

**WIRAB Advice to the WECC Board of Directors
on the Composition of the WECC Nominating Committee**

February 28, 2017

The Western Interconnection Regional Advisory Body (WIRAB) appreciates the opportunity to provide the following advice and recommendation to the WECC Board of Directors on the Composition of the WECC Nominating Committee (NC).

In response to concerns that one of the three MAC Member classes representing industry is excluded from participating in Nominating Committee (NC) activities on an annual basis, the WECC Membership Advisory Committee (MAC) assembled a Nominating Committee Membership Work Group (NCMWG) to reconsider the composition of the NC. On February 6, 2017, the NCMWG issued a second draft white paper outlining alternatives to the NC's current structure.

WIRAB thoroughly reviewed the options in this white paper using the following criteria:

1. Any proposal to revise the structure of the NC should directly address the concern regarding lack of full class representation; and
2. Any proposal to revise the structure of the NC should maintain a reasonable balance between MAC Members representing industry and MAC Members representing non-industry.

All of the proposals put forward in the second draft of the NCMWG white paper failed to meet one or the other of these two criteria.

WIRAB then developed an alternative proposal that satisfies these criteria.

Alternative Proposal

Under WIRAB's alternative proposal the WECC Nominating Committee would be restructured to include a total of 9 members, including three (3) Board Members not standing for re-election and six (6) MAC Members representing Classes 1, 2, 3, 4, 5, and the International Class. Six (6) votes—including at least one (1) Director vote, one (1) industry vote, and one (1) non-industry vote—should be required to move a candidate forward or to approve a recommendation for Director compensation.

WIRAB recommends that the WECC Board of Directors adopt WIRAB's alternative proposal for the structure of the NC. While some WIRAB states prefer maintaining the status quo structure of the NC, the majority of WIRAB states and provinces prefer WIRAB's alternative proposal to the status quo structure of the NC. WIRAB developed its alternative proposal because it believes it is superior to any of the alternatives developed by the NCMWG. The proposal would provide representation for each Member Class on the NC. The proposal also maintains balance between the industry and non-industry members, and between Board Directors and member representatives, by requiring at least one vote from each of these groups. No candidate for the Board of Directors would move forward without a minimum level of

support from the current Board members, industry members, and non-industry members on the NC. This voting rule encourages consensus among the NC members.

Background

WECC's Nominating Committee (NC) is charged with two tasks. First, the NC is tasked with identifying and nominating candidates for WECC's Director positions. Second, the NC is tasked with providing an annual recommendation on Director compensation to the MAC for its consideration and approval.

Under the current Bylaws, the NC consists of seven (7) members, including three (3) Board Members not standing for re-election, two (2) MAC Members representing Classes 1, 2 and 3 (with positions rotating between the three classes on an annual basis), one (1) MAC Member representing Class 4, and one (1) MAC Member representing Class 5. A total of five (5) votes is required for NC approval of a slate of director-candidates and for NC approval of a recommendation for director compensation. This ensures that at least one Board Director and at least two MAC Members must cast an affirmative vote in order to move any measure forward. This structure established a balance between the Board and MAC members by requiring at least one vote from current Board directors to move a candidate or measure forward. This structure also created an important balance between industry and non-industry Members by including two MAC Member class representatives to represent industry classes and two MAC Member class representatives to represent non-industry classes.

In September 2016, in response to concerns that at least one MAC Member class is excluded from participating in Nominating Committee (NC) activities on an annual basis, the WECC Membership Advisory Committee (MAC) assembled a Nominating Committee Membership Work Group (NCMWG) to reconsider the composition of the NC. The NCMWG recently developed a white paper outlining alternatives to the NC's current structure, as set forth in § 6.4.1 of the WECC Bylaws.

The issue of the NC structure was previously addressed by a similar work group (hereinafter, the 2015 Work Group), operating under the leadership of Travis Kavulla (Commissioner, Montana PSC) and Duncan Brown (NAES Corp.), who served as Co-Chairs. The 2015 Work Group also produced a white paper on the structure of the NC in August of 2015 and recommended that the current make-up of the NC be retained and the issue reviewed again in two years, after the membership had cycled through all classes. The MAC presented the 2015 Work Group's white paper and recommendations to the Board in December of 2015.

The 2015 Work Group and the NCMWG both noted that under the existing structure the NC identified highly qualified candidates that "proved to be acceptable to the membership at large," using an "effective and time appropriate process." Further, both work groups noted that the "resulting Board has been appropriately diverse in background and opinion and has represented the interest of the organization and membership."

Although the NC under the existing structure has performed competently, the continued controversy surrounding the rotating representation of the industry member classes has made maintaining the status quo problematic. WIRAB member states and provinces support alternatives to the status quo that directly address the issue of full representation of all member classes and also maintain a reasonable balance between MAC Members representing industry and MAC Members representing non-industry.

Options and Analysis

In its white paper, the NCMWG puts forth seven (7) alternatives to the status quo. WIRAB has identified an additional option. We address and analyze each of these options for the structure of the NC below.

A. Status Quo (NCMWG Option 1)

The status quo structure of the NC consists of seven (7) members, including three (3) Directors not standing for re-election, two (2) MAC Members representing Classes 1, 2 and 3 (with positions rotating between the three classes on an annual basis), one (1) MAC Member representing Class 4, and one (1) MAC Member representing Class 5. A total of five (5) votes (a 71% vote threshold) is required for NC approval of a slate of director-candidates and for NC approval of a recommendation for director compensation.

Under this structure the NC cannot take formal action without the support of at least one Board Member. The three Directors need two additional votes from the MAC Member representatives to achieve the affirmative vote threshold.

The NC can take formal action without the support of the non-industry MAC Members representing Class 4 and Class 5. The non-industry MAC Members need three additional votes to achieve the affirmative vote threshold.

The NC can also take action without the support of the industry MAC Members representing Classes 1, 2, and 3. The industry MAC Members also need three additional votes to achieve the affirmative vote threshold.

This structure provides voting balance between the MAC Members representing industry (Classes 1, 2, and 3) and MAC Members representing non-industry (Classes 4 and 5). The status quo does ensure a minimum level of support from the Directors, but does not ensure minimum support from both the industry and non-industry classes.

While some WIRAB states prefer maintaining the status quo structure of the NC, the majority of WIRAB states and provinces prefer WIRAB's alternative proposal to the status quo structure of the NC. WIRAB recommends that the WECC Board adopt WIRAB's alternative proposal for the structure of the NC.

B. WIRAB Alternative

The WIRAB Alternative proposes that the WECC Nominating Committee be restructured to include a total of nine (9) members, including three (3) Board Members not standing for re-election and six (6) MAC Members representing Classes 1, 2, 3, 4, 5, and the International Class. A total of six (6) votes (a 66% threshold) — including at least one (1) Director vote, one (1) industry vote, and one (1) non-industry vote — is required to move a candidate forward or to approve a recommendation for Director compensation. WIRAB assumes that the International representative, in most cases, will represent the industry perspective, rather than non-industry interests.

This structure provides full representation on the NC to all WECC membership classes. The voting rule ensures a minimum level of support from the Board Directors, the MAC Members representing industry (Classes 1, 2, 3, and the International Class) and the MAC Members representing non-industry (Classes 4 and 5).

Under this proposed structure the NC cannot take formal action without the support of at least one Board Member. The three Directors need three additional votes from the MAC Member representatives (with at least one from the industry representatives and at least one from the non-industry representatives) to achieve the affirmative vote threshold.

The NC could not take formal action without the support of at least one of the non-industry MAC Members representing Class 4 and Class 5. The non-industry MAC Members would need four additional votes (with at least one from the Board representatives and at least one from the industry representatives) to achieve the affirmative vote threshold.

The NC also could not take action without the support of at least one of the industry MAC Members representing Classes 1, 2, 3 and the International Class. The industry MAC Members would need two additional votes (with at least one from the Board representatives and at least one from the non-industry representatives) to achieve the affirmative vote threshold.

WIRAB's proposed alternative addresses concerns regarding rotating class representation. The proposal maintains balance between the industry and non-industry members and between Board Directors and member representatives by requiring at least one vote from each of these groups. WIRAB's alternative requires a minimum level of support from current Board Directors, industry and non-industry representatives in order to move a candidate or measure forward.

WIRAB recommends that the WECC Board adopt WIRAB's alternative proposal for the structure of the NC.

C. NCMWG Option 2

NCMWG Option 2 would expand representation on the NC to include three (3) Board Members¹ and six (6) MAC Members from Classes 1, 2, 3, 4, 5, and the International Class. Each vote of the three (3) Board Members would be assigned a weight of one (1) and each vote of the six (6) MAC Members would be assigned a weight of two-thirds (2/3). A weighted vote of four and one-third (4 1/3) (a 62% threshold) is required to move a candidate forward or to approve a recommendation for Director compensation.

Under this proposed structure the NC cannot take formal action without the support of at least one Board Member. The three Board Directors would need an additional weighted vote of one and one-third (or two MAC Member representatives) to achieve the affirmative vote threshold.

The NC could take formal action without the support of at least one of the non-industry MAC Members representing Class 4 or Class 5. The two non-industry MAC Members would need an additional weighted vote of three to achieve the affirmative vote threshold.

¹ Although not explicitly stated, it is WIRAB's understanding that in each of the NCMWG options the Board Directors eligible to participate on the NC are those that are not standing for re-election.

The NC also could take action without the support of at least one of the industry MAC Members representing Classes 1, 2, 3 and the International Class. The four industry MAC Members would need an additional weighted vote of one and two-thirds to achieve the affirmative vote threshold.

This structure provides full representation on the NC to all WECC membership classes. The voting rule does not maintain a reasonable voting balance between MAC Members representing industry and MAC Members representing non-industry. The voting rule fails to ensure a minimum level of support from the Board Directors, the MAC Members representing industry (Classes 1, 2, 3, and the International Class) and the MAC Members representing non-industry (Classes 4 and 5). Finally, the weighted voting scheme is complicated and raises concerns regarding unequal weight being assigned to Board Director votes and MAC Member representative votes.

WIRAB does not support this option.

D. NCMWG Option 3

NCMWG Option 3 would expand representation on the NC to include MAC Members from Classes 1, 2, 3, 4, 5, and the International Class and increase the number of Board Directors on the NC to four (4). A total of six (6) votes (a 60% threshold) (including at least one (1) Board Member vote) would be required for NC approval of a slate of director-candidates and for NC approval of a recommendation for director compensation.

Under this proposed structure the NC cannot take formal action without the support of at least one Board Director representative. The four Board Directors would need two additional votes to achieve the affirmative vote threshold.

The NC could take formal action without the support of at least one of the non-industry MAC Members representing Class 4 or Class 5. The two non-industry MAC Members would need four additional votes to achieve the affirmative vote threshold.

The NC also could take action without the support of at least one of the industry MAC Members representing Classes 1, 2, 3 and the International Class. The four industry MAC Members would need two additional votes to achieve the affirmative vote threshold.

This structure provides full representation on the NC to all WECC membership classes. The voting rule does not maintain a reasonable voting balance between MAC Members representing industry and MAC Members representing non-industry. The voting rule fails to ensure a minimum level of support from the MAC Members representing industry (Classes 1, 2, 3, and the International Class) and the MAC Members representing non-industry (Classes 4 and 5).

WIRAB does not support this option.

E. NCMWG Option 4

NCMWG Option 4 would expand representation on the NC to include MAC Members from Classes 1, 2, 3, 4, 5, and the International Class and increase the number of Board Directors on the NC to five (5). A

total of seven (7) votes (a 63% threshold) would be required for NC approval of a slate of director-candidates and for NC approval of a recommendation for director compensation.

Under this proposed structure the NC cannot take formal action without the support of at least one of the Director representatives. The five Board Directors would need two additional votes to achieve the affirmative vote threshold.

The NC could take formal action without the support of at least one of the non-industry MAC Member representing Class 4 or Class 5. The two non-industry MAC Members would need five additional votes to achieve the affirmative vote threshold.

The NC also could take action without the support of at least one of the industry MAC Members representing Classes 1, 2, 3 and the International Class. The four industry MAC Members would need three additional votes to achieve the affirmative vote threshold.

This structure provides full representation on the NC to all WECC membership classes. The voting rule does not maintain a reasonable voting balance between MAC Members representing industry and MAC Members representing non-industry. The voting rule fails to ensure a minimum level of support from the MAC Members representing industry (Classes 1, 2, 3, and the International Class) and the MAC Members representing non-industry (Classes 4 and 5).

WIRAB does not support this option.

F. NCMWG Option 5

Under NCMWG Option 5 the NC consists of seven (7) members, including three (3) Directors not standing for re-election, two (2) MAC Members representing Classes 1, 2 and 3 (with positions rotating between the three classes on an annual basis), and two (2) MAC Members representing Classes 4, 5 and the International Class (with positions rotating between the three classes on an annual basis).

This option fails to address the concerns regarding rotating class representation.

WIRAB does not support this option.

G. NCMWG Option 6

Under NCMWG Option 6 the NC consists of seven (7) members, including three (3) Directors not standing for re-election and four (4) MAC Members representing Classes 1, 2, 3, 4, 5 and the International Class (with positions rotating between the six classes on an annual basis).

This option fails to address the concerns regarding rotating class representation.

WIRAB does not support this option.

H. NCMWG Option 7

NCMWG Option 7 proposes to structure the NC to include one (1) Director and two (2) MAC Members, with one (1) MAC Member representing industry interests and one (1) MAC Member representing non-industry interests.

This option fails to address the concerns regarding full class representation.

WIRAB does not support this option.

I. NCMWG Option 8

NCMWG Option 8 proposes to structure the NC to include three (3) or more Directors only.

This option permanently excludes representation from any of the WECC Membership Classes.

WIRAB does not support this option.