

Brief Summary of Grid West RRG Meeting October 26-27, 2004

Introduction

This summary is intended to briefly describe the topics discussed during the October 26-27, 2004 meeting of the Grid West Regional Representatives Group (RRG). It is not intended to be a verbatim transcript of anyone's remarks, and it is not intended to suggest that any particular representative or entity at the RRG meeting agreed with or endorsed the views described in this summary.

Overview of October 26-27 Meeting

- The RRG met at the Holiday Inn Portland Airport Hotel in Portland, Oregon on Tuesday, October 26, from 8:40 a.m. to 5:00 p.m., and Wednesday, October 27, from 8:40 a.m. to 12:00 p.m. PDT.
- Approximately 60 people attended the RRG meeting, including twenty-four designated RRG representatives. Two state representatives attended the meeting in person and four state representatives participated by phone.
- The Bylaws Work Group presented recommendations and proposed bylaws language to address issues that needed further work from the previous RRG meeting. A number of the recommendations were acceptable to the RRG. The Bylaws Work Group was left with several issues to finish up.
- The Mediation/Facilitation small group reported to the RRG that, after consultation with a number of parties in the region about the underlying issues, they are developing some ideas about how to proceed. However, the Mediation/Facilitation group said that they would benefit from more time to come up with and "test" their approach with RRG members. Given this request, the RRG worked through a new schedule for finishing and reviewing the proposed bylaws and scheduled two upcoming RRG meetings.
- The RRG will meet on Thursday, November 18, 2004, and Friday, November 19, 2004, to work through all remaining outstanding issues. Proposed final bylaws will be posted by November 22 for a two-week review by the region. The RRG will meet on December 9 for making an assessment of the bylaws and recommendation to the filing utilities. (A more detailed schedule of RRG work, review, and meetings is at the end of this summary.)
- The Transmission Services Liaison Group (TSLG), with the consultants, gave the RRG an update on market and operational design work underway and presented a discussion on cost considerations for creating the Beginning State.

Presentation of Recommendations from Bylaws Work Group

The Bylaws Work Group presented recommendations for addressing concerns expressed during discussions at the previous RRG meeting on October 12-13.

Bylaws Work Group Recommendations for Operational Bylaws:

- Trustee Runoff Elections by the Member Representative Committee (MRC) (Sec. 7.2.4)

Add second runoff (third vote) requiring 20 votes for a Trustee to be elected. Before second runoff, the MRC “must” request search firm(s) to provide at least two additional candidates which the MRC may substitute for two existing candidates. Also, the MRC may request search firm(s) to provide additional candidates at any time during this election process.
- ✓ RRG Okay, except favored permissive language: Before the second runoff, the MRC “may” request search firm(s) to provide additional candidates.
- Revolving Door Limitations (Sec. 7.11.1 & 7.12.7)

Distinguish “owner” from “financial interest.” “Owner” means owning at least five percent of outstanding shares of a Member or Market Participant; participation in mutual funds during 180-day period must be on terms and conditions available to the general public. Board may impose more restrictive provisions for current and future Trustees.
- ✓ RRG Okay
- Trustees’ Terms of Office (Sec. 7.1.2 & 7.3)

To avoid possible gap between terms of retiring Trustees and new Trustees, language added that Trustees (other than Trustees who resign or are removed) shall serve until the end of their term and until successors are elected. Also, added language that the Board may specify an earlier effective date for a Trustee’s resignation.
- ✓ RRG Okay
- Board Deliberations – Sunshine Act (Sec. 7.4.1)

A “meeting” of the Board is defined as a gathering of at least a quorum of Trustees at which deliberation occurs or action is taken on Grid West business. A quorum of the Board may not meet without providing notice and must conduct an open meeting (except as provided for confidential matters). A quorum may gather if it is not for deliberating or taking action (e.g., training, at conferences, etc.).
- ✓ RRG Okay
- Budget Committee (Sec. 8.4)

To address concerns that all classes should be represented and that members of the Budget Committee shouldn’t be limited to executives, the Bylaws Work Group recommended that the Budget Committee shall have 5-8 members, at least two of whom shall be Trustees and a majority of whom shall be Member representatives. Members shall forward names of candidates for positions on the Budget Committee to the Board for appointment, and each Member representative shall represent a different Member class.

The Budget Committee prepares a budget for the next fiscal year, estimated budgets for the following two fiscal years and a narrative of expected capital commitments and financing for an additional two years (fourth and fifth years out, plus included in second and third years).

- It was suggested that the budget should include both estimated expenses and estimated revenues.
 - One RRG participant stated that end-users should have a position on the Budget Committee and several others expressed support for this idea. Some participants said the recommendation of 5-8 was a good “balance”, because each class may recommend members to the Board and the Board may designate someone from each class.
- ✓ RRG Okay with including revenue estimates in budgets prepared by Budget Committee. RRG returned to the subject of Member positions on the Budget Committee later in the meeting.

- Governance Committee – “Board Performance Committee” (Sec. 8.7)

Previous recommendation did not require a Governance Committee. Such a committee is important, so the Bylaws Work Group recommended a “Board Performance Committee” made up of three or more Trustees (no Members). The Board Performance Committee will (i) monitor developments in sound corporate governance practice, (ii) assist the Board in annually assessing its performance, (iii) make recommendations for improvements, (iv) provide annual reports to the Board, and (v) perform such other duties as requested by the Board.

- It was generally agreed that the Board Performance Committee should not be required to make its activities and reports public.

RRG Okay

- Member Standing Committees (Sec. 8.2.1)

To address concerns expressed, the Bylaws Work Group recommended requiring the Board to maintain a Tariff Advisory Committee, a Planning Advisory Committee, and an Operations Advisory Committee for at least four years; committee members should possess “an appropriate spectrum of expertise”; members forward candidates to Board for consideration. The group did not recommend a Tariff Committee in the Developmental Bylaws. The tariff is expected to be developed in consultation with the RRG.

- RRG participants stressed the need for Members to have meaningful input in the development of the tariff (and TOA).
- To address the concern about the Board’s ability to “disband” or “modify” committees, language was suggested which provides that a committee may be disbanded only if the Board proposes an alternative means of Member input on the subject area of the committee.
- RRG Okay if Development Board is given guidance that it should develop the tariff (and TOA) in consultation with the RRG, which may include forming appropriate committees.

- Subcommittees (Sec. 8.5.8)

Allow the Board Advisory Committee (BAC) to establish work groups to assist in carrying out its functions. These BAC-established work groups would be open to all members. Members with common views may also form their own work groups to develop position papers (these work groups would not be open to all Members.)
- ✓ RRG Okay
- Advisory Vote (Sec. 5.1.3 & 5.15)

Recommendation clarified that Members may advise Board on matters of concern through Member-initiated resolutions or other means.
- ✓ RRG Okay
- Vote on Budget

The Bylaws Work Group concluded that it did not recommend a binding Member vote on the Grid West budget because it would impinge on the Board's independence. Members have substantive means of advising the Board.

 - Some RRG members maintained that a Member vote on the budget was very important to their constituents and would go a long way towards addressing cost control and gaining support for Grid West. Many others stated that a Member binding vote on the budget was not a good idea. A strong Budget Committee that prepares multi-year future budget projections and the Members' ability to remove Board members were adequate cost control provisions and protection from "scope creep."
 - At this point, the Bylaws Work Group ran down a list of sixteen cost control provisions in the proposed Operational Bylaws.
 - During a break in the meeting, a small group of five developed a proposal to address scope change: Each year the Board would provide budgets up to five years into the future; when the Board proposed the next year's operating budget, if that proposed operating budget is more than a specified percentage (say 20%) of the original forecasted budget for that year, then the Members would vote on approving the budget. If the budget is turned down, the group suggested the default budget could be the previous operating year's budget.
- After much discussion about the merits and details of this idea, the RRG decided to give the question of Member input on the budget to the Mediation/Facilitation group, along with guidance that the key concern that needs to be addressed is that Members want "no surprises" with respect to costs and scope creep.
- It was suggested that along with the list of cost control mechanisms, developed by the Bylaws Work Group, that it would be helpful to have a comprehensive list of all the areas in the bylaws that provide for Member input.

- Clarification of Protection from FERC Orders – Special Rule (Sec. 12.4.3)
Add to existing language that if FERC orders a modification to the articles of incorporation or bylaws or issues an order that preempts or otherwise renders inoperable a provision of the articles or bylaws, the Board must either (i) obtain Member approval of the FERC-ordered change, or (ii) propose dissolution to the Members.
- ✓ RRG Okay

Report from Mediation/Facilitation (Med/Fac) Group

Wally Gibson reported on behalf of the Med/Fac Group, Terry Mundorf, Jim Baggs, and Sarah Dennison-Leonard, facilitator. The Med/Fac Group has had extensive consultation with RRG members. They are trying to explore people's understanding of the issues and underlying concerns, and have met to think about some ideas for how to proceed with an approach that would garner broad regional support. However, Mr. Gibson reported that the group needs more time and would be unable to come back with an approach by next week. The group would like time to test with the region any proposals it develops.

November 18-19 was proposed for a meeting when the Med/Fac Group could bring proposals to the RRG (in proposed bylaws language is possible). Based on a two-week review period after the final proposals are presented, the RRG set December 9 for the meeting when the RRG would make its assessment of the final bylaws. A more detailed work plan and meeting schedule is at the end of this summary.

Excerpts from Proposed Operational Bylaws

The Bylaws Work Group prepared redlined proposed Operational Bylaws and reviewed provisions showing recommendations and clean-up language with the RRG. It was noted that the RRG did not reach agreement on two issues discussed earlier in the meeting.

Further Discussion of Members on the Budget Committee and Budget Vote Issues

The RRG returned to the issue of adequate member class representation on the Budget Committee. After some discussion, there was no objection to the following proposal:

Members can nominate potential candidates to serve on the Budget Committee

The Budget Committee will have a minimum of three member representatives, maximum of five member representatives, and each member representative on the committee must be from a different member class; there will also be at least two trustees on the committee.

The Board has the discretion to decide whom to appoint to the committee after considering member nominations, endeavoring to constitute a committee that has qualified representatives from each of the member classes.

If there are representatives of each of the five member classes designated by the Board who are willing to accept the Board's request to serve, then there will be five member representatives on the committee.

Otherwise, there are as many member representatives on the committee as there are member representatives whom the Board has asked to serve and who are willing to serve (still maintaining a maximum of one member representative from each member class).

Regarding a member vote on the Grid West budget, the consensus of the RRG is that Members want “no surprises” with respect to costs and scope creep. The Med/Fac group took on this issue as part of its work to develop acceptable recommendations.

TDU and MTU Class Allocation and Voting Provisions

Representatives of the potential members of the Transmission Dependent Utility class have prepared a proposal that is in the process of being reviewed by potential members. They are hopeful that a proposal will be ready in time to fit the RRG schedule. Major Transmission Utilities are working on a resolution to class allocation and voting, and also are hopeful that they will have a proposal ready for the RRG.

Transmission Services Liaison Group (TSLG) Update

Steve Walton gave the RRG some background about the activities of the TSLG. He then introduced Sean Donoghue and David Hallam of The Structure Group.

Mr. Donoghue briefed the RRG on the operational and market design work to-date, noting that the design work was covered in more depth at a seminar held by the TSLG on October 14. The TSLG update report to the RRG is posted at http://www.rtowest.com/TSLG_Main.htm .

Mr. Hallam told the RRG that the Module 5 TSLG work will produce an implementation plan and a bottom-up estimate of start-up costs for creating the Beginning State. He outlined challenges and considerations and concluded with some key considerations worth noting to minimize costs of start-up, re-design, and O&M. The presentation is posted at http://www.rtowest.com/TSLG_Main.htm .

RRG Schedule Developed at RRG Meeting

NO RRG MEETING ON NOVEMBER 3-4

- Med/Fac Group develops resolution to underlying concerns/outstanding issues (bylaws language, if possible) for RRG. Med/Fac Group will “shop” concepts ahead of time
- Bylaws Work Group finishes resolution of outstanding issues they have been working on – may ask for email feedback from RRG

RRG MEETING ON THURS., NOV. 18 AND FRI., NOV. 19

- Meeting is Thursday, November 18, from 8:30 a.m. PST to 5:00 p.m. PST and Friday, November 19, from 8:30 a.m. PST to 5:00 p.m. PST at the Doubletree Hotel in Portland, near the Lloyd Center.
- Med/Fac proposal or, if resolution not proposed, RRG works through alternatives

BY NOV. 22 Bylaws Work Group will prepare bylaws in form for posting and for assessment by RRG

RRG TWO-WEEK REVIEW PERIOD -- NOVEMBER 22 to DECEMBER 9

RRG MEETING ON THURSDAY, DECEMBER 9, AT 8:30 a.m.

- RRG final assessment of bylaws

Filers’ decision whether to adopt bylaws soon after RRG meeting (December 10)