, as evidenced by recent actions, will require that extensive information be posted on an electronic bulletin board. Some believe that FERC's data requirements are excessive and in some cases duplicative (e.g., Form 714 and 715) of information already available on other EBBs. Also, some of this information is one year old and will do little to help consummate current transactions. There is also discussion about what information should be kept confidential. It is proposed that the buyers and sellers of transmission service in the West try to

agree on the information that should be on the EBB, present the FERC with such a proposal and seek deference from FERC under its RTG Policy Statement. States/provinces need to ensure that their data needs are reflected in the WRTA proposal and that excessive confidentiality requirements do not hinder the operation of an efficient market or preclude regulatory review to ensure the market is functioning properly.

4. Comparability tariffs filed by WRTA members, the desire of the Western Systems Power Pool to adopt on-line trading, and efforts to create futures markets and transmission hub pricing will ultimately become closely linked largely because many of the same data are needed for all three efforts.

5. One view expressed at the workshop is that the FERC will make it increasingly painful to maintain vertically integrated utilities through its transmission rulings.

6. Some concern was expressed about the interaction of comparability tariffs and the discounting of transmission services.

For example, if a utility offers a discount of the cost of using a particular transmission line in order to increase business, will comparability require the utility to offer the same discount on all of its other lines, some of which may be congested?

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