PATHWAYS LAUNCH COMMITTEE

ROWE BOARD BRIEFING BOOK

September 30, 2026

CONTENTS

CHAPTER 1: BACKGROUND 1
A. Introduction 1
B. West-Wide Governance Pathways Initiative 2
1. The Case for a New Regional Organization 2
2. Phase 1: Elevating WEM Governing Body Authority and Step 2 Framing 3
3. Phase 2: Further Development and Adoption of the Step 2 Framework 6
4. Implementation of the Step 2 Proposal 7
C. AB 825 Requirements for California Investor-Owned Utility Participation 7
CHAPTER 2: CORPORATE ORGANIZATION AND GOVERNANCE 10
A. Proposed Action Plan 10
B. Corporate Formation 10
1. Incorporation (January 20, 2026) 11
2. Adoption of the Foundational Governance Framework (February 12, 2026) 11
3. IRS Tax-Exempt Status Determination (Effective January 20, 2026) 11
4. Future Governance Development 12
C. ROWE Bylaws 12
1. Key Provisions of the Bylaws 12
2. Committees 12
3. Other Advisory Bodies Established by the Bylaws 14
D. ROWE Policies 14
1. Policies Required by Bylaws and Statute 14
2. Policies Adopted by the Formation Board 15
3. Corporate Governance Principles 15
4. Other Pre-Launch Policies 15
E. Summary of Resolutions 16
F. ROWE Board Review 16
G. Principal Place of Business 16
1. Lessons from Existing RTOs 17
2. Potential Decision Criteria 17
3. Potential locations 19
4. Additional Legal Review 19
CHAPTER 3: Regulatory Structure and Oversight 21

A. Proposed Action Plan 21
B. Overview 21
C. ROWE Governance Tariff 23
D. CAISO Integrated Tariff 23
1. Foundational Definitions and Coordination Process 24
2. Examples of CAISO BA/TOP/TSP Market Operation Rules 25
3. Business Practice Manual Oversight 27
E. ROWE-CAISO Coordination Agreement 28
CHAPTER 4: MARKET OVERSIGHT AND DATA ACCESS 29
A. Proposed Action Plan 29
B. Introduction and Background 29
C. Market Oversight 29
1. Department of Market Monitoring (DMM) 30
2. DMM Oversight Committee 31
3. Market Surveillance Committee (MSC) 31
4. Market Expert 32
5. AB 825 Requirements 32
D. Data Access 33
1. Data Sharing From CAISO Today 33
2. Data access for CA entities today 34
3. Data Access for Other Western States Today 35
4. AB 825 Compliance and Recommendation 36
CHAPTER 5: Budget & Finance 38
A. Proposed Action Plan 38
B. Global Impact Contract Status 38
C. Financial Reports 39
D. Debt Financing 39
E. Grant Agreements 39
F. Budgets (2027-2028) 39
G. ROWE Budget Process 40
H. Cost Recovery Mechanism 41
CHAPTER 6: Staffing & External Resources 42
A. Proposed Action Plan 42
B. Background/Introduction 42

C. Prior to Hiring Staff 42
1. Project Management 43
2. Facilitation, Legal, Communications, and Accounting Support 43
3. Stakeholder Task Forces 48
4. Transition Team 48
5. CAISO Staff 49
6. Interim Executive Director or Staff Support 49
D. ROWE Staff 49
1. Overview 49
2. Initial Hiring 50
E. CAISO Support at Governance transition 51
F. Office of Public Participation (OPP) 51
1. Purpose 51
2. Mission 52
3. Scope 52
4. Staffing 52
CHAPTER 7: External Engagement 54
A. Proposed Action Plan 54
B. Background 54
C. Body of State Regulators 54
1. Introduction 54
2. The WEM BOSR 56
3. The ROWE BOSR 61
D. Consumer Advocate Organization 66
E. Tribal Engagement 67
1. Introduction 67
2. Background 67
3. Future Revisions of ROWE Governance Should Include Tribal Parity and Inclusion 70
4. History of the ROWE Tribal Engagement Work Group 71
5. Work Plan: Tribal Engagement Support for the Regional Organization on Western Transmission 72
CHAPTER 8: Communications 76
A. Proposed Action Plan 76
B. Branding and Public Relations 76

1. Branding + Message Development 76
2. ROWE Website 77
3. Key Communications Opportunities 78
CHAPTER 9: Stakeholder Process 80
A. Proposed Action Plan 80
B. Background 81
C. The Stakeholder Representative Committee 81
1. Overview 81
2. Structure 83
3. Sectors 84
4. SRC Representative Roles, Responsibilities, and Expectations 87
5. Stakeholder Registration 88
D. Stakeholder Process 88
1. Introduction 88
2. Issue Identification and Prioritization: Catalog & Roadmap Development 89
E. ROWE Board Consideration of Catalog and Roadmap 99
F. Stakeholder Initiative Phase 101
1. Issue Evaluation: Problem Statement Development 102
G. Policy Development: Identification of Solutions 104
1. Straw Proposal Development 104
2. Draft Final Proposal Development 106
3. Final Proposal Development 107
H. Board Consideration 107
I. Exigent circumstances 108
J. Voting Processes 108
1. Purpose 108
2. Structure 109
3. Voting Prior to a Final Proposal 110
4. Voting on a Final Proposal 111
K. Interim Stakeholder Process 117
L. Looking Forward: Future Independent Stakeholder Process Considerations 119
M. Regional Issues Forum 120
1. Introduction & Background 120
2. Enhancements Project 120

CHAPTER 10: ROWE Evolution 123
A. Proposed Action Plan 123
B. Background 123
C. Evolution Analysis 124
1. Expansion of the ROWE's Corporate Responsibilities 124
2. Addition of Voluntary Services 125
3. Staffing the Evolution Analysis 126
APPENDIX A: 2026 Work Plan 0
APPENDIX B: Summary of Stakeholder Comments 0
APPENDIX C: Certificate of Incorporation 0
APPENDIX D: Formation Board Resolutions 0
APPENDIX E Internal Revenue Service Form 1023 0
APPENDIX F: Conflict of Interest Policy 0
APPENDIX G: Draft Governance Tariff 0
APPENDIX H: 2026-2028 Budget Estimates 0
APPENDIX I: Fiscal Agent Services 0
APPENDIX J: Non-Profit Set-Up Recommdnations 0
APPENDIX K: Stakeholder Registration and Code of Conduct 0

CHAPTER 1: BACKGROUND

A. INTRODUCTION

For the last three years, stakeholders in the West have been working to fulfill the goals of the West-Wide Governance Pathways Initiative (WWGPI or Pathways Initiative). That work has happened in three phases so far: Step 2 Proposal Development, California legislation, and Preliminary Implementation through the Regional Organization for Western Energy (ROWE). This Briefing Book is the result of the third phase.

Since legislation passed in California enabling full implementation of the Step 2 Proposal, the Formation Committee has been working to develop and vet proposals and ideas about how to implement the recommendations in the Step 2 Proposal. Working through several Work Groups consisting of Launch Committee members and other stakeholders, the Formation Committee has worked through the details of the Step 2 Proposal, developing proposals for the ROWE Board to consider as it steps in to put the people, policies, and processes in place. The Briefing Book is a compilation of those proposals and a status update on the conversations that have happened to date regarding the regulatory structure of the ROWE and its relationship with the California Independent System Operation (CAISO or ISO) and the Federal Energy Regulatory Commission (FERC).

While many of the ideas in this document have broad support from stakeholders, some are less complete and do not have the same level of consensus. There are tradeoffs for the ROWE Board to consider and the content in these chapters, as well as the stakeholder comments submitted along the way, present ideas and considerations for the ROWE Board to balance. There are also several components that are still in their early stages, with more discussion, negotiation, and stakeholder process ahead.

The ROWE Board will have full authority to review and change any of the policies and documents already adopted by the Formation Board, as well as the ideas and proposals contained in this Briefing Book. However, it is the intent and desire of the Formation Committee and the stakeholders that have worked on the Pathways Initiative from the outset that the ROWE Board will adhere to the foundational principles and goals of the Step 2 Proposal, creating a durable, transparent, and independent governance structure that prioritizes the public interest. The Step 2 Proposal described these goals:

> The Launch Committee believes that if implemented, the Proposal presented here will create the foundation to achieve the regulators' vision and enable the West to create a suite of voluntary wholesale electricity market services as stakeholders and participants desire and require, with each state retaining its unique decision-making autonomies and participating on a level playing field. Using an incremental approach and enabling the new Regional Organization (RO) to work with stakeholders to determine the scale and speed of future steps, the Proposal keeps costs down and ensures that the market benefits remain intact and grow. The Proposal also enables Western stakeholders to pursue

options that work best for the ratepayers in their region, including how market and other electricity services evolve.

The Briefing Book reviews the background of the Pathways Initiative, chronicles the actions taken to form the ROWE, and presents a status update and proposals on a wide range of issues for Board consideration in implementing the Step 2 Proposal. Importantly, **Appendix A** presents a 2026 Work Plan, which summarizes the specific action items from each chapter.

In reviewing the Briefing Book, it is important to keep two caveats in mind. First while the CAISO has participated in many of the Work Groups and discussions that resulted in this content, it has been in a technical advisor role as outlined in a Letter of Agreement with the Pathways Initiative Launch Committee. This input has been critical for the Formation Committee to understand how different structures and processes operate today and what must change for the ROWE to achieve its goals. This Briefing Book does not, however, represent the CAISO's views on the subject matter. Second, while comments on the initial draft were received from the Launch Committee, time prevented their incorporation. **Appendix B** presents a summary for the Board's consideration as it moves forward.

B. WEST-WIDE GOVERNANCE PATHWAYS INITIATIVE

1. The Case for a New Regional Organization

The electricity sector is changing at an unprecedented pace to deal with factors including enormous demand growth, aging infrastructure, evolving generation, new technology, wildfire, and extreme weather and climate events. These changes create additional pressure on consumers who are having to pay for new infrastructure and systems. Identifying steps that can build on current investments, break down barriers, and create efficiencies is critical to enabling reliability and minimizing costs to consumers. Creating as much flexibility as possible to identify and pursue those steps is also critical, knowing that change is happening and more is coming.

Western interests have long recognized the importance of this step but have struggled to come to consensus on a broadly acceptable governance structure. Past efforts sought to make the CAISO a fully independent RTO on day one by removing California's role in appointing the CAISO Board and transitioning governance of the CAISO's transmission system and balancing area services to an undefined independent structure. This would have forced California to give up a level of self-determination that other entities would have retained. California customers would continue to rely on the services without the assurance that their investments, reliability, and affordability would be protected.

In July 2023, a group of state regulators from Arizona, California, New Mexico, Oregon, and Washington sent a letter to the Western Interstate Energy Board (WIEB) and the Committee on Regional Electric Power Cooperation (CREPC) proposed a different approach. Regulators advanced a proposal "for ensuring that the benefits of wholesale electricity markets are

maximized for customers across the entire Western U.S."[1] The regulators contemplated creation of a new nonprofit regional entity to "serve as a means of delivering a market that includes all states in the Western Interconnection, including California, with independent governance." Their vision included the eventual assumption by the new entity of the Western Energy Imbalance Market (WEIM) and Extended Day Ahead Market (EDAM), "avoiding a duplication of the investments and expenses of the market infrastructure that has already been created, and avoiding a deterioration of the benefits of those programs […]."

In the fall of 2023, a newly formed Pathways Initiative Launch Committee cultivated this seed using recommendations from western stakeholders that build on current successes and focus on parity - giving each balancing authority the ability to evaluate what they need and when they need it. The Launch Committee aimed to develop consensus around a new, fully independent regional organization that could overcome this decades-long challenge and create the foundation for optionality and further evolution for the West. Responding to regulators, they charted an incremental path for the West, building on the WEIM market structure that, at the time, included 80% of the load in the West and delivered over $6.25B in benefits. Combining a new regional organization with existing market infrastructure preserved the benefits of early investment while enabling additional customer benefits through the efficient, seamless operation of market services across a broader and more diverse resource footprint.

2. Phase 1: Elevating WEM Governing Body Authority and Step 2 Framing

With guidance from Western regulators, volunteers from across the West with vastly different experience and technical expertise came together to form the Pathways Initiative. This group formed a 26-member Launch Committee comprising a diverse set of utilities, consumer advocates, public power, generators and power marketers, public interest organizations, labor, and others. Early on, the Launch Committee adopted its mission: to develop and form a new and independent entity with an independent governance structure that is capable of overseeing an expansive suite of West-wide wholesale electricity markets and related functions based on the following core principles:

- The entity should enable the **largest footprint possible that includes California**, and maximize overall consumer benefits;
- The entity will include **independent governance** for all market operations;
- The new entity will **preserve and build upon existing CAISO market structures** that serve over 80% of the Western Interconnection, including WEIM and EDAM;
- A primary goal will be to **minimize duplication and incurrence of costs** for both the market operator and market participants; and
- The structure should be flexible to accommodate the future voluntary provisions of **full RTO services** for those entities that desire to do so but not mandate that any entity must join such a future potential RTO.[2]

[1] Letter available at: https://www.westernenergyboard.org/wp-content/uploads/Letter-to-CREPC-WIEBRegulators-Call-for-West-Wide-Market-Solution-7-14-23-1.pdf
[2] https://www.westernenergyboard.org/wp-content/uploads/Mission-and-Charter_Dec-21-Ex-B

The Launch Committee developed a range of potential market design options along with evaluation criteria, obtained legal expertise to help identify legal challenges, and began to pose potential solutions to the associated legal and technical questions related to independent governance for the existing and developing markets. After several months of discussion and stakeholder input, the Launch Committee coalesced around a 3-step process.

- **Step 1: Early success.** This step demonstrates early commitment to the regulators' vision of independent governance by elevating the authority of the Western Energy Markets (WEM)[3] Governing Body from joint authority with the CAISO Board of Governors (BoG) to primary authority. These substantive changes in decision-making authority can occur within the current regulatory regime and the scope of existing law, while continuing to develop more ambitious pathways towards greater independence.

- **Step 2: Durable, independent governance of markets and other potential services.** This step includes forming a new, fully independent regional organization that would have sole authority over the WEIM and EDAM. If implemented, the Step 2 proposal would create the foundation to achieve the regulators' vision and enable the West to create a suite of voluntary wholesale electricity market services as stakeholders and participants desire and require, without relying on the actions of any one state or balancing authority. Step 2 required a California legislative change to fulfill this vision.

- **Step 3: Beyond the Pathways Initiative.** As Step 2 matures, the regional organization may evaluate expanding the scope of regionalized functions and services offered by the regional organization. Proposing a particular design for these subsequent incremental stages goes beyond the scope of the Launch Committee's work, but Steps 1 and 2 have been developed with a clear line of sight to enable those potential voluntary future services to be extended beyond the scope of existing energy markets.

In April 2024, the Launch Committee released a Phase 1 Straw Proposal[4] that included a detailed proposal for Step 1. The proposal made three key changes to the governance of the WEM markets.

- Gave the WEM GB "Primary Authority" over the market-related matters currently within the scope of its "Joint Authority" with the CAISO BoG, channeling any disagreement by the CAISO BoG into the existing dispute resolution process defined in Section 2.2.2 of the Charter for Energy Imbalance Market Governance (WEM Charter);
- Modified the process for resolving disputes between the WEM GB and the CAISO BoG to conclude, except in time-critical exigent circumstances, with the CAISO making a Section 205 "dual filing" of both bodies' proposals, with no stated preference, for FERC to render a decision; and

[3] The Briefing Book generally refers to both the WEIM Governing Body and WEM Governing Body as the "WEM Governing Body" for simplicity.
[4] https://www.westernenergyboard.org/wp-content/uploads/Phase-1-Straw-Proposal.pdf

- Incorporated changes to the WEM Charter responsibilities to account for consumer and state interests in its decision-making process. This step also contemplates a continued advisory role for a Body of State Regulators (BOSR) in WEM GB and CAISO BoG decision-making, and an active role in representing state interests, when necessary, in any "dual filing" before FERC.

The Launch Committee's goal for Step 1 was to create a governance framework that maximizes independence under existing law over governance of the markets and centered on the public interest while preserving the CAISO Board of Governors' oversight of the CAISO balancing authority. Step 1 was designed to facilitate the expansion of EDAM and the continued success of the WEIM, ensuring it remains a vital component of the Western electricity market.

Based on stakeholder feedback, the Launch Committee refined Step 1 and adopted a final recommendation at a public meeting on May 31, 2024. The Launch Committee presented the Step 1 proposal to the CAISO Board of Governors and WEM Governing Body in June 2024, who conducted a stakeholder process and unanimously adopted the final Step 1 recommendation on August 13, 2024. The joint bodies met again on November 7, 2024 and approved the next legal step for implementation once the trigger based on formal commitments to participation in EDAM is met. The trigger required a certain amount of geographically diverse load committed to joining the EDAM by signing an implementation agreement with the CAISO.

In addition to the Step 1 framework, the Phase 1 Straw Proposal also included several options for Step 2. The Launch Committee received initial stakeholder feedback on those options, but Step 2 required additional development and stakeholder input. In June 2024, the Launch Committee created six "Work Groups" to focus on the different aspects of the Step 2 proposal including: RO Formation, RO Governance, Stakeholder Process, Public Interest Issues, CAISO Issues, and Tariff. Over the course of the summer, the Work Groups drafted ideas, conducted seven public workshops, collected written comments, and developed the recommendations contained in the Draft Step 2 Proposal[5], released in September 2024.

There were some areas in the Draft Step 2 Proposal that lacked full consensus from the Launch Committee, requiring additional discussion and work. The Launch Committee held an additional workshop solely to discuss sectors for the Stakeholder Representative Committee (SRC) and had a four-week public comment period. Four parties provided comments, and the Launch Committee spent three weeks reviewing and incorporating suggestions into this Proposal. Overall, the recommendations in this proposal reflect the priorities, experiences, technical and political challenges, and above all, the spirit of collaboration and commitment to problem-solving of the diverse stakeholders in the West. Balancing the history of success and failure of Western market efforts with the increasingly urgent need for more affordable, reliable, and clean energy to meet the growing demand and challenges of extreme weather was an underlying challenge and opportunity for the Pathways Initiative. With its diverse resources, politics, and geography, the West has chosen to move incrementally, taking deliberate steps that build confidence through demonstrated success and benefits. This approach has resulted in significant

[5] https://www.westernenergyboard.org/wp-content/uploads/Pathways-Step-2-DRAFT-Proposal_-FINAL.pdf

progress, and crucial trust building, which will enable continued forward progress.

3. Phase 2: Further Development and Adoption of the Step 2 Framework

The Launch Committee moved on from adoption of the Step 1 Proposal to further develop the Step 2 Proposal to enable independent governance of the over the WEIM and EDAM (together, "WEM Markets") and the ability to add other voluntary regional services as the West desires. The work toward further development continued in the stakeholder process, led by the Launch Committee.

On November 15, 2024, the Launch Committee adopted a final Step 2 Proposal[6] as the result of a continuing stakeholder process. The proposal contemplated moving toward launch of a regional organization with the following features:

- The RO will have full independent governance authority over market rules, with sole Section 205 rights, and ultimate authority over the associated business practice manual provisions.

- Market operations will continue to be performed and overseen on a day-to-day basis by the CAISO within the scope of its existing corporate authority, with varying levels of input from the RO. While the RO would not have direct day-to-day supervision of market operations, the RO would have audit rights and responsibilities to ensure the CAISO as market operator is following the tariff and business practices.

- The RO and CAISO rules will remain in a single integrated tariff. The existing CAISO tariff is expected to need a stakeholder process to enable clarification and/or reorganization to ensure accountability and responsibility is clear for each organization, as well as understanding the classification of existing provisions as sole RO authority, sole CAISO authority, or shared authority.

- The CAISO's existing financial responsibility, liability, and compliance responsibilities related to the market will not migrate to the RO immediately, reducing the time and cost required for RO start up.

- The CAISO will remain the counterparty to existing market contracts, such as Participating Generator Agreements and Scheduling Coordinator Agreements.

- Market operator staff will retain emergency operational authority under FERC oversight, during actual emergency conditions in the market, as it does today.

- Based on a host of assumptions, the RO will have initial limited staffing with an estimated annual cost of $1.25 to $1.5 million.

[6] https://www.westernenergyboard.org/wp-content/uploads/Pathways-Initiative-Step-2-Final-Proposal.pdf.

An extensive list of Step 2 recommendations is provided in the Step 2 Final Proposal.[7]

4. Implementation of the Step 2 Proposal

Following adoption of the Step 2 Final Proposal, a Formation Committee was established to represent the Launch Committee in standing up the new regional organization: the Regional Organization for Western Energy. Over the course of the next two years, the Formation and Launch Committees stood up the ROWE as a 501(c)(3) corporation under Delaware law, seating a Formation Board for the organization with members of the Formation Committee. The Formation Committee, with guidance from the Launch Committee, regulators, stakeholders, and input from the CAISO, began to scope and inform the work that lay ahead for the ROWE Board once seated.

The Formation Board's work has spanned a wide range of issues the ROWE Board will face. The work has fallen roughly into the following categories:

- Corporate governance structure;
- Market oversight and data access;
- Regulatory structure;
- Finance and budget;
- Initial staffing;
- Communications;
- Stakeholder process; and
- Future evolution.

This Briefing Book presents the status of each of these issues at varying levels of depth, including process recommendations for the Board to consider once seated.

C. AB 825 Requirements for California Investor-Owned Utility Participation

In the midst of Step 2 implementation efforts, the California Legislature took up the task of amending California law so that consumers within the state could receive the affordability, climate, and reliability benefits of a broader regional market. The California Legislature enacted Assembly Bill 825 (2025)[8] to enable the state's investor-owned utilities ("IOUs") to participate in regional energy markets governed by an independent regional entity. While the statute does not control the actions of or direct the independent regional entity's governance decisions, the terms and conditions it delineates must be met if the region values California's participation. To meet these requirements, found primarily in Public Utilities Code §345.6, the ROWE must demonstrate, through its governance documents, tariffs, or agreements, that it:

[7] Step 2 Final Proposal at 4-9, https://www.westernenergyboard.org/wp-content/uploads/Pathways-Initiative-Step-2-Final-Proposal.pdf.
[8] https://leginfo.legislature.ca.gov/faces/billNavClient.xhtml?bill_id=202520260AB825

(1) Is a nonprofit corporation and is required to **respect the authority of each state** that has a load-serving entity or balancing authority participating in the market to set its own procurement, resource adequacy, environmental, reliability, and other public interest policies and exercise oversight over its regulated entities.

(2) Maintains a **public policy committee** consisting of Board members that engages with states, local power authorities, and federal power marketing administrations about potential impacts to state, local, or federal policies.

(3) Maintains a relationship with and seeks input from a **body of state regulators** or similar body to receive the views of state regulators.

(4) Funds a **consumer advocate organization** that represents the interests of one or more consumer advocate offices authorized in state law, including the Public Advocate's Office of the Public Utilities Commission, and facilitates engagement by those offices with the ROWE.

(5) Maintains an **office of public participation** to provide information and education to members of the public about ROWE issues and initiatives, including facilitating engagement in those processes.

(6) Maintains access to **independent market analysis** for the Board on the impacts of market dynamics or rule changes to minimize overall costs to end-use consumers.

(7) Makes **market data** available to certain regulatory bodies subject to confidentiality provisions similar to those administered by the CAISO.

(8) Facilitates a **stakeholder process** designed to provide nonbinding advice to Board.

(9) Is obligated to conduct meetings and make decisions in an **open process** with transparent, documented rationales, and all Board meetings are publicly noticed and, excluding executive sessions, are available to remote participants, recorded and posted on the ROWE's website, open to the public, and subject to open record requirements.

(10) The CAISO will continue to **operate the energy markets**, subject to the market rules determined by the independent ROWE as accepted by the Federal Energy Regulatory Commission.

(11) Its market rules provide **greenhouse gas emissions** information and protocols sufficient to enable compliance with the requirements of any state agency.

(12) It offers **voluntary services** with each participant retaining its decision-making autonomy regarding the extent of its participation.

(13) The tariff provides a procedure for **unilateral withdrawal** from the ROWE's energy markets by any participant on their own accord, or as required by an applicable regulatory

> authority or state statute, with reasonable prior notice and without any penalties, unreasonable costs, or further discretionary approvals.

Before California IOUs may participate, both the CAISO and the California Public Utilities Commission (CPUC) must find that the ROWE's governance and CAISO relationship meet these requirements. Each entity will initiate its own process or, in the case of the CPUC, a rulemaking, to implement this obligation under the statute. In assessing statutory compliance, they likely will look to (1) the ROWE's certificate of incorporation, bylaws, policies, and Internal Revenue Service tax-exempt status determination, (2) the ROWE Governance Tariff and the CAISO Integrated Market Tariff, and (3) the agreement between the CAISO and the ROWE delineating their rights and obligations.

The ROWE will need to play a strong role in promoting the organization's compliance with the AB 825 requirements.

CHAPTER 2: CORPORATE ORGANIZATION AND GOVERNANCE

A. PROPOSED ACTION PLAN

The ROWE Board should prioritize the following actions:

(1) Review of existing and adoption of additional policies and principles, including:
- Board Selection Policy;
- Open Meetings Policy;
- Open Records Policies;
- Directors' Code of Conduct and Ethical Principles;
- Employee Code of Conduct and Ethics Program;
- Records Retention;
- Updated Conflicts of Interest Policy; and
- Corporate Governance Principles.

(2) Creation of certain committees of the Board, including:
- Audit and Finance Committee;
- Public Policy Committee; and
- ROWE Market Monitoring Oversight Committee Membership.

(3) Outreach of the Public Policy Committee to:
- Body of State Regulators
- Tribes
- Federal Power Marketing Administrations (PMAs)
- Local and municipal utilities

(4) Establishment of clear protocols for Board communication with:
- Body of State Regulators;
- Tribes;
- Consumer Advocate Organization; and
- Stakeholder Review Committee.

(5) Establish a stakeholder committee to make recommendations to the ROWE Board regarding ROWE headquarters and principal place of business.

(6) Development of a roadmap for further action to enhance its governance framework.

B. CORPORATE FORMATION

The Formation Board's governance activities have focused on establishing the legal and organizational framework necessary for ROWE to begin operations and transition to a permanent governing board. The initial actions were designed to create the corporation, establish its governance structure, satisfy nonprofit governance requirements, and provide the organizational authority needed to begin hiring staff, entering contracts, and conducting business.

1. Incorporation (January 20, 2026)

ROWE was incorporated on January 20, 2026, as a Delaware nonstock nonprofit corporation through the filing of its Certificate of Incorporation. Incorporation established ROWE as a separate legal entity with the authority to own property, enter into contracts, employ personnel, and carry out its responsibilities as described therein. The Certificate of Incorporation also establishes ROWE's nonprofit purpose and provides the legal foundation upon which its governance framework is built.

A Formation Board was established through incorporation strictly for purposes of standing up the ROWE until an initial five-member board can be seated in late 2026. The Formation Board included members of the Formation Committee: Kathleen Staks, Evelyn Kahl, Jim Shetler, Michele Beck, Scott Ranzal, and Lisa Tormoen Hickey.

The Certificate of Incorporation is attached as **Appendix C**.

2. Adoption of the Foundational Governance Framework (February 12, 2026)

At its first organizational meeting on February 12, 2026, the Formation Board adopted the core governance documents necessary for ROWE's initial operations. Through the Organizational Resolution attached as a part of **Appendix D** the Formation Board approved the Bylaws, adopted the Conflict of Interest Policy, approved the Board Selection Policy, elected the corporation's initial officers, and authorized a variety of organizational and administrative actions, including banking and submission of Form 1023 to seek Section 501(c)(3) tax-exempt status from the Internal Revenue Service (IRS). Collectively, these actions established ROWE's internal governance structure, defined the authority and responsibilities of the Board and officers, established procedures for meetings and decision-making, and implemented governance practices consistent with nonprofit governance best practices.

The Board Selection Policy adopted at this meeting also established the framework for selecting ROWE's initial independent Board of Directors. This policy represents an important transition from the temporary Formation Board toward ROWE's long-term governance model.

3. IRS Tax-Exempt Status Determination (Effective January 20, 2026)

On January 20, 2026, the Formation Board submitted IRS Form 1023 seeking status as a 501(c)(3) corporation under the Internal Revenue Code, attached as **Appendix E**. On June 11, 2026, following an augmentation of the original application, the IRS issued its determination letter recognizing ROWE as an organization exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. The determination provides that ROWE's exemption is effective January 20, 2026, allowing the organization to operate as a tax-exempt nonprofit from that date. Recognition under Section 501(c)(3) confirms ROWE's charitable and educational purposes and carries continuing governance obligations, including compliance with federal requirements relating to private inurement, private benefit, and conflicts of interest, as well as ongoing operation in furtherance of its exempt purposes.

4. Future Governance Development

While the Formation Board established the corporation's foundational governance framework, the Bylaws contemplate the adoption of additional governance and administrative policies as the ROWE transitions to full operations, which are discussed in subsection D, and the ROWE's evolution from a newly formed nonprofit corporation into a fully operational organization.

C. ROWE Bylaws

The ROWE Bylaws establish the Corporation's governance framework and implement many of the organizational requirements established by AB 825. The Bylaws define the authority of the Board of Directors, establish procedures for Board operations, prescribe the roles of officers and committees, and create the governance structure.

1. Key Provisions of the Bylaws

The Bylaws address a wide range of issues, most notably:

- **Board Authority.** The Board manages the business and affairs of the Corporation and exercises all corporate powers (Bylaws § 5.1).
- **Chair and Vice-Chairs.** The Board may appoint a Chair of the Board by a two-thirds vote of the directors then in office. At the Board's discretion, one or more Vice-Chairs may also be appointed to assist the Chair. The Bylaws do not prescribe specific duties for these positions, leaving the Board flexibility to define leadership responsibilities through Board action and governance practices (Bylaws § 8.1).
- **Public Interest Responsibilities.** The Board is directed to act in the public interest, consider the policies of Participating States[9], maintain stakeholder engagement processes, support public participation, and minimize adverse impacts on state and local policy objectives when approving tariff changes (Bylaws §§ 4.1-4.2).
- **Transparency.** The Bylaws require quarterly Board meetings, public notice, opportunities for public comment, open meetings (subject to executive session exceptions), and Open Meetings and Records Policies (Bylaws §§ 6.1-6.5, 10.2).
- **Governance Responsibilities.** The Board appoints officers, adopts governance policies, oversees ethics and compliance, establishes records policies, and may amend the Bylaws by a two-thirds vote with advance notice (Bylaws Arts. IX, X, XII).

2. Committees

The Bylaws also establish a governance framework that includes both Committees of the Board and Advisory Committees. The Board is required to establish two Committees of the Board—the

[9] "Participating State" means any state with one or more balancing authorities participating in the Western Energy Markets (Bylaws § 3.6).

Audit & Finance Committee and the Public Policy Committee—and is authorized to establish additional committees of directors, including an Executive Committee (Bylaws §§ 8.2, 8.4-8.5). AB 825 also requires the creation of a Public Policy Committee.

The Bylaws also authorize the Board to establish Advisory Committees, which may include directors, non-directors, or both. Unlike Committees of the Board, Advisory Committees do not have authority to act on behalf of the Corporation and instead report their findings and recommendations to the Board or a Board committee (Bylaws § 8.3).

a. Committees Required by the Bylaws

Audit & Finance Committee (Bylaws § 8.4)

- Must be appointed by the Board and consist of at least two directors.
- Reviews the Corporation's annual independent audit.
- Reports audit findings and financial oversight matters to the Board.
- Monitors compliance with the Employees' and Directors' Code of Conduct and Ethical Principles.
- Recommends compliance procedures and performs additional duties assigned by the Board.

Public Policy Committee (Bylaws § 8.5; Cal. Pub. Util. Code §345.6(a)(2))

- Must be appointed by the Board and consist of at least two directors.
- Conducts outreach to Participating States, state representatives, local power authorities, federal power marketing administrations, and stakeholders.
- Identifies potential impacts of proposed tariff changes on state, local, tribal, and federal policies.
- Presents stakeholder and governmental input to the Board before final action on tariff changes.

b. Committees Authorized by the Bylaws

Executive Committee (Bylaws § 8.2)

- May be established by the Board but is not required.
- May exercise authority delegated by the Board, subject to the limitations in the Bylaws.
- Cannot amend the Bylaws, fill Board vacancies, appoint committees, establish director compensation, or approve self-dealing transactions.

Other Committees of Directors (Bylaws § 8.2)

- The Board may establish additional Board committees by a two-thirds vote.
- Committees must consist of at least two directors.
- Committee members are appointed annually.
- May exercise delegated Board authority within the limits established by the Bylaws.

Advisory Committees (Bylaws § 8.3)

- May consist of directors, non-directors, or both.
- Report findings and recommendations to the Board or a Board committee.

- Do not possess authority to act on behalf of the Corporation.

3. Other Advisory Bodies Established by the Bylaws

The Bylaws establish or reference several additional governance bodies that support the Corporation's governance processes. Unlike the Committees of the Board described in Article VIII, these bodies are expressly not committees of the Board of Directors and serve in an advisory capacity (Bylaws §§ 3.1, 3.4, 3.8).

Body of State Regulators (Bylaws §§ 3.1, 4.1.1)
- Consists of representatives from each Participating State.
- Participates in the Corporation's policymaking and tariff modification processes.
- Participates in the nomination of Board members.
- Provides information and recommendations to the Board through a public process.

Nominating Committee (Bylaws §§ 3.4, 5.3)
- Established pursuant to the Board's Selection Policy.
- Consists of representatives from designated market sectors.
- Nominates candidates for election to the Board of Directors.
- Supports the goal of maintaining an independent and representative Board.

Stakeholder Representatives Committee (Bylaws §§ 3.8, 4.1.2)
- Consists of representatives from designated stakeholder sectors.
- Proposes and reviews policy initiatives and tariff revisions.
- Develops recommendations for consideration by the Board.
- Serves as the principal stakeholder advisory body to the Corporation.

Consumer Advocate Organization (Bylaws §4.1.4)
- Represents the interests of one or more consumer advocate offices authorized by state law in a participating state.
- Facilitates engagement in the stakeholder engagement processes.

D. ROWE POLICIES

The ROWE will need to establish policies as it matures to satisfy legal requirements, strengthen governance, reduce risk, and support operations. Some policies will be formal policies of the Board, while other policies will not require Board approval but will serve an internal administrative purpose.

1. Policies Required by Bylaws and Statute

The Bylaws and AB 825 require specific policies of the Board, including:

- Board Selection Policy (§§ 5.3.1, 5.4).

- Open Meetings Policy (§§3.5, 6.1.4, 6.3, 6.4; Cal. Pub. Util. Code §345.6(a)(9))

- Open Records Policies (§§3.6, 10.2; Cal. Pub. Util. Code §345.6(a)(7))
- Directors' Code of Conduct and Ethical Principles (§7.4)
- Employee Code of Conduct and Ethics Program (§9.12), and
- Records Retention (§10.3).

These legally required policies must be a **priority Board action**.

2. Policies Adopted by the Formation Board

The Formation Board has adopted two policies to date. On February 12, 2026, it adopted by Resolution a Board Selection Policy and a Conflict of Interest Policy, included in **Appendix F**. Note that the Conflict of Interest Policy does not at this time comply with Federal Energy Regulatory Commission requirements for RTOs, and changes should be adopted to conform to those requirements before launch. An update to the Conflict of Interest Policy, in the form of a Board Independence Policy, should also be a **priority Board action.**

3. Corporate Governance Principles

While not legally required, the ROWE may benefit from the adoption of corporate governance principles. These principles would concentrate a view of the Board's function into a single public facing document. The principles would explain how the Board intends to govern, including defining Board responsibilities and fiduciary duties, independence, relationship of the Board with ROWE and CAISO management, committee structure, and governance philosophy. The CAISO's Corporate Governance Principles can serve as a starting place of developing ROWE principles. The Board should also consider these principles as a **priority Board action.**

4. Other Pre-Launch Policies

In addition to policies adopted by the Formation Board and required by the Bylaws, the Initial Board should consider directing staff or outside counsel to develop other corporate administrative policies. The Board should first adopt a delegation of authority policy and then consider developing the following policies as needs and resources allow:

- Whistleblower procedures;
- Financial management/internal controls policy (supported by accounting firm);
- Technology policies:
  - Information security policy
  - Data privacy policy
  - Cybersecurity policy
- Employment policies (supported by human resources specialist)
  - Hiring policy
  - Employee handbook
  - Anti-harassment policy

- Risk management procedures and controls for risks not addressed by CAISO

E. Summary of Resolutions

The Formation Board of Directors has taken several actions, most in the form of written resolutions. These actions are listed below, and the resolutions are provided in **Appendix D**.

(1) **December 12, 2025.** Approved submission of a Certificate of Incorporation to the State of Delaware and [Bylaws] and authorized the Formation Board to take actions to form the corporation.

(2) **February 12, 2026**. Approved the Bylaws of the Corporation, adopted the Conflict of Interest policy, authorized banking and disbursement by specified officers, declared the fiscal year as the calendar year, elected officers, adopted a Board Selection Policy, approved a Directors and Officers insurance policy, submit a Form 1023 application to the IRA for 501(c)(3) status, and authorized the Corporation and its officers to "take appropriate action to engage in activities to accomplish those purposes set forth in the Certificate of Incorporation and the Bylaws".

(3) **March 19, 2026.** Adopted a budget and delegated authority to spend within the bounds of the budget, including procurement and vendor contracting.

(4) **September 8, 2026.** Approved retention of a background search firm to facilitate the seating of the Initial Board.

Meeting agendas, board packets, and meeting minutes will also be made available to the Initial Board.

F. ROWE Board Review

The ROWE Board should do a comprehensive review of the policies and governing documents of the ROWE, with the goal of incorporating any necessary changes based on the implementation activities and to ensure consistency and representation of the ROWE's mission.

G. Principal Place of Business

The selection of the ROWE's principal place of business is a foundational governance decision that will influence the organization's operational effectiveness, institutional identity, and legal administration and will influence stakeholder confidence in the ROWE's independence, regional character, and long-term institutional legitimacy. Unlike existing RTOs, which generally inherited their headquarters from predecessor organizations, the ROWE Board has the unique opportunity to intentionally select a headquarters location at formation.

The ROWE Board should undertake broad consideration of locational value in selecting the ROWE's principal place of business. Some locations maximize operational coordination with existing market administration, while others may better reinforce the ROWE's regional

independence and governance neutrality. Cost considerations, institutional continuity, workforce, ease of transportation access, and customer location also are significant factors in making this decision. The appropriate location will ultimately depend upon the relative weight the ROWE Board and stakeholders assign to these and other potential complementary objectives.

The ROWE Board must also make a decision about whether the ROWE employees should work in person at an office presumably in the chosen principal place of business, or if remote work is a viable option, at least at the launch of the ROWE.

1. Lessons from Existing RTOs

PJM Interconnection (PJM), Southwest Power Pool (SPP), Midcontinent Independent System Operator (MISO), and ISO New England (ISO-NE) each administer multi-state electricity markets while maintaining a single headquarters. Although their service territories have expanded substantially over time, each retained the principal place of business established by its predecessor organization. For example, PJM grew from the Pennsylvania-New Jersey Interconnection into an RTO serving all or portions of thirteen states and the District of Columbia while retaining its headquarters in Pennsylvania. Similarly, MISO expanded across much of the Midwest and into portions of the South while maintaining its headquarters in Indiana.

Several observations emerge.

- No major RTO selected its headquarters because it represented the geographic center of its footprint.
- Headquarters locations generally reflect institutional continuity, workforce availability, and operational infrastructure.
- Operational functions and board meetings may be distributed throughout the footprint while governance remains centered at a single headquarters.
- The need to gain trust as an independent organization was not a driving force.

The ROWE occupies a different position. Because it is being created as a new regional organization, it has the opportunity to intentionally select its headquarters rather than inherit one through historical circumstance. Accordingly, the ROWE Board should focus on developing decision criteria and placing relative weightings on each criterion.

2. Potential Decision Criteria

In developing decision criteria, the ROWE Board may consider the following criteria as a starting point:

- *Institutional independence/regional neutrality.* Headquarters location will shape perceptions regarding the ROWE's institutional independence and long-term identity. Because regional confidence is essential to continued participation and future expansion, the chosen location should reinforce the ROWE's independence from any single market participant, state, or stakeholder interest.

- *Operational proximity to CAISO.* The ROWE and CAISO will initially be strongly interdependent, with the ROWE relying on CAISO for market operations, stakeholdering support, and other key assistance. Physical proximity to CAISO staff could facilitate coordination during the transition period, simplify in-person meetings when needed, and reduce travel burdens for individuals regularly conducting business with both organizations.

- *Travel ease and cost.* Because ROWE Board members, stakeholders, market participants, and staff will travel from throughout the Western Interconnection, headquarters should be readily and cost effectively accessible by commercial air service. Relevant considerations include the number and frequency of nonstop flights to major Western cities, travel times, and overall ease and cost of reaching the headquarters location. Rankings could be informed, in part, by the size and connectivity of the primary commercial airport serving each metropolitan area, including annual passenger boardings as reported by the FAA, FAA hub classifications (whether primary or non-primary), availability of nonstop service, and regional connectivity.

- *Workforce.* The choice of headquarters should consider the availability of a skilled and diverse workforce capable of supporting the organization's operational and strategic needs. Evaluation should take into account the depth and diversity of the metropolitan labor market, including the availability of professionals with experience in governance, law, finance, accounting, engineering, information technology, utilities, and wholesale electricity markets. To the extent remote work remains viable, this factor may become less location dependent.

- *Cost of living.* Cost of living for the ROWE workforce could be an important factor in recruitment. Considerations should include housing and general living expenses and the state and local tax environment. To the extent remote work remains viable, this factor may become less location dependent.

- *Operating Costs.* Operating costs reflect the anticipated expenses associated with establishing and maintaining a headquarters location. Evaluation should consider commercial office lease rates, business operating costs, state and local taxes, and the availability and cost of professional services. Consideration should also be given to travel-related expenses (e.g., hotels and car rental) for market participants or other parties traveling to the ROWE's headquarters. In the initial stages of formation, the cost of doing business may not be a significant factor, particularly if the need for office space is limited but a location should be selected with long-term growth in mind.

- *Market presence.* Headquarters location should recognize the degree to which the host state is represented within the regional market. Relevant considerations include the concentration of participating balancing authorities, utilities, generators, customers served, and other market stakeholders. Because no single measure fully captures market presence, the Board should evaluate this factor holistically rather than relying on a single quantitative metric and must consider the ROWE's long-term growth.

- *Legal and regulatory environment.* State corporate law, nonprofit governance statutes, employment law, tax considerations, public records requirements, and the overall legal environment should support efficient organizational operations and effective governance.

No single criterion should be dispositive, and reasonable minds may differ regarding their relative importance. The Board's task is therefore not simply to identify relevant factors, but to assign appropriate weight to each in light of the ROWE's challenge in establishing credible independence and its long-term institutional vision. Although the headquarters location should reinforce the ROWE's independence and neutrality, those objectives should be balanced with the practical considerations necessary to support an effective, well-functioning organization. Criteria that favor an efficient transition may not be the same as those that best position the ROWE as a durable, trusted, and independent regional organization over the decades ahead.

3. Potential locations

The region offers numerous attractive headquarters candidates, including the following:

- Albuquerque, New Mexico
- Boise, Idaho
- Bozeman, Montana
- Cheyenne, Wyoming
- Denver, Colorado
- Folsom, California
- Phoenix, Arizona
- Portland, Oregon
- Reno, Nevada
- Salt Lake City, Utah
- Seattle, Washington

The selection process should fairly consider each of these locations, applying the Board’s adopted criteria and weightings to each location.

4. Additional Legal Review

As noted above, the principal place of business carries legal implications beyond organizational identity and external perception. Federal law looks to the organization's "nerve center" when determining its principal place of business for diversity jurisdiction purposes. In addition, state law may affect corporate governance, nonprofit administration, employment obligations, taxation, director and officer protections, charitable registration requirements, and other administrative responsibilities.

Once the Board has narrowed the list of candidate locations, it should work with outside counsel to conduct legal due diligence on each finalist state. This review should assess any state-law considerations that could materially affect the ROWE's governance, administration, or long-term

operations and ensure that the legal implications are fully understood before a final headquarters location is selected.

CHAPTER 3: REGULATORY STRUCTURE AND OVERSIGHT

A. PROPOSED ACTION PLAN

Several high-priority actions, in anticipation of a 2027 FERC filing together with the CAISO, must be undertaken upon board seating to enable timely launch of ROWE governance.

(1) Develop the ROWE Governance Tariff as a platform for independence, transparency, accountability, and future evolution;

(2) CAISO Integrated Market Tariff

(a) Work with the CAISO to delineate clear boundaries between areas of ROWE sole authority, ROWE/CAISO joint authority, and CAISO sole authority within the CAISO's Integrated Tariff.

(b) Work with the CAISO to develop necessary modifications to the CAISO Integrated Tariff.

(3) Establish and set forth in the ROWE-CAISO Coordination Agreement and the Governance and Integrated Market Tariffs the ROWE's sole authority to direct Section 205 filings for changes in Market Operation Rules.

(4) Establish by the end of 2026 a conceptual Coordination Agreement with the CAISO to delineate roles and responsibilities in the oversight and operation of the WEM Markets.

To enable progress in these areas, the Board should prioritize hiring of an Executive Director, General Counsel, administrative support, and external counsel. The Board must also establish clear lines of communication with FERC commissioners and technical and legal staff to keep them up to speed on progress toward and the direction of the 2027 filing.

B. OVERVIEW

The Step 2 Proposal, based largely on the Western regulators' July 2023 letter, contemplates a novel approach to energy market governance. One corporation - ROWE - will assume sole responsibility for the rules governing the market and another corporation – CAISO - will operate the market on a day-to-day basis, in conformance with those rules. This differs materially from the current structure where the WEM Governing Body, a chartered organization, holds primary authority over market rules but continues to operate within the confines of the CAISO bylaws and under the oversight of the Board of Governors.

An early evolution of ISO-NE is perhaps the closest analogy, where FERC approved a structure in which one legally distinct organization developed and filed market rules (NEPOOL), while an independent corporation (ISO-NE) operated the market pursuant to those rules. But even this example departs materially from the Step 2 proposal. NEPOOL was not a separate corporation

but rather an unincorporated stakeholder association and, unlike the ROWE, was not independent of market participants. Following Order No. 2000, the structure evolved to consolidate ultimate market and operational authority in ISO-NE, while preserving a significant stakeholder governance role for NEPOOL. The ROWE therefore revives part of the early New England functional separation while solving—at least structurally—the market-participant independence concern that was central to FERC's consolidation of authority in ISO-NE.

Transferring the CAISO's governance authority over the day-ahead and imbalance markets to the ROWE requires FERC to consider a new approach to regulation. Chapter 3 offers for the Board's consideration an overview of a workable regulatory framework developed by the Formation Committee in conversation with CAISO staff. This framework will need to be further refined and developed by the ROWE and CAISO, with further input from stakeholders, and subject to approval by both organizations and by FERC.

The Formation Committee approached designing a regulatory framework with several objectives in mind:

- To secure the **independence** of ROWE governance;
- To ensure **accountability and transparency** in the ROWE's exercise of its obligations subject to FERC oversight and public scrutiny;
- To preserve **CAISO's corporate structure and health** by clearly defining the respective roles and responsibilities of the two entities;
- To establish a **flexible platform for expansion** of ROWE services and responsibilities over time; and
- To enable **timely implementation.**

These objectives led to the development of a regulatory structure in which FERC could exercise jurisdiction over both the CAISO and the ROWE consistent with their respective roles and responsibilities for the day-ahead and imbalance markets. FERC would thus oversee the ROWE in its provision of independent governance and the CAISO in its provision of operating services to support the market. Their respective roles and responsibilities would be delineated in three documents: a new ROWE Governance Tariff, the existing CAISO Integrated Tariff, and a Coordination Agreement between the two entities.

Consistency and integration of these three points of oversight will be critical in ensuring a clear, durable regulatory framework.

C. ROWE Governance Tariff

The Step 2 Proposal contemplates changes in the CAISO Integrated Tariff coupled with a ROWE/CAISO Coordination Agreement. The regulatory framework as currently contemplated, however, goes beyond the original Step 2 Proposal to add the ROWE Governance Tariff. The addition of this tariff aims to enhance ROWE independence, to increase accountability and transparency of the ROWE's operation, and to establish a flexible platform for ROWE expansion in the future. A governance tariff also creates a clear base for the ROWE's relationship with FERC by securing a self-standing regulatory structure that provides for independent governance, embodying tariff filing rights under Section 205 of the Federal Power Act.

Appendix G provides an initial draft governance tariff that the Formation Committee developed for the Board's consideration. While incomplete, it addresses the scope of the ROWE's authority, the ROWE's organizational structure, stakeholder participation, budget development and funding, and could be augmented to address any other similar issues. Some of these issues are also addressed in the ROWE's bylaws and will need to be harmonized with the CAISO Integrated Tariff and the ROWE/CAISO Coordination Agreement. To enable participation in ROWE markets by the California IOUs, these documents will also need to be consistent with the requirements of California Public Utilities Code §345.6 (AB 825).

The proposed Governance Tariff, while an addition to the Step 2 proposal, is not an entirely new concept. Attachment O of the Markets+ tariff covers similar topics, including organizational structure, composition of the Markets+ State Committee, and tariff administration service.[10] Similarly, the Western Resource Adequacy Program (WRAP) tariff includes organizational structure and administrative cost recovery provisions.[11] The concept of the Governance Tariff has been discussed with CAISO and FERC staff and, while their views will likely depend on the final content of the tariff and, in the case of FERC staff, the judgment of the Commission, neither has yet expressed opposition to a governance tariff in concept.

D. CAISO Integrated Tariff

The CAISO Integrated Tariff today houses the rules that govern the Western Energy Markets along with rules governing the CAISO's balancing authority, transmission operator, transmission service provider, and reliability coordinator roles (BA/TOP/TSP/RC). As a result of implementation of the Step 1 Proposal, the WEM Governing Body has primary authority to direct Section 205 filings for changes to the market operations portion of the CAISO Integrated Tariff and retains joint authority with the CAISO on changes to market administration rules. All other areas of the Integrated Tariff are subject to CAISO's sole authority.

---

[10] Markets+ Tariff, Attachment O, Markets+ Governance, https://sppviewer.etariff.biz/tariff.

[11] Western Resource Adequacy Program Tariff of Northwest Power Pool D/B/A Western Power Pool, https://www.westernpowerpool.org/resources/versioned/tariff.

The Step 2 Proposal contemplates a significant shift from Step 1. It confers on ROWE – an entity independent of CAISO -- sole authority over Market Operation Rules and joint authority over Market Administration Rules, as defined below. Again, all other provisions – including those governing balancing authority, transmission operator, transmission service provider, and reliability coordinator roles – will remain under the CAISO's sole authority. This residual category of rules is initially framed as CAISO System Rules.

All of these rules will remain at ROWE launch in a single, integrated tariff administered by the CAISO. Identifying a process to clearly delineate which provisions in the tariff fall under the ROWE's sole authority to file changes under Section 205, the CAISO's sole authority (e.g., over its core BA and TOP functions), and joint authority will be an important near-term step. Indeed, developing the foundational definitions below is a key element of this work that is already underway.

Beyond this, reorganizing the CAISO tariff by section based on these different authorities could be an important next step to enable future consideration of physical separation and relocation of the market rules from the CAISO tariff to the ROWE tariff. These steps, however, go beyond the recommended starting point in the Step 2 Proposal and, given the complexity and time involved in reorganizing the CAISO tariff, would not facilitate a transition to ROWE governance in 2028. All of these issues should be topics for further consideration in the Evolution Analysis, as discussed in Chapter 10.

1. Foundational Definitions and Coordination Process

This Briefing Book offers a starting point for necessary definitions. In several cases, the definitions point directly to the source of authority for tariff provisions falling within their bounds.

Note: While these definitions have been discussed among the CAISO and Formation Committee members, no agreement has been reached on their final articulation. This represents the current thinking of the work group, and is subject to further development by the ROWE and CAISO, with further input from stakeholders.

- *ROWE Governance Tariff.* The tariff framing the ROWE's governance, including authority and limitations, organizational structure, stakeholder participation, budget and funding, and any other similar organizational matters related to the ROWE's oversight of the day-ahead and imbalance markets, and any voluntary services or products offered by the ROWE. The ROWE administers and holds sole authority over this tariff.

- *Integrated Tariff*: The integrated tariff administered by the CAISO comprising the Market Operation Rules, Market Administration Rules, and the CAISO System Rules.

- *Market Administration Rules*: Rules, procedures, requirements, and obligations embodied in the Integrated Tariff relating to settlements, billing, creditworthiness, collateral, participant agreements, compliance, dispute resolution and other administrative and commercial aspects of the day-ahead and imbalance markets and any changes to such

rules. The ROWE and CAISO maintain joint authority over Market Administration Rules.

- *Market Operation Rules*: The FERC-approved rules embodied in the Integrated Tariff governing the operation of the day-ahead and imbalance markets, including rules and any changes to such rules that govern bidding and scheduling for these markets, the market optimization itself and all inputs and processes related to the market optimization, and all rules that reflect the calculation of the amounts that market participants are credited or charged for electricity transactions within these markets. The ROWE maintains sole authority over Market Operation Rules.

The CAISO generally should receive no preferential treatment in addressing market functions over other participating BAs nor receive information not available to other BAs. However, within the scope of Market Operation Rules and ROWE's sole authority, there are market mechanisms or processes the CAISO has historically employed in the performance, implementation, or facilitation of Balancing Authority, Transmission Operator, or Transmission Service Provider functions (CAISO BA/TOP/TSP Market Operation Rules). These rules include any Market Operation Rules set forth in the Integrated Tariff that were originally established prior to the ROWE and that either:

(1) establish, define, or otherwise govern how the CAISO uses the market platform to perform its Balancing Authority, Transmission Operator, or Transmission Service Provider functions; or

(2) otherwise apply solely to the CAISO Balancing Authority area.

These rules will remain within ROWE Sole Authority. To prevent impairment of the CAISO BA, TOP, and TSP functions, however, the ROWE will need to institute a coordination process with the CAISO to address any proposed change to this subset of Market Operation Rules. The coordination process cannot override a ROWE SRC recommendation nor a ROWE Board decision. The process must be designed, however, to ensure that the CAISO remains fully able to fulfill its BA/TOP/TSP functions and meet its reliability obligations through a mutually acceptable solution.

Both the circumstances in which focused coordination is required and the details of the coordination process will need to be articulated clearly in the Coordination Agreement and, potentially, the Governance Tariff and the Integrated Tariff. The Formation Committee anticipates that the ROWE Board and CAISO will refine these definitions and processes as they continue to work toward filing the regulatory package at FERC in 2027.

2. Examples of CAISO BA/TOP/TSP Market Operation Rules

The Formation Committee and the CAISO have begun exploring the potential categories of functions and rules that will fall within the CAISO BA/TOP/TSP Market Operation Rules, and the ROWE Board and CAISO will need to continue this exploration. Critically, however, functions and rules falling into this category will remain subject to ROWE Sole Authority but will be subject to a ROWE/CAISO coordination process as discussed above.

Following is a non-exhaustive list of examples of areas currently under initial exploration between the Formation Committee and CAISO staff and are offered only to provide insight into the types of rules that may fall into this subcategory of Market Operation Rules.

- *CAISO Reliability and Emergency Operations*. Market systems and market-based processes to support black start capability, system restoration, emergency operations, reliability-related dispatch instructions, overgeneration management, exceptional dispatch, contingency response, and other actions necessary to maintain reliable grid operations.

- *Ancillary Services Procurement and Dispatch*. Market mechanisms to procure, award, schedule, optimize, and dispatch ancillary services in both the day-ahead and real-time timeframes. These market processes support reserve procurement, ancillary service awards, operating reserve activation, and real-time dispatch of resources providing ancillary services.

- *Intertie Transactions and External Scheduling*. Market-based scheduling tools, intertie bidding functionality, intertie constraints, coordination procedures, and post-market scheduling processes to manage imports, exports, wheel-through transactions, and scheduling across interties that are not part of the Western Energy Markets footprint.

- *Transmission Rights and Legacy Contract Integration*. Market systems or processes used to honor existing Transmission Contracts, which are transmission rights that predate the CAISO OATT tariff framework and Transmission Ownership Rights.

- *CAISO-Specific Market Bidding Features.* Bidding constructs and market products that are unique to the CAISO balancing area and require dedicated market functionality, including virtual bidding, generated bids used to implement must-offer obligations, and bidding mechanisms associated with reliability and resource adequacy requirements.

- *Resource Adequacy Integration with Markets.* RA compliance implemented through day-ahead and real-time market processes, including must-offer requirements, availability rules, generated bids, flexible RA obligations, availability incentive mechanisms, and dispatch of RA capacity; RA programs are not within the scope of Market Operation Rules and thus remain under sole authority of the CAISO Board of Governors and Local Regulatory Authorities.

- *Transmission Capacity, Scheduling Priorities, and Market Optimization.* Market optimization processes recognizing transmission priorities, allocating available transmission capability, managing congestion, and applying scheduling and penalty parameter logic consistent with established transmission rights and priorities; Management of transmission service, wheeling priorities, and scheduling priorities are not within the scope of Market Operation Rules and thus remain under sole CAISO authority.

- *Demand Response and Specialized Reliability Programs.* Market functionality to support specialized demand-side and reliability products (e.g., Reliability Demand Response Resources) to support reliability under stressed system conditions and emergency circumstances.

If and when these market mechanisms or processes are deployed for other BAs/TOPs/TSPs, it is possible that, in certain contexts, the coordination process may no longer be needed or could be revised.

These and other CAISO BA/TOP/TSP Market Operations Rules do not present a new issue, but the proposed path represents a strong step toward independence. Today, these rules are embedded in the CAISO market tariff in the operation of the EDAM market, and the WEM Charter suggests these rules lie within the CAISO Board of Governors authority. The WEM Charter lays out its "primary authority" over the market tariff as follows:

> The WEM Governing Body will have primary authority to approve or reject a proposal to change or establish a tariff rule applicable to the WEIM/EDAM Entity balancing authority areas, WEIM/EDAM Entities, or other market participants within the WEIM/EDAM Entity balancing authority areas, in their capacity as participants in the WEIM/EDAM. The WEM Governing Body will also have primary authority to approve or reject a proposal to change or establish any tariff rule for the day-ahead or real-time markets that directly establishes or changes the formation of any locational marginal price(s) for a product that is common to the overall WEIM or EDAM markets.

Primary Authority excludes "any other proposal to change or establish tariff rule(s) applicable only to the CAISO Balancing authority area or to the CAISO-controlled grid."

Viewed from this perspective, shifting these provisions to ROWE sole authority with a ROWE/CAISO coordination process moves the needle sharply toward greater independence.

3. Business Practice Manual Oversight

The CAISO historically has implemented provisions of the Integrated Tariff through the Business Practice Manuals (BPM). In theory, if the BPMs neatly point to one or more tariff provisions whose authority has been determined, the BPMs themselves can be categorized consistently with the tariff provisions they serve. For example, a BPM serving a provision that falls within the sole authority of the ROWE should also fall within ROWE sole authority.

A slightly different approach, however, may be needed for BPMs given their nature as more akin to operating guidelines. The Step 2 Final Proposal made the following proposal: "*Vest the RO[WE] Board with the ultimate authority to resolve disputes about any market-related*

business practice manual (BPM) that carries out a tariff provision under the RO[WE] sole authority."[12] The Formation Committee recommends adopting this approach and creating a collaborative process for developing the BPMs with the CAISO as operator but shifting ultimate authority from the CAISO to the ROWE for any disputes that arise regarding BPMs.

E. ROWE-CAISO COORDINATION AGREEMENT

The Coordination Agreement will play a central role in clearly delineating the roles and responsibilities of the ROWE and CAISO in a complex relationship and ensuring these roles are under distinct leadership. It will serve as a high-level foundation for the parties as they navigate their relationship and for FERC in its oversight of the jurisdictional activities of the parties. It thus will serve as a guidebook for the parties as they navigate and a reference for FERC in its oversight of the markets. Among other topics, the Coordination Agreement is expected to include the following topics:

1. Coordination of Agreement with Integrated Tariff and Governance Tariff
2. ROWE authority to approve market rules for FERC filing under Section 205
3. Tariff amendment roles and responsibilities
4. Market initiative
5. CAISO staff role in ROWE stakeholder process
6. CAISO corporate liability
7. Business Practice Manual appeals
8. ROWE cost recovery (including CAISO Cost of Service, budgeting, and rate design)
9. ROWE role in CAISO hiring of regional markets VP
10. ROWE and CAISO roles in market oversight
11. Termination and withdrawal
12. Data sharing and confidentiality
13. Audit rights
14. Dispute resolution & limitations on remedies
15. Customer service
16. CAISO separation of functions/conflict of interest
17. Coordination on future ROWE evolution
18. Amendments

The Board should work with the CAISO to develop a conceptual agreement on the Coordination Agreement by the end of the year to enable finalizing the regulatory structure it will advance with the CAISO to FERC.

[12] Step 2 Final Proposal at 4-9, https://www.westernenergyboard.org/wp-content/uploads/Pathways-Initiative-Step-2-Final-Proposal.pdf.

CHAPTER 4: MARKET OVERSIGHT AND DATA ACCESS

A. Proposed Action Plan

The ROWE Board should work with the DMM to ensure the DMM's scope of work includes providing information to the ROWE in addition to the CAISO. The ROWE should ensure that it has adequate references to and requirements of the DMM in its corporate and governance documents to cover the DMM analysis and reporting for the ROWE.

The ROWE should identify and pursue steps to adding an equal number of ROWE Board members to the Market Monitoring Oversight Committee, as well as implementing the mechanics of shared decision-making and resources with the CAISO. This will likely include a change to the CAISO tariff.

The ROWE should identify and pursue steps to ensure that the MSC provides relevant expertise and recommendations to the ROWE in addition to the CAISO, as well as developing the process for joint ROWE-CAISO recommendations and approval of MSC nominations.

The ROWE Board should work with the CAISO to identify and pursue steps necessary to create a process that ensures access to needed data for relevant regulators within the market footprint, while respecting the need for confidential treatment.

B. Introduction and Background

Market oversight is a critical function to ensure that the market is working the way it is supposed to, that no market participant is able to manipulate the market to the detriment of other market participants or end users, and that the Board has the data and information it needs to identify and rectify any potential issues, so that the public has confidence that the markets are working for their benefit, as well as confidence in the Board and the market operator. A core tenet of the ROWE is a commitment to transparency and information sharing. Therefore, the expansion of western electricity markets necessitates renewed consideration of market oversight activities and commensurate data access and information sharing across the market footprint as compared to preexisting structures.

The Step 2 Final Proposal and AB825 contained recommendations and requirements regarding oversight and information sharing to ensure that the ROWE Board, regulatory community and stakeholders have visibility and confidence in the way the markets are operating and the impacts on end users. These functions are closely related because much of the information about the market operations comes from the various entities that currently serve in the market oversight functions: the Department of Market Monitoring (DMM), the Market Surveillance Committee (MSC), and the Market Expert.

C. Market Oversight

The Final Proposal recommended maintaining the market oversight functions that the CAISO has today, with some adjustments to the reporting and roles of those functions.

AB825 includes market monitoring requirements for the ROWE as well:

> "In addition to any independent market monitoring activity required by a Federal Energy Regulatory Commission order, the independent regional organization maintains access to independent market analysis for the governing board of the independent regional organization on the impacts of market dynamics or rule changes to minimize overall costs to end-use consumers."[13]

1. Department of Market Monitoring (DMM)

Today: The CAISO's Department of Market Monitoring (DMM) mission is to "provide independent oversight and analysis of the CAISO [m]arkets for the protection of consumers and Market Participants by the identification and reporting of market design flaws, potential market rule violations, and market power abuses."[14] The DMM is structured as an internal business unit of the CAISO, but is fully independent of CAISO management and instead reports directly to the CAISO Board. The DMM may rely on CAISO for legal support, provided there is no potential for a conflict of interest, but can also use outside legal counsel. The DMM has direct access to the full Board, and each individual Board member at any time, as it deems necessary.[15]

Embedded market monitoring is the foundation of FERC's market oversight framework. The DMM within the MMU provides transparency, oversight, market design recommendations, and market power mitigation. The market monitor performs a critical function, extending FERC's enforcement authority into each ISO/RTO to perform "a vital role in reporting on the state of the markets and ferreting out wrongdoing by market participants."[16] A description of the FERC requirements for market monitoring is included in the Final Proposal.

ROWE: Consistent with the Final Proposal recommendation, the DMM should provide information about its market analysis and findings to both the ROWE and CAISO Boards. The Final Proposal included the following explanation: "As market monitoring is a core function of ISO/RTO markets under FERC Order No. 2000, the Launch Committee believes this joint reporting structure maximizes ROWE oversight of the market monitor to the greatest extent possible without compromising CAISO's status as a certified ISO under FERC regulations. Additionally, there continues to be strong functional justification for this reporting structure, since the DMM has oversight of the energy markets operated by CAISO including ancillary services and the congestion revenue rights auctions that remain under CAISO Board authority."

In addition to joint sessions, there should be executive or public sessions, as appropriate, with each board for issues that fall under sole authority (e.g. congestion revenue, local reliability

[13] CA Pub Util Code § 345.6(a)(6) (2025)

[14] CAISO Tariff, Appendix P.
https://www.caiso.com/documents/appendixp_caisodepartmentofmarketmonitoring_asof_apr1_2017.pdf

[15] https://www.caiso.com/documents/department-marketmonitoringoversightcommitteecharter.pdf

[16] Order No. 719 is 73 FR 61,400 (Oct. 28, 2008), FERC Stats. & Regs at 341.

issues, BA level resource adequacy). In the interests of transparency, both boards should be informed of market related referrals to FERC.

2. DMM Oversight Committee

Today: The DMM Oversight Committee[17] consists of at least two CAISO Board of Governors and one WEM GB member that participates as a non-voting, advisory member. The Committee performs the following functions: assists the CAISO Board in its oversight of DMM's market monitoring functions through approvals related to personnel and budgets; reports to the CAISO Board and Governing Body regularly including reviewing significant issues it identifies; provides approval of significant hiring determinations made by the DMM Executive Director. The Committee delegates to the DMM Executive Director day-to-day responsibilities within the approved budget.

ROWE: The Final Proposal recommended adding an equal number of ROWE Board members to the Market Monitoring Oversight Committee to create a joint reporting structure between the CAISO and ROWE. This includes shared decision making on DMM upper management hiring. The ROWE/CAISO agreement should include the mechanics of that shared decision making, as well as shared resources such as HR, IT, and legal services. This change will require a tariff change.

3. Market Surveillance Committee (MSC)

Today: The CAISO has a Market Surveillance Committee (MSC)[18] to provide independent external expertise and recommendations to the CAISO CEO and CAISO Board of Governors. The MSC is separate and independent from the DMM and market participants. A minimum of three outside experts are nominated by the CAISO CEO and approved by the Board of Governors and the WEM Governing Body for staggered 3-year terms.[19] Their expertise is in economics, operational aspects of generation and transmission, antitrust or competition law in regulated industries, and energy and commodities trading financial expertise. The MSC serves to provide independent review of market performance and market power problems, develop a record of structural problems and propose corrective action, and review rule changes, penalties, and sanctions.[20] The MSC may also review and comment on DMM analyses and reports.

ROWE: The Final Proposal recommended that the MSC would provide expertise and recommendations to both the CAISO and the ROWE, and that the CAISO Board and the ROWE Board have joint approval of the MSC nominations. The CAISO CEO and the ROWE Executive Director should recommend candidates for review and approval by the ROWE and CAISO Boards.

[17] https://www.caiso.com/meetings-events/topics/department-of-market-monitoring-oversight-committee

[18] https://www.caiso.com/meetings-events/topics/market-surveillance-committee

[19] https://www.caiso.com/documents/marketsurveillancecommitteecharter.pdf

[20] https://www.caiso.com/meetings-events/topics/market-surveillance-committee

The Final Proposal recommended expanding the criteria for selecting MSC members to include consumer issues and public interest expertise. However, in discussions with the CAISO and DMM, the workgroup has determined that this expansion may not be practicable for how the MSC operates and the analysis it provides. The MSC should maintain its current purpose and scope of work to help ensure that the Board has the ability to receive analysis about impacts to end use consumers should occur through other market oversight functions.

4. Market Expert

Today: The WEM Governing Body receives its own independent market analysis through the Governing Body Market Expert. This individual reports only to the WEM Governing Body and is tasked with providing comprehensive explanations and technical opinions, as requested.[21] This position is expressly not a market monitoring function, but rather advises the WEM Governing Body on the fairness and efficacy of market rules, business practices, and market design alternatives consistent with their mission to promote the success of WEIM and EDAM for all market participants.[22]

ROWE: The Final Proposal recommends that the WEM Governing Body Market Expert position transition to serve the ROWE Board with an expanded role to include evaluation of whether the market is operating consistently with public interest principles and minimizing overall costs to end-use consumers. The contract for the current Market Expert expires in early 2028 and the ROWE could issue its own contract renewal or enter into a new selection process if so desired. Monitoring public interest protections and the protection of end-use consumers are included in the AB 825 requirement, discussed below.

5. AB 825 Requirements

AB 825 requires the ROWE to "maintain access to independent market analysis for the governing board of the independent regional organization on the impacts of market dynamics or rule changes to minimize overall costs to end-use consumers." In discussions with the CAISO and DMM, the Market Expert should provide the independent analysis required by AB 825 regarding the impacts of market dynamics or rule changes to minimize overall costs to end-use consumers. This expanded role should include analysis of wholesale market costs and how market dynamics or rule changes affect costs borne by load-serving entities that may ultimately be reflected in retail rates. The Market Expert would develop its independent assessments using analyses produced by the CAISO Market Analysis group and, where relevant, information developed by the DMM. The Market Expert would be authorized to work directly with the Market Analysis group, including requesting additional studies, data, assumptions, scenarios, or other analytical support necessary to fulfill this mandate; the structure would be similar to the way the MSC works with the Market Analysis group today.

[21] https://www.westerneim.com/Documents/WesternEIMGoverningBodyMarketExpert-Role-Responsibilities.pdf; https://www.caiso.com/documents/weim-governing-body-announces-new-market-expert.pdf

[22] https://www.westerneim.com/Documents/Charter-for-WEIM-and-EDAM-Governance.pdf

The Market Expert would retain responsibility for the ultimate conclusions and recommendations provided to the Board, preserving the independence of the assessment while avoiding unnecessary duplication of existing analytical capabilities. Because it could be difficult to find a single individual to perform these additional duties in the current part time capacity, the Market Expert function could be expanded to a full time role or an additional expert to support this added responsibility.

D. Data Access

1. Data Sharing From CAISO Today

There is a significant amount of information that is already publicly available to all western states: CAISO public data and reports; DMM public reports, presentations, and regulatory filings; work product from the MSC; and WEM Market Expert reports.

The CAISO shares data and information about market operations and performance through a variety of forums and reports:[23]

- Through quarterly WEIM and EDAM benefits reports.
- Through market performance reporting including day-ahead daily market watch, bi-weekly market performance reports, monthly market performance reports, and daily EDAM reports (CAISO public reporting).
- Through periodic special reports. These may include the Annual Summer Assessment, operational status communications particularly in periods of high demand.
- Through additional reports made to the WEM Governing Body and CAISO Board of Governors, addressing specific subject matter.
- Through the Market Performance and Planning forum: a quarterly forum that engages stakeholders in review of market performance, possible issues, and in high level dialogue on release planning, implementation and new market enhancements.
- Through the data that FERC collects from the CAISO and market participants to issue public reports.
- Through a public data request process, where the CAISO will publish certain additional data.
- Through the OASIS site, where raw market data is publicly posted by the CAISO.

The DMM develops reports and analysis that are publicly available, which include the following:

- Quarterly and annual reports and presentations
- Special reports and presentations
- Written comments/analysis on stakeholder initiatives
- Written memos for Board of Governors and WEM Governing Body meetings
- Federal and state regulatory filings: while historically the DMM has not initiated regulatory proceedings at FERC or the California Public Utilities Commission (CPUC), once a matter is open, the DMM regularly intervenes and submits comments to both.
- Examples of other special reports:

[23] Confidential data is handled by the CAISO pursuant to Section 20 of the Tariff.

- Resource sufficiency test when requested by the WEM Governing Body
- WEIM transition period reports

The MSC and WEM Market Expert provide independent opinions on market design changes that are publicly accessible.

The DMM, MSC, and Market Expert interact with the BOSR by providing advice at the BOSR's invitation. The DMM and members of the MSC have also participated in training for state commission staff facilitated by the BOSR.

2. Data access for CA entities today

Since almost all of the CPUC-regulated utilities are part of the CAISO Balancing Authority Area and therefore participate in the CAISO markets, the CPUC and CAISO developed a process in 2004 for the CAISO to provide otherwise-confidential market information to the CPUC that is necessary for the CPUC to meet its state-mandated regulatory obligations using the CPUC's subpoena authority under California law. This process is largely embodied in Section 20 of the CAISO Tariff that governs confidentiality. Any information shared voluntarily or pursuant to a valid CPUC subpoena is shared under the terms of a confidentiality agreement. In its capacity as the Market Operator, CAISO generates and maintains the market data necessary to fulfill the annual CPUC subpoena to support oversight activities.

For example, under the California PUC's Resource Adequacy program, the California PUC is mandated to ensure that CPUC-jurisdictional load-serving entities maintain sufficient capacity resources to satisfy the CPUC-determined Resource Adequacy requirements.[24] To meet these obligations, the CPUC initiates administrative proceedings and collects the data required to track compliance with resource adequacy rules.

While the CAISO tariff requires the market operator to maintain the confidentiality of commercially sensitive information submitted by market participants, it does recognize circumstances where disclosure may be permitted.[25] For instance, the CPUC's resource adequacy proceedings serve as a valid basis for such disclosure.

Before any confidential data is released, the tariff mandates that CAISO alert the impacted market participants to give them an opportunity to object.[26] The CAISO emails a market notice to all participants, attaching a copy of the subpoena and outlining the specific data categories requested. The tariff also dictates that the CAISO guarantee proper safeguards following disclosure which are maintained via a confidentiality agreement between the CAISO and the CPUC.

---

a. [24] **See CPUC CAISO Subpoena - May 2024.pdf**

[25] CAISO Tariff, Section 20.4(b)

[26] In limited cases, such as exchanges with FERC, the Commodities Futures Trading Commission, and the National Cyber Communication Information Center, the CAISO may disclose confidential information without providing prior notice to the impacted market participant. CAISO Tariff, Section 20.4(c).

Operationally, an annual subpoena framework establishes the categories of information to be provided, with new requests discussed in advance by the parties. The CAISO responds to most requests on a monthly basis, allowing the CPUC to conduct ongoing oversight and compliance activities. The CPUC also provides that information to the Public Advocates Office, subject to the same confidentiality protections.

In addition to the subpoena framework, the DMM has partnered with the CPUC to meet other state information and data needs in a variety of ways:

- Tailoring specific metrics or analysis of DMM's publicly available reports in response to questions or concerns of state regulators and their participants.
- Occasionally, the DMM has posted special aggregated data related to a report that is publicly available.
- The DMM has assisted the CPUC in pinpointing the specific data supporting its analyses within the confidential datasets already in the CPUC's possession.
- The DMM has helped the CPUC formulate additional data requests that have been added to an ongoing subpoena.

3. Data Access for Other Western States Today

Western states with market participants should understand the scope and mechanism they currently have to access data. To date, the CAISO has not received data requests from other state regulators. However, as CAISO's markets continue to grow across the West, requests from other state agencies to fulfill their statutory obligations or respond to FERC Orders are expected. One such example is Utah, which requires the Commission to obtain data from an RTO or ISO.[27] Another example is the potential for applicable Washington agencies to request GHG attribution data needed to fulfill the state's cap-and-invest reporting requirements that become effective in 2027. Appendix P of the CAISO Tariff includes provisions for how the DMM should interact with state regulators[28]:

- DMM may release raw data to a state commission provided that confidentiality is maintained.
- If DMM agrees to provide a state commission with raw data that pertains to a specific market participant, DMM shall notify the affected market participant in advance in order to give it the opportunity to contest the accuracy of the data and to provide notice of commercial sensitivity and confidentiality.
- If the affected market participant asserts that the data to be provided is commercially sensitive, DMM shall share such sensitive information or data only if the state commission agrees in writing not to disclose the information unless directed by a court of competent jurisdiction in order to guarantee proper safeguards following disclosure, which are to be maintained via a confidentiality agreement between the DMM and the state commission.
- DMM shall not provide any requested information or data that is designed to aid an enforcement action by an instrumentality or political subdivision of any state.

[27] Utah Code Ann. §§ 54-27-10-105 (2026) https://le.utah.gov/xcode/Title54/Chapter27/54-27.html?v=C54-27_2026050620260506
[28] CAISO Tariff, Appendix P, Section 8

4. AB 825 Compliance and Recommendation

The Launch Committee acknowledged the importance of providing access to data and market information to help states ensure compliance with state laws and regulations, and understand the impacts of present and future market design elements on their economic priorities and energy policies. This need for transparency was reflected in the recommendations in the Final Proposal and codified in AB 825:

> "Subject to reasonable confidentiality provisions, market data is available to the commission and the Public Advocate's Office of the Public Utilities Commission, and other states' commissions and public advocate offices, to the same or greater extent as existed on December 31, 2024, for the markets governed by the Independent System Operator." [29]

Because much of the information currently provided to the CPUC is via a subpoena process that is specific to California law, it would not be feasible to replicate the existing process to other states. Additionally, other states may require different information depending on their regulatory frameworks, resource planning obligations, reliability programs, or consumer protection mandates. However, the underlying principle is the same: ensure access to needed data for relevant regulators within the market footprint, while respecting the need for confidential treatment.

The ROWE Board should work under this principle, in partnership with the CAISO and applicable state and local regulators, to identify the information needed by those bodies to meet their individual statutory responsibilities and develop an information request process. A potential solution could include:

> *Tariff revision.* Amend the tariff to authorize CAISO to provide state specific market information to state agencies that may have a statutory obligation that requires certain market information. Each state agency could submit periodic information requests identifying the categories of data needed to fulfill its statutory responsibilities. The ROWE and CAISO partner to would evaluate and provide the requested information pursuant to tariff provisions and applicable confidentiality protections. Each participating agency would execute a non-disclosure agreement (NDA) with the ROWE and CAISO to ensure that confidential market participant information remains protected.

This model would create a predictable process for other state agencies, reduce administrative burden, provide transparency to market participants, and establish consistent confidentiality protections across jurisdictions. At the same time, it preserves flexibility by allowing each state to request information tailored to its own regulatory needs.

AB 825 Compliance and Summary of Recommendations

[29] CA Pub Util Code § 345.6(7) (2025)

Consistent with the Final Proposal recommendation, and the requirements of AB 825, the ROWE Board should consider the above process for state agencies to have access to at least the same amount of data and analysis as the California agencies and the California Public Advocates Office receive today. There should be no restrictions on the provision of information other than those imposed by FERC and any confidentiality[30] restrictions contained in the CAISO tariff, federal or state law, contract, or otherwise. This generally maintains the current structure of producing and sharing information but expands access to other states for them to support their statutory responsibilities.

b. [30] These recommendations are consistent with FERC's requirements for market monitors as codified in *Wholesale Competition in Regions with Organized Electric Markets*, Order No. 719, 73FR64,100 (Oct. 28, 2008), FERC Stats. & Regs. ¶ 31,281 (2008).

CHAPTER 5: BUDGET & FINANCE

A. PROPOSED ACTION PLAN

The following actions are recommended to the ROWE Board for consideration as it considers how to manage the finances of the new organization:

1. Accounting Services
    a. Review the use of Global Impact for future ROWE accounting services and evaluate if services from another provider should be considered.
    b. The evaluation of accounting services should include desired financial reporting requirements and management of grant reporting.
2. Debt Financing of Startup Costs
    a. Review the proposed loan agreement for startup cost funding and approve or evaluate alternative funding options.
    b. If the ROWE Board approves the proposed loan, execute the necessary documents with the lending bank including setting up an account with the bank.
3. Budget Review
    a. Review the 2026, 2027, and 2028 draft budgets in light of the ROWE Board's adopted implementation plan and adjust accordingly.
    b. In adjusting the budgets, the ROWE Board should also consider the limited funding available during the startup period.
4. Budget Process
    a. Discuss and approve a budget process for the ROWE going forward including considering a collaborative timeline with the CAISO budget process.
    b. Coordinate as appropriate with the CAISO budget process to ensure that costs are properly reflected in the proposed tariff charges starting after go-live planned in 2028.
5. Cost Recovery
    a. ROWE should engage with the CAISO regarding the role of ROWE in the triennial Cost of Service Study. The next study will be initiated in 2027 for implementation in 2028.
    b. This engagement should also include a discussion on how ROWE costs will be recovered and allocated to the market participants.

B. GLOBAL IMPACT CONTRACT STATUS

To date, ROWE accounting, financial, and contracting services have been managed through a contract with Global Impact, which allows ROWE to operate as a tax-exempt entity under Global Impact's IRS-approved 501(c)(3) status using Global Impact as its fiscal sponsor. The ROWE Board may want to consider other options for managing the organization's accounting functions going forward including contracting with another firm. This may be especially true with the intent to enter into a loan arrangement with a bank for startup debt financing. This will likely require that ROWE open an account with the bank providing the loan. An early Board decision will be whether to continue this arrangement with Global Impact or obtain accounting services from another provider.

C. Financial Reports

Currently, financial reporting is provided by Global Impact as part of its services to ROWE. This includes monthly financial statements and annual IRS reporting. The ROWE Board will want to consider how frequently it will want to receive financial reports and include financial reporting as part of its decision on accounting and financial services going forward.

D. Debt Financing

Over the long term, ROWE operating revenues will come from tariff funding provided initially through the CAISO tariff. Current ROWE formation expenses have been funded via stakeholder contributions, interested-party grants, and significant stakeholder support. These financial resources plus stakeholder "sweat equity" are limited but are expected to support formation activities through approximately the third quarter of 2026. Additional funding will be needed to complete the remaining formation work to bridge until the long-term tariff funding is available. To address this need, the Formation Board pursued debt financing through a bank loan to cover remaining formation costs in 2026 and 2027 and support an anticipated ROWE go-live in early 2028. The loan would be guaranteed by CAISO, and FERC has recently approved the required CAISO tariff amendment. One of the ROWE Board's initial decisions will be whether to approve a startup cost loan with a bank recommended by the Formation Board. If approved, ROWE will likely need to open an account with that bank.

E. Grant Agreements

As noted above, several foundations have provided grants to the ROWE to assist in the startup effort. These grants total $350,000 and were provided from:

- Arthur M. Blank Foundation
- Heising Simon Foundation

The tracking and reporting of these grants is being performed by Global Impact, and this service will also need to be factored into any decision on future accounting support. In addition to the above grants, the Pathways group also pursued grant funding from the Department of Energy. Initially, funding was authorized in late 2024 but communications with DOE regarding the award have stalled. This may be a source of funds that the ROWE Board might like to pursue further.

F. Budgets (2027-2028)

The Formation Board adopted a 2026 budget at its March 19, 2026 meeting and has developed preliminary budget estimates for the Board's consideration for ongoing startup efforts in 2027 and the initial year of operations in 2028. These budget estimates are provided in **Appendix H** to this report. They include a month-by-month estimate of expenditures that would be required to execute on the implementation proposals included in this Briefing Book, including hiring staff and securing consulting services. The draft 2028 budget assumes that the ROWE will have FERC-approved tariff authority in place and includes the minimum level of staff estimated for

the ROWE to execute its scope of services, as well as new expenditures including BOSR, the CAO, a Market Expert, reserve contributions, CAISO services, and debt repayment.
An early action for the ROWE Board would be to review these estimates and decide whether they should be adjusted to meet the Board's priorities for organization formation.

G. ROWE Budget Process

To meet its corporate fiduciary responsibilities and provide independent market oversight, the ROWE needs to have an open and transparent budget process. For the foreseeable future, the ROWE's revenue collection and cost allocations will remain linked to the CAISO budget process, tariff, and accounting systems. The ROWE should include all necessary costs to fulfill its scope of services including:

- Staff labor and Board compensation, including direct and indirect costs
- Contract support
    - In addition to all other contracts, this should also include the costs associated with the services provided by the CAISO in support of market operations and other services (e.g. – Resource Adequacy Program) as a program administrator contracted to ROWE. Such costs should include labor, software, and hardware support, etc.
- Administrative Support (e.g. – computer services, travel, office space, etc.)
- Capital cost allocations
- Funding reserves

The current CAISO budget process usually kicks off in June of each year with internal reviews throughout the summer and finalizing the budget in the fall for CAISO Board of Governor (BOG) approval for the coming year. ROWE staff should initiate its budget process in advance of the CAISO budget process (e.g. – March of each year). This would include developing the costs associated with the planned scope of activities for the coming year. (NOTE: To the extent feasible, the ROWE staff should also consider developing a multi-year 3-5 years forecast of expected expenditures.) The scope of services would be defined by the support necessary for routine operations along with projects defined as part of the stakeholder processes (see Chapter 9).

Part of the scope/cost development should include discussions with the CAISO Senior Vice President (SVP) for Western Market Services to agree upon the scope and level of service that the CAISO will provide in the coming year. As part of its budget development process, the ROWE staff should include open discussions with the stakeholder community (perhaps via the Stakeholder Representatives Committee) on the planned scope and cost estimates for the coming year. The goal should be to have an initial scope of services and draft budget with ROWE Board initial concurrence by the June timeframe to coincide with the start of the CAISO budget process. As the CAISO budget process evolves over the subsequent months, the ROWE staff should monitor, via the CAISO SVP of Western Market Services, whether there are any impacts to the requested support from the CAISO, which could result in either changes in the scope of

services or need to seek other contract support to accommodate the scope of services. The ROWE Board should approve its budget concurrent with the CAISO BoG approval of the CAISO budget to support defining the tariff charges for the coming year.

ROWE staff should meet with the CAISO early in 2027 to lay out the detailed budgeting process for 2028 and beyond.

H. Cost Recovery Mechanism

ROWE and CAISO have been discussing the importance and strong stakeholder support for clear, transparent cost information between the parties that should be built into the budgeting, finance, and cost-of-service efforts as we progress forward**.** Critically, the way in which cost data is recorded and reported will affect the ability of the ROWE and CAISO to ensure accurate separation of CAISO costs by function. Accurate separation, in turn, will facilitate sound rate design.

The groundwork for sound rate design begins with the CAISO's triennial cost-of-service study to update its revenue requirements. The current study has been delayed to allow CAISO staff to assess how EDAM implementation may affect costs and allocations under the new market structure. CAISO currently plans to begin preparations in 2027 and implement the next study in 2028. ROWE staff should engage CAISO staff early in 2027 and participate in discussions on the study approach and potential cost-allocation impacts. ROWE staff should also remain active participants in future cost-of-service studies, including evaluation of conducting its own study if and when it makes sense for the organization.

CHAPTER 6: STAFFING & EXTERNAL RESOURCES

A. PROPOSED ACTION PLAN

The Board should prioritize the following actions in securing staffing and external resources:

- ✓ Confirm or adjust as necessary the search process for the Chief Executive Officer
- ✓ Initiate the hiring process for the General Counsel, Executive Assistant, Technical Advisor, and Stakeholder Process Director.
- ✓ Determine whether to hire an interim executive director or other temporary staff immediately.
- ✓ Secure external support for project management, facilitation, legal support, and accounting including evaluation of current contractors.
- ✓ Consider appointment of a transition team of stakeholders or other advisors to support work pending hiring of ROWE staff.
- ✓ Consider creation of other task forces of stakeholders to assist with other specific issues.
- ✓ Create a task force of stakeholders and experts to work on scoping the Evolution Analysis (see Chapter 10) and the underlying stakeholder process.

B. BACKGROUND/INTRODUCTION

The ROWE Board will have significant administrative, technical, and legal tasks over the course of the next 18-24 months. **Appendix A** includes a 2026 Work Plan for the ROWE Board's consideration with activities necessary to complete the corporate formation and the foundation for the remaining implementation tasks. This chapter contains ideas for resources including staff and external support to assist the ROWE Board in getting this work done in an efficient and transparent manner.

The Step 2 Proposal also included a recommendation for the ROWE to have an Office of Public Participation (OPP) tasked with educating and facilitating engagement by individuals, entities, and non-governmental interest groups in regional market issues and governance. The ROWE Board should hire an OPP Director as soon as tariff funding is available to develop a work plan for implementation of the proposed scope of work contained in this chapter.

C. PRIOR TO HIRING STAFF

In its first 90 days, the ROWE Board will have the following categories of work:

- Hiring staff/HR requirements
- Financial/Accounting requirements
- Board/Governance requirements
- External engagement activities
- Tariff/Regulatory Structure development activities including the ROWE/CAISO Coordination Agreement

Completing this work will require clear ownership, many meetings, frequent communication, and strong organization. Before the ROWE Board has staff to support its work, there are several potential sources of support it may consider.

1. Project Management

The immensity of the ROWE Board's role in the ROWE's start-up makes it critical to secure a project manager very early in the process. The project manager would use project management software to track required actions, timelines, ownership, and more in key areas.

2. Facilitation, Legal, Communications, and Accounting Support

The Launch Committee and Formation Committee (and now the Formation Board on behalf of the ROWE) have been working with several outside consultants to enhance its work through facilitation, legal support, and accounting. Each of those relationships is described below, have contracts in place, and the Board may consider extending them with a refinement of scope as appropriate.

a. Utilicast

Facilitation Work Performed to Date.

Utilicast has supported the Launch Committee and Formation Committee through the life of the effort. Support has taken the form of project facilitation and general coordination. The level of effort and duties have remained flexible through the engagement and have shifted to adapt to whatever was needed at a given point in time. Examples of support that has been provided are as follows: scheduling meetings, creating agendas, facilitating meetings (internal work groups and public stakeholder meetings), tracking and follow up of action items, communication with stakeholders, budget tracking, document creation, document editing, slide creation for external presentations, work plan creation, fielding questions from Launch Committee, Work Group, and Formation Committee members, building relationships and working collaboratively with all parties, and acting as a sounding board for co-chairs and work group leads. This behind-the-scenes support has acted as the glue that has helped keep all of the different pieces together and moving forward.

While separate from work with the Launch Committee and Formation Committee, Utilicast has also been supporting the initial stakeholder process for the Regional Resource Adequacy effort. That facilitation support has been similar to the support described above.

Anticipated Facilitation Needs.

It is anticipated that the Board will have similar facilitation and coordination related needs through the end of 2027. Needs will likely be greater until initial staff is brought on and fully up to speed, but depending on workload and bandwidth, could taper down towards the end of the year. Given the schedule, scale, and volume of work that the Board will be tasked with during

2027, the existing strong relationships and "institutional knowledge" that Utilicast holds could be advantageous, helping maximize efficiency in progressing the work ahead to stay on schedule. With the uncertainty of staffing, facilitation and coordination support could range from part to full time. The hourly contract rate for Utilicast for 2027 is $255/hr. To date the Utilicast contract has been structured in a way to allow for flexibility in level of support needs through the duration of the contract by utilizing a monthly "do not exceed" limit. This flexibility has been useful and allowed for ease in either ramping up support during intensive periods, or ramping support down based on decreased needs.

The draft ROWE budget includes $20,000 per month through the end of 2027 for facilitation support.

b. Ashurst Perkins Coie

Legal Work Performed to Date

1. FERC Regulatory Analysis (Jan-Sep 2024)

The team produced a comprehensive legal evaluation analyzing several structural options for ROWE's governance relationship with CAISO. This analysis assessed risks under both California corporate law and federal energy regulatory law. It examined Section 205 filing rights, RTO independence requirements, delegation of authority, and precedent from PJM, SPP, MISO, NYISO, and ISO-NE. The work informed the Launch Committee's selection of Option 2.0 in the Step 2 Final Proposal. *Total investment: approximately $197,000.*

2. Corporate Formation (Jan 2025 - Mar 2026)

Counsel drafted and filed ROWE's Delaware certificate of incorporation (filed January 2026). Counsel also drafted the bylaws governing ROWE's board structure, committee framework, stakeholder engagement, open meetings, and tariff authority. The bylaws reflect the Step 2 Final Proposal's governance recommendations. *Total investment: approximately $100,000 (with some overlap with the tax-exempt workstream, below).*

3. Tax-Exempt Status (Oct 2025 - Jun 2026)

ROWE filed its Form 1023 application for 501(c)(3) recognition with the IRS in March 2026. The application addresses ROWE's charitable purpose of providing independent regional governance over Western energy markets. The IRS requested additional information in May 2026. Counsel submitted a comprehensive supplemental response on May 29, 2026. The IRS approved the tax-exempt status in June 2026. *Total investment: approximately $150,000.*

4. Board Selection and Governance Support (Apr-Jun 2026)

Counsel coordinated with the Lyceum search firm on board candidate criteria, independence requirements, and conflicts analysis. Counsel prepared a board selection policy and conflict of

interest policy. This work remains ongoing through the initial Formation Board meetings. *Total investment to date: approximately $65,000.*

Anticipated Legal Needs (Next 12-24 Months)

The time and cost for outside counsel will depend on the hiring timeline and ability of the ROWE General Counsel. Since the General Counsel is not expected to be on board until the first to second quarter of 2027, it is expected that the Board will want to retain outside legal counsel at least until the General Counsel can offer input. The primary legal workstreams are:

- Preparing and filing ROWE's governance tariff at FERC (establishing Section 205 filing rights and authority delineations) *Legal spend estimate: $75,000-$150, 000*

- Negotiating CAISO tariff modifications (classifying tariff sections as ROWE sole, CAISO sole, or shared authority) *Legal spend estimate: $50,000 - $100,000*

- Drafting the ROWE-CAISO bilateral agreement (governing market operator services, cost allocation, and accountability) *Legal spend estimate: $150,000 - $200,000, including analysis of need for FERC filing*

- Identifying and adopting required governance policies and performing other "outside general counsel" duties. *Legal spend estimate: ~$25,000 per month, at least initially.*

- Negotiating financing documents for ROWE's initial operating costs: *Legal spend estimate: $50,000 - $100,000, depending on complexity of security documents and collateral package.*

- Develop strategy for and oversee engagement in California Public Utilities Commission rulemaking and CAISO review process necessary under AB 825 for approval of California IOU participation in ROWE markets. Legal spend estimate: *$150,000-$250,000 depending on engagement by ROWE General Counsel*.

Board Oversight Role for Legal Services

- The Board will, among other duties:

    - Negotiate, in coordination with counsel, and authorize the FERC regulatory structure filing – including the Governance Tariff, the Integrated Tariff, and the Coordination Agreement.

    - Oversee, in coordination with counsel, the approval of California IOU participation in ROWE markets by the California Public Utilities Commission.

    - Oversee and adopt development of several policies required by the bylaws and AB 825.

- Legal and other startup costs represent a significant portion of ROWE's formation budget. The Board has fiduciary responsibility to oversee these expenditures and ensure they align with implementation priorities.

The draft ROWE budget includes $37,500 per month through the end of 2028 for "Tariff Expert Support/Outside Legal Counsel." This could be increased in the early months to cover an outside Technical Expert (see below) and outside legal counsel and adjusted as General Counsel and additional legal staff are hired.

c. RenUSA

Communications Work Performed to Date

RenUSA is a communications and public affairs firm with a focus on the energy industry and has provided proactive, reactive, and thorough communications support to the ROWE as the entity has been contemplated and preparing for board seating this month. This support has consisted of:

- Providing strategic counsel for communications and marketing,
- Responding to media inquiries and tracking media mentions,
- Maintaining relationships with media contacts,
- Developing website content and facilitating site updates,
- Creating social media content,
- Assisting with branding recommendations,
- Administrative assistance for website logins and access.

Anticipated Communications Needs

It is anticipated that the new ROWE board will need to develop its own brand and messaging, respond to media inquiries, and be prepared with thoughtful, strategic talking points that reflect the character of the ROWE and are sensitive to the political landscape in the West. (See Chapter 8) RenUSA's history with this initial communications process and deep expertise in industry communications strategy and messaging would enable us to continue assisting the Board and Chief Executive Officer in a professional manner until a new Communications Director is hired full-time: RenUSA can continue to assist with the following, as appropriate and determined by the ROWE board:

- Strategic communications advice for engagement with political/governmental entities and agencies,
- Media engagement,
- Creating branding and associated assets,

- Developing strong messaging for multiple audiences,
- Building out a website and social media presence,
- Training ROWE spokespeople/spokesperson for media engagement,
- Administrative assistance for website, social media logins and access.

The draft ROWE budget includes $10,000 per month through March 2027 for outside communications support and $31,250 per month beginning in April 2027 for a Communications Manager on ROWE staff.

d. Global Impact

Fiscal Sponsor Services Performed to Date

As part of our Fiscal Sponsorship for ROWE/West-Wide, we use our experience and expertise to focus on the needs and goals most important to you, and perform the following services:

- Fiscal Sponsorship
    - Our 501(c)(3) status allows your organization to apply for and receive grants and establishes donations as tax deductible.
- Financial Management support
    - Provide monthly financial reporting on account balances and donations.
    - Represent ROWE/West-Wide to financial partners, including donors, auditors, public officials, and other stakeholders as appropriate.
    - Liaise with donors to facilitate processing and reporting of donations.
    - Report donor details back to your organization, including gross amount of donations, to facilitate donor acknowledgment and ongoing cultivation.
    - Pay organizational vendor and contractor expenses
- Compliance, Contract, and Vendor Management
    - Due diligence for new vendors including obtaining W9s (domestic) or W8s (foreign) and conducting OFAC background checks on all international vendors
    - Assistance with development and compliance review of contract templates
    - Individual vendor profiles on AP accounting platform
    - Tracking of vendor invoices and activities against contractual obligations
- Grant Management, if needed
    - Schedule of important reporting dates
    - Budget templates
    - Drafting, review, approval, and execution of grant agreements
    - Closeout procedures and final reports.

In addition, we provide thorough financial management services, including:

- Maintaining all bank accounts, financial holdings, and accounting software;
- Handling the processing of receipts, and the recording and reconciling of revenue and receivables;
- Ensuring financial integrity and accountability.

- Incorporating ROWE/West-Wide activities into our annual audit, consolidated financial statements, and annual Form 990.

Anticipated Accounting/Bookkeeping Services

Please see **Appendix I** for a description of Fiscal Agent services that Global Impact could provide.

The draft ROWE budget includes $2000 per month through the end of 2026 for Global Impact's fiscal sponsor services. Since the ROWE has its own EIN and approved non-profit status and will have a Board in place that will be responsible for making fiscal decisions, the Board could either continue working with Global Impact as its Fiscal Agent, work with a different company as a Fiscal Agent, or pursue services with independent accounting bookkeeping firms. The draft budget also includes $5000 per month (with $7500 in October for start-up fees) for accounting support through the end of 2028. See **Appendix J** for more information about the non-profit administrative services the ROWE will need to have in place.

3. Stakeholder Task Forces

The Pathways Initiative has been supported and executed by a large number of volunteers. The Launch Committee included 26 representatives from 12 sectors; the Formation Committee included 7 representatives from the Launch Committee plus liaisons from the BOSR, the CAISO Board of Governors, and the WEM Governing Body; the Formation Board included 6 representatives from the Launch Committee; the Work Groups in the initial proposal development phase and in the implementation phase to date have included Launch Committee representatives as well as many stakeholders from across sectors and organizations in the West; the CAISO staff has served as technical advisors from the beginning of the Pathways Initiative; and countless stakeholders have attended public meetings, provided written comments, and served as informal resources on all kinds of topics and issues.

While the Launch Committee, Formation Committee, and Formation Board will no longer convene on their own, there are many participants who are willing to continue to support the ROWE Board on a volunteer basis as appropriate. The ROWE Board could identify discrete activities or categories of work that individuals or a small group of volunteers could assist with, tracking and reporting those activities in a transparent manner. When using stakeholders to assist with certain work, the Board should consider the person or organization's position or interests in the markets to ensure that no conflict of interest exists.

4. Transition Team

In conjunction with the Stakeholder Task Forces, the ROWE Board may want to appoint a transition team for Board orientation, education, and ongoing guidance. The Transition Team could include stakeholders or other individuals with relevant experience.

5. CAISO Staff

The CAISO staff has served primarily as technical advisors to the Launch Committee, Formation Committee, and Work Groups from the beginning and has also occasionally provided administrative support such as scheduling and coordinating meetings. The ROWE Board should continue to rely on input from the CAISO staff, especially to understand how various markets and processes operate today. The CAISO staff has also offered to provide some administrative support to the ROWE before it has staff in place. The relationship between the ROWE and CAISO should be transparent and should also ensure that there are no conflicts of interest.

The draft ROWE budget includes $10,000 per month for support from the CAISO through the end of 2027.

6. Interim Executive Director or Staff Support

The ROWE Board could decide to hire an interim/temporary staff person dedicated to assisting the ROWE Board to complete all the pre-hiring activities. Depending on what kind of work the ROEW Board wants the person to do and how long the ROWE Board wants the help, there are different kinds of temporary work agencies that may help place the appropriate person/people.

Among other things, this role could take on completion of the administrative tasks needed for the ROWE to fully operate including evaluating and recommending consultants/organizations for accounting/bookkeeping, IT services, HR, insurance, etc. as well as options for IT equipment and software and licenses including records and a CRM tool. This person could manage relationships with existing and new contractors, as well as any stakeholder task forces and the Transition Team. In addition, this person could support the ROWE Board's stakeholder outreach for efforts including evaluating the ROWE principal place of business and beginning a scoping exercise for the ROWE Evaluation Analysis.

The draft ROWE budget includes $50,000 per month through the end of 2026 for this support.

D. ROWE STAFF

1. Overview

The draft 2026 and 2027 budgets include a number of key staff and outside consultants that the Board could hire that would be necessary to implement and oversee the functions and services the ROWE will provide in an independent and transparent manner. The salary and benefits packages included in the budget are estimates based on high level research for similar roles. The timing reflects an estimated timeframe for the ROWE to implement, develop, and offer certain services, as well as support the ROWE's relationship with the CAISO.

It is critical that the ROWE hire an adequate number and the appropriate level of staff and external support to ensure full execution of its sole authority over the market rules. Some of the key functions may include compliance and auditing, market monitoring, legal, finance, and

stakeholder relations. The ROWE-CAISO agreement will articulate the services and support that the CAISO will provide to the ROWE for the various processes and analysis that the ROWE requires. However, the ROWE must have adequate expertise to demonstrate independent judgment and authority over the market rules.

The limited number of initial staff also reflects part of the Launch Committee mission: "A primary goal will be to minimize duplication and incurrence of costs for both the market operator and market participants." As the ROWE evolves in the coming years, the Board should ensure that it has the appropriate number and level of staff for the corporate structure and service offerings, and work with the CAISO to minimize staff duplication as appropriate.

2. Initial Hiring

Chief Executive Officer

Upon hearing some concern from ROWE Board candidates about the lack of staff when the ROWE Board is seated, the Formation Board asked Lyceum to interview the "long list" (26) of ROWE Board candidates about their interest in having the Formation Board begin the search for an Executive Director/CEO, recognizing that the ultimate hiring authority resides solely with the ROWE Board. With unanimous support for beginning the process, the Formation Board voted at a public meeting to move forward with Lyceum to develop a position description and begin candidate recruitment, reserving the right to make changes to the position description, change or restart the search process, and evaluate and choose candidates solely to the ROWE Board. If the process does not change, the ROWE Board could select a final candidate as early as January 2027.

The draft ROWE budget includes $71,000 per month starting in January 2027 for this role.

Executive Assistant

The ROWE Board should consider beginning a search for this person before the CEO is hired but provide an opportunity for the CEO to evaluate candidates and make a final decision.

The draft ROWE budget includes $15,000 per month starting in January 2027 for this role.

General Counsel

The ROWE Board should consider beginning a search for this person before the Executive Director is hired but provide an opportunity for the ED/CEO to evaluate candidates and have input into the final decision. Hiring the General Counsel is a critical path milestone in achieving a timely launch, given the central importance of the FERC filing.

The draft ROWE budget includes $50,000 per month starting in January 2027 for this role. It also includes $75,000 per month for two additional legal staff starting in December 2027.

Contract Technical Assistant/Advisor

The ROWE Board should consider hiring a contract Technical Assistant/Advisor to initially assist the Board prior to the hiring of the ED/CEO and to provide additional support to the ED/CEO in the early days of the organizational transition and negotiations with the CAISO. This is not intended to be a permanent position.

See the description above under legal counsel for budget considerations.

Stakeholder Process Director

The Board should hire a Stakeholder Process Director as soon as possible that can implement and oversee the ROWE Stakeholder Process, including any external support for the stakeholder process from consultants or CAISO.

The draft ROWE budget includes $62,500 per month for two stakeholder process staff roles starting in April 2027.

E. CAISO Support at Governance transition

As discussed in the section above, it is critical that the ROWE have staff and support that are directly accountable to the ROWE and that are at the appropriate level to ensure that the ROWE can independently verify and oversee the execution of and changes to the market rules. The Step 2 Proposal also recommended that the ROWE rely on the CAISO for support for many functions and expertise. The support and services that the CAISO will provide to the ROWE will be captured in the ROWE/CAISO Coordination Agreement and must include mechanisms for the ROWE to verify and have confidence in the independence of those services.

As part of the ROWE/CAISO Coordination Agreement negotiations, the ROWE budget process will include accounting for the services that the CAISO will provide to the ROWE. Chapter 5 includes a high-level description of the ROWE budget process as envisioned by the Formation Committee. As a placeholder, the draft budget includes $100,000 per month for CAISO services once the ROWE tariff authority is in place in 2028.

F. Office of Public Participation (OPP)

The Step 2 Proposal recommended the creation of an OPP within the ROWE based on the FERC OPP. Below is a proposed scope of work for the Board to consider that reflects the goals from the Step 2 Proposal as well as input from the FERC OPP on the roles and responsibilities this office could include.

1. Purpose

The OPP is an internal office of the ROWE tasked by the Board of Directors with addressing barriers to participation for individuals, entities, and non-governmental interest groups in

regional market issues and governance by providing accessible, reliable, and neutral explanations of ROWE processes and issues.

2. Mission

The OPP's mission is to empower, promote, and support public voices in ROWE processes.

3. Scope

The OPP's work product will complement the detailed technical and policy work available and performed by other staff. The OPP will not be responsible for or affiliated with any ROWE decision making and will focus its efforts on providing neutral information about ROWE processes and topics.

The OPP will perform the following responsibilities, as resources permit:

- Prepare a primer explaining how to participate in the ROWE processes
- Prepare explanatory materials on a variety of topics and processes including ROWE Governance and Board procedures
- Produce neutral explanations of policy proposals and roadmaps for public engagement on specific issues
- Proactively engage with members of the public across the region by hosting in-person and virtual meetings, publishing documents, and producing other content through a variety of media to explain issues being considered at the ROWE and the methods for further public participation
- Engage in external communications related to neutral education (not advocacy)
- Periodically review the ROWE stakeholder and decision-making processes to ensure effective and inclusive public participation
- Develop periodic reports to the ROWE Board that will be available to the public on the results of the review of stakeholder processes and suggest improvements based on these reviews

4. Staffing

It is anticipated that a single staff member will be hired during the first year of operations once tariff funding is available. That staff person should be initially tasked with developing a work plan, which should be posted publicly and made available for comment, to implement the above responsibilities, including prioritization of tasks and reporting structure. The work plan should include scenarios demonstrating what can be accomplished within the initial budget and a

proposal for potential expansion of scope consistent with additional budget and staffing. A scope of activities and staffing should be approved by the ROWE Board and CEO.

The draft ROWE budget includes $29,166 per month starting in December 2027 for this role.

CHAPTER 7: EXTERNAL ENGAGEMENT

A. PROPOSED ACTION PLAN

The ROWE Board should schedule meetings with the Body of State Regulators (BOSR), the Consumer Advocate Organization (CAO) Advisory Council, and the Tribal Engagement Work Group to discuss the ideas and recommendations contained in this chapter and next steps for implementation.

B. BACKGROUND

The ROWE Board will have relationships with several distinct groups that have different roles and characteristics than other stakeholders and market participants. These include the BOSR, the CAO, and tribes. The content of this chapter was developed by each of those groups or their representatives.

The BOSR was originally created in 2015 as a self-governing, independent body that provides a forum for BOSR members to exchange information, discuss market developments, and provide input from the perspective of the public interest on EDAM, WEIM, and related CAISO developments that may be relevant to their jurisdictional responsibilities as utility regulators. This chapter provides a history of the BOSR and ideas for how the BOSR and ROWE Board relationship could work.

The CAO is an organization being established by state consumer advocate office representatives and will also be a self-governing, independent body. However, it does not yet exist so this chapter provides an update on the work done to date and what steps are ahead.

The Formation Committee created a Tribal Engagement Work Group to explore how the ROWE should create structures and processes that provide engagement opportunities for tribes that reflect the unique nature of those entities as sovereign governments as well as market participants and stakeholders based on the functions that different tribes may have. This chapter provides an overview of the conversations that Work Group has had to date, as well as a proposal for partnership with Gridworks and Lepwe to continue work with tribes to bring recommendations to the ROWE Board about what those structures and processes should look like.

C. BODY OF STATE REGULATORS

1. Introduction

The ROWE Bylaws state that the purpose of the ROWE is to provide independent governance over energy markets "while acting in the public interest."[31] This public interest mandate is a foundational premise of the ROWE's authority. States and state regulators, given their primary

[31] Regional Organization for Western Energy By-laws, Art. II Purpose.

jurisdiction over retail service and resource adequacy within their respective jurisdictions, are uniquely positioned to inform the ROWE's pursuit of its public interest mandate. Article IV of the ROWE Bylaws and Chapter 4 of the Step 2 Proposal establishes the BOSR as a core component of the ROWE's public interest framework.

The ROWE BOSR will be a self-governing committee composed of state utility regulatory commissioners from states with entities participating in EDAM and WEIM, along with advisory public power and power marketing administration liaisons.[32] The ROWE BOSR will have a seat on the ROWE Board Nominating Committee, and the ROWE Board will establish a standing item at its public meetings to hear from a ROWE BOSR representative regarding the ROWE BOSR's ongoing activities, initiatives, and positions related to the market. The ROWE BOSR will be an independent advisor to the ROWE and may file written advice to the ROWE Board on any topic related to the operation of the WEIM or EDAM markets, and any other programs that may be established under the jurisdiction of the ROWE. The ROWE BOSR will also be an active participant in the ROWE stakeholder process and engage in indicative voting for relevant initiatives.

Each state represented on the ROWE BOSR will retain the right to assert its own positions independently to FERC, the ROWE Board, or any other entity.

The design of the ROWE BOSR outlined in the ROWE Bylaws and Step 2 Proposal is inspired by the Western Energy Markets (WEM) BOSR, the state committee in the current WEM governance framework. As stated in the Step 2 Proposal, the WEM BOSR will transition to become the ROWE BOSR in the ROWE governance framework and maintain its self-governance, structure, and independence. FERC's approval of the ROWE tariff will trigger the formal transition of the WEM BOSR to ROWE BOSR.

During the interim period, prior to approval of the ROWE tariff, the existing WEM BOSR will take on dual roles and responsibilities as an advisor to both the WEM Governing Body and ROWE Board. While the intent of the initial design of the ROWE BOSR is to preserve the core functions and structure of the existing WEM BOSR, the initial design is not intended to preclude future modifications of scope, members, and authority as necessary to maintain state independence and oversight of ROWE service offerings.

With this transition in mind, this section provides an overview of the existing WEM BOSR, including its structure, staffing, and activities, before describing the ROWE's BOSR design and establishment in greater detail.

[32] The non-voting liaison positions were established during the 2021 WEIM Governance Review to provide perspectives from consumer-owned utilities and federal power marketing administrations, reflecting their growing participation in Western energy markets and their unique positions as load-serving entities outside the jurisdiction of state utility commissions. Their inclusion recognizes the value of these perspectives while preserving the BOSR's role as a self-governing, independent body of state regulators. As a self-governing organization, the BOSR retains sole authority over its membership, including liaison positions, as well as its structure, governance practices, and decision-making processes.

2. The WEM BOSR

The current WEM BOSR is a self-governing, independent body composed of one commissioner from each state utility regulatory commission in which a load-serving regulated utility participates in the CAISO Western Energy Markets, including the EDAM and WEIM. The WEM BOSR currently includes commissioners from Arizona, California, Idaho, Montana, Nevada, New Mexico, Oregon, South Dakota, Texas, Utah, Washington, and Wyoming.[33] In addition, the WEM BOSR currently includes three liaisons: two liaisons representing consumer-owned utilities (COUs) and one liaison representing federal power marketing administrations (PMAs).

The purpose of the WEM BOSR is to provide a forum in which BOSR members can exchange information, discuss market developments, and provide input from the perspective of the public interest on EDAM, WEIM, and related CAISO developments that may be relevant to their jurisdictional responsibilities as utility regulators. The WEM BOSR facilitates the exchange of state perspectives, enabling state utility regulators to contribute informed input while enhancing their understanding of evolving market structures. Primary activities of the WEM BOSR include:

- Holding monthly meetings to provide information to members about the WEM and to provide a forum for discussion.

- Expressing a common position in CAISO stakeholder processes or to the WEM Governing Body on EDAM and WEIM issues.

- Selecting a member to serve as a voting member of the WEM Governing Body Nominating Committee.

Each state represented on the WEM BOSR retains the right to assert its own positions independently to FERC, the WEM Governing Body, CAISO, or any other entity.

a. History of the WEM BOSR

The WEM BOSR's role in the WEM governance framework traces back to the framework's inception in the long-term WEIM governance structure put forward by the EIM Transitional Committee and authorized by the CAISO Board of Governors in 2015. The WEM BOSR was formed in 2015 as a self-governing, independent body, as it exists today. Since its creation, the WEM BOSR has received independent administrative and operational resources, staff support, and technical expertise from the Western Interstate Energy Board (WIEB).

The most significant change to the WEM BOSR's structure since its creation was the addition of the three advisory, non-voting, liaison positions: two representing COUs and one representing

[33] While the WEM BOSR has updated its working title to reflect its engagement in both the Energy Imbalance Market (EIM) and the Extended Day-Ahead Market, the WEM BOSR's charter still uses its original name, the EIM BOSR.

PMAs. The liaison positions were developed during the WEIM Governance Review in 2021 and subsequently approved by the WEM BOSR. Their addition was meant to reflect both the expansion of the WEIM to include a greater share of COUs and PMAs as well as these entities' unique positions as load serving entities that exist outside of the jurisdiction of state commissions. While there was considerable discussion on how best to incorporate the perspective of consumer-owned utilities in the growing market footprint, the current design reflected the consensus that the aligned consumer- and public-focused missions of public power and the states were best served by inclusion of public power as liaisons in the BOSR.

In recent years, the WEM BOSR has also engaged with the Pathways Initiative and the development of the ROWE to provide the states' perspective on the evolution of the WEM governance framework. The WEM BOSR has engaged in the Pathways Initiative through comments submitted during Steps 1 & 2 and through the participation of three WEM BOSR members as liaisons to the Formation Committee. A WEM BOSR member also participated in the ROWE Nominating Committee process to select nominees for the inaugural ROWE Board.

Until the ROWE tariff is approved, the WEM BOSR will continue operating in a transitional dual capacity, maintaining current activities and engagements with the WEM Governing Body on governance and market design issues while also engaging with the ROWE Board and relevant ROWE start-up processes.

b. Leadership Structure

The WEM BOSR elects one member to serve as its Chair and one member to serve as its Vice Chair. Both positions have a term of one year.

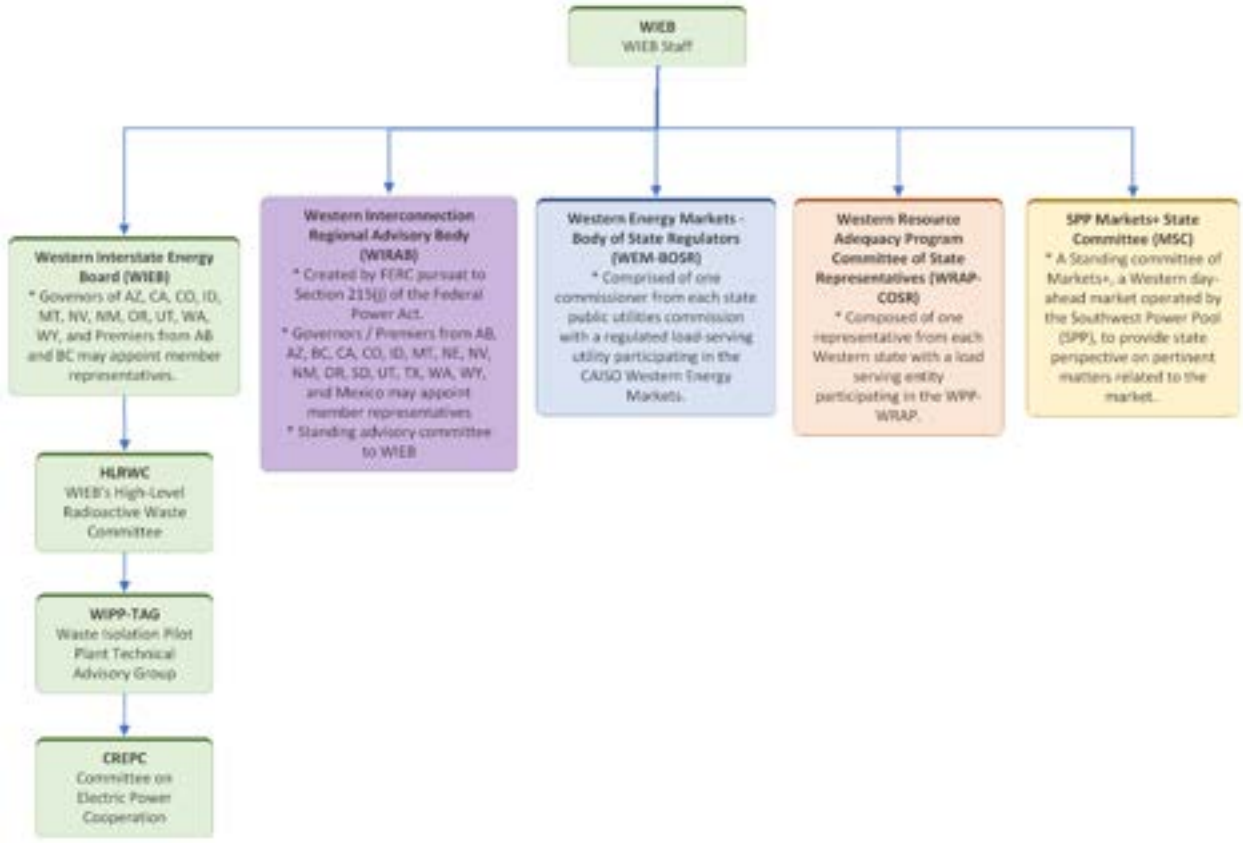
c. Relationship with the Western Interstate Energy Board

The WEM BOSR receives independent administrative and operational resources, staff support, and technical expertise from WIEB. This relationship is codified in a 2019 Memorandum of Understanding between WIEB and the WEM BOSR.

WIEB is an instrumentality of the states formed in 1970 pursuant to the Western Interstate Nuclear Compact, P.L. 91-461. WIEB provides the instruments and framework for developing energy policy cooperatively among member states and provinces and the federal government to enhance the economy of the West.[34] WIEB currently shares staff and operational resources with the Western Interconnection Regional Advisory Body (WIRAB). WIRAB was created by the FERC in 2006 upon petition of the western governors. WIEB also provides staff support and operational resources to the Western Resource Adequacy Program (WRAP) Committee of State Representatives (COSR) and the Southwest Power Pool (SPP) Markets+ States Committee (MSC). WIEB, WIRAB, WEM BOSR, COSR, and MSC are independent sister organizations

[34] WIEB member states and provinces include Alberta, Arizona, British Columbia, California, Colorado, Idaho, Montana, Nevada, New Mexico, Oregon, Utah, Washington, and Wyoming.

that share staff and operational resources but maintain independent governance and decision-making. The following chart illustrates the relationships between the organizations:



d. Current Activities

The WEM BOSR's current activities span formal voting participation in selecting the WEM Governing Body Members, monthly meetings for member education and to develop committee comments and positions related to the WEM, participation in CAISO stakeholder processes, engagement with the WEM Governing Body, and advisory roles in regional governance initiatives.

WEM Governing Body Nominating Committee Participation. The WEM Governing Body Nominating Committee (WEM Nominating Committee) contains a voting position for the WEM BOSR. The WEM BOSR selects one member to act as its representative on the WEM Nominating Committee. As a WEM Nominating Committee member, the WEM BOSR representative facilitates the WEM BOSR's input into the Nominating Committee and the slate of nominees ultimately presented to the WEM Governing Body.

Monthly Meetings. The WEM BOSR holds monthly meetings to inform members about WEM developments and to provide a forum for discussion. These meetings feature briefings from CAISO staff and subject matter experts (including the Department of Market Monitoring and

Market Surveillance Committee), WIEB staff, FERC, and others on market design topics, ongoing stakeholder initiatives, comments under WEM BOSR consideration, nominating committee progress, and developments relevant to members' public interest regulatory responsibilities. These meetings are usually virtual; however, the WEM BOSR typically meets in person at least twice per year in conjunction with the spring and fall joint CREPC-WIRAB meetings.[35] The monthly meetings are also typically open to the public, though the WEM BOSR occasionally meets in closed session when discussing sensitive matters, such as WEM Nominating Committee candidate deliberations or to develop committee positions.

CAISO Policy Initiatives. The WEM BOSR monitors and comments on CAISO stakeholder initiatives relevant to its members' public interest responsibilities. The WEM BOSR may develop comments expressing a common position for submission into CAISO stakeholder processes on issues affecting EDAM and WEIM design and implementation. The WEM BOSR strives to operate on consensus when submitting comments. The WEM BOSR also submits comments on CAISO's annual Policy Initiative Catalog and Roadmap process, with the aim of recommending the prioritization of new and existing policy initiatives for further development.

WEM Governing Body Engagement. The WEM BOSR is invited to provide advice and input on matters within its scope of interest and to report on its activities at each WEM Governing Body general session meeting. Typically, the WEM BOSR Chair shares these remarks. Consistent with the CAISO stakeholder process, the WEM BOSR may also submit formal recommendations, advice, or input on market policy issues directly to the WEM Governing Body. Such submissions generally correspond with the consideration of market policy issues that are scheduled for deliberation or decision by the WEM Governing Body.

The WEM BOSR and WEM Governing Body also engage outside of formal WEM Governing Body meetings. WEM Governing Body members frequently attend public WEM BOSR meetings. The WEM BOSR also routinely meets with members of the WEM Governing Body informally when both bodies are in person together. The in-person meetings typically occur at the spring and fall Joint CREPC-WIRAB meetings and alternate between meetings of the full membership of both the WEM Governing Body and the WEM BOSR and leadership-only meetings of just the Chair and Vice-Chair of both bodies.

BOSR-Hosted Western Markets Training. The WEM BOSR hosts at least one market training event each year. Past training events have ranged from presentation-based trainings led by CAISO staff on WEM market design and processes to interactive, game-based trainings led by

[35] CREPC is the Committee for Regional Electric Power Cooperation. CREPC is a joint committee of WIEB and the Western Conference of Public Service Commissioners and is composed of an energy office official and a regulatory utility commissioner from each of the Western states and Canadian provinces and focuses on electric power system policy issues that require regional cooperation in the West.

WIRAB is a Section 215(j) regional advisory body under the Federal Power Act that has the authority to advise FERC, NERC, and WECC on matters pertaining to electric grid reliability in the Western Interconnection.

Both WIRAB and CREPC are WIEB-supported organizations.

Stanford University faculty focused on the economic incentive structures created by real-time and day-ahead market designs.

Regional Issues Forum (RIF) Participation. The RIF has historically invited the WEM BOSR to participate in its annual RIF Roundtable meeting dedicated to CAISO's Policy Initiative Catalog and Roadmap process. The WEM BOSR may send a representative to the meeting to share remarks expressing the WEM BOSR's policy initiative priorities and perspective on the direction of policy initiative work underway.

Visit to FERC. The representative of WEM BOSR, typically the Chair and/or Vice-Chair, participate in a WIEB-coordinated delegation trip to Washington, DC every year. The delegation visit includes leadership from WIEB, CREPC, WIRAB, WEM BOSR, COSR, and MSC. The delegation meets with FERC commissioners and staff at FERC headquarters and U.S. Department of Energy (DOE) leadership and staff at DOE headquarters. The visit is intended to strengthen coordination between federal regulators and western state and provincial policymakers.

e. Engagement with the Pathways Initiative

The WEM BOSR closely monitored the Pathways Initiative from its inception to help ensure that protection of the public interest was a central consideration throughout discussions among stakeholders. While the WEM BOSR maintained a neutral position toward the Pathways Initiative as a whole, the WEM BOSR submitted comments on specific elements of the governance changes under consideration in Steps 1 and 2 to ensure public interest protections remained strong as the framework evolved.[36]

Since the creation of the Formation Committee, three WEM BOSR members have served as non-voting liaisons to that group with the purpose of sharing information between the Formation Committee and the WEM BOSR as the ROWE design evolved, and sharing the states' perspective when relevant.

f. Participation in the ROWE Board Nominating Committee

As with the WEM Governing Body Nominating Committee, the ROWE BOSR has a voting seat on the ROWE Board Nominating Committee. The inclusion of state regulators, and consumer advocates, as voting members on the ROWE Nominating Committee provides the Committee with a vital public interest perspective in evaluating candidates and guiding the direction of the ROWE Board.

The WEM BOSR fulfilled the role of the ROWE BOSR in the inaugural convening of the ROWE Nominating Committee. The WEM BOSR selected WEM BOSR Vice Chair John

[36] WEIM BOSR Comments on the West-Wide Governance Pathways Initiative Step 1 Proposal

WEM BOSR Comments on the West-Wide Governance Pathways Initiative Step 2 Proposal

Hammond, Commissioner of the Idaho Public Utilities Commission, to serve as its representative to the ROWE Board Nominating Committee for its inaugural nominee search.

3. The ROWE BOSR

The WEM BOSR will formally transition to the ROWE BOSR and serve as the ROWE state committee upon approval of the ROWE tariff. The ROWE BOSR will continue to operate as a self-governing, independent body that represents the public interest by ensuring the protection of customers and promoting an equitable and reliable marketplace. It will maintain its core set of activities and responsibilities, including advising the ROWE Board, participating in the ROWE Nominating Committee, engaging in the ROWE stakeholder process, and holding monthly meetings. As part of its role under the ROWE framework, the ROWE BOSR may also participate, and, where appropriate, intervene in proceedings before FERC. While the intent is to preserve the core functions and structure of the existing WEM BOSR, the design is not intended to preclude future modifications to the ROWE BOSR's role and authority as ROWE governance evolves. The ROWE BOSR will continue to receive independent staffing and administrative support through WIEB.

Each state and the consumer-owned/federal power marketing administrations represented on the ROWE BOSR will retain the right to assert its own positions independently to the FERC, the ROWE Board, or any other entity.

a. ROWE BOSR Funding

The funding of the ROWE BOSR is one element of the BOSR design that will change under the ROWE. The Step 2 Proposal moves BOSR funding from individual service agreements with State-Regulated Market Participants, the current funding model of the WEM BOSR, to a single source of funding through the ROWE tariff.[37] This modification affects only the source of funding and does not alter the ROWE BOSR's structure, authority, independence, or responsibilities.

Tariff-based funding will provide a consistent and predictable source of funding, safeguarding the ROWE BOSR's independence from external, variable funding sources as well as establishing a more streamlined administrative process. Tariff-based funding will also offer greater transparency and accountability, as the ROWE tariff would ultimately be subject to review by FERC. Lastly, a tariff-based funding mechanism will bring the ROWE BOSR in alignment with the other public interest groups included in the Step 2 Proposal as well as state committees in other regional markets.

The ROWE BOSR, together with WIEB staff, will develop an annual budget for consideration and approval by the ROWE BOSR membership. Following approval by the ROWE BOSR, the budget will be submitted to the ROWE Board for inclusion in the overall ROWE budget and

[37] State-Regulated Market Participants is the term used for the various investor-owned utilities that participate in CAISO's Western Energy Markets that currently fund the WEM BOSR.

approval. Funding for the ROWE BOSR will be allocated to the ROWE market participants through the ROWE tariff and will include a billing determinant that would not subject POUs or entities not regulated by the BOSR to be subject to these costs.

b. Participation in the ROWE Stakeholder Process

The ROWE BOSR will be an active participant in the ROWE stakeholder process on matters that it determines have public interest or state regulatory implications. Its engagement will extend across the stakeholder process, from development of the Policy Initiative Catalog and Roadmap, through individual policy initiative stakeholder processes, and ultimately to final policy decisions by the ROWE Board. The ROWE BOSR will participate through written comments, indicative voting, and direct advice to the ROWE Board. Consistent with the WEM BOSR's current role, the ROWE BOSR will operate by consensus and seek to present a common position of state regulators.

The ROWE BOSR's participation in the stakeholder process does not require its inclusion as a formal sector of the ROWE Stakeholder Representative Committee (SRC). Given the SRC's proposed role as a forum for stakeholder input and the ROWE BOSR's distinct, direct advisory relationship with the ROWE Board, maintaining a formal separation between the ROWE BOSR and the SRC is appropriate. The ROWE BOSR will therefore participate in the stakeholder process as a non-SRC participant when appropriate, including through submission of comments and participation in the indicative voting framework.

The ROWE BOSR's status as a non-SRC participant would not diminish the value of its participation in the indicative voting process. Because indicative voting is intended to inform the ROWE Board, the ROWE BOSR's votes would provide the ROWE Board with a clear indication of state regulators' views while its direct advisory role would provide an additional avenue for communicating those views.

The distinction between ROWE BOSR's participation in indicative voting and its exclusion from the formal SRC structure is particularly important with respect to the automatic remand process. Because the ROWE BOSR would not be a formal SRC sector, a ROWE BOSR vote would not count toward or trigger an automatic remand. The automatic remand determination is based solely on the votes of the formal SRC sectors. Where the ROWE BOSR's formal recommendation differs from the outcome of the SRC process, the ROWE Board would therefore need a defined mechanism for considering and addressing that divergence as part of its decision-making process. Such a mechanism could provide for the ROWE Board to consider the basis for the ROWE BOSR's position, the nature of the divergence from the SRC outcome, and whether the difference warrants additional stakeholder consideration or other action before the ROWE Board makes its final decision. The mechanism would provide a transparent means for the ROWE Board to consider the distinct perspective of state regulators without making the ROWE BOSR a formal participant in the SRC or altering the automatic remand thresholds. The proposed mechanism is described in greater detail in the "Topics for Discussion" section below.

Finally, the appropriateness of maintaining the ROWE BOSR outside the formal SRC structure depends in part on the role and authority ultimately assigned to the SRC. As long as indicative voting remains an advisory mechanism intended to inform, rather than determine, ROWE Board decisions, there is a clear basis for maintaining ROWE BOSR outside the SRC's formal sector structure and voting thresholds. If, however, the SRC's role or voting framework evolves into a more formal decision-making structure in which sector votes have a more direct effect on outcomes, establish binding outcomes, or otherwise materially constrain the Board's discretion, the ROWE BOSR's role should be re-evaluated. In that circumstance, maintaining ROWE BOSR entirely outside the formal voting structure could result in state regulators having a materially different level of influence than other stakeholders despite the ROWE BOSR's direct advisory relationship with the ROWE Board.

c. Engagement with the ROWE Board

Largely following the pattern of engagement between the WEM BOSR and the WEM Governing Body, the WEM BOSR proposes the following forms of engagement between the future ROWE BOSR and the ROWE Board:

- The ROWE Board will establish a standing item on its public meeting agenda to hear from a ROWE BOSR representative.

- The ROWE BOSR will be an independent advisor to the ROWE and may file written advice to the ROWE Board on any topic related to the governance, design, and operation of the WEIM or EDAM markets, or other associated programs that may be developed and are related to ROWE BOSR member jurisdiction (e.g., EDAM Resource Adequacy).

- The ROWE Board will be welcome to send representatives to attend public ROWE BOSR meetings.

- The ROWE BOSR and ROWE Board will maintain a cadence of informal meetings when representatives of both bodies are together in person at relevant regional convenings.

- The ROWE BOSR's written position is included in applicable FERC filings approved by the ROWE Board (see more detailed discussion below).

- Additionally, the WEM BOSR proposes that the ROWE BOSR and ROWE Board schedule formal closed session meetings as needed. These meetings will ensure state regulators maintain awareness and provide feedback to the ROWE Board on ROWE design issues as they evolve. They must meet the requirements of the ROWE's Open Meetings Policy. These meetings would be closed to only members of the ROWE BOSR, ROWE Board, and their respective staff to support productive coordination between the two bodies.

The activities above describe the steady-state pattern of engagement between the ROWE BOSR and ROWE Board, in place once FERC approves the ROWE tariff and the ROWE assumes full governance authority over EDAM and WEIM. The WEM BOSR proposes that this pattern be established from the outset, beginning between the WEM BOSR and the ROWE Board upon the seating of the inaugural ROWE Board, as described below.

d. ROWE Start-Up Phase Activity

Prior to FERC approval of the ROWE tariff and the formal transition of WEM BOSR to ROWE BOSR, the WEM BOSR will take on the role and responsibilities of the ROWE BOSR. During this early stage of the ROWE start-up process, the WEM BOSR will have a dual role as the state committee in both the WEM and ROWE governance frameworks. The WEM BOSR will be an advisor to both the ROWE Board and the WEM Governing Body, participate in both bodies' nominating committees, and engage in both ROWE and WEM stakeholder processes. The WEM BOSR's monthly meetings will continue to cover topics related to both the WEM and the ROWE.

The WEM BOSR foresees active engagement with the ROWE Board on the ROWE tariff design and other relevant ROWE start-up activities that impact the public interest framework embedded in the ROWE design. Relevant aspects of the initial organizational, governance, and tariff design will include, but are not limited to:

- tariff funding for the ROWE BOSR,
- the ROWE BOSR's standing in the ROWE stakeholder process, and
- the ROWE BOSR's role in the ROWE Board's Public Policy Committee.

Addressing these topics will require sufficient opportunities for the WEM BOSR to meet and engage with the ROWE Board. As such, the WEM BOSR proposes that the forms of engagement listed above begin between the WEM BOSR and the ROWE Board upon the seating of the inaugural ROWE Board, with the WEM BOSR standing in the place of the ROWE BOSR. Two points are specific to this interim period:

- **Informal meetings.** The WEM BOSR proposes that this cadence begin at the Fall 2026 Joint CREPC-WIRAB meeting in Missoula, MT, October 13–15, 2026, and continue at subsequent regional convenings.
- **Closed session meetings.** The WEM BOSR proposes that closed session meetings begin following the seating of the inaugural ROWE Board and be scheduled as needed and in compliance with the ROWE Open Meetings Policy. Meetings held prior to ROWE tariff approval may also include WEM Governing Body members and would be closed to only members of the WEM BOSR, ROWE Board, and WEM Governing Body and their respective staff.

e. Topics for Discussion

The WEM BOSR anticipates that the following topics will warrant discussion with the ROWE Board over the course of the ROWE's start-up phase.

ROWE Chief Executive Officer Search: The selection of the inaugural CEO will be one of the most consequential decisions made during ROWE's start-up phase. The CEO will play a central role in shaping the organization's culture, establishing its credibility and stakeholder relationships, and building its operational foundation during a period of significant institutional development. The WEM BOSR encourages the ROWE Board to take whatever steps it deems necessary to ensure confidence in the independence, integrity, and effectiveness of both the CEO selection process and the resulting appointment.

BOSR's role in the ROWE stakeholder process: The SRC voting structure and remand process recommended by the Formation Committee reflect refinements made to the stakeholder process since the approval of the Step 2 Proposal. Following the presentation of these recommendations at the Launch Committee's August 14, 2026, stakeholder meeting, the WEM BOSR submitted comments to the Formation Committee outlining two proposed dispute resolution mechanisms for the ROWE Board to consider in cases where the ROWE BOSR's position on a final policy proposal differs from the SRC stakeholder process:

- The WEM BOSR recommended that the ROWE Board be required to consider and formally respond to the ROWE BOSR's position when it differs materially from the outcome of the SRC process. The Board should consider the ROWE BOSR's recommendation alongside the SRC remand vote and summary of stakeholder positions, as well as the views of the ROWE's other advisory bodies, including the Market Monitoring Unit, the Market Surveillance Committee, the Market Expert, etc. If the ROWE Board ultimately approves a proposal that is contrary to the ROWE BOSR's recommendation, the ROWE Board should explain the basis for its decision and how it considered the ROWE BOSR's position. This would give meaningful effect to the ROWE BOSR's distinct advisory role without making the ROWE BOSR a formal SRC sector or altering the remand thresholds.

- The WEM BOSR also recommended that the ROWE BOSR be permitted to include its written position in the record accompanying the applicable FERC filings. This would preserve the state regulators' position in the formal record without altering the ROWE Board's authority to make the final policy decision.

The WEM BOSR welcomes discussion of its proposals and plans to engage the ROWE Board as it designs and implements the ROWE stakeholder process.

The pace of tariff development and other initiatives: The WEM BOSR recognizes that the ROWE Board will need to work promptly and efficiently to draft the ROWE's initial tariff. The

WEM BOSR recommends that the need to expeditiously develop and receive approval for the ROWE initial tariff is balanced with sufficient time afforded to stakeholders to ensure a robust stakeholder process. The WEM BOSR recommends this balance of efficiency and stakeholder participation be maintained as a guiding principle in all future stakeholder processes.

State authority and filing rights: The Step 2 Proposal outlines a ROWE BOSR that maintains the same level of authority and the same FERC filing rights as the WEM BOSR. The WEM BOSR seeks to maintain an ongoing dialogue with the ROWE Board on the role and authority that will be appropriate for states as the ROWE develops and expansions of the ROWE's governance are considered. Such expansions might include, but are not limited to, the resource adequacy proposal that is under development by EDAM market participants or future exploration of ROWE governance over ancillary services.

The WEM BOSR looks forward to working in partnership with the ROWE Board to establish an independent governance structure for the WEM that continues to deliver economic and reliability benefits to ratepayers in the West.

f. Additional Resources

- WEM Body of State Regulators Website
- WEM Body of State Regulators Meeting Registration
- Charter for WEIM and EDAM Governance
- EIM Body of State Regulators Charter [38]
- WEM Body of State Regulators 2026 Business Plan and Budget
- Memorandum of Understanding Between the Western Interstate Energy Board and the WEIM Body of State Regulators
- Western Interstate Energy Board Website

D. CONSUMER ADVOCATE ORGANIZATION

The Consumer Advocate Organization (CAO) is a key component of the ROWE's structure, intended to ensure sustained, coordinated participation by state-designated consumer advocates and representation of consumer interests in ROWE's regional market. Experience in other regions has shown that state consumer advocates, which generally represent end use customers and are often the primary representatives for residential and small commercial consumers of the electric utilities, face significant barriers to participating fully in regional energy markets.

The ROWE's framework provides for tariff-based funding for the CAO and is based on the best practices used in other regional markets. The framework is also consistent with California AB 825, which requires funding for a consumer advocate organization and directs the regional organization to facilitate engagement with state consumer advocate offices. CAO membership is defined to include the state-designated consumer advocate in each state that has a utility participating in the Western Energy Markets (WEM). This formal membership structure recognizes the distinct role of state-designated consumer advocates, including with respect to

[38] The WEM BOSR charter will be updated to reflect its relationship with the ROWE following approval of the ROWE tariff.

data access rights, and does not preclude the CAO from collaborating with other organizations that represent consumers.

The consumer advocate sector representatives on the Launch Committee (California and Utah) have contacted all state-designated consumer advocates in the WEM footprint, inviting them to participate in the development of the CAO. A subset of the eligible consumer advocate offices has formed an interim Advisory Council and has begun CAO formation work with the goal of filing incorporation documents and an application for federal tax-exempt status in Q1 2027.

The consumer advocates look forward to working directly with the ROWE Board on specific organizational processes, including but not limited to the framework and processes for managing and communicating operating budgets and distributing tariff funds. They also anticipate continuing to engage with the ROWE as it refines its governance tariff and operating agreement, transitions certain market oversight activities and further develops the stakeholder processes.

E. TRIBAL ENGAGEMENT

1. Introduction

Tribal engagement must play a key role in any Western market. Approximately 223 sovereign Tribal Nations are co-located within the 11 western states that make up the ROWE market footprint. Each Tribal Nation may participate in ROWE in a variety of ways: Tribes own and operate utilities and govern utility commissions/authorities that regulate electric service delivery and protect Tribal citizen consumers; Tribal entities develop utility-scale generation and storage projects, operate distributed energy systems, host and operate large commercial and industrial loads. A successful ROWE Tribal engagement strategy and approach will not only allow for successful market governance today and in the future but will also address the historical lack of Tribal inclusion and consideration that continues to plague and weaken the overall western grid.

The goal must be to design structured processes that ensure the significant interests and activities of Tribal Nations are actively acknowledged and accounted for in ROWE decision-making. Currently, those processes do not exist within the ROWE governance framework.

2. Background

a. Tribal Nations are Directly Impacted by ROWE Operations but are not Currently Represented in ROWE Governance

Tribal Nations hold extensive rights, governance, and infrastructure across the ROWE footprint. However, Tribal Nations are not currently represented in the existing informal stakeholder engagement structures (i.e., they have not yet participated in the Launch Committee sectors or Pathways Initiative stakeholder processes). This is despite significant Tribal interests.

Within the ROWE footprint Tribal Nations collectively maintain:

- ~230 reservations (where Tribes and/or tribal utility commissions have jurisdiction, but where Tribal customers are often served by non-tribal utilities, infrastructure, and rates set by state PUCs);
- ~65 treaty areas with associated Tribal treaty rights;
- ~223 ancestral territories;
- 15+ Tribal utilities (Tribal utilities, and/or Tribal utility commissions maintain specific jurisdiction and state PUCs lack jurisdiction over the Tribal utility;
- 25+ Tribal regulatory commissions or authorities; and
- 22+ Tribal Nations engaged in various stages of utility-scale generation, including as owners of key generation assets.

Tribal Nations not only maintain key regulatory positions but also infrastructure and development rights that will have significant impacts on the existing and future functionality of the WEIM and EDAM electricity markets. Tribal Nations are seeking to be (and through appropriate engagement and partnership can be) instrumental to an efficient, reliable Western grid.

The DOE's 2026 draft National Transmission Needs Study (DOE 2026 Draft Needs Study) includes a map of Tribal Nation reservations and lands within the various Needs Study regions. While this map is far from exhaustive of Tribal rights – for example, it fails to show treaty areas, ancestral territories, utility service areas, transmission or generation ownership, etc. – it may be a helpful starting point for the ROWE Board to understand the significant Tribal land areas within the ROWE footprint.

Source: National Laboratory of the Rockies (2026b).
Note: Tribal land in the map primarily refers to reservations but also includes spaces like Oklahoma Tribal Statistical Areas and Alaska Native Villages. This map includes both federally and state-recognized Tribes, as well as concentrations of Tribal members outside of reservation areas.

As the entity that will govern the WEIM and EDAM electricity markets covering much of the Western Interconnection, ROWE should be particularly mindful of Tribal Nations. However, currently the only ROWE body with Tribal participation is the Tribal Engagement Work Group (*see* Section 2 *below*). While this group is an important step in the inclusion of Tribal Nations, it is insufficient as the sole mechanism of Tribal representation – particularly given that ROWE will certainly impact Tribal Nations and their rights. As sovereign nations with unique, federally recognized rights, Tribal Nations are not just customers, consumers, or members of the public; they are key governmental, utility, and commercial actors that should be specially identified, engaged, and consulted with.

b. Early ROWE Formation Tracks a Historical Lack of Tribal Nation Engagement and Inclusion in Electricity Markets

Western energy markets and grid development have historically left out Tribal Nations – from routing transmission lines around and away from Tribal lands to failing to recognize unique sovereign rights, authorities, and needs in market resourcing.

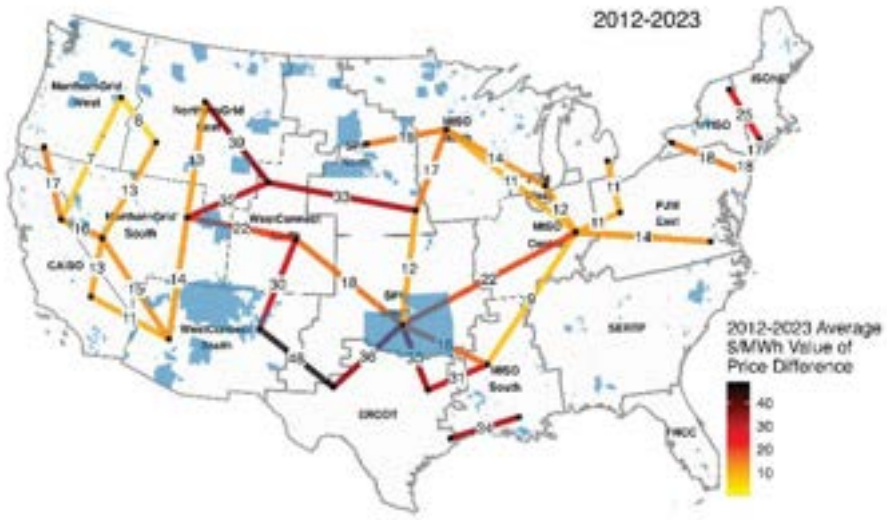
As noted recently in the DOE 2026 Draft Needs Study, Tribal electric delivery service frequently sits at the end of systems, leading to more frequent and longer blackouts and generally higher electricity rates. Additionally, the DOE 2026 Draft Needs Study noted that most of the transmission on Tribal lands is for local network delivery (138kV), which can limit opportunities for utility scale development without significant and costly upgrades.[39] In fact, the lack of transmission infrastructure is one of the most significant barriers to energy and broader economic development on Tribal lands, with transmission and interconnection costs significantly increasing the cost of Tribal energy development, especially because many Tribal lands are not adequately served by existing infrastructure and markets.

[39] U.S. Department of Energy, *National Transmission Needs Study: Draft for Consultation and Public Comment* (July 2026), 76-79.

More recently, some states and markets have made efforts to better incorporate and consult with Tribal Nations. For example, the California Public Utilities Commission adopted a formal Tribal Consultation Policy in 2018. Since then, several additional Tribal policies have been developed, including CPUC Resolution E-5076 (2021), which formally adopts the policy that when an investor-owned utility seeks to dispose of real property under Pub. Util. Code § 851, transferring to an interested Tribe within whose ancestral territory the land sits in is in the public interest (recognizing both Tribal historical rights in ancestral territories and the contemporary Tribal sovereign interest in utility service and infrastructure ownership).

Despite some contemporary efforts, the historical exclusion of Tribal Nations continues to negatively impact Tribal energy markets. As identified by the Coalition of Large Tribes (COLT) Tribal Transmission Committee (CTTC) in their comments on the DOE 2026 Draft Study, by overlaying a map of Tribal lands over the study's Locational Marginal Pricing (LMP) map, you can easily identify that many Tribal Nations sit on the corridors between interconnections and in regions with the highest LMP differentials.

Figure 6: LMP Differentials for Cross-Interconnect and Inter-Regional Links with Tribal Lands



These transmission infrastructure failures are one clear example of how historical policies of Tribal exclusion continue to plague contemporary Tribal electricity delivery and generation, which are not only important to Tribal Nations but central to the successful future operation of ROWE.

3. Future Revisions of ROWE Governance Should Include Tribal Parity and Inclusion

The ROWE Board should review existing and future governance structures and policies to better include Tribal Nations and Tribal entities. The Tribal Engagement Work Plan below identifies specific methods and steps (including revising ROWE Bylaws and inclusion of Tribal Nation needs in the ROWE Tariff), but we provide a few examples of necessary changes here:

- Addressing Tribal participation in the Public Policy Committee (PPC), which "[c]onducts outreach to Participating States, state representatives, local power authorities, federal

power marketing administrations, and stakeholders" but does not mention Tribal Nations or Tribal entities.

- Identifying and addressing barriers to Tribal participation in the existing designated market sectors and Stakeholder Representative Committee.

- Recognizing Tribal jurisdiction and regulatory authority as equal to state jurisdiction and regulatory authority and including tribal participation on par with representatives in the BOSR.

- Data sharing and technology policies that acknowledge Tribal data needs and data sovereignty – e.g., the current CAISO Tariff includes provisions for how the Department of Market Monitoring interacts with other Western State regulators, including allowing the DMM to release raw data to a state commission (subject to an NDA or other confidentiality agreement), but does not provide a mechanism for data sharing with Tribal Nations or Tribal Utility Commissions/Authorities.

This is a non-exhaustive list of proposals that will be further specified and broadened over the coming months, as detailed in the Tribal Engagement Work Plan.

4. History of the ROWE Tribal Engagement Work Group

ROWE's engagement with Tribes began recently and has been fairly limited in scope. The Formation Committee recognizes that this engagement must be sustained and deepened in order to meet ROWE's objectives. The Launch Committee first identified the need to engage Tribal entities during the development of the Step 2 Proposal in the summer and fall of 2024, when Tribal engagement was noted as an outstanding issue to be addressed by the Formation Committee. An informal group of Formation Committee members initially discussed how best to appropriately engage Tribal entities in Spring 2026. Additional discussions took place in the Office of Public Participation Work Group (OPP WG) meetings in early Spring 2026. The informal Formation Committee group and OPP WG viewed the OPP as one avenue to support Tribal engagement.

To begin to address the need for Tribal engagement, the informal Formation Committee group and OPP WG used their existing connections to recruit and engage western Tribal representatives in Spring 2026. Tribal representatives were contacted based on consideration of their engagement in related western organizations, particularly Tribal organizations with an electricity sector focus, as well as their understanding of electricity markets and Tribal energy issues, and their potential interest in the Western Energy Markets (WEM) and the ROWE. Initial informal conversations with Tribal representatives focused on understanding the landscape, challenges, and opportunities around electricity market engagement and how Tribes can engage with the ROWE.

This initial outreach with Tribal representatives made clear the need for a more long-term, regular forum where Tribal representatives and others could assess and plan how to create meaningful, accessible opportunities for Tribal participation within the ROWE. To meet this

need, the involved ROWE members, alongside interested Tribal representatives, created the Tribal Engagement Working Group (TEWG). TEWG's goal is to develop a long-term ROWE Tribal engagement plan that can also serve as a model for other organizations.

The Work Group met seven times between April and early September 2026. Though these meetings were organized on an as-needed basis, the Work Group will meet at a regular biweekly cadence beginning in mid-September 2026. During these initial seven meetings the Tribal Engagement Work Group discussed, at a high level, its scope, strategy, and timeline for incorporating robust Tribal engagement opportunities into the ROWE, taking into consideration ROWE's timeline for seating the Board of Directors.

5. Work Plan: Tribal Engagement Support for the Regional Organization on Western Transmission

a. Background

The Formation Committee recognized the need to provide clearer mechanisms for interested Tribal entities to engage in the development of policies, tariffs, and other initiatives at ROWE. To address this need, the Tribal Engagement Work Group engaged Gridworks and Lepwe to facilitate the development of a short- and long-term Tribal engagement strategy and implementation plan in collaboration with this Work Group. Gridworks is an organization that leads collaboration among policymakers, energy providers, utilities, tribes, advocates and communities to meet shared energy goals and build a stronger, more modern energy grid. Lepwe is a Native-owned consulting boutique that works with Tribal Nations and the non-Native entities that seek to consult, engage, and invest in them – developing engagement strategies and partnerships for the long-term through education, engagement, and equity.

b. Project Goals & Objectives

This project aims to design and build a process that ensures Tribal interests are heard and accounted for by the ROWE governing body as it makes decisions about its energy markets. Achieving this goal involves a number of objectives, which will be carried out between September 2026 and December 2027.

OBJECTIVES	DATES
Objective 1: Conduct research and outreach to map Tribal interests in energy markets and ROWE	September 1-December 31
Objective 2: Develop and implement a durable Tribal engagement strategy	October 1-Ongoing into 2027

Objective 1: Immediate actions and initiate a research and outreach strategy to map Tribal interests in energy markets and ROWE (October 1, 2026-December 31, 2026)

Tasks Required for this Objective:

1. Establish a shared baseline of understanding of ROWE among members of the Tribal Work Group by providing an accessible overview of ROWE's purpose, history, governance, and organizational structure, membership, committees and working groups, decision-making processes, and relevant governing documents, including bylaws. This foundational orientation will help ensure the Work Group members have a common understanding of how ROWE operates, where the Work Group fits within the organization, and will set the table for understanding where Tribes can influence ROWE's work
    1.1. Create materials (e.g., a one-page overview of ROWE) and host a briefing session facilitated by Gridworks, Lepwe, BOSR, and ROWE leadership

2. Examine how Tribal interests may be more explicitly incorporated into ROWE's bylaws, including the mandate to act in service of the public interest.
    2.1. Recommendations presented to the Work Group for consideration and feedback
    2.2. Development of final recommendations in collaboration with Tribal Work Group

3. Facilitate a collaborative mapping process with the Tribal Engagement Work Group to better understand how Western Tribes interact with energy markets, including the many ways Tribes engage with the energy system; which balancing authorities serve which Tribes; and which Tribes or Tribal associations have the greatest interest or stake in engaging with regional energy markets. This mapping will incorporate information gathered through the following activities:
    3.1. Desk-based research on Tribal engagement with energy systems; identify broad categories and mechanisms for Tribal inclusion.
    3.2. Facilitated discussions with the Work Group to seek input and gather feedback.

Targeted outreach with 10 to 20 Tribes and Tribal associations that are highly involved in the energy system and likely have a high level of interest in ROWE. This outreach will take place through one-on-one calls, and potentially conversations at regional energy or Tribal association convenings.

Objective 2: Develop and implement a durable Tribal engagement strategy (October 1, 2026-Ongoing into 2027)

Tasks Required for this Objective:

1. Develop a strategy and timeline for ROWE's Tribal engagement, and begin to implement this strategy. This strategy should include:
    1.1. In collaboration with the Tribal Engagement Work Group, brief the incoming ROWE Board to provide additional context and answer questions about the Tribal engagement recommendations and Work Plan detailed in the Briefing Book.

1.2. A plan to institutionalize mechanisms for Tribal participation and engagement in ROWE, created in collaboration with ROWE leadership, the ROWE Board of Directors, and the Tribal Engagement Work Group. This plan should include both short-term engagement processes that can be implemented immediately, as well as recommendations for longer-term implementation, which may require amendments to ROWE's existing policies and bylaws.
    1.2.1. Shorter-term engagement recommendations may include institutionalizing Tribal participation and engagement in some or all of the following entities: the CAO, OPP, BOSR, PPC, SRC (and associated Sectors and Stakeholder Engagement Process), and ROWE Board Nominating Committee.
    1.2.2. Recommendations for longer-term implementation may relate to:
        1.2.2.1. How ROWE's PPC may support Tribal engagement and input through a shift in their mandate to collect information and feedback not only from states, local power authorities, and federal Power Marketing Administrations but also from Tribal Governments and Tribal Utility Authorities.
        1.2.2.2. Whether the language governing ROWE's BOSR may be broadened to support spots specifically designated for Tribal regulators.
        1.2.2.3. Whether any changes are needed in the Stakeholder Engagement. Process, Stakeholder Representative Committee, or Sector structure to ensure adequate Tribal representation, as well as a strategy for making any recommended changes during one of the two existing formal opportunities for re-evaluation of the Sector and SRC structures (these opportunities will occur during ROWE's implementation phase and two years after implementation).

1.3. Measures to build needed capacity among Tribes and Tribal associations to enable their leaders to assess ROWE's relevance to their interests. To build this capacity, the strategy will include activities such as workshops where interested Tribal members and associations can learn about ROWE's structure and ROWE's opportunities for Tribal engagement.

1.4. Measures to address needed capacity-building for ROWE Board of Directors and staff to enable their leaders to engage with Tribal Nations, by:
    1.4.1. The ROWE Board should attend facilitated technical information-sharing sessions between Tribal representatives, the SRC leadership, and key staff of the emerging OPP, CAO, and BOSR to ensure these permanent entities are prepared to engage with Tribes.
    1.4.2. ROWE leaders should attend a Lepwe-led training on Tribal interests and engagement in the energy system to ROWE's Board of Directors, once established.

1.5. In implementing the strategy, Gridworks and Lepwe will prioritize establishing long-term processes that can be sustained after Gridworks and Lepwe complete their work with ROWE.

Project Team

- Matt Henry, Director, Gridworks
- Caroline Mackleby, Energy Policy Analyst, Gridworks
- Maranda Compton, Senior Fellow, Gridworks/Founder and Principal, Lepwe
- Alisha O'Connell, Project Manager, Lepwe
- Pat Oshie, Senior Fellow, Gridworks

CHAPTER 8: COMMUNICATIONS

A. PROPOSED ACTION PLAN

The ROWE Board should prioritize the following actions to prepare for communications opportunities that arise in the weeks and months after the ROWE Board is seated.

- Designate a ROWE Board member as primary spokesperson to respond to media inquiries on behalf of the ROWE Board as soon as possible.

- Consider contracting with a communications firm to create a brand and associated assets, develop a message map for consistent communications, build a professional website and social media presence, and complete media/spokesperson training as appropriate within the first 60 days.

- Consider identifying a small stakeholder task force to develop messages and responses to media inquiries for the ROWE Board to use until it has a more robust communications plan in place.

B. BRANDING AND PUBLIC RELATIONS

The ROWE Board will need to develop its own brand and messaging soon after it is seated in order to present a professional look and feel, especially since the new ROWE Board and its initial work will garner a lot of attention. The ROWE Board must be ready to respond to media inquiries, and will need to be prepared with thoughtful, strategic talking points that reflect the character of the ROWE and are sensitive to the political landscape in the West.

The ROWE Board should hire a communications firm that can work with ROWE Board members to create a brand and associated assets, develop a message map for consistent communications, build a professional website and social media presence, and complete media/spokesperson training as appropriate. Hiring a firm that can support the ROWE Board and CEO through proactive and reactive communications opportunities would ensure that the ROWE is able to respond to inquiries in a professional and strategic manner, until a Communications Director is hired and takes on these responsibilities full-time. RenUSA has been providing these services to date (see Chapter 6 for a description of the services and the company).

1. Branding + Message Development

The Formation Committee recommends building a comprehensive message map and brand position document that aligns all board members and other key stakeholders around a consistent set of communications regarding the ROWE.

This effort can include the following steps:

- Host a **brand audit meeting** to review current landscape, key challenges and opportunities for the ROWE to have impact

    - This session should happen in person, with a communications consultant facilitating. The process would be a collaborative one that allows the ROWE Board to shape the messaging together, discuss important considerations and align under a consistent external brand.

- Deliver **brand position** and **messaging map** documents that solidify the ROWE, including **proactive and reactive messaging/FAQ** for press opportunities and other external audiences

- Complete a **brand package** to ensure that the ROWE is visually representative of its board and purpose, and presented consistently in all materials. Elements of the brand package can include:
    - Client Onboarding Kit (administrative recommendations and functional tools for onboarding)
    - Market research & competitor analysis
    - Brand inspiration mock-up
    - New organization logo
    - Logo Variation Pack
    - New brand colors, fonts & graphic treatments
    - Brand Guide with brand usage guidelines
    - 3 Brand Collateral Pieces - Business Card, Email Signature, Letterhead, or Social Media
    - Canva Design Guide

- Recommendations and setup of **social channels** for the ROWE including recommended platforms, handles, back-end setup, branding, and content

2. ROWE Website

The Formation Board secured and built out a landing page for the ROWE for the initial implementation phase (ROWesternEnergy.org). It has a basic layout that can accommodate simple messaging and posting ROWE-related materials. The ROWE Board should move forward with a **complete buildout of the ROWE site,** incorporating approved branding as described above. Estimated timeline for completion of the site is 10-16 weeks, anticipating a longer timeline to account for feedback from a full board.

Website Package (building upon Phase 1 / Landing Page)

- Visual design and website home page mock-up
- Stock image library assets
- Complete content placement (up to 6 pages)
- Integration & organization of Resource PDF library
- Back End Set-Up
- Website Launch
- Search Engine Optimization (so that the ROWE site appears in relevant searches immediately upon website launch)

The ROWE Board should identify one Board member and one backup to "hold the keys" to all logins, passwords and processes with consultants to ensure that the website, social channels and back-end setup can be accessed and managed seamlessly and that all access is owned by ROWE leadership until a Communications Director is hired.

Spokesperson Identification + Media Relations Execution

Before the ROWE Board hires staff, they will be the only spokespeople of the ROWE. The Step 2 Proposal development and the initial ROWE implementation phase have both received regular media inquiries, primarily from trade publications such as RTO Insider and NewsData, as well as other publications like Politico, S&P Global, and local mainstream publications. With a decision-making body in place, the attention on the ROWE will remain steady and likely increase, and the ROWE Board should be prepared with a proactive engagement plan.

A **public relations campaign plan** for engagement with key media could include:

- Developing a **media toolkit** of templates including press release, boilerplate, and key proactive and reactive messaging and FAQ, as well as headshots and bios of the ROWE Board

- **Identify key spokesperson(s)** and **prep** them for press opportunities using approved messaging
    - This could take place in person with a brief media training using messaging developed by the ROWE Board during the brand audit.

- Build out a **calendar** of known milestones and other key opportunities for **media engagement** for the first 6 months following launch and seating of the ROWE Board

3. Key Communications Opportunities

In the year after seating the ROWE Board, there will be multiple milestones and opportunities for the ROWE Board to communicate to the public. These could include:

Board meetings
- Providing notice and materials
- Answering media inquiries
- Adopting key resolutions or implementation milestones

Hiring key staff
- Beginning searches
- Hiring candidates

Stakeholder meetings
- Providing notice and materials
- New stakeholder initiatives (e.g. Resource Adequacy)

FERC filings and approvals

CAISO certification
CPUC rulemaking process and certification
Future EDAM commitments

CHAPTER 9: STAKEHOLDER PROCESS

A. PROPOSED ACTION PLAN

Once the ROWE Board is seated, they should prioritize the following actions:

- Operational- The ROWE Board is going to need to identify structures for the following items:
    - Posting materials including notices, documents, meetings, recordings
    - Commenting tool
    - Voting tool
    - Stakeholder registration tool
    - Prioritization survey tool
- The ROWE Board should adopt a resolution by the end of November outlining the key principles of the ROWE Stakeholder Process based on the stakeholder-supported components contained in this chapter that create a framework that empowers market participants to initiate and evaluate market proposals.
- The ROWE Board should work with CAISO staff to get up to speed on the CAISO's current initiatives and 2027 Roadmap and identify the appropriate engagement mechanisms for the ROWE in those CAISO processes.
    - This should include identifying the ROWE's role in the 2028 Roadmap development.
    - This should ultimately include a process for transitioning any open market initiatives to the ROWE once it has tariff authority.
- Staffing - Through the 2027 budget process, the ROWE Board will need to identify appropriate stakeholder process staff roles for hiring in 2027.
- Interim Stakeholder Process - The ROWE Board will need to define and share the process with stakeholders, determine the resources needed to implement the process.
- Regional Issues Forum (RIF) - The ROWE Board should continue partnership with the RIF to provide input on their enhancements project and ensure a smooth transition to the SRC.
- Full stakeholder process - The ROWE Board will need to assign the development of a workplan to implement the full stakeholder process and address some of the following outstanding items:
    - Sector facilitation
    - Integration of tribal participation
    - A formalized process for partnering with the market operator staff
    - A process for Business Practice Manual Changes
    - Method for determining decisional classification

This chapter of the Briefing Book is unique in that it proposes details related to a process for the ROWE Board's consideration, rather than structures or components of processes and structures. It reflects the unique work of the Stakeholder Process Work Group, which began during the development of the Step 2 Proposal.

B. Background

The stakeholder process is the primary function through which the ROWE will exercise its independent authority over the market rules. Having an accessible, transparent, and efficient process is critical to the ROWE's success and for building credibility and trust across the stakeholder and regulatory community.

The Step 2 Proposal included a set of principles for the stakeholder process based on North American Electric Reliability Corporation (NERC) standards that the ROWE Board should consider as it is implementing the tools and process:

a. Openness – participation open to all persons;
b. Transparency – transparent to the public;
c. Consensus building – build and document consensus;
d. Fair balance of interests – not dominated by a small number of sectors, and respect for minority positions;
e. Due process – reasonable notice and opportunity to participate and to have views considered; and
f. Timeliness – getting things done, not bogged down in stalemates[40]
g. Efficiency
h. Cost minimization

This chapter builds on the recommendations in the Step 2 Proposal and includes more detail about how the various stakeholder process steps could work, including priorities for the ROWE Board to consider for an interim stakeholder process between now and when the ROWE has full authority, funding, and a formal stakeholder process in place.

The ROWE Board will need to incorporate considerations of the initiatives in the Roadmap in its budget process and discussions with the CAISO.

NOTE: It is important to note that while "staff" will often be mentioned throughout the process, it is used generically and is not specific to ROWE or CAISO staff. In instances where CAISO staff does have a role, it will be under the direction of ROWE staff and established through the ROWE/CAISO Coordination Agreement.

Capitalized terms correspond with defined terms within the EDAM tariff except as amended or superseded by the ROWE organizational documents or by any tariffs, policies or agreements adopted by the ROWE Board.

C. The Stakeholder Representative Committee

1. Overview

The Stakeholder Representative Committee (SRC) should be the primary stakeholder body that works with staff to catalog and prioritize initiatives, as well as to define initiative problem

[40] NERC Rule of Practice 304(1)-(6) (effective November 28, 2023).

statements and solutions. The SRC is designed to promote compromise and collaboration within and across sectors on initiatives that will result in changes to the ROWE, market tariff, and services it oversees. SRC representatives should work directly with staff, stakeholders, and other SRC representatives to advise the timeline and process for stakeholder initiatives, identify emerging issues, and develop initiative framing and solution sets. The SRC does not have decision making authority and SRC representatives' primary responsibilities are facilitating and coordinating within their sectors and with other representatives. As described in the voting section, indicative voting is conducted at the individual entity level and the SRC does not vote. The SRC structure is designed to ensure adequate and diverse representation for the work that body is tasked with, putting more emphasis on individual entity votes than the sector-level positions.

The SRC should be committed to promoting access and transparency for stakeholders across the West. Meetings of the SRC should be open, except for litigation, personnel or proprietary/confidential/security-sensitive information. Meetings should be public, recorded, and available for remote participation.[41] The SRC sectors should be self-organized and SRC representatives should be selected by the organizations within each sector. If they so choose, sectors may develop criteria to establish diversity for their SRC representative(s) (e.g., geographic diversity, sector subgroups, etc.). SRC representatives should be responsible for maintaining regular communication with and fairly representing the input of stakeholder organizations within their sector.

The stakeholder process is imbued with the assumption that each entity and group of represented stakeholders participates in only one sector for indicative voting purposes. The ROWE Board should monitor and address any bad faith duplicate representation in various sectors via a strategic proliferation of such membership organizations for voting purposes. Multiple factors, including sector self-policing, tend to discourage this scenario, and this is an unlikely outcome. Nevertheless, the ROWE Board should be prepared to protect the integrity of stakeholder participation and intra-sector voting in this unlikely scenario by re-evaluating its rules regarding assumptions that stakeholders are represented by only one sector, including non-profit membership organization participation.

[41] Meetings convened by SRC representatives for the purpose of conducting organizational activities of the SRC may not be public.

2. Structure

The SRC should be composed of representatives from each of the 9 sectors for a total of 21 seats. The number of seats for each sector may evolve as market services at the ROWE evolve.[42]

	ROWE Sectors	**Number of Seats on SRC**
1	EDAM Entities	2 seats
2	WEIM Entities	3 seats
	[no PMA standalone sector]	*1 additional seat reserved for PMAs in either EDAM or WEIM sector, assuming the PMA is either a WEIM or EDAM Entity
3	ISO PTOs	2 seats
4	Non-IOU load serving entities serving load from WEIM or EDAM.	4 seats * if an entity participates collectively through an EDAM entity (e.g. BANC members), they cannot also participate in a different sector as individual entities (i.e., generators or munis)
5	PIOs	2 seats
6	Consumer advocates	2 seats
7	Large C&I customers	2 seats
8	IPPs, independent transmission developers, and marketers	3 seats
9	Distributed Energy Resources (including distributed generation, storage and demand response resources, aggregators, and enabling hardware and software providers)	1 seat
		Total: 21 seats on committee

To help manage the SRC, there should be an SRC Chair and Vice Chair role. The Chair and Vice-Chair will serve as the primary point of contact with the staff and provide administrative leadership for organizing the SRC. Otherwise, these roles are not intended to impart additional authority. The Chair and Vice-Chair roles should rotate on a yearly basis and be selected by the

[42] For example, while the EDAM Entities have a single seat on the Regional Issues Forum today, by the time a stakeholder process is implemented, the number of utilities who have executed implementation agreements may have increased.

SRC, with each of the nine sectors casting a single vote (for those sectors who have more than one seat, the seated members will work together to determine who casts the vote) for the Chair and Vice-Chair. The Chair and Vice-Chair should be from different sectors. In general, the Vice-Chair should be nominated for Chair the following year after performing the Vice-Chair role.

Each SRC representative should have one alternate to participate on behalf of that SRC representative when the primary representative is unable. This would help spread the burden of participation and enable sectors to have more consistent representation in the SRC efforts. It is the primary representative's responsibility to keep the alternate representative informed to enable meaningful participation.

3. Sectors

a. Current Sector Definitions

The purpose of sectors is to provide diverse perspectives and recommendations, while providing a structure for coordinated engagement among the organizations represented within each sector. Participation in a sector does not preclude participating as a stakeholder. All registered stakeholders, regardless of their sector participation, should be able to participate in the stakeholder process via comments, workshops, and indicative voting. For stakeholders who are not a member of a sector, their votes should not count toward a remand threshold but should be shared with the staff and ROWE Board for information only.

The sectors and number of representatives on the SRC should be assessed as a part of the re-evaluation of the stakeholder process after two years have elapsed of the ROWE being operational. In addition to assessing if representatives are able to dedicate adequate time to the SRC, the ROWE Board should evaluate whether the broader stakeholder community feels the process is sufficiently responsive and successful overall.

The following definitions were developed by the Launch Committee and are meant to provide additional clarity to help identify which sector different entities would fall within. The ROWE Board should revisit these definitions to facilitate participation as appropriate, including to specify tribal participation. Organizations may participate in a sector so long as they have an "active interest" (e.g.: serving load, owning generation, making purchases, representing customers, organizations representing a public interest impacted by the market) in the market within the WEIM and/or EDAM footprint.

EDAM Entities, as defined in the CAISO Tariff: Two SRC Representatives

- A Balancing Authority that represents one or more EDAM Transmission Service Providers and that enters into an EDAM Entity Agreement with the CAISO to enable the operation of the Day Ahead and Real-Time Markets in its Balancing Authority Area.
- EDAM Entities can be investor-owned utilities, federal power marketing agencies, or publicly owned utilities.

WEIM Entities, as defined in the CAISO Tariff: Three SRC Representatives

- A Balancing Authority that represents one or more WEIM Transmission Service Providers and that enters into a WEIM Entity Agreement with the CAISO to enable the operation of the RealTime Market in its Balancing Authority Area.
- WEIM Entities can be both investor-owned utilities, federal power marketing agencies, or publicly owned utilities.
- *There will be one additional seat in either the EDAM or WEIM Entities sector for a Federal Power Marketing Agency, assuming the PMA is either a WEIM or EDAM Entity.* If there are no PMAs in either the WEIM or EDAM, there will be no PMA seat on the SRC.

ISO Participating Transmission Owners: Two SRC representatives

- A party to the Transmission Control Agreement which has placed its transmission assets and Entitlements under the CAISO's Operational Control in accordance with the Transmission Control Agreement.
- ISO Participating Transmission Owners can be investor-owned utilities or publicly owned utilities.

Non-IOU load serving entities serving load from WEIM or EDAM: Four SRC Representatives

- Utilities or load serving entities located within the market footprint that are not included in another sector may include, but are not limited to public power, municipal utilities, cooperatives, or community choice aggregations. May include trade associations.
- If an entity participates collectively through an EDAM entity (e.g. BANC members), they cannot also participate in a different sector as individual entities (i.e., generators or munis). Participation through an EDAM entity is tied to the formal nature of this relationship and the relationship is meant to represent the interests of such entities. This role is different from merely being a customer or embedded entity within an EDAM entity where the EDAM entity is not formally representing the interests of that entity. Because this distinction may not always have a bright line, the sector is empowered to make a determination as to whether an entity falls under this category. This distinction is separate and different from trade association participation, which is discussed below.

Public Interest Organizations: Two SRC Representatives

- Public Interest Organizations are 501(c)(3) organizations that seek to influence market policy in favor of the general public or a broad segment of it, rather than focusing on the interests of its own members, and are actively involved in energy issues within the market footprint.

Consumer Advocates: Two SRC Representatives

- Consumer advocates from states with load in the market footprint that represent residential and small commercial end-use utility customers. This may include a representative from the Consumer Advocate Organization.

Large C&I Customers: Two SRC Representatives

- Large commercial and industrial customers with load in the market footprint. This may include trade associations.

Independent Power Producers, Independent Transmission Developers, and Power Marketers: Three SRC Representatives

- Organizations within the market footprint that have generation, transmission, or load but are not an electric utility, or organizations that engage in power marketing activities within the WEIM or EDAM footprint. This sector includes independent power producers, independent transmission developers, and power marketers. May include trade associations.

Distributed Energy Resources: One SRC Representative

- Companies that own, manage, or develop generation, storage, or demand response resources interconnected to the distribution grid (collectively referred to as Distributed Energy Resources or DERs), DER aggregators, and providers of enabling hardware and software that are active within the market footprint. May include trade associations.

b. BOSR

See Chapter 7 for a discussion of the ROWE BOSR's participation in the stakeholder process.

c. CAISO BAA Sector Participation

The CAISO is partnering with the ROWE to consider how to appropriately represent the CAISO BAA and transmission operator role separate from its market operator role in the ROWE Stakeholder Process. As noted and discussed in Chapter 3, the CAISO generally should receive no preferential treatment in addressing market functions over other participating BAs nor receive information not available to other BAs.

d. Entities that withdraw from WEM markets

Certain parties have raised questions about how to address stakeholder process participation by entities that may be departing the WEM footprint and will not have load or generation in the WEM footprint but will continue to be scheduling coordinators with transmission rights in EDAM. The obvious example of this is current WEIM Entities that have announced an intention to depart the WEM and join Southwest Power Pool's Markets +. These Entities may join Markets+ in implementation waves in October 2027 and October 2028.

To date, we are not aware of any entity that has filed a Notice of Termination of their participation in the WEIM. The Formation Committee believes that a permanent home for departing WEIM Entities in the ROWE Stakeholder Process must be made by the ROWE Board. It is reasonable for a WEIM Entity to stay within the WEIM sector provided that no Notice of Termination has been submitted.

e. Trade Association Participation

Non-profit membership organizations (including trade associations) should be eligible to join an appropriate sector that is consistent with an association's membership and mission. Each sector may have the ability to designate a trade association to fill a seat on the SRC, if so desired.

If a non-profit membership organization (including a trade association) does not fall under the classification of any of the SRC sectors, it may still participate in the stakeholder process by attending and participating in all open and public meetings, submitting written comments, and having votes tabulated and provided to the ROWE Board (votes will be informational only).

4. SRC Representative Roles, Responsibilities, and Expectations

SRC representatives are primarily tasked with advising staff and communicating and engaging with the organizations within their sector. This document does not prescribe specific requirements for how the SRC should perform the responsibilities assigned to it, nor does it prescribe specific processes for the management of sector activities.

In general, the responsibilities of individuals serving in these roles are to provide advice and input and to facilitate and support the participation of stakeholders in the stakeholder process, both individually and at the sector level. As such, the expectation is that persons appointed to roles on the SRC and on any adjacent groups will be committed to supporting and facilitating the participation of the stakeholder community and its members in the stakeholder process, even if a given stakeholder's perspective or position does not necessarily align with the position of the SRC representative or appointee's position on an issue, the position of the representative's company, or the position of the representative's sector. *The SRC representatives should expect to participate in at least 80% of the meetings to ensure that there is full representation and an equal distribution of workload and responsibility across the SRC.*

It is difficult to estimate the amount of time that may be required of SRC representatives in carrying out these activities. Similarly, it is difficult to estimate the level of time commitment that would be required of the SRC or SRC representatives (or stakeholders) that are appointed to serve as Initiative Sponsors, because this approach is new and not particularly analogous to any process used currently in the CAISO. As the SRC is established, stakeholders should anticipate that the level of time commitment required to participate as an SRC representative may be significant and should consider if this level of commitment is in alignment with the desire for more stakeholder-driven processes.

5. Stakeholder Registration

There should be no fee for registration. Staff should establish a process for a stakeholder to modify or cancel their registration as appropriate. Registration should be renewed annually to ensure accurate registration information. Individual stakeholder organizations should be responsible for keeping their registration and contact information up to date. Stakeholders who elect not to register could still participate and comment but would not be eligible to vote. All stakeholders, regardless of registration, should adhere to the Code of Conduct.

See **Appendix J** for a proposed Stakeholder Registration and Code of Conduct.

D. STAKEHOLDER PROCESS

1. Introduction

a. Differences From the CAISO Stakeholder Process

To preserve lessons learned and efficiencies gained, the Launch Committee built on CAISO's existing stakeholder processes to develop the recommendations in the Step 2 Final Proposal that aim to elevate participation, enhance transparency, and foster collaboration in shaping the future of ROWE services. The following is a summary of the significant changes to the existing CAISO stakeholder process:

- SRC and elevated role for stakeholders
- Revision of existing sectors
- Indicative voting
- Catalog and Roadmap
    - The SRC Roundtable's primary task will be to prioritize initiatives
    - ROWE Board vote
- Stakeholder Initiative Phase
    - Initiative sponsors
    - Formal workgroups
    - Potential for remand when an initiative is sent to the ROWE Board and significant opposition exists

The Stakeholder Process will consist of two elements: (1) Issue Identification & Prioritization: Catalog and Roadmap Development and (2) Stakeholder Initiative Phase.

Each year, the ROWE will commence a Catalog and Roadmap process that guides the development of new policy and/or modifications to existing policies. The Catalog will be a listing of stakeholder initiative proposals for potential inclusion in the Roadmap. The Roadmap will be a prioritization of submitted initiatives, and associated workplan, for included initiatives over a three-year period. Each document should be updated annually and will be voted on by the ROWE Board.

Initiatives within the final roadmap will then go through the Stakeholder Initiative Phase which will include problem statement development, straw proposal, draft proposal(s), a final proposal, and a vote by the ROWE Board. It is at this point that stakeholder initiatives will go from issue to solution and associated tariff change.

The below is intended as a guide for the initial Board to use when launching the stakeholder process. The initial Board is encouraged to utilize their discretion to act in the stakeholder process's best interest while upholding the aforementioned NERC principles.

2. Issue Identification and Prioritization: Catalog & Roadmap Development

Catalog and Roadmap development should include the following steps:

1. Kickoff Stakeholder Meeting
2. (Catalog Development) Initiative Proposal Submission
3. (Catalog Development) Sort and Classify Initiatives
4. (Catalog Development) Publish Catalog
5. (Catalog Development) Stakeholder workshop on Published Catalog
6. Publish Updated Market Policy Roadmap from previous year
7. (Roadmap Development) Prioritization
    a. SRC Roundtable and report
8. (Roadmap Development) Draft Roadmap Development
9. (Roadmap Development) Final Roadmap Development
10. (Roadmap Development) Indicative vote on Final Roadmap
11. ROWE Board Consideration

The ROWE should collaborate and work closely with Market Operator (MO) staff throughout the Roadmap and Catalog process to understand the MO's budget, technology, ability to implement, and workplan. This collaboration will help shape work early on and may establish realistic expectations around implementability and timeline. The Board should have the opportunity to check in with staff periodically in executive sessions on the progress of Catalog and Roadmap development. The collaboration with the MO is not meant to give the MO the ability to veto or stand in the way of proposed work coming out of initiatives, but to provide useful input in these early stages that can help shape and prioritize proposals.

a. Kickoff Stakeholder Meeting
Mid-January

The Catalog and Roadmap process will begin with a "Kickoff Stakeholder Meeting" to gather stakeholders and prepare for the upcoming Catalog and Roadmap process. This meeting will include:

- An overview of the Catalog & Roadmap process including the scope and purpose of the Catalog and the Roadmap
- Goals for Catalog and Roadmap development
- A timeline for Catalog and Roadmap development
- An overview of Phase 2: The Stakeholder Initiative Phase
- To the extent practicable, expectations and resource availability for initiatives
- Next steps & Resources
    - Contact information, landing page, etc.

Staff Functions:

- Facilitation
- Administrative: developing materials for the meeting, noticing, scheduling
- Policy Lead: staff in charge of the Catalog and Roadmap process

b. Catalog Development

Staff should conduct a process each year to identify initiatives for inclusion in the Catalog. Initiatives that have been proposed but not adopted should not be rolled over from year to year, but stakeholders can re-submit initiatives. Initiatives that were previously adopted but have been addressed or are no longer needed should be eliminated from the Catalog.

i. Initiative Proposal Submission Timing
Mid-January - end of February

After the kickoff meeting, the ROWE should begin accepting proposals for initiatives to be included in the Catalog and Roadmap. Initiative proposals can be submitted by any stakeholder. However, if the CAISO is submitting a proposal, it needs to clarify what function it is submitting on behalf of (i.e. as market operator or balancing authority).

The proponent of the initiative should be the entity who drafts the proposal. Stakeholders may also work together to create joint proposals that could be submitted by/with the support of multiple entities.

The proposal submission process should be open to all stakeholders and entail a standardized submission form on the ROWE website. The submission should be responsive to the following to the best of the stakeholder's understanding:

- Initiative title

- Has this issue been submitted to the CAISO before submission to the ROWE? If yes, please provide a reference. If no, why not?
- Has a substantially similar proposal been submitted to the ROWE before? If yes, please provide a reference. Please note any meaningful differences from the prior proposal.
- Proposed initiative description: discuss the scope of the proposed initiative. What specific elements of existing market design does your initiative propose to address?
- Categorization: please share a suggested classification (see below for descriptions of the classifications) for this initiative and your reasoning.
    - If the proposed classification is in Category 2: Compliance with State and Local Public Policy, include the state or local public policy or law that may require the tariff change and an evaluation of whether it would adversely impact other states.
- Market Impact: to the extent possible, discuss anticipated impacts to market efficiency or system reliability, as well as interactions with existing market products, policies, and procedures.
- Interdependencies: please share the effect this initiative may have on any previous or current initiatives.
- Timing and urgency: are there regulatory requirements that may impact the implementation timeline, or time-sensitive reliability impacts? Are there consequences to not addressing this issue?
- Data: identify existing data and missing data needed to analyze the issue and develop solutions.
- Implementation steps: What specific steps would the ROWE or CAISO have to take to implement the proposal. (optional)

Proposal submissions should be posted on the ROWE website. Staff will need to be able to understand how existing initiatives overlap and may consult with subject matter experts (SMEs) and other staff to assist in this effort.

Staff Functions:

- Administrative: point of contact for the commenting tool
- Policy Lead: available for questions
- Operations/IT: administering the comment tool
- SMEs on hand for consultation

ii. Sort and Classify Initiatives

End of February - Mid-April

Stakeholder initiatives should be classified into three categories: Compliance/Non-Discretionary Initiatives, Compliance with State and Local Public Policy Initiatives, and Discretionary Initiatives. A description of each category is provided below.

At this stage, proposed initiatives should contain a suggested initiative classification from the proposer. Staff should review the suggested classifications, and should retain ultimate decision

making authority on the final classification. Below are the three classifications with supporting definitions:

1. Compliance/Non-Discretionary initiatives: Initiatives that address compliance with federal policy (e.g. FERC order, FERC rulemaking, federal agency directive, etc.), a market design flaw, or an emerging reliability issue.
2. Compliance with State and Local Public Policy Initiatives: In some instances, a state or local policy or law may impact a market *participant* to the extent that a tariff change may be needed to enable that participant's compliance with state or local policy or law. In such an instance, any entity including a state agency representative, ROWE BOSR representative, or market participant who may be impacted may propose an initiative under this classification.
    - The Public Policy Committee of the ROWE Board will conduct outreach to states, local power authorities, federal Power Marketing administrations, and tribes to gather input about whether those entities see potential adverse impacts to their policies. The definition of what constitutes "adverse impacts" will be determined by the Public Policy Committee.
    - Staff will evaluate the proposal and determine whether a tariff or business practice change is required.
    - Tariff change/no adverse impacts: If staff determines a tariff change is required and the Public Policy Committee receives feedback that there are no adverse impact concerns, including compliance, the initiative is treated the same as a Compliance/Non-Discretionary Initiative and will automatically be included in the Roadmap, with an evaluation of timing based on the compliance requirement.
        - The classification will be titled as "State and Local Public Policy - Compliance/Non-Discretionary."
    - Tariff change/adverse impacts: If staff determines that a tariff change is required and the Public Policy Committee receives feedback that state or local policies could be adversely impacted, the initiative could still move forward through the stakeholder process and will be treated as a discretionary initiative.
        - Staff should include materials received on the potential adverse impacts in the Catalog.
        - The classification will be titled as "State and Local Public Policy - Discretionary."
    - No Tariff Change: If staff determines that a tariff change is not necessary, they would document their findings and present them to stakeholders and the ROWE Board. Stakeholders including BOSR representatives could comment on this finding.
3. Discretionary Initiatives: Market improvements or evolution.
    - Emergent Operational Issues
        - Tariff changes addressing a market design flaw, reliability impairment, or matter affecting a particular set of entities (for example, a market design problem that undermines the reliability of a particular balancing authority area) but fall short of exigent circumstances.
        - These initiatives would still be required to have a stakeholder process, but they would be handled with a greater degree of urgency than a normal

discretionary initiative lacking the same time pressure. (e.g., California ISO - Storage bid cost recovery and default energy bids enhancements)

- Discrete: clear ideas to address known problem statements
  - May be able to move directly to the policy development stage (Stakeholder Initiative Phase, identified below) of the stakeholder process if the problem statement is adequately formulated (i.e. Inter-SC Trades in Regional Markets).
- Conceptual: broad topics where many stakeholders agree there is an opportunity to improve the market, but there is no clear consensus on solutions or problem statements at the beginning of the initiative. This topic may need one or more working group discussions at the issue evaluation stage in order to determine scope and problem statements.
  - May include several subtopics
  - E.g., Energy Storage Enhancements, Greenhouse Gas Coordination, Gas Resource Management

Staff should be tasked with reviewing the submitted proposals to determine if the stakeholder process is the appropriate forum, or if the submission belongs in another process (i.e. business practice manual change process or customer inquiry, dispute and information process). For proposals that staff determine should not be included in the Catalog, staff should provide their reasoning and a recommendation on the appropriate forum. If a stakeholder disagrees with the proposed classification, they are encouraged to work with staff to find consensus. If consensus cannot be achieved, they may go to the ROWE Board with their concerns. Staff and the ROWE Board should have the discretion to determine the best process for addressing such concerns.

Staff Functions:
- Policy: (1-2) people with enough experience to appropriately sort & classify
- SMEs on hand for consultation
- Consultation on feasibility: IT, legal, operations

iii. Publish Catalog

Mid-April

The Catalog will be a listing of proposals for stakeholder initiatives. Staff should write and publish the Catalog to the ROWE site which should include:

- All proposals submitted by stakeholders
- Staff categorization and reasoning for the assigned category if there is a discrepancy from what the stakeholder proposed
- Appendix of disposition of stakeholder initiatives: For initiatives that are recommended to not be included in the Catalog, this section should include staff's reasoning for the exclusion, how they will be addressed, and the appropriate forum for addressing them.
- ROWE Board classification

Staff should also include the status of current initiatives and their associated workplan. This workplan should include the timeline for completion, and the staff resource and capacity spent on these initiatives so that stakeholders have an understanding of available resources.

Staff Functions:
- Administrative: write, notice, & publish the Catalog
- Policy Lead: available for questions

iv. Stakeholder Workshop on Published Catalog

End of April/Early May

Once the Catalog has been posted, staff should facilitate an educational stakeholder workshop that includes:

- Stakeholder presentations of their submitted initiatives
- Staff overview of the Catalog
    - This includes an overview of non-discretionary items that will automatically be included in the Roadmap.
- At the discretion of staff or if specifically requested by stakeholders, an update on initiatives currently underway
- Process for prioritization
- Communication of staff resource availability to the extent known (high level)
- Relevant topics as necessary
- Next steps, etc.

Staff Functions:
- Facilitation
- Administrative: developing materials for the meeting, noticing, scheduling
- Policy Lead: available for questions
- SMEs on hand for consultation

v. Publish Updated Roadmap from Previous Year

End of May

The Catalog and Roadmap process occurs annually. In between annual updates, staff need to ensure that the previous year's Roadmap is updated and reflects any changes that may have occurred since it was finalized. This process may result in an updated Roadmap that is intended to reflect any such changes to existing initiatives. An updated Roadmap will be published if there are changes that necessitate an update. It should be developed and published by staff and include the following:

- Any major or minor changes
- Status updates for initiatives, including whether prioritization has changed and, if so, why, and whether the SRC and ROWE Board has been notified.
- To the extent practicable, a broad understanding of resource/staffing changes

As stated under ROWE Board consideration of Catalog and Roadmap (see Section X), in order to maintain flexibility and adaptability, staff should have the ability to modify the prioritization of initiatives in the Roadmap at any time, but must notify the ROWE Board and SRC promptly.

This re-prioritization should also be added to the agenda of the next public meeting with an opportunity for public comment.

Staff Functions:
- Administrative: drafting, and noticing the publication of the document
- Policy Lead: available for questions, include designated policy lead for each initiative

c. Prioritization: Roadmap Development
May

The Roadmap should be a document that prioritizes the initiatives in the Catalog to reflect the workplan for stakeholder initiatives for a three-year period. Roadmap development includes the following steps:

1. SRC Roundtable
2. Prioritization of Catalog initiatives via survey by individual stakeholders and sectors
3. Draft Roadmap published for public comment
4. Stakeholder meeting
5. Stakeholder indicative vote on Draft Roadmap
6. Staff revises and publishes the Final Roadmap
7. Stakeholder indicative vote on Final Roadmap
8. Staff recommends Final Roadmap to ROWE Board, with results of stakeholder indicative vote

i. SRC Roundtable
May

After the publication of the Catalog, SRC Representatives should work with their sectors to collect feedback and rank initiatives that are of most importance to each sector. This process will be largely informal, and it will be up to each sector to determine the method with which they will rank initiatives. SRC representatives should take this information back to the SRC to identify common themes across sectors that are of the most importance to the stakeholder community as a whole.

Once SRC representatives collect feedback, they should host a roundtable and publish a report with recommendations to staff on initiative prioritization. The Roundtable should be developed and led solely by the SRC including materials, noticing, facilitation, and compiling feedback in the form of a report. All stakeholders are encouraged to attend.

The Roundtable should use the below agenda as a foundation:
- Themes of consensus/non-consensus identified by SRC representatives
- Consolidation of stakeholder opinions
- Highlight urgent issues
- Evaluation and prioritization of initiatives from the previous year's roadmap

- Feedback on the Stakeholder Process and for the ROWE: What is going well, what is not, opportunities for improvement, etc.

Report

The SRC should submit to staff a report that captures the dialogue and discussion of SRC representatives with their sectors and at the round table. The report should include the following information:

- Overarching themes and common priorities across sectors to consolidate the views of the stakeholder community as a whole
- For each sector, an overview and summary of their current priorities, new initiative priorities, other high priority issues, and feedback on the Catalog and Roadmap process.

The SRC should also attempt to organize these priorities based on discretionary initiative category—i.e., whether the initiative appears to be a "discrete" initiative, or a broader, "conceptual" initiative. Staff will use this report to inform development of the Roadmap.

Staff Functions: This should be developed and led solely by the SRC including materials, noticing, facilitation, and compiling feedback.

- Administrative: scheduling

ii. Prioritization Survey

May – June

Stakeholders should be asked to prioritize only discretionary initiatives listed in the Catalog. Non-discretionary initiatives should be automatically included in the Roadmap. The SRC should take an active role in advising on the prioritization of discretionary stakeholder initiatives for purposes of the Roadmap (outlined below), but staff should retain primary responsibility for implementing a public stakeholder process to identify and prioritize initiatives. Stakeholders should retain primary responsibility for advancing initiatives that are important to their organizations. The SRC should facilitate and assist in these efforts, but it should not replace the roles and responsibilities of either staff or stakeholders.

Due to the evolving nature of proposal submissions and resource availability, it is critical that the ROWE maintains a flexible prioritization process. The ROWE may choose to utilize previous CAISO prioritization surveys as a foundation and it is likely that the process will continue to evolve as stakeholder proposals and needs evolve.

In lieu of a specific process for prioritization, the ROWE should design a process that ensures that the following information is obtained via a survey or similar questionnaire format:

- Which initiatives are the highest priority to individual stakeholders
- Which initiatives are urgent to individual stakeholders
- Stakeholder resource availability: Where and how much are stakeholders prepared to participate

- Reasoning: For stakeholders who wish to provide additional context to their responses, a mechanism for narrative feedback to state their reasoning. This should also be an opportunity for stakeholders to state any opposition to an initiative. The intent is to gather information that may not be easily quantifiable.
- Classification: This may also be an opportunity for stakeholders to comment on the classification of initiatives and whether they disagree with staff's proposed classification and why.
- Feedback on how the ROWE can structure the process and provide additional support to enable robust participation in the Stakeholder Initiative Phase.

In advance of the initial prioritization process, the ROWE should identify a survey tool that is secure, flexible, and adequately meets the needs of this process. Responses should be automatically posted to the ROWE website. Staff should also provide analysis of the responses in the form of a heatmap or similar tool that displays where trends may lie.

Staff Functions:
- Facilitation
- Administrative: notice, develop, distribute, collect and post survey responses.
- Policy Lead: available for questions

iii. Draft Roadmap Development

June – November

Staff should lead the drafting and development of the Roadmap. Staff should coordinate with the SRC prior to publication of the draft, revised, and/or final Roadmap to ensure that the Roadmap reflects the input of the stakeholder community as documented through the SRC's roundtable process and report and stakeholder comments submitted as part of the Catalog and Roadmap process. This coordination is not intended to supplant or displace public meetings or process for obtaining input from the stakeholder community at large through the stakeholder comment process on drafts or the final Roadmap, but it is intended to ensure alignment of the Roadmap with stakeholder priorities as the public process for Roadmap development proceeds. As part of this coordination process, staff may inform the SRC of the basis for its proposed decisions regarding Roadmap prioritization, including any relevant staff, budgetary, or software and other implementation constraints that might affect prioritization. The objective is that this collaborative process will result in a Roadmap that reflects the goals and priorities of stakeholders to the maximum extent possible given available resources to conduct initiatives for the three subsequent years.

As part of its evaluation of which discretionary initiatives to include in the Roadmap, staff may use as one criterion for inclusion whether an initiative is in the top 5-10 for at least two sectors. Staff may also include any initiative that is in the top 5-10 for any single sector with documentation on the value of the initiative.

The Draft Roadmap should include the following:

- For Initiatives included, the title of the initiative, organization that submitted the proposal, a short summary of the initiative, and the categorization of the initiative
    - Compliance/Non-Discretionary initiatives will automatically be included in the Roadmap. Staff should include any required timing.
    - Compliance with State/Local Public Policy: If a State and Local Public Policy Initiative is determined to require a tariff change, staff should include timing of the initiative which is based on the compliance timeline for the policy change
- Disposition of stakeholder initiatives: Why an initiative was not included in the Roadmap including staff evaluation of workload and resources availability.
- A report on the prioritization survey and sector prioritization that leverages the demographic information included in Stakeholder Registration to give insight into areas of consensus. This should include a summary of which sectors' priorities appear to be well represented relative to other sectors.
- A Roadmap in the form of a Gantt chart that delineates the proposed timeline for each initiative including adopted Roadmap initiatives from the previous year.

iv. Stakeholder Meeting

November

Staff should lead a stakeholder meeting to review the Draft Roadmap, explain resource availability, and answer any questions. An open comment period and indicative vote should follow the meeting. All registered stakeholders should be eligible to vote and indicative voting results should be part of the recommendation to the ROWE Board.

At this time, staff may request that one or more representatives of the SRC present an overview of the results of the Roundtable and sector prioritization.

Staff Functions:

- Facilitation
- Administrative: Developing materials for the meeting, noticing, scheduling, administering the vote
- Policy Lead: Available for questions
- SMEs on hand for consultation
- Consultation on feasibility: IT, legal, operations

1. Final Roadmap Development

November – December

If applicable, staff should integrate stakeholder comments to develop the final roadmap which should contain the same elements of the Draft Roadmap. Staff should lead a stakeholder meeting to review the final roadmap. An open comment period and indicative vote should follow the

meeting. All registered stakeholders should be eligible to vote and indicative voting results should be part of the recommendation to the ROWE Board.

Staff Functions:
- Facilitation
- Administrative: Developing materials for the meeting, noticing, scheduling
- Policy Lead: Available for questions
- SMEs on hand for consultation
- Consultation on feasibility: IT, legal, operations

d. Indicative vote on Final Roadmap
December

Once agreement has been achieved, staff should administer an indicative vote to recommend approval of the Roadmap. All registered stakeholders should be eligible to vote and indicative voting results should be part of the recommendation to the ROWE Board.

Staff Functions:
- Facilitation
- Administrative: Developing materials for the meeting, noticing, scheduling, administering the vote.
- Policy Lead: Available for questions
- SMEs on hand for consultation
- Consultation on feasibility: IT, legal, operations

E. ROWE Board Consideration of Catalog and Roadmap

Following completion of the Roadmap, the ROWE Board should formally vote to adopt the Catalog and Roadmap. Ahead of the vote, the ROWE Board should receive a packet of materials that includes:
- The finalized Catalog & Roadmap
- A report from the SRC on the process for developing the Catalog and Roadmap including all indicative voting and the results of the indicative vote on the final roadmap.
- Disposition of stakeholder initiatives
- Input from the Public Policy Committee as needed.

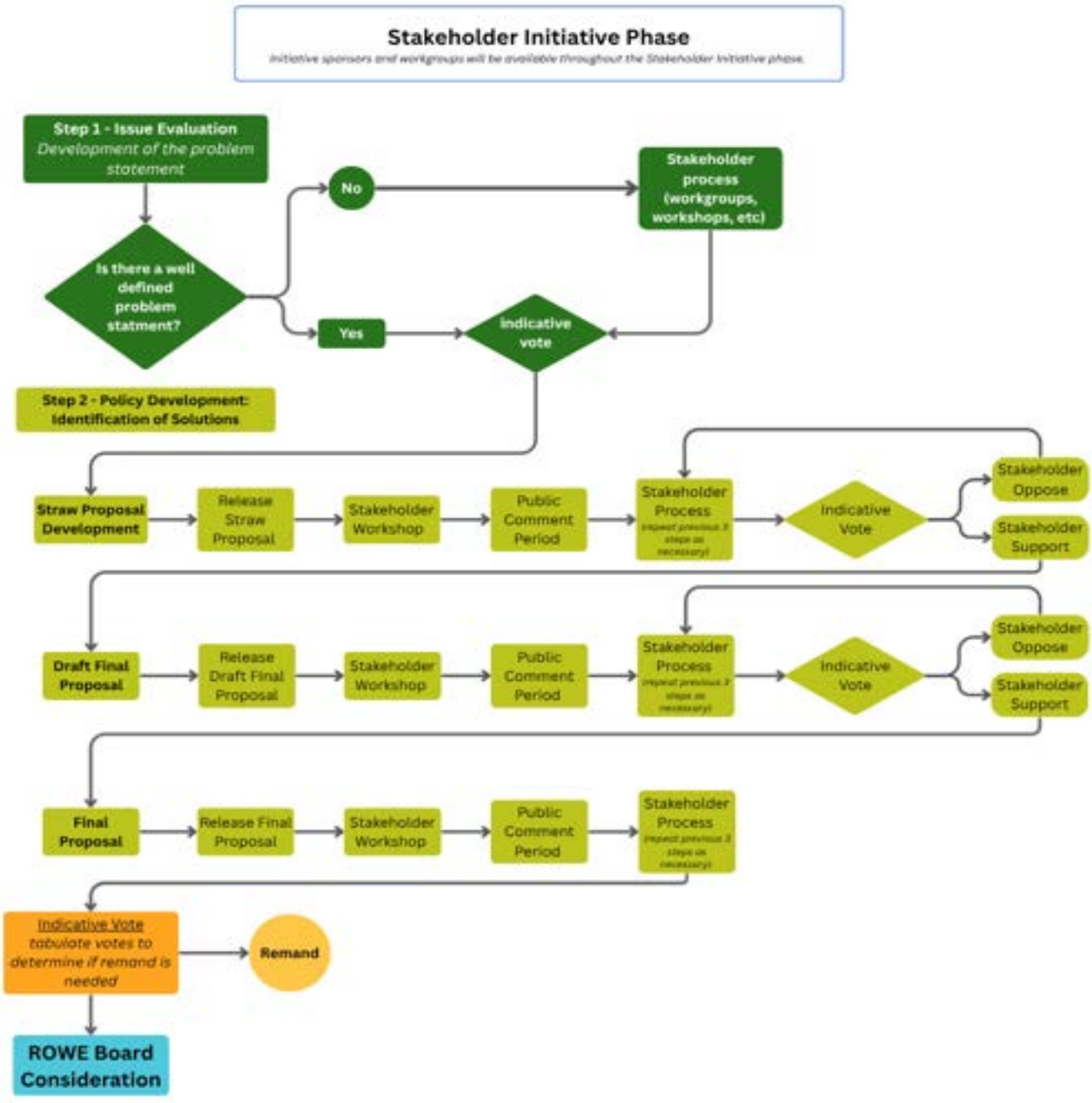
The ROWE Board vote should be held at its next public meeting.

Staff Functions:
- Facilitation

- Administrative: Developing materials for the meeting, noticing, scheduling
- The following should be on hand for any questions from the ROWE Board: Policy Lead, SMEs, IT, legal, operations, and SRC Representatives.

In order to maintain flexibility and adaptability, staff should have the ability to modify the prioritization of initiatives in the Roadmap at any time, but should notify the ROWE Board and SRC at the next public meeting and take comments. For example, if a stakeholder-prioritized initiative needs to be removed from the Roadmap or an initiative's timing must be adjusted in a significant way (such as by deferring or advancing an initiative by a year or more), the expectation is that the SRC and the stakeholder community at large will be advised of the reason for the change. The SRC should also provide input to staff regarding emergent issues and would work with and advise staff regarding any needed reprioritization to address emergent issues and major changes to initiative timelines (like deferral of a topic into a future year, for example). This could include discrete initiatives with quick solutions that may emerge out of the Catalog cycle (e.g., Energy Storage Enhancements). The SRC should retain discretion to address any concerns with the reprioritization with staff and/or the ROWE Board as appropriate.

F. STAKEHOLDER INITIATIVE PHASE



The Stakeholder Initiative Phase is where stakeholders develop solutions and produce a final proposal for individual initiatives within the final roadmap. The Stakeholder Initiative Phase should include the following steps:

1. Problem Statement Development
2. Straw Proposal Development
3. Draft Final Proposal Development
4. Final Proposal Development
5. ROWE Board Vote

1. Issue Evaluation: Problem Statement Development

The focus of Step 1 addresses the following question: What is the objective of the stakeholder initiative and what issues are we trying to solve?

The final problem statement should be narrowly tailored and create a shared understanding of the goals of the initiative prior to policy development. This will align stakeholder expectations on the goals and scope of the initiative.

The following two circumstances should result in an ability to bypass the development of the problem statement:

- An emergent operational issue exists that does not allow time for problem statement development (time is of the essence)
- A well-defined problem statement was included in the proposal (Catalog). If staff determines that a proposal includes a well-defined problem statement, they may hold an indicative vote to bypass problem statement development and move on to the straw proposal stage. If the indicative vote reflects stakeholder disagreement with the problem statement as written, the initiative should move to problem statement development.

If neither of these criteria are met:

- Problem statement development should be required

The problem statement should be drafted by staff. Staff should use the proposal submitted in the Catalog and Roadmap process as a foundation for drafting.

Once a problem statement has been drafted, staff should host at least one stakeholder meeting and subsequent comment period. Discretion should be given to staff to determine whether additional meetings and comment periods are needed. SRC members are expected to regularly solicit input from their sectors during problem statement development. The goal is to drive towards enough consensus to hold an indicative vote to approve the problem statement so that it can move to the policy development phase.

The SRC may identify initiative sponsors in the problem statement development phase. Additionally SRC, staff, and/or stakeholders may identify the need to convene a work group to work on specific elements of the initiative.

a. Role of Staff

Staff should retain primary responsibility for facilitation and administration of the problem statement development process, including technical expertise. Staff should ensure that problem statement development is aligned with the proposal description.

b. Role of the Initiative Sponsor

The SRC may identify up to two initiative sponsors for a stakeholder initiative. The sponsor is generally an entity who is strongly in support of a particular initiative moving forward and willing to dedicate additional time and effort to help drive the initiative. Sponsorship is not mandatory for all initiatives and ROWE staff may decide to proceed with an initiative without sponsorship.

An initiative sponsor is a voluntary role. Initiative sponsors are expected to partner with staff for the entirety of the stakeholder initiative phase. If possible, sponsors should cultivate participation from multiple sectors to drive consensus and meet the needs of a more diverse set of stakeholders. The initiative sponsor role should be flexible; it is intended to be adapted to the needs of an initiative and the sponsor's capacity. The Initiative Sponsor role may include, but is not limited to:

- Consulting on the initiative timeline
- Conducting outreach on the initiative with SRC representatives and their sectors
- Providing support to determine when problem statement development is complete and ready to move to an indicative vote
- Drafting problem statements, proposal materials, and materials for workshops
- Leading, organizing, participation in workshops

c. Work Groups

Staff, initiative sponsor(s), or SRC representatives should be able to request the creation of a work group. Flexibility on when and whether to form a work group should be maintained. Work groups may be formed during the Catalog and Roadmap process as well, but will likely be used more significantly during the Stakeholder Initiative Phase. A work group is a subgroup that meets to advance the development of a problem statement. Work groups should be open to all stakeholders, with the expectation that all work group members actively contribute. An example of when a work group may be needed is if problem statement development stalls and a small group effort would facilitate forward progress. The work group should determine when it is no longer needed and the timing for it to dissolve.

Staff should administer and support the work group, including taking the lead on preparing discussions. Initiative sponsors should partner with staff to support meeting preparations and facilitation of the work group. Stakeholders may also provide presentations and discussions on proposed problem statements as part of the work group.

d. Indicative Vote on Problem Statement

If staff, stakeholders, the initiative sponsor, or the SRC believe the problem statement is well defined and ready to move to the straw proposal stage (consensus exists and/or sufficient iterations and revisions have been made), they may call for an indicative vote at the stakeholder meeting on the problem statement. The call should be seconded by another entity for the vote to move forward.

Notice should be given to stakeholders in advance of a vote. A vote may be held to either advance or terminate an initiative/problem statement. Voting should be administered through the ROWE voting system and all registered stakeholders may vote.

An indicative vote should be held at the second publication of the problem statement(s) if one has not already been held to determine how and whether to proceed. If there are multiple problem statements, each may require a vote.

Results of an indicative vote may lead to:

- Reframing the issue
- Moving to the straw proposal phase
- Reconsideration of whether to proceed with initiative development

Ad hoc, informal voting may be used throughout the process to evaluate the level of consensus around problem statements.

Staff Functions:

- Facilitation: Leading meetings, working with initiative sponsors and work groups as needed, facilitating vote(s)
- Administrative: Developing materials, noticing, scheduling, managing comment tool.
- Policy Lead: Each initiative should have a designated policy lead.
- SMEs on hand for consultation
- Consultation on feasibility: IT, legal, operations

G. Policy Development: Identification of Solutions

1. Straw Proposal Development

Staff should generally lead the development of the straw proposal. However, in instances of discrete initiatives, the proponent of the initiative may offer a straw proposal for staff to use.

While there is not a specific role for SRC in the straw proposal phase, SRC representatives are expected to maintain communications with their sector and inform them of progress. Staff may use SRC representatives as points of contact to assess interest in participation. Initiative sponsors should be involved and consulted at each stage of straw proposal development, but are not

expected to assist in facilitation of the process. Staff should provide initiative sponsor(s) guidance on any guardrails that may need to be considered (tariff/legal/operational constraints) when drafting the straw proposal.

Work group members from the problem statement development stage may opt to continue the work group into the straw proposal development phase. If an issue is critical to a single sector, they could offer to drive the work group to reduce staff burden. However, this approach may not work with an initiative that has diverse and divergent perspectives across sectors. It should be left to the discretion of staff, initiative sponsor(s), and workgroup members on how the workgroup is operated and when it is no longer needed.

Decisional classification: At this point, the straw proposal should include a recommended decisional classification (whether it falls under ROWE, CAISO, or Joint Authority). The method for determining this will be between the ROWE and CAISO and included in the CAISO-ROWE Coordination Agreement. (See Chapter 3)

a. Straw Proposal Stakeholder Process

The stakeholder process for straw proposal development should occur in the following order:

- (1) Release of Draft Straw Proposal
- (2) Stakeholder workshop on Draft Straw Proposal
- (3) Open comment period on Draft Straw Proposal
- (4) Revision of Draft Straw Proposal
- (5) Release of Revised Draft Straw Proposal
- (6) Stakeholder workshop on Revised Draft Straw Proposal
- (7) Open comment period on Revised Draft Straw Proposal
- If needed and as determined by staff, additional iterations of steps 4-7

Staff should lead the drafting and development of each iteration of the straw proposal and workshop materials, facilitate stakeholder workshops, develop questions for commentary, and work with stakeholders to integrate comments. Stakeholders may present associated proposals or comments at workshops as needed, at the discretion of staff. Staff may also invite external entities to present if they determine that it would be productive to the discussion. Materials and associated commenting tools should be posted publicly on the ROWE website.

b. Indicative Vote & Finalizing Straw Proposal Development

Staff should utilize the comment template to gauge stakeholder consensus. Staff should provide notice to stakeholders that a vote will take place at the next comment period. SRC representatives are expected to communicate to their sectors that a vote is forthcoming.

Along with results of the indicative vote, staff should consider the following factors when deciding whether the straw proposal is ready to move to the next stage: level of general stakeholder agreement based on comments and feedback from workshops; technical feasibility;

how much additional analytical work might still need to be conducted; is the proposal consistent with existing market principles.

Staff Functions:

- Facilitation: Leading meetings, working with initiative sponsors and work groups as needed, facilitating vote(s)
- Administrative: Developing materials, noticing, scheduling, managing comment tool.
- Policy Lead: Each initiative should have a designated policy lead.
- SMEs on hand for consultation
- Consultation on feasibility: IT, legal, operations

2. Draft Final Proposal Development

Staff should lead the development of the draft final proposal. While there is not a specific role for SRC in the draft final proposal phase, SRC representatives are expected to maintain communications with their sector and inform them of progress. Initiative sponsor(s) should have no formal role at this stage, but may assist staff in encouraging participation and driving consensus.

As with straw proposal development, there should be a workshop on the draft final proposal and opportunity to comment. Additional workshops and comment periods may be necessary depending on the level of consensus.

Staff Functions:

- Facilitation: Leading meetings, working with Initiatives Sponsors and Work Groups as needed, facilitating vote(s)
- Administrative: Developing materials, noticing, scheduling, managing comment tool.
- Policy Lead: Each initiative should have a designated policy lead.
- SMEs on hand for consultation
- Consultation on feasibility: IT, legal, operations

a. Indicative Vote & Finalizing Draft Final Proposal Development

This process should be the same as what is used when finalizing the straw proposal. Staff should utilize the comment template to gauge stakeholder consensus. Staff should provide notice to stakeholders that a vote will take place at the next comment period. SRC representatives are expected to communicate to their sectors that a vote is forthcoming.

Along with results of the indicative vote, staff should consider the following factors when deciding whether the draft final proposal is ready to move to the next stage: level of general stakeholder agreement based on comments and feedback from workshops; technical feasibility

has been checked; how much additional analytical work might still need to be conducted; is the proposal consistent with existing market principles.

3. Final Proposal Development

Development of the final proposal should largely follow the same process as the draft final proposal with a notable change in voting structure (see more below). Staff should lead the development of the final proposal. While there is not a specific role for SRC in the final proposal phase, SRC representatives are expected to maintain communications with their sector and inform them of progress. Initiative sponsor(s) should have no formal role at this stage, but may assist staff in encouraging participation and driving consensus.

As with straw proposal and draft final proposal development, there should be a workshop on the final proposal and opportunity to comment. Additional workshops and comment periods may be necessary depending on the level of consensus.

Staff Functions:

- Facilitation: Leading meetings, working with Initiatives Sponsors and Work Groups as needed, facilitating vote(s)
- Administrative: Developing materials, noticing, scheduling, managing comment tool.
- Policy Lead: Each initiative should have a designated policy lead.
- SME's on hand for consultation
- Consultation on feasibility: IT, legal, operations

a. Indicative Vote on the Final Proposal

See voting section below.

H. BOARD CONSIDERATION

Once an indicative vote on the final proposal is taken, it should proceed directly to the ROWE Board, regardless of the results of the vote. Staff should be tasked with assembling a package of materials to present to the Board that includes at a minimum, the following elements:

- Changes from straw proposal and if applicable, draft final proposal
- Stakeholder process including results of indicative votes
- Final proposal
- A tabulated report of the indicative vote on the final proposal. This includes information about stakeholder characteristics that are obtained from the stakeholder registration form.
- Decisional classification

If applicable, staff should also submit materials from the BOSR, DMM, MSC, and Market Expert. The SRC may provide reports or opinions to the ROWE Board at this time. These documents could include reporting and analysis of indicative voting results, summaries of

stakeholder positions, identification of open or unresolved issues, and review of whether the outcome of the initiative adequately addressed the policy priorities of stakeholders as identified in the initiative prioritization process.

Staff should present the final proposal and package of materials to the Board. If a member of the SRC would like to present to the ROWE Board on a specific matter related to the Initiative, they may request to do so. An opportunity for public comment should be easily accessible and available.

The Board vote is binding and if approved, triggers subsequent tariff changes and FERC filings. If the Board does not approve the final proposal, it should be remanded to the stakeholder initiative phase for additional refinement.

I. EXIGENT CIRCUMSTANCES

In real-time emergency conditions, CAISO staff should retain emergency operational authority. If a tariff change is necessary to address the emergency conditions (exigent circumstances), the ROWE Board may make a temporary tariff change to address the issue without a full stakeholder process. If a temporary tariff change is made under the exigent circumstances provisions, it will not have gone through a stakeholder process. These tariff provisions should undergo a subsequent stakeholder review if they are to become a permanent feature of the market. This review should kick off no later than 30 days after FERC approval and must be approved by the ROWE Board within 6 months. Alternatively, the ROWE Board can vote to extend the exigent tariff changes in 6 month increments to enable ongoing stakeholder development.

J. VOTING PROCESSES

1. Purpose

Indicative voting should be institutionalized as an important, regular part of the ROWE stakeholder process. This emphasis on voting is a subtle but fundamental reform intended to infuse more responsibility over market design decisions with stakeholders and, ideally, generate more stakeholder collaboration and clearer evidence of support for final market design decisions by the ROWE Board. This section of the Briefing Book lays out a recommendation about how to structure stakeholder voting, drawing on the Final Proposal and subsequent work group activity to refine that proposal.

Stakeholder voting in the ROWE should be advisory rather than binding. The term “indicative” is used to emphasize the nature of this advisory voting: it is intended to reveal preferences among stakeholders and sectors for the direction of a given initiative or issue, and to steer further stakeholder process accordingly. These votes will provide transparent, well-organized information to the ROWE Board, staff, SRC, BOSR, market operator, and other stakeholders. Only in the case of a vote on a final proposal the votes would also have a limited action-forcing procedural effect (remand) when significant opposition to the final proposal exists, subject to final ROWE Board oversight, as described below.

Indicative voting under the ROWE, as proposed here, should occur at the organizational level (i.e., individual registered entities), and votes of all organizations would then be reported. These individual votes should also be organized into and reported by sector, along with other key characteristics of the voters. A remand to the stakeholder process could occur if the vote on a final proposal indicates significant opposition and a need for more collaboration or deliberation to generate broader agreement.

Indicative voting should not be seen as a substitute for robust stakeholder comments and dialogue. While indicative voting helps identify general support or opposition to a proposal, stakeholder comments help shape and guide an initiative with more detail and context. Written comments provide the "why" behind a vote and help staff and the ROWE Board understand if a sector is opposed to the whole initiative or a specific component. Written comments should continue to be a critical source of guidance and direction from stakeholders to the ROWE on market evolution.

2. Structure

Indicative voting would take place at the individual registered entity level. To be able to vote, a stakeholder would have to register with the ROWE via a stakeholder registration form and agree to a code of conduct (see **Appendix K** for an example of a Stakeholder Registration and Code of Conduct). The Stakeholder Registration and Code of Conduct document is provided to the ROWE Board for consideration as a starting point. There may be additional stakeholder information that the ROWE Board may find relevant and want to collect throughout this process.[43]

Indicative voting processes should be automated and accommodate virtual voting to enable the maximum number of organizations to vote. Voting processes and tools should be managed by ROWE staff. Reported results of indicative votes should be made public, should identify the voting entity, and should be tabulated across different groups and sub-groups to convey more detailed information. Publicly available voting results allows entities to understand the perspectives of other stakeholders and promote collaboration through enhanced communication.[44]

---

[43] Stakeholders have expressed some concerns about gamesmanship and potential outcomes of duplicate voting in instances where individual organizations are members of or belong to other organizations registered with the ROWE (e.g., via membership associations, client entities, and affiliated entities under parent companies). **Appendix K** includes a certification of participation and Code of Conduct intended to mitigate potential gamesmanship. While this proposal is the result of a deliberate effort to prevent such gamesmanship throughout the stakeholder process, the ROWE Board should remain cognizant of the importance of transparency, respect, and inclusivity. In this regard, there may be a role for SRC Representatives to assist the Board in evaluating compliance with the Code of Conduct and monitoring potential gamesmanship. Stakeholders should be empowered to contact their SRC Representative with such concerns and to work with the broader SRC and ROWE Board to find appropriate solutions.

[44] The Launch Committee reiterates the important role of such cross-tabulations to help reveal patterns of support and opposition beyond the sector silos.

Staff should be responsible for sharing appropriate background materials, hosting meetings, and providing appropriate links and reminders about the voting system to all stakeholders. Staff should ensure the votes are tallied and appropriately reported. SRC Representatives should maintain regular communication with their sector members and may supply additional information or context about individual votes within their sector during subsequent meetings of the SRC or ROWE.

All voting information, including the results of all indicative votes, should be reported to the ROWE Board, regardless of a voting entity's participation in a sector.

3. Voting Prior to a Final Proposal

As described above, indicative voting should be used throughout the stakeholder process *prior to a final proposal* to capture stakeholder sentiment, preference, and identify areas of potential disagreement, including within standing and term-limited work groups and task forces reporting back to the SRC or the ROWE Board. It is intended to help the ROWE Board make decisions independently and expediently by providing a comprehensive understanding of stakeholder sentiment throughout the process. It is not intended to institutionalize any particular level of consensus prior to the Board making a decision.

For purposes of indicative voting and advancing an initiative prior to a final proposal, the Board should consider relying on a somewhat looser indication of stakeholder sentiment and support than the formal mechanics of voting on a final proposal. For example, striving for consensus, defined as general agreement among stakeholders and a lack of significant objection, when feasible, would be a sensible objective set by the Board. A consensus standard would encourage collaboration and compromise. As an input toward that objective, multiple opportunities throughout the process would be available to stakeholders to express any concerns or opposition (workshops, comment periods, indicative voting), prior to a final proposal.

Consensus may not be possible in some cases. Thus a standard or a directive for advancing proposals that lack consensus will be needed. One option would be to empower the ROWE staff to exercise its best judgment in such scenarios, recognizing the formal voting mechanism that still awaits any final proposal. Other options could include mechanisms to encourage or require more stakeholdering in the event of widespread disagreement on a draft proposal, while avoiding over-complicating the stakeholdering process. Having somewhat nimble subgroups and SRC workshops has a value of its own.

Under the approach recommended here, each registered entity may cast a vote. For indicative voting throughout the stakeholder process, entities would choose from the following options:

- Support
- Support with Caveats
- Oppose
- Oppose with Caveats
- Abstain

4. Voting on a Final Proposal

Upon completion of a final proposal in the Stakeholder Initiative Phase, and before the ROWE Board votes, stakeholders would have the opportunity to vote on an initiative. The primary action-forcing effect (remand) of indicative voting (beyond the informational value of revealing stakeholders' preferences) should be limited to final proposals that are going to be advanced to the Board. Absent some kind of action-forcing effect like a remand, indicative votes would be only weakly advisory. The weaker the advisory nature of such votes, the less likely stakeholders are to actively participate and develop a position on a given initiative, much less drive stakeholder collaboration to find solutions. Thus indicative votes on final proposals should have "weight."

If the criteria for a "default" remand are met (described below), the final proposal would be remanded to address stakeholder concerns and achieve broader support before it advances to the ROWE Board, absent an overriding ROWE Board decision. The term "default" captures the idea that the consequence of significant stakeholder opposition (detailed below) is to return to the drawing board and rework a proposal to generate more buy-in. However, it bears repeating that a default remand is not a guaranteed outcome: the Board will always retain the final say about advancing an initiative or allowing a remand to take effect.

Voting with caveats is impractical for calculating remands at this phase of stakeholder voting. Consequently, voting entities would select from the following choices:

- Support
- Oppose
- Abstain

a. Remand

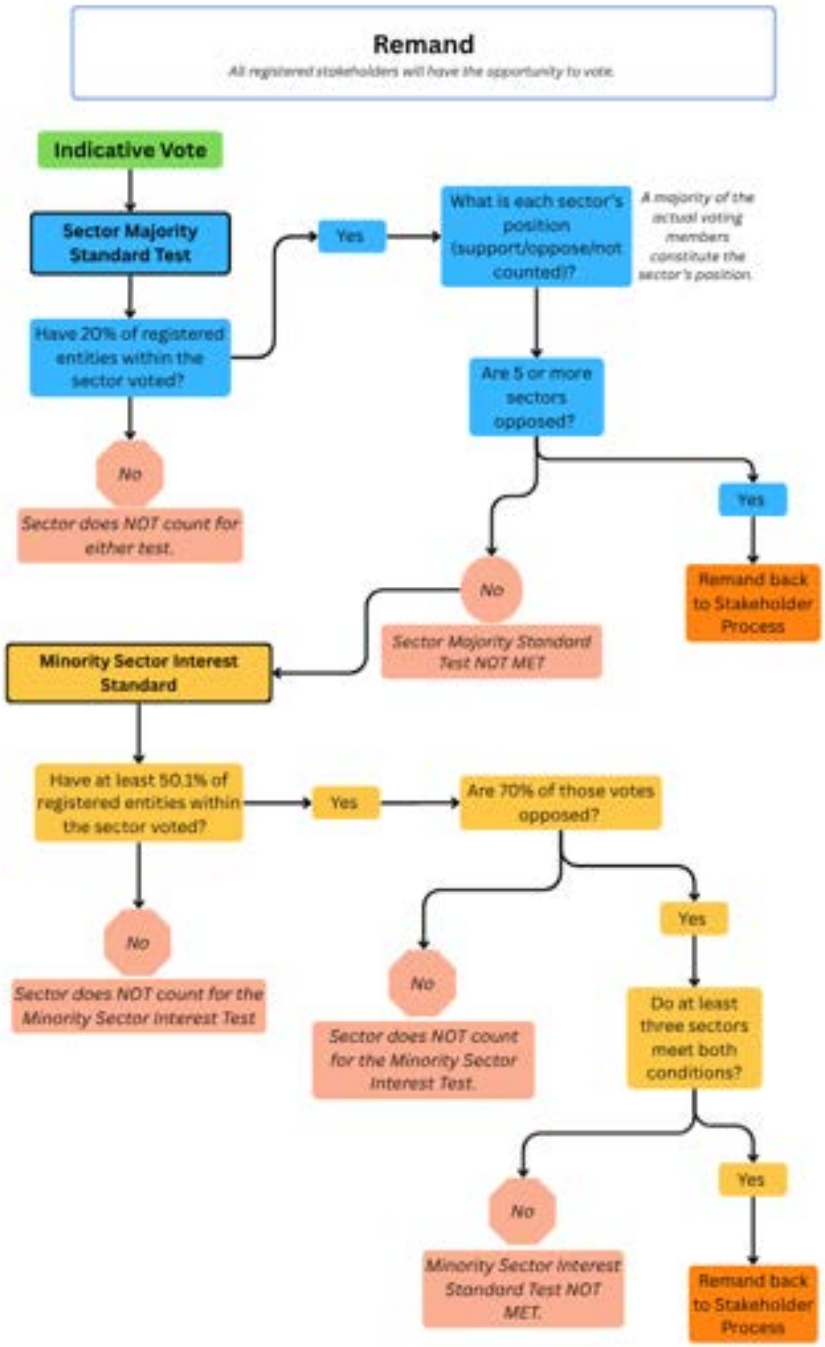
As described above, the goal of the remand process is to ensure that a stakeholder's vote has a meaningful (but not absolute) impact on the decision-making process of the ROWE as a whole, in particular when there is extensive or intensive disagreement. Given the structure and elements of the stakeholder process that foster collaboration and transparency including the SRC, indicative voting throughout the process, written comment opportunities, and others, it is highly unlikely that a final proposal will be presented with significant opposition. However, in those unlikely circumstances, the final proposal should, by default, be remanded to a prior stage of the stakeholder process in order to address stakeholder concerns and achieve broader support. However, if the ROWE Board determines that an initiative is time-critical, is an exigent circumstance or has significant impact on the justness and reasonableness of the overall market, or is needed to address particular circumstances of a market participant or group of participants, then the ROWE Board should have the opportunity to move an initiative forward despite stakeholder opposition.

In developing the default remand process, there was an effort to balance several elements:

- *Changes in the number of sectors*. The number of SRC sectors may grow (or possibly shrink) over time, including for purposes of discrete ROWE services.

- *Differences in the sector sizes and participation modes*. Sector sizes range from almost 100 to under 10 entities. The need to equitably identify and address support or opposition from each sector is an important principle. Some sectors are more naturally open-ended, likely to have new entrants, and likely to have stakeholders actively monitoring ROWE proceedings rather than actively voting. Other sectors have a more fixed sizes (e.g., following state boundaries). So long as each sector has a critical mass of actively engaging, collaborating, voting, and problem-solving entities, then the presence of more passive stakeholders who retain a rarely exercised option to vote will be unproblematic.
- *Low barriers to voting*. A strength of the ROWE is that registering to participate as an entity with the option to vote should be relatively easy. The number of potential voters may thus proliferate—an attraction of an open, relatively flat stakeholder process—but without being commensurate with the organizational or financial consequences of some market policy outcomes. Indeed, the consequences of some indicative votes may be quite adverse for some entities. It is therefore important that such stakeholders have some degree of procedural protection when they are strenuously opposed to a final proposal.

The remand mechanism should serve as a procedural check, offering a way to pause the process of advancing a market design initiative while still leaving the ROWE Board the ultimate authority to move forward at its discretion. Noting the various elements and a desire to create an appropriate stakeholdering balance, the ROWE Board should consider two standards for measuring whether significant opposition exists and thus a remand should be triggered. These are measurements applied to the indicative vote on a final proposal, not a separate process or kind of vote. If the indicative voting results do not meet the requirements of the Sector Majority Standard, staff should apply the Minority Sector Interest Standard. If the indicative voting results do not meet the requirements of the Minority Sector Interest Standard, there is no remand.



i. Sector Majority Standard

This remand hinges on a simple majoritarian approval (or disapproval). It is triggered by a majority of all sectors having a majority (50.1%) of voting entities within the sector opposed to a final proposal (i.e., if the SRC is composed of 9 sectors, as anticipated, then 5 sectors would be required for a majority). The steps in the process are as follows:

- *Determine whether a participation threshold has been met to establish a sector's formal position* (support/oppose).[45] A threshold of at least 20% of all registered entities within a sector voting either for or against a final proposal should be used (abstentions would not count toward this threshold). In addition, the actual number of voters should be no less than 2 or 3 votes. Falling below that voting threshold would leave an indeterminate or informal sector position, at least for purposes of triggering a default remand. In that case, individual votes would be still counted and reported, but they would not trigger a remand.
    - For example: if a sector has 100 registered entities, then 20 of those entities must vote to be able to record a sector position. This approach is consistent with how many professional associations, private cooperatives, and corporate shareholder meetings function.
    - For a smaller sector with, for example, only 5 members, 20% of 5 would be a single voter, which appears to be too small to be representative of a sector as a whole. Therefore, the Launch Committee recommends that a minimum of at least 2 or 3 votes be cast in the sector in order to qualify for triggering a default remand.
- *Register a sector's position* (support/oppose). Once a participation threshold is reached, then a majority of the actual voting members constitute the sector's position.
    - For example, if a sector has 100 registered entities and 20 entities vote with a position (support/oppose), 11 of those entities must vote to oppose a final proposal in order to register the sector's position as "oppose."
- *Calculate if there is significant opposition*. Upon completing a vote on a final proposal, a majority of the sectors must be registered as "opposed" for the initiative to be remanded by default (subject to the ROWE Board overriding this remand).
    - For example, with the current 9-sector structure of the SRC, 5 sectors must be registered as "opposed" to trigger a remand.
        - If only 8 sectors are able to pass the participation threshold, and 4 sectors oppose a final proposal, then it does not qualify for a remand, even if the 9th sector (that did not pass the threshold) informally opposes the proposal. That sector forfeited being counted toward the remand by not having enough registered entities engage.

ii. Minority Sector Interest Standard

This method for measuring opposition is intended to provide additional procedural protections for what may be termed minority sector interests. The risk to a relatively small number of sectors with deep opposition to a given initiative to being overridden by a majority of stakeholders in support is real and inherent in any stakeholder-driven or stakeholder-informed organized market. This standard should be invoked rarely, and should therefore have more stringent standards than

[45] The term "quorum" is a familiar way to define a minimum number of eligible decisionmakers present in order for a body of such persons to conduct business. This Briefing Book instead recommends the term "participation threshold" because the limited action forced by such stakeholder votes is a remand—a negative, procedural action. There is no minimum number of voters needed to advance an initiative under this recommended approach, and thus the term quorum is inapt. This view is underscored by having a recommendation for two separate participation thresholds for the two different types of default remand.

the Sector Majority, including a demonstration of "broad and deep opposition" to a final proposal. In order to trigger this remand, at least one-third of the SRC sectors would have to have supermajorities of voters opposed to a final proposal. The steps in the process are as follows:

- *Determine whether a "broad" participation threshold has been met to establish a sector's formal position* (support/oppose)."Broad" should be defined as the number of votes (support or oppose only) as a percentage of eligible voters in the sector. This number should be at least 50.1% of all eligible voters in the sector. This simple majority—within each sector—would be the participation threshold for this type of remand.
- *Determine whether there is "deep" opposition in the sector's position* (support/oppose). "Deep" should be defined as at least 70% of those actual votes are opposed. This figure is high but still within reach for large sectors.
    - Additionally, the Launch Committee recommends that a "floor" be used of at least 5 votes opposed in each of those sectors and at least 20 votes opposed across all sectors. These minimum numbers accomplish the same thing as the floor proposed in the Sector Majority Standard (2 or 3 votes opposed). The floors help avoid a hair trigger remand.[46]
        - For example, for a sector with 100 registered entities, 51 of them must vote with a position (support/oppose) to meet the broad requirement. To meet the depth requirement, 70% of those 51 voters must be opposed (36 votes). So, for a sector with 100 registered entities, *at least* 36 of those entities must vote in opposition, as a bare minimum.
        - For smaller sectors, there must be at least 5 votes in opposition. So in the instance of a sector that has 7 registered entities, 5 of them would need to be in opposition for their sector to be considered "significantly opposed."
- *Calculate if there is broad and deep opposition*. Upon completing a vote on a final proposal, a third of the sectors must be registered as "opposed" for the initiative to be remanded by default (subject to the ROWE Board overriding this remand).

Put briefly, this remand would require that at least a third of sectors are both broadly and deeply opposed to a final proposal. To be clear, it would not matter if other sectors are unable to meet the participation threshold requirement. As long as the required number of sectors (at least one third) are significantly opposed, a default remand would be triggered (subject, as always, to a discretionary override by the ROWE Board).

[46] If the Board concludes that small vote counts within sectors are nonetheless unduly triggering default remands, then it should be prepared to adjust the vote floors up or down as needed.

iii. Additional Considerations

Abstentions would not be counted as votes to measure significant opposition. Because votes on final proposals are anticipated to be open, virtual, multi-day affairs, rather than fixed meeting lengths in-person or on a hybrid basis, abstentions in this context should be tabulated but should not contribute to the participation threshold for each sector, nor to the measurement of opposition. Comments from stakeholders would be particularly valuable if an entity is abstaining in protest rather than because they either have no opinion or feel they lack the subject matter expertise to vote.

- For example, if a sector has 100 registered entities, 20 of them vote to abstain, and 10 vote with a position, only 10 votes would be counted for purposes of triggering a remand. In this case, only 10 votes would count toward the threshold, and the threshold would not be met for that sector (for either the Sector Majority Standard or Minority Sector Interest Standard).

It is incumbent upon the SRC to encourage sector participation and ensure that each sector is duly informed about the requirements to meet the remand triggers. Robust participation is essential to ensuring that sectors are not over- or under-represented.[47] If such cases do occur, the ROWE Board will always retain the discretion to electively override a default remand.

A remand to the stakeholder process is expected to be a rare event and could apply to a full initiative or part of the initiative if these are severable. Thus, if an initiative had multiple elements, staff would have the discretion about which level or group of elements on which to conduct voting. Voting could either be broken up into each element, or a vote could be taken on the overall initiative, and staff could determine which elements need further work based on written and verbal stakeholder comment.

iv. ROWE Board Role in the Remand Process

The ROWE Board will be responsible for setting the importance, tone, and impact of the Remand process. Remand represents a critical element for creating a stronger culture of stakeholder responsibility and responsiveness. The ROWE Board supporting a default remand in the stakeholder process would enable and encourage the stakeholder community of participants. However, The ROWE Board should adopt a procedure whereby it can intervene, if it so chooses, to consider whether to approve a final proposal, notwithstanding a default remand being triggered. If the ROWE Board believes an initiative is time-critical, is an exigent circumstance or has significant impact on the justness and reasonableness of the overall market or is needed to address circumstances of a market participant or group of participants, they could continue with approval of an initiative despite stakeholder opposition. These circumstances could be expressed to the ROWE Board from the ROWE Board itself, staff, the BOSR, DMM, MSC, or Market Expert. Such an override should be based on consideration of the ROWE Board's overall

[47] It bears repeating that stakeholders who become registered entities and retain an option to vote may elect to merely monitor ROWE activities, and this is a valid participation mode, so long as that sector still has a constructive critical mass of participants that regularly vote and contribute to the stakeholder process.

responsibility for the markets. The ROWE Board would have to provide an explanation for the decision, such as an identification of overriding concerns listed above.

One place to take this step would be as an item on the consent agenda at the ROWE Board's next meeting. If the ROWE Board does not act to remove the item from the consent agenda and discuss or debate it on its regular agenda, then the remand would proceed (i.e., by default). But the ROWE Board would retain an opportunity after a default remand to intervene and decide to approve an initiative, anyway, based on the considerations listed above in this section. Exercising such discretion to override stakeholder objections is an important part of the ROWE Board's independent authority to protect the integrity of the market and the public interest, but these situations should be rare.

The ROWE Board also maintains the authority to request an initiative return to the stakeholder process to resolve outstanding issues or concerns. If the ROWE Board believes the concerns and/or issues are resolvable and could address stakeholder concerns prior to potentially rejecting a final proposal they maintain the authority to request additional effort in the stakeholder process.

v. Future Considerations

The ROWE Board should treat this remand proposal as an initial approach to this process that should be reviewed along with the other elements of the stakeholder process ***at implementation*** and ***again after two years of ROWE operations***. Such a review should consider whether gaming behavior or perverse outcomes have occurred that should lead to a change in voting and remand procedures.

K. INTERIM STAKEHOLDER PROCESS

The stakeholder process above reflects compromises on key elements and an effort to increase stakeholder accountability, leadership, and transparency by the expansion of sectors and the use of indicative voting to indicate stakeholder positions. These elements maintain inclusiveness and approachability by eschewing formal voting for an indicative voting process and including sectors that reflect a broad range of market and non-market participant interests.

The ROWE Board retains the authority, in consultation with the stakeholder community, to determine the details of any stakeholder process. The purpose of this section is to facilitate decisions and early adoption by the ROWE Board for an interim stakeholder process that may be used until permanent ROWE processes are established. We guide the ROWE Board to the principles agreed to by a diverse group of stakeholders to guide the development of the stakeholder process.[48]

[48] See, NERC standards listed at the beginning of this chapter.

These recommendations are intended to cover the period where the ROWE Board will be fully constituted, but will not yet assume authority over relevant aspects of the market design. At a minimum, we strongly urge the following core elements be included in any interim stakeholder process:

- The sector identification and sector-based participation are critical to any interim process. It is this foundation upon which the Step 2 Proposal recommendations were built. Furthermore, through the implementation phase of the Pathways Initiative to date, the sectors and stakeholders are already organized, willing, and eager to move forward and contribute. For example, sectors have already begun organizing toward the structure outlined in the Step 2 Proposal and the detailed proposal in this chapter. The nine ROWE sectors have been organized by designated points of contact, and those sectors have each selected representatives for the Nominating Committee. The ROWE Board should encourage continued participation of these sectors for the purposes of an interim stakeholder process. It is important that the sectors that have been identified and have been supporting the Pathways Initiative should be utilized in the interim stakeholder process. This both prepares the sectors to act as a stakeholder and communicates the Board's intention to continue to engage these constituencies.

- Transparent opportunities for public comment. The Step 2 Proposal organizes stakeholders by sectors, but it is the direct participation by stakeholders and the opportunity for everyone to comment on proposals and vote directly as individual interests that is critical to success. Meaningful opportunities for public comment, including written comments, are critical to any interim process also.

As described earlier in this chapter, other components should be included in any interim process:

- Straw and draft proposals that articulate specific ideas to garner meaningful stakeholder feedback;
- Periodic workshops to educate and facilitate discussion options;
- Indicative voting which is intended to capture the views of sectors to inform Board decisions and is a core element of our recommendations for a more permanent ROWE stakeholder process.

Timing Considerations and Application of any Interim Process. As of the submission of this Briefing Book, the goal is to file the ROWE regulatory structure documents (potentially including a ROWE governance tariff, CAISO tariff changes, and a ROWE/CAISO agreement that addresses the number of issues on which the ROWE and CAISO must memorialize their mutual responsibilities and obligations) with FERC by May 2027 to meet a January 2028 date for the ROWE to have sole decisional authority over the Day Ahead and Real Time markets.

The ROWE will need to independently stakeholder the filing of a potential ROWE governance tariff. This interim process can, for example, be used to provide opportunities for review before filing at FERC. Additional issues specific only to the ROWE may also arise requiring use of an interim stakeholder process.

Stakeholders are optimistic about the potential value proposition for the ROWE to support additional regional services. The first such opportunity is likely the ongoing development of a resource adequacy program by a separate group of stakeholders. However, if a proposal for that new resource adequacy is presented to the ROWE Board, beginning to stakeholder this initiative without the full benefit of a developed ROWE Board, staff, and stakeholder process creates a challenge to be addressed.

The Stakeholder Process Work Group included a diverse group of stakeholders who worked collaboratively and made significant progress but could not make recommendations on some significant aspects of an interim stakeholder process for establishing new regional services. In determining a suitable interim stakeholder process, the ROWE Board should ensure the principles and practices outlined in the bylaws, the Final Proposal, and these materials are honored and respected as part of adding a new and important regional service. If the ROWE Board chooses to advance a proposal for a new regional service before the ROWE's more permanent stakeholder process is established, we encourage the ROWE Board to continue this effort, including soliciting additional input from a diverse group of stakeholders in a transparent process, to ensure that interim stakeholder processes are well received and to build trust in the organization.

Until FERC approval of governance and tariff changes, the CAISO will still have authority over the markets under the Primary Authority model articulated in the Pathways Step 1 Proposal and memorialized in CAISO documents, where the WEM Governing Body has primary authority over certain Day Ahead and Real Time market issues. The CAISO will manage any stakeholder processes relevant to those markets.

L. Looking Forward: Future Independent Stakeholder Process Considerations

The ROWE Board will be charged with implementing a permanent stakeholder process. The ROWE Board should work toward having the full stakeholder process in place by 2028. Full implementation of the stakeholder process will require the ROWE to establish and procure the following resources:

- Staffing
    - Administrative: scheduling, noticing, management of registration, stakeholders, and voting tool
    - Facilitation: leading meetings, developing materials, coordinating stakeholders and SRC
    - Subject matter expertise
    - IT support
    - Operations support
    - Stakeholder process manager/staff: point of contact for stakeholders and the SRC, ROWE Board, and lead for policy development
- Tools, including
    - Mechanism for registering entities

- Tracking and managing stakeholder information
- Voting mechanism
- Public commenting tool

The ROWE Board should consider staffing options to run the interim stakeholder process such as hiring outside consultants, contracting with the CAISO, acceleration of hiring stakeholder staff, or a combination of these.

When evaluating how and when to implement these resources, and the extent to which components may be implemented during the interim stakeholder process, the ROWE Board should keep in mind *cost, feasibility, efficiency, and durability.* Noting that the ROWE will have a limited budget, the ROWE Board should consider options that do not overly burden the ROWE or detract from other essential implementation activities. Thus, they should consider how to optimize and enhance existing structures and choose durable solutions that can transition beyond the interim period to the formal stakeholder process to minimize duplication.

M. REGIONAL ISSUES FORUM

1. Introduction & Background

The CAISO currently has the Regional Issues Forum (RIF) which is a stakeholder-led advisory organization for discussion of issues and topics related to the western energy markets. It provides a forum for addressing specifics of WEIM or EDAM operations which is organized by liaisons from seven stakeholder sectors that facilitate input and participation from their respective sectors on relevant topics. The RIF will continue to function as they do today until the ROWE receives authority over the markets in early 2028.

The RIF organizes public meetings, held three times a year, which allow stakeholders to discuss broad issues related to western energy markets. The first meeting, held in March, provides stakeholder views on the CAISO Policy Roadmap. The meetings are open to the public and those interested are encouraged to attend and participate. The liaisons may also produce documents or opinions for the benefit of the WEM Governing Body, CAISO Board of Governors, and CAISO staff. More information on the RIF Operating Guidelines can be found on the CAISO RIF website.[49]

2. Enhancements Project

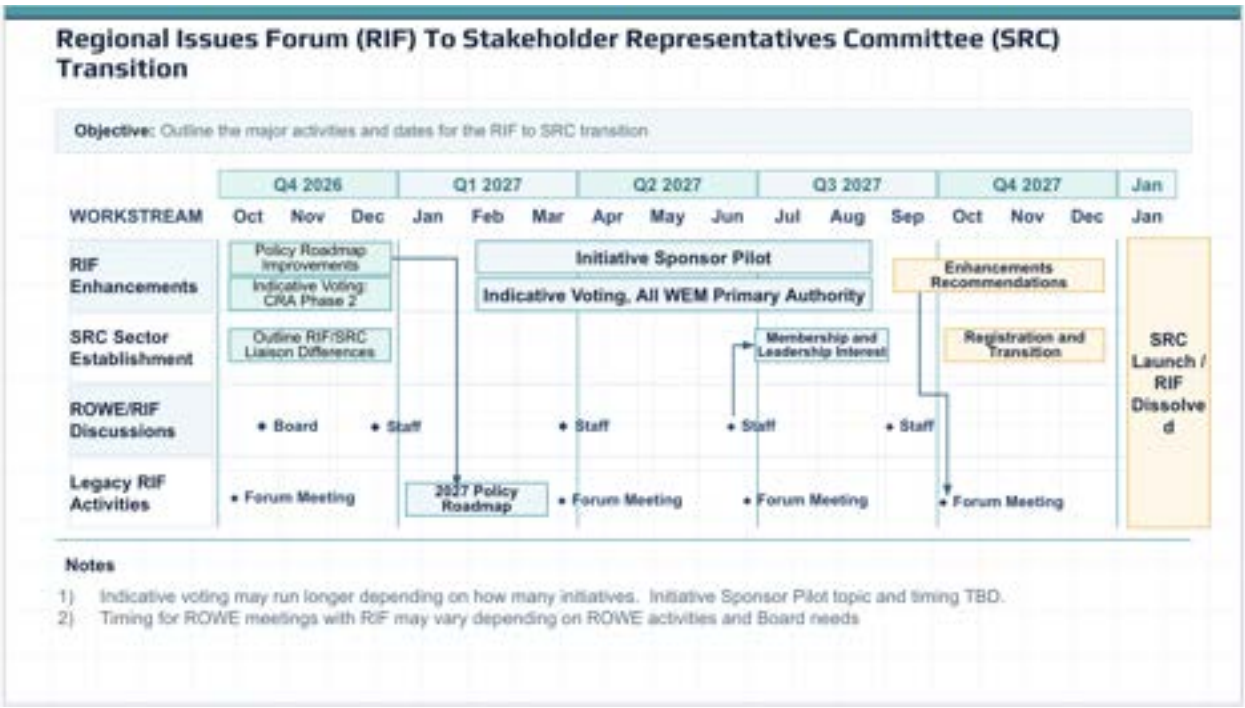
In preparation for the initiation of the SRC, the RIF began an enhancements project to evolve certain RIF processes and pilot new processes that aligned with the roles of the SRC as envisioned in the Step 2 Proposal. Along with the enhancements project, and at the request of WEM GB members, RIF liaisons created a transition plan detailing key steps, deliverables, and criteria for updating the RIF's structural responsibilities and current capabilities to align with the future SRC.

[49] https://www.westernenergymarkets.com/documents/operating-guidelines-wem-regional-issues-forum.pdf

The RIF coordinated its efforts with parties that are expected to be affected by the changes that are under consideration in this effort, including members of the RIF, the Pathways Launch Committee, Formation Committee, and Stakeholder Process Working Group. The RIF Enhancements currently underway include:

- Enhanced role in the CAISO's Catalog & Roadmap Process
    - Expand RIF's role from an advisory function to greater engagement with CAISO staff to support identification of discretionary issues for the CAISO Policy Initiatives Catalog.
    - Align RIF responsibilities with the SRC, creating continuity in how issues are surfaced and prioritized.
    - Use a structured roundtable process to review, assess, and organize sector submittals.
    - Indicative voting on the Draft Roadmap
- Sector (Initiative) Sponsor Role: Pilot the sponsor role in a future initiative using an initial set of guidelines to structure the role.
    - The RIF does not have a specific initiative at this point, but is actively working with CAISO staff to identify a pilot initiative for 2027.
    - When the RIF and the CAISO decide to start the pilot:
        - RIF liaisons will work with their sectors to communicate the selection of sponsors
        - The RIF and the CAISO will develop meeting cadences with sponsors
- Indicative Voting: Registered stakeholders will vote through the initiative comment tool and results will be posted at the initiative website.
    - Pilot Initiative: EDAM Congestion Revenue Allocation Phase 2
    - Following the pilot, the RIF expects that indicative voting will be included in all initiatives where the WEM Governing Body has Primary Authority

The RIF is currently focusing on implementing these enhancements and will continue to meet with ROWE to collaborate on RIF Enhancements and plan the transition of the RIF to the SRC. In collaboration with Pathways, the RIF created a transition timeline to enable a smooth SRC launch.


Regional Issues Forum (RIF) To Stakeholder Representatives Committee (SRC) Transition
Objective: Outline the major activities and dates for the RIF to SRC transition
Q4 2026
Q1 2027
Q2 2027
Q3 2027
Q4 2027
Jan
WORKSTREAM
Oct Nov Dec Jan Feb Mar Apr May Jun Jul Aug Sep Oct Nov Dec Jan
RIF Enhancements
Policy Roadmap Improvements
Indicative Voting: CRA Phase 2
Initiative Sponsor Pilot
Indicative Voting, All WEM Primary Authority
Enhancements Recommendations
SRC Sector Establishment
Outline RIF/SRC Liaison Differences
Membership and Leadership Interest
Registration and Transition
SRC Launch / RIF Dissolved
ROWE/RIF Discussions
Board
Staff
Staff
Staff
Staff
Legacy RIF Activities
Forum Meeting
2027 Policy Roadmap
Forum Meeting
Forum Meeting
Forum Meeting
Notes
1) Indicative voting may run longer depending on how many initiatives. Initiative Sponsor Pilot topic and timing TBD.
2) Timing for ROWE meetings with RIF may vary depending on ROWE activities and Board needs

CHAPTER 10: ROWE EVOLUTION

A. PROPOSED ACTION PLAN

(1) **Initiate the tariff-separation workstream.** The Board should adopt a resolution by the end of October 2026 launching a stakeholder process to evaluate the path to tariff separation, including costs and benefits, procedural steps, responsibility and liability implications, staffing needs, and financial-reserve requirements for each phase. The Board should adopt an action plan by mid-2027 with an initial set of concrete deliverables that can be enacted by mid-2028, informed by the analysis and stakeholder input.

(2) **Create an evolution task force.** The Board should consider appointing a task force of stakeholders and subject-matter experts early in Q1 2027 to scope the broader Evolution Analysis, including identifying key questions, milestones, and resource needs.

(3) **Launch the broader Evolution Analysis.** Within nine months after the Board is seated, the Board should initiate a stakeholder process to evaluate two related dimensions of ROWE evolution: expanding the ROWE's corporate responsibilities and adding new voluntary regional services to the ROWE's market offerings.

B. BACKGROUND

Western electricity markets have evolved incrementally from the outset, rather than through the "Big Bang" creation of RTOs seen in other regions. Caution, trust, and experience have shaped that evolution. First movers have launched new market structures - WEIM and EDAM - while others have watched, learned, and joined as the benefits have become clearer and institutional trust has deepened. Governance has evolved alongside the markets: from CAISO providing market services under its own structure, to the independently appointed WEM Governing Body, to the expanded WEM Governing Body with joint and then primary authority over Western Energy Markets rules. The Pathways Initiative Step 2 Proposal is the next step in that progression and reflects Western stakeholders' continuing commitment to regional evolution. All of these changes have been supported by underlying physics, economics, expertise, and stakeholder commitment.

The ROWE's initial design—an independent governance organization supported by existing infrastructure and operations—reflects two imperatives. First, using CAISO's existing infrastructure requires the agreement of the CAISO Board of Governors and careful consideration of CAISO's other functions and responsibilities. Second, the ROWE must exercise and demonstrate enough independent authority from the outset to earn the confidence and participation of stakeholders across the broader Western region. The Pathways Initiative balances these imperatives through a stepwise approach that builds on the West's proven model of incremental success. Step 2 enables full independence while relying on CAISO's technical and operational expertise to support a durable transition.

The ROWE's launch structure should be treated as a starting point, not the destination. Reconciling the imperatives described above requires deliberate progress rather than haste or excessive caution, but the Pathways Initiative has always anticipated further development. From the outset, "Step 3" contemplated "[c]ontinu[ing] expanding the scope of regionalized functions and services offered by the [ROWE]." In the Step 2 Proposal, the Launch Committee acknowledged that "we have found it difficult to conclude that Option 2.0 is a robust enough institutional home for the aspirations of the Pathways Initiative and the vision of Step 3" and recommended that the ROWE initiate a "feasibility analysis" within nine months of formation to examine potential ways to increase the ROWE's corporate responsibility. Developed by stakeholders from the outset, the Pathways Initiative's stakeholder-driven governance structure creates the platform for the ROWE to evolve in a way that is driven and supported by the West. The objective is not a one-time evolution, but a governance foundation that builds continuous, disciplined evolution into the ROWE's institutional DNA.

C. Evolution Analysis

Because ROWE evolution has always been part of the Pathways Initiative, the required inquiry is broader than a traditional "feasibility analysis." The central question is not whether the ROWE can evolve, but how it should evolve, when it should take on additional responsibilities, and what conditions must be satisfied before each step. All of this must be done with the needs of stakeholders and the best interest of Western electric customers at the forefront of the analysis and decision-making. The process is therefore better framed as an "Evolution Analysis": a stakeholder-driven assessment of the ROWE's next stage of corporate responsibility, authority, services, resources, and accountability.

Appendix G of the Step 2 Proposal identified the corporate objectives underlying evolution as ensuring:

- *[T]he RO[WE] takes a form under which it assumes responsibility and accountability commensurate with its supervisory authority over energy markets, and*
- *[T]he RO[WE] has a structure that will strengthen its ability to host or oversee additional regional services beyond energy markets for as many market participants as desire that expansion.*

The Evolution Analysis should focus on two related dimensions: (1) expanding the ROWE's corporate responsibilities and (2) adding new voluntary services to the ROWE's market offerings. Chapters 1 and 6 and Appendix G of the Step 2 Proposal provide a starting point for the issues the analysis should address, including potential corporate structures, service offerings, costs and benefits, procedural steps, staffing needs, financial resources, and implementation timing. The Board should begin with a stakeholder-driven scoping process that identifies the questions and structures most important to evaluate. The analysis should also include concrete, measurable milestones that specify what must happen, by when, and how stakeholders will assess whether commitments have been achieved.

1. Expansion of the ROWE's Corporate Responsibilities

Chapter 1 of the Step 2 Proposal identifies several areas where the ROWE Board should seek stakeholder input expanding the ROWE's corporate responsibility: vendor management, financial liability, existing contracts, staffing, and tariff separation. These categories are interrelated. The Board should work with stakeholders to identify the questions, decision points, and readiness indicators for each area. Additional responsibilities should be assumed only when the ROWE has sufficient organizational maturity, financial capacity, staffing, and compliance infrastructure to support them. The Board should therefore define metrics that indicate when the organization is ready to take on greater responsibility.

Given those readiness considerations, this section focuses on two near-term priorities for Board attention:

Stakeholder Process. At launch, the ROWE will have its own staff to manage and oversee stakeholder processes for new initiatives, while still relying on dedicated CAISO staff for support and technical expertise. The Evolution Analysis should evaluate how the ROWE can build the staffing, procedures, and expertise needed to deliver an increasingly independent stakeholder process as its corporate responsibilities and market services expand.

Integrated Tariff. At launch, the ROWE will have sole authority over market operations, but the market rules will remain within the CAISO-maintained Integrated Tariff. That tariff also contains provisions related only to CAISO's BA, TOP, and TSP functions. Launch rules will allocate filing authority between the ROWE and CAISO, but the tariff provisions themselves will not yet be separated or reorganized. CAISO will also retain administrative responsibility for maintaining the tariff and making Integrated Tariff filings at FERC.

The Board should evaluate tariff separation as a staged pathway. The first stage is clear delineation of tariff provisions by filing authority: provisions subject to ROWE sole authority under Section 205, provisions subject to CAISO sole authority, and provisions requiring joint authority. The next stage could be functional reorganization of the CAISO tariff. A later stage could involve physical separation and relocation of market rules into a ROWE tariff. For each stage, the Board should evaluate procedural requirements, costs and benefits, staffing levels, financial reserves, liability exposure, and FERC compliance responsibilities.[50] A staged approach will help stakeholders identify the timing and conditions for transition while minimizing unnecessary cost, duplication, and disruption.

Because tariff separation is already under discussion and central to the ROWE's future accountability, the Board should initiate this stakeholder process by resolution no later than the end of October 2026 and commit to adopting an action plan by mid-2027 with a set of concrete deliverables that can be enacted by mid-2028.

2. Addition of Voluntary Services

[50] It is possible that the ROWE will become a public utility at launch by virtue of its control over the Market Operation Rules and its Governance Tariff, and the Board should explore this question with legal counsel. If not at launch, however, public utility status will follow with the assumption of full Section 205 authority over the Market Operation Rules.

The governance platform supporting the transfer of energy-market authority to the ROWE should also provide a disciplined process for adding new voluntary regional services. New services may be proposed by stakeholders or emerge as the ROWE matures. Chapter 6 of the Step 2 Proposal identifies potential services the ROWE could explore through the Evolution Analysis or future stakeholder initiatives. The Evolution Analysis should define how new services will be proposed, evaluated, prioritized, and approved, including the types of services likely to come before the Board during the first five years of operation.

Regional Resource Adequacy is the clearest near-term example of why that process is needed. The RA Sponsors—a coalition of interested EDAM-committed entities—began an initial stakeholder process in spring 2026 to develop an early program design for EDAM and WEIM participants not already subject to another resource adequacy program. They intend to transition the process to the ROWE once the Board is seated. If the RA Sponsors bring the initiative forward, the Board will need to decide whether to take it on as a ROWE initiative, how to prioritize it against other work, and what staffing and technical support would be required. The RA Sponsors plan to release an Initial Draft Proposal on November 12, 2026, with written comments extending through the end of the year. Their goal is for the ROWE to build on that initial work and continue the technical and stakeholder development needed to create a full regional program offering as soon as feasible.

3. Staffing the Evolution Analysis

Staffing will be an early constraint on the Board's ability to advance the Evolution Analysis and tariff-separation workstream. Ideally, the ROWE's CEO would oversee this work. Because ROWE staff are not expected to be in place until Q1 2027, the Board should consider appointing a stakeholder and subject-matter expert task force early in Q1 2027 to begin scoping the broader Evolution Analysis, coordinate early stakeholder input, and identify key questions, milestones, and resource needs. The Board should also consider whether an acting CEO or similar interim leadership role is needed to support the effort before permanent staff are in place.

APPENDIX A: 2026 Work Plan

APPENDIX A: ROWE WORK PLAN THROUGH 2026

A. By October 31

- Participate in CEO search update meeting with Lyceum and Interim Search Committee (Oct. 8)
    - Determine whether any changes are necessary
- Execute Board Expectation Agreements and 1099s (by Oct. 16)
- Resolve any prohibited conflicts of interest (by Oct. 16)
- Take necessary steps to enable Board member compensation
- Schedule first board meeting (need to develop draft notice/agenda)
    - Policies
    - Committees
    - Approve Loan Agreement
    - Authorize Bank Account opening
    - Election of officers
    - Schedule Board meetings
    - Discuss interim staffing/resource support/transition committee
    - Decide on initial IT equipment and needs
    - Affirmation of ED/CEO Position Description
    - Determine administrative tasks to prepare for next Board meeting
- Strategy Session with Formation Board (Oct. 19)
- Open bank account
- Submit comments to California PUC regarding Rulemaking to Implement AB 825 (Oct. 23)
- Second board meeting (before Oct. 31)
    - Approve interim staffing/resource support/transition committees/task forces
    - Begin evaluation of principle place of business
        - Determine evaluation criteria
        - Request legal input
        - Create stakeholder committee to develop a recommendation for the ROWE Board
    - Begin evaluation of current contracts including Utilicast, Ashurst Perkins Coie, RenUSA, Global Impact
        - Identify any potential changes and scope including:
            - Establishing accounts receivable & payable services including payroll and accountant/bookkeeper services
            - Scope communication tools, systems, processes, and staffing for communicating to stakeholders in the short term
        - Approve IT consultant to set up emails, technology, support
        - Review and adjust as necessary 2026 budget
        - Begin review of corporate and foundational documents for potential changes
        - Adopt resolution to begin Tariff Separation portion of Evolution Analysis with a stakeholder process to scope the analysis including tariff separation and ultimately adopt a plan for implementation

B. By November 30

- Begin outreach to develop scope of Public Policy Committee
    - PMAs, BOSR, local/municipal utilities, tribes
- Conduct ROWE Board branding/messaging workshop
- Develop proactive public relations plan
- Review existing contracts with consultants
- Review 2027 budget
- Adopt resolution establishing stakeholder process
- Hire HR consultant to develop handbook, HR policies, other relevant documents
- Hire Technical Assistant/Advisor on contract
- Develop position description for General Counsel, Executive Assistant, Stakeholder Process Manager and begin search
- Get up to speed on and formalize ROWE engagement in CAISO Stakeholder Initiatives for 2027 and 2028
- Conduct meetings with:
    - CAISO staff
    - CAISO Board of Governors
    - WEM Governing Body
    - WEM BOSR
    - RIF
    - Gridworks (re: Tribal Engagement)
    - Bonneville Power Administration

C. By December 31

- Approve 2027 budget
- Review insurance for organization, board, staff
- Website buildout
- Implement tools, systems, processes and staffing to enable stakeholder communications in the short term
- Assess needs for stakeholder communications in the long term: scope tools, systems, processes, and staffing
- Adopt necessary changes to corporate and foundational documents
- Adopt conceptual framework for the ROWE/CAISO Coordination Agreement with CAISO
- Create task force of stakeholders and experts to begin stakeholder process for scoping the Tariff Separation analysis
- Develop longer term work plan based on action items in each chapter

D. Other ongoing work

- Negotiations with the CAISO
- Relationships/networking
    - Evaluate stakeholder engagement and identify gaps and outreach strategy
- Implementation of ROWE stakeholder process
- Engagement in CAISO stakeholder process

APPENDIX B: Summary of Stakeholder Comments

APPENDIX B: STAKEHOLDER COMMENT SUMMARY

Due to the timing of the work, the Formation Committee was only able to share the following chapters of the Briefing Book with stakeholders and solicit feedback:

- Draft Chapter 2: Corporate Organization and Governance
- Draft Chapter 3: ROWE Governance Tariff
- Draft Chapter 4: Market Oversight and Data Access
- Draft Chapter 5: Budget and Finance
- Draft Chapter 9: Stakeholder Process

Below is a summary of the comments received on the chapters listed above. The Formation Committee integrated non-substantive comments where possible. This summary is not comprehensive, but includes the themes from the comments received. The Board should read the comments in full and consider them as additional ideas for consideration during implementation.

Chapter 2: Corporate Organization and Governance

Stakeholders provided feedback on how to approach the evaluation and selection of the Principal Place of Business and what considerations are important to them. Stakeholders also supported the application of the NERC standards described in the stakeholder process to the ROWE universally.

Chapter 3: Regulatory Structure and Oversight

Stakeholders emphasized the need to maintain uninterrupted market operations and services in the remote chance the CAISO withdraws as a market participant or ceases to offer services to the ROWE. Stakeholders requested that the Public Policy Committee (PPC) collaborate with Tribes and urged the Board and PPC to establish clear procedures for resolving conflicts between conflicting state policy objectives. Additionally, stakeholders recommended that the Board establish mechanisms for incorporating dissenting views from the BOSR or CAO into FERC filings, and highlighted the necessity of ensuring that all tariff development aligns with AB 825 requirements.

Chapter 4: Market Oversight and Data Access

Some stakeholders would like to expand the level of data available to the BOSR, CAO, and their associated members. While this is discussed within the chapter, one stakeholder expressed a desire to continue to explore expanding the MSC selection criteria to include experience with consumer issues and public interest expertise for at least one member, or for at least one-third of the MSC members if the MSC is expanded.

Chapter 5: Budget and Finance

Regarding the Office of Public Participation (OPP), some stakeholders would like to see additional staffing as soon as possible and the creation of a funding mechanism to support stakeholders with limited resources to engage. Stakeholders also noted the desire for the ROWE Board to work with the WEM BOSR and WIEB to develop and implement a just and reasonable and non-discriminatory funding structure for the BOSR to ensure that the BOSR has the resources necessary to fulfill its role effectively, independently, and sustainably.

Chapter 6: Staffing and External Resources
Stakeholders provided feedback that there should be distinct leadership and functional firewalls between staffing contractors to protect market neutrality. Stakeholders also urged the ROWE to limit reliance on CAISO staff for the stakeholder process as much as possible and ensure a clear delineation between ROWE and CAISO staff during the stakeholder process.

Chapter 9: Stakeholder Process
Stakeholders raised questions regarding the process for updates to Business Practice Manuals, initiatives with joint ROWE-CAISO authority, as well as feedback concerning stakeholder sectors—specifically, the need to assess proposed sectors and seat allocations to ensure the SRC effectively balances and reflects diverse interests throughout the market footprint. Additionally, concerns were highlighted regarding the remand mechanism, particularly around participation thresholds, remand frequency, and potential incentives for voting counter to an entity's true position.

APPENDIX C: Certificate of Incorporation

Delaware

The First State

I, CHARUNI PATIBANDA-SANCHEZ, SECRETARY OF STATE OF THE STATE OF DELAWARE, DO HEREBY CERTIFY THE ATTACHED IS A TRUE AND CORRECT COPY OF THE CERTIFICATE OF INCORPORATION OF "REGIONAL ORGANIZATION WESTERN ENERGY, INC.", FILED IN THIS OFFICE ON THE TWENTIETH DAY OF JANUARY, A.D. 2026, AT 6:43 O`CLOCK P.M.

C. B. Sanchez

Charuni Patibanda-Sanchez, Secretary of State

10479532 8100
SR# 20260223172

Authentication: 202878861
Date: 01-21-26

You may verify this certificate online at corp.delaware.gov/authver.shtml

State of Delaware
Secretary of State
Division of Corporations
Delivered 06:43 PM 01/20/2026
FILED 06:43 PM 01/20/2026
SR 20260223172 - File Number 10479532

CERTIFICATE OF INCORPORATION

OF

REGIONAL ORGANIZATION FOR WESTERN ENERGY, INC.

(A Delaware Nonstock Corporation)

ARTICLE I
NAME

The name of the corporation is Regional Organization for Western Energy, Inc. (the "***Corporation***").

ARTICLE II
REGISTERED OFFICE AND AGENT

The address of the registered office of the Corporation in the State of Delaware is Corporation Service Company, 251 Little Falls Drive, in the City of Wilmington, County of New Castle, Delaware 19808. The name of its registered agent at that address is Corporation Service Company.

ARTICLE III
PURPOSES

The purpose of the Corporation is to engage in any lawful act or activity for which corporations may be organized under the General Corporation Law of Delaware. The Corporation shall be a nonstock nonprofit corporation.

The specific purposes for which the Corporation is organized are to apply its income or property, or both, exclusively for charitable, scientific, or educational purposes and to engage in such other activities which are exclusively in furtherance of these purposes within the meaning of Section 501(c)(3) of the Internal Revenue Code of 1986, as amended (the "Code").

ARTICLE IV
POWERS

In general, and subject to such limitations and conditions as are or may be prescribed by law or in this Certificate or the Corporation's Bylaws, the Corporation shall have all powers which now or hereafter are conferred by law upon a corporation organized for the purpose set forth above, or are necessary or incidental to the powers so conferred, or are conducive to the attainment of the Corporation's purpose.

ARTICLE V
INCORPORATOR

The incorporator of the Corporation is Kathleen Staks. The address of the incorporator is:

P.O. Box 150666
Lakewood, CO 80215

ARTICLE VI
LIMITATIONS

VI.1 Nonprofit Status

(a) The Corporation shall not have or issue shares of capital stock.

(b) The Corporation is not organized for profit and no part of the net earnings of the Corporation shall inure to the benefit of, or be distributable to its directors, officers, or other private persons, except that the Corporation shall be authorized and empowered to pay reasonable compensation for services rendered and to make payments and distributions in furtherance of the purposes set forth herein.

VI.2 Prohibited Activity

No substantial part of the activities of the Corporation shall be the carrying on of propaganda, or otherwise attempting to influence legislation, and the Corporation shall not participate in, or intervene in (including the publishing or distribution of statements) any political campaign on behalf of any candidate for public office. Notwithstanding any other provision herein, the Corporation shall not carry on any other activities not permitted to be carried on (a) by a corporation exempt from federal income tax under Section 501(c)(3) of the Code, or (b) by a corporation, contributions to which are deductible under Section 170(c)(2) of the Code.

VI.3 Distributions; Dissolution

In the event of the dissolution of the Corporation, the board of directors, after paying or making provision for payment of all of the liabilities of the Corporation, shall distribute all of the remaining assets of the Corporation to such organizations organized and operated exclusively for charitable, scientific, or educational purposes as shall at the time qualify as an exempt organization or organizations under Section 501(c)(3) of the Code. Any such assets not so disposed of shall be disposed of by the circuit court of the county in which the principal office of the Corporation is then located, exclusively for such purposes or to such organization or organizations, as said court shall determine which are organized and operated exclusively for such purposes.

ARTICLE VII
LIMITATION OF DIRECTOR AND OFFICER LIABILITY

To the fullest extent permitted by the General Corporation Law of Delaware, as the same may be amended from time to time, a director or officer of the Corporation shall not be personally liable to the Corporation for monetary damages for breach of fiduciary duty as a director or officer. If the General Corporation Law of Delaware is hereafter amended to authorize further reductions in the liability of the Corporation's directors or officers for breach of fiduciary duty, then a director or officer of the Corporation shall not be liable for any such breach to the fullest extent permitted by the General Corporation Law of Delaware, as so amended.

Any repeal or modification of any of the foregoing provisions of this Article VII, by amendment of this Article VII or by operation of law, shall not adversely affect any right or protection of a director or officer of the Corporation with respect to any acts or omissions of such director or officer occurring prior to such repeal or modification.

ARTICLE VIII
INDEMNIFICATION

To the fullest extent permitted by applicable law, the Corporation is authorized to provide indemnification of (and advancement of expenses to) directors, officers, employees, and other agents of the Corporation (and any other persons to which Delaware law permits the Corporation to provide indemnification or advancement of expenses), through Bylaw provisions, agreements with any such director, officer, employee, or other agent, or otherwise, in excess of the indemnification and advancement otherwise permitted by Section 145 of the General Corporation Law of Delaware, subject only to limits created by applicable Delaware law (statutory or nonstatutory), with respect to actions for breach of duty to a corporation and others.

Any repeal or modification of any of the foregoing provisions of this Article VIII, by amendment of this Article VIII or by operation of law, shall not adversely affect any right or protection of a director, officer, employee, or other agent of the Corporation or any such other person existing at the time of, or increase the liability of any such director, officer, employee, agent, or other person with respect to any acts or omissions thereof occurring prior to such repeal or modification.

ARTICLE IX
EXISTENCE

The Corporation is to have perpetual existence.

ARTICLE X
RIGHT TO AMEND CERTIFICATE OF INCORPORATION AND BYLAWS

In furtherance and not in limitation of the powers conferred by the laws of the State of Delaware, the Board of Directors of the Corporation is expressly authorized to adopt, amend, or repeal the Bylaws of the Corporation and to amend or restate this Certificate of Incorporation.

ARTICLE XI
DIRECTORS

The number of directors that shall constitute the whole Board of Directors shall be designated in the Bylaws of the Corporation. Vacancies created by the resignation of one or more members of the Board of Directors and new directorships created in accordance with the Bylaws of the Corporation, may be filled by the vote of a majority excluding the resigning director, although less than a quorum of the directors then in office or by a sole remaining director. Elections of directors need not be by written ballot unless otherwise provided in the Bylaws of the Corporation.

The Board of Directors consists of the following persons:

Kathleen Staks
P.O. Box 150666
Lakewood, CO 80215

Evelyn Kahl
1121 L Street, Suite 400
Sacramento, CA 95814

Jim Shetler
6001 S Street, MS D-109
Sacramento, CA 95852-1830

Michele Beck
P.O. Box 146782
Salt Lake City, Utah 84114

Scott Ranzal
300 Lakeside Drive
Oakland, CA 94612

Lisa Tormoen Hickey
400 Gold Ave. SW Suite 700
Albuquerque, NM 87102

ARTICLE XII
CORPORATE RECORDS

The books of the Corporation may be kept (subject to any statutory provision) outside the State of Delaware at such place or places as may be designated from time to time by the Board of Directors in the Bylaws of the Corporation.

****

The undersigned hereby further declares and certifies under penalty of perjury that the facts set forth in the foregoing certificate are true and correct to the knowledge of the undersigned, and that this certificate is the act and deed of the undersigned.

Executed as of January 20, 2026.

By: Kathleen Staks
Name: Kathleen Staks
Title: Sole Incorporator

APPENDIX D: Formation Board Resolutions

REGIONAL ORGANIZATION FOR WESTERN ENERGY, INC.

RESOLUTION OF THE BOARD OF DIRECTORS ADOPTING BUDGET AND DELEGATION OF AUTHORITY

The undersigned, being all the members of the Board of Directors of Regional Organization for Western Energy, Inc., a Delaware nonstock corporation (the "Corporation"), acting in accordance with the Corporation's Bylaws and applicable law, do hereby adopt the following resolutions:

WHEREAS, the Board of Directors (the "Board") is responsible for oversight of the Corporation's financial planning and expenditures;

WHEREAS, the Board has developed a proposed operating budget for the fiscal year 2026 (the "Budget"), outlining anticipated revenues and expenses of the Corporation;

WHEREAS, the Board has reviewed the proposed Budget and finds it to be consistent with the Corporation's strategic priorities and operational needs;

NOW, THEREFORE, BE IT RESOLVED, that the Board hereby approves and adopts the Budget for the fiscal year 2026, substantially in the form presented to the Board and attached hereto as Exhibit A.

FURTHER RESOLVED, that the President of the Corporation (the "President") is authorized and directed to implement the Budget and to undertake such actions as may be necessary or appropriate to carry out the activities contemplated therein.

FURTHER RESOLVED, that, consistent with the adopted Budget, the President is authorized, without further action of the Board, to procure goods and services; engage consultants, advisors, and vendors; and negotiate, execute, and deliver contracts, agreements, purchase orders, and other instruments, provided that such commitments are consistent with and within the total expenditures authorized in the Budget.

FURTHER RESOLVED, that the President is authorized to reallocate funds among Budget categories as reasonably necessary to carry out the Corporation's activities, provided that no individual Budget category is increased by more than fifteen percent (15%) of the amount originally approved for that category, and provided further that the total expenditures authorized by the Budget are not increased without further approval of the Board.

FURTHER RESOLVED, that the President shall keep the Board reasonably informed of material procurements, contracts, and any reallocations undertaken pursuant to this authority.

FURTHER RESOLVED, that notwithstanding any authority otherwise granted herein, the President shall not, without prior approval of the Board of Directors, cause the Corporation to:

i. incur or guarantee any indebtedness for borrowed money, including any loan, line of credit, promissory note, or other credit facility;
ii. issue any debt instrument or enter into any financing arrangement;
iii. grant any lien, pledge, or other security interest in the assets of the Corporation; or
iv. enter into any arrangement that has the effect of borrowing funds on behalf of the Corporation.

FURTHER RESOLVED, that all actions previously taken by the officers of the Corporation consistent with the intent of the foregoing resolutions are hereby ratified, confirmed, and approved in all respects

Dated this 12 day of February, 2026.

CERTIFICATION

The undersigned hereby certifies that the foregoing resolutions were duly adopted by the Board of Directors of Regional Organization for Western Energy, Inc. on **February 12, 2026**, and remain in full force and effect.

Signature: _*Lisa Tormoen Hickey*

Name: Lisa Tormoen Hickey
Title: Secretary
Date: February 12, 2026

RESOLUTION
OF THE
REGIONAL ORGANIZATION FOR WESTERN ENERGY, INC.

APPROVING ORGANIZATIONAL CONTRACTSINCLUDING DIRECTORS AND OFFICERS INSURANCE POLICY

The undersigned, being all the members of the Board of Directors of Regional Organization for Western Energy, Inc., a Delaware nonstock corporation (the "Corporation"), acting in accordance with the Corporation's Bylaws and applicable law, do hereby adopt the following resolutions:

WHEREAS, the Regional Organization for Western Energy, Inc. has installed the Formation Board to serve as fiduciaries with the limited scope of activities, including continued formation of the governance of the ROWE, and it is appropriate to maintain reasonable insurance coverage related to these activities.

WHEREAS, the Professional Solutions Insurance Company, through Inszone Insurance Services LLC has provided a quote for insurance coverage, Policy Quote Number: OB678DMLA260-which has been reviewed by the Formation Board and the members find such coverage to be appropriate and in the best interests of the ROWE and its Formation Board;

NOW, THEREFORE, BE IT RESOLVED, That the proposed Directors and Officers insurance policy from Professional Solutions Insurance Company, Policy Quote Number OB678DMLA260 is hereby approved and the officers of the ROWE are hereby authorized to execute all documents and cause premiums to be paid, and to take all actions necessary or appropriate to secure such insurance coverage;

RESOLVED, that this consent may be executed in multiple counterparts, each of which shall be deemed to be an original, but all of which together shall constitute one and the same instrument.

Dated this 12th day of February, 2026.

[*Signature Page to Follow*]

CERTIFICATION

The undersigned hereby certifies that the foregoing resolutions were duly adopted by the Board of Directors of Regional Organization for Western Energy, Inc. on **February 12, 2026**, and remain in full force and effect.

Signature: *Lisa Tormoen Hickey*
Name: Lisa Tormoen Hickey

Title: Secretary (or Acting Secretary)

Date: February 12, 2026

REGIONAL ORGANIZATION FOR WESTERN ENERGY, INC.

RESOLUTION OF THE

BOARD OF DIRECTORS

The undersigned, being all the members of the Board of Directors of Regional Organization for Western Energy, Inc., a Delaware nonstock corporation (the "Corporation"), acting in accordance with the Corporation's Bylaws and applicable law, do hereby adopt the following resolutions:

WHEREAS, the Launch Committee of the West-wide Governance Pathways Initiative Association (the "Association") was tasked with the implementation and formation of a new regional organization to provide independent governance for the western day-ahead and real-time markets;

WHEREAS, in connection with such tasks, on December 12, 2025, the Association approved a form Certificate of Incorporation for the Corporation to be filed with the Secretary of the State of Delaware and a form Bylaws of the Corporation;

WHEREAS, the Conflict of Interest Policy presented to the Board of Directors is consistent with Delaware corporate law and good governance practices applicable to tax-exempt organizations;

WHEREAS, the proposed Conflict of Interest Policy is not intended to address the Corporation's compliance with Federal Energy Regulatory Commission ("FERC") regulations and orders related to maintaining financial independence from market participants that apply to employees and directors of Independent System Operators and Regional Transmission Organizations; compliance with such FERC requirements will be addressed in future policies which will be adopted by the Board of Directors consistent with Sections 5.5 and 9.12 of the Corporation's Bylaws; and

WHEREAS, the Corporation intends to adopt independence requirements for directors and employees that are generally consistent with those applicable to the California ISO ("CAISO"), including those set forth in the CAISO's Code of Conduct and Ethical Principles.

NOW, THEREFORE, BE IT RESOLVED, that the Certificate of Incorporation for the Corporation filed with the Secretary of the State of Delaware hereby is approved and adopted as the Certificate of Incorporation of the Corporation, and that the filing of such Certificate of Incorporation with the Secretary of the State of Delaware is hereby ratified and confirmed and a copy of such Certificate of Incorporation is attached hereto as Exhibit A;

RESOLVED, that the Bylaws of the Corporation in the form attached hereto as Exhibit B hereby are adopted and approved as the Bylaws of the Corporation;

RESOLVED, that the conflict of interest policy in the form attached hereto as Exhibit C hereby is adopted and approved as the conflict of interest policy of the Corporation;

RESOLVED, that the following persons hereby are elected to the offices of the Corporation set forth opposite their respective names, to serve for the term provided in the Bylaws:

Kathleen Staks	President
_____	Vice President
Lisa Hickey	Secretary
_____	Treasurer

RESOLVED, that the officers of the Corporation are authorized to submit to the Internal Revenue Service an application to have the Corporation recognized as a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code, and in connection therewith such officers are authorized to execute all documents and take all actions necessary or appropriate to secure a ruling from the Internal Revenue Service as to the Corporation's tax-exempt status;

RESOLVED, that the President, or such other individual or individuals as may be designated by the President, shall designate a bank as depository of securities, funds and other assets of the Corporation, that the officers of the Corporation (or any one of them) are authorized and directed to take such action as may be required to open one or more accounts for the Corporation with such bank; and that the President, Treasurer, and Secretary are each authorized to sign checks, drafts and other similar instruments on behalf of the Corporation;

RESOLVED, that the fiscal year of the Corporation shall begin on the first day of January and end on the last day of December each year;

RESOLVED, that the Corporation and its officers are authorized to take appropriate action to engage in activities to accomplish those purposes set forth in the Certificate of Incorporation and the Bylaws; and

RESOLVED, that this consent may be executed in multiple counterparts, each of which shall be deemed to be an original, but all of which together shall constitute one and the same instrument.

Dated this 12th day of February, 2026.

[*Signature Page to Follow*]

CERTIFICATION

The undersigned hereby certifies that the foregoing resolutions were duly adopted by the Board of Directors of Regional Organization for Western Energy, Inc. on **February 12, 2026**, and remain in full force and effect.

Name: Lisa Tormoen Hickey

Title: Secretary (or Acting Secretary)

Signature: *Lisa Tormoen Hickey*

Date: February 12, 2026

Exhibit A

REGIONAL ORGANIZATION FOR WESTERN ENERGY, INC.

CERTIFICATE OF INCORPORATION

Delaware

The First State

I, CHARUNI PATIBANDA-SANCHEZ, SECRETARY OF STATE OF THE STATE OF DELAWARE, DO HEREBY CERTIFY THE ATTACHED IS A TRUE AND CORRECT COPY OF THE CERTIFICATE OF INCORPORATION OF "REGIONAL ORGANIZATION WESTERN ENERGY, INC.", FILED IN THIS OFFICE ON THE TWENTIETH DAY OF JANUARY, A.D. 2026, AT 6:43 O`CLOCK P.M.

C. B. Sanchez

Charuni Patibanda-Sanchez, Secretary of State

10479532 8100
SR# 20260223172

Authentication: 202878861
Date: 01-21-26

You may verify this certificate online at corp.delaware.gov/authver.shtml

State of Delaware
Secretary of State
Division of Corporations
Delivered 06:43 PM 01/20/2026
FILED 06:43 PM 01/20/2026
SR 20260223172 - File Number 10479532

CERTIFICATE OF INCORPORATION

OF

REGIONAL ORGANIZATION FOR WESTERN ENERGY, INC.

(A Delaware Nonstock Corporation)

ARTICLE I
NAME

The name of the corporation is Regional Organization for Western Energy, Inc. (the "***Corporation***").

ARTICLE II
REGISTERED OFFICE AND AGENT

The address of the registered office of the Corporation in the State of Delaware is Corporation Service Company, 251 Little Falls Drive, in the City of Wilmington, County of New Castle, Delaware 19808. The name of its registered agent at that address is Corporation Service Company.

ARTICLE III
PURPOSES

The purpose of the Corporation is to engage in any lawful act or activity for which corporations may be organized under the General Corporation Law of Delaware. The Corporation shall be a nonstock nonprofit corporation.

The specific purposes for which the Corporation is organized are to apply its income or property, or both, exclusively for charitable, scientific, or educational purposes and to engage in such other activities which are exclusively in furtherance of these purposes within the meaning of Section 501(c)(3) of the Internal Revenue Code of 1986, as amended (the "Code").

ARTICLE IV
POWERS

In general, and subject to such limitations and conditions as are or may be prescribed by law or in this Certificate or the Corporation's Bylaws, the Corporation shall have all powers which now or hereafter are conferred by law upon a corporation organized for the purpose set forth above, or are necessary or incidental to the powers so conferred, or are conducive to the attainment of the Corporation's purpose.

ARTICLE V
INCORPORATOR

The incorporator of the Corporation is Kathleen Staks. The address of the incorporator is:

P.O. Box 150666
Lakewood, CO 80215

ARTICLE VI
LIMITATIONS

VI.1 Nonprofit Status

(a) The Corporation shall not have or issue shares of capital stock.

(b) The Corporation is not organized for profit and no part of the net earnings of the Corporation shall inure to the benefit of, or be distributable to its directors, officers, or other private persons, except that the Corporation shall be authorized and empowered to pay reasonable compensation for services rendered and to make payments and distributions in furtherance of the purposes set forth herein.

VI.2 Prohibited Activity

No substantial part of the activities of the Corporation shall be the carrying on of propaganda, or otherwise attempting to influence legislation, and the Corporation shall not participate in, or intervene in (including the publishing or distribution of statements) any political campaign on behalf of any candidate for public office. Notwithstanding any other provision herein, the Corporation shall not carry on any other activities not permitted to be carried on (a) by a corporation exempt from federal income tax under Section 501(c)(3) of the Code, or (b) by a corporation, contributions to which are deductible under Section 170(c)(2) of the Code.

VI.3 Distributions; Dissolution

In the event of the dissolution of the Corporation, the board of directors, after paying or making provision for payment of all of the liabilities of the Corporation, shall distribute all of the remaining assets of the Corporation to such organizations organized and operated exclusively for charitable, scientific, or educational purposes as shall at the time qualify as an exempt organization or organizations under Section 501(c)(3) of the Code. Any such assets not so disposed of shall be disposed of by the circuit court of the county in which the principal office of the Corporation is then located, exclusively for such purposes or to such organization or organizations, as said court shall determine which are organized and operated exclusively for such purposes.

ARTICLE VII
LIMITATION OF DIRECTOR AND OFFICER LIABILITY

To the fullest extent permitted by the General Corporation Law of Delaware, as the same may be amended from time to time, a director or officer of the Corporation shall not be personally liable to the Corporation for monetary damages for breach of fiduciary duty as a director or officer. If the General Corporation Law of Delaware is hereafter amended to authorize further reductions in the liability of the Corporation's directors or officers for breach of fiduciary duty, then a director or officer of the Corporation shall not be liable for any such breach to the fullest extent permitted by the General Corporation Law of Delaware, as so amended.

Any repeal or modification of any of the foregoing provisions of this Article VII, by amendment of this Article VII or by operation of law, shall not adversely affect any right or protection of a director or officer of the Corporation with respect to any acts or omissions of such director or officer occurring prior to such repeal or modification.

ARTICLE VIII
INDEMNIFICATION

To the fullest extent permitted by applicable law, the Corporation is authorized to provide indemnification of (and advancement of expenses to) directors, officers, employees, and other agents of the Corporation (and any other persons to which Delaware law permits the Corporation to provide indemnification or advancement of expenses), through Bylaw provisions, agreements with any such director, officer, employee, or other agent, or otherwise, in excess of the indemnification and advancement otherwise permitted by Section 145 of the General Corporation Law of Delaware, subject only to limits created by applicable Delaware law (statutory or nonstatutory), with respect to actions for breach of duty to a corporation and others.

Any repeal or modification of any of the foregoing provisions of this Article VIII, by amendment of this Article VIII or by operation of law, shall not adversely affect any right or protection of a director, officer, employee, or other agent of the Corporation or any such other person existing at the time of, or increase the liability of any such director, officer, employee, agent, or other person with respect to any acts or omissions thereof occurring prior to such repeal or modification.

ARTICLE IX
EXISTENCE

The Corporation is to have perpetual existence.

ARTICLE X
RIGHT TO AMEND CERTIFICATE OF INCORPORATION AND BYLAWS

In furtherance and not in limitation of the powers conferred by the laws of the State of Delaware, the Board of Directors of the Corporation is expressly authorized to adopt, amend, or repeal the Bylaws of the Corporation and to amend or restate this Certificate of Incorporation.

ARTICLE XI
DIRECTORS

The number of directors that shall constitute the whole Board of Directors shall be designated in the Bylaws of the Corporation. Vacancies created by the resignation of one or more members of the Board of Directors and new directorships created in accordance with the Bylaws of the Corporation, may be filled by the vote of a majority excluding the resigning director, although less than a quorum of the directors then in office or by a sole remaining director. Elections of directors need not be by written ballot unless otherwise provided in the Bylaws of the Corporation.

The Board of Directors consists of the following persons:

Kathleen Staks
P.O. Box 150666
Lakewood, CO 80215

Evelyn Kahl
1121 L Street, Suite 400
Sacramento, CA 95814

Jim Shetler
6001 S Street, MS D-109
Sacramento, CA 95852-1830

Michele Beck
P.O. Box 146782
Salt Lake City, Utah 84114

Scott Ranzal
300 Lakeside Drive
Oakland, CA 94612

Lisa Tormoen Hickey
400 Gold Ave. SW Suite 700
Albuquerque, NM 87102

ARTICLE XII
CORPORATE RECORDS

The books of the Corporation may be kept (subject to any statutory provision) outside the State of Delaware at such place or places as may be designated from time to time by the Board of Directors in the Bylaws of the Corporation.

****

The undersigned hereby further declares and certifies under penalty of perjury that the facts set forth in the foregoing certificate are true and correct to the knowledge of the undersigned, and that this certificate is the act and deed of the undersigned.

Executed as of January 20, 2026.

By: Kathleen Staks
Name: Kathleen Staks
Title: Sole Incorporator

Exhibit B

REGIONAL ORGANIZATION FOR WESTERN ENERGY, INC.

BYLAWS

BYLAWS

OF

Regional Organization for Western Energy, Inc.

TABLE OF CONTENTS

ARTICLE I OFFICES **1**

ARTICLE II PURPOSE **1**

ARTICLE III DEFINITIONS **1**

Section 3.1 "Body of State Regulators" 1
Section 3.2 "CAISO" 1
Section 3.3 "FERC" 1
Section 3.4 "Nominating Committee" 1
Section 3.5 "Open Meetings and Records Policies" 1
Section 3.6 "Participating State" 2
Section 3.7 "Selection Policy" 2
Section 3.8 "Stakeholder Representatives Committee" 2
Section 3.9 "Tariff" 2
Section 3.10 "Western Energy Day-Ahead Market" or "WEDAM" 2
Section 3.11 "Western Energy Imbalance Market" or "WEIM" 2
Section 3.12 "Western Energy Markets" or "Markets" 2

ARTICLE IV PUBLIC INTEREST **2**

Section 4.1 Public Interest 2
Section 4.2 State Policies 3

ARTICLE V BOARD OF DIRECTORS **3**

Section 5.1 Powers 3
Section 5.2 Formation Board of Directors 3
Section 5.3 Election of Board of Directors 4
Section 5.4 Qualification of Directors 4
Section 5.5 Number of Directors 4
Section 5.6 Term of Office of Directors 4
Section 5.7 Resignation and Removal of Directors and Filling Vacancies 5

ARTICLE VI MEETINGS OF THE BOARD OF DIRECTORS **5**

Section 6.1 Meetings 5
Section 6.2 Notice of Meetings 6
Section 6.3 Place of Meetings; Telephonic Meetings 7
Section 6.4 Transparency and Public Participation 7

ARTICLE VII VOTING **7**

Section 7.1 Quorum and General Voting Requirements 7
Section 7.2 Major Decisions 7
Section 7.3 Adjourned Meeting 8
Section 7.4 Standard of Care 8
Section 7.5 Loans and Self-Dealing Transactions 9
Section 7.6 Inspection Rights 9
Section 7.7 Compensation 10

ARTICLE VIII CHAIR AND COMMITTEES **10**

Section 8.1 Chair and Vice-Chairs 10
Section 8.2 Committees of Directors 10
Section 8.3 Advisory Committees 11
Section 8.4 Audit & Finance Committee 11
Section 8.5 Public Policy Committee 11

Section 8.6 Committee Meetings 11
ARTICLE IX OFFICERS AND STAFF 11
Section 9.1 Officers 11
Section 9.2 Appointment; Vacancies 12
Section 9.3 Removal 12
Section 9.4 Resignation 12
Section 9.5 President 12
Section 9.6 Secretary 12
Section 9.7 Chief Financial Officer 12
Section 9.8 Treasurer 12
Section 9.9 Compensation 12
Section 9.10 Authority and Duties of Officers 12
Section 9.11 Execution of Instruments 13
Section 9.12 Employees Code of Conduct and Ethical Principles 13
ARTICLE X RECORDS 13
Section 10.1 Minute Book 13
Section 10.2 Availability of Information 13
Section 10.3 Records Retention 14
ARTICLE XI INDEMNIFICATION 14
Section 11.1 Indemnification of Officers and Directors 14
Section 11.2 Prepayment of Expenses; Undertaking to Repay 14
Section 11.3 Claims by Indemnitee; Presumption of Validity 15
Section 11.4 Non-Exclusivity of Rights 15
Section 11.5 Set-off Against Other Indemnification 15
Section 11.6 Effect of Amendment or Repeal 15
Section 11.7 Indemnification of Employees and Agents 15
Section 11.8 Insurance; Indemnification Agreements 16
Section 11.9 Reliance Upon Books, Reports and Records 16
Section 11.10 Certain Definitions 16
ARTICLE XII MISCELLANEOUS 16
Section 12.1 Fiscal Year 16
Section 12.2 Corporation Seal 16
Section 12.3 Amendment of Bylaws 17
Section 12.4 Reimbursement of Expenses of the Corporation 17
Section 12.5 Checks 17
Section 12.6 Posting 17

ARTICLE I
OFFICES

The principal executive office of the Regional Organization for Western Energy (the "Corporation") and any other additional offices shall be established and maintained at such location(s) as the Board of Directors may designate from time to time.

ARTICLE II
PURPOSE

The purpose of the Corporation is to provide independent regional governance over certain voluntary energy markets, services, and functions to be operated in the western United States, including, but not limited to the Western Energy Day-Ahead Market and the Western Energy Imbalance Market (collectively "Markets"), which it is authorized to provide from time to time pursuant to the Tariff and other applicable statutes, tariffs, rules, and regulations. The independent governance shall be provided to and for entities and persons operating within the markets, consumers, and affected stakeholders while acting in the public interest, including consideration of the policies of all Participating States.

ARTICLE III
DEFINITIONS

Section 3.1 **"Body of State Regulators"** means the group of state regulators, consisting of representatives from each Participating State, which will participate in the Corporation's processes for policymaking and Tariff modifications. The Body of State Regulators shall not be deemed a committee of the Board of Directors under these Bylaws but rather shall be advisory in nature.

Section 3.2 **"CAISO"** means the California Independent System Operator, which operates the Western Energy Markets governed by the Corporation.

Section 3.3 **"FERC"** means the Federal Energy Regulatory Commission or any successor entity.

Section 3.4 **"Nominating Committee"** means a committee that is created and operates pursuant to the Selection Policy and that consists of representatives from various designated market sectors as defined by the Stakeholder Representatives Committee in accordance with these Bylaws. The Nominating Committee shall nominate candidates to serve on the Board, all pursuant to the Selection Policy defined herein. The Nominating Committee shall not be deemed a committee of the Board of Directors under these Bylaws but rather shall be advisory in nature.

Section 3.5 **"Open Meetings and Records Policies"** means the policies adopted by the Board of Directors from time to time, consistent with FERC requirements and these Bylaws to govern notice and public access to meetings and availability and management of public and confidential and privileged materials and records to comply with applicable statutes, rules, and board policies.

Section 3.6 **"Participating State"** means any state with one or more balancing authorities participating in the Western Energy Markets.

Section 3.7 **"Selection Policy"** means the process adopted by the Board of Directors pursuant to Section 5.4.1 of these Bylaws for selection and presentation of a slate of nominees to serve as members of the Board of Directors from time to time.

Section 3.8 **"Stakeholder Representatives Committee"** means the body of stakeholders regularly convened to advise the Corporation and present solutions on issues requiring changes to the Tariff. Members of the Stakeholder Representatives Committee shall be determined within and by designated market sectors. The Stakeholder Representatives Committee shall not be deemed a committee of the Board of Directors under these Bylaws but rather shall be advisory in nature.

Section 3.9 **"Tariff"** means the FERC tariff(s) overseen by the Corporation, as amended from time to time, governed by the Corporation.

Section 3.10 **"Western Energy Day-Ahead Market" or "WEDAM"** means the day-ahead market governed by the Corporation.

Section 3.11 **"Western Energy Imbalance Market" or "WEIM"** means the market and method for resolving imbalance of supply and demand in real time governed by the Corporation.

Section 3.12 **"Western Energy Markets" or "Markets"** means the Western Energy Day-Ahead Market and the Western Energy Imbalance Market, or successor or additional energy markets that may be authorized by the FERC, collectively.

ARTICLE IV
PUBLIC INTEREST

Section 4.1 **Public Interest**. Consistent with its status as a charitable organization under Section 501(c)(3) of the Internal Revenue Code of 1986, as amended (the "Code"), the Corporation shall establish a structure that will enable the Corporation to receive, acknowledge, and consider input from affected stakeholders and the general public in the assessment and adoption of policy initiatives and Tariff revisions to improve the delivery of the services it provides for the benefit of its participants and the general public. In establishing this structure, the Corporation shall:

4.1.1 Recognize and establish funding for a Body of State Regulators to participate in the nomination of the Board of Directors and develop and maintain a process for the Board of Directors to receive and respond to information or recommendations by the Body of State Regulators representation in a public process.

4.1.2 Establish and support a Stakeholder Representatives Committee with representatives from various sectors designated by the Board of Directors to propose and review policy initiatives and Tariff revisions and make recommendations to the Board of Directors.

4.1.3 Establish and maintain a public policy committee consisting of members of the Board of Directors, which shall engage with Participating States and their designated representatives, local power authorities, federal power marketing administrations, the consumer advocate organization, and other stakeholders about potential impacts of policy initiatives and Tariff revisions on state, local, or federal policies and advise the Board of Directors of these impacts before the Corporation approves Tariff changes for filing at the FERC.

4.1.4 Support the creation of and make funding available for a consumer advocate organization that represents the interests of one or more consumer advocate offices authorized by state law in any Participating State and facilitate the engagement by the consumer advocate organization with the Corporation in the stakeholder engagement process developed for policy decisions to be made by the Board.

4.1.5 Establish and maintain an office of public participation of the Corporation to provide information and education to members of the public about the Corporation's activities and initiatives and to facilitate engagement in its processes.

4.1.6 Establish and maintain an independent market expert to provide analysis to the Board of Directors on the impacts of market dynamics and Tariff rule or policy changes on end-use consumers so that overall costs to end-use consumers may be minimized. The market expert shall also provide advice on any additional matters included by the Board of Directors in the market expert scope of work.

4.1.7 Adopt policies that reduce, to the extent possible, the overall economic cost to customers within Participating States.

Section 4.2 State Policies. The Board shall consistently acknowledge and, where practicable, approve tariff changes, rules, or business practices that respect, accommodate, and do not unduly burden Participating States' achievement of state or local policy objectives, including procurement, resource adequacy, environment, reliability, and other consumer interests. The Board shall minimize any adverse impacts of revisions to its Tariffs, rules, and business practices on Participating States' policy objectives.

ARTICLE V
BOARD OF DIRECTORS

Section 5.1 Powers. The business and affairs of the Corporation shall be managed by, and all corporate powers shall be exercised by or under the direction of the Board of Directors.

Section 5.2 Formation Board of Directors. The Board of Directors named in the Certificate of Incorporation shall be referred to as the formation Board of Directors and shall serve until replaced by the initial Board of Directors through the procedures adopted consistent with Section 5.3. This transition is expected to occur not later than nine (9) months prior to the planned commencement of the Corporation's governance of the Western Energy Markets. The formation Board of Directors shall have no authority to approve any tariff, business practice, or agreement with the CAISO, and these decisions shall be made by the initial and any future Board of Directors.

Section 5.3 Initial Board of Directors. The Nominating Committee shall nominate individuals to serve on the initial Board of Directors pursuant to the Selection Policy. The Pathways Launch Committee (a body of individuals entrusted with the founding of the Corporation) shall approve and propose to the formation Board a slate of candidates consisting of up to five individuals to serve as the initial Board of Directors commencing on the date of termination of the formation Board of Directors. The formation Board of Directors shall appoint the initial Board of Directors, giving all due consideration to the slate proposed by the Pathways Launch Committee. In addition to those directors whose terms commence upon the termination of the formation Board of Directors, it is anticipated that two additional individuals shall be nominated by the Nominating Committee and elected by the initial Board of Directors at the first annual meeting conducted after the Tariff changes are approved by FERC and implemented to authorize independent governance of the Markets by the Corporation. Thereafter, the directors shall be elected, consistent with the Selection Policy and the procedures and processes set forth in Section 5.4.2.

Section 5.4 Election of Board of Directors.

5.4.1 Selection Policy. The Board of Directors shall establish a Selection Policy to govern the procedures for selection of members of the Board of Directors and shall conduct the board selection process consistent with the Selection Policy as amended from time to time. The Selection Policy shall ensure an independent, representative Board of Directors that includes directors from multiple Participating States.

5.4.2 Election Procedures. Following the election of the initial Board of Directors, the Nominating Committee shall nominate individuals to succeed those directors who resign, are removed from office, or when their terms are expiring. Based on the results of this process, the Board of Directors shall elect directors to fill vacancies and expiring terms at each annual meeting of the Board of Directors. Each director, including a director elected to fill a vacancy, shall hold office throughout the term for which the director was elected until the election and seating of a successor director or until the death, resignation, or removal of such director. Elections of directors need not be by written ballot.

Section 5.5 Qualification of Directors. Directors shall have such qualifications as may be prescribed by policies adopted by the Board of Directors, the Selection Policy, or by these Bylaws, and any other independence requirements adopted by the Board of Directors.

Section 5.6 Number of Directors. The number of directors of the Corporation shall be set by the Board of Directors by resolution, from time to time, between three (3) and eleven (11), following the replacement of the formation Board. No reduction of the authorized number of directors shall have the effect of removing any director before that director's term of office expires.

Section 5.7 Term of Office of Directors. The terms of directors elected to the initial Board of Directors as set forth herein shall be staggered in classes of approximately equal numbers for periods from one to three years to ensure a balanced rotation of terms on the Board of Directors once the Corporation assumes governance over the Western Energy Markets. As terms of the initial Board of Directors expire, terms of successor directors shall be three (3) years and shall be staggered. Directors may serve a maximum of three (3) full three-year terms. The terms on the

initial Board of Directors that are less than three years in length shall not be counted towards the maximum number of terms.

Section 5.8 Resignation and Removal of Directors and Filling Vacancies.

5.8.1 Resignation. Any director may resign at any time upon written notice given in writing or by electronic transmission to the Corporation. Any such resignation shall be effective upon delivery, unless the notice of resignation specifies a future effective date, and unless otherwise specified, the acceptance of such resignation shall not be a precondition to its effectiveness. Vacancies created by the resignation or removal of one or more members of the Board of Directors and new directorships created in accordance with the Bylaws of the Corporation, may be filled by the vote of a majority of the Board of Directors excluding the resigning director based on a slate of nominations presented by the Nominating Committee consistent with the Selection Policy, even if there remains less than a quorum of the directors then in office or by a sole remaining director.

5.8.2 Removal of a Director. Unless otherwise restricted by statute, by the Certificate of Incorporation or by these Bylaws, any director may be removed, with or without cause, by the Board of Directors. No reduction of the authorized number of directors shall have the effect of removing any director prior to the expiration of such director's term of office. When one or more directors are removed, replacement of such director(s) shall be governed by the Selection Policy.

ARTICLE VI
MEETINGS OF THE BOARD OF DIRECTORS

Section 6.1 Meetings.

6.1.1 Annual Meeting. The annual meeting of the Board shall be held on a date chosen by the President or the Board for the purposes of electing directors and officers and transacting such business as may properly come before the meeting. If the annual meeting is not held on the date designated therefore, the Board shall cause the meeting to be held as soon thereafter as may be convenient.

6.1.2 Regular Quarterly Meetings. The Board of Directors shall meet at least once during each quarter of the fiscal year at such dates, times, and locations, as the Board of Directors determines. At least two meetings each year shall be held at a location in a Participating State other than the Participating State where the principal place of business of the Corporation is located. The regularly scheduled meetings of the Board of Directors shall be established for each fiscal year in advance. Such regularly scheduled meetings may be held without further notice to the directors.

6.1.3 Special Meetings. Special meetings of the Board of Directors for any purpose or purposes may be called at any time by the President or any two (2) directors consistent with policies adopted by the Board of Directors. The purpose of any such special meeting shall be limited to those circumstances that require the Board of Directors to take prompt action and that cannot be deferred to a regular meeting of the Board of Directors.

6.1.4 Executive Sessions. The Board of Directors may hold closed executive sessions for discussion of matters consistent with the open meeting policy. Directors and certain officers and employees of the Corporation, as designated or otherwise permitted by the directors, may be present during any executive session; provided, however, that to the extent deemed necessary by the Chair 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 an executive session may be present during such portion of an executive session. The Board of Directors may, at any time during any meeting, vote to adjourn the open meeting and reconvene in an executive session if consistent with the Open Meeting and Records Policies and at least a majority of the directors present at such meeting vote in favor of such adjournment and reconvening.

Section 6.2 Notice of Meetings.

6.2.1 General Notice. Except as provided in Section 6.2.2, public notice of the date for each annual and regular quarterly meeting of the Board of Directors shall be set in the last meeting of a calendar year for the following calendar year, and the dates shall be placed on the Corporation's website within 30 days. A further notice of each meeting shall be placed on the Corporation's website at least four (4) business days before such meeting. The notice shall include an agenda that makes clear which items are for purposes of discussion, which are for purposes of taking action, which items are to be considered in an executive session and the purposes of such executive session(s), to the extent practicable, and instructions for remote participation. Failure to give the required notice of any item on which action is taken during the meeting shall void such action.

6.2.2 Notice of Special Meetings. Notice of a special meeting or special executive session shall be given to the Board of Directors at least two (2) days prior to the meeting and the public as soon as practicable and before the meeting is to be held. Such notice to the directors shall be delivered personally, by telephone, including a voice messaging system or other system or technology designed to record and communicate messages, by facsimile, or by electronic transmission. The notice requirements of this section may be waived in writing by any director with respect to that director, either before or after the meeting. The attendance of any director at a special meeting without protesting the lack of notice of such meeting, made as soon as reasonably practicable, shall constitute a waiver of notice by that director. All waivers shall be made part of the minutes of a special meeting.

6.2.3 Waivers of Notice to Director. Whenever notice is required to be given to a director under any provision of the General Corporation Law of Delaware or of the Certificate of Incorporation or these Bylaws, a written waiver thereof, signed by the person entitled to notice, whether before or after the time stated therein, shall be deemed equivalent to notice. Such waiver shall be deemed delivered if made by electronic transmission. Attendance of a director at a meeting shall constitute a waiver of notice of such meeting, except when the director attends a meeting for the express purpose of objecting, at the beginning of the meeting or upon the director's arrival, to the transaction of any business because the meeting is not lawfully called or convened.

Section 6.3 Place of Meetings; Telephonic Meetings. The Board of Directors may hold meetings, both regular and special, consistent with Section 6.2. Unless otherwise restricted by the Certificate of Incorporation or these Bylaws, and consistent with the Open Meetings and Records Policies, members of the Board of Directors, or any committee designated by the Board of Directors, may participate in a meeting of the Board of Directors, or any committee, by means of conference telephone or other electronic communications by means of which all persons participating in the meeting can hear each other, and such participation in a meeting shall constitute presence in person at the meeting.

Section 6.4 Transparency and Public Participation.

6.4.1 Attendance. Any member of the public may attend and observe meetings of the Board of Directors, except as provided in Section 6.1.4, and attendance will be available to remote participants. Decisions rendered by the Corporation shall be transparent and supported by documented materials, subject to the Open Meetings and Records Policies and other procedures established for executive sessions.

6.4.2 Public Comment. Consistent with the Open Meetings and Records Policies, at each meeting, the Board of Directors shall provide an opportunity for members of the public to comment on matters being considered by the Board of Directors at such time as the Board of Directors shall specify on the agenda. Members of the Board of Directors shall engage in informal public outreach from time to time to support reasonable public access to directors by representatives from Participating States.

ARTICLE VII
VOTING

Section 7.1 Quorum and General Voting Requirements. At all meetings of the Board of Directors, two-thirds (2/3) of the directors then in office shall constitute a quorum for the transaction of business. The approval or action by a majority of the directors then in office at any meeting at which there is a quorum present shall be the act of the Board of Directors, except as may otherwise be specifically provided by the General Corporation Law of Delaware, by the Certificate of Incorporation, or as set forth below in Section 7.2 of these Bylaws. A director of the Corporation who is present at a board or committee meeting at which any action is taken shall be deemed to have assented to the action taken unless (i) the director objects at the beginning of the meeting, or promptly upon the director's arrival, to holding the meeting or transacting any business at such meeting, (ii) the director's dissent or abstention from the action taken is entered in the minutes of the meeting, or (iii) the director delivers written notice of the director's dissent or abstention to the presiding officer of the meeting before its adjournment or to the Corporation within a reasonable time after adjournment of the meeting. The right of dissent or abstention is not available to a director who votes in favor of the action taken.

Section 7.2 Major Decisions. Notwithstanding the provisions of Section 7.1, the action or approval of a two-thirds majority of the directors then in office shall be required to approve major decisions as follows:

7.2.1 Remove a director from the Board of Directors;

7.2.2 Amend, alter, or repeal these Bylaws;

7.2.3 Amend the Certificate of Incorporation;

7.2.4 Adopt a plan of merger or consolidation with another corporation;

7.2.5 Authorize the sale, lease, or exchange of all or substantially all of the property and assets of the Corporation not in the ordinary course of business;

7.2.6 Authorize the voluntary dissolution of the Corporation or revoke proceedings therefore; or

7.2.7 Adopt a plan for the distribution of all or substantially all assets of the Corporation.

Section 7.3 Adjourned Meeting. If a quorum is not present at any meeting of the Board of Directors, then the directors present thereat may adjourn the meeting from time to time, without notice other than announcement at the meeting, until a quorum is present.

Section 7.4 Standard of Care.

7.4.1 General. A director shall perform the duties of a director, including duties as a member of any committee of the Board of Directors on which the director may serve, in good faith, in a manner that such director believes to be in the best interest of the Corporation and with such care, including reasonable inquiry, as an ordinarily prudent person in a like situation would use under similar circumstances.

7.4.2 Reliance. In performing the duties of a director, a director shall be entitled to rely on information, opinions, reports, or statements, including financial statements and other financial data, in each case prepared or presented by:

(a) One or more officers or employees of the Corporation whom the director believes to be reliable and competent in the matters presented;

(b) Counsel, independent accountants or other persons as to matters that the director believes to be within such person's professional or expert competence; or

(c) A committee of the Board of Directors upon which the director does not serve, as to matters within its designated authority, which committee the director believes to merit confidence, so long as, in any such case, the director acts in good faith, makes any reasonable inquiry when the need therefor is indicated by the circumstances and acts without knowledge that would cause such reliance to be unwarranted.

7.4.3 Ethical Conduct. The members of the Board of Directors shall on a periodic basis certify their review and understanding of a Directors' Code of Conduct and Ethical Principles adopted by the Board of Directors consistent with the General Corporation Law of Delaware.

Section 7.5 Loans and Self-Dealing Transactions.

7.5.1 Loans. The Corporation shall not make any loan of money or property to, or guarantee the obligation of, any individual director, officer or employee; provided, however, that the Corporation may advance money to a director, officer or employee of the Corporation or any subsidiary for expenses reasonably anticipated to be incurred in performance of the duties of such director, officer or employee so long as such individual would be entitled to be reimbursed for such expenses absent that advance.

7.5.2 Self-Dealing Transactions. The Board of Directors shall not approve a transaction to which the Corporation is a party and in which one or more of the directors or their employers has a material financial interest and that does not meet the requirements of Section 7.5.3 below.

7.5.3 Exempt Transactions. The following transactions are exempted from the prohibition of Sections 7.5.1 and 7.5.2 above; provided, however, that any transaction described in paragraph (d) below must be included on the agenda of a Board of Directors meeting:

(a) A transaction that is part of a public or charitable program approved by the Board of Directors and that results in a benefit to one or more directors or their families only because they are members of a substantial class of unrelated persons intended to be benefited by the program.

(b) A transaction of which the director with a material financial interest has no actual knowledge of the financial interest, and that does not exceed the lesser of one (1) percent of the gross receipts of the Corporation for the preceding fiscal year or one hundred thousand dollars. However, a series of related transactions aggregating more than one hundred thousand dollars during a fiscal year will not be exempted pursuant to this provision.

(c) A transaction that has been approved in writing by the offices of the Attorney General in the Participating State with jurisdiction, in which the transaction will occur, before or after it was consummated.

(d) A transaction that the Board of Directors, having knowledge of the material facts concerning the transaction and the director's interest in the transaction, authorizes (by a vote of a majority of the directors then in office without counting the vote of the interested director) after considering and in good faith determining, upon reasonable investigation under the circumstances, that (i) the transaction will be entered into by the Corporation for its own benefit, (ii) the transaction is fair and reasonable as to the Corporation and (iii) the Corporation could not have obtained a more advantageous arrangement with reasonable effort under the circumstances.

Section 7.6 Inspection Rights. To the extent provided in the Delaware General Corporation Law, each 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 non-public information 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, to the detriment of the Corporation or to the detriment of any competitors of any entity with which the

director is affiliated except in connection with the enforcement of a tariff, contract or applicable law and consistent with the Corporation's policy regarding confidential information.

Section 7.7 Compensation.

7.7.1 Retainers and Fees. Directors shall receive compensation, which may take the form of an annual retainer and/or fees for attending each meeting of the Board or of Committees of the Board, as determined by the Board of Directors, in order to ensure the fullest participation in the decisions of the Corporation and to avoid hardship on the part of the directors. Such determination may establish compensation that differs for the Chair of the Board of Directors, chairs of committees, and other Board members.

7.7.2 Expense Reimbursement. Subject to approval by the Board of Directors, directors shall also be entitled to receive reimbursement for reasonable and necessary travel and other actual expenses incurred in performing duties of his or her office and in attending meetings of the Board of Directors and meetings of committees of the Board of Directors on which they are a member.

ARTICLE VIII
CHAIR AND COMMITTEES

Section 8.1 Chair and Vice-Chairs. The Board of Directors may, by resolution adopted by two-thirds of the directors then in office, appoint a Chair of the Board of Directors. At the discretion of the Board of Directors, one or more vice-chairs may also be appointed by the Board of Directors to assist the Chair.

Section 8.2 Committees of Directors. The Board of Directors may, by resolution adopted by two-thirds of the directors then in office, designate one or more committees, including an Executive Committee, each consisting of two or more directors, to serve at the pleasure of the Board of Directors. Appointments to such committees shall be made annually by a two-thirds vote of the directors then in office. Any such committee, to the extent delegated in the resolution or in these Bylaws, shall have and may exercise all the powers and all of the authority of the Board of Directors in the management and affairs of the Corporation, except that no committee, regardless of the Board of Directors resolution, may:

8.2.1 Fill vacancies on the Board of Directors or on any committee;

8.2.2 Fix compensation of directors for serving on the Board of Directors or any committee;

8.2.3 Amend, repeal, or modify these bylaws or adopt new bylaws;

8.2.4 Amend, repeal, or modify any resolution of the Board of Directors that by its express terms is not so amendable, repealable, or modifiable;

8.2.5 Appoint any other committees of the Board of Directors or the members of these committees; or

8.2.6 Approve any self-dealing transaction as referred to in Section 7.5.2.

Section 8.3 Advisory Committees. Advisory committees may be appointed from time to time by two-thirds of the directors then in office. Advisory committees' membership may consist of both directors and non-directors or non-directors only. Advisory committees have no legal or expressed authority to act for the Corporation but shall report their findings and recommendations to the Board of Directors or a committee of the Board of Directors.

Section 8.4 Audit & Finance Committee. The Board of Directors shall appoint an Audit Committee of the Board of Directors consisting of two or more directors elected by the Board of Directors. The Audit Committee shall have no powers of the Board of Directors but shall serve in an advisory capacity by reviewing the Corporation's annual independent audit and preparing a report for the Board of Directors. In addition, the Audit Committee shall monitor compliance with the Employees' and Directors' Code of Conduct and Ethical Principles to ensure the independence of the Corporation and shall make regular reports to the Board of Directors regarding such compliance. The Audit Committee shall make recommendations from time to time to the Board of Directors as to the implementation of procedures to oversee compliance with the Code of Conduct and Ethical Principles. The Audit Committee shall also have any other duties that are assigned by the Board of Directors.

Section 8.5 Public Policy Committee. The Board of Directors shall appoint a Public Policy Committee of the Board of Directors consisting of two or more directors elected by the Board of Directors. The Public Policy Committee shall be responsible for conducting outreach at key points in the stakeholder process to Participating States and their designated representatives, local power authorities, federal power marketing administrations and stakeholders to collect input about the potential for adverse impacts on a state, local, or federal policy by an initiative. The input collected by the Public Policy Committee will be incorporated in the stakeholder process and presented to the Board of Directors before it votes on a final Tariff change.

Section 8.6 Committee Meetings. Meetings of committees of the Board of Directors, notices of such meetings and the actions of such committees shall be governed by and held and taken in accordance with the provisions of Article VI of these bylaws concerning meetings of the Board of Directors. For the purposes of the application of Article IV to the meetings of Board of Directors committees, references in Article IV to the Board of Directors shall be read as references to the relevant committee of the Board of Directors. Minutes shall be kept of each meeting of any committee. The Board of Directors may adopt rules for the governance of any committee not inconsistent with the provisions of these Bylaws.

ARTICLE IX
OFFICERS AND STAFF

Section 9.1 Officers. The officers of the Corporation shall include a President, a Secretary, a Chief Financial Officer, and a Treasurer. At the discretion of the Board of Directors the Corporation may also have one or more vice presidents, assistant vice presidents, assistant secretaries, assistant treasurers and any such other officers as may be appointed in accordance with these Bylaws. Any number of offices may be held by the same person. Each officer shall hold office until such officer's successor is elected and qualified or until such officer's earlier

resignation or removal. Board members shall not be eligible to serve as officers during their board term.

Section 9.2 Appointment; Vacancies. The Board of Directors shall appoint all officers of the Corporation for such terms as the Board of Directors shall specify. Any vacancy occurring in any office shall be filled by the Board of Directors in accordance with this Section.

Section 9.3 Removal. Subject to the rights, if any, of the officer under any contract of employment, any officer of the Corporation may be removed at any time with or without cause by the Board of Directors.

Section 9.4 Resignation. Any officer may resign at any time by giving written notice to 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.

Section 9.5 President. The President shall be the chief executive officer of the Corporation and shall be responsible for conducting the affairs of the Corporation in a manner consistent with the policies and directives of the Board of Directors. He or she shall have such additional powers and duties as may be prescribed by the Board of Directors.

Section 9.6 Secretary. The Secretary shall serve notice of and act as Secretary at all meetings of the Board of Directors, shall prepare agendas for the Board of Directors, shall record the proceedings of all meetings in the minute books and shall keep or cause to be kept a book of minutes of all meetings and activities of directors and committees of directors. The Secretary shall have such additional powers and duties as shall be prescribed by the Board of Directors.

Section 9.7 Chief Financial Officer. The Chief Financial Officer of the Corporation shall be responsible for maintaining books and records of the Corporation and shall prepare and submit such accounting and tax forms as may be required by local, state, and federal law. The Chief Financial Officer shall have such additional powers and duties as shall be prescribed by the Board of Directors.

Section 9.8 Treasurer. The Treasurer of the Corporation shall have charge and custody of and shall receive, safeguard, disburse and account for all funds of the Corporation, and shall deposit and invest them in such banks, other depositories or investments as may be designated by the Board of Directors. The Treasurer shall have such additional powers and duties as shall be prescribed by the Board of Directors.

Section 9.9 Compensation. The reasonable salaries of the officers shall be fixed from time to time by the Board of Directors, or by any committee or officer to which or whom, as the case may be, the Board of Directors has delegated such authority.

Section 9.10 Authority and Duties of Officers. In addition to the foregoing authority and duties, all officers of the Corporation shall respectively have such authority and perform such duties in the management of the business of the Corporation as may be designated from time to time by the Board of Directors.

Section 9.11 Execution of Instruments. The Board of Directors, except as otherwise provided in these Bylaws, may authorize any officer or officers, or agent or agents, to enter into any contract or execute any instrument in the name of and on behalf of the Corporation; such authority may be general or confined to specific instances. Unless so authorized or ratified by the Board of Directors or within the agency power of an officer, no officer, agent, or employee shall have any power or authority to bind the Corporation by any contract or engagement or to pledge its credit or to render it liable for any purpose or for any amount. Notwithstanding the foregoing, President shall have the authority to execute legal instruments on behalf of the Corporation, subject to any restrictions or limitations that the Board of Directors may impose. The President's authority to execute legal instruments on behalf of the Corporation may be delegated by the President to officers and employees of the Corporation on a general or limited basis with the prior approval of the Board of Directors.

Section 9.12 Employees Code of Conduct and Ethical Principles. The Board of Directors shall oversee the design and implementation of and shall adopt the Corporation's Compliance and Ethics Program, including the Employee's Code of Conduct and Ethical Principles, and the Corporation's procedures for employees and others to report suspected misconduct. The Board of Directors shall approve any material modifications to the foregoing policies.

ARTICLE X
RECORDS

Section 10.1 Minute Book. The Corporation shall keep or cause to be kept a minute book that shall be available for public inspection during the Corporation's normal business hours and shall contain:

10.1.1 The record of all meetings of the Board of Directors including the date, place, those attending the proceedings thereof (other than members of the public), a copy of the notice of the meeting and when and how given, waivers of notice of meeting, written consents to holding meeting, written approvals of minutes of meeting and similarly as to meetings of committees of the Board of Directors and as to meetings or written consents of the Incorporator of the Corporation prior to the appointment of the initial Board of Directors.

10.1.2 A copy of the Articles of Incorporation and all amendments thereof and a copy of all certificates filed with the Secretary of State.

10.1.3 A copy of these bylaws, as amended, duly certified by the Secretary.

Section 10.2 Availability of Information. Access to records, confidentiality protections, and all handling of requests for records and data related to the activities of the Board of Directors and operations of the Markets shall be governed by the Open Meetings and Records Policies adopted by the Board of Directors from time to time, which, when adopted, shall be consistent with applicable FERC requirements. The Open Meetings and Records policies shall generally acknowledge that information regarding the Corporation and its operations, other than information that the Board of Directors has determined must be kept confidential in order to protect the interests of the Corporation according to standards adopted in the Open Meetings and Records Policies or

information received by the Corporation that is subject to a confidentiality obligation, shall be publicly available, provided that the Corporation may require any recipient of such information comply with processes adopted in the Open Meetings and Records Policies and to pay the reasonable costs of providing such information.

10.2.1 The Open Meetings and Records Policies shall be published and shall establish the types of records that are presumed confidential, the process in which the public can access non-confidential information, the time in which the Corporation must respond to a records request, and other matters to facilitate access consistent with the duties of the Corporation.

10.2.2 Subject to the Open Meetings and Records Policies, the Board of Directors shall make confidential market data available to state energy regulatory commissions, and any consumer advocacy organizations designated by state statute or regulation in any Participating State to advocate on behalf of the public related to electricity market issues.

Section 10.3 Records Retention. The Board of Directors shall oversee the implementation of a records retention program complying with FERC requirements and any other applicable laws.

ARTICLE XI
INDEMNIFICATION

Section 11.1 Indemnification of Officers and Directors. To the fullest extent permitted by applicable law as it presently exists or may hereafter be amended (provided, that in the case of such an amendment, only to the extent that such amendment permits the Corporation to provide broader indemnification rights than permitted prior thereto), the Corporation shall indemnify and hold harmless each person who was or is made or is threatened to be made a party or is otherwise involved in any action, suit or proceeding, whether civil, criminal, administrative or investigative (a "proceeding") by reason of the fact that such person is or was a director or officer of the Corporation or is or was serving at the request of the Corporation as a director, officer, employee or agent of another corporation or of a partnership, joint venture, trust, enterprise or nonprofit entity (including service with respect to an employee benefit plan), against all liability, loss and reasonable expense incurred by such person, including attorneys' fees, judgments, fines, penalties, Employee Retirement Income Security Act (ERISA) excise taxes and amounts paid in settlement of proceedings. Except as set forth in Section 11.2 below, the Corporation shall be required to indemnify a person in connection with a proceeding (or part thereof) initiated by such person only if the proceeding (or part thereof) was authorized by the Board of Directors. The right to indemnification under this Article shall be construed as a contractual right of the indemnitees and shall inure to the benefit of an indemnitee's heirs, executors, and administrators.

Section 11.2 Prepayment of Expenses; Undertaking to Repay. The Corporation shall pay the expenses (including attorneys' fees) expected to be incurred in defending any proceeding in advance of its final disposition; provided, however that if the General Corporation Law of Delaware then so requires, the payment of expenses incurred in advance of the final disposition of the proceeding by a director or officer in such person's capacity as such (and not in any other capacity in which service is or was rendered by such person such as service with respect to an employee benefit plan) shall be made only upon receipt of an undertaking by the director or officer

to repay all amounts advanced if it is determined by a final judicial determination from which there is no further possibility of appeal that the director or officer is not entitled to be indemnified under this Article or otherwise and provided, further that the Corporation shall not be required to prepay any expenses to a person against whom the Corporation directly brings a claim alleging that such person has (i) breached such person's duty of loyalty to the Corporation, or committed an act or omission not in good faith or that involves intentional misconduct or a knowing violation of law, or (ii) derived an improper personal benefit from a transaction.

Section 11.3 Claims by Indemnitee; Presumption of Validity. If a claim for indemnification or payment of expenses under this Article not paid in full within 60 days after a written claim therefor has been presented to the Corporation (except in the case of a claim for prepayment of expenses in accordance with Section 11.2 above, in which case the applicable period shall be 20 days) the indemnitee may file suit to recover the unpaid amount of such claim. If successful in whole or in part in any such suit, the indemnitee shall be entitled to be paid the expense of prosecuting such claim. In any such action, the Corporation shall have the burden of proving that the claimant was not entitled to the requested indemnification or payment of expenses under applicable law. The indemnitee shall be presumed to be entitled to indemnification under this Article upon submission of a written claim (and, in an action brought to enforce a claim for prepayment of expenses, where the required undertaking, if any is required, has been tendered to the Corporation), and thereafter the Corporation shall have the burden of proof to overcome the presumption that the indemnitee is so entitled. Neither the failure of the Corporation (including its Board of Directors or independent legal counsel) to have made a determination prior to the commencement of such suit that indemnification of the indemnitee is proper in the circumstances, nor an actual determination by the Corporation (including its Board of Directors or independent legal counsel) that the indemnitee is not entitled to indemnification shall be a defense to the suit or create a presumption that the indemnitee is not so entitled.

Section 11.4 Non-Exclusivity of Rights. The rights conferred on any person by this Article shall not be exclusive of any other rights that such person may have or may hereafter acquire under any statute, provision of the Certificate of Incorporation or these Bylaws, contractual agreement, or disinterested directors or otherwise. Additionally, nothing in this Article shall limit the ability of the Corporation, in its discretion, to indemnify or advance expenses to persons whom the Corporation is not obligated to indemnify or advance expenses pursuant to this Article.

Section 11.5 Set-off Against Other Indemnification. The Corporation's obligation, if any, to indemnify any person who was or is serving at its request as a director, officer, employee or agent of another corporation, partnership, joint venture, trust, enterprise or nonprofit entity shall be reduced by any amount that such person may collect as indemnification from such other corporation, partnership, joint venture, trust, enterprise or nonprofit entity.

Section 11.6 Effect of Amendment or Repeal. No repeal or modification of this Article shall adversely affect any right or protection afforded hereunder to any person in respect of an act or omission occurring prior to the time of such repeal or modification.

Section 11.7 Indemnification of Employees and Agents. The Corporation may, by action of the Board of Directors, extend the rights described in this Article to individual employees or agents, or groups of employees or agents of the Corporation with the same scope and effect as

the provisions of this Article; provided, however, that an undertaking of the sort described in Section 11.2 shall be required only if specifically requested by the Board of Directors.

Section 11.8 Insurance; Indemnification Agreements. The Corporation may purchase and maintain insurance on behalf of any person who is or was a director, officer, employee or agent of the Corporation, or is or was serving at the request of the Corporation as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise or nonprofit entity against any liability asserted against such person and incurred by such person in any such capacity, or arising out of the status of such person as such, whether or not the Corporation would have the power to indemnify such person against such liability under the provisions of the General Corporation Law of Delaware. The Corporation may enter into contracts with any person who is or was a director, officer, employee or agent, or is or was serving at the request of the Corporation as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise or nonprofit entity, in furtherance of the provisions of this Article. The Corporation may also create a trust fund 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 herein.

Section 11.9 Reliance Upon Books, Reports and Records. Each director, each member of any committee designated by the Board of Directors and each officer of the Corporation shall, in the performance of his or her duties, be fully protected in relying in good faith upon the books of account or other records of the Corporation and upon such information, opinions, reports or statements presented to the Corporation by any of its officers or employees, or committees of the Board of Directors so designated, or by any other person as to matters which such director or committee member reasonably believes are within such other person's professional or expert competence and who has been selected with reasonable care by or on behalf of the Corporation.

Section 11.10 Certain Definitions. For purposes of this Article, references to the "Corporation" shall include, in addition to the resulting corporation, any constituent corporation (including any constituent of a constituent) absorbed in a consolidation or merger which, if its separate existence had continued, would have had power and authority to indemnify its directors, officers, employees or agents, so that any person who is or was a director, officer, employee or agent of such constituent corporation, or is or was serving at the request of such constituent corporation as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise or nonprofit entity, shall stand in the same position under this Article with respect to the resulting or surviving corporation as such person would have with respect to such constituent corporation if its separate existence had continued.

ARTICLE XII
MISCELLANEOUS

Section 12.1 Fiscal Year. The fiscal year of the Corporation shall be determined by resolution of the Board of Directors.

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

Section 12.3 **Amendment of Bylaws**. These bylaws may be amended by the vote of at least two-thirds of the directors then in office. All directors must receive at least thirty days' prior written notice of any vote on amending these bylaws.

Section 12.4 **Reimbursement of Expenses of the Corporation**. The Corporation shall provide full reimbursement for monies reasonably and necessarily expended on behalf of the Corporation by its directors, officers, and employees.

Section 12.5 **Checks**. From time to time, the Board of Directors shall determine by resolution which person or persons may sign or endorse all checks, drafts, other orders for payment of money, notes or other evidence of indebtedness that are issued in the name of or payable to the Corporation, and only the persons so authorized shall sign or endorse those instruments.

Section 12.6 **Posting**. These bylaws, the certificate of incorporation, a code of conduct and ethical principles, and the specific policies referenced herein shall be made available to the public on the Corporation's website.

Exhibit C

REGIONAL ORGANIZATION FOR WESTERN ENERGY, INC.

CONFLICT OF INTEREST POLICY

REGIONAL ORGANIZATION FOR WESTERN ENERGY, INC.

Conflict of Interest Policy

1.0 PURPOSE

The purpose of this Conflict of Interest Policy (the "Policy") is to protect the interests of Regional Organization for Western Energy, Inc. (the "ROWE" or "Corporation") in connection with any transaction or arrangement that might benefit the private interests of any Covered Person, as defined below. This Policy provides (i) a systematic mechanism for disclosing and evaluating potential and actual conflicts as defined under Delaware law and related to any possible excess benefit transactions; and (ii) procedures for the Board of Directors or a committee with Board-delegated authority in considering any transaction or arrangement where a conflict may exist. This Policy is also intended to apply to "related organizations" of the Corporation, as defined in the Internal Revenue Service's Instructions for Form 990, as modified from time to time. This Policy is intended to supplement, but not replace, any applicable state and federal laws governing conflicts of interest applicable to nonprofit corporations.

2.0 PERSONS COVERED BY THE POLICY

This Policy addresses transactions and arrangements involving the Corporation's directors, officers, members of any committee of the Corporation's Board of Directors with authority to act on behalf of the Board of Directors, and the Corporation's executive employees (e.g., Executive Director, Chief Executive Officer, Chief Financial Officer, Chief Operating Officer) and any other manager or supervisor identified by the Board of Directors or the President as exercising substantial influence over the operations of the Corporation ("Covered Persons"). Every Covered Person shall sign a statement that affirms that he or she has received a copy of this Policy, has read and understands it, and has agreed to comply with it, and shall complete the questionnaire attached hereto disclosing his or her actual and potential conflicts of interest on an annual basis.

3.0 DUTIES OF COVERED PERSONS

3.1. Duty of Care. Every Covered Person shall perform his or her duties for the Corporation in good faith and with the degree of care that an ordinarily prudent person would exercise under similar circumstances.

3.2. Duty of Loyalty. Every Covered Person must act with loyalty to the Corporation, meaning that no Covered Person may use his or her position with the Corporation to make personal profit or gain other personal advantage. No Covered Person may personally take advantage of a business opportunity that is offered to the Corporation unless the Board of Directors determines (after full disclosure and a disinterested and informed evaluation) not to pursue that opportunity.

3.3. Conflicts of Interest. No Covered Person may engage in any transaction or arrangement or undertake positions with other organizations that involve a conflict of interest, except in compliance with this Policy. Covered Persons should avoid both actual conflicts and the appearance of conflicts of interest. Every Covered Person shall:

(a) Disclose all actual and potential conflicts as set out below in Section 5; and

(b) Recuse himself or herself from voting on any transaction or arrangement in which he or she has a potential or actual conflict of interest, and shall not be present when any such vote is taken.

4.0 CONFLICT OF INTEREST

4.1. Identifying a Potential Conflict. A Covered Person may have a conflict of interest with respect to a transaction or arrangement involving the Corporation whenever he or she, or any of his or her family members:

(a) **Compensation.** Receives compensation directly or indirectly from the Corporation and the transaction or arrangement involves such compensation (e.g., an employee has a conflict of interest with respect to the determination of his or her own compensation). Compensation for purposes of this Policy includes direct and indirect remuneration, as well as gifts or favors that are substantial in nature;

(b) **Financial Interest.** Has or anticipates having any financial interest, including an ownership interest, investment interest, or compensation arrangement, in or with any entity or individual that (i) sells goods or services to, or purchases services from, the Corporation; or (ii) has any other transaction or arrangement with the Corporation (e.g., a director who owns stock in a corporation that sells goods or services to the Corporation may have a conflict of interest with regard to such sales transactions); or

(c) **Management Role.** Has or anticipates serving as a director, trustee or officer, employee or consultant of any entity or individual that (i) sells goods or services to, or purchases services from, the Corporation; or (ii) has any other transaction or arrangement with the Corporation.

Upon the appointment of the Initial Board of Directors (as defined in the Corporation's bylaws) and thereafter, any Board Member who has a prohibited relationship or financial interest as described in this Section 4.1 must commit to terminating any prohibited relationship after being appointed and before exercising the duties of the office, and to dispose of any prohibited financial interests within six months after his or her installation as a Board Member.

4.2. No Conflict. A Covered Person does not have a conflict of interest if:

(a) The Covered Person owns securities or voting interests of a non-publicly traded business enterprise with which the Corporation has a transaction or arrangement, if:

(i) Such securities or voting interests are less than 2% of the voting interests and value of a non-publicly traded business enterprise; and

(ii) The fair market value of such securities does not represent a material part of the person's overall net worth.

(b) The Covered Person owns securities or voting interests of a publicly traded company with which the Corporation has a transaction or arrangement if such voting interests are less than 5% of the voting interests of a publicly traded company.

5.0 DISCLOSURE AND EVALUATION OF CONFLICTS

5.1. Disclosure.

Each Covered Person shall promptly and fully disclose all material facts of every actual or potential conflict of interest:

(a) Existing at the time when he/she becomes a Covered Person;

(b) That arises while he/she is a Covered Person, at the time such actual or potential conflict arises; and

(c) Annually through the annual Conflict of Interest Questionnaire, a copy of which is attached hereto.

All disclosures involving a transaction or arrangement being considered at a meeting of the Board of Directors or a committee shall be made to all members present at such meeting. All other disclosures shall be made to the President (who shall disclose his or her conflicts to the Board of Directors). A Covered Person who is in doubt as to the existence of a conflict of interest is encouraged to disclose all facts pertaining to the transaction or arrangement before undertaking the transaction or arrangement or making any decision in the matter.

5.2. Evaluation.

(a) The President or chairman of any committee established by the Board of Directors for purposes of implementation of this Policy shall disclose to the Board of Directors all conflicts of interest reported to him or her under this Policy. The Board of Directors will evaluate the disclosures and the material facts relating to the transaction or arrangement giving rise to the potential conflict of interest to determine whether they involve actual conflicts of interest and may attempt to develop alternatives to remove the conflict from the transaction or arrangement. The Board of Directors may, if appropriate, appoint a disinterested person or committee to investigate alternatives to the proposed transaction or arrangement.

(b) A Covered Person who has an actual or potential conflict of interest shall not be present for or shall leave any portion of a meeting at which the Board of Directors or a committee is voting to determine whether a conflict exists,

but may be present prior to the vote to make a presentation to the Board or committee, to disclose additional facts, or to respond to questions.

6.0 PROCEDURES FOR ACTING ON CONFLICT OF INTEREST TRANSACTIONS

6.1. Formal Approval. The Corporation may enter into a transaction or arrangement in which a Covered Person has a conflict of interest if:

(a) The Covered Person has disclosed the conflict of interest in accordance with this Policy;

(b) A majority of directors who have no interest in the transaction or arrangement approve the transaction or arrangement at a Board or committee meeting after determining in good faith and after reasonable investigation, that the transaction or arrangement is fair and reasonable to the Corporation and is in the Corporation's best interest;

(c) Any Covered Person who has an actual or potential conflict with respect to the transaction or arrangement does not participate in and is not present for the vote regarding any such transaction or arrangement (provided, however, that any such Covered Person may appear at a meeting to answer questions concerning the transaction or arrangement); and

(d) In any arrangement or transaction involving compensation, remuneration or other economic or financial benefit to the Covered Person, the Board of Directors relies upon appropriate comparability data, such as an independent appraisal or an independent compensation study, in reaching its determination as to the fairness and reasonableness of the transaction or arrangement to the Corporation.

6.2. Transaction Fair to the Corporation. It shall not be a violation of this Policy if all the requirements for formal approval, outlined above, are not satisfied, so long as the transaction or arrangement does not violate any applicable rules and regulations related to conflicts of interest and ethical conduct effective as to board members, and also is in fact fair to the Corporation, furthers its tax-exempt purposes, and does not result in private inurement, impermissible private benefit, or an excess benefit transaction under laws applicable to organizations exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code, as amended (the "***Code***").

7.0 RECORDS OF PROCEEDINGS

7.1. Content of Minutes. The minutes of the Board of Directors or any committee of the Board for any meetings described above shall contain:

(a) The names of the persons who disclosed an actual or potential conflict of interest or otherwise were found to have a conflict of interest;

(b) The nature of the conflict of interest;

(c) Any action taken to determine whether a conflict of interest was present;

(d) The Board's or committee's decision as to whether a conflict of interest in fact existed;

(e) The names of the persons who were present for discussions and votes relating to the transaction or arrangement;

(f) The content of the discussion, including any alternatives to the proposed transaction or arrangement considered and any comparability data relied upon; and

(g) A record of any votes taken in connection with the issue, transaction or arrangement.

7.2. **Timing**. The minutes of any meeting described above shall be prepared by the later of the next succeeding meeting of the Board of Directors or committee, or sixty (60) days after the final action on the matter is taken by the Board of Directors or committee.

8.0 ENFORCEMENT

Each Covered Person shall sign a statement acknowledging that he or she has received a copy of this Policy, has read and understands it, and agrees to comply with it. If the Board of Directors has reasonable cause to believe that a Covered Person has failed to comply with this Policy, the Board may counsel the Covered Person regarding such failure and, if the issue is not resolved to the Board's satisfaction, may consider additional corrective action as appropriate.

9.0 TRANSACTIONS WITH PAST COVERED PERSONS AND OTHER DISQUALIFIED PERSONS

This section applies to Disqualified Persons, as defined below, including without limitation, persons who once were, but no longer are, Covered Persons. Section 4958 of the Code imposes excise taxes on (a) Disqualified Persons who engage in excess benefit transactions with charities and (b) Corporation Managers who knowingly approve such transactions.

To protect Disqualified Persons and Corporation Managers from excise taxes, it is the Corporation's policy that all transactions between Disqualified Persons and the Corporation be approved by the Board (or designated committee thereof) after taking into consideration data sufficient to demonstrate that the consideration proposed to be paid or received by the Corporation represents the fair market value of the goods or services to be obtained or provided by the

Corporation, as the case may be. Appropriate evidence might include, compensation surveys, opinions of experts, bids or other similar data. A Disqualified Person is any person who, during the five-year period ending on the date of the transaction, had substantial influence over the charity. Voting directors, officers and many key employees are presumed to be Disqualified Persons. Other persons (including contributors) are evaluated on a case-by-case basis. Corporation Managers include officers, directors and trustees (and persons with similar powers) and employees having authority or responsibility with respect to the expenditure in question.

CERTIFICATE OF ADOPTION

The foregoing Conflict of Interest Policy was adopted by the Board of Directors of the ROWE as of the Effective Date first set forth herein.

By:*/s/Lisa Tormoen Hickey*

Name: Lisa Tormoen Hickey
Title: Secretary

[CORPORATION]

CONFLICT OF INTEREST QUESTIONNAIRE

This Questionnaire is to be completed annually by all Corporation officers, directors, members of committees of the Board of Directors authorized to act on behalf of the Board, executive employees, and any other manager or supervisor identified by the Board of Directors or the President as exercising substantial influence over the operations of the Corporation.

NAME AND BACKGROUND INFORMATION

Name _____

Address: _____

_____

_____

Telephone Number: _____

Position with the Corporation: _____

CONFLICT OF INTEREST INFORMATION

Investments. Identify any investments* that you or a member of your family has or had during the last two (2) years in any organization that has, does, or is likely to provide goods or services to the Corporation or which engages in the generation, transmission, marketing, trading or distribution of electricity within the geographic area of the Western Electric Coordinating Council:

_____

_____

_____

/ / None

* "Investments" for purposes of this disclosure do not include securities or voting interests of a non-publicly traded company if (a) such securities or voting interests are less than 2% of the voting interests and value of a non-publicly traded business enterprise; and (b) the fair market value of such securities does not represent a material part of the person's overall net worth. It also does not include securities or voting interests of a publicly traded company with which the Corporation has

a transaction or arrangement if such voting interests are less than 5% of the voting interests of a publicly traded company.

Director or Other Services. Identify any services that you or a member of your family provides or provided with the last five (5) years as a director, partner, principal, manager, employee or consultant to any organization that does, has, or is likely to provide goods or services to the Corporation or which engages in the generation, transmission, marketing, trading or distribution of electricity within the geographic area of the Western Electric Coordinating Council:

_____

_____

_____

/ / None

Interests in Transactions. Identify any interest that you or a member of your family or any organization in which you have an interest (e.g., a corporation or partnership) has had in any transaction during the last five (5) years, to which the Corporation or any related organization, was a party (e.g., loans, sales of goods or services, guarantees), or which engages in the generation, transmission, marketing, trading or distribution of electricity within the geographic area of the Western Electric Coordinating Council:

_____

_____

_____

/ / None

Other. Identify any other circumstances affecting you or members of your family that might appear to involve a conflict of interest, actual or potential, and any circumstances that could be viewed as use of information relating to the Corporation's business for personal profit or advantage:

_____

_____

_____

/ / None

ACKNOWLEDGMENT AND SIGNATURE

To the best of my knowledge and belief, the above information is true and accurate. I have received a copy of the Corporation's Conflict of Interest Policy, which I have read and understand, and I hereby agree to comply with it.

Executed as of _____.

By:_____
Name: [Officer/ director name]
Title: [Title]

REGIONAL ORGANIZATION FOR WESTERN ENERGY, INC.

Conflict of Interest Policy

1.0 PURPOSE

The purpose of this Conflict of Interest Policy (the "Policy") is to protect the interests of Regional Organization for Western Energy, Inc. (the "ROWE" or "Corporation") in connection with any transaction or arrangement that might benefit the private interests of any Covered Person, as defined below. This Policy provides (i) a systematic mechanism for disclosing and evaluating potential and actual conflicts as defined under Delaware law and related to any possible excess benefit transactions; and (ii) procedures for the Board of Directors or a committee with Board-delegated authority in considering any transaction or arrangement where a conflict may exist. This Policy is also intended to apply to "related organizations" of the Corporation, as defined in the Internal Revenue Service's Instructions for Form 990, as modified from time to time. This Policy is intended to supplement, but not replace, any applicable state and federal laws governing conflicts of interest applicable to nonprofit corporations.

2.0 PERSONS COVERED BY THE POLICY

This Policy addresses transactions and arrangements involving the Corporation's directors, officers, members of any committee of the Corporation's Board of Directors with authority to act on behalf of the Board of Directors, and the Corporation's executive employees (e.g., Executive Director, Chief Executive Officer, Chief Financial Officer, Chief Operating Officer) and any other manager or supervisor identified by the Board of Directors or the President as exercising substantial influence over the operations of the Corporation ("Covered Persons"). Every Covered Person shall sign a statement that affirms that he or she has received a copy of this Policy, has read and understands it, and has agreed to comply with it, and shall complete the questionnaire attached hereto disclosing his or her actual and potential conflicts of interest on an annual basis.

3.0 DUTIES OF COVERED PERSONS

3.1. Duty of Care. Every Covered Person shall perform his or her duties for the Corporation in good faith and with the degree of care that an ordinarily prudent person would exercise under similar circumstances.

3.2. Duty of Loyalty. Every Covered Person must act with loyalty to the Corporation, meaning that no Covered Person may use his or her position with the Corporation to make personal profit or gain other personal advantage. No Covered Person may personally take advantage of a business opportunity that is offered to the Corporation unless the Board of Directors determines (after full disclosure and a disinterested and informed evaluation) not to pursue that opportunity.

3.3. Conflicts of Interest. No Covered Person may engage in any transaction or arrangement or undertake positions with other organizations that involve a conflict of interest, except in compliance with this Policy. Covered Persons should avoid both actual conflicts and the appearance of conflicts of interest. Every Covered Person shall:

(a) Disclose all actual and potential conflicts as set out below in Section 5; and

(b) Recuse himself or herself from voting on any transaction or arrangement in which he or she has a potential or actual conflict of interest, and shall not be present when any such vote is taken.

4.0 CONFLICT OF INTEREST

4.1. Identifying a Potential Conflict. A Covered Person may have a conflict of interest with respect to a transaction or arrangement involving the Corporation whenever he or she, or any of his or her family members:

(a) **Compensation.** Receives compensation directly or indirectly from the Corporation and the transaction or arrangement involves such compensation (e.g., an employee has a conflict of interest with respect to the determination of his or her own compensation). Compensation for purposes of this Policy includes direct and indirect remuneration, as well as gifts or favors that are substantial in nature;

(b) **Financial Interest.** Has or anticipates having any financial interest, including an ownership interest, investment interest, or compensation arrangement, in or with any entity or individual that (i) sells goods or services to, or purchases services from, the Corporation; or (ii) has any other transaction or arrangement with the Corporation (e.g., a director who owns stock in a corporation that sells goods or services to the Corporation may have a conflict of interest with regard to such sales transactions); or

(c) **Management Role.** Has or anticipates serving as a director, trustee or officer, employee or consultant of any entity or individual that (i) sells goods or services to, or purchases services from, the Corporation; or (ii) has any other transaction or arrangement with the Corporation.

Upon the appointment of the Initial Board of Directors (as defined in the Corporation's bylaws) and thereafter, any Board Member who has a prohibited relationship or financial interest as described in this Section 4.1 must commit to terminating any prohibited relationship after being appointed and before exercising the duties of the office, and to dispose of any prohibited financial interests within six months after his or her installation as a Board Member.

4.2. No Conflict. A Covered Person does not have a conflict of interest if:

(a) The Covered Person owns securities or voting interests of a non-publicly traded business enterprise with which the Corporation has a transaction or arrangement, if:

(i) Such securities or voting interests are less than 2% of the voting interests and value of a non-publicly traded business enterprise; and

(ii) The fair market value of such securities does not represent a material part of the person's overall net worth.

(b) The Covered Person owns securities or voting interests of a publicly traded company with which the Corporation has a transaction or arrangement if such voting interests are less than 5% of the voting interests of a publicly traded company.

5.0 DISCLOSURE AND EVALUATION OF CONFLICTS

5.1. Disclosure.

Each Covered Person shall promptly and fully disclose all material facts of every actual or potential conflict of interest:

(a) Existing at the time when he/she becomes a Covered Person;

(b) That arises while he/she is a Covered Person, at the time such actual or potential conflict arises; and

(c) Annually through the annual Conflict of Interest Questionnaire, a copy of which is attached hereto.

All disclosures involving a transaction or arrangement being considered at a meeting of the Board of Directors or a committee shall be made to all members present at such meeting. All other disclosures shall be made to the President (who shall disclose his or her conflicts to the Board of Directors). A Covered Person who is in doubt as to the existence of a conflict of interest is encouraged to disclose all facts pertaining to the transaction or arrangement before undertaking the transaction or arrangement or making any decision in the matter.

5.2. Evaluation.

(a) The President or chairman of any committee established by the Board of Directors for purposes of implementation of this Policy shall disclose to the Board of Directors all conflicts of interest reported to him or her under this Policy. The Board of Directors will evaluate the disclosures and the material facts relating to the transaction or arrangement giving rise to the potential conflict of interest to determine whether they involve actual conflicts of interest and may attempt to develop alternatives to remove the conflict from the transaction or arrangement. The Board of Directors may, if appropriate, appoint a disinterested person or committee to investigate alternatives to the proposed transaction or arrangement.

(b) A Covered Person who has an actual or potential conflict of interest shall not be present for or shall leave any portion of a meeting at which the Board of Directors or a committee is voting to determine whether a conflict exists,

but may be present prior to the vote to make a presentation to the Board or committee, to disclose additional facts, or to respond to questions.

6.0 PROCEDURES FOR ACTING ON CONFLICT OF INTEREST TRANSACTIONS

6.1. Formal Approval. The Corporation may enter into a transaction or arrangement in which a Covered Person has a conflict of interest if:

(a) The Covered Person has disclosed the conflict of interest in accordance with this Policy;

(b) A majority of directors who have no interest in the transaction or arrangement approve the transaction or arrangement at a Board or committee meeting after determining in good faith and after reasonable investigation, that the transaction or arrangement is fair and reasonable to the Corporation and is in the Corporation's best interest;

(c) Any Covered Person who has an actual or potential conflict with respect to the transaction or arrangement does not participate in and is not present for the vote regarding any such transaction or arrangement (provided, however, that any such Covered Person may appear at a meeting to answer questions concerning the transaction or arrangement); and

(d) In any arrangement or transaction involving compensation, remuneration or other economic or financial benefit to the Covered Person, the Board of Directors relies upon appropriate comparability data, such as an independent appraisal or an independent compensation study, in reaching its determination as to the fairness and reasonableness of the transaction or arrangement to the Corporation.

6.2. Transaction Fair to the Corporation. It shall not be a violation of this Policy if all the requirements for formal approval, outlined above, are not satisfied, so long as the transaction or arrangement does not violate any applicable rules and regulations related to conflicts of interest and ethical conduct effective as to board members, and also is in fact fair to the Corporation, furthers its tax-exempt purposes, and does not result in private inurement, impermissible private benefit, or an excess benefit transaction under laws applicable to organizations exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code, as amended (the "***Code***").

7.0 RECORDS OF PROCEEDINGS

7.1. Content of Minutes. The minutes of the Board of Directors or any committee of the Board for any meetings described above shall contain:

(a) The names of the persons who disclosed an actual or potential conflict of interest or otherwise were found to have a conflict of interest;

(b) The nature of the conflict of interest;

(c) Any action taken to determine whether a conflict of interest was present;

(d) The Board's or committee's decision as to whether a conflict of interest in fact existed;

(e) The names of the persons who were present for discussions and votes relating to the transaction or arrangement;

(f) The content of the discussion, including any alternatives to the proposed transaction or arrangement considered and any comparability data relied upon; and

(g) A record of any votes taken in connection with the issue, transaction or arrangement.

7.2. **Timing**. The minutes of any meeting described above shall be prepared by the later of the next succeeding meeting of the Board of Directors or committee, or sixty (60) days after the final action on the matter is taken by the Board of Directors or committee.

8.0 ENFORCEMENT

Each Covered Person shall sign a statement acknowledging that he or she has received a copy of this Policy, has read and understands it, and agrees to comply with it. If the Board of Directors has reasonable cause to believe that a Covered Person has failed to comply with this Policy, the Board may counsel the Covered Person regarding such failure and, if the issue is not resolved to the Board's satisfaction, may consider additional corrective action as appropriate.

9.0 TRANSACTIONS WITH PAST COVERED PERSONS AND OTHER DISQUALIFIED PERSONS

This section applies to Disqualified Persons, as defined below, including without limitation, persons who once were, but no longer are, Covered Persons. Section 4958 of the Code imposes excise taxes on (a) Disqualified Persons who engage in excess benefit transactions with charities and (b) Corporation Managers who knowingly approve such transactions.

To protect Disqualified Persons and Corporation Managers from excise taxes, it is the Corporation's policy that all transactions between Disqualified Persons and the Corporation be approved by the Board (or designated committee thereof) after taking into consideration data sufficient to demonstrate that the consideration proposed to be paid or received by the Corporation represents the fair market value of the goods or services to be obtained or provided by the

Corporation, as the case may be. Appropriate evidence might include, compensation surveys, opinions of experts, bids or other similar data. A Disqualified Person is any person who, during the five-year period ending on the date of the transaction, had substantial influence over the charity. Voting directors, officers and many key employees are presumed to be Disqualified Persons. Other persons (including contributors) are evaluated on a case-by-case basis. Corporation Managers include officers, directors and trustees (and persons with similar powers) and employees having authority or responsibility with respect to the expenditure in question.

CERTIFICATE OF ADOPTION

The foregoing Conflict of Interest Policy was adopted by the Board of Directors of the ROWE as of the Effective Date first set forth herein.

By: /s/*Lisa Tormoen Hickey*

Name: Lisa Tormoen Hickey

Title: Secretary

[CORPORATION]

CONFLICT OF INTEREST QUESTIONNAIRE

This Questionnaire is to be completed annually by all Corporation officers, directors, members of committees of the Board of Directors authorized to act on behalf of the Board, executive employees, and any other manager or supervisor identified by the Board of Directors or the President as exercising substantial influence over the operations of the Corporation.

NAME AND BACKGROUND INFORMATION

Name _____

Address: _____

_____

_____

Telephone Number: _____

Position with the Corporation: _____

CONFLICT OF INTEREST INFORMATION

Investments. Identify any investments* that you or a member of your family has or had during the last two (2) years in any organization that has, does, or is likely to provide goods or services to the Corporation or which engages in the generation, transmission, marketing, trading or distribution of electricity within the geographic area of the Western Electric Coordinating Council:

_____

_____

_____

/ / None

* "Investments" for purposes of this disclosure do not include securities or voting interests of a non-publicly traded company if (a) such securities or voting interests are less than 2% of the voting interests and value of a non-publicly traded business enterprise; and (b) the fair market value of such securities does not represent a material part of the person's overall net worth. It also does not include securities or voting interests of a publicly traded company with which the Corporation has

a transaction or arrangement if such voting interests are less than 5% of the voting interests of a publicly traded company.

Director or Other Services. Identify any services that you or a member of your family provides or provided with the last five (5) years as a director, partner, principal, manager, employee or consultant to any organization that does, has, or is likely to provide goods or services to the Corporation or which engages in the generation, transmission, marketing, trading or distribution of electricity within the geographic area of the Western Electric Coordinating Council:

_____

_____

_____

/ / None

Interests in Transactions. Identify any interest that you or a member of your family or any organization in which you have an interest (e.g., a corporation or partnership) has had in any transaction during the last five (5) years, to which the Corporation or any related organization, was a party (e.g., loans, sales of goods or services, guarantees), or which engages in the generation, transmission, marketing, trading or distribution of electricity within the geographic area of the Western Electric Coordinating Council:

_____

_____

_____

/ / None

Other. Identify any other circumstances affecting you or members of your family that might appear to involve a conflict of interest, actual or potential, and any circumstances that could be viewed as use of information relating to the Corporation's business for personal profit or advantage:

_____

_____

_____

/ / None

ACKNOWLEDGMENT AND SIGNATURE

To the best of my knowledge and belief, the above information is true and accurate. I have received a copy of the Corporation's Conflict of Interest Policy, which I have read and understand, and I hereby agree to comply with it.

Executed as of _____.

By:_____
Name: [Officer/ director name]
Title: [Title]

APPENDIX E Internal Revenue Service Form 1023
(501(c)(3) Status)

An official website of the United States government Here's how you know

Pay.gov

MENU

For your security, we recommend you close your browser when you complete your payment.

Payment Confirmation - Application for Recognition of Exemption Under Section 501(c)(3)

✓ Before You Begin — ✓ Complete Agency Form — ✓ Enter Payment Info — ✓ Review & Submit — 5 Confirmation

Your payment is complete

You can find your receipt in your account payment activity. A confirmation email has been sent to bwoodruff@perkinscoie.com, kleete@perkinscoie.com, rsevcik@perkinscoie.com.

We value your feedback!

Do you have any feedback regarding your Pay.gov experience? Please share it here.

You successfully submitted your Form 1023 user fee payment to Pay.gov and the details are below. For information on the status of your application, visit IRS.gov and search for Where's My Application. If you submitted your application before the date indicated on that page and haven't been contacted, you can call the toll-free Customer Account Services number, Monday through Friday, 8 a.m. - 5 p.m. (local time), at 877-829-5500 to check on the status. You will need the information specified on the Where's My Application page, including your name and employer identification number (EIN), when calling.

Tracking Information

Pay.gov Tracking ID: 280MJI12

Agency Tracking ID: 77333153126

Form Name: Application for Recognition of Exemption Under Section 501(c)(3)

Application Name: Form 1023

Payment Information

Payment Type: Debit or credit card

Payment Amount: $600.00

Transaction Date: 03/20/2026 05:31:19 PM EDT

Payment Date: 03/20/2026

Account Information

Cardholder Name: Bailey Woodruff

Card Type: Visa

Card Number: **********5621

View this payment on the Payment Activity page.
View this form on the My Forms page.

Need Help?

Contact:
IRS Customer Service

Phone:
877-829-5500

Return to top

Pay.gov
Pay.gov is a program of the U.S. Department of the Treasury,
Bureau of the Fiscal Service

Pay.gov Support

WARNING WARNING WARNING

You have accessed a U.S. Government information system, which includes (1) this computer, (2) this network, (3) all computers connected to this network, and (4) all devices and storage media attached to this network or to a computer on this network. U.S. Government information systems are provided for the processing of official U.S. Government information only. Unauthorized or improper use of this information system is prohibited and may subject you to disciplinary action, as well as civil and criminal penalties. All data contained on U.S. Government information systems is owned by the U.S. Government and may, for the purpose of protecting the rights and property of the U.S. Government, be monitored, intercepted, recorded, read, searched, copied, or captured in any manner and disclosed or used for any lawful government purpose at any time. THERE IS NO RIGHT TO PRIVACY IN THIS SYSTEM. System personnel may give to law enforcement officials any potential evidence of crime found on U.S. Government information systems. USE OF THIS SYSTEM BY ANY USER, AUTHORIZED OR UNAUTHORIZED, CONSTITUTES YOUR UNDERSTANDING AND CONSENT TO THIS MONITORING, INTERCEPTION, RECORDING, READING, COPYING, OR CAPTURING AND DISCLOSURE.

Note: This system may contain Sensitive But Unclassified (SBU) data that requires specific data privacy handling.

Form **1023**

(Rev. January 2020)

Department of the Treasury
Internal Revenue Service

Application for Recognition of Exemption
Under Section 501(c)(3) of the Internal Revenue Code

Do not enter social security numbers on this form as it may be made public.

Go to www.irs.gov/Form1023 for instructions and the latest information.

OMB No. 1545-0047

Note: *If exempt status is approved, this application will be open for public inspection.*

Use the "?" buttons throughout this form for help in completing this application. For additional help, call IRS Exempt Organizations Customer Account Services toll-free at 1-877-829-5500.

If you cannot complete required responses within the textbox limits throughout this form, upload your additional narratives with the other required documents.

Part I Identification of Applicant

1a Full Name of Organization (exactly as it appears in your organizing document)	b Care of Name (if applicable)
REGIONAL ORGANIZATION FOR WESTERN ENERGY INC	KATHLEEN STAKS

c Mailing Address (Number, street and room/suite)	d City	e Country
PO BOX 150260	LAKEWOOD	United States

f State	g Zip Code + 4	h Foreign Province (or State)	i Foreign Postal Code
Colorado	80215		

2 Employer Identification Number	3 Month Tax Year Ends	4 Person to Contact if More Information is Needed (officer, director, trustee, or authorized representative)
41-4783979	DECEMBER	RICHARD SEVCIK

5 Contact Telephone Number	6 Fax Number (optional)	7 User Fee Submitted
312-324-8653	312-324-9400	$600.00

8 Organization's Website (if available):

9 List the names, titles, and mailing addresses of your officers, directors, and/or trustees.

First Name:	KATHLEEN	Last Name:	STAKS	Title:	PRESIDENT AND DIRECTOR
Mailing Address:	PO BOX 150666	City:	LAKEWOOD		
State (or Province):	CO	Zip Code (or Foreign Postal Code):	80215		
First Name:	EVELYN	Last Name:	KAHL	Title:	DIRECTOR
Mailing Address:	1121 L STREET SUITE 400	City:	SACRAMENTO		
State (or Province):	CA	Zip Code (or Foreign Postal Code):	95814		
First Name:	LISA	Last Name:	TORMOEN HICKEY	Title:	SECRETARY AND DIRECTOR
Mailing Address:	400 GOLD AVE SW STE 700	City:	ALBUQUERQUE		
State (or Province):	NM	Zip Code (or Foreign Postal Code):	87102		
First Name:	SCOTT	Last Name:	RANZAL	Title:	DIRECTOR
Mailing Address:	300 LAKESIDE DRIVE	City:	OAKLAND		
State (or Province):	CA	Zip Code (or Foreign Postal Code):	94612		
First Name:	JIM	Last Name:	SHETLER	Title:	DIRECTOR
Mailing Address:	6001 S STREET MS D-109	City:	SACRAMENTO		
State (or Province):	CA	Zip Code (or Foreign Postal Code):	95852		

☐ Check here to add more officers, directors, and/or trustees.

MICHELE BECK - DIRECTOR - PO BOX 146782, SALT LAKE CITY, UTAH 84114

Part II Organizational Structure

1 You must be a corporation, limited liability company (LLC), unincorporated association, or trust to be tax exempt.

Select your type of organization.

(●) Corporation

At the end of this form, you must upload a copy of your articles of incorporation (and any amendments) that shows proof of filing with the appropriate state agency.

( ) Limited Liability Company (LLC)

At the end of this form, you must upload a copy of your articles of organization (and any amendments) that shows proof of filing with the appropriate state agency. Also, if you adopted an operating agreement, upload a copy, along with any amendments.

( ) Unincorporated Association

At the end of this form, you must upload a copy of your articles of association, constitution, or other similar organizing document that is dated and includes at least two signatures. Include signed and dated copies of any amendments.

( ) Trust

At the end of this form, you must upload a signed and dated copy of your trust agreement. Include signed and dated copies of any amendments.

2 Enter the date you formed. (MM/DD/YYYY) 01/20/2026

3 Select your state (or U.S. territory) of incorporation or other formation. If you were formed under the laws of a foreign country, select Foreign Country. Delaware

4 Have you adopted bylaws? If "Yes," at the end of this form, upload a current copy showing the date of adoption. If "No," explain how you select your officers, directors, or trustees. (●) Yes ( ) No

5 Are you a successor to another organization? ( ) Yes (●) No

Answer "Yes" if you have taken or will take over the activities of another organization, you took over 25% or more of the fair market value of the net assets of another organization, or you were established upon the conversion of an organization from for-profit to nonprofit status. If "Yes," complete Schedule G.

Part III Required Provisions in Your Organizing Document

Part III helps ensure that, when you submit this application, your organizing document contains the required provisions to meet the organizational test under section 501(c)(3).

If you cannot check "Yes" in both Lines 1 and 2, your organizing document does not meet the organizational test. DO NOT file this application until you have amended your organizing document. Remember to upload your original and amended organizing documents at the end of this form.

1 Section 501(c)(3) requires that your organizing document limit your purposes to one or more exempt purposes within section 501(c)(3), such as charitable, religious, educational, and/or scientific purposes.

The following is an example of an acceptable purpose clause: The organization is organized exclusively for charitable, religious, educational, and scientific purposes under section 501(c)(3) of the Internal Revenue Code, or corresponding section of any future federal tax code.

Does your organizing document meet this requirement? (●) Yes ( ) No

1a State specifically where your organizing document meets this requirement, such as a reference to a particular article or section in your organizing document (Page/Article/Paragraph):

ARTICLE III

2 Section 501(c)(3) requires that your organizing document provide that upon dissolution, your remaining assets be used exclusively for section 501(c)(3) exempt purposes, such as charitable, religious, educational, and/or scientific purposes. Depending on your entity type and the state in which you are formed, this requirement may be satisfied by operation of state law.

The following is an example of an acceptable dissolution clause: Upon the dissolution of this organization, assets shall be distributed for one or more exempt purposes within the meaning of section 501(c)(3) of the Internal Revenue Code, or corresponding section of any future federal tax code, or shall be distributed to the federal government, or to a state or local government, for a public purpose.

Does your organizing document meet this requirement? (●) Yes ( ) No

2a State specifically where your organizing document meets this requirement, such as a reference to a particular article or section in your organizing document (Page/Article/Paragraph) or indicate that you rely on state law.

ARTICLE VI, SECTION VI.3

Part IV Your Activities

1 Describe completely and in detail your past, present, and planned activities. Do not refer to or repeat the purposes in your organizing document.

For each past, present, or planned activity, include information that answers the following questions:

a. What is the activity?
b. Who conducts the activity?
c. Where is the activity conducted?
d. What percentage of your total time is allocated to the activity?
e. How is the activity funded (for example, donations, fees, etc.) and what percentage of your overall expenses is allocated to this activity?
f. How does the activity further your exempt purposes?

Please see the attachment.

Part IV **Your Activities** *(continued)*

2 Enter the 3-character NTEE Code that best describes your activities. W80

Or check here if you want the IRS to select the NTEE Code that best describes your activities. ☐

3 Do any of your programs limit the provision of goods, services, or funds to a specific individual or group of specific individuals? For example, answer "Yes" if goods, services, or funds are provided only for a particular individual, your members, individuals who work for a particular employer, or graduates of a particular school. If "Yes," explain the limitation and how recipients are selected for each program. ○ Yes ◉ No

4 Do any individuals who receive goods, services, or funds through your programs have a family or business relationship with any officer, director, trustee, or with any of your highest compensated employees or highest compensated independent contractors? If "Yes," explain how these related individuals are eligible for goods, services, or funds. ○ Yes ◉ No

5 Do you or will you support or oppose candidates in political campaigns in any way? If "Yes," explain. ○ Yes ◉ No

6 Do you or will you attempt to influence legislation? If "Yes," explain how you attempt to influence legislation. ○ Yes ◉ No

Part IV **Your Activities** *(continued)*

6a Did you or will you make an election to have your legislative activities measured by expenditures by filing Form 5768? If "No," describe whether your attempts to influence legislation are a substantial part of your activities. Include the time and money spent on your attempts to influence legislation as compared to your total activities.

○ Yes ○ No

7 Do you or will you publish, own, or have rights in music, literature, tapes, artworks, choreography, scientific discoveries, or other intellectual property? If "Yes," describe who owns or will own any copyrights, patents, or trademarks, whether fees are or will be charged, how the fees are determined, and how any items are or will be produced, distributed, and marketed.

◉ Yes ○ No

Please see the attachment.

8 Do you or will you provide educational information to the general public on budgeting, personal finance, financial literacy, saving and spending practices, the sound use of consumer credit, and/or assist individuals and families with financial problems such as credit card debt and foreclosure by providing them with counseling? If "Yes," explain.

○ Yes ◉ No

9 Do you or will you make grants, loans, or other distributions to organizations? If "Yes," describe the type and purpose of the grants, loans, or distributions, how you select your recipients including submission requirements (such as grant proposals or application forms), and the criteria you use or will use to select recipients. Also describe how you ensure the grants, loans, and other distributions are or will be used for their intended purposes (including whether you require periodic or final reports on the use of funds and any procedures you have if you identify that funds are not being used for their intended purposes). Finally, describe the records you keep with respect to grants, loans, or other distributions you make and identify any recipient organizations and any relationships between you and the recipients. If "No," continue to Line 10.

◉ Yes ○ No

Please see the attachment.

Part IV **Your Activities** *(continued)*

9a Do you or will you make grants, loans, or other distributions to organizations that are not recognized by the IRS as tax exempt under section 501(c)(3)? If "Yes," name and/or describe the non-section 501(c)(3) organizations to whom you do or will make distributions and explain how these distributions further your exempt purposes. ○ Yes ◉ No

9b Do you or will you make grants, loans, or other distributions to foreign organizations? If "Yes," name each foreign organization (if not already provided), the country and region within each country in which each foreign organization operates, any relationship you have with each foreign organization, and whether the foreign organization accepts contributions earmarked for a specific country or organization (if so, specify which countries or organizations). If "No," continue to Line 10. ○ Yes ◉ No

9c Do your contributors know that you have ultimate authority to use contributions made to you at your discretion for purposes consistent with your exempt purposes? If "Yes," describe how you relay this information to contributors. ○ Yes ○ No

9d Do you or will you make pre-grant inquiries about the recipient organization? If "Yes," describe these inquiries, including whether you inquire about the recipient's financial status, its tax-exempt status under the Internal Revenue Code, its ability to accomplish the purpose for which the resources are provided, and other relevant information. ○ Yes ○ No

9e Do you or will you use any additional procedures to ensure that your distributions to foreign organizations are used in furtherance of your exempt purposes? If "Yes," describe these procedures, including periodic reporting requirements, auditing grantees, site visits by your employees or compliance checks by impartial experts, etc., to verify that grant funds are being used appropriately. ○ Yes ○ No

Part IV **Your Activities** *(continued)*

9f Do you share board members or other key personnel with the recipient organization(s)? If "Yes," identify the relationships. ◯ Yes ◯ No

9g When you make grants, loans, or other distributions to foreign organizations, will you check the OFAC List of Specially Designated Nationals and Blocked Persons for names of individuals and entities with whom you are dealing to determine if they are included on the list? Describe any other practices you will engage in to ensure that foreign expenditures or grants are not diverted to support terrorism or other non-charitable activities. ◯ Yes ◯ No

9h Will you comply with all United States statutes, executive orders, and regulations that restrict or prohibit U.S. persons from engaging in transactions and dealings with designated countries, entities, or individuals, or otherwise engaging in activities in violation of economic sanctions administered by OFAC? ◯ Yes ◯ No

9i Will you acquire from OFAC the appropriate license and registration where necessary? ◯ Yes ◯ No

10 Do you or will you operate in a foreign country or countries? If "Yes," name each foreign country and region within each country in which you do or will operate and describe your operations in each one. If "No," continue to Line 11. ◯ Yes ◉ No

10a When you conduct activities in foreign countries, will you check the OFAC List of Specially Designated Nationals and Blocked Persons for names of individuals and entities with whom you are dealing to determine if they are included on the list? Describe any other practices you will engage in to ensure that foreign expenditures or grants are not diverted to support terrorism or other non-charitable activities. ◯ Yes ◯ No

10b Will you comply with all United States statutes, executive orders, and regulations that restrict or prohibit U.S. persons from engaging in transactions and dealings with designated countries, entities, or individuals, or otherwise engaging in activities in violation of economic sanctions administered by OFAC? ◯ Yes ◯ No

10c Will you acquire from OFAC the appropriate license and registration where necessary? ◯ Yes ◯ No

Part IV **Your Activities** *(continued)*

11 Are you a sponsoring organization that maintains one or more donor advised funds? If yes, please provide a complete description of your program, including the specific advice that such donors may provide. Describe in detail the control you maintain (or will maintain) over the use of the funds. ○ Yes ◉ No

12 Do you or will you operate a school? If "Yes," complete Schedule B. ○ Yes ◉ No

13 Is your principal purpose or function to provide hospital or medical care? If "Yes," complete Schedule C. ○ Yes ◉ No

14 Do you or will you provide low-income housing? If "Yes," complete Schedule F. ○ Yes ◉ No

15 Do you or will you provide scholarships, fellowships, educational loans, or other educational grants to individuals, including grants for travel, study, or other similar purposes? If "Yes," complete Schedule H - Section I. ○ Yes ◉ No

16 Check any of the following fundraising activities that you will undertake (check all that apply):

- ☒ Website, mail, email, personal, and/or phone solicitations
- ☒ Foundation grant solicitations
- ☐ Receive donations from another organization's website
- ☐ Government grant solicitations
- ☐ Bingo
- ☐ Other (non-bingo) gaming activities
- ☐ Other (describe)
- ☐ We will not engage in fundraising activities.

17 Do you or will you engage in fundraising activities for other organizations? If "Yes," describe these arrangements, including the names or descriptions of the organizations for which you raise funds. ○ Yes ◉ No

Part V Compensation and Other Financial Arrangements

1 Do you or will you compensate officers, directors, or trustees, or do or will you have highest compensated employees, or highest compensated independent contractors? If "No," continue to Line 2. (●) Yes ( ) No

In establishing compensation for your officers, directors, trustees, highest compensated employees, and highest compensated independent contractors:

1a Do or will the individuals that approve compensation arrangements follow a conflict of interest policy? (●) Yes ( ) No

1b Do or will you approve compensation arrangements in advance of paying compensation? (●) Yes ( ) No

1c Do or will you document in writing the date and terms of approved compensation arrangements? (●) Yes ( ) No

1d Do or will you record in writing the decision made by each individual who decided or voted on compensation arrangements? (●) Yes ( ) No

1e Do or will you approve compensation arrangements based on information about compensation paid by similarly situated taxable or tax-exempt organizations for similar services, current compensation surveys compiled by independent firms, or actual written offers from similarly situated organizations? (●) Yes ( ) No

1f Do or will you record in writing both the information on which you relied to base your decision and its source? (●) Yes ( ) No

1g Do or will you have any other practices you use to set reasonable compensation? If "Yes," describe these practices. ( ) Yes (●) No

2 Have you adopted a conflict of interest policy consistent with the sample conflict of interest policy in Appendix A to the instructions? If you are a hospital, answer "Yes" if your conflict of interest policy includes provisions consistent with the additional healthcare related provisions in the sample document. If "No," describe the procedures you will follow to ensure that persons who have a conflict of interest will not have influence over setting their own compensation or regarding business deals with themselves. (●) Yes ( ) No

3 Do you or will you compensate any of your officers, directors, trustees, highest compensated employees, and highest compensated independent contractors through non-fixed payments, such as discretionary bonuses or revenue-based payments? If "Yes," describe all non-fixed compensation arrangements, including how the amounts are determined, who is eligible for such arrangements, whether you place a limitation on total compensation, and how you determine or will determine that you pay no more than reasonable compensation for services. (●) Yes ( ) No

Please see the attachment.

Part V **Compensation and Other Financial Arrangements** *(continued)*

4 Do you or will you purchase or sell any goods, services, or assets from or to: (i) any of your officers, directors, or trustees; (ii) any family of any of your officers, directors, or trustees; (iii) any organizations in which any of your officers, directors, or trustees are also officers, directors, or trustees, or in which any individual officer, director, or trustee owns more than a 35% interest; (iv) your highest compensated employees; or (v) your highest compensated independent contractors? If "Yes," describe any such transactions that you made or intend to make, with whom you make or will make such transactions, how the terms are or will be negotiated at arm's length, and how you determine you pay no more than fair market value or you are paid at least fair market value.

○ Yes ◉ No

5 Do you or will you have any leases, contracts, loans, or other agreements with: (i) your officers, directors, or trustees; (ii) any family of any of your officers, directors, or trustees; (iii) any organizations in which any of your officers, directors, or trustees are also officers, directors, or trustees, or in which any individual officer, director, or trustee owns more than a 35% interest; (iv) your highest compensated employees; or (v) your highest compensated independent contractors? If "Yes," describe any written or oral arrangements that you made or intend to make, with whom you have or will have such arrangements, how the terms are or will be negotiated at arm's length, and how you determine you pay no more than fair market value or you are paid at least fair market value.

○ Yes ◉ No

6 Do you or will you contract with another organization to develop, build, market, or finance your facilities? If "Yes," describe each facility, the role of the other organization, and any business or family relationship between the organization and your officers, directors, or trustees. Explain how that entity is selected, how the terms of any contract(s) are negotiated at arm's length, and how you determine you will pay no more than fair market value for services.

○ Yes ◉ No

Part V Compensation and Other Financial Arrangements *(continued)*

7 Does or will someone other than your own employees or volunteers manage your activities or facilities? ◉ Yes ○ No

If "Yes," describe the activities or facilities that will be managed by others, the names of the persons or organizations that manage or will manage your activities or facilities, and any business or family relationship between the organization and your officers, directors, or trustees. Explain how these managers were or will be selected, how the terms of any contracts or other agreements were or will be negotiated, and how you determine you will pay no more than fair market value for services.

Please see the attachment.

8 Do you participate in any joint ventures, including partnerships or limited liability companies treated as partnerships, in which you share profits and losses with partners? ○ Yes ◉ No

If "Yes," state your ownership percentage in each joint venture, list your investment in each joint venture, describe the tax status of other participants in each joint venture (including whether they are section 501(c)(3) organizations), describe the activities of each joint venture, describe how you exercise control over the activities of each joint venture, and describe how each joint venture furthers your exempt purposes.

Part VI Financial Data

1 Select the option that best describes you to determine the years of revenues and expenses you need to provide.

◉ You completed less than one tax year.

Provide a total of three years of financial information (including the current year and two future years of reasonable and good faith projections of your future finances) in the following Statement of Revenues and Expenses.

○ You completed at least one tax year but fewer than five.

Provide a total of four years financial information (including the current year and three years of actual financial information or reasonable and good faith projections of your future finances) in the following Statement of Revenues and Expenses.

○ You completed five or more tax years.

Provide financial information for your five most recent tax years (including the current year) in the following Statement of Revenues and Expenses.

Part VI **Financial Data** *(continued)*

A. Statement of Revenues and Expenses

Type of revenue	Current tax year	4 prior tax years or 2 succeeding tax years			
	From: 01/20/2026 To: 12/31/2026	From: 01/01/2027 To: 12/31/2027	From: 01/01/2028 To: 12/31/2028	From: __/__/____ To: __/__/____	From: __/__/____ To: __/__/____
1 Gifts, grants, and contributions received (do not include unusual grants)	$1,600,000.	$0.	$0.		
2 Membership fees received	$0.	$0.	$0.		
3 Gross investment income	$0.	$0.	$0.		
4 Net unrelated business income	$0.	$0.	$0.		
5 Taxes levied for your benefit	$0.	$0.	$0.		
6 Value of services or facilities furnished by a governmental unit without charge (not including the value of services generally furnished to the public without charge)	$0.	$0.	$0.		
7 Any revenue not otherwise listed above or in lines 9 - 12 below (provide an itemized list below)	$713,000.	$4,755,000.	$0.		
8 Total of lines 1 through 7	$2,313,000.	$4,755,000.	$0.	$0.	$0.
9 Gross receipts from admissions, merchandise sold or services performed, or furnishing of facilities in any activity that is related to your exempt purposes (provide an itemized list below)	$0.	$0.	$9,135,000.		
10 Total of lines 8 and 9	$2,313,000.	$4,755,000.	$9,135,000.	$0.	$0.
11 Net gain or loss on sale of capital assets (provide an itemized list below)	$0.	$0.	$0.		
12 Unusual grants (provide an itemized list below)	$0.	$0.	$0.		
13 Total Revenue (add lines 10 through 12)	$2,313,000.	$4,755,000.	$9,135,000.	$0.	$0.
Type of expense	**Current tax year**	**4 prior tax years or 2 succeeding tax years**			
14 Fundraising expenses	$0.	$0.	$0.		
15 Contributions, gifts, grants, and similar amounts paid out (provide an itemized list below)	$0.	$0.	$0.		
16 Disbursements to or for the benefit of members (provide an itemized list below)	$0.	$0.	$0.		
17 Compensation of officers, directors, and trustees	$250,000.	$500,000.	$700,000.		
18 Other salaries and wages	$204,000.	$2,009,166.	$3,755,000.		
19 Interest expense	$0.	$0.	$0.		
20 Occupancy (rent, utilities, etc.)	$202,000.	$337,500.	$295,000.		
21 Depreciation and depletion	$0.	$0.	$0.		
22 Professional fees	$1,271,400.	$1,115,700.	$1,662,000.		
23 Any expense not otherwise classified, such as program services (provide an itemized list below)	$385,480.	$792,473.	$2,722,400.		
24 Total Expenses (add lines 14 through 23)	$2,312,880.	$4,754,839.	$9,134,400.	$0.	$0.

25 Itemized financial data

Please see the attachment.

Part VI **Financial Data** *(continued)*

B. Balance Sheet (for your most recently completed tax year)	Year End: 02/28/2026
Assets	
1 Cash	$0.
2 Accounts receivable, net	$0.
3 Inventories	$0.
4 Bonds and notes receivable (provide an itemized list below)	$0.
5 Corporate stocks (provide an itemized list below)	$0.
6 Loans receivable (provide an itemized list below)	$0.
7 Other investments (provide an itemized list below)	$0.
8 Depreciable assets (provide an itemized list below)	$0.
9 Land	$0.
10 Other assets (provide an itemized list below)	$0.
11 Total Assets (add lines 1 through 10)	$0.
Liabilities	
12 Accounts payable	$0.
13 Contributions, gifts, grants, etc. payable	$0.
14 Mortgages and notes payable (provide an itemized list below)	$0.
15 Other liabilities (provide an itemized list below)	$0.
16 Total Liabilities (add lines 12 through 15)	$0.
Fund Balances or Net Assets	
17 Total fund balances or net assets	$0.
18 Total Liabilities and Fund Balances or Net Assets (add lines 16 and 17)	$0.

19 Itemized financial data

Part VII Foundation Classification

Part VII is designed to classify you as an organization that is either a private foundation or a public charity. Public charity classification is a more favorable tax status than private foundation classification. If you are a private foundation, this part will further determine whether you are a private operating foundation.

1 Select the foundation classification you are requesting from the list below.

- [■] You are described in 509(a)(1) and 170(b)(1)(A)(vi) as an organization that receives a substantial part of its financial support in the form of contributions from publicly supported organizations, from a governmental unit, or from the general public.
- [ ] You are described in 509(a)(2) as an organization that normally receives not more than one-third of its financial support from gross investment income and receives more than one-third of its financial support from contributions, membership fees, and gross receipts from activities related to its exempt functions (subject to certain exceptions).
- [ ] You are described in 509(a)(1) and 170(b)(1)(A)(i) as a church or a convention or association of churches. Complete Schedule A.
- [ ] You are described in 509(a)(1) and 170(b)(1)(A)(ii) as a school. Complete Schedule B.
- [ ] You are described in 509(a)(1) and 170(b)(1)(A)(iii) as a hospital, a cooperative hospital service organization, or a medical research organization operated in conjunction with a hospital. Complete Schedule C.
- [ ] You are described in 509(a)(1) and 170(b)(1)(A)(iv) as an organization operated for the benefit of a college or university that is owned or operated by a governmental unit.
- [ ] You are described in 509(a)(1) and 170(b)(1)(A)(ix) as an agricultural research organization directly engaged in the continuous active conduct of agricultural research in conjunction with a college or university.
- [ ] You are described in 509(a)(3) as an organization supporting either one or more organizations described in 509(a)(1) or 509(a)(2) or a publicly supported section 501(c)(4), (5), or (6) organization. Complete Schedule D.
- [ ] You are described in 509(a)(4) as an organization organized and operated exclusively for testing for public safety.
- [ ] You are a publicly supported organization and would like the IRS to decide your correct classification.
- [ ] You are a private foundation.

1a As a private foundation, section 508(e) requires special provisions in your organizing document in addition to those that apply to all organizations described in section 501(c)(3). Check this box to confirm that your organizing document includes these provisions or you rely on state law. [ ]

State specifically where your organizing document meets this requirement, such as a reference to a particular article or section in your organizing document (Page/Article/Paragraph) or state that you rely on state law.

1b Do you or will you provide scholarships, fellowships, educational loans, or other educational grants to individuals, including grants for travel, study, or other similar purposes? ◯ Yes ◯ No
If "Yes," complete Schedule H - Section II.

1c Are you a private operating foundation? ◯ Yes ◯ No

To be a private operating foundation you must engage directly in the active conduct of charitable, religious, educational, and similar activities, as opposed to indirectly carrying out these activities by providing grants to individuals or other organizations.

Part VII **Foundation Classification** *(continued)*

1d Describe how you meet the requirements for private operating foundation status, including how you meet the income test and either the assets test, the endowment test, or the support test. If you've been in existence for less than one year, describe how you are likely to satisfy the requirements for private operating foundation status.

2 If you have been in existence more than 5 years, you must confirm your public support status. To confirm your qualification as a public charity described in 509(a)(1) and 170(b)(1)(A)(vi) in existence for five or more tax years, you must have received one-third or more of your total support from governmental agencies, contributions from the general public, and contributions or grants from other public charities; or 10% or more of your total support from governmental agencies, contributions from the general public, and contributions or grants from other public charities and the facts and circumstances indicate you are a publicly supported organization. Calculate whether you meet this support test for your most recent five-year period.

i. Did you receive contributions from any person, company, or organization whose gifts totaled more than the 2% amount of line 8 in Part VII-A? ◯ Yes ◯ No

If "Yes," identify each person, company, or organization by letter (A, B, C, etc.) and indicate the amount contributed by each. Keep a list showing the name of and amount contributed by each of these donors for your records.

ii. Based on your calculations, did you receive at least one-third of your support from public sources or did you normally receive at least 10 percent of your support from public sources and you have other characteristics of a publicly supported organization? ◯ Yes ◯ No

2a If you have been in existence more than 5 years, you must confirm your public support status. To confirm your qualification as a public charity described in 509(a)(2) in existence for five or more tax years, you must have normally received more than one-third of your support from contributions, membership fees, and gross receipts from activities related to your exempt functions, or a combination of these sources, and not more than one-third of your support from gross investment income and net unrelated business income. Calculate whether you meet this support test for your most recent five-year period.

i. Did you receive amounts from any disqualified persons? ◯ Yes ◯ No

If "Yes," identify each disqualified person by letter (A, B, C, etc.) and indicate the amount contributed by each. Keep a list showing the name of and amount contributed by each of these donors for your records.

ii. Did you receive amounts from individuals or organizations other than disqualified persons that exceeded the greater of $5,000 or 1% of the amount on line 10 of Part VII-A Statement of Revenues and Expenses? ◯ Yes ◯ No

If "Yes," identify each individual or organization by letter (A, B, C, etc.) and indicate the amount contributed by each. Keep a list showing the name of and amount contributed by each of these donors for your records.

iii. Based on your calculations, did you normally receive more than one-third of your support from a combination of gifts, grants, contributions, membership fees, and gross receipts (from permitted sources) from activities related to your exempt functions and normally receive not more than one-third of your support from investment income and unrelated business taxable income? ◯ Yes ◯ No

Part VIII Effective Date

In general, a determination letter recognizing exemption of an organization described in section 501(c)(3) is effective as of the date of formation of an organization if: (1) its purposes and activities prior to the date of the determination letter have been consistent with the requirements for exemption; and (2) it has filed an application for recognition of exemption within 27 months from the end of the month in which it was organized.

1 Are you submitting this application within 27 months of the end of the month in which you were legally formed? ◉ Yes ○ No

If "No," complete Schedule E.

Part IX Annual Filing Requirements

If you fail to file a required information return or notice for three consecutive years, your exempt status will be automatically revoked.

1 Certain organizations are not required to file annual information returns or notices (Form 990, Form 990-EZ, or Form 990-N, e-Postcard). If you are granted tax-exemption, are you claiming to be excused from filing Form 990, Form 990-EZ, or Form 990-N? ○ Yes ◉ No

If "Yes," are you claiming you are excepted from filing because you are:

- ○ A church or association of churches
- ○ An integrated auxiliary (such as a men's or women's organization, religious school, mission society, or religious group)
- ○ A church-affiliated organization (other than a section 509(a)(3) organization) that is exclusively engaged in managing funds or maintaining retirement programs and is described in Revenue Procedure 96-10, 1996-1 C.B. 577
- ○ A school below college level affiliated with a church or operated by a religious order
- ○ A mission society (other than a section 509(a)(3) supporting organization) sponsored by, or affiliated with, one or more churches or church denominations, if more than half of the society's activities are conducted in, or directed at, persons in foreign countries
- ○ An affiliate of a governmental unit that meets the requirements of Revenue Procedure 95-48, 1995-2 C.B. 418 (other than a section 509(a)(3) supporting organization)
- ○ Other (describe)

Part X Signature

☒ I declare under the penalties of perjury that I am authorized to sign this application on behalf of the above organization and that I have examined this application, and to the best of my knowledge it is true, correct, and complete.

Kathleen Staks — Signed by: Kathleen Staks DF0546ABBD4E432...
(Type name of signer)

President
(Type title or authority of signer)

March 19, 2026
(Date)

Upload checklist:

- [x] Organizing document (and any amendments)
- [x] Bylaws, if adopted
- [x] Form 2848, Power of Attorney and Declaration of Representative (if applicable)
- [ ] Form 8821, Tax Information Authorization (if applicable)
- [x] Supplemental responses (if applicable)
- [ ] Expedited handling request (if applicable)

Schedule A. Churches

1 Do you have a written creed, statement of faith, or summary of beliefs? If "Yes," describe your written creed, statement of faith, or summary of beliefs. ◯ Yes ◯ No

2 Do you have a literature of your own? If "Yes," describe your literature. ◯ Yes ◯ No

3 Do you have a formal code of doctrine and discipline? If "Yes," describe your code of doctrine and discipline. ◯ Yes ◯ No

4 Describe your religious hierarchy or ecclesiastical government.

5 Are you part of a group of churches with similar beliefs and structures? If "Yes," explain. ◯ Yes ◯ No

6 Do you have a form of worship? If "Yes," describe your form of worship. ◯ Yes ◯ No

7 Do you have regularly scheduled religious services? If "Yes," describe the nature of the services. ◯ Yes ◯ No

7a What is the average attendance at your regularly scheduled religious services?

8 Do you have an established place of worship? If "Yes," describe your established place of worship or where you meet to hold regularly scheduled religious services. ◯ Yes ◯ No

Schedule A. Churches *(continued)*

9 Do you have an established congregation or other regular membership group? If "No," continue to Line 10. ◯ Yes ◯ No

9a How many members do you have?

9b Do you have a process by which an individual becomes a member? If "Yes," describe the process. ◯ Yes ◯ No

9c Do your members have voting rights, rights to participate in religious functions, or other rights? If "Yes," describe the rights your members have. ◯ Yes ◯ No

9d May your members be associated with another denomination or church? ◯ Yes ◯ No

9e Are all of your members part of the same family? ◯ Yes ◯ No

10 Do you conduct baptisms, weddings, funerals, or other religious rites? ◯ Yes ◯ No

11 Do you have a school for the religious instruction of the young? ◯ Yes ◯ No

12 Do you have ministers or religious leaders? If "Yes," describe these roles and explain whether the ministers or religious leaders are ordained, commissioned, or licensed after a prescribed course of study. ◯ Yes ◯ No

13 Do you have schools for the preparation of your ordained ministers or religious leaders? ◯ Yes ◯ No

14 Do you ordain, commission, or license ministers or religious leaders? If "Yes," describe the requirements for ordination, commission, or licensure. ◯ Yes ◯ No

15 Do you have other information you believe should be considered regarding your status as a church? If "Yes," explain. ◯ Yes ◯ No

Schedule B. Schools, Colleges, and Universities

1 Do you normally have a regularly scheduled curriculum, a regular faculty of qualified teachers, a regularly enrolled student body, and facilities where your educational activities are regularly carried on? ◯ Yes ◯ No

2 Is the primary function of your school the presentation of formal instruction? If "No," continue to Line 3. ◯ Yes ◯ No

2a Select the best description(s) of your school:

- ☐ Elementary school
- ☐ Secondary school
- ☐ Charter school
- ☐ College or university
- ☐ Technical school
- ☐ Other school (describe)

3 Are you a public school because you are operated by a state or subdivision of a state or operated wholly or predominantly from government funds or property? If "Yes," explain how you are operated by a state or subdivision of a state. Do not complete the remainder of Schedule B. ◯ Yes ◯ No

4 Were you formed or substantially expanded at the time of public school desegregation in the school district or county in which you are located? ◯ Yes ◯ No

5 Has a state or federal administrative agency or judicial body ever determined that you are racially discriminatory? If "Yes," explain. ◯ Yes ◯ No

6 Has your right to receive financial aid or assistance from a governmental agency ever been revoked or suspended? If "Yes," explain. ◯ Yes ◯ No

Information Required by Revenue Procedure 75-50 as Modified by Revenue Procedure 2019-22

7 Have you adopted a racially nondiscriminatory policy as to students in your organizing document, bylaws, or by resolution of your governing body? ◯ Yes ◯ No

State where the policy is located or if adopted by resolution of your governing body.

8 Do your brochures, application forms, advertisements, and catalogues dealing with student admissions, programs, and scholarships contain a statement of your racially nondiscriminatory policy? If "Yes," continue to Line 9. ◯ Yes ◯ No

8a ☐ By checking this box, you agree that all future printed materials, including website content, will contain the required nondiscriminatory policy statement.

Schedule B. Schools, Colleges, and Universities *(continued)*

9 Have you made your racially nondiscriminatory policy known to all segments of the general community you serve by: a) publishing a notice of your policy in a newspaper of general circulation that serves all racial segments of the community; b) publicizing your policy over broadcast media in a way that is reasonably expected to be effective; or c) displaying a notice of your policy at all times on your primary, publicly accessible internet home page in a manner reasonably expected to be noticed by visitors to the homepage? If "Yes," continue to Line 10. ◯ Yes ◯ No

9a ☐ By checking this box, you agree that you will publicize your nondiscriminatory policy in a way that meets the requirements of Revenue Procedure 75-50, 1975-2 C.B. 587, as modified by Revenue Procedure 2019-22, I.R.B. 1260.

10 Do or will you (or any department or division of your organization) discriminate in any way on the basis of race with respect to admissions, use of facilities or exercise of student privileges, faculty or administrative staff, or scholarship or loan programs? If "Yes," for any of the above, explain fully. ◯ Yes ◯ No

11 Complete the table below to show the racial composition for the current academic year and projected for the next academic year. If you are not operational, submit an estimate based on the best information available (such as the racial composition of the community you serve).

For each racial category, enter the number of (a) students, (b) faculty, and (c) administrative staff. Provide actual numbers rather than percentages for each racial category.

Racial Category	(a) Student Body		(b) Faculty		(c) Administrative Staff	
	Current Year	Next Year	Current Year	Next Year	Current Year	Next Year
Total	0	0	0	0	0	0

12 In the table below, enter the number and amount of loans and scholarships awarded to enrolled students by racial categories. Provide actual numbers rather than percentages for each racial category.

☐ Check here if you will not provide any loans or scholarships to students.

Racial Category	Number of Loans		Amount of Loans		Number of Scholarships		Amount of Scholarships	
	Current Year	Next Year	Current Year	Next Year	Current Year	Next Year	Current Year	Next Year
Total	0	0	$0.	$0.	0	0	$0.	$0.

Schedule B. Schools, Colleges, and Universities *(continued)*

13 List your incorporators, founders, board members, and donors of land or buildings, whether individuals or organizations.

14 Do any of your incorporators, founders, board members, and donors of land or buildings, whether individuals or organizations, have an objective to maintain segregated public or private school education? If "Yes," explain. ◯ Yes ◯ No

15 Will you maintain records according to the nondiscrimination provisions contained in Revenue Procedure 75-50? If "No," explain. ◯ Yes ◯ No

Schedule C. Hospitals and Medical Research Organizations

1 Are you a medical research organization (an organization whose principal purpose or function is medical research and which is directly engaged in the continuous active conduct of medical research) operated in conjunction with a hospital? If "No," continue to Line 2. ◯ Yes ◯ No

1a Name the hospitals with which you have a relationship and describe the relationship.

1b List your assets showing their fair market value and the portion of your assets directly devoted to medical research.

Do not complete the remainder of Schedule C.

2 Are you applying for exemption as a cooperative hospital service organization described in section 501(e)? If "Yes," explain. ◯ Yes ◯ No

Do not complete the remainder of Schedule C.

3 Are all the doctors in the community eligible for staff privileges? If "No," give the reasons why and explain how the medical staff is selected. ◯ Yes ◯ No

Schedule C. Hospitals and Medical Research Organizations *(continued)*

4 Do or will you provide medical services to all individuals in your community who can pay for themselves or are able to pay through some form of insurance? If "No," explain. ◯ Yes ◯ No

5 Do you or will you maintain a full-time emergency room? If "Yes," continue to Line 6. ◯ Yes ◯ No

5a Are you a specialty hospital or would emergency services be duplicative based on your region or locality? ◯ Yes ◯ No

6 Do you provide free or below cost services? If "Yes," describe your policy for determining when and to whom you provide these services and how these services promote the organization's benefit to the community. ◯ Yes ◯ No

7 Do you or will you carry on a formal program of medical training or medical research? If "Yes," describe such programs, including the type of programs offered, the scope of such programs, and affiliations with other hospitals or medical care providers with which you carry on the medical training or research programs. ◯ Yes ◯ No

8 Do you or will you carry on a formal program of community education? If "Yes," describe such programs, including the type of programs offered, the scope of such programs, and affiliation with other hospitals or medical care providers with which you offer community education programs. ◯ Yes ◯ No

Schedule C. Hospitals and Medical Research Organizations *(continued)*

9 Is your board of directors composed of a majority of individuals who are representative of the community you serve, or do you operate under a parent organization whose board of directors is composed of a majority of individuals who are representative of the community you serve? If "Yes," continue to Line 10. ◯ Yes ◯ No

9a List each board member's name and business, financial, or professional relationship with the hospital. Also, identify each board member who is representative of the community and describe how that individual is a community representative. If you operate under a parent organization whose board of directors is not composed of a majority of individuals who are representative of the community you serve, provide the requested information for your parent's board of directors as well.

10 Do you operate a facility which is required by a state to be licensed, registered, or similarly recognized as a hospital? If "No," do not complete the rest of Schedule C. ◯ Yes ◯ No

10a Do you conduct a community health needs assessment (CHNA) at least once every three years and adopt an implementation strategy to meet the community health needs identified in the assessment as required by section 501(*r*)(3)? If "No," explain. ◯ Yes ◯ No

10b Do you have a written financial assistance policy (FAP) and a written policy relating to emergency medical care as required by section 501(*r*)(4)? If "No," explain. ◯ Yes ◯ No

Schedule C. Hospitals and Medical Research Organizations *(continued)*

10c Do you both (1) limit amounts charged for emergency or other medically necessary care provided to individuals eligible for assistance under your FAP to not more than amounts generally billed to individuals who have insurance covering such care, and (2) prohibit use of gross charges as required by section 501(r)(5)? If "No," explain. ◯ Yes ◯ No

10d Do you make reasonable efforts to determine whether an individual is FAP-eligible before engaging in extraordinary collection actions as required by section 501(r)(6)? If "No," explain. ◯ Yes ◯ No

Schedule D. Section 509(a)(3) Supporting Organizations

1 List the names, addresses, and EINs of the organizations you support.

2 Are all your supported organizations public charities under section 509(a)(1) or (2)? If "Yes," continue to Line 3. ◯ Yes ◯ No

2a Are your supported organizations tax exempt under section 501(c)(4), 501(c)(5), or 501(c)(6) and do your supported organizations meet the public support test under section 509(a)(2)? If "No," explain how each organization you support is a public charity under section 509(a)(1) or 509(a)(2). ◯ Yes ◯ No

3 Which of the following describes your relationship with your supported organization(s)?

◯ A majority of your governing board or officers are elected or appointed by your supported organization(s). (Type I supporting organization)

◯ Your control or management is vested in the same persons who control or manage your supported organization(s). (Type II supporting organization)

◯ One or more of your officers, directors, or trustees are elected or appointed by the officers, directors, trustees, or membership of your supported organization(s), or one or more of your officers, directors, trustees, or other important office holders, are also members of the governing body of your supported organization(s), or your officers, directors, or trustees maintain a close and continuous working relationship with the officers, directors, or trustees of your supported organization(s). (Type III supporting organization)

4 Describe how your governing board and officers are selected. If you are a Type III organization, also describe how your officers, directors, or trustees maintain a close and continuous working relationship with the officers, directors, or trustees of your supported organization(s).

Schedule D. Section 509(a)(3) Supporting Organizations *(continued)*

5 Do any persons who are disqualified persons (except individuals who are disqualified persons only because they are foundation managers) with respect to you or persons who have a family or business relationship with any disqualified persons appoint any of your foundation managers? If "Yes," (1) describe the process by which disqualified persons appoint any of your foundation managers, (2) provide the names of these disqualified persons and the foundation managers they appoint, and (3) explain how control is vested over your operations (including assets and activities) by persons other than disqualified persons. ◯ Yes ◯ No

6 Do any persons who are disqualified persons (except individuals who are disqualified persons only because they are foundation managers) have any influence regarding your operations, including your assets or activities? If "Yes," (1) provide the names of these disqualified persons, (2) explain how influence is exerted over your operations (including assets and activities), and (3) explain how control is vested over your operations (including assets and activities) by individuals other than disqualified persons. ◯ Yes ◯ No

7 Does your organizing document specify your supported organization(s) by name? ◯ Yes ◯ No
If "Yes" and you selected Type I above, continue to Line 8.
If "Yes," and you selected Type II, do not complete the rest of Schedule D.
If "No" and you selected Type III above, amend your organizing document to specify your supported organization(s) by name or you will not meet the organizational test and need to reconsider your requested public charity classification; then continue to Line 8.

7a Does your organizing document name a similar purpose or charitable class of beneficiaries as to your supported organization(s)? If "No," amend your organizing document to specify your supported organization(s) by name, purpose, or class or you will not meet the organizational test and need to reconsider your requested public charity classification. ◯ Yes ◯ No

If you selected Type II above, do not complete the rest of Schedule D.

8 Do you or will you receive contributions from any person who alone, or combined with family members or an entity at least 35% controlled by that person, controls any of your supported organizations, or will you receive contributions from any family member of, or an entity at least 35% controlled by, any person who controls any of your supported organizations? If "Yes," explain. ◯ Yes ◯ No

If you selected Type I above, do not complete the rest of Schedule D.

Schedule D. Section 509(a)(3) Supporting Organizations *(continued)*

9 Do the officers, directors, or trustees of your supported organization have a significant voice in your investment policies, the timing and making of grants, the selection of grant recipients, and in otherwise directing the use of your income or assets? If "Yes," explain. ◯ Yes ◯ No

10 In each taxable year, do you or will you provide each of your supported organizations with (a) a written notice addressed to a principal officer of the supported organization describing the type and amount of all of the support you provided to the supported organization during the immediately preceding taxable year, (b) a copy of your most recently filed Form 990-series return or notice, and (c) a copy of your governing documents? If 'No,' explain. ◯ Yes ◯ No

11 Do you exercise a substantial degree of direction over the policies, programs, and activities of your supported organization(s) and appoint or elect (directly or indirectly) a majority of the officers, directors, or trustees of your supported organization(s)? If "Yes," explain. ◯ Yes ◯ No

12 Do substantially all of your activities directly further the exempt purposes of one or more supported organizations to which you are responsive by performing the functions of, or carrying out the purposes of, such supported organization(s) and but for your involvement would normally be engaged in by such supported organization(s). If "Yes," explain and do not complete the rest of Schedule D. ◯ Yes ◯ No

Schedule D. Section 509(a)(3) Supporting Organizations *(continued)*

13 Do you distribute at least 85% of your annual net income or 3.5% of the aggregate fair market value of all of your non-exempt-use assets (whichever is greater) to your supported organization(s)? If "No," explain. ◯ Yes ◯ No

13a How much do you contribute annually to each supported organization?

13b What is the total annual revenue of each supported organization?

13c Do you or the supported organization(s) earmark your funds for support of a particular program or activity? If "Yes," explain. ◯ Yes ◯ No

Schedule E. Effective Date

1 Are you applying for reinstatement of exemption after being automatically revoked for failure to file required returns or notices for three consecutive years? If "No," continue to Line 2. ◯ Yes ◯ No

1a Revenue Procedure 2014-11, 2014-1 C.B. 411, provides procedures for reinstating your tax-exempt status. Select the section of Revenue Procedure 2014-11 under which you want us to consider your reinstatement request.

◯ Section 4. You are seeking retroactive reinstatement under section 4 of Revenue Procedure 2014-11. By selecting this line, you attest that you meet the specified requirements of section 4, that your failure to file was not intentional, and that you have put in place procedures to file required returns or notices in the future. Do not complete the rest of Schedule E.

◯ Section 5. You are seeking retroactive reinstatement under section 5 of Revenue Procedure 2014-11. By selecting this line, you attest that you meet the specified requirements of section 5, that you have filed required annual returns, that your failure to file was not intentional, and that you have put in place procedures to file required returns or notices in the future.

Describe how you exercised ordinary business care and prudence in determining and attempting to comply with your filing requirements in at least one of the three years of revocation and the steps you have taken or will take to avoid or mitigate future failures to file timely returns or notices. Do not complete the rest of Schedule E.

◯ Section 6. You are seeking retroactive reinstatement under section 6 of Revenue Procedure 2014-11. By selecting this line, you attest that you meet the specified requirements of section 6, that you have filed required annual returns, that your failure to file was not intentional, and that you have put in place procedures to file required returns or notices in the future.

Describe how you exercised ordinary business care and prudence in determining and attempting to comply with your filing requirements in each of the three years of revocation and the steps you have taken or will take to avoid or mitigate future failures to file timely returns or notices. Do not complete the rest of Schedule E.

◯ Section 7. You are seeking reinstatement under section 7 of Revenue Procedure 2014-11, effective the date you are filing this application. Do not complete the rest of Schedule E.

2 Generally, if you did not file Form 1023 within 27 months of formation, the effective date of your exempt status will be the date you filed Form 1023 (submission date). Requests for an earlier effective date may be granted when there is evidence to establish you acted reasonably and in good faith and the grant of relief will not prejudice the interests of the government.

◯ Check this box if you accept the submission date as the effective date of your exempt status. Do not complete the rest of Schedule E.

◯ Check this box if you are requesting an earlier effective date than the submission date.

2a Explain why you did not file Form 1023 within 27 months of formation, how you acted reasonably and in good faith, and how granting an earlier effective date will not prejudice the interests of the Government.

You may want to include the events that led to the failure to timely file Form 1023 and to the discovery of the failure, any reliance on the advice of a qualified tax professional and a description of the engagement and responsibilities of the professional as well as the extent to which you relied on the professional, a comparison of (1) what your aggregate tax liability would be if you had filed this application within the 27-month period with (2) what your aggregate liability would be if you were exempt as of your formation date, or any other information you believe will support your request for relief.

Schedule F. Low-Income Housing

1 Describe each facility including the type of facility, whether you own or lease the facility, how many residents it can accommodate, the current number of residents, and whether the residents purchase or rent housing from you.

2 Describe who qualifies for your housing in terms of income levels or other criteria and explain how you select residents.

3 Do you meet the safe harbor requirements outlined in Revenue Procedure 96-32, 1996-1 C.B. 717, which provides guidelines for providing low-income housing that will be treated as charitable, including for each project that (a) at least 75 percent of the units are occupied by residents that qualify as low-income and (b) either at least 20 percent of the units are occupied by residents that also meet the very low-income limit for the area or 40 percent of the units are occupied by residents that also do not exceed 120 percent of the area's very low-income limit, and less than 25 percent of the units are provided at market rates to persons who have incomes in excess of the low-income limit? ◯ Yes ◯ No

4 Is your housing affordable to low-income residents? If "Yes," describe how your housing is made affordable to low-income residents. ◯ Yes ◯ No

5 Do you impose any restrictions to make sure that your housing remains affordable to low-income residents? If "Yes," describe these restrictions. ◯ Yes ◯ No

Schedule F. Low-Income Housing *(continued)*

6 In addition to rent or mortgage payments, do residents pay periodic fees or maintenance charges? If "Yes," describe what these charges cover and how they are determined. ◯ Yes ◯ No

7 Do you provide social services to residents? If "Yes," describe these services. ◯ Yes ◯ No

8 Do you participate in any government housing programs? If "Yes," describe these programs. ◯ Yes ◯ No

Schedule G. Successors to Other Organizations

1 List the name, last address, and EIN of your predecessor organization and describe its activities.

2 List the owners, partners, principal stockholders, officers, and governing board members of your predecessor organization. Include their names, addresses, and share/interest in the predecessor organization (if for-profit).

3 Are you a successor to a for-profit organization? If "Yes," explain your relationship with the predecessor organization that resulted in your creation and explain why you took over the activities or assets of a for-profit organization or converted from for-profit to nonprofit status; continue to Line 4. ◯ Yes ◯ No

3a Explain your relationship with the other organization that resulted in your creation and why you took over the activities or assets of another organization.

Schedule G. Successors to Other Organizations *(continued)*

4 Do or will you maintain a working relationship with any of the persons listed in question 2 or with any for-profit organization in which these persons own more than a 35% interest? If "Yes," describe the relationship. ◯ Yes ◯ No

5 Were any assets transferred, whether by gift or sale, from the predecessor organization to you? If "Yes," provide a list of assets, indicate the value of each asset, explain how the value was determined, and attach an appraisal, if available. For each asset listed, also explain if the transfer was by gift, sale, or combination thereof and describe any restrictions that were placed on the use or sale of the assets. ◯ Yes ◯ No

6 Were any debts or liabilities transferred from the predecessor for-profit organization to you? If "Yes," provide a list of the debts or liabilities that were transferred to you, indicating the amount of each, how the amount was determined, and the name of the person to whom the debt or liability is owed. ◯ Yes ◯ No

7 Will you lease or rent any property or equipment to or from the predecessor organization or any persons listed in Line 2 or a for-profit organization in which these persons own more than a 35% interest? If "Yes," describe the arrangement(s) including how the lease or rental value was determined. ◯ Yes ◯ No

Schedule H. Organizations Providing Scholarships, Fellowships, Educational Loans, or Other Educational Grants to Individuals and Private Foundations Requesting Advance Approval of Individual Grant Procedures

Section I **Public charities and private foundations complete lines 1 through 8 of this section.**

1 Describe the types of educational grants you provide to individuals, such as scholarships, fellowships, loans, etc., including the purpose, number and amount(s) of grants, how the program is publicized, and if you award educational loans, the terms of the loans.

2 Do you maintain case histories showing recipients of your scholarships, fellowships, educational loans, or other educational grants, including names, addresses, purposes of awards, amount of each grant, manner of selection, and relationship (if any) to officers, trustees, or donors of funds to you? If "No," explain. ◯ Yes ◯ No

3 Describe the specific criteria you use to determine who is eligible for your program (for example, eligibility selection criteria could consist of graduating high school students from a particular high school who will attend college, writers of scholarly works about American history, etc.).

4 Describe the specific criteria you use to select recipients (for example, specific selection criteria could consist of prior academic performance, financial need, etc.).

Schedule H. Organizations Providing Scholarships, Fellowships, Educational Loans, or Other Educational Grants to Individuals and Private Foundations Requesting Advance Approval of Individual Grant Procedures *(continued)*

5 Describe any requirement or condition you impose on recipients to obtain, maintain, or qualify for renewal of a grant (for example, specific requirements or conditions could consist of attendance at a four-year college, maintaining a certain grade point average, teaching in public school after graduation from college, etc.).

6 Describe your procedures for supervising the scholarships, fellowships, educational loans, or other educational grants. Explain whether you obtain reports and grade transcripts from recipients, or you pay grants directly to a school under an arrangement whereby the school will apply the grant funds only for enrolled students who are in good standing. Also, describe your procedures for taking action if the terms of the award are violated.

7 How do you determine who is on the selection committee for the awards made under your program?

8 Are relatives of members of the selection committee, or of your officers, directors, or substantial contributors eligible for awards made under your program? If "Yes," what measures do you take to ensure unbiased selections? ◯ Yes ◯ No

Do not complete the rest of Schedule H. If you are a private foundation, you will be directed to complete Section II of Schedule H later in the application.

Schedule H. Organizations Providing Scholarships, Fellowships, Educational Loans, or Other Educational Grants to Individuals and Private Foundations Requesting Advance Approval of Individual Grant Procedures *(continued)*

Section II **Private foundations complete lines 1 through 7 of this section. Public charities do not complete this section.**

1 As a private foundation, do you want this application to be considered as a request for advance approval of grant making procedures? ◯ Yes ◯ No

If "No," do not complete the rest of Schedule H.

1a Check the box(es) indicating under which section(s) you want your grant making procedures to be considered.

☐ 4945(g)(1) - Scholarship or fellowship grant to an individual for study at an educational institution

☐ 4945(g)(3) - Other grants, including loans, to an individual for travel, study, or other similar purposes, to enhance a particular skill of the grantee or to produce a specific product

2 Do you represent that you will (1) arrange to receive and review grantee reports annually and upon completion of the purpose for which the grant was awarded, (2) investigate diversions of funds from their intended purposes, and (3) take all reasonable and appropriate steps to recover diverted funds, ensure other grant funds held by a grantee are used for their intended purposes, and withhold further payments to grantees until you obtain grantees' assurances that future diversions will not occur and that grantees will take extraordinary precautions to prevent future diversions from occurring? ◯ Yes ◯ No

3 Do you represent that you will maintain all records relating to individual grants, including information obtained to evaluate grantees, identify whether a grantee is a disqualified person, establish the amount and purpose of each grant, and establish that you undertook the supervision and investigation of grants described in Line 2? ◯ Yes ◯ No

4 Do you or will you award scholarships, fellowships, and educational loans to attend an educational institution based on the status of an individual being an employee of a particular employer? ◯ Yes ◯ No

If "No," do not complete the rest of Schedule H.

5 Will you comply with the seven conditions and either the percentage tests or facts and circumstances test for scholarships, fellowships, and educational loans to attend an educational institution as set forth in Revenue Procedures 76-47, 1976-2 C.B. 670, and 80-39, 1980-2 C.B. 772, which apply to inducement, selection committee, eligibility requirements, objective basis of selection, employment, course of study, and other objectives? ◯ Yes ◯ No

6 Do you or will you provide scholarships, fellowships, or educational loans to attend an educational institution to employees of a particular employer? If "No," continue to Line 7. ◯ Yes ◯ No

6a Will you award grants to 10% or fewer of the eligible applicants who were actually considered by the selection committee in selecting recipients of grants in that year as provided by Revenue Procedures 76-47 and 80-39? ◯ Yes ◯ No

7 Do you provide scholarships, fellowships, or educational loans to attend an educational institution to children of employees of a particular employer? ◯ Yes ◯ No

If "No," do not complete the rest of Schedule H.

7a Will you award grants to 25% or fewer of the eligible applicants who were actually considered by the selection committee in selecting recipients of grants in that year as provided by Revenue Procedures 76-47 and 80-39? ◯ Yes ◯ No

If "Yes," do not complete the rest of Schedule H.

Schedule H. Organizations Providing Scholarships, Fellowships, Educational Loans, or Other Educational Grants to Individuals and Private Foundations Requesting Advance Approval of Individual Grant Procedures *(continued)*

7b Will you award grants to 10% or fewer of the number of employees' children who can be shown to be eligible for grants (whether or not they submitted an application) in that year, as provided by Revenue Procedures 76-47 and 80-39? If "Yes," describe how you will determine who can be shown to be eligible for grants without submitting an application, such as by obtaining written statements or other information about the expectations of employees' children to attend an educational institution; do not complete the rest of Schedule H. ◯ Yes ◯ No

7c Will you award grants based on facts and circumstances that demonstrate that the grants will not be considered compensation for past, present, or future services or otherwise provide a significant benefit to the particular employer? If "Yes," describe the facts and circumstances you believe will demonstrate that the grants are neither compensatory nor a significant benefit to the particular employer. In your explanation, describe why you cannot satisfy either the 25% test or the 10% test in questions 7a and 7b. ◯ Yes ◯ No

Regional Organization for Western Energy, Inc.
PO Box 150260
Lakewood, CO 80215
EIN: 41-4783979

TABLE OF CONTENTS OF ENCLOSURES TO FORM 1023

Exhibit I - Certificate of Incorporation
Exhibit II - Bylaws
Exhibit III - Form 2848
Exhibit IV - Supplemental Responses

Regional Organization for Western Energy, Inc.
PO Box 150260
Lakewood, CO 80215
EIN: 41-4783979

EXHIBIT II

BYLAWS

BYLAWS

OF

Regional Organization for Western Energy, Inc.

TABLE OF CONTENTS

ARTICLE I OFFICES **1**

ARTICLE II PURPOSE **1**

ARTICLE III DEFINITIONS **1**

Section 3.1 "Body of State Regulators" 1
Section 3.2 "CAISO" 1
Section 3.3 "FERC" 1
Section 3.4 "Nominating Committee" 1
Section 3.5 "Open Meetings and Records Policies" 1
Section 3.6 "Participating State" 2
Section 3.7 "Selection Policy" 2
Section 3.8 "Stakeholder Representatives Committee" 2
Section 3.9 "Tariff" 2
Section 3.10 "Western Energy Day-Ahead Market" or "WEDAM" 2
Section 3.11 "Western Energy Imbalance Market" or "WEIM" 2
Section 3.12 "Western Energy Markets" or "Markets" 2

ARTICLE IV PUBLIC INTEREST **2**

Section 4.1 Public Interest 2
Section 4.2 State Policies 3

ARTICLE V BOARD OF DIRECTORS **3**

Section 5.1 Powers 3
Section 5.2 Formation Board of Directors 3
Section 5.3 Election of Board of Directors 4
Section 5.4 Qualification of Directors 4
Section 5.5 Number of Directors 4
Section 5.6 Term of Office of Directors 4
Section 5.7 Resignation and Removal of Directors and Filling Vacancies 5

ARTICLE VI MEETINGS OF THE BOARD OF DIRECTORS **5**

Section 6.1 Meetings 5
Section 6.2 Notice of Meetings 6
Section 6.3 Place of Meetings; Telephonic Meetings 7
Section 6.4 Transparency and Public Participation 7

ARTICLE VII VOTING **7**

Section 7.1 Quorum and General Voting Requirements 7
Section 7.2 Major Decisions 7
Section 7.3 Adjourned Meeting 8
Section 7.4 Standard of Care 8
Section 7.5 Loans and Self-Dealing Transactions 9
Section 7.6 Inspection Rights 9
Section 7.7 Compensation 10

ARTICLE VIII CHAIR AND COMMITTEES **10**

Section 8.1 Chair and Vice-Chairs 10
Section 8.2 Committees of Directors 10
Section 8.3 Advisory Committees 11
Section 8.4 Audit & Finance Committee 11
Section 8.5 Public Policy Committee 11

Section 8.6 Committee Meetings 11
ARTICLE IX OFFICERS AND STAFF 11
Section 9.1 Officers 11
Section 9.2 Appointment; Vacancies 12
Section 9.3 Removal 12
Section 9.4 Resignation 12
Section 9.5 President 12
Section 9.6 Secretary 12
Section 9.7 Chief Financial Officer 12
Section 9.8 Treasurer 12
Section 9.9 Compensation 12
Section 9.10 Authority and Duties of Officers 12
Section 9.11 Execution of Instruments 13
Section 9.12 Employees Code of Conduct and Ethical Principles 13
ARTICLE X RECORDS 13
Section 10.1 Minute Book 13
Section 10.2 Availability of Information 13
Section 10.3 Records Retention 14
ARTICLE XI INDEMNIFICATION 14
Section 11.1 Indemnification of Officers and Directors 14
Section 11.2 Prepayment of Expenses; Undertaking to Repay 14
Section 11.3 Claims by Indemnitee; Presumption of Validity 15
Section 11.4 Non-Exclusivity of Rights 15
Section 11.5 Set-off Against Other Indemnification 15
Section 11.6 Effect of Amendment or Repeal 15
Section 11.7 Indemnification of Employees and Agents 15
Section 11.8 Insurance; Indemnification Agreements 16
Section 11.9 Reliance Upon Books, Reports and Records 16
Section 11.10 Certain Definitions 16
ARTICLE XII MISCELLANEOUS 16
Section 12.1 Fiscal Year 16
Section 12.2 Corporation Seal 16
Section 12.3 Amendment of Bylaws 17
Section 12.4 Reimbursement of Expenses of the Corporation 17
Section 12.5 Checks 17
Section 12.6 Posting 17

ARTICLE I
OFFICES

The principal executive office of the Regional Organization for Western Energy (the "Corporation") and any other additional offices shall be established and maintained at such location(s) as the Board of Directors may designate from time to time.

ARTICLE II
PURPOSE

The purpose of the Corporation is to provide independent regional governance over certain voluntary energy markets, services, and functions to be operated in the western United States, including, but not limited to the Western Energy Day-Ahead Market and the Western Energy Imbalance Market (collectively "Markets"), which it is authorized to provide from time to time pursuant to the Tariff and other applicable statutes, tariffs, rules, and regulations. The independent governance shall be provided to and for entities and persons operating within the markets, consumers, and affected stakeholders while acting in the public interest, including consideration of the policies of all Participating States.

ARTICLE III
DEFINITIONS

Section 3.1 **"Body of State Regulators"** means the group of state regulators, consisting of representatives from each Participating State, which will participate in the Corporation's processes for policymaking and Tariff modifications. The Body of State Regulators shall not be deemed a committee of the Board of Directors under these Bylaws but rather shall be advisory in nature.

Section 3.2 **"CAISO"** means the California Independent System Operator, which operates the Western Energy Markets governed by the Corporation.

Section 3.3 **"FERC"** means the Federal Energy Regulatory Commission or any successor entity.

Section 3.4 **"Nominating Committee"** means a committee that is created and operates pursuant to the Selection Policy and that consists of representatives from various designated market sectors as defined by the Stakeholder Representatives Committee in accordance with these Bylaws. The Nominating Committee shall nominate candidates to serve on the Board, all pursuant to the Selection Policy defined herein. The Nominating Committee shall not be deemed a committee of the Board of Directors under these Bylaws but rather shall be advisory in nature.

Section 3.5 **"Open Meetings and Records Policies"** means the policies adopted by the Board of Directors from time to time, consistent with FERC requirements and these Bylaws to govern notice and public access to meetings and availability and management of public and confidential and privileged materials and records to comply with applicable statutes, rules, and board policies.

Section 3.6 **"Participating State"** means any state with one or more balancing authorities participating in the Western Energy Markets.

Section 3.7 **"Selection Policy"** means the process adopted by the Board of Directors pursuant to Section 5.4.1 of these Bylaws for selection and presentation of a slate of nominees to serve as members of the Board of Directors from time to time.

Section 3.8 **"Stakeholder Representatives Committee"** means the body of stakeholders regularly convened to advise the Corporation and present solutions on issues requiring changes to the Tariff. Members of the Stakeholder Representatives Committee shall be determined within and by designated market sectors. The Stakeholder Representatives Committee shall not be deemed a committee of the Board of Directors under these Bylaws but rather shall be advisory in nature.

Section 3.9 **"Tariff"** means the FERC tariff(s) overseen by the Corporation, as amended from time to time, governed by the Corporation.

Section 3.10 **"Western Energy Day-Ahead Market" or "WEDAM"** means the day-ahead market governed by the Corporation.

Section 3.11 **"Western Energy Imbalance Market" or "WEIM"** means the market and method for resolving imbalance of supply and demand in real time governed by the Corporation.

Section 3.12 **"Western Energy Markets" or "Markets"** means the Western Energy Day-Ahead Market and the Western Energy Imbalance Market, or successor or additional energy markets that may be authorized by the FERC, collectively.

ARTICLE IV
PUBLIC INTEREST

Section 4.1 **Public Interest**. Consistent with its status as a charitable organization under Section 501(c)(3) of the Internal Revenue Code of 1986, as amended (the "Code"), the Corporation shall establish a structure that will enable the Corporation to receive, acknowledge, and consider input from affected stakeholders and the general public in the assessment and adoption of policy initiatives and Tariff revisions to improve the delivery of the services it provides for the benefit of its participants and the general public. In establishing this structure, the Corporation shall:

4.1.1 Recognize and establish funding for a Body of State Regulators to participate in the nomination of the Board of Directors and develop and maintain a process for the Board of Directors to receive and respond to information or recommendations by the Body of State Regulators representation in a public process.

4.1.2 Establish and support a Stakeholder Representatives Committee with representatives from various sectors designated by the Board of Directors to propose and review policy initiatives and Tariff revisions and make recommendations to the Board of Directors.

4.1.3 Establish and maintain a public policy committee consisting of members of the Board of Directors, which shall engage with Participating States and their designated representatives, local power authorities, federal power marketing administrations, the consumer advocate organization, and other stakeholders about potential impacts of policy initiatives and Tariff revisions on state, local, or federal policies and advise the Board of Directors of these impacts before the Corporation approves Tariff changes for filing at the FERC.

4.1.4 Support the creation of and make funding available for a consumer advocate organization that represents the interests of one or more consumer advocate offices authorized by state law in any Participating State and facilitate the engagement by the consumer advocate organization with the Corporation in the stakeholder engagement process developed for policy decisions to be made by the Board.

4.1.5 Establish and maintain an office of public participation of the Corporation to provide information and education to members of the public about the Corporation's activities and initiatives and to facilitate engagement in its processes.

4.1.6 Establish and maintain an independent market expert to provide analysis to the Board of Directors on the impacts of market dynamics and Tariff rule or policy changes on end-use consumers so that overall costs to end-use consumers may be minimized. The market expert shall also provide advice on any additional matters included by the Board of Directors in the market expert scope of work.

4.1.7 Adopt policies that reduce, to the extent possible, the overall economic cost to customers within Participating States.

Section 4.2 State Policies. The Board shall consistently acknowledge and, where practicable, approve tariff changes, rules, or business practices that respect, accommodate, and do not unduly burden Participating States' achievement of state or local policy objectives, including procurement, resource adequacy, environment, reliability, and other consumer interests. The Board shall minimize any adverse impacts of revisions to its Tariffs, rules, and business practices on Participating States' policy objectives.

ARTICLE V
BOARD OF DIRECTORS

Section 5.1 Powers. The business and affairs of the Corporation shall be managed by, and all corporate powers shall be exercised by or under the direction of the Board of Directors.

Section 5.2 Formation Board of Directors. The Board of Directors named in the Certificate of Incorporation shall be referred to as the formation Board of Directors and shall serve until replaced by the initial Board of Directors through the procedures adopted consistent with Section 5.3. This transition is expected to occur not later than nine (9) months prior to the planned commencement of the Corporation's governance of the Western Energy Markets. The formation Board of Directors shall have no authority to approve any tariff, business practice, or agreement with the CAISO, and these decisions shall be made by the initial and any future Board of Directors.

Section 5.3 Initial Board of Directors. The Nominating Committee shall nominate individuals to serve on the initial Board of Directors pursuant to the Selection Policy. The Pathways Launch Committee (a body of individuals entrusted with the founding of the Corporation) shall approve and propose to the formation Board a slate of candidates consisting of up to five individuals to serve as the initial Board of Directors commencing on the date of termination of the formation Board of Directors. The formation Board of Directors shall appoint the initial Board of Directors, giving all due consideration to the slate proposed by the Pathways Launch Committee. In addition to those directors whose terms commence upon the termination of the formation Board of Directors, it is anticipated that two additional individuals shall be nominated by the Nominating Committee and elected by the initial Board of Directors at the first annual meeting conducted after the Tariff changes are approved by FERC and implemented to authorize independent governance of the Markets by the Corporation. Thereafter, the directors shall be elected, consistent with the Selection Policy and the procedures and processes set forth in Section 5.4.2.

Section 5.4 Election of Board of Directors.

5.4.1 Selection Policy. The Board of Directors shall establish a Selection Policy to govern the procedures for selection of members of the Board of Directors and shall conduct the board selection process consistent with the Selection Policy as amended from time to time. The Selection Policy shall ensure an independent, representative Board of Directors that includes directors from multiple Participating States.

5.4.2 Election Procedures. Following the election of the initial Board of Directors, the Nominating Committee shall nominate individuals to succeed those directors who resign, are removed from office, or when their terms are expiring. Based on the results of this process, the Board of Directors shall elect directors to fill vacancies and expiring terms at each annual meeting of the Board of Directors. Each director, including a director elected to fill a vacancy, shall hold office throughout the term for which the director was elected until the election and seating of a successor director or until the death, resignation, or removal of such director. Elections of directors need not be by written ballot.

Section 5.5 Qualification of Directors. Directors shall have such qualifications as may be prescribed by policies adopted by the Board of Directors, the Selection Policy, or by these Bylaws, and any other independence requirements adopted by the Board of Directors.

Section 5.6 Number of Directors. The number of directors of the Corporation shall be set by the Board of Directors by resolution, from time to time, between three (3) and eleven (11), following the replacement of the formation Board. No reduction of the authorized number of directors shall have the effect of removing any director before that director's term of office expires.

Section 5.7 Term of Office of Directors. The terms of directors elected to the initial Board of Directors as set forth herein shall be staggered in classes of approximately equal numbers for periods from one to three years to ensure a balanced rotation of terms on the Board of Directors once the Corporation assumes governance over the Western Energy Markets. As terms of the initial Board of Directors expire, terms of successor directors shall be three (3) years and shall be staggered. Directors may serve a maximum of three (3) full three-year terms. The terms on the

initial Board of Directors that are less than three years in length shall not be counted towards the maximum number of terms.

Section 5.8 Resignation and Removal of Directors and Filling Vacancies.

5.8.1 Resignation. Any director may resign at any time upon written notice given in writing or by electronic transmission to the Corporation. Any such resignation shall be effective upon delivery, unless the notice of resignation specifies a future effective date, and unless otherwise specified, the acceptance of such resignation shall not be a precondition to its effectiveness. Vacancies created by the resignation or removal of one or more members of the Board of Directors and new directorships created in accordance with the Bylaws of the Corporation, may be filled by the vote of a majority of the Board of Directors excluding the resigning director based on a slate of nominations presented by the Nominating Committee consistent with the Selection Policy, even if there remains less than a quorum of the directors then in office or by a sole remaining director.

5.8.2 Removal of a Director. Unless otherwise restricted by statute, by the Certificate of Incorporation or by these Bylaws, any director may be removed, with or without cause, by the Board of Directors. No reduction of the authorized number of directors shall have the effect of removing any director prior to the expiration of such director's term of office. When one or more directors are removed, replacement of such director(s) shall be governed by the Selection Policy.

ARTICLE VI
MEETINGS OF THE BOARD OF DIRECTORS

Section 6.1 Meetings.

6.1.1 Annual Meeting. The annual meeting of the Board shall be held on a date chosen by the President or the Board for the purposes of electing directors and officers and transacting such business as may properly come before the meeting. If the annual meeting is not held on the date designated therefore, the Board shall cause the meeting to be held as soon thereafter as may be convenient.

6.1.2 Regular Quarterly Meetings. The Board of Directors shall meet at least once during each quarter of the fiscal year at such dates, times, and locations, as the Board of Directors determines. At least two meetings each year shall be held at a location in a Participating State other than the Participating State where the principal place of business of the Corporation is located. The regularly scheduled meetings of the Board of Directors shall be established for each fiscal year in advance. Such regularly scheduled meetings may be held without further notice to the directors.

6.1.3 Special Meetings. Special meetings of the Board of Directors for any purpose or purposes may be called at any time by the President or any two (2) directors consistent with policies adopted by the Board of Directors. The purpose of any such special meeting shall be limited to those circumstances that require the Board of Directors to take prompt action and that cannot be deferred to a regular meeting of the Board of Directors.

6.1.4 Executive Sessions. The Board of Directors may hold closed executive sessions for discussion of matters consistent with the open meeting policy. Directors and certain officers and employees of the Corporation, as designated or otherwise permitted by the directors, may be present during any executive session; provided, however, that to the extent deemed necessary by the Chair 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 an executive session may be present during such portion of an executive session. The Board of Directors may, at any time during any meeting, vote to adjourn the open meeting and reconvene in an executive session if consistent with the Open Meeting and Records Policies and at least a majority of the directors present at such meeting vote in favor of such adjournment and reconvening.

Section 6.2 Notice of Meetings.

6.2.1 General Notice. Except as provided in Section 6.2.2, public notice of the date for each annual and regular quarterly meeting of the Board of Directors shall be set in the last meeting of a calendar year for the following calendar year, and the dates shall be placed on the Corporation's website within 30 days. A further notice of each meeting shall be placed on the Corporation's website at least four (4) business days before such meeting. The notice shall include an agenda that makes clear which items are for purposes of discussion, which are for purposes of taking action, which items are to be considered in an executive session and the purposes of such executive session(s), to the extent practicable, and instructions for remote participation. Failure to give the required notice of any item on which action is taken during the meeting shall void such action.

6.2.2 Notice of Special Meetings. Notice of a special meeting or special executive session shall be given to the Board of Directors at least two (2) days prior to the meeting and the public as soon as practicable and before the meeting is to be held. Such notice to the directors shall be delivered personally, by telephone, including a voice messaging system or other system or technology designed to record and communicate messages, by facsimile, or by electronic transmission. The notice requirements of this section may be waived in writing by any director with respect to that director, either before or after the meeting. The attendance of any director at a special meeting without protesting the lack of notice of such meeting, made as soon as reasonably practicable, shall constitute a waiver of notice by that director. All waivers shall be made part of the minutes of a special meeting.

6.2.3 Waivers of Notice to Director. Whenever notice is required to be given to a director under any provision of the General Corporation Law of Delaware or of the Certificate of Incorporation or these Bylaws, a written waiver thereof, signed by the person entitled to notice, whether before or after the time stated therein, shall be deemed equivalent to notice. Such waiver shall be deemed delivered if made by electronic transmission. Attendance of a director at a meeting shall constitute a waiver of notice of such meeting, except when the director attends a meeting for the express purpose of objecting, at the beginning of the meeting or upon the director's arrival, to the transaction of any business because the meeting is not lawfully called or convened.

Section 6.3 Place of Meetings; Telephonic Meetings. The Board of Directors may hold meetings, both regular and special, consistent with Section 6.2. Unless otherwise restricted by the Certificate of Incorporation or these Bylaws, and consistent with the Open Meetings and Records Policies, members of the Board of Directors, or any committee designated by the Board of Directors, may participate in a meeting of the Board of Directors, or any committee, by means of conference telephone or other electronic communications by means of which all persons participating in the meeting can hear each other, and such participation in a meeting shall constitute presence in person at the meeting.

Section 6.4 Transparency and Public Participation.

6.4.1 Attendance. Any member of the public may attend and observe meetings of the Board of Directors, except as provided in Section 6.1.4, and attendance will be available to remote participants. Decisions rendered by the Corporation shall be transparent and supported by documented materials, subject to the Open Meetings and Records Policies and other procedures established for executive sessions.

6.4.2 Public Comment. Consistent with the Open Meetings and Records Policies, at each meeting, the Board of Directors shall provide an opportunity for members of the public to comment on matters being considered by the Board of Directors at such time as the Board of Directors shall specify on the agenda. Members of the Board of Directors shall engage in informal public outreach from time to time to support reasonable public access to directors by representatives from Participating States.

ARTICLE VII
VOTING

Section 7.1 Quorum and General Voting Requirements. At all meetings of the Board of Directors, two-thirds (2/3) of the directors then in office shall constitute a quorum for the transaction of business. The approval or action by a majority of the directors then in office at any meeting at which there is a quorum present shall be the act of the Board of Directors, except as may otherwise be specifically provided by the General Corporation Law of Delaware, by the Certificate of Incorporation, or as set forth below in Section 7.2 of these Bylaws. A director of the Corporation who is present at a board or committee meeting at which any action is taken shall be deemed to have assented to the action taken unless (i) the director objects at the beginning of the meeting, or promptly upon the director's arrival, to holding the meeting or transacting any business at such meeting, (ii) the director's dissent or abstention from the action taken is entered in the minutes of the meeting, or (iii) the director delivers written notice of the director's dissent or abstention to the presiding officer of the meeting before its adjournment or to the Corporation within a reasonable time after adjournment of the meeting. The right of dissent or abstention is not available to a director who votes in favor of the action taken.

Section 7.2 Major Decisions. Notwithstanding the provisions of Section 7.1, the action or approval of a two-thirds majority of the directors then in office shall be required to approve major decisions as follows:

7.2.1 Remove a director from the Board of Directors;

7.2.2 Amend, alter, or repeal these Bylaws;

7.2.3 Amend the Certificate of Incorporation;

7.2.4 Adopt a plan of merger or consolidation with another corporation;

7.2.5 Authorize the sale, lease, or exchange of all or substantially all of the property and assets of the Corporation not in the ordinary course of business;

7.2.6 Authorize the voluntary dissolution of the Corporation or revoke proceedings therefore; or

7.2.7 Adopt a plan for the distribution of all or substantially all assets of the Corporation.

Section 7.3 Adjourned Meeting. If a quorum is not present at any meeting of the Board of Directors, then the directors present thereat may adjourn the meeting from time to time, without notice other than announcement at the meeting, until a quorum is present.

Section 7.4 Standard of Care.

7.4.1 General. A director shall perform the duties of a director, including duties as a member of any committee of the Board of Directors on which the director may serve, in good faith, in a manner that such director believes to be in the best interest of the Corporation and with such care, including reasonable inquiry, as an ordinarily prudent person in a like situation would use under similar circumstances.

7.4.2 Reliance. In performing the duties of a director, a director shall be entitled to rely on information, opinions, reports, or statements, including financial statements and other financial data, in each case prepared or presented by:

(a) One or more officers or employees of the Corporation whom the director believes to be reliable and competent in the matters presented;

(b) Counsel, independent accountants or other persons as to matters that the director believes to be within such person's professional or expert competence; or

(c) A committee of the Board of Directors upon which the director does not serve, as to matters within its designated authority, which committee the director believes to merit confidence, so long as, in any such case, the director acts in good faith, makes any reasonable inquiry when the need therefor is indicated by the circumstances and acts without knowledge that would cause such reliance to be unwarranted.

7.4.3 Ethical Conduct. The members of the Board of Directors shall on a periodic basis certify their review and understanding of a Directors' Code of Conduct and Ethical Principles adopted by the Board of Directors consistent with the General Corporation Law of Delaware.

Section 7.5 Loans and Self-Dealing Transactions.

7.5.1 Loans. The Corporation shall not make any loan of money or property to, or guarantee the obligation of, any individual director, officer or employee; provided, however, that the Corporation may advance money to a director, officer or employee of the Corporation or any subsidiary for expenses reasonably anticipated to be incurred in performance of the duties of such director, officer or employee so long as such individual would be entitled to be reimbursed for such expenses absent that advance.

7.5.2 Self-Dealing Transactions. The Board of Directors shall not approve a transaction to which the Corporation is a party and in which one or more of the directors or their employers has a material financial interest and that does not meet the requirements of Section 7.5.3 below.

7.5.3 Exempt Transactions. The following transactions are exempted from the prohibition of Sections 7.5.1 and 7.5.2 above; provided, however, that any transaction described in paragraph (d) below must be included on the agenda of a Board of Directors meeting:

(a) A transaction that is part of a public or charitable program approved by the Board of Directors and that results in a benefit to one or more directors or their families only because they are members of a substantial class of unrelated persons intended to be benefited by the program.

(b) A transaction of which the director with a material financial interest has no actual knowledge of the financial interest, and that does not exceed the lesser of one (1) percent of the gross receipts of the Corporation for the preceding fiscal year or one hundred thousand dollars. However, a series of related transactions aggregating more than one hundred thousand dollars during a fiscal year will not be exempted pursuant to this provision.

(c) A transaction that has been approved in writing by the offices of the Attorney General in the Participating State with jurisdiction, in which the transaction will occur, before or after it was consummated.

(d) A transaction that the Board of Directors, having knowledge of the material facts concerning the transaction and the director's interest in the transaction, authorizes (by a vote of a majority of the directors then in office without counting the vote of the interested director) after considering and in good faith determining, upon reasonable investigation under the circumstances, that (i) the transaction will be entered into by the Corporation for its own benefit, (ii) the transaction is fair and reasonable as to the Corporation and (iii) the Corporation could not have obtained a more advantageous arrangement with reasonable effort under the circumstances.

Section 7.6 Inspection Rights. To the extent provided in the Delaware General Corporation Law, each 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 non-public information 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, to the detriment of the Corporation or to the detriment of any competitors of any entity with which the

director is affiliated except in connection with the enforcement of a tariff, contract or applicable law and consistent with the Corporation's policy regarding confidential information.

Section 7.7 Compensation.

7.7.1 Retainers and Fees. Directors shall receive compensation, which may take the form of an annual retainer and/or fees for attending each meeting of the Board or of Committees of the Board, as determined by the Board of Directors, in order to ensure the fullest participation in the decisions of the Corporation and to avoid hardship on the part of the directors. Such determination may establish compensation that differs for the Chair of the Board of Directors, chairs of committees, and other Board members.

7.7.2 Expense Reimbursement. Subject to approval by the Board of Directors, directors shall also be entitled to receive reimbursement for reasonable and necessary travel and other actual expenses incurred in performing duties of his or her office and in attending meetings of the Board of Directors and meetings of committees of the Board of Directors on which they are a member.

ARTICLE VIII
CHAIR AND COMMITTEES

Section 8.1 Chair and Vice-Chairs. The Board of Directors may, by resolution adopted by two-thirds of the directors then in office, appoint a Chair of the Board of Directors. At the discretion of the Board of Directors, one or more vice-chairs may also be appointed by the Board of Directors to assist the Chair.

Section 8.2 Committees of Directors. The Board of Directors may, by resolution adopted by two-thirds of the directors then in office, designate one or more committees, including an Executive Committee, each consisting of two or more directors, to serve at the pleasure of the Board of Directors. Appointments to such committees shall be made annually by a two-thirds vote of the directors then in office. Any such committee, to the extent delegated in the resolution or in these Bylaws, shall have and may exercise all the powers and all of the authority of the Board of Directors in the management and affairs of the Corporation, except that no committee, regardless of the Board of Directors resolution, may:

8.2.1 Fill vacancies on the Board of Directors or on any committee;

8.2.2 Fix compensation of directors for serving on the Board of Directors or any committee;

8.2.3 Amend, repeal, or modify these bylaws or adopt new bylaws;

8.2.4 Amend, repeal, or modify any resolution of the Board of Directors that by its express terms is not so amendable, repealable, or modifiable;

8.2.5 Appoint any other committees of the Board of Directors or the members of these committees; or

8.2.6 Approve any self-dealing transaction as referred to in Section 7.5.2.

Section 8.3 Advisory Committees. Advisory committees may be appointed from time to time by two-thirds of the directors then in office. Advisory committees' membership may consist of both directors and non-directors or non-directors only. Advisory committees have no legal or expressed authority to act for the Corporation but shall report their findings and recommendations to the Board of Directors or a committee of the Board of Directors.

Section 8.4 Audit & Finance Committee. The Board of Directors shall appoint an Audit Committee of the Board of Directors consisting of two or more directors elected by the Board of Directors. The Audit Committee shall have no powers of the Board of Directors but shall serve in an advisory capacity by reviewing the Corporation's annual independent audit and preparing a report for the Board of Directors. In addition, the Audit Committee shall monitor compliance with the Employees' and Directors' Code of Conduct and Ethical Principles to ensure the independence of the Corporation and shall make regular reports to the Board of Directors regarding such compliance. The Audit Committee shall make recommendations from time to time to the Board of Directors as to the implementation of procedures to oversee compliance with the Code of Conduct and Ethical Principles. The Audit Committee shall also have any other duties that are assigned by the Board of Directors.

Section 8.5 Public Policy Committee. The Board of Directors shall appoint a Public Policy Committee of the Board of Directors consisting of two or more directors elected by the Board of Directors. The Public Policy Committee shall be responsible for conducting outreach at key points in the stakeholder process to Participating States and their designated representatives, local power authorities, federal power marketing administrations and stakeholders to collect input about the potential for adverse impacts on a state, local, or federal policy by an initiative. The input collected by the Public Policy Committee will be incorporated in the stakeholder process and presented to the Board of Directors before it votes on a final Tariff change.

Section 8.6 Committee Meetings. Meetings of committees of the Board of Directors, notices of such meetings and the actions of such committees shall be governed by and held and taken in accordance with the provisions of Article VI of these bylaws concerning meetings of the Board of Directors. For the purposes of the application of Article IV to the meetings of Board of Directors committees, references in Article IV to the Board of Directors shall be read as references to the relevant committee of the Board of Directors. Minutes shall be kept of each meeting of any committee. The Board of Directors may adopt rules for the governance of any committee not inconsistent with the provisions of these Bylaws.

ARTICLE IX
OFFICERS AND STAFF

Section 9.1 Officers. The officers of the Corporation shall include a President, a Secretary, a Chief Financial Officer, and a Treasurer. At the discretion of the Board of Directors the Corporation may also have one or more vice presidents, assistant vice presidents, assistant secretaries, assistant treasurers and any such other officers as may be appointed in accordance with these Bylaws. Any number of offices may be held by the same person. Each officer shall hold office until such officer's successor is elected and qualified or until such officer's earlier

resignation or removal. Board members shall not be eligible to serve as officers during their board term.

Section 9.2 Appointment; Vacancies. The Board of Directors shall appoint all officers of the Corporation for such terms as the Board of Directors shall specify. Any vacancy occurring in any office shall be filled by the Board of Directors in accordance with this Section.

Section 9.3 Removal. Subject to the rights, if any, of the officer under any contract of employment, any officer of the Corporation may be removed at any time with or without cause by the Board of Directors.

Section 9.4 Resignation. Any officer may resign at any time by giving written notice to 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.

Section 9.5 President. The President shall be the chief executive officer of the Corporation and shall be responsible for conducting the affairs of the Corporation in a manner consistent with the policies and directives of the Board of Directors. He or she shall have such additional powers and duties as may be prescribed by the Board of Directors.

Section 9.6 Secretary. The Secretary shall serve notice of and act as Secretary at all meetings of the Board of Directors, shall prepare agendas for the Board of Directors, shall record the proceedings of all meetings in the minute books and shall keep or cause to be kept a book of minutes of all meetings and activities of directors and committees of directors. The Secretary shall have such additional powers and duties as shall be prescribed by the Board of Directors.

Section 9.7 Chief Financial Officer. The Chief Financial Officer of the Corporation shall be responsible for maintaining books and records of the Corporation and shall prepare and submit such accounting and tax forms as may be required by local, state, and federal law. The Chief Financial Officer shall have such additional powers and duties as shall be prescribed by the Board of Directors.

Section 9.8 Treasurer. The Treasurer of the Corporation shall have charge and custody of and shall receive, safeguard, disburse and account for all funds of the Corporation, and shall deposit and invest them in such banks, other depositories or investments as may be designated by the Board of Directors. The Treasurer shall have such additional powers and duties as shall be prescribed by the Board of Directors.

Section 9.9 Compensation. The reasonable salaries of the officers shall be fixed from time to time by the Board of Directors, or by any committee or officer to which or whom, as the case may be, the Board of Directors has delegated such authority.

Section 9.10 Authority and Duties of Officers. In addition to the foregoing authority and duties, all officers of the Corporation shall respectively have such authority and perform such duties in the management of the business of the Corporation as may be designated from time to time by the Board of Directors.

Section 9.11 Execution of Instruments. The Board of Directors, except as otherwise provided in these Bylaws, may authorize any officer or officers, or agent or agents, to enter into any contract or execute any instrument in the name of and on behalf of the Corporation; such authority may be general or confined to specific instances. Unless so authorized or ratified by the Board of Directors or within the agency power of an officer, no officer, agent, or employee shall have any power or authority to bind the Corporation by any contract or engagement or to pledge its credit or to render it liable for any purpose or for any amount. Notwithstanding the foregoing, President shall have the authority to execute legal instruments on behalf of the Corporation, subject to any restrictions or limitations that the Board of Directors may impose. The President's authority to execute legal instruments on behalf of the Corporation may be delegated by the President to officers and employees of the Corporation on a general or limited basis with the prior approval of the Board of Directors.

Section 9.12 Employees Code of Conduct and Ethical Principles. The Board of Directors shall oversee the design and implementation of and shall adopt the Corporation's Compliance and Ethics Program, including the Employee's Code of Conduct and Ethical Principles, and the Corporation's procedures for employees and others to report suspected misconduct. The Board of Directors shall approve any material modifications to the foregoing policies.

ARTICLE X
RECORDS

Section 10.1 Minute Book. The Corporation shall keep or cause to be kept a minute book that shall be available for public inspection during the Corporation's normal business hours and shall contain:

10.1.1 The record of all meetings of the Board of Directors including the date, place, those attending the proceedings thereof (other than members of the public), a copy of the notice of the meeting and when and how given, waivers of notice of meeting, written consents to holding meeting, written approvals of minutes of meeting and similarly as to meetings of committees of the Board of Directors and as to meetings or written consents of the Incorporator of the Corporation prior to the appointment of the initial Board of Directors.

10.1.2 A copy of the Articles of Incorporation and all amendments thereof and a copy of all certificates filed with the Secretary of State.

10.1.3 A copy of these bylaws, as amended, duly certified by the Secretary.

Section 10.2 Availability of Information. Access to records, confidentiality protections, and all handling of requests for records and data related to the activities of the Board of Directors and operations of the Markets shall be governed by the Open Meetings and Records Policies adopted by the Board of Directors from time to time, which, when adopted, shall be consistent with applicable FERC requirements. The Open Meetings and Records policies shall generally acknowledge that information regarding the Corporation and its operations, other than information that the Board of Directors has determined must be kept confidential in order to protect the interests of the Corporation according to standards adopted in the Open Meetings and Records Policies or

information received by the Corporation that is subject to a confidentiality obligation, shall be publicly available, provided that the Corporation may require any recipient of such information comply with processes adopted in the Open Meetings and Records Policies and to pay the reasonable costs of providing such information.

10.2.1 The Open Meetings and Records Policies shall be published and shall establish the types of records that are presumed confidential, the process in which the public can access non-confidential information, the time in which the Corporation must respond to a records request, and other matters to facilitate access consistent with the duties of the Corporation.

10.2.2 Subject to the Open Meetings and Records Policies, the Board of Directors shall make confidential market data available to state energy regulatory commissions, and any consumer advocacy organizations designated by state statute or regulation in any Participating State to advocate on behalf of the public related to electricity market issues.

Section 10.3 Records Retention. The Board of Directors shall oversee the implementation of a records retention program complying with FERC requirements and any other applicable laws.

ARTICLE XI
INDEMNIFICATION

Section 11.1 Indemnification of Officers and Directors. To the fullest extent permitted by applicable law as it presently exists or may hereafter be amended (provided, that in the case of such an amendment, only to the extent that such amendment permits the Corporation to provide broader indemnification rights than permitted prior thereto), the Corporation shall indemnify and hold harmless each person who was or is made or is threatened to be made a party or is otherwise involved in any action, suit or proceeding, whether civil, criminal, administrative or investigative (a "proceeding") by reason of the fact that such person is or was a director or officer of the Corporation or is or was serving at the request of the Corporation as a director, officer, employee or agent of another corporation or of a partnership, joint venture, trust, enterprise or nonprofit entity (including service with respect to an employee benefit plan), against all liability, loss and reasonable expense incurred by such person, including attorneys' fees, judgments, fines, penalties, Employee Retirement Income Security Act (ERISA) excise taxes and amounts paid in settlement of proceedings. Except as set forth in Section 11.2 below, the Corporation shall be required to indemnify a person in connection with a proceeding (or part thereof) initiated by such person only if the proceeding (or part thereof) was authorized by the Board of Directors. The right to indemnification under this Article shall be construed as a contractual right of the indemnitees and shall inure to the benefit of an indemnitee's heirs, executors, and administrators.

Section 11.2 Prepayment of Expenses; Undertaking to Repay. The Corporation shall pay the expenses (including attorneys' fees) expected to be incurred in defending any proceeding in advance of its final disposition; provided, however that if the General Corporation Law of Delaware then so requires, the payment of expenses incurred in advance of the final disposition of the proceeding by a director or officer in such person's capacity as such (and not in any other capacity in which service is or was rendered by such person such as service with respect to an employee benefit plan) shall be made only upon receipt of an undertaking by the director or officer

to repay all amounts advanced if it is determined by a final judicial determination from which there is no further possibility of appeal that the director or officer is not entitled to be indemnified under this Article or otherwise and provided, further that the Corporation shall not be required to prepay any expenses to a person against whom the Corporation directly brings a claim alleging that such person has (i) breached such person's duty of loyalty to the Corporation, or committed an act or omission not in good faith or that involves intentional misconduct or a knowing violation of law, or (ii) derived an improper personal benefit from a transaction.

Section 11.3 Claims by Indemnitee; Presumption of Validity. If a claim for indemnification or payment of expenses under this Article not paid in full within 60 days after a written claim therefor has been presented to the Corporation (except in the case of a claim for prepayment of expenses in accordance with Section 11.2 above, in which case the applicable period shall be 20 days) the indemnitee may file suit to recover the unpaid amount of such claim. If successful in whole or in part in any such suit, the indemnitee shall be entitled to be paid the expense of prosecuting such claim. In any such action, the Corporation shall have the burden of proving that the claimant was not entitled to the requested indemnification or payment of expenses under applicable law. The indemnitee shall be presumed to be entitled to indemnification under this Article upon submission of a written claim (and, in an action brought to enforce a claim for prepayment of expenses, where the required undertaking, if any is required, has been tendered to the Corporation), and thereafter the Corporation shall have the burden of proof to overcome the presumption that the indemnitee is so entitled. Neither the failure of the Corporation (including its Board of Directors or independent legal counsel) to have made a determination prior to the commencement of such suit that indemnification of the indemnitee is proper in the circumstances, nor an actual determination by the Corporation (including its Board of Directors or independent legal counsel) that the indemnitee is not entitled to indemnification shall be a defense to the suit or create a presumption that the indemnitee is not so entitled.

Section 11.4 Non-Exclusivity of Rights. The rights conferred on any person by this Article shall not be exclusive of any other rights that such person may have or may hereafter acquire under any statute, provision of the Certificate of Incorporation or these Bylaws, contractual agreement, or disinterested directors or otherwise. Additionally, nothing in this Article shall limit the ability of the Corporation, in its discretion, to indemnify or advance expenses to persons whom the Corporation is not obligated to indemnify or advance expenses pursuant to this Article.

Section 11.5 Set-off Against Other Indemnification. The Corporation's obligation, if any, to indemnify any person who was or is serving at its request as a director, officer, employee or agent of another corporation, partnership, joint venture, trust, enterprise or nonprofit entity shall be reduced by any amount that such person may collect as indemnification from such other corporation, partnership, joint venture, trust, enterprise or nonprofit entity.

Section 11.6 Effect of Amendment or Repeal. No repeal or modification of this Article shall adversely affect any right or protection afforded hereunder to any person in respect of an act or omission occurring prior to the time of such repeal or modification.

Section 11.7 Indemnification of Employees and Agents. The Corporation may, by action of the Board of Directors, extend the rights described in this Article to individual employees or agents, or groups of employees or agents of the Corporation with the same scope and effect as

the provisions of this Article; provided, however, that an undertaking of the sort described in Section 11.2 shall be required only if specifically requested by the Board of Directors.

Section 11.8 Insurance; Indemnification Agreements. The Corporation may purchase and maintain insurance on behalf of any person who is or was a director, officer, employee or agent of the Corporation, or is or was serving at the request of the Corporation as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise or nonprofit entity against any liability asserted against such person and incurred by such person in any such capacity, or arising out of the status of such person as such, whether or not the Corporation would have the power to indemnify such person against such liability under the provisions of the General Corporation Law of Delaware. The Corporation may enter into contracts with any person who is or was a director, officer, employee or agent, or is or was serving at the request of the Corporation as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise or nonprofit entity, in furtherance of the provisions of this Article. The Corporation may also create a trust fund 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 herein.

Section 11.9 Reliance Upon Books, Reports and Records. Each director, each member of any committee designated by the Board of Directors and each officer of the Corporation shall, in the performance of his or her duties, be fully protected in relying in good faith upon the books of account or other records of the Corporation and upon such information, opinions, reports or statements presented to the Corporation by any of its officers or employees, or committees of the Board of Directors so designated, or by any other person as to matters which such director or committee member reasonably believes are within such other person's professional or expert competence and who has been selected with reasonable care by or on behalf of the Corporation.

Section 11.10 Certain Definitions. For purposes of this Article, references to the "Corporation" shall include, in addition to the resulting corporation, any constituent corporation (including any constituent of a constituent) absorbed in a consolidation or merger which, if its separate existence had continued, would have had power and authority to indemnify its directors, officers, employees or agents, so that any person who is or was a director, officer, employee or agent of such constituent corporation, or is or was serving at the request of such constituent corporation as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise or nonprofit entity, shall stand in the same position under this Article with respect to the resulting or surviving corporation as such person would have with respect to such constituent corporation if its separate existence had continued.

ARTICLE XII
MISCELLANEOUS

Section 12.1 Fiscal Year. The fiscal year of the Corporation shall be determined by resolution of the Board of Directors.

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

Section 12.3 **Amendment of Bylaws**. These bylaws may be amended by the vote of at least two-thirds of the directors then in office. All directors must receive at least thirty days' prior written notice of any vote on amending these bylaws.

Section 12.4 **Reimbursement of Expenses of the Corporation**. The Corporation shall provide full reimbursement for monies reasonably and necessarily expended on behalf of the Corporation by its directors, officers, and employees.

Section 12.5 **Checks**. From time to time, the Board of Directors shall determine by resolution which person or persons may sign or endorse all checks, drafts, other orders for payment of money, notes or other evidence of indebtedness that are issued in the name of or payable to the Corporation, and only the persons so authorized shall sign or endorse those instruments.

Section 12.6 **Posting**. These bylaws, the certificate of incorporation, a code of conduct and ethical principles, and the specific policies referenced herein shall be made available to the public on the Corporation's website.

Regional Organization for Western Energy, Inc.
PO Box 150260
Lakewood, CO 80215
EIN: 41-4783979

EXHIBIT III

FORM 2848

Form **2848**
(Rev. January 2021)
Department of the Treasury
Internal Revenue Service

Power of Attorney and Declaration of Representative

▶ **Go to *www.irs.gov/Form2848* for instructions and the latest information.**

OMB No. 1545-0150

For IRS Use Only
Received by:
Name
Telephone
Function
Date / /

Part I Power of Attorney

Caution: A separate Form 2848 must be completed for each taxpayer. Form 2848 will not be honored for any purpose other than representation before the IRS.

1 Taxpayer information. Taxpayer must sign and date this form on page 2, line 7.

Taxpayer name and address	Taxpayer identification number(s)	
Regional Organization for Western Energy, Inc.	**41-4783979**	
	Daytime telephone number	Plan number (if applicable)
P.O. Box 150260, Lakewood, CO 80215	**(720) 989-9745**	

hereby appoints the following representative(s) as attorney(s)-in-fact:

2 Representative(s) must sign and date this form on page 2, Part II.

Name and address	CAF No. / PTIN / Telephone No. / Fax No. / Check if new
Richard Sevcik **110 N. Wacker Dr., Suite 3400** **Chicago, IL 60606-1511** **Check if to be sent copies of notices and communications** ☑	CAF No. **4005-18732R** PTIN **P01483748** Telephone No. **(312) 324-8653** Fax No. **(312) 324-9653** Check if new: Address ☐ Telephone No. ☐ Fax No. ☐
Name and address	CAF No. PTIN **P03326978** Telephone No. **(312) 263-3352** Fax No. **(312) 324-9400**
Kendra Leete **110 N. Wacker Dr., Suite 3400** **Chicago, IL 60606-1511** **Check if to be sent copies of notices and communications** ☑	Check if new: Address ☐ Telephone No. ☐ Fax No. ☐
Name and address (**Note:** IRS sends notices and communications to only two representatives.)	CAF No. PTIN Telephone No. Fax No. Check if new: Address ☐ Telephone No. ☐ Fax No. ☐
Name and address (**Note:** IRS sends notices and communications to only two representatives.)	CAF No. PTIN Telephone No. Fax No. Check if new: Address ☐ Telephone No. ☐ Fax No. ☐

to represent the taxpayer before the Internal Revenue Service and perform the following acts:

3 Acts authorized (you are required to complete line 3). Except for the acts described in line 5b, I authorize my representative(s) to receive and inspect my confidential tax information and to perform acts I can perform with respect to the tax matters described below. For example, my representative(s) shall have the authority to sign any agreements, consents, or similar documents (see instructions for line 5a for authorizing a representative to sign a return).

Description of Matter (Income, Employment, Payroll, Excise, Estate, Gift, Whistleblower, Practitioner Discipline, PLR, FOIA, Civil Penalty, Sec. 4980H Shared Responsibility Payment, etc.) (see instructions)	Tax Form Number (1040, 941, 720, etc.) (if applicable)	Year(s) or Period(s) (if applicable) (see instructions)
Application for recognition of exemption under 501(c)(3)	**1023**	**2025-2026**

4 Specific use not recorded on the Centralized Authorization File (CAF). If the power of attorney is for a specific use not recorded on CAF, check this box. See *Line 4. Specific Use Not Recorded on CAF* in the instructions . . . . . ▶ ☑

5a Additional acts authorized. In addition to the acts listed on line 3 above, I authorize my representative(s) to perform the following acts (see instructions for line 5a for more information): ☐ Access my IRS records via an Intermediate Service Provider;
☐ Authorize disclosure to third parties; ☐ Substitute or add representative(s); ☐ Sign a return;

☐ Other acts authorized:

b **Specific acts not authorized.** My representative(s) is (are) not authorized to endorse or otherwise negotiate any check (including directing or accepting payment by any means, electronic or otherwise, into an account owned or controlled by the representative(s) or any firm or other entity with whom the representative(s) is (are) associated) issued by the government in respect of a federal tax liability.
List any other specific deletions to the acts otherwise authorized in this power of attorney (see instructions for line 5b): _____

6 **Retention/revocation of prior power(s) of attorney.** The filing of this power of attorney automatically revokes all earlier power(s) of attorney on file with the Internal Revenue Service for the same matters and years or periods covered by this form. If you **do not** want to revoke a prior power of attorney, check here . . . . . ▶ ☐

YOU MUST ATTACH A COPY OF ANY POWER OF ATTORNEY YOU WANT TO REMAIN IN EFFECT.

7 **Taxpayer declaration and signature.** If a tax matter concerns a year in which a joint return was filed, each spouse must file a separate power of attorney even if they are appointing the same representative(s). If signed by a corporate officer, partner, guardian, tax matters partner, partnership representative (or designated individual, if applicable), executor, receiver, administrator, trustee, or individual other than the taxpayer, I certify I have the legal authority to execute this form on behalf of the taxpayer.

▶ **IF NOT COMPLETED, SIGNED, AND DATED, THE IRS WILL RETURN THIS POWER OF ATTORNEY TO THE TAXPAYER.**

Signature	Date	Title (if applicable)
Signed by: Kathleen Staks	March 19, 2026	President

Print name	Print name of taxpayer from line 1 if other than individual
Kathleen Staks	Regional Organization for Western Energy, Inc.

Part II Declaration of Representative

Under penalties of perjury, by my signature below I declare that:

- I am not currently suspended or disbarred from practice, or ineligible for practice, before the Internal Revenue Service;
- I am subject to regulations in Circular 230 (31 CFR, Subtitle A, Part 10), as amended, governing practice before the Internal Revenue Service;
- I am authorized to represent the taxpayer identified in Part I for the matter(s) specified there; and
- I am one of the following:

a Attorney—a member in good standing of the bar of the highest court of the jurisdiction shown below.

b Certified Public Accountant—a holder of an active license to practice as a certified public accountant in the jurisdiction shown below.

c Enrolled Agent—enrolled as an agent by the IRS per the requirements of Circular 230.

d Officer—a bona fide officer of the taxpayer organization.

e Full-Time Employee—a full-time employee of the taxpayer.

f Family Member—a member of the taxpayer's immediate family (spouse, parent, child, grandparent, grandchild, step-parent, step-child, brother, or sister).

g Enrolled Actuary—enrolled as an actuary by the Joint Board for the Enrollment of Actuaries under 29 U.S.C. 1242 (the authority to practice before the IRS is limited by section 10.3(d) of Circular 230).

h Unenrolled Return Preparer—Authority to practice before the IRS is limited. An unenrolled return preparer may represent, provided the preparer (1) prepared and signed the return or claim for refund (or prepared if there is no signature space on the form); (2) was eligible to sign the return or claim for refund; (3) has a valid PTIN; and (4) possesses the required Annual Filing Season Program Record of Completion(s). ***See* Special Rules and Requirements for Unenrolled Return Preparers *in the instructions for additional information.***

k Qualifying Student or Law Graduate—receives permission to represent taxpayers before the IRS by virtue of his/her status as a law, business, or accounting student, or law graduate working in a LITC or STCP. See instructions for Part II for additional information and requirements.

r Enrolled Retirement Plan Agent—enrolled as a retirement plan agent under the requirements of Circular 230 (the authority to practice before the Internal Revenue Service is limited by section 10.3(e)).

▶ **IF THIS DECLARATION OF REPRESENTATIVE IS NOT COMPLETED, SIGNED, AND DATED, THE IRS WILL RETURN THE POWER OF ATTORNEY. REPRESENTATIVES MUST SIGN IN THE ORDER LISTED IN PART I, LINE 2.**

Note: For designations d–f, enter your title, position, or relationship to the taxpayer in the "Licensing jurisdiction" column.

Designation—Insert above letter **(a–r).**	Licensing jurisdiction (State) or other licensing authority (if applicable)	Bar, license, certification, registration, or enrollment number (if applicable)	Signature	Date
a	IL	6190938	Signed by: Richard Smick	March 19, 2026
a	IL	6349387	Signed by: Kendra Lesh	March 19, 2026

Regional Organization for Western Energy, Inc.
PO Box 150260
Lakewood, CO 80215
EIN: 41-4783979

EXHIBIT IV

SUPPLEMENTAL RESPONSES

Regional Organization for Western Energy

EIN: 41-4783979

Supplemental Responses to Form 1023

Part IV, Line 1. Describe completely and in detail your past, present, and planned activities. Do not refer to or repeat the purposes in your organizing document. For each past, present, or planned activity, include information that answers the following questions:

- **(a) What is the activity?**
- **(b) Who conducts the activity?**
- **(c) Where is the activity conducted?**
- **(d) What percentage of your total time is allocated to the activity?**
- **(e) How is the activity funded (for example, donations, fees, etc.) and what percentage of your overall expenses is allocated to this activity?**
- **(f) How does the activity further your exempt purposes?**

Background:

The Regional Organization for Western Energy, Inc. ("ROWE") is organized and shall be operated exclusively for charitable and educational purposes within the meaning of Section 501(c)(3) of the Internal Revenue Code of 1986, as amended (the "Code"). The ROWE will provide independent governance over certain electricity markets within the western United States and any other services requested by various stakeholders beginning in 2028. The following background is intended to describe the overall purposes and role of ROWE against the broader backdrop of regulated energy markets.

The Western Electric Coordinating Council ("WECC") is a Federal Energy Regulatory Commission ("FERC")-regulated nonprofit organization dedicated to promoting the reliability and security of the wholesale power system across 14 western U.S. states, two Canadian provinces, and parts of northern Mexico. WECC's primary functions include developing and enforcing reliability standards and coordinating the many utilities, transmission operators, and other stakeholders that operate electricity grids within the WECC footprint. WECC is tasked with monitoring compliance and enforcing reliability standards within its region. Through these efforts, WECC plays a critical role in maintaining a resilient, secure, and efficient power grid for electricity consumers in the western United States and neighboring regions.

California Independent System Operator ("CAISO") is a California public benefit corporation that is recognized as an exempt organization under Section 501(c)(3) of the Code. CAISO is responsible for overseeing the bulk transmission system and administering wholesale electricity markets within California and across the West. CAISO's core functions include balancing electricity supply and demand in real time, managing transmission congestion and planning, and operating competitive day-ahead (i.e., forward looking) and real-time (i.e., short term or "spot" trade) electric energy markets. CAISO, as the largest liquid power market in the WECC, has played a central role in

developing market rules to ensure that electricity customers within its footprint have access to reliable and affordable electricity. FERC regulates CAISO's market operations and tariff structures to ensure "just and reasonable" rates for wholesale electricity. The market matches customer demand for electricity (represented by investor-owned utilities (e.g., Pacific Gas and Electric Company), publicly owned utilities, and community choice aggregators) with electricity supply made available by generators and power marketers.

Having access to competitive wholesale power markets helps reduce the costs of procuring power for consumers. CAISO has operated for many years the wholesale day-ahead power market within California that allows buyers and sellers to trade electricity in an orderly, forward-looking process. Starting in 2014, CAISO launched the Energy Imbalance Market ("EIM"), a voluntary real-time market that enabled entities outside of California to buy and sell electricity across a broader portion of the WECC. The EIM has allowed utilities and other market participants to balance supply and demand more efficiently in real-time, leading to significant cost savings for energy customers throughout the WECC.

Historically, extending the EIM's regional approach to the day-ahead electricity market created challenges. On one hand, many potential day-ahead market participants in WECC have resisted the idea of joining the CAISO markets because of its oversight and control by the state of California. They sought governance independent of a single state. Further, until recently, CAISO's governance structure and regulatory barriers limited its ability to participate in a fully independent day-ahead market outside of California. California's Assembly Bill 825 ("AB 825"), enacted in September 2025, removed several longstanding regulatory barriers. AB 825 authorized CAISO and transmission owners operating within CAISO to join or help establish a regional day-ahead market, setting forth a process for evaluating and approving regional market governance proposals to ensure transparency and accountability.

ROWE has been formed to establish governance for a stand-alone competitive electricity market in the WECC such that both California and non-California market participants can realize greater efficiencies and cost savings from a larger, regional day-ahead market, and can take advantage of a variety of services described further below. ROWE's governance furthers the objectives of AB 825 by ensuring the independent and transparent governance of regional electricity markets serving California and the broader WECC. Its stakeholder process supports state policy autonomy and implements a public-benefit framework to attract a wide range of market participants to reduce costs for electricity customers.

ROWE will administer both the day-ahead market and the EIM under an operating or services agreement with CAISO. ROWE's scope of services will expand over time to include other voluntary services or programs requested by regional stakeholders, with the goal to build on the savings the public has already realized through the EIM. ROWE will also provide procedural resources to public and private entities seeking to advance reliable and affordable energy systems consistent with state objectives. ROWE's vision is a WECC-wide electricity system that operates with integrity, transparency, and independence, facilitating collaboration among states, utilities, consumers, and stakeholders to promote efficient markets that lower energy costs.

ROWE serves as an independent entity meant to lessen the burdens of the federal and state governments by (i) administering processes that support the efficient use of wholesale power resources to promote affordable energy in the bulk power system across a broad portion of the WECC; (ii) overseeing and providing open access to regional day-ahead and real-time electricity markets to support affordable electric service and; (iii) providing an independent governance structure to ensure that diverse state and stakeholder perspectives are heard and resolved efficiently.

ROWE's governance will support state policy autonomy and provide a public-benefit framework for the efficient, reliable, and affordable operation of energy markets. Its activities will support the development of open processes and provide policy, analytical, and procedural resources to public and private entities seeking to advance reliable and affordable energy systems consistent with federal and state objectives. As described in more detail below, ROWE's bylaws and other policies will set forth a framework to support meaningful governmental participation and involvement.

The following provides a more detailed description of ROWE's activities.

1. Organizational Structure

ROWE's governance framework, as detailed in its Bylaws, establishes an independent Board of Directors composed of members appointed through a transparent and merit-based process. The Board includes directors with expertise in electric markets, governance, consumer advocacy, and regulatory policy. The Board oversees committees focused on audit, stakeholder engagement, and market oversight. The organization's governance processes ensure insulation from market participant influence and maintain alignment with the public interest.

ROWE is designed to operate as an independent regional governance organization supporting the coordinated, efficient, and reliable operation of a western wholesale electricity market. Its mission includes, but extends beyond, the governance over the regional day-ahead market and EIM to include the promotion of broad regional collaboration, transparent and inclusive policymaking, and public-interest oversight. The organization's authority is grounded in voluntary participation, FERC-approved structures, and a contractual relationship with experienced market entities such as the CAISO.

The organization will employ an Executive Director, legal and technical staff, and administrative personnel. Consultants and external advisors will be engaged as needed to provide subject-matter expertise in market design, regulatory compliance, and stakeholder facilitation. Operational functions include financial management, human resources, communications, and IT systems to support transparent governance.

The ROWE will conduct its business operations across the western United States.

2. Programs, Activities, and Services

ROWE's charitable and educational activities focus on regional electricity market governance, public-interest policy development, transparency, and stakeholder engagement. Its primary programs will be as follows:

- Governance of Western Energy Markets: ROWE will oversee independent market governance functions for a western day-ahead market and real-time market, ensuring market design and operation align with the public interest and state policy autonomy. ROWE will oversee the development of other market services as requested by stakeholders through the processes and policies adopted by the Stakeholder Representatives Committee.
- Market Oversight and Policy Development: ROWE will develop and administer transparent procedures for reviewing and developing market rules, tariffs, and governance proposals. It will provide open access to policy development processes and ensure participation opportunities for all stakeholders.
- Stakeholder Process and Public Engagement: ROWE will manage a Stakeholder Representatives Committee and related functions that facilitate input from states, utilities, consumers, and the public. This process includes open meetings, public comment opportunities, and educational workshops designed to increase understanding of market operations and governance decisions.
- Capacity Building and Collaboration: ROWE will maintain an Office of Public Participation and facilitate briefings and conduct collaborative outreach for state regulators, consumer advocates, and other stakeholders to strengthen public-sector capacity in energy governance and oversight.

The Board will adopt various policies, including open meetings, open records, records retention, and other policies. The Bylaws specifically note that the Board shall provide an opportunity for members of the public to comment on matters being considered by the Board.

Each of these programmatic activities advances ROWE's charitable purpose by promoting education, transparency, and informed policymaking. No program is designed to generate profits, and all surplus funds are reinvested into public-benefit initiatives and organizational sustainability.

3. Target Beneficiaries and Stakeholders

ROWE's beneficiaries will include the electricity consumers, state policymakers, public-interest organizations, and electricity utilities throughout the western United States. By ensuring fair and independent governance of energy markets and services, ROWE benefits all individuals and communities that rely on affordable and reliable electricity.

Stakeholders engaged through ROWE's processes include public utility commissions, utilities, tribal governments, independent power producers and other market participants, consumer advocates, public interest organizations, state energy offices, and other interested entities. ROWE provides open forums and educational resources that empower these groups to participate effectively in

energy governance. To accomplish this engagement, several structures will be developed and supported by ROWE:

- A Nominating Committee consisting of representatives from stakeholder sectors, a representative from the Body of State Regulators (as defined in the Bylaws) and a representative from the ROWE Board responsible for identifying, vetting, and recommending independent ROWE Board members. The Body of State Regulators will include representatives from each of the participating states that will participate in ROWE's processing for policymaking and tariff modifications.
- A Stakeholder Representatives Committee ("SRC"), which will serve as the primary body responsible for developing policy proposals and coordinating stakeholder input. The SRC, structured to include a broad spectrum of stakeholders, will work closely with staff to catalog and prioritize the regional market initiatives, define problem statements, and develop solutions. By incorporating sector-based representation, the SRC will ensure that a balanced range of perspectives is considered, promoting collaboration and consensus among diverse views through sector-specific discussions.
- A Public Policy Committee ("PPC") of the ROWE Board will be created and tasked with conducting outreach at key points in the stakeholder process to states, local power authorities, and federal power marketing administrations to collect input about the potential for adverse impacts on a state, local, or federal policy by an initiative. More specifically, the Bylaws provide that this committee shall engage with the various participating states, local power authorities, federal power marketing administrations, the consumer advocate organization and other stakeholders.
- The ROWE will develop an Office of Public Participation to provide information and education to members of the public about issues and initiatives of ROWE, including facilitating engagement in those processes.
- A Body of State Regulators ("BOSR") will provide a forum for input by state utility regulators. This body will also receive funding to support its public interest engagement in the development of ROWE market rules and governance. As noted in the Bylaws, ROWE shall recognize and provide funding for this Body to participate in the nomination of directors and to maintain a process for the Board to receive and respond to information as recommended by this Body.
- An independent nonprofit Consumer Advocate Organization ("CAO") will be created to facilitate engagement by each consumer advocate office authorized by state law in which the markets are operating in the ROWE's stakeholder processes and other ROWE engagement opportunities. Tariff-based funding will be included to facilitate their participation. Participation by the Consumer Advocate Organization will be governed by the ROWE's Bylaws, policies adopted by the ROWE Board, and the CAO's own internal governance policies.

4. Strategy, Implementation, and Milestones

ROWE's implementation strategy includes initial activities to establish core governance, SRC formation, adoption of operational policies, negotiating necessary contractual relationships, and preparing for the eventual FERC tariff filing.

Over the first two years, ROWE will focus on (1) organizational establishment and staffing; (2) developing market oversight and governance frameworks; (3) implementing stakeholder engagement processes; and (4) delivering annual reports and ongoing progress updates to the public. In its third year, ROWE plans to launch direct operations and to its assumption of governance authority for regional market operations and the expansion of functions and services as decided upon by participants.

ROWE anticipates that the Initial Board will be appointed in the third quarter of 2026 and replace members of the Formation Board (each as defined in the Bylaws). ROWE further anticipates that initial staff will not be hired until the fourth quarter of 2026.

5. Financial Plan and Sustainability

ROWE's funding model relies on a combination of grants, philanthropic contributions, debt financing and, ultimately, cost recovery through participant assessments approved by the Board and FERC. ROWE also expects to receive revenue in 2028 from public tariffs filed with FERC detailing the rates, terms, and conditions for the services ROWE provides. All revenues will be used to further the organization's charitable and educational purposes**.** The proceeds of debt financing have been included as other revenues on line 7 of Part VI of Form 1023.

6. Risk Management and Oversight

ROWE recognizes risks related to funding continuity, stakeholder alignment, and regulatory changes. To mitigate these risks, ROWE will maintain strong governance controls, transparent financial practices, and open stakeholder engagement. The Board will oversee internal controls, audits, and compliance with federal and state laws. The Board will also evaluate the timing and process for creating a reserve fund for the future.

7. Reporting and Impact Measurement

ROWE evaluates its success based on qualitative and quantitative performance indicators, including stakeholder participation and financial benefits accrued through efficiencies gained by markets and services governed by ROWE. Annual reports summarizing activities, finances, and outcomes will be published on the organization's website and distributed to regulators, market participants, and the public. The Board will conduct public meetings and deliberations where public input will also be taken.

<u>Part IV, Line 7</u>. Do you or will you publish, own, or have rights in music, literature, tapes, artworks, choreography, scientific discoveries, or other intellectual property? If "Yes," describe who owns or will own any copyrights, patents, or trademarks, whether fees are or

will be charged, how the fees are determined, and how any items are or will be produced, distributed, and marketed.

ROWE intends to trademark its brand and name but does not intend to charge any fees or license its brand or name to any third parties.

Part IV, Line 9. Do you or will you make grants, loans, or other distributions to organizations? If "Yes," describe the type and purpose of the grants, loans, or distributions, how you select your recipients including submission requirements (such as grant proposals or application forms), and the criteria you use or will use to select recipients. Also describe how you ensure the grants, loans, and other distributions are or will be used for their intended purposes (including whether you require periodic or final reports on the use of funds and any procedures you have if you identify that funds are not being used for their intended purposes). Finally, describe the records you keep with respect to grants, loans, or other distributions you make and identify any recipient organizations and any relationships between you and the recipients. If "No," continue to Line 10.

From its operating revenues, ROWE will fund the independent Consumer Advocate Organization, a 501(c)(3) organization, that will facilitate engagement with its consumer advocate stakeholders. The ROWE will also contribute to funding of the BOSR to facilitate its engagement and input into the ROWE governance activities pursuant to tariff-based funding and policies to be adopted by the ROWE Board and the BOSR. ROWE will maintain records of distributions made specifically to these organizations.

Part V, Line 3. Do you or will you compensate any of your officers, directors, trustees, highest compensated employees, and highest compensated independent contractors through non-fixed payments, such as discretionary bonuses or revenue-based payments? If "Yes," describe all non-fixed compensation arrangements, including how the amounts are determined, who is eligible for such arrangements, whether you place a limitation on total compensation, and how you determine or will determine that you pay no more than reasonable compensation for services.

ROWE may provide discretionary bonuses. The terms and conditions of such bonus arrangements have yet to be determined.

Part V, Line 7. Does or will someone other than your own employees or volunteers manage your activities or facilities? If "Yes," describe the activities or facilities that will be managed by others, the names of the persons or organizations that manage or will manage your activities or facilities, and any business or family relationship between the organization and your officers, directors, or trustees. Explain how these managers were or will be selected, how the terms of any contracts or other agreements were or will be negotiated, and how you determine you will pay no more than fair market value for services.

ROWE and CAISO will enter into an operating or services agreement to provide various services. between ROWE and CAISO.

Part VI, Line 25. Itemized financial data

Line 7. Any revenue not otherwise listed above or in lines 9-12 below (provide an itemized list below)

- 1/1/2026-12/31/2026:
  - The organization will obtain a commercial loan from an independent financial institution on market terms and rates. The lender as well as those terms have yet to be determined. Estimated loan amount: $713,000.00
- 1/1/2027-12/31/2027:
  - The organization will obtain a commercial loan from an independent financial institution on market terms and rates. The lender as well as those terms have yet to be determined. Estimated loan amount: $4,755,000.00

Line 9. Gross receipts from admissions, merchandise sold or services performed, or furnishing of facilities in any activity that is related to your exempt purposes (provide an itemized list below)

- 1/1/2028-12/31/2028:
  - Tariff revenues as described in paragraph 5 of the response to Part IV, Line 1 of these supplemental responses: $9,135,000.00

Line 23. Any expense not otherwise classified, such as program services (provide an itemized list below)

- 1/1/2026-12/31/2026:
  - Other administrative and professional costs: $385,480.00
- 1/1/2027-12/31/2027:
  - Other administrative and professional costs: $792,473.20
- 1/1/2028-12/31/2028:
  - Payments or expenses associated with BOSR as described in paragraph 3 of the response to Part IV, Line 1 of these supplemental responses: $700,000.00
  - Payments or expenses associated with CAO as described in paragraph 3 of the response to Part IV, Line 1 of these supplemental responses: $500,000.00
  - Other administrative and professional costs: $1,522,400.00

Regional Organization for Western Energy, Inc.

P.O. Box 150260 | Lakewood, Colorado 80215

May 29, 2026

VIA DOCUMENT UPLOAD TOOL

ATTN: Isiaka Abejide Room 6403
Internal Revenue Service Exempt Organizations
P.O. Box 2508
Cincinnati, Ohio 45201
Group 7828

Re: Regional Organization for Western Energy, Inc. (EIN # 41-4783979)

Dear Mr. Abejide:

We received your letter dated April 27, 2026, regarding your request for additional information associated with the application for federal tax exemption submitted by Regional Organization for Western Energy, Inc. (the "Organization"). A copy of your letter is enclosed, and our response is below.

Pursuant to a conversation between you and our counsel, Richard L. Sevcik of Perkins Coie LLP, the date of our response to your request for additional information was extended to June 1, 2026.

The letter for additional information stated the following:

2. You submitted Form 1023, Application for Recognition of Exemption Under Section 501(c)(3) of the Internal Revenue Code, requesting recognition of exemption under IRC Section 501(c)(3). From the information you provided, it is not clear whether you qualify under this section of the IRC. We need additional information before we can process your application and make a determination.

To be recognized under Section 501(c)(3), an organization must operate exclusively for the purposes described in Section 501(c)(3). The purposes described are Charitable, Religious, Educational, Scientific, or Literary.

To be recognized under Section 501(c)(6), an organization must be a business league that serves the common business interests of its members. Its activities should be directed at the improvement of business conditions of one or more lines of business as distinguished from the performance of particular services for individual persons.

You can find additional information about all exempt organizations on the IRS website at www.irs.gov/charities, and in IRS Publication 557, Tax-Exempt Status for Your Organization.

If you want to pursue recognition as an exempt organization described in Section 501(c)(3), please submit additional information showing how you are organized and operated exclusively for the purposes described in Section 501(c)(3).

If you decide that you qualify for recognition as an exempt organization described in 501(c)(6), please complete Form 1024 and Form 1024, Schedule C. Both the form and the schedule are available on the IRS website at www.irs.gov/formspubs.

I. THE ORGANIZATION IS ORGANIZED AND OPERATING EXCLUSIVELY FOR CHARITABLE PURPOSES WITHIN THE MEANING OF SECTION 501(C)(3) OF THE INTERNAL REVENUE CODE.

Section 501(c)(3) of the Internal Revenue Code of 1986, as amended (the "Code"), exempts from Federal income tax a corporation organized and operated exclusively for charitable, educational, and other purposes, provided that no part of its net earnings inures to the benefit of any private shareholder or individual.

Section 1.501(c)(3)-1(c)(1) of the Treasury Regulations provides in pertinent part, that an organization will be regarded as "operated exclusively" for one or more purposes only if it engages primarily in activities which accomplish one or more of such purposes described in section 501(c)(3) of the Code.

Section 1.501(c)(3)-1(d)(1) of the Treasury Regulations provides that an organization may be recognized as exempt under section 501(c)(3) of the Code if it is operated exclusively for one or more of the following purposes: religious, charitable, scientific, testing for public safety, literary, educational, or prevention of cruelty to children or animals.

Section 1.501(c)(3)-1(d)(2) of the Treasury Regulations provides that the term "charitable" is used in section 501(c)(3) of the Code in its generally accepted legal sense. This term includes relief of the poor and distressed or of the underprivileged; the erection of public buildings, or works; and lessening the burdens of government. It also includes the promotion of social welfare and relieving the poor and distressed or the underprivileged, combatting community deterioration, lessening neighborhood tensions, and eliminating prejudice and discrimination.

As described below, the Organization is organized and operating exclusively for charitable purposes within the meaning of section 501(c)(3) of the Code due to its promotion of social welfare and lessening the burdens of government.

II. THE ORGANIZATION IS ORGANIZED AND OPERATING EXCLUSIVELY FOR CHARITABLE PURPOSES DUE TO ITS PROMOTION OF SOCIAL WELFARE.

Congress and federal regulators have long recognized that promoting competition in wholesale electricity markets serves the public interest by reducing costs, enhancing reliability, and ensuring efficient use of resources. The Federal Energy Regulatory Commission ("FERC") has implemented policies requiring open access to transmission systems and encouraging the formation of independent system operators and regional transmission organizations to promote competition and ensure reliable electricity service. Among other things, the market operators and

transmission providers regulated by FERC are "public utilities" that provide critical electricity market services to the general public.

The Western Electric Coordinating Council ("WECC") is a FERC-regulated nonprofit organization dedicated to promoting the reliability and security of the wholesale power system across 14 western U.S. states, two Canadian provinces, and parts of northern Mexico. Within this region, the California Independent System Operator ("CAISO"), a California public benefit corporation recognized as tax-exempt under section 501(c)(3) of the Code, is responsible for overseeing the bulk transmission system and administering wholesale electricity markets within California and across the West. CAISO operates competitive day-ahead and real-time electricity markets that have proven substantial benefits for electricity consumers, including providing opportunities for the public to secure lower-cost energy. CAISO, like many other FERC-regulated Independent System Operators ("ISO") and Regional Transmission Organizations ("RTO"), has obtained tax exempt status from the Internal Revenue Service under section 501(c)(3) of the Code. For instance, the Independent System Operator of New England ("ISO-NE") (EIN: 04-3372500) and the New York Independent System Operator ("NYISO") (EIN: 14-1815612).

Despite the proven benefits of organized wholesale electricity markets lowering prices, extending regional market services across the full Western Interconnection has presented governance challenges. Many potential market participants outside of California have resisted joining CAISO-administered markets due to concerns about oversight and control by a single state. It was in this context that the California legislature enacted Assembly Bill 825 ("AB 825") in September 2025. This legislation removed several longstanding regulatory barriers to a regional organization and authorized CAISO and transmission owners operating within CAISO to join or help establish a regional day-ahead market with an independent governance structure.

The Organization was created to implement this independent governance structure and to ensure that the benefits of wholesale electricity markets are maximized for customers across the entire Western United States. And the creation of the Organization represents years of efforts by various state regulators to bring the Organization into being. Like CAISO and other ISOs and RTOs that are exempt from taxation under section 501(c)(3) of the Code (i.e., NYISO and ISO-NE), the Organization will administer electricity markets to ensure the public has access to reliable electricity at the lowest possible price. In doing so, the Organization will engage in activities that benefit the general public by providing efficient critical public services and not those activities that primarily benefit the interests of market participants and commercial providers.

The Internal Revenue Service and the courts have addressed this type of issue on a number of occasions. See Revenue Ruling 80-279, 1980-2 C.B. 176 (purpose of organization was to research, mediate, and resolve international environmental damage disputes); Revenue Ruling 76-204, 1976-1 C.B. 152 (organization formed to purchase ecologically significant parcels to preserve the natural environment); Dumaine Farms v. Commissioner, 73 T.C. 650 (1980)(purpose of organization was to test and demonstrate the restoration of exhausted land); and Revenue Ruling 76-147, 1976-1 C.B. 151 (organization formed to improve quality of life in a community; economic decline or deterioration is not a prerequisite to the public benefit requirement for charitable organizations that promote the social welfare).

The principal beneficiaries of the activities of the Organization will be the general public and electricity customers across the Western United States, and not the business interests of the energy industry and its commercial providers. The California legislation and the governing documents of the Organization provide several measures to ensure that the needs of the general public are taken into account and respected:

1. The Organization's Bylaws provide for the creation and support of an independent nonprofit "Consumer Advocate Organization" ("CAO") that will facilitate engagement by each consumer advocate office authorized by state law in which the markets are operating. More specifically, the Bylaws require the Organization to "Support the creation of and make funding available for a consumer advocate organization that represents the interests of one or more consumer advocate offices authorized by state statute in any Participating State and facilitate the engagement by the consumer advocate organization with the [Organization] in the stakeholder engagement process developed for policy decisions to be made by the Board."

2. The Organization's Bylaws provide for an Office of Public Participation that will provide information and education to members of the public about issues and initiatives of the Organization, including facilitating engagement in those processes.

3. As more fully described below, the Organization's Bylaws provide for a Stakeholder Representatives Committee ("SRC"), a Public Policy Committee ("PRC") and a Body of State Regulators ("BOSR").

4. The California legislation requires that members of the governing board of the Organization "may not be affiliated with any actual or potential participant in any market" administered by the Organization (referred to herein generally as "market participants"). The Organization will adopt conflict of interest and other board selection policies and procedures to ensure that all of its officers, directors and employees are not affiliated with any market participant or hold any financial interest in a market participant and to promote public participation and governance. These policies are similar to those policies currently in place within CAISO. More specifically, board candidates must meet the standards of independence defined by FERC and cannot have a prohibited relationship or prohibited financial interest. Further the board nominating process is intended to ensure that the composition of the board reflects a diversity of perspectives that may result from different areas of expertise, geographic background, ethnicity, gender and professional backgrounds, and life experience. The Board members will be vetted and recommended by a Nominating Committee (as discussed in more detail below) and made up of stakeholder representatives, including a regulator and a consumer advocate, and then approved by the Board. There are no "members" to vote for or approve the Board nominees.

By ensuring fair and independent governance of energy markets and services, the Organization will benefit all individuals and communities that rely on affordable and reliable electricity. The Organization does not have members and does not represent or further the interests of any industry, and therefore was not organized and is not intended to operate under section 501(c)(6) of the Code.

III. THE ORGANIZATION IS ORGANIZED AND OPERATING EXCLUSIVELY FOR CHARITABLE PURPOSES DUE TO ITS LESSENING THE BURDENS OF GOVERNMENT.

As noted above, the term "charitable" includes the "lessening the burdens of government." Revenue Ruling 85-1, 1985-1 C.B. 178, and 85-2, 1985-1 C.B. 178, set forth a two-part test for determining whether a nonprofit organization's activities lessen the burdens of a governmental unit. First, it is necessary to determine whether the governmental unit considers the organization's activities to be its burden. The second part of the test is whether these activities actually lessen the burdens of the government.

A. VARIOUS AND MULTIPLE LEVELS OF GOVERNMENTAL UNITS CONSIDER THE ACTIVITIES TO BE CONDUCTED BY THE ORGANIZATION AS ITS BURDEN.

Under Revenue Rulings 85-1 and 85-2, an activity is considered to be a burden of a governmental unit if "there is an objective manifestation by the governmental unit that it considers such activity to be part of its burden." As noted in these rulings, the "interrelationship between the governmental unit and the organization may provide evidence that the governmental unit considers the activity to be its burden."

As noted in General Counsel Memorandum ("GCM") 39682 (December 14, 1987), the governmental unit itself is the "proper party" to decide whether a particular activity is sufficiently in the public interest to be recognized as a burden of the governmental unit. As further noted in GCM 39682, the Internal Revenue Service has considered a variety of evidence of a government's objective manifestation that it considers the activity of the organization to be a burden of government. These have included a statutory requirement to set up the organization, a legislative acknowledgement of governmental responsibility, activities of the organization being previously funded by the government or a history of government participation in the activity.

1. Various State legislatures and other governmental units have called for the creation of the Organization, and the implementing provisions of those efforts are built into the governance and operations of the Organization.

As described below, California and other Western states have provided multiple objective manifestations—through decades of legislation, regulatory action, and explicit calls to action—that the activities being undertaken by the Organization are the burdens of the government.

California's legislative history demonstrates a consistent and long-standing governmental commitment to ensuring competitive, reliable, and affordable electricity markets—a burden the California Legislature has repeatedly acknowledged as a governmental responsibility. In 1996, the California Legislature enacted Assembly Bill 1890, which restructured California's electricity industry and established the California Independent System Operator or CAISO. This bill was largely in response to FERC orders 888 and 889, which aimed to increase competition to lower prices for customers. The California Legislature expressly found and declared that "the restructuring of the California electricity industry has been driven by changes in federal law intended to increase competition in the provision of electricity." The California Legislature further stated its intent "to ensure that California's transition to a more competitive electricity market structure allows its citizens and businesses to achieve the economic benefits of industry restructuring at the earliest possible date, creates a new market structure that provides competitive, low cost and reliable electric service, provides assurances that electricity customers in the new market will have sufficient information and protection, and preserves California's commitment to developing diverse, environmentally sensitive electricity resources." (Cal. Stats. 1996, ch. 854, § 1(a)). These legislative findings constitute an unambiguous acknowledgment that ensuring competitive, affordable, and reliable electricity markets is a governmental burden that the state of California has recognized.

As noted above, the California Legislature enacted Assembly Bill 825 in 2025. This legislation establishes detailed requirements for the creation and operation of an independent regional organization to govern Western electricity markets—that organization is the Organization. The legislation authorizes CAISO and participating transmission owners "to use voluntary energy markets governed by an independent regional organization" provided that specified requirements are satisfied. (Cal. Pub. Util. Code § 345.6(a)). Significantly, AB 825 prescribes in statutory detail the governance characteristics that such an independent regional organization must embody, thereby demonstrating that the California Legislature considers the establishment and proper governance of regional electricity markets to be a matter of substantial governmental concern and its burden. Copies of both AB 1890 and AB 825 are attached hereto as Exhibit A and Exhibit B, respectively.

2. **Various State Regulators have requested the formation of the Organization and are supportive of its purposes and activities.**

State regulators have called for the creation of the Organization providing further evidence that the Organization's activities are the burdens of the government. On July 14, 2023, a coalition of state public utility commissioners and other officials from across the Western United States issued a formal call to the Committee on Regional Electric Power Cooperation and the Western Interstate Energy Board for the creation of the type of entity that is the Organization and with the same mission. In their letter, a copy of which is attached hereto as Exhibit C, these state regulators stated: "The undersigned group of state public utility commissioners and other officials write you this letter in your capacity as leadership for the Committee on Regional Electric Power Cooperation and the Western Interstate Energy Board in order to inform you and elevate our call, and proposal, for ensuring that the benefits of wholesale electricity markets are maximized for customers across the entire Western U.S. This group proposes the creation of an entity that could

serve as a means for delivering a market that includes all states in the Western Interconnection, including California, with independent governance."

The state regulators' letter further explained: "We have identified a common commitment in seeking the benefits shown in multiple studies that demonstrate the most favorable electricity market for consumers is one that includes a West-wide market footprint. Such a market would avoid the issue of 'seams' from separate markets across major portions in the West, and result in optimized use of resources to meet loads across the entire interconnection."

The signatories to this letter included the Chair of the Washington Utilities and Transportation Commission, the President of the California Public Utilities Commission, the Vice Chair of the California Energy Commission, Commissioners from the Oregon Public Utility Commission, the Chair of the New Mexico Public Regulation Commission, and a Commissioner from the Arizona Corporation Commission. This letter, combined with California's subsequent enactment of AB 825—which specifically authorizes participation in markets governed by an independent regional organization and prescribes detailed governance requirements for such an organization—constitutes an unmistakable "objective manifestation" by state governmental units that they consider the Organization's activities to be a governmental burden.

The state regulators' proposal specifically called for "a separate non-profit entity governed by representation from across the West" that "could provide a full range of regional transmission operator services, utilizing a contract for services with the California Independent System Operator (CAISO), including eventual assumption of the Extended Day Ahead Market (EDAM) and the Energy Imbalance Market (EIM)." The Organization has been formed to fulfill precisely this mission and these activities.

The state regulators explicitly stated that they "are committed to the vision of maximizing the benefits of organized wholesale electricity markets for customers in the West" and expressed their determination "to realize a viable alternative to having a fractured western market." This call for action directly parallels the circumstances under which the CAISO (which undertakes the same functions as the Organization) was granted 501(c)(3) status in 1998—where state government agencies issued objective manifestations that they had assumed the burden of promoting competition and reliability in electricity markets.

3. **The Organization will have a continuing relationship with governmental entities through its governing documents consistent with the enabling California legislation.**

Involvement by a governmental unit in the operations of a nonprofit organization is important in determining whether the requisite "objective manifestation" has been made by the governmental unit. The Organization's governance structure ensures meaningful and continuing participation by state regulatory bodies in its operations. Notably, AB 825 mandates that an independent regional organization must satisfy specific requirements regarding governmental involvement that directly mirror the Organization's governance structure as set forth in its Bylaws, and which will be further delineated in policies, procedures and charters to be adopted by the board of the Organization.

Body of State Regulators. AB 825 requires that the independent regional organization maintain "a relationship with and [seek] input from a body of state regulators or similar body to receive the views of state regulators." (Cal. Pub. Util. Code § 345.6(a)(3)). The Organization's Bylaws mandate the establishment of a Body of State Regulators ("BOSR") directly satisfying this statutory requirement and demonstrating alignment between the Organization's governance and California's legislative mandate. The BOSR will consist of representatives from each Participating State and will participate in the Organization's processes for policymaking and tariff modifications. The BOSR also provides a formal forum for input by state utility regulators in the governance of the regional electricity markets. The Organization's Bylaws specifically further provide that the Organization "shall recognize and provide funding for [the Body of State Regulators] to participate in the nomination of directors and to maintain a process for the Board to receive and respond to information as recommended by this Body." This funding mechanism ensures that state regulators have the resources necessary to engage meaningfully in the Organization's governance.

Consumer Advocate Organization. AB 825 expressly requires that the independent regional organization "make[] funding available for a consumer advocate organization that represents the interests of one or more consumer advocate offices authorized in state law, including the Public Advocate's Office of the Public Utilities Commission, and facilitates engagement by those offices with the independent regional organization." (Cal. Pub. Util. Code § 345.6(a)(4)). The Bylaws of the Organization provide for the creation and support of an independent nonprofit "Consumer Advocate Organization" ("CAO") that will facilitate engagement by each consumer advocate office authorized by state law in which the markets are operating. The Organization's Bylaws require the Organization to "Support the creation of and make funding available for a consumer advocate organization that represents the interests of one or more consumer advocate offices authorized by state statute in any Participating State and facilitate the engagement by the consumer advocate organization with the [Organization] in the stakeholder engagement process developed for policy decisions to be made by the Board." These consumer advocate offices are governmental or quasi-governmental entities established by state law to protect the interests of electricity consumers.

Public Policy Committee. AB 825 requires that the governing board of the independent regional organization "maintain[] a public policy committee consisting of members of the governing board of the independent regional organization that engages with states, local power authorities, and federal power marketing administrations about potential impacts to state, local, or federal policies before it approves a tariff change for filing at the Federal Energy Regulatory Commission." (Cal. Pub. Util. Code § 345.6(a)(2)). The Bylaws of the Organization establish a Public Policy Committee of the Board of Directors responsible for "conducting outreach at key points in the stakeholder process to Participating States and their designated representatives, local power authorities, federal power marketing administrations and stakeholders to collect input about the potential for adverse impacts on a state, local, or federal policy by an initiative." This

committee ensures that the input collected from governmental entities "will be incorporated in the stakeholder process and presented to the Board of Directors before it votes on a final Tariff change."

Nominating Committee. The Organization's Bylaws establish a Nominating Committee that includes a representative from the Body of State Regulators, ensuring that state governmental entities have a direct voice in the selection and nomination of the Organization's Board of Directors and in the operations of the Organization.

B. THE ORGANIZATION WILL ACTUALLY LESSEN THE BURDEN OF GOVERNMENTAL UNITS.

Under Revenue Rulings 85-1 and 85-2, to determine whether an organization is actually lessening the burdens of government, all of the relevant facts and circumstances must be considered. A favorable working relationship between the government and the organization is strong evidence that the organization is actually lessening the burdens of government. In Revenue Ruling 85-2, specifically, the organization lessened the burdens of government by the fact that the government was able to augment its law enforcement activities in the area of illegal drug traffic, and such agencies could engage in certain aspects of drug enforcement without the appropriation of additional governmental funds.

The Internal Revenue Service has recognized that ISOs and RTOs lessen the burdens of government. For example, in Private Letter Ruling 201214034 (April 6, 2012), the Internal Revenue Service noted that "[i]f [the organization] ceased to operate, FERC would be required to directly assume these responsibilities for [the] region."[1] Similarly, if the Organization did not exist, state and federal regulators would be required to find alternative means—either through direct regulation or the establishment of another entity—to achieve the consumer benefits and market efficiencies that the Organization is designed to provide.

The state regulators' July 14, 2023 letter explicitly recognized that "the benefits shown in multiple studies . . . demonstrate the most favorable electricity market for consumers is one that includes a West-wide market footprint." The regulators noted that the Energy Imbalance Market alone "has proven a value of nearly $4 billion since 2014." By providing independent governance for an expanded regional market, the Organization will enable realization of the substantial additional benefits that would come from a unified West-wide market, thereby directly lessening the burden that would otherwise fall on governmental units to find alternative means of achieving these consumer benefits.

[1] Section 6110(k)(3) provides that written determinations, including private letter rulings, may not be used or cited as precedent with respect to questions of federal tax law. Private letter rulings, however, may be useful in determining the IRS's views with respect to such a question, or in establishing reasoning the IRS has used in the past to answer the question.

C. THE INTERNAL REVENUE SERVICE HAS RULED IN PRIOR RULINGS THAT ORGANIZATIONS SIMILAR TO THE ORGANIZATION QUALIFY FOR EXEMPTION UNDER SECTION 501(C)(3) OF THE CODE.

A number of organizations with purposes similar to those of the Organization have obtained tax exempt status under section 501(c)(3) of the Code.

CAISO applied for and received tax exemption under section 501(c)(3) of the Code. In its application for exempt status, it took the position that its activities were charitable by virtue of its lessening the burdens of government.

In two Private Letter Rulings, the Internal Revenue Service addressed whether the implementation of a central counterparty structure would impact the exempt status of the organization or result in revenues received by such transactions being treated as unrelated business taxable income under section 513 of the Code.

In Private Letter Ruling 201214034, supra, the organization was exempt from Federal income tax under section 501(c)(3) of the Code and was organized and operated exclusively for the purpose of lessening the burdens of government. The organization was designated as the regional transmission organization or RTO for a specific area by FERC. As part of the process of deregulation and the introduction of market competition into the wholesale electricity market, FERC charged the organization with providing independent, open and fair access to electric transmission systems, facilitating market-based wholesale rates, and ensuring effective and reliable management and operation of the bulk power system in its region. This charge also included the responsibility of ensuring that rates charged for transmission and sale of electric energy were reasonable. As noted above, if the organization ceased to operate, FERC would have been required to directly assume these responsibilities. The Internal Revenue Service stated that "as the RTO for your particular region, you lessen the burdens of government by being responsible for administering the market-based regulation of the wholesale electricity market and ensuring that rates charged for transmission and sale of electric energy are reasonable, a responsibility that FERC would be required to assume directly if you ceased to operate."

In Private Letter Ruling 201209010 (March 2, 2012), the organization also was exempt from Federal income tax under section 501(c)(3) of the Code and was organized and operated exclusively for the purpose of lessening the burdens of government. The organization was designated as the independent system operator or ISO for a specific area by FERC. As part of the process of deregulation and the introduction of market competition into the wholesale electricity market, FERC charged the organization with the same responsibilities as the organization in PLR 201214034. The Internal Revenue Service stated that "(a)s the ISO for your state, you lessen the burdens of government by being responsible for administering the market-based regulation of the wholesale electricity market, a responsibility that FERC and your state's utility regulatory body have passed to you in order to fulfill their mandate of ensuring the provision of safe, adequate and reliable electric service at reasonable rates."

ISO-NE is a Section 501(c)(3) organization organized and operated exclusively for charitable purposes including: (1) maintaining the reliability of the bulk power and transmission

system in New England by, among other functions, exercising operational authority over the bulk transmission facilities, (2) administering and seeking to enhance sustainable, competitive and efficient energy markets, and (3) providing non-discriminatory, open-access transmission service.

Similarly, NYISO is also a Section 501(c)(3) organization organized and operated to ensure power system reliability and competitive markets for New York in a clean energy future. NYISO's vision is working together with stakeholders to build the cleanest, most reliable electric system in the nation.

In our supplemental responses to the Form 1023, we state that the Organization is designed to operate as an independent regional governance organization supporting the coordinated, efficient and reliable operation of a western wholesale electricity market. More specifically, and to quote from the private letter rulings, the Organization will facilitate market-based wholesale rates, "[administer] the market-based regulation of the wholesale electricity market and [ensure] that rates charged for transmission and sale of electric energy are reasonable" and "[administer] and [seek] to enhance sustainable, competitive and efficient energy markets." The Internal Revenue Service has therefore concluded that comparable organizations actually lessen the burdens of government.

IV. CONCLUSIONS

Based upon the foregoing, the Organization satisfies all organizational and operational requirements of section 501(c)(3) of the Code.

The Organization is organized and operated exclusively for charitable purposes due to its promotion of "social welfare."

Further, the Organization's activities constitute "lessening the burdens of government" within the meaning of Section 1.501(c)(3)-1(d)(2) of the Treasury Regulations. State governmental units and regulators have provided "objective manifestations" that they consider the Organization's activities to be a governmental burden, as evidenced by legislation adopted by the State of California and explicit calls by state regulatory authorities for the creation of an independently governed West-wide electricity market entity. The Organization's governance structure ensures meaningful and continuing participation by governmental bodies. The Organization will actually lessen these governmental burdens by providing independent governance over regional electricity markets that will deliver substantial benefits to electricity consumers across the western United States.

3. Provide details of your expected revenue and expense, itemized for tax years 2026, 2027, and 2028. Include both the type and amount of revenue and expenses. Be as specific as possible.

Please see the financial data attached hereto as Exhibit D.

4. Provide a list of your organization's staff, their experience and/or qualifications for the functions which they will perform. The list should include:

a. Description of the positions and their duties
b. Description of the qualifications for the position
c. Indicate whether the position is currently held by an officer or board member.
d. Indicate whether they are related to anyone on the Board of Directors? If so, what is the relationship?
e. Indicate how and what amount of compensation will they receive along with how the amount is determined?
f. Indicate what procedure you will do to make sure it is reasonable and not be considered inurement or private benefit

a. The Organization is in the process of developing its organizational structure and staffing plan. A professional search firm has been engaged to assist in identifying and recruiting qualified candidates for the initial Board of Directors, with background checks conducted on all candidates. Full-time staff positions are anticipated to be filled beginning in 2027, with the Organization becoming fully operational in 2028. Position descriptions and duties will be developed over the course of the next year.
b. The Organization does not currently have employees but will develop formal job descriptions and qualification requirements for each position over the course of the next year and as the hiring process commences.
c. Officers and members of the Board of Directors will not hold staff positions within the Organization.
d. The Organization has adopted a conflict of interest policy that includes disclosure requirements for any familial or business relationships between executive employees, officers, and directors. It is not anticipated that employees will be related to members of the Board of Directors; however, if any such relationships exist, they will be disclosed and managed in accordance with the Organization's conflict of interest policy.
e. Compensation for employees and directors will be determined based on comparability data obtained from market studies of similar positions at comparable nonprofit and tax-exempt organizations. Market studies will be conducted periodically to ensure compensation remains competitive and appropriate.
f. The Organization will adopt and maintain a comprehensive conflict of interest policy, compensation review procedures, and internal controls designed to prevent inurement and private benefit.

Under penalties of perjury, I declare that I have examined this request, or this modification to the request, including accompanying documents, and, to the best of my knowledge and belief, the request or modification contains all the relevant facts relating to the request, and such facts are true, correct, and complete.

Kathleen Staks
Signature

5/29/2026
Date

Thank you for your consideration of our application for federal tax exemption and our response to your request for additional information.

Respectfully,

REGIONAL ORGANIZATION FOR WESTERN ENERGY, INC.

Kathleen Staks
Kathleen Staks, President

Enclosures

EXHIBIT A

CALIFORNIA LEGISLATION AB 1890

BILL NUMBER: AB 1890 CHAPTERED
BILL TEXT

CHAPTER 854
FILED WITH SECRETARY OF STATE SEPTEMBER 24, 1996
APPROVED BY GOVERNOR SEPTEMBER 23, 1996
PASSED THE SENATE AUGUST 31, 1996
PASSED THE ASSEMBLY AUGUST 30, 1996
CONFERENCE REPORT NO. 1
PROPOSED IN CONFERENCE AUGUST 28, 1996
AMENDED IN SENATE JUNE 19, 1996
AMENDED IN SENATE APRIL 8, 1996
AMENDED IN ASSEMBLY JULY 19, 1995
AMENDED IN ASSEMBLY JULY 11, 1995
AMENDED IN ASSEMBLY JUNE 19, 1995
AMENDED IN ASSEMBLY APRIL 25, 1995

INTRODUCED BY Assembly Member Brulte
(Principal coauthors: Assembly Members Conroy, Kuykendall, and Martinez)
(Principal coauthors: Senators Leonard, Peace, and Sher)
(Coauthors: Assembly Members Ackerman, Alby, Baca, Battin, Baugh, Boland, Frusetta, Goldsmith, Harvey, Margett, McPherson, Miller, Morrissey, Morrow, Pringle, Richter, Alpert, Baldwin, Brown, Bustamante, Cunneen, Davis, Ducheny, Escutia, Gallegos, Hawkins, Hauser, House, Kaloogian, Katz, Knowles, Machado, Mazzoni, Kevin Murray, Willard Murray, Napolitano, Olberg, Poochigian, Rainey, Rogan, Takasugi, and Woods)
(Coauthors: Senators Alquist, Calderon, Haynes, Johannessen, Kelley, Maddy, Ayala, Dills, Costa, Craven, Hughes, Johnston, Kopp, Killea, Leslie, Marks, Petris, Polanco, Rosenthal, Russell, Solis, and Monteith)

FEBRUARY 24, 1995

An act to amend Sections 955.1 and 3440.1 of the Civil Code, to amend Section 9104 of the Commercial Code, to amend Sections 63010, 63025.1, and 63071 of, and to add Article 6 (commencing with Section 63048) to Chapter 2 of Division 1 of Title 6.7 of, the Government Code, to amend Section 216 of, to add Chapter 2.3 (commencing with Section 330) to, to add Article 5.5 (commencing with Section 840) to Chapter 4 of, Part 1 of Division 1 of, to add Division 4.9 (commencing with Section 9600) to, and to repeal Article 12 (commencing with Section 394) of Chapter 2.3 of Part 1 of Division 1 of, the Public Utilities Code, relating to public utilities, making an appropriation therefor, and declaring the urgency thereof, to take effect immediately.

LEGISLATIVE COUNSEL'S DIGEST

AB 1890, Brulte. Public utilities: electrical restructuring.

Existing law provides for the furnishing of utility services, including residential electrical, gas, heat, and water services, by privately owned public utilities subject to the jurisdiction and control of the Public Utilities Commission and similar services by publicly owned public utilities including municipal corporations subject to their governing bodies and municipal utility districts and public utility districts subject to their boards and directors.

The bill would amend the Public Utilities Act to require that the commission undertake various actions, including the facilitation of the efforts of the state's electrical corporations to develop and

obtain authorization of the Federal Energy Regulatory Commission for the creation and operation of an Independent System Operator and an Independent Power Exchange, and the authorization of direct transactions between electricity suppliers and end use customers, subject to implementation of a nonbypassable charge.

This bill would prohibit any person, corporation, electrical corporation, or local publicly owned electric utility or other governmental entity other than a retail customer's existing electric service provider as of December 20, 1995, from providing electric service to a retail customer of a publicly owned electric utility unless the customer pays to the utility currently providing electric service, a nonbypassable generation-related severance fee or transition charge, as defined, established by the regulatory body for that utility.

The bill would prohibit a local publicly owned electric utility or other governmental entity from providing electrical service to a retail customer of an electrical corporation unless that customer pays a nonbypassable transition charge to the electrical corporation.

The bill would require the local regulatory body of each local publicly owned electric utility to determine whether it will authorize direct transactions between electricity suppliers and end use customers, subject to implementation of the nonbypassable severance fee or transition charge, and provide for procedures to implement the direct transactions.

This bill would provide for the issuance of rate reduction bonds for the recovery of transition costs, as defined, by electrical corporations, pursuant to the restructuring of the electrical services industry.

Under the Bergeson-Peace Infrastructure and Economic Development Bank Act, the California Infrastructure and Economic Development Bank is authorized to, among other things, issue and sell or purchase bonds, as defined, make loans, and provide for other types of financing for qualifying projects for public improvements by specified public agencies, known as sponsors, and to execute any instrument necessary, convenient, or appropriate to carry out any power expressly given to the bank by the act. The act also establishes and makes available to the bank the California Infrastructure Bank Fund, a special fund continuously appropriated for these purposes.

By providing for the financing of transition costs under the act which is a new use of continuously appropriated funds, this bill would make an appropriation.

The bill would also incorporate changes to Section 216 of the Public Utilities Code proposed by AB 2501, to take effect if both bills are chaptered and this bill is chaptered last.

Since a violation of the Public Utilities Act is a misdemeanor, the bill would impose additional duties upon local law enforcement agencies, and the bill would also impose additional duties on local agencies, thereby constituting a state-mandated local program.

The California Constitution requires the state to reimburse local agencies and school districts for certain costs mandated by the state. Statutory provisions establish procedures for making that reimbursement.

This bill would provide that no reimbursement is required by this act for a specified reason.

This bill would declare that it is to take effect immediately as an urgency statute.

Appropriation: yes.

THE PEOPLE OF THE STATE OF CALIFORNIA DO ENACT AS FOLLOWS:

SECTION 1. (a) The Legislature finds and declares that the

restructuring of the California electricity industry has been driven by changes in federal law intended to increase competition in the provision of electricity. It is the intent of the Legislature to ensure that California's transition to a more competitive electricity market structure allows its citizens and businesses to achieve the economic benefits of industry restructuring at the earliest possible date, creates a new market structure that provides competitive, low cost and reliable electric service, provides assurances that electricity customers in the new market will have sufficient information and protection, and preserves California's commitment to developing diverse, environmentally sensitive electricity resources.

(b) It is the intent of the Legislature to provide the legislative foundation for transforming the regulatory framework of California's electric industry in ways that meet the objectives stated in subdivision (a). It is the further intent of the Legislature that during a limited transition period ending March 31, 2002, to provide for all of the following:

(1) Accelerated, equitable, nonbypassable recovery of transition costs associated with uneconomic utility investments and contractual obligations.

(2) An immediate rate reduction of no less than 10 percent for residential and small commercial ratepayers.

(3) The financing of the rate reduction through the issuance of "rate reduction bonds" that create no new financial obligations or liabilities for the State of California.

(4) An anticipated result through implementation of this act of a subsequent, cumulative rate reduction for residential and small commercial customers of no less than 20 percent by April 1, 2002.

(5) A "fire wall" that protects residential and small business consumers from paying for statewide transition cost policy exemptions required for reasons of equity or business development and retention.

(6) Protection of the interests of utility employees who might otherwise be economically displaced in a restructured industry.

(c) It is the intent of the Legislature to direct the creation of a proposed new market structure featuring two state chartered, nonprofit market institutions: a Power Exchange charged with providing an efficient, competitive auction to meet electricity loads of exchange customers, open on a nondiscriminatory basis to all electricity providers; and an Independent System Operator with centralized control of the statewide transmission grid, charged with ensuring the efficient use and reliable operation of the transmission system. A five-member Oversight Board comprised of three gubernatorial appointees, an appointee of the Senate Committee on Rules and an appointee of the Speaker of the Assembly will oversee the two new institutions and appoint governing boards that are broadly representative of California electricity users and providers.

It is the further intent of the Legislature to direct the Independent System Operator to seek federal authorization to perform its functions and to be able to secure the generation and transmission resources needed to achieve specified planning and operational reserve criteria. It is the further intent of the Legislature to require development of maintenance standards that will reduce the potential for outages and secure participation in the operation of the Independent System Operator by the state's independent local publicly owned utilities.

(d) It is the intent of the Legislature to protect the consumer by requiring registration of certain sellers, marketers, and aggregators of electricity service, requiring information to be provided to consumers, and providing for the compilation and investigation of complaints. It is the further intent of the Legislature to continue to fund low-income ratepayer assistance programs, public purpose programs for public goods research, development and demonstration, demand-side management and renewable

electric generation technologies in an unbundled manner.

(e) It is the intent of the Legislature that electrical corporations shall, by June 1, 1997, or on the earliest possible date, apply concurrently for financing orders from the Public Utilities Commission and rate reduction bonds from the California Infrastructure and Economic Development Bank in amounts sufficient to achieve a rate reduction in the most expeditious manner for residential and small commercial customers of not less than 10 percent for 1998 and continuing through March 31, 2002.

SEC. 2. Section 955.1 of the Civil Code is amended to read:

955.1. (a) Except as provided in Sections 954.5 and 955 and subject to subdivisions (b) and (c), a transfer other than one intended to create a security interest (paragraph (1) of subdivision (a) of Section 9102 of the Commercial Code) of any general intangible (Section 9106 of the Commercial Code) consisting of any right to payment and any transfer of accounts or chattel paper excluded from the coverage of Division 9 of the Commercial Code by subdivision (f) of Section 9104 of the Commercial Code shall be deemed perfected as against third persons upon there being executed and delivered to the transferee an assignment thereof in writing.

(b) As between bona fide assignees of the same right for value without notice, the assignee first giving notice thereof to the obligor in writing has priority.

(c) The assignment is not, of itself, notice to the obligor so as to invalidate any payments made by the obligor to the transferor.

(d) This section does not apply to transfers or assignments of transition property, as defined in Section 840 of the Public Utilities Code.

SEC. 3. Section 3440.1 of the Civil Code is amended to read:

3440.1. This chapter does not apply to any of the following:

(a) Things in action.

(b) Ships or cargoes if either are at sea or in a foreign port.

(c) The sale of accounts or chattel paper governed by the Uniform Commercial Code, security interests, and contracts of bottomry or respondentia.

(d) Wines or brandies in the wineries, distilleries, or wine cellars of the makers or owners of the wines or brandies, or other persons having possession, care, and control of the wines or brandies, and the pipes, casks, and tanks in which the wines or brandies are contained, if the transfers are made in writing and executed and acknowledged, and if the transfers are recorded in the book of official records in the office of the county recorder of the county in which the wines, brandies, pipes, casks, and tanks are situated.

(e) A transfer or assignment made for the benefit of creditors generally or by any assignee acting under an assignment for the benefit of creditors generally.

(f) Property exempt from enforcement of a money judgment.

(g) Standing timber.

(h) Subject to the limitations in Section 3440.3, a transfer of personal property if all of the following conditions are satisfied:

(1) Prior to the date of the intended transfer, the transferor or the transferee files a financing statement, with respect to the property transferred, signed by the transferor. The financing statement shall be filed in the office of the Secretary of State in accordance with Chapter 4 (commencing with Section 9401) of Division 9 of the Commercial Code, but may use the terms "transferor" in lieu of "debtor" and "transferee" in lieu of "secured party." The provisions of Chapter 4 (commencing with Section 9401) of Division 9 of the Commercial Code shall apply as appropriate to the financing statement.

(2) The transferor or the transferee publishes a notice of the intended transfer one time in a newspaper of general circulation published in the judicial district in which the personal property is located, if there is one, and if there is none in the judicial

district, then in a newspaper of general circulation in the county embracing the judicial district. The publication shall be completed not less than 10 days before the date the transfer occurs. The notice shall contain the name and address of the transferor and transferee and a general statement of the character of the personal property intended to be transferred, and shall indicate the place where the personal property is located and a date on or after which the transfer is to be made.

(i) Personal property not located within this state at the time of the transfer or attachment of the lien if the provisions of this subdivision are not used for the purpose of evading this chapter.

(j) A transfer of property which (1) is subject to a statute or treaty of the United States or a statute of this state that provides for the registration of transfers of title or issuance of certificates of title and (2) is so far perfected under that statute or treaty that a bona fide purchaser cannot acquire an interest in the property transferred that is superior to the interest of the transferee.

(k) A transfer of personal property in connection with a transaction in which the property is immediately thereafter leased by the transferor from the transferee provided the transferee purchased the property for value and in good faith (subdivision (c) of Section 10308 of the Commercial Code).

(l) Transition property, as defined in Section 840 of the Public Utilities Code.

SEC. 4. Section 9104 of the Commercial Code is amended to read:

9104. This division does not apply:

(a) To a security interest subject to any statute of the United States to the extent that such statute governs the rights of parties to and third parties affected by transactions in particular types of property; or

(c) To a lien given by statute or other rule of law for services or materials except as provided in Section 9310 on priority of such liens; or

(d) To a transfer of a claim for wages, salary or other compensation of an employee; or

(e) To a transfer, including creation of a security interest, by a government or governmental subdivision or agency; or

(f) To a sale of accounts or chattel paper as part of a sale of the business out of which they arose, or an assignment of accounts or chattel paper which is for the purpose of collection only, or a transfer of a right to payment under a contract to an assignee who is also to do the performance under the contract or a transfer of a single account to an assignee in whole or partial satisfaction of a preexisting indebtedness; or

(g) To any loan made by an insurance company pursuant to the provisions of a policy or contract issued by it and upon the sole security of the policy or contract; or

(h) To a right represented by a judgment (other than a judgment taken in a right to payment which was collateral); or

(i) To any right of setoff; or

(j) Except to the extent that provision is made for fixtures in Section 9313, to the creation or transfer of an interest in or lien on real estate, including a lease or rents thereunder and to any interest of a lessor and lessee in any such lease or rents; or

(k) To a transfer in whole or in part of any claim arising out of tort.

(l) To any security interest created by the assignment of the benefits of any public construction contract under the Improvement Act of 1911 (Division 7 (commencing with Section 5000), Streets and Highways Code).

(m) To transition property, as defined in Section 840 of the Public Utilities Code, except to the extent that the provisions of this division are referenced in Article 5.5 (commencing with Section 840) of Chapter 4 of Part 1 of Division 1 of the Public Utilities

Code.

SEC. 5. Section 63010 of the Government Code is amended to read:

63010. For purposes of this division, the following words and terms shall have the following meanings unless the context clearly indicates or requires another or different meaning or intent:

(a) "Act" means the Bergeson-Peace Infrastructure and Economic Development Bank Act.

(b) "Bank" means the California Infrastructure and Economic Development Bank.

(c) "Board" or "bank board" means the board of directors of the California Infrastructure and Economic Development Bank.

(d) "Bond purchase agreement" means a contractual agreement executed between the bank and a sponsor, or a special purpose trust authorized by the bank or a sponsor, or both, whereby the bank or special purpose trust authorized by the bank agrees to purchase bonds of the sponsor for retention or sale.

(e) "Bonds" means bonds, including structured, senior, and subordinated bonds or other securities; loans; notes, including bond, revenue, tax or grant anticipation notes; commercial paper; floating rate, and variable maturity securities; and any other evidences of indebtedness or ownership, including certificates of participation or beneficial interest, asset backed certificates, or lease-purchase or installment purchase agreements, whether taxable or excludable from gross income for federal income taxation purposes.

(f) "Cost," as applied to a project or portion thereof financed under this division, means all or any part of the cost of construction, renovation, and acquisition of all lands, structures, real or personal property, rights, rights-of-way, franchises, licenses, easements, and interests acquired or used for a project; the cost of demolishing or removing any buildings or structures on land so acquired, including the cost of acquiring any lands to which the buildings or structures may be moved; the cost of all machinery, equipment, and financing charges; interest prior to, during, and for a period after, completion of construction, renovation, or acquisition, as determined by the bank; provisions for working capital; reserves for principal and interest and for extensions, enlargements, additions, replacements, renovations, and improvements; the cost of architectural, engineering, financial and legal services, plans, specifications, estimates, administrative expenses, and other expenses necessary or incidental to determining the feasibility of any project or incidental to the construction, acquisition, or financing of any project, and transition costs in the case of an electrical corporation.

(g) "Electrical corporation" has the meaning set forth in Section 218 of the Public Utilities Code.

(h) "Executive director" means the executive director of the California Infrastructure and Economic Development Bank appointed pursuant to Section 63021.

(i) "Facilities" means real and personal property, structures, conveyances, equipment, thoroughfares, buildings, and supporting components thereof that are directly related to providing the following:

(1) "City streets" includes any street, avenue, boulevard, road, parkway, drive, or other way that is any of the following:

(A) An existing municipal roadway.

(B) Is shown upon a plat approved pursuant to law and includes the land between the street lines, whether improved or unimproved, and may comprise pavement, bridges, shoulders, gutters, curbs, guardrails, sidewalks, parking areas, benches, fountains, plantings, lighting systems, and other areas within the street lines, as well as equipment and facilities used in the cleaning, grading, clearance, maintenance, and upkeep thereof.

(2) "County highways" includes any county highway as defined in Section 25 of the Streets and Highways Code, that includes the land between the highway lines, whether improved or unimproved, and may

comprise pavement, bridges, shoulders, gutters, curbs, guardrails, sidewalks, parking areas, benches, fountains, plantings, lighting systems, and other areas within the street lines, as well as equipment and facilities used in the cleaning, grading, clearance, maintenance, and upkeep thereof.

(3) "Drainage and flood control" includes ditches, canals, levees, pumps, dams, conduits, pipes, storm sewers, and dikes necessary to keep or direct water away from people, equipment, buildings, and other protected areas as may be established by lawful authority, as well as the acquisition, improvement, maintenance, and management of floodplain areas and all equipment used in the maintenance and operation of the foregoing.

(4) "Educational facilities" includes libraries, child care facilities, including, but not limited to, day care facilities, and employment training facilities.

(5) "Environmental mitigation measures" includes required construction or modification of public infrastructure and purchase and installation of pollution control and noise abatement equipment.

(6) "Parks and recreational facilities" includes local parks, recreational property and equipment, parkways and property.

(7) "Port facilities" includes docks, harbors, ports of entry, piers, ships, small boat harbors and marinas, and any other facilities, additions, or improvements in connection therewith.

(8) "Communications" includes facilities for telephone and telecommunications service.

(9) "Public transit" includes air and rail transport of goods, airports, guideways, vehicles, rights-of-way, passenger stations, maintenance and storage yards, and related structures, including public parking facilities, equipment used to provide or enhance transportation by bus, rail, ferry, or other conveyance, either publicly or privately owned, that provides to the public general or special service on a regular and continuing basis.

(10) "Sewage collection and treatment" includes pipes, pumps, and conduits that collect wastewater from residential, manufacturing, and commercial establishments, the equipment, structures, and facilities used in treating wastewater to reduce or eliminate impurities or contaminants, and the facilities used in disposing of, or transporting, remaining sludge, as well as all equipment used in the maintenance and operation of the foregoing.

(11) "Solid-waste collection and disposal" includes vehicles, vehicle-compatible waste receptacles, transfer stations, recycling centers, sanitary landfills, and waste conversion facilities necessary to remove solid waste, except that which is hazardous as defined by law, from its point of origin.

(12) "Water treatment and distribution" includes facilities in which water is purified and otherwise treated to meet residential, manufacturing, or commercial purposes and the conduits, pipes, and pumps that transport it to places of use.

(13) "Defense conversion" includes, but is not limited to, facilities necessary for successfully converting military bases consistent with an adopted base reuse plan.

(14) "Public safety facilities" includes, but is not limited to, police stations, fire stations, court buildings, jails, juvenile halls, and juvenile detention facilities.

(15) "State highways" includes any state highway as described in Chapter 2 (commencing with Section 230) of Division 1 of the Streets and Highways Code, and the related components necessary for safe operation of the highway.

(j) "Financial assistance" in connection with a project, includes, but is not limited to, any combination of grants, loans, the proceeds of bonds issued by the bank or special purpose trust, insurance, guarantees or other credit enhancements or liquidity facilities, and contributions of money, property, labor, or other things of value, as may be approved by resolution of the board or the

sponsor, or both; the purchase or retention of bank bonds, the bonds of a sponsor for their retention or for sale by the bank, or the issuance of bank bonds or the bonds of a special purpose trust used to fund the cost of a project for which a sponsor is directly or indirectly liable, including, but not limited to, bonds, the security for which is provided in whole or in part pursuant to the powers granted by Section 63025; bonds for which the bank has provided a guarantee or enhancement, including, but not limited to, the purchase of the subordinated bonds of the sponsor, the subordinated bonds of a special purpose trust, or the retention of the subordinated bonds of the bank pursuant to Chapter 4 (commencing with Section 63060); or any other type of assistance deemed appropriate by the bank or the sponsor, except that no direct loans shall be made to nonpublic entities other than in connection with the issuance of rate reduction bonds pursuant to a financing order.

For purposes of this subdivision, "grant" does not include grants made by the bank except when acting as an agent or intermediary for the distribution or packaging of financing available from federal, private, or other public sources.

(k) "Financing order" has the meaning set forth in Section 840 of the Public Utilities Code.

(l) "Guarantee trust fund" means the California Infrastructure Guarantee Trust Fund.

(m) "Infrastructure bank fund" means the California Infrastructure and Economic Development Bank Fund.

(n) "Loan agreement" means a contractual agreement executed between the bank or a special purpose trust and a sponsor that provides that the bank or special purpose trust will loan funds to the sponsor and that the sponsor will repay the principal and pay the interest and redemption premium, if any, on the loan.

(o) "Participating party" means any person, company, corporation, partnership, firm, or other entity or group of entities engaged in business within the state and that applies for financing from the bank in conjunction with a sponsor for the purpose of implementing a project. However, in the case of a project relating to the financing of transition costs and the acquisition of transition property on the request of an electrical corporation, the participating party shall be deemed to be the same entity as the sponsor for the financing.

(p) "Project" means designing, acquiring, planning, permitting, entitling, constructing, improving, extending, restoring, financing, and generally developing facilities within the state or financing transition costs and the acquisition of transition property upon approval of a financing order by the Public Utilities Commission, as provided in Article 5.5 (commencing with Section 840) of Chapter 4 of Part 1 of Division 1 of the Public Utilities Code.

(q) "Rate reduction bonds" has the meaning set forth in Section 840 of the Public Utilities Code.

(r) "Revenues" means all receipts, purchase payments, loan repayments, lease payments, and all other income or receipts derived by the bank or a sponsor from the sale, lease, or other financing arrangement undertaken by the bank, a sponsor or a participating party, including, but not limited to, all receipts from a bond purchase agreement, and any income or revenue derived from the investment of any money in any fund or account of the bank or a sponsor and any receipts derived from transition property. Revenues shall not include moneys in the General Fund of the state.

(s) "Special purpose trust" means a trust, partnership, limited partnership, association, corporation, nonprofit corporation, or other entity authorized under the laws of the state to serve as an instrumentality of the state to accomplish public purposes and authorized by the bank to acquire, by purchase or otherwise, for retention or sale, the bonds of a sponsor or of the bank made or entered into pursuant to this division and to issue special purpose trust bonds or other obligations secured by these bonds or other

sources of public or private revenues. In addition, special purpose trust also means any entity authorized under the laws of the state to serve as an instrumentality of the state to accomplish public purposes and authorized by the bank to acquire transition property and to issue rate reduction bonds.

(t) "Sponsor" means any subdivision of the state or local government including departments, agencies, commissions, cities, counties, nonprofit corporations formed on behalf of a sponsor, special districts, assessment districts, and joint powers authorities within the state or any combination of these subdivisions that has, or proposes to acquire, an interest in a project and that makes application to the bank for financial assistance in connection with a project in a manner prescribed by the bank. In addition, an electrical corporation shall be deemed to be the sponsor as well as the participating party for any project relating to the financing of transition costs and the acquisition of transition property on the request of the electrical corporation.

(u) "State" means the State of California.

(v) "Transition costs" has the meaning set forth in Section 840 of the Public Utilities Code.

(w) "Transition property" has the meaning set forth in Section 840 of the Public Utilities Code.

SEC. 6. Section 63025.1 of the Government Code is amended to read:

63025.1. The bank board may do or delegate the following to the executive director:

(a) Sue and be sued in its own name.

(b) As provided in Chapter 5 (commencing with Section 63070), issue bonds and authorize special purpose trusts to issue bonds, including, at the option of the board, bonds bearing interest that is taxable for the purpose of federal income taxation, to pay all or any part of the cost of any project.

(c) Engage the services of private consultants to render professional and technical assistance and advice in carrying out the purposes of this division.

(d) Employ attorneys, financial consultants, and other advisers as may, in the bank's judgment, be necessary in connection with the issuance and sale, or authorization of special purpose trusts for the issuance and sale, of any bonds, notwithstanding Sections 11042 and 11043.

(e) Contract for engineering, architectural, accounting, or other services of appropriate state agencies as may, in its judgment, be necessary for the successful development of a project.

(f) Pay the reasonable costs of consulting engineers, architects, accountants, and construction, land use, recreation, and environmental experts employed by any sponsor or participating party if, in the bank's judgment, those services are necessary for the successful development of a project.

(g) Acquire, take title to, and sell by installment sale or otherwise, lands, structures, real or personal property, rights, rights-of-way, franchises, easements, and other interests in lands that are located within the state, or transition property as the bank may deem necessary or convenient for the financing of the project, upon terms and conditions that it considers to be reasonable.

(h) Receive and accept from any source including, but not limited to, the federal government, the state, or any agency thereof, loans, contributions, or grants, in money, property, labor, or other things of value, for, or in aid of, a project, or any portion thereof.

(i) Make secured loans to any sponsor or participating party in connection with the financing of a project in accordance with an agreement between the bank and the sponsor or a participating party. However, no loan shall exceed the total cost of the project as determined by the sponsor or the participating party and approved by the bank.

(j) Make secured loans to any sponsor or participating party in accordance with an agreement between the bank and the sponsor or participating party to refinance indebtedness incurred by the sponsor or participating party in connection with projects undertaken and completed prior to any agreement with the bank or expectation that the bank would provide financing.

(k) Mortgage all or any portion of the bank's interest in a project and the property on which any project is located, whether owned or thereafter acquired, including the granting of a security interest in any property, tangible or intangible.

(l) Assign or pledge all or any portion of the bank's interests in transition property and the revenues therefrom, or assets, things of value, mortgages, deeds of trust, bonds, bond purchase agreements, loan agreements, indentures of mortgage or trust, or similar instruments, notes, and security interests in property, tangible or intangible and the revenues therefrom, of a sponsor or a participating party to which the bank has made loans, and the revenues therefrom, including payment or income from any interest owned or held by the bank, for the benefit of the holders of bonds.

(m) Receive or serve as a conduit for the making of grants, and provide for contributions, guarantees, insurance, credit enhancements or liquidity facilities, or other financial enhancements to a sponsor or a participating party as financial assistance for a project.

(n) Lease the project being financed to a sponsor or a participating party, upon terms and conditions that the bank deems proper but shall not be leased at a loss; charge and collect rents therefor; terminate any lease upon the failure of the lessee to comply with any of the obligations thereof; include in any lease, if desired, provisions that the lessee shall have options to renew the lease for a period or periods, and at rents determined by the bank; purchase any or all of the project; or, upon payment of all the indebtedness incurred by the bank for the financing of the project, the bank may convey any or all of the project to the lessee or lessees.

(o) Charge and equitably apportion among sponsors and participating parties the bank's administrative costs and expenses incurred in the exercise of the powers and duties conferred by this division.

(p) Issue, obtain, or aid in obtaining, from any department or agency of the United States, from other agencies of the state, or from any private company, any insurance or guarantee to, or for, the payment or repayment of interest or principal, or both, or any part thereof, on any loan, lease, or obligation or any instrument evidencing or securing the same, made or entered into pursuant to this division.

(q) Notwithstanding any other provision of this division, enter into any agreement, contract, or any other instrument with respect to any insurance or guarantee; accept payment in the manner and form as provided therein in the event of default by a sponsor or a participating party; and issue or assign any insurance or guarantee as security for the bank's bonds.

(r) Enter into any agreement or contract, execute any instrument, and perform any act or thing necessary or convenient to, directly or indirectly, secure the bank's bonds, the bonds issued by a special purpose trust, or a sponsor's obligations to the bank or to a special purpose trust, including, but not limited to, bonds of a sponsor purchased by the bank or a special purpose trust for retention or sale, with funds or moneys that are legally available and that are due or payable to the sponsor by reason of any grant, allocation, apportionment or appropriation of the state or agencies thereof, to the extent that the Controller shall be the custodian at any time of these funds or moneys, or with funds or moneys that are or will be legally available to the sponsor, the bank, or the state or any agencies thereof by reason of any grant, allocation, apportionment,

or appropriation of the federal government or agencies thereof; and in the event of written notice that the sponsor has not paid or is in default on its obligations to the bank or a special purpose trust, direct the Controller to withhold payment of those funds or moneys from the sponsor over which it is or will be custodian and to pay the same to the bank or special purpose trust or their assignee, or direct the state or any agencies thereof to which any grant, allocation, apportionment or appropriation of the federal government or agencies thereof is or will be legally available to pay the same upon receipt by the bank or special purpose trust or their assignee, until the default has been cured and the amounts then due and unpaid have been paid to the bank or special purpose trust or their assignee, or until arrangements satisfactory to the bank or special purpose trust have been made to cure the default.

(s) Enter into any agreement or contract, execute any instrument, and perform any act or thing necessary, convenient, or appropriate to carry out any power expressly given to the bank by this division, including, but not limited to, agreements for the sale of all or any part, including principal, interest, redemption rights or any other rights or obligations, of bonds of the bank or of a special purpose trust, liquidity agreements, contracts commonly known as interest rate swap agreements, forward payment conversion agreements, futures or contracts providing for payments based on levels of, or changes in, interest rates or currency exchange rates, or contracts to exchange cash-flows or a series of payments, or contracts, including options, puts or calls to hedge payments, rate, spread, currency exchange, or similar exposure, or any other financial instrument commonly known as a structured financial product.

(t) Purchase, with the proceeds of the bank's bonds, transition property or bonds issued by, or for the benefit of, any sponsor in connection with a project, pursuant to a bond purchase agreement or otherwise. Bonds or transition property purchased pursuant to this part may be held by the bank, pledged or assigned by the bank, or sold to public or private purchasers at public or negotiated sale, in whole or in part, separately or together with other bonds issued by the bank, and notwithstanding any other provision of law, may be bought by the bank at private sale.

(u) Enter into purchase and sale agreements with all entities, public and private, including state and local government pension funds, with respect to the sale or purchase of bonds or transition property.

(v) Invest any moneys held in reserve or sinking funds, or any moneys not required for immediate use or disbursement, in obligations that are authorized by law for the investment of trust funds in the custody of the Treasurer.

(w) Authorize a special purpose trust or trusts to purchase or retain, with the proceeds of the bonds of a special purpose trust, transition property or bonds issued by, or for the benefit of, any sponsor in connection with a project or issued by the bank or a special purpose trust, pursuant to a bond purchase agreement or otherwise. Bonds or transition property purchased pursuant to this title may be held by a special purpose entity, pledged or assigned by a special purpose entity, or sold to public or private purchasers at public or negotiated sale, in whole or in part, with or without structuring, subordination or credit enhancement, separately or together with other bonds issued by a special purpose trust, and notwithstanding any other provision of law, may be bought by the bank or by a special purpose trust at private sale.

(x) Approve the issuance of any bonds, notes, or other evidences of indebtedness by the California Economic Development and Financing Authority, established pursuant to Section 15712, and the Rural Economic Development Infrastructure Panel, established pursuant to Section 15373.7.

(y) Approve the issuance of rate reduction bonds by an entity other than the bank to acquire transition property upon approval of

the transaction in a financing order by the Public Utilities Commission, as provided in Article 5.5 (commencing with Section 840) of Chapter 4 of Part 1 of Division 1 of the Public Utilities Code.

SEC. 7. Article 6 (commencing with Section 63048) is added to Chapter 2 of Division 1 of Title 6.7 of the Government Code, to read:

Article 6. Financing of Transition Costs

63048. Notwithstanding any other provision of this division, a project for the financing of transition costs and the acquisition of transition property upon the request of an electrical corporation shall be deemed to be in the public interest and eligible for financing by the bank, and Article 3 (commencing with Section 63040), Article 4 (commencing with Section 63042), and Article 5 (commencing with Section 63043), shall not apply to the project or financing. The bank shall consider a project for financing transition costs and the acquisition of transition property upon filing of an application by an appropriate participating party, on the terms and conditions the bank shall determine. The bank shall establish procedures for the expeditious review of applications from electrical corporations for the issuance or approval of rate reduction bonds. The review may be concurrent with the Public Utilities Commission's processing of an application for the pertinent financing order, so as to allow for the issuance of rate reduction bonds as quickly as feasible after the issuance of the pertinent financing order by the Public Utilities Commission. Notwithstanding any other provision of this division, the bank shall have no authority to alter or modify any term or condition related to the transition costs or the transition property as set forth in the pertinent financing order, and shall have no authority over any matter that is subject to the approval of the Public Utilities Commission under Article 5.5 (commencing with Section 840) of Chapter 4 of Part 1 of Division 1 of the Public Utilities Code.

SEC. 8. Section 63071 of the Government Code is amended to read:

63071. (a) Notwithstanding any other provision of law, but consistent with Sections 1 and 18 of Article XVI of the California Constitution, a sponsor may issue bonds for purchase by the bank pursuant to a bond purchase agreement. The bank may issue bonds or authorize a special purpose trust to issue bonds. These bonds may be issued pursuant to the charter of any city or any city and county that authorized the issuance of these bonds as a sponsor and may also be issued by any sponsor pursuant to the Revenue Bond Law of 1941 (Chapter 6 (commencing with Section 54300) of Division 2 of Title 5) to pay the costs and expenses pursuant to this title, subject to the following conditions:

(1) With the prior approval of the bank, the sponsor may sell these bonds in any manner as it may determine, either by private sale, or by means of competitive bid.

(2) Notwithstanding Section 54418, the bonds may be sold at a discount at any rate as the bank and sponsor shall determine.

(3) Notwithstanding Section 54402, the bonds shall bear interest at any rate and be payable at any time, as the sponsor shall determine with the consent of the bank.

(b) The total amount of bonds that may be outstanding at any one time under this chapter shall not exceed five billion dollars ($5,000,000,000), exclusive of rate reduction bonds. The total amount of rate reduction bonds that may be outstanding at any one time under this chapter shall not exceed ten billion dollars ($10,000,000,000).

(c) Bonds for which moneys or securities have been deposited in trust, in amounts necessary to pay or redeem the principal, interest, and any redemption premium thereon, shall be deemed not to be outstanding for purposes of this section.

SEC. 9. Section 216 of the Public Utilities Code is amended to

read:

216. (a) "Public utility" includes every common carrier, toll bridge corporation, pipeline corporation, gas corporation, electrical corporation, telephone corporation, telegraph corporation, water corporation, sewer system corporation, and heat corporation, where the service is performed for, or the commodity is delivered to, the public or any portion thereof.

(b) Whenever any common carrier, toll bridge corporation, pipeline corporation, gas corporation, electrical corporation, telephone corporation, telegraph corporation, water corporation, sewer system corporation, or heat corporation performs a service for, or delivers a commodity to, the public or any portion thereof for which any compensation or payment whatsoever is received, that common carrier, toll bridge corporation, pipeline corporation, gas corporation, electrical corporation, telephone corporation, telegraph corporation, water corporation, sewer system corporation, or heat corporation, is a public utility subject to the jurisdiction, control, and regulation of the commission and the provisions of this part.

(c) When any person or corporation performs any service for, or delivers any commodity to, any person, private corporation, municipality, or other political subdivision of the state, that in turn either directly or indirectly, mediately or immediately, performs that service for, or delivers that commodity to, the public or any portion thereof, that person or corporation is a public utility subject to the jurisdiction, control, and regulation of the commission and the provisions of this part.

(d) Ownership or operation of a facility that employs cogeneration technology or produces power from other than a conventional power source or the ownership or operation of a facility which employs landfill gas technology does not make a corporation or person a public utility within the meaning of this section solely because of the ownership or operation of such a facility.

(e) Any corporation or person engaged directly or indirectly in developing, producing, transmitting, distributing, delivering, or selling any form of heat derived from geothermal or solar resources or from cogeneration technology to any privately owned or publicly owned public utility, or to the public or any portion thereof, is not a public utility within the meaning of this section solely by reason of engaging in any of those activities.

(f) The ownership or operation of a facility that sells compressed natural gas at retail to the public for use only as a motor vehicle fuel, and the selling of compressed natural gas at retail from such a facility to the public for use only as a motor vehicle fuel, does not make the corporation or person a public utility within the meaning of this section solely because of that ownership, operation, or sale.

(g) Generation assets owned by any public utility prior to January 1, 1997, and subject to rate regulation by the commission, shall continue to be subject to regulation by the commission until those assets have undergone market valuation in accordance with procedures established by the commission.

(h) The ownership, control, operation, or management of an electric plant used for direct transactions or participation directly or indirectly in direct transactions, as permitted by subdivision (b) of Section 365, sales into the Power Exchange referred to in Section 365, or the use or sale as permitted under subdivisions (b) to (d), inclusive, of Section 218, shall not make a corporation or person a public utility within the meaning of this section solely because of that ownership, participation, or sale.

SEC. 9.5. Section 216 of the Public Utilities Code is amended to read:

216. (a) "Public utility" includes every common carrier, toll bridge corporation, pipeline corporation, gas corporation, electrical corporation, telephone corporation, telegraph corporation, water corporation, sewer system corporation, and heat corporation, where

the service is performed for, or the commodity is delivered to, the public or any portion thereof.

(b) Whenever any common carrier, toll bridge corporation, pipeline corporation, gas corporation, electrical corporation, telephone corporation, telegraph corporation, water corporation, sewer system corporation, or heat corporation performs a service for, or delivers a commodity to, the public or any portion thereof for which any compensation or payment whatsoever is received, that common carrier, toll bridge corporation, pipeline corporation, gas corporation, electrical corporation, telephone corporation, telegraph corporation, water corporation, sewer system corporation, or heat corporation, is a public utility subject to the jurisdiction, control, and regulation of the commission and the provisions of this part.

(c) When any person or corporation performs any service for, or delivers any commodity to, any person, private corporation, municipality, or other political subdivision of the state, that in turn either directly or indirectly, mediately or immediately, performs that service for, or delivers that commodity to, the public or any portion thereof, that person or corporation is a public utility subject to the jurisdiction, control, and regulation of the commission and the provisions of this part.

(d) Ownership or operation of a facility that employs cogeneration technology or produces power from other than a conventional power source or the ownership or operation of a facility which employs landfill gas technology does not make a corporation or person a public utility within the meaning of this section solely because of the ownership or operation of such a facility.

(e) Any corporation or person engaged directly or indirectly in developing, producing, transmitting, distributing, delivering, or selling any form of heat derived from geothermal or solar resources or from cogeneration technology to any privately owned or publicly owned public utility, or to the public or any portion thereof, is not a public utility within the meaning of this section solely by reason of engaging in any of those activities.

(f) The ownership or operation of a facility that sells compressed natural gas at retail to the public for use only as a motor vehicle fuel, and the selling of compressed natural gas at retail from such a facility to the public for use only as a motor vehicle fuel, does not make the corporation or person a public utility within the meaning of this section solely because of that ownership, operation, or sale.

(g) Ownership or operation of a facility that has been certified by the Federal Energy Regulatory Commission as an exempt wholesale generator pursuant to Section 32 of the Public Utility Holding Company Act of 1935 (Chapter 2C (commencing with Section 79) of Title 15 of the United States Code) does not make a corporation or person a public utility within the meaning of this section, solely due to the ownership or operation of that facility.

(h) Generation assets owned by any public utility prior to January 1, 1997, and subject to rate regulation by the commission, shall continue to be subject to regulation by the commission until those assets have undergone market valuation in accordance with procedures established by the commission.

(i) The ownership, control, operation, or management of an electric plant used for direct transactions or participation directly or indirectly in direct transactions, as permitted by subdivision (b) of Section 365, sales into the Power Exchange referred to in Section 365, or the use or sale as permitted under subdivisions (b) to (d), inclusive, of Section 218, shall not make a corporation or person a public utility within the meaning of this section solely because of that ownership, participation, or sale.

SEC. 10. Chapter 2.3 (commencing with Section 330) is added to Part 1 of Division 1 of the Public Utilities Code, to read:

CHAPTER 2.3. ELECTRICAL RESTRUCTURING

Article 1. General Provisions and Definitions

330. In order to provide guidance in carrying out this chapter, the Legislature finds and declares all of the following:

(a) It is the intent of the Legislature that a cumulative rate reduction of at least 20 percent be achieved not later than April 1, 2002, for residential and small commercial customers, from the rates in effect on June 10, 1996. In determining that the April 1, 2002, rate reduction has been met, the commission shall exclude the costs of the competitively procured electricity and the costs associated with the rate reduction bonds, as defined in Section 840.

(b) The people, businesses, and institutions of California spend nearly twenty-three billion dollars ($23,000,000,000) annually on electricity, so that reductions in the price of electricity would significantly benefit the economy of the state and its residents.

(c) The Public Utilities Commission has opened rulemaking and investigation proceedings with regard to restructuring California's electric power industry and reforming utility regulation.

(d) The commission has found, after an extensive public review process, that the interests of ratepayers and the state as a whole will be best served by moving from the regulatory framework existing on January 1, 1997, in which retail electricity service is provided principally by electrical corporations subject to an obligation to provide ultimate consumers in exclusive service territories with reliable electric service at regulated rates, to a framework under which competition would be allowed in the supply of electric power and customers would be allowed to have the right to choose their supplier of electric power.

(e) Competition in the electric generation market will encourage innovation, efficiency, and better service from all market participants, and will permit the reduction of costly regulatory oversight.

(f) The delivery of electricity over transmission and distribution systems is currently regulated, and will continue to be regulated to ensure system safety, reliability, environmental protection, and fair access for all market participants.

(g) Reliable electric service is of utmost importance to the safety, health, and welfare of the state's citizenry and economy. It is the intent of the Legislature that electric industry restructuring should enhance the reliability of the interconnected regional transmission systems, and provide strong coordination and enforceable protocols for all users of the power grid.

(h) It is important that sufficient supplies of electric generation will be available to maintain the reliable service to the citizens and businesses of the state.

(i) Reliable electric service depends on conscientious inspection and maintenance of transmission and distribution systems. To continue and enhance the reliability of the delivery of electricity, the Independent System Operator and the commission, respectively, should set inspection, maintenance, repair, and replacement standards.

(j) It is the intent of the Legislature that California enter into a compact with western region states. That compact should require the publicly and investor-owned utilities located in those states, that sell energy to California retail customers, to adhere to enforceable standards and protocols to protect the reliability of the interconnected regional transmission and distribution systems.

(k) In order to achieve meaningful wholesale and retail competition in the electric generation market, it is essential to do all of the following:

(1) Separate monopoly utility transmission functions from competitive generation functions, through development of independent, third-party control of transmission access and pricing.

(2) Permit all customers to choose from among competing suppliers of electric power.

(3) Provide customers and suppliers with open, nondiscriminatory, and comparable access to transmission and distribution services.

(l) The commission has properly concluded that:

(1) This competition will best be introduced by the creation of an Independent System Operator and an independent Power Exchange.

(2) Generation of electricity should be open to competition and utility generation should be transitioned from regulated status to unregulated status through means of commission-approved market valuation mechanisms.

(3) There is a need to ensure that no participant in these new market institutions has the ability to exercise significant market power so that operation of the new market institutions would be distorted.

(4) These new market institutions should commence simultaneously with the phase-in of customer choice, and the public will be best served if these institutions and the nonbypassable transition cost recovery mechanism referred to in subdivisions (s) to (w), inclusive, are in place simultaneously and no later than January 1, 1998.

(m) It is the intention of the Legislature that California's publicly owned electric utilities and investor-owned electric utilities should commit control of their transmission facilities to the Independent System Operator. These utilities should jointly advocate to the Federal Energy Regulatory Commission a pricing methodology for the Independent System Operator that results in an equitable return on capital investment in transmission facilities for all Independent System Operator participants.

(n) Opportunities to acquire electric power in the competitive market must be available to California consumers as soon as practicable, but no later than January 1, 1998, so that all customers can share in the benefits of competition.

(o) Under the existing regulatory framework, California's electrical corporations were granted franchise rights to provide electricity to consumers in their service territories.

(p) Consistent with federal and state policies, California electrical corporations invested in power plants and entered into contractual obligations in order to provide reliable electrical service on a nondiscriminatory basis to all consumers within their service territories who requested service.

(q) The cost of these investments and contractual obligations are currently being recovered in electricity rates charged by electrical corporations to their consumers.

(r) Transmission and distribution of electric power remain essential services imbued with the public interest that are provided over facilities owned and maintained by the state's electrical corporations.

(s) It is proper to allow electrical corporations an opportunity to continue to recover, over a reasonable transition period, those costs and categories of costs for generation-related assets and obligations, including costs associated with any subsequent renegotiation or buyout of existing generation-related contracts, that the commission, prior to December 20, 1995, had authorized for collection in rates and that may not be recoverable in market prices in a competitive generation market, and appropriate additions incurred after December 20, 1995, for capital additions to generating facilities existing as of December 20, 1995, that the commission determines are reasonable and should be recovered, provided that the costs are necessary to maintain those facilities through December 31, 2001. In determining the costs to be recovered, it is appropriate to net the negative value of above market assets against the positive value of below market assets.

(t) The transition to a competitive generation market should be orderly, protect electric system reliability, provide the investors in these electrical corporations with a fair opportunity to fully recover the costs associated with commission approved generation-related assets and obligations, and be completed as

expeditiously as possible.

(u) The transition to expanded customer choice, competitive markets, and performance based ratemaking as described in Decision 95-12-063, as modified by Decision 96-01-009, of the Public Utilities Commission, can produce hardships for employees who have dedicated their working lives to utility employment. It is preferable that any necessary reductions in the utility work force directly caused by electrical restructuring, be accomplished through offers of voluntary severance, retraining, early retirement, outplacement, and related benefits. Whether work force reductions are voluntary or involuntary, reasonable costs associated with these sorts of benefits should be included in the competition transition charge.

(v) Charges associated with the transition should be collected over a specific period of time on a nonbypassable basis and in a manner that does not result in an increase in rates to customers of electrical corporations. In order to insulate the policy of nonbypassability against incursions, if exemptions from the competition transition charge are granted, a fire wall shall be created that segregates recovery of the cost of exemptions as follows:

(1) The cost of the competition transition charge exemptions granted to members of the combined class of residential and small commercial customers shall be recovered only from those customers.

(2) The cost of the competition transition charge exemptions granted to members of the combined class of customers other than residential and small commercial customers shall be recovered only from those customers. The commission shall retain existing cost allocation authority provided that the fire wall and rate freeze principles are not violated.

(w) It is the intent of the Legislature to require and enable electrical corporations to monetize a portion of the competition transition charge for residential and small commercial consumers so that these customers will receive rate reductions of no less than 10 percent for 1998 continuing through 2002. Electrical corporations shall, by June 1, 1997, or earlier, secure the means to finance the competition transition charge by applying concurrently for financing orders from the Public Utilities Commission and for rate reduction bonds from the California Infrastructure and Economic Development Bank.

(x) California's public utility electrical corporations provide substantial benefits to all Californians, including employment and support of the state's economy. Restructuring the electric services industry pursuant to the act that added this chapter will continue these benefits, and will also offer meaningful and immediate rate reductions for residential and small commercial customers, and facilitate competition in the supply of electric power.

331. The definitions set forth in this section shall govern the construction of this chapter.

(a) "Aggregator" means any marketer, broker, public agency, city, county, or special district, that combines the loads of multiple end-use customers in facilitating the sale and purchase of electric energy, transmission, and other services on behalf of these customers.

(b) "Broker" means an entity that arranges the sale and purchase of electric energy, transmission, and other services between buyers and sellers, but does not take title to any of the power sold.

(c) "Direct transaction" means a contract between any one or more electric generators, marketers, or brokers of electric power and one or more retail customers providing for the purchase and sale of electric power or any ancillary services.

(d) "Fire wall" means the line of demarcation separating residential and small commercial customers from all other customers as described in subdivision (e) of Section 367.

(e) "Marketer" means any entity that buys electric energy, transmission, and other services from traditional utilities and other

suppliers, and then resells those services at wholesale or to an end-use customer.

(f) "Microcogeneration facility" means a cogeneration facility of less than one megawatt.

(g) "Restructuring trusts" means the two tax-exempt public benefit trusts established by Decision D. 96-08-038 of the Public Utilities Commission to provide for design and development of the hardware and software systems for the Power Exchange and the Independent System Operator, respectively, and that may undertake other activities, as needed, as ordered by the commission.

(h) "Small commercial customer" means a customer that has a maximum peak demand of less than 20 kilowatts.

Article 2. Oversight Board

334. The Legislature finds and declares that in order to ensure the success of electric industry restructuring, in the transition to a new market structure it is important to ensure a reliable supply of electricity. Reliable electric service is of paramount importance to the safety, health, and comfort of the people of California. Transmission connections between electric utilities allow them to share generation resources and reduce the number of powerplants necessary to maintain a reliable system. The connections between utilities also create exposure to events that can cause widespread and extended transmission and service outages that reach far beyond the originating utility service area. California utilities and those in the western United States voluntarily adhere to reliability standards developed by the Western Systems Coordinating Council. The economic cost of extended electricity outages, such as those that occurred in California and throughout the Western Systems Coordinating Council on July 2, 1996, and August 10, 1996, to California's residential, commercial, agricultural, and industrial customers is significant. The proposed restructuring of the electricity industry would transfer responsibility for ensuring short- and long-term reliability away from electric utilities and regulatory bodies to the Independent System Operator and various market-based mechanisms. The Legislature has an interest in ensuring that the change in the locus of responsibility for reliability does not expose California citizens to undue economic risk in connection with system reliability.

335. In order to ensure that the interests of the people of California are served, a five-member Oversight Board shall be formed as provided in Section 336. Its functions shall be all of the following:

(a) To oversee the Independent System Operator and the Power Exchange.

(b) To determine the composition and terms of service and to appoint the members of the governing boards of the Independent System Operator and the Power Exchange.

(c) To serve as an appeal board for majority decisions of the Independent System Operator governing board.

336. (a) The five-member Oversight Board shall be comprised as follows:

(1) Three members, who are California residents and electricity ratepayers, appointed by the Governor from a list jointly provided by the California Energy Resources Conservation and Development Commission and the Public Utilities Commission, and subject to confirmation by the Senate.

(2) One member of the Assembly appointed by the Speaker of the Assembly.

(3) One member of the Senate appointed by the Senate Committee on Rules.

(b) Legislative members shall be nonvoting members, however, they are otherwise full members of the board with all rights and privileges pertaining thereto.

(c) Oversight Board members shall serve three-year terms with no limit on reappointment. For purposes of the initial appointments set forth in paragraph (1), the Governor shall appoint one member to a one-year term, one to a two-year term, and one to a three-year term.

337. The Oversight Board, as the appointing body, shall establish nominating procedures and qualifications for Independent System Operator governing board members. The Independent System Operator governing board shall be composed of California residents and shall include, but not be limited to, representatives of investor-owned utility transmission owners, publicly owned utility transmission owners, nonutility electricity sellers, public buyers and sellers, private buyers and sellers, industrial end-users, commercial end-users, residential end-users, agricultural end-users, public interest groups, and nonmarket participant representatives. A simple majority of the board shall consist of persons who are themselves unaffiliated with electric generation, transmission or distribution corporations.

338. The Oversight Board, as the appointing body, shall establish nominating procedures and qualifications for Power Exchange governing board members. The Power Exchange governing board shall be composed of California residents and shall include, but not be limited to, representatives of investor-owned electric distribution companies, publicly owned electric distribution companies, nonutility generators, public buyers and sellers, private buyers and sellers, industrial end-users, commercial end-users, residential end-users, agricultural end-users, public interest groups, and nonmarket participant representatives.

339. The Oversight Board is the appeal board for majority decisions of the Independent System Operator governing board. Only members of the Independent System Operator governing board may appeal a majority decision to the Oversight Board.

340. The Oversight Board shall take the steps that are necessary to ensure the earliest possible incorporation of the Independent System Operator and the Power Exchange as separately incorporated public benefit, nonprofit corporations under the Corporations Code.

Article 3. Independent System Operator

345. The Independent System Operator shall ensure efficient use and reliable operation of the transmission grid consistent with achievement of planning and operating reserve criteria no less stringent than those established by the Western Systems Coordinating Council and the North American Electric Reliability Council.

346. The Independent System Operator shall immediately participate in all relevant Federal Energy Regulatory Commission proceedings. The Independent System Operator shall ensure that additional filings at the Federal Energy Regulatory Commission request confirmation of the relevant provisions of this chapter and seek the authority needed to give the Independent System Operator the ability to secure generating and transmission resources necessary to guarantee achievement of planning and operating reserve criteria no less stringent than those established by the Western Systems Coordinating Council and the North American Electric Reliability Council.

347. The Independent System Operator governing board may form appropriate technical advisory committees composed of market and nonmarket participants to advise the Independent System Operator governing board on issues including, but not limited to, rules and protocols and operating procedures.

348. The Independent System Operator shall adopt inspection, maintenance, repair, and replacement standards for the transmission facilities under its control no later than March 31, 1997. The standards, which shall be performance or prescriptive standards, or both, as appropriate, for each substantial type of transmission

equipment or facility, shall provide for high quality, safe, and reliable service. In adopting its standards, the Independent System Operator shall consider: cost, local geography and weather, applicable codes, national electric industry practices, sound engineering judgment, and experience. The Independent System Operators shall also adopt standards for reliability, and safety during periods of emergency and disaster. The Independent System Operator shall require each transmission facility owner or operator to report annually on its compliance with the standards. That report shall be made available to the public.

349. The Independent System Operator shall perform a review following a major outage that affects at least 10 percent of the customers of the entity providing the local distribution service. The review shall address the cause of the major outage, the response time and effectiveness, and whether the transmission facility owner or operator's operation and maintenance practices enhanced or undermined the ability to restore service efficiently and in a timely manner. If the Independent System Operator finds that the operation and maintenance practices of the transmission facility owner or operator prolonged the response time or was responsible for the outage, the Independent System Operator may order appropriate sanctions, subject to the Federal Energy Regulatory Commission approving that authority.

350. The Independent System Operator, in consultation with the California Energy Resources Conservation and Development Commission, the Public Utility Commission, the Western Systems Coordinating Council, and concerned regulatory agencies in other western states, shall within six months after the Federal Energy Regulatory Commission approval of the Independent System Operator, provide a report to the Legislature that does the following:

(a) Conducts an independent review and assessment of Western Systems Coordinating Council operating reliability criteria.

(b) Quantifies the economic cost of major transmission outages relating to the Pacific Intertie, Southwest Power Link, DC link, and other important high voltage lines that carry power both into and from California.

(c) Identifies the range of cost-effective options that would prevent or mitigate the consequence of major transmission outages.

(d) Identifies communication protocols that may be needed to be established to provides advance warning of incipient problems.

(e) Identifies the need for additional generation reserves and other voltage support equipment, if any, or other resources that may be necessary to carry out its functions.

(f) Identifies transmission capacity additions that may be necessary at certain times of the year or under certain conditions.

(g) Assesses the adequacy of current and prospective institutional provisions for the maintenance of reliability.

(h) Identifies mechanisms to enforce transmission right-of-way maintenance.

(i) Contains recommendations regarding cost-beneficial improvements to electric system reliability for the citizens of California.

Article 4. Power Exchange

355. The Power Exchange shall provide an efficient competitive auction, open on a nondiscriminatory basis to all suppliers, that meets the loads of all exchange customers at efficient prices.

356. The Power Exchange governing board may form appropriate technical advisory committees comprised of market and nonmarket participants to advise the governing board on relevant issues.

Article 5. Regional Compact

359. It is the intent of the Legislature that California enter

into a compact with western region states. That compact should require the publicly and investor-owned utilities located in those states that sell energy to California retail customers, to adhere to enforceable standards and protocols to protect the reliability of the interconnected regional transmission and distribution systems.

Article 6. Requirements for the Public Utilities Commission

360. The commission shall ensure that existing, and if necessary, additional filings at the Federal Energy Regulatory Commission request confirmation of the relevant provisions of this chapter and seek the authority needed to give the Independent System Operator the ability to secure generating and transmission resources necessary to guarantee achievement of planning and operating reserve criteria no less stringent than those established by the Western Systems Coordinating Council and the North American Electric Reliability Council.

361. The commission shall ensure that any funds secured by the restructuring trusts established for the purposes of developing the Independent System Operator and the Power Exchange shall be placed at the disposal of the Independent System Operator and the Power Exchange respectively.

362. In proceedings pursuant to Section 455.5, 851, or 854, the commission shall ensure that facilities needed to maintain the reliability of the electric supply remain available and operational, consistent with maintaining open competition and avoiding an overconcentration of market power. In order to determine whether the facility needs to remain available and operational, the commission shall utilize standards that are no less stringent that the Western Systems Coordinating Council and North American Electric Reliability Council standards for planning reserve criteria.

363. (a) In order to ensure the continued safe and reliable operation of public utility electric generating facilities, the commission shall require in any proceeding under Section 851 involving the sale, but not spin-off, of a public utility electric generating facility, for transactions initiated prior to December 31, 2001, and approved by the commission by December 31, 2002, that the selling utility contract with the purchaser of the facility for the selling utility, an affiliate, or a successor corporation to operate and maintain the facility for at least two years. The commission may require these conditions to be met for transactions initiated on or after January 1, 2002. The commission shall require the contracts to be reasonable for both the seller and the buyer.

(b) Subdivision (a) shall apply only if the facility is actually operated during the two-year period following the sale. Subdivision (a) shall not require the purchaser to operate a facility, nor shall it preclude a purchaser from temporarily closing the facility to make capital improvements.

364. (a) The commission shall adopt inspection, maintenance, repair, and replacement standards for the distribution systems of investor-owned electric utilities no later than March 31, 1997. The standards, which shall be performance or prescriptive standards, or both, as appropriate, for each substantial type of distribution equipment or facility, shall provide for high quality, safe and reliable service.

(b) In setting its standards, the commission shall consider: cost, local geography and weather, applicable codes, national electric industry practices, sound engineering judgment, and experience. The commission shall also adopt standards for operation, reliability, and safety during periods of emergency and disaster. The commission shall require each utility to report annually on its compliance with the standards. That report shall be made available to the public.

(c) The commission shall conduct a review to determine whether the standards prescribed in this section have been met. If the

commission finds that the standards have not been met, the commission may order appropriate sanctions, including penalties in the form of rate reductions or monetary fines. The review shall be performed after every major outage. Any money collected pursuant to this subdivision shall be used to offset funding for the California Alternative Rates for Energy Program.

365. The actions of the commission pursuant to this chapter shall be consistent with the findings and declarations contained in Section 330. In addition, the commission shall do all of the following:

(a) Facilitate the efforts of the state's electrical corporations to develop and obtain authorization from the Federal Energy Regulatory Commission for the creation and operation of an Independent System Operator and an independent Power Exchange, for the determination of which transmission and distribution facilities are subject to the exclusive jurisdiction of the commission, and for approval, to the extent necessary, of the cost recovery mechanism established as provided in Sections 367 to 376, inclusive. The commission shall also participate fully in all proceedings before the Federal Energy Regulatory Commission in connection with the Independent System Operator and the independent Power Exchange, and shall encourage the Federal Energy Regulatory Commission to adopt protocols and procedures that strengthen the reliability of the interconnected transmission grid, encourage all publicly owned utilities in California to become full participants, and maximize enforceability of such protocols and procedures by all market participants.

(b) (1) Authorize direct transactions between electricity suppliers and end use customers, subject to implementation of the nonbypassable charge referred to in Sections 367 to 376, inclusive. Direct transactions shall commence simultaneously with the start of an Independent System Operator and Power Exchange referred to in subdivision (a). The simultaneous commencement shall occur as soon as practicable, but no later than January 1, 1998. The commission shall develop a phase-in schedule at the conclusion of which all customers shall have the right to engage in direct transactions. Any phase-in of customer eligibility for direct transactions ordered by the commission shall be equitable to all customer classes and accomplished as soon as practicable, consistent with operational and other technological considerations, and shall be completed for all customers by January 1, 2002.

(2) Customers shall be eligible for direct access irrespective of any direct access phase-in implemented pursuant to this section if at least one-half of that customer's electrical load is supplied by energy from a renewable resource provider certified pursuant to Section 383, provided however that nothing in this section shall provide for direct access for electric consumers served by municipal utilities unless so authorized by the governing board of that municipal utility.

366. (a) The commission shall take actions as needed to facilitate direct transactions between electricity suppliers and end use customers. Customers shall be entitled to aggregate their electric loads on a voluntary basis, provided that each customer does so by a positive written declaration. If no positive declaration is made by a customer, that customer shall continue to be served by the existing electrical corporation or its successor in interest.

(b) Aggregation of customer electrical load shall be authorized by the commission for all customer classes, including, but not limited to small commercial or residential customers. Aggregation may be accomplished by private market aggregators, cities, counties, special districts or on any other basis made available by market opportunities and agreeable by positive written declaration by individual consumers.

(c) If a public agency seeks to serve as a community aggregator on behalf of residential customers, it shall be obligated to offer the

opportunity to purchase electricity to all residential customers within its jurisdiction.

(d) No electric utility, or any person, firm, corporation, or governmental entity shall make any change or authorize a different electric utility or electric marketer to make any change in the aggregator or provider of electric power for any small commercial customer until one of the following means of confirming the change has been completed.

(1) Independent third-party telephone verification.

(2) Receipt of a written confirmation received in the mail from the consumer after the consumer has received an information package confirming the telephone agreement.

(3) The customer signs a document fully explaining the nature and effect of the change in service.

(4) The customer's consent is obtained through electronic means, including but not limited to, computer transactions.

(e) For residential customers no change in the aggregator or provider of electric power may be made until the change has been confirmed by an independent third-party verification company, as follows:

(1) The third-party verification company shall meet each of the following criteria:

(A) Be independent from the entity that seeks to provide the new service.

(B) Not be directly or indirectly managed, controlled, or directed, or owned wholly or in part, by an entity that seeks to provide the new service or by any corporation, firm, or person who directly or indirectly manages, controls, or directs, or owns more than 5 percent of the entity.

(C) Operate from facilities physically separate from those of the entity that seeks to provide the new service.

(D) Not derive commissions or compensation based upon the number of sales confirmed.

(2) The entity seeking to verify the sale shall do so by connecting the resident by telephone to the third-party verification company or by arranging for the third-party verification company to call the resident to confirm the sale.

(3) The third-party verification company shall obtain the resident's oral confirmation regarding the change, and shall record that confirmation by obtaining appropriate verification data. The record shall be available to the resident upon request. Information obtained from the subscriber through confirmation shall not be used for marketing purposes. Any unauthorized release of this information is grounds for a civil suit by the aggrieved resident against the entity or its employees who are responsible for the violation.

(4) Notwithstanding paragraphs (1), (2), and (3), a service provider shall not be required to comply with these provisions when the customer directly calls the service provider to make changes in service providers. However, a service provider shall not avoid the verification requirements by asking a customer to contact a service provider directly to make any change in the service provider. A service provider shall be required to comply with these verification requirements for its own competitive services. However, a service provider shall not be required to perform any verification requirements for any changes solicited by another service provider.

367. The commission shall identify and determine those costs and categories of costs for generation-related assets and obligations, consisting of generation facilities, generation-related regulatory assets, nuclear settlements, and power purchase contracts, including, but not limited to, restructurings, renegotiations or terminations thereof approved by the commission, that were being collected in commission-approved rates on December 20, 1995, and that may become uneconomic as a result of a competitive generation market, in that these costs may not be recoverable in market prices in a competitive

market, and appropriate costs incurred after December 20, 1995, for capital additions to generating facilities existing as of December 20, 1995, that the commission determines are reasonable and should be recovered, provided that these additions are necessary to maintain the facilities through December 31, 2001. These uneconomic costs shall be recovered from all customers on a nonbypassable basis and shall:

(a) Be amortized over a reasonable time period, including collection on an accelerated basis, consistent with not increasing rates for any rate schedule, contract, or tariff option above the levels in effect on June 10, 1996; provided that, the recovery shall not extend beyond December 31, 2001, except as follows:

(1) Costs associated with employee-related transition costs as set forth in subdivision (b) of Section 375 shall continue until fully collected; provided, however, that the cost collection shall not extend beyond December 31, 2006.

(2) Power purchase contract obligations shall continue for the duration of the contract. Costs associated with any buy-out, buy-down, or renegotiation of the contracts shall continue to be collected for the duration of any agreement governing the buy-out, buy-down, or renegotiated contract; provided, however, no power purchase contract shall be extended as a result of the buy-out, buy-down, or renegotiation.

(3) Costs associated with contracts approved by the commission to settle issues associated with the Biennial Resource Plan Update may be collected through March 31, 2002; provided that only 80 percent of the balance of the costs remaining after December 31, 2001, shall be eligible for recovery.

(4) Nuclear incremental cost incentive plans for the San Onofre nuclear generating station shall continue for the full term as authorized by the commission in Decision 96-01-011 and Decision 96-04-059; provided that the recovery shall not extend beyond December 31, 2003.

(5) Costs associated with the exemptions provided in subdivision (a) of Section 374 may be collected through March 31, 2002, provided that only fifty million dollars ($50,000,000) of the balance of the costs remaining after December 31, 2001, shall be eligible for recovery.

(b) Be based on a calculation mechanism that nets the negative value of all above market utility-owned generation-related assets against the positive value of all below market utility-owned generation related assets. For those assets subject to valuation, the valuations used for the calculation of the uneconomic portion of the net book value shall be determined not later than December 31, 2001, and shall be based on appraisal, sale, or other divestiture. The commission's determination of the costs eligible for recovery and of the valuation of those assets at the time the assets are exposed to market risk or retired, in a proceeding under Section 455.5, 851, or otherwise, shall be final, and notwithstanding Section 1708 or any other provision of law, may not be rescinded, altered or amended.

(c) Be limited in the case of utility-owned fossil generation to the uneconomic portion of the net book value of the fossil capital investment existing as of January 1, 1998, and appropriate costs incurred after December 20, 1995, for capital additions to generating facilities existing as of December 20, 1995, that the commission determines are reasonable and should be recovered, provided that the additions are necessary to maintain such facilities through December 31, 2001. All "going forward costs" of fossil plant operation, including operation and maintenance, administrative and general, fuel and fuel transportation costs, shall be recovered solely from independent Power Exchange Revenues or from contracts with the Independent System Operator, provided that for the purposes of this chapter, the following costs may be recoverable pursuant to this section:

(1) Commission-approved operating costs for particular

utility-owned fossil power plants or units, at particular times when reactive power/voltage support is not yet procurable at market-based rates in locations where it is deemed needed for the reactive power/voltage support by the Independent System Operator, provided that the units are otherwise authorized to recover market-based rates and provided further that for an electrical corporation that is also a gas corporation and that serves at least four million customers as of December 20, 1995, the commission shall allow the electrical corporation to retain any earnings from operations of the reactive power/voltage support plants or units and shall not require the utility to apply any portions to offset recovery of transition costs.

Cost recovery under the cost recovery mechanism shall end on December 31, 2001.

(2) An electrical corporation that, as of December 20, 1995, served at least four million customers, and that was also a gas corporation that served less than four thousand customers, may recover, pursuant to this section, 100 percent of the uneconomic portion of the fixed costs paid under fuel and fuel transportation contracts that were executed prior to December 20, 1995, and were subsequently determined to be reasonable by the commission, or 100 percent of the buy-down or buy-out costs associated with the contracts to the extent the costs are determined to be reasonable by the commission.

(d) Be adjusted throughout the period through March 31, 2002, to track accrual and recovery of costs provided for in this subdivision.

Recovery of costs prior to December 31, 2001, shall include a return as provided for in Decision 95-12-063, as modified by Decision 96-01-009, together with associated taxes.

(e) (1) Be allocated among the various classes of customers, rate schedules, and tariff options to ensure that costs are recovered from these classes, rate schedules, contract rates, and tariff options, including self-generation deferral, interruptible, and standby rate options in substantially the same proportion as similar costs are recovered as of June 10, 1996, through the regulated retail rates of the relevant electric utility, provided that there shall be a fire wall segregating the recovery of the costs of competition transition charge exemptions such that the costs of competition transition charge exemptions granted to members of the combined class of residential and small commercial customers shall be recovered only from these customers, and the costs of competition transition charge exemptions granted to members of the combined class of customers, other than residential and small commercial customers, shall be recovered only from these customers.

(2) Individual customers shall not experience rate increases as a result of the allocation of transition costs. However, customers who elect to purchase energy from suppliers other than the Power Exchange through a direct transaction, may incur increases in the total price they pay for electricity to the extent the price for the energy exceeds the Power Exchange price.

(3) The commission shall retain existing cost allocation authority, provided the fire wall and rate freeze principles are not violated.

368. Each electrical corporation shall propose a cost recovery plan to the commission for the recovery of the uneconomic costs of an electrical corporation's generation-related assets and obligations identified in Section 367. The commission shall authorize the electrical corporation to recover the costs pursuant to the plan where the plan meets the following criteria:

(a) The cost recovery plan shall set rates for each customer class, rate schedule, contract, or tariff option, at levels equal to the level as shown on electric rate schedules as of June 10, 1996, provided that rates for residential and small commercial customers shall be reduced so that these customers shall receive rate reductions of no less than 10 percent for 1998 continuing through 2002. These rate levels for each customer class, rate schedule,

contract, or tariff option shall remain in effect until the earlier of March 31, 2002, or the date on which the commission-authorized costs for utility generation-related assets and obligations have been fully recovered. The electrical corporation shall be at risk for those costs not recovered during that time period. Each utility shall amortize its total uneconomic costs, to the extent possible, such that each year during the transition period its recorded rate of return on the remaining uneconomic assets does not exceed its authorized rate of return for those assets. For purposes of determining the extent to which the costs have been recovered, any over-collections recorded in Energy Costs Adjustment Clause and Electric Revenue Adjustment Mechanism balancing accounts, as of December 31, 1996, shall be credited to the recovery of the costs.

(b) The cost recovery plan shall provide for identification and separation of individual rate components such as charges for energy, transmission, distribution, public benefit programs, and recovery of uneconomic costs. The separation of rate components required by this subdivision shall be used to ensure that customers of the electrical corporation who become eligible to purchase electricity from suppliers other than the electrical corporation pay the same unbundled component charges, other than energy, a bundled service customer pays. No cost shifting among customer classes, rate schedules, contract, or tariff options shall result from the separation required by this paragraph. Nothing in this provision is intended to affect the rates, terms, and conditions or to limit the use of any Federal Energy Regulatory Commission-approved contract entered into by the electrical corporation prior to the effective date of this provision.

(c) In consideration of the risk that the uneconomic costs identified in Section 367 may not be recoverable within the period identified in subdivision (a) of Section 367, an electrical corporation that, as of December 20, 1995, served more than four million customers, and that was also a gas corporation that served less than four thousand customers, shall have the flexibility to employ risk management tools, such as forward hedges, to manage the market price volatility associated with unexpected fluctuations in natural gas prices and the out-of-pocket costs of acquiring the risk management tools shall be considered reasonable and collectible within the transition freeze period. This subdivision applies only to the transaction costs associated with the risk management tools and shall not include any losses from changes in market prices.

(d) In order to ensure implementation of the cost recovery plan, the limitation on the maximum amount of cost recovery for nuclear facilities that may be collected in any year adopted by the commission in Decision 96-01-011 and Decision 96-04-059 shall be eliminated to allow the maximum opportunity to collect the nuclear costs within the transition cap period.

(e) As to an electrical corporation that is also a gas corporation serving more than four million California customers, so long as any cost recovery plan adopted in accordance with this section satisfies subdivision (a), it shall also provide for annual increases in base revenues, effective January 1, 1997, and January 1, 1998, equal to the inflation rate for the prior year plus two percentage points, as measured by the consumer price index. The increase shall do both of the following:

(1) Remain in effect pending the next general rate case review, which shall be filed not later than December 31, 1997, for rates which would become effective in January 1999. For purposes of any commission-approved performance-based ratemaking mechanism or general rate case review, the increases in base revenue authorized by this subdivision shall create no presumption that the level of base revenue reflecting those increases constitute the appropriate starting point for subsequent revenues.

(2) Be used by the utility for the purposes of enhancing its transmission and distribution system safety and reliability,

including, but not limited to, vegetation management and emergency response. To the extent the revenues are not expended for system safety and reliability, they shall be credited against subsequent safety and reliability base revenue requirements. Any excess revenues carried over shall not be used to pay any monetary sanctions imposed by the commission.

(f) The cost recovery plan shall provide the electrical corporation with the flexibility to manage the renegotiation, buy-out, or buy-down of the electrical corporation's power purchase obligations, consistent with review by the commission to assure that the terms provide net benefits to ratepayers and are otherwise reasonable in protecting the interests of both ratepayers and shareholders.

(h) An example of a plan authorized by this section is the document entitled "Restructuring Rate Settlement" transmitted to the commission by Pacific Gas and Electric Company on June 12, 1996.

369. The commission shall establish an effective mechanism that ensures recovery of transition costs referred to in Sections 367, 368, 375, and 376, and subject to the conditions in Sections 371 to 374, inclusive, from all existing and future consumers in the service territory in which the utility provided electricity services as of December 20, 1995; provided, that the costs shall not be recoverable for new customer load or incremental load of an existing customer where the load is being met through a direct transaction and the transaction does not otherwise require the use of transmission or distribution facilities owned by the utility. However, the obligation to pay the competition transition charges cannot be avoided by the formation of a local publicly owned electrical corporation on or after December 20, 1995, or by annexation of any portion of an electrical corporation's service area by an existing local publicly owned electric utility.

This section shall not apply to service taken under tariffs, contracts, or rate schedules that are on file, accepted, or approved by the Federal Energy Regulatory Commission, unless otherwise authorized by the Federal Energy Regulatory Commission.

370. The commission shall require, as a prerequisite for any consumer in California to engage in direct transactions permitted in Section 365, that beginning with the commencement of these direct transactions, the consumer shall have an obligation to pay the costs provided in Sections 367, 368, 375, and 376, and subject to the conditions in Sections 371 to 374, inclusive, directly to the electrical corporation providing electricity service in the area in which the consumer is located. This obligation shall be set forth in the applicable rate schedule, contract, or tariff option under which the customer is receiving service from the electrical corporation. To the extent the consumer does not use the electrical corporation's facilities for direct transaction, the obligation to pay shall be confirmed in writing, and the customer shall be advised by any electricity marketer engaged in the transaction of the requirement that the customer execute a confirmation. The requirement for marketers to inform customers of the written requirement shall cease on January 1, 2002.

371. (a) Except as provided in Sections 372 and 374, the uneconomic costs provided in Sections 367, 368, 375, and 376 shall be applied to each customer based on the amount of electricity purchased by the customer from an electrical corporation or alternate supplier of electricity, subject to changes in usage occurring in the normal course of business.

(b) Changes in usage occurring in the normal course of business are those resulting from changes in business cycles, termination of operations, departure from the utility service territory, weather, reduced production, modifications to production equipment or operations, changes in production or manufacturing processes, fuel switching, including installation of fuel cells pending a contrary determination by the California Energy Resources Conservation and

Development Commission in Section 383, enhancement or increased efficiency of equipment or performance of existing self-cogeneration equipment, replacement of existing cogeneration equipment with new power generation equipment of similar size as described in paragraph (1) of subdivision (a) of Section 372, installation of demand-side management equipment or facilities, energy conservation efforts, or other similar factors.

(c) Nothing in this section shall be interpreted to exempt or alter the obligation of a customer to comply with the requirements of Section 119075 et seq. of the Health and Safety Code. Nothing in this section shall be construed as a limitation on the ability of residential customers to alter their pattern of electricity purchases by activities on the customer side of the meter.

372. (a) It is the policy of the state to encourage and support the development of cogeneration as an efficient, environmentally beneficial, competitive energy resource that will enhance the reliability of local generation supply, and promote local business growth. Subject to the specific conditions provided in this section, the commission shall determine the applicability to customers of uneconomic costs as specified in Sections 367, 368, 375, and 376. Consistent with this state policy, the commission shall provide that these costs shall not apply to any of the following:

(1) To load served onsite or under an over the fence arrangement by a nonmobile self-cogeneration or cogeneration facility that was operational on or before December 20, 1995, or by increases in the capacity of such a facility to the extent that such increased capacity was constructed by an entity holding an ownership interest in or operating the facility and does not exceed 120 percent of the installed capacity as of December 20, 1995, provided that prior to June 30, 2000, the costs shall apply to over the fence arrangements entered into after December 20, 1995, between unaffiliated parties. For the purposes of this subdivision, "affiliated" means any person or entity that directly, or indirectly through one or more intermediaries, controls, is controlled by, or is under common on control with another specified entity. "Control" means either of the following:

(A) The possession, directly or indirectly, of the power to direct or to cause the direction of the management or policies of a person or entity, whether through an ownership, beneficial, contractual, or equitable interest.

(B) Direct or indirect ownership of at least 25 percent of an entity, whether through an ownership, beneficial or equitable interest.

(2) To load served by onsite or under an over the fence arrangement by a nonmobile self-cogeneration or cogeneration facility for which the customer was committed to construction as of December 20, 1995, provided that the facility was substantially operational on or before January 1, 1998, or by increases in the capacity of such a facility to the extent that the increased capacity was constructed by an entity holding an ownership interest in or operating the facility and does not exceed 120 percent of the installed capacity as of January 1, 1998, provided that prior to June 30, 2000, the costs shall apply to over the fence arrangements entered into after December 20, 1995, between unaffiliated parties.

(3) To load served by existing, new, or portable emergency generation equipment used to serve the customer's load requirements during periods when utility service is unavailable, provided such emergency generation is not operated in parallel with the integrated electric grid, except on a momentary parallel basis.

(4) After June 30, 2000, to any load served onsite or under an over the fence arrangement by any nonmobile self-cogeneration or cogeneration facility.

(b) Further, consistent with state policy, with respect to self-cogeneration or cogeneration deferral agreements, the commission shall do the following:

(1) Provide that a utility shall execute a final self-cogeneration or cogeneration deferral agreement with any customer that, on or before December 20, 1995, had executed a letter of intent (or similar documentation) to enter into the agreement with the utility, provided that the final agreement shall be consistent with the terms and conditions set forth in the letter of intent and the commission shall review and approve the final agreement.

(2) Provide that a customer that holds a self-cogeneration or cogeneration deferral agreement that was in place on or before December 20, 1995, or that was executed pursuant to paragraph (1) in the event the agreement expires, or is terminated, may do any of the following:

(A) Continue through December 31, 2001, to receive utility service at the rate and under terms and conditions applicable to the customer under the deferral agreement that, as executed, includes an allocation of uneconomic costs consistent with subdivision (e) of Section 367.

(B) Engage in a direct transaction for the purchase of electricity and pay uneconomic costs consistent with Sections 367, 368, 375, and 376.

(C) Construct a self-cogeneration or cogeneration facility of approximately the same capacity as the facility previously deferred, provided that the costs provided in Sections 367, 368, 375, and 376 shall apply consistent with subdivision (e) of Section 367, unless otherwise authorized by the commission pursuant to subdivision (c).

(3) Subject to the fire wall described in subdivision (e) of Section 367 provide that the ratemaking treatment for self-cogeneration or cogeneration deferral agreements executed prior to December 20, 1995, or executed pursuant to paragraph (1) shall be consistent with the ratemaking treatment for the contracts approved before January 1995.

(c) The commission shall authorize, within 60 days of the receipt of a joint application from the serving utility and one or more interested parties, applicability conditions as follows:

(1) The costs identified in Sections 367, 368, 375, and 376 shall not, prior to June 30, 2000, apply to load served onsite by a nonmobile self-cogeneration or cogeneration facility that became operational on or after December 20, 1995.

(2) The costs identified in Sections 367, 368, 375, and 376 shall not, prior to June 30, 2000, apply to any load served under over the fence arrangements entered into after December 20, 1995, between unaffiliated entities.

(d) For the purposes of this subdivision, all onsite or over the fence arrangements shall be consistent with Section 218 as it existed on December 20, 1995.

(e) To facilitate the development of new microcogeneration applications, electrical corporations may apply to the commission for a financing order to finance the transition costs to be recovered from customers employing the applications.

373. (a) Electrical corporations may apply to the commission for an order determining that the costs identified in Sections 367, 368, 375, and 376 not be collected from a particular class of customer or category of electricity consumption.

(b) Subject to the fire wall specified in subdivision (e) of Section 367, the provisions of this section and Sections 372 and 374 shall apply in the event the commission authorizes a nonbypassable charge prior to the implementation of an Independent System Operator and Power Exchange referred to in subdivision (a) of Section 365.

374. (a) In recognition of statutory authority and past investments existing as of December 20, 1995, and subject to the fire wall specified subdivision (e) of Section 367, the obligation to pay the uneconomic costs identified in Sections 367, 368, 375, and 376 shall not apply to the following:

(1) One hundred ten megawatts of load served by irrigation districts, as hereafter allocated by this paragraph:

(A) The 110 megawatts of load shall be allocated among the service territories of the three largest electrical corporations in the ratio of the number of irrigation districts in the service territory of each utility to the total number of irrigation districts in the service territories of all three utilities.

(B) The total amount of load allocated to each utility service area shall be phased in over five years beginning January 1, 1997, so that one-fifth of the allocation is allocated in each of the five years. Any allocation which remains unused at the end of any year shall be carried over to the succeeding year and added to the allocation for that year.

(C) The load allocated to each utility service territory pursuant to subparagraph (A) shall be further allocated among the respective irrigation districts within that service territory by the California Energy Resources Conservation and Development Commission. An individual irrigation district requesting such an allocation shall submit to the commission by January 31, 1997, detailed plans that show the load that it serves or will serve and for which it intends to utilize the allocation within the time frame requested. These plans shall include specific information on the irrigation districts' organization for electric distribution, contracts, financing and engineering plans for capital facilities, as well as detailed information about the loads to be served, and shall not be less than eight megawatts or more than 40 megawatts. Provided, however, any portion of the 110 megawatts that remains unallocated may be reallocated to projects without regard to the 40 megawatts limitation. In making such an allocation among irrigation districts, the Energy Resources Conservation and Development Commission shall assess the viability of each submission and whether it can be accomplished in the timeframe proposed. The Energy Resources Conservation and Development Commission shall have the discretion to allocate the load covered by this section in a manner that best ensures its usage within the allocation period.

(D) At least 50 percent of each year's allocation to a district shall be applied to that portion of load that is used to power pumps for agricultural purposes.

(E) Any load pursuant to this subdivision shall be served by distribution facilities owned by, or leased to, the district in question.

(F) Any load allocated pursuant to paragraph (1) shall be located within the boundaries of the affected irrigation district, or within the boundaries specified in an applicable service territory boundary agreement between an electrical corporation and the affected irrigation district; additionally, the provisions of subparagraph (C) of paragraph (1) shall be applicable to any load within the Counties of Stanislaus or San Joaquin, or both, served by any irrigation district that is currently serving or will be serving retail customers.

(2) Seventy-five megawatts of load served by the Merced Irrigation District hereafter prescribed in this paragraph:

(A) The total allocation provided by this paragraph shall be phased in over five years beginning January 1, 1997, so that one-fifth of the allocation is received in each of the five years. Any allocation which remains unused at the end of any year shall be carried over to the succeeding year and added to the allocation for that year.

(B) Any load to which the provision of this paragraph is applicable shall be served by distribution facilities owned by, or leased to, Merced Irrigation District.

(C) A load to which the provisions of this paragraph are applicable shall be located within the boundaries of Merced Irrigation District as those boundaries existed on December 20, 1995, together with the territory of Castle Air Force Base which was located outside of the district on that date.

(D) The total allocation provided by this paragraph shall be

phased in over five years beginning January 1, 1997, with the exception of load already being served by the district as of June 1, 1996, which shall be deducted from the total allocation and shall not be subject to the costs provided in Sections 367, 368, 375, and 376.

(3) To loads served by irrigation districts, water districts, water storage districts, municipal utility districts, and other water agencies which, on December 20, 1995, were members of the Southern San Joaquin Valley Power Authority, or the Eastside Power Authority; provided, however, that this paragraph shall be applicable only to that portion of each district or agency's load that is used to power pumps which are owned by that district or agency as of December 20, 1995, or replacements thereof, and is being used to pump water for district purposes. The rates applicable to these districts and agencies shall be adjusted as of January 1, 1997.

(4) The provisions of this subdivision shall no longer be operative after March 31, 2002.

(5) The provisions of paragraph (1) shall not be applicable to any irrigation district, water district or water agency described in paragraph (2) or (3).

(6) Transmission services provided to any irrigation district described in paragraph (1) or (2) shall be provided pursuant to otherwise applicable tariffs.

(7) Nothing in this chapter shall be deemed to grant the commission any jurisdiction over irrigation districts not already granted to the commission by existing law.

(b) To give the full effect to the legislative intent in enacting Section 701.8, the costs provided in Sections 367, 368, 375, and 376 shall not apply to the load served by preference power purchased from a federal power marketing agency, or its successor, pursuant to Section 701.8 as it existed on January 1, 1996, provided the power is used solely for the customer's own systems load and not for sale. The costs of this provision shall be borne by all ratepayers in the affected service territory, notwithstanding the fire wall established in subdivision (e) of Section 367.

(c) To give effect to an existing relationship, the obligation to pay the uneconomic costs specified in Sections 367, 368, 375, and 376 shall not apply to that portion of the load of the University of California campus situated in Yolo County that was being served as of May 31, 1996, by preference power purchased from a federal marketing agency, or its successor, provided the power is used solely for the facility load of that campus and not, directly or indirectly, for sale.

375. (a) In order to mitigate potential negative impacts on utility personnel directly affected by electric industry restructuring, as described in Decision 95-12-063, as modified by Decision 96-01-009, the commission shall allow the recovery of reasonable employee related transition costs incurred and projected for severance, retraining, early retirement, outplacement and related expenses for the employees.

(b) The costs, including employee related transition costs for employees performing services in connection with Section 363, shall be added to the amount of uneconomic costs allowed to be recovered pursuant to this section and Sections 367, 368, and 376, provided recovery of these employee related transition costs shall extend beyond December 31, 2001, provided recovery of the costs shall not extend beyond December 31, 2006. However, there shall be no recovery for employee related transition costs associated with officers, senior supervisory employees, and professional employees performing predominantly regulatory functions.

376. To the extent that the costs of programs to accommodate implementation of direct access, the Power Exchange, and the Independent System Operator, that have been funded by an electrical corporation and have been found by the commission or the Federal Energy Regulatory Commission to be recoverable from the utility's

customers, reduce an electrical corporation's opportunity to recover its utility generation-related plant and regulatory assets by the end of the year 2001, the electrical corporation may recover unrecovered utility generation-related plant and regulatory assets after December 31, 2001, in an amount equal to the utility's cost of commission-approved or Federal Energy Regulatory Commission approved restructuring-related implementation programs. An electrical corporation's ability to collect the amounts from retail customers after the year 2001 shall be reduced to the extent the Independent System Operator or the Power Exchange reimburses the electrical corporation for the costs of any of these programs.

377. The commission shall continue to regulate the nonnuclear generation assets owned by any public utility prior to January 1, 1997, that are subject to commission regulation until those assets have been subject to market valuation in accordance with procedures established by the commission. If, after market valuation, the public utility wishes to retain ownership of nonnuclear generation assets in the same corporation as the distribution utility, the public utility shall demonstrate to the satisfaction of the commission, through a public hearing, that it would be consistent with the public interest and would not confer undue competitive advantage on the public utility to retain that ownership in the same corporation as the distribution utility.

378. The commission shall authorize new optional rate schedules and tariffs, including new service offerings, that accurately reflect the loads, locations, conditions of service, cost of service, and market opportunities of customer classes and subclasses.

379. Nuclear decommissioning costs shall not be part of the costs described in Sections 367, 368, 375, and 376, but shall be recovered as a nonbypassable charge until the time as the costs are fully recovered. Recovery of decommissioning costs may be accelerated to the extent possible.

Article 7. Research, Environmental, and Low-Income Funds

381. (a) To ensure that the funding for the programs described in subdivision (b) and Section 382 are not commingled with other revenues, the commission shall require each electrical corporation to identify a separate rate component to collect the revenues used to fund these programs. The rate component shall be a nonbypassable element of the local distribution service and collected on the basis of usage. This rate component shall fall within the rate levels identified in subdivision (a) of Section 368.

(b) The commission shall allocate funds collected pursuant to subdivision (a), and any interest earned on collected funds, to programs which enhance system reliability and provide in-state benefits as follows:

(1) Cost-effective energy efficiency and conservation activities.

(2) Public interest research and development not adequately provided by competitive and regulated markets.

(3) In-state operation and development of existing and new and emerging renewable resource technologies defined as electricity produced from other than a conventional power source within the meaning of Section 2805, provided that a power source utilizing more than 25 percent fossil fuel may not be included.

(c) The Public Utilities Commission shall order the respective electrical corporations to collect and spend these funds, as follows:

(1) Cost-effective energy efficiency and conservation activities shall be funded at not less than the following levels commencing January 1, 1998, through December 31, 2001: for San Diego Gas and Electric Company a level of thirty-two million dollars ($32,000,000) per year; for Southern California Edison Company a level of ninety million dollars ($90,000,000) for each of the years 1998, 1999, and

2000; fifty million dollars ($50,000,000) for the year 2001; and for Pacific Gas and Electric Company a level of one hundred six million dollars ($106,000,000) per year.

(2) Research, development, and demonstration programs to advance science or technology that are not adequately provided by competitive and regulated markets shall be funded at not less than the following levels commencing January 1, 1998 through December 31, 2001: for San Diego Gas and Electric Company a level of four million dollars ($4,000,000) per year; for Southern California Edison Company a level of twenty-eight million five hundred thousand dollars ($28,500,000) per year; and for Pacific Gas and Electric Company a level of thirty million dollars ($30,000,000) per year.

(3) In-state operation and development of existing and new and emerging renewable resource technologies shall be funded at not less than the following levels on a statewide basis: one hundred nine million five hundred thousand dollars ($109,500,000) per year for each of the years 1998, 1999, and 2000, and one hundred thirty-six million five hundred thousand dollars ($136,500,000) for the year 2001. To accomplish these funding levels over the period described herein the San Diego Gas and Electric Company shall spend twelve million dollars ($12,000,000) per year, the Southern California Edison Company shall expend no less than forty-nine million five hundred thousand dollars ($49,500,000) for the years 1998, 1999, and 2000, and no less than seventy-six million five hundred thousand dollars ($76,500,000) for the year 2001, and the Pacific Gas and Electric Company shall expend no less than forty-eight million dollars ($48,000,000) per year through the year 2001. Additional funding not to exceed seventy-five million dollars ($75,000,000) shall be allocated from moneys collected pursuant to subdivision (d) in order to provide a level of funding totaling five hundred forty million dollars ($540,000,000).

(4) Up to fifty million dollars ($50,000,000) of the amount collected pursuant to subdivision (d) may be used to resolve outstanding issues related to implementation of subdivision (a) of Section 374. Moneys remaining after fully funding the provisions of this paragraph shall be reallocated for purposes of paragraph (3).

(5) Up to ninety million dollars ($90,000,000) of the amount collected pursuant to subdivision (d) may be used to resolve outstanding issues related to contractual arrangements in the Southern California Edison service territory stemming from the Biennial Resource Planning Update auction. Moneys remaining after fully funding the provisions of this paragraph shall be reallocated for purposes of paragraph (3).

(d) Notwithstanding any other provisions of this chapter, entities subject to the jurisdiction of the Public Utilities Commission shall extend the period for competition transition charge collection up to three months beyond its otherwise applicable termination of December 31, 2001, so as to ensure that the aggregate portion of the research, environmental, and low-income funds allocated to renewable resources shall equal five hundred forty million dollars ($540,000,000) and that the costs specified in paragraphs (3), (4), and (5) of subdivision (c) are collected.

(e) Each electrical corporation shall allow customers to make voluntary contributions through their utility bill payments as either a fixed amount or a variable amount to support programs established pursuant to paragraph (3) of subdivision (b). Funds collected by electrical corporations for these purposes shall be forwarded in a timely manner to the appropriate fund as specified by the commission.

(f) The commission shall determine how to utilize funds for purposes of paragraphs (1) and (2) of subdivision (b), provided that only those research and development funds for transmission and distribution functions shall remain with the regulated public utilities under the supervision of the commission. The commission shall provide for the transfer of all research and development funds

collected for purposes of paragraph (2) of subdivision (b) other than those for transmission and distribution functions and funds collected for purposes of paragraph (3) of subdivision (b) to the California Energy Resources Conservation and Development Commission pursuant to administration and expenditure criteria to be established by the Legislature.

(g) The commission's authority to collect funds pursuant to this section for purposes of paragraph (3) of subdivision (b) shall become inoperative on March 31, 2002.

(h) For purposes of this article, "emerging renewable technology" means a new renewable technology, including, but not limited to, photovoltaic technology, that is determined by the California Energy Resources Conservation and Development Commission to be emerging from research and development and that has significant commercial potential.

382. Programs provided to low-income electricity customers, including, but not limited to, targeted energy-efficiency services and the California Alternative Rates for Energy Program shall be funded at not less than 1996 authorized levels based on an assessment of customer need. The commission shall allocate funds necessary to meet the low-income objectives in this section.

383. (a) Moneys collected pursuant to paragraph (3) of subdivision (b) of Section 381 shall be transferred to a subaccount of the Energy Resources Programs Account of the California Energy Resources Conservation and Development Commission to be held until further action by the Legislature for purposes of:

(1) Supporting the operation of existing and the development of new and emerging in-state renewable resource technologies.

(2) Supporting the operations of existing renewable resource generation facilities which provide fire suppression benefits, reduce materials going into landfills, and mitigate the amount of open-field burning of agricultural waste.

(3) Supporting the operations of existing, innovative solar thermal technologies that provide essential peak generation and related reliability benefits.

(b) The California Energy Resources Conservation and Development Commission shall review the purposes described in this section and report to the Legislature by March 31, 1997, with recommendations regarding market-based mechanisms to allocate available funds. The programs should be based on market principles and include options and implementation mechanisms which:

(1) Reward the most cost-effective generation meeting the purposes of subdivision (a) through mechanisms such as the establishment of a clearinghouse or a marketing agent to identify the most competitive renewable resource providers while fostering a market for renewable resources.

(2) Implement a process for certifying eligible renewable resource providers.

(3) Allow customers to receive a rebate from the fund through mechanisms such as a reduction in their electricity bill or a direct payment from the fund for the transition charges that would otherwise apply to their purchases from renewable resource providers.

(4) Allocate moneys between (A) new and emerging and (B) existing renewable resource technology providers, provided that no less than 40 percent of the funds shall be allocated to either category.

(5) Utilize financing and other mechanisms to maximize the effectiveness of available funds.

(c) The report described in this section shall also include consideration of:

(1) The need for mechanisms to ensure that cogeneration facilities that utilize energy from environmental pollution in its process, or microcogeneration facilities with a total generating capacity of less than one megawatt remain competitive in the electric services market.

(2) Whether fuel cells should be treated as fuel switching for

purposes of application of the competition transition charge as specified in Section 371.

Article 8. Publicly Owned Utilities

385. (a) Each local publicly owned electric utility shall establish a nonbypassable, usage based charge on local distribution service of not less than the lowest expenditure level of the three largest electrical corporations in California on a percent of revenue basis, calculated from each utility's total revenue requirement for the year ended December 31, 1994, and each utility's total annual expenditure under paragraphs (1), (2), and (3) of subdivision (c) of Section 381 and Section 382, to fund investments by the utility and other parties in any or all of the following:

(1) Cost-effective demand-side management services to promote energy-efficiency and energy conservation.

(2) New investment in renewable energy resources and technologies consistent with existing statutes and regulations which promote those resources and technologies.

(3) Research, development and demonstration programs for the public interest to advance science or technology which is not adequately provided by competitive and regulated markets.

(4) Services provided for low-income electricity customer, including but not limited to, targeted energy efficiency service and rate discounts.

Article 9. State Agencies

388. (a) Notwithstanding any other provision of law, any state agency may enter into an energy savings contract with a qualified energy service company for the purchase or exchange of thermal or electrical energy or water, or to acquire energy efficiency and/or water conservation services, for a term not exceeding 35 years, at those rates and upon those terms that are approved by the agency.

(b) The Department of General Services or any other state or local agency intending to enter into an energy savings contract may establish a pool of qualified energy service companies based on qualifications, experience, pricing or other pertinent factors. Energy service contracts for individual projects undertaken by any state or local agency may be awarded through a competitive selection process to individuals or firms identified in such a pool. The pool of qualified energy service companies and contractors shall be reestablished at least every two years or shall expire.

(c) For purposes of this section, the following definitions apply:

(1) "Energy savings" means a measured and verified reduction in fuel, energy or water consumption when compared to an established baseline of consumption.

(2) "Qualified energy service company" means a company with a demonstrated ability to provide or arrange for building or facility energy auditors, selection and design of appropriate energy savings measures, project financing, implementation of these measures, and maintenance and ongoing measurement of these measures as to ensure and verify energy savings.

389. The Secretary of the California Environmental Protection Agency, in consultation with interested stakeholders including relevant state and federal agencies, boards, and commissions, shall evaluate and recommend to the Legislature public policy strategies that address the feasibility of shifting costs from electric utility ratepayers, in whole or in part, to other classes of beneficiaries. This evaluation also shall address the quantification of benefits attributable to the solid-fuel biomass industry and implementation requirements, including statutory amendments and transition period issues that may be relevant, to bring about equitable and effective allocation of solid-fuel biomass electricity costs that ensure the

retention of the economic and environmental benefits of the biomass industry while promoting measurable reduction in real costs to ratepayers. This evaluation shall be in coordination with the California Energy Resources Conservation and Development Commission's efforts pursuant to subdivision (b) of Section 383, addressing renewable policy implementation issues. The secretary shall submit a final report to the Legislature, using existing agency resources, prior to March 31, 1997.

Article 10. Nonutility Power Generators

390. (a) Subject to applicable contractual terms, energy prices paid to nonutility power generators by a public utility electrical corporation based upon the commission's prescribed "short run avoided cost energy methodology" shall be determined as set forth in subdivisions (b) and (c).

(b) Until the requirements of subdivision (c) have been satisfied, short run avoided cost energy payments paid to nonutility power generators by an electrical corporation shall be based on a formula that reflects a starting energy price, adjusted monthly to reflect changes in a starting gas index price in relation to an average of current California natural gas border price indices. The starting energy price shall be based on 12-month averages of recent, pre-January 1, 1996, short-run avoided energy prices paid by each public utility electrical corporation to nonutility power generators.

The starting gas index price shall be established as an average of index gas prices for the same annual periods.

(c) The short-run avoided cost energy payments paid to nonutility power generators by electrical corporations shall be based on the clearing price paid by the independent Power Exchange if (1) the commission has issued an order determining that the independent Power Exchange is functioning properly for the purposes of determining the short-run avoided cost energy payments to be made to nonutility power generators, and either (2) the fossil-fired generation units owned, directly or indirectly, by the public utility electrical corporation are authorized to charge market-based rates and the "going forward" costs of those units are being recovered solely through the clearing prices paid by the independent Power Exchange or from contracts with the Independent System Operator, whether those contracts are market-based or based on operating costs for particular utility-owned powerplant units and at particular times when reactive power/voltage support is not yet procurable at market-based rates at locations where it is needed, and are not being recovered directly or indirectly through any other source, or (3) the public utility electrical corporation has divested 90 percent of its gas-fired generation facilities that were operated to meet load in 1994 and 1995. However, nonutility power generators subject to this section may, upon appropriate notice to the public utility electrical corporation, exercise a one-time option to elect to thereafter receive energy payments based upon the clearing price from the independent Power Exchange.

(d) If a nonutility power generator is being paid short-run avoided costs energy payments by an electrical corporation by a firm capacity contract, a forecast as-available capacity contract, or a forecast as-delivered capacity contract on the basis of the clearing price paid by the independent Power Exchange as described in subdivision (c) above, the value of capacity in the clearing price, if any, shall not be paid to the nonutility power generator. The value of capacity in the clearing price, if any, equals the difference between the market clearing customer demand bid at the level of generation dispatched by the independent Power Exchange and the highest supplier bid dispatched.

(e) Short-run avoided energy cost payments made pursuant to this section are in addition to contractually specified capacity payments.

Nothing in this section shall be construed to affect, modify or

amend the terms and conditions of existing nonutility power generators' contracts with respect to the sale of energy or capacity or otherwise.

(f) Nothing in this section shall be construed to limit the level of transition cost recovery provided to utilities under electric industry restructuring policies established by the commission.

(g) The term "going forward costs" shall include, but not be limited to, all costs associated with fuel transportation and fuel supply, administrative and general, and operation and maintenance; provided that, for purposes of this section, the following shall not be considered "going forward costs": (1) commission-approved capital costs for capital additions to fossil-fueled powerplants, provided that such additions are necessary for the continued operation of the powerplants utilized to meet load and such additions are not undertaken primarily to expand, repower or enhance the efficiency of plant operations; or, (2) commission-approved operating costs for particular utility-owned powerplant units and at particular times when reactive power/voltage support is not yet procurable at market-based rates in locations where it is needed, provided that the recovery shall end on December 31, 2001.

Article 11. Information Practices

392. (a) The restructuring of the electricity industry will create a new electricity market with new marketers and sellers offering new goods and services, many of which may not be readily evaluated by the average consumer.

(b) It is the intent of the Legislature that (1) electricity consumers be provided with sufficient and reliable information to be able to compare and select among products and services provided in the electricity market, and (2) consumers be provided with mechanisms to protect themselves from marketing practices that are unfair or abusive.

(c) (1) Electrical corporations shall disclose each component of the electrical bill as follows:

(A) The total charges associated with transmission and distribution, including that portion comprising the research, environmental, and low-income funds.

(B) The total charges associated with generation, including the competition transition charge.

(2) Electrical corporations shall provide conspicuous notice that if the customer elects to purchase electricity from another provider that the customer will continue to be liable for payment of the competition transition charge. This paragraph does not limit the commission from requiring additional information.

(d) Prior to the implementation of the competition transition charge, electric corporations, in conjunction with the commission, shall devise and implement a customer education program informing customers of the changes to the electric industry. The program shall provide customers with information necessary to help them make appropriate choices as to their electric service. The education program shall be subject to approval by the commission.

Article 12. Consumer Protection

394. (a) Except for an electrical corporation as defined in Section 218, each entity offering electrical service to residential and small commercial customers within the service territory of an electrical corporation shall register with the commission. The registration shall include the following seller information:

(1) Legal name.

(2) Current telephone number.

(3) Current address.

(4) Agent for service of process.

(b) Except for an electrical corporation as defined in Section 218, each entity offering electrical service to residential and small commercial customers with the service territory of an electrical corporation shall, at the time of the offering, provide the potential customer with a written notice describing the price, terms, and conditions of the service, an explanation of the applicability and amount of the competition transition charge, as determined pursuant to Sections 367 to 375, inclusive, and a notice describing the potential customer's right to rescind the contract. The commission shall assist these entities in developing the notice. The commission may suggest inclusion of additional information that would be useful to the customer.

(c) The commission shall accept, compile, and help resolve consumer complaints regarding entities offering electrical service that are required to be registered pursuant to this section.

395. (a) In addition to any other right to revoke an offer, residential and small commercial customers of electrical service, as defined in subdivision (h) of Section 331, have the right to cancel a contract for electric service until midnight of the third business day after the day on which the buyer signs an agreement or offer to purchase.

(b) Cancellation occurs when the buyer gives written notice of cancellation to the seller at the address specified in the agreement or offer.

(c) Notice of cancellation, if given by mail, is effective when deposited in the mail properly addressed with postage prepaid.

(d) Notice of cancellation given by the buyer need not take the particular form as provided with the contract or offer to purchase and, however expressed, is effective if it indicates the intention of the buyer not to be bound by the contract.

396. (a) A consumer damaged by a violation of this article by an entity offering electrical service is entitled to recover all of the following:

(1) Actual damages.

(2) The consumer's reasonable attorney's fees and court costs.

(3) Exemplary damages, in the amount the court deems proper, for intentional or willful violations.

(4) Equitable relief as the court deems proper.

(b) The rights, remedies, and penalties established by this article are in addition to the rights, remedies, or penalties established under any other law.

(c) Nothing in this article shall abrogate any authority of the Attorney General to enforce existing law.

(d) This article shall remain in effect only until January 1, 2002, and as of that date is repealed, unless a later enacted statute, that is enacted before January 1, 2002, deletes or extends that date.

Article 13. Fuel Price Volatility

397. (a) Notwithstanding subdivision (a) of Section 368, to ensure the continued safe and reliable provision of electric service during the transition to competition, and to limit the effect of fuel price volatility in electric rates paid by California consumers, it is in the public interest to allow an electrical corporation which is also a gas corporation and served fewer than four million customers as of December 20, 1995, to file with the commission a rate cap mechanism which shall include a Fuel Price Index Mechanism requiring limited adjustments in an electrical corporation's authorized System Average Rate in effect on June 10, 1996, to reflect price changes in the fuel market. The commission shall authorize an electrical corporation to implement a rate cap mechanism which includes a Fuel Price Index Mechanism provided the following criteria are met:

(1) The Fuel Price Index Mechanism shall be based on the Southern California Border Index price for natural gas as published

periodically in Natural Gas Intelligence Magazine. The "Starting Point" of the Fuel Price Index Mechanism shall be defined as the California Border Index price as published in Natural Gas Intelligence for January 1, 1996.

(2) The Fuel Price Index Mechanism shall include a "deadband" defined as a price range for natural gas that is any price up to 10 percent higher, or lower, than the Starting Point.

(3) The electrical corporation shall not file for a change in its authorized System Average Rate unless the California Border Index price, on a 12-month, rolling average basis, is outside the deadband.

If the published California Border Index is outside of the deadband, the electrical corporation shall increase, or decrease, its authorized System Average Rate by an amount equal to the product of 25 percent multiplied by the percentage by which the 12-month rolling average natural gas price is higher, or lower, than the deadband.

(4) In no case shall an electrical corporation's authorized System Average Rate under the Fuel Price Index Mechanism exceed the average of the authorized system average rates for the two largest electrical corporations as of June 10, 1996.

(5) This section shall become inoperative on December 31, 2001.

SEC. 11. Article 5.5 (commencing with Section 840) is added to Chapter 4 of Part 1 of Division 1 of the Public Utilities Code, to read:

Article 5.5. Financing of Transition Costs

840. For the purposes of this article, the following terms shall have the following meanings:

(a) "Bank" means the California Infrastructure and Economic Development Bank.

(b) "Financing entity" means the bank, any special purpose trust, as defined in Section 63101 of the Government Code, that is authorized by the bank to issue rate reduction bonds and acquire transition property, or any other entity authorized by the bank to issue rate reduction bonds and acquire transition property. The bank may authorize another entity to issue rate reduction bonds only if all of the following conditions are met:

(1) The bank by resolution has determined that allowing another entity to issue rate reduction bonds would produce greater overall ratepayer savings, taking into account all relevant considerations including, but not limited to, the exclusion of interest on rate reduction bonds issued by the bank from investors' gross income for California or federal income tax purposes, or both, earnings on funds collected and held by the electrical corporation prior to deposit in a fund or account for the benefit of holders of rate reduction bonds, and all costs of issuance and other transaction costs.

(2) The bank submits to the Joint Legislative Budget Committee a certified copy of the bank's resolution, together with a report setting forth the basis for the bank's determination that a financing entity other than the bank or a special purpose trust will produce greater ratepayer savings and at least 30 days have elapsed from the date of submission.

(c) "Financing order" shall mean an order of the commission adopted in accordance with this article, which shall include, without limitation, a procedure to require the expeditious approval by the commission of periodic adjustments to fixed transition amounts included therein to ensure recovery of all transition costs and the costs of capital associated with the proposed provision, recovery, financing, or refinancing thereof, including the costs of issuing, servicing, and retiring the rate reduction bonds contemplated by the financing order. These adjustments shall not impose fixed transition amounts upon classes of customers who were not subject to the fixed transition amounts in the pertinent financing order.

(d) "Fixed transition amounts" means those nonbypassable rates and other charges, including, but not limited to, distribution,

connection, disconnection, and termination rates and charges, that are authorized by the commission in a financing order to recover (1) transition costs, and (2) the costs of providing, recovering, financing, or refinancing the transition costs through a plan approved by the commission in the financing order, including the costs of issuing, servicing, and retiring rate reduction bonds. If requested by the electrical corporation in its application for a financing order, fixed transition amounts shall include nonbypassable rates and other charges to recover federal and state taxes whose recovery period is modified by the transactions approved in the financing order.

(e) "Rate reduction bonds" means bonds, notes, certificates of participation or beneficial interest, or other evidences of indebtedness or ownership, issued pursuant to an executed indenture or other agreement of a financing entity, the proceeds of which are used to provide, recover, finance, or refinance transition costs and to acquire transition property and that are secured by or payable from transition property.

(f) "Transition costs" means the costs, and categories of costs, of an electrical corporation for generation-related assets and obligations, consisting of generation facilities, generation-related regulatory assets, nuclear settlements, and power purchase contracts, including, but not limited to, voluntary restructuring, renegotiations, or terminations thereof approved by the commission, that were being collected in commission-approved rates on December 20, 1995, and that may become uneconomic as a result of a competitive generation market in that those costs may not be recoverable in market prices in a competitive market, and appropriate costs incurred after December 20, 1995, for capital additions to generating facilities existing as of December 20, 1995, that the commission determines are reasonable and should be recovered, provided that these costs are necessary to maintain the facilities through December 31, 2001. Transition costs shall also include the costs of refinancing or retiring of debt or equity capital of the electrical corporation, and associated federal and state tax liabilities.

(g) "Transition property" means the property right created pursuant to this article including, without limitation, the right, title, and interest of an electrical corporation or a financing entity to all revenues, collections, claims, payments, money, or proceeds of or arising from or constituting fixed transition amounts that are the subject of a financing order, including those nonbypassable rates and other charges referred to in subdivision (b) that are authorized by the commission in the financing order to recover transition costs and the costs of providing, recovering, financing, or refinancing the transition costs, including the costs of issuing, servicing, and retiring rate reduction bonds.

841. (a) An electrical corporation shall, by June 1, 1997, and may from time to time thereafter apply to the commission for a determination that certain transition costs may be recovered through fixed transition amounts, which would therefore constitute transition property under this article. An electrical corporation may request this determination by the commission in separate proceedings or in an order instituting investigation or order instituting rulemaking, or both. The electrical corporation shall in its application specify that the residential and small commercial customers as defined in subdivision (h) of Section 331 would benefit from reduced rates through the issuance of rate reduction bonds. The commission shall designate fixed transition amounts as recoverable in one or more financing orders if the commission determines, as part of its findings in connection with the financing order, that the designation of the fixed transition amounts, and issuance of rate reduction bonds in connection with some or all of the fixed transition amounts would reduce rates that residential and small commercial customers would have paid if the financing order were not adopted. These customers shall continue to pay fixed transition amounts after

December 31, 2001, until the bonds are paid in full by the financing entity. No electrical corporation shall be found to have acted inprudently or unreasonably for failing to amend a power purchase contract where the amendment would modify or waive an existing requirement that the seller be a qualifying facility pursuant to federal law.

(b) The commission may issue financing orders in accordance with this article to facilitate the provision, recovery, financing, or refinancing of transition costs. A financing order may be adopted only upon the application of an electrical corporation and shall become effective in accordance with its terms only after the electrical corporation files with the commission the electrical corporation's written consent to all terms and conditions of the financing order. A financing order may specify how amounts collected from a customer shall be allocated between fixed transition amounts and other charges.

(c) Notwithstanding Section 455.5, Section 1708, or any other provision of law, except as otherwise provided in this subdivision with respect to transition property that has been made the basis for the issuance of rate reduction bonds, the financing orders and the fixed transition amounts shall be irrevocable and the commission shall not have authority either by rescinding, altering, or amending the financing order or otherwise, to revalue or revise for ratemaking purposes the transition costs, or the costs of providing, recovering, financing, or refinancing the transition costs, determine that the fixed transition amounts or rates are unjust or unreasonable, or in any way reduce or impair the value of transition property either directly or indirectly by taking fixed transition amounts into account when setting other rates for the electrical corporation; nor shall the amount of revenues arising with respect thereto be subject to reduction, impairment, postponement, or termination. Except as otherwise provided in this subdivision, the State of California does hereby pledge and agree with the owners of transition property and holders of rate reduction bonds that the state shall neither limit nor alter the fixed transition amounts, transition property, financing orders, and all rights thereunder until the obligations, together with the interest thereon, are fully met and discharged, provided nothing contained in this section shall preclude the limitation or alteration if and when adequate provision shall be made by law for the protection of the owners and holders. The bank as agent for the state is authorized to include this pledge and undertaking for the state in these obligations. Notwithstanding any other provision of this section, the commission shall approve the adjustments to the fixed transition amounts as may be necessary to ensure timely recovery of all transition costs that are the subject of the pertinent financing order, and the costs of capital associated with the provision, recovery, financing, or refinancing thereof, including the costs of issuing, servicing, and retiring the rate reduction bonds contemplated by the financing order. The adjustments shall not impose fixed transition amounts upon classes of customers who were not subject to the fixed transition amounts in the pertinent financing order.

(d) (1) Financing orders issued under this article do not constitute a debt or liability of the state or of any political subdivision thereof, other than the financing entity, and do not constitute a pledge of the full faith and credit of the state or any of its political subdivisions, other than the financing entity, but are payable solely from the funds provided therefor under this article and shall be consistent with Sections 1 and 18 of Article XVI of the California Constitution. This subdivision shall in no way preclude bond guarantees or enhancements pursuant to this article. All the bonds shall contain on the face thereof a statement to the following effect:

"Neither the full faith and credit nor the taxing power of the State of California is pledged to the payment of the principal of, or

interest on, this bond."

(2) The issuance of bonds under this article shall not directly, indirectly, or contingently obligate the state or any political subdivision thereof to levy or to pledge any form of taxation therefor or to make any appropriation for their payment. Nothing in this section shall prevent, or construed to prevent, the financing entity from pledging the full faith and credit of the infrastructure bank fund to the payment of bonds or issuance of bonds authorized pursuant to this article.

(e) The commission shall establish procedures for the expeditious processing of applications for financing orders, including the approval or disapproval thereof within 120 days of the electrical corporation's making application therefor. The commission shall provide in any financing order for a procedure for the expeditious approval by the commission of periodic adjustments to the fixed transition amounts that are the subject of the pertinent financing order, as required by subdivision (c). The procedure shall require the commission to determine whether the adjustments are required on each anniversary of the issuance of the financing order, and at the additional intervals as may be provided for in the financing order, and for the adjustments, if required, to be approved within 90 days of each anniversary of the issuance of the financing order, or of each additional interval provided for in the financing order.

(f) Fixed transition amounts shall constitute transition property when, and to the extent that, a financing order authorizing the fixed transition amounts has become effective in accordance with this article, and the transition property shall thereafter continuously exist as property for all purposes with all of the rights and privileges of this article for the period and to the extent provided in the financing order, but in any event until the transition bonds are paid in full, including all principal, interest, premium, costs, and arrearages thereon.

(g) Any surplus fixed transition amounts in excess of the amounts necessary to pay principal, premium, if any, interest and expenses of the issuance of the rate reduction bonds shall be remitted to the financing entity and may be used to benefit residential and small commercial customers if this would not result in a recharacterization of the tax, accounting, and other intended characteristics of the financing, including, but not limited to, the following:

(1) Avoiding the recognition of debt on the electrical corporation's balance sheet for financial accounting and regulatory purposes.

(2) Treating the rate reduction bonds as debt of the electrical corporation or its affiliates for federal income tax purposes.

(3) Treating the transfer of the transition property by the electrical corporation as a true sale for bankruptcy purposes.

(4) Avoiding any adverse impact of the financing on the electrical corporation's credit rating.

842. (a) Financing entities may issue rate reduction bonds upon approval by the commission in the pertinent financing orders. Rate reduction bonds shall be nonrecourse to the credit or any assets of the electrical corporation, other than the transition property as specified in the pertinent financing order.

(b) Electrical corporations may sell and assign all or portions of their interest in transition property to an affiliate. Electrical corporations or their affiliates may sell or assign their interests to one or more financing entities that make that property the basis for issuance of rate reduction bonds to the extent approved in the pertinent financing orders. Electrical corporations, their affiliates, or financing entities may pledge transition property as collateral for rate reduction bonds to the extent approved in the pertinent financing orders providing for a security interest in the transition property, in the manner as set forth in Section 843. In addition transition property may be sold or assigned by (1) the financing entity or a trustee for the holders of rate reduction bonds in connection with the exercise of remedies upon a default, or (2)

any person acquiring the transition property after a sale or assignment pursuant to this subdivision.

(c) To the extent that any interest in transition property is so sold or assigned, or is so pledged as collateral, the commission shall authorize the electrical corporation to contract with the financing entity that it will continue to operate its system to provide service to its customers, will collect amounts in respect of the fixed transition amounts for the benefit and account of the financing entity, and will account for and remit these amounts to or for the account of the financing entity. Contracting with the financing entity in accordance with that authorization shall not impair or negate the characterization of the sale, assignment, or pledge as an absolute transfer, a true sale, or security interest, as applicable.

(d) Notwithstanding Section 1708 or any other provision of law, any requirement under this article or a financing order that the commission take action with respect to the subject matter of a financing order shall be binding upon the commission, as it may be constituted from time to time, and any successor agency exercising functions similar to the commission and the commission shall have no authority to rescind, alter, or amend that requirement in a financing order. The approval by the commission in a financing order of the issuance by an electrical corporation or a financing entity of rate reduction bonds shall include the approvals, if any, as may be required by Article 5 (commencing with Section 816) and Section 701.5. Nothing in Section 701.5 shall be construed to prohibit the issuance of rate reduction bonds upon the terms and conditions as may be approved by the commission in a financing order. Section 851 shall not be applicable to the transfer or pledge of transition property, the issuance of rate reduction bonds, or related transactions approved in a financing order.

843. (a) A security interest in transition property is valid, is enforceable against the pledgor and third parties, subject to the rights of any third parties holding security interests in the transition property perfected in the manner described in this section, and attaches when all of the following have taken place:

(1) The commission has issued the financing order authorizing the bondable transition amounts included in the transition property.

(2) Value has been given by the pledgees of the transition property.

(3) The pledgor has signed a security agreement covering the transition property.

(b) A valid and enforceable security interest in transition property is perfected when it has attached and when a financing statement has been filed in accordance with Chapter 4 (commencing with Section 9401) of Division 9 of the Commercial Code naming the pledgor of the transition property as "debtor" and identifying the transition property. Any description of the transition property shall be sufficient if it refers to the financing order creating the transition property. A copy of the financing statement shall be filed with the commission by the electrical corporation that is the pledgor or transferor of the transition property, and the commission may require the electrical corporation to make other filings with respect to the security interest in accordance with procedures it may establish, provided that the filings shall not affect the perfection of the security interest.

(c) A perfected security interest in transition property is a continuously perfected security interest in all revenues and proceeds arising with respect thereto, whether or not the revenues or proceeds have accrued. Conflicting security interests shall rank according to priority in time of perfection. Transition property shall constitute property for all purposes, including for contracts securing rate reduction bonds, whether or not the revenues and proceeds arising with respect thereto have accrued.

(d) Subject to the terms of the security agreement covering the

transition property and the rights of any third parties holding security interests in the transition property perfected in the manner described in this section, the validity and relative priority of a security interest created under this section is not defeated or adversely affected by the commingling of revenues arising with respect to the transition property with other funds of the electrical corporation that is the pledgor or transferor of the transition property, or by any security interest in a deposit account of that electrical corporation perfected under Division 9 (commencing with Section 9101) of the Commercial Code into which the revenues are deposited. Subject to the terms of the security agreement, upon compliance with the requirements of subdivision (g) of Section 9302 of the Commercial Code, the pledgees of the transition property shall have a perfected security interest in all cash and deposit accounts of the electrical corporation in which revenues arising with respect to the transition property have been commingled with other funds, but the perfected security interest shall be limited to an amount not greater than the amount of the revenues with respect to the transition property received by the electrical corporation within 12 months before (1) any default under the security agreement or (2) the institution of insolvency proceedings by or against the electrical corporation, less payments from the revenues to the pledgees during that 12-month period.

(e) If an event of default occurs under the security agreement covering the transition property, the pledgees of the transition property, subject to the terms of the security agreement, shall have all rights and remedies of a secured party upon default under Division 9 (commencing with Section 9101) of the Commercial Code, and shall be entitled to foreclose or otherwise enforce their security interest in the transition property, subject to the rights of any third parties holding prior security interests in the transition property perfected in the manner provided in this section. In addition, the commission may require, in the financing order creating the transition property, that, in the event of default by the electrical corporation in payment of revenues arising with respect to the transition property, the commission and any successor thereto, upon the application by the pledgees or transferees, including transferees under Section 844, of the transition property, and without limiting any other remedies available to the pledgees or transferees by reason of the default, shall order the sequestration and payment to the pledgees or transferees of revenues arising with respect to the transition property. Any order shall remain in full force and effect notwithstanding any bankruptcy, reorganization, or other insolvency proceedings with respect to the debtor, pledgor, or transferor of the transition property. Any surplus in excess of amounts necessary to pay principal, premium, if any, interest, costs, and arrearages on the rate reduction bonds, and other costs arising under the security agreement, shall be remitted to the debtor or to the pledgor or transferor.

(f) Section 5451 of the Government Code shall not apply to any pledge of transition property by a financing entity.

844. (a) A transfer of transition property by an electrical corporation to an affiliate or to a financing entity, or by an affiliate of an electrical corporation or a financing entity to another financing entity, which the parties have in the governing documentation expressly stated to be a sale or other absolute transfer, in a transaction approved in a financing order, shall be treated as an absolute transfer of all of the transferor's right, title, and interest (as in a true sale), and not as a pledge or other financing, of the transition property, other than for federal and state income and franchise tax purposes. Granting to holders of rate reduction bonds a preferred right to revenues of the electrical corporation, or the provision by the company of other credit enhancement with respect to rate reduction bonds, shall not impair or

negate the characterization of any transfer as a true sale, other than for federal and state income and franchise tax purposes.

(b) A transfer of transition property shall be deemed perfected as against third persons when both of the following have taken place:

(1) The commission has issued the financing order authorizing the fixed transition amounts included in the transition property.

(2) An assignment of the transition property in writing has been executed and delivered to the transferee.

(c) As between bona fide assignees of the same right for value without notice, the assignee first filing a financing statement in accordance with Chapter 4 (commencing with Section 9401) of Division 9 of the Commercial Code naming the assignor of the transition property as debtor and identifying the transition property has priority. Any description of the transition property shall be sufficient if it refers to the financing order creating the transition property. A copy of the financing statement shall be filed by the assignee with the commission, and the commission may require the assignor or the assignee to make other filings with respect to the transfer in accordance with procedures it may establish, but these filings shall not affect the perfection of the transfer.

845. Any successor to the electrical corporation, whether pursuant to any bankruptcy, reorganization, or other insolvency proceeding, or pursuant to any merger, sale, or transfer, by operation of law, or otherwise, shall perform and satisfy all obligations of the electrical corporation pursuant to this article in the same manner and to the same extent as the electrical corporation, including, but not limited to, collecting and paying to the holders of rate reduction bonds or their representatives or the applicable financing entity revenues arising with respect to the transition property sold to the applicable financing entity or pledged to secure rate reduction bonds.

846. The authority of the commission to issue financing orders pursuant to Section 841 shall expire on December 31, 2015. The expiration of the authority shall have no effect upon financing orders adopted by the commission pursuant to this article or any transition property arising therefrom, or upon the charges authorized to be levied thereunder, or the rights, interests, and obligations of the electrical corporation or a financing entity or holders of transition bonds pursuant to the financing order, or the authority of the commission to monitor, supervise, or take further action with respect to the order in accordance with the terms of this article and of the order.

847. Regulations adopted to implement this article shall not be subject to the Administrative Procedure Act (Chapter 3.5 (commencing with Section 11340) of Part 1 of Division 3 of Title 2 of the Government Code).

SEC. 12. Division 4.9 (commencing with Section 9600) is added to the Public Utilities Code, to read:

DIVISION 4.9. RESTRUCTURING OF PUBLICLY OWNED ELECTRIC UTILITIES IN CONNECTION WITH THE RESTRUCTURING OF THE ELECTRICAL SERVICES INDUSTRY

9600. (a) It is the intent of the Legislature that California's local publicly owned electric utilities and electric corporations should commit control of their transmission facilities to the Independent System Operator as described in Chapter 2.3 (commencing with Section 330) of Part 1 of Division 1. These utilities should jointly advocate to the Federal Energy Regulatory Commission a pricing methodology for the Independent System Operator that results in an equitable return on capital investment in transmission facilities for all Independent System Operator participants and is based on the following principles:

(1) Utility specific access charge rates as proposed in Docket No.

EC96-19-000 as finally approved by the Federal Energy Regulatory Commission reflecting the costs of that utility's transmission facilities shall go into effect on the first day of the Independent System Operator operation. The utility specific rates shall honor all of the terms and conditions of existing transmission service contracts and shall recognize any wheeling revenues of existing transmission service arrangements to the transmission owner.

(2) (A) No later than two years after the initial operation of the Independent System Operator, the Independent System Operator shall recommend for adoption by the Federal Energy Regulatory Commission a rate methodology determined by a decision of the Independent System Operator governing board, provided that the decision shall be based on principles approved by the governing board including, but not limited to, an equitable balance of costs and benefits, and shall define the transmission facility costs, if any, which shall be rolled in to the transmission service rate and spread equally among all Independent System Operator transmission users, and those transmission facility costs, if any, which should be specifically assigned to a specific utility's service area.

(B) If there is no governing board decision, the rate methodology shall be determined following a decision by the alternative dispute resolution method set forth in the Independent System Operator bylaws.

(C) If no alternative dispute resolution decision is rendered, then a default rate methodology shall be a uniform regional transmission access charge and a utility specific local transmission access charge, provided that the default rate methodology shall be recommended for implementation upon termination of the cost recovery plan set forth in Section 368 or no later than two years after the initial operation of the Independent System Operator, whichever is later. For purposes of this paragraph, regional transmission facilities are defined to be transmission facilities operating at or above 230 kilovolts plus an appropriate percentage of transmission facilities operating below 230 kilovolts; all other transmission facilities shall be considered local. The appropriate percentage of transmission facilities described above shall be consistent with the guidelines in Federal Energy Regulatory Commission Order No. 888 and any exception approved by that commission.

(3) If the rate methodology implemented as a result of a decision by the Independent System Operator governing board or resulting from the independent system operator alternative dispute resolution process results in rates different than those in effect prior to the decision for any transmission facility owner, the amount of any differences between the new rates and the prior rates shall be recorded in a tracking account to be recovered from customers and paid to the appropriate transmission owners by the transmission facility owner after termination of the cost recovery plan set forth in Section 368. The recovery and payments shall be based on an amortization period not to exceed three years in the case of the electrical corporations or five years in the case of the local publicly owned electric utilities.

(4) The costs of transmission facilities placed in service after the date of initial implementation of the Independent System Operator shall be recovered using the rate methodology in effect at the time the facilities go into operation.

(5) The electrical corporations and the local publicly owned electric utilities shall jointly develop language for implementation proposals to the Federal Energy Regulatory Commission based on these principles.

(6) Nothing in this section shall compel any party to violate restrictions applicable to facilities financed with tax-exempt bonds or contractual restrictions and covenants regarding use of transmission facilities existing as of December 20, 1995.

(b) Following a final Federal Energy Regulatory Commission decision approving the Independent System Operator, no California

electrical corporation or local publicly owned electric utility shall be authorized to collect any competition transition charge authorized pursuant to this division and Chapter 2.3 (commencing with Section 330) of Part 1 of Division 1 unless it commits control of its transmission facilities to the Independent System Operator.

9601. (a) Except with respect to supply options of the nature specified in Section 218, with the exception of paragraph (3) of subdivision (b) of that section, as it existed on December 20, 1995, no person, corporation, electrical corporation, or local publicly owned electric utility or other governmental entity other than a retail customer's existing electric service provider as of December 20, 1995, shall provide partial or full electric service to a retail customer of a local publicly owned electric utility unless the customer first confirms in writing an obligation to pay, through tariff or otherwise, to the utility currently providing electric service, a nonbypassable generation-related severance fee or transition charge established by the regulatory body for that utility. The severance fee or transition charge shall be paid directly to the local publicly owned utility providing electricity service in the service area in which the consumer is located.

(b) Except as provided in subdivision (a) of Section 374, no local publicly owned electric utility or other governmental entity shall provide partial or full electric service to a retail customer of an electrical corporation unless the customer of that electrical corporation first confirms in writing an obligation to pay, through tariff or otherwise, to the electrical corporation currently providing electric service, a nonbypassable generation-related transition charge established by the regulatory body for that electrical corporation. The charge shall be paid directly to the electrical corporation providing electricity in the service area in which the consumer is located.

(c) No local publicly owned electric utility or electrical corporation shall sell electric power to the retail customers of another local publicly owned electric utility or electrical corporation unless the first utility has agreed to let the second utility make sales of electric power to the retail customers of the first utility.

9602. (a) After a public hearing, the local regulatory body of each local publicly owned electric utility shall determine whether it will authorize direct transactions between electricity suppliers and end use customers, subject to implementation of the nonbypassable severance fee or transition charge referred to in Section 9603.

(b) If the regulatory body authorizes direct transactions, a phase-in of these transactions shall commence no later than the latter of January 1, 2000, or two years after the start of the phase-in of direct transactions by the electrical corporations pursuant to subdivision (b) of Section 365, and shall be completed by the later of December 31, 2010, or two years after the completion of the phase-in by electrical corporations.

(c) The regulatory body shall develop a phase-in schedule at the conclusion of which all customers shall have the right to engage in direct transactions.

(d) Any phase-in of customer eligibility for direct transactions ordered by the regulatory body shall be equitable to all customer classes.

(e) If the regulatory body does not authorize direct access as contemplated in this section, then the publicly owned electric utility shall not be eligible to recover the nonbypassable charge as provided in Section 9603.

9603. (a) Not less than six months prior to the date of implementation of direct transactions, the regulatory body shall establish the nonbypassable generation-related severance fee or transition charge which shall include, but shall not be limited to, employee related transition costs incurred and projected for severance, out placement, retraining, early retirement, and related

expenses for employees directly affected by restructuring.

(b) The regulatory body of a local publicly owned electric utility, prior to adopting any generation related severance fee or transition charge, shall make available for public review the basis for the severance fee or transition charge and shall hold at least one public hearing.

9604. For purposes of this division, the following definitions apply:

(a) "Direct transaction" means a contract between one or more electric generators, marketers, or brokers, public or private, of electric power and one or more retail customers providing for the purchase and sale of electric power and ancillary services.

(b) "Service area" means an area in which, as of December 20, 1995, an investor-owned electric utility or a local publicly owned electric utility was obligated to provide service.

(c) "Severance fee" or "transition charge" for a local publicly owned electric utility shall mean that charge or periodic charge assessed to customers to recover the reasonable uneconomic portion of costs associated with generation-related assets and obligations, nuclear decommissioning, and capitalized energy efficiency investment programs approved prior to August 15, 1996.

(d) "Local publicly owned electric utility" as used in this division means a municipality or municipal corporation operating as a "public utility" furnishing electric service as provided in Section 10001, a municipal utility district furnishing electric service formed pursuant to Division 6 (commencing with Section 11501), a public utility district furnishing electric services formed pursuant to the Public Utility District Act set forth in Division 7 (commencing with Section 15501), an irrigation district furnishing electric services formed pursuant to the Irrigation District Law set forth in Division 11 (commencing with Section 20500) of the Water Code, or a joint powers authority that includes one or more of these agencies and that owns generation or transmission facilities, or furnishes electric services over its own or its member's electric distribution system.

9605. (a) Nothing in this division or Chapter 2.3 (commencing with Section 350) of Part 1 of Division 1 shall affect preexisting ratemaking authority of a regulatory body of any local publicly owned electric utility.

(b) Nothing in this division shall modify or abrogate any agreement, or any rights or obligations in any such agreement, between retail electric service providers relating to service areas.

(c) Nothing in this division shall limit or affect the statutory rights of a local publicly owned electric utility to negotiate and design rates for existing customers and new customers not choosing to be served by an alternate supplier.

(d) Nothing in this division shall limit electric supply options within the service territory of a local publicly owned electric utility to the extent the options are of the nature specified in Section 218 as it existed on December 20, 1995, with the exception of paragraph (3) of subdivision (b) of that section, and the imposition of a severance fee or transition charge on customers electing those options shall be prohibited whether the elections are made before or after the availability of direct transactions within the service area of the local publicly owned electric utility.

9606. All city-owned electric utilities shall report on the periodic bill the amount expected to be transferred to the general fund of the city on a no less than annual basis.

SEC. 13. Section 9.5 of this bill incorporates amendments to Section 216 of the Public Utilities Code proposed by both this bill and AB 2501. It shall only become operative if (1) both bills are enacted and become effective on or before January 1, 1997, (2) each bill amends Section 216 of the Public Utilities Code, and (3) this bill is enacted after AB 2501, in which case Section 9 of this bill

shall not become operative.

SEC. 14. The provisions of this act are severable. If any provision of this act or its application is held invalid, that invalidity shall not affect other provisions or applications that can be given effect without the invalid provision or application.

SEC. 15. No reimbursement is required by this act pursuant to Section 6 of Article XIIIB of the California Constitution because of costs that may be incurred by a local agency or school district will be incurred because this act creates a new crime or infraction, eliminates a crime or infraction, or changes the penalty for a crime or infraction, within the meaning of Section 17556 of the Government Code, or changes the definition of a crime within the meaning of Section 6 of Article XIIIB of the California Constitution.

Notwithstanding Section 17580 of the Government Code, unless otherwise specified, the provisions of this act shall become operative on the same date that the act takes effect pursuant to the California Constitution.

No reimbursement is required by this act pursuant to Section 6 of Article XIIIB of the California Constitution because of the other costs that may be incurred by a local agency or school district are the result of a program for which legislative authority was requested by that local agency or school district, within the meaning of Section 17556 of the Government Code and Section 6 of Article XIIIB of the California Constitution.

SEC. 16. This act is an urgency statute necessary for the immediate preservation of the public peace, health, or safety within the meaning of Article IV of the Constitution and shall go into immediate effect. The facts constituting the necessity are:

In order to provide for meaningful participation in hearings before the Federal Energy Regulatory Commission and to provide for the safety and reliability of electrical services to Californians at the earliest possible time, it is necessary for this act to take effect immediately.

EXHIBIT B

CALIFORNIA LEGISLATION AB 825

STATE OF CALIFORNIA
LEGISLATIVE COUNSEL BUREAU
AUTHENTICATED
ELECTRONIC LEGAL MATERIAL

Assembly Bill No. 825

CHAPTER 116

An act to amend Section 337 of, to add Sections 345.1, 345.2, 345.6, and 399.16.5 to, to repeal Section 352 of, and to repeal Article 4 (commencing with Section 355), Article 5 (commencing with Section 359), and Article 5.5 (commencing with Section 359.5) of Chapter 2.3 of Part 1 of Division 1 of, the Public Utilities Code, relating to electricity.

[Approved by Governor September 19, 2025. Filed with Secretary of State September 19, 2025.]

LEGISLATIVE COUNSEL'S DIGEST

AB 825, Petrie-Norris. Independent System Operator: independent regional organization.

(1) Existing law provides for the establishment of an Independent System Operator (ISO) as a nonprofit public benefit corporation and requires the ISO to ensure efficient use and reliable operation of the electrical transmission grid consistent with achieving planning and operating reserve criteria no less stringent than those established by the Western Electricity Coordinating Council and the North American Electric Reliability Council. Existing law, the Clean Energy and Pollution Reduction Act of 2015, provides for the transformation of the ISO into a regional organization, with the approval of the Legislature, pursuant to a specified process. That process provides that modifications to the ISO's governance structure, through changes to its bylaws or other corporate governance documents, will not become effective until the ISO, the Public Utilities Commission (PUC), the State Energy Resources Conservation and Development Commission (Energy Commission), the State Air Resources Board (state board), the Governor, and the Legislature take specified actions on or before January 1, 2019.

This bill would delete the above-described provisions providing for the transformation of the ISO into a regional organization. The bill would authorize the ISO and the electrical corporations that are participating transmission owners whose transmission systems are operated by the ISO to use voluntary energy markets governed by an independent regional organization, only if specified requirements are satisfied. The bill would authorize the ISO, on or after January 1, 2028, to implement tariff modifications accepted by the Federal Energy Regulatory Commission to operate the energy markets whose rules are governed by an independent regional organization if the governing board of the ISO has adopted a resolution, as specified, finding that each of the specified requirements have been, or will be, adopted by the independent regional organization. The bill would require the PUC to make a determination through a formal decision in an existing or new proceeding that these requirements have been satisfied

before electrical corporations participate in an energy market governed by an independent regional organization. The bill would require the ISO to maintain the necessary technical capability to operate energy markets, as specified, and would require the ISO to continue its functions and responsibilities as a balancing authority, as provided.

This bill would require the ISO to develop, publish, and annually update a report on certain activities of the ISO and, if applicable, an independent regional organization, as provided. The bill would require the chair of the board of governors and the chief executive officer of the ISO to annually appear before the appropriate policy committees of the Legislature to present the report, as specified.

(2) Existing law establishes the California Renewables Portfolio Standard Program, which requires the PUC to establish a renewables portfolio standard requiring all retail sellers, as defined, to procure a minimum quantity of electricity products from eligible renewable energy resources, as defined, at specified percentages of the total kilowatthours sold to their retail end-customers during specified compliance periods. The program, consistent with the goals of procuring the least-cost and best-fit eligible renewable energy resources that meet project viability principles, requires that all retail sellers procure a balanced portfolio of electricity products from eligible renewable energy resources, as specified, referred to as the portfolio content category requirements.

This bill would require the PUC and the Energy Commission to coordinate to revise any relevant rules, regulations, or guidance to ensure that the transition to a regional energy market governed by the ISO or the independent regional organization does not expand the types of transactions that meet the portfolio content category requirements, as compared to the transactions that would otherwise meet those requirements on December 31, 2025.

(3) Existing law requires the Power Exchange to provide an efficient competitive auction, open on a nondiscriminatory basis to all suppliers, that meets the loads of all exchange customers at efficient prices, and authorizes the Power Exchange governing board to form appropriate technical advisory committees composed of market and nonmarket participants to advise the governing board on relevant issues.

This bill would delete these provisions.

(4) Under existing law, a violation of the Public Utilities Act or any order, decision, rule, direction, demand, or requirement of the PUC is a crime.

Because certain provisions of this bill would be part of the act and a violation of a PUC action implementing the bill's requirements would be a crime, the bill would impose a state-mandated local program.

The California Constitution requires the state to reimburse local agencies and school districts for certain costs mandated by the state. Statutory provisions establish procedures for making that reimbursement.

This bill would provide that no reimbursement is required by this act for a specified reason.

The people of the State of California do enact as follows:

SECTION 1. Section 337 of the Public Utilities Code is amended to read:

337. (a) The Independent System Operator governing board shall comprise a five-member independent governing board of directors appointed by the Governor and subject to confirmation by the Senate. Any reference in this chapter or in any other provision of law to the Independent System Operator governing board means the independent governing board appointed under this subdivision.

(b) A member of the independent governing board appointed under subdivision (a) may not be affiliated with any actual or potential participant in any market administered by the Independent System Operator.

(c) (1) All appointments shall be for three-year terms.

(2) There is no limit on the number of terms that may be served by any member.

(d) The Oversight Board shall require the articles of incorporation and bylaws of the Independent System Operator to be revised in accordance with this section, and shall make filings with the Federal Energy Regulatory Commission as the Oversight Board determines to be necessary.

(e) For purposes of the initial appointments to the Independent System Operator governing board, as provided in subdivision (a), the Governor shall appoint one member to a one-year term, two members to a two-year term, and two members to a three-year term.

SEC. 2. Section 345.1 is added to the Public Utilities Code, to read:

345.1. The chair of the board of governors and the chief executive officer of the Independent System Operator shall appear annually before the appropriate policy committees of the Assembly and Senate to present the report required pursuant to Section 345.2.

SEC. 3. Section 345.2 is added to the Public Utilities Code, to read:

345.2. (a) The Independent System Operator shall develop, publish, and annually update a report that includes all of the following information:

(1) Any changes to its federal tariff sought, and those changes approved, by the Federal Energy Regulatory Commission.

(2) The status of policy initiatives and recurring processes considered by the Independent System Operator during the prior year.

(3) Actions undertaken by the Independent System Operator governing board and, if applicable, the governing board of an independent regional organization whose electricity market California entities participate in.

(4) An assessment of market activity during the prior year by any independent market monitor and, if applicable, independent market analysis maintained by an independent regional organization used by the Independent System Operator.

(5) Actions undertaken within the transmission planning process of the Independent System Operator and the implementation of projects approved in that process.

(b) If the Independent System Operator uses a voluntary energy market governed by an independent regional organization, that organization shall provide the Independent System Operator with the information required for the report required by this section, as applicable.

(c) (1) The Independent System Operator shall submit the report required pursuant to subdivision (a) to the Governor and the Legislature, in compliance with Section 9795 of the Government Code, no later than February 1 of each year.

(2) The Independent System Operator shall post the report in a conspicuous area of its internet website and shall have a program to disseminate the information in the report using computer mailing lists to provide regular updates on the information to those members of the public and organizations that request that information.

SEC. 4. Section 345.6 is added to the Public Utilities Code, to read:

345.6. (a) Notwithstanding the requirements related to energy markets in subdivision (b) of Section 345.5, the Independent System Operator and the electrical corporations that are participating transmission owners whose transmission systems are operated by the Independent System Operator may use voluntary energy markets governed by an independent regional organization only if all of the following requirements are satisfied:

(1) The independent regional organization is a nonprofit corporation whose governance documents, and the tariff approved by the Federal Energy Regulatory Commission, include a requirement to respect the authority of each state that has a load-serving entity or balancing authority participating in the market to set its own procurement, resource adequacy, environmental, reliability, and other public interest policies and exercise oversight over its regulated entities.

(2) The governing board of the independent regional organization maintains a public policy committee consisting of members of the governing board of the independent regional organization that engages with states, local power authorities, and federal power marketing administrations about potential impacts to state, local, or federal policies before it approves a tariff change for filing at the Federal Energy Regulatory Commission.

(3) The governing board of the independent regional organization maintains a relationship with and seeks input from a body of state regulators or similar body to receive the views of state regulators.

(4) The independent regional organization makes funding available for a consumer advocate organization that represents the interests of one or more consumer advocate offices authorized in state law, including the Public Advocate's Office of the Public Utilities Commission, and facilitates engagement by those offices with the independent regional organization.

(5) The independent regional organization maintains an office of public participation to provide information and education to members of the public about issues and initiatives at the independent regional organization, including facilitating engagement in those processes.

(6) In addition to any independent market monitoring activity required by a Federal Energy Regulatory Commission order, the independent regional

organization maintains access to independent market analysis for the governing board of the independent regional organization on the impacts of market dynamics or rule changes to minimize overall costs to end-use consumers.

(7) Subject to reasonable confidentiality provisions, market data is available to the commission and the Public Advocate's Office of the Public Utilities Commission, and other states' commissions and public advocate offices, to the same or greater extent as existed on December 31, 2024, for the markets governed by the Independent System Operator.

(8) There is a stakeholder process designed to provide nonbinding advice to the governing board of the independent regional organization.

(9) The independent regional organization is obligated to conduct meetings and make decisions in an open process with transparent, documented rationales, and all meetings of the governing board of the independent regional organization are publicly noticed and, excluding executive sessions, are available to remote participants, recorded and posted on the independent regional organization's internet website, open to the public, and subject to open record requirements. The obligations in this paragraph shall be substantially similar to those that apply to the Independent System Operator at the time a resolution is adopted pursuant to subdivision (b).

(10) The Independent System Operator continues to operate the energy markets, subject to the market rules determined by the independent regional organization as accepted by the Federal Energy Regulatory Commission.

(11) The market rules of the independent regional organization provide greenhouse gas emissions information and protocols sufficient to enable compliance with the requirements of any state agency.

(12) All independent regional organization services are offered on a voluntary basis with each participant retaining its decisionmaking autonomy regarding the extent of its participation.

(13) The tariff approved by the Federal Energy Regulatory Commission for the independent regional organization provides a procedure for unilateral withdrawal from the independent regional organization's energy markets by any participant on their own accord, or as required by an applicable regulatory authority or state statute, with reasonable prior notice and without any penalties, unreasonable costs, or further discretionary approvals.

(b) On or after January 1, 2028, the Independent System Operator may implement tariff modifications accepted by the Federal Energy Regulatory Commission to operate the energy markets whose rules are governed by an independent regional organization, as provided in subdivision (a), if the governing board of the Independent System Operator has adopted a resolution finding that each of the requirements of paragraphs (1) to (13), inclusive, of subdivision (a) have been or will be adopted by the independent regional organization. The governing board of the Independent System Operator may adopt the resolution if the Independent System Operator satisfies all of the following requirements before adopting the resolution:

(1) The meeting is open to the public, available to remote participants, recorded, and posted on the Independent System Operator's internet website.

(2) The Independent System Operator issues a notice of the meeting and proposed findings not less than 90 days before the meeting.

(3) The notice explains the basis for finding that each requirement of paragraphs (1) to (13), inclusive, of subdivision (a) will be met.

(4) The notice provides an opportunity for written comments on the proposed findings.

(5) The Independent System Operator issues written responses to any comments not less than 20 days before the meeting.

(6) After issuing the written responses described in paragraph (5), but before adopting the resolution, the Independent System Operator shall offer to provide testimony to the legislative committee in each house of the Legislature with primary jurisdiction over electrical corporations on its proposed findings and responses and shall provide testimony to hearings of those committees if those committees request testimony.

(7) The Independent System Operator receives and accepts written comments from the commission, Public Advocate's Office, and Energy Commission provided pursuant to paragraph (4) regarding the proposed findings.

(c) The commission shall make a determination through a formal decision in an existing or new proceeding that the requirements in subdivisions (a) and (b) have been satisfied before electrical corporations participate in an energy market governed by an independent regional organization.

(d) This section does not diminish the commission's authority to direct an electrical corporation to withdraw from an energy market governed by an independent regional organization. The commission may direct an electrical corporation to withdraw from an energy market governed by an independent regional organization on its own volition through a proceeding or any other commission process, including if the commission identifies any activities of the independent regional organization that would undermine or jeopardize the commission's authority regarding resource adequacy, integrated resource planning, or procuring resources under Section 380, 454.51, or 454.52.

(e) (1) The Independent System Operator shall maintain the necessary technical capability to operate energy markets in a manner that enables California electrical corporations, local publicly owned electric utilities, and other applicable market participants to withdraw from the markets governed by the independent regional organization and instead the Independent System Operator would provide separate market services for those entities.

(2) Beginning one year after the implementation of the independent regional organization's markets, and annually thereafter, the Independent System Operator, in consultation with the independent regional organization, shall report to the commission, Energy Commission, and the legislative committees with primary jurisdiction over electrical corporations, in

compliance with Section 9795 of the Government Code, on the status of the development and compliance with this section.

(3) The commission and Energy Commission shall review each report required pursuant to paragraph (2) and shall publicly post an acknowledgment to their internet websites that they have reviewed the contents of each report.

(f) (1) The Independent System Operator shall conduct a study of the impacts of implementing subdivision (a) on the creation or retention of jobs in California. The study shall specifically include the impact on jobs constructing and maintaining powerplants in California.

(2) The Independent System Operator shall host public workshops on the study methodology and the results of the study.

(3) The Independent System Operator shall complete the study on or before December 31, 2026. Upon completion, the Independent System Operator shall provide the study to the legislative committee in each house of the Legislature with primary jurisdiction over electrical corporations.

(4) The results of the study shall be included in the Independent System Operator's findings and resolution described in subdivision (b).

(5) The study submitted pursuant to paragraph (3) shall be in compliance with Section 9795 of the Government Code.

(g) (1) The Independent System Operator shall continue its functions and responsibilities as a balancing authority as they existed before enactment of this section, and maintain compliance with applicable reliability standards as developed, adopted, and enforced by the North American Electric Reliability Corporation, the Western Electricity Coordinating Council, or the Federal Energy Regulatory Commission.

(2) The Independent System Operator shall not change its balancing authority area from that which existed on December 31, 2024, except as follows:

(A) Standard addition or removal of transmission lines, substations, and other equipment by participating transmission owners or other asset owners.

(B) The Independent System Operator may combine its balancing authority area with another California balancing authority if the combination is mutually agreed upon.

(C) The Independent System Operator may use its subscriber participating transmission owner tariff.

(3) Except as provided in subdivision (a) with respect to managing energy markets as provided in this section, this section does not change the responsibilities of the Independent System Operator under Section 345.5, including managing the transmission grid, planning for transmission expansion, reliability, resource adequacy, and complying with Section 25308 of the Public Resources Code.

(h) (1) (A) This section does not change any requirement related to the California Renewables Portfolio Standard Program as provided in Article 16 (commencing with Section 399.11).

(B) The independent regional organization is not a California balancing authority.

(C) The geographic footprint of the independent regional organization is not a balancing authority area.

(2) This section does not change the policy of the state to reach specified targets by specified dates for supplying eligible renewable energy resources and zero-carbon resources as provided in subdivision (a) of Section 454.53.

(3) This section does not change the authority of the commission regarding resource adequacy, integrated resource planning, or procuring resources under Section 380, 454.51, 454.52, or any other law.

(4) This section does not change the authority of the commission over an electrical corporation's participation in any additional products or services offered by the independent regional organization and the electrical corporations shall not participate in any additional products and services offered by the independent regional organization unless authorized by the commission.

(i) The Independent System Operator may act as a vendor, through a contract with the independent regional organization, of market operation services, generation dispatch services, transmission operation services, transmission planning services, reliability coordination, balancing authority compliance or operation services, or other electrical system services.

(j) This section does not prohibit the independent regional organization from offering additional products or services on a voluntary basis, including, but not limited to, cooptimization of ancillary services, administration of a resource adequacy program, or transmission planning or service.

(k) For purposes of this section, both of the following definitions apply:

(1) "Balancing authority," "balancing authority area," and "California balancing authority" have the same meanings as provided in Section 399.12.

(2) "Load-serving entity" has the same meaning as provided in Section 380.

SEC. 5. Section 352 of the Public Utilities Code is repealed.

SEC. 6. Article 4 (commencing with Section 355) of Chapter 2.3 of Part 1 of Division 1 of the Public Utilities Code is repealed.

SEC. 7. Article 5 (commencing with Section 359) of Chapter 2.3 of Part 1 of Division 1 of the Public Utilities Code is repealed.

SEC. 8. Article 5.5 (commencing with Section 359.5) of Chapter 2.3 of Part 1 of Division 1 of the Public Utilities Code is repealed.

SEC. 9. Section 399.16.5 is added to the Public Utilities Code, to read:

399.16.5. The commission and the Energy Commission shall coordinate to revise any relevant rules, regulations, or guidance to ensure that the transition to a regional energy market governed by the Independent System Operator or the independent regional organization described in Section 345.6 does not expand the types of transactions that meet the portfolio content category requirements of paragraph (1) of subdivision (b) of Section 399.16, as compared to the transactions that would meet those requirements on December 31, 2025.

SEC. 10. No reimbursement is required by this act pursuant to Section 6 of Article XIII B of the California Constitution because the only costs that may be incurred by a local agency or school district will be incurred because

this act creates a new crime or infraction, eliminates a crime or infraction, or changes the penalty for a crime or infraction, within the meaning of Section 17556 of the Government Code, or changes the definition of a crime within the meaning of Section 6 of Article XIII B of the California Constitution.

O

EXHIBIT C

LETTER FROM STATE REGULATORS

July 14, 2023

Chair Megan Decker
Oregon Public Utility Commission
Co-Chair of Committee on Regional Electric Power Cooperation
Via email: megan.decker@puc.oregon.gov

Cabinet Secretary Sarah Cottrell Propst
New Mexico Energy, Minerals and Natural Resources Department
Co-Chair of Committee on Regional Electric Power Cooperation
Via email: sarah.propst@emnrd.nm.gov

Commissioner Andrew McAllister
California Energy Commission
Chair, Western Interstate Energy Board
Via email: andrew.mcallister@energy.ca.gov

Laura Rennick
Executive Director
Western Interstate Energy Board
Via email: LRennick@westernenergyboard.org

RE: State regulators' call for viable path to electricity market inclusive of all western states, with independent governance

Dear Chair Decker, Cabinet Secretary Propst, Commissioner McAllister, and Executive Director Rennick,

The undersigned group of state public utility commissioners and other officials write you this letter in your capacity as leadership for the Committee on Regional Electric Power Cooperation and the Western Interstate Energy Board in order to inform you and elevate our call, and proposal, for ensuring that the benefits of wholesale electricity markets are maximized for customers across the entire Western U.S. This group proposes the creation of an entity that could serve as a means for delivering a market that includes all states in the Western Interconnection, including California, with independent governance.

We have identified a common commitment in seeking the benefits shown in multiple studies that demonstrate the most favorable electricity market for consumers is one that includes a West-wide market footprint. Such a market would avoid the issue of "seams" from separate markets across major portions in the West, and result in optimized use of resources to meet loads across the entire interconnection.

In announcing our commitment, the group is inviting all Western states and associated stakeholders to join the effort and help shape the approach.

We believe that the vision of a West-wide market, inclusive of California, is possible based on a concept put forth by members of the California Public Utilities Commission and California Energy Commission. Under that concept, a separate non-profit entity governed by representation from across the West would be formed. That entity could provide a full range of regional transmission operator services, utilizing a contract for services with the California Independent System Operator (CAISO), including eventual assumption of the Extended Day Ahead Market (EDAM) and the Energy Imbalance Market (EIM).

The independent entity could also act as a vessel for delivering a West-wide fully organized market with governance shared across all states. Under this vision, the benefits of EIM and EDAM would be maintained and expanded upon, avoiding a duplication of the investments and expenses of the market infrastructure that has already been created, and avoiding a deterioration of the benefits of those programs, which, in the case of EIM alone, has proven a value of nearly $4 billion since 2014.

While the joint governance approach that has been developed for the CAISO's Extended Day Ahead Market (EDAM) has won significant support as an interim solution, it falls short of full regional co-ownership that is required for deeper coordination. Our proposal to form a separate, independently governed entity is intended to shake loose from those concerns. Once formed and structured, the independent entity created under the regulators' proposal could become a market platform for all states, including California, to join.

The proposal recognizes that western coordination, including the opportunity for a unified Western market and a full range of western integration services, provides the greatest benefits for consumers.

This group plans to work, along with all other states and stakeholders willing to participate in this effort, through an initial phase of the project this year. In that initial phase, an effort catalyzed by state involvement would decide key elements of how the independent entity would be formed and structured. The project would enter an implementation phase early in 2024, with the formation of the independent entity, the seating of an initial founding board of directors, exploration of the relationship with CAISO for future services, and the expectation of a small independent staff being put in place.

We are committed to the vision of maximizing the benefits of organized wholesale electricity markets for customers in the West. We see a real opportunity to maintain and build upon the proven benefits of EIM, and the promised benefits of EDAM, and to move the entire West, including California, to a unified market that delivers the well-documented benefits that would come from doing so. We look forward to joining with our counterparts and industry partners

and stakeholders from other states to move this concept forward, and to realize a viable alternative to having a fractured western market.

Sincerely,

/s/ David Danner
David Danner, Chair
Washington Utilities and Transportation Commission

/s/ Alice Reynolds
Alice Reynolds, President
California Public Utilities Commission

/s/ Ann Rendahl
Ann Rendahl, Commissioner
Washington Utilities and Transportation Commission

/s/ Siva Gunda
Siva Gunda, Vice Chair
California Energy Commission

/s/ Milt Doumit
Milt Doumit, Commissioner
Washington Utilities and Transportation Commission

/s/ Kevin Thompson
Kevin Thompson, Commissioner
Arizona Corporation Commission

/s/ Letha Tawney
Letha Tawney, Commissioner
Oregon Public Utility Commission

/s/ Pat O'Connell
Pat O'Connell, Chair
New Mexico Public Regulation Commission

/s/ Mark Thompson
Mark Thompson, Commissioner
Oregon Public Utility Commission

EXHIBIT D

FINANCIAL DATA

Response to Third Request - Financial Data Attachment

TIMELINE EXPENDITURES	2026 TOTAL	2027 TOTAL	2028 TOTAL
~ Support			
~ Staff			
~ Executive Director	$ 50,000.00	$ 600,000.00	$ 600,000.00
~ Executive Assistant		$ 180,000.00	$ 180,000.00
~ General Counsel		$ 525,000.00	$ 525,000.00
~ Legal staff (2 lawyers)		$ 450,000.00	$ 900,000.00
~ Stakeholder Process Manager (2 staff)		$ 562,500.00	$ 750,000.00
~ Communications Manager		$ 281,250.00	$ 375,000.00
~ Staff Market Expert		$ 225,000.00	$ 450,000.00
~ OPP Director		$ 29,166.00	$ 350,000.00
~ RO Board comp			
~ RO Board base comp	$ 125,000.00	$ 500,000.00	$ 700,000.00
~ RO Board comp contingency for initial work	$ 62,500.00	$ 250,000.00	
~ Legal & Professional Services			
~ HR support consultant	$ 5,700.00	$ 11,050.00	$ 11,050.00
~ Tariff Expert Support/Outside Legal Counsel	$ 275,000.00	$ 450,000.00	$ 450,000.00
~ Utilicast PM	$ 250,000.00	$ 250,000.00	
~ Accounting Support	$ 17,500.00	$ 60,000.00	$ 60,000.00
~ IT Support	$ 10,000.00	$ 30,000.00	$ 30,000.00
~ Executive Search Firm	$ 570,000.00	$ 150,000.00	
~ Global Impact	$ 72,000.00	$ 160,650.00	
~ CAISO Support to RO	$ 30,000.00	$ 120,000.00	$ 1,200,000.00
~ Comms Support	$ 45,000.00	$ 30,000.00	
~ General & Administrative			
~ Travel Allowance	$ 18,000.00	$ 98,000.00	$ 98,000.00
~ Conferences and Professional Development	$ 12,000.00	$ 106,000.00	$ 106,000.00
~ Insurance (D&O, etc.)	$ 7,500.00	$ 30,000.00	$ 30,000.00
~ Office Space	$ 3,000.00	$ 36,000.00	$ 36,000.00
~ IT Equipment @$5k/person	$ 30,000.00	$ 40,000.00	$ 10,000.00
~ Office Equipment @ $2.5K/person	$ 2,500.00	$ 20,000.00	
~ Software and Licenses (incl. records)	$ 15,000.00	$ 15,000.00	$ 15,000.00
~ Body of State Regulators			$ 700,000.00
~ Consumer Advocate Office			$ 500,000.00
~ Debt repayment with interest			$ 8,250,000.00
~ TOTAL	$ 1,600,700.00	$ 5,209,616.00	$ 16,326,050.00
~ INITIAL TOTAL	$ 1,600,700.00	$ 5,209,616.00	$ 16,326,050.00
~ Contingency @ 20%	$ 320,140.00	$ 1,041,923.20	$ 3,265,210.00
~ GRAND TOTAL	$ 1,920,840.00	$ 6,251,539.20	$ 19,591,260.00

Income			
~ Donations	$ 1,000,000.00		
~ Foundation Grants	$ 350,000.00		
~ Loan	$ 570,840.00	$ 6,251,539.20	$ 1,000,000.00
~ Tariff			$ 18,591,260.00
~ TOTAL	$ 1,920,840.00	$ 6,251,539.20	$ 19,591,260.00

Department of the Treasury
Internal Revenue Service
Tax Exempt and Government Entities
PO Box 2508
Cincinnati, OH 45201

Date:
06/11/2026
Taxpayer ID number:
41-4783979
Taxpayer or applicant name:
REGIONAL ORGANIZATION FOR WESTERN ENERGY INC
Form or application number:
1023
Person to contact:
Name: Isiaka Abejide
ID number: 5336181
Telephone: 281-721-7214
Fax: 866-501-9964

KENDRA LEETE
110 N. WACKER DR., SUITE 3400
CHICAGO, IL 60606-1511

Dear Representative:

We're sending the enclosed material to you because of a power of attorney or other authorization we have on file.

If you have questions, contact the person listed at the top of this letter.

Sincerely,

Stephen A. Martin
Director, Exempt Organizations
Rulings and Agreements

Enclosures:
Letter 947

Department of the Treasury
Internal Revenue Service
Tax Exempt and Government Entities
P.O. Box 2508
Cincinnati, OH 45201

Date:
06/11/2026
Employer ID number:
41-4783979
Person to contact:
Name: Isiaka Abejide
ID number: 5336181
Telephone: 877-829-5500
Accounting period ending:
December 31
Public charity status:
170(b)(1)(A)(vi)
Form 990 / 990-EZ / 990-N required:
Yes
Effective date of exemption:
January 20, 2026
Contribution deductibility:
Yes
Addendum applies:
No

REGIONAL ORGANIZATION FOR WESTERN ENERGY INC
C/O KATHLEEN STAKS
PO BOX 150260
LAKEWOOD, CO 80215-0260

Dear Applicant:

We're pleased to tell you we determined you're exempt from federal income tax under Internal Revenue Code (IRC) Section 501(c)(3). Donors can deduct contributions they make to you under IRC Section 170. You're also qualified to receive tax deductible bequests, devises, transfers or gifts under Section 2055, 2106, or 2522. This letter could help resolve questions on your exempt status. Please keep it for your records.

Organizations exempt under IRC Section 501(c)(3) are further classified as either public charities or private foundations. We determined you're a public charity under the IRC Section listed at the top of this letter.

If we indicated at the top of this letter that you're required to file Form 990/990-EZ/990-N, our records show you're required to file an annual information return (Form 990 or Form 990-EZ) or electronic notice (Form 990-N, the e-Postcard). If you don't file a required return or notice for three consecutive years, your exempt status will be automatically revoked.

If we indicated at the top of this letter that an addendum applies, the enclosed addendum is an integral part of this letter.

For important information about your responsibilities as a tax-exempt organization, go to www.irs.gov/charities. Enter "4221-PC" in the search bar to view Publication 4221-PC, Compliance Guide for 501(c)(3) Public Charities, which describes your recordkeeping, reporting, and disclosure requirements.

We sent a copy of this letter to your representative as indicated in your power of attorney.

Sincerely,

Stephen A. Martin
Director, Exempt Organizations
Rulings and Agreements

APPENDIX F: Conflict of Interest Policy

REGIONAL ORGANIZATION FOR WESTERN ENERGY, INC.

Conflict of Interest Policy

1.0 PURPOSE

The purpose of this Conflict of Interest Policy (the "Policy") is to protect the interests of Regional Organization for Western Energy, Inc. (the "ROWE" or "Corporation") in connection with any transaction or arrangement that might benefit the private interests of any Covered Person, as defined below. This Policy provides (i) a systematic mechanism for disclosing and evaluating potential and actual conflicts as defined under Delaware law and related to any possible excess benefit transactions; and (ii) procedures for the Board of Directors or a committee with Board-delegated authority in considering any transaction or arrangement where a conflict may exist. This Policy is also intended to apply to "related organizations" of the Corporation, as defined in the Internal Revenue Service's Instructions for Form 990, as modified from time to time. This Policy is intended to supplement, but not replace, any applicable state and federal laws governing conflicts of interest applicable to nonprofit corporations.

2.0 PERSONS COVERED BY THE POLICY

This Policy addresses transactions and arrangements involving the Corporation's directors, officers, members of any committee of the Corporation's Board of Directors with authority to act on behalf of the Board of Directors, and the Corporation's executive employees (e.g., Executive Director, Chief Executive Officer, Chief Financial Officer, Chief Operating Officer) and any other manager or supervisor identified by the Board of Directors or the President as exercising substantial influence over the operations of the Corporation ("Covered Persons"). Every Covered Person shall sign a statement that affirms that he or she has received a copy of this Policy, has read and understands it, and has agreed to comply with it, and shall complete the questionnaire attached hereto disclosing his or her actual and potential conflicts of interest on an annual basis.

3.0 DUTIES OF COVERED PERSONS

3.1. Duty of Care. Every Covered Person shall perform his or her duties for the Corporation in good faith and with the degree of care that an ordinarily prudent person would exercise under similar circumstances.

3.2. Duty of Loyalty. Every Covered Person must act with loyalty to the Corporation, meaning that no Covered Person may use his or her position with the Corporation to make personal profit or gain other personal advantage. No Covered Person may personally take advantage of a business opportunity that is offered to the Corporation unless the Board of Directors determines (after full disclosure and a disinterested and informed evaluation) not to pursue that opportunity.

3.3. Conflicts of Interest. No Covered Person may engage in any transaction or arrangement or undertake positions with other organizations that involve a conflict of interest, except in compliance with this Policy. Covered Persons should avoid both actual conflicts and the appearance of conflicts of interest. Every Covered Person shall:

(a) Disclose all actual and potential conflicts as set out below in Section 5; and

(b) Recuse himself or herself from voting on any transaction or arrangement in which he or she has a potential or actual conflict of interest, and shall not be present when any such vote is taken.

4.0 CONFLICT OF INTEREST

4.1. Identifying a Potential Conflict. A Covered Person may have a conflict of interest with respect to a transaction or arrangement involving the Corporation whenever he or she, or any of his or her family members:

(a) **Compensation.** Receives compensation directly or indirectly from the Corporation and the transaction or arrangement involves such compensation (e.g., an employee has a conflict of interest with respect to the determination of his or her own compensation). Compensation for purposes of this Policy includes direct and indirect remuneration, as well as gifts or favors that are substantial in nature;

(b) **Financial Interest.** Has or anticipates having any financial interest, including an ownership interest, investment interest, or compensation arrangement, in or with any entity or individual that (i) sells goods or services to, or purchases services from, the Corporation; or (ii) has any other transaction or arrangement with the Corporation (e.g., a director who owns stock in a corporation that sells goods or services to the Corporation may have a conflict of interest with regard to such sales transactions); or

(c) **Management Role.** Has or anticipates serving as a director, trustee or officer, employee or consultant of any entity or individual that (i) sells goods or services to, or purchases services from, the Corporation; or (ii) has any other transaction or arrangement with the Corporation.

Upon the appointment of the Initial Board of Directors (as defined in the Corporation's bylaws) and thereafter, any Board Member who has a prohibited relationship or financial interest as described in this Section 4.1 must commit to terminating any prohibited relationship after being appointed and before exercising the duties of the office, and to dispose of any prohibited financial interests within six months after his or her installation as a Board Member.

4.2. No Conflict. A Covered Person does not have a conflict of interest if:

(a) The Covered Person owns securities or voting interests of a non-publicly traded business enterprise with which the Corporation has a transaction or arrangement, if:

(i) Such securities or voting interests are less than 2% of the voting interests and value of a non-publicly traded business enterprise; and

(ii) The fair market value of such securities does not represent a material part of the person's overall net worth.

(b) The Covered Person owns securities or voting interests of a publicly traded company with which the Corporation has a transaction or arrangement if such voting interests are less than 5% of the voting interests of a publicly traded company.

5.0 DISCLOSURE AND EVALUATION OF CONFLICTS

5.1. Disclosure.

Each Covered Person shall promptly and fully disclose all material facts of every actual or potential conflict of interest:

(a) Existing at the time when he/she becomes a Covered Person;

(b) That arises while he/she is a Covered Person, at the time such actual or potential conflict arises; and

(c) Annually through the annual Conflict of Interest Questionnaire, a copy of which is attached hereto.

All disclosures involving a transaction or arrangement being considered at a meeting of the Board of Directors or a committee shall be made to all members present at such meeting. All other disclosures shall be made to the President (who shall disclose his or her conflicts to the Board of Directors). A Covered Person who is in doubt as to the existence of a conflict of interest is encouraged to disclose all facts pertaining to the transaction or arrangement before undertaking the transaction or arrangement or making any decision in the matter.

5.2. Evaluation.

(a) The President or chairman of any committee established by the Board of Directors for purposes of implementation of this Policy shall disclose to the Board of Directors all conflicts of interest reported to him or her under this Policy. The Board of Directors will evaluate the disclosures and the material facts relating to the transaction or arrangement giving rise to the potential conflict of interest to determine whether they involve actual conflicts of interest and may attempt to develop alternatives to remove the conflict from the transaction or arrangement. The Board of Directors may, if appropriate, appoint a disinterested person or committee to investigate alternatives to the proposed transaction or arrangement.

(b) A Covered Person who has an actual or potential conflict of interest shall not be present for or shall leave any portion of a meeting at which the Board of Directors or a committee is voting to determine whether a conflict exists,

but may be present prior to the vote to make a presentation to the Board or committee, to disclose additional facts, or to respond to questions.

6.0 PROCEDURES FOR ACTING ON CONFLICT OF INTEREST TRANSACTIONS

6.1. Formal Approval. The Corporation may enter into a transaction or arrangement in which a Covered Person has a conflict of interest if:

(a) The Covered Person has disclosed the conflict of interest in accordance with this Policy;

(b) A majority of directors who have no interest in the transaction or arrangement approve the transaction or arrangement at a Board or committee meeting after determining in good faith and after reasonable investigation, that the transaction or arrangement is fair and reasonable to the Corporation and is in the Corporation's best interest;

(c) Any Covered Person who has an actual or potential conflict with respect to the transaction or arrangement does not participate in and is not present for the vote regarding any such transaction or arrangement (provided, however, that any such Covered Person may appear at a meeting to answer questions concerning the transaction or arrangement); and

(d) In any arrangement or transaction involving compensation, remuneration or other economic or financial benefit to the Covered Person, the Board of Directors relies upon appropriate comparability data, such as an independent appraisal or an independent compensation study, in reaching its determination as to the fairness and reasonableness of the transaction or arrangement to the Corporation.

6.2. Transaction Fair to the Corporation. It shall not be a violation of this Policy if all the requirements for formal approval, outlined above, are not satisfied, so long as the transaction or arrangement does not violate any applicable rules and regulations related to conflicts of interest and ethical conduct effective as to board members, and also is in fact fair to the Corporation, furthers its tax-exempt purposes, and does not result in private inurement, impermissible private benefit, or an excess benefit transaction under laws applicable to organizations exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code, as amended (the "***Code***").

7.0 RECORDS OF PROCEEDINGS

7.1. Content of Minutes. The minutes of the Board of Directors or any committee of the Board for any meetings described above shall contain:

(a) The names of the persons who disclosed an actual or potential conflict of interest or otherwise were found to have a conflict of interest;

(b) The nature of the conflict of interest;

(c) Any action taken to determine whether a conflict of interest was present;

(d) The Board's or committee's decision as to whether a conflict of interest in fact existed;

(e) The names of the persons who were present for discussions and votes relating to the transaction or arrangement;

(f) The content of the discussion, including any alternatives to the proposed transaction or arrangement considered and any comparability data relied upon; and

(g) A record of any votes taken in connection with the issue, transaction or arrangement.

7.2. **Timing**. The minutes of any meeting described above shall be prepared by the later of the next succeeding meeting of the Board of Directors or committee, or sixty (60) days after the final action on the matter is taken by the Board of Directors or committee.

8.0 ENFORCEMENT

Each Covered Person shall sign a statement acknowledging that he or she has received a copy of this Policy, has read and understands it, and agrees to comply with it. If the Board of Directors has reasonable cause to believe that a Covered Person has failed to comply with this Policy, the Board may counsel the Covered Person regarding such failure and, if the issue is not resolved to the Board's satisfaction, may consider additional corrective action as appropriate.

9.0 TRANSACTIONS WITH PAST COVERED PERSONS AND OTHER DISQUALIFIED PERSONS

This section applies to Disqualified Persons, as defined below, including without limitation, persons who once were, but no longer are, Covered Persons. Section 4958 of the Code imposes excise taxes on (a) Disqualified Persons who engage in excess benefit transactions with charities and (b) Corporation Managers who knowingly approve such transactions.

To protect Disqualified Persons and Corporation Managers from excise taxes, it is the Corporation's policy that all transactions between Disqualified Persons and the Corporation be approved by the Board (or designated committee thereof) after taking into consideration data sufficient to demonstrate that the consideration proposed to be paid or received by the Corporation represents the fair market value of the goods or services to be obtained or provided by the

Corporation, as the case may be. Appropriate evidence might include, compensation surveys, opinions of experts, bids or other similar data. A Disqualified Person is any person who, during the five-year period ending on the date of the transaction, had substantial influence over the charity. Voting directors, officers and many key employees are presumed to be Disqualified Persons. Other persons (including contributors) are evaluated on a case-by-case basis. Corporation Managers include officers, directors and trustees (and persons with similar powers) and employees having authority or responsibility with respect to the expenditure in question.

CERTIFICATE OF ADOPTION

The foregoing Conflict of Interest Policy was adopted by the Board of Directors of the ROWE as of the Effective Date first set forth herein.

By: /s/*Lisa Tormoen Hickey*

Name: Lisa Tormoen Hickey

Title: Secretary

[CORPORATION]

CONFLICT OF INTEREST QUESTIONNAIRE

This Questionnaire is to be completed annually by all Corporation officers, directors, members of committees of the Board of Directors authorized to act on behalf of the Board, executive employees, and any other manager or supervisor identified by the Board of Directors or the President as exercising substantial influence over the operations of the Corporation.

NAME AND BACKGROUND INFORMATION

Name _____

Address: _____

_____

_____

Telephone Number: _____

Position with the Corporation: _____

CONFLICT OF INTEREST INFORMATION

Investments. Identify any investments* that you or a member of your family has or had during the last two (2) years in any organization that has, does, or is likely to provide goods or services to the Corporation or which engages in the generation, transmission, marketing, trading or distribution of electricity within the geographic area of the Western Electric Coordinating Council:

_____

_____

_____

/ / None

* "Investments" for purposes of this disclosure do not include securities or voting interests of a non-publicly traded company if (a) such securities or voting interests are less than 2% of the voting interests and value of a non-publicly traded business enterprise; and (b) the fair market value of such securities does not represent a material part of the person's overall net worth. It also does not include securities or voting interests of a publicly traded company with which the Corporation has

a transaction or arrangement if such voting interests are less than 5% of the voting interests of a publicly traded company.

Director or Other Services. Identify any services that you or a member of your family provides or provided with the last five (5) years as a director, partner, principal, manager, employee or consultant to any organization that does, has, or is likely to provide goods or services to the Corporation or which engages in the generation, transmission, marketing, trading or distribution of electricity within the geographic area of the Western Electric Coordinating Council:

_____

_____

_____

/ / None

Interests in Transactions. Identify any interest that you or a member of your family or any organization in which you have an interest (e.g., a corporation or partnership) has had in any transaction during the last five (5) years, to which the Corporation or any related organization, was a party (e.g., loans, sales of goods or services, guarantees), or which engages in the generation, transmission, marketing, trading or distribution of electricity within the geographic area of the Western Electric Coordinating Council:

_____

_____

_____

/ / None

Other. Identify any other circumstances affecting you or members of your family that might appear to involve a conflict of interest, actual or potential, and any circumstances that could be viewed as use of information relating to the Corporation's business for personal profit or advantage:

_____

_____

_____

/ / None

ACKNOWLEDGMENT AND SIGNATURE

To the best of my knowledge and belief, the above information is true and accurate. I have received a copy of the Corporation's Conflict of Interest Policy, which I have read and understand, and I hereby agree to comply with it.

Executed as of _____.

By:_____
Name: [Officer/ director name]
Title: [Title]

APPENDIX G: Draft Governance Tariff

DRAFT

REGIONAL ORGANIZATION FOR WESTERN ENERGY GOVERNANCE AND FUNCTIONS TARIFF

Effective [DATE]

This draft ROWE Governance Tariff does not reflect final work product of the Regulatory Structure Working Group but is instead an update on the Working Group's current thinking. The draft is designed to give stakeholders an understanding of where things currently stand and will continue to evolve and change as our work continues between now and when the independent ROWE Board is constituted. Our intent is to provide an updated version of this document to the ROWE Board as a potential place to start if it chooses to move forward with a governance tariff to file at FERC. While we have had some preliminary conversations with CAISO staff about some of the concepts included within this document, which have been helpful in developing the Working Group's current thinking, this document is not intended to reflect any agreement between the CAISO and the Working Group on any of these topics, all of which will continue to be developed after the independent ROWE Board is seated.

This draft includes provisions that encompass the ROWE's core functions, in accordance with the Step 2 Proposal, and the process for exercising sole authority over market rules, drawing from the ROWE Bylaws and modeled on relevant provisions of SPP Markets+ Attachment O (Governance) and the Western Resource Adequacy Program Tariff. While the Governance Tariff would not bind the CAISO in any way, it will have provisions that reference the CAISO tariff and the ROWE-CAISO agreement. The basic elements of ROWE-CAISO agreement, as well as potential changes to the CAISO tariff, are also currently being considered by the Working Group. Those materials will also need to be further developed and ultimately negotiated by the CAISO and ROWE and their respective Boards. As this work progresses, the ROWE Board will have full discretion to determine 1) whether to move forward with a Governance Tariff; 2) how to solicit stakeholder feedback on this decision and the Governance Tariff; and 3) what to include in any Governance Tariff.

SECTION 1 PURPOSE

The purpose of this Governance and Functions Tariff is to set forth, among other things, the oversight responsibilities, governance structure, and certain budget and funding mechanisms for the Regional Organization for Western Energy in its exercise of sole authority over Market Operation Rules for the Western Energy Markets and its exercise of joint authority with the California Independent System Operator over Market Administration Rules, and could apply in whole or in part to any additional voluntary services the ROWE may offer in the future. This Tariff, the Coordination Agreement, and the Integrated Tariff, together, establish the current regulatory structure for the Western Energy Markets. These documents work in concert and shall evolve consistently to ensure the independent governance and reliable operation of the Western Energy Markets.

SECTION 2 DEFINITIONS

2.1 Capitalized terms used in this Tariff shall have the meanings set out below unless otherwise stated or the context otherwise requires.

Balancing Authority: the responsible entity that integrates resource plans ahead of time, maintains load-interchange generation balance within a Balancing Authority Area, and supports Interconnection frequency in real time.

Balancing Authority Area or BAA: the collection of generation, transmission, and loads within the metered boundaries of the Balancing Authority. The Balancing Authority maintains load-resource balance within this area.

Board of Directors or Board: the Board of Directors of the ROWE.

Body of State Regulators or BOSR: the group of state regulators, consisting of representatives from each Participating State, which will participate in the ROWE's processes for policymaking and Tariff modifications.

Business Practices Manuals: the instructions, rules, policies, procedures and guidelines for implementation of this Tariff and Market Operation Rules.

Bylaws: the Bylaws of the Regional Organization for Western Energy, Inc.

California Independent System Operator or CAISO: a state-chartered, California non-profit public benefit corporation that operates the transmission facilities of all Participating TOs and dispatches certain Generating Units and Loads

CAISO Controlled Grid: the system of transmission lines and associated facilities of the CAISO participating transmission owners that have been placed under the CAISO's operational control.

CAISO System Rules: the provisions in the Integrated Tariff that are not Market Operation Rules or Market Administration Rules. The CAISO Board of Governors maintains sole authority over CAISO System Rules.

Coordination Agreement: The agreement between the CAISO and the ROWE that defines each party's rights and obligations in the governance and operation of the Western Energy Markets and any additional voluntary services offered by the ROWE.

Department of Market Monitoring or DMM: the organization established to provide independent oversight and analysis of the day-ahead and real-time markets for the protection of consumers and market participants by the identification and reporting of market design flaws, potential market rule violations, and market power abuses.

Federal Energy Regulatory Commission or FERC: the independent federal agency established in the Department of Energy Organization Act (or any successor entity) that regulates the interstate transmission of natural gas, oil and electricity and sales of electricity at wholesale. FERC is the regulatory agency that will oversee and approve the Tariff.

Integrated Tariff: the tariff administered by the CAISO comprising the Market Operation Rules, Market Administration Rules, and CAISO System Rules.

Joint Authority: authority shared jointly by the ROWE and the CAISO over Market Administration Rules subject to the procedures defined in the Coordination Agreement.

Market Administration Rules: the rules, procedures, requirements, and obligations embodied in the Integrated Tariff relating to settlements, billing, creditworthiness, collateral, participant agreements, compliance, dispute resolution and other administrative and commercial aspects of the day-ahead and imbalance markets and any changes to such rules. The ROWE and CAISO maintain joint authority over Market Administration Rules.

Market Initiative: a proposal to change or establish a Market Operation Rule or Market Administration Rule. Market Initiatives exclude any proposals to change or establish CAISO System Rules.

Market Operator: the entity administering the Western Energy Markets. CAISO is the Market Operator.

Market Operation Rules: the FERC-approved rules embodied in the Integrated Tariff governing the operation of the day-ahead and imbalance markets, including rules and any changes to such rules that govern bidding and scheduling for these markets, the market optimization itself and all inputs and processes related to the market optimization, and all rules that reflect the calculation of the amounts that market participants are credited or charged for electricity transactions within these markets. The ROWE maintains sole authority over Market Operation Rules.

Market Surveillance Committee or MSC: [placeholder from the CAISO Tariff: "There shall be established a Market Surveillance Committee (MSC) as a market advisor, whose role it shall be to provide independent external expertise on the CAISO market monitoring process and, in particular, provide independent expert advice and recommendations to the CAISO CEO and Governing Board."]

Nominating Committee: the committee that is created and operates pursuant to the Bylaws and Selection Policy, which is not a committee of the Board, to nominate candidates to serve on the Board.

Open Meetings and Records Policies: the policies adopted by the Board of Directors from time to time, consistent with FERC requirements and the Bylaws, to govern notice and public access to meetings and availability and management of public and confidential and privileged materials and records to comply with applicable statutes, rules, and board policies.

Participating State: any state with one or more balancing authorities participating in the Western Energy Markets.

Public Policy Committee: A committee of the Board specified in the Bylaws consisting of members of the Board of Directors, which shall engage with Participating States and their designated representatives, local power authorities, federal power marketing administrations, the Consumer Advocate Organization, and other stakeholders about potential impacts of policy initiatives and Tariff revisions on state, local, or federal policies and advise the Board of Directors of these impacts before the Corporation approves Tariff changes for filing at the FERC.

Regional Organization for Western Energy or ROWE: the Regional Organization for Western Energy, Inc., a nonstock, non-profit organization incorporated under the laws of the State of Delaware.

Selection Policy: the process adopted by the Board of Directors pursuant to the Bylaws for selection and presentation of a slate of nominees to serve as members of the Board of Directors from time to time.

Sole Authority: Authority held by the ROWE to undertake actions exclusively without the consent of any other body, subject to applicable statutes, tariffs, rules, regulations, and agreements, subject to FERC oversight.

Stakeholder Representatives Committee or SRC: the body of stakeholders, as constituted pursuant to the Bylaws, regularly convened to help coordinate the stakeholder process and advise the Board of Directors on Market Initiatives.

Tariff: this Governance and Functions Tariff of the ROWE, including all schedules and attachments, as amended from time to time.

Western Energy Markets Entity: a Balancing Authority that participates in the WEIM, WEDAM, or both.

Western Energy Day-Ahead Market or WEDAM: the day-ahead energy market governed by the ROWE.

Western Energy Imbalance Market or WEIM: the energy market and method for resolving imbalance of supply and demand in real time governed by the ROWE.

Western Energy Markets: the Western Energy Day-Ahead Market and the Western Energy Imbalance Market, and successor or additional energy markets that may be authorized by the FERC and governed by the ROWE.

2.2 Interpretation

2.2.1 In this Tariff, “includes” or “including” shall mean “including without limitation” and “excludes” or “excluding” shall mean “excluding without limitation.”

2.2.2. Specific Rules of Interpretation Subject to Context

(a) The singular shall include the plural and vice versa.

(b) References to a Section or Appendix shall mean a section or appendix of this Tariff.

(c) References to any law shall be deemed references to such law as it may be amended, replaced or restated from time to time.

(d) Any reference to a “person” includes any individual, partnership, firm, company, corporation, joint venture, trust, association, organization or other entity, in each case, whether or not having separate legal personality.

(e) Any reference to a day, month, week or year is to a calendar day, month, week or year unless otherwise stated.

(f) A reference to this Tariff or to a given agreement, or instrument shall be a reference to this Tariff or to that agreement or instrument as modified, amended, supplemented or restated through the date as of which such reference is made;

(g) Time references are references to prevailing [zone] time;

(h) The captions and headings in this Tariff are inserted solely to facilitate reference and shall have no bearing upon the interpretation of any of the provisions of this Tariff

SECTION 3. AUTHORITY AND LIMITATIONS

3.1 Authority

3.1.1 The ROWE has Sole Authority to provide independent regional governance over the Market Operation Rules for the Western Energy Markets, including exclusive authority to direct Federal Power Act Section 205 filings for changes to Market Operation Rules, consistent with this Tariff, the Coordination Agreement, the Integrated Tariff and other applicable statutes, tariffs, rules, regulations, and agreements. The ROWE has ultimate authority to resolve disputes about any Business Practices Manual that implements Market Operation Rules.

3.1.2 The ROWE has Joint Authority with the CAISO to govern the Market Administration Rules, including joint authority to direct Federal Power Act Section 205 filings for changes to such rules and to modify related Business Practice Manual provisions required to implement such rules, consistent with this Tariff and other applicable statutes, tariffs, rules, regulations, and agreements. The CAISO and ROWE have Joint Authority to resolve disputes about any Business Practices Manual that implements Market Administration Rules.

3.1.3 The ROWE may offer additional voluntary services to interested market participants within its sole authority.

3.3 Western Energy Markets Entity Withdrawal

Any participant may unilaterally withdraw from the Western Energy Markets on its own accord, or as required by an applicable regulatory authority or state statute, with reasonable prior notice and without any penalties, unreasonable costs, or further discretionary approvals, pursuant to the process set forth in the Integrated Tariff.

4. Organizational Structure

4.1 Board of Directors

4.1.1 Purpose and Scope of Activities

4.1.1.1 The Board provides ultimate oversight of the Western Energy Markets, subject to FERC's regulatory authority.

4.1.1.2 The Board shall consistently acknowledge and, where practicable, approve tariff changes, rules, or business practices that respect and do not unduly burden Participating States' achievement of state or local policy objectives, including procurement, resource adequacy, environment, reliability, and other consumer interests. The Board shall minimize adverse impacts of revisions to its Tariffs, rules, and business practices on Participating States' policy objectives.

4.1.1.3 Joint Authority with the CAISO
The Board of Directors shall act in concert with the California ISO Board of Governors in matters pursuant to the two bodies' joint authority as specified in the Coordination Agreement. These joint activities include Market Administration Rules, oversight of the Department of Market Monitoring and the Market Surveillance Committee and administration of Integrated Tariff provisions applicable to both Western Energy Markets and California Balancing Authority Area requirements.

4.1.2 Board Constitution

The ROWE Board of Directors shall be constituted and selected pursuant to the Bylaws and the policies adopted thereunder, including the Selection Policy. The Board shall be composed according to the Bylaws, including the qualification and independence provisions therein, and Board Members are subject to the Bylaws' Standards of Conduct and conflict of interest rules. Consistent with FERC's Order No. 2000, the Board shall be independent of any financial interests in of market participants, or affiliates thereof, in the Western Energy Markets.

4.1.3 Meetings

The Board of Directors shall hold regular and special meetings, including executive sessions, in accordance with the Bylaws, the Open Meetings Policy, and any other policies or procedures adopted by the Board. Notice of Board meetings shall be provided pursuant to the requirements of the Bylaws. Board meetings shall be transparent and allow for public comment, pursuant to the Bylaws and Open Meetings and Records Policies. The Board shall conduct votes according to the requirements of the Bylaws.

4.2 Nominating Committee

The Bylaws establish a standing Nominating Committee comprised of stakeholder representatives to select Board members, subject to approval by the Board. The actions of the Nominating Committee, including determination of search criteria, shall be in accordance with the Bylaws, Board Selection Policy, and any other policies or procedures subsequently adopted. The Nominating Committee shall not be deemed a committee of the Board of Directors but rather shall be advisory in nature.

4.3 Public Policy Committee

4.2.1 Purpose and Role. The Board shall appoint a Public Policy Committee to conduct outreach at key points in the stakeholder process to states, local power authorities, and federal power marketing administrations to collect input about the potential for any Market Initiative to have adverse impacts on a state, local, or federal policy. The input collected by the Public Policy Committee shall be presented to the full Board before it votes on Market Initiatives.

4.2.2 Composition. The Public Policy Committee shall consist of two or more Board Members elected by the Board.

4.4 Market Expert [Not reviewed by the Market Oversight WG]

4.3.1 Purpose and Role. The Board shall retain an independent market expert ("Market Expert") to provide comprehensive explanations and technical opinions as requested by the Board to aid it in making well-informed decisions.

4.3.2 Functions. As requested by the Board, the Market Expert shall produce reports and opinions and evaluate the fairness and efficacy of proposed market rule changes, business practices, market operations and price formation. The Market Expert shall support Board understanding of complex market topics and provide information on best practices from other markets. Additionally, the market expert shall provide independent market analysis on the impacts of market dynamics or rule changes to minimize overall costs to end-use consumers and routine market-related analysis and reports as specified by Board.

4.5 Body of State Regulators (BOSR)

4.5.1 Purpose and Role. The BOSR is an independently established and governed body of state regulators, consisting of representatives from each

Participating State, which will provide advice to the Board on any changes to the Market Operation Rules, Market Administration Rules, or the Tariff or any other issue arising from the Western Energy Markets. The BOSR will also serve as a non-voting member of the Nominating Committee.

4.5.2 Funding. The ROWE shall establish funding for the BOSR to participate in the nomination of the Board and develop and maintain a process for the Board to receive and respond to information or recommendations by the BOSR representation in a public process. The approved BOSR budget costs shall be allocated to market participants in accordance with the Coordination Agreement, the Integrated Tariff, or this Tariff, as applicable.

4.6 Consumer Advocate Organization (CAO)

4.6.1 Purpose and Role. The Board shall support the creation of and make funding available for a consumer advocate organization that represents the interests of one or more consumer advocate offices authorized by state law in any Participating State and facilitate the engagement by the consumer advocate organization with the Corporation in the stakeholder engagement process developed for policy decisions to be made by the Board.

4.6.2 Funding. The approved CAO budget costs shall be allocated to market participants in accordance with the Coordination Agreement, the Integrated Tariff, or this Tariff, as applicable.

4.7 Office of Public Participation (OPP)

4.7.1 Purpose and Role. The Board shall establish an OPP to provide information and education to members of the public about issues and initiatives at the ROWE, including facilitating engagement in those processes. The OPP shall also provide the ROWE Board and staff with direct feedback regarding the effectiveness of public participation.

4.7.2 Functions. The OPP shall, among other things:

(a) Produce neutral explanations of policy proposals and roadmaps for public engagement on specific issues;

(b) Proactively engage with members of the public across the region by hosting in-person meetings, publishing documents, and producing other content through a variety of media to explain issues being considered at the ROWE;

(c) Engage in external communications related to neutral education without advocacy;
(d) Periodically review the ROWE stakeholder and decision-making processes to ensure effective and inclusive public participation; and
(e) Report to the Board periodically on the results of the review of stakeholder processes and suggest improvements based on these reviews.

4.7.3 Funding. The ROWE shall facilitate the retention of independent staffing for the OPP to support the OPP's responsibilities. The OPP shall annually submit a proposed budget to the ROWE Board for approval.

5 STAKEHOLDER PARTICIPATION [Not reviewed by Stakeholder WG]

5.1 General

Market Initiatives shall be developed through a stakeholder engagement process that aims to elevate participation, enhance transparency, and foster collaboration. The following essential principles shall be used to frame the stakeholder process:

(a) Openness – participation open to all persons;
(b) Transparency – transparent to the public;
(c) Consensus building – build and document consensus;
(d) Fair balance of interests – not dominated by a small number of sectors, and respect for minority positions;
(e) Due process – reasonable notice and opportunity to participate and to have views considered; and
(f) Timeliness – getting things done, not bogged down in stalemates.

5.2 Stakeholder Process

5.2.1 Market Initiative Development. The stakeholder process shall generally consist of two elements: (1) Issue Identification & Prioritization: Catalog and Roadmap Development and (2) Stakeholder Initiative Phase. As set forth in stakeholder process guidance documents, advisory, indicative stakeholder voting shall be conducted to gather stakeholder sentiments for consideration in the Market Initiative development process and by the Board. At a minimum, indicative voting shall be conducted [insert key voting points].

5.2.2 Board Approval. The Board shall vote on the Catalog, Roadmap, and Final Proposals developed in the Stakeholder Initiative phase.

5.2.3 Remands. [placeholder]

5.2.4 Exigent Circumstances. In the case of exigent circumstances where a solution is time-critical, the ROWE may use an abbreviated stakeholder process or, if necessary proceed on a temporary basis without a stakeholder process, as outlined in stakeholder process guidance documents.

5.3 Stakeholder Representative Committee (SRC)

5.2.1 Purpose and Role. The ROWE shall establish a Stakeholder Representatives Committee to facilitate development of, and advise the Board regarding, Market Initiatives.

5.2.2 Composition. The SRC shall be composed of representatives of various stakeholder sectors designated by the Board of Directors. Members of the SRC will be determined within and by the various stakeholder sectors. SRC's initial sectors and seats shall consist of:

- WEDAM participating Balancing Authorities (2 seats),
- WEIM participating Balancing Authorities Entities (3 seats),
- CAISO participating transmission owners (2 seats),
- Non-investor owned load serving entities serving load from WEIM or WEDAM (4 seats),
- Public interest organizations (2 seats),
- Consumer advocates (2 seats),
- Large commercial and industrial customers (2 seats),
- Independent power producers, independent transmission developers, and marketers (3 seats),
- Distributed energy resources (1 seat);
- One (1) additional seat shall be reserved for PMAs in either the WEIM or WEDAM sector, assuming the PMA is Western Energy Markets Entity.

5.4 Other Load Serving Entity Representation

The ROWE shall create a category (not an SRC sector) for other load-serving entities that do not participate in the Western Energy Markets. This category shall enable entities that serve load in the Western Interconnection but do not participate in the WEIM or WEDAM, nor fit within one of the designated SRC sectors, to register with the ROWE to participate in certain indicative votes. This group may participate in the stakeholder process and submit comments that will be included in the package of information provided

to the Board when appropriate but is not a sector and therefore does not have direct representation in the Issue Identification & Prioritization phase or Stakeholder Initiative Phase, or be counted in the remand processes.

6 BUDGET AND FUNDING

6.1 Annual ROWE Budget Process [Finance WG needs to complete work with CAISO to populate]

[placeholder]

6.2 Funding Mechanism

The ROWE shall be funded through a FERC-approved tariff-based mechanism specified in the Coordination Agreement under which the CAISO collects funding from market participants and remits the funding to the ROWE.

APPENDIX H: 2026-2028 Budget Estimates

	2026												2026
	JAN.	FEB.	MAR.	APR.	MAY	JUN.	JUL.	AUG.	SEP.	OCT.	NOV.	DEC.	TOTAL
~ Formation Efforts (1/1/26 - 9/30/26)													
~Activities													
~ Seat interim board/ED													
~ Approve/file RO corp. docs.													
~ Approve/submit IRS filing													
~ Initiate board NC proces													
~ Initiate ED selection process													
~ Initiate GC selection process													
~ Develop policy for tariff language													
~ Develop term sheet for service agmt													
~ Seat initial RO Board (5 seats)													
~ Finalize selection of ED & GC													
~ Support													
~ ROWE Board Comp													
~ Initial RO Board Comp (5 members)													
~ Legal & Professional Services													
~ Utilicast PM	$32,000.00	$32,000.00	$32,000.00	$32,000.00	$32,000.00	$32,000.00	$32,000.00	$32,000.00	$32,000.00				$288,000.00
~ Legal Consultant	$30,000.00	$20,000.00	$20,000.00	$20,000.00	$20,000.00	$20,000.00	$20,000.00	$20,000.00	$30,000.00				$200,000.00
~ Placement Firm for Board	$70,000.00	$70,000.00	$70,000.00	$70,000.00	$70,000.00	$70,000.00							$420,000.00
~ Global Impact	$5,500.00	$5,500.00	$5,500.00	$5,500.00	$5,500.00	$7,700.00	$5,500.00	$5,500.00	$5,500.00				$51,700.00
~ General & Admin													
~ Formation Board D&O Ins.					$2,705.00								$2,705.00
~ Insurance (D&O, etc.)													$0.00
~ Comms Support				$10,000.00	$10,000.00	$10,000.00	$10,000.00	$10,000.00	$10,000.00				$60,000.00
~ Travel Allowance									$10,000.00				$10,000.00
~ Office Space													
~ Software and Licenses (incl. records)													$0.00
~ IT Equipment @ $5k/person													$0.00
~ Office Equipment @ $2.5k/person													$0.00
~ TOTAL	$137,500.00	$127,500.00	$127,500.00	$137,500.00	$140,205.00	$139,700.00	$67,500.00	$67,500.00	$87,500.00				$1,032,405.00

TIMELINE	2026												2026
ACTIVITIES	JAN.	FEB.	MAR.	APR.	MAY	JUN.	JUL.	AUG.	SEP.	OCT.	NOV.	DEC.	TOTAL
~ Implementation Efforts (10/1/26 - 12/31/27)													
~ Activities													
~ Hire Executive Staff													
~ Executive Director													
~ Executive Assistant													
~ Finalize draft tariff and service agmt													
~ Initiate support staff selection													
~ Admin staff													
~ HR staff													
~ Accounting													

~ Legal staff/consultant													
~ Selection of CAISO Markets VP													
~ Stakeholder process for tariff/agmt													
~ Approve tariff/agmt; FERC filing													
~ FERC approval													
~ Initiate stakeholder issues process													
~ Support													
~ Staff													
~ Contingency										$50,000.00	$50,000.00	$50,000.00	$150,000.00
~ Executive Director													
~ Executive Assistant													
~ General Counsel													
~ Legal staff (2 lawyers)													
~ Stakeholder Process Manager (2 roles													
~ Communications Manager													
~ Staff Market Expert													
~ OPP Director													
~ RO Board comp (5 members)													
~ RO Board base comp										$41,666.66	$41,666.66	$41,666.66	$124,999.98
~ RO Board comp contingency for initial work										$20,833.33	$20,833.33	$20,833.33	$62,499.99
~ Legal & Professional Services													
~ HR support consultant										$5,000.00	$350.00	$350.00	$5,700.00
~ Tariff Expert Support/Outside Legal Council										$37,500.00	$37,500.00	$37,500.00	$112,500.00
~ Utilicast PM										$20,000.00	$20,000.00	$20,000.00	$60,000.00
~ Accounting Support										$7,500.00	$5,000.00	$5,000.00	$17,500.00
~ IT Support										$5,000.00	$2,500.00	$2,500.00	$10,000.00
~ Global Impact										$2,000.00	$2,000.00	$2,000.00	$6,000.00
~ CAISO Support to RO ($10k/month)										$10,000.00	$10,000.00	$10,000.00	$30,000.00
~ Comms Support										$10,000.00	$10,000.00	$10,000.00	$30,000.00
~ Executive Search Firm										$200,000.00			$200,000.00
~ General & Administrative													
~ Travel Allowance										$6,000.00	$6,000.00	$6,000.00	$18,000.00
~ Conferences and Professional Development										$4,000.00	$4,000.00	$4,000.00	$12,000.00
~ Insurance (D&O, etc.)										$2,500.00	$2,500.00	$2,500.00	$7,500.00
~ Office Space												$3,000.00	$3,000.00
~ IT Equipment @$5k/person										$25,000.00		$5,000.00	$30,000.00
~ Office Equipment @ $2.5K/person												$2,500.00	$2,500.00
~ Software and Licenses (incl. records, Stakeholder platform)										$15,000.00			$15,000.00
~ TOTAL										$461,999.99	$212,349.99	$222,849.99	$897,199.97
~ INITIAL TOTAL	$137,500.00	$127,500.00	$127,500.00	$137,500.00	$140,205.00	$139,700.00	$67,500.00	$67,500.00	$87,500.00	$461,999.99	$212,349.99	$222,849.99	$1,929,604.97
~ Contingency @ 20%													$385,920.99
~ GRAND TOTAL													$2,315,525.96

						2027							2027
	JAN.	FEB.	MAR.	APR.	MAY	JUN.	JUL.	AUG.	SEP.	OCT.	NOV.	DEC.	TOTAL
~ Support													
~ Staff													
~ Executive Director	$71,000.00	$71,000.00	$71,000.00	$71,000.00	$71,000.00	$71,000.00	$71,000.00	$71,000.00	$71,000.00	$71,000.00	$71,000.00	$71,000.00	$852,000.00
~ Executive Assistant	$15,000.00	$15,000.00	$15,000.00	$15,000.00	$15,000.00	$15,000.00	$15,000.00	$15,000.00	$15,000.00	$15,000.00	$15,000.00	$15,000.00	$180,000.00
~ General Counsel	$50,000.00	$50,000.00	$50,000.00	$50,000.00	$50,000.00	$50,000.00	$50,000.00	$50,000.00	$50,000.00	$50,000.00	$50,000.00	$50,000.00	$600,000.00
~ Legal staff (2 lawyers)												$75,000.00	$75,000.00
~ Stakeholder Process Manager (2 roles)				$62,500.00	$62,500.00	$62,500.00	$62,500.00	$62,500.00	$62,500.00	$62,500.00	$62,500.00	$62,500.00	$562,500.00
~ Communications Manager				$31,250.00	$31,250.00	$31,250.00	$31,250.00	$31,250.00	$31,250.00	$31,250.00	$31,250.00	$31,250.00	$281,250.00
~ Staff Market Expert							$37,500.00	$37,500.00	$37,500.00	$37,500.00	$37,500.00	$37,500.00	$225,000.00
~ OPP Director												$29,166.00	$29,166.00
~ RO Board comp (5 members)													
~ RO Board base comp	$41,666.66	$41,666.66	$41,666.66	$41,666.66	$41,666.66	$41,666.66	$41,666.66	$41,666.66	$41,666.66	$41,666.66	$41,666.66	$41,666.66	$499,999.92
~ RO Board comp contingency for initial work	$20,833.33	$20,833.33	$20,833.33	$20,833.33	$20,833.33	$20,833.33	$20,833.33	$20,833.33	$20,833.33	$20,833.33	$20,833.33	$20,833.33	$249,999.96
~ Legal & Professional Services													
~ HR support consultant	$350.00	$350.00	$350.00	$3,000.00	$600.00	$600.00	$600.00	$600.00	$600.00	$600.00	$600.00	$4,000.00	$12,250.00
~ Tariff Expert Support/Outside Legal Council	$37,500.00	$37,500.00	$37,500.00	$37,500.00	$37,500.00	$37,500.00	$37,500.00	$37,500.00	$37,500.00	$37,500.00	$37,500.00	$37,500.00	$450,000.00
~ Utilicast PM	$20,000.00	$20,000.00	$20,000.00	$20,000.00	$20,000.00	$20,000.00	$20,000.00	$20,000.00	$20,000.00	$20,000.00	$20,000.00	$20,000.00	$240,000.00
~ Accounting Support	$5,000.00	$5,000.00	$5,000.00	$5,000.00	$5,000.00	$5,000.00	$5,000.00	$5,000.00	$5,000.00	$5,000.00	$5,000.00	$5,000.00	$60,000.00
~ IT Support	$2,500.00	$2,500.00	$2,500.00	$2,500.00	$2,500.00	$2,500.00	$2,500.00	$2,500.00	$2,500.00	$2,500.00	$2,500.00	$2,500.00	$30,000.00
~ Global Impact													$0.00
~ CAISO Support to RO ($10k/month)	$10,000.00	$10,000.00	$10,000.00	$10,000.00	$10,000.00	$10,000.00	$10,000.00	$10,000.00	$10,000.00	$10,000.00	$10,000.00	$10,000.00	$120,000.00
~ Comms Support	$10,000.00	$10,000.00	$10,000.00										$30,000.00
~ Executive Search Firm										$150,000.00			$150,000.00
~ General & Administrative													
~ Travel Allowance	$6,000.00	$6,000.00	$6,000.00	$12,000.00	$12,000.00	$12,000.00	$14,000.00	$14,000.00	$14,000.00	$14,000.00	$14,000.00	$20,000.00	$144,000.00
~ Conferences and Professional Development	$6,000.00	$6,000.00	$6,000.00	$12,000.00	$12,000.00	$12,000.00	$14,000.00	$14,000.00	$14,000.00	$14,000.00	$14,000.00	$20,000.00	$144,000.00
~ Insurance (D&O, etc.)	$2,500.00	$2,500.00	$2,500.00	$2,500.00	$2,500.00	$2,500.00	$2,500.00	$2,500.00	$2,500.00	$2,500.00	$2,500.00	$2,500.00	$30,000.00
~ Office Space	$3,000.00	$3,000.00	$3,000.00	$3,000.00	$3,000.00	$3,000.00	$3,000.00	$3,000.00	$3,000.00	$3,000.00	$3,000.00	$3,000.00	$36,000.00
~ IT Equipment @$5k/person	$10,000.00			$10,000.00								$20,000.00	$40,000.00
~ Office Equipment @ $2.5K/person	$5,000.00			$5,000.00								$10,000.00	$20,000.00
~ Software and Licenses (incl. records, Stakeholder platform)				$15,000.00						$55,000.00		$15,000.00	$85,000.00
~ TOTAL	**$316,349.99**	**$301,349.99**	**$301,349.99**	**$429,749.99**	**$397,349.99**	**$397,349.99**	**$438,849.99**	**$438,849.99**	**$438,849.99**	**$643,849.99**	**$438,849.99**	**$603,415.99**	**$5,146,165.88**
~ INITIAL TOTAL	**$316,349.99**	**$301,349.99**	**$301,349.99**	**$429,749.99**	**$397,349.99**	**$397,349.99**	**$438,849.99**	**$438,849.99**	**$438,849.99**	**$643,849.99**	**$438,849.99**	**$603,415.99**	**$5,146,165.88**
~ Contingency @ 20%													$1,029,233.18
~ GRAND TOTAL													**$6,175,399.06**

TIMELINE / ACTIVITIES	2028 JAN.	FEB.	MAR.	APR.	MAY	JUN.	JUL.	AUG.	SEP.	OCT.	NOV.	DEC.	2028 TOTAL
~ Support													
~ Staff													
~ Executive Director	$71,000.00	$71,000.00	$71,000.00	$71,000.00	$71,000.00	$71,000.00	$71,000.00	$71,000.00	$71,000.00	$71,000.00	$71,000.00	$71,000.00	$852,000.00
~ Executive Assistant	$15,000.00	$15,000.00	$15,000.00	$15,000.00	$15,000.00	$15,000.00	$15,000.00	$15,000.00	$15,000.00	$15,000.00	$15,000.00	$15,000.00	$180,000.00
~ General Counsel	$50,000.00	$50,000.00	$50,000.00	$50,000.00	$50,000.00	$50,000.00	$50,000.00	$50,000.00	$50,000.00	$50,000.00	$50,000.00	$50,000.00	$600,000.00
~ Legal staff (2 lawyers)	$75,000.00	$75,000.00	$75,000.00	$75,000.00	$75,000.00	$75,000.00	$75,000.00	$75,000.00	$75,000.00	$75,000.00	$75,000.00	$75,000.00	$900,000.00
~ Stakeholder Manager	$31,250.00	$31,250.00	$31,250.00	$31,250.00	$31,250.00	$31,250.00	$31,250.00	$31,250.00	$31,250.00	$31,250.00	$31,250.00	$31,250.00	$375,000.00
~ Communications Manager	$31,250.00	$31,250.00	$31,250.00	$31,250.00	$31,250.00	$31,250.00	$31,250.00	$31,250.00	$31,250.00	$31,250.00	$31,250.00	$31,250.00	$375,000.00
~ Staff Market Expert	$37,500.00	$37,500.00	$37,500.00	$37,500.00	$37,500.00	$37,500.00	$37,500.00	$37,500.00	$37,500.00	$37,500.00	$37,500.00	$37,500.00	$450,000.00
~ OPP Director	$29,166.00	$29,166.00	$29,166.00	$29,166.00	$29,166.00	$29,166.00	$29,166.00	$29,166.00	$29,166.00	$29,166.00	$29,166.00	$29,166.00	$349,992.00
~ RO Board comp (7 members)													
~ RO Board comp	$58,333.00	$58,333.00	$58,333.00	$58,333.00	$58,333.00	$58,333.00	$58,333.00	$58,333.00	$58,333.00	$58,333.00	$58,333.00	$58,333.00	$699,996.00
~ RO Board Committee Chair comp	$4,000.00	$4,000.00	$4,000.00	$4,000.00	$4,000.00	$4,000.00	$4,000.00	$4,000.00	$4,000.00	$4,000.00	$4,000.00	$4,000.00	$48,000.00
~ Legal & Professional Services													
~ HR support consultant	$1,000.00	$1,000.00	$1,000.00	$1,000.00	$1,000.00	$1,000.00	$1,000.00	$1,000.00	$1,000.00	$1,000.00	$1,000.00	$1,000.00	$12,000.00
~ Tariff Expert Support/Outside Legal Counsel	$37,500.00	$37,500.00	$37,500.00	$37,500.00	$37,500.00	$37,500.00	$37,500.00	$37,500.00	$37,500.00	$37,500.00	$37,500.00	$37,500.00	$450,000.00
~ Utilicast PM													$0.00
~ Accounting Support	$5,000.00	$5,000.00	$5,000.00	$5,000.00	$5,000.00	$5,000.00	$5,000.00	$5,000.00	$5,000.00	$5,000.00	$5,000.00	$5,000.00	$60,000.00
~ IT Support	$2,500.00	$2,500.00	$2,500.00	$2,500.00	$2,500.00	$2,500.00	$2,500.00	$2,500.00	$2,500.00	$2,500.00	$2,500.00	$2,500.00	$30,000.00
~ Global Impact													$0.00
~ CAISO Support to RO ($100k/month)	$100,000.00	$100,000.00	$100,000.00	$100,000.00	$100,000.00	$100,000.00	$100,000.00	$100,000.00	$100,000.00	$100,000.00	$100,000.00	$100,000.00	$1,200,000.00
~ Comms Support													$0.00
~ Market Expert	$25,000.00	$25,000.00	$25,000.00	$25,000.00	$25,000.00	$25,000.00	$25,000.00	$25,000.00	$25,000.00	$25,000.00	$25,000.00	$275,000.00	
~ General & Administrative													
~ Travel Allowance	$20,000.00	$20,000.00	$20,000.00	$20,000.00	$20,000.00	$20,000.00	$20,000.00	$20,000.00	$20,000.00	$20,000.00	$20,000.00	$20,000.00	$240,000.00
~ Conferences and Professional Development	$20,000.00	$20,000.00	$20,000.00	$20,000.00	$20,000.00	$20,000.00	$20,000.00	$20,000.00	$20,000.00	$20,000.00	$20,000.00	$20,000.00	$240,000.00
~ Insurance (D&O, etc.)	$2,500.00	$2,500.00	$2,500.00	$2,500.00	$2,500.00	$2,500.00	$2,500.00	$2,500.00	$2,500.00	$2,500.00	$2,500.00	$2,500.00	$30,000.00
~ Office Space	$3,000.00	$3,000.00	$3,000.00	$3,000.00	$3,000.00	$3,000.00	$3,000.00	$3,000.00	$3,000.00	$3,000.00	$3,000.00	$3,000.00	$36,000.00
~ IT Equipment @$5k/person	$10,000.00												$10,000.00
~ Office Equipment @ $2.5K/person													$0.00
~ Software and Licenses (incl. records, stakeholder platform)	$4,166.66	$4,166.66	$4,166.66	$4,166.66	$4,166.66	$4,166.66	$19,166.66	$4,166.66	$4,166.66	$4,166.66	$4,166.66	$4,166.66	$64,999.92
~ BOSR	$58,333.33	$58,333.33	$58,333.33	$58,333.33	$58,333.33	$58,333.33	$58,333.33	$58,333.33	$58,333.33	$58,333.33	$58,333.33	$58,333.33	$700,000.00
~ CAO	$41,666.66	$41,666.66	$41,666.66	$41,666.66	$41,666.66	$41,666.66	$41,666.66	$41,666.66	$41,666.66	$41,666.66	$41,666.66	$41,666.66	$500,000.00
~ Reserves	$150,000.00	$150,000.00	$150,000.00	$150,000.00	$150,000.00	$150,000.00	$150,000.00	$150,000.00	$150,000.00	$150,000.00	$150,000.00	$150,000.00	$1,800,000.00
~ Startup Loan Debt repayment (TBD)	$750,000.00	$750,000.00	$750,000.00	$750,000.00	$750,000.00	$750,000.00	$750,000.00	$750,000.00	$750,000.00	$750,000.00	$750,000.00	$750,000.00	$9,000,000.00
~ TOTAL	$633,165.66	$1,623,165.65	$623,165.66	$623,165.66	$623,165.66	$623,165.66	$638,165.66	$623,165.66	$623,165.66	$623,165.66	$623,165.66	$873,165.66	$19,202,987.92
Contingency @ 20%													$3,840,597.58
TOTAL													$23,043,585.50

APPENDIX I: Fiscal Agent Services

GLOBAL IMPACT VENTURES

Regional Organization for Western Energy (ROWE)

September 2026

Introduction

Introduction

At Global Impact Ventures, our team brings creativity, problem-solving, commitment, and passion to every client. We are experts in philanthropy, leveraging our unmatched experience across audiences on purpose-driven projects large and small around the world

GIV works on charitable ventures to inspire greater giving.

- We are trusted philanthropy advisors who put mission first.
- We understand that it's important to dedicate your time and energy where you will see a return – in funds raised, and in support for the communities you serve.
- We offer a range of creative, customized, end-to-end solutions to help you achieve your goals.

Introduction: Global Impact Ventures

Global Impact Ventures (GIV) is a family of mission-driven organizations that serve all of philanthropy for a better world.

Our Role as Your Partner

Global Impact Ventures is an experienced nonprofit advisor dedicated to driving impact across the social sector.

We use our experience and expertise as problem-solvers, storytellers, implementers, advisors, and advocates to focus on the needs and goals most important to each client.

We leverage an integrated, global team to support philanthropic initiatives and funders alike, offering key services:

- Fiscal Agency and Financial Management
- Compliance, Contract, and Vendor Management
- Funds and Grants Management
- Spin Management
- Human Resources Services
- Information Technology Services

Our understanding of Regional Organization for Western Energy (ROWE):

✓ You provide independent regional governance over certain voluntary energy markets, services, and functions to be operated in the western United States.

✓ You are creating a unified, independent Western energy market, addressing long-standing governance challenges.

For more information please contact:
- Liza Greenfield
- Business Development Manager
- liza.greenfield@charity.org

Our Approach

Our Approach

Fiscal Agency and Financial Management

As your fiscal agent, Global Impact can provide financial operations and related support functions for ROWE. We help drive operational efficiency and effectiveness for your organization and make the management of your financial systems our top priority.

A fiscal agency offers many benefits, and as your partner, Global Impact will:

- Manage back-end operational support for your project activities
- Ensure maintenance of appropriate internal controls and financial procedures
- Engage with Committee(s) and Board of Directors and attend meetings, as needed
- Oversee and manage annual financial audit activities and ensure compliance with government regulations and donor regulations

We're a leader in global philanthropy and offer comprehensive financial management services, including:

- Performing account analysis and reconciliation
- Developing budget(s), proposal(s), and agreement(s) in collaboration with ROWE
- Handling the processing of receipts, and the recording and reconciling of revenue and receivables.
- Liaising with donors and funders to facilitate processing and reporting of donations.
- Ensuring financial integrity and accountability.

We manage and control the General Ledger accounts and business transactions of the organization, applying the Generally Accepted Accounting Principles (GAAP) and other applicable rules, regulations, and systems of internal control that include analytical work and thorough review of financial records.

DELIVERABLE(S)

- Monthly financial reporting
- Ongoing accounting support

Our Approach

Compliance, Contract, and Subgrant Management

In parallel to our financial management, Global Impact Ventures will provide robust oversight of the project, its contracts, vendors, and subgrantees to make sure they align with your charitable purpose. This includes:

- Development and compliance review of contract templates
- Tracking of vendor invoices and activities against contractual obligations
- Review of all project activities and vendor contracts for consistency with organizational bylaws, policies, and legal requirements.
- Ensuring compliance with legal and fiduciary regulations related to the charitable status.
- Managing full contract process from engagement of contractors and/or vendors to contract addendums and terminations.
- Responding to any complaints by or against contractors (including whistleblower complaints) in a manner consistent with applicable law and best practices.
- Facilitating legal services necessary for ROWE to carry out project activities and identify and retain qualified counsel, if needed.

DELIVERABLE(S)

- Due diligence for new vendors including obtaining W9s (domestic) or W8s (foreign) and conducting OFAC background checks on all international vendors
- 1099s to all contractors, as required by law.
- Detailed records of all financial transactions
- Financial data for grants made by ROWE
- Document storage to maintain reimbursement records, vendor and subgrantee files, and other financial documents

Our Approach

Funds and Grants Management

Global Impact Ventures will be a steadfast steward of all project funding, from corporate donations and individual contributions, to foundation grants and earned income. We will provide donor acknowledgement and tax receipting on behalf of the project for incoming funds, as appropriate.

Our team will assist with grant proposal assembly, including provision of due diligence documents and budget templates, and track reporting dates to share with ROWE's operations staff.

In addition, our team will review, approve, and execute grant agreements and fulfill the project's financial reporting requirements.

In the case of restricted grants:

- Create documentation for tracking grants to monitor progress.
- Provide a comprehensive schedule for expenditures against all grants received.
- Provide accounting for grant revenue and expenditures.

DELIVERABLE(S)

- Receive and report charitable contributions on the project's behalf
- Fully executed grant agreements
- Schedule of important reporting dates
- Closeout procedures and final reports

Our Approach

Spin Management

Our team will manage the process for clients who need to transition from another organization to Global Impact Ventures or spin out from a GIV fiscal sponsorship.

We will coordinate to determine a timeline and transition plan for moving your assets, intellectual property, and financial records. We'll work closely with you and with respective legal counsel to draft and finalize any necessary transfer agreements.

Moreover, we will liaise with your donors to transition any grant agreements or other contracts, as needed.

- Oversee spinoff process from start to finish
- Coordinate ongoing meetings with prior fiscal sponsor to guarantee a seamless transition
- Facilitate access to legal services, as needed (up to 5 hours)
- Organize asset management tracking system

DELIVERABLE(S)

- Detailed transition plan for spinoff process
- Asset transfer matrix and management
- Fully executed transfer agreement(s)

Our Approach

Human Resources and Payroll Services

Global Impact Ventures' HR team is dedicated to the smooth transition and onboarding of ROWE's employees. We provide excellent above-average benefits that offer flexibility and multiple options, from top-tier nationwide plans, as well as generous PTO and holidays, and a 401k retirement plan.

- Medical with Cigna
- Dental with Principal/United Concordia
- Vision with Principal/VSP
- HSA & FSA plans
- Comprehensive 401(k) with Empower
- Life/AD&D Insurance – employer paid & voluntary
- Disability – both short-term and long-term
- Extensive Parental Leave Policy
- Options for stipends for wellness, home office, etc.

We can host US individuals on Global Impact payroll, which is paid semi-monthly on the 5th and the 20th. Our team can assist with benefits selection through our HR platform (iSolve) and host an annual organization-wide open enrollment/review session to explain any new benefits or changes. We report, pay and file all required payroll tax documents, monitor benefit balances (i.e., PTO balances, maximum contribution to pension, etc.), and much more including support for employee relations, performance management, general HR guidance, etc.

DELIVERABLE(S)

- Payroll processing for your employees
- Completion and filing of forms 941 and W-2s
- Ongoing HR and benefits administration

Our Approach

Information Technology Services

We offer technology services that improve the project's operational efficiency and ensure the organization's security, including a 24-hour helpdesk for day-to-day technical support and ongoing management.

Our IT team will onboard your project, assist with setting up the software of your choice, and provide ongoing systems maintenance.

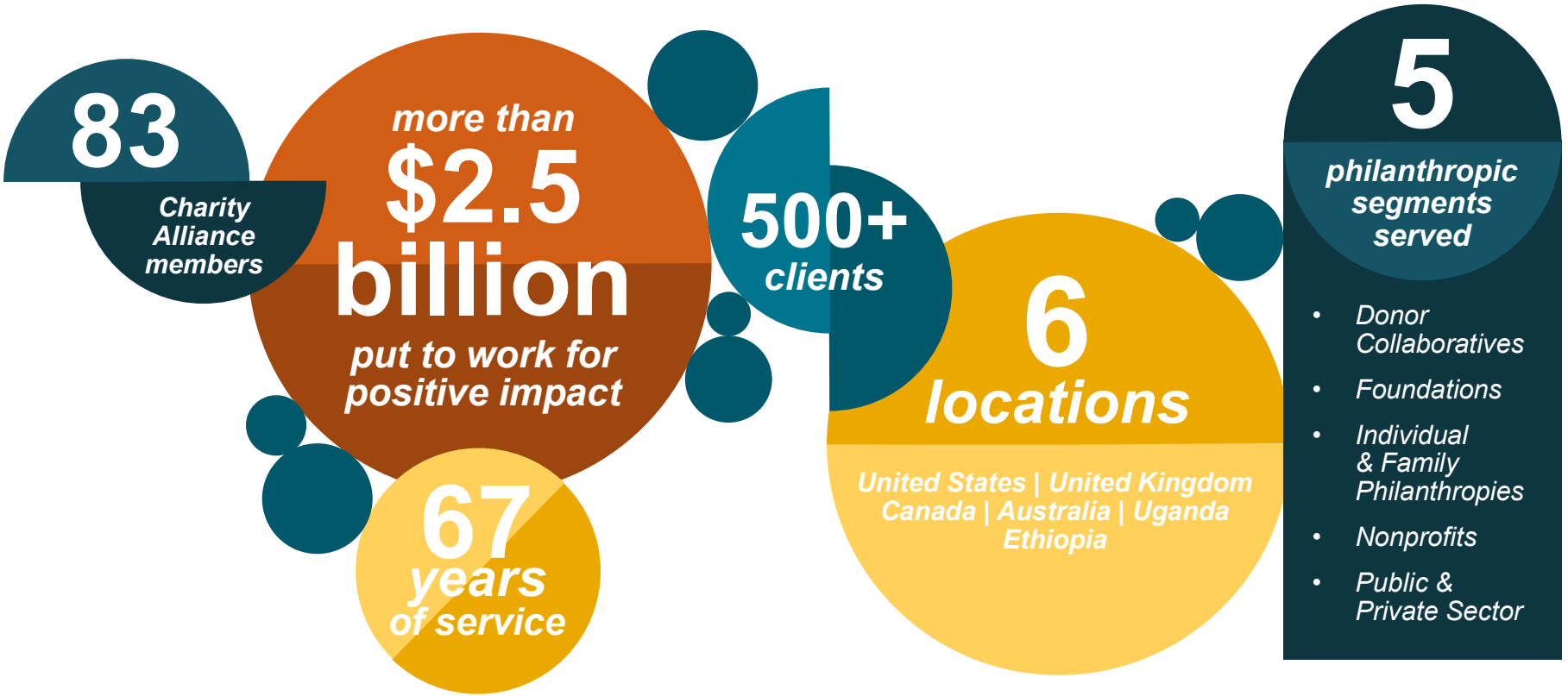
Global Impact Ventures has outsourced our IT helpdesk function to a third-party Managed Service Provider (MSP) called designDATA, who provides a dedicated team of service desk engineers.

HELPDESK SUPPORT PACKAGE

- 24/7 remote IT support
- 24/7 third-party application & software support
- New computer setup and configuration
- NextGen Antivirus software for computers
- Staff onboarding/offboarding
- Small-scale software training requests
- Weekly Windows/Mac and third-party software updates and patching
- Monthly virtual trainings and webinars
- Remote audio/visual support
- Technology accounts management (Microsoft, Google Workspace, Zoom, GoDaddy, etc.)

Our Work

Our Work in Numbers



Our Work in Action

Client Testimonials

Global Impact Ventures' people- and mission-centered approach translates to deep partnerships with our clients.

We leverage an integrated, global team to support partners, projects, and funders in the UK and beyond.

Our Clients

We have worked with and supported some of the best over the years.

APPENDIX J: Non-Profit Set-Up Recommdnations

APPENDIX J: NONPROFIT ADMINISTRATIVE SETUP RECOMMENDATIONS

A. Assumptions & Context

- Newly incorporated 501(c)(3)
- Assumes the ROWE already has:
  - EIN
  - Non-profit tax-exempt organizational status
  - Policies needed for incorporation and IRS 990 filing: Conflict of interest, whistleblower, document retention.
  - The temporary principal place of business is Colorado. In order to advance some of the processes below, the Board will need to select a permanent location.
- Begins with implementation led by an Executive Director and sequences for an organization growing slightly over the first two years to 10-15 staff. Some services could be brought internal it becomes cost effective to staff specific roles
- Where consulting out services is advisable, examples of those vendors are provided. This is not a specific endorsement, but rather popular options for nonprofits of this size.

B. Phase 1: First Steps

1. Establish State Compliance

Most states require separate registrations. This will depend on the location of operations.

Item	Contract Out?	Provider / How
State tax exemption (income & sales tax)	Mostly DIY	File with state revenue agency; attorney can assist if complex
Designated registered agent (TBD on location/locations)	Yes	Registered Agent services
State charitable solicitation registration (TBD on location/locations)	DIY or outsource	DIY via state AG office; Registered Agent services manages multi-state filings
State annual report (ongoing)	DIY or outsource	Self-file via state portal; Registered Agent services can automate these

2. Open a Bank Account

Requires your EIN. Choose a bank before engaging any contractors or receiving any funds.

Item	Contract Out?	Provider / How
Business checking account	No — DIY	Local credit union, Bank of America, Chase, or online (Relay Bank is popular for nonprofits)

Item	Contract Out?	Provider / How
Organizational credit card (optional)	No — DIY	Same bank; establish card policy at the same time

C. Phase 2: Before Your First Employee

Complete these steps before making any offer of employment.

1. Insurance — Obtain Before Hiring

Workers' compensation is legally required in nearly every state the moment you have one employee. Secure all insurance through a single independent broker experienced with nonprofits.

Coverage	Notes
Workers' compensation	Required in almost all states; covers on-the-job injuries
General liability	Protects against third-party injury/property damage claims
Directors & Officers (D&O)	Protects board members from personal liability
Employment Practices Liability (EPLI) / Errors & Omissions	Covers wrongful termination, discrimination, harassment claims
Property insurance	Required if leasing/owning office space or equipment
Cyber liability	If collecting donor, client, confidential, or employee data

2. Accounts Receivable & Payable / Payroll Infrastructure

Set up payroll before your employee's first day. Payroll tax errors carry tax penalties so a manual process is not recommended. Board members may be compensated through a contract so relevant forms and payment processes will also need to be set up. (See Section 3.1 for more information about accounting and bookkeeping services.)

Item	Contract Out?	Provider / How
Payroll processing	Yes — always	Vendor (Gusto, OnPay, Rippling, ADP Run). Gusto is popular for small nonprofits.
Federal & state payroll tax deposits	Bundled with payroll provider	Vendor (Gusto, ADP, Rippling) handles automatically — do not DIY
State unemployment insurance (SUI) registration	DIY (one-time)	Register with your state workforce agency before first payroll

Item	Contract Out?	Provider / How
New hire reporting	Bundled with payroll provider	Vendor (Gusto, ADP, Rippling) files automatically within required window
W-2 issuance (annual)	Bundled with payroll provider	Issued automatically each January

Bundling Opportunity

A vendor service like Gusto can handle payroll taxes, new hire reporting, I-9 onboarding, W-2 issuance, and integrates with QuickBooks. OnPay and Rippling can provide similar functions too.

3. Human Resources Setup

Item	Contract Out?	Provider / How
Employee handbook	Yes (initial draft)	HR attorney or platforms like Bambee, Mineral; board/ED reviews and adopts
Job descriptions & offer letter templates	Yes (initial draft)	Same HR attorney or consultant; use templates going forward
Ongoing HR policy guidance (on-call)	Yes — fractional	Bambee, Mineral, or local HR consultant
I-9 verification & onboarding	Via software	Gusto automates I-9, offer letters, and onboarding paperwork
Background check policy	Yes — vendor	Checkr or Sterling

Bundling Opportunity

Bambee provides on-call HR guidance and can assist with employee handbook creation. Mineral is often bundled at no extra cost through business insurance brokers. Other platform alternatives are Jumpstart HR, Milestone, DianaHR.

4. Employee Benefits

Work with a benefits broker before making any job offers so compensation packages are complete.

Benefit	Contract Out?	Provider / How
Health insurance	Yes	Independent benefits broker (free to you; paid by carrier)

Benefit	Contract Out?	Provider / How
Group Health insurance	Via broker	SHOP marketplace plans, or ICHRA/QSEHRA via PeopleKeep or Take Command Health
Retirement plan (SIMPLE IRA or 403(b))	Yes	Guideline (integrates with Gusto), Vanguard, Fidelity, or TIAA (nonprofit-focused)
Workers' compensation	Insurance broker	Already established in Phase 2.1
PTO / leave policy	No — ED defines	Document in employee handbook; ED owns policy

Bundling Opportunity

A single benefits broker can place health insurance, dental, vision, life, and short-term disability all at once. Guideline for retirement integrates directly with Gusto, eliminating manual data entry between payroll and retirement plan administration.

The ROWE may want to monitor the benefits offerings provided by the CAISO to maintain parity for recruitment of staff in similar functions.

D. Phase 3: Ongoing Operations — Set Up Within First 30 Days

These functions should be established early but can follow the critical pre-hire steps above.

1. Accounting & Finance

This is a very important function to get right. A nonprofit-experienced bookkeeper or CPA protects your tax-exempt status.

Item	Contract Out?	Provider / How
Accounts Receivable & Payable / Bookkeeping (ongoing)	Yes — strongly recommended	Outsourced nonprofit bookkeeper or fractional CFO firm (Jitasa, Propel Nonprofits, Nonprofit Bookkeeping, AccuFund, local CPA)
Accounting software setup	Via bookkeeper	Your bookkeeper sets up QuickBooks Nonprofit, Sage Intacct, or Wave
Fund accounting / chart of accounts	Via bookkeeper	Nonprofit fund accounting structure (program/restricted/unrestricted) — bookkeeper configures
Annual budget process	No — board approves	ED prepares; board treasurer reviews; board adopts annually

Item	Contract Out?	Provider / How
Financial controls	Via bookkeeper + board	Even with one employee, board treasurer should review all disbursements
Annual audit or financial review	Yes — CPA firm	Required by many grantors; independent CPA firm with nonprofit audit experience
Fractional CFO (when needed)	Yes — fractional	Jitasa, Propel Nonprofits, CFO Selections; transition to in-house around $2M+ budget

Bundling Opportunity

Firms like Jitasa and Propel Nonprofits provide bookkeeping, accounting software setup, fund accounting, AND fractional CFO services under one roof. Many also assist with 990 prep or coordinate directly with your CPA. Consolidating these with one firm significantly reduces coordination overhead.

2. Tax Compliance

Item	Contract Out?	Provider / How
IRS Form 990 preparation (annual)	Yes — always	CPA firm with nonprofit experience; never DIY beyond the 990-N postcard
990-N (if revenue < $50K)	DIY via IRS e-Postcard	Free online filing at IRS.gov; takes 5 minutes
Unrelated Business Income Tax (UBIT) tracking	Via bookkeeper + CPA	Bookkeeper flags; CPA advises and files Form 990-T if needed
1099-NEC preparation (annual)	Via bookkeeper or payroll	Issue to contractors paid $600+; bookkeeper or Gusto handles filing
Sales tax exemption certificates	DIY	Obtain from state revenue agency; present to vendors for tax-free purchasing

3. Technology & Data Infrastructure

Item	Contract Out?	Provider / How
Professional email domain	DIY setup	Google Workspace for Nonprofits
Website maintenance (ongoing)	DIY or low-cost retainer	Most small orgs self-manage after initial build
Cloud file storage	DIY setup	Google Drive (included with Workspace) or Microsoft 365 Nonprofit (discounted)

Item	Contract Out?	Provider / How
Data privacy policy	Yes — initial draft	Attorney drafts; you maintain; especially important if serving clients or collecting personal data
IT support (as needed)	Yes — as needed	Local MSP or freelance IT consultant; not needed full-time at this size

Bundling Opportunity
Depending on the scope of the ROWE-CAISO Coordination Agreement, the ROWE may be able to contract for some of this through the CAISO.

E. Phase 4: Growth Milestones — Years 1 to 2

As you grow toward 10-15 employees, specific legal thresholds trigger new obligations. Note: See the addendum for state-specific examples of modifications.

Milestones	What It Triggers	Action Required
1st employee	Workers' comp, payroll taxes, I-9, new hire reporting	All covered in Phase 2 above — complete before hire
Revenue exceeds $50K	Must upgrade from 990-N postcard to 990-EZ	Notify your CPA; they will handle the filing upgrade
Receiving federal grants	Potential Single Audit requirements (>$750K federal funds)	Alert your CPA immediately when federal grants are secured
15+ employees	ADA and Title VII anti-discrimination laws apply	Update employee handbook; review with HR advisor
20+ employees	COBRA continuation health coverage requirements	Benefits broker will guide; update plan documents
Revenue reaches ~$500K–$750K	Many foundations require independent financial audit	Engage CPA firm for annual audit (see Section 3.1)
50+ employees	FMLA leave obligations take effect	Update leave policy in handbook; train managers
Budget exceeds ~$2M	Consider transitioning from fractional to in-house CFO/Controller	Begin search for part-time or full-time financial leader

Keep In-House (Board or Executive Director)

Function	Who Owns It	Notes
Board governance & minutes	Board (Secretary)	Core governance; cannot be delegated
Fundraising strategy & donor stewardship (if applicable)	Executive Director	Mission-critical; keep internal
Program delivery & management	Executive Director / Program Staff	Core mission work
Performance management of staff	Executive Director	Managerial responsibility
Day-to-day vendor relationships	Executive Director	Oversee all contractors above
Annual budget preparation	Executive Director + Board Treasurer	Board approves; ED prepares

APPENDIX K: Stakeholder Registration and Code of Conduct

APPENDIX K: ROWE STAKEHOLDER REGISTRATION AND CODE OF CONDUCT

Registration will be renewed annually to ensure accurate registration information. Individual stakeholder organizations are responsible for keeping their registration and contact information up to date. Disputes regarding sector assignments will be reviewed by the SRC. Stakeholders who elect not to agree to a code of conduct and registration could still participate and comment but would not be eligible to vote.

I. Organizational Information:
   A. Organization Name:
   B. Main Office Address:
   C. Main Office Telephone Number:
   D. Website:
   E. Description of Organization (Corporation, Nonprofit, Utility, public entity, etc):
   F. Geographic Area of Operation
      1. Northwest, California, Southwest, Intermountain West, multiple):
   G. Generation owning (yes/no):
   H. Load-serving (yes/no):
      1. If yes, please provide all time peak MW
   I. Is the organization an affiliate of any other registered stakeholder?
      1. If yes, please indicate the name of the parent company. For purposes of clarity, "affiliates" as used here do not include trade associations or membership in combinations of organizations such as power pools, joint powers authorities, or cooperatives.
      2. It has been suggested that entities list member organizations that they belong to in the interests of transparency and additional insight. The Board should explore the best way to collect and manage such information.

II. Authorized Representative:
   . Primary Contact:
      1. Name:
      2. Title:
      3. Telephone Number:
      4. Email Address:
      5. Company
   . Secondary Contact:
      1. Name:
      2. Title:
      3. Telephone Number:
      4. Email Address:

III. Sector Participation

Please indicate which sector you are registering with, sector definitions are found at §A.3. Please provide a brief statement as to why your organization qualifies for the sector chosen.

- EDAM Entities

- WEIM Entities
- ISO PTOs
- Non-IOU load serving entities serving load from WEIM or EDAM
- PIOs
- Consumer Advocates
- Large C&I Customers
- IPPs, independent transmission developers, and marketers
- Distributed Energy Resources (including distributed generation, storage and demand response resources, aggregators, and enabling hardware and software providers)
- None

Please indicate if this is a:

- New stakeholder registration
- Request to update contact information/authorized representative or
- Cancellation of an existing registration.

What It Means to Be a Recognized Stakeholder

The ROWE is a 501(c)(3) which offers all interested persons the ability to participate in the stakeholder process; anyone interested in the ROWE is considered a stakeholder and may participate in open meetings and submit comments. Stakeholders that wish to participate must complete the Stakeholder Registration and agree to the Code of Conduct. Registration is also required to cast indicative votes, or to participate in stakeholder standing committees of the SRC. Full details on the operation of the stakeholder process and governance structure can be found in the ROWE bylaws.

Stakeholders that are not members of a sector. Stakeholders that do not qualify as members of a sector may still register as a stakeholder and are encouraged to do so. However, any indicative vote will not count toward a remand threshold but will be shared with the staff and ROWE Board for information only. This group of stakeholders may participate in the stakeholder process and submit comments that will be included in the package of information that goes to the staff and/or Board when appropriate.

Participation Expectations for Recognized Stakeholders

Bylaws

Recognized stakeholders who share interest in and support the purposes of ROWE may participate in the stakeholder process as long as they abide by ROWE bylaws and other policies, rules, and regulations as adopted through the stakeholder process.

Public Meetings and Anti-Trust

Meetings may not be recorded or transcribed, including the use of any artificial intelligence tools, software, or applications to perform such tasks, without notice to all parties attending and consent from those parties. Members of the media are required to announce their

attendance at the beginning of meetings but are not permitted to take part in discussions and should direct questions to ROWE Media Relations. Participants must identify themselves and the organization they are participating on behalf of, so all participants are aware of their presence and on whose behalf they are participating.

It is policy and practice to obey the antitrust laws and to avoid all conduct that unreasonably restrains competition. This policy requires the avoidance of any conduct that violates, or that might appear to violate, the antitrust laws. Among other things, the antitrust laws forbid any agreement between or among competitors regarding prices, availability of service, product design, and terms of sale, division of markets, allocation of customers or any other activity that unreasonably restrains competition.

A similar admonition applies to FERC Standards of Conduct. Participation in meetings is mixed and includes marketing function employees; please refrain from divulging non-public generation or transmission information.

Dispute process for sector membership

Sectors are self-organizing and therefore determine their own membership. If there is a dispute whether an organization belongs in a sector, the concerned entity may bring the issue to the SRC. The SRC should do its best to find the appropriate sector, and in the case of further disagreement, the issue may go to the ROWE Board for review.

Termination and Suspension

The ROWE Board should explore a process for terminating and/or suspending stakeholders for failure to meet the Participation Expectations or Code of Conduct outlined.

CODE OF CONDUCT

To foster productive, respectful, and inclusive stakeholder engagement, we encourage *all* participants to observe the following best practices:

Engage with professionalism. Support a collaborative environment by communicating courteously and respectfully. Avoid any behavior or language that could be interpreted as hostile, discriminatory, or demeaning.

Approach issues with a solutions mindset. Participate constructively by identifying challenges and offering thoughtful, practical ideas. Ask questions, share observations, and stay curious. Aim to help move conversations forward.

Support broad participation. Encourage input from all stakeholder groups and help ensure a variety of perspectives are welcomed and respected. Value the diverse expertise and experiences present in the process.

Be familiar with the process. Arrive with an understanding of how the stakeholder process works, including its stages and decision-making points. The ROWE provides resources to assist

stakeholders, such as the Office of Public Participation. Raise topics when they are most relevant, and use the appropriate venues to share concerns or ideas. Meetings are the primary space for constructive dialogue and solution-oriented conversation.

Prepare ahead of time. Review meeting materials in advance so you can contribute meaningfully and engage in informed discussion.

Honor the agenda. Stay focused on the scheduled topics to help ensure time is used effectively and all planned items are able to receive attention.

Recognize the nature of draft materials. Materials shared during meetings may be preliminary and intended to spark discussion. Treat them as working documents meant to gather input and evolve.

Express your viewpoint clearly. Explain your position and reasoning rather than assuming others already understand your background or perspective. Clear, well-supported contributions strengthen shared understanding and dialogue.

Uphold integrity and transparency. Communicate honestly and accurately with ROWE and fellow stakeholders. Do not alter data, misrepresent information, or engage in deceptive practices. Disclose any personal, financial, or professional interests that could influence your participation.

Follow through on commitments. If you agree to provide feedback, information, or materials, do so promptly to help maintain progress and accountability.