

RTO WEST GOVERNANCE CONSENSUS PROPOSAL

RTO Member Classes

- Member Classes
 - The five RTO member classes would be as shown in Attachment A.
 - In order to be accepted as a member of the RTO, a person or entity would be required to submit an application demonstrating that such person or entity satisfied the membership criteria for a membership class, and would be required to pay a reasonable membership fee.
 - Any single legal entity, and affiliated entities under common control, would be entitled to be a member of the RTO in only one class. However, “affiliate” would be defined in such a way as not to (i) preclude BPA and WAPA from each having one membership in the RTO, (ii) prevent tribal utilities or tribal commercial entities from becoming members of the RTO simply because the tribe owning the applicable utility or commercial entity also has a utilities regulatory body which is a member of the RTO in the State and Provincial Energy Authorities and Utilities Commissions/Tribal Utility Regulatory Authorities/Unaligned Entities Class or (iii) prevent provincial crown-owned utilities from becoming members of the RTO simply because the crown owning the applicable utility also has a utilities regulatory body which is a member of the RTO in the State and Provincial Energy Authorities and Utilities Commissions/Tribal Utility Regulatory Authorities/Unaligned Entities Class.
 - The RTO Bylaws would contain a requirement that the Board revisit the appropriateness of the structure and composition of the RTO member classes not less than once every five years, and propose to the RTO members for approval any changes which the Board deems to be appropriate.
- 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.
 - Members would have the exclusive right and power to (i) elect the members of the Trustees Selection Committee, (ii) be members of the Board Advisory Committee, (iii) amend specified 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 (or, where applicable, by sub-class, as described below), would be entitled to elect six principal and six alternate representatives to the Trustees Selection Committee. Thus the Trustees Selection Committee would consist of 30 members.
 - The voting rights with respect to the election of members of the Trustees Selection Committee would be allocated among the members of each RTO member class as follows:
 - Major Transmitting Utilities Class: Each member of this class would be entitled to vote for each of the six members of the Trustees Selection Committee which this class was entitled to elect.
 - Transmission-Dependent Utilities Class: Each member of this class would be entitled to vote for each of the six members of the Trustees Selection Committee which this class was entitled to elect.
 - Nonutility Entities Class: In the event there were any members in this class aside from IPPs, QFs and FERC-jurisdictional power marketers, such members would elect one member of the Trustees Selection Committee; the IPP, QF and FERC-jurisdictional power marketer members of the class would elect all other Trustees Selection Committee members which this class was entitled to elect (although such IPP, QF and power marketer members could determine to create their own separate sub-classes among which to apportion the member votes).
 - Retail Customers Class: Retail Customers having an aggregate load within the RTO Geographic Area less than five MW would be entitled to elect two members of the Trustees Selection Committee (with residential customers alone entitled to elect one such member), and Retail Customers having an aggregate load within the RTO Geographic Area greater than or equal to five MW would be entitled to elect the remaining four members of the Trustees Selection Committee which this class was entitled to elect (with Retail

Customers that are RTO-qualified scheduling coordinators entitled to elect one of such four members).

- State and Provincial Energy Authorities and Utilities Commissions/Tribal Utility Regulatory Authorities/Unaligned Entities Class: State and Provincial Energy Authorities and Utilities Commissions members would be entitled to elect four out of the six Trustees Selection Committee members which this class was entitled to elect. Tribal Utility Regulatory Authorities and Unaligned Entities would each be entitled to elect one of the remaining two such Committee members.
- The Trustees Selection Committee members elected by each RTO member class (or, as applicable, by each sub-class within a member class) would consist of those nominees receiving the highest majority vote in such member class (or sub-class, as the case may be), up to the number of vacancies to be filled in the applicable election. Each member in each member class (or sub-class, as the case may be) would have one vote for each vacancy on the Trustees Selection Committee with respect to which such member was entitled to vote, 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 (except in the case of the initial Committee members, who by drawing straws would divide into three initial classes, with one class serving a one-year term, one class serving a two-year term and one class serving a three-year term). Thus one third of the members 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 Responsibilities, Composition and Size
 - The RTO Board of Trustees would be responsible for the management of the RTO. The Board would delegate specific management authority to the officers of the RTO, and in so doing would establish appropriate limits on such authority. The Board would be entitled to appoint standing or ad hoc committees to assist it in performing its functions. The Board would be required to meet not less than four-to-six times a year.
 - 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. There is not yet any consensus whether Trustees should be prohibited from having a financial

- interest in or other form of relationship with any persons or entities other than market participants (such as RTO members, users of the RTO-controlled transmission system or RTO-qualified scheduling coordinators).
- The Board would consist of 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, utilities management, 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 RTO Geographic Area (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. For the first election of Trustees, the search firm would be required to assemble a slate of 12-15 candidates. For any future elections of Trustees, the search firm would be required to assemble a slate numbering 200 percent of the number of Board vacancies to be filled in the applicable election (less any vacancies for which the incumbent Trustees were running for re-election).

- In any election of Trustees, each member of the Trustees Selection Committee would be required to cast 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). Members of the Trustees Selection Committee would not vote by class.
- In order to be elected as a Trustee, a candidate would be required to receive not less than 24 out of the 30 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 (the Board would be entitled to require that the search firm locate new candidates as part of such runoff election process).
- 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 24 out of the 30 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), 20 of the 30 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:

- Committee Membership

- Membership on the Board Advisory Committee would be open to any member of the RTO. Thus the Board Advisory Committee would have no fixed size, and could at any time include all or any portion of the full membership of the RTO. There would be no fixed terms of membership on the Board Advisory Committee, and a person would be entitled to be a member of the Board Advisory Committee for as long as such person (or the entity represented by such person) was a member of the RTO.
- The Board Advisory Committee would perform a purely advisory function. The members of the committee would not vote on any issue. Committee members would provide advice to the Board in the form of one or more position papers reflecting the consensus view of committee members where consensus had been reached on issue, or reflecting any and all divergent views of committee members where such consensus had not been achieved (in each case each such position paper would be signed by each and every committee member who supported the positions advocated in such paper).

- Authority and Procedures

- The purpose of the Board Advisory Committee would be to provide advice to the Board, promote input on Board decisions and provide a focal point for dissemination of information relevant to the RTO.
- Committee procedures would ensure adequate opportunity for all RTO members to propose any issue to the committee for consideration and adequate notice of and opportunity to comment on any issue under consideration by the committee (without regard to whether the issue had been referred to the committee by an RTO member, the Board of Trustees or any other source).
- The Board Advisory Committee would have very broad authority to consider issues raised from effectively any source. Except in the case of emergencies, certain specified matters (such as changes in the RTO tariff) would be required to be considered by the Board Advisory Committee before final action on such matters could be taken by the Board of Trustees.
- The Board Advisory Committee would not, however, perform a gatekeeper function, and the committee would in no way limit the authority of the Board to consider any matter which it deemed appropriate.
- In the event that the Board wished to encourage further consideration of, or further efforts to develop a consensus on, any issue referred from the Board Advisory Committee, the Board would be entitled to appoint an ad hoc committee or take any other action which it deemed appropriate.
- Committee procedures would ensure an adequate and appropriate structure for conduct of committee business in an effective and timely manner.
- The Board Advisory Committee would be entitled to establish standing and ad hoc subcommittees to assist it in carrying out its responsibilities. Such subcommittees 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 such matter.
- Members of the Board Advisory Committee would have authority to refer matters to the RTO staff for study and investigation (subject to the imposition by the RTO Chief Executive Officer and Board of Trustees of reasonable controls on the use of staff time and resources).

RTO Code of Conduct

- RTO prohibitions against Trustee conflicts of interest would continue to apply to former Trustees of the RTO for a period of one year after they left office. However, former employees of the RTO would not continue to be bound by the RTO's Employees Code of Conduct after they left 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, 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 an electric transmission or distribution system (whether its own or its members’) located within the RTO Geographic Area³ and (ii) is not a Major Transmitting Utility.

Nonutility Entities Class. “Nonutility Entity” means any entity, other than a Major Transmitting Utility, Transmission-Dependent Utility, [Retail Customer, State and Provincial Energy Authority or Utilities Commission, Tribal Utility Regulatory Authority or Unaligned Entity], that is located, conducting business or operating within the RTO Geographic Area 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 seeking transmission services, or that receives interconnection or transmission services from a Canadian Transmission Provider.

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 an electric transmission or distribution system (whether its own or its members’) located within the “RTO Geographic Area” (as defined in footnote 3 below), 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.

³ “RTO Geographic Area” would be defined as the geographic area defined by the outer boundaries of the control area operated by the RTO (including any islanded areas within such region that are not within the control area operated by the RTO), together with any areas within Canada that are within the general scope of the RTO although they may be in separate control areas.

Retail Customers Class. A “Retail Customer” is any residential, commercial, agricultural or industrial end-user consumer of electric power (or any organization representing one or more of such consumers) that (i) is not a Major Transmitting Utility, Transmission-Dependent Utility, Nonutility Entity, State and Provincial Energy Authority or Utilities Commission, Tribal Utility Regulatory Authority or Unaligned Entity, (ii) is located in the RTO Geographic Area and (iii) is not a “market participant” within the meaning of such term as defined in 18 CFR Part 35.34(b)(2).

State and Provincial Energy Authorities and Utilities Commissions/Tribal Utility Regulatory Authorities/Unaligned Entities Class. “State and Provincial Energy Authority and Utilities Commission” means (i) the utilities regulatory commission of each Participating Jurisdiction⁴, (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 State and Provincial Energy Authorities and Utilities Commissions Class, and (iii) the Northwest Power Planning Council. “Tribal Utility Regulatory Authority” means any tribal governmental entity that is located in the RTO Geographic Area, 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. An “Unaligned Entity” is any entity that (i) is a bona fide public interest organization, such as an environmental organization, demand-side management advocacy organization, energy efficiency advocacy organization or renewable energy advocacy organization, (ii) is located or doing business within the RTO Geographic Area, (iii) is not a Major Transmitting Utility, Transmission-Dependent Utility, Nonutility Entity, Retail Customer, State and Provincial Energy Authority or Utilities Commission or Tribal Utility Regulatory Authority and (iv) is not a “market participant” within the meaning of such term as defined in 18 CFR Part 35.34(b)(2) or a contractor or consultant to any Major Transmitting Utility, Transmission-Dependent Utility, Nonutility Entity, Retail Customer, State and Provincial Energy Authority or Utilities Commission or Tribal Utility Regulatory Authority.

⁴ “Participating Jurisdiction” would be defined generally as any state (other than California) or province in which there are located any transmission facilities which are controlled by the RTO or within the general scope of the RTO.

ATTACHMENT B

PROPOSED RTO 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 (the “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 stakeholder 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 (the “Committee”), composed of RTO members, which will provide the Board with timely recommendations and information on matters upon which the Board may act.

Board Advisory Committee

1. Purpose

The purpose of the Committee would be 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 and information on what action the Board should take on such matters. The Committee would perform a purely advisory function, and would not in any way limit or constrain the authority of the Board. The members of the Committee would therefore not vote on any issue. Committee members would provide advice to the Board in the form of one or more position papers reflecting the consensus view of Committee members where consensus had been reached on issue, or reflecting any and all divergent views of Committee members where such consensus had not been achieved (in each case each such position paper would be signed by each and every Committee member who supported the positions advocated in such paper).

2. Areas of Responsibility

The Committee would be entitled to take up any matter raised by any member of the Committee, any matter raised by any other RTO member or any transmission user, and any matter raised or referred to the Committee by the RTO Board or the RTO staff. In addition, except in cases of emergency, certain specified matters, including changes to any RTO tariff, revisions or amendments of general application to any RTO contracts (such as Transmission

Control Agreements, Generation and Load Integration Agreements and Paying Agent Agreements), and any revision to operating practices of general application (such as scheduling and transmission planning operating practices), would be required to be submitted to the Committee for review before the Board could take final action thereon. 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

Membership on the Committee would be open to any member of the RTO. Thus the Committee would have no fixed size, and its membership could at any time include all or any portion of the membership of the RTO. There would be no fixed terms of membership on the Committee, and a person would be entitled to be a member of the Board Advisory Committee for as long as such person (or the entity represented by such person) was a member of the RTO. Committee members would receive no compensation or reimbursement of expenses for or in connection with their service on the Committee or conducting any business of the Committee.

4. Committee Consideration Process

In order to assist it in carrying out its responsibilities, the Committee could establish standing and ad hoc subcommittees that would be responsible for specific topic areas. At a minimum, it is suggested that the Committee establish subcommittees for Planning Coordination, Operations and Market Interface. Upon receipt of a matter for its consideration from any source, the Committee would either refer the matter to the appropriate subcommittee, with directions on what work product it needs from the subcommittee and a deadline for the subcommittee to complete its work, or act on the matter directly if the Committee determines that no additional work product is needed. Such work product could include any and all recommendations from the subcommittee. (The composition and manner in which the subcommittees would operate is described in paragraph 5 below).

Either upon receipt of the work product from the subcommittee, 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. The members of the Committee would not vote on an issue. In the event that Committee members were able to reach consensus on an issue, the Committee would provide advice to Board in form of a position paper reflecting the consensus view of Committee members. In the event that the members of the Committee were not able to reach consensus on an issue, the members of the Committee would present to the Board separate position papers reflecting any and all divergent views of Committee members. In each case each such position paper would be signed by each and every Committee member who supported the positions advocated in such paper. 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. Subcommittee Consideration Process

As outlined above, the Committee would establish subcommittees by topic area. Participation in subcommittees would be open to all interested Committee members, and all those who were interested in the work of any subcommittee would be entitled to attend all meetings of the subcommittee. As in the case of the Committee itself, subcommittees would

strive to reach consensus recommendations, but subcommittee members would not vote on any issue. In the event that subcommittee members were able to reach consensus on an issue, the subcommittee would provide advice to the Committee in form of a position papers reflecting the consensus view of the subcommittee members. In the event that the members of the subcommittee were not able to reach consensus on an issue, the members of the subcommittee would present to the Committee position papers reflecting the divergent views of subcommittee members, with each member of the subcommittee signing on to the paper which reflected his or her position. In no event would the subcommittee be permitted to block consideration of a matter brought to it, and all matters brought to the subcommittee, and the actions by the subcommittee thereon, would be required to be reported to the Committee.

6. RTO Staff Support

Either the Committee or any subcommittee would be entitled to request assistance from the RTO staff with regard to any matter under consideration by the Committee or assigned to a subcommittee. In requesting such assistance from the RTO staff, members of the Committee and any subcommittee would 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 subcommittee would be required to exercise restraint on the volume of such requests, in order to avoid unnecessarily burdening the RTO staff. In addition, the RTO Chief Executive Officer and Board of Trustees would be entitled to impose reasonable controls on the use of staff time and resources.

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 would be the primary method of disseminating such information. Before any matter could be acted upon by the Committee, the matter in question, the time, location and date of the meeting at which it would be considered, and any other pertinent material then available would be required to be posted on the RTO 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 subcommittee, would be posted on the website promptly after each Committee meeting. Any materials submitted to the Committee on any such matter would be attached to such summaries.

The time, date and location of all meetings of all subcommittees, and the agenda for all such meetings, would be required to be posted at least five days prior to any such meeting. A summary of all actions taken at any subcommittee meeting would be posted promptly after each subcommittee meeting. Any materials submitted to the subcommittee on any action taken would be required to 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 subcommittee would (with limited exceptions for material entitled to confidential treatment because, for example, it contained proprietary information or related to litigation or individual personnel matters) be required to be made available to the Committee or such subcommittee on the same basis as to the RTO staff.