

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

TABLE OF CONTENTS

	<u>Page</u>
<u>ARTICLE I</u>	
OFFICES .....	1
<u>ARTICLE II</u>	
PURPOSES AND OBJECTIVES	
Section 1. Purposes .....	1
Section 2. Authority to Operate Transmission Facilities .....	2
<u>ARTICLE III</u>	
BOARD OF GOVERNORS	
Section 1. Powers .....	2
Section 2. Number of Governors.....	2
Section 3. Composition and Selection of Governing Board .....	2
3.1 Classes in General .....	2
3.2 Definitions.....	2
3.3 Selection of Governors Designate.....	3
(a) Investor-Owned Utility Transmission Owners.....	3
(b) Municipal Utilities.....	3
(c) Governmental Market Participant Entities .....	4
(d) Non-Utility Electricity Sellers.....	4
(e) Public Buyers and Sellers .....	5
(f) Private Buyers and Sellers .....	5
(g) Agricultural End-Users.....	6
(h) Industrial End-Users.....	6
(i) Commercial End-Users .....	6
(j) Residential End-Users.....	7
(k) End-Users At-Large .....	7
(l) Public Interest Groups .....	8
(m) Non-Market Participants.....	8
(n) Chairperson.....	9
Section 4. Procedures for Appointment and Election of Governors .....	9
4.1 Appointment of Governors by the Oversight Board.....	9
4.2 Limit on Participation in More than One Class.....	9
4.3 Self Certification.....	9
4.4 List of Eligible Entities by Class .....	10
4.5 Other Procedures .....	10
Section 5. Record Date.....	10
Section 6. Term of Office of Governors.....	10
Section 7. Vacancies and Removal .....	10
Section 8. Meetings of the Governing Board .....	11
8.1 Quarterly Meetings .....	11
8.2 Other Meetings.....	11

	8.3 Participation Electronically.....	11
Section 9.	Notice of Governing Board Meetings .....	11
	9.1 Notice to Governors.....	11
	9.2 Public Notice.....	11
Section 10.	Open Meetings.....	12
	10.1 Meetings to Be Open to Public.....	12
	10.2 Executive Sessions .....	12
	10.3 Public Comment.....	12
Section 11.	Waivers of Notice .....	12
Section 12.	Quorum of Governors .....	12
Section 13.	Voting of Governors .....	12
	13.1 General.....	12
	13.2 Recusals.....	12
	13.3 Dissolution .....	12
	13.4 Governor's Right of Appeal.....	13
Section 14.	Standard of Care.....	13
	14.1 General.....	13
	14.2 Reliance.....	13
	14.3 No Liability .....	13
	14.4 Investments .....	13
	14.5 Governors Code of Conduct.....	13
Section 15.	Loans and Self-Dealing Transactions.....	14
	15.1 Loans .....	14
	15.2 Self-Dealing Transactions.....	14
	15.3 Exempt Transactions.....	14
Section 16.	Inspection Rights.....	14
Section 17.	Compensation .....	15
	17.1 Retainers and Fees .....	15
	17.2 Expense Reimbursement.....	15
	17.3 Changes in Compensation.....	15
Section 18.	Interested Persons Limit.....	15
	18.1 General Limitation .....	15
	18.2 Specific Limitation on Utility Interests.....	15
Section 19	Emergency Meetings.....	15
	19.1 In General.....	15
	19.2 Notice to Governors.....	16
	19.3 Notice to the Public.....	16

ARTICLE IV

COMMITTEES

Section 1.	Committees of Governors .....	16
Section 2.	Advisory Committees .....	16
Section 3.	ADR Committee .....	17
Section 4.	Technical Advisory Committee.....	17
Section 5.	Audit Committee.....	17
Section 6.	Committee Meetings .....	17

ARTICLE V

APPOINTED ADVISORY REPRESENTATIVES

Section 1.	Advisory Representatives .....	17
Section 2.	Terms of Participation .....	17

ARTICLE VI

OFFICERS AND STAFF

Section 1.	Officers .....	18
Section 2.	Appointment .....	18
Section 3.	Removal .....	18
Section 4.	Resignation .....	18
Section 5.	President .....	18
Section 6.	Secretary .....	18
Section 7.	Chief Financial Officer .....	18
Section 8.	Treasurer .....	18
Section 9.	General Counsel .....	18
Section 10.	Additional Officers .....	19
Section 11.	Compensation .....	19
Section 12.	Execution of Instruments .....	19
Section 13.	Staffing .....	19
Section 14.	Employees Code of Conduct .....	19

ARTICLE VII

RECORDS

Section 1.	Minute Book .....	19
Section 2.	Annual Report .....	19
	Section 2.1 Financial Statements .....	19
	Section 2.2 Certification .....	20
	Section 2.3 Distribution of Annual Report .....	20
Section 3.	Availability of Public Information .....	20
Section 4.	Records Retention .....	20

ARTICLE VIII

INDEMNIFICATION

Section 1.	Indemnification of Governors, Officers and Employees .....	20
------------	--	----

Section 2.	Advancement of Expenses .....	21
------------	-------------------------------	----

ARTICLE IX

MISCELLANEOUS

Section 1.	Fiscal Year .....	21
Section 2.	Corporation Seal .....	21
Section 3.	Amendment of Bylaws .....	21
	Section 3.1 Approval of Amendments .....	21
	Section 3.2 Approval of Amendments of Articles III, IV or V .....	21
Section 4.	Reimbursement of Expenses of the Corporation .....	21
Section 5.	Alternative Dispute Resolution .....	21
Section 6.	FERC Governance Review Filing .....	21

## 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

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 a maximum of thirty-one (31) members of the Governing Board.

**Section 3. Composition and Selection of Governing Board.**

**3.1 Classes in General.** Subject to Sections 4.1 and 6 of this Article III, the Governing Board shall include Governors selected by or from the following classes (the "Classes"): investor-owned utility transmission owners, municipal utilities, governmental market participant entities, non-utility electricity sellers, public buyers and sellers, private buyers and sellers, agricultural end-users, industrial end-users, commercial end-users, residential end-users, end-users at large, public interest groups, non-market participants and a Chairperson who may be appointed without attribution to any of the Classes. In addition, the President of the Corporation shall be a member of the Governing Board. As contemplated by Section 337 of the California Public Utilities Code (or any successor provision) all Governors shall be residents of California.

**3.2 Definitions.**

"Oversight Board" means the Oversight Board described in Sections 335 to 340 of the California Public Utilities Code (or any successor provisions).

"Participating State" means any state in which control of more than fifty percent (50%) of the MW-circuit miles of transmission capacity within that state has been transferred to the Corporation.

**3.3 Selection of Governors Designate.** The Classes shall select Governors Designate (as defined in Article III Section 4.1) as follows:

(a) **Investor-Owned Utility Transmission Owners** (the "IOU Transmission Owners") may initially seat three (3) Governors, in accordance with this Section 3.3(a).

(i) Investor-owned transmission owning entities that have transferred control of their transmission facilities to the Corporation shall be eligible to participate in this Class. In recognition of the state and federal policy decisions authorizing them to transfer operational control of their transmission systems to the Corporation, and until such time as the membership of this Class has increased to five (5), Pacific Gas and Electric Company, San Diego Gas and Electric Company and Southern California Edison Company shall each be entitled to select one (1) Governor Designate who is subsequently confirmed as a Governor by the Oversight Board. If four (4) or more IOU Transmission Owners have transferred control of their transmission facilities to the Corporation then this Class shall be entitled to seat one (1) additional Governor taking the total number of Governors appointed by this Class to four (4) (which shall be the maximum). In such an event, the fourth IOU Transmission Owner shall be entitled to select its own Governor Designate (as defined in Article III Section 4.1). If five (5) or more IOU Transmission Owners transfer control of their transmission facilities to the Corporation the four (4) Governors Designate for this Class shall be elected by all participants in this Class in accordance with Article III Section 3.3(a)(ii).

(ii) If five (5) or more IOU Transmission Owners transfer control of their transmission facilities to the Corporation, voting for the election of Governors Designate of this Class shall be weighted based on the respective MW-circuit miles of transmission facilities transferred to the Corporation by each IOU Transmission Owner. The MW-circuit-mile votes for each IOU Transmission Owner shall be calculated by multiplying (A) the previous year's recorded MW transmitted at the time of the Corporation's control area peak through transmission facilities which the IOU Transmission Owner owns or, where such facilities are owned by another entity, has control rights to, without duplication, and which the IOU Transmission Owner has transferred control of to the Corporation; and (B) circuit miles of transmission transferred to the Corporation's control weighted according to the circuit miles of transmission in each operating voltage class.

(iii) Each IOU Transmission Owner may cast its votes for only one (1) Governor Designate. If a Governor selected by this Class resigns or is otherwise removed from office prior to the expiration of the term to which he or she was appointed, only the entities that voted for such Governor may elect a Governor Designate to replace such Governor for the remainder of such Governor's term.

(b) **Municipal Utilities** may seat four (4) Governors in accordance with this Section 3.3(b).

(i) Entities eligible to participate in this Class shall be (A) any municipality or municipal corporation, municipal utility district, public utility district or irrigation district that furnishes electric services, or a joint powers authority that includes one (1) or more of these agencies and that owns generation or transmission facilities, or furnishes electric services over its own or its members' electric distribution system, provided that in each case the entity's service area shall be within the ISO Controlled Grid; and (B) similar entities organized under the laws of other states that have transferred operational control of transmission facilities to the Corporation.

(ii) At an annual meeting of the members of the Municipal Utility Class, a Governor Designate or Governors Designate shall be elected to fill the seat or seats for terms which expire during the next calendar year. Upon occurrence of a mid-term vacancy of any seat for this Class,



or upon failure of Governors Designate to be confirmed, the Class shall promptly meet for the purpose of choosing a replacement Governor Designate to represent this Class on the Governing Board.

(iii) Eligible candidates may be nominated by themselves or any other member of this Class. The successful candidates shall be elected pursuant to voting mechanisms agreed to by this Class. The secretary of the meeting at which the election of Governors Designate was conducted shall provide details of the election of Governors Designate to the Secretary.

(c) **Governmental Market Participant Entities** (the "Governmental Entities") may initially seat one (1) Governor in accordance with this Section 3.3(c).

(i) Entities eligible to participate in this Class shall be (A) public entities owning generation or transmission assets that are within the ISO Controlled Grid and that are either a federal power marketing agency, a state department responsible for operating the State Water Project, a city and county that provides public power pursuant to the Raker Act, 38 Stat. 242 (1913), or a metropolitan water district organized for the purpose of delivering State Water Project water and Colorado River Aqueduct water on a wholesale basis to the southern California coastal plain and similar entities organized under the laws of other Participating States; or (B) similar entities, organized under the laws of any other state, that have transferred operational control of transmission facilities to the Corporation.

(ii) If one (1) or more Governmental Entities have transferred control of their transmission facilities to the Corporation then this Class shall be entitled to seat one (1) additional Governor taking the total number of Governors appointed from selections by this Class to two (2) (which shall be the maximum).

(iii) The Governmental Entity Governor(s) Designate shall be elected by members of the Class, and each member of the Class shall have one (1) vote.

(d) **Non-utility Electricity Sellers** may seat two (2) Governors in accordance with this Section 3.3(d).

(i) Independent power producers, FERC-certified qualifying facilities, exempt wholesale generators and non-utility generators shall be eligible to participate in this Class. Utilities that participate in another Class and their affiliates and municipal utilities or governmental entities and their affiliates shall not be eligible to participate in this Class.

(ii) In any election, entities eligible to vote shall be limited to those entities that have employed the services of the Corporation for energy-related purposes at any time during the twelve (12) months preceding the Record Date (as defined in Article III Section 5). The Secretary shall maintain a current list of the name and address of each entity entitled to participate in the election of Governors Designate by this Class.

(iii) As soon as reasonably practicable but not later than thirty (30) days after the vacancy of a seat on the Governing Board designated for this Class, or sixty (60) days prior to the expiration of the term of office of a Governor in this Class, the Secretary shall solicit nominations to fill the vacant position. In soliciting nominations, the Secretary shall provide notice of nomination and election procedures to all entities entitled to participate in the election of Governors Designate for this Class. In addition, the Secretary shall provide for public notice, through the Corporation's electronic notification site or other reasonable means, of the nomination and election procedures.

(iv) The Secretary shall conduct an election to fill the vacant seat by providing initial ballots and ballot instructions to each entity entitled to participate in the election. If more than one

(1) seat is up for election at any one time, the Secretary shall conduct sequential elections to fill the vacant seats. The initial ballots shall include a list of all nominees forwarded, in a timely manner, to the Secretary. Each entity entitled to participate in the election of Governors Designate of this Class shall have one (1) vote. The Secretary shall provide reasonable time for entities to cast their ballots. At the close of voting, the Secretary shall tabulate the results. The nominee receiving the most votes shall be the Governor Designate so long as that nominee also receives at least fifty (50) percent of the votes cast in the ballot. If on the first ballot no nominee receives at least fifty (50) percent of the votes cast, the Secretary shall conduct sequential ballots in the same manner as the initial ballot, except that the nominees for each subsequent ballot shall be limited to the nominees receiving the most votes in the preceding ballot and which together represent at least fifty (50) percent of the total votes cast.

(e) **Public Buyers and Sellers** may seat one (1) Governor in accordance with this Section 3.3(e).

(i) Public entities that have purchased or sold wholesale energy using the ISO Controlled Grid at any time during the twelve (12) months preceding the Record Date shall be eligible to vote in any election of a Governor Designate for this Class. The Secretary shall maintain a current list of the name and address of each entity eligible to vote in the election of a Governor Designate for this Class.

(ii) As soon as reasonably practicable but not later than thirty (30) days after the vacancy of the seat on the Governing Board designated for this Class, or sixty (60) days prior to the expiration of the term of office of the Governor of this Class, the Secretary will distribute ballots listing the name and qualifications of nominees for this Class. Such ballots must be returned by no later than the date specified on the ballot, which shall be no more than thirty (30) days following the Record Date. Each entity shall have one (1) vote, and the nominee or nominees receiving the greatest number of votes shall be elected as the Governor Designate of this Class.

(f) **Private Buyers and Sellers** may seat one (1) Governor in accordance with this Section 3.3(f).

(i) Private entities, including FERC-certified power marketers, that use the services of the Corporation to buy or sell energy and associated services shall be eligible to participate in this Class. Utilities that participate in another Class and their affiliates and municipal utilities or governmental entities and their affiliates shall not be eligible to participate in this Class.

(ii) In any election, entities eligible to vote shall be limited to those entities that have employed the services of the Corporation for energy-related purposes at any time during the twelve (12) months preceding the Record Date. The Secretary shall maintain a current list of the name and address of each entity eligible to vote in any election of a Governor Designate for this Class.

(iii) As soon as reasonably practicable but not later than thirty (30) days after the vacancy of the seat on the Governing Board designated for this Class, or sixty (60) days prior to the expiration of the term of office of the Governor in this Class, the Secretary shall solicit nominations to fill the vacant position. In soliciting nominations, the Secretary shall provide notice of nomination and election procedures to all entities entitled to participate in the election of the Governor Designate for this Class. In addition, the Secretary shall provide for public notice, through the Corporation's electronic notification site or other reasonable means, of the nomination and election procedures.

(iv) The Secretary shall conduct an election to fill the vacant seat by providing initial ballots and ballot instructions to each entity eligible to vote in the election. The initial ballots shall include a list of all nominees forwarded, in a timely manner, to the Secretary. Each entity eligible to

vote in the election of Governors Designate of this Class shall have one (1) vote. The Secretary shall provide reasonable time for entities to cast their ballots. At the close of voting, the Secretary shall tabulate the results. The nominee receiving the most votes shall be the Governor Designate so long as that nominee also received at least fifty (50) percent of the votes cast in the ballot. If on the first ballot no nominee receives at least fifty (50) percent of the votes cast, the Secretary shall conduct sequential ballots in the same manner as the initial ballot, except the nominees for each subsequent ballot shall be limited to the nominees receiving the most votes in the preceding ballot and which together represent at least fifty (50) percent of the total votes cast.

3.3(g). (g) **Agricultural End-users** may seat one (1) Governor in accordance with this Section

(i) Organizations that have represented agricultural retail or end-user interests in state rate-related proceedings or in municipal rate-related proceedings at least twice in each of the two (2) calendar years preceding the Record Date shall be eligible to vote in any election for a Governor Designate for this Class. The Secretary shall maintain a list of the name and address of each such organization which self-nominates itself as an organization of this kind. As soon as reasonably practicable but not later than thirty (30) days after the vacancy of the seat on the Governing Board designated for this Class, or sixty (60) days prior to the expiration of the term of office of the Governor Designate in this Class, the Secretary shall call a meeting of all such organizations for the purpose of allowing them to select a Governor Designate to represent this Class. Each organization shall have one (1) vote. The nominee receiving the most votes shall be the Governor Designate.

(ii) In the event of a tie vote among organizations attending the meeting, the tied candidates shall be referred to the Oversight Board as Governors Designate. The Oversight Board may confirm one of the Governors Designate as the Governor representing this Class.

3.3(h). (h) **Industrial End-users** may seat one (1) Governor in accordance with this Section

(i) Organizations that have represented industrial retail or end-user interests in state rate-related proceedings at least twice in each of the two (2) calendar years preceding the Record Date shall be eligible to vote in any election of a Governor Designate for this Class. The Secretary shall maintain a list of the name and address of each such organization which self-nominates itself as an organization of this kind. As soon as reasonably practicable but not later than thirty (30) days after the vacancy of this seat on the Governing Board, or sixty (60) days prior to the expiration of the term of office of the Governor in this Class, the Secretary shall call a meeting of all such organizations for the purpose of allowing them to select a Governor Designate to represent industrial retail and end-user interests. Each organization shall have one (1) vote. The nominee receiving the most votes shall be the Governor Designate.

(ii) In the event of a tie vote among organizations attending the meeting, the tied candidates shall be referred to the Oversight Board as Governors Designate. The Oversight Board may confirm one of the Governors Designate as the Governor representing this Class.

3.3(i). (i) **Commercial End-users** may seat one (1) Governor in accordance with this Section

(i) Organizations that have represented commercial retail or end-user interests in state rate-related proceedings or in municipal rate-related proceedings at least twice in each of the two (2) calendar years preceding the Record Date shall be eligible to vote in any election of a Governor Designate for this Class. The Secretary shall maintain a list of the name

and address of each such organization which self-nominates itself as an organization of this kind. As soon as reasonably practicable but not later than thirty (30) days after the vacancy of the seat on the Governing Board designated for this Class, or sixty (60) days prior to the expiration of the term of office of the Governor in this Class, the Secretary shall call a meeting of all such organizations for the purpose of allowing them to select a Governor Designate to represent this Class. Each organization shall have one (1) vote. The nominee receiving the most votes shall be the Governor Designate.

(ii) In the event of a tie vote among organizations attending the meeting, the tied candidates shall be referred to the Oversight Board as Governors Designate. The Oversight Board may confirm one of the Governors Designate as the Governor representing this Class.

3.3(j). (j) **Residential End-users** may seat two (2) Governors in accordance with this Section

(i) Organizations that have represented residential retail or end-user interests in state rate-related proceedings or in municipal rate-related proceedings at least twice in each of the two (2) calendar years preceding the Record Date shall be eligible to vote in any election of a Governor for this Class. The Secretary shall maintain a list of the name and address of each such organization which self-nominates itself as an organization of this kind. Additional organizations that formally represent residential end-user interests in other forums may petition the Oversight Board for a determination of eligibility to participate in this class, and if such affirmative determination is received, shall be added to the list. As soon as reasonably practicable but not later than thirty (30) days after the vacancy of the seat on the Governing Board designated for this Class, or sixty (60) days prior to the expiration of the term of office of the Governor in this Class, the Secretary shall call a meeting of all such organizations for the purpose of allowing them to select a Governor Designate to represent this Class. Each organization shall have one (1) vote. The nominee receiving the most votes shall be the Governor Designate.

(ii) In the event of a tie vote among organizations attending the meeting, the tied candidates shall be referred to the Oversight Board as Governors Designate. The Oversight Board may confirm one of the Governors Designate as the Governor representing this Class.

Section 3.3(k). (k) **End-users At-Large** may initially seat four (4) Governors in accordance with this

(i) As soon as reasonably practicable but not later than thirty (30) days after the vacancy of a seat on the Governing Board designated for this Class, or sixty (60) days prior to the expiration of the term of office of a Governor associated with this Class, the Secretary shall publish a notice soliciting nominations for appointment to the Governing Board representing this Class. This notice may be made in a newsletter or by electronic posting but shall, in any case, be transmitted by reasonable means directly to entities who have requested in writing to receive such notice. The notice shall specify a reasonable time and mechanism for submission of nominations. All nominations timely received shall comprise the nomination list. The Secretary will forward the nomination list to the Oversight Board who may appoint a Governor from the nomination list. It shall be proper for the Governors then in office in seats associated with all End-user classes to meet or confer for the purpose of endorsing one or more nominees and such endorsement may be communicated to the Oversight Board. The Corporation shall make reasonable efforts to solicit nominations from a broad range of entities whose participation might benefit the public at large. Such entities may have experience in system reliability, reliability and efficiency of markets, effective corporate management, community leadership, or similar fields.

(ii) If the number of Governmental Entities that have transferred control of their transmission facilities to the Corporation has increased to one (1) or more, this Class shall be entitled to seat one (1) additional Governor taking the total number of Governors appointed from this Class to five (5) (which shall be the maximum).

3.3(l). (l) **Public Interest Groups** may seat two (2) Governors in accordance with this Section

(i) Entities eligible to participate in this Class shall be any 501(c)(3) or 501(c)(4) corporation whose purposes and activities include participation at the national, state or local level in any public proceeding related to energy policy or protection of the environment, and which have participated in such a proceeding at any time during the two (2) calendar years preceding the Record Date. Eligible groups shall either have offices in a Participating State or have participated in a public legislative or administrative proceeding related to energy policy or protection of the environment at a state or local level in a Participating State. The term "501(c)(3) or 501(c)(4)" shall mean that designation under the Internal Revenue Service code, or any successor tax status as may then be in effect.

(ii) Each eligible entity, upon registration with the Secretary, shall be eligible to vote in any election of a Governor Designate for this Class. As soon as reasonable practicable but not later than thirty (30) days after the vacancy of a seat on the Governing Board designated for this Class, or sixty (60) days prior to the expiration of the term of office of a Governor in this Class, the Secretary shall call a meeting of all eligible entities for the purpose of allowing them to determine who shall be chosen as a Governor Designate to represent this Class.

(iii) In the event of a tie vote among organizations attending the meeting, the tied candidates shall be referred to the Oversight Board as Governors Designate. The Oversight Board may confirm one of the Governors Designate as the Governor representing this Class.

(m) **Non-Market Participants** may initially seat two (2) Governors in accordance with this Section 3.3(m).

(i) Governors in this Class shall be appointed by the Oversight Board from a list of nominees provided to the Oversight Board. Such nominees shall have no commercial interest in the operation of the Corporation and shall have technical or professional experience in areas such as economics, finance, western regional utility operations, electrical engineering, environmental science, or national energy policy.

(ii) If the number of IOU Transmission Owners that have transferred control of their transmission facilities to the Corporation has increased to four (4) or more, this Class shall be entitled to seat one (1) additional Governor taking the total number of Governors appointed from this Class to three (3) (which shall be the maximum).

(iii) As soon as reasonably practicable but not later than thirty (30) days after a vacancy of a seat on the Governing Board designated for this Class, or sixty (60) days prior to the expiration of the term of office of a Governor in this Class, the Secretary shall publish a notice soliciting nominations for appointment to the Governing Board representing this Class. This notice may be made in a newsletter or by electronic posting but shall, in any case, be transmitted by reasonable means directly to entities who have requested in writing to receive such notice. The notice shall specify a reasonable time and mechanism for submission of nominations. All nominations timely received shall comprise the nomination list. The Secretary will forward the nomination list to the Oversight Board who may appoint a Governor from the nomination list.

(n) A **Chairperson** of the Governing Board shall be appointed in accordance with this Section 3.3(n).

(i) The Oversight Board shall appoint a Chairperson of the Governing Board. The Chairperson may be appointed from among the members of the Governing Board selected to any of the seats on the Board described in Sections 3.3 (a) through (m), or may be appointed as an additional member of the Governing Board, thereby raising the number of Governors by one.

(ii) 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 Oversight Board and the Oversight Board shall promptly undertake selection of a Chairperson, including specifying any process for nomination of a candidate or candidates.

#### **Section 4. Procedures for Appointment and Election of Governors.**

**4.1 *Appointment of Governors by the Oversight Board.*** Members of the Governing Board shall be appointed by the Oversight Board pursuant to Sections 335 and 337 of the California Public Utilities Code (or any successor provisions). The Oversight Board shall appoint the initial Governing Board. Thereafter, vacancies occurring on the Governing Board shall be filled by a selection process consistent with the determinations then in effect, made by the Oversight Board under Sections 335 and 337 of the California Public Utilities Code (or any successor provisions). Consistent with such determinations, Classes of entities relevant to the electricity market shall participate in the selection of Governors as specified in Section 3.3 of this Article III. Where the section describes a Governor Designate, such person is appointed to the Governing Board when confirmed by the Oversight Board. If the Oversight Board declines to confirm a Governor Designate, the Class that selected the Governor Designate may select another Governor Designate to submit to the Oversight Board for confirmation. In such a circumstance, the same members of the Class who were eligible to participate in selecting an unconfirmed Governor Designate will be eligible to participate in selecting a replacement Governor Designate. A Class may send forward more than one Governor Designate for a vacant seat, in which case the Oversight Board may confirm one Governor from among them.

#### **4.2 *Limit on Participation in More than One Class.***

(a) Unless otherwise provided in these bylaws, no private entity, including any affiliate thereof, or public agency, including any affiliate thereof, may participate in the selection of Governors in more than one (1) Class. For purposes hereof, an affiliate of an entity is an entity that directly, or indirectly through one (1) or more intermediaries, controls, or is controlled by, or is under common control with, such entity; provided, however, that (A) each separate agency of a state or of the federal government shall not be considered an affiliated entity, regardless of any commonality of political control, and (B) members of any joint powers authority not involved in energy transmission or distribution shall not be considered affiliates for this purpose.

(b) Once an entity or an affiliate thereof has participated in the selection of any Governor, such entity may not change the Class in which such entity participates until the term of the last Governor elected in an election in which such entity participated has expired.

**4.3 *Self Certification.*** The Governing Board shall develop such procedures as it deems reasonable and necessary to ensure that entities having a right to participate in the selection of Governors pursuant to Section 3 of this Article III are aware of such right. Any entities desiring to participate in the selection

of Governors for any Class shall so notify the Secretary in writing not less than sixty (60) days prior to the date that such entity desires to commence participating in the selection of Governors of such Class. Any such notice shall specify the name, address, telephone number and facsimile number of the requesting entity, the Class in which such entity desires to participate, a statement of the qualifications of such entity for such Class and the name of the individual authorized to cast ballots on behalf of such entity and to whom notices shall be sent. If the Secretary has any reason to believe that any particular entity is not qualified to participate in the selection of Governors for the Class specified in the written notice from such entity, the Secretary shall forward such notice to the Governing Board, which shall approve or reject such participation. If the Governing Board rejects such participation of any such entity, it shall send a written notice to such entity, specifying the reasons for such rejection. Any entity whose application has been so rejected may request a determination by the Oversight Board of whether or not that entity is eligible to participate in the Class for which its application was rejected.

**4.4 List of Eligible Entities by Class.** The Secretary shall maintain at all times a current list of the name and address of each entity entitled to participate in the selection of Governors of each Class.

**4.5 Other Procedures.** Unless otherwise specified herein, or by the Board of Governors, the Secretary shall determine the appropriate mechanisms and election procedures for elections within each Class, based on time constraints and other relevant factors. Elections may be held by written ballot, votes cast at a meeting, votes cast by electronic mail or such other procedures as the Secretary designates.

**Section 5. Record Date.** In order that the Corporation may determine the entities entitled to vote in any election of Governors, the Governing Board shall fix, in advance, a record date (the "Record Date"), which shall not be more than sixty (60) days nor less than thirty (30) days prior to the date of any election meeting or deadline for returning written ballots. Entities specified on the list maintained by the Secretary and who otherwise qualify in accordance with the descriptions of entities entitled to cast ballots at the close of business on the Record Date are entitled to notice of and to vote in any such election.

**Section 6. Term of Office of Governors.** The term of office of the initial Governing Board shall run until the earlier of (i) 120 days from the date of (A) a final judgment disposing of the proceedings currently pending in the U.S. Court of Appeals for the D. C. Circuit in Case Nos. 98-1225 and 98-1226, including a decision dismissing the proceedings for lack of jurisdiction, or (B) a full settlement between the parties of the issues pending in those proceedings; or (ii) November 30, 1999. Thereafter, staggered terms shall be initiated, consistent with the determination of the Oversight Board under Sections 335 and 337 of the California Public Utilities Code (or any successor provisions). To the extent consistent with such determination, terms commencing at such time shall be divided among terms of one (1), two (2) and three (3) years, with terms thereafter being three (3) years in duration. The Oversight Board shall determine in its sole discretion which terms shall apply to which Governors. Subject to the provisions of this Section, Governors may serve multiple terms to a maximum of twelve (12) years on the Governing Board (whether such terms are served in succession or intermittently). Any such Governor shall be permitted to serve out the term during which such twelfth year of service occurs.

**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 Oversight Board. If a vacancy occurs, a replacement Governor shall be selected to fill the vacancy pursuant to Sections 3 and 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.**

**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.*** 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 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.**

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 approval of the Oversight Board.

**13.4 Governor's Right of Appeal.** Any member of the Governing Board may appeal a decision of the Governing Board in accordance with Section 339 of the California Public Utilities Code (or any successor provision). A Governor bringing such an appeal shall transmit notice of the appeal to the Secretary by the close of the third business day following the day on which the Governing Board approved the decision being appealed. The Governor bringing the appeal and the Corporation shall then proceed as specified in adopted procedures of the Oversight Board. Absent a decision of the Governing Board to the contrary or an action of the Oversight Board staying the decision being appealed, a decision being appealed shall remain in effect pending the outcome of the appeal. The Oversight Board shall consider appeals according to its specified procedures and may act on such appeals to the extent of its jurisdiction.

#### **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 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.

(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 (other than the President) 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 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 (including the President) 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. 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.

## **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 (49) percent 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 Utility Interests.*** In accordance with Section 337 of the California Public Utilities Code, 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 Chief Executive Officer 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.** 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.
- 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 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 ISO Operating Agreement and Tariff. The ADR Committee shall also have such other duties as are assigned by the Board of Governors.

**Section 4. Technical Advisory Committee.** The Governing Board shall designate a Technical Advisory Committee to act as an advisory committee to the Governing Board. Members of the Technical Advisory Committee shall include a representative of each transmission owner that has transferred operational control of its transmission facilities to the Corporation and other representatives reflecting the broad range of entities representing all Classes that express interest in participating in the committee. The Technical Advisory Committee shall advise the Governing Board on additions and revisions to its rules and protocols, tariffs, reliability and operating standards and other technical matters. The Technical Advisory Committee may form subcommittees to accomplish its functions. The Technical Advisory Committee shall, at least annually, prepare and deliver to the Governing Board a written report on the Corporation's short-term and long-term reliability standards, the Corporation's enforcement policies, any actions that have been taken by the Corporation to ensure that market participants are complying with the Corporation's reliability standards and any other matter requested by the Governing Board. The Governing Board shall, after having approved the report prepared by the Technical Advisory Committee, forward a copy of that report to all members of the Oversight Board.

**Section 5. Audit Committee.** 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 6. 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 Oversight Board may appoint advisory representatives who shall retain this designation at the pleasure of the Oversight Board. 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.** 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. The President shall, as an incident of the office of President, be a member 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 administer the Class meetings as provided in Sections 3 and 4 of Article III, 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.

**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 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.** 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.

**Section 3. Amendment of Bylaws.**

**3.1 Approval of Amendments.** Subject to Section 3.2 below, these bylaws, but excluding Articles III, IV and V, 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 or approved by the Oversight Board. All Governors must receive at least thirty (30) days prior written notice of any vote on amending these bylaws.

**3.2 Approval of Amendments of Articles III, IV or V.** Amendment of Articles III, IV or V or to this Section shall require approval of the Oversight Board. As to amendments to the selection procedure for any Class as set forth in Sections 3.1(a) through (j) and 3.1(l) of Article III, the Corporation may only seek approval of such an amendment if at least two-thirds of the respective entities participating in the selection in that Class vote in favor of the proposed amendment. The Corporation may only seek approval of an amendment to the selection procedure set forth in Section 3.1(k) of Article III if at least two-thirds of the Governing Board members then in office seats associated with end-users Classes vote to seek such approval. In relation to amendments to the description of entities eligible to participate in a Class, the Corporation may seek approval of such amendments if two-thirds of the Governors then in office vote to approve the amendment. All entities participating in the selection of Governors of any Class must receive at least thirty (30) days prior written notice of any vote on proposed amendments to the provisions of these bylaws relating to the selection procedures for such Class.

**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.

**Section 6. FERC Governance Review Filing.** Not later than three (3) years following the date of adoption of these bylaws, the Governing Board shall submit to FERC a recommendation as to whether the Class structure outlined in Article III hereof requires modification, along with any other recommendations as to appropriate changes to these bylaws. The Governing Board shall ensure that at all times the Class structure and composition of the Governing Board outlined in Article III complies with applicable laws and does not allow

any one (1) Class to block or veto any resolution before the Governing Board and does not allow any two (2) Classes together to be able to form a sufficient majority to carry any resolution before the Governing Board.