

August 20, 2002

Addressees

Subject: Infrastructure Technical Review Committee (ITRC) Report

Background

Portions of the Northwest transmission system are gridlocked. An adequate and affordable electric supply is not possible without sufficient transmission capacity. An unreliable system puts public health, safety and the economy at risk. Confirmation of these findings is contained in the National Grid Study (U.S. Department of Energy, May, 2002).

As the operator of three-quarters of the bulk transmission in the Northwest, the Bonneville Power Administration (BPA) developed a transmission infrastructure proposal that builds upon BPA's previous transmission expansion plans. Undertaking a capital program of this magnitude will require an increase in BPA's borrowing authority as well as full consideration of third-party financing options. A diverse group of Northwest electric power interests, in an August 8, 2001 letter to Vice President Cheney, strongly endorsed increased borrowing authority in order to ensure that sufficient financial resources are available to accomplish transmission expansion needed to ensure an adequate and affordable electricity system for the Northwest.

The ITRC was formed in 2001 at the behest of some BPA customers to support BPA's efforts to secure funding for BPA's infrastructure proposals. Each year, the ITRC evaluates and works to prioritize BPA's proposed improvement projects in a manner that will provide the most cost-effective, reliable service for the region's consumers. Guidelines for the review were defined in the "Agreement for Annual Review of Major BPA Transmission Investments" dated July 18, 2001 and with a update added on January 15, 2002 (attached). The committee draws on individuals who are also members of the Northwest Power Pool (NWPP) Transmission Planning Committee (TPC) and the Operating Committee (OC). The committee's review is one of several reviews for BPA's proposals. BPA participates in the committee's work by submitting a report on proposed transmission investments and by facilitating the committee's review of those proposals. BPA does not vote on the committee's findings and does not finance the work of the ITRC.

Borrowing Authority

The committee provided its first report on August 30, 2001 with the recommendation that BPA install necessary system facilities as soon as possible. A critical first step was BPA securing additional borrowing authority. The additional borrowing authority was not approved last year. Unless additional borrowing authority is approved this fall some needed projects will be delayed, putting reliability at risk and inhibiting construction of new generation. The resulting congestion and reduced capacity margins will lead to higher prices and increased market volatility.

Projects G10-G14

Attached is the second annual report on the transmission infrastructure proposal that contains BPA's conclusions and recommendations to the review committee. The report addresses four additional projects. The committee supports BPA's findings as summarized below:

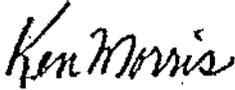
- Project G10 (Portland Area Additions) is high priority and should be implemented as soon as possible.
- Project G11 (South Seattle Transformer) will be submitted for future review.
- Project G12 (Olympic Peninsula Reinforcement) is also important. The need date to prevent area problems for first contingency (N-1) outages is later than initially estimated based on the most recent load forecasts. Planned and controlled loss of area load is permitted under the NERC/WECC Planning Standards for the exposure to double contingency (N-2) and bus outages provided that system cascading does not result. Opportunities for non-transmission alternatives are being pursued in parallel with the proposed transmission fix.
- Project G13 (Paul – Troutdale 500-kV Line) will continue to go through the WECC Regional Planning Process this year in expectation that it will be ready to be considered by the ITRC in 2003.
- Project G14 (Hanford-Ostrander 500 kV loop-in) requires further analysis by BPA.

Some members of the ITRC believe that projects G12 and G13 should be accelerated.

Additional Comments

- Projects reviewed in prior years will not be extensively re-reviewed unless circumstances have changed significantly. The projects are subjected to other technical reviews (i.e., TPC, NRTA, WECC) as appropriate. BPA should provide status reports to the ITRC.
- Where the generation project developers are not funding Network upgrades in advance of construction, BPA should secure firm transmission service contracts of sufficient duration and with appropriate credit provisions before proceeding with construction.

BPA is requested to continue conducting annual reviews to evaluate and prioritize proposed major transmission projects in a manner that will provide the most cost-effective, reliable service for the region's consumers.



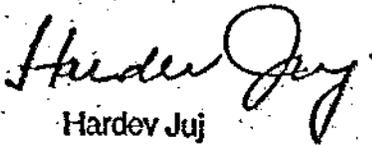
Ken Morris
PacifiCorp



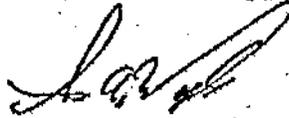
John Martinsen
Snohomish PUD



Wayman Robinett
Puget Sound Energy



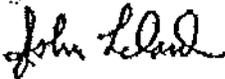
Hardev Juj
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Infrastructure Technical Review Committee