

June 6, 2014

VIA ELECTRONIC FILING

Ms. Kimberly D. Bose, Secretary
Federal Energy Regulatory Commission
888 First Street, N.E.
Washington, D.C. 20426

**Re: Petition of the North American Electric Reliability Corporation for Approval of Amendments to Exhibit B of the Delegation Agreement with SERC Reliability Corporation – Amendments to the SERC Reliability Corporation Bylaws
Docket No. RR14-___-000**

Dear Ms. Bose:

The North American Electric Reliability Corporation (“NERC”) respectfully submits the “Petition of the North American Electric Reliability Corporation for Approval of Amendments to Exhibit B of the Delegation Agreement with SERC Reliability Corporation – Amendments to the SERC Reliability Corporation Bylaws.” The primary purpose of these amendments is to: 1) support SERC Reliability Corporation’s (“SERC’s”) application for tax-exempt status under § 501(c)(6) of the Internal Revenue Code; and 2) clarify and modify certain SERC-specific corporate governance matters. After examination, NERC concurs with SERC’s determination that the amendments to the SERC Bylaws do not affect any of the qualifications for the delegation of authority from NERC to SERC, and will not adversely impact SERC’s ability to function as a Regional Entity. The amended SERC Bylaws continue to satisfy the five governance criteria specified in Exhibit B of the SERC Regional Delegation Agreement (“SERC RDA”).

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This filing consists of: (1) this transmittal letter; (2) the narrative text of the Petition which follows this transmittal letter; and (3) Attachments 1, 2, and 3 to the Petition which respectively contain: i) SERC's March 3, 2014 letter to NERC requesting approval of the amendments and explaining their purpose; ii) a clean version of the amended Exhibit B of the SERC RDA; and iii) a redlined version of the amended Exhibit B of the SERC RDA. All of these documents are transmitted in a single PDF file.

Please contact the undersigned if you have any questions concerning this filing.

Respectfully submitted,

/s/ Thomas DeVita

Thomas DeVita

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UNITED STATES OF AMERICA
Before the
FEDERAL ENERGY REGULATORY COMMISSION

NORTH AMERICAN ELECTRIC)
RELIABILITY CORPORATION) **Docket No. RR14-__-000**

PETITION OF THE
NORTH AMERICAN ELECTRIC RELIABILITY CORPORATION
FOR APPROVAL OF AMENDMENTS TO EXHIBIT B OF THE DELEGATION
AGREEMENT WITH SERC RELIABILITY CORPORATION – AMENDMENTS TO
THE SERC RELIABILITY CORPORATION BYLAWS

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June 6, 2014

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ATTACHMENTS

Attachment 1: SERC Reliability Corporation's March 3, 2014 Letter Identifying and Explaining the Proposed Amendments to the SERC Reliability Corporation Bylaws and Requesting North American Electric Reliability Corporation Approval

Attachment 2: Amended Exhibit B of the Delegation Agreement Between North American Electric Reliability Corporation and SERC Reliability Corporation – Clean version

Attachment 3: Amended Exhibit B of the Delegation Agreement Between North American Electric Reliability Corporation and SERC Reliability Corporation – Redlined version

I. INTRODUCTION

Pursuant to § 215(e)(4) of the Federal Power Act¹ (“FPA”) and 18 C.F.R. §§ 39.8 and 39.10 (2012), the North American Electric Reliability Corporation (“NERC”) respectfully requests the Federal Energy Regulatory Commission’s (the “Commission’s”) approval of amendments to the Amended and Restated Regional Delegation Agreement between NERC and the SERC Reliability Corporation (“SERC”), one of the eight NERC Regional Entities (the “SERC RDA”). The proposed amendments to the SERC RDA consist exclusively of amendments to Exhibit B, the SERC Bylaws. The SERC Bylaws are “Regional Entity Rules” as defined in 18 C.F.R. § 39.1,² and amendments to the SERC Bylaws thereby require Commission approval in accordance with 18 C.F.R. § 39.10(a).³

Attachment 1 to this Petition is SERC’s March 3, 2014 letter to NERC requesting approval of the amendments to the SERC Bylaws, and explaining the purposes of the amendments. **Attachments 2** and **3** are clean and redlined versions, respectively, of the proposed amended Exhibit B of the SERC RDA.

¹ 16 U.S.C. §824o (2005).

² The term “Regional Entity Rule” is defined as “...the bylaws, a rule of procedure or other organizational rule or protocol of a Regional Entity.”

³ “A Regional Entity shall submit a Regional Entity Rule or Rule change to the Electric Reliability Organization and, if approved by the Electric Reliability Organization, the Electric Reliability Organization shall file the proposed Regional Entity Rule or Rule change with the Commission for approval.”

II. NOTICES AND COMMUNICATIONS

Notices and communications with respect to this filing may be addressed to:

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III. PROPOSED AMENDMENTS TO THE DELEGATION AGREEMENT BETWEEN NERC AND SERC RELIABILITY CORPORATION

On March 3, 2014, NERC received correspondence from SERC requesting approval of the amendments to the SERC Bylaws, and explaining the purposes of the amendments. This letter is featured as **Attachment 1** to this petition. As described more fully in **Attachment 1**, the amendments to the SERC Bylaws may be summarized as follows:

1. Cover Page and Table of Contents

a. Cover Page

- i. Changed** the date on the cover page to reflect the most recent date of approval by the SERC Board of Directors. This updated date appears on every subsequent page of the Bylaws.

b. Table of Contents

- i. Changed** various numbers in the table of contents to reflect changes in pagination caused by the amendments to the SERC Bylaws.

2. Article II - Membership

a. Section 2.2 - Eligibility

- i. Added** language clarifying that, for purposes of the SERC Bylaws, the terms “Bulk Power System,” “Reliability Standards,” and “Regional Entity” shall be as defined in 16 U.S.C. § 824o.
- ii. Added** a reference to Section 3.2 (SERC’s Geographic Region) for additional clarity regarding the identification of entities eligible for membership in the Corporation.

b. Section 2.6 - Powers

- i. Added** a section to clarify that, notwithstanding any other provisions of the Bylaws, Member Companies shall be non-voting members and shall have no power or authority or right to vote with respect to the actions of the Corporation (including the dissolution or merger of the Corporation). This language specifically includes an exception for the appointment of SERC Directors.⁴

⁴ Exhibit B of the SERC RDA is composed of five distinct governance criteria, in addition to the SERC Bylaws. The second governance criterion requires that “[t]he Regional Entity has established rules that assure its independence of the users and owners and operators of the bulk power system, while assuring fair stakeholder representation in the selection of its directors.” See also 16 U.S.C. §§ 824(o) (c)(2)(A) and (e)(4)(B), 18 C.F.R. § 39.8(c)(2), and Order No. 672 at P 728.

3. Article IV - Board of Directors
 - a. Section 4.2 – Composition and Eligibility
 - i. **Added** language requiring that corporate affiliates consolidate and coordinate their representation on the SERC Board and any SERC Board-level committees.
 - b. Section 4.13 - Duties
 - i. **Capitalized** the “C” of “Corporation’s” in subsection (b).
4. Article XI - Dissolution
 - a. Section 11.2 - Distribution of Assets
 - i. **Changed** the language of this provision to replace the reference to “Section 501(c)(3)” of the Internal Revenue Code with “Section 501(c)(6).”
 - ii. **Added** “1986” to specify the version of the Internal Revenue Code being referred to.
 - iii. **Deleted** language authorizing the assets of SERC, upon corporate dissolution, to be transferred to federal, state or local governments.
5. Article XIII - Indemnification
 - a. Section 13.1 - Indemnification of Directors, Committee Members, Officers, Employees and Agents
 - i. **Added** the categories of “Alternate Directors” and “Customer Advisors” to the indemnification provision of Article XIII.
6. Article XIV - Amendment of the Bylaws
 - i. **Added** “Articles of Incorporation” to the procedure governing amendments to the SERC Bylaws, thereby extending this procedure to amendment of the SERC Articles of Incorporation as well.

IV. **SERC RELIABILITY CORPORATION AND NERC APPROVALS FOR THE PROPOSED AMENDMENTS**

The proposed amendments to the SERC Bylaws were approved by the SERC Board of Directors in October 2012 and October 2013, and were approved by the NERC Board of Trustees on May 7, 2014. In making the determination to approve the proposed amendments to the SERC Bylaws, NERC determined that the amended SERC Bylaws continue to satisfy the five Governance criteria stated in Exhibit B of the SERC RDA.

V. CONCLUSION

Accordingly, NERC respectfully requests that the Commission approve the proposed amendments to the SERC RDA shown in **Attachment 3** to this Petition as amendments to Regional Entity Rules.

Respectfully submitted,

/s/ Thomas DeVita

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Willie L. Phillips
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*Counsel for North American Electric
Reliability Corporation*

Dated: June 6, 2014

ATTACHMENT 1

**SERC RELIABILITY CORPORATION'S
MARCH 3, 2014 LETTER IDENTIFYING AND EXPLAINING
THE PROPOSED AMENDMENTS TO
THE SERC RELIABILITY CORPORATION BYLAWS
AND REQUESTING
NORTH AMERICAN ELECTRIC RELIABILITY CORPORATION
APPROVAL**



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March 3, 2014

Via E-Mail

Charles A. Berardesco
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Re: Amendments to the SERC Reliability Corporation Bylaws

Dear Charlie:

In accordance with the Amended and Restated Delegation Agreement dated June 12, 2012 ("Delegation Agreement") between the North American Electric Reliability Corporation ("NERC") and SERC Reliability Corporation ("SERC"), I am providing you with amended SERC Bylaws for its North Carolina corporation, which were approved by the SERC Board of Directors ("Board") on October 24, 2012 and October 23, 2013. The nature of and reasons for the amendments are set forth below. The amendments do not affect any of the qualifications for the delegation of authority from NERC to SERC, and will not have any adverse impact on the ability of SERC to function as a Regional Entity under the Delegation Agreement.

Accordingly, SERC requests that: (1) NERC approve the amended SERC Bylaws as consistent with the Delegation Agreement; (2) the amended SERC Bylaws be forwarded to the Federal Energy Regulatory Commission ("FERC") for approval; and (3) upon FERC approval, the amended SERC Bylaws become effective as part of the Delegation Agreement.

I. Background

SERC is in the process of transitioning from an Alabama non-profit corporation to a North Carolina non-profit corporation, in consideration of its current base of operations and lack of substantial nexus to the state of Alabama. As part of this, SERC has formed a North Carolina corporation. In October 2012, the SERC Board approved the Articles of Incorporation and initial Bylaws for the North Carolina non-profit corporation. At this time, the Board directed staff to consider whether it would be appropriate to seek tax exempt status under Section 501(c)(3) of the Internal Revenue Code, rather than under Section 501(c)(6), the current status of the Alabama corporation. The initially approved Bylaws of the North Carolina corporation contained language necessary to support the 501(c)(3) application. The Bylaws approved by the Board in October 2012 also contained other minor changes as discussed below.

After consideration, it was decided that it would be preferable to maintain the same tax status for the North Carolina corporation, rather than to seek tax exempt status under Section 501(c)(3), and in October 2013, the SERC Board unanimously approved amendments to the SERC Bylaws to codify this decision. Further details on the amendments to the Bylaws are discussed below.

Clean and redlined versions of the amended Bylaws reflecting the comprehensive changes made are provided as Attachments 1 and 2 to this letter. Upon approval, the amended Bylaws would become Exhibit B to the Delegation Agreement.



II. Change to support 501(c)(6) application

In section 11.2, the "Distribution of Assets" provision was amended to remove language necessary for 501(c)(3) status. Section 501(c)(6) of the Internal Revenue Code requires different language in the Bylaws than is required under Section 501(c)(3). The changes necessary to support this recommendation are needed prior to filing an application for tax exempt status for the North Carolina corporation.

III. Other Changes

- (1) Table of Contents (updating to reflect changes in pagination caused by the amendments to the Bylaws)
- (2) Section 2.2 (adding language to state that the terms "Bulk Power System", "Reliability Standards" and "Regional Entity" shall be as defined in 16 U.S.C. § 824o)
- (3) Section 2.6 (adding this Section to clarify that Member Companies shall be non-voting members and shall have no power or authority or right to vote with respect to the actions of the Corporation)
- (4) Section 4.2 (adding language to require corporate affiliates to consolidate and coordinate their representation on the Board and any Board level committees)
- (5) Section 13.1 (adding "Alternate Director" and "Customer Advisor" to reflect that this Section applies to these representatives)
- (6) Article 14 (expanding this Article to apply to the Articles of Incorporation)

IV. Conclusion

As detailed above, the amendments to the SERC Bylaws do not impact SERC's qualifications to serve as a Regional Entity with delegated authority from NERC and do not affect the ability of SERC to function as a Regional Entity under the Delegation Agreement. Accordingly, SERC requests that NERC approve the amended Bylaws as consistent with the Delegation Agreement, and forward the amended Bylaws to FERC for approval and adoption as a replacement for Exhibit B to the Delegation Agreement.

Please contact me if you have any questions.

Sincerely,

**Marisa
Sifontes**

Marisa A. Sifontes

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Enclosures

cc: R. Scott Henry

ATTACHMENT 2

AMENDED EXHIBIT B OF THE DELEGATION AGREEMENT
BETWEEN
NORTH AMERICAN ELECTRIC RELIABILITY CORPORATION
AND
SERC RELIABILITY CORPORATION

CLEAN VERSION

AMENDED AND RESTATED

BYLAWS

OF

SERC RELIABILITY CORPORATION

A North Carolina Nonprofit Corporation

Approved by the Board of Directors on _____, 2013

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AMENDED AND RESTATED
BYLAWS
OF
SERC RELIABILITY CORPORATION
[Hereinafter referred to as the “Corporation”]
A North Carolina Nonprofit Corporation

ARTICLE I - OFFICES

1.1 **Principal Office.** The principal office of the Corporation shall be located in the City of Charlotte, Mecklenburg County, North Carolina. The Board of Directors may by resolution change the location of this office from time to time.

1.2 **Other Offices.** The Corporation may have other offices at such place or places as the Board of Directors may from time to time appoint or the business of the Corporation may require.

ARTICLE II - MEMBERSHIP

2.1 **General.** The Corporation shall be a membership corporation. Entities that meet the eligibility requirements and apply for membership in the Corporation shall hereinafter be referred to individually as a “Member Company” and collectively as “Member Companies”.

2.2 **Eligibility.** Membership in the Corporation is open to any entity in the SERC Region (defined in Section 3.2 below) that is a user, owner or operator of the Bulk Power System and is subject to the jurisdiction of the Federal Energy Regulatory Commission for the purpose of complying with Reliability Standards established under Section 215 of the Federal Power Act and all amendments thereto. Membership in the Corporation is voluntary; however, membership is predicated on mandatory acceptance of the responsibility to promote, support, and comply with Reliability Standards of the Corporation and the North American Electric Reliability Corporation (“NERC”), and to assist the Corporation in its compliance with the terms and provisions of a Delegation Agreement (a “Delegation Agreement”) with NERC, by which NERC delegates authority to propose and enforce Reliability Standards, pursuant to 16 U.S.C. § 824o or the corresponding provisions of any subsequent U.S. Code revisions. For purposes of

these Bylaws, the terms “Bulk Power System”, “Reliability Standards” and “Regional Entity” shall be as defined in 16 U.S.C. § 824o or the corresponding provisions of any subsequent U.S. Code revisions.

2.3 **Termination.** A Member Company may terminate its membership in the Corporation by giving the Board of Directors at least thirty (30) days written notice of its intent to terminate such membership (such Member Companies shall hereinafter be referred to as "Terminated Member Companies"). Terminated Member Companies shall nevertheless continue to be liable for any and all obligations incurred prior to the end of the calendar year in which such notice is given, including, but not limited to, the obligation to pay a pro rata share of any Corporation expense. In addition to termination of membership by the Member Company, the Board of Directors, following notice to the Member Company, may terminate the membership of a Member Company if in the judgment of the Board of Directors that Member Company has violated its obligations and responsibilities to the Corporation. The termination of the membership of a Member Company by the Board of Directors shall require a Supermajority vote, as defined in these Bylaws.

2.4 **Sectors.** Each Member Company shall be classified by the Executive Committee in one of the following seven (7) Sectors (each a “Sector”, and collectively, the “Sectors”):

- (a) Investor-Owned Utility Sector – This Sector includes any investor-owned entity with substantial business interest in ownership and/or operation in any of the asset categories of generation, transmission or distribution.
- (b) Federal/State Sector – This Sector includes any U.S. federal entity that owns and/or operates electric facilities and/or provides balancing authority services, in any of the asset categories of generation, transmission, or distribution; or any entity that is owned by or subject to the governmental authority of a state and that is engaged in the generation, delivery, and/or sale of electric power to end-use customers primarily within the political boundaries of the state.
- (c) Cooperative Sector – This Sector includes any non-governmental entity that is incorporated under the laws of the state in which it operates, is owned by and provides electric service to end-use customers at cost, and is governed by a board of directors that is elected by the membership of the entity; and any non-governmental entity owned by and which provides generation and/or transmission service to such entities.
- (d) Municipal Sector – This Sector includes any entity owned by or subject to the governmental authority of a municipality, that is

engaged in the generation, delivery, and/or sale of electric power to end-use customers primarily within the political boundaries of the municipality; and any entity, whose members are municipalities, formed under state law for the purpose of generating or purchasing electricity for sale at wholesale to their members.

- (e) Marketer Sector– This Sector includes any entity that is engaged in the activity of buying and selling of wholesale electric power in the SERC Region on a physical or financial basis.
- (f) Merchant Electricity Generator Sector – This Sector includes any entity that owns or operates an electricity generating facility or provides balancing authority services for such entities. This includes, but is not limited to, small power producers and all other non-utility producers such as exempt wholesale generators who sell electricity at wholesale.
- (g) ISO-RTO Sector – This Sector includes any entity that operates a FERC approved ISO or RTO.

The Executive Committee's classification of a Member Company in a particular Sector may only be changed by the Executive Committee.

2.5 **Transfer of Membership.** A Member Company may not give or otherwise transfer its membership, except to a successor that becomes a Member Company in accordance with the terms and conditions of these Bylaws, and provided that the successor continues to meet its predecessor's obligations.

2.6 **Powers.** Notwithstanding any other provisions of these Bylaws, except for the appointment of Directors as provided in Section 4.2 below, Member Companies shall be non-voting members and shall have no power or authority or right to vote with respect to the actions of the Corporation, specifically including, but not limited to, the dissolution or merger of the Corporation.

ARTICLE III - PURPOSES

3.1 **General Purposes.** The purpose of the Corporation is to promote effective and efficient administration of Bulk Power System reliability in the SERC Region, as defined in Section 3.2. In pursuit of this goal, the Corporation shall:

- (a) enter into a Delegation Agreement to serve as a Regional Entity pursuant to 16 U.S.C. § 824o or the corresponding provisions of any subsequent U.S. Code revisions;

- (b) promote the development of reliability and adequacy arrangements among the systems in the SERC Region;
- (c) participate in the establishment of Reliability Standards;
- (d) participate in the measurement of performance relative to these Reliability Standards;
- (e) promote conformance to and compliance with these Reliability Standards;
- (f) develop and exchange information with respect to planning and operating matters relating to the reliability and adequacy of the Bulk Power System;
- (g) review as necessary activities in the SERC Region on reliability and adequacy in order to meet Reliability Standards;
- (h) provide a mechanism to resolve disputes on reliability issues in a manner that meets the needs of the parties and the SERC Region; and
- (i) provide information with respect to matters considered by the Corporation, where appropriate, to the Federal Energy Regulatory Commission ("FERC") and to other federal and state agencies concerned with reliability and adequacy.

3.2 **Geographic Area.** The Corporation accomplishes its purposes in a geographic area (the "SERC Region") that is defined in Exhibit A of the Amended and Restated Delegation Agreement Between North American Electric Reliability Corporation and SERC Reliability Corporation.

3.3 **Other Statutory Functions.** The Corporation may also perform statutory functions outside of the SERC Region, on behalf of NERC or other Regional Entities. The Corporation may undertake such activities pursuant to a contract that is approved by the Executive Committee.

ARTICLE IV - BOARD OF DIRECTORS

4.1 **General Powers.** The affairs of the Corporation shall be managed by its Board of Directors except as otherwise provided in these Bylaws.

4.2 **Composition and Eligibility.** The Board of Directors shall be comprised of no fewer than three (3) Directors and no more than two (2) Customer Advisors.

Each Director shall be the principal officer or other authorized employee from a Member Company or a company that controls, is controlled by, or is under common control with such Member Company (an "affiliated entity"). Each Member Company, together with any affiliated entities, may appoint one (1) Director to the Board of Directors. For clarification purposes only, each Member Company and all of such Member Company's affiliated entities (including any affiliated entities which may be a separate Member Company) shall have the right to appoint only one (1) Director to serve on behalf of such Member Company and all of such Member Company's affiliated entities. Each Director shall serve until otherwise replaced by the applicable Member Company, together with any affiliated entities. Each Member Company, together with any affiliated entities, may designate one (1) alternate Director, who shall be a principal officer or other authorized employee from the Director's Member Company or an affiliated entity, to serve in the place of the Member Company's Director at any meeting of the Board of Directors (an "Alternate Director"). Directors may not otherwise use proxy votes. Any vacancy occurring among the Directors or Alternate Directors shall be filled by the applicable Member Company, together with any affiliated entities.

Each Customer Advisor shall be a person who is (i) employed by an entity that receives service at retail and does not otherwise sell, purchase, or transmit power over the Bulk Power System or own, operate or maintain, control or operate facilities or systems that are part of the Bulk Power System; (ii) a state public utility commission representative; or (iii) any other customer advocate. Should the Board of Directors not include two (2) Customer Advisors, the Board of Directors may elect additional Customer Advisors to fill such vacancies. The term of these Customer Advisors shall be for a two (2) year period.

The Chair of FERC and the chair or president of any State Utility Commission in a state in which electric service is provided by a Member Company of the Corporation shall be invited to designate an observer to attend meetings of the Board.

4.3 **Regular Meetings of the Board.** Unless otherwise determined by the Chair, a regular meeting of the Board of Directors shall be held without other notice than these Bylaws on the fourth Wednesday in the months of April and October in each year. Notwithstanding the foregoing, the Chair may elect to hold a regular semi-annual meeting of the Board of Directors on another date provided that the Board receives at least ten (10) days advance notice. If the day fixed for the meeting shall be a legal holiday in the State of North Carolina, the meeting shall be held on the next succeeding business day. The Board of Directors may designate any place as the place of meeting for any meeting. The Board of Directors may provide by resolution the time and place for the holding of additional regular meetings of the Board without other notice than the resolution. Directors or any committee designated by the Board of Directors may participate in such Board or committee meetings by means of a telephone conference, webcast or any other communication by means of which all persons participating in the

meeting can hear each other at the same time, and participation by such means shall constitute presence in person at such meeting.

4.4 **Special Meetings of the Board.** Special meetings of the Board of Directors may be called at the request of the Chair, or by Directors holding twenty percent (20%) or more of the Individual Votes. The Chair may fix any place as the place for holding any special meeting of the Board.

4.5 **Notice of Special Meetings.** Notice of any special meeting of the Board of Directors shall be given at least two (2) days prior to the special meeting by written notice delivered personally, or sent by mail or electronic mail to each Director at the address as shown by the records of the Corporation. If mailed, such notice shall be deemed to be delivered when deposited in the United States mail in a sealed envelope so addressed, with postage prepaid. If sent by electronic mail, such notice shall be deemed to be delivered when sent via electronic mail. Any Director may waive notice of any meeting. The attendance of a Director at any meeting shall constitute a waiver of notice of such meeting, except where a Director attends a meeting for the express purpose of objecting to the transaction of any business because the meeting is not lawfully called or convened. Neither the business to be transacted at, nor the purpose of, any special meeting of the Board need be specified in the notice or waiver of notice of such meeting, unless specifically required by law or by these Bylaws.

4.6 **Election of Board Officers and Executive Committee.** Biennially, at the April meeting, the Board of Directors shall elect Board Officers from among the Directors for the positions of Chair, Vice Chair, and Secretary-Treasurer, each for a term of two (2) years beginning on July 1st after the election. No Director may serve in more than one (1) Board Officer position at the same time. The Chair shall conduct all meetings and shall be responsible for the preparation of the agenda. In the Chair's absence, the Vice Chair shall serve as acting Chair. In the event that a Board Officer cannot complete his or her term, the Board of Directors may hold a special election to elect a replacement Board Officer for the remainder of the unexpired term.

At the same time, the Board shall also approve representatives to the Executive Committee nominated by the Sectors to serve for a period of two (2) years. Each Sector may also elect alternates to the Executive Committee, and, if a Sector has more than one (1) representative on the Executive Committee, such Sector shall designate the priority of succession by such alternates.

4.7 **Agenda.** As far in advance of each regular and special meeting as practical, an agenda shall be distributed to each Director and Customer Advisor.

4.8 **Voting Definitions.**

- (a) "Adjusted Weighted Vote" shall mean the number of votes of each Director determined in the manner set forth in Section 4.9 hereof.

- (b) "Simple Majority" shall require the presence of a quorum and the (i) concurrence of Directors whose combined Individual Votes are greater than fifty percent (50%) of the total Individual Votes of all Directors present at the meeting and entitled to vote on the issue (the "Individual Vote Test"), (ii) concurrence of Directors whose combined Adjusted Weighted Votes are greater than fifty percent (50%) of the total Adjusted Weighted Vote of all Directors at the meeting and entitled to vote on the issue (the "Adjusted Weighted Vote Test"), and (iii) for at least one of the Individual Vote Test or the Adjusted Weighted Vote Test, on an individual Sector basis, the positive vote shall outweigh the negative vote for at least three Sectors.
- (c) "Supermajority" shall require the presence of a quorum and the concurrence of (i) Directors whose combined Individual Votes equal or exceed two-thirds (2/3) of the total Individual Votes of all Directors present at the meeting and entitled to vote on the issue, provided that a quorum is present, and (ii) Directors whose combined Adjusted Weighted Votes are greater than two-thirds (2/3) of the total Adjusted Weighted Vote of all Directors present at the meeting and entitled to vote on the issue.
- (d) "Individual Vote" shall mean a single vote accorded to each Director.
- (e) "Given Year" shall mean the applicable fiscal year for which the Adjusted Weighted Votes are calculated.
- (f) "Reporting Year" shall mean the fiscal year immediately preceding the Given Year.
- (g) "Previous Year" shall mean the fiscal year immediately preceding the Reporting Year.

4.9 **Determination of Adjusted Weighted Vote.** The Directors' Adjusted Weighted Votes for a Given Year shall be determined by the following formula:

$$V = 10(1/N) + 30(B/C) + 30(D/E) + 30(F/G)$$

V = % of Adjusted Weighted Vote

N = total number of Member Companies

B = Member Company's Previous Year internal peak demand

C = total of factor B for all Member Companies

D = Member Company's owned generating capacity as of January 1 of the Reporting Year

E = total of factor D for all Member Companies

F = Member Company's sum of circuit miles of transmission times the respective operating voltage for facilities of 69 kV and above as of December 31 of the Previous Year

G = total of factor F for all Member Companies

4.10 **Voting; Manner of Acting; Voting Rights; Quorum; Proxies.**

- (a) Except as otherwise provided in these Bylaws, all actions by the Board of Directors require approval by a Simple Majority vote.
- (b) A motion shall be deemed to have passed if it passes either:
 - (i) the Individual Vote Test; or
 - (ii) the Adjusted Weighted Vote Test;

and, for purposes of the failed test (any test that is not satisfied), on an individual Sector basis, the positive votes outweigh the negative votes in every Sector but one.

- (c) Directors holding two-thirds (2/3) of the Individual Votes shall constitute a quorum for action by the Board. If Directors holding less than two-thirds (2/3) of the Individual Votes are present at the meeting, a majority of the Directors present may adjourn the meeting from time to time without further notice.
- (d) The intent of Section 4.8(b)(iii) and Section 4.10(b) is to ensure that no two Sectors should be able to control any decision and that a single Sector should not be able to veto any matter, respectively (other than amendments to these Bylaws). In the event that either of the foregoing shall nevertheless occur, the Member Companies shall promptly revise the provisions of these Bylaws so that no two Sectors shall be able to control any decision and no single Sector shall be able to veto any matter.

4.11 **Compensation.** Directors shall not receive any compensation from the Corporation for their services to the Corporation.

4.12 **Informal Action by Directors.** Any action required by law to be taken at a meeting of Directors, or any action which may be taken at a meeting of Directors, may

be taken without a meeting if all of the Directors consent in writing to the action so taken.

4.13 **Duties**. The Board of Directors shall have the exclusive responsibility to:

- (a) Authorize distributions;
- (b) Recommend to members or approve dissolution, merger or the sale, pledge or transfer of substantially all of the Corporation's assets;
- (c) Fill vacancies on any of the Board's committees;
- (d) Adopt, amend, or repeal the Articles of Incorporation or Bylaws;
- (e) Form or dissolve committees of the Board as it deems necessary to carry out the business of the Corporation; and
- (f) Resolve any disputes regarding the Member Companies and the Corporation, if those issues cannot be resolved by the standing committees or subcommittees of the Corporation and are not otherwise subject to NERC's dispute provisions for non-compliance with Reliability Standards.

ARTICLE V - CORPORATE OFFICERS

5.1 **Corporate Officers**. The Board of Directors shall appoint a President & Chief Executive Officer, Vice President, Secretary, and Treasurer of the Corporation. Two (2) or more of such offices may be held by the same person, except for the offices of President & Chief Executive Officer and Secretary. The Board of Directors may appoint such other officers and assistant officers as it deems necessary.

5.2 **President & Chief Executive Officer**. The President shall be the Chief Executive Officer of the Corporation and shall manage the operations of the Corporation to the end that its purposes shall be accomplished. The Board Officers shall determine the compensation and benefits for the President & Chief Executive Officer (President). The President shall:

- (a) Attend all Board of Directors meetings of the Corporation and NERC Stakeholder and Board of Trustees, meetings, as appropriate;
- (b) Assist and coordinate the preparation of testimony and reports;

- (c) Coordinate subregional activities and interregional affairs, to include data collection;
- (d) Install and maintain an adequate system of accounts and records;
- (e) Arrange for meetings as directed;
- (f) Assist the Corporation Committee Chairs as appropriate;
- (g) Manage the business affairs of the Corporation, including the Corporation staff;
- (h) Maintain minutes of all the Corporation-related meetings; and
- (i) Provide other assistance to the Corporation and NERC, as appropriate.

5.3 **Vice President.** The Vice President shall perform such duties and exercise such powers as may be assigned to him or her from time to time by the Board of Directors, the Executive Committee, or the President. In the absence of the President, or in the case of the President's inability to act, the Vice President shall perform the duties and exercise the powers of the President, but subject to the control of the Board of Directors and the Executive Committee. The Board Officers shall determine the compensation and benefits of the Vice President.

5.4 **Secretary.** The Secretary shall be custodian of the records and of the seal of the Corporation and in general shall perform all duties incident to the office of Secretary and such other duties as may, from time to time, be assigned to him or her by the Board of Directors, the Executive Committee, or the President.

5.5 **Treasurer.** The Treasurer shall have charge and custody of, and be responsible for, all funds and securities of the Corporation and deposit all such funds in the name of the Corporation in such banks, trust companies, or other depositaries as shall be selected in accordance with the provisions of these Bylaws; and in general, perform all of the duties incident to the office of Treasurer and such other duties as from time to time may be assigned to him or her by the Board of Directors, the Executive Committee, or the President.

ARTICLE VI - EXECUTIVE COMMITTEE

6.1 **Executive Committee Representatives.** The Executive Committee shall be comprised of twelve (12) Sector representatives from the Board of Directors, consisting of:

- (a) The Investor-Owned Utility Sector shall have three (3) representatives;
- (b) The Federal/State Sector shall have two (2) representatives;
- (c) The Cooperative Sector shall have two (2) representatives;
- (d) The Municipal Sector shall have two (2) representatives;
- (e) The Marketer Sector shall have one (1) representative;
- (f) The Merchant Electricity Generator Sector shall have one (1) representative; and
- (g) The ISO-RTO Sector shall have one (1) representative.

It is the desire of the Board of Directors that the Cooperative and Municipal sectors have representation from both transmission dependent and transmission owning Members. Each Sector shall be responsible for nominating their representative(s) and alternates from among the Directors. The Chair of the Board shall serve as Chair of the Executive Committee and shall conduct all meetings and shall be responsible for the preparation of the agenda. In the event that a representative on the Executive Committee is unable to complete a term, the Sector's alternate shall replace such representative.

6.2 **Ex Officio Representatives.** The Chair, Vice Chair, and Secretary-Treasurer of the Board of Directors shall also be ex officio representatives on the Executive Committee, but shall not have voting rights unless such Board Officer is also elected by a Sector to the Executive Committee pursuant to Section 6.1 above.

6.3 **Authority of Executive Committee.** Except as limited by Section 55A-8-25 of the North Carolina Nonprofit Corporation Act and Section 4.13 of these Bylaws, the Executive Committee is empowered to make all such decisions and take such actions as are deemed to be necessary for the operation of the Corporation.

6.4 **Action.** Each voting representative on the Executive Committee shall have one vote. The presence of three-quarters (3/4) of the voting representatives on the Executive Committee shall constitute a quorum. The positive vote of two-thirds

(2/3) of Executive Committee voting representatives present and voting is necessary to pass a particular action.

ARTICLE VII - OTHER COMMITTEES

7.1 **Designation by Board.** The Board of Directors, by resolution adopted by a Simple Majority vote, may designate Board committees and standing committees, as shall be necessary to address the purposes of the Corporation. Each Board committee shall have at least two Directors among its members.

7.2 **Rules for Governance.** Each committee shall adopt rules for its own governance that are not inconsistent with these Bylaws, rules adopted by the Board of Directors, applicable NERC or FERC rules or regulations, or applicable state or federal laws. Each committee shall maintain its rules for governance in a written scope document that is approved by the Board of Directors.

7.3 **Ad-Hoc Support Committees.** The Board or its committees may, from time to time, appoint ad-hoc committees to research and/or advise it on compliance or technical issues or matters, among other things. Such ad-hoc committees may be formed on an as-needed basis and may vary in makeup depending on the needs of the Board or its committees.

ARTICLE VIII - MISCELLANEOUS

8.1 **Conflicts of Interest.** All Directors, Alternate Directors, Customer Advisors, and Board committee representatives shall comply with the Corporation's Standards of Conduct policy that prohibits conflicts of interest, as such conflicts could cast doubt on the ability of such persons to act with total objectivity with regard to the overall interests of the Corporation.

8.2 **Contracts.** The Board of Directors may authorize any officer or agent of the Corporation, in addition to the officers so authorized by these Bylaws, to enter into any contract or execute and deliver any instrument in the name of and on behalf of the Corporation, and such authority may be general or confined to specific instances.

8.3 **Checks, Drafts, etc.** All checks, drafts, or orders for the payment of money, notes or other evidences of indebtedness issued in the name of the Corporation, shall be signed by an authorized officer or agent of the Corporation and in such manner as shall from time to time be determined by resolution of the Executive Committee. In the absence of such determination by the Executive Committee, such

instruments shall be signed by the Board's Secretary-Treasurer, the Corporation's President, or the Corporation's Finance Director, as stipulated by the Executive Committee. The Corporation's Finance Director may arrange audits of financial records, sign appropriate documents, and perform such duties normally performed by the Board's Secretary-Treasurer, except duties assigned to the Corporation's President.

8.4 **Deposits.** All funds of the Corporation shall be deposited from time to time to the credit of the Corporation in such banks, trust companies, or other depositories as the Corporation's President may select.

8.5 **Books and Records.** The Corporation shall keep correct and complete books and records of account and shall also keep minutes of the proceedings of the Board of Directors and committees having any of the authority of the Board of Directors, and shall keep at its registered or principal office a record giving the names and addresses of the Directors. All books and records of the Corporation may be inspected by any Director, or agent or attorney representing any Director, for any proper purpose at any reasonable time.

8.6 **Seal.** The corporate seal shall be in circular form and shall have inscribed thereon the name of the Corporation, the words "Corporate Seal", and such other word or words, if any, as may be determined by the Board of Directors to be inscribed thereon.

8.7 **Fiscal Year.** The fiscal year of the Corporation shall begin on the first day of January and end on the last day of December in each year.

ARTICLE IX - EXPENSES

9.1 **Allocation of Specific Expenses.** The expenses of Directors and Board Officers shall be borne by that person's regular employer.

9.2 **Statutory Functions.** The Corporation anticipates that as a general rule all of its expenses shall be incurred in the furtherance of statutory activities pursuant to Section 215 of the Federal Power Act, and that all such expenses shall be funded by NERC, subject to FERC approval.

9.3 **Non-Statutory Functions.** Notwithstanding Section 9.2, the Board of Directors may from time to time authorize the Corporation to participate in non-statutory activities (i.e., activities not described in Section 215 of the Federal Power Act). In the event that the Corporation proposes to engage in non-statutory activities, such activities shall be identified in the Corporation's annual business plan that is submitted to NERC and, if approved by NERC, shall be submitted to FERC for approval in advance of engaging in such non-statutory activities. The expenses incurred by the Corporation for

any such approved non-statutory activities shall be allocated by the Board of Directors to the beneficiaries of such activities on a basis proposed in the business plan submitted for NERC and FERC approval.

ARTICLE X - DISPUTE RESOLUTION PROCESS

10.1 **Dispute Resolution.** All disputes regarding non-compliance with Reliability Standards shall be handled in accordance with the NERC Rules of Procedure. The organizational units of the Corporation shall deal with all other disputes within the framework of their respective organizations. For such other disputes, Member Companies of the Corporation are encouraged to utilize the appropriate Dispute Resolution Process within the Corporation prior to seeking resolution at NERC, FERC, or with legal counsel.

ARTICLE XI - DISSOLUTION

11.1 **Dissolution.** The Corporation may be voluntarily dissolved upon unanimous consent of its Member Companies, and in accordance with Section 55A-14-02 of the North Carolina Nonprofit Corporation Act, as amended from time to time.

11.2 **Distribution of Assets.** Upon dissolution of the Corporation as provided in Section 11.1, the residual assets, after payment of all just obligations, shall be distributed exclusively to organizations which are exempt from federal income tax under Section 501(c)(6) of the Internal Revenue Code of 1986, or corresponding provisions of any subsequent federal tax laws, as the Board of Directors shall determine.

ARTICLE XII - WAIVER OF NOTICE

12.1 **Waiver.** Whenever any notice is required to be given under the provisions of the North Carolina Nonprofit Corporation Act or under the provisions of the articles of incorporation or the Bylaws of the Corporation, a waiver thereof in writing signed by the person or persons entitled to such notice, whether before or after the time stated therein, shall be deemed equivalent to the giving of such notice.

ARTICLE XIII - INDEMNIFICATION

13.1 **Indemnification of Directors, Alternate Directors, Customer Advisors, Committee Members, Officers, Employees and Agents.** Every person who is, or has served as, a Director, Alternate Director, Customer Advisor, committee member, Officer, employee, or agent of the Corporation shall be indemnified by the Corporation in the manner and to the extent authorized by the North Carolina Nonprofit Corporation Act. The foregoing rights of indemnification shall be without prejudice to any other rights to which any such Director, Alternate Director, Customer Advisor, committee member, Officer, employee, or agent may be entitled as a matter of law.

ARTICLE XIV - AMENDMENT OF THE BYLAWS AND ARTICLES OF INCORPORATION

14.1 **Amendment of the Bylaws and Articles of Incorporation.** After a request by twenty percent (20%) of the Board of Directors or an affirmative vote of the Executive Committee, a proposal to amend the Bylaws or the Articles of Incorporation shall be put before the Board of Directors at any regular or special meeting for a vote. Copies of the proposed amendments shall be distributed to the Board of Directors at least thirty (30) days before the meeting at which they are to be considered. An amendment to the Bylaws or the Articles of Incorporation shall be adopted after being approved by a Supermajority vote of the Board of Directors, provided that a quorum is present.

ATTACHMENT 3

**AMENDED EXHIBIT B OF THE DELEGATION AGREEMENT
BETWEEN
NORTH AMERICAN ELECTRIC RELIABILITY CORPORATION
AND
SERC RELIABILITY CORPORATION**

REDLINED VERSION

AMENDED AND RESTATED

BYLAWS

OF

SERC RELIABILITY CORPORATION

A North Carolina Nonprofit Corporation

| Approved by the Board of Directors on [October 23, 2013](#)

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AMENDED AND RESTATED
BYLAWS
OF
SERC RELIABILITY CORPORATION
[Hereinafter referred to as the “Corporation”]
A North Carolina Nonprofit Corporation

ARTICLE I - OFFICES

1.1 **Principal Office.** The principal office of the Corporation shall be located in the City of Charlotte, Mecklenburg County, North Carolina. The Board of Directors may by resolution change the location of this office from time to time.

1.2 **Other Offices.** The Corporation may have other offices at such place or places as the Board of Directors may from time to time appoint or the business of the Corporation may require.

ARTICLE II - MEMBERSHIP

2.1 **General.** The Corporation shall be a membership corporation. Entities that meet the eligibility requirements and apply for membership in the Corporation shall hereinafter be referred to individually as a “Member Company” and collectively as “Member Companies”.

2.2 **Eligibility.** Membership in the Corporation is open to any entity in the SERC Region [\(defined in Section 3.2 below\)](#) that is a user, owner or operator of the Bulk Power System and is subject to the jurisdiction of the Federal Energy Regulatory Commission for the purpose of complying with Reliability Standards established under Section 215 of the Federal Power Act and all amendments thereto. Membership in the Corporation is voluntary; however, membership is predicated on mandatory acceptance of the responsibility to promote, support, and comply with Reliability Standards of the Corporation and the North American Electric Reliability Corporation (“NERC”), and to assist the Corporation in its compliance with the terms and provisions of a Delegation Agreement (a “Delegation Agreement”) with NERC, by which NERC delegates authority to propose and enforce Reliability Standards, pursuant to 16 U.S.C. § 824o or the corresponding provisions of any subsequent U.S. Code revisions. [For purposes of](#)

[these Bylaws, the terms “Bulk Power System”, “Reliability Standards” and “Regional Entity” shall be as defined in 16 U.S.C. § 824o or the corresponding provisions of any subsequent U.S. Code revisions.](#)

2.3 **Termination.** A Member Company may terminate its membership in the Corporation by giving the Board of Directors at least thirty (30) days written notice of its intent to terminate such membership (such Member Companies shall hereinafter be referred to as "Terminated Member Companies"). Terminated Member Companies shall nevertheless continue to be liable for any and all obligations incurred prior to the end of the calendar year in which such notice is given, including, but not limited to, the obligation to pay a pro rata share of any Corporation expense. In addition to termination of membership by the Member Company, the Board of Directors, following notice to the Member Company, may terminate the membership of a Member Company if in the judgment of the Board of Directors that Member Company has violated its obligations and responsibilities to the Corporation. The termination of the membership of a Member Company by the Board of Directors shall require a Supermajority vote, as defined in these Bylaws.

2.4 **Sectors.** Each Member Company shall be classified by the Executive Committee in one of the following seven (7) Sectors (each a “Sector”, and collectively, the “Sectors”):

- (a) Investor-Owned Utility Sector – This Sector includes any investor-owned entity with substantial business interest in ownership and/or operation in any of the asset categories of generation, transmission or distribution.
- (b) Federal/State Sector – This Sector includes any U.S. federal entity that owns and/or operates electric facilities and/or provides balancing authority services, in any of the asset categories of generation, transmission, or distribution; or any entity that is owned by or subject to the governmental authority of a state and that is engaged in the generation, delivery, and/or sale of electric power to end-use customers primarily within the political boundaries of the state.
- (c) Cooperative Sector – This Sector includes any non-governmental entity that is incorporated under the laws of the state in which it operates, is owned by and provides electric service to end-use customers at cost, and is governed by a board of directors that is elected by the membership of the entity; and any non-governmental entity owned by and which provides generation and/or transmission service to such entities.
- (d) Municipal Sector – This Sector includes any entity owned by or subject to the governmental authority of a municipality, that is

engaged in the generation, delivery, and/or sale of electric power to end-use customers primarily within the political boundaries of the municipality; and any entity, whose members are municipalities, formed under state law for the purpose of generating or purchasing electricity for sale at wholesale to their members.

- (e) Marketer Sector– This Sector includes any entity that is engaged in the activity of buying and selling of wholesale electric power in the SERC Region on a physical or financial basis.
- (f) Merchant Electricity Generator Sector – This Sector includes any entity that owns or operates an electricity generating facility or provides balancing authority services for such entities. This includes, but is not limited to, small power producers and all other non-utility producers such as exempt wholesale generators who sell electricity at wholesale.
- (g) ISO-RTO Sector – This Sector includes any entity that operates a FERC approved ISO or RTO.

The Executive Committee’s classification of a Member Company in a particular Sector may only be changed by the Executive Committee.

2.5 **Transfer of Membership.** A Member Company may not give or otherwise transfer its membership, except to a successor that becomes a Member Company in accordance with the terms and conditions of these Bylaws, and provided that the successor continues to meet its predecessor’s obligations.

2.6 Powers. Notwithstanding any other provisions of these Bylaws, except for the appointment of Directors as provided in Section 4.2 below, Member Companies shall be non-voting members and shall have no power or authority or right to vote with respect to the actions of the Corporation, specifically including, but not limited to, the dissolution or merger of the Corporation.

ARTICLE III - PURPOSES

3.1 **General Purposes.** The purpose of the Corporation is to promote effective and efficient administration of Bulk Power System reliability in the SERC Region, as defined in Section 3.2. In pursuit of this goal, the Corporation shall:

- (a) enter into a Delegation Agreement to serve as a Regional Entity pursuant to 16 U.S.C. § 824o or the corresponding provisions of any subsequent U.S. Code revisions;

- (b) promote the development of reliability and adequacy arrangements among the systems in the SERC Region;
- (c) participate in the establishment of Reliability Standards;
- (d) participate in the measurement of performance relative to these Reliability Standards;
- (e) promote conformance to and compliance with these Reliability Standards;
- (f) develop and exchange information with respect to planning and operating matters relating to the reliability and adequacy of the Bulk Power System;
- (g) review as necessary activities in the SERC Region on reliability and adequacy in order to meet Reliability Standards;
- (h) provide a mechanism to resolve disputes on reliability issues in a manner that meets the needs of the parties and the SERC Region; and
- (i) provide information with respect to matters considered by the Corporation, where appropriate, to the Federal Energy Regulatory Commission ("FERC") and to other federal and state agencies concerned with reliability and adequacy.

3.2 **Geographic Area.** The Corporation accomplishes its purposes in a geographic area (the "SERC Region") that is defined in Exhibit A of the Amended and Restated Delegation Agreement Between North American Electric Reliability Corporation and SERC Reliability Corporation.

3.3 **Other Statutory Functions.** The Corporation may also perform statutory functions outside of the SERC Region, on behalf of NERC or other Regional Entities. The Corporation may undertake such activities pursuant to a contract that is approved by the Executive Committee.

ARTICLE IV - BOARD OF DIRECTORS

4.1 **General Powers.** The affairs of the Corporation shall be managed by its Board of Directors except as otherwise provided in these Bylaws.

4.2 **Composition and Eligibility.** The Board of Directors shall be comprised of no fewer than three (3) Directors and no more than two (2) Customer Advisors.

Each Director shall be the principal officer or other authorized employee from a Member Company or a company that controls, is controlled by, or is under common control with such Member Company (an “affiliated entity”). Each Member Company, [together with any affiliated entities](#), may appoint one (1) Director to the Board of Directors. [For clarification purposes only, each Member Company and all of such Member Company’s affiliated entities \(including any affiliated entities which may be a separate Member Company\) shall have the right to appoint only one \(1\) Director to serve on behalf of such Member Company and all of such Member Company’s affiliated entities.](#) Each Director shall serve until otherwise replaced by the applicable Member Company, [together with any affiliated entities](#). Each Member Company, [together with any affiliated entities](#), may designate one (1) alternate Director, who shall be a principal officer or other authorized employee from the Director’s Member Company or an affiliated entity, to serve in the place of the Member Company’s Director at any meeting of the Board of Directors (an “Alternate Director”). Directors may not otherwise use proxy votes. Any vacancy occurring among the Directors or Alternate Directors shall be filled by the applicable Member Company, [together with any affiliated entities](#).

Each Customer Advisor shall be a person who is (i) employed by an entity that receives service at retail and does not otherwise sell, purchase, or transmit power over the Bulk Power System or own, operate or maintain, control or operate facilities or systems that are part of the Bulk Power System; (ii) a state public utility commission representative; or (iii) any other customer advocate. Should the Board of Directors not include two (2) Customer Advisors, the Board of Directors may elect additional Customer Advisors to fill such vacancies. The term of these Customer Advisors shall be for a two (2) year period.

The Chair of FERC and the chair or president of any State Utility Commission in a state in which electric service is provided by a Member Company of the Corporation shall be invited to designate an observer to attend meetings of the Board.

4.3 **Regular Meetings of the Board.** Unless otherwise determined by the Chair, a regular meeting of the Board of Directors shall be held without other notice than these Bylaws on the fourth Wednesday in the months of April and October in each year. Notwithstanding the foregoing, the Chair may elect to hold a regular semi-annual meeting of the Board of Directors on another date provided that the Board receives at least ten (10) days advance notice. If the day fixed for the meeting shall be a legal holiday in the State of North Carolina, the meeting shall be held on the next succeeding business day. The Board of Directors may designate any place as the place of meeting for any meeting. The Board of Directors may provide by resolution the time and place for the holding of additional regular meetings of the Board without other notice than the resolution. Directors or any committee designated by the Board of Directors may participate in such Board or committee meetings by means of a telephone conference, webcast or any other communication by means of which all persons participating in the

meeting can hear each other at the same time, and participation by such means shall constitute presence in person at such meeting.

4.4 **Special Meetings of the Board.** Special meetings of the Board of Directors may be called at the request of the Chair, or by Directors holding twenty percent (20%) or more of the Individual Votes. The Chair may fix any place as the place for holding any special meeting of the Board.

4.5 **Notice of Special Meetings.** Notice of any special meeting of the Board of Directors shall be given at least two (2) days prior to the special meeting by written notice delivered personally, or sent by mail or electronic mail to each Director at the address as shown by the records of the Corporation. If mailed, such notice shall be deemed to be delivered when deposited in the United States mail in a sealed envelope so addressed, with postage prepaid. If sent by electronic mail, such notice shall be deemed to be delivered when sent via electronic mail. Any Director may waive notice of any meeting. The attendance of a Director at any meeting shall constitute a waiver of notice of such meeting, except where a Director attends a meeting for the express purpose of objecting to the transaction of any business because the meeting is not lawfully called or convened. Neither the business to be transacted at, nor the purpose of, any special meeting of the Board need be specified in the notice or waiver of notice of such meeting, unless specifically required by law or by these Bylaws.

4.6 **Election of Board Officers and Executive Committee.** Biennially, at the April meeting, the Board of Directors shall elect Board Officers from among the Directors for the positions of Chair, Vice Chair, and Secretary-Treasurer, each for a term of two (2) years beginning on July 1st after the election. No Director may serve in more than one (1) Board Officer position at the same time. The Chair shall conduct all meetings and shall be responsible for the preparation of the agenda. In the Chair's absence, the Vice Chair shall serve as acting Chair. In the event that a Board Officer cannot complete his or her term, the Board of Directors may hold a special election to elect a replacement Board Officer for the remainder of the unexpired term.

At the same time, the Board shall also approve representatives to the Executive Committee nominated by the Sectors to serve for a period of two (2) years. Each Sector may also elect alternates to the Executive Committee, and, if a Sector has more than one (1) representative on the Executive Committee, such Sector shall designate the priority of succession by such alternates.

4.7 **Agenda.** As far in advance of each regular and special meeting as practical, an agenda shall be distributed to each Director and Customer Advisor.

4.8 **Voting Definitions.**

- (a) "Adjusted Weighted Vote" shall mean the number of votes of each Director determined in the manner set forth in Section 4.9 hereof.

- (b) "Simple Majority" shall require the presence of a quorum and the (i) concurrence of Directors whose combined Individual Votes are greater than fifty percent (50%) of the total Individual Votes of all Directors present at the meeting and entitled to vote on the issue (the "Individual Vote Test"), (ii) concurrence of Directors whose combined Adjusted Weighted Votes are greater than fifty percent (50%) of the total Adjusted Weighted Vote of all Directors at the meeting and entitled to vote on the issue (the "Adjusted Weighted Vote Test"), and (iii) for at least one of the Individual Vote Test or the Adjusted Weighted Vote Test, on an individual Sector basis, the positive vote shall outweigh the negative vote for at least three Sectors.
- (c) "Supermajority" shall require the presence of a quorum and the concurrence of (i) Directors whose combined Individual Votes equal or exceed two-thirds (2/3) of the total Individual Votes of all Directors present at the meeting and entitled to vote on the issue, provided that a quorum is present, and (ii) Directors whose combined Adjusted Weighted Votes are greater than two-thirds (2/3) of the total Adjusted Weighted Vote of all Directors present at the meeting and entitled to vote on the issue.
- (d) "Individual Vote" shall mean a single vote accorded to each Director.
- (e) "Given Year" shall mean the applicable fiscal year for which the Adjusted Weighted Votes are calculated.
- (f) "Reporting Year" shall mean the fiscal year immediately preceding the Given Year.
- (g) "Previous Year" shall mean the fiscal year immediately preceding the Reporting Year.

4.9 **Determination of Adjusted Weighted Vote.** The Directors' Adjusted Weighted Votes for a Given Year shall be determined by the following formula:

$$V = 10(1/N) + 30(B/C) + 30(D/E) + 30(F/G)$$

V = % of Adjusted Weighted Vote

N = total number of Member Companies

B = Member Company's Previous Year internal peak demand

C = total of factor B for all Member Companies

D = Member Company's owned generating capacity as of January 1 of the Reporting Year

E = total of factor D for all Member Companies

F = Member Company's sum of circuit miles of transmission times the respective operating voltage for facilities of 69 kV and above as of December 31 of the Previous Year

G = total of factor F for all Member Companies

4.10 **Voting; Manner of Acting; Voting Rights; Quorum; Proxies.**

- (a) Except as otherwise provided in these Bylaws, all actions by the Board of Directors require approval by a Simple Majority vote.
- (b) A motion shall be deemed to have passed if it passes either:
 - (i) the Individual Vote Test; or
 - (ii) the Adjusted Weighted Vote Test;

and, for purposes of the failed test (any test that is not satisfied), on an individual Sector basis, the positive votes outweigh the negative votes in every Sector but one.

- (c) Directors holding two-thirds (2/3) of the Individual Votes shall constitute a quorum for action by the Board. If Directors holding less than two-thirds (2/3) of the Individual Votes are present at the meeting, a majority of the Directors present may adjourn the meeting from time to time without further notice.
- (d) The intent of Section 4.8(b)(iii) and Section 4.10(b) is to ensure that no two Sectors should be able to control any decision and that a single Sector should not be able to veto any matter, respectively (other than amendments to these Bylaws). In the event that either of the foregoing shall nevertheless occur, the Member Companies shall promptly revise the provisions of these Bylaws so that no two Sectors shall be able to control any decision and no single Sector shall be able to veto any matter.

4.11 **Compensation.** Directors shall not receive any compensation from the Corporation for their services to the Corporation.

4.12 **Informal Action by Directors.** Any action required by law to be taken at a meeting of Directors, or any action which may be taken at a meeting of Directors, may

be taken without a meeting if all of the Directors consent in writing to the action so taken.

4.13 **Duties**. The Board of Directors shall have the exclusive responsibility to:

- (a) Authorize distributions;
- (b) Recommend to members or approve dissolution, merger or the sale, pledge or transfer of substantially all of the eCorporation's assets;
- (c) Fill vacancies on any of the Board's committees;
- (d) Adopt, amend, or repeal the Articles of Incorporation or Bylaws;
- (e) Form or dissolve committees of the Board as it deems necessary to carry out the business of the Corporation; and
- (f) Resolve any disputes regarding the Member Companies and the Corporation, if those issues cannot be resolved by the standing committees or subcommittees of the Corporation and are not otherwise subject to NERC's dispute provisions for non-compliance with Reliability Standards.

ARTICLE V - CORPORATE OFFICERS

5.1 **Corporate Officers**. The Board of Directors shall appoint a President & Chief Executive Officer, Vice President, Secretary, and Treasurer of the Corporation. Two (2) or more of such offices may be held by the same person, except for the offices of President & Chief Executive Officer and Secretary. The Board of Directors may appoint such other officers and assistant officers as it deems necessary.

5.2 **President & Chief Executive Officer**. The President shall be the Chief Executive Officer of the Corporation and shall manage the operations of the Corporation to the end that its purposes shall be accomplished. The Board Officers shall determine the compensation and benefits for the President & Chief Executive Officer (President). The President shall:

- (a) Attend all Board of Directors meetings of the Corporation and NERC Stakeholder and Board of Trustees, meetings, as appropriate;
- (b) Assist and coordinate the preparation of testimony and reports;

- (c) Coordinate subregional activities and interregional affairs, to include data collection;
- (d) Install and maintain an adequate system of accounts and records;
- (e) Arrange for meetings as directed;
- (f) Assist the Corporation Committee Chairs as appropriate;
- (g) Manage the business affairs of the Corporation, including the Corporation staff;
- (h) Maintain minutes of all the Corporation-related meetings; and
- (i) Provide other assistance to the Corporation and NERC, as appropriate.

5.3 **Vice President.** The Vice President shall perform such duties and exercise such powers as may be assigned to him or her from time to time by the Board of Directors, the Executive Committee, or the President. In the absence of the President, or in the case of the President's inability to act, the Vice President shall perform the duties and exercise the powers of the President, but subject to the control of the Board of Directors and the Executive Committee. The Board Officers shall determine the compensation and benefits of the Vice President.

5.4 **Secretary.** The Secretary shall be custodian of the records and of the seal of the Corporation and in general shall perform all duties incident to the office of Secretary and such other duties as may, from time to time, be assigned to him or her by the Board of Directors, the Executive Committee, or the President.

5.5 **Treasurer.** The Treasurer shall have charge and custody of, and be responsible for, all funds and securities of the Corporation and deposit all such funds in the name of the Corporation in such banks, trust companies, or other depositaries as shall be selected in accordance with the provisions of these Bylaws; and in general, perform all of the duties incident to the office of Treasurer and such other duties as from time to time may be assigned to him or her by the Board of Directors, the Executive Committee, or the President.

ARTICLE VI - EXECUTIVE COMMITTEE

6.1 **Executive Committee Representatives.** The Executive Committee shall be comprised of twelve (12) Sector representatives from the Board of Directors, consisting of:

- (a) The Investor-Owned Utility Sector shall have three (3) representatives;
- (b) The Federal/State Sector shall have two (2) representatives;
- (c) The Cooperative Sector shall have two (2) representatives;
- (d) The Municipal Sector shall have two (2) representatives;
- (e) The Marketer Sector shall have one (1) representative;
- (f) The Merchant Electricity Generator Sector shall have one (1) representative; and
- (g) The ISO-RTO Sector shall have one (1) representative.

It is the desire of the Board of Directors that the Cooperative and Municipal sectors have representation from both transmission dependent and transmission owning Members. Each Sector shall be responsible for nominating their representative(s) and alternates from among the Directors. The Chair of the Board shall serve as Chair of the Executive Committee and shall conduct all meetings and shall be responsible for the preparation of the agenda. In the event that a representative on the Executive Committee is unable to complete a term, the Sector's alternate shall replace such representative.

6.2 **Ex Officio Representatives.** The Chair, Vice Chair, and Secretary-Treasurer of the Board of Directors shall also be ex officio representatives on the Executive Committee, but shall not have voting rights unless such Board Officer is also elected by a Sector to the Executive Committee pursuant to Section 6.1 above.

6.3 **Authority of Executive Committee.** Except as limited by Section 55A-8-25 of the North Carolina Nonprofit Corporation Act and Section 4.13 of these Bylaws, the Executive Committee is empowered to make all such decisions and take such actions as are deemed to be necessary for the operation of the Corporation.

6.4 **Action.** Each voting representative on the Executive Committee shall have one vote. The presence of three-quarters (3/4) of the voting representatives on the Executive Committee shall constitute a quorum. The positive vote of two-thirds

(2/3) of Executive Committee voting representatives present and voting is necessary to pass a particular action.

ARTICLE VII - OTHER COMMITTEES

7.1 **Designation by Board.** The Board of Directors, by resolution adopted by a Simple Majority vote, may designate Board committees and standing committees, as shall be necessary to address the purposes of the Corporation. Each Board committee shall have at least two Directors among its members.

7.2 **Rules for Governance.** Each committee shall adopt rules for its own governance that are not inconsistent with these Bylaws, rules adopted by the Board of Directors, applicable NERC or FERC rules or regulations, or applicable state or federal laws. Each committee shall maintain its rules for governance in a written scope document that is approved by the Board of Directors.

7.3 **Ad-Hoc Support Committees.** The Board or its committees may, from time to time, appoint ad-hoc committees to research and/or advise it on compliance or technical issues or matters, among other things. Such ad-hoc committees may be formed on an as-needed basis and may vary in makeup depending on the needs of the Board or its committees.

ARTICLE VIII - MISCELLANEOUS

8.1 **Conflicts of Interest.** All Directors, Alternate Directors, Customer Advisors, and Board committee representatives shall comply with the Corporation's Standards of Conduct policy that prohibits conflicts of interest, as such conflicts could cast doubt on the ability of such persons to act with total objectivity with regard to the overall interests of the Corporation.

8.2 **Contracts.** The Board of Directors may authorize any officer or agent of the Corporation, in addition to the officers so authorized by these Bylaws, to enter into any contract or execute and deliver any instrument in the name of and on behalf of the Corporation, and such authority may be general or confined to specific instances.

8.3 **Checks, Drafts, etc.** All checks, drafts, or orders for the payment of money, notes or other evidences of indebtedness issued in the name of the Corporation, shall be signed by an authorized officer or agent of the Corporation and in such manner as shall from time to time be determined by resolution of the Executive Committee. In the absence of such determination by the Executive Committee, such

instruments shall be signed by the Board's Secretary-Treasurer, the Corporation's President, or the Corporation's Finance Director, as stipulated by the Executive Committee. The Corporation's Finance Director may arrange audits of financial records, sign appropriate documents, and perform such duties normally performed by the Board's Secretary-Treasurer, except duties assigned to the Corporation's President.

8.4 **Deposits.** All funds of the Corporation shall be deposited from time to time to the credit of the Corporation in such banks, trust companies, or other depositories as the Corporation's President may select.

8.5 **Books and Records.** The Corporation shall keep correct and complete books and records of account and shall also keep minutes of the proceedings of the Board of Directors and committees having any of the authority of the Board of Directors, and shall keep at its registered or principal office a record giving the names and addresses of the Directors. All books and records of the Corporation may be inspected by any Director, or agent or attorney representing any Director, for any proper purpose at any reasonable time.

8.6 **Seal.** The corporate seal shall be in circular form and shall have inscribed thereon the name of the Corporation, the words "Corporate Seal", and such other word or words, if any, as may be determined by the Board of Directors to be inscribed thereon.

8.7 **Fiscal Year.** The fiscal year of the Corporation shall begin on the first day of January and end on the last day of December in each year.

ARTICLE IX - EXPENSES

9.1 **Allocation of Specific Expenses.** The expenses of Directors and Board Officers shall be borne by that person's regular employer.

9.2 **Statutory Functions.** The Corporation anticipates that as a general rule all of its expenses shall be incurred in the furtherance of statutory activities pursuant to Section 215 of the Federal Power Act, and that all such expenses shall be funded by NERC, subject to FERC approval.

9.3 **Non-Statutory Functions.** Notwithstanding Section 9.2, the Board of Directors may from time to time authorize the Corporation to participate in non-statutory activities (i.e., activities not described in Section 215 of the Federal Power Act). In the event that the Corporation proposes to engage in non-statutory activities, such activities shall be identified in the Corporation's annual business plan that is submitted to NERC and, if approved by NERC, shall be submitted to FERC for approval in advance of engaging in such non-statutory activities. The expenses incurred by the Corporation for

any such approved non-statutory activities shall be allocated by the Board of Directors to the beneficiaries of such activities on a basis proposed in the business plan submitted for NERC and FERC approval.

ARTICLE X - DISPUTE RESOLUTION PROCESS

10.1 **Dispute Resolution.** All disputes regarding non-compliance with Reliability Standards shall be handled in accordance with the NERC Rules of Procedure. The organizational units of the Corporation shall deal with all other disputes within the framework of their respective organizations. For such other disputes, Member Companies of the Corporation are encouraged to utilize the appropriate Dispute Resolution Process within the Corporation prior to seeking resolution at NERC, FERC, or with legal counsel.

ARTICLE XI - DISSOLUTION

11.1 **Dissolution.** The Corporation may be voluntarily dissolved upon unanimous consent of its Member Companies, and in accordance with Section 55A-14-02 of the North Carolina Nonprofit Corporation Act, as amended from time to time.

11.2 **Distribution of Assets.** Upon dissolution of the Corporation as provided in Section 11.1, the residual assets, after payment of all just obligations, shall be distributed exclusively to organizations which are exempt from federal income tax under ~~Section 501(c)(3)~~Section 501(c)(6) of the Internal Revenue Code of 1986, or corresponding provisions of any subsequent federal tax laws, as the Board of Directors shall determine, ~~or to federal, state, or local governments to be used exclusively for public purposes.~~

ARTICLE XII - WAIVER OF NOTICE

12.1 **Waiver.** Whenever any notice is required to be given under the provisions of the North Carolina Nonprofit Corporation Act or under the provisions of the articles of incorporation or the Bylaws of the Corporation, a waiver thereof in writing signed by the person or persons entitled to such notice, whether before or after the time stated therein, shall be deemed equivalent to the giving of such notice.

ARTICLE XIII - INDEMNIFICATION

13.1 **Indemnification of Directors, Alternate Directors, Customer Advisors, Committee Members, Officers, Employees and Agents.** Every person who is, or has served as, a Director, Alternate Director, Customer Advisor, committee member, Officer, ~~Director by virtue of serving as an Alternate Director,~~ employee, or agent of the Corporation shall be indemnified by the Corporation in the manner and to the extent authorized by the North Carolina Nonprofit Corporation Act. The foregoing rights of indemnification shall be without prejudice to any other rights to which any such Director, Alternate Director, Customer Advisor, committee member, Officer, ~~Alternate Director,~~ employee, or agent may be entitled as a matter of law.

ARTICLE XIV - AMENDMENT OF THE BYLAWS AND ARTICLES OF INCORPORATION

14.1 **Amendment of the Bylaws and Articles of Incorporation.** After a request by twenty percent (20%) of the Board of Directors or an affirmative vote of the Executive Committee, a proposal to amend the Bylaws or the Articles of Incorporation shall be put before the Board of Directors at any regular or special meeting for a vote. Copies of the proposed amendments shall be distributed to the Board of Directors at least thirty (30) days before the meeting at which they are to be considered. An amendment to the Bylaws or the Articles of Incorporation shall be adopted after being approved by a Supermajority vote of the Board of Directors, provided that a quorum is present.

CERTIFICATE OF SERVICE

I hereby certify that I have served a copy of the foregoing document upon all parties listed on the official service list compiled by the Secretary in this proceeding.

Dated at Washington, D.C. this 6th day of June, 2014.

/s/ Thomas DeVita

Thomas DeVita

*Counsel for North American Electric
Reliability Corporation*