

September 9, 2005

To: Jeff Schlect, Avista Corp.  
Steve Fisher, Chelan County PUD  
Bill Dobbins, Douglas County PUD  
Tim Culbertson, Grant County PUD  
Pamela Lesh, Portland General Electric  
Tom DeBoer, Puget Sound Energy  
Bill Gaines, Seattle City Light  
Steve Klein, Tacoma Power

Dear Transmission Improvements Group Transmission Owners or Control Area Operators:

As you know, your utility, together with a number of public and private utilities, formed the Transmission Improvements Group (“TIG”) to develop an incremental, non-FERC jurisdictional, and “existing entities” approach to improving the Northwest transmission system. At the end of this month, Bonneville Power Administration intends to make an important decision as to the direction of future efforts for developing a regional approach to transmission. This decision is between the TIG approach and the GridWest approach. Many regional parties have participated in one or both of the processes leading up to this decision. Bonneville is currently evaluating the features of both approaches. A number of regional parties are submitting comments regarding these alternatives to Bonneville, many of which are expected to support the TIG approach.

As a further measure of the level and nature of support for the TIG alternative, Bonneville has requested that transmission-owning utilities supportive of the TIG approach sign a Memorandum of Intent (MOI) by September 23, 2005. The MOI is attached. By signing the MOI, a transmission-owning utility declares their intent to sign a Participation and Funding Agreement, substantially in the form attached to the MOI, in the event that Bonneville pursues the TIG approach. The Participation and Funding Agreement provides for further development and implementation of the TIG proposal over the next year. In order to help you determine your utility’s potential financial commitment, a funding spreadsheet has been prepared and is attached.

Some additional, salient features of the MOI include the following:

1. The MOI is only activated if Bonneville chooses to pursue the TIG approach and signs the MOI.
2. Recognizing that some of the transmission-owning utilities may require board approvals in order to sign the Participation and Funding Agreement, Section 2.1 of the MOI contains the following three options with respect to the Participation and Funding Agreement: (i) has signed; (ii) intends to sign by October 28, 2005; (iii) will recommend to its board or council to

sign by October 28, 2005. If your utility chooses to sign the MOI, it should circle the appropriate option.

3. The MOI does not preclude a signing transmission-owning utility from participating in Grid West or other transmission developmental efforts.
4. Bonneville has indicated that the level of participation in a consolidated control area is very important. As such, Section 4 of the MOI contains a statement of intent with respect to the signing transmission-owning utility's (a) involvement in the further development of a voluntary consolidated control area mechanism ("RABA") and (b) intent to consolidate its control area if it has one. Bonneville has also indicated that the level of interest in implementing RABA will be of particular interest to Bonneville when evaluating its end-of-month decision. If your utility chooses to sign the MOI, it should check the appropriate boxes.

As reflected in the TIG Final Report, should Bonneville chose the TIG alternative, the TIG Steering Committee is hopeful that, in addition to the continued involvement of its current members, transmission-owning utilities and other regional interests that have not previously participated will become involved in the second phase of the TIG process.

Those utilities that sign the MOI should return it to Allen Burns at Bonneville no later than the close of business on September 23<sup>rd</sup> at the following address: PO Box 3621, BPA R-3, Portland, OR 97208. We would appreciate if it you would also send a copy of the signed MOI to Kristi Wallis at 716 – 39<sup>th</sup> Avenue, Seattle, WA 98122. In the alternative, please fax the signed MOI to Allen Burns at (503) 230-3270 and Kristi Wallis at (206) 726-1598.

Thank you for your participation in the TIG process, and your consideration of signing the MOI.

Tim Culbertson  
Chair, TIG Steering Committee  
Bonneville Power Administration

Syd Berwager  
Project Manager, Industry Restructuring,

cc w/encls.: TIG Steering Committee Members  
Kristi Wallis