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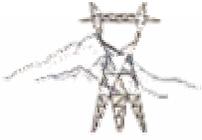
# Grid West Operational & Developmental Bylaws

*Regional Representatives Group*

*Meeting*

*Portland, Oregon*

*June 24, 2004*



# Agenda

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- Review Operational Bylaws then Developmental Bylaws
  - Review changes from prior versions
  - Discuss questions
  - Accept comments and edits
  - Understand the additions the workgroup will include in next draft
  - Understand the issues that will be left open
  
- Today's Objective
  - Determine whether changes contained within Developmental and Operational Bylaws are acceptable
  - Identify specific issues (if any) requiring workgroup review for June 30<sup>th</sup>
  
- June 30<sup>th</sup> Objective
  - RRG assessment of Developmental and Operational Bylaws



## Where are we?

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- June 23, 2004 is current version of Developmental and Operational Bylaws
  - Previous version of Operational Bylaws was dated June 9, 2004
  - Previous version of Developmental Bylaws was dated June 8, 2004
- Bylaws workgroup considered the following comments:
  - Oral comments provided during June 10-11<sup>th</sup> and June 16<sup>th</sup> RRG Meetings
  - Written comments provided by:
    - *Margie Schaff, June 14, 2004*
    - *Susan Ackerman, June 15, 2004*
    - *Nancy Baker, June 15, 2004*
    - *Linc Wolverton, June 17, 2004*
    - *Lon Peters, June 9, 2004 and June 22, 2004*
  - Corrections, clarifications and additions from workgroup



# Substantive Bylaw Changes

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- Amendment of Operational Bylaws, Sections 12.5, 5.14.5, and 5.1
  - Bylaws may be amended in only two ways:
    - *Board of Trustee proposals that are approved by 4 of 5 Member Classes, by a margin of 2/3 of the total voting power of each Member Class*
    - *Members may propose bylaw changes if either 1 Member Class unanimously supports the proposal or 3/4ths of the voting power of at least 2 Member Classes supports the proposals*
      - Bylaws are amended if approved by 4 of 5 Member Classes, by a margin of 2/3 of the total voting power of each Member Class
  
- Dissolution, Sections 12.4 and 5.1.2
  - Corporation may be dissolved in two ways:
    - *Board of Trustee proposals that are approved by 4 of 5 Member Classes, by a margin of 2/3 of the total voting power of each Member Class*
    - *If FERC orders a change to Articles or Bylaws and Members do not approve the change, the Board must convene a special meeting of the Members to vote on dissolution.*
      - Dissolution occurs if 4 of 5 Member Classes, by a margin of 2/3 of the total voting power of each Member Class vote to approve dissolution based upon a plan of dissolution that includes the restructuring costs of the transmission owners and operators signing Transmission Agreements



## Substantive Bylaw Changes (continued)

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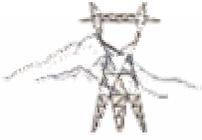
- Generators, Sections 1.1.21 and 5.2.3(iii) & (iv)
  - Text is intended to balance needs of generators and end-use consumers with generation
- Purposes, Article III
  - Text addresses comments
- Board of Trustee Candidates, 7.2.2
  - Board in consultation with MRC determines the number of Trustee candidates the search firm is to locate
- Existing Contracts, Section 7.12.2(iii)
  - Clarified the pre-existing contracts the Board of Trustees is to consider when making transmission related decisions
- On-Going Regional Consultation, Sections 7.12.3, 7.16.2(iii)
  - Strengthened the regional consultation requirements



## Substantive Bylaw Changes (continued)

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- Business Plan, Section 7.12.4
  - Added a requirement that Board Advisory Committee is to review Board's cost estimates
- Board of Trustee Compensation, Section 7.15
  - Removed ability of a Trustee to serve as CEO
- Trustees and Officers, Sections 7.15.4 and 9.1
  - Clarified that Trustees can't be an officer
  - Clarified that the office of the President can't be combined with office of the Secretary or the Treasurer
- Special Issues List Timing, Section 7.16.3
  - Added backstop timing requirements
- Board Advisory Committee, Section 8.5.1
  - Clarified participation rules on Board Advisory Committee



## Substantive Bylaw Changes (continued)

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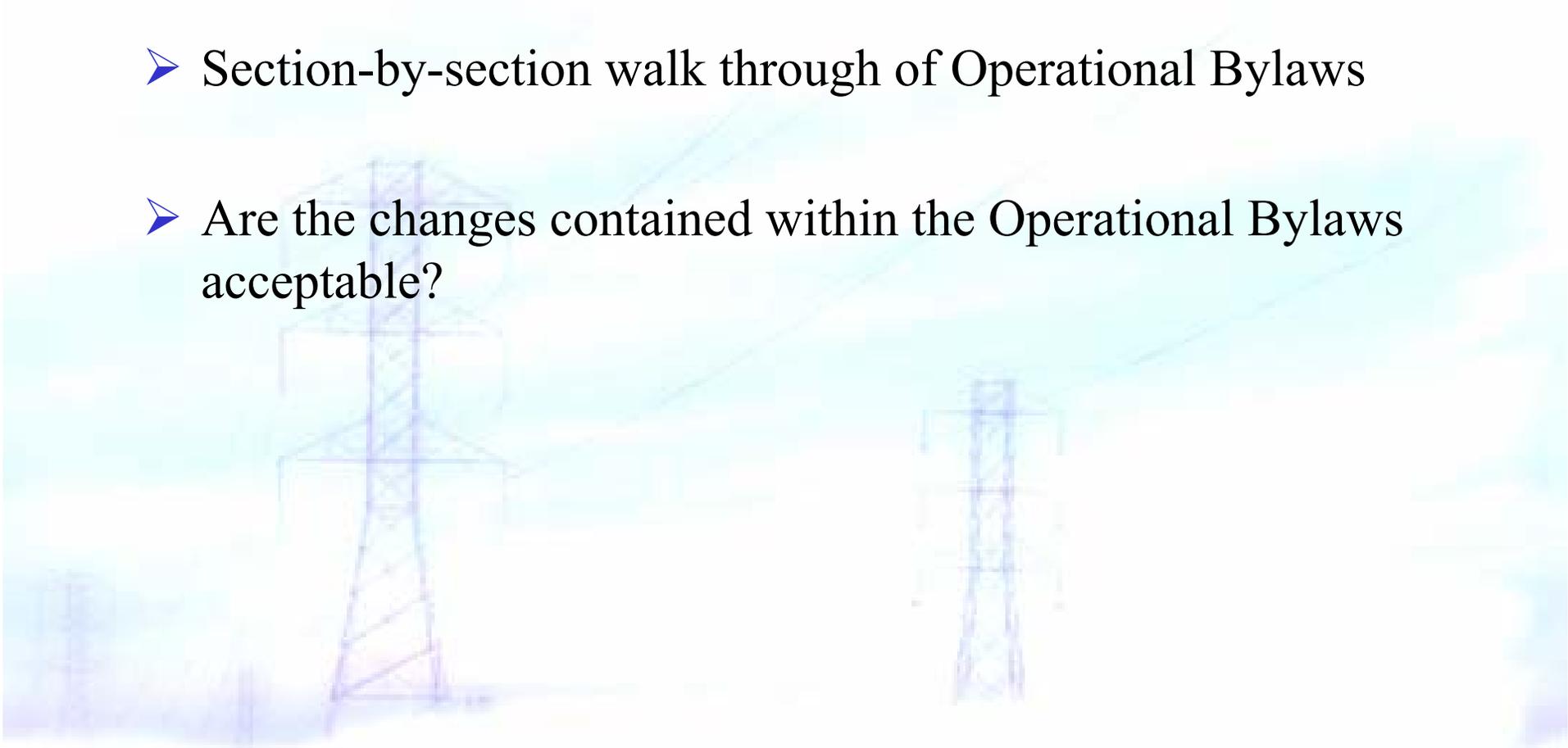
- **Public Inspection of Records, Section 10.1.3**
  - Added ability of general public to inspect corporate records
- **Technical Information, Section 10.4**
  - Added provision encouraging Corporation to develop technical transmission related information and make the information available to the public
- **Management Audit, Section 6.1.5**
  - Added ability of MRC to initiate a management audit by a qualified independent entity once every 4 years
- **Arbitration Appeal Rights, Section 13.10**
  - Completed provisions addressing appeals of an arbitration award



# Operational Bylaw Walk Through

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- Section-by-section walk through of Operational Bylaws
- Are the changes contained within the Operational Bylaws acceptable?





## Anticipated Additions for Next Draft

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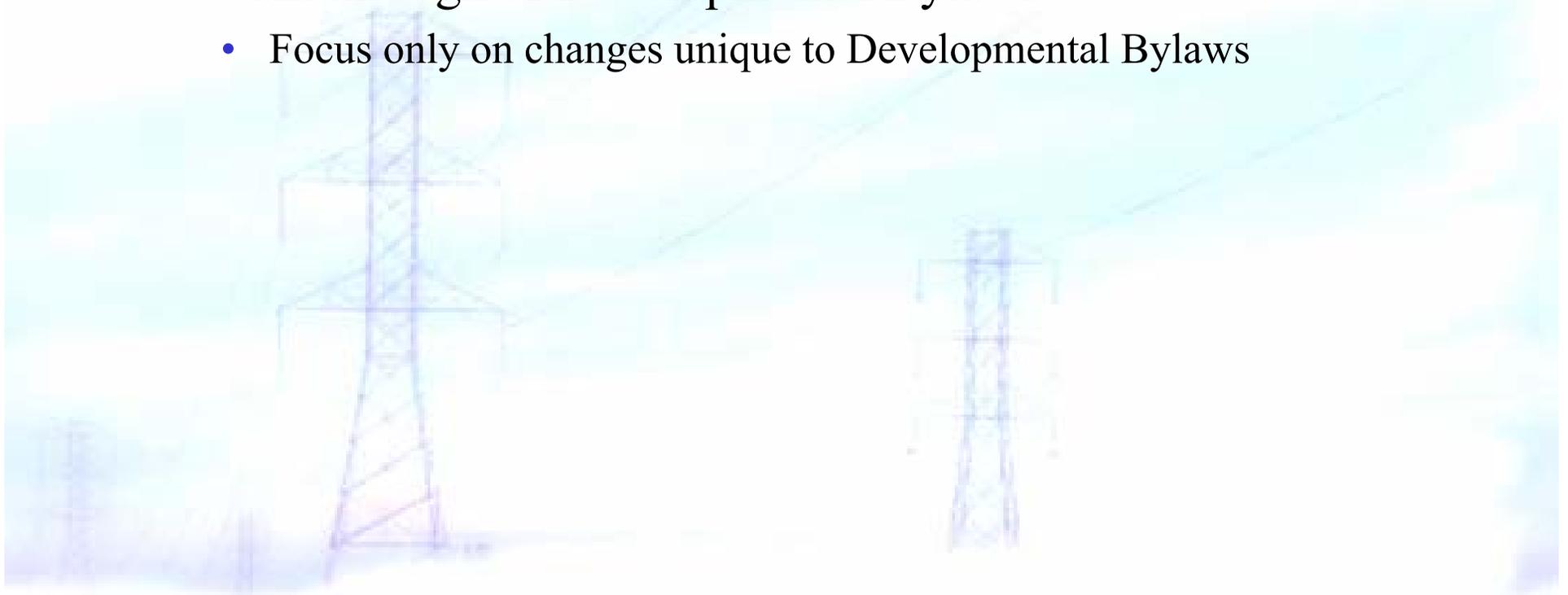
- Bylaw workgroup intends to complete the following items for the next draft of Operational Bylaws:
  - Replace the letters – variables (e.g., X, Y, Z) used in the formulas with more intuitive letters
  - Consider clarification of Special Issues List, Section 7.16.1
  - Determine whether Exhibit A can be replaced by a better table explaining the voting process
  - Complete review of June 10, 2004 changes to Washington State's Nonprofit Corporations statute
  - Address issues raised during June 24, 2004 RRG meeting

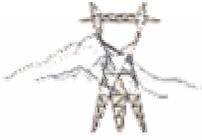


## Developmental Bylaws

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- Most of the changes contained within the Developmental Bylaws conform to the changes of the Operational Bylaws.
- Walk through of Developmental Bylaws
  - Focus only on changes unique to Developmental Bylaws





## Anticipated Open Issues – June 30th

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Assuming RRG accepts the Developmental  
and Operational Bylaws as Drafted

- Anticipated unresolved Developmental Bylaw issues:
  - Trigger for adoption of Operational Bylaws (Section 12.2)
- Possible unresolved Operational Bylaw issues:
  - MTU and TDU Member Class definitions, thresholds and voting rights
- Governance issues likely to benefit from further work:
  - Evaluation of cost control provisions
  - Evaluation of bylaws for excessive process



## Current Events

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- California ISO v FERC, \_\_\_ F.3d \_\_\_ (D.C. Cir. June 22, 2004)
  - "California Independent System Operator Corporation ("CAISO"), a "public benefit corporation," along with two state agencies of California, petition this court for review of a final order of the Federal Energy Regulatory Commission ("FERC") purporting to replace the governing board of CAISO, chosen according to a method dictated by California statute, with a new board chosen through a method dictated by FERC. Because we agree with the petitioners [CAISO] that FERC has no authority to make or enforce such an order, we grant the petition and vacate the order under review." Slip Op. at 2.
  - THEORY OF THE CASE
    - *Court of appeals confirmed that FERC cannot order changes to governance*
    - *FERC's authority is limited to denying or withdrawing ISO or RTO status if FERC independence requirements are not satisfied*