

Regional Organization Formation and Governance
Stakeholder Workshop
July 25, 2024

Agenda

- 1. Welcome and Introduction (Kathleen Staks/Pam Sporborg)
- 2. RO Formation (Evie Kahl)
 - A. Work Group Presentation
 - B. Reactions and Feedback from Stakeholders
- 3. RO Governance (Jim Shetler)
 - A. Work Group Presentation
 - B. Reactions and Feedback from Stakeholders
- 4. Next Steps and Wrap Up (Kathleen Staks/Pam Sporborg)





What Type of Organization Best Suits the RO's Purpose and Operation?



Types of Organization

Public benefit nonprofit 501(c)(3)

Organized and operated exclusively for "religious, charitable, scientific, testing for public safety, literary, or educational purposes, or to foster national or international amateur sports competition"

Mutual benefit nonprofit 501(c)(6)

Organized and operated to promote the common business interests of its members (e.g., chamber of commerce, trade organizations)

Social welfare nonprofit 501(c)(4)

Organized and operated exclusively for the promotion of the common good and general welfare of the people of the community

For profit corporation

Organized and operated to earn profit through its operations to serve its own interests rather than the interests of the public



Types of Organizations: Examples

Regional Organization	Purpose	IRS Tax Exempt Status	
CAISO, ISO-NE, NYISO	Public Benefit	Nonprofit/§501(c)(3)	
MISO, ERCOT	Social Welfare	Nonprofit/§501(c)(4)	
SPP/WPP/WRAP	Business League	Nonprofit/§501(c)(6)	
PJM	Limited Liability Corp	N/A	



Types of Organizations: Differences

Type of Organization	Tax Exempt	Tax Exempt Finance	Lobbying	Issue Advocacy	Political Campaign
Nonprofit/§501(c)(3)	~	~	×*	~	X **
Nonprofit/§501(c)(4)	~	×	~	~	***
Nonprofit/§501(c)(6)	~	×	~	~	* ***
For profit	×	×	~	~	~



^{* &}quot;Insubstantial" lobbying permitted under certain conditions up to a maximum of \$1,000,000

^{**} Precludes participating or intervening in any political campaign on behalf of or opposed to any candidate for public office

^{***} Political campaigns cannot be the organization's primary purpose

Straw Proposal: 501(c)(3) Organization



Public Purpose

Provides societal benefit



Tax Consequences

Lowers Costs



Tax Exempt Finance

CAISO has used in the past



Lobbying & Campaigns

Prohibition simplifies decisions



IRS Categories of Public Charities

Regional Organization	501(c)(3) IRS Taxonomy Charitable Purpose
CAISO	Type 1 Supporting Organization (supporting State of California)
ISO-NE	Environmental Quality, Protection and Beautification, Resources Conservation and Development
NYISO	Public, Society Benefit – Multipurpose and Other/Public Utilities



In Which State Should the RO Incorporate?

Proposed State of Incorporation: Delaware

- Incorporation in any Western state:
 - Presents question of perception of bias and control rather than independence
 - Presents risk in the event the state of incorporation withdraws from the RO
- Delaware is increasingly used by new corporations for several reasons:
 - Well-developed body of corporate law
 - Experienced and knowledgeable judges
 - Ease of dealing with Delaware Secretary of State
 - Flexibility in formation and future transactions
- Other considerations
 - Still need to qualify to do business and register as a charity in state of principal place of business
 - Likely subject to state law of principal place of business
 - Delaware only has one category of nonprofit: nonstock corporation, whereas other states have several nonprofit statutes
 - Launch committee has not undertaken a state-by-state comparison of laws of various states in areas of likely impact (e.g., employment law)



Where Should the RO Headquarters/Principal Place of Business be Located?

Principal Place of business

PPB typically located in the state:

- In the "actual center of direction, control, and coordination"... the "nerve center"
- With the most significant volume of the corporation's operations are located
- "[N]ot simply an office where corporation holds its board meetings"

PPB in any Western state:

- Presents question of perception of bias and control rather than independence from that state
- Presents limited risk in the event the state of incorporation withdraws from the RO



Principal Place of business

Other considerations in selecting RO PPB:

- Extent of interaction with CAISO (e.g., RO/CAISO contract performance and administration, shared staffing, integrated stakeholder processes) may point to a pragmatic selection
 - Value of CAISO co-location may increase if RO and CAISO interface grows to include other functions
- Ability to rotate RO board meetings and stakeholder meetings around participating states partly mitigates perception of bias
- RO will likely be bound by laws of PPB host state

Straw Proposal for consideration: Co-location with CAISO in Folsom



Formation Timeline

December 2024

Create Formation Committee

January-August 2025

Develop corporate structure

Draft bylaws & tariff

Select Nominating Committee

Select Executive Search Firm

CA Legislation Signed

File tariff language at FERC

Recruit RO Board members

Recruit RO Executive Team

Fall 2025

File incorporation documents

Seat board

Hire staff





Stakeholder Discussion





Background

RO Governance Work Group formed to evaluate various issues related to governance for the proposed Regional Organization under Pathways Phase 2:

- Should there be joint meetings of CAISO Board and RO Board?
- Number of RO Board seats
- Should RO Board seats be reserved?
- Transition process from WEM GB to RO Board
- Can there be pre-launch steps for RO prior to CA legislation?
- Is there a funding source for RO activities before tariff funding is available?
- RO Board selection process

The RO Governance Work Group is not trying to develop detailed bylaws – this is viewed as role for the proposed Formation Committee informed by the final CA legislation and the resulting development of revised tariff language

The RO Governance Work Group recognizes that as the other work groups (e.g. – RO Formation, Stakeholder Process) finalize their efforts their work products could impact the decisions and outputs of the RO Governance Work Group and change some of our recommendations.

Should there be joint meetings of CAISO Board and RO Board?

- Working Proposal: There should be a collaborative relationship between the existing CAISO Board and the new RO Board. Where there are issues of joint authority for the two boards to consider, there should be joint meetings.
- Rationale: The collaboration that has been developed between the CAISO Board and the WEM GB has proven to be effective and efficient. This should continue under the new structure with the RO Board and holding joint meetings on issues of joint authority is a good way to foster this collaboration.



Number of RO Board Seats

- Working Proposal: The RO Board should consist of seven members that meet the knowledge and skills requirements outlined in the RO Board selection procedure.
- Rationale: In determining the number of seats for the new RO Board, the Work Group looked at balancing having an adequate diversity of knowledge and experience to govern market rules while keeping the board size manageable for efficient operation and collaboration. Increasing the size from the current five member WEM GB is believed to be a good compromise.



Should RO Board seats be reserved?

- Working Proposal: Seats on the RO Board should not be reserved per se.
- Rationale: The Board should provide the diversity of knowledge and experience necessary to oversee its responsibilities. The selection process for the initial seating of the RO Board should consider allowing transition of some of the existing WEM GB members to facilitate the transition, consistent with knowledge and experience requirements, but the number of transitioned WEM GB members should not result in a quorum for the new RO Board.



Transition Process from WEM GB to RO Board

- Working Proposal: The details of the Transition Plan from the WEM GB to the new RO Board should be left to the Formation Committee.
- Rationale: The transition from the WEM GB to the RO Board will be influenced by both the CA legislation that must be approved to implement Step 2 and the tariff that will be amended to implement the new governance. The planned Formation Committee will be in a better position to work with the WEM GB and CAISO staff to develop this transition plan.



Can there be pre-launch steps for the RO prior to CA legislation?

- Working Proposal: Based upon discussions to date, the Launch Committee
 has taken the position in the Phase 2 work plan that we will not launch the
 RO before the legislation is signed and the amended tariff is filed at FERC.
 There are formation efforts (e.g. type of corporation, tariff language
 development, bylaws development, board selection process) that should be
 pursued by the Formation Committee in conjunction with the CAISO in
 advance of these milestones, but mindful of the legislative process.
- Rationale: Launch of the RO will be influenced by the CA legislation and amended tariff. Pre-launch activities should be limited to actions that will not be impacted by these items. The planned Formation Committee will be in a better position to work with the WEM GB and CAISO staff to develop the RO launch plan.

Is there a funding source for RO activities before tariff funding is available?

- Working Proposal: Startup funding will likely be required before any market supported funding is available. Due consideration should be given to identifying funding that would not be considered as compromising Board independence. Such sources might include DOE grant funding or ongoing support from the Pathways Initiative 501.c.3 funding via Global Impact.
- Rationale: The Work Group believes that the use of an outside funding source needs to be carefully evaluated to ensure Board independence is not compromised or any individual entity may be viewed has having undue influence on the RO. The Work Group believes the proposed options of DOE grant funding or continued Pathways 501.c.3 funding should address this concern.



RO Board Selection Process

- Working Proposal: The Work Group is developing a draft RO Board selection procedure that started with the current WEM GB selection process. Specific issues for stakeholder input include:
 - Number and definition of nominating committee sectors
 - Board knowledge and skills requirements
 - Use of Formation Committee as approval body for initial board selection
 - Restriction on number of current WEM GB members that can transition to the new RO Board





Stakeholder Discussion





Public Comments

- We need your feedback! The two-week open comment period will run from 7/25/24-8/8/24.
- Written comments can be submitted to: Comments@WestWidePathwaysInitiative.org
- Please use the Stakeholder Comment Template for this workshop posted on the WIEB landing page: <u>WWGPI</u> -<u>Western Interstate Energy Board</u> (<u>westernenergyboard.org</u>)



Remaining Workshop Schedule

- Public Interest Workshop:
 - Wednesday, July 31
 - 9AM-11AM PT/10AM-12PM MT/11AM-1PM CT
- Stakeholder Process Workshop #3
 - Friday, August 2
 - 9AM-12PM PT/10AM-1PM MT/11AM-2PM CT
- Tariff Analysis and CAISO Issues Workshop:
 - Monday, August 5
 - 9AM-3PM PT/10AM-4PM MT/11AM-5PM CT
- Stakeholder Process Workshop #4
 - Wednesday, August 28
 - 9AM-12PM PT/10AM-1PM MT/11AM-2PM CT



Anticipated timeline for Step 2

- July-Aug: Stakeholder Workshops
- Sep 2-26: Drafting of Step 2 Draft Revised Proposal
- Sept 27: Issue Step 2 Draft Revised Proposal
- Sept 27: Open comment period (4 weeks)
- Oct 4: Monthly Stakeholder Meeting (review Step 2 Draft Revised Proposal)
- Oct 25: Comments due on Step 2 Draft Revised Proposal
- Oct 28-Nov 14: Incorporate stakeholder feedback and make revisions to Step 2 Final Proposal
- Nov 15: Issue Step 2 Final Proposal
- Nov 22: Monthly Stakeholder Meeting (review Step 2 Final Proposal and vote)



