

ColumbiaGrid

Governance Approach – the Role of ColumbiaGrid

February 27, 2006

The ColumbiaGrid participating control area operators (“CAO”) will promptly incorporate ColumbiaGrid and by contract delegate to it functions to perform in order to integrate the use and expansion of the CAOs’ systems. As soon as practicable after ColumbiaGrid is incorporated, CAOs will delegate functions they currently perform individually, especially, but not exclusively, those functions that are best done with an independent entity. CAOs may choose to delegate responsibilities in a sequenced manner, however, it is intended that the delegation occur rapidly. ColumbiaGrid will also lead and the CAOs participate in the development and evaluation of longer-term services (including those in the Integration Proposal intended to deal with reliability and grid efficiency problems), but as described below, CAOs retain responsibility for decisions as to what services will be implemented.

Responsibilities and Authorities

1. CAOs will retain ultimate responsibility for their systems, but will delegate specific functions to ColumbiaGrid by contract. Higher authorities (e.g., regulators [federal, state, and tribal, as applicable]) will retain responsibilities.¹ Other stakeholders will be provided direct input to ColumbiaGrid regarding its decisions and activities through formal stakeholder processes.
2. ColumbiaGrid will be a not-for-profit membership corporation with an independent board; funding CAOs are the members.
3. ColumbiaGrid will have such authority as is expressly delegated to it by the CAOs by contract. Notwithstanding the need for express delegation, it is not intended that the CAOs would micromanage ColumbiaGrid.
4. CAOs will determine ColumbiaGrid’s roles, responsibilities and level of authority function by function (e.g., coordination, dispute resolution, design/development recommendations, implementation, delegated authority, other?).
5. CAOs will contract with each other to bind themselves to implement actions determined by ColumbiaGrid in relation to the authorities delegated to ColumbiaGrid.

¹ The proposal contemplates longer-term services that might trigger expanded FERC jurisdiction (although some parties believe ColumbiaGrid can be structured in such a way that does not). The CAOs and ColumbiaGrid Forum will need to consider the possibility and implications of expanded FERC jurisdiction as part of the decision-making regarding a specific service. The above principle is not meant to preclude the implementation of such a service, however, even if it involves FERC jurisdiction, should that be the CAOs’ informed and final decision.

Differences from GridWest Model

1. ColumbiaGrid does not determine the scope of its functions nor can it initiate and implement new services or changes to existing services on its own (unless and then, only to the extent, it is delegated that authority by CAOs).
2. Stakeholders, other than CAOs, continue to exert influence over the CAOs through existing mechanisms (e.g., UTC/PUCs, Commissions). Rather than having stakeholders as voting members, ColumbiaGrid will provide for direct stakeholder input to ColumbiaGrid actions (e.g., board decisions and business practices) through formal processes.

Specifics

1. Incorporate ColumbiaGrid as a not-for-profit, independent corporation in early 2006
 - a. Independent Board
 - 1) Likely use the board selection criteria developed in GridWest process, including the Northwest pedigree developed for the Integration Proposal
 - a) If truly independent, should the members be able to remove a board member without cause?
 - 2) Bylaws will contain regional public purposes/goals to be used by the Board in implementing functions
 - 3) Bylaws will contain commitment to effective, formal stakeholder input (may leave details to the CAO agreement(s), including the possibility of having ColumbiaGrid design the process)
 - 4) Dispute resolution will be critical when addressing CAO compliance, and may be means to address concerns re CAO reactions to unpopular ColumbiaGrid decisions
 - b. Initial Board may be small and grow as CAOs expand ColumbiaGrid's responsibilities (need an initial read on what functions and responsibilities will be delegated to ColumbiaGrid in the near term)

Legal Drafting Team will work on getting ColumbiaGrid incorporated as a not-for-profit corporation that is authorized to accept delegation of responsibilities (authority limited by CAO contracts)), Legal Team will also need to address AG opinion regarding ability of municipalities to delegate control
2. Function by function review of near-term services; determine what is the appropriate role for ColumbiaGrid specific to each function

Integration Group and its subgroups will review and prioritize functions, then prepare recommendations, including detailed transition plan, for ColumbiaGrid Forum action with the goal of implementing near-term services in 2006

3. Design and evaluate longer-term services to the extent needed for ColumbiaGrid members to determine whether and how they would be implemented by ColumbiaGrid

Integration Group currently determining how design and evaluation would occur, begin work (ColumbiaGrid should be involved, although not as the final decision-maker)

4. Initially, ColumbiaGrid's formation, and delegation of roles and responsibilities will be the product of the ColumbiaGrid process (consensus decisions and, if not possible, CAO decisions informed by ColumbiaGrid process); when CAO contract is executed, region will transition to additional ColumbiaGrid stakeholder input processes.

Decide how to transition and when.