

# Western Resource Adequacy Program – *Governance Proposal*

---

January 2022



---

# SECTION 1. GOVERNANCE: TABLE OF CONTENTS

---

- Introduction.....3
- Governance – Actors and Participants.....8
  - 1.1. Board of Directors.....8
    - 1.1.1. Board of Directors Transition.....9
    - 1.1.2. Board of Directors Duties Common to all NWPP Services..... 10
    - 1.1.3. Board of Directors Duties for Specific Programs or Functions ..... 12
    - 1.1.4. Board of Directors Limitations for the WRAP ..... 13
  - 1.2. Committee Nominating the BOD..... 14
    - 1.2.1. Makeup of the Nominating Committee..... 14
    - 1.2.2. Selection of Sector Representatives to the Nominating Committee ..... 16
    - 1.2.3. Operation of the Nominating Committee..... 16
    - 1.2.4. BOD Nomination Recommendations and Election..... 18
  - 1.3. Resource Adequacy Program Participants..... 19
    - 1.3.1. Resource Adequacy Participant Committee..... 19
    - 1.3.2. Exit Provisions ..... 22
  - 1.4. Resource Adequacy Program Operator..... 23
  - 1.5. Independent Evaluator ..... 24
  - 1.6. Other Committees and Structural Functions..... 25
    - 1.6.1. Committee of State Representatives..... 25
    - 1.6.2. Program Review Committee ..... 26
    - 1.6.3. Additional Subcommittees and Work Groups ..... 32
  - 1.7. Cost Allocation Principles ..... 32
    - 1.7.1. Assigning Costs Incurred to WRAP..... 32

---

# INTRODUCTION

---

The Northwest Power Pool (NWPP) has developed the following proposal for governance, structure, and function changes associated with full implementation of the Western Resource Adequacy Program (WRAP). This proposal has been developed after significant stakeholder process. NWPP released its first draft of this proposal in June 2020 as part of the Phase 2A Conceptual Design document. The Stakeholder Advisory Committee (SAC) provided written comments on the proposal in September of 2020, which WRAP Participants responded to in writing. After publishing version 1, there were three SAC meetings (October 2020, April 2021, and June 2021) that discussed and provided input into updates to the proposal. Additional outreach with Western regulators was facilitated by the Western Interstate Energy Board (WIEB) including six workshops with state regulators on this proposal throughout 2021. The NWPP held quarterly public webinars of which the May and July 2021 focused on presenting, receiving input on, and discussing the governance proposal. NWPP staff and representatives from WRAP Participants also presented at more than 40 speaking engagements across the West since the first version was released, often presenting on the proposed governance structure. After publishing an updated governance proposal in July 2021, the NWPP hosted a SAC meeting in October 2021 and a public webinar in November 2021. Through these public and stakeholder engagements and by communicating with the Participants of the WRAP, this proposal has been formed.

Currently, NWPP provides a number of contractual services. The diagram in Figure 1 presents the key services and their relationship with the current Board of Directors (BOD) and staff.

This proposal includes a number of changes to the NWPP and NWPP BOD, including a role for the NWPP to administer the WRAP and to meet: (i) the necessary requirements for being a public utility under the Federal Power Act and the Federal Energy Regulatory Commission's (FERC) regulations; and (ii) FERC's independent board of directors' criteria applied to the NWPP BOD, which will be important in obtaining FERC acceptance of the WRAP.<sup>1</sup> For purposes of this straw proposal, *independence should be understood primarily as financial independence from Participants and classes of Participants in order to ensure that any such interests do not contribute to undue discrimination by the NWPP.* In addition to prohibiting direct financial conflicts, however, the NWPP will require criteria intended to eliminate other types of conflicts-of-interest, as well as

---

<sup>1</sup> We note that neither the Federal Power Act, FERC's regulations, nor legal precedent establishes a clear requirement that non-Regional Transmission Organization/non-market regional programs such as the WRAP require an independent BOD. However, FERC will most likely look more favorably on the WRAP with an independent BOD.

---

situations that lead to an appearance of bias.<sup>2</sup> The WRAP is not intended to pre-empt, supplant, or otherwise circumvent state jurisdiction, including state regulatory process, determinations of resource adequacy planning, resource choice, or resource procurement. Any state agency that has statutory jurisdiction over the rates charged or services provided by a participating utility reserves the right to exercise any and all lawful means to preserve its state jurisdiction and authority. It is the expectation of the designers of the WRAP that the overall governance structure for the WRAP facilitates state process and outcomes that can operate jointly with a regional resource adequacy program.

In addition to continuing to provide and/or facilitate the various services that the NWPP currently delivers, the NWPP would be the primary entity responsible for offering WRAP services, would provide administrative support for the governance and administration of the WRAP, and would rely on the expertise, experience, and input of the Program Operator (PO) to provide the actual operational services for the WRAP. The diagram in Figure 2 is an illustration of the proposed future structure of NWPP.

The following sections outline aspects of how the changes shown in Figure 2 will be implemented. Generally, this includes the evolution of the existing NWPP BOD to an independent board to serve as the ultimate decision-making body for future governance and supporting committees to accomplish all other ongoing functions. Directors on the BOD will be nominated by a sector-representative committee, the Nominating Committee (NC), which will seek and vet potential Directors before proposing a slate of new Directors to the current BOD for confirmation.

Current services, programs, and committees are not proposed to change based on the new governance structure proposed here, nor by the addition of the WRAP.

For the WRAP, a Resource Adequacy (RA) Participants Committee (RAPC) will work with support from the NWPP and a PO to consider and recommend design updates, compliance considerations, and other daily program operations; recommended changes will be considered by the BOD in conjunction with feedback from the public, stakeholders, and other committees.

One such committee is the sector-representative Program Review Committee (PRC), which will be responsible for developing and documenting recommendations for changes to WRAP design. The PRC will oversee public comment processes to inform consideration of those recommendations

---

<sup>2</sup> With respect to indirect financial conflicts or conflicts of interest that may arise from outside activities, secondary employment, or other activities, the NWPP should follow corporate best practices in order to instill a sense of confidence in the NWPP. In general, the NWPP should adopt policies that prohibit BOD members from engaging in any outside business activity that interferes or materially decreases the Director's impartiality, judgement, effectiveness, productivity, or ability to perform Director's duties and functions at NWPP. In some instances, such conflicts may be waivable with notice and consent.

---

by the RAPC and BOD. In developing recommendations, the PRC will incorporate feedback and suggestions from the public process, Participants, committees, the PO, and the BOD.

State regulators and energy offices have always served an important role in RA, and the proposed WRAP governance design recommends a committee exclusively for state representatives, a Committee of State Representatives (COSR). While any program that combines entities with different jurisdictional status creates challenges, the scope and role of the COSR, in conjunction with the other elements of the WRAP governance structure is meant to facilitate and preserve the vital role of the state authorities. A period of time in 2021 was given to extensive engagement with state and provincial representatives to define the role of the COSR. These discussions were facilitated by the WIEB and included multiple meetings and exchanges of proposals. WIEB and state and provincial representatives spent significant time in their review of various proposals that were exchanged and provided robust and thoughtful feedback which have informed the contents of this document with respect to the role of COSR and other elements of WRAP governance.

Key elements of the role and rights of the COSR include a designated representative of the COSR on the PRC, attendance of a designated representative of the COSR in all meetings of the RAPC, an enhanced process for COSR engagement in RAPC decision-making, and a commitment by NWPP to work with COSR to conduct a full review of governance structures and procedures, including the role of the COSR in the event the NWPP seeks to expand the WRAP to include market optimization or transmission planning services. These elements are discussed fully later in this document.

The NWPP anticipates the need for additional committees or subcommittees to support program operations and continuous improvement. Additional committees, their scope, and authority will be considered throughout implementation phases and into the future, but it is not currently anticipated that addition of such would substantially alter the scope or substance of the committees recommended in this proposal.

The PO, an entity with extensive WRAP implementation, operations, and modeling experience, will report to the independent BOD in an advisory capacity and will work collaboratively with the NWPP to bring its expertise to all supporting committees. The NWPP will also work with an Independent Evaluator (IE) to review program design and operations.

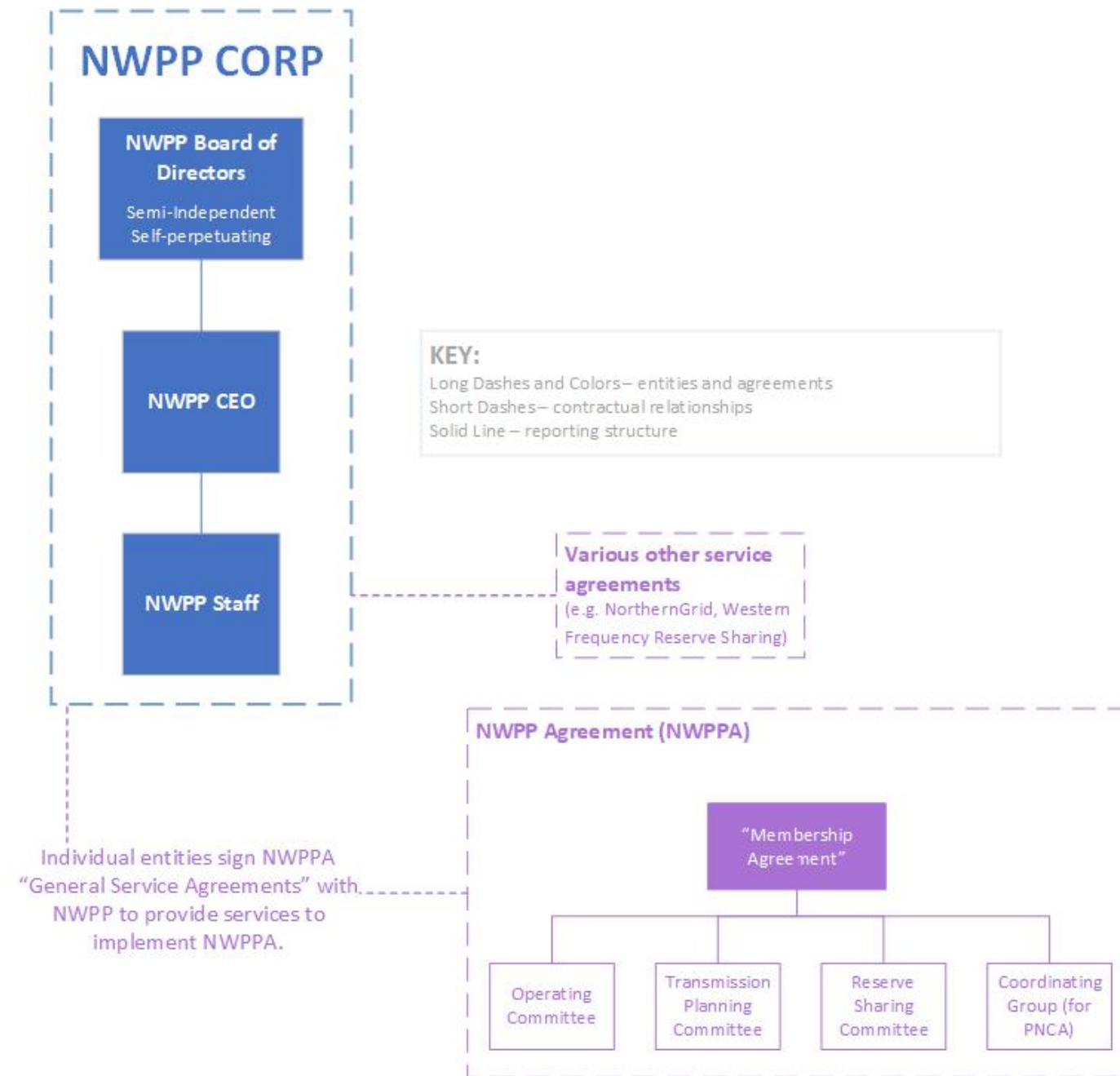


Figure 1 - Diagram of NWPP today



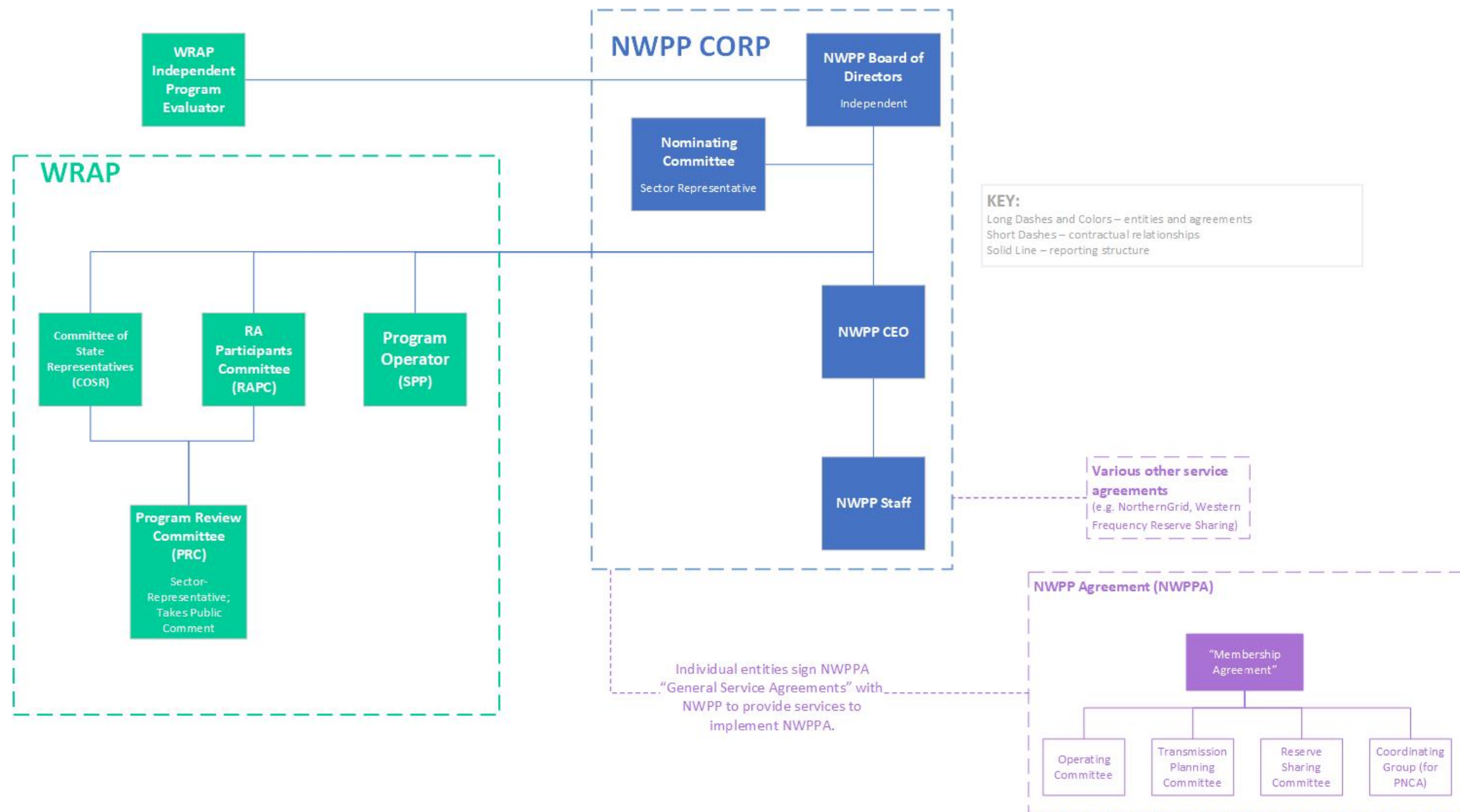


Figure 2 - Diagram of Future NWPP

---

# GOVERNANCE – ACTORS AND PARTICIPANTS

---

## 1.1. Board of Directors

The following elements are proposed for the future NWPP BOD with additional comments explaining and contrasting to the current NWPP BOD where relevant. Special considerations for BOD transition issues associated with the current NWPP BOD are addressed in Section 1.1.1.

- There will be one independent BOD for the NWPP.
  - Currently, there is one BOD for NWPP, which is semi-independent (i.e., some Directors would likely be determined to be independent pursuant to what is contemplated in this proposal, and others would not).
- The BOD will oversee the WRAP as well as those responsibilities currently assigned to the BOD for the other services provided by or facilitated by the NWPP.
- The BOD will be composed of up to five persons.
  - Currently, there are four Directors on the NWPP BOD.
- Directors are identified and recommended for nomination to the BOD by the NC (see Section 1.2 for more information) to three-year terms (except as provided for in Section 1.1.1. below) and confirmed by the Directors who are currently seated and whose terms are not expiring.
  - Currently, the Directors are selected by the current BOD without term limits.
- The terms of the Directors will be staggered in order to maintain continuity.
- Except as provided for in Section 1.1.1. below, a Director may serve up to two three-year terms which may be served non-consecutively. In the case of initial seats with staggered terms, no Director may serve more than six years total. The specific procedures for addressing staggered terms and term limits will be defined in future procedure documents.
- A Director who is not term-limited but wishes to be considered for an additional term must provide appropriate notice of this intention.
- The NC will interview the Director whose term is expiring regardless of whether the Director is seeking re-appointment. If the Director is seeking re-appointment, the purpose is to determine if the NC wishes to advance the Director for another term without interviewing



---

other candidates; if the Director is not seeking re-appointment, the purpose is an exit interview.

- The NC will determine whether it wants to re-nominate the departing Director without interviewing other candidates.
- If the NC does not decide to re-nominate the departing Director, then it should seek to identify at least two qualified candidates to interview, in addition to the sitting Director.
- The NWPP Chief Executive Officer (CEO) is proposed to be an ex officio advisory member of the BOD and may also choose to participate in the RAPC as an ex officio advisory member. The NWPP BOD may ask the CEO not to be present for certain discussion (e.g., when the NWPP BOD discusses matters of CEO compensation or performance).

### 1.1.1. Board of Directors Transition

The existing NWPP BOD and staff have recommended that this proposal address a specific approach for how the existing NWPP BOD can ensure its fiduciary duty to the current NWPP and its current programs during the transition.

The future WRAP and the governance and structural changes have the potential to change the overall shape, direction, and priorities of the NWPP. As such, the current NWPP BOD must support and approve the proposal to transition to an independent BOD.

Allowing for limited-duration continuation for a limited number of current Directors who qualify under the new criteria is a vehicle for giving the current BOD trust in the transition so that they can confidently support the actions needed for the NWPP to evolve.

The following approach is recommended for achieving these objectives:

- Current Directors may apply to be considered for the proposed NWPP BOD;
- Current Directors, like all other candidates for the proposed NWPP BOD, must meet all qualification criteria for the BOD and must be selected by the NC;
- Current Directors meeting all qualification criteria may apply and be considered by the NC for the proposed NWPP BOD:
  - Providing at least one current Director applies for the BOD, the NC must select one Director for the BOD who is a current Director to serve a single three-year term. This Director could reapply to the NC for future consideration for a second term, as could any other qualified candidate who had not exceeded term limits;
  - The NC may select more than one current Director to serve on the proposed NWPP BOD; and

- 
- Prior service of current Directors to the existing NWPP BOD (where term limits do not exist) does not count against term limits.
  - The NC will also select two non-voting, advisory Directors from current Directors (providing two are willing to serve in this capacity). These advisory Directors would be required to meet all qualification criteria, would participate and be compensated just as voting Directors, and would be limited to one two-year term (these advisory terms will not impact eligibility to serve as a full, voting BOD member if selected by the NC following service as an advisory Director).

## 1.1.2. Board of Directors Duties Common to all NWPP Services

- 1) At all times the BOD will act in the best interest of NWPP in its management, control, and direction of the general business of NWPP.

The current BOD has this same fiduciary duty, which is derived from corporate law.

- 2) The BOD will exercise an appropriate degree of independence from Participants.

The current BOD is not structured as an independent BOD, so this would be a change.

- 3) In reaching any decision, the BOD Directors must execute the duties of the BOD in an unbiased, professional, respectful, and collaborative manner that promotes integrity, teamwork, trust, and a professional work environment.

This is not an explicitly codified requirement for the current BOD but is exercised in practice.

- 4) Unless otherwise restricted (see Section 1.1.4), the BOD will have full authority to change the bylaws.

In general, the current BOD has this same authority, derived from corporate law. In the case of the current set of governing documents, the committees created by the NWPP Agreement are not part of the current bylaws and thus cannot be changed by the current BOD which is not proposed to change.

- 5) The BOD has the authority to review the performance of the corporation, its officers, and staff, unless specifically delegated to NWPP staff. When evaluating the performance or compensation of the CEO, the CEO will be appropriately excluded from deliberations of the other Directors. With respect to duties delegated to NWPP Staff, the BOD may rely on reports from NWPP Staff but must continue to exercise oversight over those duties. This BOD obligation is relatively standard. The day-to-day decisions about hiring, salaries, executive management, etc., are the responsibility of the CEO.

The current BOD is similarly responsible for evaluating the performance of the corporation, its officers, and staff. The BOD has the authority to evaluate the performance of individual Directors and the BOD as a whole. When evaluating the

---

performance of individual Directors, that Directors will be appropriately excluded from deliberations of the other Directors.

The duty to evaluate the performance of individual Directors is an existing BOD obligation.

- 6) The BOD will review and approve the financial position of the NWPP (including the WRAP), including its budget, expenses, and projected expenses, to ensure the NWPP is financially sound and has the appropriate funding to meet its contract requirements.

The existing BOD has this same obligation.

- 7) The BOD will review the goals and directions set by the NWPP, its programs, and committees to understand the impact on NWPP and its employees, including the impact on longer-term employment for NWPP employees, corporate risk, and potential impacts on the structure of the NWPP.

The existing BOD has this obligation. Here, "goals and directions set by the NWPP" refers to the goals and directions set by the signatories to the NWPP Agreement through the programs and committees set up under that agreement; the NWPP has a contractual obligation to support those programs and committees.

The current BOD emphasizes that the NWPP is currently viewed as a service or consulting organization to facilitate the goals of the signatories to the NWPP Agreement. The obligation to continue such services will continue even upon development of the WRAP.

- 8) The BOD will ensure the NWPP has appropriate insurance for its business operations, Directors, officers, and staff.

The existing BOD has this same obligation.

- 9) The BOD will ensure the NWPP has appropriate retirement funding as established by the corporate retirement plan.

The existing BOD has this same obligation.

- 10) The BOD will ensure the NWPP has appropriate employee benefits as established by the corporate benefit plan.

The existing BOD has this same obligation.

- 11) The BOD will ensure the NWPP is meeting all its legal requirements and that it has sufficient legal resources to support regulatory process and regulatory filings.

The existing BOD has this same obligation, though the scope of the regulatory filings under the NWPP's purview would be expanded if the WRAP were established; legal requirements include tax filings (nonprofit status) as well as regulatory filings.

- 12) The BOD will hire the officers of the NWPP and address succession plans.

---

The existing BOD has this same obligation.

- 13) The BOD will elect from its membership a Chair and Vice Chair consistent with the organization's bylaws.

The current NWPP bylaws state that the NWPP will have a BOD Chair and a Vice-Chair.

- 14) The BOD will meet at least three times per calendar year (in-person or virtually) and additionally upon the call of the Chair or upon concurrence of at least a majority of Directors.

BOD meeting requirements for the current BOD are established by the bylaws and require the BOD to conduct at least one annual meeting and one additional regular meeting each year; special meetings are conducted upon the call of the Chair or upon concurrence of at least three Directors.

- 15) Directors will receive compensation and be reimbursed for actual expenses reasonably incurred or accrued in the performance of their duties.

Current Directors are reimbursed for actual expenses and receive compensation for meeting attendance.

### 1.1.3. Board of Directors Duties for Specific Programs or Functions

The BOD will authorize filings with regulatory bodies. With respect to the WRAP, the BOD will authorize filings, and the NWPP will submit filings only after consideration by the RAPC. If the RAPC approves an action and such action is not subject to additional procedure with COSR or appealed to the BOD by any stakeholder, the matter would go on the consent agenda for the next BOD meeting. During that meeting, any Director could move to have a consent item placed on the regular agenda, and the BOD would vote on the motion. Additionally, a COSR representative or any other person attending the meeting could ask for the BOD to move a consent item to the regular agenda, explaining why it believes the BOD should discuss the item. The BOD could vote down the request if it believed discussion were not necessary. If the BOD believed additional discussion was warranted, the BOD approves the request to move the item to the regular agenda, then approves the item, stays a decision (giving more time to the party wishing to discuss the item to make a case for or against it), or rejects the proposal. Thus, any action, or inaction, taken by the RAPC may be brought before the BOD for ultimate resolution.

If a proposal is approved by the BOD, the NWPP is authorized to submit any regulatory filing(s) required to implement that proposal. Currently, the NWPP makes regulatory filings on behalf of program Participants who have named the NWPP the agent for compliance with certain North American Electric Reliability Corporation (NERC) reliability standards; NWPP staff works with Reserve Sharing Group and Western Frequency Response Sharing Group participants to

---

coordinate such filings. These filings are not subject to WRAP governance but are instead governed by committees under the NWPP Agreement, and thus do not require authorization by the Current BOD. Governance changes are not expected to impact this process.

- 1) BOD meetings for the WRAP will be open and publicly noticed for all meetings except when in executive session. Executive sessions (open only to Directors and to parties invited by the Chair) will be held as necessary upon agreement of the BOD to safeguard confidentiality of sensitive information. Matters for consideration in executive session include personnel, litigation, and proprietary, confidential or security sensitive information.

Current BOD meetings do not involve stakeholders and are not open to the public.

- 2) BOD meetings addressing issues affecting the WRAP will include an opportunity for public comment as well as standing agenda item reports from the PO, the IE (once per year), the RAPC, the PRC, and the COSR. The NWPP will prepare informational packages for matters presented to the BOD for decision. These packages would include the opinions of the PRC, the PO, COSR, and any stakeholder. The expectation is that views on proposals will be presented to the RAPC for deliberation and not raised for the first time before the BOD. All written materials which are not privileged or confidential and which are submitted to the BOD in connection with a matter subject to discussion at an open meeting will be made available to the public in advance of the meeting.
- 3) The Chair of the BOD will grant any stakeholder's request to address the BOD during open public meetings for a prescribed period of time with respect to WRAP.

Current BOD duties do not require a stakeholder process.

- 4) A quorum for any meeting of the BOD shall be two-thirds of the Directors then in office. The affirmative vote of a majority of the Directors then in office shall be the act of the BOD. Each Director shall have one vote. The BOD will fix its own time and place for meetings. In order to promote discussions with stakeholders and inform Directors of committee matters, there is no restriction on the number of Directors who can attend a particular meeting.

## 1.1.4. Board of Directors Limitations for the WRAP

Regarding the WRAP, the BOD will be prohibited from engaging in the following:

- 1) Changing the Participants' existing functional control and responsibility over their generation and transmission assets.
  - a) Participants will retain full autonomy and responsibility to ensure the reliable and efficient planning and operation of their transmission systems.
  - b) Participants will retain existing autonomy and responsibility over transmission operations and transmission service, including the administration of open access transmission tariff (OATT) requirements and transmission planning functions.

- 
- c) Participants will retain full autonomy and responsibility related to the operation of their generation resources, as well as the development of resource plans and ongoing compliance with those plans. This provision includes a restriction that the BOD will not impose must-offer obligations on any Participant or their resource(s).
  - d) Participants who administer a Balancing Authority (BA) will retain responsibility for ensuring compliance with applicable reliability standards within their BA boundaries, and any other reliability standard requirements for applicable NERC functional designations.
- 2) Administering OATT service, engaging in BA operations, imposing transmission planning requirements or assuming any transmission planning responsibilities.
  - 3) Taking action to form an organized market, including a capacity market, or establishing a Regional Transmission Organization, unless such action was also approved by the RAPC.
  - 4) In response to a failure to meet program requirements, requiring anything beyond the imposition of financial or penalty consequences, the limitation or suspension of participation, or other similar measures.

These limitations will be addressed in the updated bylaws of the NWPP by requiring additional committees' support (e.g., RAPC, COSR) for bylaw changes that expand the scope of the BOD and the NWPP to include such activities.

## 1.2. Committee Nominating the BOD

An NC is proposed to be used for selecting the Directors for the BOD. The following proposal is based in large part on the NC procedures that have been successfully used for the Western Energy Imbalance Market (EIM). The BOD will be selected by a NC comprised of certain stakeholder representatives. This proposal explains the selection and composition of the NC, how the NC will select a slate of nominees for each open position, and how that slate of nominees will be subject to a vote of approval on the slate by the BOD. The NC will nominate a slate with one nominee for each open seat on the BOD for which the term is scheduled to expire.

The NC is responsible for identifying and recommending for nomination proposed Directors for approval by the sitting BOD. The NC is also responsible for recommending compensation for the BOD. The NC is the committee responsible for identifying a recommended nominee or nominees for open positions on the BOD, working with the NWPP staff and an executive search firm.

### 1.2.1. Makeup of the Nominating Committee

The NC will be comprised of 14 individuals from stakeholder sectors. The proposed sectors and the numbers of members include:



- 
- RAPC/Participant Investor-owned Utilities (IOUs)<sup>3</sup> (2)
  - RAPC/Participant Consumer-owned utilities (COUs) (2)
  - RAPC/Participant Retail Competition Load Responsible Entity (LRE) (1)
  - Federal Power Marketing Administration (1)
  - Independent power producers/marketers (1)
  - Public interest organizations (1)
  - Retail customer advocacy group (1)
  - Industrial customer advocacy group (1)
  - NWPP Agreement Signatory (not on RAPC and not a Market Operator) (1)
  - Load Serving Entity (LSE) (or representative) with loads in the WRAP represented by another LRE and otherwise not eligible for any other sector (1)
  - BOD (1)
  - COSR (chair or vice chair) (1)

Each sector will appoint its representatives to the committee. An entity that qualifies for more than one sector must choose one sector to participate in and potentially represent. In the event that a particular sector cannot reach consensus regarding their representative, including with support and facilitation by NWPP, the NC normal activities may continue without a full NC. Each sector will determine its own method of selecting a representative(s) to serve on the NC, and the term of service. A sector may designate a term of service for multiple years if it wishes to avoid the need to meet in the following year(s) to select a representative. The minimum term of service will be one year.

Sectors with more than one representative should strongly consider regional, operational, and other forms of diversity representation when selecting multiple representatives for one sector. Providing volunteers are available, RAPC/Participant sectors with two representatives shall ensure that representatives come from two different regions:

- West Coast: WA, OR, CA
- Rockies: MT, WY, UT, ID, SD
- Southwest: AZ, NM, NV, CO
- International: Canada, Mexico

---

<sup>3</sup> This category also includes international Participants (e.g., Powerex).

---

## 1.2.2. Selection of Sector Representatives to the Nominating Committee

Not less than 150 days prior to the scheduled expiration of any Directors' term, and at other times as may be necessary to fill a vacancy on the BOD, the staff of the NWPP will ensure that each sector of the NC has identified their respective representative(s) for the NC.

The staff of the NWPP will issue a notice that the NC will be convened in parallel with the NC representative's sector outreach. The public notice will include a list of the NC representatives. The purpose of this notice is to provide an opportunity for sector members to self-identify in order to receive communication from the sector organizer.

If one or more of these sectors does not have a currently serving representative to the NC, the staff of the NWPP will designate a person from one of the entities in the sector to serve as a sector organizer to facilitate selection of a representative. Each sector organizer must make reasonable efforts to notify all entities that are qualified for participation in its sector about the initial organizational meeting or teleconference for the sector. These efforts will include issuing, with assistance from staff, a notice no less than seven calendar days in advance of the meeting or teleconference.

The entities in each sector should make their best efforts to amicably resolve any disagreements about which entities belong within the sector and thus are entitled to participate in the sector's selection of a representative to the NC. Any disagreements that cannot be resolved by the entities in a sector may be referred to the management of the NWPP for resolution. The CEO (or his or her designee) and the General Counsel will hear from the interested parties and make a decision. Their decision will be binding on the sector.

Within 40 days after the NWPP staff designates a sector organizer to facilitate selection of a representative, the sector organizer will certify the choice of the sector representative(s). If a sector organizer has been unable to make a certification because the sector has been unable to reach agreement on its representative, the BOD will select a representative for the sector. The NWPP staff will post the name and contact information of each sector representative on its website.

## 1.2.3. Operation of the Nominating Committee

Once organized, the NC should convene no less than 100 days prior to the scheduled expiration of any Directors' term to begin the process of identifying potential candidates for each open seat, or as soon as practicable when other vacancies arise.

If a Director whose term is scheduled to expire has expressed a desire to be nominated for a new term (and has not reached their term limit), the NC should determine whether it wants to re-nominate the departing Director without interviewing other candidates. If the NC does not decide

---

to proceed in this manner, then it would ask the executive search firm to identify at least two qualified candidates to interview, in addition to the sitting Director.

The NC will adhere to the following guidelines in its selection process:

- Working with NWPP staff, the NC will engage and work with an executive search firm to identify at least two qualified candidates to interview.
  - The executive search firm may not consider a candidate who has a prohibited relationship or financial interest, unless the candidate commits to promptly end any prohibited relationship after being appointed and before exercising the duties of the office, and to dispose of any prohibited financial interests within six months after appointment.
- With assistance from the executive search firm, the NC will develop a job description and job posting, then identify and select from the best qualified candidates available.
- Optimally, the NC's selections should ensure that the overall composition of the BOD reflects diversity of expertise so that there is not a predominance of Directors who specialize in one subject area. The following skillsets and expertise should be considered:
  - Electric industry — such as former electric utility senior executives currently unaffiliated with any market Participant or stakeholder; present or former executives of electric power reliability councils; present or former executives from power pools; retired military officers with relevant experience; or present or former executives of firms that perform professional services for utilities;
  - Regulatory — executives or attorneys with extensive background in the regulated utility industry, resource or transmission planning; former state or federal regulators with applicable experience; or academics or consultants with relevant experience; and
  - General corporate/legal/financial — such as present or former management consultants or service industry executives; present or former chief executives; chief financial officers; chief legal officers or chief information officers of profitmaking companies; present or former national law firm partners; present or former senior executives of financial institutions, investment banking or financial accounting/auditing organizations.
- In addition, the NC should give consideration to diversity with respect to race, gender, and ethnicity.
- The NC will consider geographic diversity and no one state or sub-region should have excessive representation — meaning Directors whose place of residence or work history tends to associate them with a particular state.

- 
- The NC should strive to ensure that the BOD includes at least one Director with expertise in Western electric systems, markets, or utility resource planning.
  - The deliberations of the NC will be confidential. The candidate selection process is highly sensitive and candidate information and the deliberations of the NC should not be shared publicly. However, the NC sector representatives may confer with their sectors to enable sector alignment and support for candidates. The NC sector representative may communicate with their sector as part of the process of evaluating candidates. The NC should have a common understanding about the extent to which they will share the names of candidates in connection with a particular search (timing, level of detail, etc.).
  - The NC will meet as required to perform its responsibility, including such open public meetings as the NC determines are beneficial.
  - The NC will strive for and will act on the consensus of its members. However, in the event consensus cannot be obtained, voting procedures will be utilized and at least a two-thirds majority of the voting committee members must be obtained to approve a candidate to the slate. In the voting process, all members of the NC would participate with individual votes, with the exception of the Director who would be non-voting. The non-voting member is expected to share their views about the candidates and to participate fully in deliberations.
  - Except as otherwise provided here, the NC may establish its own procedures.

#### 1.2.4. BOD Nomination Recommendations and Election

The slate submitted by the NC will be subject to approval by the BOD in an open session. If the decision occurs before the end of the expiring terms, the Director(s) whose terms are expiring will be recused from the approval decision. The BOD must accept or reject the slate as a whole.

For example, assuming two sitting Directors' terms are expiring, the NC would be convened and would work with the executive search firm to screen and identify qualified candidates. Through this screening, review, and interview process, the NC will select two qualified candidates and these candidates will comprise the slate of candidates recommended to the sitting BOD for approval. The three non-expiring sitting Directors will vote on the slate as a whole, either approving or rejecting, in public session.

If the slate is accepted, the nominees will become Directors.

If the slate is rejected, the sitting Directors will provide the NC with an explanation of any deficiencies, taking care to ensure that the deliberations of the NC remain confidential. The NC must re-convene and establish a new slate of nominees. The new slate must not be identical to the prior slate, though the NC may retain one or more nominees from a prior slate involving

---

multiple nominees. After the NC submits its second slate of nominees, the BOD will decide, in public session, to approve one of the two slates that was submitted by the NC.

## 1.3. Resource Adequacy Program Participants

The following are the qualifications for Participants:

- 1) Participants must be an LRE.
- 2) Participants must be able and willing to execute any and all agreements necessary to participate in the WRAP and comply with all applicable terms and conditions therein.
- 3) Participants must be willing to meet all Forward Showing (FS) and Operational Program requirements, including the ongoing ability to transact, deliver, and receive electricity in the WRAP Operational Program.
- 4) Participants are expected to register all of the resources and supply contracts that may be used to meet their FS and/or Operational Program obligations under the WRAP, as well as disclose any other obligations associated with those resources.
- 5) Participants must execute the WRAP non-disclosure agreement and comply with the terms and conditions therein, as well as otherwise meet any and all other confidentiality requirements of the WRAP.

### 1.3.1. Resource Adequacy Participant Committee

- 1) The RAPC is comprised of Participants and in collaboration with the WRAP's other working groups, committees, and task forces, is responsible for recommending policies, procedures, and system enhancements related to the policies and administration of the WRAP.
- 2) In carrying out its purpose, the RAPC will provide the forum for Participants that have executed a WRAA with NWPP. The RAPC can approve or reject proposed amendments to the WRAP Tariff prior to the filing of such amendments at FERC. The RAPC can also consider, approve, or reject program rules if such rules solely apply to the administration of the WRAP and have no application to any other program and/or contract service provided by NWPP. To the extent such rules do apply to any other service provided by NWPP, the RAPC will be afforded the opportunity to provide input to the NWPP BOD to resolve any issues. This will be accomplished by a collaboration with NWPP on the development of WRAP provisions, business practices, and interregional agreements to promote transparency and efficiency in the operation of the WRAP.

- 
- 3) The RAPC can evaluate and provide consultation to NWPP on the WRAP administration budget and budget allocation to Participants, including modifications or adjustments of the WRAP Administration Rate, in accordance with the WRAA.
  - 4) Each Participant will appoint one representative to the RAPC. Each representative designated will be a senior level management employee with financial decision-making authority. The RAPC representatives will appoint the chair and vice chair of the RAPC.
  - 5) The RAPC will form and organize all the organizational groups under its responsibilities. Each working group, committee, or task force reporting to the RAPC will be assigned a NWPP staff secretary, who will attend all meetings and act as secretary to the group. Staff secretaries of all working groups, committees, and task forces will be non-voting.
  - 6) The quorum for a meeting of the RAPC or any working group, committee, or task force reporting to the RAPC will be one-half of the representatives thereof, but not less than three representatives; provided, that a lesser number may adjourn the meeting to a later time.
  - 7) In the RAPC, each representative will have one vote. Voting will utilize a "House and Senate" style approach. The "House" vote will be weighted based on each representative's P50 load, as determined in the FS Program (see section 2.3 of the 2B Detailed Design Document for additional information on the determination of the P50 load). The P50 metric is used to allocate requirements and benefits of the WRAP throughout both time horizons; in the FS, it determines the FS capacity requirement, and in the Operational Program, it is a key component of the Sharing Calculation (determining a Participants' ability to access pooled resources). "House" voting will use the higher of a Participant's two seasons' P50s (e.g., Winter-peaking Participants will use their Winter season P50 value in voting) and will be weighted as a portion of the sum of all Participants' higher-season P50 loads. The "Senate" vote will be equally weighted for all RAPC representatives. For a resolution to be approved, it must pass both the "House" and the "Senate" vote.
    - a. Resolutions brought to the RAPC with support from the PRC will be approved with 67% affirmative votes of both "House" and "Senate" vote tallies.
    - b. All other votes will require an affirmative vote of 75% or greater of both "House" and "Senate" tallies.
    - c. If at any time, a single LRE is responsible for more than 25% of the total non-coincident high-season P50 loads (creating an effective veto power), a review of the voting thresholds would be triggered to ensure that no single or group of affiliated entities hold a veto over the RAPC.



Table 1 - Example of House and Senate style voting approach

Entity	P50 (MW)	P50 (House) Weighting	Vote
A	1500	3.07%	No
B	9000	18.42%	Yes
C	400	0.82%	Yes
D	2200	4.50%	Yes
E	850	1.74%	No
F	3500	7.16%	Yes
G	11000	22.52%	Yes
H	4200	8.60%	Yes
I	8700	17.81%	Yes
J	7500	15.35%	Yes
<b>Total P50 Load (MW)</b>	<b>48850</b>	<b>100%</b>	<b>N/A</b>

In the example presented in Table 1, the vote passes; the pro-rata (Senate) vote tally is 80% affirmative, while the P50-weighted (House) tally is 95% affirmative, since the two dissenters are small entities. If another entity (of any size) were to vote “no,” the vote would pass for a PRC-approved vote but fail for any other vote, as the pro-rata vote would drop to 70% affirmative, below the 75% threshold. Similarly, if entity G dissented instead of entity E, the vote would pass for a PRC-approved vote but fail for any other vote, as the pro-rata vote would drop to 72.67% affirmative the vote, below the 75% threshold.

This House and Senate voting process will only apply to the RAPC. To the extent the RAPC forms a working group, committee, or task force, the expectation is any votes will be done by simple majority.

- 8) The RAPC is the highest level of authority for representation by Participants. The NWPP BOD will provide independent oversight of NWPP’s administration of the WRAP under the WRAA. The BOD is responsible for the oversight of the WRAP generally, which means that the BOD may engage with any of the committees of the WRAP at the request of the BOD at any meeting of the BOD.
- 9) Meetings of the RAPC will consist of both open and closed meetings. Closed meetings are limited to RAPC members as well as a representative(s) of the COSR, as described in Section 1.6.1. Open meetings are open to all interested parties; and written notice of the date, time, place, and purpose of each meeting will be publicly provided in advance. Any RAPC decisional items will be placed on the open meeting agenda and will receive adequate time for deliberations and public comment.

---

## 1.3.2. Exit Provisions

A Participant can exit the WRAP if they are ordered by a regulatory body (jurisdictional), if ongoing participation conflicts with certain legal authorities applicable to a participant (non-jurisdictional), or if they determine (jurisdictional or non-jurisdictional) that exit is required to protect the interests of their customers. A Participant could also decide that it needs to leave the program because the Participant disagrees with a decision being made under the governance model that affects the way the WRAP is administered or their ability to continue participation. A Participant could decide that it needs to leave the program for various business reasons.

The following exit provisions are proposed:

- Participant entry and exit from the program will remain voluntary, however, appropriate notice must be given prior to exit.
- Options for standard notice provision:
  - Parties must give at least 24 months written notice prior to the beginning of the next binding FS period. This requirement may result in more than 24 months between when the notice is given and the actual effective date of the exit.
    - For example, if a Participant did not want to participate for the Summer 2025 binding season, the Participant would need to give notice by June 1, 2023. This corresponds with the timeline for the FS Program when Participants would be required to complete review of their inputs to the loss of load expectation (LOLE) model, but prior to the time when the model is run by the PO to provide the binding planning reserve margin (PRM) for the Summer 2025 season in question.
  - If impacts to FS and operations programs could be fully mitigated with less notice than the required 24 months, shorter exit may be allowable. Options for non-standard exit:
    - The program will also include additional provisions that provide for earlier exit under the following circumstances:
      - Exit for “extenuating circumstances” (such as by order of regulatory authority or additional circumstances to be defined) to be assessed by the BOD and/or PO on a case-by-case basis
      - Exit by fee to ensure that any unreasonable harm to the WRAP from earlier exit is mitigated or compensated by the exiting Participant. The PO would calculate the exit fee, which shall include, at least: (i) any unpaid fees, (ii) Participant’s share of WRAP operational costs prior to the next FS period, and (iii) any costs, expenses, or liabilities incurred by WRAP or the PO directly due to the exit, regardless of when incurred or payable. This exit provision would only be available if the

---

exit fee can be calculated by the PO with a high degree of confidence. The exit fee will be waived to the extent it would (i) violate federal/state statutes or other regulations, or (ii) in the case of a federal agency or entity, exceed its statutory authority, as defined by any applicable federal statutes, regulations, or orders.

- If a Participant experiences a significant decrease in forecasted peak load after the two-year deadline has transpired, they will work with the PO, and/or third-party neutral, for the purpose of developing an understanding of factual matters for the change, to determine whether there are or would be any resulting impacts to other Participants. Further consideration of what constitutes a “significant” decrease, what solutions are available to address the change, and how the costs of this assessment are allocated will be considered.
  - Once proper notice is provided, the withdrawing Participant will be in the withdrawal period until exit is effective, during which the withdrawing Participant is required to continue to comply with all requirements of the WRAP, except, however, the withdrawing Participant will recuse themselves from any votes or actions affecting the WRAP for timeframes that extend beyond the withdrawing Participant’s effective exit date.
  - The program may also include options for non-standard exit provisions that allow for participation by a federal entity.
- In addition, any financial obligations that exist as of the exit date are preserved until satisfied (e.g., the Participant has already been assessed cost of new entry penalties for failure to meet the FS Program).
- A Participant who exited can re-enter the program as any other new Participant.

## 1.4. Resource Adequacy Program Operator

- 1) In order to provide a clear direction for the WRAP and how it can be implemented, the following will outline how NWPP and the contracted PO will fulfill all the required functions needed for the WRAP.
- 2) The PO will report directly to the BOD but will also interface with other committees and NWPP staff as needed to fulfill their duties. NWPP has entered into a contract with the PO that defines the required responsibilities of the PO. NWPP will provide all support of the governance outlined above including the compensation for the BOD, responsibility for the expenses and logistics for all their meetings and the committees under the BOD. The support of the contract and compensation to the PO will be the NWPP responsibility, as well as legal and federal regulatory support for the WRAP, including meeting all the functions required of a public utility. NWPP will also be responsible for billing, collection,

---

and payments under the WRAP as well as all the other current contracted programs and services of the NWPP.

- 3) The PO will be responsible for the fulfillment of the contract requirements for the WRAP including the FS and the near-term to real-time operations. These would include modeling and system analytics, the performance of the LOLE study to derive the PRM, analysis of qualifying capacity contributions, FS Assessments, methodology for calculating and verifying P50 values, necessary technology design and implementation, and FS and Operational Program design refinement. These responsibilities will also include the monitoring and responding in real-time operations. The PO will calculate any required settlements and assess penalties for noncompliance according to the penalty calculation rules set forth in the program. To perform their functions under the contract, the PO will have sufficient information technology resources including systems and people to maintain the systems, meeting requirements of cyber security, backup of data/systems, change control, and system recovery.
- 4) The PO will support the RAPC and other committees to provide comments, input, solutions, and problems. The PO also could be asked to provide input to the NWPP BOD.
- 5) The officer from the PO will serve as an advisory member of the BOD (in addition to the NWPP CEO).

## 1.5. Independent Evaluator

The Independent Evaluator (IE) function has been identified by the current NWPP BOD, state regulators, and the SAC as an important element of a well-functioning regional WRAP to provide an outside, independent assessment of the performance of the program. The IE will be important to FERC as it considers approving the FERC-jurisdictional elements of the WRAP. It is recommended that the IE be established on or near the conclusion the non-binding stage of the WRAP and on an ongoing basis to provide an annual review of the WRAP. This initial scope for the IE could change over time, but this initial recommendation is intended to balance the need for independent review to identify continuous improvement opportunities with cost and administrative burden, especially as WRAP functionality will be implemented in stages over time.

The IE is charged with the following responsibilities and limitations:

1. Once per year, analyzes operations, accounting/settlement, and design of program and makes recommendations for changes in a written evaluation report;
2. Does not monitor WRAP Participants;
3. Does not have decision-making authority; and
4. Reports their findings to all WRAP committees (subject to confidentiality considerations).

---

The day-to-day operation of the WRAP by the NWPP and PO should be separate from the evaluation of the program by the IE in order to meet FERC's independence requirements. To be effective, independent program monitoring and evaluation must be transparent. Every effort should be made to aggregate data in order to preserve confidentiality, while still effectively communicating program results and performance to stakeholders. The non-confidential portions of the IE's annual report will be made available to the public.

The IE will be an outside entity (not part of NWPP staff) to be recommended and hired by the NWPP (with approval from the BOD) but will report to the NWPP BOD.

## 1.6. Other Committees and Structural Functions

### 1.6.1. Committee of State Representatives

The WRAP governance structure will need to include states' perspectives on matters such as integrated resource planning, reserve requirements, emerging policies concerning renewable generation, storage, efficiency and demand resources, and rules for retail choice (e.g., direct access providers and consumer choice aggregators).

The COSR is comprised of state representatives, either from the public utility commission or state energy office, at each state's discretion. It is envisioned that there would be one representative from every state or provincial jurisdiction that regulates one or more WRAP Participant(s). The COSR would have a Chair and Vice-Chair. The Chair or Vice-Chair of COSR will be requested to attend open sessions of the RAPC and to provide input and advice. In addition, the COSR shall assign an independent COSR support staff member(s) to attend and audit closed meetings of the RAPC under a non-disclosure agreement.

There will be an enhanced process for COSR engagement in RAPC decision-making under certain circumstances. If COSR determines that a proposal approved by RAPC is substantively different from the proposal submitted to the RAPC by the PRC (on which the COSR will have provided comments – see section 1.6.2 for more information), the COSR can elect for additional public review and comment opportunity before a RAPC decision goes to the Board, provided this opportunity is made available within defined timelines so that decision-making for the WRAP is not unreasonably delayed (i.e., no more than 14 calendar days). If the COSR as a body formally opposes or appeals the RAPC's decision to the Board, there will be a pause prior to Board consideration and the RAPC will be required to engage with the COSR, including taking responsibility for at least two discussions to reach a mutually agreeable solution. These discussions

---

may occur virtually or in person and the public will be invited to participate. The COSR can determine additional procedures for conducting these discussions.

The COSR will likely need support from staff; specifics related to staffing support will be further considered in collaboration with state regulators in upcoming phases. The recently adopted approach for the Body of State Regulators for the Western EIM may serve as a valuable model. Under this approach, and in collaboration with WIEB, the state officials would identify staffing needs and a budget which would be funded by separate agreement with the state-regulated utilities participating in the WRAP.

Finally, in the event that the NWPP ever seeks to file at FERC for the expansion of the WRAP to include market optimization or transmission planning services, the NWPP will initiate a formal process with COSR and other stakeholders and conduct a full review of governance structures and procedures, including the role of states. If COSR does not support the revised governance structure approved by the BOD, the NWPP agrees to file an alternative state-supported governance structure with its filing at FERC. It is understood that this agreement by itself does not constitute agreement or acquiescence to ongoing 205 filing rights for COSR in the event of such an expansion and that an alternative state-supported governance structure must obtain at least 75% support from COSR representatives.

## 1.6.2. Program Review Committee

The PRC is a sector representative group charged with receiving, considering, and proposing design changes to the WRAP. The PRC is the clearing house for all recommended design changes not specifically identified as time-sensitive or of high RAPC priority (see below). These recommended changes could come from Participants, the COSR, the BOD, other committees, stakeholders, the public, etc. Figure 3 provides an overview of the PRC process.

- The PRC will be staffed with facilitation support from the NWPP and program design/technical support from the PO.
- If a stakeholder wishes to bring forward a proposed change to the WRAP, the stakeholder should provide a written explanation of their proposal, including any supporting information or data. The PRC will consider the submission and may seek additional information or clarifications.
- The PRC will establish a process and criteria for receiving design update recommendations. When recommendations are received, the PRC will work with the PO and NWPP staff to review recommendations and create proposals for the change; this process will be defined by the initial PRC once identified.
- As part of the PRC's proposal process, they will run a public and stakeholder comment process, also to be established by the first PRC.



- 
- The PRC will also seek input as appropriate from the COSR.
  - The PRC, as a working group, will primarily have closed meetings; however, in addition to any public meetings necessary for the comment process, the PRC may schedule public meetings if the PRC determines doing so would be beneficial. PRC will host a public meeting to review proposals, feedback from public comment, COSR, and PO before a recommendation is taken to the RAPC for consideration.
  - In the non-binding stage, the PRC will review and add detail to the proposed process for reviewing and proposing changes. During the non-binding stage, this process will be recommended to the RAPC for consideration (as the decision-maker prior to the BOD in binding stages).
  - The PRC will consist of the following sectors and sector representatives, which could also be represented by a trade group that serves that sector. Each sector will be responsible for appointing its representatives. Each of the following bullets represents a sector for purposes of seats and voting on the PRC:
    - RAPC Participant IOUs<sup>4</sup> (4)
    - RAPC Participant COUs (4)
    - RAPC Participant Retail Competition Load Serving Entity (2)
    - RAPC Participant Federal Power Marketing Administration (2)
    - Independent power producers/marketers (2)
    - Public interest organizations (2)
    - Retail customer advocacy group (1)
    - Industrial customer advocacy group (1)
    - Load Serving Entity (LSE), or designated representative, with loads in the WRAP represented by other LREs and is otherwise not eligible for any other sector (1)
    - COSR (chair, vice-chair, or designated representative) (1)

Sectors with more than one representative should strongly consider regional, operational, and other forms of diversity representation when selecting multiple representatives for one sector. Provided volunteers are available, RAPC/Participant sectors shall ensure that the two or four representatives come from two or four different regions, respectively:

- West Coast: WA, OR, CA
- Rockies: MT, WY, UT, ID, SD

---

<sup>4</sup> This category also includes international LREs (e.g., Powerex).

- 
- Southwest: AZ, NM, NV, CO
  - International: Canada, Mexico
  - The PRC will endeavor to operate by consensus. If necessary, a vote can be taken on the efficacy of moving forward with a proposal. Voting will be by sector. For any vote to move forward, the following rules apply:
    - At least five of the sectors enumerated above must approve in order for the PRC to be considered to be in favor of the action
      - For sectors with 4 seats, 3 out of 4 representatives must approve in order for the sector to be considered to be in favor of the action
      - For sectors with 2 seats, 2 out of 2 representatives must approve in order for the sector to be considered to be in favor of the action
  - The PRC will present all proposals received to the RAPC; PRC will provide RAPC with a refined proposal, feedback received from the COSR and PO, summaries of public comments received and feedback from public meetings, and their own recommendation. The PRC may present the RAPC and the BOD with a recommendation to approve or disapprove the proposal, may provide minority and majority opinions, or may simply inform the RAPC and the BOD of the proposal for their consecutive consideration. Proposals that come before RAPC with support from the PRC will be able to pass the RAPC with a lower voting threshold (67% approval from both tallies, vs 75%).
  - Proposals endorsed by RAPC will then be considered by the BOD; materials provided to the BOD will include the RAPC's endorsement and all feedback and recommendations compiled by the PRC. Proposals not endorsed by the RAPC can be brought in front of the BOD by the PRC or any other stakeholder; as with an endorsed proposal, all supporting materials (including public, stakeholder, PO, and RAPC feedback) will be provided in BOD materials.
  - It will be important that the PRC is a functional, working committee to avoid design change bottlenecks. The initial PRC will develop a code of conduct for member participation. Membership on the PRC will require, at minimum:
    - Willingness to represent their sector and work in the best interests of the regional program;
    - Ability and willingness to communicate with their sector to ensure accurate representation of the sectors' needs and concerns;
    - Consistent attendance and engagement at PRC meetings by the identified PRC representative; and
    - Willingness to collaborate with other PRC members to propose feasible, reasonable design changes in a timely manner.

---

Exigent design changes (e.g., those mandated by FERC order, those with immediate reliability impacts, those with significant impacts to utility service) may need to utilize an expedited review process. In these circumstances, the RAPC would work with the PO and NWPP to propose a design change and would propose that change to the BOD. The PRC, COSR, and public would participate in a comment process directly with the BOD as they review the RAPC's proposed response to the time-sensitive design issue. This process is outlined in Figure 4.

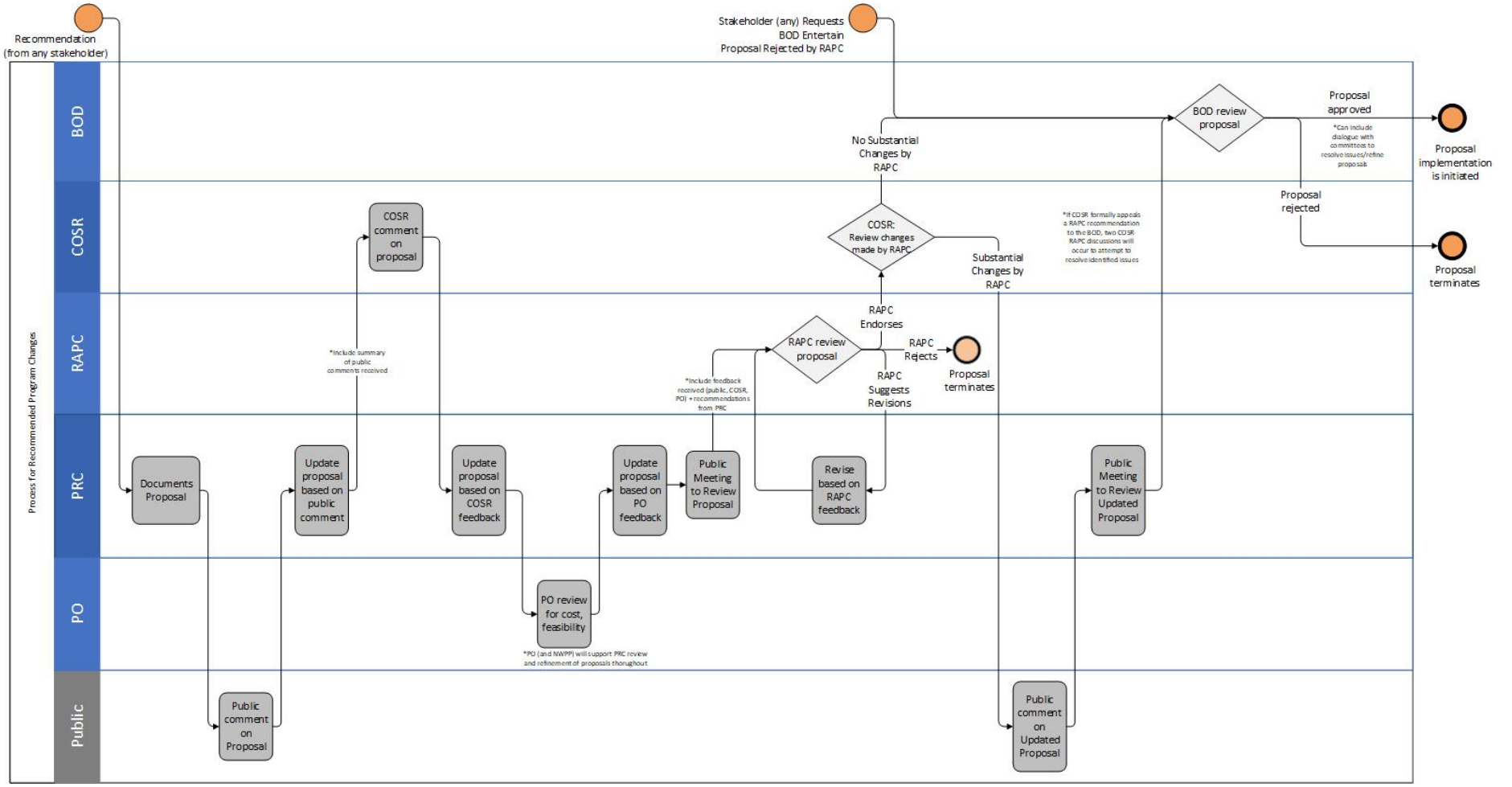


Figure 3 - PRC Review Process

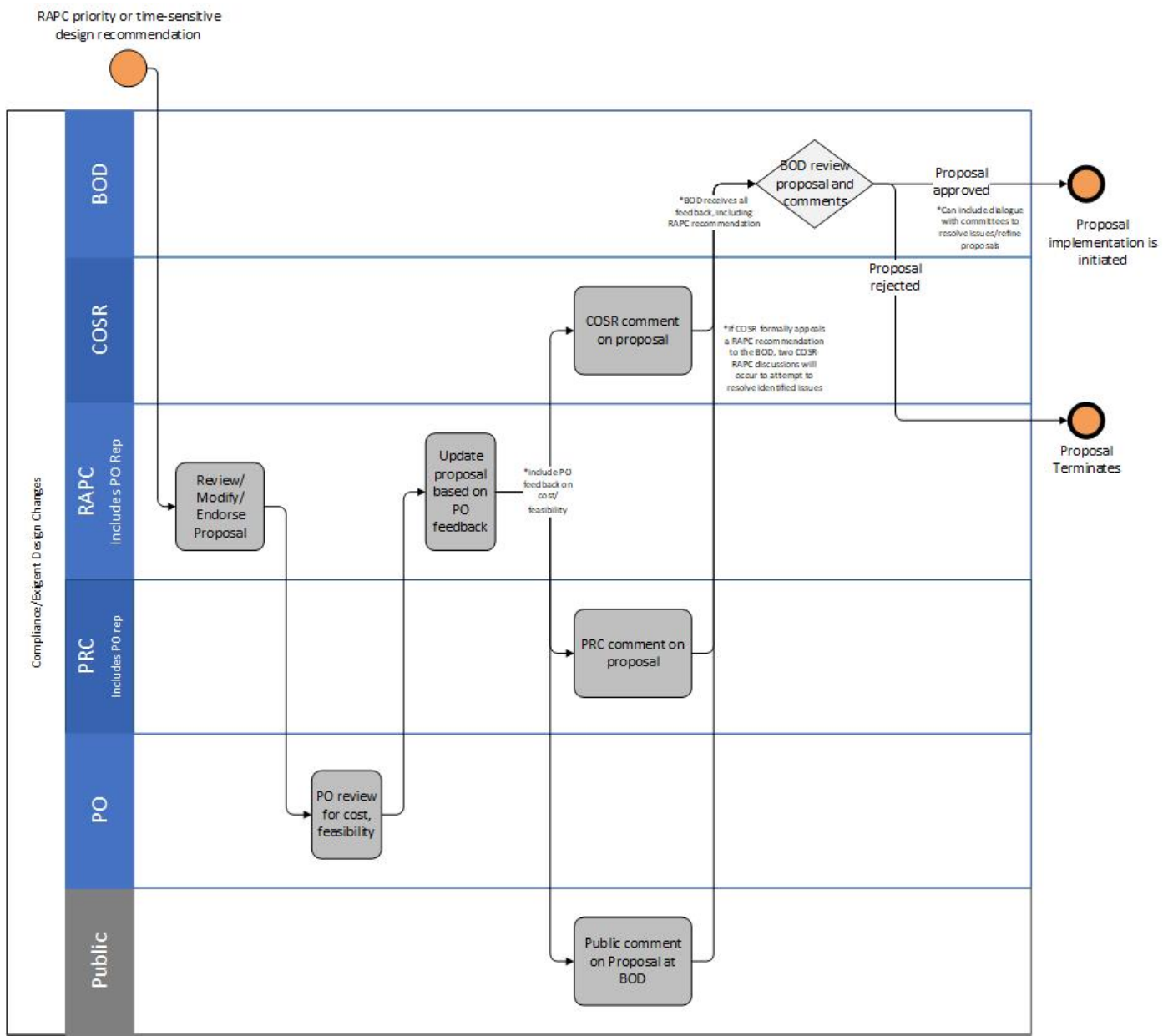


Figure 4 - PRC expedited review process

---

### 1.6.3. Additional Subcommittees and Work Groups

Each committee may establish subcommittees, work groups, or task forces (or similar groups) as it determines are necessary or efficient for addressing issues or tasks within the committee's purview. These subcommittees (and similar groups) are working groups that will meet and perform their assignments in the manner of their choosing. Each parent committee retains authority and accountability for its assigned areas.

## 1.7. Cost Allocation Principles

### 1.7.1. Assigning Costs Incurred to WRAP

Any costs will need to be assigned based on the costs incurred in providing contracted program services, including costs of the BOD, administrative personnel, and shared services with other NWPP services that are provided outside the WRAP.

When possible, costs associated with specific services or programs (e.g., staff time, program-specific software, etc.) will be directly assigned.

If direct assignment is not possible where costs support multiple services or programs (e.g., cost of BOD, office lease costs, etc.), costs will be allocated using a reasonable cost allocation methodology.