

Overview of Process Diagram

The RRG Process Group has developed a one-page diagram (the Process Diagram) to show the major areas of proposed work to move the RRG's Regional Proposal forward.¹ The Process Diagram was presented to the Regional Representatives Group (RRG) on February 12, 2004, and refined during the meeting to address some RRG member concerns. This overview describes in narrative form the information that is presented in the attached Process Diagram (the final form following the February 12 RRG meeting).

The Process Diagram is organized around two major work stream activities (Governance and Technical). The Process Diagram's main purpose is to illustrate the relationships between work to be completed and decisions to be made at each process step.

The Process Group has identified four decision points in the work process: #1 – Bylaws, #2 – Core Board, #3 – Offer TOA, and #4 – Operational Board. Decision points are shown by vertical arrows that point to actions to be taken at each decision point.

Work activity streams are depicted as horizontal arrows called "activity lines" that run from left to right across the page. As noted above, there are two major work stream groupings (Governance and Technical), which are identified by labels that run vertically along the left-hand margin. The Governance work stream has been subdivided into Developmental and Operational activity lines (corresponding to a "Developmental Entity" and an "Operational Entity"), each of which is described in more detail below.

An overall goal of the Governance work stream is to enable seating of the Developmental Entity's "core" Board by the end of 2004, provided there is sufficient regional support to proceed with an election. Although the Process Diagram is structured to take this goal into account, its focus is to show the relative sequencing of the tasks and decision points. The length of an activity line does not signify the relative time required for completion of the various process steps.

1. Governance Activity Lines

As noted above, there are two Governance activity lines on the Process Diagram. The Developmental activity line shows work related to the Developmental Entity, which would not be subject to FERC jurisdiction. The Development Entity would be governed by a "core" Board of Trustees that would operate in accordance with a "core" set of Articles of Incorporation and Bylaws.

The Operational activity line depicts the development and implementation of Operational Entity's Articles of Incorporation and Bylaws. These would govern the

¹ A complete narrative description of the RRG Regional Proposal, together with its accompanying Development Staging Table and other related documents, is available on the RTO West Website at http://www.rtoWest.com/RRG_Main.htm

organization as it transitions to its initial operating state and begins to offer commercial services (at which time it would also become subject to FERC jurisdiction).

a. Moving to Decision Point #1 – Bylaws

The dotted arrow connecting the Governance activity lines shows that Articles of Incorporation and Bylaws would be drafted simultaneously for both phases of the organization's existence, first as a Developmental Entity and second as an Operational Entity. At Decision Point #1, the RRG will assess whether these Articles of Incorporation and Bylaws are acceptable. It is also at this point that the filing utilities will decide whether to adopt the Articles and Bylaws for the Developmental Entity and fund work to reach the next Decision Point.

Adopting the Developmental Bylaws will be a necessary element of moving from Decision Point #1 to Decision Point #2. They are needed to activate the Developmental Entity and enroll initial members, to begin the search for potential members of the Developmental Entity's Board, and to attract suitable Board candidates.

The Articles and Bylaws for the Operational Entity will need to be completed by Decision Point #1 for two reasons. First, potential Board candidates will need to know not only the terms under which the Developmental Entity will operate, but also the provisions that will govern the organization as it transitions to its initial operating state. Second, the RRG assessment and filing utility decisions that occur at Decision Point #1 will depend on the acceptability of the Articles and Bylaws for both the Developmental Entity and the Operational Entity.

Even though the Operational Entity's Articles of Incorporation and Bylaws will need to be completed by Decision Point #1, they will not take effect until Decision Point #4. This is when there will be a decision about whether to transition the organization to its initial operating state.

b. Moving to Decision Point #2 – Core Board

The "Corporation Activation & Membership" segment of the Developmental Governance activity line between Decision Point #1 and Decision Point #2 depicts the activities that would take place if the Developmental Entity is activated after Decision Point #1. (Activating the Developmental Entity would require decisions to adopt its Articles and Bylaws and to provide necessary funding.) During this interval, the Developmental Entity begins an open membership enrollment process and initiates the search for suitable Board candidates.

The implications of enrolling as a member of the Developmental corporation will be spelled out in the Developmental Entity's Bylaws. It is expected to involve typical member rights such as entitlement to receive information from the corporation, the ability to attend and be heard at corporate board meetings, and eligibility to participate in applicable class votes to elect members of the Trustee Selection Committee (TSC on

the diagram). Membership would likely require the payment of a flat annual membership fee, but would NOT trigger any additional funding obligations and would NOT signify a party's willingness or ability to enter into a contractual relationship with the Developmental Entity as a Participating Transmission Owner.² The choice to become a member of the corporation during the initial enrollment process also would not indicate automatic support for a subsequent decision to proceed with initial Board elections.

While open membership enrollment proceeds, a suitable search firm will be engaged to identify potential candidates to stand for election as members of the Developmental Entity's initial Board of Trustees. The Developmental Entity's Board would have a clearly defined developmental mission, would probably have a very small staff, and may have fewer than nine members.

At Decision Point #2 on the Developmental Governance activity line, the RRG will assess whether to proceed with the election of a Board for the Developmental Entity. After taking RRG input into account, if the filing utilities decide to fund the election (and subsequent Developmental Board activities), regional parties will be notified and given an additional chance to enroll as members of the corporation in time to participate in the election of Trustee Selection Committee members. It is the Trustee Selection Committee members who would ultimately cast the votes necessary to elect a Board for the Developmental Entity.

c. Moving to Decision Point #3 – Offer TOA

Assuming a Developmental Board is seated after Decision Point #2, the central mission of this Board will be to manage further development of key aspects of the Regional Proposal. This segment of the Developmental activity line is labeled "Negotiation with Core Board." In addition to completing necessary technical work for the final design of the Operational Entity's beginning state (described below under the "Technical Activity Line" heading), the Developmental Entity's Board would be responsible for negotiating and offering the Transmission Operating Agreement (TOA on the diagram). During this period the Board would also initiate or continue work on developing an initial tariff for the Operational Entity's beginning state.

The Bylaws for the Developmental Entity may include deadlines by which these tasks must be completed, as well as "sunset" provisions in case the Developmental Entity's Board cannot complete its mission. These Bylaws will also require ample opportunities for regional input.

² The one possible exception to this blanket statement is that the "Major Transmission Owner" class definition could potentially include some assessment of whether a party is qualified and seriously considering becoming a Participating Transmission Owner when the process to develop a Transmission Operating Agreement has been completed. Membership in the Major Transmission Owner class may also require a funding commitment.

Assuming the process to develop a proposed Transmission Operating Agreement and initial operating tariff is successful, the Developmental Entity's Board will offer the proposed Transmission Operating Agreement to eligible transmission owners at Decision Point #3.

d. Moving to Decision Point #4 – Operational Board

During the interval from Decision Point #3 to Decision Point #4, Transmission Owners will evaluate the offer of a proposed Transmission Operating Agreement. There will be additional regional input and appropriate risk/reward studies will be completed. If, at Decision Point #4, a requisite minimum of eligible transmission owners elects to execute a Transmission Operating Agreement (the Regional Proposal currently calls for a minimum of the Bonneville Power Administration plus two investor-owned utilities with systems contiguous with Bonneville's), the steps necessary to enable the Operational Entity to be activated and to start commercial operations will follow. These steps could include completing any necessary regulatory tasks, adopting the Articles and Bylaws for the Operational Entity (and electing additional trustees necessary to convene the Operating Entity's first full Board of Trustees), and implementing funding for operational start-up.

2. Technical Activity Line

The Technical activity line depicts the expected scope and sequencing of activities to expand the definition of the Operational Entity's beginning state (as contemplated in the Regional Proposal). These activities include working out how to schedule and honor existing contract rights in conjunction with an injection/withdrawal-based operational model, determining how to implement initial voluntary control area consolidation, resolving facilities issues, clarifying the mechanisms for fixed cost recovery in the beginning state, defining the general contours of the Transmission Operating Agreement, and resolving certain issues unique to the relationship between the Bonneville Power Administration and its customers.

There will be a regional process to complete as much of this technical work as possible before Decision Point #2, when the election of a Board is considered for the Developmental Entity. The dotted arrow pointing upward from the Technical activity line at Decision Point #2 indicates that information gathered from the Technical activities will provide information to the RRG's assessment of the merits of holding an election to seat a Board for the Developmental Entity.

Once the Developmental Entity's Board is seated, the technical work completed in the preceding work stages will be "handed off" to this Board. The Board will be responsible for completing remaining technical work needed to offer the Transmission Operating Agreement. The results of design work on the Operational Entity's beginning state will inform the offer evaluation process between Decision Point #3 and Decision Point #4. Regional input, which is a critical element throughout the entire development process, will continue during the offer evaluation period.

Process Diagram

