



Department of Energy

Bonneville Power Administration
P.O. Box 3621
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CORPORATE

December 28, 2005

In reply refer to: R-3

Chris Elliot
Grid West
5933 NE Win Sivers Drive, Suite 201
Portland, OR 97220

Re: Comments on Proposed Changes to Grid West Bylaws

Dear Ms. Elliot,

Thank you for the opportunity to comment on the proposed Grid West bylaws. We believe the functions that comprise the Grid West Basic Operation would likely be an improvement on the status quo, but the region is deeply divided regarding the amount of control the members would have over Grid West's actions. We believe this lack of regional consensus does not bode well for ultimate implementation of the Grid West option. As you know, BPA recently declined to provide continued funding of Grid West development and, after the Interim Board elected to make funding a requisite for board participation, resigned from the board to take some time to consider its options.

Though the majority of the Interim Board rejected it, we continue to believe our "integration proposal" is the best hope for moving the region toward a better future for transmission operations. That proposal, which was open to further negotiation, incorporated the existing bylaws' board-accountability provisions and proposed a few more. It also provided for development and testing of less expensive, alternative approaches to solving transmission system problems before making a decision to proceed with the Grid West Basic Operations proposal. We continue to believe that this approach can move forward with significant regional support, including that of BPA, other transmission and generation operators, and many of BPA's customers.

It is therefore our hope that the Grid West path will not diverge significantly from that common bylaws baseline. We appreciate the retention of many of the board-accountability mechanisms and member rights that were previously negotiated. And we did not expect the addition of those bylaws modifications BPA proposed in the "integration proposal." We are concerned, however, that the set of bylaws changes being proposed is likely to widen the gap between Grid West and the kind of operation that could gain broad, region-wide support. While we are concerned about the set as a whole, we believe the following changes are the most troublesome:

- Raising to 20 the number of member class votes needed to define a board proposal as a major scope change (Section 7.17.2).

- Eliminating members' right to vote to require the board to pass significant unplanned budget increases by a supermajority vote (Section 5.15.2).
- Eliminating members' right to vote on dissolution if FERC orders a change to, preempts or otherwise renders inoperable a provision of the articles of incorporation or bylaws. (Section 12.4.3) In particular, we are not sanguine that the *California Independent System Operator v. FERC* ruling would prohibit FERC from doing precisely what this section was intended to address, i.e., disregarding the *governance* protections afforded by the Special Issues List or Section 7.17 procedures in order to impose certain *substantive* requirements on Grid West.
- Eliminating the requirement that the board "take into account" specified regional concerns before taking action. (Section 7.12.2)
- Allowing the board to expand the Geographic Area without obtaining member approval of a bylaws change. (Section 1.1.15)

These proposed changes will create significant difficulties in any future efforts to bring the entire region together around one proposal. We urge that these provisions be left intact.

Thank you for the opportunity to comment on the proposed Grid West bylaws changes.

Sincerely,

Mary H. Johannis, Acting for Syd Berwager,
Acting VP, BPA Industry Restructuring