



Grid West Bylaws Presentation

***Grid West Forum
December 6, 2005***



Overview

- ***Background – What was the bylaws work group’s task?***
- ***Highlights of recommendations for substantive revisions***
- ***“Flagged” provisions for discussion***
- ***Summary of technical and clean-up revisions***



Background

- ***Initial discussion at November 17 Forum:***
 - No need for separate Developmental and Operational Bylaws
 - Rigid decision points and separation of developmental and operational stages is in some ways counterproductive
 - “Sunset” and “poison pill” provisions don’t fit
 - Move to a single comprehensive set of bylaws



Background

- ***Initial discussion at November 17 Forum:***
 - Modify provisions that don't fit with where we are now
 - The Operational Bylaws for Grid West have ample member protections and more than enough process
 - Bring back recommendations for other changes to improve organizational workability without sacrificing accountability

Background

- ***Overarching themes:***
 - Move toward greater respect for the integrity and competence of the independent Board
 - Empower the Board to be successful in
 - creating an operational service organization
 - carrying out the organization's purposes
 - Rely on consultation requirements and removal powers to assure Board accountability, rather than building from distrust



Important Reminders

- ***Moving forward, Grid West will continue to be:***
 - a non-profit service organization
 - committed and responsive to the region's needs
- ***Basic service model is cost-based***
 - Grid management charge is cost-based
 - Long-term transmission rights are cost-based
 - Short-term markets function through auctions



Important Reminders

- ***Grid West membership is always open***
 - There is a process to pre-qualify those who want to be members for the first independent Board election
 - Any eligible entity can become a member at any time (no “windows” that close)
 - All members are entitled to receive notice of, attend, and be heard at independent Board meetings
 - No restrictions on members’ ability to withdraw at any time



Key Revision Highlights

- ***Section 1.1.15 – Definition of “Geographic Area”***

What is the change?

- Definition is the same as before, except that the independent Board can expand the area (within the Western Interconnection) when appropriate
 - Note – Grid West could not include facilities of another area’s RTO or ISO

What is the reason for the change?

- Flexibility to accommodate additional participants down the road (without needing to amend the bylaws)



Key Revision Highlights

- ***Section 1.1.17 – New definition – “Grid West Basic Features”***

What is the change?

- The basic definition refers to the market and operations design developed by the TLSG, but can evolve within limits

What is the reason for the change?

- Helps clarify the initial scope of Grid West, but leaves room for needed refinements; used in “Transmission Agreements”



Key Revision Highlights

- ***Section 1.1.42 – Definition of “Transmission Agreements”***

What is the change?

- The definition now ties into the “Grid West Basic Features”

What is the reason for the change?

- Helps clarify that the purpose of the “Transmission Agreements” is to enable Grid West to implement the Grid West Basic Features



Key Revision Highlights

- ***Section 5.3.1 – Initial Members of Grid West***

What is the change?

- This provision refers to an attachment that lists initial Grid West members when the bylaws are adopted

What is the reason for the change?

- Facilitates moving forward promptly with independent Board election; ties in with pre-qualification process



Key Revision Highlights

- ***Section 7.1.1(iv) – Board’s role to develop Transmission Agreements***

What is the change?

- Board must work diligently to promptly complete the Transmission Agreements by negotiating with funding transmission owners

What is the reason for the change?

- An affirmative statement of an important goal, rather than framing the issue in the negative



Key Revision Highlights

- ***Section 7.1.1(v) – Board determines when to start offering transmission services***

What is the change?

- Board determines when it has a “critical mass” of Transmission Agreements to begin offering transmission services

What is the reason for the change?

- An affirmative choice to rely on Board judgment, rather than imposing restrictions; remove tie-in to BPA participation



Key Revision Highlights

- ***Section 7.1.1(vi) – Grid West can take logical implementation steps before it has signed Transmission Agreements***

What is the change?

- This language authorizes Grid West to take steps toward implementation of the “Grid West Basic Features” where feasible before Transmission Agreements are in place

What is the reason for the change?

- Clarifies authority for early implementation steps



Key Revision Highlights

- ***Section 7.1.2 – Number of independent directors on the Grid West Board***

What is the change?

- Board size is set at 5, but the Board can choose to expand to 7 members once it has determined there is a “critical mass” of Transmission Agreements

What is the reason for the change?

- Organizational efficiency and flexibility; reduces costs of Board retention and recruitment



Key Revision Highlights

- ***Article VII and related provisions that require supermajority Board votes***

What is the change?

- Supermajority votes that required 7 of 9 (77.8%) Board votes now require 4 of 5 (80%)

What is the reason for the change?

- Reflects reduced Board size (from 9 to 5 members), but also recognizes possibility of a 7-member Board
 - Supermajority on a 7-member Board would be 5



Key Revision Highlights

- ***Section 7.2.2(ii) – Identification of Board candidates***

What is the change?

- At least half the slate for any first-round vote for Board members must be candidates with significant experience in the electric utility industry in the Grid West Geographic Area

What is the reason for the change?

- Add a workable “Grid West pedigree” provision consistent with the principle that any person elected to the Board must have broad support (at least 20 MRC votes)



Key Revision Highlights

- ***Section 7.16.3 – Clarify when a departure from “company rate approach” occurs***

What is the change?

- Revise definition to allow consideration of several different approaches to long-term transmission pricing without permitting postage stamp rates

What is the reason for the change?

- Several pricing work group proposals were not recommended (despite significant support) only because they clashed with former bylaws language



Key Revision Highlights

- ***Section 12.5.2 – Amending bylaws***

What is the change?

- Lower the threshold for members to approve a Board-approved amendment to Grid West’s bylaws from 4 of 5 member classes (each by at least 2/3) to a minimum of 16 votes (with 2/3 of at least 3 member classes)

What is the reason for the change?

- Better corporate practice to have a manageable bylaws amendment process



Provisions for Discussion

- ***Section 7.17***

What does this provision do?

- This provision allows members to vote that any Board proposal constitutes a major change in scope; triggers a 7 of 9 Board approval requirement and 30-day implementation delay

Why remove this provision?

- Members already have ample tools to make sure the Board understands their views and concerns (e.g., Sections 5.1.3 and 8.5.3); this undermines workability



Provisions for Discussion

- ***Section 7.9.1***

What does this provision do?

- Imposes a 30-day implementation delay on Board action after a member vote under Section 7.17

Why remove this provision?

- Section 7.9.1 ties in with Section 7.17; if Section 7.17 is removed, Section 7.9.1 should be also



Provisions for Discussion

- ***Section 7.9.2***

What does this provision do?

- Requires a mandatory member advisory vote and a supermajority (7 of 9) Board vote to approve budgets that exceed previous budget projections by 15% or more

Why remove this provision?

- There are already ample provisions related to cost control (e.g., Sections 8.4 and 8.5.3(iv)); this undermines workability



Provisions for Discussion

- ***Section 5.15.2***

What does this provision do?

- Requires a mandatory member advisory vote on proposed budgets that exceed previous budget projections by 15% or more

Why remove this provision?

- Section 5.15.2 ties in with Section 7.9.2; if Section 7.9.2 is removed, Section 5.15.2 should be also



Provisions for Discussion

- ***Section 7.12.2***

What does this provision do?

- The Board must jump through a series of hoops to satisfy itself that any proposal “regarding the provision of transmission services” is warranted

Why remove this provision?

- Members already have ample tools to make sure the Board understands and considers their views and concerns (e.g., Sections 5.1.3 and 8.5.3); this provision could be abused to hamstring the Grid West Board



Provisions for Discussion

- ***Section 12.4.3***

What does this provision do?

- Forces Grid West to dissolve (unless members override) in response to FERC-ordered changes to articles of incorporation or bylaws

Why remove this provision?

- This provision is too drastic and does not make sense given recent developments (*Cal ISO v. FERC* and July 1, 2005 FERC declaratory order); unnecessarily hostile to FERC



Adding Up the Changes

- ***Bonneville presented to the region on September 23, 2004 a list of 35 bylaws issues (not counting sub-issues) for discussion***
 - Of these issues and sub-issues, 30 were incorporated into the Grid West Operational or Developmental Bylaws in some form
- ***Only 5 of the 30 provisions that addressed these issues are proposed for removal (either because they were in the Developmental Bylaws or because the bylaws work group has proposed to remove the provision from the Operational Bylaws)***



Adding Up the Changes

- ***The 5 items derived from the BPA 35-issues list that the bylaws work group suggests removing:***
 - Operational Bylaws:
 - Section 7.12.2 (guiding principles for Board decisions – include coordination agreements in references to existing contracts)
 - Section 7.17 (members can vote to elevate any Board proposal to require supermajority Board vote and implementation delay)
 - Section 12.4.3 (Grid West dissolves from adverse FERC action)
 - Developmental Bylaws
 - Binding member vote on whether to adopt the operational bylaws (not applicable under a single set of integrated bylaws)
 - Member right to see consolidated control area package before voting whether to adopt operational bylaws (would have been part of “Decision Point 4” information package)



Summary of Other Changes

- ***Changes in terminology***
 - “Director” instead of “trustee”
 - Concepts of developmental and operational boards, bylaws, and stages no longer needed
- ***Clarifying language related to sub-species of TDU***
 - Sections 1.1.1; 1.1.24; 1.1.41; 5.3.6
- ***Clean up things that “carry over” from the Developmental Bylaws***
 - Sections 5.4.1; 5.4.3; 6.4; former 7.2.3; 7.12.5; 7.12.7; 9.13



Summary of Other Changes

- ***Give specific dates related to initial members' meeting***
 - Sections 5.8; 5.9.2; 6.3.4
- ***Limited window during which a director may act as CEO (otherwise prohibited)***
 - Sections 7.15.1; 7.15.4
- ***Updates to mesh with Washington law***
 - Sections 6.7.4; 6.7.5; 7.4.1; 7.4.5; 7.4.6; 7.9.1; 7.17; 8.8; 10.1.1; 10.1.2; 11.3.2



Summary of Other Changes

- ***Facilitate governance by Interim Board until hand-off to independent Board***
 - Sections 1.1.21; 7.2.1; 7.2.2(i); Article IV
- ***General clean-up***
 - Section 3.1; various headings in Article V; Sections 5.1.2; 5.1.3; 8.4; 9.1; 9.2; 10.2.1; 10.4; 12.4.2



Questions and Feedback