

Governance Proposals for RRG Platform Drafting Group Submitted by PacifiCorp

Issue 1: There is a lack of alignment between the number of votes needed to make key decisions (list of five key issues) by the Trustee Selection Committee (“TSC”) and Board, as well as a lack of alignment between the votes needed to make key decisions and disband the corporation. It should not take more votes for the Board to reconsider moving ahead on an issue than it took for the TSC to require a supermajority vote by the Board. Also it should not take more votes to move, for example, toward a targeted end goal of creating financial rights to support market transactions than it takes to disband the Independent Entity (“IE”). Lastly, a simple majority—even with one member class voting unanimously—should not be able to require supermajority Board approval on the five key decisions.

Solution: Change the supermajority needed to implement Board decisions on key issues from 7 votes out of 9 to two-thirds of the Board, or 6 votes out of 9. Eliminate the ability of the TSC to require supermajority Board approval on the unanimous vote of the representatives of one member class and 16 votes overall by TSC members.

Issue 2: The voting structure of the Major Transmission Owners’ class does not reflect the relative size and facilities’ contribution of potential members. Under the current structure, owners of the vast majority of the grid could have no representation on the TSC.

Solution: Provide that two of the representatives of the Major Transmission Owners’ class shall be representatives of and shall be elected by the class members located in the U.S. portion of the RTO West geographic footprint contributing the facilities having the highest and second highest net book value to the IE.

Issue 3: The RRG discussed clarifying the scope of special issue 3 (conversion to financial rights) for which supermajority approval may be needed.

Solution: Clarify that the IE is authorized to develop markets necessary to implement the targeted advanced state using business judgment, but it may not implement financial rights, such as proposed in the Stage 2 RTO West proposal or a revised proposal based thereon, without submitting the financial rights proposal adopted by the Board to the TSC for review (and subject to the supermajority rule if the TSC does not support the proposed implementation).

Issue 4: At the RRG there was discussion of using the Stage 2 RTO West Bylaws as the foundation for IE governance, amending those bylaws as necessary to incorporate the platform. Given that the checks and balances in the governance proposal are important to the transmission owners considering participating in the IE, as well as to all other regional stakeholders, the region needs to be able to rely on the stability of the bylaws once adopted. For that reason,

consideration should be given to limiting the ability of the Board or members to alter the key compromise on governance.

Solution: Add a bylaws provision that absent a vote of 6 out of 9 Board members and 75% of the members, the list of key issues subject to TSC review and potentially a supermajority vote of the Board before implementation of a proposal may not be amended. This places a high hurdle in the face of any effort to expand or retract the list.