

**RRG Bylaws Workgroup
Grid West Developmental Bylaws Summary
April 28, 2004**

Procedural Background and Introduction

In February 2004, the Regional Representative's Group ("RRG") created a bylaws workgroup and tasked it with defining the structure to implement the Regional Proposal by drafting articles of incorporation and bylaws for the developmental and operational stages.¹ The bylaws workgroup concluded that the Regional Proposal's governance process should be implemented through two sets of articles and bylaws: the Developmental Bylaws and the Operational Bylaws.² (The Developmental Bylaws are sufficiently brief that they have not been summarized.)

The Developmental Bylaws were completed and posted on Grid West's Website on April 28, 2004 as requested by the RRG. While a working draft of the Operational Bylaws has been created, it was not possible to produce a complete draft for RRG review within the requested timeframe. The bylaws workgroup will produce the Operational Bylaws for RRG review as soon as possible.

The articles and bylaws posted on April 28, 2004 are proposals submitted for the review and consideration of the RRG. The bylaws workgroup understood its assignment to require it to put together a comprehensive proposal that it could recommend to the RRG and filing utilities. If there is sufficient consensus to implement the articles and bylaws, the Developmental Bylaws will define Grid West's governance during the developmental stage including offering the contracts between Grid West and the transmission owners and operators ("Transmission Agreements," replacing documents formerly known as TOAs), the development of the tariff provisions, and the procedures to sunset the corporation or transition the corporation to its operational stage. The Developmental Bylaws are designed to preclude triggering FERC, state, and provincial utility regulatory jurisdiction over the corporation while these bylaws are in effect.

After the execution of Transmission Agreements by BPA and at least two contiguous investor-owned utilities, the Operational Bylaws will define Grid West's governance during the operational stage, which will include the provision of transmission services. They include the procedures addressing the "special issues list." Regulators will have jurisdiction over services offered by the corporation while these bylaws are in effect.

¹ "A Regional Consensus Transmission Proposal," February 3, 2004, available at http://www.rtowest.com/Doc/BriefingPaper_RegionalProposal_Feb32004.pdf.

² The authorities and limitations of Grid West are defined in both articles of incorporation and bylaws. The governance workgroup though structured the documents so that the bylaws are the primary governance document. As a result this outline's focus is on the bylaws. Nevertheless, it is important to review both the articles and bylaws to completely understand the proposed governance structure of Grid West.

Developmental Bylaw Highlights³

A brief summary of key bylaw provisions follows:

Article I. Definitions – defines the terms used in the document, such as member class and each of the member classes, geographic area, and the Transmission Agreements.

Article III. Purposes and Limitations – defines the limited purpose of the corporation while the Developmental Bylaws are in effect as (1) developing and negotiating Transmission Agreements; (2) developing tariff provisions describing services and related protocols for the Operational Stage; (3) fostering regional stakeholder input; and (4) securing execution of Transmission Agreements by transmission owners and operators in the Geographic Area to commence the Operational Stage of the Corporation. All of the foregoing must be done in a manner consistent with the Regional Proposal. **(Section 3.1)** Article III also identifies a number of activities the corporation may not engage in during the developmental stage. These prohibitions include the control of any transmission facilities and offering of any transmission services. The bylaws also prohibit the corporation from taking any action during the developmental stage that would subject it or its members to FERC jurisdiction. **(Section 3.2)**

Article IV. Regional Consultation – defines the Developmental Board of Trustees obligation to work with the existing Regional Representatives Group (Section 4.1) and other regional interests **(Sections 4.2 and 4.3)** for the purposes of providing information to stakeholders in the region, obtaining input from stakeholders on the development work. It also requires consulting on the offering of the Transmission Agreements. **(Section 4.1.5; see also Section 12.1.)**

Article V. Members

Powers and Rights of Members – defines the Members rights and powers to (1) elect and remove members of the Members Representative Committee, (2) approve amendments of the bylaws; (3) override a proposal by the Developmental Board of Trustees to dissolve the Corporation; (4) override a proposal by the Developmental Board of Trustees to make an initial Transmission Agreements offer to transmission owners and operators; (5) participate in advisory votes submitted to the Members by the Interim or Developmental Board of Trustees; (6) amend the articles of incorporation; and (7) receive notices and attend and be heard at meetings of the Members and the Interim and Development Boards of Trustees. **(Section 5.1)**

Classes of Members – defines the five classes of Members as (1) the Major Transmitting Utilities Class; (2) the Transmission-Dependent Utilities Class; (3) the Nonutility Entities Class; (4) the End-Use Consumers Class; and (5) the State and Provincial Energy Authorities/Tribes/Unaligned Entities Class. Each of the classes has sub-classes with the exception of the Major Transmitting Utilities and Transmission-Dependent Utilities

³ The articles of incorporation are sufficiently brief that no summary is provided.

Class, which have no sub-classes. (The Major Transmitting Utilities Class may have a non-voting members.) Describes the voting strength and allocation of votes by sub-class. **(Section 5.2)**

Qualification and Admission of Members – defines the process for becoming a member of the corporation. Applicants will be required to submit an application demonstrating that such person or entity satisfies the membership criteria for a membership class, and pay an annual membership fee of \$1,000 (U.S.). The fee will be waived for State or Provincial Energy Authorities, and the Developmental Board of Trustees may at their discretion waive or reduce the fees on a nondiscriminatory basis for public-interest organizations. **(Section 5.3)**

The bylaws will identify specific individuals to serve on two committees. The Membership Admission Committee will administer the membership application process. A Dispute Resolution Committee will resolve disputes with respect to membership applications or membership class assignments. **(Section 5.4)**

Initially, there will be two windows for membership applications. The first window begins when the bylaws are adopted. If a decision is made to seat the Developmental Board of Trustees, the second window will provide an opportunity to join Grid West shortly before the election of Developmental Board. The bylaws include a process for determining (or confirming) the appropriate membership class of a potential applicant prior to formal application for membership. **(Section 5.4)**

Article VI. Members Representative Committee (formerly Trustee Selection Committee)

Powers and Rights of Committee Members – defines the Members Representative Committee as having the exclusive right to elect and remove members of the Developmental Board of Trustees. The Members Representative Committee will consist of thirty (30) members. Each Member Class elects six (6) individuals to serve members of the Members Representative Committee. **(Section 6.1)**

Election of Committee Members – defines the process for electing members of the Members Representative Committee. Two examples of how the election process will work are attached. The Members Representative Committee is elected by the affirmative vote, by Member Class (or Member Sub-Class), of the Members present and entitled to vote in the applicable Member Class (or Member Sub-Class) at a meeting of the Members. To have a meeting for an election, at least one third (1/3) of the Class Members (or sub-class, if the sub-class elects an Members Representative Committee Member) must attend. In any election of members of the Members Representative Committee:

- (i) Each Member in each Member Class (or Member Sub-Class, as the case may be) will be entitled to a number of votes equal to the number of

Committee vacancies to be filled by such Member's Member Class (or Member Sub-Class, as the case may be) in such election;

- (ii) Each Member in each Member Class (or Member Sub-Class, as the case may be) will be entitled to vote for any nominee for election as a representative of such Member Class (or Member Sub-Class, as the case may be) on the Members Representative Committee; and
- (iii) No Member may cast more than one vote for any given nominee.

The nominees of each Member Class or Member Sub-Class will be ranked according to the number of votes received by each, and the number of nominees that receive the largest number of votes in such Member Class or Member Sub-Class, up to the number of nominees as is equal to the number of Committee vacancies to be filled by such Member Class or Member Sub-Class, as the case may be, in such election, will be elected to fill such Committee vacancies. In the event that one or more Committee vacancies cannot be filled because two or more nominees receive the same number of votes, a runoff election will be held among the tied nominees for each such vacancy. In such runoff election, each Member in the Member Class or Member Sub-Class may cast one vote for one of the tied nominees for each such vacancy. **(Section 6.3)**

Article VII. Board of Trustees

Interim Board of Trustees – provides that the RTO West filing utility board members will serve as the Interim Board of Trustees until there is a decision whether to seat the independent Developmental Board of Trustees or until the Corporation is dissolved. The Interim Board's authority is strictly limited. **(Section 7.1)**

Developmental Board of Trustees – provides that the Developmental Board of Trustees is responsible for exercising the powers and authorities of the corporation during the developmental phase. The Developmental Board of Trustees will consist of five (5) independent members elected by the Members Representative Committee who will serve until either an Operational Board of Trustees is elected or the Corporation is dissolved. The Developmental Board's authority is limited to development activities. **(Section 7.1)**

Selection of Developmental Board of Trustees - An executive search firm will identify qualified candidates for election to the Developmental Board of Trustees. The candidates will include individuals with a broad range of background and experience. Collectively, the candidates will possess knowledge of the operational characteristics of the Pacific Northwest power system and executive management experience or board experience with electric utilities as well as personal abilities and qualities, such as integrity and leadership, problem-solving, facilitation, and consensus-building. In screening potential candidates, the executive search firm and the Members Representative Committee will exclude any candidates likely to have a conflict of interest with the duties of a Trustee.

Members of the Developmental Board of Trustees must receive twenty-four (24) out of thirty (30) affirmative votes of the Members Representative Committee. (**Sections 7.1 and 7.2**)

Trustee Standard of Care – provides that Trustees are required to perform their duties, including duties as a member of any committee of the Developmental Board of Trustees on which the Trustee may serve, in good faith and in a manner that such Trustee believes to be in the best interests of the Corporation in achieving the purposes set forth in Article III. (**Section 7.12**)

Open Meetings – provides that meetings of the Developmental Board of Trustees will be open to all Members and all members of the public. Members and members of the RRG will have the right to address the Developmental Board of Trustees at all regular or special meetings of the Board. (**Section 7.6**)

Article XII. Miscellaneous

Meetings Related to Negotiation of Transmission Agreements – provides that meetings to negotiate the Transmission Agreements will be open to Members and to transmission system customers within the Geographic Area. The Board has the right to limit attendance for good cause. Periodically during such meetings, the Members and transmission system customers will be given a timely opportunity to voice their opinions on the topics being discussed at such meetings. The provision does not prohibit informal contacts (such as telephone communications) between transmission owners and operators and Corporation representatives necessary to facilitate the negotiating process. (**Section 12.1**)

Member Vote Related to Offer of Transmission Agreements – provides that if the Developmental Board of Trustees proposes to make an initial offer of Transmission Agreements, the Developmental Board of Trustees will first submit to a vote of the Members the question of whether the Members oppose making the initial offer. The Board's proposal to offer will be overridden only if three-fourths (3/4) in four (4) out of five (5) Member Classes vote affirmatively to override the decision to offer Transmission Agreements. If the Members vote to override the Developmental Board of Trustees' proposal to make the initial offer, then the Developmental Board of Trustees will not proceed with the offer of the proposed Transmission Agreements but may revise and resubmit a proposed offer to the Members. In this event, the time to offer Transmission Agreements is extended by ninety (90) days. (**Section 12.2**)

Article XIII. Sunset and Termination

The Developmental Bylaws contain four termination provisions:

- If the Developmental Board of Trustees has not offered Transmission Agreements to transmission owners and operators in the Geographic Area within twelve (12) months of the first meeting of the Developmental Board of Trustees (unless

- extended ninety (90) days), the Developmental Board of Trustees will adopt a resolution to dissolve the Corporation and will submit the resolution to a vote of the Members. Unless the Members vote to override the Developmental Board of Trustees resolution to dissolve the Corporation, the Developmental Board of Trustees will promptly proceed with dissolving the Corporation. To avoid dissolution, three-fourths (3/4) of the Members in four (4) out of five (5) classes must vote to override the Trustee's decision. **(Section 13.1)**
- If the Bonneville Power Administration and at least two investor-owned utilities with transmission systems contiguous with Bonneville's system in the Geographic Area do not execute Transmission Agreements within twelve (12) months of their offer, the Developmental Board of Trustees will adopt a resolution to dissolve the Corporation and will submit the resolution to a vote of the Members. Unless the Members vote to override the Developmental Board of Trustees resolution to dissolve the Corporation, the Developmental Board of Trustees will promptly proceed with dissolving the Corporation. The same vote as described above is necessary to override the decision. **(Section 13.2)**
 - If the Developmental Board of Trustees determines that sufficient progress cannot be made towards offering Transmission Agreements reasonably expected to be accepted by transmission owners and operators in the Geographic Area, the Developmental Board of Trustees may vote to dissolve the Corporation by an affirmative votes of not less than two-thirds (2/3) of the Trustees then in office. If the Developmental Board of Trustees resolves to dissolve the Corporation, the Developmental Board of Trustees must submit the matter to a vote of the Members. Unless the Members vote to override the dissolution, the Developmental Board of Trustees may proceed with dissolution following the Member vote. The same vote as described above is necessary to override the decision. **(Section 13.3)**
 - Should the Corporation take any action during its Developmental Stage on the basis of which any regulatory entity with jurisdiction over electric utility facilities or services asserts jurisdiction over the Corporation, the Corporation's action will be void *ab initio*. If, after the action is deemed void pursuant to the preceding sentence, the regulatory entity continues to assert jurisdiction over the Corporation during the Developmental Stage, the Board of Trustees will immediately dissolve the Corporation. There is no vote of the Members in this instance. **(Section 13.4)**

Examples of MRC Election Process

Example 1:

MTU Class - 6 votes

All six votes assigned to Members “Funding” members
Non-voting class members do not vote; nor do non-voting members count for the quorum

Assume 14 Members
12 Funding
2 Non-Voting

Quorum is 4 Funding members
Attendance at Meeting - 12 voting members
Candidates - 10 nominees for 6 positions
Voting - Each funding member may vote for up to 6 candidates
No member may cast more than 1 vote for each candidate

Member	Candidate	A	B	C	D	E	F	G	H	I	J
1		X	X	X	X	X	X				
2			X	X	X	X	X	X			
3				X	X	X	X	X	X		
4		X	X	X	X			X	X		
5				X	X		X	X	X		X
6					X	X	X	X	X		X
7			X	X			X	X	X		X
8		X			X	X	X			X	X
9			X	X				X	X	X	X
10		X	X	X		X				X	X
11					X	X	X	X	X	X	
12		X	X	X	X	X		X			
Total Votes		5	7	9	9	8	8	9	7	4	6

Results: Candidates C, D, E, F, and G are elected to MRC in first round

Run-off Election between candidates B & H

In second round of voting, candidate B gets 7 votes
candidate H gets 5 votes

Candidate B is elected to MRC in second round

Therefore, MTU class is represented by B, C, D, E, F, and G

Example 2:

End-Use Consumers Class - 6 votes

3 sub-classes

Large Bundled: 2 votes/2 MRC members/12 sub-class members/4 = quorum

Large Unbundled: 1 vote/1 MRC member/10 sub-class members/4 = quorum

Consumer Advocates: 3 votes/3 MRC members/7 sub-class members/3 = quorum

Assume the number of members required for a quorum attend in each subclass

Each sub-class elects its own MRC members separately

Large Unbundled Subclass - Each subclass member may vote for up to 2 candidates

No member may cast more than one vote for each candidate

Members	Candidates	A	B	C
1		X	X	
2		X		X
3				X
4		X		X
Total Votes		3	1	3

Results: Candidates A and C are elected to MRC

Large Bundled Subclass - Each sub-class member may vote for 1 candidate

No member may cast more than one vote for each candidate

Members	Candidates	A	B
1		X	
2		X	
3			X
4			X
Total Votes		2	2

Results: No candidate elected in first round

Second Round - Candidate A receives 3 votes; candidate B receives 1 vote

Candidate A elected to MRC

Consumer Advocates - Each member of subclass gets up to 3 votes

No member can cast more than one vote for each candidate

Member	Candidate	A	B	C	D	E
1		X		X		X
2			X	X	X	
3		X	X	X		
4			X		X	X
5			X	X	X	
6			X	X	X	
7			X	X	X	
Total Votes		2	6	6	5	2

Results: Candidates B, C, and D are elected to MRC