

CALIFORNIA INDEPENDENT SYSTEM OPERATOR CORPORATION
FIRST REPLACEMENT AMENDED & RESTATED BYLAWS

**AS APPROVED BY
ISO BOARD AND
EOB
PENDING FERC
ACCEPTANCE**

AMENDED & RESTATED
BYLAWS
OF
CALIFORNIA INDEPENDENT SYSTEM OPERATOR CORPORATION,
a California nonprofit public benefit Corporation

Adopted 05/06/97; Amended 2/98; Amended and Restated 8/98; Amended and Restated 8/99; Amended 12/99;
Amended 4/01 [subject to EOB approval and FERC acceptance]

Issued By: Charles F. Robinson, Vice President and General Counsel
Issued on: April 26, 2001

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Table of Contents



ARTICLE I: OFFICES..... 1

ARTICLE II: PURPOSES AND OBJECTIVES..... 1

SECTION 1. PURPOSES..... 1

SECTION 2. AUTHORITY TO OPERATE TRANSMISSION FACILITIES..... 2

ARTICLE III: BOARD OF GOVERNORS..... 2

SECTION 1. POWERS..... 2

SECTION 2. NUMBER OF GOVERNORS..... 2

SECTION 3. DEFINITIONS..... 2

 3.1 *FERC*..... 2

 3.2 *Participating State*..... 2

 3.3 *State Oversight Authority*..... 2

 3.4 *Tariff*..... 3

SECTION 4. COMPOSITION AND SELECTION OF GOVERNING BOARD..... 3

 4.1 *Selection and Confirmation Procedures*..... 3

 4.2 *Qualification of Governors*..... 3

 4.3 *Chairperson*..... 3

SECTION 5. [RESERVED]..... 3

SECTION 6. TERM OF OFFICE OF GOVERNORS..... 3

SECTION 7. VACANCIES AND REMOVAL..... 3

SECTION 8. MEETINGS OF THE GOVERNING BOARD..... 3

 8.1 *Quarterly Meetings*..... 4

 8.2 *Other Meetings*..... 4

 8.3 *Participation Electronically*..... 4

SECTION 9. NOTICE OF GOVERNING BOARD MEETINGS..... 4

 9.1 *Notice to Governors*..... 4

 9.2 *Public Notice*..... 4

SECTION 10. OPEN MEETINGS..... 5

 10.1 *Meetings to Be Open to Public*..... 5

 10.2 *Executive Sessions*..... 5

 10.3 *Public Comment*..... 5

SECTION 11. WAIVERS OF NOTICE..... 5

SECTION 12. QUORUM OF GOVERNORS..... 5

SECTION 13. VOTING OF GOVERNORS..... 6

 13.1 *General*..... 6

Adopted 05/06/97; Amended 2/98; Amended and Restated 8/98; Amended and Restated 8/99; Amended 12/99;
Amended 4/01 [subject to EOB approval and FERC acceptance]

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Effective: April 18, 2001

13.2	<i>Recusals</i>	6
13.3	<i>Dissolution</i>	6
13.4	<i>Governor's Right to Appeal Certain State-Jurisdictional Matters</i>	6
SECTION 14.	<u>STANDARD OF CARE</u>	7
14.1	<i>General</i>	7
14.2	<i>Reliance</i>	7
14.3	<i>No Liability</i>	7
14.4	<i>Investments</i>	7
14.5	<i>Governors Code of Conduct</i>	8
SECTION 15.	<u>LOANS AND SELF-DEALING TRANSACTIONS</u>	8
15.1	<i>Loans</i>	8
15.2	<i>Self-Dealing Transactions</i>	8
15.3	<i>Exempt Transactions</i>	8
SECTION 16.	<u>INSPECTION RIGHTS</u>	9
SECTION 17.	<u>COMPENSATION</u>	9
17.1	<i>Retainers and Fees</i>	9
17.2	<i>Expense Reimbursement</i>	9
17.3	<i>Changes in Compensation</i>	9
SECTION 18.	<u>INTERESTED PERSONS LIMIT</u>	10
18.2	<i>Specific Limitation on Balance of Interests</i>	10
SECTION 19.	<u>EMERGENCY MEETINGS</u>	10
19.1	<i>In General</i>	10
19.2	<i>Notice to Governors</i>	10
19.3	<i>Notice to the Public</i>	10
ARTICLE IV:	COMMITTEES	11
SECTION 1.	<u>COMMITTEES OF GOVERNORS</u>	11
SECTION 2.	<u>ADVISORY COMMITTEES</u>	11
SECTION 3.	<u>ADR COMMITTEE</u>	11
SECTION 4.	<u>AUDIT COMMITTEE</u>	11
SECTION 5.	<u>COMMITTEE MEETINGS</u>	12
ARTICLE V:	APPOINTED ADVISORY REPRESENTATIVES	12
SECTION 1.	<u>ADVISORY REPRESENTATIVES</u>	12
SECTION 2.	<u>TERMS OF PARTICIPATION</u>	12
ARTICLE VI:	OFFICERS AND STAFF	12
SECTION 1.	<u>OFFICERS</u>	12
SECTION 2.	<u>APPOINTMENT</u>	13
SECTION 3.	<u>REMOVAL</u>	13
SECTION 4.	<u>RESIGNATION</u>	13
SECTION 5.	<u>PRESIDENT</u>	13

Adopted 05/06/97; Amended 2/98; Amended and Restated 8/98; Amended and Restated 8/99; Amended 12/99; Amended 4/01 (subject to FERC acceptance)

SECTION 6. <u>SECRETARY</u>	13
SECTION 7. <u>CHIEF FINANCIAL OFFICER</u>	13
SECTION 8. <u>TREASURER</u>	13
SECTION 9. <u>GENERAL COUNSEL</u>	14
SECTION 10. <u>ADDITIONAL OFFICERS</u>	14
SECTION 11. <u>COMPENSATION</u>	14
SECTION 12. <u>EXECUTION OF INSTRUMENTS</u>	14
SECTION 13. <u>STAFFING</u>	14
SECTION 14. <u>EMPLOYEES CODE OF CONDUCT</u>	14
ARTICLE VII: RECORDS	14
SECTION 1. <u>MINUTE BOOK</u>	14
SECTION 2. <u>ANNUAL REPORT</u>	15
2.1 <i>Financial Statements</i>	15
2.2 <i>Certification</i>	15
2.3 <i>Distribution of Annual Report</i>	15
SECTION 3. <u>AVAILABILITY OF PUBLIC INFORMATION</u>	16
SECTION 4. <u>RECORDS RETENTION</u>	16
ARTICLE VIII: INDEMNIFICATION	16
SECTION 1. <u>INDEMNIFICATION OF GOVERNORS, OFFICERS AND EMPLOYEES</u>	16
SECTION 2. <u>ADVANCEMENT OF EXPENSES</u>	16
ARTICLE IX: MISCELLANEOUS	16
SECTION 1. <u>FISCAL YEAR</u>	16
SECTION 2. <u>CORPORATION SEAL</u>	16
SECTION 3. <u>AMENDMENT OF BYLAWS</u>	17
3.1 <i>Approval by Governing Board and Filing with FERC</i>	17
3.2 <i>Approval by State Oversight Authority</i>	17
SECTION 4. <u>REIMBURSEMENT OF EXPENSES OF THE CORPORATION</u>	17
SECTION 5. <u>ALTERNATIVE DISPUTE RESOLUTION</u>	17

Adopted 05/06/97; Amended 2/98; Amended and Restated 8/98; Amended and Restated 8/99; Amended 12/99; Amended 4/01 (subject to FERC acceptance)

ARTICLE I: OFFICES

The principal executive office of the California Independent System Operator Corporation (the "Corporation") shall be located at such place in the State of California as the Governing Board may from time to time designate. Additional offices may be established and maintained at such place or places as the Governing Board may from time to time designate.

ARTICLE II: PURPOSES AND OBJECTIVES

Section 1. Purposes.

The purposes of the Corporation are as follows:

- (a) to provide open and comparable access to similarly situated customers to the transmission facilities of those transmission owners that have transferred operational control of those facilities to the Corporation (the "ISO Controlled Grid");
- (b) to operate exclusively the ISO Controlled Grid in an efficient and reliable manner consistent with achievement of planning and operating reserve criteria no less stringent than those established by Western Systems Coordinating Council ("WSCC") and North American Electric Reliability Council ("NERC") or their successor organizations;
- (c) to adopt, safeguard and monitor compliance with inspection, maintenance, repair and replacement standards for the ISO Controlled Grid so as to provide high quality, safe and reliable electric service including during periods of emergency and disaster;
- (d) to provide or obtain adequate ancillary services for the ISO Controlled Grid and to dispatch such services as necessary;
- (e) to schedule transmission service for all transactions on the ISO Controlled Grid;
- (f) to redispatch available resources to relieve transmission congestion;
- (g) to develop and submit for filing with the Federal Energy Regulatory Commission (or any successor entity) ("FERC") (i) transmission service rate methodologies applicable to the ISO Controlled Grid and (ii) rates for such transmission services and ancillary services and to recover administrative costs;
- (h) to establish operating rules and protocols for the reliable operation of the ISO Controlled Grid and for participation in the ancillary services market;
- (i) to maintain the reliability of operations of the ISO Controlled Grid, including the assessment of appropriate sanctions for situations where a transmission owner's operation and maintenance practices have prolonged restoration of service following an outage affecting ten percent (10%) or more of a local distribution entity's customers;
- (j) to provide open market pricing information for the transmission services and ancillary services markets;
- (k) to seek any necessary authority from FERC to give the Corporation the ability to

Adopted 05/06/97; Amended 2/98; Amended and Restated 8/98; Amended and Restated 8/99; Amended 12/99; Amended 4/01 (subject to FERC acceptance)

secure generating and transmission resources as necessary for achievement of planning and operating reserve criteria no less stringent than those established by WSCC and NERC or their successor organizations;

(l) to promote the development of, and enter into, agreements intended, to the maximum extent practicable, to ensure that entities with which the ISO Controlled Grid shares an interconnection or are otherwise part of the western regional transmission and distribution network adhere to enforceable protocols and standards to protect the reliability of such network;

(m) to promote the development of, and enter into, agreements intended, to the maximum extent practicable, to ensure that entities located outside of the ISO Controlled Grid that sell energy to consumers within the ISO Controlled Grid adhere to enforceable protocols and standards to protect the reliability of such network; and

(n) to administer a settlement system for deviations between scheduled and actual use of the ISO Controlled Grid.

Section 2. Authority to Operate Transmission Facilities.

The Corporation shall have operational control authority over the ISO Controlled Grid pursuant to the tariffs, contracts and protocols to which the Corporation is a party.

ARTICLE III: BOARD OF GOVERNORS

Section 1. Powers.

The Corporation shall have powers to the full extent allowed by law, except as otherwise specified in its Articles of Incorporation. All powers and activities of the Corporation shall be exercised and managed by the Governing Board or, if delegated, under the ultimate direction of the Governing Board.

Section 2. Number of Governors.

There shall be five (5) members of the Governing Board.

Section 3. Definitions

3.1 *FERC.*

"FERC" shall mean the Federal Energy Regulatory Commission or any successor entity.

3.2 *Participating State.*

"Participating State" shall mean any state in which control of more than twenty-five percent (25%) of the MW-circuit miles of transmission capacity within that state has been transferred to the Corporation.

3.3 *State Oversight Authority.*

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“State Oversight Authority” shall mean, for such period as California is the only Participating State, that certain Electricity Oversight Board described in Sections 335 to 340 of the California Public Utilities Code, as in effect from time to time; and thereafter, such body or bodies as determined by any applicable law or regulation of Participating States and applicable Federal law or regulation.

3.4 *Tariff.*

“Tariff” shall mean the FERC Electric Tariff filed by the Corporation, as amended from time to time.

Section 4. Composition and Selection of Governing Board.

4.1 *Selection and Confirmation Procedures.*

The Governor of the State of California shall make appointments to the Governing Board. Each such appointee shall become a member of the Governing Board unless the State Oversight Authority declines to confirm such appointment. If the State Oversight Authority declines to confirm an appointee, the Governor may make another appointment for review by the State Oversight Authority.

4.2 *Qualification of Governors.*

No member of the Governing Board shall be affiliated with any actual or potential participant in any market administered by the Corporation.

4.3 *Chairperson.*

The State Oversight Authority shall appoint a Chairperson of the Governing Board. The Chairperson shall be appointed from among the members of the Governing Board. As soon as reasonably practicable but not later than ten (10) days after the office of Chairperson becomes vacant, or sixty (60) days prior to the expiration of the term of office of the Chairperson, the Secretary shall notify the State Oversight Authority and the State Oversight Authority shall promptly undertake selection of a Chairperson, including specifying any process for nomination of a candidate or candidates.

Section 5. [RESERVED]

Section 6. Term of Office of Governors.

The term of office of each member of the Governing Board shall be one year. Governors may serve multiple terms, with no maximum number of terms.

Section 7. Vacancies and Removal.

A resignation shall be effective upon receipt of written notice by the Chairperson of the Governing Board, the President or the Secretary, unless the notice specifies a later time of effectiveness. The Governing Board may remove any Governor, with or without cause, if at least two thirds (2/3) of the Governors then in office vote in favor of such removal with the approval of the State Oversight Authority. If a vacancy occurs, a replacement Governor shall be selected to fill the vacancy pursuant to Section 4 of this Article III. A Governor so selected shall serve for the unexpired term of his or her predecessor, and shall be appointed to such Committees as were assigned to his or her predecessor.

Section 8. Meetings of the Governing Board.

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8.1 Quarterly Meetings.

The Governing Board shall meet at least once during each quarter of the fiscal year at such dates, times and places as the Governing Board shall determine. The Chairperson shall preside over meetings. At the first meeting in the first quarter of each fiscal year, the Governing Board shall elect officers, other than the Chairperson. The regularly scheduled meetings of the Governing Board shall be established for each fiscal year in advance.

8.2 Other Meetings.

In addition to the quarterly meetings, additional regularly scheduled or special meetings shall be held at such times as shall from time to time be fixed by the Chairperson of the Governing Board. Special meetings of the Governing Board for any purpose or purposes may be called at any time by the President or by any three (3) Governors.

8.3 Participation Electronically.

Governors may participate in a meeting through the use of conference telephone, electronic video screen communication, or other communications equipment, so long as all Governors participating in such meeting can hear one another and arrangements are made for public participation at regularly scheduled meetings and, where time permits, any special meetings. Participation in a meeting pursuant to this paragraph constitutes presence in person at that meeting if all of the following apply:

(a) Each Governor participating in the meeting can communicate with all of the other Governors.

(b) Each Governor is provided the means of participating in all matters before the Governing Board, including the capacity to propose, or to interpose an objection to, a specific action to be taken by the Governing Board.

(c) The Governing Board adopts and implements some means of verifying both of the following:

(i) A person representing himself or herself to be a Governor communicating by telephone, electronic video screen, or other communications equipment is a Governor entitled to participate in such meeting.

(ii) All votes were made by such Governor and not by another person.

Section 9. Notice of Governing Board Meetings.

9.1 Notice to Governors.

Notice of regularly scheduled and special meetings shall be given to the Governors not less than six (6) days prior to the meeting if delivered by first-class mail or not less than four (4) days prior to the meeting if the notice is delivered personally, by telephone, by facsimile or by electronic mail; provided, however, that notice of special meetings shall not be sent solely by electronic mail. If mailed, such notice shall be deemed given when deposited in the United States mail, with first-class postage thereon prepaid, addressed to the Governor.

9.2 Public Notice.

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Public notice of each meeting of the Governing Board shall be placed on the Corporation's electronic notification site at least four (4) days before such meeting. The notice shall include an agenda that makes it clear which items are for purposes of discussion, which are for purposes of taking action and, to the extent practicable, which are to be considered in a closed session. Changes to that agenda may be made by any Governor up until two (2) days before the meeting. In addition, notice of each meeting shall be sent by first-class mail, telegram, charges prepaid, by facsimile or by electronic mail, by the Secretary to each member of the public that so requests and that has provided such Secretary with complete information regarding such person's name and address.

Section 10. Open Meetings.

10.1 *Meetings to Be Open to Public.*

Except as provided in Section 10.2 below, any member of the public may attend and observe the proceedings of any meeting of the Governing Board.

10.2 *Executive Sessions.*

The Governing Board may hold closed executive sessions for discussion of matters consistent with the open meeting policy (the "Open Meeting Policy") adopted by the Governing Board. Only Governors, up to two (2) advisors for each Governor and certain officers and employees of the Corporation, as designated or otherwise permitted by the Governors, may be present during any closed session; provided, however, that to the extent deemed necessary by the Chairperson, any other person or persons having business before the Governing Board that relates specifically to the matter or matters to be discussed during any portion of a closed session may be present during such portion of a closed session. The Governing Board may, at any time during any meeting, vote to adjourn the open meeting and reconvene in a closed session if consistent with the Open Meeting Policy and at least a majority of the Governors present at such meeting vote in favor of such adjournment and reconvening.

10.3 *Public Comment.*

Consistent with the Open Meeting Policy, at each regularly scheduled meeting, the Governing Board shall provide an opportunity for members of the public to comment on matters being considered by the Governing Board at such time as the Governing Board shall specify on the agenda.

Section 11. Waivers of Notice.

The notice requirements contained in Article III, Section 9 of these bylaws may be waived in writing by any Governor with respect to that Governor, either before or after the meeting. The attendance of any Governor at a meeting without, as soon as reasonably practicable, protesting the lack of notice of such meeting shall constitute a waiver of notice by him or her. All waivers shall be made part of the minutes of the meetings. Waivers of notice for Emergency Meetings shall be governed by the provisions of Section 19 of this Article III.

Section 12. Quorum of Governors.

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A quorum for any meeting of the Governing Board shall be two-thirds of the Governors then in office. A meeting at which a quorum is initially present may continue to transact business notwithstanding the withdrawal of Governors, if any action taken is approved by the required number of Governors, as specified in these bylaws. Two-thirds of the Governors then present, whether or not constituting a quorum, may adjourn any meeting to another time and place.

Section 13. Voting of Governors.

13.1 *General.*

Except where a greater vote is required by the Articles of Incorporation, by applicable law or by these bylaws, the affirmative vote of a majority of the Governors then in office shall, subject to Sections 13.2 and 13.4, be the act of the Governing Board. Each Governor shall have one (1) vote.

13.2 *Recusals.*

Governors who have recused themselves on a particular matter will not be counted for purposes of determining whether a sufficient vote exists for purposes of actions taken by the Governing Board on that matter. In accordance with Section 5211(a)(7) of the California Nonprofit Corporation Law, nothing in this Section 13.2 shall permit the Board to take action unless at least one-fifth of the total Governors then in office are present and participating.

13.3 *Dissolution.*

At least two-thirds (2/3) of the Governors then in office must vote in favor of any resolution approving the dissolution of the Corporation for such resolution to be effective. In addition to any other required regulatory approvals, any resolution approving the dissolution of the corporation shall not take effect without requisite approval of any applicable governmental authority.

13.4 *Governor's Right to Appeal Certain State-Jurisdictional Matters.*

(a) *Right to Appeal Matters within the Exclusive Jurisdiction of the States.*

Any member of the Governing Board may appeal a decision of the Governing Board to an appropriate State Oversight Authority in accordance with Section 339 of the California Public Utilities Code (or any successor provision) or the provisions of any applicable state law that relate to the following matters within the exclusive jurisdictional authority of such State Oversight Authority: selection or confirmation of Governors by the State Oversight Authority; matters pertaining to retail electric service or retail sales of electric energy; ensuring that the purposes and functions of the Corporation are consistent with the purposes and functions of California nonprofit public benefit corporations, including duties of care and conflict of interest standards for Governors of the Corporation; functions assigned to the Corporation under state law; open meeting standards and meeting notice requirements; appointment of advisory representatives representing state interests; public access to corporate records; and the amendment of Bylaws relating to these matters.

(b) *No Conflict with Corporation's Duties as a Public Utility.*

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Nothing in this Section 13.4 shall prevent the Corporation from making any filing or taking any position at FERC, notwithstanding an appeal to a State Oversight Authority.

(c) Procedures.

A Governor bringing such an appeal shall transmit notice of the appeal to the Secretary of the Corporation by the close of the third business day following the day on which the Governing Board took action on the decision being appealed. The Governor bringing the appeal and the Corporation shall then proceed as specified in adopted procedures of the State Oversight Authority.

Section 14. Standard of Care.

14.1 General.

A Governor shall perform the duties of a Governor, including duties as a member of any committee of the Governing Board on which the Governor may serve, in good faith, in a manner that such Governor believes to be in the best interest of the Corporation and with such care, including reasonable inquiry, as an ordinarily prudent person in a like situation would use under similar circumstances.

14.2 Reliance.

In performing the duties of a Governor, a Governor shall be entitled to rely on information, opinions, reports or statements, including financial statements and other financial data, in each case prepared or presented by:

(a) One (1) or more officers or employees of the Corporation whom the Governor believes to be reliable and competent in the matters presented;

(b) Counsel, independent accountants or other persons as to matters that the Governor believes to be within such person's professional or expert competence; or

(c) A committee of the Governing Board upon which the Governor does not serve, as to matters within its designated authority, which committee the Governor believes to merit confidence, so long as, in any such case, the Governor acts in good faith, makes any reasonable inquiry when the need therefor is indicated by the circumstances and acts without knowledge that would cause such reliance to be unwarranted.

14.3 No Liability.

A person who performs the duties of a Governor in accordance with Sections 14.1 and 14.2 above shall have no liability to the Corporation, any other Governor or any other person based upon any failure or alleged failure to discharge that person's obligations as a Governor, including, without limiting the generality of the foregoing, any actions or omissions that exceed or defeat a public or charitable purpose to which the Corporation, or assets held by it, are dedicated.

14.4 Investments.

Except with respect to assets held for use or used directly in carrying out the Corporation's public benefit activities, in investing, reinvesting, purchasing, acquiring, exchanging, selling and managing the Corporation's investments, the Governing Board shall avoid

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unwarranted speculation, looking instead to the permanent disposition of the funds, considering the probable income, as well as the probable safety of the Corporation's capital. The provisions of Sections 14.1 through 14.3 of this Article III shall apply to this Section 14.4.

14.5 *Governors Code of Conduct.*

The Governing Board shall ensure that each Governor complies with the Governors Code of Conduct. The Governors Code of Conduct may be changed from time to time subject to approval by the Governing Board. The Governors Code of Conduct as amended from time to time may be attached to these bylaws as Exhibit A.

Section 15. Loans and Self-Dealing Transactions.

15.1 *Loans.*

The Corporation shall not make any loan of money or property to, or guarantee the obligation of, any individual Governor, officer or employee except where the loan is necessary, in the judgment of the Governing Board, to provide financing for the purchase of the principal residence of an officer or employee in order to secure the services or continued services of such officer or employee and the loan is secured by real property to the extent required by law; provided, however, that the Corporation may advance money to a Governor, officer or employee of the Corporation or any subsidiary for expenses reasonably anticipated to be incurred in performance of the duties of such Governor, officer or employee so long as such individual would be entitled to be reimbursed for such expenses absent that advance.

15.2 *Self-Dealing Transactions.*

The Governing Board shall not approve a transaction to which the Corporation is a party and in which one (1) or more of the Governors or their employers has a material financial interest and that does not meet the requirements of Section 15.3 below.

15.3 *Exempt Transactions.*

The following transactions are exempted from the prohibition of Section 15.2 above; provided, however, that any transaction described in paragraph (d) below must be included on the agenda of a regularly scheduled Governing Board meeting:

(a) A transaction that is part of a public or charitable program approved by the Governing Board and that results in a benefit to one (1) or more Governors or their families only because they are members of a substantial class of unrelated persons intended to be benefited by the program.

(b) A transaction of which the Governor with a material financial interest has no actual knowledge of the financial interest, and that does not exceed the lesser of one (1) percent of the gross receipts of the Corporation for the preceding fiscal year or One Hundred Thousand Dollars (\$100,000). However, a series of related transactions aggregating more than One Hundred Thousand Dollars (\$100,000) during a fiscal year will not be exempted pursuant to this provision.

(c) A transaction that has been approved in writing by the California Attorney General before or after it was consummated.

Adopted 05/06/97; Amended 2/98; Amended and Restated 8/98; Amended and Restated 8/99; Amended 12/99; Amended 4/01 (subject to FERC acceptance)

(d) A transaction that the Governing Board, having knowledge of the material facts concerning the transaction and the Governor's interest in the transaction, authorizes (by a vote of a majority of the Governors then in office without counting the vote of the interested Governor) after considering and in good faith determining, upon reasonable investigation under the circumstances, that (i) the transaction will be entered into by the Corporation for its own benefit, (ii) the transaction is fair and reasonable as to the Corporation and (iii) the Corporation could not have obtained a more advantageous arrangement with reasonable effort under the circumstances.

(e) The adoption of or any amendments to tariffs that are subject to approval by FERC.

Section 16. Inspection Rights.

Every Governor shall have the absolute right at any reasonable time to inspect and copy all books, records, and documents, and to inspect the physical properties of the Corporation. No Governor shall use or disseminate any non-public information obtained as a result of any such inspection, or otherwise in his or her capacity as a Governor, for his or her own personal gain, to the detriment of the Corporation or to the detriment of any competitors of any entity with which the Governor is affiliated except in connection with the enforcement of a tariff, contract or applicable law and consistent with the Corporation's policy regarding confidential information.

Section 17. Compensation.

17.1 *Retainers and Fees.*

Governors and Appointed Advisory Representatives shall receive compensation, which may take the form of an annual retainer and/or fees for attending each meeting of the Board or of Committees of the Board, as determined by the Governing Board, in order to ensure the fullest participation in the decisions of the Corporation and to avoid hardship on the part of such Governors and Appointed Advisory Representatives. Such determination may include compensation that differs for the Chairperson, chairpersons of Committees, other Board members and Appointed Advisory Representatives.

17.2 *Expense Reimbursement.*

Subject to approval by the Governing Board, Governors shall also be entitled to receive reimbursement for reasonable and necessary travel and other actual expenses incurred in performing duties of his or her office and in attending meetings of the Governing Board and meetings of committees of the Governing Board, whether or not such Governor is a member of that committee. Subject to approval by the Governing Board using equivalent standards to those used to review expenses incurred by members of the Governing Board, Appointed Advisory Representatives shall be entitled to reimbursement for reasonable and necessary expenses incurred in attending meetings of the Governing Board or meetings of committees of the Governing Board.

17.3 *Changes in Compensation.*

The Governing Board may from time to time modify any of the amounts permitted pursuant to this Section 17 by an affirmative vote of a majority of the Governors then in office and such modification shall not be considered an amendment to these bylaws.

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Section 18. Interested Persons Limit.

18.1 *General Limitation.*

In accordance with Section 5227 of the California Nonprofit Corporation Law, not more than forty-nine percent (49%) of the persons serving on the Corporation's Governing Board may be interested persons. For purposes of this section, "interested persons" means either:

(a) Any person currently being compensated by the Corporation for services rendered to it within the previous twelve (12) months, whether as a full- or part-time employee, independent contractor, or otherwise excluding any reasonable compensation paid to a director as a director; or

(b) Any brother, sister, ancestor, descendant, spouse, brother-in-law, sister-in-law, son-in-law, daughter-in-law, mother-in-law or father-in-law of any such person.

18.2 *Specific Limitation on Balance of Interests.*

A simple majority of the Governing Board shall consist of persons who are themselves unaffiliated with electric generation, transmission or distribution corporations.

Section 19. Emergency Meetings.

19.1 *In General.*

In the case of an emergency situation involving matters upon which prompt action is necessary and in which it is not practicable to convene a regular or special meeting of the Governing Board, the Chairperson, the President or any three Governors may call an emergency meeting of the Governing Board. For purposes of this section, the Governing Board shall determine whether an emergency situation exists by setting forth written standards in the Corporation's Open Meeting Policy then in effect. During a meeting prior to the emergency meeting, or at the beginning of the emergency meeting, the Board shall determine if an emergency exists under those standards.

19.2 *Notice to Governors.*

Notice of an emergency meeting shall be given to the Governors in accordance with the requirements set forth in the Open Meeting Policy then in effect. Such notice shall be delivered personally or by telephone, including a voice messaging system or other system or technology designed to record and communicate messages, by facsimile, by electronic mail or by other electronic means and shall be deemed given at the time set forth in Section 5015 of the California Nonprofit Corporation Law or any successor provision thereof. The notice requirements of this section may be waived in writing by any Governor with respect to that Governor, either before or after the meeting. The attendance of any Governor at an emergency meeting without, as soon as reasonably practicable, protesting the lack of notice of such emergency meeting shall constitute a waiver of notice by him or her. All waivers shall be made part of the minutes of the emergency meeting.

19.3 *Notice to the Public.*

Adopted 05/06/97; Amended 2/98; Amended and Restated 8/98; Amended and Restated 8/99; Amended 12/99; Amended 4/01 (subject to FERC acceptance)

Public notice of an emergency meeting shall be provided in accordance with the Corporation's Open Meeting Policy then in effect.

ARTICLE IV: COMMITTEES

Section 1. Committees of Governors.

The Governing Board may, by resolution adopted by two-thirds of the Governors then in office, designate one (1) or more committees, including an Executive Committee, each consisting of two (2) or more Governors, to serve at the pleasure of the Governing Board. Appointments to such committees shall be made annually by a two-thirds vote of the Governors then in office. Any such committee, to the extent delegated in the resolution, shall have all the authority of the Governing Board, except that no committee, regardless of the Governing Board resolution, may:

- (a) Fill vacancies on the Governing Board or on any committee;
- (b) Fix compensation of Governors for serving on the Governing Board or any committee;
- (c) Amend, repeal or modify these bylaws or adopt new bylaws;
- (d) Amend, repeal or modify any resolution of the Governing Board that by its express terms is not so amendable, repealable or modifiable;
- (e) Appoint any other committees of the Governing Board or the members of these committees; or
- (f) Approve any self-dealing transaction as referred to in Section 15 of Article III.

Section 2. Advisory Committees.

Advisory committees may be appointed from time to time by two-thirds of the Governors then in office. Advisory committees' membership may consist of both Governors and non-governors or non-governors only. Advisory committees have no legal or expressed authority to act for the Corporation, but shall report their findings and recommendations to the Governing Board or Committee of Governors thereof. In appointing committee members, the Governing Board shall, to the extent practicable, ensure that the composition of the committee reflects the broad range of entities representing all Classes that express interest in participating in that committee.

Section 3. ADR Committee.

The Governing Board shall appoint a committee of the Board of Governors called the ADR Committee, which will perform the duties specified under Section 13 of the Corporation's Operating Agreement and Tariff. The ADR Committee shall also have such other duties as are assigned by the Board of Governors.

Section 4. Audit Committee.

Adopted 05/06/97; Amended 2/98; Amended and Restated 8/98; Amended and Restated 8/99; Amended 12/99; Amended 4/01 (subject to FERC acceptance)

There shall be an Audit Committee of the Governing Board consisting of two (2) or more Governors elected by the Governing Board. The Audit Committee shall have no powers of the Governing Board but shall serve in an advisory capacity by reviewing the Corporation's annual independent audit and preparing a report for the Governing Board. In addition, the Audit Committee shall monitor compliance with the Employees' and Governors' Codes of Conduct which may be attached as Exhibits A and B hereto to ensure the independence of the Corporation and shall make regular reports to the Governing Board regarding such compliance. The Audit Committee shall make recommendations from time to time to the Governing Board as to the implementation of procedures to ensure continued compliance with the Codes of Conduct.

Section 5. Committee Meetings.

Meetings of committees of the Governing Board, notices of such meetings and the actions of such committees shall be governed by and held and taken in accordance with the provisions of Article III of these bylaws concerning meetings of the Governing Board. For the purposes of the application of Article III to the meetings of Governing Board committees, references in Article III to the Governing Board shall be read as references to the relevant committee of the Governing Board. Minutes shall be kept of each meeting of any committee and shall be sent to each Governor promptly after the meeting and filed with the corporate records. The Governing Board may adopt rules for the governance of any committee not inconsistent with the provisions of these bylaws.

ARTICLE V: APPOINTED ADVISORY REPRESENTATIVES

Section 1. Advisory Representatives.

The State Oversight Authority may appoint advisory representatives representing state governmental interests, and the Governing Board may appoint any other advisory representatives, who shall retain this designation at the pleasure of the State Oversight Authority or the Governing Board, respectively. Such representatives may include representatives of other transmission control areas, public agencies or organizations with expertise relevant to the operation of the Corporation, or other particularly relevant entities.

Section 2. Terms of Participation.

Advisory representatives shall not be members of the Governing Board and shall not be entitled to vote or act on behalf of the Corporation in any capacity. Advisory representatives shall be entitled to receive notice of meetings and agendas in the same manner as members of the Governing Board and to attend meetings and to participate generally in Governing Board meetings except as provided below. The Governing Board may vote to exclude advisory representatives from the portions of a closed meeting dealing with a specified subject or subjects as the Governing Board deems necessary due to particular sensitivity of information to be discussed or to a reasonably likely conflict of interest. As a condition of participating in any closed session, the Corporation may require an advisory representative to enter into an agreement restricting disclosure or use of information that may be revealed in such sessions.

ARTICLE VI: OFFICERS AND STAFF

Section 1. Officers.

Adopted 05/06/97; Amended 2/98; Amended and Restated 8/98; Amended and Restated 8/99; Amended 12/99; Amended 4/01 (subject to FERC acceptance)

The officers of the Corporation shall be a President, a Secretary, a Chief Financial Officer, a Treasurer, a General Counsel and such other officers as the Governing Board may appoint.

Section 2. Appointment.

The Governing Board shall appoint all officers of the Corporation for such terms as the Governing Board shall specify.

Section 3. Removal.

Subject to the rights, if any, of the officer under any contract of employment, any officer of the Corporation may be removed at any time with or without cause by the Governing Board.

Section 4. Resignation.

Any officer may resign at any time by giving written notice to the Corporation. Any resignation shall take effect on the date of the receipt of that notice or at any later time specified by that notice and unless otherwise specified in that notice, the acceptance of the resignation shall not be necessary to make it effective. Any resignation is without prejudice to the rights, if any, of the Corporation under any contract of employment with the officer.

Section 5. President

The President shall be the chief executive officer of the Corporation and shall be responsible for conducting the affairs of the Corporation in a manner consistent with the policies and directives of the Governing Board. He or she shall have such additional powers and duties as may be prescribed by the Governing Board.

Section 6. Secretary.

The Secretary shall serve notice of and act as Secretary at all meetings of the Governing Board, shall prepare agendas for the Governing Board, shall record the proceedings of all meetings in the minute books and shall be responsible for conducting the affairs of the Corporation in a manner consistent with the policies and directives of the Governing Board. The Secretary shall have such additional powers and duties as shall be prescribed by the Governing Board.

Section 7. Chief Financial Officer.

The Chief Financial Officer of the Corporation shall be responsible for maintaining books and records of the Corporation, and shall prepare and submit such accounting and tax forms as may be required by local, state and federal law. The Chief Financial Officer shall have such additional powers and duties as shall be prescribed by the Governing Board.

Section 8. Treasurer.

The Treasurer of the Corporation shall have charge and custody of and shall receive, safeguard, disburse and account for all funds of the Corporation, and shall deposit and invest them in such banks, other depositories or investments as may be designated by the Governing Board. The Treasurer shall have such additional powers and duties as shall be prescribed by the Governing Board.

Adopted 05/06/97; Amended 2/98; Amended and Restated 8/98; Amended and Restated 8/99; Amended 12/99; Amended 4/01 (subject to FERC acceptance)

Section 9. General Counsel.

The General Counsel of the Corporation shall serve as the attorney and legal advisor for the Corporation and shall represent the Corporation in all legal proceedings involving the Corporation at law or in equity. The General Counsel shall have such additional powers and duties as shall be prescribed by the Governing Board.

Section 10. Additional Officers.

The Governing Board may appoint one (1) or more additional officers to perform such duties and have such powers as the Governing Board shall designate.

Section 11. Compensation.

Compensation of the officers shall be determined by the Governing Board.

Section 12. Execution of Instruments.

The President shall have the authority to execute legal instruments on behalf of the Corporation, subject to any restrictions or limitations that the Governing Board may impose. The President's authority to execute legal instruments on behalf of the Corporation may be delegated by the President to officers and employees of the Corporation on a general or limited basis with the prior approval of the Governing Board.

Section 13. Staffing.

Officers of the Corporation may hire or contract with such staff as is necessary to fulfill the purposes of the Corporation.

Section 14. Employees Code of Conduct.

The Governing Board shall ensure that the officers, employees and substantially full-time consultants and contractors of the Corporation comply with the Employees Code of Conduct. The Employees Code of Conduct may be amended from time to time. The Employees Code of Conduct, as amended from time to time, may be attached to these bylaws as Exhibit B. All contracts with non-full-time contractors shall include appropriate conduct standards, as determined by the Governing Board from time to time, taking into account the nature of the work of such contractor and the value of contractor's work for the Corporation.

ARTICLE VII: RECORDS

Section 1. Minute Book.

The Corporation shall keep or cause to be kept a minute book that shall be available for public inspection during the Corporation's normal business hours and shall contain:

(a) The record of all meetings of the Governing Board including the date, place, those attending the proceedings thereof (other than members of the public), a copy of the notice of the

Adopted 05/06/97; Amended 2/98; Amended and Restated 8/98; Amended and Restated 8/99; Amended 12/99; Amended 4/01 (subject to FERC acceptance)

meeting and when and how given, waivers of notice of meeting, written consents to holding meeting, written approvals of minutes of meeting and similarly as to meetings of committees of the Governing Board and as to meetings or written consents of the Incorporator of the Corporation prior to the appointment of the initial Governing Board.

(b) A copy of the Articles of Incorporation and all amendments thereof and a copy of all certificates filed with the Secretary of State.

(c) A copy of these bylaws, as amended, duly certified by the Secretary.

Section 2. Annual Report.

2.1 *Financial Statements.*

Financial statements shall be prepared as soon as reasonably practicable after the close of the fiscal year. The financial statements shall be prepared in accordance with FERC's Uniform System of Accounts and contain in appropriate detail the following:

(a) The assets and liabilities, including trust funds, of the Corporation as of the end of the fiscal year;

(b) The principal changes in assets and liabilities, including trust funds, during the fiscal year;

(c) The revenue or receipts of the Corporation, both unrestricted and restricted to particular purposes, for the fiscal year;

(d) The expenses or disbursements of the Corporation, for both general and restricted purposes during the fiscal year;

(e) Any transaction or series of related transactions during the previous fiscal year involving Forty Thousand Dollars (\$40,000.00) or more to which the Corporation or a subsidiary was a party and in which any Governors or officers of the Corporation or subsidiary had or has a direct or indirect material financial interest. The report must disclose the name of each interested person involved in such transaction, stating such person's relationship to the Corporation, the nature of such person's interest in the transaction and, where practicable, the amount of such interest; and

(f) The amount and circumstances of any indemnification or advances aggregating more than Ten Thousand Dollars (\$10,000.00) paid during the fiscal year to any officer or Governor of the Corporation.

2.2 *Certification.*

Such financial statements shall be accompanied by any report thereon of independent accountants, or, if there is no such report, the certificate of an authorized officer of the Corporation that such statements were prepared without audit, under generally accepted accounting principles, from the books and records of the Corporation.

2.3 *Distribution of Annual Report.*

Adopted 05/06/97; Amended 2/98; Amended and Restated 8/98; Amended and Restated 8/99; Amended 12/99; Amended 4/01 (subject to FERC acceptance)

A report including the financial statements prescribed above shall be furnished annually to all Governors of the Corporation and be made available to the general public.

Section 3. Availability of Public Information.

Information regarding the Corporation and its operations, other than information that the Governing Board has determined must be kept confidential in order to protect the interests of the Corporation or information received by the Corporation that is subject to a confidentiality obligation, shall be publicly available, provided that the Corporation may require any recipient of such information to pay the reasonable costs of providing such information. Such information shall include, but not be limited to, transmission system status information through the Corporation's electronic notification site, minutes of public meetings of the Governing Board and non-confidential business records of the Corporation.

Section 4. Records Retention.

The Governing Board shall develop and cause to be implemented a records retention program complying with FERC requirements and any other applicable laws.

ARTICLE VIII: INDEMNIFICATION

Section 1. Indemnification of Governors, Officers and Employees.

The Corporation shall indemnify its Governors and officers to the maximum extent permitted by the provisions of Section 5238 of the California Nonprofit Corporation Law, and may indemnify its employees and other eligible persons pursuant to the provisions of Section 5238 of the California Nonprofit Corporation Law, or pursuant to a contract entered into with any employee who is not an officer or Governor.

Section 2. Advancement of Expenses.

Expenses incurred in defending any proceeding shall be advanced by the Corporation as authorized in Section 5238 of the California Nonprofit Corporation Law prior to final disposition of such proceeding, upon receipt of an undertaking by or on behalf of the Governor, officer or employee to repay such amount unless it shall be determined ultimately that the Governor, officer or employee is entitled to be indemnified.

ARTICLE IX: MISCELLANEOUS

Section 1. Fiscal Year.

The fiscal year of the Corporation shall be determined by resolution of the Governing Board.

Section 2. Corporation Seal.

The Corporation shall have a seal that shall be specified by resolution of the Governing Board. The seal shall be affixed to all corporate instruments, but failure to affix it shall not affect the validity of the instrument.

Adopted 05/06/97; Amended 2/98; Amended and Restated 8/98; Amended and Restated 8/99; Amended 12/99; Amended 4/01 (subject to FERC acceptance)

Section 3. Amendment of Bylaws.

3.1 *Approval by Governing Board and Filing with FERC.*

Subject to Sections 3.2 and 3.3 below, these bylaws may be amended by the vote of at least two-thirds of the Governors then in office. In addition, if and to the extent required by applicable law, the effectiveness of any amendment to these bylaws shall be subject to acceptance for filing by FERC. All Governors and the State Oversight Authority must receive at least thirty (30) days prior written notice of any vote on amending these bylaws.

3.2 *Approval by State Oversight Authority.*

The State Oversight Authority shall approve any bylaw amendments relevant to the matters subject to the exclusive jurisdiction of the relevant state, as set forth below:

- (a) matters pertaining to retail electric service or retail sales of electric energy;
- (b) ensuring that the purposes and functions of the Corporation are consistent with the purposes and functions of nonprofit public benefit corporations in the state, including duties of care and conflict of interest standards for Governors of the Corporation;
- (c) state functions assigned to the Corporation under state law;
- (d) open meeting standards and meeting notice requirements;
- (e) appointment of advisory representatives representing state interests; and
- (f) public access to Corporation records.

Section 4. Reimbursement of Expenses of the Corporation.

The Corporation shall provide full reimbursement for monies reasonably and necessarily expended on behalf of the Corporation by its Governors, officers and employees.

Section 5. Alternative Dispute Resolution.

Contracts and agreements to which the Corporation is a party shall, to the extent practicable, reasonable and permitted by law, include a requirement to settle disagreements in accordance with the alternative dispute resolution procedure described in the ISO Tariff.

Adopted 05/06/97; Amended 2/98; Amended and Restated 8/98; Amended and Restated 8/99; Amended 12/99; Amended 4/01 (subject to FERC acceptance)