

SUMMARY OF APPROVED CHANGES TO  
CALIFORNIA ISO BYLAWS

ARTICLE III – BOARD OF GOVERNORS

- Section 6 – Term of Office of Governors
  - Extends the term of the initial Board of Governors to November 30, 1999 or 120 days following final resolution of the state/federal governance appeal, whichever comes first.
  - Clarifies that staggering of Board terms begins upon expiration of the Board's initial terms, not with terms beginning in 1998.
  - Clarifies that the 12-year limit on Board service applies whether years are served consecutively or intermittently.
  - States that a Governor can serve out the term in which his or her twelfth year of service occurs
- Section 7 – Vacancies and Removal
  - Clarifies that a Governor filling a vacancy of another Governor is assigned to the committees of that Governor's predecessor.
- Section 9 – Notice of Governing Board Meetings
  - Provides that public notices of meetings will not be posted at the ISO's offices, due to the secured nature of the facility.
- Section 10 – Open Meetings
  - Adds references to the ISO's Open Meeting Policy.
- Section 13 – Voting of Governors
  - Provides that abstaining/recusing Governors are not counted in the numerator or denominator of any voting calculation, provided that the statutorily-required one-fifth quorum minimum is present.<sup>1</sup>
- Section 14 – Standard of Care
  - Eliminates certain contradictory standards of conduct for Governor liability to the Corporation.<sup>2</sup>
- Section 17 – Compensation
  - Eliminates old compensation figures and emphasizes flexibility in determining Governor compensation.
  - Clarifies current ISO policy to provide Governor compensation for Appointed Advisory Representatives.
  - Clarifies that the President of the ISO is not eligible to receive Governor compensation, but may be reimbursed for expenses.
- Section 19 – Emergency Meetings
  - Implements the Emergency Meetings provisions included in the Open Meeting Policy adopted by the Board in March 1998. This provision is modified from earlier drafts to provide for definition of "emergency" in the Open Meeting Policy.

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<sup>1</sup> The amendment states that if a Governor recuses him or herself from voting on a particular matter, that Governor will not be counted in determining the number of Governors required in order to approve the matter. Under the current bylaws, a Governor who abstains from voting or recuses herself is, practically, counted as a "no" vote. This amendment will subtract the recusing Governor(s) from both the numerator and denominator of the vote approval calculation.

<sup>2</sup> California nonprofit corporations law provides that a Governor must act, among other things, "with such care, including reasonable inquiry, as an ordinarily prudent person in a like situation would use under similar circumstances." This standard is embodied in current bylaw Section 14 (amendment Section 14.1). Current section 14 goes on to provide, however, that a Governor has no liability to the Corporation if he or she complies with that standard, except in the case of willful neglect, gross negligence or intentional misconduct. Because the current provision leaves open the possibility that a Governor could be negligent and STILL have a liability waiver – even though it would be impossible to meet the corporate standard of care in such a circumstance – amendment Section 14.3 on liability is harmonized with the corporate standard of care applied to all Governors.

#### ARTICLE IV – COMMITTEES

- Section 2 – Advisory Committees
  - Clarifies that a two-thirds Board vote is required to establish an Advisory Committee.
  - Permits advisory committees to report to Board-established standing committees.
- Section 3 – ADR Committee
  - Establishes the ADR Committee as a Board committee (not merely advisory).
  - Provides that the ADR Committee may have other tasks, as assigned by the Board.

#### ARTICLE VI – OFFICERS AND STAFF

- Section 1 – Officers
  - Strikes the current limitation on holding more than one office at one time.
- Section 8 – Treasurer
  - Adds a new office of Treasurer.
- Section 11 – Execution of Instruments
  - Deletes reference to “written” approval of Governing Board for appropriate delegation of authority (the Governing Board acts by motion or resolution– doesn’t necessarily take “written” action).
- Section 13 (former) – Transition Staffing
  - Deletes this section as unnecessary.

#### ARTICLE VIII – INDEMNIFICATION

- Section 1 – Indemnification of Governors, Officers and Employees
  - Provides for mandatory indemnification for Governors and Officers, and retains permissive indemnification for employees and other eligible persons.<sup>3</sup>
  - Provides for mandatory advancement of expenses for Governors, Officers and employees.

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<sup>3</sup> The current bylaws give the Corporation the discretion to indemnify its Governors, officers and employees, and to advance to such persons legal and other expenses, in accordance with California corporations law. The amendment makes the indemnification mandatory for Governors and officers, so long as the requirements of the statute are satisfied. In a civil case, for example, that statute requires that a Governor receiving indemnification must have acted in good faith and in a manner such person reasonably believed to be in the best interests of the corporation.