

*Excerpts from Proposed Operational Bylaws for Grid West
October 22, 2004 Redlined Revised Draft for RRG Review
Showing Provisions with Changes from July 7, 2004 “Good Enough” Version*

**EXCERPTS SHOWING DRAFT REVISIONS TO
PROPOSED OPERATIONAL BYLAWS
FOR
GRID WEST**

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ARTICLE V

MEMBERS

5.1 Powers and Rights of Members. The Members shall, subject to these Operational Bylaws and applicable law, have the following rights and powers:

5.1.1 The exclusive right and power to (i) elect members of the MRC pursuant to Section 6.3, (ii) remove members of the MRC without cause pursuant to Section 6.6, (iii) approve amendments of these Operational Bylaws proposed by the Board of Trustees pursuant to Section 12.5.2, (iv) participate in advisory votes submitted to the Members by the Board of Trustees pursuant to Section 5.15.

5.1.2 The nonexclusive right and power to (i) remove members of the MRC for cause pursuant to Section 6.6, (ii) amend the Articles of Incorporation pursuant to the provisions therein, (iii) propose amendments to these Operational Bylaws pursuant to Section 12.5.3, (iv) require the Trustees to designate a particular independent auditor if dissatisfied with the Trustees’ selection, (v) require the Trustees to perform an independent audit within a specified time, and (vi) dissolve the Corporation pursuant to Section 12.4.

5.1.3 The nonexclusive right to receive notices and attend and be heard at meetings of the Members and the Boards of Trustees as provided in these Operational Bylaws, and to provide guidance to the Board through advisory votes requested by the Board of Trustees, by resolutions, and by other means as determined by the Members.

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5.9 Meetings of Members.

5.9.1 There shall be bi-annual meetings of the Members of the Corporation at approximately six (6) month intervals at such date, time, and place within the Geographic Area, as the Board of Trustees shall determine. At one such bi-annual meeting, the members of the Board of Trustees and officers of the Corporation shall (i) deliver to the Members (to the extent not delivered previously) the annual financial statements of the Corporation prepared in accordance with the requirements of Section 10.2 and copies of the Corporation’s budgets for at least the current and next fiscal years, (ii) discuss other significant matters affecting the Corporation, (iii) describe the Corporation’s progress on carrying out the purposes in Article III, and (iv) respond to any questions of the Members with respect thereto. ~~At that same bi-annual meeting, the Members shall elect the MRC as set forth in Section 6.3.~~

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5.9.2 The first bi-annual meeting of Members shall be conducted within six (6) months following the last annual meeting of the Members conducted under the Developmental Bylaws. At that same bi-annual meeting, the Members shall hold the first vote to elect the MRC under these Operational Bylaws as set forth in Section 6.3.

5.9.3 At the first bi-annual meeting of Members each year, the membership shall forward to the Board of Trustees names of candidates for the Board to consider for appointment to serve as representatives of the Members on the Budget Committee. At that same bi-annual meeting, the membership shall forward to the Board of Trustees names of candidates to serve on any advisory committees whose membership is appointed by the Board (such as the Tariff Committee, Operations Committee, and Planning Committee).

5.9.43 In addition to the meetings of the Members required under Section 5.9.1, (i) special meetings of the Members for any purpose or purposes may be called at any time by (a) the President of the Corporation, (b) the Board of Trustees, (c) not less than one-third (1/3) of the Members entitled to vote at such meeting, or (d) not less than a majority of the Members in any two (2) Member Classes; and (ii) special meetings of the Members in any Member Class or Member Sub-Class for any purpose or purposes may be called at any time by (a) the President of the Corporation, (b) the Board of Trustees, or (c) not less than one-third (1/3) of the Members entitled to vote at such meeting. Any such special meetings shall be held at such date, time, and place within the Geographic Area as may be determined by the person or persons calling such meeting.

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5.15 Advisory Member Votes Conducted by the Board of Trustees. The voting rules applicable to Member advisory votes held-conducted by the Board of Trustees shall be as specified by the Board of Trustees with respect to the matter being submitted to an advisory vote. If the Board does not specify special voting rules, the voting rule and tabulation of such advisory ~~m~~Member votes shall be as described in Section 5.14.7.

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ARTICLE VI

MEMBERS REPRESENTATIVE COMMITTEE

6.1 Powers and Rights of Members Representative Committee Members. The Corporation shall have a MRC which, subject to these Operational Bylaws and applicable law, shall have the following rights and powers:

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6.1.1 The exclusive right and power to (i) nominate and elect members of the Board of Trustees pursuant to Section 7.2~~5~~, and (ii) remove any Trustee without cause pursuant to Section 7.3;

6.1.2 The nonexclusive right and power to (i) fill vacancies of the Membership Dispute Resolution Committee pursuant to Section 5.4, and (ii) remove any Trustee for cause pursuant to Section 7.3;

6.1.3 The exclusive right and power to elect members of the Arbitration Committee;

6.1.4 The right and power to provide consultation to the Board of Trustees concerning the Special Issues List as provided under Sections 7.16.1 and 7.16.2 below, and to review and vote on a proposal under the Special Issues List, as provided in Section 7.16.2.4 below; and

6.1.5 The MRC may initiate a management audit to be conducted by a qualified independent entity no more frequently than once every four (4) years. The independent auditor shall be chosen and overseen by the majority vote of three (3) members of the MRC (chosen by the MRC) and three (3) members of the Board of Trustees (chosen by the Trustees).

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6.5 Term of Office of Members Representative Committee Members. The term of office for the first group of MRC members elected under these Operational Bylaws shall be from the date of their election until the subsequent bi-annual meeting of Members held in compliance with the information delivery requirements of Section 5.9.1. Thereafter, the term of office of MRC members shall be one (1) year. Except for the first group of MRC members to be elected under these Operational Bylaws, Tthe MRC shall be elected at each bi-annual meeting of Members held in compliance with the information delivery requirements of Section 5.9.1. All MRC members may serve an unlimited number of terms.

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6.13 Subcommittees of Members Representative Committee. The MRC may, by resolution adopted by a majority of the MRC members then in office, designate one (1) or more subcommittees to assist the MRC in carrying out its functions under these Operational Bylaws, each consisting of seven (7) or more MRC members, to serve at the pleasure of the MRC. Appointments to such subcommittees shall be made annually by a two-thirds (2/3) vote of the MRC members then in office. Each subcommittee shall have such authority of the MRC as is delegated by resolution of the MRC, except that no subcommittee, regardless of the MRC

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resolution, may elect, appoint, or remove any member of such subcommittee, any member of the MRC, or any Trustee.

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ARTICLE VII

BOARD OF TRUSTEES

~~Drafting note: The bylaw workgroup is evaluating how the governance structure of an organization such as Gridwest can be used control costs. The bylaws workgroup plans to post a list of the cost control provisions contained within the Operational Bylaws on the Gridwest Website. In addition, the bylaws workgroup is evaluating cost control mechanisms used by existing ISOs and RTOs. Once the bylaw workgroup has a better sense of the control mechanisms used by existing ISOs and RTOs, it will suggest which, if any, mechanisms should be removed from the Operational Bylaws, and which mechanisms, if any, should be added to the Operational Bylaws.~~

7.1 Board of Trustees.

7.1.1 Authorities and Transition to Operational Board of Trustees.

(i) The Board of Trustees shall have the full authorities allowed by law, except as otherwise specified in the Articles of Incorporation or the Operational Bylaws. Without in any way limiting the foregoing, the Board of Trustees shall have the power to borrow funds, establish and exercise lines of credit and engage in all other financial transactions necessary and useful in carrying out the purposes of the Corporation.

(ii) All powers and activities of the Corporation shall be exercised and managed by the Board of Trustees or, if delegated, under the ultimate direction of the Board of Trustees.

(iii) Without in any way limiting the foregoing, any and all proposed amendments or modifications to any tariff of the Corporation shall be required to be submitted to the Board of Trustees for consideration and approval and, except as otherwise provided by applicable law, the effectiveness of any such amendment or modification shall be subject to approval by the Board of Trustees.

(iv) The Developmental Board of Trustees shall serve as a caretaker board of trustees under these Operational Bylaws until the election of the Operational Board of Trustees. The election of the Operational Board of Trustees shall occur as soon as practicable after the adoption of these Operational Bylaws. The Developmental Board of Trustees Board of Trustees may not offer transmission and related services.

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(v) The Operational Board of Trustees may not offer transmission and related services until such time as (a) the Bonneville Power Administration’s contingencies and those contingences of at least two investor-owned utilities with transmission systems contiguous with Bonneville’s system related to execution of Transmission Agreements with the Corporation have been waived or satisfied, (b) any necessary state regulatory review or approval have been received, (c) FERC has issued an order holding (without conditions or required changes) that the governance structure set forth in these Operational Bylaws allow Grid West to satisfy the independence requirements of FERC Order 2000 and its amendments, and (d) any other FERC review or approval sought by Grid West, the Bonneville Power Administration or the investor-owned utilities with transmission systems contiguous with Bonneville’s system related to Transmission Agreements have been received and accepted by the applicant..

7.1.2 Number and Classification.

(i) There shall be nine (9) members of the Operational Board of Trustees. Absent a resignation or removal, Trustees shall serve for the duration of their terms in accordance with these Bylaws and until their successors are elected. A Trustee elected to fill a vacancy mid-term shall serve for the remainder of the term of the Trustee being replaced and until a successor is elected.

(ii) The members of the Operational Board of Trustees shall be divided into three (3) groups of three members each. ~~In order to stagger the terms of the Board of Trustees, three (3) of the initial Trustees positions shall be one (1) year terms, three (3) of the initial Trustees positions shall be two (2) year terms, and three (3) of the initial Trustees positions shall be three (3) year terms, and three (3) of the initial Trustees positions shall be four (4) year terms. If any members of the initial Operational Board of Trustees are former members of the Developmental Board of Trustees as provided in Section 7.2.3 below, those Trustees shall be included in the group of Trustees whose initial term is for two (2) years.~~ After the expiration of the initial terms, all Trustee positions shall carry three (3) year terms. Subject to the requirement to include former members of the Developmental Board of Trustees in the group of Trustees whose initial term is for two (2) years, the MRC shall determine the term each initial Trustee serves.

7.2 Establishment of Operational Board.

7.2.1 Executive Search Firm(s). For purposes of identifying suitable nominees for election to the Operational Board of Trustees, the Board of Trustees shall select and retain one (1) of the following executive search firms to identify qualified Board candidates satisfying the requirements of these Operational Bylaws: (a) Heidrick & Struggles International, (b) Korn/Ferry International, (c) Russell Reynolds Associates, or (d) any successor or any other executive search firm that possesses broad and longstanding experience in searches for members of the boards of directors or trustees of entities across a broad range of industries.

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7.2.2 Identification and Nomination of Suitable Candidates.

(i) ~~Prior to~~ Before each election of ~~the Operational Board of~~ Trustees under these Operational Bylaws, ~~such the~~ executive search firm(s) ~~or firms~~ selected by the Board of Trustees under Section 7.2.1 shall develop a slate of qualified candidates. The Board of Trustees in consultation with the MRC may direct the firm or firms to provide a specific number of candidates, with the minimum to be equal to the number of vacancies plus one (1) and the maximum to be twice the number of vacancies to be filled in such election. Trustees and MRC members may submit the names of proposed candidates to the executive search firm(s) for consideration. Members of the Corporation may also submit the names of proposed candidates to the chairperson of the MRC, who shall forward those names to the executive search firm(s). Unless a Trustee has given notice to the Secretary of the Corporation that he or she does not wish to be considered for re-election, any Trustee whose term is expiring as of an upcoming election shall be automatically included among the candidates to be considered by the MRC for nomination.

(ii) The slate of qualified candidates identified by the executive search firm(s) should include individuals possessing, collectively, knowledge of the operational characteristics of the Pacific Northwest power system and executive management experience or board experience with electric utilities and personal abilities and qualities, such as integrity and leadership, problem-solving, facilitation, and consensus-building abilities. The search firm shall also endeavor to include individuals with relevant experience in commodities markets (including commodities trading risk management), electric bulk power transmission in the Western Interconnection, utilities law, finance, economics, accounting, information technology, engineering, regulation, and public policy; and to achieve racial, ethnic, age, and gender diversity. In screening potential candidates the executive search firm shall be instructed to exclude any candidates likely to have a conflict of interest with the duties of a Trustee. The executive search firm shall also be instructed to obtain appropriate disclosures by candidates (covering themselves and Related Persons to such candidates) regarding financial interests or other potential conflicts of interest in Market Participants, Members, and major contractors of the Corporation. Such disclosures shall also include any such financial interests or other potential conflicts of interest known by the candidates with respect to other family relations of the candidates. Such disclosures of qualified candidates shall be made available on a confidential basis to the MRC upon its election.

(iii) The MRC shall nominate candidates to stand for election from the slate of qualified candidates presented by the executive search firm(s), together with any sitting Trustees the MRC wishes to nominate for re-election as provided in Section 7.2.2(i) above. The MRC may designate any nominee to run unopposed if the proposal to so designate the nominee receives the affirmative vote of not less than twenty (20) MRC members.

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7.2.3 Election of Developmental Trustees for Initial Operational Board.

Notwithstanding Section 7.2.4, the MRC shall elect two (2) Trustees from the Developmental Board of Trustees to be Trustees on the initial Operational Board of Trustees.

(i) If only one (1) or two (2) Trustees from the Developmental Board of Trustees are willing to serve on the Operational Board of Trustees, those Trustees shall be deemed to have been elected to the Operational Board of Trustees and are not required to stand for election.

(ii) If three (3) or more Trustees from the Developmental Board of Trustees are willing to serve on the Operational Board of Trustees, they shall all stand for election. The two (2) Developmental Board Trustees with the greatest number of votes shall serve as the Trustees of the Operational Board of Trustees.

(iii) The MRC shall also elect, according to the procedures set forth in Section 7.2.5, seven (7) or more additional Trustees so that a total of nine (9) Trustees are elected for the Operational Board of Trustees.

7.2.4 Election of Board of Trustees.

(i) The members of the Board of Trustees shall be elected by the members of the MRC, in accordance with the provisions of this Article VII.

(ii) Except as otherwise provided for the initial Operational Board of Trustees in Section 7.2.3, ~~the each~~ members of the Board of Trustees, including nominees designated by the MRC to run unopposed, shall be elected by the affirmative vote of not less than twenty ~~four~~ (20) of the thirty (30) members of the MRC unless there is a need for runoff elections as specified in Section 7.2.4(iii) below. In any election of Trustees, each member of the MRC shall be entitled (a) to a number of votes equal to the number of vacancies to be filled in the election and (b) to vote for any nominee for Trustee and shall be required to vote for as many nominees as there are vacancies to be filled in the election; provided, however, that no member of the MRC (1) may cast more than one (1) vote for any given nominee; (2) may vote for any number of nominees in excess of the number of Board vacancies to be filled in such election, or (3) is required to vote for an unopposed nominee for whom the Member did not vote affirmatively to nominate. Except with respect to the vote on a nominee designated to run unopposed by a Member that did not support the nomination, if any member of the MRC fails, in any election of Trustees, to cast each and all of the votes that such MRC member is entitled to cast, each vote that such MRC member has failed to cast shall be allocated at random, one by one, to another MRC member and cast by such MRC member in favor of a nominee of such member's choice for Trustee in such election. Except as permitted in connection with runoff elections as specified in Section 7.2.4(iii) below, ~~the~~ Trustees-elect shall comprise only those nominees receiving the highest vote (but not in any event less than twenty ~~four~~ (20) votes) of the MRC members, up to such number of nominees as is equal to the number of Board vacancies to be filled in such

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election. If a vacancy cannot be filled because two (2) or more nominees receiving at least twenty ~~four~~ (204) votes receive the same number of votes, a runoff election shall be held among such nominees and shall be repeated until the tie is broken. At any time during the identification of candidates for nomination or during the process of electing Trustees, the MRC may request that the executive search firm(s) undertake a further search for additional candidates for any vacant position(s).

(iii) (a) If fewer than the requisite number of nominees receive twenty ~~four~~ (204) or more votes in an election of Trustees, a first-round runoff election shall be held among the nominees receiving less than twenty ~~four~~ (204) votes. The minimum number of MRC votes required to elect a Trustee in a first-round runoff election shall be twenty (20). The number of nominees for which the MRC may vote in a first-round runoff election may not exceed two (2) times the number of vacancies remaining after accounting for those nominees who received receive twenty (20) or more votes in the initial MRC vote. The number of nominees standing for election in a first-round runoff election shall be reduced, if necessary to comply with the preceding sentence, by removing from the first-round runoff election those nominees who received the fewest votes in the initial MRC vote.; and in the event that

(b) If fewer than the requisite number of nominees receive twenty (20) or more votes the requisite vote in such in the first-round runoff election, the MRC shall be entitled to request that the executive search firm or firms retained by the Board of Trustees for the purpose of identifying suitable Trustee candidates undertake a further search for substitute candidates for the vacant position or positions. a second-round runoff election shall be held among the nominees receiving less than twenty ~~four~~ (204) votes. The minimum number of MRC votes required to elect a Trustee in a second-round runoff election shall be twenty (20). Before proceeding with a second-round runoff election, the MRC shall request that the executive search firm(s) identify at least two additional candidates for the MRC to consider as supplemental nominees for the second-round runoff election. The MRC shall have discretion as to whether the additional candidates shall be included as nominees for the second-round run-off election. The total number of nominees for which the MRC may vote in a second-round runoff election (including supplemental nominees selected from the additional candidates provided by the executive search firms(s)) may not exceed two (2) times the number of vacancies remaining after accounting for those nominees who received receive twenty (20) or more votes in the first-round runoff elections. The number of nominees standing for election in a second-round runoff election shall be reduced, if necessary to comply with the preceding sentence, by removing from further consideration those nominees who received the fewest votes in the first-round runoff election.

(c) If fewer than the requisite number of nominees receive twenty (20) or more votes in the second-round runoff election, there shall be a

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third-round runoff election to fill any remaining vacancies, and the minimum number of MRC votes required to elect a Trustee in a third-round runoff election shall be sixteen (16). The number of nominees for which the MRC may vote in a third-round runoff election may not exceed two (2) times the number of vacancies remaining after accounting for those nominees who received receive twenty (20) or more votes in the second-round runoff elections. The number of nominees standing for election in a third-round runoff election shall be reduced, if necessary to comply with the preceding sentence, by removing from the third-round runoff election those nominees who received the fewest votes in the second-round runoff election. If there are any vacancies remaining to be filled after a third-round runoff election, those vacancies shall be filled by the nominees who received the greatest number of votes in the third-round runoff election. The MRC chairperson shall draw lots to break any ties as necessary to carry out the provisions of Section 7.2.4 and its subsections. ~~Immediately following any election of Trustees, the Secretary of the Corporation shall provide official notice of the results of such election to the members of the MRC and the Members.~~

(ivii) Immediately upon completion of the election of Trustees, the Secretary of the Corporation shall provide official notice of the results of such election to the members of the MRC and the Members. Unless otherwise specified herein, the MRC shall determine the appropriate mechanisms and election procedures for elections of Trustees, based on time constraints and other relevant factors. Elections may be held by written ballot at a meeting, votes cast at a meeting, or such other procedures as the MRC designates.

7.3 Resignation or Removal of Trustees; Vacancies. A Trustee may resign from the Board of Trustees by providing written notice to the chairperson of the Board of Trustees, or the President or the Secretary of the Corporation. A resignation of a Trustee shall be effective upon election of the resigning Trustee’s replacement~~receipt of written notice by the chairperson of the Board of Trustees, or the President or the Secretary of the Corporation,~~ unless the notice or the Board specifies an earlier-later time of effectiveness. The members of the MRC may remove any Trustee at any time, with or without cause, by the affirmative vote of not less than twenty-~~four~~ (20) of the members of the MRC present at a duly held meeting of the MRC. ~~The members of the MRC may remove any Trustee at any time, for cause, by the affirmative vote of not less than twenty (20) of the members of the MRC present at a duly held meeting of the MRC.~~ The Board of Trustees may remove any Trustee at any time, but only for cause, if at least two-thirds (2/3) of the Trustees then in office vote in favor of such removal. If a vacancy occurs, the members of the MRC shall elect a replacement Trustee to fill the vacancy in accordance with the provisions of Section 7.2.4. A Trustee so elected shall serve for the unexpired term of his or her predecessor. For purposes of this Section 7.3, “for cause” shall include, without limitation, a Trustee’s willful misconduct or conviction of a felony, violation by a Trustee of the conflict-of-interest or disqualification provisions of these Operational Bylaws, or a failure on the part of a Trustee, in any fiscal year, to attend more than one-half (1/2) of the meetings of the Board of Trustees held during such year.

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7.4 Meetings of the Board of Trustees.

7.4.1 A meeting is a gathering (in person or otherwise as permitted in this Article VII) of at least a quorum of Trustees as set forth in Section 7.8 below, provided however that the presence of a number of Trustees constituting a quorum in one place or at one event does not constitute a meeting if there is no deliberation or action taken regarding the Corporation’s business. A quorum of Trustees may not take action (except by written consent as provided below) or deliberate regarding the Corporation’s business except at a meeting and in compliance with procedural rules in this Article VII. The Board of Trustees may, subject to any applicable law, take any action without a meeting, if a consent in writing, setting forth the action so taken shall be signed by all of the Trustees then in office.

7.4.~~24~~ The Board of Trustees shall meet at least six (6) times each fiscal year at such dates, times, and places within the Geographic Area as the Board of Trustees shall determine; provided, however, that the Operational Board of Trustees shall have its first meeting within thirty (30) days following its election. At the first meeting in the first quarter of each fiscal year, the Board of Trustees shall elect officers, including a chairperson of the Board to preside over meetings. The regularly scheduled meetings of the Board of Trustees shall be established for each fiscal year in advance.

7.4.~~32~~ In addition to the regular meetings of the Board of Trustees, additional regularly scheduled or special meetings shall be held at such times as shall from time to time be fixed by the chairperson of the Board of Trustees. Special meetings of the Board of Trustees for any purpose or purposes may be called at any time by the President of the Corporation or by any two (2) Trustees.

7.4.~~43~~ Trustees may participate in a meeting through the use of conference telephone, electronic video screen communication, or similar communications equipment, so long as all Trustees participating in such meeting can hear one another at the same time and arrangements are made to afford the public an opportunity to attend and observe any such meeting (with the exception of closed sessions held pursuant to Section 7.6). Participation in a meeting pursuant to this Section 7.4.~~43~~ shall constitute presence in person at such meeting.

~~7.4.4 The Board of Trustees may, subject to any applicable law, take any action without a meeting, if a consent in writing, setting forth the action so taken shall be signed by all of the Trustees then in office.~~

7.4.5 The Secretary of the Corporation shall make public the minutes of each meeting of the Board of Trustees or committee thereof (with the exception of closed sessions held pursuant to Section 7.6), and each written consent of the Board of Trustees or any committee thereof, by posting the same on the Grid West Website and at the offices of the Corporation, or by any other reasonable means, within fifteen (15) days after the date on which the meeting was held or the consent was last signed.

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7.11 Continuing Restrictions on Former Trustees.

7.11.1 General Restrictions. Except as set forth in Section 7.11.2, ~~during the period of one hundred eighty (180) consecutive days following the date on which an individual ceases to be a Trustee:~~

(i) during the period of one hundred eighty (180) consecutive days following the date on which an individual ceases to be a Trustee, neither such individual nor the spouse, domestic partner, or any legal dependent of such individual may have or acquire a direct or indirect financial interest in a Market Participant or Member (or any Affiliate of any of such Persons); provided, however, that such individual (or the spouse, domestic partner, or any legal dependent of such individual) will be permitted to own securities of a Market Participant or Member (or any Affiliate of any of such Persons) through diversified mutual funds on terms and conditions available to the general public (other than those funds concentrating their investments in the electric power industry or the electric utility industry or any segment thereof);

(ii) during the period of three hundred sixty-five (365) consecutive days following the date on which an individual ceases to be a Trustee, neither such individual nor the spouse, domestic partner, or any legal dependent of such individual:

(a) may be or become connected as an owner (including through ownership or control of five (5) percent or more of outstanding shares), director, officer, employee, partner, principal, consultant, or in any similar capacity to a Market Participant or Member (or any Affiliate of any of such Persons); or

(b) may receive in such person’s individual capacity an amount in excess of \$10,000 (U.S.) (exclusive of retirement income or benefits) in the aggregate from the Corporation, any Market Participant, or any Member (or any Affiliate of any of such Persons) as rent or payments for materials, products, or services; and

(iii) during the period of three hundred sixty-five (365) consecutive days following the date on which an individual ceases to be a Trustee, neither such individuals nor any Related Person of such individuals may receive an amount in excess of \$10,000 (U.S.) (exclusive of retirement income or benefits) from relationships with other entities that receive substantial amounts of income or other benefits from the Corporation, any Market Participant, or any Member (or any Affiliate of such Persons). The Board of Trustees shall have the discretion to determine from time to time in meetings open to the public what shall constitute substantial amounts of income or other benefits for purposes of this restriction.

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7.11.2 Exceptions Concerning Continuing Restrictions. An individual shall not be deemed to be in violation of the restrictions set forth in Section 7.11.1 merely because such individual (or the spouse, domestic partner, or any legal dependent of such individual):

- (i) is a residential retail consumer of electric energy; or
- (ii) continues his or her pre-existing participation in a qualified defined benefits or defined contribution pension plan, nonqualified deferred compensation or pension plan or health benefits plan of a Market Participant, Member (or any Affiliate of any of such Persons) for purposes of receiving pension benefits and post-employment health benefits or remaining eligible to receive such benefits at a future time so long as the benefits to such individual under any such pension plan do not vary with the economic performance of such Market Participant or Member (or any Affiliate of any of such Persons) (other than the potential variance due to risk of bankruptcy) or the value of any securities of any such Market Participant or Member (or any Affiliate of any of such Persons) held by such plan.

7.12 Standard of Care.

7.12.1 General Standard for Decisions. A Trustee shall perform the duties of a Trustee, including duties as a member of any committee of the Board of Trustees on which the Trustee may serve, in good faith, 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, and with such care, including reasonable inquiry, as an ordinarily prudent person in a like position would use under similar circumstances.

7.12.2 Guiding Principles for Decisions. The Board of Trustees when considering whether to adopt a proposal regarding the provision of transmission services (including the Special Issues List), shall, at a minimum, take into account the following considerations to satisfy itself that any proposal adopted is warranted:

- (i) The proposed change responds to a current, identifiable problem or opportunity and is reasonably expected to result in an improvement over existing practices.
- (ii) The benefits of the proposed change (qualitative or quantitative) the Trustees expect to result from the change, taken individually or in conjunction with other prior or anticipated changes, are likely to be greater than the anticipated burdens of the proposed change.
- (iii) The proposed change can be implemented in a manner that is not inconsistent with (a) the Corporation’s legal obligations, (b) Transmission Agreements, (c) third-party agreements for coordination of generating resources, and (d) third-party agreements for transmission services that were (#A) executed by transmission owners and

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operators signing Transmission Agreements, and (bB) in existence before the Corporation offers transmission services.

(iv) The proposed change is not reasonably expected to preclude the implementation of further changes in the future to solve remaining problems (including remaining items on the Special Issues List) or take advantage of opportunities.

(v) The proposed change is reasonably designed to minimize or mitigate cost shifts.

7.12.3 Required Demonstration to Implement Backstop Measures. In addition to complying with the provisions of Section 7.16 to invoke authority to exercise backstop measures, any time the Corporation wishes to implement any backstop measure (as defined in Section 7.16.1.1), it must, in consultation with the market monitoring unit for the Corporation, demonstrate that chronic, significant, commercial congestion has not been mitigated due to market failure. The demonstration of market failure must be based on substantial evidence documented by the Corporation through its public planning process.

7.12.43 On-Going Regional Consultation. In addition to complying with the mandatory consultation provisions applicable to the Special Issues List and as set forth in Section 7.16 of these Operational Bylaws, the Board of Trustees shall develop (and may, as it deems appropriate, modify from time to time) general policies and procedures designed to promote ongoing input to the Board of Trustees from interested parties throughout the Geographic Area (including Members and Governmental Committee) and to provide clear, useful information to interested parties throughout the Geographic Area concerning the Corporation’s activities and policies and any potential changes to the Corporation’s existing practices.

7.12.54 Business Plan. The Operational Board of Trustees shall consider the business plan recommended by the Developmental Board of Trustees and either (i) adopt and implement such plan or (ii) adopt an alternative plan after submitting proposed changes and an estimate of their costs to the Board Advisory committee for review and comment (including submission of any proposed alternative proposals).

7.12.65 Information a Trustee May Rely Upon. In performing the duties of Trustee, a Trustee shall be entitled to rely on information, opinions, reports, or statements, including financial statements and other financial data, in each case prepared or presented by:

(i) any advisory committee established by the Board of Trustees pursuant to Section 8.2 of these Bylaws;

(ii) one (1) or more officers or employees of the Corporation whom the Trustee reasonably believes to be reliable and competent in the matter presented;

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(iii) legal counsel, public accountants, or other persons as to matters that the Trustee reasonably believes are within such person’s professional or expert competence; or

(iv) a committee of the Board of Trustees upon which the Trustee does not serve, duly designated in accordance with a provision in the Articles of Incorporation or these Operational Bylaws, as to matters within such committee’s designated authority, which committee the Trustee believes to merit confidence; so long as, in any such case, the Trustee acts in good faith, after reasonable inquiry when the need therefore is indicated by the circumstances and without knowledge that would cause such reliance to be unwarranted.

7.12.~~76~~ Conduct Rules. The Board of Trustees shall maintain Trustee conduct rules for current and former Trustees. These Operational Bylaws incorporate the Trustee conduct rules in effect under the Developmental Bylaws on the date these Operational Bylaws become effective. The Board of Trustees shall ensure, to the extent practicable, that each Trustee complies with the Corporation’s Trustees conduct rules, which Trustee conduct rules may be changed from time to time by the Board of Trustees. The Trustee conduct rules may be more restrictive than the provisions set forth in these Operational Bylaws (including Section 7.11.1) but may not modify or limit the exceptions set forth in Section 7.11.2. Changes to the Trustee conduct rules may not become effective sooner than thirty (30) days following the action by which the Board of Trustees approves the change(s) and may bind only those Trustees who were in office at the time of the change or take office thereafter. The Board of Trustees shall also comply with all applicable rules of FERC and other regulators.

7.12.~~87~~ Independence from Market Participants. The Board of Trustees shall develop and implement policies, designed to ensure independence from Market Participants, regarding the ownership of securities of suppliers of the Corporation or of other financial interest relating to the Corporation, by Trustees, officers, and employees of the Corporation (including Related Persons of such Trustees, officers, and employees). Each Trustee, officer, and other employee of the Corporation as may be designated pursuant to policies established by the Board of Trustees shall file an annual compliance affidavit with the Board of Trustees.

* * * * *

7.16 Special Issues List.

7.16.1 The Special Issues List. The following matters constitute the “Special Issues List”: authorizations specified in subsections (i), (iii), (iv), and (v) below, together with the action specified in subsection (ii), constitute the “Special Issues List” under these Operational Bylaws. To invoke the authorizations specified in subsections (i), (iii), (iv), and (v) below or to take the action specified in subsection (ii), the Corporation must comply with

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~~procedural requirements set forth in Section 7.16.2 and the timing requirements set forth Section 7.16.3.~~

- (i) Authorization for the Corporation to exercise backstop measures with respect to chronic, significant, commercial congestion;
- (ii) The Corporation’s ~~D~~eparture from using the company rate approach to recover fixed costs of transmission service;
- (iii) Authorization for the Corporation to convert the transmission rights of the transmission owners to financial rights and to issue new financial rights;
- (iv) Authorization for the Corporation’s market monitor to impose penalties or actively intervene in markets; and
- (v) Authorization for the Corporation to adopt and enforce a loss methodology that overrides individual company loss methodologies. ~~[Drafting note: Descriptions of the highlighted terms are being considered.]~~

The matters identified in the Special Issues List shall be subject to the provisions of Section 7.16.2 and Section 7.16.3 as provided below.

7.16.1.1 Backstop Measures. For purposes of this Section 7.16, the term “backstop measures” means that the Corporation:

- (i) contracts with a willing third party to implement the Corporation’s preferred transmission solution to address chronic, significant, commercial congestion that no Person has voluntarily elected to mitigate cost-effectively through a transmission solution or a non-wires alternative,
- (ii) allocates resulting costs to beneficiaries through voluntary arrangements or tariff rates, and
- (iii) identifies and assigns resulting transmission rights.

Before implementing for the first time a backstop measure with respect to chronic, significant, commercial congestion, the Board of Trustees must first submit a proposal to invoke authority to exercise backstop measures to a vote of the MRC in accordance with the consultation, procedural, and timing requirements set forth in Section 7.16.2 and Section 7.16.3(i). The Corporation may, subject to 7.12.3, thereafter implement backstop measures to address chronic, significant, commercial congestion if the requirements to invoke authority to exercise backstop measures, as set forth Section 7.16.2 and Section 7.16.3(i), have been satisfied. The Corporation’s ability to implement backstop measures does not override the prohibition against owning transmission or distribution facilities as set forth in Section 3.2.

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[NOTE: See accompanying revision to Section 7.12 (a new Section 7.12.3.)]

7.16.1.2 Departure from Company Rate Approach. When the Corporation begins offering services, loads will pay a “company rate” (and applicable grid management fees, if any) to obtain transmission access under a rate structure known as the “company rate approach.” Obtaining “transmission access” provides the right to receive any continuing transmission service (on terms and conditions established under preexisting agreements and obligations) and confers eligibility to purchase new services offered by the Corporation.

For purposes of this Section 7.16, a “departure from using the company rate approach” means establishing a rate structure for transmission access to the transmission system over which the Corporation offers services that differs from the initial company rate structure by:

- (i) utilizing a rate structure other than a license plate rate; or
- (ii) imposing a transmission access rate for delivery of power derived from the costs of facilities of a participating transmission owner other than the owner of the facilities from which the delivered power is withdrawn from the transmission system over which the Corporation offers services (unless a preexisting agreement, such as a General Transfer Agreement, provides otherwise).

The provisions of Section 7.16 shall not apply to rates or rate structures for grid management and any new services offered by the Corporation (for example, regional network service, market participation, redispatch, etc.). In addition, the provisions of Section 7.16 shall not apply to any costs allocated by the Corporation as a result of exercising any “backstop authority” even if such costs would be incorporated into a company rate.

7.16.1.3 Authorization to Convert to Financial Rights. For purposes of this Section 7.16, the Corporation’s action to “convert the transmission rights of transmission owners to financial rights and to issue new financial rights” means that the Corporation either (i) substitutes physical transmission rights (either historic contract path or physical injection-withdrawal rights) on a transmission owner’s system with transmission service that separately charges for, and provides financial rights to hedge against, locationally derived costs of congestion clearing or (ii) provides transmission service in response to requests for new transmission service through offering transmission service that separately charges for, and offers financial rights to hedge against, locationally derived costs of congestion. Before acting for the first time to “convert the transmission rights of transmission owners to financial rights and to issue new financial rights” within the meaning of this Section 7.16.1.3, the Board of Trustees must first submit a proposal to invoke authority to do so to a vote of the MRC in accordance with the consultation, procedural, and timing requirements set forth in Section 7.16.2 and Section 7.16.3(iii). The Corporation may thereafter convert the transmission rights of transmission owners to financial rights and issue new financial rights if the requirements to invoke the necessary authority, as set forth Section 7.16.2 and Section 7.16.3(iii), have been

satisfied. The Corporation must also comply with the timing requirements specified in Section 7.16.3(iii)(b). This requirement to invoke authority to convert the transmission rights of transmission owners to financial rights and to issue new financial rights shall not preclude the Board from authorizing testing (limited in time, scope, and financial risk assumed by the Corporation, and in which participation is voluntary) as it deems appropriate to help facilitate its determination of whether the transition to financial rights is feasible and prudent. In addition, the Corporation’s implementation of a congestion management approach that relies on a market-based system to relieve congestion (such as through voluntary redispatch bids), in conjunction with historic contract path or physical injection-withdrawal rights, shall not be subject to the requirements of Section 7.16.

7.16.1.4 Authorization of Certain Market Monitor Actions. Before the market monitor for the Corporation may be authorized to impose penalties or actively intervene in markets, the Board of Trustees must first submit a proposal to invoke authority to so authorize the market monitor to a vote of the MRC in accordance with the consultation and procedural requirements set forth in Section 7.16.2. The Corporation may thereafter authorize the market monitor for the Corporation to impose penalties or actively intervene in markets if the requirements to invoke the necessary authority, as set forth Section 7.16.2, have been satisfied.

7.16.1.5 Authorization to Implement Certain Loss Methodologies. The Corporation must consider whether to adopt and enforce a loss methodology that overrides individual company loss methodologies in accordance with Section 7.16.3(iv). Before the Corporation may adopt and enforce a loss methodology that overrides individual company loss methodologies, the Board of Trustees must first submit a proposal to invoke authority to do so to a vote of the MRC in accordance with the consultation and procedural requirements set forth in Section 7.16.2. The Corporation may thereafter adopt and enforce a loss methodology that overrides individual company loss methodologies if the requirements to invoke the necessary authority, as set forth Section 7.16.2, have been satisfied.

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ARTICLE VIII

COMMITTEES OF THE BOARD OF TRUSTEES

8.1 Committees of Trustees. In addition to the committees described in Section 8.3 and 8.4, the Board of Trustees may, by resolution adopted by a majority of the Trustees then in office, designate one (1) or more committees, each consisting of two (2) or more Trustees, to serve at the pleasure of the Board of Trustees. Appointments to such committees may be made at any meeting of the Board of Trustees by a majority vote of the Trustees then in office. Each committee shall have such authority of the Board of Trustees as is delegated by resolution of the Board, except that no committee, regardless of the Board of Trustees resolution, may:

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- 8.1.1 Elect, appoint, or remove any member of such committee, any Trustee, or any officer of the Corporation;
- 8.1.2 Appoint any other committees of the Board of Trustees or the members of any such committees;
- 8.1.3 Fix compensation of Trustees for serving on the Board of Trustees or any committee;
- 8.1.4 Amend, alter, or repeal these Bylaws, or adopt new bylaws, or amend the Articles of Incorporation;
- 8.1.5 Amend, alter, or repeal any resolution of the Board of Trustees;
- 8.1.6 Adopt a plan of merger or consolidation;
- 8.1.7 Authorize or cause the Corporation to enter into any binding contract or other legal obligation or incur any liability;
- 8.1.8 Authorize the sale, lease, exchange, mortgage, or pledge of all or substantially all of the property or the assets of the Corporation;~~or~~
- 8.1.9 Authorize the voluntary dissolution of the Corporation or revoke proceedings therefore, or adopt a plan for the distribution of the assets of the Corporation on dissolution;~~or~~ or
- 8.1.10 Take any final action with respect to the Special Issues List set forth in Section 7.16.

8.2 Advisory Committees. ~~In addition to the advisory committees described in Sections 8.5 and 8.6,~~ The Board of Trustees may, by resolution adopted by a majority of the Trustees then in office, appoint advisory committees to serve at the pleasure of the Board of Trustees (in addition to those advisory committees identified in these Operational Bylaws). Advisory committees’ membership may consist of both Trustees and non-Trustees or non-Trustees only. Advisory committees have no authority to act for the Corporation but shall report their findings and recommendations to the Board of Trustees.

8.2.1 Initial Required Member Advisory Committees. Promptly after the adoption of these Operational Bylaws, the Board of Trustees shall form the advisory committees specified in Sections 8.2.1.1 through 8.2.1.3 below. The Board of Trustees shall maintain the advisory committees specified in Sections 8.2.1.1 through 8.2.1.3 for not less than four (4) years following adoption of these Operational Bylaws, but may thereafter modify or disband these advisory committees. Nothing in this Section 8.2.1 shall limit the power of the Board of Trustees to form, modify, or disband advisory committees other than those specified in Sections 8.2.1.1 through 8.2.1.3.

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8.2.1.1 Tariff Committee. As provided in Section 8.2.1, ~~¶~~the Corporation shall have a Tariff Committee to advise to the Board of Trustees on the Corporation’s tariff(s). The Tariff Committee shall consist of up to fifteen (15) representatives of Members appointed by the Board of Trustees. Trustees may, but are not required to serve on the Committee. The Board of Trustees shall endeavor to select representatives from each of the Member Classes to serve on the Tariff Committee, and shall endeavor to select individuals who collectively possess an appropriate spectrum of expertise with respect to ~~are current or former executives or managers responsible for~~ defining the terms and conditions for electric transmission services and participation in related markets.

8.2.1.2 Operations Committee. As provided in Section 8.2.1, ~~¶~~the Corporation shall have an Operations Committee to advise the Board of Trustees on electric transmission system and market ~~operational~~ matters. The Operational Committee shall consist of up to fifteen (15) representatives of Members appointed by the Board of Trustees. Trustees may, but are not required to serve on the Committee. The Board of Trustees shall endeavor to select representatives from each of the Member Classes to serve on the Operations Committee, and shall endeavor to select individuals who collectively possess an appropriate spectrum of expertise with respect to ~~are current or former executives or managers responsible for~~ electric transmission and market operations.

8.2.1.3 Planning Committee. As provided in Section 8.2.1, ~~¶~~the Corporation shall have a Planning Committee to advise the Board of Trustees on transmission-planning matters. The Planning Committee shall consist of up to fifteen (15) representatives of Members appointed by the Board of Trustees. Trustees may, but are not required to serve on the Committee. The Board of Trustees shall endeavor to select representatives from each of the Member Classes to serve on the Planning Committee, and shall endeavor to select individuals who collectively possess an appropriate spectrum of expertise with respect to ~~are current or former executives or managers responsible for~~ electric transmission planning.

8.2.2 Consideration of Member-Submitted Candidates. In appointing representatives of Members to the advisory committees specified in Sections 8.2.1.1 through 8.2.1.3, the Board of Trustees shall consider candidates whose names have been submitted by Members in accordance with Section 5.9.3.

8.3 Audit Committee.

8.3.1 There shall be an Audit Committee of the Board of Trustees consisting of three (3) or more Trustees ~~elected~~ appointed by the Board of Trustees.

8.3.2 The Audit Committee shall have no powers of the Board of Trustees but shall serve in an advisory capacity by reviewing (i) the Corporation’s annual independent financial audit and preparing a report for the Board of Trustees, (ii) the Corporation’s program for compliance with laws and regulations, and (iii) the financial controls in the business practices of the Corporation. In addition, the Audit Committee shall monitor compliance with the

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Corporation's Conduct Rules for Trustees and Employees to ensure the Corporation's independence and freedom from conflicts of interests, and shall make regular reports to the Board of Trustees regarding such compliance. The Audit Committee shall make recommendations from time to time to the Board of Trustees as to the implementation of procedures to ensure continued compliance with the Conduct Rules.

8.4 Human Resources Budget Committee.

8.4.1 ~~There shall be a Human Resources Committee of the Board of Trustees consisting of three (3) or more Trustees elected by the Board of Trustees.~~ There shall be a Budget Committee consisting of between five (5) and eight (8) members, at least two of which shall be Trustees, and a majority of which shall be representatives of the Members. The Board of Trustees shall appoint all members of the Budget Committee. Each of the Budget Committee's members who are representatives of the Members shall represent a different Member Class. In appointing the Budget Committee's members who are representatives of the Members, the Board of Trustees shall consider candidates whose names have been submitted by Members in accordance with Section 5.9.3. The Board of Trustees shall endeavor to appoint individuals who are current or former executives or senior managers responsible for an organization's overall budget preparation or implementation. A quorum for any meeting of the Budget Committee shall be a majority of committee members. Attendance at a meeting of at least a quorum is necessary for Budget Committee action, and decisions shall be made by majority vote of those present.

8.4.2 ~~The Human Resources Committee shall review and report to the Board of Trustees on candidates to fill officer positions for the Corporation. The Human Resources Committee shall also review and recommend to the Board compensation policies of the Corporation. The Budget Committee, with support from the Corporation's staff and after providing opportunities for the Board Advisory Committee to submit recommendations, shall:~~

- (i) prepare an annual budget of expenditures and capital commitments;
- (ii) prepare an annual forecast budget of expenditures and capital commitments for the two-year period following the period covered by the budget in (i);
- (iii) prepare an annual narrative forecast of capital needs for the two-year period following the period covered by the budget in (ii), including estimated timing and possible sources of funding for those expenditures;
- (iv) initiate or review and make recommendations regarding subsequent proposals for modification of the adopted budget; and
- (v) perform such other functions as the Board may delegate or direct.

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8.4.3 The Corporation shall provide the Budget Committee members with access to any information the Budget Committee determines is appropriate or necessary to carry out its duties. Prior to commencing its work, the Budget Committee shall, in conjunction with the Corporation's counsel, establish guidelines for identification and treatment of confidential information.

8.4.4 The Budget Committee shall submit its recommended budget to the Board of Trustees by a date established by the Board. The Board shall identify any material changes it makes to the recommendations of the Budget Committee when it submits its proposed annual budget, or any proposal for modification of the adopted budget, to the Board Advisory Committee pursuant to Section 8.5.3.

8.5 Board Advisory Committee.

8.5.1 The Corporation shall have a Board Advisory Committee to provide advice to the Board of Trustees on Board of Trustee decisions and other matters of significance to the Corporation. Membership on the Board Advisory Committee shall be open to any Member and its Affiliates. A Member and its Affiliates may participate on the Board Advisory Committee upon the Member providing the Secretary of the Corporation written notice of the name, address, telephone number, facsimile number, electronic mail address of its representatives. A Member may appoint no more than three representatives, and three alternates, who represent the interests of the Member or its Affiliates. A Member may at any time, effective upon notice to the Secretary of the Corporation, replace the individuals who are authorized to participate on the Board Advisory Committee. Each Member warrants to the Corporation and to the other Members that the individuals appointed to the Board Advisory Committee have the authority to participate in the Board Advisory Committee on behalf of the Member or Affiliate, and are authorized to participate in debate and consider input from others before taking a position. The Corporation shall maintain at all times a current list of the name, address, affiliation and interest of each individual appointed to the Board Advisory Committee. The list shall be posted on Grid West's Website and updated periodically.

8.5.2 The Board Advisory Committee shall advise the Board of Trustees on additions and revisions to the Corporation's rules and protocols, tariffs, reliability and operating standards, other technical matters, and other matters of concern to members of the Board Advisory Committee. The Board Advisory Committee may advise the Board of Trustees concerning any other issues relating to the Corporation, and may consider issues referred for the Board Advisory Committee's consideration from any source, including the Board of Trustees, any member of the Board Advisory Committee, any Member or any officer or employee of the Corporation. The Board of Trustees shall be required to consider any advice of the Board Advisory Committee which is timely provided to the Board of Trustees along with any other advice properly presented to the Board of Trustees without limiting the discretion or authority of the Board of Trustees to consider and take action on any matter in accordance with the provisions of these Operational Bylaws, the Articles of Incorporation and applicable law.

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8.5.3 Except in the case of emergency as declared by the Board of Trustees, the Board of Trustees shall submit any proposed action concerning the matters enumerated below to the Budget Committee (if applicable) or an appropriate advisory committee under Section 8.2 if there is an advisory committee to address the relevant subject matter. After receiving any committee recommendations, the Board of Trustees shall provide an opportunity to the Board Advisory Committee and Governmental Committee to advise the Board of Trustees concerning the following matters prior to any final action thereon by the Board of Trustees: (i) any proposed amendment or modification to the Grid West Tariff (including any proposed amendment or modification to the Corporation’s rates or revenue requirements); (ii) any proposed amendment or modification to the forms of the Transmission Agreements; (iii) Grid West transmission system planning matters; (iv) the annual budget of the Corporation (including potential budget reductions and financial controls when a proposed budget materially exceeds the expenses for the prior audited fiscal year) and any subsequent modification to the annual budget; and (v) any proposed measures to implement market power or price mitigation. Such opportunity shall be afforded through notice to the Board Advisory Committee and Governmental Committee of any such proposed action not less than thirty (30) days prior to any final action thereon by the Board of Trustees; provided, however, that the Board of Trustees shall endeavor to provide the annual budget and any subsequent modification to the Board Advisory Committee and Governmental Committee at least ninety (90) days prior to any final action thereon by the Board of Trustees. Notice of all matters on which the Board Advisory Committee and Governmental Committee shall have the opportunity to advise the Board of Trustees prior to this Section 8.5.3 shall be posted on the Grid West Website and sent, not less than thirty (30) days before any final action, to each member of the public who has requested notice of Member meetings, for the purpose of allowing public comment and advice by the Board Advisory Committee and Governmental Committee. All public comments shall be made available to the Board Advisory Committee and Governmental Committee by the Secretary of the Corporation.

8.5.4 The Board Advisory Committee shall develop procedures to ensure that each Board Advisory Committee member has an adequate opportunity to propose issues for, and comment on issues under, consideration by the Board Advisory Committee.

8.5.5 The members of the Board Advisory Committee shall not vote on any issue, ~~but shall instead~~ Any one or more members of the Board Advisory Committee who wish to provide advice to the Board of Trustees may do so in the form of a position paper. s-reflecting all divergent points of view of Board Advisory Committee members (or, in the event that there is complete consensus among all the members of the Board Advisory Committee on an issue, a single position paper reflecting such consensus). ~~In each case each~~ Any such position paper shall be accompanied by the name of each Board Advisory Committee member who or which supports the advice provided in such paper.

8.5.6 The Board Advisory Committee shall select a chairperson and a vice chairperson who will convene and conduct the meetings of the Board Advisory Committee. The Board of Trustees shall be required to meet with the chairperson of the Board Advisory Committee not less than four times each fiscal year, advance notice of which shall be provided to other members of the Board Advisory Committee to afford them an opportunity to attend.

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8.5.7 The Board Advisory Committee shall develop procedures to ensure that the business of the Board Advisory Committee is conducted in an effective, organized and timely manner. Members of the Board Advisory Committee shall have authority to refer matters to the staff of the Corporation for study and investigation (subject to the imposition by the Board of Trustees and the President of the Corporation of reasonable controls on the use of staff time and resources).

8.5.8 The Board Advisory Committee may form one or more *ad hoc* or standing subcommittees-work groups to assist in accomplishing its functions. Such subcommittees-work groups shall be open to membership and participation by any interested Member. Board Advisory Committee members may also form groups of participants sharing common views to develop position papers.

8.5.9 Notwithstanding any provision of this Section 8.5, the existence of the Board Advisory Committee, and any action or failure to act by the Board Advisory Committee or any member thereof, shall not prevent any Member from appearing before, or being heard on any matter before, the Board of Trustees.

8.6 Governmental Committee.

8.6.1 There shall be a Governmental Committee consisting of representatives of the Corporation, interested members of the State or Provincial Energy Authorities Member Sub-Class and Tribes Member Sub-Class, and representatives of electricity regulatory commissions of Participating Jurisdictions that are not Members of the Corporation. Membership in the Corporation is not required for Participating Jurisdictions to participate on the Governmental Committee.

8.6.2 The purpose of the Governmental Committee is to provide consultation and such other activities as the Board of Trustees and representatives of participating Jurisdictions may agree are appropriate regarding the fulfillment of the Corporation’s purposes. The structure, organization and administration of the Governmental Committee shall be defined by the participants on the Governmental Committee.

8.7 Board Performance Committee.

8.7.1 There shall be a Board Performance Committee of the Board of Trustees consisting of three (3) or more Trustees appointed by the Board of Trustees.

8.7.2 The Board Performance Committee shall (i) monitor developments in sound corporate governance practice; (ii) assist the Board in annually assessing the Board’s performance; (iii) make recommendations for improvements to the Board’s performance; (iv) provide annual reports to the Board concerning the performance of the Corporation’s officers; and (v) perform such other functions as the Board may delegate or direct.

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8.78 Meetings. Regular and special meetings of committees of the Board of Trustees and any advisory committees shall be governed by, and the procedures relating to such meetings and actions taken by such committees at such meetings or by written consent shall be carried out in accordance with, the provisions of Sections 7.4 through 7.9 concerning meetings of the Board of Trustees. For the purposes of the application of Article VII to the meetings of committees of the Board of Trustees or advisory committees, references in Article VII to the Board of Trustees shall be read as references to the applicable committee of the Board of Trustees or to the applicable advisory committee. Minutes of each meeting of any committee (with the exception of closed sessions held pursuant to Section 7.6) shall be kept and filed with the corporate records. The Board of Trustees may adopt rules for the governance of any committee not inconsistent with the provisions of these Operational Bylaws.

* * * * *

ARTICLE XII

MISCELLANEOUS

12.1 Fiscal Year. The fiscal year of the Corporation shall be established at the discretion of the Board of Trustees.

12.2 Corporation Seal. The Corporation may have a seal as specified by resolution of the Board of Trustees. Such seal may be affixed to any and all corporate instruments, but failure to affix it shall not affect the validity of any instrument.

12.3 Notices. Except as and to the extent otherwise provided in these Operational Bylaws, any notice required or permitted to be given under or pursuant to these Operational Bylaws shall be required to be delivered to the intended recipient party either by first-class mail, in person, by facsimile equipment providing written confirmation of completed transmission, or by electronic mail at such party’s address, facsimile number, or electronic mail address provided to the Secretary of the Corporation in accordance with the requirements of these Operational Bylaws. Notices delivered by mail shall be effective when deposited in the U.S. or Canadian mail, with first-class postage thereon prepaid. Notices delivered in person shall be effective upon delivery, and notices sent by facsimile or electronic mail shall be effective upon completion of successful transmission. Any Person may change the address to which notices should be sent by giving notice of such change to the Secretary of the Corporation in accordance with the requirements of this Section 12.3.

12.4 Dissolution and Merger or Disposition of Assets.

12.4.1 Methods of Dissolving the Corporation. The Corporation may be dissolved only according to Sections 12.4.2 or 12.4.3 below.

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12.4.2 General Rule – Board of Trustee Proposals to Dissolve Corporation. The Board of Trustees may propose to dissolve the Corporation. The Board of Trustees shall dissolve the Corporation only if upon the affirmative vote of the plan of dissolution developed by the Board of Trustees receives the approval of: (i) at least two-thirds (2/3) of the Trustees then in office; and (ii) four (4) out of five (5) Member Classes ~~vote~~, each by a margin of at least two-thirds (2/3) of the total voting power held by the Member Class (provided that the vote of Members also must comply with the requirements of RCW 24.03.220), in favor of the dissolution according to a plan of dissolution developed by the Board of Trustees. The vote by each Member Class shall be tabulated separately. In addition, with respect to Member Classes that include Member Sub-Classes, the proportion of voting power cast in each Member Sub-Class shall be tabulated separately, then aggregated with tabulation of other Member Sub-Class votes within the Member Class to determine the proportion of voting power within the Member Class as a whole that has voted in favor of or against the proposal or resolution. An example of how Member Class and Member Sub-Class voting power is to be calculated is set forth in Exhibit A. Notwithstanding Section 5.10.2, the proposed vote must be included on the proposed agenda for the meeting of Members in order for a vote to be taken on a proposed dissolution.

12.4.3 Special Rule – FERC Ordered Changes to Articles of Incorporation or Operational Bylaws. If FERC orders a change to or issues an order or rule that preempts or otherwise renders inoperative a provision of the Articles of Incorporation or Operational Bylaws, the Board of Trustees shall preserve its rights of appeal. If FERC orders a change to or issues an order or rule that preempts or otherwise renders inoperative a provision of the Articles of Incorporation or ~~the~~ Operational Bylaws, and the Members do not approve the change to the Articles of Incorporation according to the provisions of the Articles of Incorporation ~~or the Members~~, do not approve the change to the Operational Bylaws according to the provisions of Section 12.5.2, or do not approve any decision by the Board of Trustees to treat a provision of the Articles of Incorporation or Operational Bylaws as preempted or otherwise inoperative by the same majority as required in Section 12.5.2, the Board of Trustees shall convene a special meeting of the Members to vote on the dissolution of the Corporation according to a plan of dissolution developed by the Board of Trustees that includes the restructuring costs of the transmission owners and operators signing Transmission Agreements. The Board of Trustees shall dissolve the Corporation if the plan of dissolution developed by the Board of Trustees receives the approval of at least :upon a favorable vote of: (i) four (4) out of five (5) Member Classes ~~vote~~, each by a margin of at least two-thirds (2/3) of the total voting power held by the Member Class (provided that the vote of Members also must comply with the requirements of RCW 24.03.220), in favor of dissolution according to the plan of dissolution proposed by the Board of Trustees. The vote by each Member Class shall be tabulated separately. In addition, with respect to Member Classes that include Member Sub-Classes, the proportion of voting power cast in each Member Sub-Class shall be tabulated separately, then aggregated with tabulation of other Member Sub-Class votes within the Member Class to determine the proportion of voting power within the Member Class as a whole that has voted in favor of or against the proposal or resolution. An example of how Member Class and Member Sub-Class voting power is to be calculated is set forth in Exhibit A. Notwithstanding Section 5.10.2, the proposed vote must be included on the proposed agenda for the meeting of Members in order for a vote to be taken on a proposed dissolution.

*Excerpts from Proposed Operational Bylaws for Grid West
October 22, 2004 Redlined Revised Draft for RRG Review
Showing Provisions with Changes from July 7, 2004 “Good Enough” Version*

12.4.4 Distribution of Net Assets. Upon the dissolution or winding up of the Corporation, the Trustees shall, after paying, satisfying, discharging, or making adequate provision for payment of all of the liabilities and obligations of the Corporation, and subject to satisfaction of all applicable requirements of RCW 24.03.225 relating to dissolution, distribute all the remaining assets of the Corporation in accordance with the Articles of Incorporation.

12.4.5 Merger or Disposition of Assets. A merger of the corporation pursuant to RCW 24.03.195, or a sale, lease, exchange or other disposition of all or substantially all of the assets of the corporation other than in the ordinary course of business pursuant to RCW 24.03.215 shall require the same vote as set forth in Section 12.4.2 above. Notwithstanding Section 5.10.2, the proposed vote must be included on the proposed agenda for the meeting of Members in order for a vote to be taken on a proposed merger or disposition of assets pursuant to RCW 24.03.195 and RCW 24.03.215.

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