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April 4, 2005

DECISION MEMORANDUM

TO: Council Members

FROM: Wally Gibson

SUBJECT: Council Membership in Grid West

PROPOSED ACTION:

The staff proposes that the Council become a member of Grid West.

SIGNIFICANCE:

Membership allows the Council to vote on upcoming decisions about the development of Grid West. Member votes will be the primary, though not only, forum for expressing opinions on and participating in Grid West development. Membership does not commit the Council to any particular position on the ultimate outcome of the Grid West development process, nor does it preclude the Council from supporting alternative proposals to address the region's transmission issues.

BUDGETARY/ECONOMIC IMPACTS:

- None, beyond staff time commitment similar to what happens currently. State and provincial members are not charged membership fees.

BACKGROUND:

- Grid West is the latest in a long series of regional attempts to form an independent organization that would operate the transmission systems of the regional transmission owners. In 2003, a regional stakeholder group called the Regional Representatives Group

(RRG) developed a list of regional transmission problems and opportunities that needed to be addressed and that served as the basis for a proposal to form Grid West. Technical work to flesh out the proposal began last year and is currently continuing. The RRG devoted substantial time last year to the development of a set of bylaws for the proposed organization. The creation of the organization consists of a series of incremental steps, of which acceptance of members is one of the early ones.

ANALYSIS:

- The Council's pre-publication draft Fifth Power Plan described the Grid West process in its chapter on transmission issues:
 - "Recently, the Regional Representatives Group (RRG) of Grid West has taken some promising steps toward a resolution. The RRG, composed of representatives of interest groups in the region, including Bonneville, other utilities, and regulators, has worked collaboratively to identify a structured, incremental approach to reforming the management and operation of the transmission system. The proposal identifies a desirable target state that could address the key identified problem areas, but relies on incremental and voluntary steps toward that state. A structured process is defined for agreeing on significant changes to the system over time. Many details remain to be ironed out, but the process has potentially moved the region beyond its impasse and begun a constructive process to resolve the most serious problems. The Council supports this effort. It is important that the region move ahead to correct the growing problems in the regional power system."
- There are four major decision points in the development of Grid West. The first, adoption of the Developmental and Operational Bylaws by the existing RTO West Board so as to create Grid West as a legal entity, was Decision Point 1 and happened in December. Up to that point, the RRG has been the primary forum for regional input into the developmental process.
- The next three decision points are:
 - Decision Point 2, the decision to seat the Developmental Board (more limited in size and function than the full Board) and its election by the members, and the filing utilities' decision to fund the negotiation and offer periods for the transmission agreement;
 - Decision Point 3, the offering (following up to a year's negotiations) of the transmission agreements to the transmission owners in Grid West by the Developmental Board; and
 - Decision Point 4, the individual decisions by the transmission owners to sign the transmission agreements, and the formal decision by the members to support full operation.
- These three decisions all have significant formal member participation opportunities and requirements. The primary forums for regional input will be membership forums, with the RRG being an additional regional forum. The stakeholders and regulators of individual transmission owners will have substantial input into the individual actions of those owners at each step, as well. The specific rights of members are shown in the attachment.
- The Council is entitled to be a member of the State and Provincial Energy Authority/Tribes/Certain Public Interest Groups membership class. This class is, in turn, entitled to

seven of the thirty-one seats on the Members Representative Committee (MRC), which is the main formal member decision-making body. The State and Provincial subclass (of which the Council is entitled to be a member) can have five of the seven seats. The State and Provincial subclass members can be *ex officio* or voting members. If fewer than five State and Provincial candidates become voting members, the total number of State and Provincial subclass votes drops to four, the class total vote drops to six and the MRC total vote drops to thirty.

- The Council does not commit itself to any particular choice regarding any of the upcoming decisions on Grid West development by becoming a member, but it does ensure an opportunity to formally vote on key developmental issues, including whether Grid West goes forward as an operational entity.

ALTERNATIVES:

- The Council could not join Grid West and simply retain a position on the RRG.

ATTACHMENTS:

- Rights of Members (from the Developmental Bylaws)
- Process Diagram

TABLES, GRAPHS, CHARTS, OTHER GRAPHICS:

- None

RIGHTS OF MEMBERS (FROM THE DEVELOPMENTAL BYLAWS)

5.1.1 Exclusive Member Rights.

The Members shall have the exclusive right and power to

- (i) nominate and 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 Developmental Bylaws proposed by the Developmental Board of Trustees pursuant to Section 7.2.6 (subject to the applicable provisions of Sections 5.13 and 5.14);
- (iv) override a proposal by the Developmental Board of Trustees to dissolve the Corporation as provided in Article XIII (subject to the applicable provisions of Sections 5.13 and 5.14);
- (v) approve a proposal by the Developmental Board of Trustees to adopt the Operational Bylaws;
- (vi) approve a proposal by the Interim or Developmental Board of Trustees to develop a regional transmission plan or coordinate transmission planning consistent with Section 3.1.2; and
- (vii) participate in advisory votes submitted to the Members by the Interim or Developmental Board of Trustees pursuant to Section 5.15.

5.1.2 Nonexclusive Member Rights and Powers.

The Members shall have the nonexclusive right and power to

- (i) remove members of the MRC for cause pursuant to Section 6.6, and
- (ii) amend the Articles of Incorporation pursuant to the provisions therein.

5.1.3 Additional Member Rights.

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

Process Diagram

