

# **Report of the Bylaws Work Group**

RRG Meeting  
October 12-13, 2004

- 1. Recommendations on items assigned from BPA Issues List.**
- 2. Additional Recommendations**
- 3. Points worth considering from survey of RTOs/ISOs.**

# 1. Recommendations on items assigned from BPA Issues List

## **Electing Board Members**

1. Insert a preference for Trustees who are residents of Pacific Northwest. *Not recommended.* Experience with NW power system already listed as desirable qualification. Specific qualifications more relevant than mere residency. Also, Pacific Northwest would not cover entire Grid West footprint.
2. Change the number of votes to elect and remove board member from 24 to 20.

*Recommended.* Change to 20 votes for election and removal of Trustees. As described in next slide, some Trustees may be elected with less than 20 votes in run-off elections. Removal for cause and without cause have same 20-vote standard.

3. Create a mechanism to force an election of board members.

*Recommend the following:* If first round of MRC voting fails to fill all vacancies using the 20-vote standard, the candidates with the lowest number of votes are dropped to reduce the number to twice the number of remaining vacancies. MRC votes again. If vacancies remain, same procedure for a third round except that only 16 votes are required for election. If necessary, ties are resolved by drawing lots. If vacancies still remain, top vote-getters are elected.

MRC may request search firm to provide more candidates for consideration.

4. Require at least one Trustee to have experience with the concerns of TDUs. *Not recommended.* Utility experience, including TDU experience, is already listed as desirable qualification for Trustees. Also, if given to one class, have to give to other classes, and that is not workable.
  
5. Allow any 2 members of the MRC to nominate incumbent board members.

*Recommend the following:* All willing incumbents whose terms are expiring will automatically be added to list of names being considered for nomination by MRC.

6. Begin staggering terms after 3 years (alternatively, 2 years).

*Recommend the following for Operational Bylaws:*

Three-year staggered terms begin after expiration of the initial Trustees' terms. 3 initial Trustees will have 2-year terms (including those Developmental Board Trustees who transition to the Operational Board), 3 initial Trustees will have 3-year terms and 3 initial Trustees will have 4-year terms. As these initial terms expire and are filled, the replacement Trustees will have 3-year terms. Trustees serve until successors elected.

7. Change revolving door restriction from 180 days to 1 year.

*Recommend the following:*

- Retain the 180 day prohibition on acquisition of financial interest in a Market Participant or Member.
- Adopt recommendation involving “revolving door.” One year prohibition on becoming owner, director, officer, employee, etc. of a Market Participant or Member.

## Board Organization and Operation

1. Change quorum rules for board from 5 to 8.  
*Not recommended.* Bylaws require an affirmative vote of at least a majority of directors in office to take action.
2. Allow the board to engage in limited, non-decisional deliberations in executive sessions (such as training, retreats, conferences, etc.).

*Recommend the following:* A quorum of Trustees may not deliberate or take action regarding the Corporation's business except at a meeting which is noticed and open. A quorum for a meeting is five or more Trustees. Training and conferences would generally be excluded from the limitation. Retreats to discuss strategic planning, etc. would have to be open if a quorum attended (unless the discussion was about a topic that the board could discuss in executive session).

3. Establish board/stakeholder Budget Committee to recommend annual budget.

*Recommended.* Budget Committee comprised of 2 Trustees and 3 Member representatives appointed by the Board. The latter should each represent a different Member Class and, to extent practicable, be current or former executives responsible for an organization's overall budget preparation or implementation.

Budget Committee responsibilities are to (i) prepare an annual budget of expenditures and capital commitments for next fiscal year and an estimate for an additional two years; (ii) initiate, review and make recommendations regarding any subsequent proposals for modification of adopted budget; and (iii) perform such other functions as the Board may delegate or direct.

4. Establish processes for Member participation in budget preparation.

*Recommend the following:* The Budget Committee may establish its own procedures and processes for Member participation in budget development.

5. Require Board to prepare a multiyear financial plan covering at least 5 years and updated annually.

*Recommend the following:* Budget Committee required to include in its recommended budget an estimate of costs for an additional two years. (See #3 above.)

6. Establish a Governance Committee to focus on Board Governance. *Not recommended. Board can establish under current bylaws.*

7. Establish other Member Standing Committees, such as Finance, Rates, Planning, Congestion Management, etc.

*Recommend the following:* Incorporate into bylaws a Tariff Advisory Committee, an Operations Advisory Committee and a Planning Advisory Committee. These committees would be comprised of knowledgeable, representative and responsible Member representatives appointed by the Board.

Committees develop proposals in response to tasks assigned to them by the Board or brought to them by Members. Board required to refer Section 8.5.3 matters to appropriate committee (unless committee itself generated proposal).

Committees report to the Board and consult with the Board Advisory Committee. Board can continue or disband these committees.

## Other (E.2 – E.7)

E.2. Members should have the right to see the overall consolidated control area package plan prior to voting on whether Grid West should go forward. *Parties involved in control area consolidation have agreed that any consolidation proposal will be made available prior to voting on whether Grid West should go forward.*

E.3. Allow any 5 members to form a User Group that would have a right to bring an issue to the Board, which the Board would have to consider. *Not recommended. Multiple avenues for access to the board, e.g., Board Advisory Committee, Member rights to address board and technical committees, provides better access.*

E.4. Include a mechanism by which Grid West can be dissolved in the event FERC issues an order requiring Grid West to take an action determined to be adverse to the interests of the region. *Bylaws Committee has discussed a number of alternatives and continues to discuss this topic.*

E.5. Require Member approval of mergers and sale of significant assets. *Recommended.*

E.6. Change MRC into a more active representative committee, with more frequent regular meetings, to address all issues that concern members. *Not recommended. The tariff, operations and planning committee structure determined to provide more benefits.*

E.7. Add to bylaws a reference that existing contracts include other BPA contracts such as coordination agreements, etc.

*Recommend the following:* Add “third party agreements for coordination of generating resources” to the list of types of contracts the board must consider for consistency with any transmission service proposals

## **Additional Recommendations**

1. Eliminate requirement for Human Resources Committee.

*Board has authority to establish such a committee but may find other mechanisms to address these issues.*

2. Eliminate authority of Board Advisory Committee to establish subcommittees (Section 6.13).

*Alternative committee structure previously described determined to be more beneficial.*

## **Points worth considering from survey of RTOs/ISOs**

1. Distinct roles for CEO and COO may be beneficial.
2. Incremental development process is cost-effective .
3. Finding good board candidates is not a problem.
4. Boards are responsive to members when they speak with a high degree of consensus.
5. Define scope and move gradually, scope creep results in cost increases.
6. Important that high-level management personnel represent Members in stakeholder deliberations.
7. Successful organization requires Members' commitment of people and resources to organization's activities.
8. FERC has been active in shaping RTOs that have formed so far.