

Straw Proposal

MAIN PROPOSAL ELEMENTS:

A. Member vote on adopting the Operational Bylaws:

- ◆ The Operational Bylaws could not be adopted unless greater than 50% of the voting power held by the members¹ vote in favor of adopting the Operational Bylaws.

[to be addressed in Developmental Bylaws]

B. Financial Transmission Rights:

- ◆ The requirement in the Bylaws for the Board to periodically reconsider whether to propose a transition to financial transmission rights will be removed.
- ◆ The requirement in the Bylaws for the Board to consider a transition to financial rights (or a different loss methodology) within three years will be removed.
- ◆ The Regional Proposal will not be included as an attachment to the Developmental Bylaws and the references to the Regional Proposal within the Developmental Bylaws will be removed.
- ◆ The Board will be required to undertake a study of net benefits (in accordance with Section 7.12.2(ii) of the Operational Bylaws) of issuing financial rights before making proposal to issue financial rights and to make that study publicly available; the study must also include a review of other systems in the country that have similar financial rights.
- ◆ Change the description of this Special Issue to “Authorization for the Corporation to issue financial transmission rights.”
- ◆ Retain “Special Issues List” protections related to financial transmission rights (the requirement to go through the “Special Issues List” process (*i.e.*, consultation, MRC vote, etc.) if Grid West proposes to invoke the authority to issue financial rights) (also retains protections related to proposing a change in loss methodology that overrides company-specific approach).

[to be addressed in Operational Bylaws]

¹ Whenever this document refers to a “member vote” without specifying a particular mechanism or threshold, what is meant is a majority vote in which each member class has a specific amount of voting power (generally, six votes’ worth of voting power), irrespective of how many entities belong to a particular class. A positive majority vote means that more than 50% of the voting power has voted in favor of a proposal.

C. **Checks and Balances Concerning Grid West Evolution:**

1. **MRC Vote on Special Issues List proposals:**
 - ◆ Change MRC voting requirement to a test of whether a majority of the MRC supports the proposal (*i.e.*, when a Board proposes to take an action covered by the Special Issues List provisions, unless a majority of MRC members vote in FAVOR of a proposal, the Board would not be able to move ahead with the proposal unless at least 7 of 9 Board members vote to proceed despite the lack of MRC support).
2. **Timing of Implementation of Special Issues List Proposal:**
 - ◆ Unless there is an emergency, any time the Board has voted to take an action that requires a margin of at least 7 of 9 Board members (for example, moving forward with a Special Issues List proposal after an insufficient MRC vote), the Board may not begin to implement the approved action until at least 30 days have passed after the Board vote.
3. **Special Issues List – Changes from initial authorization:**
 - ◆ The Board must include in any proposal to invoke authority a specific identification of the scope of the authority it is seeking to invoke (which may be narrow or broad).
 - ◆ So long as the Board thereafter acts within the authority activated through the “Special Issues List” process, then it does not need to go through the process again.
 - ◆ If the Board, after initially invoking a particular scope of authority, subsequently wishes to take an implementation action that is not within the authority activated through the previous “Special Issues List” process, it must go through the Special Issue List process again to invoke the additional authority needed to take that implementation action.
4. **Member ability to elevate Board vote on major scope changes of concern:**
 - ◆ The underlying mechanism is to change the level of Board approval required and the formality of input from members if the Board proposes to take an action that the members consider to be a major change in scope and about which members are concerned.
 - ◆ If the Board proposes on an agenda or notice of meeting to take an action, or if the Board takes an action at a meeting (even if the action was not noticed or on the agenda), then the members have 30 days from when the proposal is on the agenda

or in the notice or the action is taken to hold a vote to indicate whether the members want to require an elevated Board vote (7 of 9) for the Board to approve.

- ◆ The member vote that may occur within 30 days: if 18 votes' worth of voting power held by the members vote to require the approval level for the Board to move forward to be increased to 7 of 9, then the Board can move forward with the proposal only if at least 7 of the 9 Board members vote in favor of doing so.
- ◆ If the members hold a vote after the Board has met and acted on a proposal, then the Board must meet again to approve the proposal after the members meet if the members' vote has reached the 18-vote threshold to require an enhanced (7 of 9) Board vote (even if the Board's initial vote would have been sufficient).
- ◆ Unless there is an emergency, the Board may not begin to implement the approved action until at least 30 days have passed after the final Board vote.
- ◆ Exclusions – Special Issues List items, budget, studies and analysis, merger, dissolution, sale of assets, amendment of Bylaws, personnel matters, litigation, real estate transactions (to be fleshed out by Bylaws Work Group)

[to be addressed in Operational Bylaws]

D. Additional Cost Control Provisions:

- ◆ Board required to do out-year projections (already in the Bylaws) and also required to do a three-year strategic plan (new requirement); the out-year budget projections must reflect the strategic plan proposal.
- ◆ If the proposed budget for the upcoming operating year is greater (either for the total expense budget or the total capital budget (not line item)) than the lowest of the previous projected budgets for that operating year by more than 15%, then the Board must first hold a member advisory vote and can approve the increased budget only by a vote of at least 7 of 9. Without the approval of 7 out of 9 Board members, the Board is limited to a budget that does not exceed the lowest of previous budget projections for that year by more than 15%. In the first few years of the Operational Stage, this variation is measured against the business plan developed under the Developmental Bylaws.

[to be addressed in Operational Bylaws]

E. Member Classes:

- ◆ MTU proposal (attached)
- ◆ TDU proposal (attached)
- ◆ Sellers' class (attached)

[to be addressed in Developmental and Operational Bylaws]

F. Planning:

- ◆ Add authority in the Developmental Bylaws for Grid West to propose permitting planning work before operations, subject to approval by a simple majority member vote and securing funding sources.

[to be addressed in Developmental Bylaws]

G. Efficiency:

- ◆ Include in the purposes section of the Operational Bylaws something that calls on the Grid West to actively seek solutions to both operational and commercial problems resulting from the “fully subscribed” system (*i.e.*, most transmission capacity is contractually committed, leaving no capacity to accommodate new long-term service requests), including ways to make more efficient use of existing facilities and to encourage construction of new, needed facilities.

[to be addressed in Operational Bylaws]

November 18, 2004

Global Compromise to Generators/Marketers member class issues to reduce the influence of out-of-region interests and marketers and still preserve the integrity of the member class

Increase the influence of the states.

Accept the bylaws working group proposal to add another seat to the state/provincial/tribal/public interest class and give it to the states.

Retain the core of the ICNU /Generator agreement.

Accept the ICNU-Generator/Marketer proposal to create the Large Generating End-Use Consumers subclass within the Generators/Marketers/Others class. This proposal would retain a five-member threshold for the Large Generating End-Use Consumers subclass, and would, until that threshold requirement was met, allocate any unused voting rights of that subclass to the in-region Generator-only subclass. The Large Generating End-Use Consumers subclass would have a cap of one vote within the six of the overall member class.

Reduce the influence of the Power Marketers and extra-regional entities in the member class.

1. Reduce the old Generators/Marketers subclass from five to four votes and reconfigure it as an in-region Generator-only subclass. The definition of "Generator" would be generally consistent with the definition in the current "good enough" bylaws.
2. Remove the Power Marketers from the Generators/Marketers subclass. The Marketers would be moved into a subclass with the "Others" and the subclass vote of this new combined "Others"/Marketers subclass would be capped at one. The new in-region, Generator-only subclass would be reduced to a total of four votes from the five proposed in the original ICNU/generator proposal.
3. Reinstate the out-of-region interests in the "Others" subclass as previously defined in the bylaws, but reduce the influence of such out-of-region interests on the RTO by combining the "Others" in the same subclass as Power Marketers.
4. Further reduce the influence of the combined "Others"/Marketers subclass by having a 10-member threshold for the subclass. During any period when such threshold requirement was not met, the vote of the "Others"/Marketers subclass would be proportionately reduced and any resulting unused voting rights reallocated to the in-region, Generator-only subclass.

In summary, the new proposal for the Generators/Marketers members' class is as follows:

<u>6 total votes</u>	<u>Generators/Power Marketers/Large Generating End Use Consumers/Others</u> <u>Class, as follows:</u>
4 votes	In-region Generators "Generator" defined generally as in current bylaws
1 vote	Large Generating End-Use Consumers defined as in ICNU/Generator compromise 5-member threshold; unused votes going to in-region Generators
1 vote	"Others"/Power Marketers defined as originally defined in bylaws 10-member threshold; unused votes going to in-region Generators
<u>1 new vote</u>	<u>Added to the State and Provincial Energy Authorities/Tribes/Certain Public</u> <u>Interest Groups Class and allocated to the States and Provinces</u>

TDU Proposal November 18, 2004

- ◆ TDU Class is divided in halves based on retail load
- ◆ There would be about 8 utilities in large and about 120 in small (the 8 largest TDUs that serve about half the retail load and the 120 other TDUs that serve the rest of the load)
- ◆ Each Sub-Class would get 3 votes' worth of voting power
- ◆ There would be cumulative voting for MRC members
- ◆ A member of the small Sub-Class could petition the large Sub-Class to allow it to be a member of the large Sub-Class (and if the large Sub-Class votes to accept, the small Sub-Class member can join the large Sub-Class)
- ◆ G&T co-ops can be members of the large Sub-Class at the same time that their constituent members can be members of the small Sub-Class, but if a co-op and its members can only qualify for the same Sub-Class, only one can belong (co-ops and members can't be in the same Sub-Class)

Example of how the member right to “elevate” a Board vote on a major policy or scope issue will work (during RRG meeting November 18, 2004)

(Proposal: NEW RAS SCHEME)

If the Board is acting deliberately:

Before putting the matter on the meeting agenda, the Board sends the matter to the Operations Committee first, and also the Board Advisory Committee and the Governmental Committee and gets their recommendations

Board issues notice 45 days before OPEN meeting

The member vote 30-day window starts on date of notice (45 days before the Board meeting)

The members don't vote during the 30-day window to “elevate” the Board vote

Board meeting happens, Board approves by simple majority, Board can implement immediately

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If the Board is acting precipitously:

Scenario A:

Board acts at a meeting with no notice and approves the action 9-0

The 30-day member vote clock starts the day the Board votes

The Board cannot implement for at least 30 days

The members meet and vote and get at least 18 votes' worth of voting power to vote in favor of "elevating" the Board vote

Board has to meet again to re-vote on this matter, and cannot move ahead without at least a 7 of 9 vote and cannot implement for minimum of 30 days

OR – Scenario B:

The members do NOT vote within the 30-day window after the initial Board vote – then the Board does not have to wait longer after the 30 days elapse and the Board does not have to re-vote; the Board can implement after the end of the 30-day "member vote" window

BUDGET EXAMPLE

2005

2006

2007

2008

In 2005, Grid West develops proposed budget for 2006 and also budget projections for 2007 and 2008

In 2006, Grid West develops proposed budget for 2007 and also budget projections for 2008 and 2009 . . .

When you get to adopting the operating budget for 2008, you have to measure against the projections for the 2008 operating year developed in 2005 and 2006 to determine whether you are exceeding 15% “band”