



REQUEST FOR PROPOSAL FACILITATOR FOR PJM GOVERNANCE ASSESSMENT SPECIAL TEAM

INTRODUCTION

PJM Interconnection is a limited liability company and regional transmission organization ("RTO"), regulated by the Federal Energy Regulatory Commission ("FERC"), that coordinates the movement of wholesale electricity in all or parts of 13 states and the District of Columbia.

PJM's role as a federally regulated RTO means that it acts independently and impartially in managing the regional transmission system and the wholesale electricity market. PJM ensures the reliability of the largest centrally dispatched grid in North America.

PJM's member companies, totaling more than 500, include power generators, transmission owners, electricity distributors, power marketers and large consumers. The company is headquartered in Valley Forge, Pa.

An independent Board of Managers governs PJM's business. The PJM Members Committee has certain powers as described more fully in the PJM Operating Agreement. Detailed background information on PJM can be found in Appendix "A."

PURPOSE FOR PROPOSAL

PJM's governance structure comprises two different governing bodies with various duties: the PJM Members Committee and the PJM Board of Managers.¹ More detailed background information about PJM and its governance can be found in Appendix "A" to the RFP.

Several months ago, the FERC issued an order requiring PJM (and other RTOs) to undertake an examination of several aspects of their operations, report to the FERC and make certain changes, as required by the FERC. This order is commonly referred to as FERC Order No. 719. A copy of FERC's Order No. 719 can be found at

¹ The Transmission Owners Agreement also gives certain governing duties and powers to the Transmission Owners.

http://elibrary.ferc.gov/0/idmws/file_list.asp?document_id=13656106. PJM formed a task force, called the PJM 719 Task Force, to provide feedback for PJM's compliance filing in response to the FERC's order.

During the PJM Task Force 719 process, there were "numerous discussions among members concerning the effectiveness of the overall PJM governance structure, the information provided to the PJM Board of Managers and the way voting power is allocated under the PJM Operating Agreement and manuals."² Some member companies posited that these issues may call into question PJM's responsiveness, as that term is used in FERC Order No. 719. Other member companies posited that the existing allocation of voting power is fair and equitable. Regardless of voting, some member companies posited that other improvements to the stakeholder process may be appropriate. These discussions revealed that "additional in-depth conversation is required among stakeholders in a forum devoted to just these topics."³ The consultant is intended to assist the GAST in addressing all of these issues.

As a result, PJM member companies negotiated and approved a motion in the form of a resolution ordering the formation of the Governance Assessment Special Team ("GAST") and providing it with a mission. A copy of the resolution adopted by the PJM Members Committee is attached as Appendix "B" to the RFP. A copy of a process map describing the GAST process that was prepared by a PJM member and used at the meeting where the resolution was adopted is attached at Appendix "C" to the RFP.

PJM is seeking a consultant to act as a facilitator to assist the GAST in accomplishing Phase I of its mission, as assigned by the PJM Members Committee. Phase I consists certain tasks surrounding: an assessment to the broader PJM membership of the concerns regarding PJM governance and stakeholder processes and the likelihood of reaching consensus on possible measures that might address some or all of these concerns;⁴ working with the GAST to determine the appropriate forum for performing the assessment and working with the GAST to develop an Action Plan on how to proceed, if at all, given the assessment. Should the PJM member companies decide to proceed with the post-assessment/action plan phase of work of the GAST, the Members Committee may elect to retain a consultant to assist in the implementation of the post-assessment/action plan.

SITUATION ANALYSIS

As described more fully in Appendices "B" through "E," the GAST is seeking a consultant to act as a facilitator to assist the GAST to undertake a complex and sensitive task, namely assist the member companies in discussing issues surrounding PJM governance and stakeholder processes. These issues have proven difficult to discuss or resolve given varying viewpoints, interests and perspectives of PJM member

²Resolution adopted on March 26, 2009.

³ *Id.*

⁴ Please note that there are currently more than 540 PJM Members. Approximately 50% actively participates in the stakeholder process.

companies. To perform this role effectively, the consultant will have to have quite varied skills in a number of areas including process change experience including corporate governance, experience in bringing groups to consensus, information gathering and analysis experience, and demonstrated success in achieving results under a tight timeline.

SCOPE OF WORK

During the March 26, 2009 Members Committee meeting, the PJM Members crafted a compromise plan to move forward to assess governance and stakeholder process issues.⁵ Per the Members Committee Resolution (attached as Appendix "A"):

"At this time, the Governance Assessment Special Team is directed only to work out details around the initial Governance Assessment process, including the following tasks:

- Select a skilled facilitator(s) who can:
 - (1) Gather and inventory the concerns regarding PJM governance and stakeholder processes, including but not limited to the concerns discussed during the PJM Task Force 719 meetings.
 - (2) Provide an assessment to the membership of the issues that have been raised or identified and the possibility of reaching consensus on possible measures that might address some or all of the concerns raised.
- Work with the chosen facilitator on determining the appropriate forum and time period for performing the Assessment above. The above steps will be reported on at the May Members Committee.
- After the Governance Assessment is complete, the results of the assessment will be brought to the Members Committee along with a recommended plan to move forward (or not). Such assessment will be complete in time for posting and presentation at the June 25 Members Committee meeting.⁶
- Other tasks to be completed by the Governance Assessment Special Team include working with the chosen facilitator to develop an Action Plan on how to proceed given the information received through the Assessment.

⁵ Please note that some member companies believe that the issues raised during the Task Force 719 process are not new and have been discussed in the past.

⁶ As noted above, the GAST plans to recommend to the PJM Members Committee at its May 7, 2009, meeting to delay this date until August 13, 2009.

- Should the MC choose to move forward with the Action Plan, such plan will be completed in time for posting, presentation and action at the September MC."

The purpose of this RFP is to engage a professional facilitation and governance consultant to gather and inventory concerns, provide an assessment of opportunities to move forward and work with the GAST to develop a schedule and Action Plan for the Members to consider during their June 25, 2009 meeting. This request for proposal is for the first phase only. The second phase is dependent on Member approval on June 25, 2009. Should the membership wish to proceed, it is anticipated the Phase II activities would include executing the Action Plan.

Please be advised that the PJM member companies have approved a schedule by which Phase I would be completed by June 25, 2009. The GAST plans to recommend, however, that the Members Committee approve at its May 7, 2009, meeting a delay in the Phase I deadline until August 13, 2009. By the terms of the resolution approved by the Members Committee, Phase II is scheduled to be complete by September 24, 2009.

The work envisioned by the GAST, the skills required of the facilitator(s) and the deliverables are explained in more detail in Appendix "E."

REPORTING

The consultant will report administratively to PJM, but will report substantively to the GAST.

RESPONDING TO THIS REQUEST FOR PROPOSAL

Any proposals in response to this RFP should provide the member companies with the understanding of how the respondent would do the following in no particular order:

- (A) Identify mechanism/process of core/issues problem
- (B) Harvest brainstormed solutions and offer potential creative solutions
- (C) Narrow alternatives
- (D) Seek consensus or in alternative develop accurate majority/minority positions
- (E) Memorialize core issue(s)
- (F) Know when the negotiation process has concluded or stagnated
- (G) Identify different constituents and desired outcomes
- (H) Describe how you will collect and then identify/categorize issues
 - (a) Consensus
 - (b) Non-consensus

- (c) Within capability to resolve
- (I) Recommend approach and path forward given current situation
- (J) Provide any other additional information that you may think will aid us in our selection process.

The GAST envisions the person or team to have dispute resolution capabilities, analytical expertise, and governance experience.

Respondent should provide references/recommendations from previous work experience as well as specific examples of past experience that may be relevant for purposes of this Scope of Work, including complex, multi-party facilitation.

Respondents must disclose actual or potential relationships or representations with PJM, its officers, members of the PJM Board of Managers, the FERC, the U.S. Department of Energy, any state public utility regulatory commissions, any state consumer or ratepayer advocates, any state attorneys general, any electric industry trade associations, any electric utility as that term is used under the Federal Power Act or any other group publicly advocating positions regarding the electric industry, current PJM member companies and all engagements with any of those persons or entities within the past 5 years. In evaluating proposals, the GAST will consider any such relationships or representations in evaluating independence of Respondents.

Respondents should be aware that their proposals will be kept confidential. All proposals may be shared with GAST members, upon request, in a secure "document room," subject to execution of a Non-Disclosure Agreement. A list of the names of all Respondents will be provided to GAST members.

EVALUATION OF PROPOSAL

The GAST has developed a methodology for evaluating proposals received as a result of this RFP. Proposals will be judged based on an evaluation of qualifications and an evaluation of the proposal. Qualifications will be judged based on several criteria including: process change experience including corporate governance; experience in bringing groups to consensus; information gathering and analysis experience; demonstrated ability to achieve success in a tight timeline; and general knowledge of electricity markets, planning and operations. As Respondents discuss their experience, they should consider and discuss its relevance to the scope of work explained herein. Please also note that member companies of the GAST are split on the question of whether general knowledge of electricity markets, planning and operations is necessarily a prerequisite.

Proposals will also be judged based on criteria including how well the GAST believes a proposal sets out the means to: identify core issues/problems; collect and then

identify/categorize issues; offer potential creative solutions; and develop a recommended path forward. Other factors that will be considered in the evaluation include the independence of the consultant, the availability of the consultant in the required time frame, and the likelihood that the selection of a consultant will itself receive stakeholder consensus.

The proposed pricing for the scope of work set forth herein should be set forth in a segregated portion of the Proposal. Pricing proposals should be set forth on a "time and materials" basis and include an estimate of the time that Respondent expects will be necessary to complete the scope of work as well as a "not to exceed" price. The estimate of time should be demarcated into the time that the Respondent forecasts would be necessary for each aspect the scope of work described herein.

ADDITIONAL INFORMATION

Please review and consider the documents attached to this RFP in responding to this proposal. Please also refer to the PJM Members Handbook as a source of basic information about how PJM committee processes operate. In addition, additional information is available if you would like to have further background in support of your proposal. PJM does not expect that you will review such additional information at this time. Additional material that may be relevant and can be found on the PJM website includes, but is not limited to:

- PJM Operating Agreement⁷
- PJM Open Access Transmission Tariff⁸
- PJM Transmission Owners Agreement⁹
- PJM Reliability Assurance Agreement¹⁰
- Various PJM Manuals¹¹
- PJM Board Bylaws¹² and Protocols¹³

While Phase II is not a part of this immediate effort, it is expected that should Phase II be taken up it would at a minimum include:

- Develop brainstormed solutions and drive creative solutions
- Prioritize actionable solutions

⁷ <http://www.pjm.com/documents/agreements/~media/documents/agreements/oa.ashx>

⁸ <http://www.pjm.com/documents/agreements/~media/documents/agreements/tariff.ashx>

⁹ <http://www.pjm.com/documents/agreements/~media/documents/agreements/toa.ashx>

¹⁰ <http://www.pjm.com/documents/agreements/~media/documents/agreements/raa.ashx>

¹¹ <http://www.pjm.com/documents/manuals.aspx>

¹² <http://www.pjm.com/documents/~media/documents/corp-docs/by-laws.ashx>

¹³ <http://www.pjm.com/documents/~media/documents/corp-docs/activities-protocol.ashx>

- If required, utilize potential external governance assessment expertise as necessary (develops governance models for organizations)

RFP CONDITIONS

Respondents are responsible for their costs to participate in this Request for Proposal process prior to the award of any contract, including (but not limited to) proposal preparation costs, the cost of investigation and other due diligence activities, and the costs of participation in any discussions or meetings.

This RFP does not constitute an offer by PJM. PJM expressly reserves the right to cancel this process at any time, to exclude any Respondent from the process and/or to reject any or all bids and offers submitted in response to this RFP, in each case without liability. Please note further that the consummation of any engagement is subject to the execution and delivery of an agreement.

The information contained herein has been prepared to assist interested parties in making their own proposals and does not purport to be all-inclusive or to contain all of the information that a respondent may desire. PJM makes no representation or warranty (express or implied) as to the accuracy or completeness of the information contained in this RFP and expressly disclaims any and all liability based on or relating to any representations or warranties (express or implied) contained in, or errors or omissions from, this RFP or based on or relating to the recipient's use or the use by any of its affiliates or representatives of this RFP or any other written or oral communications transmitted to the recipient or any of its affiliates or representatives in the course of making its proposal.