

REGIONAL ORGANIZATION FOR
WESTERN ENERGY, INC.

Board Independence Policy

1.0 PURPOSE

The purpose of this Board Independence Policy (the “Policy”) is to ensure that members of the board of directors (the “Board”) of Regional Organization for Western Energy, Inc. (the “ROWE” or the “Corporation”) maintain independence from market participants as required by Federal Energy Regulatory Commission (“FERC”) Order 2000. Directors may not have prohibited financial relationships or hold prohibited financial interests, as set forth and as defined in this Policy. Directors must be able to exercise independent judgment and act in the best interests of the Corporation. This Policy is intended to supplement, but not replace, any existing policies of the Corporation and any applicable state and federal laws governing independence. More specifically, this Policy covers independence requirements of the Board and supplements, among others, the existing Board Selection Policy and Section 4.1 of the Conflict of Interest Policy of the Company. The Conflict of Interest Policy specifically addresses the relationship with the California Independent System Operator Corporation (“CAISO”).

2.0 PERSONS COVERED BY THE POLICY

This Policy applies to all members of the Board (each a “Director” or, more than one, “Directors”). Every Director shall sign a statement that affirms that they have received a copy of this Policy, has read and understands the Policy, and has agreed to comply with its terms.

3.0 DEFINITIONS

3.1 Affiliation means any Immediate Family or other close relationship, association or organized connection that could cause an independent observer to question a Director’s ability to perform their responsibility as a Director in an unbiased manner, conclude that a Director’s independence could be impaired, or question the objectivity or integrity of ROWE.

3.2 Immediate Family means a spouse, registered domestic partner, as well as dependent children or any person over whom a Director has legal control.

3.3 Market Participant means any market participant listed on the Corporation’s publication of market participants; provided that, for purposes of Section 4.4 only, “Market Participant” has the meaning set forth therein. If the Corporation has not published a listing of Market Participants, the listing maintained by CAISO may be relied upon by the Corporation.

3.4 A “potential” Market Participant is an entity that has taken a significant step, such as making a substantial financial commitment, showing its intent to become a Market Participant in the foreseeable future.

4.0 INDEPENDENCE REQUIREMENTS

4.1. Independence Standard:

Directors must meet the standard of independence defined by FERC in Order 2000 and cannot have a Prohibited Financial Interest or Prohibited Relationship (each as defined herein).

Therefore, Directors, including members of their Immediate Family, generally cannot hold financial interests in, or receive compensation from, Market Participants, with the exception of those who receive a defined benefit pension from a Market Participant or to the extent such interests or arrangements fall within any exceptions specifically set forth herein.

For Board candidates, if the prospective Director holds a Prohibited Financial Interest or has a Prohibited Relationship, that candidate is ineligible to serve unless he or she commits to promptly end any Prohibited Relationship after being appointed and before exercising the duties of the office, and to dispose of any Prohibited Financial Interest within three months after appointment.

4.2. Prohibited Financial Interest:

A Prohibited Financial Interest is:

- i. any ownership or investment interest of a Director or Immediate Family in a Market Participant but does not include defined-benefit pension plans or payments provided by a Market Participant or mutual funds or other similar passive investments (e.g., investment funds that seek to track an index or other benchmark) that are not concentrated in Market Participants, provided that focused or highly-concentrated energy or utility sector mutual funds or Exchange Traded Funds (“ETFs”) require disclosure and follow-up review pursuant to Section 4.4 of this Policy;
- ii. any compensation paid to a Director by any Market Participant;
- iii. any employment compensation paid to a member of a Director’s Immediate Family by any Market Participant, either directly or indirectly – such as through a firm - that constitutes an economic interest of ten percent (10%) or more of the Immediate Family member’s net income;
- iv. any ownership, compensation paid, or investment interest of a Director or a member of their Immediate Family in any entity that does business with ROWE if the amount of the ownership interest or income constitutes ten percent (10%) or more to the Director’s or their Immediate Family member’s net worth or net income, as applicable; or
- v. any ownership, compensation paid, or investment interest (excluding publicly traded securities) of a Director or a member of their Immediate Family in any entity with which ROWE is negotiating a transaction or arrangement that constitutes an economic interest of ten percent (10%) or more to the Director or their Immediate Family member’s net worth or net income, as applicable.

4.3. Prohibited Relationship:

A Prohibited Relationship exists if a Director serves as an employee, director or officer for any entity, or any parent, subsidiary, or affiliate of such entity that is engaged in the generation, transmission, marketing or distribution of electricity within the geographic area of the Western Electricity Coordinating Council.

4.4. Market Participant:

For purposes of the prohibited investments rule only, the term Market Participant will be limited to entities and their electric sector affiliates (including parent companies), that are actively engaged in the ROWE market at the time this Policy is applied to a Director or potential Director, if:

- 1) the entity or its affiliate is an electric sector company based on its North American Industry Classification System (NAICS) classification or otherwise determined by the Corporation to be in the electric, power, generation, transmission or distribution business; or
- 2) the total activity in the ROWE market (purchases and sales) for all entities affiliated with the publicly traded company at issue during its most recently completed fiscal year is equal to or greater than 0.5 percent of its gross revenues for the same time period; or
- 3) the total activity in the ROWE market (purchases and sales) for all entities affiliated with the publicly traded company at issue during its most recently completed prior calendar year is equal to or greater than three percent of the total ROWE market activity (purchases and sales) for the same time period.

This rule implements FERC authority regarding entities that are considered prohibited investments. (See *New York Indep. Sys. Operator, Inc.*, 145 FERC ¶ 61,294 (2013) and *Midcontinent Indep. Sys. Operator, Inc.*, 147 FERC ¶ 61,265 (2014)).

Passively-managed index mutual funds and ETFs as well as well-diversified actively managed mutual funds are acceptable investments. Focused or highly-concentrated (meaning 25% or more of the funds' total fund value) energy or utility sector mutual funds or ETFs require disclosure and follow-up review to determine if divestiture is required. The decision to require divestiture will be based on a number of criteria including but not limited to the number of Market Participants in the fund's top 10 holdings, the total number of Market Participants in the fund and their percentage of total net assets.

The listing of Market Participants (which may be referred to as a Prohibited Investment List) pertains specifically to investments in stocks and bonds but also pertains to any financial or ownership interest in a company or its affiliate that is active in the ROWE market. Doing business with or owning financial products offered by companies on the Prohibited Investments List does not pose a conflict of interest.

Although this Policy and the Prohibited Investments List are treated as ROWE INTERNAL USE documents, Directors may provide the Prohibited Investments List to their financial advisors, so long as the financial advisors keep the list confidential.

5.0 EFFECTIVE DATE

This Policy shall take effect on the later of: (i) October 1, 2026 or (ii) the appointment and seating of the Initial Board of Directors (as defined in the Bylaws of the Corporation).

CERTIFICATE OF ADOPTION

The foregoing Board Independence Policy was adopted by the Board of Directors of the ROWE as of the Effective Date first set forth herein.

By: _____

Name: _____

Title: Secretary _____