CHAPTER 2: CORPORATE ORGANIZATION AND GOVERNANCE

A. Proposed Action Plan

The Board should prioritize the following actions:

(1) 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; and
- Public Policy Committee.

(3) Outreach of the Public Policy Committee to:

- Body of State Regulators
- Tribes
- PMAs

(4) Establishment of clear protocols for Board communication with:

- Body of State Regulators;
- Tribes;
- Consumer Advocates Organization; and
- Stakeholder Review Committee.

(5) Selection of the ROWE’s 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 Exhibit [X].

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 Exhibit [X], the 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 ROWE Formation Board submitted IRS Form 1023 seeking status as a 501(c)(3) corporation under the Internal Revenue Code, attached as Exhibit [X]. 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 regional 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, 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 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 Exhibit [x]. Note that the Conflict of Interest Policy does not at this time comply with Federal Energy Regulatory Commission requirements for regional organizations, and changes should be adopted to conform to those requirements before launch. An update to the Conflict of Interest 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 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. Principal Place of Business

The selection of 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 ROWE's independence, regional character, and long-term institutional legitimacy. Unlike existing Regional Transmission Organizations (RTOs), which generally inherited their headquarters from predecessor organizations, the Board has the unique opportunity to intentionally select a headquarters location at formation.

The Board should undertake broad consideration of locational value in selecting ROWE's principal place of business. Some locations maximize operational coordination with existing market administration, while others may better reinforce 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 Board and ROWE's stakeholders assign to these and other potential complementary objectives.

1. Lessons from Existing RTOs

PJM, SPP, MISO, and 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.

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 Board should focus on developing decision criteria and placing relative weightings on each criterion.

2. Potential Decision Criteria

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

- *Institutional independence/ regional neutrality.* Headquarters location will shape perceptions regarding ROWE's institutional independence and long-term identity. Because regional confidence is essential to continued participation and future expansion, the chosen location should reinforce 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 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 ROWE's challenge in establishing credible independence and its long-term institutional vision. Although the headquarters location should reinforce 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 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 ROWE's governance, administration, or long-term operations and ensure that the legal implications are fully understood before a final headquarters location is selected.