

# **Second Amended ColumbiaGrid Bylaws**

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## ARTICLE I.

### GENERAL PROVISIONS

1.1 Defined Terms. For purposes of the Bylaws, the following terms shall be defined as follows:

1.1.1 “Act” means the Washington Nonprofit Corporation Act, RCW Chapter 24.03, as it may be amended from time to time or superseded.

1.1.2 “Affiliate” of a Person means a Person that directly or indirectly through one or more intermediaries controls, is controlled by, or is under common control with such Person.

1.1.3 “Articles of Incorporation” means the Articles of Incorporation of the Corporation, as may be amended from time to time.

1.1.4 “Board of Directors” or “Board” means the Board of Directors elected pursuant to the Bylaws.

1.1.5 “Bylaws” means these bylaws, which govern the activities of the Corporation, as may be amended pursuant to Section 12.8.

1.1.6 “Corporation” means ColumbiaGrid, a Washington nonprofit corporation formed under the Act.

1.1.7 “Director” means a member of the Board of Directors.

1.1.8 “FERC” means the Federal Energy Regulatory Commission, or any successor agency.

1.1.9 “Functional Agreement” means an agreement between or among the Corporation and (i) one or more Members and (ii) Qualified Non-Member Parties, if any, who enter into such agreement, for the provision of services enumerated therein to carry out one or more purposes of the Corporation. Such services may include, for example, design and development of a contemplated function, as well as implementation of a function. A Functional Agreement shall include, at a minimum, provisions relating to public process and comment requirements, appropriate dispute resolution mechanisms, funding, and treatment under such agreement of Members that are parties to such agreement and Qualified Non-Member Parties that are parties to such agreement that is not unduly discriminatory.

1.1.10 “Funding Agreement” means an agreement executed among the Members and the Corporation regarding funding of the Corporation.

1.1.11 “Indemnitee” means an individual made a party to a Proceeding because the individual is or was a Director, Officer, employee, or agent of the Corporation, and who possesses indemnification rights pursuant to the Articles of Incorporation, the Bylaws, or action of the Corporation pursuant to the Articles of Incorporation or the Bylaws. “Indemnitee” shall also include the heirs, executors, and other successors in interest of such individual.

1.1.12 “Interested Persons” means any Person who has expressed an interest in the business of the Corporation and has requested notice of its public meetings.

1.1.13 “Interested Persons List” means the list comprised of Interested Persons and compiled in accordance with Section 4.2 of the Bylaws.

1.1.14 “Market Participant” means a Person who buys, sells, or brokers electric energy or transmission services in the Western Interconnection, who uses the transmission facilities of one or more Members or Qualified Non-Member Parties, or who owns, controls, or operates transmission facilities or transmission capacity on transmission facilities in the Western Interconnection.

1.1.15 “Member” means each Member identified in Article V. of the Bylaws that has not withdrawn from membership in the Corporation.

1.1.16 “Normal Cap Vote” means a vote of Members pursuant to the Bylaws for which (i) a Two-Thirds Majority vote is required and Bonneville Power Administration votes affirmatively or (ii) a Simple Majority vote is required.

1.1.17 “OASIS” means Open Access Same-Time Information System.

1.1.18 “Officer” means those officers of the Corporation appointed and serving in accordance with Article VIII. of the Bylaws.

1.1.19 “Person” means an individual, corporation, cooperative corporation, municipal corporation, quasi-municipal corporation, joint operating entity, limited liability company, mutual association, partnership, limited partnership, limited liability partnership, association, joint stock company, trust, unincorporated organization, government entity or political subdivision thereof, or organization recognized as a legal entity by law in the United States or Canada.

1.1.20 “Proceeding” means any threatened, pending, or completed action, suit, or proceeding, whether civil, criminal, administrative, or investigative, and whether formal or informal.

1.1.21 “Qualified Non-Member Party” means a Person (other than a Member or the Corporation) who is a party to a Functional Agreement.

1.1.22 “RCW” means the Revised Code of Washington, as may be amended from time to time.

1.1.23 “Reduced Cap Vote” means a vote of Members pursuant to the Bylaws for which a Two-Thirds Majority is required and Bonneville Power Administration does not vote affirmatively.

1.1.24 “Related Person” of an individual means each of the following: an individual’s spouse, parents (including stepparents and parents in-law), children (including stepchildren) and their spouses, and siblings (including stepsiblings) and their spouses.

1.1.25 “Simple Majority” of the Members means Members with weighted voting shares that in the aggregate exceed one-half of the total weighted voting shares of Members.

1.1.26 “Two-thirds Majority” of the Members means Members with weighted voting shares that in the aggregate equal or exceed two-thirds of the total weighted voting shares of Members.

1.1.27 “Website” means the Corporation’s internet website at [www.columbiagrid.org](http://www.columbiagrid.org) through which the Corporation makes available information and notices concerning its business, operations, and services.

## **ARTICLE II.**

### **OFFICES**

The principal executive office of the Corporation shall be located in the Portland, Oregon, metropolitan area. Additional offices may be established and maintained at such place or places as the Board of Directors may from time to time designate.

## **ARTICLE III.**

### **PURPOSES AND LIMITATIONS**

3.1 Purposes. This Corporation is formed for the purpose of entering into and carrying out Functional Agreements with its Members and Qualified Non-Member Parties to accomplish the following objectives, in accordance with the Articles of Incorporation, the Bylaws, and the applicable requirements of federal and state law: improve reliability of the transmission grid and efficiency in its use; provide cost-effective transmission planning and expansion; develop and facilitate the implementation of solutions relating to improved use and expansion of the



interconnected Northwest transmission system; and support effective market monitoring within the Northwest and within the Western Interconnection. In carrying out this purpose, the Corporation shall endeavor to provide sustainable benefits for its Members, their customers, and the region, consistent with the public interest, which could not be achieved individually by the Members and shall consider environmental concerns, regional interests, and cost-effectiveness.

3.2 Anticipated Scope of Activities. The Corporation will engage in or provide developmental or operational activities or services only pursuant to Functional Agreements. In doing so, it is anticipated that the Corporation, in consultation with the Members and other Persons, may explore and evaluate the feasibility of mechanisms or activities to accomplish the Corporation's purposes. Such mechanisms or activities may include, without limitation, the following:

3.2.1 Near-Term Services.

- i. Periodic regional transmission expansion plan developed in coordination with the Members, Qualified Non-Member Parties, Interested Persons, and other interested regional stakeholders, including potential projects and recommended cost and capacity allocations thereof;
- ii. Joint transmission system analysis and planning in response to interconnection and transmission service requests;
- iii. Mechanism to encourage construction of transmission system expansion projects needed for reliability purposes;
- iv. Flow-based approach to transmission system planning and expansion, reliability and operations, and new transmission rights;
- v. Mechanisms to promote increased transmission reliability through methods that may include increased visibility of transmission system conditions, enhanced modeling, monitoring, and analysis of the transmission system;
- vi. Area Control Error diversity-sharing programs and enhancement of existing reserve-sharing programs;
- vii. Enhancements of existing regional outage management system programs;
- viii. Enhancement of Pacific Northwest Security Coordinator capabilities to include voltage and transient stability analysis capability;

ix. A single Northwest OASIS interface for interconnection and transmission service requests across Member and Qualified Non-Member Party systems;

x. Commonly-defined transmission service products and business practices;

xi. Independent market monitoring for Member and Qualified Non-Member Party systems, and facilitation of independent market monitoring for Western Interconnection markets; and

xii. Generation redispatch as needed to maintain transmission system reliability by relieving pre-operating hour and real-time transmission congestion.

### 3.2.2 Long-Term Services.

i. Regional transmission service, including centralized scheduling using physical transmission rights (with protection of existing contract rights); operation of a voluntary flow-based transmission market; issuance or facilitation of issuance by the Corporation of new system-wide flow-based transmission rights; and reconfiguration services for the sale of existing contract rights;

ii. Further enhancements to Northwest OASIS, including consolidated queues for interconnection and transmission service requests for Members and Qualified Non-Member Parties' systems; and

iii. Consolidation of the performance of NERC-defined functions.

### 3.3 Limitations. The Corporation shall not:

i. Own any transmission or distribution facilities;

ii. Own any interest in generation facilities;

iii. Own any interest in generation output (except generation output as appropriate to meet its responsibilities as may be set out in the Functional Agreements);

iv. Enter into any Functional Agreement without the approval of the Members by Two-Thirds Majority vote; or

v. Amend any Functional Agreement without the approval of the Members by Two-Thirds Majority vote unless such Functional Agreement expressly provides otherwise.

## ARTICLE IV.

### REGIONAL PUBLIC INVOLVEMENT

4.1 Regional Public Involvement. The Corporation will develop and implement a program to obtain and consider regional public views, advice, and concerns regarding the carrying out of its purposes.

4.2 Interested Persons List. The Corporation shall create and maintain the Interested Persons List. The Corporation shall add any Person to the Interested Persons List who so requests. The Secretary shall provide notices required to be provided by the Bylaws to the Interested Persons List by e-mail distribution and posting on the Website, and such notices will be deemed provided upon such distribution and posting. Joining the Corporation's Interested Person List creates no legally enforceable rights, and no cause of action shall accrue for failure to provide to any Interested Person notice or an opportunity to be heard.

## ARTICLE V.

### MEMBERS

5.1 Membership. The Members of the Corporation are Avista Corporation; Bonneville Power Administration ("Bonneville"); Public Utility District No. 1 of Chelan County ("Chelan County PUD"), Washington; Public Utility District No. 2 of Grant County, Washington; Puget Sound Energy, Inc.; the City of Seattle, a municipal corporation of the State of Washington, acting by and through its City Light Department ("Seattle City Light"); and the City of Tacoma, Department of Public Utilities, Light Division (dba Tacoma Power) ("Tacoma Power").

5.2 Admission of New Members. New Members may be added by amendment of the Bylaws. The Members may consider adding new Members at any time. At a minimum, the Members shall consider the addition of new Members within one year after adoption of the Bylaws and at approximately yearly intervals thereafter.

5.3 Withdrawal from Membership. Any Member may withdraw from the Corporation by providing written notice of its withdrawal to the Secretary of the Corporation; *provided* that withdrawal of membership shall not, in and of itself, affect any outstanding contractual obligations previously assumed by such Member.

5.4 Establishment of Record Date for Member Votes. In order to determine which Members are entitled to vote, the Board of Directors shall set a record date, which shall be the date of notice to the Members of any meeting at which any matter is to be presented to the Members for a vote. Members specified on the list of Members maintained by the Secretary of the Corporation on the record date are entitled to notice of such meeting and to vote at any such meeting if they continue to be Members as of the date of the meeting and their designated representative or alternate is present.

5.5 Representatives. The Members shall act under the Bylaws through their designated representatives and alternates. Each Member shall provide the Secretary, in writing, with the name, address, telephone number, and e-mail address of a designated representative and his or her alternate. Each Member may by notice to the Secretary revise its information.

5.6 Meetings of Members.

5.6.1 Biannual Member Meeting. There shall be biannual meetings of the Members at approximately six-month intervals at such date, time, and place as the Board of Directors shall determine, generally rotating among Seattle, Washington, Portland, Oregon, and other locations in the Northwest. The Secretary of the Corporation shall endeavor to schedule such meetings at a time when all of the Members are available. Each biannual meeting shall be open to the public. At one such biannual meeting each year, the members of the Board of Directors and Officers of the Corporation shall:

- i. Deliver to the Members (to the extent not delivered previously) the annual financial statements of the Corporation prepared in accordance with the requirements of Section 10.2 and copies of the Corporation's funding requests and related forecasts prepared in accordance with Section 7.1;
- ii. Describe the Corporation's progress on carrying out the purposes in Article III.; and
- iii. Respond to any questions of the Members with respect thereto.

5.6.2 Special Member Meetings. In addition to the biannual meetings of the Members required under Section 5.6.1, a special meeting of the Members for any purpose or purposes may be called at any time by either the President of the Corporation, the Board of Directors, or by two Members by written notice of such Members to the Secretary of the Corporation. The Secretary of the Corporation shall endeavor to schedule such meeting at a time when all of the Members are available. Any such special meeting shall be held at the corporate

offices or other location as determined by the Members. Special meetings shall be open to the public.

5.6.3 Permitted Means of Member Meeting Participation. Members may participate in a meeting through the use of conference telephone, electronic video screen communication, or similar communications equipment, so long as all Members participating in such meeting can hear one another at the same time and arrangements are made to afford the public an opportunity to attend and observe any biannual or special meeting pursuant to Section 5.6.1 or 5.6.2 (with the exception of closed sessions held pursuant to Section 5.6.4.). Participation in a meeting pursuant to this Section 5.6.3 shall constitute presence in person at such meeting.

5.6.4 Closed Sessions. Notwithstanding the foregoing, Members may, with notice to the Secretary of the Corporation in each instance, hold any biannual or special meeting (or portion thereof) held pursuant to Section 5.6.1 or 5.6.2 in closed session for the discussion of a Funding Agreement, Funding Agreement development issues, litigation or potential litigation, personnel matters, commercially sensitive information, and other matters that are reasonably and in good faith determined by the Members to be entitled to confidential treatment. Only Members and certain Officers, employees, and agents of the Corporation, as designated by the Members, may be present during any closed session; *provided, however,* to the extent deemed necessary by the Members, any other person or persons having business before the Members that relates specifically to the matter or matters to be discussed during any portion of a closed session may be present during such portion of a closed session.

5.6.5 What Constitutes a Meeting of the Members. A meeting of the Members is a biannual or special meeting pursuant to Section 5.6.1 or 5.6.2. Nothing in the Bylaws shall restrict the ability of the Members or their representatives to meet at any time and any place privately to discuss matters pertaining to the Corporation's activities or purposes; *provided* that voting of Members pursuant to the Bylaws shall take place in a publicly-noticed biannual or special meeting held pursuant to Section 5.6.1 or 5.6.2.

## 5.7 Notice.

### 5.7.1 Notice of Meetings of Members.

5.7.1.1 Notice to Members. The Secretary of the Corporation shall provide notice of biannual and special meetings to each Member entitled to vote at such meeting not less than ten days and not more than fifty days prior to the meeting; or not less than thirty days and not more than fifty days prior to the meeting in the case of any meeting in which the Members are to vote on any proposed amendment to the Bylaws or the Articles of Incorporation or to vote pursuant to Section 12.4. Each such notice shall state the date, time, and place of the meeting and the meeting agenda, including the purpose or purposes for which the meeting is

called, and shall include any meeting materials as are then available. The Secretary shall make reasonable efforts to provide the Members with additional meeting materials, if any, as they become available before the meeting. Notice of meetings to Members shall be made personally, by first-class mail, return-receipt requested, or by electronic transmission to those Members who have so requested and have provided the Secretary with the address, location, or system to which such notices should be electronically transmitted. Notice to Members will be deemed provided upon proper posting with the US Postal Service to the Member's address of record with the Corporation or upon electronic transmission, as appropriate; *provided* that if notice of meetings is provided by electronic transmission, it must satisfy the requirements of RCW 24.03.009 as may be amended from time to time.

5.7.1.2 Notice to Interested Persons. At the same time that the Corporation provides notice to the Members, it shall provide the same notice as set forth in Section 5.7.1.1 to Interested Persons as provided in Section 4.2; *provided* that such notice shall not include any confidential meeting materials.

5.7.1.3 Posting of Notice. Prior to each biannual and special meeting of the Members, the Corporation shall make reasonable efforts to post to the Website the notice set forth in Section 5.7.1.1. The Corporation shall make reasonable efforts to post to the Website any changes to the contents of such notice as soon as practicable in advance of the meeting.

5.7.2 Effect of Agenda Changes. At the biannual and special meetings of the Members pursuant to Section 5.6.1 or 5.6.2, the failure of any item to be included in the notice provided pursuant to Section 5.7.1 shall not prevent action from being taken at the meetings; *provided, however*, if any changes are made to such notice before the meeting, the Secretary of the Corporation shall make reasonable efforts to provide the Members and Interested Persons with such changes as soon as practicable in advance of the meeting and post such changes to the Website at the same time.

5.7.3 Member Waivers of Notice. The notice requirements contained in the Bylaws may be waived in writing by any Member with respect to itself, either before or after the meeting. The attendance by any Member at a meeting without protesting, as soon as reasonably practicable, the lack of notice of such meeting shall constitute a waiver of notice by such Member. All waivers shall be made part of the minutes of the meetings.

5.7.4 Effect of Lack of Notice. At the biannual and special meetings of the Members pursuant to Sections 5.6.1 and 5.6.2, the first agenda item of each such meeting shall be the Secretary's report on the provision of notice to the Members and Interested Persons regarding the meeting being held (which notice includes pursuant to Section 5.7.1 the distribution or posting of meeting materials). If a Member does not attend a meeting, the Corporation must document that it provided notice or that Member has waived notice of such meeting before action may be taken.

The Members shall consider any insufficiencies in notice or provision of materials to Interested Persons in determining whether to proceed with action in any item at the meeting; *provided* that the Members may in their sole discretion determine to take action on any item notwithstanding any insufficiency.

5.8 Quorum Rules. The quorum for biannual or special Member meetings with respect to any action shall be the Members in attendance with the aggregated voting weight required to take such action.

5.9 Voting of Members. Except where a greater vote is required by the Articles of Incorporation, applicable law, or the Bylaws, the affirmative vote of a Simple Majority vote of the Members shall be the act or determination of the Members under these Bylaws. Members may vote by designated representative or an alternate but may not vote by proxy.

5.10 Voting Shares.

5.10.1 Members' Voting Shares. The Members' voting shares shall be as follows:

<b>Member</b>	<b>Normal Cap Vote</b>	<b>Reduced Cap Vote</b>
Avista Corporation	10.36%	13.25%
Bonneville	47.83%	33.30%
Chelan County PUD	5.57%	7.12%
Public Utility District No. 2 of Grant County, Washington	6.21%	7.94%
Puget Sound Energy, Inc.	14.76%	18.87%
Seattle City Light	8.92%	11.40%
Tacoma Power	6.35%	8.12%

5.10.2 Voting Shares Upon Withdrawal or Addition of a Member.

Upon the withdrawal of a Member or the addition of a new Member, the voting share of each Member shall be recalculated and established based upon the following formula:

Member's Voting Share = (.30 \* [1/total number of Members]) + (.40 \* [dollar value of net transmission plant of such Member/total dollar value of net transmission plant of all Members]) + (.30 \* [annual average control area load in aMW of such Member/total annual average control area load in aMW of all Members]),

*Where,*

“Net transmission plant” of a Member means such Member’s net transmission plant as reflected in such Member’s then most recent FERC Form 1 or equivalent report; and

“Annual average control area load” of a Member means such Member’s then most recent twelve-month load within its control area as reported to the Northwest Power Pool;

*Provided,* if such formula would result in Bonneville having a voting share in excess of 49.9%, Bonneville’s voting share shall be reduced to 49.9% for any Normal Cap Vote and, in the event Bonneville’s voting share is so reduced, the amount of such reduction shall, for such vote, be reallocated to the other Members based upon their proportionate share of the aggregated non-Bonneville voting share; and

*Provided, further* if such formula would result in Bonneville having a voting share in excess of 33.3%, Bonneville’s voting share shall be reduced to 33.3% for any Reduced Cap Vote and, in the event Bonneville’s voting share is so reduced, the amount of such reduction shall, for such vote, be reallocated to the other Members based upon their proportionate share of the aggregated non-Bonneville voting share.

The Secretary shall notify the Members of the recalculated voting shares and post such information on the Website.

5.11 Restrictions on Transfer. No Member may transfer or assign its membership in the Corporation, or any right or interest therein, to any other Person, whether voluntarily or by operation of law, and any such attempted transfer or assignment shall be null and void and without any force or effect whatsoever; *provided, however,* notwithstanding the foregoing, a Member may, upon notice to the Secretary and each of the other Members, transfer or assign its membership in the Corporation, and all (but not less than all) of its rights and interests therein, to any



Person (other than another Member or the Affiliate of another Member) that acquires all or substantially all of the assets or stock of, or all or substantially all of the partnership, limited liability company membership, or other ownership interests in, the Member.

5.12 Effect of Membership. A Member of the Corporation acquires no proprietary or operational interest whatsoever in facilities used in interstate transmission or wholesale sales of electric energy in interstate commerce solely as a consequence of membership in the Corporation. Any state or federal agency not otherwise having jurisdiction by law over a Member shall not be construed to have jurisdiction over a Member by reason of its membership in the Corporation. The interpretation and enforcement of the Bylaws, including Member rights, shall be resolved exclusively according to Washington law.

## ARTICLE VI.

### BOARD OF DIRECTORS

6.1 Board of Directors' Authorities. The affairs of the Corporation shall be managed by the Board of Directors in accordance with the Articles of Incorporation and the Bylaws. All powers and activities of the Corporation shall be exercised and managed by the Board of Directors or, if delegated, under the ultimate direction of the Board of Directors; *provided* that the Board of Directors shall only undertake activities or provide services pursuant to a Functional Agreement approved by the Members consistent with Section 3.3; *provided, further*, that the foregoing proviso shall not limit the Board of Directors' authority to participate in the negotiation and development of Functional Agreements at the request of the Members or undertake activities and enter into contracts for administrative purposes associated with the operation of the Corporation. Such provisos do not limit the Board of Directors' authority to carry out the Corporation's duties as set out in Article IV.

6.2 Number and Qualifications.

6.2.1 Number. After adoption of the Bylaws and resignation of the initial director designated in the Section 2 of Article V. of the Articles of Incorporation, there shall be a three-member Board of Directors.

6.2.2 Qualifications. As of the date Board members are elected, at least a majority of the Board of Directors in office shall be individuals who are knowledgeable about the power system in the geographic area encompassed by the Members' systems and the systems of the Qualified Non-Member Parties, if any, and shall (1) have been responsible for, or have supervised individuals responsible for, obtaining or providing transmission or power service on behalf of an electric utility or federal power marketing agency in such geographic area or (2) have had other

relevant, substantial experience with the electric power system in such geographic area.

### 6.2.3 Individuals Who Are Prohibited from Serving as Directors.

6.2.3.1 Prohibited Individuals. Except as set forth in Section 6.2.3.2, no individual may be nominated for election to or become a member of the Board of Directors, or at any time serve on the Board of Directors, if such individual (or the spouse or any legal dependent of such individual):

i. Has a direct or indirect financial interest in (including the ownership of securities of) a Market Participant or Member (or any Affiliate of any of such Persons); *provided, however*, such individual (or the spouse or any legal dependent of such individual) will be permitted to own securities of a Market Participant or Member (or any Affiliate of any such Persons) through diversified mutual funds (other than those funds concentrating their investments in the electric power industry or the electric utility industry or any segments thereof); *provided, further*, the Members may determine to waive the foregoing prohibition for an individual candidate to the extent it relates to a nonqualified deferred compensation plan for purposes of electing the first three-member Board of Directors under Section 6.3.1 and, similarly, the Board of Directors may waive the prohibition for a candidate to the extent it relates to a nonqualified deferred compensation plan for purposes of subsequent elections under Section 6.3.2;

ii. Is connected (or has been connected within one year prior to the date of the meeting to nominate individuals for Director) to a Market Participant or Member (or any Affiliate of any of such Persons) as an owner, director, Officer, employee, partner, principal, or member of a governing board or council, or in any similar capacity; or

iii. Has a Related Person that is an Officer, chief executive or general manager, director or trustee or member of a governing board or council, or that occupies a position of similar capacity of a Market Participant or Member (or any Affiliate of any of such Persons); *provided, however*, the individual may be nominated if the Related Person commits to retire or otherwise leaves the position that gives rise to the disqualification prior to the date of the first meeting of the Board of Directors after the nominee is elected as a Director. The Director may serve only if the commitment is honored.

iv. Acts as a consultant for any Market Participant or Member during his or her term on the Board.

6.2.3.2 Exceptions Concerning Prohibited Individuals. An individual shall not be deemed to be in violation of the restrictions set forth in Section 6.2.3.1 and shall not be prohibited from serving as a Director because such individual (or the spouse or any legal dependent of such individual):

- i. Is a residential retail consumer of electric energy; or
- ii. Continues his or her pre-existing participation in a qualified defined benefits or defined contribution pension plan, nonqualified pension plan, or health benefits plan of a Market Participant or Member (or any Affiliate of any of such Persons) for purposes of receiving pension benefits and post-employment health benefits or remaining eligible to receive such benefits at a future time so long as the benefits to such individual under any such pension plan do not vary with the economic performance of such Market Participant or Member (or any Affiliate of any of such Persons) (other than the potential variance due to risk of bankruptcy) or the value of any securities of any such Market Participant or Member (or any Affiliate of any of such Persons) held by such plan.

6.2.4 Continuing Restrictions on Former Directors. Each Director elected to the Board of Directors shall enter into an agreement with the Corporation pursuant to which such Director agrees, to the maximum extent permitted by law, that for a twelve-month period following his or her service on the Board, such Director shall not participate in, and shall not aid, advise, or represent any Person, in matters involving the Corporation's activities in carrying out its purposes.

### 6.3 Election of Directors.

6.3.1 Election of First Board of Directors. Each of the three members of the first Board of Directors required under Section 6.2 shall be elected by Two-Thirds Majority vote of the Members, with one position having a two-year term, one position having a three-year term, and one position having a four-year term. At the time of their election the first three Directors shall draw lots to determine who shall have the two-, three-, and four-year term. After the expiration of the initial terms, all Director positions shall have three-year terms.

#### 6.3.2 Subsequent Elections.

6.3.2.1 Identification and Nomination of Suitable Candidates. The process for identification and nomination of Directors subsequent to the election of the first Board of Directors shall be as follows:

- i. Before each subsequent election of Directors under the Bylaws, the Board of Directors shall identify, subject to exclusion

pursuant to item iv. below, a slate of candidates in consultation with the Members and following consideration of suggestions for candidates received by the Board in response to a request (in such form as determined by the Board) to Interested Persons for suggestions for candidates; *provided* that such slate shall be constituted of candidates that ensure that the required qualifications of Section 6.2.2 are met. Such slate shall include any Director whose term is expiring and who has indicated he or she would like to be nominated.

ii. Before each subsequent election of Directors under the Bylaws, each Member may also identify, subject to exclusion pursuant to item iv. below, additional candidates for such slate.

iii. The Board shall obtain and review appropriate disclosures by each candidate (covering themselves and Related Persons to such candidates) regarding financial interests in or other potential conflicts of interest with the Corporation that may arise because of the activities of the candidate with respect to Market Participants, Members, and major contractors of the Corporation. Such disclosures shall also include any such financial interests or other potential conflicts of interest known by the candidates with respect to other family relations of the candidates. The disclosures of qualified candidates shall be made available on a confidential basis to the Members prior to the election.

iv. In screening potential candidates, the Board shall exclude any candidate it determines is likely to have a conflict of interest with the duties of a Director and shall exclude any candidate the Board of Directors determines fails to meet the criteria for becoming a Director set forth in Section 6.2.3.

v. The slate of nominees shall consist of those candidates identified pursuant to items i. and ii. above and not excluded pursuant to item iv. above.

#### 6.3.2.2 Elections.

i. The Members shall elect the Directors from the slate of nominees in accordance with the provisions of this Article VI.

ii. Each member of the Board of Directors, including nominees running unopposed, shall be elected by a Two-Thirds Majority vote of the Members.

iii. Absent a resignation or removal, Directors shall serve for the duration of their terms in accordance with the Articles of

Incorporation and the Bylaws and until their successors are elected. A Director elected to fill a vacancy mid-term shall serve for the remainder of the term of the Director being replaced and thereafter as necessary until a successor is elected.

6.3.2.3 Election Mechanisms. Unless otherwise specified herein, the Members shall determine the appropriate mechanisms and election procedures for elections of Directors, based on time constraints and other relevant factors. Elections may be held by written ballot at a meeting, votes cast at a meeting, or such other procedures as the Members determine.

6.3.2.4 Notification of Election Results. Immediately upon completion of the election of Directors, the Secretary of the Corporation shall provide official notice of the results of such election to the Members.

6.3.3 Resignation or Removal of Directors; Vacancies. A Director may resign from the Board of Directors by providing written notice to the chairperson of the Board of Directors or the President or the Secretary of the Corporation. A resignation of a Director shall be effective upon election of the resigning Director's replacement, unless such notice or the Board of Directors specifies an earlier time of effectiveness. The Members may remove any Director at any time, for cause, by a Simple Majority vote of the Members.

#### 6.4 Meetings of the Board of Directors.

6.4.1 What Constitutes a Meeting of the Board of Directors. A meeting is a gathering (in person or otherwise as permitted in this Article VI.) of at least a quorum of Directors as set forth in Section 6.6; *provided, however*, the presence of a number of Directors constituting a quorum in one place or at one event does not constitute a meeting if there is no deliberation or action taken regarding the Corporation's business. A quorum of Directors may not take action (except by written consent as provided in Section 6.8) or deliberate regarding the Corporation's business except at a meeting and in compliance with procedural rules in this Article VI.

6.4.2 Permitted Means of Director Meeting Participation. Directors may participate in a meeting through the use of conference telephone, electronic video screen communication, or similar communications equipment, so long as all Directors participating in such meeting can hear one another at the same time and arrangements are made to afford the public an opportunity to attend and observe any such meeting (with the exception of closed sessions held pursuant to Section 6.4.5). Participation in a meeting pursuant to this Section 6.4.2 shall constitute presence in person at such meeting.

6.4.3 Meetings of Board of Directors. The Board of Directors shall meet at least four times each fiscal year at the corporate offices or other location in

the Northwest determined by the Board; *provided, however*, that the Board of Directors shall have its first meeting within 30 days following the election of a new Director. The Secretary of the Corporation shall endeavor to schedule such meetings at a time when all of the Directors are available. At the first meeting in the first quarter of each fiscal year, the Board of Directors shall elect a chairperson to preside over meetings of the Board of Directors. The regularly-scheduled meetings of the Board of Directors shall be established for each fiscal year in advance of such year. In addition to the regular meetings of the Board of Directors, additional meetings may be held at such times as may from time to time be fixed by the chairperson of the Board of Directors. Special meetings of the Board of Directors for any purpose or purposes may be called at any time by the President of the Corporation or by any Director.

6.4.4 Open Board of Directors Meetings. Meetings of the Board of Directors held pursuant to this Article VI. shall generally be open to any and all Members and any and all members of the public, except as provided in Section 6.4.5 below. The Board shall set aside time during each meeting to note and, as the Board finds appropriate, discuss agenda items submitted by any Member or Interested Person. Subject to such procedural restrictions as the Board of Directors may reasonably impose, Members, Qualified Non-Member Parties, Interested Persons, and other stakeholders shall have the opportunity to provide comments to the Board of Directors at all regular or special meetings of the Board of Directors.

6.4.5 Closed Sessions. Notwithstanding the foregoing, the Board of Directors may, at any time during any open meeting of the Board of Directors, upon approval by the affirmative vote of not less than two-thirds of the Directors present at such meeting, hold a closed session for discussion of litigation or potential litigation, personnel matters, Director candidate selection and screening, vendor or contractor selection, real estate transactions, commercially sensitive information, and other matters that are reasonably and in good faith determined by the Board of Directors to be entitled to confidential treatment. Only Directors and certain Officers, employees, and agents of the Corporation, as designated by the Board, may be present during any closed session; *provided, however*, to the extent deemed necessary by the chairperson of the Board of Directors, any other person or persons having business before the Board of Directors that relates specifically to the matter or matters to be discussed during any portion of a closed session may be present during such portion of a closed session.

6.4.6 Activities of the First Board of Directors During the Initial Four Months of its Term. During the first four months of the term of the first Board of Directors, Directors may discuss in closed session, without first providing notice pursuant to section 6.5, only those matters which are necessary to commence the Corporation's business including, without limitation, administrative, personnel, legal, educational sessions regarding regional and national transmission proposals and ColumbiaGrid corporate documents that were executed or made prior to the seating of the first Board of Directors, and how ColumbiaGrid will carry out its corporate

purposes. After the first Board of Directors Meeting held pursuant to section 6.4.3, the Board shall notice and hold weekly Board of Directors meetings during this initial period to brief the Members and Interested Persons about their organizational work. While the Board may discuss matters that are not clearly within the scope of items for which a closed session can be called under Section 6.4.5 in closed session held pursuant to this section 6.4.6, the Board shall brief the meeting participants concerning discussions in such weekly Board of Director meetings; *provided* that any decisions to take action or provide policy direction relating to such matters shall be made only in such weekly Board of Director meeting in a public session.

6.5 Notice.

6.5.1 Notice of Meetings of Board of Directors.

6.5.1.1 Notice to Directors and Members. Prior to each Board of Directors meeting, the Secretary of the Corporation shall provide notice of such meeting to each Director and Member. Each such notice shall state the date, time, and place of the meeting and the meeting agenda, including the purpose or purposes for which the meeting is called, and shall include such meeting materials as are then available; *provided* that only the Directors shall be provided with confidential meeting materials. The Secretary shall make reasonable efforts to provide the Directors and Members with additional meeting materials, if any, as they become available before the meeting; *provided* that only the Directors shall be provided with confidential meeting materials. Notice of meetings shall be made personally, by first-class mail, return-receipt requested, or by electronic transmission to those Directors and Members who have so requested and have provided the Secretary with the address, location, or system to which notices should be electronically transmitted. Notice to Directors and Members will be deemed provided upon proper posting with the US Postal Service to the Member's address of record with the Corporation or upon electric transmission, as appropriate; *provided* that if notice of meetings is provided by electronic transmission, it must satisfy the requirements of RCW 24.03.009, as may be amended from time to time.

6.5.1.2 Notice to Interested Persons. At the same time that it provides notice as set forth in Section 6.5.1.1 to the Directors and the Members, the Corporation shall also provide the same notice to Interested Persons as provided in Section 4.2; *provided* that such notice shall not include any confidential meeting materials.

6.5.1.3 Posting of Notice. Prior to each Board of Directors meeting, the Corporation shall make reasonable efforts to post to the Website the notice set forth in Section 6.5.1.1. The Corporation shall make reasonable efforts to post to the Website any changes to the contents of such notice as soon as practicable in advance of the meeting.

6.5.1.4 Effect of Agenda Changes. At the meetings of the Board of Directors, the Corporation's failure to include any item in a notice as set forth in Section 6.5.1.1 shall not prevent action from being taken at such meetings; *provided, however*, if any changes are made to the contents of such notice before the meeting, the Secretary of the Corporation shall make reasonable efforts to provide the Directors, Members, and Interested Persons with any such changes as soon as practicable in advance of the meeting and post such changes to the Website at the same time.

6.5.1.5 Effect of Lack of Notice. At the meetings of the Board of Directors pursuant to Section 6.4.3, the first agenda item of each such meeting shall be the Secretary's report on the provision of notice to the Directors, Members, and Interested Persons regarding the meeting being held (which notice includes pursuant to Section 6.5.1 the distribution or posting of meeting materials) and the distribution or posting of any meeting materials. If a Director does not attend a meeting, the Corporation must document that it provided notice or that Director waived notice of such meeting before action may be taken. The Board of Directors shall consider any insufficiencies in notice or provision of materials to Members and Interested Persons in determining whether to proceed with action on any item at the meeting; *provided* that the Board has sole discretion to take action on any item notwithstanding any insufficiency.

6.5.2 Waiver of Notice. The notice requirements contained in the Bylaws may be waived in writing at any time by any Director or Member with respect to such Director or Member. The attendance by any Director or Member at a meeting without protesting, as soon as reasonably practicable, the lack of notice of such meeting shall constitute a waiver of notice by such Director or Member. All waivers shall be made part of the minutes of the meetings.

6.6 Quorum of Directors. A quorum for any meeting of the Board of Directors shall be a majority of the Directors then in office. A meeting at which a quorum is initially present may continue to transact business notwithstanding the withdrawal of Directors, if any action taken is approved by the required number of Directors, as specified in the Bylaws. A majority of the Directors then present, whether or not constituting a quorum, may adjourn any meeting to another time and place, subject to the Corporation providing notice of such rescheduled meeting pursuant to Section 6.5.

6.7 Voting of Directors. Except where a greater vote is required by the Articles of Incorporation, applicable law, or the Bylaws, the affirmative vote of a majority of the Directors then in office shall be the act of the Board of Directors. Each Director shall have one vote. Directors may not vote by proxy.

6.8 Action by Consent in Writing. The Board of Directors may (i) for personnel and ministerial decisions or (ii) when there is not sufficient time to wait to take action until a regularly-noticed meeting, subject to any applicable law, take any



action without a meeting, if a consent in writing, setting forth the action so taken, is signed by all of the Directors then in office. If the Board was not able to solicit public comment prior to the action taken regarding decisions identified in (ii) above, the Board shall report on its decision at the next regularly-scheduled Board meeting and provide an opportunity for public comment.

6.9 Meeting Minutes. The Secretary of the Corporation shall make public the minutes of each meeting of the Board of Directors (with the exception of closed sessions held pursuant to Section 6.4.5), and each written consent of the Board of Directors, by posting the same on the Website and making the same available at the offices of the Corporation, or by any other reasonable means, within five business days after the minutes have been formally adopted or the consent signed; *provided* that unofficial draft minutes shall be posted no later than 15 days after the date on which the meeting was held in the event that formal minutes have not been adopted by that time.

6.10 Prohibition Against Loans. The Corporation shall not make any loan of money or property to, or guarantee the obligation of, any Director or Related Person of a Director; *provided, however*, the Corporation may advance money to a Director for expenses reasonably anticipated to be incurred in performance of the duties of such Director so long as such individual would be entitled to reimbursement for such expenses absent such advance.

6.11 Inspection Rights. Every Director shall have the absolute right at any reasonable time to inspect and copy all books, records, and documents, and to inspect the physical properties, of the Corporation. No Director shall use or disseminate any information (other than any information regarding a violation of tariffs or laws) obtained as a result of any such inspection, or otherwise in his or her capacity as a Director, for his or her own personal gain or to the detriment of the Corporation.

6.12 Compensation of Directors.

6.12.1 Base Compensation and Additional Compensation. Directors shall receive base compensation in the amount of \$50,000 (U.S.) per year and additional compensation in the amount of \$1,000 (U.S.) per day for attendance at each meeting of the Board of Directors, and \$500 (U.S.) per day for any other meetings related to the business of the Corporation that the Board of Directors determines a Director should attend, to obtain the widest possible input into the decisions of the Board of Directors and to avoid hardship on the part of such Directors; *provided, however*, that the total compensation for each Director shall not exceed \$100,000 (U.S.) in any calendar year.

6.12.2 Adjustment of Compensation. The dollar amounts specified in Section 6.12.1, shall be adjusted by the Board of Directors prospectively for inflation biennially not counting the year the Bylaws become effective based upon the

Consumer Price Index for Portland, Oregon. This adjustment shall occur without an amendment of the Bylaws.

6.12.3 Reimbursement of Expenses. Directors shall also be entitled to receive reimbursement for actual travel and other expenses reasonably and necessarily incurred in performing duties of their offices and in attending meetings of the Board of Directors and meetings of a committee created pursuant to a Functional Agreement.

6.13 Prohibition Against Directors Being an Officer, Employee, or Consultant. While serving as a Director, a Director shall not be an Officer or employee of the Corporation or a consultant to the Corporation.

## **ARTICLE VII. FUNDING REQUESTS**

7.1 Funding Request. The Board of Directors, with support from the Corporation's staff and after providing opportunities for the Members and Interested Persons to submit recommendations, shall annually prepare a two-year funding request to the Members based upon projected activities and including proposed expenditures and capital commitments, including estimated timing and sources of funding for those expenditures.

7.2 Funding Agreement. An objective of the Functional Agreements will be that the Corporation's funding after the initial Corporation formation and start-up will be obtained primarily through Functional Agreements rather than through Funding Agreements. No Member shall have any obligation to provide funding to the Corporation, whether in response to a funding request or otherwise, except pursuant to the provisions of a Functional Agreement to which such Member is a party or a Funding Agreement to which such Member is a party.

## **ARTICLE VIII. OFFICERS AND STAFF**

8.1 Officers. The Officers shall be a President, one or more Vice Presidents, a Secretary, a Treasurer, and such other Officers as the Board of Directors may determine. The same person may hold two or more offices; *provided* that the same person may not hold the offices of President and Secretary; *and provided, further,* the same person may not hold the offices of President and Treasurer.

8.2 Appointment. The Board of Directors shall appoint the President. The President shall appoint the other Officers provided for in Section 8.1. The President may be appointed at any meeting of the Board of Directors, and the terms of service

of the Officers so appointed shall be as specified by the Board of Directors or the President as appropriate. Individuals who would be prohibited from acting as a Director under Section 6.2.3 shall also be prohibited from acting as an Officer; *provided* that a candidate for an Officer position currently connected to a Market Participant or Member within the meaning of Section 6.2.3.1(ii) shall not be prohibited from being appointed as an Officer so long as such candidate commits to retire or otherwise leaves the position that gives rise to the disqualification prior to the date of his or her appointment as an Officer. The Officer may serve only if the commitment is honored.

8.3 Removal. Subject to the rights, if any, of the Officer under any contract of employment, the Board of Directors may remove the President whenever, in the Board of Directors' judgment, removal will serve the best interests of the Corporation. The Board of Directors or the President may remove any other Officer of the Corporation whenever, in the Board of Directors' or President's judgment, removal will serve the best interests of the Corporation.

8.4 Resignation. Any Officer may resign at any time by giving written notice to the Secretary of the Corporation. Any resignation shall take effect on the date of the receipt of that notice, or at any later time specified by that notice and, unless otherwise specified in that notice, the acceptance of the resignation shall not be necessary to make it effective. Any resignation is without prejudice to the rights, if any, of the Corporation under any contract of employment with the Officer.

8.5 President. Subject to any restrictions or limitations contained in the Articles of Incorporation, Bylaws or such further limitations that the Board of Directors may impose, the President shall be responsible for conducting the affairs of the Corporation in a manner consistent with the policies and directives of the Board of Directors and shall have such additional powers and duties as may be prescribed by the Board of Directors.

8.6 Vice President. During the absence or disability of the President, the Vice President (or if there is more than one Vice President, the Vice Presidents in the order designated by the Board of Directors) shall, subject to any restrictions or limitations contained in the Articles of Incorporation, Bylaws or such further limitations that the Board of Directors may impose, exercise all functions of the President and have such powers and discharge such duties as may be assigned from time to time to such Vice President by the President or by the Board of Directors.

8.7 Secretary. The Secretary or his or her delegatee shall serve notice of and act as Secretary at all meetings of the Board of Directors, shall administer the meetings of Members as provided in Articles V. and VI., shall record the proceedings of all meetings in the minute books, and shall, subject to any restrictions or limitations contained in the Articles of Incorporation, Bylaws or such further limitations that the Board of Directors may impose, be responsible for conducting the affairs of the Corporation in a manner consistent with the policies and directives of

the Board of Directors and have such additional powers and duties as shall be prescribed by the Board of Directors.

8.8 Treasurer. The Treasurer shall have the care and custody of the money, funds, and securities of the Corporation; shall account for the same; and shall have and exercise, under the supervision of the Board of Directors, all the powers and duties commonly incident to this office. The Treasurer shall prepare and maintain the books, accounts and financial statements, financial records, and financial reports of the Corporation consistent with generally accepted accounting principles.

8.9 Additional Officers. Officers, other than those identified in Sections 8.5, 8.6, 8.7, and 8.8, shall have such powers as the Board of Directors shall designate, subject to any restrictions or limitations contained in the Articles of Incorporation, Bylaws or such further limitations that the Board of Directors may impose.

8.10 Compensation; Prohibition Against Loans.

8.10.1 Compensation Determined by the Board of Directors. Compensation of the Officers shall be determined by Board of Directors.

8.10.2 Prohibited Loans; Permitted Advances. The Corporation shall not make any loan of money or property to or guarantee the obligation of any Officer or Related Person of an Officer; *provided, however*, the Corporation may advance money to an Officer for expenses reasonably anticipated to be incurred in performance of the duties of such Officer so long as the Officer would be entitled to reimbursement for such expenses absent such advance.

8.11 Execution of Instruments. The President shall have the authority to execute legal instruments on behalf of the Corporation, subject to any restrictions or limitations contained in the Articles of Incorporation, Bylaws or such further limitations that the Board of Directors may impose. The President's authority to execute legal instruments on behalf of the Corporation may be delegated in writing by the President to other Officers and employees of the Corporation on a general or limited basis with the prior written approval of the Board of Directors.

8.12 Staffing. Officers of the Corporation may, within such budgetary authority and subject to such other restrictions and requirements the Board of Directors may establish from time to time, hire or contract with such staff as is necessary to fulfill the purposes of the Corporation.

## **ARTICLE IX.**

### **ETHICS**

9.1 Confidentiality. The Board of Directors shall establish appropriate confidentiality policies (including for example policies adopted pursuant to Section 10.4) and programs for the protection of confidential and commercially sensitive information in the possession of the Corporation. Such policies shall include provisions relating to confidentiality agreements as a condition of employment for Directors, Officers, employees, and contractors, as appropriate taking into account the role of each such Director, Officer, employee, or contractor.

9.2 Conduct Rules. The Board of Directors shall establish appropriate conduct rules for Directors, Officers, employees, and contractors, taking into account the role of each such Director, Officer, employee, or contractor. Such conduct rules shall address, among other things, the independence of Directors, Officers, employees, and contractors from Market Participants. The Board of Directors shall establish programs to monitor and enforce compliance with such conduct rules.

9.3 Independence from Market Participants. Each Director and Officer and each employee identified in conduct rules established pursuant to Section 9.2 shall file with the Secretary an annual affidavit stating compliance with the Corporation's policies regarding independence from Market Participants as required by such policy.

## **ARTICLE X.**

### **RECORDS**

10.1 Records; Inspection of Records.

10.1.1 Records. The Corporation shall keep or cause to be kept at its principal office the following records:

- i. The Articles of Incorporation and all amendments and restatements thereof and a copy of all documents qualifying the Corporation to do business within a state;
- ii. The Corporation's Bylaws and all amendments thereof, duly certified by the Secretary of the Corporation;
- iii. A record of Members, including the name and address and voting share of each Member;

- iv. Correct and adequate records of accounts and finances;
- v. A record of Officers' and Directors' names and addresses;
- vi. Minutes of all meetings of the Members and of all meetings of the Board of Directors (other than closed sessions held pursuant to the applicable provisions of the Corporation's Bylaws); and
- vii. A record of the Interested Persons List.

10.1.2 Member Inspection of Records. The written or electronic records kept pursuant to this Section 10.1 shall be open at any reasonable time to inspection by any Member. The Corporation may impose reasonable charges for any copies of the Corporation's records that a Member requests in connection with exercising its inspection rights under this Section 10.1.2.

10.1.3 Public Inspection of Records. The Board of Directors shall establish a policy that makes the records set forth in Section 10.1.1 (except for any minutes, if any, of meetings of the Members) available on the Website or in response to reasonable public requests for inspection, that requires the requestor to pay a charge for access to inspect the Corporation's records (including the full cost of employee time), and that requires the requestor to pay for all copies of the Corporation's records requested during an inspection; *provided that* the Corporation (i) shall not make available confidential information in such records, (ii) may establish reasonable policies concerning the time and place that such records will be made available, and (iii) may impose reasonable charges for any copies of such records so requested pursuant to this Section 10.1.3.

10.2 Financial Records. The Officers of the Corporation shall keep such financial records as are necessary to transact the business of the Corporation and these records shall comply with generally accepted accounting principles.

10.2.1 Annual Financial Statements. As soon as reasonably practical after the close of the fiscal year, annual financial statements of the Corporation shall be prepared in accordance with generally accepted accounting principles and other applicable requirements. The financial statements shall contain in appropriate detail the following:

- i. The assets and liabilities, including trust funds, of the Corporation as of the end of the fiscal year;
- ii. The principal changes in assets and liabilities, including trust funds, during the fiscal year;
- iii. The revenue or receipts of the Corporation, both unrestricted and restricted to particular purposes, for the fiscal year;

iv. The expenses or disbursements of the Corporation, for both general and restricted purposes during the fiscal year;

v. Any transaction or series of related transactions during the previous fiscal year involving \$10,000 (U.S.) or more to which the Corporation was a party and in which any Directors or Officers of the Corporation had or have a direct or indirect material financial interest. The report must disclose the names of the interested persons involved in such transaction, stating such person's relationship to the Corporation, the nature of such person's interest in the transaction, and, when practical, the amount of such interest; and

vi. The amount and circumstances of any indemnification or advances aggregating more than \$10,000 (U.S.) paid during the fiscal year.

10.2.2 Independent Audit of Financial Statements. The Board of Directors shall cause the financial statements of the Corporation to be reviewed by an independent accountant every three years; *provided* that, upon a Simple Majority vote of the Member, the Members can cause more frequent audits; *provided, however*, in no event shall an audit be performed more frequently than once a year. The independent accountant's review results shall be summarized in a formal letter to the Board of Directors, which upon issuance shall be appended to the audited financial statement.

10.2.3 Reports Concerning Financial Status. The Board of Directors shall cause the reports set forth below concerning the Corporation's financial status to be prepared and delivered to the Members. The Board of Directors shall make such reports available to the general public by posting such reports on the Website.

10.2.3.1 Annual Report. As soon as reasonably practical after the close of the Corporation's fiscal year, a report including the financial statements (prepared in accordance with generally accepted accounting principles and any applicable requirements) and performance results shall be furnished. The annual report shall include a report from the independent audit, if any, performed that year, specific descriptions of actual performance results in terms of cost management, and other performance targets adopted by the Board of Directors.

10.2.3.2 Quarterly Report. As soon as reasonably practical after the close of each quarter, quarterly financial statements of the Corporation shall be prepared in accordance with generally accepted accounting principles and any applicable requirements. The quarterly financial reports will include a thorough comparison to the budget adopted by the Board of Directors. In addition, the quarterly report will include a status report on accomplishing the performance targets adopted by the Board of Directors.

10.2.4 Availability of Financial Records. All financial records required to be kept pursuant to this Section 10.2 shall be made available to Members and Interested Persons upon their request; *provided that* the Corporation (i) shall not make available confidential information in such records, (ii) may establish reasonable policies concerning the time and place that such records will be made available, and (iii) may impose reasonable charges for any copies of such records so requested pursuant to this Section 10.2.4.

10.3 Records Retention. The Board of Directors shall cause to be developed and implemented a records-retention program complying with all applicable legal requirements.

10.4 Technical Information. The Corporation in the course of performing its responsibilities will develop technical information about the functioning of the regional transmission system and related markets and shall endeavor to provide useful, nonconfidential information to the public about the status of the system and related markets, problems identified with system or market operations, or other information relevant to the accomplishment of the purposes of the Corporation. The Board of Directors shall adopt nondisclosure policies concerning critical energy infrastructure information for security purposes.

## ARTICLE XI.

### INDEMNIFICATION OF DIRECTORS, OFFICERS, EMPLOYEES, AND AGENTS

11.1 Liability of Directors; Indemnification Rights of Members of the Board of Directors and Certain Officers.

11.1.1 Limits on Liability of Directors. Directors shall be liable to the Corporation only for the following:

- i. Acts or omissions that involve intentional misconduct by the Director;
- ii. Knowing violation of the law by the Director;
- iii. Conduct violating RCW 23B.08.310, as it may be amended from time to time or superseded; and
- iv. Any transaction from which the Director personally receives a benefit in money, property, or services to which the Director is not legally entitled.



This limitation of liability shall not apply to the extent that such Director has failed to meet the standard of conduct set out in RCW 23B.08.510, as it may be amended from time to time or superseded. If the Washington Business Corporation Act, as applied to nonprofit corporations, is amended to authorize corporate action further eliminating or limiting the personal liability of Directors, then the liability of a Director shall be deemed eliminated or limited to the fullest extent permitted by the Washington Business Corporation Act, as so amended.

11.1.2 Indemnification of Directors and Officers. The Corporation shall indemnify any member of the Board of Directors and any Officers to the full extent permitted by applicable law as then in effect against liability arising out of a Proceeding to which such individual was made a party because the individual is or was a Director or Officer of the Corporation; *provided* that this indemnity shall not extend to a Director or an Officer to the extent the Director or Officer is or was not acting in good faith or is or was acting outside the scope of the Director's or Officer's duties. The Corporation may advance expenses (including reasonable attorneys' fees) incurred by such persons who are parties to a Proceeding in advance of final disposition of the Proceeding.

11.2 Indemnification of Employees and Agents. The Corporation may indemnify and advance expenses (including reasonable attorneys' fees) to any of its non-Officer employees and agents against expenses (including reasonable attorneys' fees), judgments, fines, settlements, and other amounts actually and reasonably incurred in connection with any Proceeding arising by reason of the fact that such person is or was a employee or agent of the Corporation; *provided* that such indemnity shall not extend to a non-Officer employee or agent of the Corporation to the extent such non-Officer employee or agent is or was not acting in good faith or is or was acting outside the scope of the duties of such non-Officer employee or agent.

11.3 Notice of Request for Indemnification. Any Director, Officer, non-Officer employee or agent seeking indemnification shall do so in writing to the Secretary as soon as the non-Officer employee or agent becomes aware of a claim arising from their actions on behalf of the Corporation.

11.4 Settlement. The Corporation is not liable to indemnify an Indemnitee for any amounts paid in settlement of any Proceeding without the Corporation's written consent. The Corporation shall not settle any Proceeding in any manner that would impose any penalty or limitation on an Indemnitee without the Indemnitee's written consent. Neither the Corporation nor Indemnitee may unreasonably withhold its consent to a proposed settlement.

11.5 Contract and Related Rights.

11.5.1 Contract Rights. The right of an Indemnitee to indemnification and advancement of expenses (including reasonable attorneys' fees) is a contract right upon which Indemnitee shall be presumed to have relied in determining to serve or to

continue to serve in his or her capacity with the Corporation. Such right shall continue as long as Indemnitee shall be subject to any possible Proceeding. Any amendment to or repeal of this Article XI. shall not adversely affect any right or protection of an Indemnitee with respect to any acts or omissions of such Indemnitee occurring prior to such amendment or repeal.

11.5.2 Optional Insurance, Contracts, and Funding. The Corporation may:

- i. Maintain insurance, at its expense, to protect itself and any Indemnitee against any liability, whether or not the Corporation would have power to indemnify the individual against the same liability under RCW 23B.08.510 or .520, as it may be amended from time to time or superseded;
- ii. Enter into contracts with any Indemnitee in furtherance of this Article XI. and consistent with applicable law; and
- iii. Create a trust fund, grant a security interest, or use other means (including, without limitation, a letter of credit) to ensure the payment of such amounts as may be necessary to effect indemnification as provided in this Article XI.

11.5.3 Severability. If any provision or application of this Article XI. shall be invalid or unenforceable, the remainder of this Article XI. and its remaining applications shall not be affected thereby, and shall continue in full force and effect.

11.6 Exceptions to Corporation's Obligations. Any other provision herein to the contrary notwithstanding, the Corporation shall not be obligated pursuant to the terms of the Bylaws to indemnify or advance expenses (including reasonable attorneys' fees) to Indemnitee with respect to any Proceeding involving claims:

- i. Initiated or brought voluntarily by Indemnitee and not by way of defense, except with respect to Proceedings brought to establish or enforce a right to indemnification, but such indemnification or advancement of expenses (including reasonable attorneys' fees) may be provided by the Corporation in specific cases if the Board of Directors finds it to be appropriate;
- ii. Instituted by Indemnitee to enforce or interpret this Article XI., if a court of competent jurisdiction determines that each of the material assertions made by Indemnitee in such Proceeding was not made in good faith or was frivolous;
- iii. For which any of the expenses (including reasonable attorneys' fees) or liabilities for which indemnification is being sought have

been paid directly to Indemnitee by an insurance carrier under a policy of Officers' and Directors' liability insurance maintained by the Corporation; or

iv. With respect to which the Corporation is prohibited by applicable law as then in effect from paying such indemnification or advancement of expenses (including reasonable attorneys' fees). For example, federal legislation may prohibit indemnification for certain ERISA violations.

## **ARTICLE XII.**

### **MISCELLANEOUS**

12.1 Fiscal Year. The fiscal year of the Corporation shall be established at the discretion of the Board of Directors.

12.2 Corporation Seal. The Corporation may have a seal as specified by resolution of the Board of Directors. Such seal may be affixed to any and all corporate instruments, but failure to affix it shall not affect the validity of any instrument.

12.3 Notices to Directors and Members. Except as and to the extent otherwise provided in the Bylaws, any notice required or permitted to be given under or pursuant to the Bylaws shall be required to be delivered to the intended recipient party either by first-class mail, return-receipt requested, in person, by facsimile equipment providing written confirmation of completed transmission, or by electronic mail at such party's address, facsimile number, or electronic mail address provided to the Secretary of the Corporation in accordance with the requirements of the Bylaws. Notice delivered by mail will be deemed provided upon proper posting with the US Postal Service to the Member's address of record with the Corporation. Notices delivered in person shall be effective upon delivery, and notices sent by facsimile or electronic mail shall be effective upon completion of successful transmission. Any Person may change the address to which notices should be sent by giving notice of such change to the Secretary of the Corporation in accordance with the requirements of this Section 12.3. Notice to Directors and Members provided pursuant to these Bylaws by electronic transmission must satisfy the requirements of RCW 24.03.009 as may be amended from time to time.

12.4 Dissolution and Merger or Disposition of Assets.

12.4.1 Dissolution of the Corporation. The Corporation may be dissolved by Two-Thirds Majority vote of the Members.

12.4.2 Distribution of Net Assets upon Dissolution. Upon the dissolution or winding up of the Corporation, the Directors shall, after paying, satisfying, discharging, or making adequate provision for payment of all of the liabilities and obligations of the Corporation, and subject to satisfaction of all applicable requirements of RCW 24.03.225, as it may be amended from time to time or superseded, relating to dissolution, distribute all the remaining assets of the Corporation to the Members; *provided* that assets specific to a Functional Agreement shall be distributed pursuant to the terms of such Functional Agreement.

12.5 Merger or Other Disposition of Assets. A merger of the Corporation pursuant to RCW 24.03.195, as it may be amended from time to time or superseded, or a sale, lease, exchange, or other disposition of all or substantially all of the assets of the Corporation other than in the ordinary course of business pursuant to RCW 24.03.215, as it may be amended from time to time or superseded, shall require a Two-Thirds Majority vote of the Members. Notwithstanding Section 5.7.2, the proposed vote must be included on the proposed agenda for the meeting of Members in order for a vote to be taken on a proposed merger or other disposition of assets pursuant to RCW 24.03.195 and RCW 24.03.215, as they may be amended from time to time or superseded.

12.6 FERC-Ordered Changes to Articles or Bylaws. If FERC requires a change in, or imposes a new condition on, any Article or Bylaw, FERC's change or condition shall become effective only if all of the Members agree in writing to such change or new condition.

12.7 Amendment of Articles of Incorporation. The Articles of Incorporation may be amended by Two-Thirds Majority vote of the Members.

12.8 Amendment of Bylaws. These Bylaws may be amended by Two-Thirds Majority vote of the Members.

12.9 Section and Article References in the Bylaws. All references in the Bylaws to Sections or Articles mean references to sections and articles of the Bylaws unless otherwise expressly provided.

**CERTIFICATION**

The undersigned hereby certifies that the Members, by unanimous vote on August 1, 2006, amended the Bylaws of ColumbiaGrid previously amended on June 15, 2006 and originally adopted on April 14, 2006.

Dated this 1<sup>st</sup> day of August, 2006.

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Kristi M. Wallis  
Initial Director of the Corporation