

Brief Summary of Grid West RRG Meeting October 28, 2005

Introduction

This summary is intended to briefly describe the discussion during the October 28 meeting of the Grid West Regional Representatives Group (RRG). It is not intended to be a verbatim transcript of anyone's remarks, and it is not intended to suggest that any particular representative or entity at the RRG meeting agreed with or endorsed the views described in this summary.

Overview of October 28, 2005 Meeting

- The RRG met at the Portland Airport Sheraton Hotel in Portland, Oregon on Friday, October 28, from 10:00 a.m. to 3:15 p.m. PDT.
- Approximately 85 people attended the RRG meeting, including 24 designated RRG representatives. Four state representatives attended the meeting in person and six state representatives participated by phone.
- Bud Krogh explained the purpose of the "special" RRG meeting was for BPA to present its proposal for integrating the concepts of Grid West and the Transmission Improvements Group (TIG). The RRG table included people representing organizations that have been working on the TIG approach and what Bonneville referred to as its integration proposal (BPA's proposal).
- BPA representatives presented a proposal for integration of near-term services, an overview of proposed changes to the Grid West Developmental and Operational Bylaws, and a proposal for funding integration.
- Next, all RRG members and other participants gave their input to BPA and the region on whether they could support moving forward with BPA's proposal, Grid West, TIG, or some other approach.
- After thanking the RRG for its feedback, BPA stated it would continue to work on convergence and develop an "offer" by Monday, October 31. The Grid West Interim Board will meet on November 1, 2005. [Subsequently, on November 1, 2005 notice was sent to the region that the Interim Board of Trustees of Grid West voted unanimously to direct the officers to prepare to restructure the organization to a nonprofit, non-member corporation.]

Introductions – Purpose of Meeting

Bud Krogh said this "special" meeting of the RRG was for BPA to present its proposal. For that reason, the RRG table for this unique meeting was broadened to include participants working on TIG and on BPA's proposal. Bud reminded the RRG that after the September 29 RRG meeting the Grid West Interim Board met on September 30 and announced to the RRG its unanimous agreement to postpone a determination on whether to proceed at Decision Point 2 until November 1.

Presentation of BPA's Grid West / TIG Integration Proposal

Allen Burns said a month ago BPA committed to a 30-day process to engage the region in developing an integration proposal that converges Grid West and TIG before calling the question of which proposal to implement. Allen said, in hindsight, he admitted the process resulted in too much competition, but also acknowledged that the good work on both proposals contributed to BPA's approach. On October 12 BPA Administrator Steven Wright sent a letter to the region to let people know why BPA was working to develop a detailed convergence proposal. Allen said the "final" proposal presented today is pretty close to how BPA wants to proceed, "subject to modifications," although Allen didn't believe it had hit the "sweet spot." BPA needs to hear from the RRG if people are willing to support BPA's proposal.

TIG/Grid West Integration Proposal for Near-Term Services – Tim Smith, of BPA, presented a report that described near-term services provided in the first two years under BPA's proposal. Tim summarized that BPA recommends implementation of planning and expansion, an independent market monitor, and OASIS in ways very similar to ideas proposed by the TIG. BPA's proposal also recommends that the board facilitate developing and implementing as much of TIG's reliability and flow-based ATC proposals as practical. Some of the recommended near-term services are currently being developed, funded, and staffed by regional entities, such as PNSC, NWPP, and WECC. Implementation of near-term services would be underway at the same time that design of the next layer of development of TSLG basic features is completed for Decision Point 4. The bottom line is that development and operation of the recommended near-term services are estimated to cost \$8.1 million in the first two years.

BPA's Eric King gave an overview of the proposed timeline for the next two years attached to the near-term services report. Eric said that work on near-term services should start as soon as a funding agreement is signed. By mid-October 2006 parties would sign a transmission agreement (TA1) and implementation of near-term services would begin. During this same time negotiations would start on a transmission agreement (TA2) implementing the TSLG basic features. At Decision Point 4, a decision on what services to bring forward and proceed with or not would be made.

Overview of Proposed Changes to Grid West Bylaws – Steve Larson explained recommended changes to sections of the Grid West Developmental and Operational Bylaws as part of BPA's proposal.

In the Developmental Bylaws, Steve said BPA's recommended changes would provide explicit authority for the corporation to engage in early TIG-related services and offer a contract (TA1) to transmission owners within 120 days of bylaws' amendments. Changes would also provide for the possibility of the corporation continuing to provide services without being required to move to the operational stage. Other recommended changes expand the Developmental Board from five to seven and impose requirements for members of the Developmental Board to have knowledge of and experience with the power system in the Geographic Area.

In the Operational Bylaws the same requirements for Board members to have a "Northwest pedigree" were recommended. BPA recommended adding three Board

actions to the Special Issues List: (i) implementation of additional energy and capacity markets; (ii) request FERC approval as an RTO under Order 2000; and (iii) adoption of a budget that exceeds a specified measure by more than a certain percentage. Also, it was recommended that the MRC can veto a Special Issues List proposal if at least twenty MRC members vote against the proposal.

The RRG asked about the timing, participant requirements, funding, and content of the early transmission agreement for near-term services (TA1). There were questions about the proposed bylaws changes, including discussion about the wording of proposed amendments that add to the special issues list a vote by the MRC on the corporation's fiscal budget.

Integration Funding Proposal – Syd Berwager explained that BPA's proposed convergence funding totals \$26.9 million over two years; this combines \$18.8 million allocated according to Grid West methodology and \$8.1 million allocated according to TIG methodology. The assumed participants would make an upfront commitment to fund for two years. These funds would be available regardless of whether BPA or other parties participated in the near-term services transmission agreement (TA1).

RRG's Feedback on Presentation of BPA's Integration Proposal

More than thirty RRG participants gave their views to BPA and the region. All RRG representatives at the table and on the phone stated their position, and other RRG meeting participants voiced feedback as well.

An unofficial tally counted 17-18 RRG members stating preferences for the Grid West proposal as originally developed for Decision Point 2, including six of the filing utility group said who said they could not accept BPA's integration proposal. Two filing utility representatives said they were willing to join BPA in support of the proposal to move forward with integration. One of these could go along with either Grid West or integration contingent on a critical mass of support. Several other RRG stakeholder representatives who preferred Grid West thought they could probably live with BPA's proposal if it was the only choice to move forward. About ten representatives at the table said they thought the integration proposal was worth supporting. One public power participant did not support either Grid West or BPA's proposal stating that the governance structure for both is fundamentally flawed. At least two participants favored the TIG proposal. Several representatives did not know at this point whether their constituents could support BPA's proposal or stated that while they would not oppose the proposal members of their organization were most likely split on their preferences.

After all the feedback was received Bud Krogh thanked the RRG for the excellent and professional work that has been contributed to this effort over a very long time.

Next Steps

Allen Burns thanked everyone for their input and help. He said BPA is going to keep working on convergence. BPA will develop an "offer" on Monday, October 31, for consideration by the Interim Board. Mark Maher emphasized that PacifiCorp wants to move ahead with "Grid West II;" this might require starting something else – PacifiCorp is looking for partners.

[After the RRG meeting on November 1, 2005, a news release was issued to the region, which is provided below.]

News Release of November 1, 2005



Grid West

NEWS RELEASE

November 1, 2005

For more information:

Ted Williams, Grid West President - 406-497-4385

Grid West to Reorganize

PORTLAND, Ore. Today, the Interim Board of Trustees of Grid West voted unanimously to direct the officers to prepare the documents to restructure the organization into a nonprofit, non-member corporation. Ted Williams, President of Grid West, stated “a majority of the Interim Trustees intends to move ahead with development of Grid West in substantially the same form as in the proposal dated July 22, 2005 following a brief period to restate the bylaws as necessary to reflect recent developments.”

Bonneville has elected not to participate in this new development effort. The Board also unanimously adopted a resolution that will allow members an opportunity to continue as members of a new restructured entity or to get a refund of dues paid.

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