

RTO WEST GOVERNANCE STRAWMAN PROPOSAL

RTO Member Classes

- Member Classes
 - The RTO member classes would be as shown in Attachment A.
 - Any single legal entity, and affiliated entities under common control, would be entitled to be a member of the RTO in only one class.

- Member Voting Rights; Trustees Selection Committee
 - Each member of each member class would have one vote on all matters on which the members would be entitled to vote; provided, however, that in the event that there were fewer than 10 tribal regulatory entity members of the Utilities Commissions Class, such tribal regulatory entities would collectively have one vote, and in the event that there were 10 or more tribal regulatory entity members of the Utilities Commissions Class, such tribal regulatory entities would collectively have two votes.
 - Members would have the exclusive right and power to (i) elect the members of the Trustees Selection Committee, (ii) elect the members of the Board Advisory Committee, (iii) amend certain provisions of the RTO Articles of Incorporation and Bylaws (such as provisions relating to RTO member voting rights) and (iv) approve the dissolution of the RTO.
 - The RTO members would not elect (or remove) members of the Board of Trustees directly. The election (and removal) of the members of the Board of Trustees would instead be carried out by a stakeholder Trustees Selection Committee, as described below. This committee would not be the same as the stakeholder Board Advisory Committee, which is also described below. There would not be any prohibition against a member of the Board Advisory Committee simultaneously serving as a member of the Trustees Selection Committee.
 - Each member class, voting by class, would be entitled to elect representatives to the Trustees Selection Committee. However, not every voting class would be entitled to elect the same number of representatives to the Trustees Selection Committee. The Major Transmitting Utilities Class, Transmission-Dependent Utilities Class, Nonutility Entities Class and Large Retail Customers Class would each be entitled to elect three representatives to the Trustees Selection Committee. The Utilities

Commissions Class and the Small Retail Customers/Unaligned Entities Class would each be entitled to elect two representatives to the Trustees Selection Committee. Thus the Trustees Selection Committee would consist of 16 members.

- The representatives elected by each RTO member class would consist of those nominees receiving the highest majority vote in such member class, up to the number of vacancies to be filled in the applicable election. Each member in each member class would have one vote for each vacancy to be filled on the Trustees Selection Committee, but no member would be permitted to cast more than one vote for any given candidate (i.e., members would not be permitted to cumulate votes).
- The members of the Trustees Selection Committee would serve staggered terms of three years each in each case where the RTO member class was represented by three members on the committee (such that one third of the class representatives would be up for election every year), and would serve staggered terms of two years each in each case where the RTO member class was represented by two members on the committee (such that one half of the class representatives would be up for election every year). There would be no limit on the number of terms for which a Trustees Selection Committee member could be re-elected.

RTO Board of Trustees

- Board Composition and Size

- The RTO Board of Trustees would be a non-stakeholder board, meaning that any person having a prohibited financial interest in a “market participant” (as defined in Orders 2000 and 2000-A) would be disqualified from serving on the board.
- The board would consist of not more than nine members. Each Trustee would serve a term of three years (except in the case of the members of the initial Board of Trustees, who would serve terms of either one, two or three years as determined by the drawing of lots at the first meeting of the Board of Trustees), and would be entitled to be re-elected for an unlimited number of additional terms. One third of the Trustees would be up for election each year.

- Board Member Qualifications

- The Trustees Selection Committee would endeavor to elect Board members possessing, collectively, a broad range of relevant experience in commodities markets (including commodities trading risk management), electric bulk power transmission in the Western Interconnection, law, finance, economics, accounting, information technology, engineering, regulation and public policy.

- However, there would not be designated seats reserved on the board for individuals possessing experience in a specific area (i.e., there would not be a specific seat on the board for an accountant, a lawyer, a person with utilities experience, etc.).
- The RTO Bylaws would not express any preference that board members come from within the control area operated by the RTO (although members of the Trustees Selection Committee would not be precluded from exercising such a preference in voting for Trustees), or that the Chairman of the Board of Trustees have electric utilities experience.
- Not less than two thirds of the Board candidates would be required to have held positions of significant responsibility (either as a director, chief executive officer or chief operating officer) with one or more substantial organizations, such as a publicly held corporation or major regional or national not-for-profit entity.
- Election of Trustees
 - As noted above, the members of the Board of Trustees would be elected by the members of the Trustees Selection Committee.
 - Prior to each election, a slate of qualified candidates would be developed by a reputable executive search firm. The search firm should endeavor to assemble a slate of candidates numbering not less than 125 percent of the number of Board vacancies to be filled in the applicable election.
 - In any election of Trustees, each member of the Trustees Selection Committee would have one vote for each vacancy to be filled on the Board of Trustees, but no member of the committee would be permitted to cast more than one vote for any given nominee (i.e., committee members would not be permitted to cumulate votes).
 - In order to be elected as a Trustee, a candidate would be required to receive not less than 14 out of the 16 total votes of Trustee Selection Committee members. In the event that fewer than the requisite number of candidates received the requisite vote, a runoff election would be held. In the event that not all vacant positions were filled in such runoff election, then the unfilled vacancy or vacancies would be filled from the unelected nominees for Trustee in accordance with the alternative dispute resolution procedures set forth in the RTO Bylaws.
 - The Trustees Selection Committee would have the power to remove any Trustee without cause, and would share with the Board of Trustees the right to remove any Trustee for cause. In order for a Trustee to be removed by the Trustees Selection Committee without cause, not less than 14 out of the 16 total votes of the Trustee Selection Committee would be required to vote for removal. In order for the Trustees Selection Committee to remove a Trustee for cause (as defined in the RTO Bylaws), a

majority of the 16 total votes of the Committee would be required to vote in favor of removal.

RTO Board Advisory Committee

The RTO stakeholder Board Advisory Committee would function generally as described in Attachment B. Some features of the committee are:

- Election of Committee Members

- Each member class, voting by class, would be entitled to elect three representatives to the Board Advisory Committee. The Board Advisory Committee would therefore have 18 members.
- The representatives elected by each RTO member class to the Board Advisory Committee would consist of those nominees receiving the highest majority vote in such member class, up to the number of vacancies to be filled in such election. Each member in each member class would have one vote for each vacancy to be filled on the Board Advisory Committee, but no member would be permitted to cast more than one vote for any given candidate (i.e., members would not be permitted to cumulate votes).
- The members of the Board Advisory Committee would serve staggered terms of three years each. Thus one third of the members of the committee would be up for election every year. There would be no limit on the number of terms for which a committee member could be re-elected.

- Authority and Procedures

- The Board Advisory Committee would have very broad authority to consider issues raised from effectively any source. Certain specified matters would be required to be considered by the Board Advisory Committee before action on such matters could be taken by the Board of Trustees.
- The Board Advisory Committee would have standing and ad hoc subcommittees that would be open to membership and participation by any interested member of the RTO.
- The Board Advisory Committee's operating procedures would ensure public notice of all matters coming before the committee or any subcommittee, and an opportunity for any interested party to be heard on any issue.
- The Board Advisory Committee and its subcommittees would have broad authority to refer matters to the RTO staff for study and investigation.

RTO Code of Conduct

- The RTO Code of Conduct would continue to apply to former Trustees of the RTO for a period of one year after they leave office, but former employees of the RTO would not continue to be bound by the Code of Conduct after they leave employment with the RTO.

ATTACHMENT A

PROPOSED RTO MEMBER CLASSES

Major Transmitting Utilities Class. A “Major Transmitting Utility” is a Transmission Owner¹ that, individually or together with one or more of its affiliates [CONSIDER IMPLICATIONS OF THIS CLAUSE FOR MEMBERSHIP IN THE RTO BY THE INDEPENDENT TRANSMISSION COMPANY, ON THE ONE HAND, AND BY THE FORMER TRANSMISSION OWNERS WHICH HAVE TRANSFERRED OWNERSHIP OF THEIR TRANSMISSION FACILITIES TO THE INDEPENDENT TRANSMISSION COMPANY, ON THE OTHER], receives from the RTO revenues in excess of _____ percent of the RTO’s total transmission system revenue requirement.²

Transmission-Dependent Utilities Class. A “Transmission-Dependent Utility” means any investor-owned utility, independent transmission company, municipality, municipal utility, public utility district, people’s utility district, cooperative corporation, joint powers agency, federal power marketing agency, irrigation district, joint powers authority that includes one or more of such agencies, tribal utility, or other entity that (i) furnishes electric services over its own or its members’ electric transmission or distribution system, (ii) is located, conducting business or operating within the control area operated by the RTO and (iii) is not a Major Transmitting Utility.

Nonutility Entities Class. “Nonutility Entity” means any entity, other than a Major Transmitting Utility, Transmission-Dependent Utility, Large Retail Customer, Utilities Commission, Small Retail Customer or Unaligned Entity, that is located, conducting business or operating within the control area operated by the RTO and (i) that owns or has contractual rights to use transmission facilities and is subject to FERC authority pursuant to Sections 210 or 211 of the FPA, or that would be subject to such authority were it located within the United States, or that owns or has contractual rights to use transmission facilities in Canada, or is authorized to provide transmission services or interconnection over such Canadian facilities, or (ii) that is entitled to apply to the FERC for an order requiring transmission services or interconnection pursuant to Sections 210 or 211 of the FPA, or that would be entitled to apply for such an order were it located within the United States, or that is a marketing affiliate of any such non-U.S. entity

¹ “Transmission Owner” means any investor-owned utility, independent transmission company, municipality, municipal utility, public utility district, people’s utility district, cooperative corporation, joint powers agency, federal power marketing agency, irrigation district, joint powers authority that includes one or more of such agencies, tribal utility, or other entity that furnishes electric services over its own or its members’ electric transmission system, and *that has transferred operational control of its transmission facilities to the RTO pursuant to a Transmission Control Agreement.*

² Depending upon the outcome of discussions within the Adjunct Committee which is addressing Canadian issues, the definition of the Major Transmitting Utilities Class may need to be revised to accommodate participation of Canadian transmission owners, since such participation may take the form of indirect participation through an intermediary Independent Grid Operator, rather than direct participation through Transmission Control Agreements between the individual transmission owners and the RTO.

seeking transmission services, or that receives interconnection or transmission services from a Canadian Transmission Provider.

Large Retail Customers Class. A “Large Retail Customer” is any commercial or industrial end-user consumer of electric power that (i) is not a Major Transmitting Utility, Transmission-Dependent Utility, Nonutility Entity, Utilities Commission, Small Retail Customer or Unaligned Entity, (ii) is located in the control area operated by the RTO, (iii) has an aggregate load within the control area operated by the RTO greater than or equal to one MW and (iv) is not a “market participant” within the meaning of such term as defined in 18 CFR Part 35.34(b)(2).

Utilities Commissions Class. “Utilities Commission” means (i) the utilities regulatory commission of each Participating Jurisdiction³, (ii) any other state or provincial agency in any Participating Jurisdiction that has ratemaking, siting, resource-planning or other authority with regard to electrical energy and that is designated by the governor or other chief executive officer of a Participating Jurisdiction, by notice to the Secretary of the RTO, as a member in the Utilities Commissions Class, (iii) any tribal governmental entity that is located in the control area operated by the RTO, that exercises ratemaking, siting, resource-planning or other authority with regard to electrical energy and that is designated by the governing council of such tribe and (iv) the Northwest Power Planning Council.

Small Retail Customers/Unaligned Entities Class. A “Small Retail Customer” is any end-user consumer of electric power that (i) is not a Major Transmitting Utility, Transmission-Dependent Utility, Nonutility Entity, Utilities Commission, Large Retail Customer or Unaligned Entity, (ii) is located in the control area operated by the RTO, and (iii) is not a “market participant” within the meaning of such term as defined in 18 CFR Part 35.34(b)(2). An “Unaligned Entity” is any person or entity that (i) is not a Major Transmitting Utility, Transmission-Dependent Utility, Nonutility Entity, Large Retail Customer or Utilities Commission, (ii) is located or doing business within the control area operated by the RTO, (iii) is not a “market participant” within the meaning of such term as defined in 18 CFR Part 35.34(b)(2) and (iv) is a “good government” or public interest group, such as an environmental group, demand-side management organization, energy efficiency organization or renewable energy organization.

³ “Participating Jurisdiction” would be defined generally as any state or province in which any RTO-controlled transmission facilities are located.

ATTACHMENT B

PROPOSED BOARD ADVISORY COMMITTEE

Introduction

At the start of the RTO process, the filing utilities and other participants agreed to the following:

“The RTO shall be governed by an independent board of directors or board of trustees. A stakeholder advisory board shall be created to provide recommendations to the RTO governing board.”

Consistent with this agreement, it is currently contemplated that the RTO Board of Trustees (“Board”) will be composed only of individuals having no financial interest in any “market participant” (as defined in FERC’s Orders 2000 and 2000-A) that would be violative of applicable FERC orders. Under this approach, the Board will be the decision-making body and the advisory board will provide recommendations to it.

The following proposal is intended to implement the second part of the above agreement. It does so by establishing a Board Advisory Committee (“Committee”), composed of representatives of RTO member classes (regional transmission owners, transmission users and other parties with a stake in the operation of the transmission system), which will provide the Board with timely recommendations on matters upon which the Board may act.

Board Advisory Committee

1. Purpose

The purpose of the Committee is to support the decision making of the Board by considering matters that will be taken up by the Board, and by providing in a timely manner written recommendations on what action the Board should take on such matters. The recommendations of the Committee shall be established by the vote thereof, and shall include both a majority and minority recommendation to the extent that any vote of the Committee on a matter is not unanimous.

2. Areas of Responsibility

The Committee may take up any matter that the Committee deems appropriate. In addition, the Committee will consider matters raised by members of the Committee, matters raised by any member of the RTO or any transmission user, and matters raised or referred to the Committee by the RTO Board, the RTO staff or any Subcommittee. In addition, certain enumerated matters must go the Committee before they may be taken up by the Board, including changes to any RTO tariff, revisions or amendments of general application to any RTO contracts (such as Transmission Control Agreement, Load/Integration Agreement, Paying Agent Agreement), and any revision to operating practices of general application (such as scheduling,

transmission planning). The Board would be obliged to give due consideration to the recommendations of the Committee in determining how to dispose of the matter to which the recommendation refers.

3. Committee Structure

The Committee would be composed of representatives elected by the RTO member classes. No entity may participate in more than one member class, and each class would elect three representatives to represent that member class. The size of the Committee should therefore be 18 members. Over time, the classes may need to change in order to ensure adequate representation of all stakeholder interests. Any such change would be subject to Board approval. Committee members would receive a per diem for each RTO meeting attended by them, along with reimbursement of reasonable and necessary expenses incurred in connection with Committee business.

4. Committee Consideration Process

The Committee would maintain Sub-committees that would be responsible for specific topic areas. At a minimum, it is suggested that the Committee establish Sub-committees for Planning Coordination, Operations and Market Interface. Additional Sub-committees may be established as determined by the Committee. Upon the receipt of a matter for its consideration whatever the source of the matter, the Committee would either refer the matter to the appropriate Sub-committee, with directions on what work product it needs from the Sub-committee and a deadline for the Sub-committee to complete its work, or act on the matter if the Committee determines that no additional work product is needed. Such work product can include recommendations from the Sub-committee. (The composition and manner in which the Sub-committees would operate is described in paragraph 5 below).

Either upon receipt of the work product from the Sub-committee, or upon receipt of the matter if no additional work product is needed, the Committee would deliberate on the matter and attempt to reach consensus. In any event, after a reasonable period of time for deliberation, the Committee would vote to determine what recommendation will be made to the Board. Each committee member will be entitled to one vote, and a simple majority of the Committee members present and voting will be sufficient to approve a recommendation unless the Board has imposed a higher threshold of approval for a particular topic area. All votes will be recorded and reported to the Board. Members voting against a recommendation that is approved may submit to the Board a minority recommendation. In no event would the Committee be permitted to block consideration of a matter brought to it, and all matters brought to the Committee, and the actions by the Committee thereon, shall be reported to the Board.

5. Sub-committee Consideration Process

As outlined above, the Committee would establish Sub-committees by topic area. Sub-committees would not have standing members nor class representation. Rather, Sub-committees would be open to all, and would be composed of anyone who cares to attend. It is expected that those who are interested in the topic of the Sub-committee would attend. Sub-committees would strive to operate by consensus, but all decisions of the Sub-committees will be made by vote of all those attending, and a simple majority of those present and voting will be sufficient for approval of any matter. Each attendee will be entitled to one vote. All votes of the Sub-

committees will be recorded and reported to the Committee. Any party voting against a matter that is approved may submit to the Committee a minority report of such matter.

6. RTO Staff Support

Either the Committee or any Sub-committee may request assistance from the RTO staff with regard to a matter that is either under consideration by the Committee or which has been assigned to a Sub-committee. In requesting such assistance from the RTO staff, members of the Committee and any Sub-committee shall designate an individual to act as liaison with the RTO staff for purposes of coordinating requests for such assistance, in order to minimize duplicative requests. Members of the Committee and any Sub-committee shall exercise restraint on the volume of such requests, in order to avoid unnecessarily burdening the RTO staff.

7. Availability of Information

The key to the successful operation of this approach is participation by interested individuals and parties, and this depends on the free and timely flow of information. The posting of information on the RTO website will be the primary method of disseminating such information. Before any matter can be acted upon by the Committee, the matter in question, the time, location and date of the meeting at which it will be considered, and any pertinent material then available will be posted on the website for at least five calendar days before such meeting. Further, a summary of any action taken by the Committee on a matter presented to it, such as assignment to a Sub-committee, will be posted promptly after each Committee meeting. Any materials submitted to the Committee on any such matter shall be attached to such summaries.

The time, date and location of all meetings of all Sub-committees, and the agenda for all such meetings, shall be posted at least five days prior to any such meeting. A summary of all actions taken at any Sub-committee meeting will be posted promptly after each Sub-committee meeting. Any materials submitted to the Sub-committee on any action taken shall be attached to such summaries.

Generally, any materials produced by or available to the RTO staff and relating to any matter under consideration by the Committee or any Sub-committee should (with limited exceptions for material that is entitled to confidential treatment because, for example, it contains proprietary information or relates to litigation or individual personnel matters) be available to the Committee or such Sub-committee on the same basis as to the RTO staff.