

## **Summary of Grid West Forum Meeting November 17, 2005**

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### **Introduction to Summary**

This summary is intended to briefly describe the topics discussed and nature of discussion during a November 17<sup>th</sup> meeting of the Grid West Forum. It is not intended to be a verbatim transcript of anyone's remarks, and it is not intended to suggest that any particular person or entity at the meeting agreed with or endorsed the views described in this summary.

### **Overview of November 17, 2005 Grid West Forum Meeting**

- A group (called the Grid West Forum) met at the Red Lion Hotel On The River in Portland, Oregon on Thursday, November 17, 2005, from 10:00 a.m. to 3:10 p.m. PST.
- Approximately 58 people attended the meeting, including three state representatives. Four state representatives participated by phone along with three other stakeholders who listened to the meeting.
- Ted Williams, President of the Grid West Interim Board, explained that the transmission utilities interested in moving ahead with Grid West called together this forum-type meeting to let people know what they are thinking and to lay out plans and a schedule for moving forward.
- Representatives of seven transmission utilities explained why they are considering going ahead with development of Grid West without BPA and presented a vision for moving Grid West forward. They intend to work with interested stakeholders to assess technical feasibility and review and revise the governance and bylaws as necessary. Meeting participants gave their feedback on the approach and plans.
- Next, some of the reasons for reexamining the bylaws were described. Provisions related to accountability and member protections in the Grid West Operational Bylaws also were quickly summarized. Meeting participants gave their input on several key questions, such as should there be one set of bylaws or two, how many board members there should be, and what should be the basis for making modifications to the bylaws.
- The meeting concluded with meeting participants stating their general impressions of the ideas and plans discussed during the meeting.
- Two future Grid West Forum meetings were scheduled to review the revised bylaws, present work on technical feasibility, and get stakeholder feedback:

**December 6, 2005** - draft bylaws will be presented and discussed;

**January 9, 2006** - results from technical feasibility studies will be presented and final draft bylaws will be reviewed and discussed.

## **Introductions – Purpose of Meeting**

Bud Krogh started the meeting by noting that a lot of work had been prepared in a short amount of time for this first meeting about moving ahead with Grid West. Everyone at the table and around the room introduced themselves. Ted Williams, President of the Grid West Interim Board, thanked everyone for coming on such short notice to the first meeting of what the funding transmission utilities propose to call the Grid West Forum.

Ted explained that on November 1, 2005, the Interim Board met to decide on funding. At that meeting BPA said it was willing to fund a convergence proposal. However, funding of that proposal was not acceptable to a majority of the Grid West Board. According to the bylaws, this left two alternatives -- either dissolve or restructure Grid West. The Board decided unanimously to restructure Grid West. Since that decision seven transmission owners interested in moving forward have met several times. Ted said the intent of this first meeting of the Grid West Forum was to let stakeholders know what the funding transmission owners are thinking and hear the thoughts of meeting participants.

## **Grid West Moving Forward Presentation**

Vision: Referring to the presentation slides, Ted said Idaho Power Company, NorthWestern Energy, PacifiCorp (Utah Power and Pacific Power), Portland General Electric, Sierra Pacific Power, Avista Corporation, and British Columbia Transmission Corporation are committed to moving ahead with an “interim phase” to explore continued development of the Transmission Service Liaison Group (TSLG) Basic Features. These seven funding transmission owners are looking to work with interested parties to make adjustments, where necessary, due to recent developments. The intent is to continue developing the TSLG Basic Features, retain a balance of independent decision-making and accountability, and continue a robust outreach and advisory process through meetings of the Grid West Forum, Advisory Group, and other work groups as appropriate. Grid West Forum meetings are open meetings for broad stakeholder input. The Advisory Group is transitional in nature and similar to the RRG with a notable exception – people at the table have expressed a commitment to making Grid West the best it can be. The aim is to determine as soon as possible if moving ahead makes sense, and if so, then reorganize Grid West back to a membership corporation with an independent board.

Activity Schedule: Frank Afranji gave an overview of activities. Between now and early January 2006 the plan is to a) conduct a technical feasibility assessment of the market and operational design for Grid West with fewer transmission owners participating, b) determine a funding approach with a different group of funders, c) review the governance and bylaws provisions of Grid West, and d) engage stakeholders in these activities.

A proposed schedule includes distribution of draft bylaws by November 23, a Grid West Forum meeting on December 6 to review and discuss the draft bylaws, an open process for receiving written comments until January 4, and a Grid West Forum meeting on January 9 to present and review the results of the technical feasibility assessment and review revised draft bylaws.

Technical Feasibility Review: Chuck Durick said the TSLG Basic Features benefited from a lot of regional input and acceptance. The Basic Features are still the target, although elements need to be reviewed to assess how well they work without Bonneville participating on the same basis as before. Chuck emphasized that it's a matter of relating to BPA and others differently, not proceeding "without" them. Grid West will seek a partnership that can produce a good model for all to participate in Grid West markets whether buying or selling transmission service. The plan is to look at the TSLG design to assess how well ancillary service markets, transmission rights administration, congestion management, real-time monitoring and operations work with different participants. If Grid West moves forward after the evaluation period, the funding utilities expect to provide about \$13 million over a period of 18 months for development of "layers 3 and 4." The Structure Group has been engaged to work with Steve Walton and a technical review work group. Chuck added it's hoped the work will identify any services that can be advanced to bring in early revenues. Results of the feasibility assessment will be presented at a Grid West Forum meeting on January 9 and 10.

Funding Approach – Carol Opatrny said funding of the independent board of directors will be through funding arrangements substantively similar to the package posted on the Grid West website in August 2005. The funding transmission utilities intend to provide the same amount of funds as in the package. Because there are fewer funders it is estimated that \$13 million will cover about 18 months of work. The Structure Group will help evaluate whether Transmission Agreements and a tariff based on the TSLG Basic Features can be completed in 18 months.

Activities Between Now and Early January – Jim McMorran explained that Grid West will be restructured back to a membership corporation in January 2006 under a governance structure that maintains a balance between independent decision-making with accountability with minimal modifications to the governance provisions. The bylaws will be reexamined, in close consultation with stakeholders, to identify appropriate modifications given that moving forward with Grid West will no longer depend on BPA's participation.

Activities After New Funding Agreement – Mark Maher said if funding utilities decide to continue investing in Grid West, there will be two activity tracks starting January 2006: 1) work to seat the independent board and transfer to the board responsibility for Grid West developments, and 2) work on Grid West technical design and Transmission Agreements and tariff development. Once seated, the independent board of directors decides whom to engage and how to proceed with development; the board also decides when and how it will take over these responsibilities. Mark concluded by explaining that when the Funding Agreement for development expires, Grid West will need to secure additional funding to begin operations.

Questions and comments: In response to a question from Aleka Scott, PNGC, Mark confirmed that Grid West transmission utilities will have to work through multiple seams arrangements and consider the efficacy of a consolidated control area approach. LouAnn Westerfield, staff of the Idaho PUC, stated that it is very important for Grid West to make services and products available on a non-discriminatory basis; she said open architecture design is key. Margie Schaff, ATNI, asked about the schedule for a benefit and cost review. Mark replied that between now and January the transmission utilities

interested in funding development will have to understand the benefits before they commit funds. If development of Grid West continues after January 2006 a fairly detailed benefit cost analysis will be required for state regulators and before signing Transmission Agreements.

### **Governance and Bylaws – What has Changed?**

Referring to a slide presentation, Sarah Dennison, Malcolm McLellan, and Pam Jacklin described some of the dynamics that necessitate re-examining the governance and bylaws of Grid West. Circumstances that have changed are: 1) Grid West funders plan to move forward without depending on BPA's participation as a transmission owner, 2) assuming it is technically feasible to continue development, only six or seven of prior funders will continue funding, and 3) Grid West will have fewer dollars available to pay for development. Some of the provisions related to BPA's participation that no longer fit or are no longer needed were highlighted, including "sunset" clauses and "poison pill" provisions in the Developmental Bylaws. Meeting participants were asked for input on revising these provisions.

Sarah Dennison-Leonard briefly reviewed the provisions in the Operational Bylaws related to accountability and member protection, which were also summarized in a handout provided at the meeting. Those attending the meeting were asked if the aggregate process requirements in the bylaws should be reviewed, whether there is excess process, and whether the Operational Bylaws could serve as the basis for one governance structure. It was suggested that these questions should be considered by weighing the expense that additional process imposes versus the accountability benefit and by thinking about whether changes in process maintain or undermine support for Grid West.

After some general observations on governance and bylaws from the Advisory Group, it was decided to address three questions: 1) is it appropriate to have two sets of bylaws, or will one be adequate, 2) if there is one board, what is the appropriate number of board members, and 3) what is the "filter" for deciding to make changes in the bylaws?

At this point in the meeting, Larry Nordell recommended that the National Academy of Public Administration (NAPA) be asked to conduct another review of the Grid West bylaws for accountability protections and workability of the governance. The funding transmission utilities responded that they are considering this and have made some initial inquiries with NAPA.

Also, LouAnn Westerfield thanked Grid West for its continued support of the west-wide market monitoring effort.

One set of bylaws or two? – After questions and discussion, most of the advisory group didn't think the Developmental Bylaws were still necessary considering efficiency, cost savings, and transitional factors and were comfortable with one set of bylaws based on the Operational Bylaws as a template.

Number of board members? – The group advised that there should be good diversity of experience on the board and that there should be a sufficient number of board members to handle the workload. One solution might be to start with a smaller board during the

development phase and increase the number of directors on the board when Grid West begins to offer transmission services.

Filter for making modifications to the bylaws? – Larry Nordell, Montana Consumer Counsel, pointed out that review by NAPA could help identify what changes ought to be made. Dwight Langer, Northern Wasco PUD, said removing deadlines was fine, but for reasons of perception and relationships preserving as much as possible of the good work in the bylaws was preferable. Using this general guidance, the group drafting revisions agreed that they would annotate any revisions with reasons for the change and will provide a summary table of changes when the revised draft bylaws are distributed.

### **Feedback from Meeting Participants**

Everyone at the advisory table gave their feedback on what they had heard at this first meeting of the Grid West Forum. Most said they felt reassured after hearing what the funding transmission utilities have in mind and expressed a willingness to continue participating in the continued development of Grid West. Several noted that it will be important to know the results of the feasibility review.

Ted Williams, on behalf of the funding transmission utilities, said he was very pleased with the outcome of the meeting and with the positive support expressed for Grid West going forward.

### **Next Steps – Grid West Forum Meetings on December 6 and January 9-10**

<b>Wed. November 23</b>	Send notice to region of posted draft Grid West bylaws
<b>Tue. December 6</b>	Grid West Forum meeting – primary purpose is to present draft bylaws and take input on bylaws
<b>Wed. January 4</b>	Written comments due on draft bylaws
<b>Early January</b>	Distribute results of technical feasibility work
<b>Mon. Tue. January 9-10</b>	Grid West Forum meeting – present technical feasibility results and get input; review final draft bylaws and get input

[After the Grid West Forum meeting on November 17, 2005, a news release was issued to the region, which is provided below.]



November 18, 2005

## **Grid West Gains Critical Mass to Move Forward**

*Transmission owners participating in regional process  
lay out plan for developing an independent  
transmission provider*

**PORTLAND, Ore.** – Owners of nearly three quarters of the region’s transmission grid presented a plan to complete development of Grid West, a non-profit corporation designed to become a regionally focused, independent transmission provider.

Idaho Power Company, NorthWestern Energy, PacifiCorp (Utah Power and Pacific Power), Portland General Electric Company, Sierra Pacific Power Company, Avista Corporation, and British Columbia Transmission Corporation presented their vision and plans to continue development of a reconfigured Grid West proposal that includes their transmission facilities. On November 1, the Bonneville Power Administration (BPA) and Puget Sound Energy elected to withdraw from the Grid West development process.

The plan for moving forward, announced in a public meeting Thursday, launches a new phase in the effort to resolve persistent problems with regional transmission services in the Northwest and Intermountain West. The next phase of development efforts will focus on two primary tracks: one to evaluate the technical feasibility of the new Grid West configuration, and a second to revise the governance to be compatible with this configuration. The utilities that wish to continue with Grid West development stressed that the revised governing bylaws will continue to balance independence and accountability to the region.

Regarding future involvement of BPA and other utilities, Chuck Durick of Idaho Power stated that “Grid West will seek a strong working partnership with BPA that can provide value for the region.” He reinforced this by citing examples of elements in the Grid West proposal that allow any utility in the region to participate in Grid West markets on a non-discriminatory basis.

(more)

Ted Williams, of NorthWestern Energy and President of Grid West, was “very, very pleased” with the support expressed by a majority of the 51 attendees, including several state commission representatives. He added, “we’ve seen a lot of optimism to move forward and this provides strong motivation to get the development work done.”

“Grid West continues to have the support of many regional stakeholders,” said Egil (Bud) Krogh, Grid West coordinating team member. “We have retained a broad cross section of stakeholders who want to move forward to improve planning and management of key operational and commercial functions of the regional transmission grid.”

- 30 -

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Idaho Power Company, NorthWestern Energy, PacifiCorp, Portland General Electric Company, Sierra Pacific Power Company, Avista Corporation, and British Columbia Transmission Corporation together own or operate 43,600 circuit miles of transmission and deliver 179 million megawatt-hours annually. This represents 70% of the region’s 62,700 circuit miles of transmission and 80% of the region’s 222 million megawatt-hours of annual energy to load.