

Dear Organizations Building Regional Electric System Optimization:

The state electricity regulators signed below invite you to consider the attached governance principles, which underpin any regional collaboration that protects customers and supports state policy mandates in the Western electricity grid.

Numerous multi-state electric organizations are under consideration in the Western Interconnection. While some proposals are not a Regional Transmission Organization (RTO) per se or perhaps yet, most will introduce some incremental Federal Energy Regulatory Commission (FERC) jurisdictional oversight and will affect costs that are ultimately incurred by state and locally jurisdictional electric utility customers. The principles articulated below are applicable to any proposed multi-state electric organization that implicates FERC jurisdiction or customer costs.

For some utilities, state regulatory review will be required to either approve participation or approve cost recovery due to participation and these principles may be relevant to state decision makers. The decision-makers undersigned may also raise additional concerns, take individual positions, or otherwise qualify their support if presented with any particular proposed multi-state electric organization or regionalization effort. In addition, we will discuss these principles with other state representatives, including state energy offices and Governors' energy offices.

These principles are not intended to demonstrate support for any particular proposed multi-state electric organization or regionalization effort, or particular governance proposal. They describe the appropriate elements of governance that, in our estimation after observing cooperation across the United States, best maximize the economic and reliability benefits for customers in the West while protecting them from the most significant risks. They also provide state representatives, including state regulators, confidence that the regional organization will appropriately recognize and respect state policies and laws.

We look forward to a discussion of these issues at the Spring 2022 Committee on Regional Electric Power Cooperation and to continuing it in forums across the West in the coming months.

Sincerely,

Jim O'Connor, Commissioner
Arizona Corporation Commission

Lea Márquez Peterson, Chairwoman
Arizona Corporation Commission

Darcie L. Houck, Commissioner
California Public Utilities Commission

Cliff Rechtschaffen, Commissioner
California Public Utilities Commission

Eric Blank, Chairman
Colorado Public Utilities Commission

James Brown, President
Montana Public Service Commission

Tammy Cordova, Commissioner
Public Utilities Commission of Nevada

Hayley Williamson, Chair
Public Utilities Commission of Nevada

Megan Decker, Chair
Public Utility Commission of Oregon

Mark Thompson, Commissioner
Public Utility Commission of Oregon

Ann Rendahl, Commissioner
Washington Utilities and Transportation
Commission

John Chatburn, Commissioner
Idaho Public Utilities Commission

Brad Johnson, Vice President
Montana Public Service Commission

C.J. Manthe, Commissioner
Public Utilities Commission of Nevada

Cynthia B. Hall, Commissioner
New Mexico Public Regulation Commission

Letha Tawney, Commissioner
Public Utility Commission of Oregon

David Danner, Chair
Washington Utilities and Transportation
Commission

Christopher Petrie, Chairman
On behalf of the Wyoming Public
Service Commission

Multi-state Electric Organization Principles

April 18, 2022

Numerous multi-state electric organizations are under consideration in the Western Interconnection. While some proposed organizations are not considered an RTO per se, most of the proposed organizations being contemplated will introduce some incremental FERC jurisdictional oversight and will affect costs that are ultimately incurred by state and locally jurisdictional electric utility ratepayers. The principles below are broad and intended to be applicable to any proposed multi-state electric organization that introduces potential FERC jurisdictional oversight or that may affect costs borne by state and locally jurisdictional electric utility ratepayers. For some utilities, state regulatory review will be required to either approve participation or approve cost recovery due to participation in a multi-state electric organization, and these principles may be relevant to state decision makers.

The principles are in line with those that FERC adopted in Order No. 719 for organized markets. Namely, as a baseline, these principles seek to promote inclusiveness in governance, fairness in balancing diverse interests, representation of minority interests, and ongoing responsiveness of any regional market to all stakeholders, including and particularly states.

These principles are not intended to demonstrate support for any particular proposed multi-state electric organization or regionalization effort. To the extent such an effort is being considered by entities in the Western Interconnection, those entities should consider each of the principles below. Nothing in this document should be interpreted as precluding any of the undersigned from raising additional concerns, taking individual positions, or otherwise qualifying their support if or when presented with any particular proposed multi-state electric organization or regionalization effort. Signing on to this document does not and should not be seen as support for or opposition to development of a multi-state electric organization or RTO.¹

¹ Any formal approval of the principles set forth here as to any specific proposed entity would need to be adopted by each appropriate state governing entity according to its required processes.

Principle	Description
Board Independence	<p>The independent board should be diverse, represent a range of sectors and geographies, and be expert enough to substantively engage in decision making to balance diverse interests, including and beyond market participants. The board may be advised by other bodies and delegate authority, though transparency in delegated decision making remains critical. Customers are best protected when the board can directly weigh public benefit across the market footprint. Term limits may be appropriate to ensure diversity and broad engagement.</p>
Active Stakeholder Engagement	<p>Meaningful and open stakeholder engagement is expected and shall be explicitly enabled in governance documents. Best practices include open meetings of the board, committees, and initiative undertakings (with certain exceptions such as legal or personnel issues documented in the meeting record), ample notice of agenda and provision of meeting materials to all participants, virtual and in-person attendance options (when the latter is possible), and timely publication of meeting minutes and meeting recordings.</p> <p>Stakeholders, including independent power producers, consumer advocates, and energy advocacy groups who are not represented on member committees, are important constituencies for the long-term sustainability of the organization and should not be required to pay fees to participate. This cross-section of views provides states with confidence that the market is guided by rules and policies that fully consider a wide range of perspectives.</p>
<p>Role of a States Committee in Policy Development and Decision Making*</p> <p>*Policies regarding decision making and membership on the states committee should remain within the purview of the committee.</p>	<p>State representatives, including those representing state public utility commissions, state energy offices, and state governors' offices, not only have an interest in ensuring that cost allocation is fair, but that utility compliance with state laws is promoted, with any concerns resolved in an efficient and timely manner. To further these interests, state representatives require an opportunity to weigh in on initiative prioritization and to engage on a wide range of policy issues.</p> <p>Addressing state representatives' interests requires representation equivalent to market participants or some other structural approach to ensure state concerns are substantively addressed by the organization.</p> <p>At a minimum, the states committee requires full access, alongside market participants, during proposal development and meaningful access to the independent board. The states committee should also have access to the senior staff.²</p>

² In some RTOs, the guarantee of substantive engagement in decision making is accomplished by granting primary or complementary 205 filing rights to the states committee, particularly in those governance structures dominated by paying members. In others, the states committee holds seats on the advisory committee that directly addresses

<p>States Committee’s Access to Data and Information</p>	<p>Transparency, including sharing of information and data, both ongoing performance data and data specific to policy initiatives, is fundamental.</p> <p>Western state representatives need to have full confidence in any multi-state electric organization that potentially affects costs incurred by jurisdictional ratepayers and compliance with state laws by utilities.</p> <p>Where direct access to information or data demonstrates valid concerns about commercial interests, an Independent Evaluator function should be introduced to balance commercial sensitivities with the need to provide assurances that the program is able to deliver as expected. Similarly, the states committee should have full access to the Independent Market Monitor, should one exist.</p>
<p>States Committee Staffing Model & Funding</p>	<p>The states committee relies on independent staffing, and funding must be sufficient and stable enough to support the ability to develop analytical and legal analysis to present independent positions within the multi-state electricity organization, as in many RTO governance structures, and before FERC. Limits and some oversight of the funding by an RTO has been workable in other venues. Cost allocation may include all market participants or just regulated entities, depending on how the states committee is constituted.</p>
<p>Independent Board Selection</p>	<p>The independent board should be selected by a nominating committee that includes a robust representation of stakeholders, including stakeholders who are not represented on member committees, and a formal, meaningful role for the states.</p>

policy issues before the independent board. There may be other approaches to address state representatives’ mandate to protect consumers and ensure compliance with state policy and law.